

THAKUR, VAIDYANATH AIYAR & CO.  
Chartered Accountants  
New Delhi, Mumbai, Kolkata, Patna,  
Chennai, Chandigarh and Secunderabad

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**Auditor's Report on Quarterly and Year to Date Financials Results of Faze Three Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015**

**To,  
The Board of Directors of Faze Three Limited**

We have audited the quarterly standalone financial results of Faze Three Limited ('the Company') for the quarter ended 31 December 2016 and the year to date financials results for the period from 1 April 2016 to 31 December 2016, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

These quarterly as well as year to date financial results have been prepared on the basis of the interim financial statements, which are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial results based on our audit of such interim standalone financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Interim Financial Reporting (Accounting Standard (AS 25)), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India.

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

**Emphasis of Matter**

We draw your attention to Note 3 to the financial statements which describes the agreed terms of repayment of FCCBs. Pending payment of balance amount of USD 4 Mln as of date, the amount written back is treated as a contingent liability. Our opinion is not qualified in respect of this matter.



**THAKUR, VAIDYANATH AIYAR & CO.**  
**Chartered Accountants**

In our opinion and to the best of our information and according to the explanations given to us, these quarterly and year to date financial results:

- (i) have been presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and SEBI circular dated 5 July 2016 in this regard; and
- (ii) give a true and fair view of the financial performance including other comprehensive income and other financial information for the quarter ended 31 December 2016 as well as the year to date results for the period from 1 April 2016 to 31 December 2016.

For Thakur Vaidyanath Aiyar & Co,  
Chartered Accountants  
Firm Regn No. 000038N



C.V. Parameswar  
Partner  
M. No. 11541

Place: Mumbai.  
Date: 21<sup>st</sup> January, 2017.





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Statement of Audited Financials Results for the Quarter and Nine Months Ended 31st December 2016

₹ in Crores

Particulars	Quarter ended December 31,	Quarter ended September 30,	Quarter ended December 31,	Nine months ended December 31	Nine months ended December 31	Year ended March 31,
	2016 Audited	2016 Reviewed	2015 Reviewed	2016 Audited	2015 Reviewed	2016 Audited
<b>Income from operations (net of excise duty)</b>	56.75	44.59	55.59	150.31	166.39	220.32
Other Operating Income	7.84	11.43	5.43	28.70	12.13	21.21
Other Income	17.45	0.19	0.17	17.91	1.07	1.29
<b>Total Income from operations</b>	<b>82.04</b>	<b>56.21</b>	<b>61.19</b>	<b>196.92</b>	<b>179.59</b>	<b>242.82</b>
<b>Expenses</b>						
Cost of materials consumed	31.98	23.06	40.91	80.83	99.02	117.26
Changes in inventories of finished goods & work-in-progress	0.81	1.74	(9.26)	9.08	(12.44)	(7.94)
Employee benefits expense	7.75	8.50	7.26	24.38	22.04	30.57
Depreciation and amortization expense	2.37	2.78	1.28	8.08	4.03	14.25
Other expenses	12.34	15.55	16.60	44.98	56.69	73.17
<b>Total expenses</b>	<b>55.25</b>	<b>51.63</b>	<b>56.79</b>	<b>167.35</b>	<b>169.34</b>	<b>227.31</b>
<b>Profit / (Loss) before finance cost</b>	<b>26.79</b>	<b>4.58</b>	<b>4.40</b>	<b>29.57</b>	<b>10.25</b>	<b>15.51</b>
Finance Costs	2.00	0.26	3.71	6.00	10.62	13.98
<b>Profit before Tax</b>	<b>24.79</b>	<b>4.32</b>	<b>0.69</b>	<b>23.57</b>	<b>(0.37)</b>	<b>1.53</b>
<b>Tax expense:</b>						
Current Tax (MAT)	0.80	-	-	-	-	-
Less: Mat Credit Entitlement	(0.80)	-	-	-	-	-
Deferred Tax	(11.12)	-	-	(11.12)	-	-
<b>Profit / (Loss) after Tax</b>	<b>35.91</b>	<b>4.32</b>	<b>0.69</b>	<b>34.69</b>	<b>(0.37)</b>	<b>1.53</b>
Paid-up Equity Share capital (Face Value ₹ 10 / Share)	20.29	12.19	12.19	20.29	12.19	12.19
Reserve excluding Revaluation Reserves	54.09	(51.17)	-	54.09	-	(49.98)
<b>Earnings per share</b>						
Basic	17.70	3.54	0.57	17.10	(0.31)	1.26
Diluted	15.41	3.54	0.57	14.89	(0.31)	1.26

Notes as annexed to this Financial Results.

By Order of the Board  
For Faze Three Limited

Ajay Anand  
Managing Director  
DIN: 373248

Mumbai  
January 21, 2017



**Statement of Assets & Liabilities as at December 31, 2016**

(₹ in Crores)

Particulars	As at	As at
	December 31, 2016 (₹) (Audited)	March 31, 2016 (₹) (Audited)
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' funds</b>		
Share capital	21.80	12.19
Reserves and surplus	54.09	(49.98)
	<b>75.89</b>	<b>(37.79)</b>
<b>Non-current liabilities</b>		
Long-term borrowings	0.47	0.04
Deferred tax liabilities (Net)	2.78	13.90
Other Long Term Liabilities	3.06	5.60
Long-term provisions	2.16	2.77
	<b>8.47</b>	<b>22.31</b>
<b>Current liabilities</b>		
Short-term borrowings	53.72	59.17
Trade payables	20.52	18.43
Other current liabilities	27.46	163.09
Short-term provisions	9.45	7.67
	<b>111.15</b>	<b>248.36</b>
<b>Total</b>	<b>195.51</b>	<b>232.88</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets		
Tangible assets	54.64	65.38
Non-current investments	0.37	0.37
Long-term loans and advances	1.37	1.17
	<b>56.38</b>	<b>66.92</b>
<b>Current assets</b>		
Inventories	75.53	81.51
Trade receivables	44.38	51.91
Cash and cash equivalents	4.57	2.14
Short-term loans and advances	0.24	0.33
Other assets	14.41	30.07
	<b>139.13</b>	<b>165.96</b>
<b>Total</b>	<b>195.51</b>	<b>232.88</b>

The disclosure is an extract of the audited Balance Sheet as at December 31, 2016 and March 31, 2016 prepared in compliance with the accounting principles generally accepted in India.

