

October 17, 2018

Corporate Relationship Department
BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building,
P.J. Towers, Dalal Street,
Fort, Mumbai – 400 001.

Dear Sir(s),

Sub: Submission of 33rd Annual report of the Company for the FY 2017-18

Ref: FAZE THREE LIMITED (STOCK CODE: 530079)

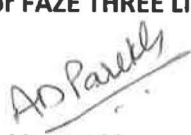
Pursuant to Regulation 34 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are enclosing herewith copy of the 33rd Annual Report of the Company for the FY 2017-18.

We request you to kindly take this on record and bring it to the notice of the stakeholders.

Thanking you.

Yours faithfully,

For FAZE THREE LIMITED


Ankit Parekh
Company Secretary
M No. 31990



FAZE THREE LIMITED

(CIN: L99999DN1985PLC000197)

Regd. Office: Survey 380/1, Khanvel Silvassa Road, Dapada, Silvassa – 396 230, UT of D&NH

Corporate Office: 63/64, 6th Floor, Wing C, Mittal Court, Nariman Point, Mumbai - 400021.

Tel. : 91 (22) 43514444, 66604600 * Fax : 91 (22) 24936811 * E-mail : info@fazethree.com * Website : www.fazethree.com



**33rd Annual Report
2017-2018**

FAZE THREE LIMITED
33RD ANNUAL REPORT 2017-18

- | | | |
|---|---|---|
| 1. Day & Date of Annual General Meeting | : | Thursday, 27 th September, 2018 |
| 2. Time and Venue | : | 10.00 a.m.
Conference Hall,
Plot No. 146
Waghdhara Village Road
Dadra – 396 193
UT of Dadra & Nagar Haveli |
| 3. Book Closure | : | Friday, 21st September, 2018
to Thursday, 27th September, 2018
(both days inclusive) |

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ajay Anand	Chairman & MD
Mr. Sanjay Anand	Whole time Director
Mr. Manan Shah	Independent Director
Ms. Shweta Jain	Independent Director
Mr. Vinit Rathod	Independent Director
Mr. Ankit Madhwani	Chief Financial Officer
Mr. Ankit Parekh	Company Secretary

BANKERS

Yes Bank Limited

ADVOCATES & SOLICITORS

Vikram Philip & Associates

STATUTORY AUDITORS

M/s. MSKA & Associates,
Chartered Accountants, Mumbai.

SECRETARIAL AUDITORS

M/s. Sanjay Dholakia & Associates,
Practicing Company Secretary

REGISTRAR AND TRANSFER AGENT

M/s. 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

Website: www.sharexindia.com

Email: sharexindia@vsnl.com

REGISTERED OFFICE

Survey No. 380/1, Khanvel Silvassa Road,
Dapada – 396230,
UT of Dadra & Nagar Haveli.

Ph: +91 260 2699323/ +91 22 43514444

Fax: +91(0) 260 2699322

Email: investors@fazethree.com

Website: www.fazethree.com

CORPORATE OFFICE

63/64, Mittal Court, Wing C,
Nariman Point,
Mumbai – 400 021.

Phone : 022 6660 4600 / 4351 4444

Fax : 022 2493 6811

MANUFACTURING UNITS

DAPADA

Survey No. 380/1, Khanvel Silvassa Road,
Dapada, Silvassa – 396230
UT of Dadra and Nagar Haveli

DADRA

Survey No. 356/1&2, Village Dadra,
Dadra, Silvassa – 396193
UT of Dadra and Nagar Haveli

VAPI

Plot No. 71, Phase I, GIDC Indl. Estate,
Vapi – 396195, Gujarat

PANIPAT

Jatal Road, Anand Nagar,
Nr. Old Canal Road, Panipat – 132103,
Haryana

NOTICE
33RD ANNUAL GENERAL MEETING

Notice is hereby given that the **THIRTY THIRD ANNUAL GENERAL MEETING** of the Members of **FAZE THREE LIMITED** will be held on Thursday, 27th September, 2018 at 10.00 a.m. at the Conference Hall, Plot No. 146, Waghdhara Village Road, Dadra – 396 193, UT of Dadra & Nagar Haveli, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited financial statements (including audited consolidated financial statements) for the financial year ended 31st March, 2018 and the Report of the Auditors and the Report of Board of Directors thereon.
2. To appoint a Director in place of Mr. Ajay Anand (DIN: 00373248), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

3. Approval of Related Party Transactions

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to provisions of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 188 of the Companies Act, 2013 and rules made thereunder as amended from time to time, the consent of the members of the Company be and is hereby accorded to the related party transactions entered into by the Company with Aunde India Limited (CIN: L17120DN1997PLC000196), a 'Related Party' as defined under Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.”

“RESOLVED FURTHER THAT the consent be and is hereby accorded for existing material related party transactions between the Company and Aunde India Limited as per the details mentioned under the Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to this Notice.”

By Order of the Board of Directors
For Faze Three Limited

Place: Mumbai
Date: 29th August, 2018

Ankit Parekh
Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/ HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument appointing the proxy, in order to be effective, must be deposited at the Company's Registered Office, duly completed and signed, not less than 48 hours before the commencement of the AGM. Proxies submitted on behalf of limited companies, societies etc., must be supported by appropriate resolutions / authority, as applicable. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder of the Company. Proxy form is annexed to this report.

2. Corporate Members intending to send their authorized representatives to attend the meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company a certified copy of the relevant Board resolution together with the specimen signatures of their authorized representatives to attend and vote on their behalf at the meeting.
3. Explanatory statement pursuant to Section 102 of the Companies Act, 2013, in respect of Special Business set out in the notice is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 21st September, 2018 to Thursday, 27th September, 2018 (both days inclusive).
5. Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for identification. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. In accordance with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company has fixed Thursday, 20th September, 2018 as the “cut-off date” to determine the eligibility to vote by electronic means or in the general meeting. A person whose name is recorded in the Register of Members or in the register of beneficial owners maintained by the Depositories as on the cut-off date, i.e. 20th September, 2018, shall be entitled to avail the facility of remote e-voting or voting in the general meeting.
7. Electronic copy of the Annual Report including Notice of the 33rd Annual General Meeting of the Company inter alia indicating the process and manner of e-Voting along with Attendance Slip and Proxy Form is being sent to all the Members whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same.

In order to receive copies of Annual Reports and other communication through e-mail, Members are requested to register their e-mail addresses with the Company by sending an e-mail to investors@fazethree.com. To support the Green Initiative of the Government in full measures, members who have not registered their e-mail address are requested to register their e-mail address in respect of electronic holdings with the Depository through their concerned Depository Participants.

8. Members are requested:
 - i. To write to the Company at least 7 days before the date of the meeting, in case they desire any information as regards to the Audited Accounts for the financial year ended 31st March 2018, so as to enable the Company to keep the information ready.
 - ii. To bring their copy of Attendance slip and their photo identity proof at the Annual General Meeting.
 - iii. To inform to the Registrar & Transfer Agent (R&TA) of the Company immediately, about any change in their address, where the shares are held in electronic form, such change is to be informed to the Depository Participant (DP) and not to the Company/ R&TA.
 - iv. To quote Registered Folio No. or DP ID / Client ID No. in all their correspondence.
 - v. To approach the R&TA of the Company for consolidation of folios.
 - vi. To avail Nomination facility by filing in and forwarding the nomination form to the R&TA, if not already done.

- vii. To send all share transfer lodgments (physical mode)/ correspondence to the R&TA of the Company, Sharex Dynamic (India) Pvt. Ltd. Unit-1, Luthra Industrial Premises, Andheri – Kurla Road, Safed Pool, Andheri (East), Mumbai – 400 072 upto the date of book closure.
- 9. The shares of the Company are listed on the BSE Limited. The listing fees till date have been paid.
- 10. All the documents referred to in the Notice are open for inspection at the Registered Office of the Company between 10:00 a.m. to 5:00 p.m. on all working days except Saturdays, Sundays and Public Holidays until the date of the Annual General Meeting or any adjournment(s) thereof.
- 11. i. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by National Securities Depository Limited (NSDL), on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below. Resolution(s) passed by Members through e-voting is/are deemed to have been passed as if they have been passed at the AGM.
- ii. The facility for voting through ballot paper shall be made available at the AGM and the Members attending the meeting who have not cast their vote by e-voting shall be able to exercise their right at the meeting through ballot paper.
- iii. The Members who have cast their vote by e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- iv. The e-voting period commences on Monday, 24th September, 2018 (9:00 am) and ends on Wednesday, 26th September, 2018 (5:00 pm). During this period, Members of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date, Thursday, 20th September, 2018, may cast their vote by e-voting. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

STEP BY STEP PROCESS FOR E-VOTING:

The way to vote electronically on NSDL e-Voting system consists of “Two Steps” which are mentioned below:

Step 1 : Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

Step 2 : Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.
Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below:

- If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- How to retrieve your 'initial password'?
 - If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
 - If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

- Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
- Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
- If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-voting system?

