

**AUNDE Faze Three Limited**

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**12<sup>th</sup> ANNUAL REPORT  
2008 - 2009**



**AUNDE Faze Three Limited**  
**(Formerly known as AUNDE Faze Three Autofab Limited)**

**12<sup>th</sup> ANNUAL REPORT FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2009**

- |  |   |   |
|--|---|---|
| 1. Date of Annual General Meeting            | : | Wednesday, 23 <sup>rd</sup> December 2009   |
| 2. Time and Venue                            | : | 12.00 Noon at Plot No. 146, Waghdhara Village Road, Dadra – 396 191<br>Union Territory of Dadra & Nagar Haveli.   |
| 3. Book Closure                              | : | Friday, 18 <sup>th</sup> December 2009 to Wednesday, 23 <sup>rd</sup> December 2009 (both days inclusive)   |
| 4. Investors' Complaints may be addressed to | : | Corporate Office:<br>AUNDE Faze Three Limited,<br>102, Shiv Smriti Chambers, 49-A,<br>Dr. Annie Besant Road, Worli,<br>Mumbai – 400 018<br>Phone : 022 6660 4600<br>Email: investors@aundefaze3.com |

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## **12th Annual Report 2008-2009**

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### **BOARD OF DIRECTORS**

|                    |                   |
|--------------------|-------------------|
| Mr. Ajay Anand     | Managing Director |
| Mr. Rolf Konigs    | Director          |
| Mr. Kapil Sethi    | Director          |
| Mr. R. J. Avadhani | Director          |

### **COMPLIANCE OFFICER**

|                   |                    |
|-------------------|--------------------|
| Mr. Ravindra Koli | Compliance Officer |
|-------------------|--------------------|

### **REGISTERED OFFICE**

Plot No. 146, Waghdhara Village,  
Dadra – 396191  
Union Territory of Dadra & Nagar Haveli.

### **CORPORATE OFFICE**

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

### **AUDITORS**

M/s Majibail & Co.  
Chartered Accountants  
Mumbai.

### **SOLICITORS**

Mahimkar & Mahimkar

### **BANKERS**

Canara Bank

### **REGISTRAR & SHARE TRANSFER AGENT**

Sharex Dynamic (India) P Ltd.  
Unit-1, Luthra Industrial Premises,  
Andheri – Kurla Road, Safed Pool,  
Andheri (East), Mumbai – 400 072.  
Phone: 022 2851 5606 / 5644  
Website: [www.sharexindia.com](http://www.sharexindia.com)  
Email: [sharexindia@vsnl.com](mailto:sharexindia@vsnl.com)



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**NOTICE**

**NOTICE** is hereby given that the 12<sup>th</sup> Annual General Meeting of the Members of **AUNDE Faze Three Limited**, will be held on Wednesday, 23<sup>rd</sup> December 2009 at Plot No. 146, Waghdhara Village Road, Dadra – 396 191, Union Territory of Dadra & Nagar Haveli at 12.00 noon to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 30<sup>th</sup> June 2009 and the Balance Sheet as at that date together with the Report of the Director's and the Auditors thereon.
2. To appoint a Director in place of Mr. Kapil Sethi, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS:**

4. To consider and if thought fit, to pass with or without modification/s, the following Resolution as an Ordinary Resolution:

**"RESOLVED FURTHER THAT** pursuant to the provisions of Section 198, 269, 309, 349, 350 and 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII as amended (including any amendment or re-enactment thereof), and the laws prevailing for the time being and subject to the approval of the Central Government, if required, and such alterations and modifications, if any, that may be effected pursuant to any change in policies, Acts or Laws, guidelines, rules and regulations relating to Managerial Remuneration or in response to any application(s) for review and reconsideration submitted by the Company in that behalf to the concerned authorities, if any, as may be necessary and subject to the approval by Members of the Company Mr. Ajay Anand be and is hereby re-appointed as Managing Director of the Company for a period of 5 years w. e. f. 01.04.2009 to 31.03.2014 under the terms and conditions set out in the draft agreement placed before the Board and initialed by the Chairman for the purpose of identification, with liberty to the Board of Directors of the Company to alter and vary the terms and conditions of the said re-appointment and/or agreement in such manner and to such extent as may be agreed between the Board of Directors and Mr. Ajay Anand so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any amendments thereto."

**FURTHER RESOLVED THAT** Mr. Kapil Sethi, and Mr. R. J. Avadhani Directors of the Company, be and are hereby authorised to do all such acts, deeds and things, as deemed necessary to give effect to the foregoing resolution(s).

5. To Consider and if, thought fit, to pass with or without modification, the following resolution as a Special Resolution.

**"RESOLVED** that pursuant to Section 198, 269, 309, other applicable provisions, if any, of the Companies Act (hereinafter referred to as the "Act") which shall include any statutory modification(s) or re-enactment(s) thereof read with Schedule XIII of the Act and in view of inadequacy or absence of profits in the financial year 2008-2009, the consent of the Company be and is hereby accorded to the Board for the payment of Managerial Remuneration to Mr. Ajay Anand, Managing Director of the Company.

**RESOLVED FURTHER THAT** the Board of Director of the Company (including the Committee of Directors) be and are hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as deemed necessary to give effect to the foregoing resolution"



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6. To Consider and if, thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. R. J. Avadhani, who was appointed as an Additional Director of the Company on 9<sup>th</sup> November 2009 under Articles of Association of the Company and who by virtue of Section 260 of the Companies Act, 1956, holds office upto the date of this Annual General Meeting, but being eligible, offers himself for re-appointment and in respect of whom the Company has received Notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation".

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

Place: Mumbai

Date : 27<sup>th</sup> November, 2009

(Ajay Anand)  
Managing Director

### Notes:

1. A MEMBER ENTITLED TO ATTEND & VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a Proxy, in order to be effective, should be deposited with the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he or she so wishes. A form of proxy is given at the end of the Annual Report.
3. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 are annexed hereto.
4. The Register of Members and the Share Transfer Registers of the Company shall remain closed from Friday, 18<sup>th</sup> December 2009 to Wednesday, 23<sup>rd</sup> December 2009 (both days inclusive).
5. Members are requested to intimate any change in their address to the Registrar and the Share Transfer Agent, Sharex Dynamic (India) Pvt. Ltd., Unit-1, Luthra Industrial Premises, Andheri – Kurla Road, Safed Pool, Andheri (East), Mumbai - 400 072. The Company or its Registrar cannot act on any request for change in the address received directly from the shareholders holding shares in electronic form. Such changes are to be advised only to the Depository Participant of the respective shareholders.
6. Documents referred to in any of the items in the Notice are available for inspection at the Registered Office of Company on any working day during business hours between 11.00 am to 1.00 pm.
7. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the meeting.
8. Members are requested to address all the correspondence/documents, invariably quoting their Registered Folio No. / Client ID relating to the Equity Shares held by them, directly to our Registrar and Share Transfer Agent, Sharex Dynamic (India) Pvt. Ltd., Unit-1, Luthra Industrial Premises, Andheri – Kurla Road, Safed Pool, Andheri (East), Mumbai - 400 072.
9. Members are requested to bring their copy of this Annual Report to the Meeting.
10. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
11. Brief resumes of Mr. Kapil Sethi, Director and Mr. R. J. Avadhani, Additional Director are given under the Corporate Governance Report.



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**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 4 & 5**

In order to provide fillip to the operations and business of the Company, both at national and international level, the Company appointed Mr. Ajay Anand as Managing Director w.e.f. 1<sup>st</sup> April, 2009 for a period of five years.

In view of the vast experience of Mr. Ajay Anand in the auto fabric / auto textile segment(s) in which the Company deals with and considering his contribution as Managing Director, the Board, vide a resolution passed at its meeting held on 23<sup>rd</sup> March, 2009, re-appointed Mr. Ajay Anand as Managing Director, on the terms and conditions as set out in this explanatory statement :

The salient features of the terms and conditions of re-appointment of Mr. Ajay Anand are as follows:

**I. Tenure of Appointment:**

Five years with effect from 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2014.

**II. Remuneration:**

- a) **Salary:** Rs. 3,00,000/- per month with an annual increase of Rs. 25,000/-, subject to a maximum of Rs 4,00,000/-
- b) **Provident Fund:** To the extent not taxable under the Income Tax Act, 1961.
- c) **Gratuity:** Payable as per the rules of the Company.
- d) **Leaves:** Allowable as per the rules of the Company.

In addition to the above, the Managing Director shall be provided with a car and telephone at his residence. The use of Company's car for official duties and telephone at residence, including payment for local calls and long distance official calls, shall be borne by the Company and the same shall not be included in the computation of perquisites for the purpose of calculating the ceiling.

**III. Minimum Remuneration:**

During the currency of the tenure of the Managing Director, if the Company has no profits or its profits are inadequate in any financial year, the Company shall pay remuneration by way of Salary and Perquisites not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 as may be amended from time to time.

**IV. Modification of Term:**

The terms and conditions of the appointment may, subject to the conditions laid down in Schedule XIII of the Companies Act, 1956, be altered and varied in such manner as may be agreed to between the Board and the Managing Director.

**V. Termination:**

The Agreement may be terminated by either party by giving three months' notice or three months' remuneration in lieu thereof to the other party.

Mr. Ajay Anand has been appointed as Managing Director for a period of 5 years from 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2014 and this is the first financial year that the Company has had inadequacy / absence of profits during his current tenure as Managing Director of the Company.

As required under Para (B) Section II Part II of Schedule XIII to the Companies Act, 1956, the relevant details to be sent along with the Notice calling the general meeting are as under:



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### Information about Mr. Ajay Anand

#### 1. Background details:

Mr. Ajay Anand is the Promoter and Managing Director of the Company and actively involved in the day-to-day management and administration of the Company. Mr. Ajay Anand has vast experience in the Auto textiles. He has made exceptional contribution towards Company's growth & development.

#### 2. Past remuneration:

##### i. Remuneration:

- a) **Salary:** Rs. 75,000/- per month with an annual increase of Rs. 5,000/-, subject to a maximum of Rs 95,000/-
- b) **Provident Fund:** To the extent not taxable under the Income Tax Act, 1961.
- c) **Gratuity:** Payable as per the rules of the Company.
- d) **Leaves:** Allowable as per the rules of the Company.

In addition to the above, the Managing Director shall be provided with a car and telephone at his residence. The use of Company's car for official duties and telephone at residence, including payment for local calls and long distance official calls, shall be borne by the Company and the same shall not be included in the computation of perquisites for the purpose of calculating the ceiling.

