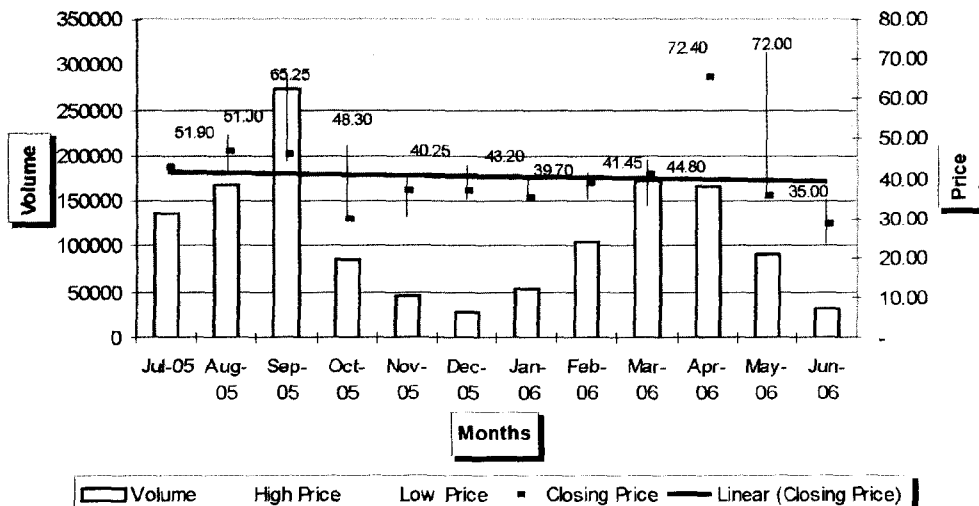


AUNDE Faze Three Autofab Limited



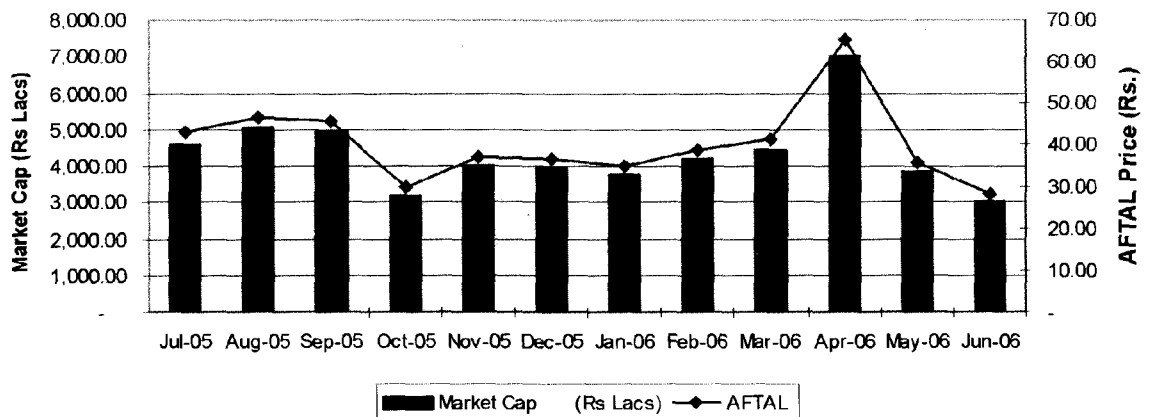
NINTH ANNUAL REPORT 2005-2006

The Performance of Company's Stock over the year



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The Stock Performance vis-a-vis Market Cap





AUNDE Faze Three Autofab Limited

AUNDE Faze Three Autofab Limited

ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE, 2006

- | | | |
|---|---|--|
| 1. Date of Annual General Meeting | : | Friday, 29th December 2006 |
| 2. Time and Venue | : | 12.30 p.m. at
Plot No. 146, Waghdhara Village,
Dadra – 396 191 Union Territory of
Dadra & Nagar Haveli. |
| 3. Book Closure | : | Friday 22nd December 2006
to Friday 29th December 2006 (Both Days
inclusive) |
| 4. Investors' Complaints may be
addressed to | : | The Secretarial Department,
AUNDE Faze Three Autofab Limited, 102,
Shiv Smriti Chambers, 49-A, Dr. Annie
Besant Road, Worli, Mumbai – 400 018
Phone : 022 6660 4600
022 2494 4854 |

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CONTENTS:

PAGE No.