- After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
- After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
- Select "EVEN" of company for which you wish to cast your vote.
- Now you are ready for e-Voting as the Voting page opens.

5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to **sanjayrd65@gmail.com** with a copy marked to **evoting@nsdl.co.in**.
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in

12. The route map showing directions to reach the venue of the 33rd AGM is annexed hereto.
13. The Company has appointed Mr. Sanjay Dholakia, Practicing Company Secretary (Membership No. FCS- 2655 and CP No.1798) as the Scrutinizer to count the votes cast in favour or against the resolutions proposed from item No. 1 to 3 of the Notice and to comply with the provisions of Section 108 of the Companies Act, 2013.
14. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer, by use of "Ballot Paper" for all those Members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
15. The results declared, along with the report of the Scrutinizer, shall be placed on the website of the Company at www.fazethree.com and on the website of NSDL at www.evoting.nsdl.com within two days of passing of resolutions at the AGM of the Company. The results shall also be immediately forwarded to BSE Limited, Mumbai where the shares of the Company are listed.
17. A brief profile of Director(s) proposed to be appointed/ re-appointed at this Annual General Meeting pursuant to Regulation 36 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given hereunder:

Name of the Director	Mr. Ajay Anand
Date of Birth	16 th October 1954
Qualification	Graduate
Expertise	Immense knowledge in Textiles – Home Furnishing segment and Automotive textiles. innovation. Under his leadership the Company today is able to enjoy a very high reputation and goodwill among major retail giants and OEMs across the globe.
Experience	More than 30 years of experience in textile industry.
Disclosure of relationship with Directors inter-se	Brother to Mr. Sanjay Anand, Whole-time Director of the Company
Names of other listed entities where the Director holds directorship and membership of committees of the Board	Aunde India Limited

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

As required by Section 102(1) of the Companies Act, 2013, the following Explanatory Statement sets out material facts relating to the business under Item No. 3.

Item No. 3

Faze Three Limited has entered into an exclusive manufacturing and processing agreement with Aunde India Limited for use of Faze Three's dyeing unit at Vapi for dyeing of Automotive Fabrics as per the laid down standards. The agreement also lays down terms for dealing with other units of Faze Three and Aunde India Limited in case of any specific requirement of capacity or technology sharing.

M/s. Aunde India Limited is engaged into manufacturing of automotive textile fabric having its unit located in Dadra, UT of D&NH. The transactions are made in the ordinary course of business and are at arm's length price and requisite approvals have been taken from the Board and Audit Committee.

As per the requirement of Regulation 23 of SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015 of all Material Related Party Transactions shall require approval of the Members through Resolution if the transaction or transactions to be entered into individually or taken together with previous transactions during the financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. Aunde India Limited is a Related Party and the transaction as described hereunder are likely to exceed 10% of the annual turnover of the Company as per the audited financial statements of the Company and thus, in terms of the Section, the transactions would require the approval of the members by way of Ordinary Resolution:

S No.	Description	Details		
1	Name of the related party	M/s. Aunde India Limited		
2	Name of the related Director or KMP	Mr. Ajay Anand		
3	Nature of relationship	Entity which has common Promoter-Director as per IndAS – 24		
		31/03/2017 Actual	31/03/2018 Actual	31/03/2019 Proposed
4	Value of transactions (Dyeing income) (Amt. in crores)	13.32	12.80	25.00

None of the Directors or Key Managerial Personnel or their relatives except Mr. Ajay Anand, Managing Director of the Company are in any way concerned or interested in the said resolution.

By order of the Board of Directors
For Faze Three Limited

Place: Mumbai
Date: 29th August, 2018

Ankit Parekh
Company Secretary

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

(To be presented at the entrance)

1. Only Member / Proxy holder can attend the Meeting.
2. Member / Proxy holder should bring his / her copy of the Annual Report for reference at the Meeting.

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

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

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

Name			
Address			
E-mail Id		Signature	

OR FAILING HIM

Name			
Address			
E-mail Id		Signature	

OR FAILING HIM

Name			
Address			
E-mail Id		Signature	

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting to be held on Thursday, 27th September, 2018 at 10.00 a.m. at Conference Hall, Plot No. 146, Wagdhara Village Road, Dadra – 396 193, Union Territory of Dadra & Nagar Haveli and at any adjournment thereof in respect of such resolutions as are indicated below:

RESOLUTIONS	For	Against
1. To receive, consider and adopt the Audited Financial Statements for the year ended 31st March, 2018, together with the Report of Auditors' and Directors' thereon.		
2. To appoint a Director in place of Mr. Ajay Anand who retires by rotation and being eligible offers himself for re-appointment.		
3. Approval of Related Party Transactions with Aunde India Limited		

Signed this..... day of..... 2018

Signature of Shareholder:

Signature of Proxy holder(s):

Affix
Revenue
Stamp

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DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

To,
The members of
Faze Three Limited

Your Directors have pleasure in presenting the 33rd Annual Report of your Company containing the business performance and the Audited Financial Statements for the year ended on 31st March 2018.

1. FINANCIAL PERFORMANCE (Standalone & Consolidated):

(Rs. in Crores)			
Particulars	For the Year ended 31.03.2018 (Standalone)	For the Year ended 31.03.2018 (Consolidated)	For the Year ended 31.03.2017 (Standalone)
Revenue from Operations	239.87	239.87	243.77
Other Income	10.63	10.63	22.90
Profit before tax	15.54	15.54	27.27
Provision for taxation (incl. deferred tax)	(1.29)	(1.29)	(10.59)
Profit for the year	16.83	16.83	37.86
Other comprehensive income for the year	0.17	0.17	0.26
Total comprehensive income for the year	16.66	16.66	37.60

The standalone and consolidated financial statements for the financial year ended March 31, 2018, forming part of this Annual Report, have been prepared in accordance with the Indian Accounting Standards (Ind AS) as notified by the Ministry of Corporate Affairs.

2. KEY HIGHLIGHTS OF THE FINANCIAL PERFORMANCE:

During the year under review, the Company earned revenue from operations of Rs. 239.87 Crores as against Rs. 243.77 Crores in the previous year. The Company achieved Net Profit of Rs. 16.83 crores as against Net Profit of Rs. 37.86 Crores during previous year.

3. DIVIDEND:

Your directors are pleased to announce that the Board of Directors of the Company has declared an Interim Dividend of Rs. 0.50/- per share of Rs. 10/- each (5%) for FY 2017-18 considering the performance during the year to the shareholders who shall be on the register of members on June 2, 2018.

4. SHARE CAPITAL:

Preferential Issue of equity shares & convertible equity warrants

During the year under review the Company on April 7, 2017 allotted by way of Preferential allotment 3,19,000 equity shares of Rs. 10/- each and 8,45,500 equity warrants convertible into equal number of equity shares of Rs. 10/- each to promoter/ non promoter investors.

Out of the said 8,45,500 convertible equity warrants, 7,00,000 warrants were converted into equal number of equity shares ranking pari passu with the existing equity shares of the Company on December 26, 2017 upon receipt of balance subscription amount from the allottee to exercise the conversion. Consequently the paid up equity capital of the Company as at March 31, 2018 stood at Rs. 24,31,90,000/- consisting of 2,43,19,000 equity shares of Rs. 10/- each.

5. RESERVES:

There were no appropriations to reserve/ general reserve during the year under review.

6. DEPOSITS:

The Company has not accepted any deposits from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, or under Chapter V of the Companies Act, 2013.