##### ii. Minimum Remuneration:

During the currency of the tenure of the Managing Director, if the Company has no profits or its profits are inadequate in any financial year, the Company shall pay remuneration by way of Salary and Perquisites not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 as may be amended from time to time.

##### iii. Modification of Term:

The terms and conditions of the appointment may, subject to the conditions laid down in Schedule XIII of the Companies Act, 1956, be altered and varied in such manner as may be agreed to between the Board and the Managing Director.

##### iv. Termination:

The Agreement may be terminated by either party by giving three months' notice or three months' remuneration in lieu thereof to the other party.

#### 3. Job Profile and his suitability

Mr. Ajay Anand is the Promoter and Managing Director of the Company and is actively involved in day-to-day management and administration of the Company. He is vested with substantial powers of management under the superintendence, control and direction of the Board of Directors. He is also involved in policy planning, vision and strategy and long-term development activities of the Company.

#### 4. Proposed Remuneration :

##### v. Remuneration:

- a) **Salary:** Rs. 3,00,000/- per month with an annual increase of Rs. 25,000/-, subject to a maximum of Rs 4,00,000/-
- b) **Provident Fund:** To the extent not taxable under the Income Tax Act, 1961.
- c) **Gratuity:** Payable as per the rules of the Company.
- d) **Leaves:** Allowable as per the rules of the Company.

In addition to the above, the Managing Director shall be provided with a car and telephone at his residence. The use of Company's car for official duties and telephone at residence, including



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payment for local calls and long distance official calls, shall be borne by the Company and the same shall not be included in the computation of perquisites for the purpose of calculating the ceiling.

**vi. Minimum Remuneration:**

During the currency of the tenure of the Managing Director, if the Company has no profits or its profits are inadequate in any financial year, the Company shall pay remuneration by way of Salary and Perquisites not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 as may be amended from time to time.

**vii. Modification of Term:**

The terms and conditions of the appointment may, subject to the conditions laid down in Schedule XIII of the Companies Act, 1956, be altered and varied in such manner as may be agreed to between the Board and the Managing Director.

**viii. Termination:**

The Agreement may be terminated by either party by giving three months' notice or three months' remuneration in lieu thereof to the other party.

**5. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:**

Besides the remuneration Mr. Ajay Anand does not have any pecuniary relationship with the Company.

None of the Directors of the Company except Mr. Ajay Anand, may be considered to be interested in the passing of this resolution.

The explanatory statement together with the accompanying notice should be treated as an Abstract of the terms and Memorandum of Interest of the Director under Section 302 of the Companies Act, 1956

The Directors recommend the passing of the resolution at item No. 4 & 5 of the accompanying Notice.

**Item No. 6**

Mr. R. J. Avadhani was appointed as Additional Director of the Company w. e. f. 09.11.2009 pursuant to Section 260 of the Companies Act, 1956. As per the term of appointment, his term as Director expires at the forthcoming Annual General Meeting. The Company in turn has received notices from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to appoint him as Director of the Company liable to retire by rotation. The Directors recommend his appointment in the best interests of the Company.

None of the Directors of the Company except Mr. R. J. Avadhani may be considered to be interested in the passing of this resolution.

The Directors recommend the passing of the resolution at item No. 6 of the accompanying Notice.

**By Order of the Board of Directors  
For AUNDE Faze Three Limited**

Place: Mumbai  
Date: 27<sup>th</sup> November 2009

**(Ajay Anand)  
Managing Director**





## 12th Annual Report 2008-2009

### DIRECTORS' REPORT

#### To the Members

Your Directors present the 12<sup>th</sup> Annual Report on the working of the Company, together with the Audited Accounts for the year ended 30<sup>th</sup> June 2009.

#### HIGHLIGHTS

#### FINANCIALS

|  | Rs./Lacs         |                  |
|--|------------------|------------------|
|  | <u>2008-2009</u> | <u>2007-2008</u> |
| Sales                                      | 3736.31          | 4504.16          |
| Profit before taxation                     | 5.52             | 283.42           |
| Less: Provision for Taxation current       | 3.48             | 32.11            |
| Provision for deferred Tax                 | 44.36            | 74.44            |
| Profit / (Loss) After Taxation             | (42.32)          | 176.86           |
| Balance brought forward from Previous Year | 189.14           | 312.27           |
| Profit available for appropriation         | 146.82           | 489.14           |
| Less: Transfer to General Reserve          | -                | 300.00           |
| Balance carried over to the next year      | 146.76           | 189.15           |

#### BUSINESS OVERVIEW

During the year under review, the Company accounted a total turnover of Rs. 3736.31 Lacs as compared to Rs. 4504.16 Lacs in 2007-08. The Company has earned a profit before tax of Rs. 5.52 Lacs as compared to Rs.283.42 in the year 2007-2008. During the year under review the Company suffered a loss of Rs.42.32 Lacs.

The global recessionary impact affected the domestic demand for the cars in the previous year. The steep rise in finance cost and cheaper imports from China and other Asian countries, the auto and the auto textile industries were adversely affected in turn reducing the profitability of the Company. Besides the rise in raw material, other input costs and operating costs have also affected the profitability of the Company.

#### FUTURE OUTLOOK

With economy gearing up which is having a positive impact on the automotive industry, the company is looking forward for healthy growth in the sales in auto textiles in the current fiscal year. The Company is in the process of launching new bands and products to add up by 2010 in the Car, Jeep, Van and Bus seat covers segments. AFTL is applying its resources to acquire best of technology, design and quality by tie-ups with Aunde Group Global. The AUNDE Group Global has in-house design developers and product engineers. Tie up with group will be advantageous to the Company for producing quality products with innovative designs.

#### DIVIDEND

In view of the losses for the year, the Board of Director's does not recommend any dividend during the year under review.

#### FIXED DEPOSITS

Your Company has not accepted any deposits from public in terms of the Companies (Acceptance of Deposits) Rules, 1975, and no amount of principal or interest was outstanding on the date of the Balance Sheet.

#### DIRECTORS

Mr. Kapil Sethi, Director of the Company retires by rotation at the ensuing Annual General Meeting pursuant to the provisions the Companies Act, 1956 and Articles of Association of the Company and is eligible for re-appointment.

Mr. R. J. Avadhani, who was appointed as additional director of the Company on 09.11.2009, holds the office as Director up to the date of ensuing Annual General Meeting and a Notice under Section 257 of the



Companies Act, 1956 has been received from a member proposing the appointment as a Director of the Company.

Mr. G. G. Prabhu, Non-executive independent Director, resigned from the Board w.e.f. 30.09.2009. The Board would like to place on record its appreciation for the valuable contribution made by Mr. G. G. Prabhu during his tenure as director of the Company.

## **PARTICULARS OF EMPLOYEES**

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**

Details of energy conservation and research and development activities undertaken by the Company alongwith the information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given as an Annexure to the Directors' Report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures;
- (ii) the Company has 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 Company has 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) these Accounts have been prepared on a "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, form part of this Annual Report.

## **AUDITORS**

M/s Majibail & Company, Chartered Accountants, who are the Statutory Auditors of the Company hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for the fiscal year 2009-10. M/s Majibail & Company have, under Section 224(1B) of the Companies Act, 1956 furnished the certificate of their eligibility for re-appointment.

## **ACKNOWLEDGEMENT**

The Directors gratefully acknowledge the valuable guidance and support extended by the Bankers and Financial Institutions.

The employees of the Company have continued to display their total commitment towards the pursuit of excellence. The Directors wish to convey their appreciation to all of the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's performance.

The Directors are also thankful to the shareholders for their faith and continued support in the endeavors of the Company.

Place: Mumbai  
Date: 27<sup>th</sup> November 2009

For and on behalf of the Board

Ajay Anand  
Managing Director



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### 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 Directors' Report for the year ended 30<sup>th</sup> June 2009.

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

- (i) Specific area in which R & D is carried by the Company:
  - Introduction of new products and improving the processes of existing products.
  - Development of new technology for our Autofab / Furnishing products.
  - Making new designs acceptable to 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 standards.
  - Reduction in cost and time cycle, better effluent management and utilizing indigenous products for offering finished products.
- (iii) Future Plan of Action
  - Development of products for indigenous market.
  - Substitute development of new designs of high value autofab / Furnishing products, which are currently imported.

#### 2. CONSERVATION OF ENERGY AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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<br>2008-09 | For the year<br>2007-08 |
|-------------|--|-------------------------|-------------------------|
| <b>A</b>    | <b>CONSERVATION OF ENERGY</b>                          |                         |                         |
|             | (i) Electricity  |                         |                         |
|             | A) Purchased   |                         |                         |
|             | Units (Lakhs)  | 20.34                   | 27.05                   |
|             | Total Cost (Rs. in Lakhs)                              | 85.62                   | 84.23                   |
|             | Rate Per Unit (Rs.)                                    | 4.21                    | 3.11                    |
|             | B) Own Generation (Thru DG Set)                        |                         |                         |
|             | Units (Lakhs)  | 0.87                    | 0.70                    |
|             | Total Cost (Rs. in Lakhs)                              | 15.95                   | 11.95                   |
|             | Rate Per Unit (Rs.)                                    | 18.32                   | 16.99                   |
|             | (ii) Coal, Firewood, Rice Husk etc.<br>(Qnty in Qntls) | NIL                     | NIL                     |
|             | Total Cost (Rs. in Lakhs)                              | NIL                     | NIL                     |
|             | Rate per Qntl. (Rs.)                                   | NIL                     | NIL                     |
| <b>B.</b>   | <b>FOREIGN EXCHANGE EARNINGS AND OUTGO</b>             | <b>2008-2009</b>        | <b>2007-2008</b>        |
|             | (Rs. in Lakhs)   |                         |                         |
|             | Total Foreign Exchange Earnings Earned                 | 48.76                   | -                       |
|             | Total Foreign Exchange Used                            | 650.30                  | 1590.86                 |

For and on behalf of the Board

Place: Mumbai  
Date: November 27, 2009

Ajay Anand  
Managing Director



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**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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**ECONOMY & BUSINESS OVERVIEW**

Financial markets worldwide underwent a severe slowdown after September 08 and affected the Auto Industry globally. Crippling liquidity and high interest rates slowed down the vehicle demand in India. The decline started in July 08 with a dip of 1.9% and thereafter the industry saw a major slowdown in October 2008. Business Analysts reported that the recession brought the growth to about 7-8% as against projected growth rate of 17%.

