

**AUNDE Faze Three Limited**

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**ELEVENTH ANNUAL REPORT  
2007-2008**

**AUNDE Faze Three Limited**

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

**11th ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2008**

1. Date of Annual General Meeting : Thursday, 11th December, 2008
2. Time and Venue : 2.00 p.m. at Plot No. 146, Waghdhara Village Road, Dadra - 396 191  
Union Territory of Dadra & Nagar Haveli.
3. Book Closure : Thursday, 4th December 2008 to Thursday, 11th December 2008 (Both Days inclusive)
4. Investors' Complaints may be addressed to : Corporate Office:  
AUNDE Faze Three Limited, 102, Shiv Smriti Chambers, 49-A, Dr. Annie Besant Road, Worli, Mumbai - 400 018  
Phone : 022 6660 4600  
Email: investors@aundefaze3.com

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### BOARD OF DIRECTORS

|                 |                          |
|-----------------|--------------------------|
| Mr. Ajay Anand  | <i>Managing Director</i> |
| Mr. Rolf Konigs | <i>Director</i>          |
| Mr. G G Prabhu  | <i>Director</i>          |
| Mr. Kapil Sethi | <i>Director</i>          |

### COMPLIANCE OFFICER

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

### REGISTERED OFFICE

Plot No. 146, Waghdhara Village Road,  
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)



## AUNDE Faze Three Limited

### NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of AUNDE Faze Three Limited, will be held on Thursday, 11th December 2008 at the Plot No. 146, Waghdhara Village Road, Dadra - 396 191, Union Territory of Dadra & Nagar Haveli at 2.00 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 2008 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. Rolf Konigs, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

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

Place: Mumbai

Date : 15th November, 2008

G. G. Prabhu  
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 Register of Members and the Share Transfer Registers of the Company shall remain closed from Thursday, 4th December 2008 to Thursday, 11th December 2008 (both days inclusive).
4. 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.
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. Rolf Konigs, Director retiring by rotation, and eligible for re-appointment is given under the Corporate Governance Report.



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### DIRECTORS' REPORT

To the Members

On behalf of the Board of Directors, I have great pleasure in presenting to you the Eleventh Annual Report on the working of the Company, together with the Audited Accounts for the year ended 30th June 2008.

#### HIGHLIGHTS:-

#### FINANCIAL

|  |           | Rs./Lacs |
|--|-----------|----------|
|  | 2007-2008 | 2006-07  |
| Sales                                      | 4504.16   | 6999.73  |
| Profit before taxation                     | 283.42    | 432.02   |
| Less: Provision for Taxation current       | 27.91     | 44.86    |
| Provision for Deferred Tax                 | 74.44     | 62.24    |
| Provision for Fringe Benefit Tax           | 4.20      | 3.62     |
| Profit After Taxation                      | 176.87    | 321.30   |
| Balance brought forward from Previous Year | 312.28    | 291.27   |
| Profit available for appropriation         | 489.15    | 612.57   |
| Less: Short Provision for Income Tax       | -         | 0.29     |
| Prior Period Charges                       | -         | -        |
| Transfer to General Reserve                | 300.00    | 300.00   |
| Balance carried over to the next year      | 189.15    | 312.28   |

#### BUSINESS OVERVIEW

During the year under review, the Company accounted total turnover of Rs. 4504.16 Lacs as compared to Rs. 6999.73 Lacs in 2006-07. The Company has earned a profit before tax of Rs. 283.42 Lacs as compared to Rs. 432.02 in the year 2006-2007 and bringing in a net profit after tax of Rs. 176.87 Lacs against to Rs. 321.30 Lacs in the year 2006-2007.

#### FUTURE OUTLOOK

The Company has established its foothold in the auto textile sector and has now evolved by offering to manufacture diverse products to encompass not only autofabric sector but also other fabrics. The Company has expanded its product range to cover other product by covering railways, aircrafts and coaches. The expansion has moved in line with evolution in allied segments and it has sought to provide consumer allied product range in home furnishings, railways, aircrafts etc.

Plant capacity was augmented to adequately meet the growing demand and the technology changes, with addition of requisite equipment, re-orientation of production activity/ line and implanting certain manufacturing process controls and improvisation.

#### 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.

#### NAME CHANGE

The Company has extended its product range beyond automotive fabrics. The Company now providing fabrics for home furnishing, railways and coaches. Hence the change in the name of the Company by deleting words "Autofab" was desirable, as the said word no longer correctly reflects activities of the Company. Hence the Members of the Company at the Ex-ordinary General Meeting held on 24th May 2008 resolved to change the name of the Company from AUNDE Faze Three Autofab Limited to AUNDE Faze Three Limited.

During the financial year, the Company has received the Fresh Certificate of Change of Name of the Company to AUNDE FAZE THREE LIMITED from Registrar of Companies, Gujarat; Ahmadabad on 9th June, 2008.

#### 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.

**AUNDE Faze Three Limited****DIRECTORS**

Mr. Rolf Konigs, 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. Your Directors recommend re-appointment of the said Director. A brief resume of Mr. Rolf Konigs is forming the part of the Corporate Governance report.