7. SUBSIDIARY COMPANY:

During the year under review, the Company formed a wholly owned subsidiary (WOS) in USA namely Faze Three US LLC and invested Rs. 2.43 crore for the set up. The said WOS is held as a front end of the Company in USA and is actively engaged in sourcing local business within USA for supplying the Company's range of products to stores/retailers. Pursuant to the provisions of Section 129(3) of the Companies Act, 2013, a statement containing salient features of financial statements of the WOS in Form AOC 1 is attached to the Consolidated Financial Statements. The separate audited financial statements in respect of the WOS are also available on the website of the Company.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirements of Section 134(3)(c) of the Companies Act, 2013, with respect to the Director's Responsibility Statement, the Directors hereby confirm that:

- (i) in the preparation of the Annual Financial Statements for the year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) such accounting policies as mentioned in Notes to Financial Statements have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the Profit of the Company for the year ended on that date;
- (iii) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Annual Financial Statements have been prepared on a going concern basis;
- (v) proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- (vi) systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

9. NUMBER OF MEETINGS OF THE BOARD AND AUDIT COMMITTEE:

The Board and Committees of the Board meets at regular intervals to discuss and decide on Company / Business policy and strategy apart from other Board business. In case of a special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted by law, which are noted and confirmed in the subsequent Board Meeting.

The details of number of Board and Committee meetings of the Company are set out in the Corporate Governance Report which forms part of this Report.

10. PERFORMANCE EVALUATION OF BOARD:

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Directors pursuant to the provisions of the Companies Act, 2013 and the Corporate Governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015. The same is found to be satisfactory.

The performance of the Board was evaluated by the Board after seeking inputs from all the Directors on the basis of the criteria such as the Board composition and structure, experience & competencies, attendance, effectiveness of board processes, information and functioning, independent approach, etc.

The performance of the Committees was evaluated by the Board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, attendance of the members, recommendations to the Board and their implementation, effectiveness of committee meetings, etc.

11. DECLARATION BY INDEPENDENT DIRECTORS:

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

12. FAMILIARIZATION PROGRAMME FOR THE INDEPENDENT DIRECTORS:

Pursuant to the SEBI regulations, the Company has worked out a Familiarization Programme for the independent Directors, with a view to familiarize them with their role, rights and responsibilities in the Company, nature of industry in which the Company operates, business model of the Company, etc. The Board familiarization process comprises of the Induction programme for new independent Directors, sessions on business and functional issues and strategy making.

The policy for Familiarization Programme for the Independent Directors is available on website of the Company.

13. DISCLOSURE RELATING TO REMUNERATION TO DIRECTORS, KEY MANAGERIAL PERSONNEL AND PARTICULARS OF EMPLOYEES:

As required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, details of Remuneration to Directors and Key Managerial Personnel is provided in Form MGT-9 annexed to this Report.

The Company has no employee who- (i) if employed throughout the financial year, was in receipt of remuneration, in aggregate, more than Rs. 102.00 Lacs, or (ii) If employed for part of the financial year, was in receipt of remuneration, in aggregate, more than Rs 8.50 lacs per month.

14. AUDIT COMMITTEE:

The Audit Committee comprises of three members namely Mr. Vinit Rathod (Chairman), Mr. Manan Shah and Mr. Ajay Anand. Other details pertaining to audit committee are included in the Corporate Governance Report, which forms part of this report. All the Members of the Committee are financially literate.

15. NOMINATION & REMUNERATION COMMITTEE:

The Company has constituted a Remuneration Committee pursuant to Section 178(1) of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Nomination and Remuneration Committee is responsible for evaluating the balance of skills, experience, independence, diversity and knowledge on the Board and for drawing up selection criteria. The Board of Directors of the Company

has defined a policy on Director's appointment and payment of remuneration including criteria for determining qualifications, positive attributes and independence of Directors and terms of reference of the Committee.

The Nomination & Remuneration Committee comprises of three members all being Non-Executive Directors namely Mr. Vinit Rathod (Chairman), Mr. Manan Shah and Ms. Shweta Jain. All the recommendations made by the Committee during the period were accepted by the Board.

16. CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CSR):

The Company during the year formed CSR Committee comprising Mr. Ajay Anand as the Chairman and Mr. Sanjay Anand and Mr. Manan Shah as members.

The said Committee has formulated and recommended to the Board of Directors, CSR Policy indicating the activities to be undertaken by the Company and monitoring and implementation of the framework of the activities. The CSR Policy is available on the website of the Company at www.fazethree.com.

Note on CSR spending as required under Section 135 of the Companies Act, 2013 and the rules framed thereunder:

The FY 2017-18 was the first year post the turnaround of the Company in 2017. The Company was unable to undertake spending of Rs. 18.21 lacs for CSR Activities as per the rules, since it was unable to find adequate avenues and was in the process of identifying areas of expending the said amount and also it was necessary for the Company to focus and pull back the available resources to the maximum extent so as to meet its operational requirements in the interest of the stakeholders including the communities around the factory locations. The management believes that upliftment of the society at large is one of the key factors of sustainable economic growth and will strive to contribute to the society by way of CSR in the coming years in a fair and ethical way so as to balance their interests along with the interests of the stakeholders.

17. CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

The information as required under Section 134(3)(m) of The Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 with respect to conservation of energy, technology absorption and foreign exchange earnings and outgoings is annexed to this report as **Annexure I**.

18. RELATED PARTY TRANSACTIONS:

All transactions entered into with related party as defined under Section 188(3) of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year were in the ordinary course of business and on arm's length price and do not attract the provisions of Section 188 of the Companies Act, 2013. All material transactions with related parties during the financial year were in the interests of the Company. Disclosure as required under IND AS 24 has been made in the notes to the financial statements. The Company has proposed to take approval of Members for all material related party transactions proposed to be entered into in the current financial year through Ordinary Resolution.

The policy on Related Party Transactions as approved by the Board is available on the website of the Company at www.fazethree.com.

Information on transactions with related parties pursuant to Section 134(3)(h) of the Act read with rule 8(2) of the Companies (Accounts) Rules, 2014 are given in Form AOC-2 and the same forms part of this report as **Annexure II**.

19. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has adopted a Whistle Blower Policy, as part of vigil mechanism as defined under Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to provide appropriate avenues to the Directors and employees to bring to the attention of the management any issue which is perceived to be in violation of or in conflict with the Code of Conduct of the Company and to report concerns about unethical behavior. The said policy has been posted on the website of the Company at www.fazethree.com.

20. DISCLOSURE AS PER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION PROHIBITION AND REDRESSAL) ACT, 2013:

Pursuant to Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with Rule 14, the internal committee constituted under the said act has confirmed that no complaint/ case has been filed/ pending with the Company during the year.

21. RISK MANAGEMENT:

The Company has in place a mechanism to inform Board of Directors about the Risk assessment and risk minimization procedures and periodical reviews to ensure that risk is controlled by the management through the means of a properly laid-out framework.

22. INTERNAL FINANCIAL CONTROLS:

The Company has adequate internal control systems, commensurate with the size, scale and complexity of its operations which monitors business processes, financial reporting and compliance with applicable regulations. The systems are periodically reviewed for identification of control deficiencies and formulation of time bound action plans to improve efficiency at all the levels.

23. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is enclosed as **Annexure III**.

24. CORPORATE GOVERNANCE:

The Company is adhering to good corporate governance practices in every sphere of its operations. The Company has taken adequate steps to comply with the applicable provisions of Corporate Governance as stipulated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. A report on Corporate Governance is annexed to this report as **Annexure IV**.

25. STATUTORY AUDITOR:

M/s. MSKA & Associates Chartered Accountants (Firm Registration No. 105047W), were appointed by the members of the Company in the 32nd Annual General Meeting for a period of 5 years i.e. till the conclusion of the 37th Annual General Meeting. In accordance with the Companies Amendment Act, 2017, enforced on 7th May, 2018 by Ministry of Corporate Affairs, the appointment of Statutory Auditors is not required to be ratified at every AGM. The appointment of M/s. MSKA & Associates as the Statutory Auditor of the Company shall continue for the FY 2018-19. M/s. MSKA & Associates has confirmed that their appointment is within the prescribed limits specified in Section 139 of the Companies Act, 2013.

26. SECRETARIAL AUDITOR:

The Company has undertaken Secretarial Audit for the financial year 2017-18 which, inter alia, includes audit of compliance with the Companies Act, 2013, and the Rules made thereunder, Listing Regulations and other applicable Regulations and Acts. The Secretarial Audit Report is annexed to this report as **Annexure V**. Pursuant to the provisions of Section 204 of Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Sanjay Dholakia & Associates, Practicing Company Secretary to undertake Secretarial Audit for the financial year 2018-19.

27. OBSERVATIONS – STATUTORY AUDITOR & SECRETARIAL AUDITOR:

Statutory Auditor:

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

Secretarial Auditor:

The Secretarial Audit Report to the Members does not contain any reservation, qualification or adverse remark.