The Auto textile industry which relies on automotive industry was also affected by the slowdown in Auto industry. However, the Company is now looking forward to healthy growth with auto segment flourishing. The company is in the process of developing low cost fabrics by teaming with AUNDE Global Group. On the other hand the Company has successfully bagged orders of new models from Maruti Suzuki, Fiat, Hyundai, Ford, Mahindra & Mahindra, TATA World Truck and Volkswagen. From year 2010 the Company will be exporting fabrics to neighboring countries based on the global bids it has successfully bagged.

The team of designers is working on the changing global trends, innovative products to keep up the pace with international markets and to understand the dimensions of consumers to evaluate competing markets. The team is also working on to utilize its ability to introduce new performance fabrics in order to match the consumer perceptions and to enter in to niche markets.

Going forward the company is setting up cut & sew, embossing technology for manufacturing of Texttrims and Texttabs which will facilitate AUNDE to enter new market segments thereby having advantage over the competitors in the near future. It is also doing a very conservative capital investment to meet growth and demand.

With the Auto Industry showing rapid growth once again, AUNDE INDIA is now poised well to ride the growth.

**Internal Control Systems and its adequacy**

The Company has adequate internal control procedures commensurate with the size and nature of the business and an effective system of accounting to guarantee optimal use of its resources and protection thereof. The internal control system comprises of those controls established in order to provide reasonable assurance of safeguarding assets against unauthorized use or disruption and maintenance of proper accounting records and the reliability of financial information used within the business.

**Human Resources / Industrial Relations**

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

**Pollution and Environmental Controls**

The Company has made progress in improving energy efficiencies and waste management and has complied with all applicable environmental laws and regulations. Utmost safety and health of the people working in the premises of the Company is of prime importance to the management of the Company and management has taken all possible steps to ensure the same including providing the appropriate safety equipments at the work place.

**Cautionary Statement**

Statements in the Management Discussion and Analysis describing the Company's objective, 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 that expressed or implied herein.

Place : Mumbai  
Dated : November 27, 2009

For and on behalf of the Board

**Ajay Anand**  
Managing Director



## CORPORATE GOVERNANCE REPORT

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Strong corporate governance stands for sound management practices, transparency and disclosure. It encompasses not only the way in which the Company is being managed and deals with its stakeholders but also addresses all aspects of its relationship with the society.

The Board strives towards enhancement of shareholder's value through sound business decisions, prudent financial managements, high standards of ethics throughout the organization and ensure transparency and professionalism in all decisions and transactions of the Company.

### COMPOSITION OF BOARD OF DIRECTORS

The AFTL Board plays a pivotal role in ensuring good governance and acts in a democratic manner. The Board members have complete freedom to express their opinion and decisions are taken on the basis of consensus arrived after due deliberation.

The Board comprises of an optimum combination of independent professionals as well as Company Executives having in-depth knowledge of the business of the Industry. The size and composition of the Board conforms to the requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchange. Out of the total number of Four directors, one Director is "Non Independent Executive Director" and all other are "Independent and Non-Executive Directors".

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

During the year under review 8 Board Meetings were held on the following dates 31<sup>st</sup> July 2008, 30<sup>th</sup> September 2008, 31<sup>st</sup> October 2008, 15<sup>th</sup> November 2008, 27<sup>th</sup> January 2009, 30<sup>th</sup> March 2009, 29<sup>th</sup> April 2009 and 28<sup>th</sup> May 2009.

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

| Name                            | Category                    | Attendance Particulars  |                           | Total No. of Directorships and Committee Chairmanships / Memberships held* |          |        |
|---------------------------------|-----------------------------|-------------------------|---------------------------|--|----------|--------|
|                                 |                             | Board Meetings attended | Last AGM held on 11.12.08 | Director   | Chairman | Member |
| <u>Executive Director:</u>      |                             | -                       |                           |  |          |        |
| Mr. Ajay Anand                  | Executive & Non Independent | 8                       | N                         | 2  | —        | 3      |
| <u>Non-Executive Directors:</u> |                             | -                       |                           |  |          |        |
| Mr. G. G. Prabhu                | Non Executive & Independent | 8                       | Y                         | 2  | 2        | —      |
| Mr. Rolf Konigs                 | Non Executive & Independent | —                       | N                         | —  | —        | -      |
| Mr. Kapil Sethi                 | Non Executive & Independent | 5                       | N                         | —  | —        | -      |
| Mr. R. J. Avadhani              | Executive & Non Independent | —                       | —                         | 1  | —        | —      |

Excluding Private and Foreign Companies

## AUNDE Faze Three Limited



- Mr. G. G. Prabhu, Director resigned from the Board w.e.f. 30.09.2009

### Appointment / Re-appointment of Directors:

- Mr. Kapil Sethi, Director liable to retire by rotation, appointed as directors of the company.
- Mr. R. J. Avadhani was appointed as Additional Director w.e.f. 09.11.2009

### DETAILS OF DIRECTOR SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

|   |   |   |
|---|---|---|
| Name of the Director  | Mr. Kapil Sethi                                 | Mr. R. J. Avadhani                              |
| Date of Birth   | 5 <sup>th</sup> February 1963                   | 7 <sup>th</sup> January 1953                    |
| Date of appointment   | 31.10.2002                                      | 09.11.2009                                      |
| Qualifications  | B.Com Graduate, C.A.                            | B.Com, C. A.                                    |
| Expertise in specific functional area                           | Wide experience in Finance and Textile industry | Wide experience in Finance and Textile industry |
| Directorship held in other Public Companies                     | None  | None  |
| Membership/chairmanship of committees of other Public Companies | None  | None  |

### AUDIT COMMITTEE

The terms of reference of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreement.

The committee is headed under the stewardship of Mr. Kapil Sethi, an independent non-executive Director who has varied, and vast and multifarious experience in financial management, corporate affairs and accounting matters. Mr. Rolf Konigs, Mr. Ajay Anand and Mr. R. J. Avadhani are other members of the Committee, have requisite financial and management experience.

The terms of reference are broadly as under:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of statutory auditor, fixation of audit fee
- Approval of payment to statutory auditor for any other services rendered by the statutory auditors.
- Reviewing with management the annual financial statements before submission to the Board for approval with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgement by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Qualifications in draft audit report.
- Reviewing, with the management, the quarterly financial statement before submission to the Board for approval.



## 12th Annual Report 2008-2009

- Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors and significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- Discussion with external auditors before the audit commences, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- Recommendation of Dividend, if deemed appropriate.
- To look into the reasons for substantial defaults in payment, if any, to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividend) and creditors.

### Composition, Meetings and Attendance:

During the year 2008-09, 4 meetings of Audit Committee were held on 31<sup>st</sup> October 2008, 15<sup>th</sup> November 2008, 27<sup>th</sup> January 2009 & 29<sup>th</sup> April 2009. The GM (Finance) is the permanent invitee. The Chairman of the Audit Committee was present at the last AGM of the Company.

#### Attendance:

| S. No. | Name of the Member | Status   | No. of Meetings Attended |
|--------|--------------------|----------|--------------------------|
| 1.     | Mr. Kapil Sethi    | Chairman | 4                        |
| 2.     | Mr. Rolf Konigs    | Member   |                          |
| 3.     | Mr. Ajay Anand     | Member   | 4                        |
| 4.     | Mr. R. J. Avadhani | Member   | -                        |

Mr. Ravindra Koli, Compliance Officer of the Company acts as the Secretary to the Committee.

### SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

The terms of reference include to overseeing the redressal of Shareholders' / Investors' complaints / grievances pertaining to share transfers, non-receipt of annual reports, issue of duplicate share certificates, transmission (with or without legal representation) of shares, dematerialisation / rematerialisation and other miscellaneous complaints. The Committee is also empowered to review the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investor services, if required.

The Committee is headed by Mr. Kapil Sethi, Independent Director. The committee met 5 times during the year and all the members were at the meetings. The committee received routine complaints and they were attended promptly and were disposed off.

#### Composition:-

| S. No. | Name of the Member | Status                             | Designation |
|--------|--------------------|------------------------------------|-------------|
| 1.     | Mr. Kapil Sethi    | Non-Executive Independent Director | Member      |
| 2.     | Mr. Rolf Konigs    | Non-Executive Independent Director | Member      |
| 3.     | Mr. Ajay Anand     | Executive, Non-Independent         | Member      |
| 4.     | Mr. R. J. Avadhani | Executive Non-Independent Director | Member      |

Mr. Ravindra Koli, Compliance Officer of the Company acts as the Secretary to the Committee.

**SHARE TRANSFER COMMITTEE**

In order to expedite the process of share transfer and other related activities, the Share Transfer Committee has been empowered to approve the requests received for share transfer / transmission / transposition, issue of duplicate share certificates, sub-division/split, consolidation, re-materialization etc. These requests are processed through the Registrar and Share Transfer Agent, M/s Sharex Dynamic (India) Private Limited generally once in a fortnight. The details of transfers are reported to the Board of Directors at the ensuing Meeting.

Mr. Ravindra Koli, Compliance Officer acts as the secretary to the committee.

**REMUNERATION COMMITTEE:**

The Company has not constituted a separate committee to determine the terms of reference and remuneration package for its managerial personnel.

The Board of Directors determine the remuneration of the Whole-Time / Executive Directors within the framework as approved by the Shareholder / Central Government and as permissible under the Companies Act, 1956 and other laws as may be applicable. The Board also determines the amount of sitting fees to be paid to the Non-Executive Directors for attending the Board Meetings.

The details of remuneration paid to Executive Director during the Financial Year 2008-2009 is given as follows:

| <u>Director</u> | <u>Designation</u> | <u>Remuneration<br/>(including all<br/>perquisites) Rs.</u> | <u>Service Contract</u> |
|-----------------|--------------------|---|-------------------------|
| Mr. Ajay Anand  | Managing Director  | 19,80,000/-   | 5years                  |

No sitting fee was paid to the Managing Director for attending meetings of the Board.