Notice	3
Directors' Report	7
Management Discussion & Analysis Report	11
Corporate Governance Report	13
Auditors' Report	24
Balance Sheet	28
Profit & Loss Account	29
Cash Flow Statement	30
Schedules	31
Notes to the Financial Statements	37
Balance Sheet Abstract	40

9th Annual Report 2005-2006



AUNDE Faze Three Autofab Limited

ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE, 2006

Board of Directors

Mr. Ajay Anand
Managing Director

Mr. Rolf Konigs
Director

Mr. G. G. Prabhu
Director

Mr. Kapil Sethi
Director

Company Secretary
Mr. Gaurav Tongia

Auditors
M/s Majibail & Co.
Chartered Accountants
Mumbai

Solicitors
Mahimkar & Mahimkar

Bankers
Canara Bank
IDBI

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

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

Registrars And Share Transfer Agent
Sharex Dynamic (India) Pvt. Ltd.
Unit-1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri (East) , Mumbai-400 072.
Phone: 022 2851 5606 / 5644
E-mail: sharexindia@vsnl.com



AUNDE Faze Three Autofab Limited

NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of **AUNDE Faze Three Autofab Limited**, will be held on Friday, 29th December 2006 at the Plot No. 146, Waghdhara Village, Dadra – 396 191, Union Territory of Dadra & Nagar Haveli at 12.30 PM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 30th June 2006 and the Balance Sheet as at that date together with the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. G G Prabhu, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

4. **Ratification of revision in Managerial Remuneration of Mr. Ajay Anand, Managing Director**

To consider and, if thought fit, to pass with or without modification (as may be permissible), the following Resolution(s) as **Ordinary Resolution**

“RESOLVED THAT in partial modification of the Resolution passed at the Sixth Annual General Meeting held on March 31st 2004 and pursuant to the provisions of Section 198, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment or re-enactment thereof), and subject to the limits specified in Schedule XIII to the said Act 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, consent of the Company be and is hereby accorded towards payment of enhanced remuneration to Mr. Ajay Anand, Chairman and Managing Director of the Company with effect from 1st October 2006 to 31st March 2009 under the fresh agreement to be entered into by the Company with Mr. Ajay Anand, the terms and conditions of which are set out in the Explanatory Statement annexed to the notice convening this 9th Annual General Meeting, with authority to the Board of Directors of the Company to alter and vary the terms and conditions of the said 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.”

RESOLVED FURTHER THAT where in any financial year closing after passing of this resolution the Company has no profits or its profits are inadequate, the Company shall pay to Mr. Ajay Anand, by way of salary, perquisites and other allowances not exceeding the ceiling limit as specified under Section II of Part II of Schedule XIII to the Companies Act, 1956, as amended for the time being in force.

RESOLVED FURTHER THAT the Mr. G G Prabhu, Director and Mr. Gaurav Tongia, Company Secretary of the Company be and are hereby, jointly and severally, authorised to take such steps as may be necessary to give effect to this resolution.”

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

Place: Mumbai

Date : September 30th 2006

Gaurav Tongia
Company Secretary



9th Annual Report 2005-2006

Notes:

1. A MEMBER ENTITLED TO ATTEND & VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a Proxy, in order to be effective, should be deposited with the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he or she so wishes. A form of proxy is given at the end of the Annual Report.
3. The Register of Members and the Share Transfer Registers of the Company shall remain closed from Friday 22nd December 2006 to Friday 29th December 2006 (both days inclusive).
4. Members are requested to intimate any change in their address to the Registrars 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 Registrars cannot act on any request received directly from the shareholders holding shares in electronic form, for any change in the address. Such changes are to be advised only to the depository participant of the respective shareholders.
5. Documents referred to in any of the items in the Notice are available for inspection at the Registered Office of Company on any working day during Business Hours between 11.00 am to 1.00 pm.
6. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the meeting.
7. Members are requested to address all the correspondence/documents, invariably quoting their Registered Folio No. / 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.**
8. Members are requested to bring their copy of this Annual Report to the Meeting.
9. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
10. Brief resume of Mr. G G Prabhu, Director retiring by rotation, and eligible for re-appointment is given under the Corporate Governance Report.