28. COST AUDIT AND RECORDS:

The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company.

As regards to Cost Audit, vide notification issued by Government on 31st December 2014, the Company is not required to conduct a Cost Audit.

29. EXTRACT OF ANNUAL RETURN:

The details forming part of extract of the annual return in Form MGT-9 is annexed to this report as **Annexure VI**.

30. INDIAN ACCOUNTING STANDARDS (IND AS):

The Indian Accounting Standards (IND AS) were notified by the Ministry of Corporate Affairs on February 16, 2015. The Company has adopted IND AS with effect from 1st April, 2017 with comparatives for the previous year ending 31st March, 2017. Your Company has taken adequate steps in this regard and has ensured a smooth transition to IND AS.

31. SIGNIFICANT MATERIAL ORDERS PASSED BY COURTS:

There are no significant material orders passed by the Regulators/ Courts which would impact the going concern status of the Company and its future operations.

32. ACKNOWLEDGMENT:

Your Directors wish to place on record their appreciation for the co-operation extended by all the employees, Bankers, Financial Institutions, various State and Central Government authorities and Stakeholders.

For and on behalf of the Board
For Faze Three Limited

Place: Mumbai
Date: 22nd May, 2018

Ajay Anand
Chairman & Managing Director

Annexure I

Statement Pursuant to Section 134 (3) of the Companies Act, 2013 read with Rule 8(3) of Chapter IX of Companies (Accounts) Rules, 2014.

CONSERVATION OF ENERGY

A. Steps taken for Conservation of energy:

The Company regularly undertakes required steps for conservation of energy. Some of which are highlighted below:

- i. Installation of new energy saving equipment and appliances across all factories
- ii. Making energy consumption ratings a basic criteria for selection of new machineries/ equipment
- iii. Regulated compressed air supply in factories
- iv. Installation of separate regulated air line for machines which has zero % leakage

B. Steps taken by the Company for utilizing alternate sources of energy

The Company has installed solar lights around the factory areas and plans to gradually increase the alternate source of energy in the coming times.

RESEARCH & DEVELOPMENT

The research and design development is the USP of the Company due to which it enjoys a good reputation among its customers. The Company continuously strives to manufacture innovative products with innovative processes and has been able to derive sustainable benefits from the long tradition of research and development. During the year the Company continued its tradition on the development of products to preserve and strengthen its competitive position across markets. The Company's designing as well as research and development section has been instrumental in providing the Company with a sustainable competitive advantage with application of technology.

TECHNOLOGY ABSORPTION

The Company has modelled its processes in such a way that it balances the use of technology with manpower so that it results in optimum utilization of the available resources. The Company has been taking necessary steps for introducing and implementing new technology in the manufacturing processes whenever required. There was no requirement for the Company to import any technology during the last five years.

Annexure II
Form No. AOC-2

(Pursuant to clause (h) of Sub-Section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts / arrangements entered into by the company with related parties referred to in Sub-Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. Details of contracts or arrangements or transactions not at arm's length basis:

Faze Three Limited (hereinafter called "the Company") has not entered into any contract/ arrangement/ transaction with its related parties which is not in ordinary course of business or other than at arm's length during FY2017-18. The Company has laid down policies and processes/ procedures so as to ensure compliance to the subject section in the Companies Act, 2013 ("Act") and the corresponding Rules. In addition, the process goes through internal and external checking, followed by quarterly reporting to the Audit Committee.

2. Details of material contracts or arrangement or transactions at arm's length basis :

S No.	Particulars	
1	Name(s) of the related party and nature of relationship	Aunde India Limited Common Director/ Promoters
2	Nature of contracts / arrangements / transactions	Exclusive manufacturing agreement for using dyeing facilities of the Company
3	Salient terms of the contracts or arrangements or transactions including the value, if any	Use of Company's dye-house facility for dyeing of fabrics.
4	Date of approval by the Audit Committee, if any	22 nd May, 2018
5	Amount paid as advances, if any	NIL

For and on behalf of the Board
For Faze Three Limited

Place: Mumbai
Date: 22nd May, 2018

Ajay Anand
Chairman & Managing Director

Annexure III

Management Discussion and Analysis Report

Management Discussion and Analysis Report for the financial year under review as stipulated in Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Economy and Industry

India is one of the fastest growing economies in the world. With a stable and able Government at helm & reforms carried in 2016 & 2017 viz. Goods and Service Tax (GST) and IBC are taking good effect in curing the deep routed issues in the economy. The overall business environment is favorable for good businesses. The equity markets have seen some flight of money owing to rising interest rates in the US. Investors and Lenders remain circumspect in their review of quality companies giving them clear distinction and treatment. The Government's focus on the macros in terms of managing the deficits and micro focus in terms of initiatives in agricultural / rural sector, infrastructure, digitization, formalization, job creation, etc. is expected to boost the economic health of rural India which will have tremendous long-term benefits.

Textiles industry plays a major role in the Indian Economy contributing 14 per cent to industrial production and 4 per cent to GDP. With over 45 million people, the industry is one of the largest source of employment generation in the country. The size of India's textile market as of July 2017 was around US\$ 150 billion, which is expected to touch US\$ 250 billion market by 2019, growing at a CAGR of 13.58 per cent between 2009-2019. India is one of the key players of the global textile industry with a broad base of raw materials and manufacturing strength across the production chain. The Indian cotton textile industry has showcased a stable growth in FY 2017-18, supported by stable input prices, healthy capacity utilisation and steady domestic demand.

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players into the Indian market.

FTL's overview and performance

Faze Three Limited (FTL/ the Company) undertakes design, development, manufacture & exports of Home Textile products viz. Bathmats, Rugs, Blankets, Cushions, Curtains, Throws, etc. It has 6 manufacturing facilities located at Silvassa, Panipat & Vapi.

FY 2017-18 was the first year after the turnaround of the Company in FY 2016-17 thereby allowing the company & management to focus on business entirely. The Company has been able to report decent operational performance in view of challenges faced during FY 18 on account of GST implementation and INR appreciation trend through the year. Also the company realigned its product mix and customer mix to make it more favorable. In FY18, the company reported a total revenue from operations of Rs. 239.87 crore versus Rs. 243.77 crore in FY 2016-17. The Company's revenue and margins remained almost stable over the last 2 years. The Company's EBIDTA margins improved marginally at around 9.59% as compared to FY 2016-17 margins of 9.38%.

The company continues to focus on its existing product line and has carried out incremental capacity expansion during the year through internal accruals at existing factory locations for better overall capacity utilization. The company continues to invest in design and development of innovative product offerings within its product line for Home Textiles & is recognized by the customer for its innovation & quality service. Given the nature of its business, the product developments undertaken & being in advanced stage of process cycle of 12 months, should get desired growth over the competitive market in the segment.

The customer profile and spread of business with top 10 customers stands at 80%, with Walmart, Target Stores, MACY's, William Sonoma / Pottery Barn, etc. being the top customers from USA and Sainsbury's, ASDA Stores, Marks and Spencer & LIDL being the top customers from UK / EUR. The company has also commenced business with other major retailers in Europe this year. The company has made significant investment & efforts over last fiscal and is in advanced stages of securing business for large running programs in the current product offering with few of top existing customers, on confirmation of the same, the company would add significant business to the current level of operations of the company. The company expects the outcome on business from new programs to materialize during the second half of FY 2018-19. Apart from the large programs, the company expects reasonable growth in other segments as well with existing & new customers over the coming years. The operations are also expected to improve margins over the coming years with efficiency enhancement by operational capex undertaken and better utilization of capacity in line with desirable product

mix. The company monetised the non-core commercial property at Mumbai during the current year in line with the long term strategy to invest in the core business and commit the resources of the company to growth and improvement in returns of the stakeholders of the company. The company is continuously evaluating such opportunities of divestment with an objective of giving better RoCE for all the core and non-core assets of the company.

SWOT ANALYSIS

The company has clear focus and strategy to capitalize & grow on the existing strong business relationships with large retailers within the same product line. This would also allow the company to invest in newer products while the growth comes in from the existing products. Since the current operations are relatively smaller as compared to some of its large peers, the company does not face any major risk on the growth side. The time lag for adding large businesses is a key sensitivity to the growth of the company due to the business model of the company. The company faces risk of Chinese vendors and suppliers who might get unfairly subsidized by the government. The current year also saw talks of Trade war between USA and China and USA being vocal with WTO about subsidies given by emerging economies to the suppliers, etc. The company may face challenges in terms of significant fluctuations on USD / INR in a short period of time which hampers the Company's ability to price its products and formulate a stable hedging practice. The global factors may also lead to volatility key raw material prices, etc.

INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY

FTL's internal controls are commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance of corporate policies.

Internal control and audit program is constructed as per the rules and policies of companies which enables the smooth functioning of business operations. The Company has constituted an audit committee of Board of Directors, to overview the financial statements, assets, and functioning of statutory auditors as well as Directors of the Company.

HUMAN RESOURCES/ INDUSTRIAL RELATIONS

FTL continues its focus on employee retention. The Company's performance-driven culture with a strong focus on employees' career aspirations, rewards & recognition and total-welfare helped maintain a low attrition rate.

The Company has built a strong pool of talent by committed efforts to attract, transform and retain the best talent available. The Company continues to focus on people development by developing a continuously learning human resource base to unleash their potential.

POLLUTION AND ENVIRONMENTAL CONTROLS

FTL believes that profitability not only depends on the actual profit but also the benefit derived by the community through the activities of the Company. The operations of the Company are conducted in such a manner that it ensures safety to all concerned and a pleasant working environment. Faze Three Limited is conscious of the vulnerability and the essence of a healthy and clear environmental surrounding. The Company has framed policy for securing the quality of environment and requires its stakeholders to adhere to such policy.

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 regulation. It may be noted that the actual results may differ from that expressed or implied herein.

For and on behalf of the Board
Faze Three Limited

Ajay Anand
Chairman & Managing Director

Place: Mumbai
Date: 22nd May 2018

Annexure IV

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

We at Faze Three Limited are committed to ethical business practices and strive to integrate good corporate governance in our day to day operations. We believe that an industry can achieve sustainable growth only when it considers human values, ethics and social responsibility as a part of its long term business plans and strategy. Faze Three Limited provides maximum service to all the stakeholders in order to enhance shareholders' value and promote national interest. The Company's Board of Directors oversees business strategies and ensures fiscal accountability, ethical corporate behaviour and fairness to all stakeholders comprising regulators, employees, customers, vendors, investors and the society at large.

2. BOARD OF DIRECTORS

i. Profile

Mr. Ajay Anand is the Founder-Promoter and Managing Director of the Company. He is delegated the operational conduct of business and plays a vital role in strategic decisions of the Company. He oversees the day to day operations of the Company. Mr. Ajay Anand has more than 2 decades of experience in Textile and Technical Textiles Industry.

Mr. Sanjay Anand is a Whole Time Director of the Company. He has marketing experience of more than 25 years in Home Furnishing Products. He looks after Panipat unit of the Company and heads marketing Department.

Mr. Vinit Rathod is a Chartered Accountant by qualification and has expertise and experience of over 9 years in the field of business management, finance, taxation and legal matters.

Ms. Shweta Jain is a Chartered Accountant by qualification and has expertise and experience of more than 9 years in the field of internal audit, financial controls & policies, global financial reporting standards.

Mr. Manan Shah is a Chartered Accountant by qualification and is having experience of more than 5 years in the field of business management.

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.

ii. Composition of Board:

As on March 31, 2018, the strength of the Board of Directors of the Company comprised of 5 Directors including 3 Independent Directors. The composition of the Board represents an optimal mix of professionalism, knowledge, experience and enables the Board to discharge its responsibilities and provide effective leadership to the business.

During the year under review, 10 (Ten) Board Meetings were conducted on 7th April, 2017, 6th May, 2017, 5th July, 2017, 1st September, 2017, 13th September, 2017, 10th October, 2017, 28th November, 2017, 11th December, 2017, 26th December, 2017, 9th February, 2018. The necessary quorum was present for all the meetings.

- iii. None of the Directors on the Board hold directorships in more than ten public companies. Further none of them is a member of more than ten committees or chairman of more than five committees across all the public companies in which he/she is a Director.
- iv. The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies (Including Faze Three Limited) as on March 31, 2018 are given here below. Other directorships do not

include directorships of private limited companies, foreign companies and companies under Section 8 of the Act. Chairmanships / Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee.

Name of Director	Category	Attendance		Particulars of Directorship, Committee membership / Chairmanship		
		Board Meeting	Last AGM	Director	Chairman	Member
Mr. Ajay Anand	Promoter, Executive	10	Yes	2	0	4
Mr. Sanjay Anand	Promoter, Executive	7	No	2	0	2
Mr. Bheemanna Chikkerur*	Non-promoter, Executive	4	Yes	0	0	0
Mr. Manan Shah	Independent	7	No	2	0	6
Ms. Shweta Jain	Independent	6	No	2	0	2
Mr. Vinit Rathod	Independent	8	Yes	2	6	0

* Retired w.e.f 27th September 2017

Mr. Ajay Anand and Mr. Sanjay Anand being brothers are related to each other. None of the other directors are related to each other.

- v. The Executive Directors are liable to retire by rotation and 1/3 of the Directors retire every year and if eligible, offer themselves for reappointment.
- vi. No. of Shares and convertible instruments held by Non-Executive Directors as on 31st March, 2018:

Name of the Director	Number of Shares
Mr. Manan Shah – Independent Director	NIL
Ms. Shweta Jain – Independent Director	NIL
Mr. Vinit Rathod – Independent Director	NIL

- vii. During the FY 2017-18, information as mentioned in Schedule II Part A of the SEBI (LODR) Regulations, has been placed before the Board for its consideration.
- viii. The terms and conditions of appointment of the Independent Directors are disclosed on the website of the Company at www.fazethree.com.
- ix. During the year, the Independent Directors met once on February 9, 2018 without the presence of Executive Directors and Management representatives. The Independent Directors, inter-alia, reviewed the matters discussed and passed in the Board Meetings and Committee Meetings during the year. They also reviewed the performance of Non-Independent Directors, Chairman of the Company and the Board as a whole during the year.
- x. The details of the familiarization programme of the Independent Directors are available on the website of the Company.

3. COMMITTEES OF THE BOARD

A. Audit committee

- i. The audit committee of the Company is constituted in line with the provisions of Regulation 18 of SEBI Listing Regulations, read with Section 177 of the Act.
- ii. **The terms of reference of the audit committee:**
 - i. Overview of the Company's financial reporting process and the disclosure of its financial information;
 - ii. Review with the management of the annual financial statements;
 - iii. Review of Related Party Transactions;
 - iv. Review of Company's financial and risk management policies;
 - v. Review with the management of performance of statutory and internal auditors, and adequacy of the internal control systems;

- vi. Review with the management of the quarterly financial statements;
 - vii. Recommend to the Board, the appointment, re-appointment or removal of the statutory auditor and the fixation of audit fees;
 - viii. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 - ix. Reviewing with the Management, the Annual Financial Statements before submission to the Board;
 - x. Discussion with internal auditors any significant findings and follow up thereon and in particular internal control weaknesses and reviewing the adequacy of internal audit function;
 - xi. To review the functioning of the Whistle Blower mechanism;
- iii. Audit Committee has conducted 5 (Five) Meetings during the year under review on 6th May, 2017, 5th July, 2017, 13th September, 2017, 11th December, 2017, 9th February, 2018.
- iv. **The composition of the Audit Committee and the details of meetings attended by its members are given below:**

S. No.	Name of the Member	Status	Category	No. of meetings attended
1.	Mr. Vinit Rathod	Chairman	Independent Director	5
2.	Mr. Ajay Anand	Member	Executive Director	5
3.	Mr. Manan Shah	Member	Independent Director	5

Mr. Ankit Parekh, Company Secretary acts as the Secretary to the Committee.

B. Nomination & Remuneration Committee:

- i. The nomination and remuneration committee of the Company is constituted in line with the provisions of Regulation 19 of SEBI Listing Regulations, read with Section 178 of the Act.
- ii. The Committee has defined the policy on Director's appointment and payment of remuneration including criteria for determining qualifications, positive attributes and independence of a Director
- iii. The Committee recommend to the Board appointment of Key Managerial Personnel, oversees familiarization program for Directors and follow the terms of reference as defined from time to time.
- iv. Composition of Nomination and Remuneration Committee.