The details of remuneration paid to Non-Executive Directors during the period under review are as follows (The Non-Executive Directors are not entitled to any remuneration, whatsoever, except sitting fees): -

| <u>Sr. No.</u> | <u>Name of the Non-Executive Director</u> | <u>Sitting Fees (Rs.)</u> |
|----------------|---|---------------------------|
| 1.             | Mr. G. G. Prabhu                          | 16,000/-                  |
| 2.             | Mr. Rolf Konigs                           | -                         |
| 3.             | Mr. Kapil Sethi                           | 8,000/-                   |
| TOTAL          |   | 24,000/-                  |

**DETAILS OF GENERAL BODY MEETINGS:-**

Location and time, where last three AGMs held:

| <u>Year</u> | <u>Location</u>  | <u>Date</u>                    | <u>Time</u> |
|-------------|--|--------------------------------|-------------|
| 2005-06     | Plot no. 146, Waghdhara Village, Dadra- 396 191, Union Territory of Dadra & Nagar Haveli | 29 <sup>th</sup> December 2006 | 12.30 PM    |
| 2006-07     | Plot no. 146, Waghdhara Village, Dadra- 396 191, Union Territory of Dadra & Nagar Haveli | 28 <sup>th</sup> December 2007 | 12.30 PM    |
| 2007-08     | Plot no. 146, Waghdhara Village, Dadra- 396 191, Union Territory of Dadra & Nagar Haveli | 11 <sup>th</sup> December 2008 | 2.00 PM     |





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- No special resolution was passed in the aforesaid Annual General Meetings.
- The Members of the Company passed the resolution to shift its registered office from the state of Maharashtra to the state of Gujarat through Postal Ballot as required under Section 192A of the Companies Act, 1956.

### Other Information:

#### a) Risk Management Framework:

The Company has laid down procedures to inform Board Members about the risk assessment and minimization. These procedures are periodical reviews to ensure that risk is controlled by the Management through the means of a properly laid-out framework.

The risk management framework and reporting regime enables the Company to proactively assess and demonstrate whether its significant risks are properly identified and controlled and to potentially eliminate unnecessary control related overheads. The programme is built upon the foundation of the existing risk management process and practices of the Company and has evolved a structured approach for risk management to manage significant risks faced by the Company.

#### 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. The declaration of Managing Director is given below:

**To the Shareholders of  
AUNDE Faze Three Limited**

**Sub: Compliances with Code of Conduct**

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

**Place: Mumbai  
Date: 27<sup>th</sup> November 2009**

**Ajay Anand  
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 AUNDE Faze Three Limited

Dear Sirs,

#### Sub: CEO/CFO Certificate

We have reviewed the financial statements, read with the cash flow statement of AUNDE Faze Three Limited for the year ended June 30<sup>th</sup> 2009 and that to the best of our knowledge and belief, we state that:-

- (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,

Ravindra A. Koli  
GM-Finance

Ajay Anand  
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.

#### **Disclosures:**

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

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

The Company has been providing the Chairman of the Company with the resources required to implement its role.

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 regularly intimates un-audited as well as audited financial results to the Stock-Exchange(s), immediately after these are taken on record/approved. The Company publishes its annual, half yearly and the quarterly financial results in the following Newspapers:

- (i) The DNA (English)
- (ii) Divya Bhaskar (Gujarati)

Company's results and official news releases, if any, are also displayed on the Company's website [www.aundefaze3.com](http://www.aundefaze3.com).

The information required under the Management Discussion and Analysis Report forms part of the Annual Report. All matters pertaining to industry structure and developments, opportunities and threats, segment/product wise performance, outlook, risks and concerns, internal control systems and its adequacy,



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discussion on financial and operational performance and material developments in human resources are discussed in the said report.

### SHAREHOLDERS INFORMATION

Date: Wednesday 23<sup>rd</sup> December 2009  
Time: 12.00 noon  
Venue: Plot No. 146, Waghdhara Village, Dadra – 396 191, Union Territory of Dadra & Nagar Haveli

### COMPANY'S FINANCIAL YEAR

1st July to 30<sup>th</sup> June

### FINANCIAL CALENDAR FOR 2009-10 (TENTATIVE)

Adoption of Quarterly Results for the Quarter ending:

|                    |                           |
|--------------------|---------------------------|
| September 30, 2009 | Last week of October 2009 |
| December 31, 2009  | Last week of January 2010 |
| March 31, 2010     | Last week of April 2010   |
| June 30, 2010      | Last week of July 2010    |

### DATE OF BOOK CLOSURE

From 18<sup>th</sup> December 2009 till 23<sup>rd</sup> December 2009 (both days inclusive)

### LISTING ON STOCK EXCHANGES

The Bombay Stock Exchange Limited (BSE)

### STOCK CODE

532459 on (BSE)

### INTERNATIONAL SECURITIES IDENTIFICATION NO. (ISIN)

INE 207D01017 (with NSDL & CDSL)

### REGISTRAR AND TRANSFER AGENT (RTA)

M/s Sharex Dynamic (I) P Ltd,  
Unit-1, Luthra Industrial Premises,  
Andheri-Kurla Road, Safed Pool,  
Andheri (E), Mumbai – 400 072,  
Telephone Nos. 022- 2851 5606/5644/6338

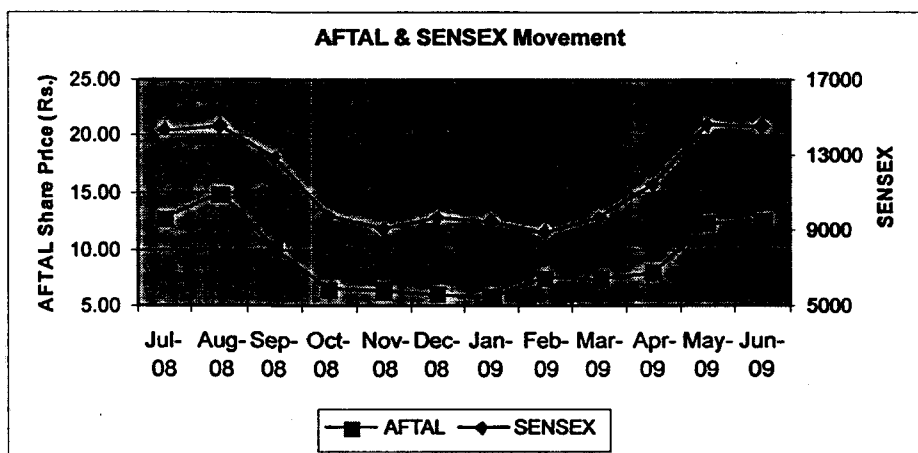
### ADDRESS FOR CORRESPONDENCE

Corporate Office,  
AUNDE Faze Three Limited,  
102, Shiv Smriti Chambers,  
49-A, Dr. Annie Besant Road,  
Worli, Mumbai – 400 018.  
Phone 022 6660 4600

DESIGNATED E-MAIL ID : [investors@aundefaze3.com](mailto:investors@aundefaze3.com)


**STOCK MARKET INFORMATION**

| Month          | Month's High Price | Month's Low Price | Volume | BSE Sensex High | BSE Sensex Low |
|----------------|--------------------|-------------------|--------|-----------------|----------------|
| July 2008      | 15.35-             | 12.60             | 8004   | 15130.09        | 12514.02       |
| August 2008    | 15.94              | 12.75             | 16008  | 15579.78        | 14002.43       |
| September 2008 | 15.30              | 10.05             | 11576  | 15107.01        | 12153.55       |
| October 2008   | 10.25              | 6.37              | 21984  | 13203.86        | 7697.39        |
| November 2008  | 7.07               | 5.75              | 4859   | 10945.41        | 8316.39        |
| December 2008  | 7.54               | 6.01              | 27284  | 10188.54        | 467.43         |
| January 2009   | 6.53               | 5.71              | 3566   | 10469.72        | 8631.60        |
| February 2009  | 7.40               | 6.09              | 2062   | 9724.87         | 8619.22        |
| March 2009     | 7.77               | 6.80              | 16486  | 10127.09        | 8047.17        |
| April 2009     | 8.75               | 7.00              | 17773  | 11492.10        | 9546.29        |
| May 2009       | 12.27              | 7.61              | 28364  | 14930.54        | 11621.30       |
| June 2009      | 13.75              | 11.30             | 10963  | 15600.30        | 14016.95       |


**Distribution of Shareholding as on June 30<sup>th</sup> 2009**

| Sr. No.      | No. of Equity Shares held |        | Shareholders |               | Shareholding    |               |
|--------------|---------------------------|--------|--------------|---------------|-----------------|---------------|
|              | From                      | To     | Nos.         | %             | Nos.            | %             |
| 1            | Upto                      | 100    | 313          | 15.88         | 21210           | 0.20          |
| 2            | 101                       | 200    | 1022         | 51.85         | 158329          | 1.48          |
| 3            | 201                       | 500    | 346          | 17.55         | 127064          | 1.18          |
| 4            | 501                       | 1000   | 123          | 6.24          | 95312           | 0.89          |
| 5            | 1001                      | 5000   | 118          | 5.99          | 261768          | 2.44          |
| 6            | 5001                      | 10000  | 20           | 1.01          | 138290          | 1.29          |
| 7            | 10001                     | 100000 | 21           | 1.07          | 664083          | 6.19          |
| 8            | 100001 and above          |        | 8            | 0.41          | 9257151         | 86.33         |
| <b>TOTAL</b> |                           |        | <b>1971</b>  | <b>100.00</b> | <b>10723207</b> | <b>100.00</b> |



## 12th Annual Report 2008-2009

Shareholding Pattern as on June 30<sup>th</sup> 2009

| Category code | Category of Shareholder                    | Total no. of shares | Percentage of Shareholding |
|---------------|--|---------------------|----------------------------|
| <b>(A)</b>    | <b>Promoter and Promoter Group Holding</b> |                     |                            |
| 1             | Indian Promoters                           | 4591200             | 42.82                      |
|               | Foreign Promoters                          | 4591200             | 42.82                      |
| 2.            | Persons acting in concert                  | -                   | -                          |
|               | <b>Sub Total (A)</b>                       | <b>9182400</b>      | <b>85.63</b>               |
| <b>(B)</b>    | <b>Non-Promoter shareholding</b>           |                     |                            |
| 1             | <b>Institutions</b>                        |                     |                            |
| (a)           | Mutual Funds/ UTI                          | 150                 | 0.001                      |
| (b)           | Financial Institutions / Banks             | 150                 | 0.001                      |
| (c)           | Central Government/ State Government(s)    | -                   | -                          |
| (d)           | Venture Capital Funds                      | -                   | -                          |
| (e)           | Insurance Companies                        | -                   | -                          |
|               | <b>Sub-Total (B)</b>                       | <b>300</b>          | <b>0.002</b>               |
| <b>(C)</b>    | <b>Non-institutions</b>                    |                     |                            |
| (a)           | Private Bodies Corporate                   | 388211              | 3.62                       |
| (b)           | Individuals                                | 1151696             | 10.74                      |
| (c)           | Any Other (Clearing Member)                | -                   | -                          |
| (d)           | NRI  | 600                 | 0.01                       |
|               | <b>Sub-Total (C)</b>                       | <b>1540507</b>      | <b>14.37</b>               |
|               | <b>GRAND TOTAL (A)+(B)+(C)</b>             | <b>10723207</b>     | <b>100</b>                 |

For and on behalf of the Board

Place: Mumbai

Dated: 27<sup>th</sup> November , 2009

**Ajay Anand**  
Managing Director



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**AUDITOR'S REPORT ON CORPORATE GOVERNANCE**

**To The Members of  
Aunde Faze Three Limited**

We have examined the compliance of conditions of corporate governance by AUNDE Faze Three Limited as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement and that no investor grievance(s) is/ are pending for a period exceeding one month against the Company.