**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 Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on 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 2008-09. 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.

For and on behalf of the Board

Place: Mumbai

Date: 15th November 2008

**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 30th June 2008.

#### 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 and overseas 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 2007-08 | For the year 2006-07 |
|--|----------------------|----------------------|
| <b>A CONSERVATION OF ENERGY</b>                        |                      |                      |
| (i) Electricity  |                      |                      |
| A) Purchased   |                      |                      |
| Units (Lakhs)  | 27.05                | 32.18                |
| Total Cost (Rs. in Lakhs)                              | 84.23                | 88.50                |
| Rate Per Unit (Rs.)                                    | 3.11                 | 2.75                 |
| B) Own Generation (Thru DG Set)                        |                      |                      |
| Units (Lakhs)  | 0.70                 | 0.67                 |
| Total Cost (Rs. in Lakhs)                              | 11.95                | 9.20                 |
| Rate Per Unit (Rs.)                                    | 16.99                | 13.73                |
| (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. FOREIGN EXCHANGE EARNINGS AND OUTGO</b>          |                      | (Rs. in Lakhs)       |
|  | <b>2007-2008</b>     | <b>2006-2007</b>     |
| Total Foreign Exchange Earnings Earned                 |                      | 1.88                 |
| Total Foreign Exchange Used                            | 937.19               | 2062.19              |

For and on behalf of the Board  
For AUNDE Faze Three Limited

Ajay Anand  
Managing Director

Place: Mumbai  
Date: November 15 2008



## AUNDE Faze Three Limited



### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### ECONOMY & BUSINESS OVERVIEW

The GDP growth for the fiscal year ending March 2008 was 8.7%. Due to slowing down of the Economy the GDP growth was lower than expected. Growth in textile is sluggish-about 9% for several years now. That's a far cry from the early 1990s when the sector witnessed robust growth year on year. The slowdown has prompted many a textile player to look at 'technical textiles', a hitherto unexplored segment, which analysts believe could be worth over \$15 billion by 2012, and command 12% market share by value globally.

The technical textiles industry is set for a major boom with predicting a yearly double-digit growth. Today, India uses around 4.5 million metres of automotive textiles a year, which is expected to go up to 10 million by 2011. The Company expects that by 2011, based on the cars being launched on global platform, the Company will be supplying 40% - 50% of the market. Since going forward the Company does not see new entrants of global repute, Company would also tap the growing demand of the expanding automobile industry. The Company would also increase its production and add new technology capabilities to cater to the growing needs of its customer base.

The number of cars produced in the country is expected to rise from the current 1.3 million units to over 3 million units by 2015. Considering the fact that each car requires around 4.5 meters of textiles, automotive textiles sector is expected to see substantial increase by end of the current Five Year Plan if the growth remains as projected.

India's government is promoting technical textiles and has allocated a budget of Rs 1,600 crores (for five years) to its promotion. While Technology Upgradation Fund Scheme (TUFS) doles out 5% subsidy for textile machines, additional incentive is expected to be vetted out.

Hence, in this era of globalization, the growth rate of the technical textile industry will be exponential. AUNDE Faze Three is setting up manufacturing of Textrim, Textab, and Seat Covers by 2009 for its upcoming projects, which no competitor has capabilities of.

#### Risk and Concerns

The Automotive textile industry finds itself battered on three counts - falling domestic demand, loss of export competitiveness due to rupee appreciation and competition from cheap imports from china and other asean countries.

Demand from the domestic commercial vehicle industry has declined, this in turn, is because of a steep rise in interest rates, which has made vehicle financing expensive. Overall, the vehicle industry fell 3.5 per cent in the first half of the current fiscal compared to the same period last year. The slowdown has resulted in direct impact on the production and domestic sales of the automotive textile manufactures. The strong rupee has made imports cheaper and a trend where imports are growing "ten times faster" than exports is evident.

#### 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 with in 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





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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.

For and on behalf of the Board

Place : Mumbai

Dated : November 15, 2008

**Ajay Anand**  
Managing Director

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## AUNDE Faze Three Limited



### 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 Company shall continue its endeavor to enhance its shareholders' value by protecting their interest by ensuring performance at all levels, and maximizing returns with minimal use of resources in its pursuit of excellence in corporate life. The Company shall comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. The Company shall strive hard to best serve the interests of its stakeholders including shareholders, customers, Government and society at large.

The Board strives towards enhancement of shareholders 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 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's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of setting forth corporate goals and supervision of corporate performance, it directs and guides the activities of the Management towards the pre-determined organizational goals and establishes accountability with a view to ensure that the corporate mission of creating a long term sustainable growth that translates itself into progress, prosperity and the fulfillment of shareholders aspirations, is achieved.

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 7 Board Meetings were held on the following dates 30th July 2007, 05th October 2007, 30th October 2007 16th November 2007, 31st January 2008, 19th April 2008 and 29th April 2008.