S. No.	Name of the Member	Status	Category
1.	Mr. Vinit Rathod	Chairman	Independent Director
2.	Mr. Manan Shah	Member	Independent Director
3.	Ms. Shweta Jain	Member	Independent Director

- v. The Committee formulates and recommend to the Board from time to time, a compensation structure for whole-time members of the Board and KMPs. The Committee met on 6th May, 2017 to consider revision of remuneration of Mr. Ajay Anand, Chairman and Managing Director of the Company.
- vi. The details of remuneration paid to Managing Director and Whole Time Directors during the year 2017-2018 is given as follows: (No sitting fees paid to the following directors):

Director	Designation	Remuneration (Including all perquisites) (In lacs)	Service Contract
Mr. Ajay Anand	Chairman & Managing Director	68.40	5 Years
Mr. Sanjay Anand	Whole Time Director	38.40	5 Years

- vii. Details of Sitting Fees to Non-Executive Directors:

Sr No.	Name of the Member	Category	Sitting Fees (In Rs.)
1.	Manan Shah	Independent Director	45,000
2.	Shweta Jain	Independent Director	30,000
3.	Vinit Rathod	Independent Director	50,000

C. Stakeholders Relationship Committee

- i. The Stakeholders' Relationship Committee is constituted in line with the provisions of Regulation 20 of SEBI Listing Regulations read with Section 178 of the Act.
- ii. Composition of Stakeholders' Relationship Committee :

Sr No.	Name of the Member	Status	Category	No. of Meetings Attended
1.	Mr. Vinit Rathod	Chairman	Independent Director	4
2.	Mr. Ajay Anand	Member	Executive Director	4
3.	Mr. Manan Shah	Member	Independent Director	4

4. General Body Meetings:**Annual General Meetings:**

Year	Date	Venue	Time	Special Resolution
2013-14	27 th September, 2014	Survey No. 380/1, Khanvel Silvassa Road, Dapada 396230, UT of Dadra & Nagar Haveli	10.30 a.m	1. Appointment of Mr. Vasudeva Rao as an Independent Director 2. Appointment of Mr. Ajay Anand as Chairman & Managing Director 3. Appointment of Mr. Sanjay Anand as Whole Time Director 4. Borrowing in excess of paid up capital & free reserves. 5. To create mortgage, hypothecation, pledge against the properties of the Company
2014-15	29 th September, 2015	Conference Hall, Plot No. 146, Waghdhara Village Road, Dadra – 396 193, UT of Dadra & Nagar Haveli	12.00 noon	1. Appointment of Mrs. Gurinder Kaur Kalsi as Non- Executive & Independent Director
2015-16	30 th September, 2016	Conference Hall, Plot No. 146, Waghdhara Village Road, Dadra – 396 193, UT of Dadra & Nagar Haveli	03.30 p.m	1. Revision of remuneration of Mr. Ajay Anand, Chairman and MD of the Company 2. Approval of Related Party Transactions
2016-17	27 th September, 2017	Conference Hall, Plot No. 146, Waghdhara Village Road, Dadra – 396 193, UT of Dadra & Nagar Haveli	11.30 a.m	1. Adoption of new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013. 2. Revision of remuneration of Mr. Ajay Anand, Chairman & Managing Director of the Company 3. Approval of Related Party Transactions.

During the year under review, the Company has not passed any Special Resolution through postal ballot as per the provisions of the Companies Act, 2013 and the rules framed there under. No Extra-ordinary general meeting was held during the year under review.

5. Means of Communication:

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

- (i) Indian Express (English) – Gujarat Edition
- (ii) Financial Express (Gujarati) – Gujarat Edition

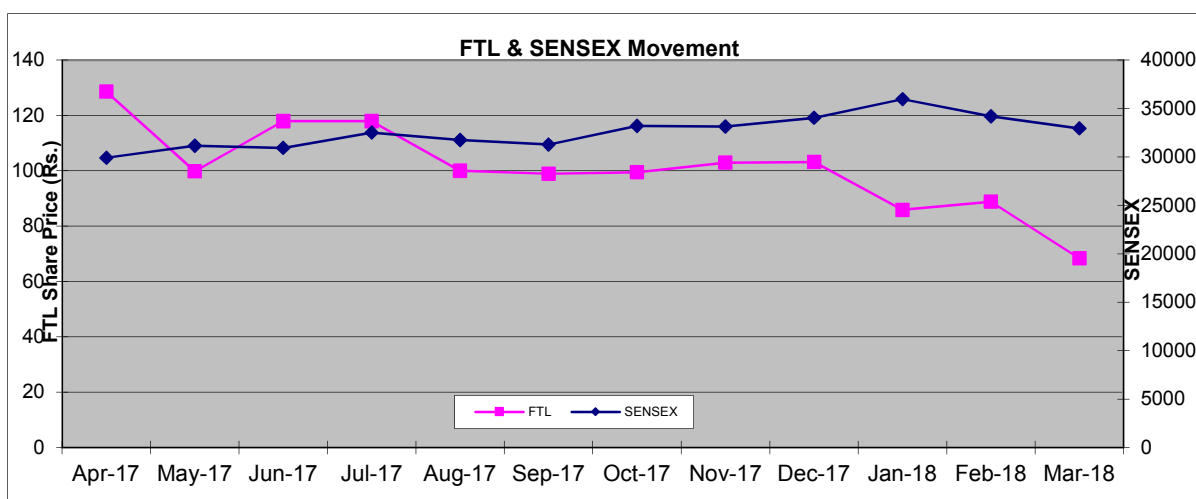
Company's results and official news releases, if any, are also displayed on the Company's website www.fazethree.com

6. General Shareholder Information :

AGM Date, Time and Venue	As per the AGM notice
Company's Financial Year	1 st April, 2017 to 31 st March, 2018
Financial Calendar for 2018-19 (Tentative) <u>Adoption of Quarterly & Annual Results:</u> June 30, 2018 September 30, 2018 December 31, 2018 Audited Results for March 31, 2019	2 nd week of August, 2018 2 nd week of November, 2018 2 nd week of February, 2018 Last week of May, 2018
DATE OF BOOK CLOSURE	21 st September 2018 to 27 th September 2018 (Both days inclusive)
LISTING ON STOCK EXCHANGE	BSE LIMITED
STOCK CODE	530079
ISIN	INE963C01033
REGISTRAR AND 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 Website: www.sharexindia.com Email: sharexindia@vsnl.com
SHARE TRANSFER SYSTEM:	Transfer of shares held in physical form is handled by the Company's Registrar & Transfer Agent M/s. Sharex Dynamic (India) Pvt. Ltd.

7. MARKET PRICE DATA:

Monthly high and Low quotations along with the volume of shares traded at BSE Limited during year ended 31st March 2018.



8. Monthly high and Low compared with BSE Sensex

Month	BSE		Closing BSE Sensex
	Monthly High Price	Monthly Low Price	
Apr-17	157.65	127.90	29,918.40
May-17	137.90	95.00	31,145.80

Jun-17	127.90	99.00	30,921.61
Jul-17	134.05	111.70	32,514.94
Aug-17	119.10	92.75	31,730.49
Sep-17	115.90	94.05	31,283.72
Oct-17	117.90	97.95	33,213.13
Nov-17	113.00	84.00	33,149.35
Dec-17	109.80	89.50	34,056.83
Jan-18	104.80	80.00	35,965.02
Feb-18	91.00	66.80	34,184.04
Mar-18	94.00	66.00	32,968.68

9. Distribution of shares and shareholding as on 31st March 2018

Sr No.	No. of Equity Shares Held		Shareholders		Shareholding	
	From	To	Nos	%	Nos	%
1	Upto 100		1292	29.32	44347	0.18
2	101	200	836	18.96	96611	0.40
3	201	500	1291	29.30	343113	1.44
4	501	1000	415	9.42	255017	1.01
5	1001	5000	417	9.41	775429	3.15
6	5001	10000	70	1.58	487146	2.01
7	10001	100000	66	1.58	1937137	7.97
8	100001 and above		19	0.43	20380200	83.80
	TOTAL		4406	100.00	24319000	100.00

10. Shareholding Pattern as on 31st March, 2018.

Category Code	Category of Shareholder	Total No. of Shares	%
(A)	Promoter and Promoter Group Holding		
1	Indian Promoters	1,11,25,697	45.75
	Foreign Promoters	-	-
	Sub Total (A)	1,11,25,697	45.75
(B)	Non-Promoter shareholding		
1	Institutions		
(a)	Financial Institution / Banks	11,00,000	4.52
	Sub Total (B)	11,00,000	4.52
(C)	Non-Institution		
1	Private Bodies Corporate	-	-
2	Individuals shareholders holding nominal share capital up to Rs 2 lakh	21,04,814	8.66
	Individuals shareholders holding nominal share capital above Rs. 2 Lakhs	75,11,990	30.89
3	NBFCs registered with RBI	2,500	0.01
4	Any Other	24,73,999	10.17
	Sub-Total (C)	1,20,93,303	49.73
	GRAND TOTAL (A+B+C)	2,43,19,000	100.00

11. Plant Locations

1. Handloom & Made-ups Plant -Jatal Road, Anand Nagar, Panipat, Haryana
2. Weaving & Made-Ups Plant - Survey No. 380/1, Village Dapada, UT of D & NH
3. Bathmat Plant - Survey No. 356/1&2, Village Dadra, UT of D & NH
4. Dye-House - Plot No. 71, GIDC, Vapi Industrial Area, Valsad, Gujarat.