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

**For MAJIBAIL & CO.  
CHARTERED ACCOUNTANTS**

Place: Mumbai  
Date: November 27, 2009

**M. V. RAO**  
Proprietor  
Membership No. 7082



## 12th Annual Report 2008-2009

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### AUDITORS' REPORT

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To  
The Members of  
Aunde Faze Three Ltd.  
Mumbai

We have audited the attached Balance Sheet of Aunde Faze Three Ltd, as at 30<sup>th</sup> June 2009 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit
  - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books
  - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account
  - d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e) On the basis of written representations received from the Directors, as on 30<sup>th</sup> June, 2009 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30<sup>th</sup> June, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account read together with the Accounting Policies and Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
    - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 30<sup>th</sup> June, 2009,
    - ii. In the case of Profit and Loss Account, of the Loss for the year ended on that date, and
    - iii. In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

MAJIBAIL & CO.  
Chartered Accountants

Place: Mumbai  
Dated: 27<sup>th</sup> November, 2009

M.V.RAO  
Proprietor  
Membership No.7082



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**ANNEXURE TO AUDITORS' REPORT**

Referred to in paragraph 1 of the Auditor' Report of even date to the members of Aunde Faze Three Ltd. on the financial statements for the year ended 30<sup>th</sup> June, 2009.

**i. In respect of Fixed Assets**

- a) The Company is maintaining proper records showing full particulars including quantitative details and situation of its Fixed Assets.
- b) As explained to us the major Fixed Assets have been physically verified by the Management at reasonable intervals during the year. As per the information given to us no material discrepancy has been noticed on such verification.
- c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.

**ii. In respect of Inventories**

- a) As informed to us, physical verification of finished goods, stores, spare parts and raw materials have 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 stocks 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 inventories and as explained to us, there were no material discrepancies noticed between the physical stocks and book record.

**iii. In respect of loans, Secured or Unsecured, granted or taken by the Company to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956:**

- a) Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has taken unsecured loan of Rs.594/- Lacs from company listed in a Register maintained under Section 301 of the Companies Act, 1956. The Company has not granted any loan to any companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- b) As per the information and explanations given to us, rate of interest and the terms and conditions of the said loan taken, is not prima facie prejudicial to the interest of the Company.
- c) As explained to us no amount of principal & interest has become due for payment during the current year.
- d) In view of our comment in (c) above, Para 4(iii)(d) of the Order is not applicable to the Company.

**iv. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major 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.





## 12th Annual Report 2008-2009

- b) In our opinion and according to the information & explanation 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 Lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sec 58A and 58AA of the Act and the Rules framed there under.
- vii. In our opinion, the Company has an Internal Audit System, which is commensurate with the size and nature of its business.
- viii. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.
- ix. In respect of Statutory dues
- a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Income- Tax, Sales-Tax, Wealth-Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 30<sup>th</sup> June 2009 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 company do not have disputed liability towards the statutory dues including dues of Provident Fund, Income-Tax, Sales-Tax, Wealth-Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities except as given below:

| Particulars                          | Assessment years to which the matter pertains to | Forum where dispute is pending | Amount (Rs. in lakhs) |
|--------------------------------------|--|--------------------------------|-----------------------|
| Excise Duty AED (T&TA)               | 2001 to 2004                                     | High Court                     | 30.09                 |
| Excise Duty – Textile committee cess | 2006 to 2008                                     | Textile Committee              | 3.63                  |
| Income Tax                           | 2006-2007  | CIT (Appeals)                  | 66.50                 |
| Fringe Benefit Tax                   | 2006-2007  | CIT (Appeals)                  | 0.41                  |

- x. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi. Based on our audit procedures and according to the information and explanations given to us we are of the opinion that the Company has not defaulted in repayment of dues to the financial institutions, banks or debenture holders.
- xii. In our opinion and according to the information and explanation given to us no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is engaged in manufacturing activity, and therefore the provisions of para 4(xiii) of the said order relating to a chit fund or a nidhi / mutual benefit fund / society are 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.

## **AUNDE Faze Three Limited**



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- xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. In our opinion and according to the information and explanations given to us, the term loan raised during the year was applied for the purposes for which it was obtained.
- xvii. On the overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, funds raised on short-term basis have not been used for long-term purposes and vice-versa.
- xviii. The Company has not made any preferential allotment of shares or issued debentures or made any public issue during the year, and, accordingly, para 4 (xiii), (xix) and (xx) of the said order are not applicable to the company.
- xix. 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.

**MAJIBAIL & CO.**  
Chartered Accountants

Place: Mumbai  
Dated: 27<sup>th</sup> November, 2009

**M.V.RAO**  
Proprietor  
Membership No.7082



## 12th Annual Report 2008-2009

| <b>BALANCE SHEET</b><br>as at June 30, 2009   | <b>Schedule</b> | <b>As At</b><br><b>30th June, 2009</b><br><b>[Rupees]</b> | <b>As At</b><br><b>30th June, 2008</b><br><b>[Rupees]</b> |
|---|-----------------|---|---|
| <b>I SOURCES OF FUNDS</b>   |                 |   |   |
| 1. Shareholder's Funds  |                 |   |   |
| (a) Share Capital   | I               | 107,232,070   | 107,232,070   |
| (b) Reserves and Surplus  | II              | 156,370,575   | 160,608,360   |
| 2. Loan Funds   |                 |   |   |
| (a) Secured Loans   | III             | 444,711,137   | 367,008,020   |
| (b) Unsecured Loans   | IV              | 127,518,000   | 127,518,000   |
| 3. Deferred Tax Liabilities   |                 | 46,575,000  | 42,139,000  |
| <b>TOTAL</b>  |                 | <b>882,406,782</b>  | <b>804,505,450</b>  |
| <b>II APPLICATIONS OF FUNDS</b>   |                 |   |   |
| 1. Fixed Assets   | V               |   |   |
| (a) Gross Block   |                 | 565,106,716   | 556,963,213   |
| (b) Less: Depreciation  |                 | 176,511,099   | 150,498,945   |
| (c) Net Block   |                 | 388,595,617   | 406,464,268   |
| (d) Capital Work-in-progress<br>Including Advances  |                 | 149,968,044   | 22,557,771  |
| 2. Current Assets, Loans & Advances<br>Less: Current Liabilities & Provisions<br>Net Current Assets | VI<br>VII       | 433,450,867<br>89,607,746<br>343,843,121                  | 432,164,716<br>56,681,305<br>375,483,411                  |
| <b>TOTAL</b>  |                 | <b>882,406,782</b>  | <b>804,505,450</b>  |
| <b>SIGNIFICANT ACCOUNTING POLICIES</b>  | <b>XVI</b>      |   |   |
| <b>NOTES FORMING PART OF ACCOUNTS</b>   | <b>XVII</b>     |   |   |

### SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.  
**MAJIBAIL & CO.**  
Chartered Accountants

For and on behalf of the Board

**M.V.RAO**  
Proprietor  
Membership No. 7082

**Ajay Anand**  
Managing Director

**Kapil Sethi**  
Director

Place : Mumbai  
Dated : 27th November 2009

# AUNDE Faze Three Limited



| <b>AUDITED PROFIT &amp; LOSS ACCOUNT<br/>FOR THE YEAR ENDED June 30, 2009</b> | <b>Schedule</b> | <b>Current Year<br/>[Rupees]</b> | <b>Previous Year<br/>[Rupees]</b> |
|---|-----------------|----------------------------------|-----------------------------------|
| <b>INCOME</b>   |                 |                                  |                                   |
| (a) Sales   | VIII            | 373,631,012                      | 450,415,744                       |
| (b) Other Income  | IX              | 2,967,721                        | 11,355,651                        |
| (c) Increase / (Decrease) in Stocks   | X               | 74,030,572                       | (19,766,232)                      |
| <b>TOTAL</b>  |                 | <b>450,629,305</b>               | <b>442,005,163</b>                |
| <b>EXPENDITURE</b>  |                 |                                  |                                   |
| (a) Material Cost   | XI              | 235,475,231                      | 198,636,944                       |
| (b) Employees Cost  | XII             | 25,274,199                       | 24,463,050                        |
| (c) Operating Expenses  | XIII            | 79,015,539                       | 64,476,672                        |
| (d) Admn. & Selling Expenses  | XIV             | 47,008,256                       | 61,974,074                        |
| (e) Interest [Net]  | XV              | 36,778,181                       | 38,135,640                        |
| (f) Depreciation  | V               | 26,525,934                       | 25,976,797                        |
| <b>TOTAL</b>  |                 | <b>450,077,340</b>               | <b>413,663,177</b>                |
| <b>PROFIT BEFORE TAX</b>  |                 | <b>551,965</b>                   | <b>28,341,986</b>                 |
| Provision for Income Tax  |                 | 62,600                           | 2,791,000                         |
| Provision for Deferred Tax  |                 | 4,436,000                        | 7,444,000                         |
| Provision for Fringe Benefit Tax  |                 | 286,000                          | 420,000                           |
| <b>PROFIT AFTER TAX</b>   |                 | <b>(4,232,635)</b>               | <b>17,686,986</b>                 |
| Add: Balance Brought Forward from Previous Year                               |                 | 18,914,638                       | 31,227,652                        |
| <b>Profit available for appropriation</b>                                     |                 | <b>14,682,003</b>                | <b>48,914,638</b>                 |
| <b>APPROPRIATIONS :</b>   |                 |                                  |                                   |
| Short Provision for Income Tax  |                 | 5,150                            | -                                 |
| Transferred to General Reserve.   |                 | -                                | 30,000,000                        |
| Balance Carried to Balance Sheet  |                 | 14,676,853                       | 18,914,638                        |
|   |                 | <b>14,682,003</b>                | <b>48,914,638</b>                 |
| <b>Earning per Share [Basic &amp; Diluted]</b>                                |                 | <b>(0.39)</b>                    | <b>1.65</b>                       |
| <b>SIGNIFICANT ACCOUNTING POLICIES</b>  | <b>XVI</b>      |                                  |                                   |
| <b>NOTES FORMING PART OF ACCOUNTS</b>   | <b>XVII</b>     |                                  |                                   |

## SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.  
**MAJIBAIL & CO.**  
Chartered Accountants

For and on behalf of the Board

**M.V.RAO**  
Proprietor  
Membership No. 7082

**Ajay Anand**  
Managing Director

**Kapil Sethi**  
Director

Place : Mumbai  
Dated : 27th November 2009



## 12th Annual Report 2008-2009

| <b>Cash flow Statement<br/>for the year ended 30th June, 2009</b>       | <b>Current Year<br/>ended 30/06/09<br/>[Rupees]</b> | <b>Current Year<br/>ended 30/06/08<br/>[Rupees]</b> |
|---|---|---|
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>                            |   |   |
| Net Profit before tax and extra ordinary items                          | 551,965   | 28,341,986  |
| Adjustments for:  |   |   |
| Depreciation  | 26,525,934  | 25,976,797  |
| Interest (Net)  | 36,778,181  | 38,135,640  |
| Loss/Profit on sale of assets   | (175,782)   | (154,814)   |
| Operating profit before working capital changes                         | 63,680,298  | 92,299,609  |
| Adjustments for:  |   |   |
| Trade and other receivables   | 31,697,122  | 12,062,673  |
| Inventories   | (71,675,792)  | 34,505,498  |
| Trade payables  | 32,926,441  | (79,108,016)  |
| Cash generated from operations  | 56,628,069  | 59,759,764  |
| Interest (Net)  | (23,658,972)  | (20,991,585)  |
| Direct Taxes Paid   | (1,838,971)   | (3,239,348)   |
| cash flow before extraordinary items                                    | 31,130,126  | 35,528,831  |
| Extra ordinary items  | -   | -   |
| Net cash flow from operating activities                                 | 31,130,126  | 35,528,831  |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>                            |   |   |
| Purchase of Fixed Assets & Capital Wip                                  | (137,089,974)                                       | (39,957,736)  |
| Sale of Fixed assets  | 1,198,200   | 1,288,000   |
| Net Cash used in investing activities                                   | (135,891,774)                                       | (38,669,736)  |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>                            |   |   |
| Borrowings Net  | 77,703,117  | 60,720,893  |
| Interest on Term Loans  | (13,119,209)  | (17,144,055)  |
| Net cash from financing activities                                      | 64,583,908  | 43,576,838  |
| <b>D Net Increase / (Decrease) in cash and cash equivalents [A+B+C]</b> | <b>(40,177,740)</b>                                 | <b>40,435,933</b>                                   |
| <b>E Cash and Cash equivalents [Opening]</b>                            | <b>as at 30-06-2008</b>                             | <b>as at 30-06-2007</b>                             |
| Cash in hand  | 289,169   | 39,764  |
| Cash at Bank  | 44,468,319  | 4,281,791   |
|   | 44,757,488  | 4,321,555   |
| <b>F Cash and Cash equivalents [Closing]</b>                            | <b>as at 30-06-2009</b>                             | <b>as at 30-06-2008</b>                             |
| Cash in hand  | 499,080   | 289,169   |
| Cash at Bank  | 4,080,668   | 44,468,319  |
|   | 4,579,748   | 44,757,488  |

{Note: Figures in bracket signifies "Outflow"}  
As per our report of even date.

**MAJIBAIL & CO.**  
Chartered Accountants

For and on behalf of the Board

**M.V.RAO**  
Proprietor  
Membership No. 7082  
Place : Mumbai  
Dated : 27th November' 2009

**Ajay Anand**  
Managing Director

**Kapil Sethi**  
Director

# AUNDE Faze Three Limited



## SCHEDULES TO THE AUDITED ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2009

|  | As At<br>30th June, 2009<br>[Rupees] | As At<br>30th June, 2008<br>[Rupees] |
|--|--------------------------------------|--------------------------------------|
|--|--------------------------------------|--------------------------------------|

### SCHEDULE - I

#### SHARE CAPITAL

##### Authorised :

110,00,000 (110,00,000) Equity Shares of Rs.10 Each

110,000,000

110,000,000

Issued, Subscribed & Paid up

\*1,07,23,207(10723207) Equity Shares Rs.10 each

107,232,070

107,232,070

107,232,070

107,232,070

\* of the above 61,32,000 Equity Shares of Rs.10 each  
issued at par to the shareholders of Faze Three Ltd.  
For consideration other than cash pursuant to the scheme  
of Arrangement.

### SCHEDULE - II

#### RESERVES & SURPLUS

141,693,722

111,693,722

##### General Reserve :

Add : Transfer from Profit and Loss Account

141,693,722

30,000,000

14,676,853

18,914,638

Surplus in Profit & Loss Account

156,370,575

160,608,360

### SCHEDULE - III

#### SECURED LOANS

##### From Bank :

Cash Credit:

123,248,583

-

In Rupee

133,639,818

211,200,000

In Foreign Currency (FCLR)

[Secured by hypothecation of Inventory - Raw Material,  
Semifinished goods & finished goods of Autofabrics  
including imported laminated & coated material & book debts.]

1,420,288

2,470,390

Other loans [Secured against hypothecation of Vehicles]

25,315,796

32,500,000

Canara Bank - Rupee Term Loan - 1

(Secured by hypothecation of imported and indigeneous  
Plant & Machineries of Rs.728.45 Lacs planned for project)

161,086,652

120,837,630

Canara Bank - Rupee Term Loan - 2

(Secured by hypothecation of imported and indigeneous  
Plant & Machineries of Rs.1703.74 Lacs planned for project)

444,711,137

367,008,020

### SCHEDULE - IV

#### UNSECURED LOANS

59,400,000

59,400,000

From a Company [Ref Note No.6]

68,118,000

68,118,000

From Foreign Collaborator

127,518,000

127,518,000



## SCHEDULE - V

| Particulars  | Gross Block        |                            |                          |                    | Depreciation             |                          |                    | Net Block          |                    |
|--|--------------------|----------------------------|--------------------------|--------------------|--------------------------|--------------------------|--------------------|--------------------|--------------------|
|  | As at<br>1-Jul-08  | Additions /<br>Adjustments | Disposal /<br>Adjustment | As at<br>30-Jun-09 | For the year<br>1-Jul-08 | Disposal /<br>Adjustment | Up to<br>30-Jun-09 | As at<br>30-Jun-09 | As at<br>30-Jun-08 |
| Land   | 22,378,994         | -                          | -                        | 22,378,994         | -                        | -                        | -                  | 22,378,994         | 22,378,994         |
| Building   | 90,939,523         | -                          | -                        | 90,939,523         | 2,995,649                | -                        | 22,641,249         | 68,298,274         | 71,293,923         |
| Plant & Machinery                                    | 388,873,455        | 6,182,856                  | -                        | 395,056,311        | 18,548,510               | -                        | 124,330,165        | 270,726,146        | 283,091,799        |
| Furniture & Fixtures                                 | 13,946,263         | 152,000                    | 18,200                   | 14,080,063         | 5,798,065                | 1,199                    | 6,710,329          | 7,369,734          | 8,148,199          |
| Office Equipments                                    | 11,252,610         | 954,416                    | -                        | 12,207,026         | 6,155,922                | -                        | 7,765,726          | 4,441,300          | 5,096,689          |
| Electrical Installation                              | 17,557,539         | -                          | -                        | 17,557,539         | 893,990                  | -                        | 6,571,467          | 10,986,072         | 11,880,062         |
| Vehicles   | 12,014,829         | 2,390,429                  | 1,517,998                | 12,887,260         | 1,564,518                | 512,581                  | 8,492,163          | 4,395,097          | 4,574,603          |
| <b>Total</b>   | <b>586,963,213</b> | <b>9,679,701</b>           | <b>1,536,198</b>         | <b>585,106,716</b> | <b>26,525,934</b>        | <b>513,780</b>           | <b>176,511,099</b> | <b>388,595,617</b> | <b>406,464,269</b> |
| Previous Year  | 533,913,498        | 25,287,121                 | 2,237,407                | 556,963,213        | 25,976,797               | 1,104,221                | 150,498,945        |                    |                    |
| Capital Work in process [Including Capital Advances] |                    |                            |                          |                    |                          |                          |                    |                    |                    |
|  |                    |                            |                          |                    |                          |                          |                    | 149,968,044        | 22,557,771         |
|  |                    |                            |                          |                    |                          |                          |                    | 538,563,661        | 429,022,040        |

# AUNDE Faze Three Limited



## SCHEDULES CONTD.

|  | As At<br>30th June, 2009<br>[Rupees] | As At<br>30th June, 2008<br>[Rupees] |
|--|--------------------------------------|--------------------------------------|
|--|--------------------------------------|--------------------------------------|

### SCHEDULE - VI

#### CURRENT ASSETS, LOANS & ADVANCES

##### CURRENT ASSETS :

##### STOCK IN TRADE :

[At cost/Estimated cost or at lower of cost or net realisable value (as certified by Director) as the case may be]

|                  |                    |                    |
|------------------|--------------------|--------------------|
| Spares & Stores  | 6,229,814          | 6,229,814          |
| Raw Materials    | 40,714,253         | 43,069,033         |
| Finished goods   | 173,422,757        | 95,905,858         |
| Work in Progress | 23,249,688         | 26,736,015         |
|                  | <u>243,616,512</u> | <u>171,940,720</u> |

##### SUNDRY DEBTORS :

(Unsecured Considered Good ) Over Six months

##### OTHERS :

|                    |                    |
|--------------------|--------------------|
| 12,677,332         | 6,672,682          |
| 138,795,581        | 137,431,955        |
| <u>151,472,914</u> | <u>144,104,637</u> |

##### CASH & BANK BALANCES :

|                               |                  |                   |
|-------------------------------|------------------|-------------------|
| Cash on Hand                  | 499,080          | 289,169           |
| Balance with Scheduled Bank : |                  |                   |
| On Current Account            | 3,488,068        | 43,137,719        |
| On Deposit Account            | 592,600          | 1,330,600         |
|                               | <u>4,579,748</u> | <u>44,757,488</u> |

##### LOANS & ADVANCES :

Unsecured - Considered Good

Advances recoverable in cash or in kind or for value to be recd.