By Order of the Board  
For Faze Three Limited

  
Ajay Anand  
Managing Director  
DIN: 373248



Mumbai  
January 21, 2017



Notes:

1. The Audited financial statements for the quarter and nine months ended December 31, 2016 have been taken on record by the Board of Directors as its meeting held on January 21, 2017. The Statutory Auditors have carried out the audit for the period ended December 31, 2016 and given their report thereon. The information presented above is extracted from the audited financial statements. The financial statements are prepared in accordance with the Accounting Standard (IGAAP) as prescribed under section 133 of the Companies Act, 2013.

2. Status on BIFR & Networth

The company had filed a reference with honourable Board of Industrial & Financial Reconstruction (BIFR) as mandated under Section 15 of the Sick Industries Companies (Special Provisions) Act, 1985, (SICA) on complete erosion of Networth based on audited financials of FY 2012 which was registered with the BIFR vide letter dated September 04, 2012. Subsequently, various hearings were held before the Board in the normal course.

The Ministry of Finance (MoF), vide notification nos. S.O. 3568(E) and 3569(E), has notified December 01, 2016 (appointed date) as the date on which the provisions of Sick Industrial Companies (Special Provisions) Repeal Act, 2003 (Repeal Act) shall come into force. The Repeal Act provides for repeal of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and related matters. Therefore, the SICA is repealed with effect from 1 December, 2016. As per the notification, the BIFR and AIFR stand dissolved with effect from that date, and the reference of the company to BIFR & all proceedings before them stand abated. Furthermore, the company was only referred and not declared as a SICK company on the date of said notification.

The Networth of the company based on the audited financials as on December 31, 2016 is ₹ 75.89 crores, The same has turned positive for the first time since audited financials of March 2012 after accounting for the Writeback as per note no. 3 and 4 and the Equity Issue during the year.

3. Status on Foreign Currency Convertible Bonds

As per the agreed terms with the Bondholders in Oct 2016, the company has to redeem the FCCBs for a maximum amount of USD 6.25 million on or before March 31, 2017 as full payment for satisfaction of all dues on account of FCCBs being outstanding principal of USD 8 Million plus redemption premium and accrued interest till date. The aforesaid payout is to be done in 2 tranches, viz, USD 2.25 Million by October 2016, the same has already been paid. The balance of USD 4 Mln (₹ 27 crores approx.) is payable on or before March 31, 2017 and has been classified under Other Current liabilities.

In the event of default in payment of the balance amount, the agreed terms with the bondholders would be voidable at the option of the bondholders and entire amount due shall be re-instated as if the settlement was void-ab-initio. The total outstanding on account of Foreign Current Convertible Bonds as on March 31, 2016 was ₹ 103.30 crores (USD 15.90 Mln). An amount of ₹ 61.28 crores has been written back being difference of total outstanding on account of FCCBs as on March 31, 2016 and amount payable as agreed with the holders. The said amount written back is treated as contingent liability in the financial statements until the payment of the balance amount.

4. Corporate Guarantee liability

The Company had given Corporate Guarantee to Canara Bank London for grant of credit facilities by the Bank to PANA Textil GmbH ('PANA'), sub-subsidiary of the company for principal value 4.4 Mln Euros. Due to the European crisis and overall adverse economic scenario in 2009-10, PANA filed for bankruptcy in 2010. The bankruptcy court ruled that PANA to be wound up and appointed the official administrator during FY 2012. Owing to the liquidation, the entire principal liability along with applicable interest thereon and other charges devolved onto the company as per the terms of the corporate guarantee agreement with Canara Bank London. The Liabilities on account of the aforesaid as claimed by the Bank as on March 31, 2016 was ₹ 46.06 crores. As per the sanction of working capital credit facilities from Canara Bank to the company from time to time, 5% retention on every export bill discounted was kept as Fixed deposit (retention) for repayment of this liability by the bank. The balance in the retention account of ₹ 14.32 crores before March 31, 2016 was already paid as on March 31, 2016 and disclosed under Other Assets. During the year, a further amount of ₹ 18.91 crores was paid to Canara Bank including accumulation in the fixed deposits during the year. On total payment of ₹ 33.23 crores (Equivalent to Euro 4.4 Mln principal value), the company had requested the bank to waive the unapplied interest, penal interest and other charges levied, etc. The request of the company has been accepted by the Bank. An amount of ₹ 12.83 crores has been written back and credited to Other Income during the quarter being difference of total outstanding as on March 31, 2016 and amount already paid including the fixed deposits.

5. The company has a single reportable segment viz. Manufacturing & Export of Home furnishings.
6. Tax expense includes deferred tax asset of ₹ 11.12 crores on the brought forward unabsorbed depreciation and brought forward losses of the company.
7. The previous year figures have been regrouped / reclassified wherever necessary.