12. Address for Correspondence:

Faze Three Limited – Corporate Office
63/64, 6th Floor, Mittal Court, Wing C,

Nariman Point, Mumbai – 400 021
Phone: 022 6660 4600 / 4351 4444
Fax: 022 2493 6811
Website: www.fazethree.com
Email Id: investors@fazethree.com

13. Other disclosures

i. Related party transactions

All material transactions entered into with related parties as defined under the Act and Regulation 23 of SEBI Listing Regulations during the financial year were in the ordinary course of business. These have been approved by the audit committee. The Board has approved a policy for related party transactions which has been uploaded on the Company's website at the following link
<http://www.fazethree.com/investor/5policies.html>.

ii. Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets, during the last three years 2015-16, 2016-17 and 2017-18 respectively: Nil

iii. The Company has adopted a Whistle Blower Policy and has established the necessary vigil mechanism as defined under Regulation 22 of SEBI Listing Regulations for directors and employees to report concerns about unethical behaviour. No person has been denied access to the Chairman of the audit committee. The said policy has been also put up on the website of the Company at the following link <http://www.fazethree.com/investor/5policies.html>.

iv. The Company has also adopted Policy on Determination of Materiality for Disclosures and Policy for Preservation of Documents. The said policy has been also put up on the website of the Company at the following link <http://www.fazethree.com/investor/5policies.html>.

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH
THE COMPANY'S CODE OF CONDUCT**

To
The Members of 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: 22nd May, 2018

Ajay Anand
Chairman & Managing Director

CFO CERTIFICATE UNDER REGULATION 17(8) OF SEBI (LODR) REGULATIONS 2015

To,
The Board of Directors
Faze Three Limited

- A. We have reviewed financial statements and the cash flow statement for the year ended 31st March 2018 and to the best of our knowledge and belief:
1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing 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 volatile of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting. We have not come across any reportable deficiencies in the design or operation of such internal controls.
- D. We have indicated to the Auditors and the Audit Committee:
1. that there are no significant changes in internal control over financial reporting during the year;
 2. that there are no significant changes in accounting policies during the year; and
 3. that there are no instances of significant fraud of which we have become aware.

For and on behalf of the Board
Faze Three Limited

Ajay Anand
Chairman & Managing Director

Ankit Madhwani
Chief Financial Officer

Place: Mumbai
Date: 22nd May 2018

Annexure V
Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
FAZE THREE LIMITED
CIN: L99999DN1985PLC000197

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by FAZE THREE LIMITED (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **There were no ESOPS issued during the year under review.**
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **There were no debt securities which are listed on the Stock Exchange.**
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **There was no action/ event pursuant to the said Regulations; and**

- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **There were no Buy Back of its Equity shares during the year under review.**

(vi) As per Management representation letter following are the laws applicable to Company:

1. Factories Act, 1948.
2. Industrial Dispute Act, 1947.
3. Workmen's Compensation Act, 1923
4. Industrial Health & Safety Act
5. The Minimum Wages Act, 1948.
6. The Payment of Wages Act, 1936.
7. Employees' State Insurance Act 1948.
8. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
9. The Payment of Bonus Act, 1965.
10. The Payment of Gratuity Act, 1972.
11. The Contract Labour (Regulation and Abolition) Act, 1970.
12. The Maternity Benefit Act, 1961.
13. The Industrial Employment (Standing Order) Act, 1946.
14. Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
15. The Apprentices Act, 1961.
16. The Environment (Protection) Act, 1986 [Read with The Environment (Protection) Rules, 1986].
17. The Hazardous Wastes (Management, Handling and Trans boundary Movement) Rules, 2008.
18. The Water (Prevention and Control of Pollution) Act, 1974 [Read with The Water (Prevention and Control Of Pollution) Rules, 1975].
19. The Air (Prevention and Control of Pollution) Act, 1981.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with respect to Meeting of Board of Directors (SS-1) and General Meeting (SS-2) issued by Ministry of Corporate Affairs.
- (ii) SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 made effective from 1st December 2015 as amended from time to time.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions of the Board are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors.

I further report that as per the explanations given to me and the representations made by the Management and relied upon by me there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this Report.

For **SANJAY DHOLAKIA & ASSOCIATES**

(SANJAY R DHOLAKIA)

Practising Company Secretary

Proprietor

Membership No. 2655 /CP No. 1798

Date: 22nd May 2018

Place: Mumbai

Annexure A to Form No. MR-3

To,
The Members,
FAZE THREE LIMITED
CIN: L99999DN1985PLC000197

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial record. The verification was done on test basis to ensure that the correct facts are reflected in secretarial records. I believe that the practices and processes, I have followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, I have obtained management representation about the compliance of laws, rules, regulations, norms and standards and happening of events.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, norms and standards is the responsibility of management. My examination was limited to the verification of procedure on test basis.
6. The secretarial audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **SANJAY DHOLAKIA & ASSOCIATES**

(SANJAY R DHOLAKIA)

Practising Company Secretary

Proprietor

Membership No. 2655 /CP No. 1798

Date: 22nd May 2018

Place: Mumbai

Annexure VI**FORM NO. MGT-9****Extract of Annual Return****as on financial year ended on 31st March 2018**

[Pursuant to Section 92(3) of the Companies act, 2013 read with The Companies (Management and Administration) Rules, 2014]

A. REGISTRATION AND OTHER DETAILS:

CIN:-	L99999DN1985PLC000197
Registration Date:	9 th January 1985
Name of the Company:	Faze Three Limited
Category / Sub-Category of the Company	Company limited by shares / Indian Non - Government Company
Address of the Registered office and contact details:	Survey No. 380/1, Khanvel Silvassa Road, Village Dapada, Dapada, Dadra Nagar Haveli 396230. Phone 0260 2668539 Fax: 0260 2668501 Email: investors@fazethree.com Website: www.fazethree.com
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	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 Email: sharexindia@vsnl.com

B. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service% to total turnover of the company	% to total turnover of the company
a.	Manufacture of made-up textile products except apparels	1392	74.40
b.	Manufacture of carpets and rugs	1393	25.60

C. PARTICULARS OF HOLDING/ SUBSIDIARY/ ASSOCIATE COMPANY

Sr. No.	Name and address of the Company	CIN/GLN	Holding/Subsidiary/Associate	% of shares held
a.	Faze Three US LLC	State of Delaware - 6526266	Wholly owned subsidiary	100%
b.	Aunde India Limited	L17120DN1997PLC000196	Associate	Nil
c.	Instyle Investments Pvt. Ltd.	U67120MH1991PTC060920	Associate	Nil
d.	V R Woodart Limited	L51909MH1989PLC138292	Associate	9.76%