Deposits

|                    |                    |
|--------------------|--------------------|
| 31,419,931         | 69,831,173         |
| 853,364            | 1,507,521          |
| <u>32,273,295</u>  | <u>71,338,694</u>  |
| 1,508,398          | 23,177             |
| <u>433,450,867</u> | <u>432,164,716</u> |

Advance Income Tax [net]

### SCHEDULE - VII

#### CURRENT LIABILITIES AND PROVISION

##### CURRENT LIABILITIES

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| Sundry Creditors  | 48,993,431        | 25,382,522        |
| Other Liabilities | 40,614,315        | 31,298,783        |
|                   | <u>89,607,746</u> | <u>56,681,305</u> |



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| <b>SCHEDULES CONTD.</b>                      | <b>Current Year<br/>[Rupees]</b> | <b>Previous Year<br/>[Rupees]</b> |
|--|----------------------------------|-----------------------------------|
| <b>SCHEDULE - VIII</b>                       |                                  |                                   |
| <b>SALES :</b>                               |                                  |                                   |
| Local  | 366,621,491                      | 450,415,744                       |
| Export                                       | <u>7,009,521</u>                 | <u>-</u>                          |
|  | <u><b>373,631,012</b></u>        | <u><b>450,415,744</b></u>         |
| <b>SCHEDULE - IX</b>                         |                                  |                                   |
| <b>OTHER INCOME</b>                          |                                  |                                   |
| Miscellaneous Income :                       | 2,879,448                        | 3,157,116                         |
| Difference in Exchange                       | <u>88,273</u>                    | <u>8,198,535</u>                  |
|  | <u><b>2,967,721</b></u>          | <u><b>11,355,651</b></u>          |
| <b>SCHEDULE - X</b>                          |                                  |                                   |
| <b>INCREASE / DECREASE IN STOCK :</b>        |                                  |                                   |
| Closing Stock - Finished Goods               | 173,422,757                      | 95,905,858                        |
| Closing Stock - WIP                          | <u>23,249,688</u>                | <u>26,736,015</u>                 |
|  | <u><b>196,672,445</b></u>        | <u><b>122,641,873</b></u>         |
| Less : Opening Stock - Finished Goods        | <u>95,905,858</u>                | <u>120,771,205</u>                |
| Less : Opening Stock - WIP                   | <u>26,736,015</u>                | <u>21,636,900</u>                 |
|  | <u><b>122,641,873</b></u>        | <u><b>142,408,105</b></u>         |
| <b>TOTAL [ Increase / (Decrease) ]</b>       | <u><b>74,030,572</b></u>         | <u><b>(19,766,232)</b></u>        |
| <b>SCHEDULE - XI</b>                         |                                  |                                   |
| <b>MATERIALS</b>                             |                                  |                                   |
| <b>MATERIALS CONSUMED :</b>                  |                                  |                                   |
| Opening Stock - Raw Material                 | 43,069,033                       | 58,271,738                        |
| Add : Purchases of Raw material              | <u>233,120,451</u>               | <u>183,434,239</u>                |
|  | <u><b>276,189,484</b></u>        | <u><b>241,705,977</b></u>         |
| Less : Closing Stock Raw Material            | <u>40,714,253</u>                | <u>43,069,033</u>                 |
|  | <u><b>235,475,231</b></u>        | <u><b>198,636,944</b></u>         |
| <b>SCHEDULE - XII</b>                        |                                  |                                   |
| <b>EMPLOYEES COST</b>                        |                                  |                                   |
| Salaries & Wages                             | 24,084,796                       | 23,233,886                        |
| Contribution to Provident Fund & Other Funds | 722,169                          | 379,520                           |
| Staff Welfare Expenses                       | <u>467,234</u>                   | <u>849,644</u>                    |
|  | <u><b>25,274,199</b></u>         | <u><b>24,463,050</b></u>          |

# AUNDE Faze Three Limited



## SCHEDULES CONTD.

Current Year  
[Rupees]

Previous Year  
[Rupees]

### SCHEDULE - XIII

#### MANUFACTURING EXPENSES :

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Dyeing Expenses                | 36,439,213        | 30,708,740        |
| Processing & Finishing Charges | 19,027,555        | 15,164,433        |
| Repairs & Maintenance :        |                   |                   |
| Plant & Machinery              | 677,478           | 650,003           |
| Buildings                      | 188,065           | 165,737           |
| Others                         | 136,120           | 617,888           |
| Power and Fuel                 | 10,157,127        | 9,925,485         |
| Stores & Spares Consumed       | 6,161,462         | 2,183,737         |
| Other Manufacturing Expenses   | 6,228,519         | 5,060,649         |
|                                | <u>79,015,539</u> | <u>64,476,672</u> |

### SCHEDULE - XIV

#### ADMINISTRATIVE AND SELLING EXPENSES :

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Excise Duty                       | 21,660,546        | 36,540,423        |
| Auditors Remuneration :           |                   |                   |
| Statutory Audit Fees              | 71,798            | 61,798            |
| Tax Audit Fees                    | 33,090            | 28,090            |
| Certification Fees                | 33,708            | 33,708            |
| Travelling & Conveyance Expenses  | 1,692,021         | 2,287,762         |
| Insurance                         | 624,859           | 1,037,003         |
| Miscellaneous Expenses            | 4,298,377         | 6,209,506         |
| Rent Rates & Taxes                | 900,949           | 2,108,733         |
| Legal & Professional Fees         | 1,471,536         | 1,080,300         |
| Packing Material Expenses         | 2,799,561         | 3,190,260         |
| Business Promotion Expenses       | 428,839           | 581,685           |
| Directors Sitting Fees            | 24,000            | 18,000            |
| Selling & Forwarding Expenses     | 12,667,476        | 8,264,974         |
| Technical Know-How Fees / Royalty | 301,496           | 531,832           |
|                                   | <u>47,008,256</u> | <u>61,974,074</u> |

### SCHEDULE - XV

#### INTEREST [NET]

|  |                   |                   |
|--|-------------------|-------------------|
| Interest on Bank Borrowings and Bank charges | 27,623,425        | 23,358,131        |
| Interest - on term loans                     | 1,926,247         | 5,645,729         |
| Interest - Others                            | 11,192,962        | 11,498,326        |
|  | <u>40,742,634</u> | <u>40,502,186</u> |
| Less : Interest Received & Accrued           | 3,964,453         | 2,366,546         |
|  | <u>36,778,181</u> | <u>38,135,640</u> |



## 12th Annual Report 2008-2009

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### SCHEDULE XVI

#### SIGNIFICANT ACCOUNTING POLICIES:

**1 BASIS OF ACCOUNTING**

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

**2 FIXED ASSETS:**

- (a) Fixed Assets are stated at cost less accumulated depreciation. The Company capitalises all costs relating to the acquisitions and installations of fixed assets.
- (b) Capital work in progress includes all costs relating to the capital expenditure incurred on the Projects.

**3 DEPRECIATION:**

Depreciation on original cost has been provided under the Straight Line Method at the rates provided by Schedule XIV to the Companies Act, 1956. Except in the case of Motor Vehicles, for which the depreciation is charged on V.D.V.

**4 INVENTORIES:**

- (a) Raw Materials are valued at lower of cost and net realisable value arrived at on FIFO basis.
- (b) Finished Products and Work in Process are valued at lower of cost and net realisable value arrived at on FIFO basis. Cost of finished products and work-in-process includes material cost, labour, direct expenses production overheads and excise duty, where applicable.

**5 SALES:**

Sales are inclusive of excise duty.

**6 FOREIGN CURRENCY TRANSACTIONS:**

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

**7 EXCISE DUTY:**

Excise duty at the applicable rates payable on products is accounted for at the time of despatch of goods but is accrued for stocks held at the close of financial year.

**8 RETIREMENT BENEFITS:**

Contribution to Provident Fund are charged to Profit & Loss Account.

**9 GRATUITY:**

No provision for gratuity has been made in the books of accounts.

**10 CONTINGENT LIABILITIES:**

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

**11 TAXES ON INCOME :**

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


**SCHEDULE XVII**
**NOTES TO THE FINANCIAL STATEMENTS**

1 In the absence of taxable income for the year ended on 30-06-2009, the company has made provision for tax under section 115JB of the Income Tax Act (MAT Tax) on book profits of the company.

2 The company has provided for Fringe Benefit Tax for the FY 2008-2009 for value of benefits for the period ended 31-03-2009 upto the date said tax is applicable.

|   | 2008-2009 | 2007-2008  |
|---|-----------|------------|
|   | Rupees    | Rupees     |
| 3 Managerial Remuneration:  |           |            |
| To Managing Director :  |           |            |
| Salaries & Allowances   | 1,980,000 | 1,380,000  |
| 4 Contingent Liabilities:   |           |            |
| a) Bank Guarantees  | 1,875,000 | 1,875,000  |
| b) Foreign Letter of Credits  | -         | 11,076,800 |
| c) Estimated amount of contracts remaining to be executed on capital account not provided for | 812,283   | 18,078,964 |

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

|   | 2008-2009           | 2007-2008           |
|---|---------------------|---------------------|
| (A) Details of Registered and Installed Capacities, |                     |                     |
| Licensed Capacity                                   | Not Applicable      | Not Applicable      |
| Installed Capacity                                  | 2,739,930 mtrs p.a. | 2,739,930 mtrs p.a. |
| Actual Production Autofabric                        | 1,321,741 mtrs      | 1,593,013 mtrs      |
| Actual Production Others                            | -                   | -                   |

| (B) Turnover:      | 2008-2009           |                    | 2007-2008           |                    |
|--------------------|---------------------|--------------------|---------------------|--------------------|
|                    | Quantity (in mtrs.) | Value (Rs.)        | Quantity (in mtrs.) | Value (Rs.)        |
| Class of Goods     |                     |                    |                     |                    |
| Automotive fabrics | 1,135,618           | 351,234,350        | 1,619,948           | 424,795,750        |
| Others             | -                   | 22,396,662         |                     | 25,619,994         |
|                    |                     | <u>373,631,012</u> |                     | <u>450,415,744</u> |