AUNDE Faze Three Autofab Limited

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4

The members of the Company in the Sixth Annual General Meeting of the Company held on March 31st 2004 approved re-appointment of Mr. Ajay Anand as Managing Director of the Company on following terms and conditions:-

MR. AJAY ANAND, MANAGING DIRECTOR

Appointed on	1st April 2004
Tenure Expiring on	31st March 2009
Period of appointment	5 years

Other terms and conditions:-

The salary of the said Mr. Ajay Anand shall be Rs. 75,000/- per month commencing from 1st day of April 2004 with an annual increase of Rs 5000/- per month, subject to a maximum of Rs. 95,000/- per month.

Perquisites

1. Provision for use of the Company's car for official duties and telephone at residence, including payment for local calls and long distance official calls, shall not be included in the computation of perquisites for the purpose of calculating the ceiling.
2. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent these are singly or taken together, not taxable under the Income Tax Act, 1961. Gratuity payable as per the rules of the Company, one month's leave, as per the rules of the Company on full pay, for every eleven months of service and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites.
3. The terms and conditions set out for appointment herein and / or in the Agreement shall be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force on any amendments made thereto.
4. (a) The said Ajay Anand shall be entitled, for the purpose of business traveling to and from the place or places of Company's business, to receive air passage or air conditioned railway fare and first class hotel and other expenses and shall be entitled to all necessary expenses and servant's railway fare for one personal attendant.
(b) The said Mr. Ajay Anand will be entitled to reimbursement of all entertainment and other expenses actually and properly incurred for the business of the Company.
5. Minimum Remuneration:
 - a. 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.



9th Annual Report 2005-2006

6. 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.

7. Sitting Fees:

He shall not be paid any sitting fees for attending Board/Committee meetings.

The Board of Directors, in their meeting held on September 30th 2006, looking at the all-round performance of the Company, resolved to upward revise the remuneration of Mr. Ajay Anand, subject to approval of Members of the Company in the ensuing Annual General Meeting, as per details below. The said revision was made effective from October 2006 onwards.

"Remuneration

(i) Salary

Monthly salary of Rs 1,00,000/-.

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

The other terms and conditions of the appointment will remain un-altered.

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

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

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

Except Mr. Ajay Anand no other Director is interested in the resolution.

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

Place: **Mumbai**

Date : **September 30th 2006**

Gaurav Tongia
Company Secretary



AUNDE Faze Three Autofab Limited

DIRECTOR'S REPORT

To the Members

On behalf of the Board of Directors, I have great pleasure in presenting to you the Ninth Annual Report on the working of the Company, together with the Audited Accounts for the year ended 30th June 2006. It was yet another year of consistent all round performance by your Company.

HIGHLIGHTS: -

FINANCIAL

Rs./Lacs

	2005-06	2004-05
Sales & Other Income	6309.84	3813.60
Profit before taxation	443.12	332.86
Less: Provision for Taxation	41.13	28.34
Profit After Taxation	401.99	304.52
Balance brought forward from Previous Year	189.76	135.98
Profit available for appropriation	591.75	440.49
Less: Short Provision for Income Tax	0.48	—
Prior Period Charges	—	0.73
Transfer to General Reserve	300.00	250.00
Balance carried over to the next year	291.27	189.76