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|  |                        |                    |                         |                    |
|--|------------------------|--------------------|-------------------------|--------------------|
| (C) Itemwise Breakup of opening & closing stock  |                        |                    |                         |                    |
|  | As at 30.06.09         |                    | As at 30.06.08          |                    |
|  | Quantity (in mtrs.)    | Value (Rs.)        | Quantity (in mtrs.)     | Value (Rs.)        |
| Opening Stock:   |                        |                    |                         |                    |
| Auotmotive fabrics   | 790,371                | 95,905,858         | 916,108                 | 120,771,205        |
| Other fabrics ( for resale )   |                        |                    | -                       |                    |
| Closing Stock  |                        |                    |                         |                    |
| Auotmotive fabrics   | 1,060,594              | 173,422,757        | 790,371                 | 95,905,858         |
| Other fabrics ( for resale )   | -                      | -                  | -                       | -                  |
|  |                        | <u>173,422,757</u> |                         | <u>95,905,858</u>  |
| (D) Raw Materials Consummed  |                        |                    |                         |                    |
|  | 2008-2009              |                    | 2007-2008               |                    |
|  | Quantity               | Value (Rs.)        | Quantity                | Value (Rs.)        |
| Yarn   | Kgs 586,858            | 77,988,882         | 751,958                 | 84,083,319         |
| Foam   | Kgs 182,027            | 50,558,112         | 206,463                 | 65,360,755         |
| Tricot   | Kgs 67,274             | 12,540,316         | 52,475                  | 12,326,960         |
| Semi-finished - Woven fabrics  | Mtrs 43,826            | 9,151,980          | 187,009                 | 36,865,910         |
| Processed fabrics & Others   | Mtrs 401,345           | 85,235,941         | -                       | -                  |
|  |                        | <u>235,475,231</u> |                         | <u>198,636,944</u> |
| (E) Value of imported and indigenous Raw Materials, Stores & Spares consumed and their percentage to total consumption |                        |                    |                         |                    |
|  | Value (Rs.) Percentage |                    | Value (Rs.) Per centage |                    |
| 1 Raw materials  |                        |                    |                         |                    |
| Imported   | 55,627,905             | 24                 | 114,951,465             | 58                 |
| Indigenous   | 1,79,847,326           | 76                 | 83,685,479              | 42                 |
| 2 Stores & Spares  |                        |                    |                         |                    |
| Imported   | 1,489,321              | 24                 | 752,054                 | 34                 |
| Indigenous   | 4,672,141              | 76                 | 1,431,683               | 66                 |
| (F) CIF Value of Imports   |                        |                    |                         |                    |
|  | Value (Rs.)            |                    | Value (Rs.)             |                    |
| (a) Raw Materials  | 46,308,291             |                    | 73,413,170              |                    |
| (b) Components & Spare Parts   | 1,489,321              |                    | 801,377                 |                    |
| (c) Capital Goods  | 28,080,097             |                    | 18,984,128              |                    |
| (G) Expenditure in Foreign Currency:   |                        |                    |                         |                    |
| Travelling expenses  |                        | 514,786            |                         | 520,650            |
| Others   |                        | -                  |                         | -                  |
| (H) Earnings in Foreign Currency:  |                        |                    |                         |                    |
| FOB Value of Exports   |                        | 4,876,020          |                         |                    |



- 6 Unsecured Loan of Rs.59,400,000/- from a company is balance consideration payable to Faze Three Ltd. consequent to the implementation of the scheme of arrangement.
- 7 Sundry Creditors include Rs.8,84,406/- (previous year Rs.15,38,012/-) due to ancillary / small scale industrial undertakings to the extent such parties have been identified from available information. As at 30th June 2009, there were no small scale industrial undertaking to whom the company owes Rs.100,000/- or more and which are outstanding for more than 30 days.
- 8 Company does not have any scheme for leave encashment.
- 9 Segmental Reporting  
The Company has only one segment of activity namely 'Autofabrics'.
- 10 Related Party Disclosures

a) List of Related Parties and Relationship

| Name of the party   | Relationship |
|---------------------|--------------|
| M/s. Faze Three Ltd | Associate    |

b) Key Management Personnel

|                  |                   |
|------------------|-------------------|
| 1 Mr. Ajay Anand | Managing Director |
|------------------|-------------------|

c) Related Party transactions

|                                   | 2008-2009  | 2007-2008  |
|-----------------------------------|------------|------------|
| 1 Processing charges & other cost | 12,408,574 | 10,967,333 |
| 2 Purchase of woven fabric        | 4,233,208  | 33,209,959 |
| 3 Managerial Remuneration         | 1,980,000  | 1,380,000  |

11 Earning per share

Earning per share computed in accordance with Accounting standard 20: Earnings Per Share

|   |             |            |
|---|-------------|------------|
| Profit after Tax as per Accounts is Rs. | (4,232,635) | 17,686,986 |
| Number of Shares issued                 | 10,723,207  | 10,723,207 |
| Basic EPS (Rs.)                         | (0.39)      | 1.65       |

12 Deffered Tax asset (Net / Liability as on 30-06-2009

|  | Deferred Tax Assets / Liability (Rs.in Lacs) |                |
|--|--|----------------|
|  | as at 30-06-09                               | as at 30-06-08 |
| Deferred Tax Liabilities                               |  |                |
| On timing Difference between Book and Tax Depreciation | 525.26                                       | 492.34         |
| Deferred Tax Assets                                    |  |                |
| Carried Forward Losses as per Income Tax Act           | 59.51  | 70.96          |
| Net Deferred Tax Liabilities                           | 465.75                                       | 421.38         |

13 Previous year's figures have been regrouped/reclassified wherever necessary.



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### 14 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

|   |                       |                         |
|---|-----------------------|-------------------------|
| I | REGISTRATION DETAILS: |                         |
|   | CIN                   | : L17120DN1997PLC000196 |
|   | State Code            | : 04                    |
|   | Balance Sheet         | : 30th June 2009        |

|    |                                 |       |
|----|---------------------------------|-------|
| II | CAPITAL RAISED DURING THE YEAR: |       |
|    | (Amount Rs. in Thousands)       |       |
|    | Public Issue                    | : Nil |
|    | Rights Issue                    | : Nil |
|    | Private Placement               | : Nil |
|    | Bonus Issue                     | : Nil |

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

|  |                           |           |
|--|---------------------------|-----------|
|  | (Amount Rs. in Thousands) |           |
|  | Total Liabilities         | : 882,407 |
|  | Total assets              | : 882,407 |

|  |                        |           |
|--|------------------------|-----------|
|  | SOURCES OF FUNDS:      |           |
|  | Paid up Capital        | : 107,232 |
|  | Reserves & Surplus     | : 156,371 |
|  | Secured Loans          | : 444,711 |
|  | Unsecured Loans        | : 127,518 |
|  | Deferred Tax Liability | : 46,575  |
|  | Total                  | : 882,407 |

|  |                       |           |
|--|-----------------------|-----------|
|  | APPLICATION OF FUNDS: |           |
|  | Net Fixed Assets      | : 538,564 |
|  | Investments           | : -       |
|  | Net Current Assets    | : 343,843 |
|  | Misc. Expenditure     | : -       |
|  | Accumulated Losses    | : -       |
|  | Total                 | : 882,407 |

|    |                               |           |
|----|-------------------------------|-----------|
| IV | PERFORMANCE OF THE COMPANY:   |           |
|    | (Amount Rs. in Thousands)     |           |
|    | Turnover [incl. Other Income] | : 373,631 |
|    | Total Expenditure             | : 373,079 |
|    | Profit/(Loss) Before Tax      | : 552     |
|    | Profit/(Loss) After Tax       | : (4,233) |
|    | Earning Per Share (Rs.)       | : (0.39)  |
|    | Dividend Rate                 | : -       |

#### V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY [AS PER

|  |                          |   |
|--|--------------------------|---|
|  | MONETARY TERMS]:         |   |
|  | Item Code No. [ITC Code] | Product Description                           |
|  | 5903.20                  | Textile fabrics impregnated, coated laminated |
|  | 5406.10                  | Woven Fabrics not subject to any process      |
|  | 5406.29                  | Other Fabrics                                 |

#### SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.  
**MAJIBAIL & CO.**  
 Chartered Accountants

For and on behalf of the Board

**M. V. RAO**  
 Proprietor  
 Membership No. 7082  
 Place : Mumbai  
 Dated : 27th November 2009

**Ajay Anand**  
 Managing Director

**Kapil Sethi**  
 Director

## AUNDE Faze Three Limited



### AUNDE FAZE THREE LIMITED

Regd. Office: Plot No. 146, Waghdhara Village, Dadra – 396 191, Union Territory of Dadra & Nagar Haveli

#### 12<sup>th</sup> Annual General Meeting

#### ATTENDANCE SLIP

Folio No./  
Client ID  
No. of Shares:

I certify that I am registered shareholder/Proxy for the Registered Shareholder of the Company. I hereby record my presence at the 12<sup>th</sup> Annual General Meeting of AUNDE FAZE THREE LIMITED held on Wednesday, 23<sup>rd</sup> December 2009 at Plot No. 146, Waghdhara Village, Dadra – 396 191, Union Territory of Dadra & Nagar Haveli at 12.00 noon.

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

Full name of the Proxy \_\_\_\_\_

Regd Folio No. \_\_\_\_\_ No. of Shares \_\_\_\_\_

Signature of the Shareholder/Member/Proxy \_\_\_\_\_

#### Notes:

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

### AUNDE FAZE THREE LIMITED

Regd. Office: Plot No. 146, Waghdhara Village, Dadra – 396 191, Union Territory of Dadra & Nagar Haveli

#### PROXY FORM

I/We \_\_\_\_\_ of \_\_\_\_\_ being a

member/Members of AUNDE Faze Three Limited hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him \_\_\_\_\_ of

\_\_\_\_\_ or failing him \_\_\_\_\_ of

\_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 12<sup>th</sup> Annual General Meeting of the Company to be held on Wednesday, 23<sup>rd</sup> December 2009 at Plot No. 146, Waghdhara Village, Dadra – 396 191, Union Territory of Dadra & Nagar Haveli at 12.00 noon and at any adjournment thereof.

Signature: \_\_\_\_\_

Dated: \_\_\_\_\_

Affix Re. 1/-  
Revenue  
Stamp

Folio No./  
Client ID  
No. of Shares:

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



**BOOK-POST**

**To,**

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

**AUNDE FAZE THREE LIMITED**

**Corporate Office**

**1-2, Shiv Smriti Chambers,**

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

**Mumbai - 400 018.**