TURNOVER

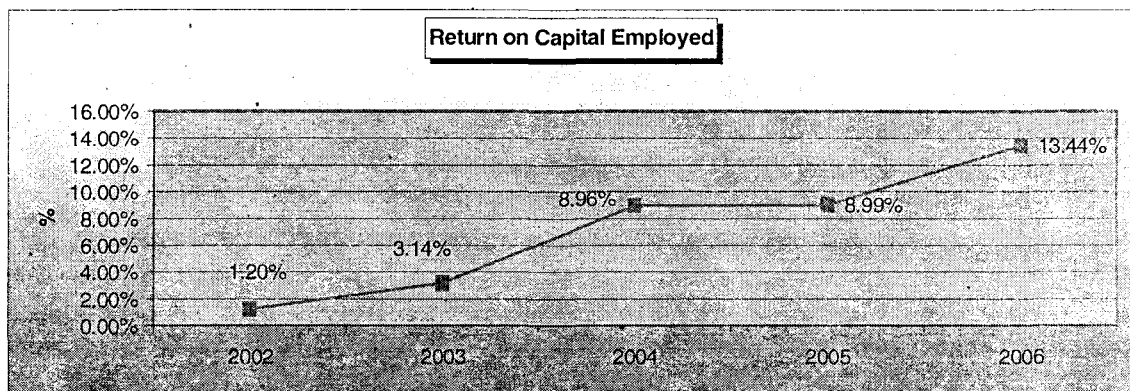
Your Company has achieved a total turnover of Rs. 6309.84 Lacs as compared to Rs. 3813.60 Lacs in 2004-05, thus registering a year on year growth of about 65%.

PROFIT

Your Company has earned gross profit of Rs. 443.12 Lacs as against Rs. 332.86 Lacs in 2004-05 and profit after tax of Rs. 401.99 Lacs as compared to Rs. 304.52 Lacs in 2004-05.

RETURN ON CAPITAL EMPLOYED

The return on Capital employed continued to record consistent increase and was 13.44% during the year under review as compared to 8.99% during the previous year.





9th Annual Report 2005-2006

EXPANSION PROGRAM UNDERTAKEN

The Company is planning an expansion program of Rs 3865 Lacs for which additional land (admeasuring 12.64 acres) in Saregam, Gujarat has already been acquired and registered in the name of the Company. The Company plans to build a factory building of 1,00,00 sq. ft. thereon.

The expansion also includes acquisition and installation of additional Dobby & Jacquard Looms, Warping Machine, Cut & Sew Machines, utilities and other equipments. This expansion will be partly funded through our bankers and margin money through internal accruals.

DIVIDEND

In order to conserve resources for strengthening the on-going project(s), your Directors do not recommend any dividend for 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.

SHIFTING OF REGISTERED OFFICE

The Registered Office of the Company was presently situated in the State of Maharashtra. Major activities of the Company were based at factory of the Company located at Plot No. 146, Waghdhara Village, Dadra – 39619, hence for administrative convenience it is felt that it will be advantageous to have the Registered office shifted to the factory of the Company at Plot No. 146, Waghdhara Village, Dadra – 396191, Union Territory of Dadra & Nagar Haveli.

Accordingly, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, consent of the members was accorded by means of voting by Postal Ballot in respect of shifting of Registered Office from the State of Maharashtra to Union Territory of Dadra & Nagar Haveli i.e. within the jurisdiction of the Registrar of Companies, Gujarat at Ahmedabad. The result of the postal ballot was declared on 10th March 2006 at the registered office and the said resolution was approved by requisite majority. The shifting of Registered Office from one State to the other was subsequently confirmed by the Company Law Board, Western Region Bench, Mumbai vide their order dated 5th June 2006. The registered office of the Company has been, thus shifted from 102, Shiv Smriti Chambers, 49-A, Dr. Annie Besant Road, Worli, Mumbai – 400 018 to Plot No. 146, Waghdhara Village, Dadra – 396191 at Union Territory of Dadra & Nagar Haveli with effect from 29th June 2006. The New Corporate Identity Number (CIN) allotted to the Company on the said shifting of Registered Office is L17120DN1997PLC000196.

DIRECTORS

Mr. G G Prabhu, 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.

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.