D. STATEMENT SHOWING SHAREHOLDING PATTERN

i. Category-wise Shareholding

Category code	Category of Shareholder	Number of shares held at Beginning of the year (01.04.2017)				Number of shares held at the end of the year (31.03.2018)				
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	% Change during the year
(A)	Shareholding of Promoter and Promoter Group									
1	Indian									
(a)	Individuals/ HUF	7139072	-	7139072	30.64	8634072	-	8634072	35.50	4.86
(b)	Central / State Govt.	-	-	-	-	-	-	-	-	-
(c)	Bodies Corporate	2491625	-	2491625	10.69	2491625	-	2491625	10.25	(0.44)
(d)	FI/ Banks	-	-	-		-	-	-	-	-
(e)	Any Others(Specify)	-	-	-	-	-	-	-	-	-
	Sub Total(A)(1)	9630697		9630697	41.33	11125697	-	11125697	45.75	4.42
2	Foreign									
A	NRI	-	-	-	-	-	-	-	-	-
B	Bodies Corporate	-	-	-	-	-	-	-	-	-
C	Institutions	-	-	-	-	-	-	-	-	-
D	Any Others(Specify)	-	-	-	-	-	-	-	-	-
	Sub Total(A)(2)	-	-	-	-	-	-	-	-	-
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)	9630697	-	9630697	41.33	11125697	-	11125697	45.75	4.42
(B)	Public shareholding									
1	Institutions									
(a)	Mutual Funds/ UTI	-	-	-	-	-	-	-	-	-
(b)	FI / Banks	-	-	-	-	-	-	-	-	-
(c)	Central / State Govt	-	-	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(e)	Insurance Companies	-	-	-	-	-	-	-	-	-
(f)	FIs	1100000	-	1100000	4.72	1100000	-	1100000	4.52	(0.20)
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(h)	Any Other (specify)	-	-	-	-	-	-	-	-	-
	Sub-Total (B)(1)	1100000	-	1100000	4.72	1100000	-	1100000	4.52	(0.20)
B 2	Non-institutions									
(a)	Bodies Corporate	703109	1559297	2262406	9.71	1462021	1011978	2473999	10.17	0.46
(b)	Individuals									
I	i. Individual shareholders holding nominal share capital up to Rs 2 lakh	1892394	178855	2071249	8.89	1937309	167505	2104814	8.66	(0.23)

II	ii. Individual shareholders holding nominal share capital in excess of Rs. 2 lakh.	8047398	188250	8235648	35.35	7429990	82000	7511990	30.89	(4.46)
(c)	Any Other	-	-	-	-	-	-	-	-	-
(c-i)	Clearing Member	-	-	-	-	-	-	-	-	-
(c-ii)	NRI	-	-	-	-	-	-	-	-	-
(d)	NBFCs registered with RBI	-	-	-	-	2500	-	2500	0.01	0.01
	Sub-Total (B)(2)	10642901	1926402	12569303	53.95	10831820	1261483	12093303	49.73	(4.22)
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	11742901	1926402	13669303	58.67	11931820	1261483	13193303	54.25	(4.42)
	TOTAL (A)+(B)	21373598	1926402	23300000	100.00	23057517	1261483	24319000	100.00	0.00
(C)	Shares held by Custodians for GDRs & ADRs									
1	Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
2	Public	-	-	-	-	-	-	-	-	-
	Sub-Total (C)	-	-	-	-	-	-	-	-	-
	GRAND TOTAL (A)+(B)+(C)	21373598	1926402	23300000	100.00	23057517	1261483	24319000	100.00	-

ii. Statement showing holding of securities (including shares, warrants, convertible securities) of persons belonging to the category "Promoter and Promoter Group"

Sr. No.	Name of the shareholder	Details of Shareholding at the beginning of the year (01/04/2017)			Details of Shareholding at the end of the year (31/03/2018)			% change during the year
		Number of shares held	%	% of shares Pledged/ Encumbered	Number of shares held	%	% of shares Pledged/ Encumbered	
1	Ajay Anand	4975412	21.35	0.00	6320412	25.99	0.00	4.64
2	Ajay Anand (HUF)	662500	2.84	0.00	662500	2.72	0.00	(0.12)
3	Rashmi Anand	343990	1.48	0.00	343990	1.41	0.00	(0.06)
4	Vishnu Anand	18875	0.08	0.00	168875	0.69	0.00	0.61
5	Rohina Anand	20875	0.09	0.00	20875	0.09	0.00	--
6	Sanjay Anand	1117420	4.80	0.00	1117420	4.59	0.00	(0.20)
7	Instyle Investments Pvt. Ltd.	2394625	10.28	0.00	2394625	9.85	0.00	(0.43)
8	Anadry Investments Pvt. Ltd.	9500	0.04	0.00	9500	0.04	0.00	--
9	Mamata Finvest Pvt. Ltd.	87500	0.38	0.00	87500	0.36	0.00	(0.02)
	TOTAL	9630697	41.33	0.00	11125697	45.75	0.00	4.42

iii. Change in Promoters' Shareholding (please specify, if there is no change)

SI No.	Name of shareholder	Shareholding		Date	Increase/ Decrease in share holding	Reason	Cumulative shareholding during the year (Refer note)	
		No of shares as on 01.04.2017/ 31.03.2018	% of total shares of the Company (Refer note)				No. of shares	% of total shares of the Company
1	Ajay Anand	4975412	21.35	01.04.2017			4975412	21.35
				26.12.2017	700000	Preferential allotment	5675412	23.34
				28.02.2018	645000	Open mkt purchase	6320412	25.99
		6320412	25.99	31.03.2018			6320412	25.99

2	Ajay Anand (HUF)	662500	2.84	01.04.2017	No Change	N.A.	662500	2.84
		662500	2.72	31.03.2018				2.72
3	Rashmi Anand	343990	1.48	01.04.2017	No Change	N.A.	343990	1.48
		343990	1.41	31.03.2018				1.41
4	Vishnu Anand	18875	0.08	01.04.2017	150000	Open mkt purchase	18875	0.08
				28.02.2018			168875	0.69
		168875	0.69	31.03.2018			168875	0.69
5	Rohina Anand	20875	0.09	01.04.2017	No Change	N.A.	20875	0.09
		20875	0.09	31.03.2018				0.09
6	Sanjay Anand	1117420	4.80	01.04.2017	No Change	N.A.	1117420	4.80
		1117420	4.59	31.03.2018				4.59
7	Instyle Investments Pvt. Ltd.	2394625	10.28	01.04.2017	No Change	N.A.	2394625	10.28
		2394625	9.85	31.03.2018				9.85
8	Anadry Investments Pvt. Ltd.	9500	0.04	01.04.2017	No Change	N.A.	9500	0.04
		9500	0.04	31.03.2018				0.04
9	Mamata Finvest Pvt. Ltd.	87500	0.38	01.04.2017	No Change	N.A.	87500	0.38
		87500	0.36	31.03.2018				0.36

Note: Cumulative and year end percentage is arrived considering Preferential Allotment of 319000 equity shares by the Company to Non-Promoters on 07th April, 2017 and 700000 equity shares to Promoters on conversion of convertible equity warrants on 26th December, 2017.

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No	Name	No. of Shares at the beginning of the year (01-04-2017)	% of total Shares of the company	No. of Shares at end of the year (31-03-2018)	% of total Shares of the Company
1	SALIM PYARLI GOVANI	29,64,631	12.72	34,63,956	14.24
2	AJAY SHRIKRISHAN JINDAL	40,00,000	17.17	27,50,000	11.31
3	NEERAV HANS	15,56,297	6.68	15,56,297	6.40
4	HYPNOS FUND LIMITED	11,00,000	4.72	11,00,000	4.52
5	OWN LEASING AND FINANCE PVT LTD	2,36,302	1.01	2,36,302	0.97
6	SHREANS DAGA	2,00,000	0.86	2,00,000	0.82
7	ASHOK VISHWANATH HIREMATH	1,24,977	0.54	1,81,477	0.75
8	RAJIV RAI (HUF)	1,06,250	0.46	1,06,250	0.44
9	VIKRAM P. PHILIP	1,02,500	0.44	1,02,500	0.42
10	VARUN DAGA	0	0.00	97,332	0.40

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No	Name	Shareholding at the beginning of the year 01/04/2017		Cumulative Shareholding during the year 31/03/2018	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	AJAY ANAND	49,75,412	21.35	63,20,412	25.99
2	SANJAY ANAND	11,17,420	4.80	11,17,420	4.59
3	MANAN MANOJ SHAH	-	-	-	-
4	SHWETA JAYANTILAL JAIN	-	-	-	-
5	VINIT ARVIND RATHOD	-	-	-	-
6	ANKIT DIXIT MADHWANI	1	0.00	1	0.00
7	ANKIT DILIP PAREKH	10	0.00	265	0.00

E. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Rs. In Crores)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i.e. 01/04/2017				
i) Principal Amount	51.30	0.33	-	51.63
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not	-	-	-	-
Total (i+ii+iii)	51.30	0.33	-	51.63
Change in Indebtedness during the financial year				
• Addition	22.16	-	-	22.16
• Reduction	-	0.07	-	-0.07
Net Change	22.16	-0.07	-	22.09
Indebtedness at the end of the financial year i.e. 31/03/2018				
i) Principal Amount	73.46	0.26	-	73.72
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not	-	-	-	-
Total (i+ii+iii)	73.46	0.26	-	73.72

F. REMUNERATION TO MANAGING DIRECTOR, WHOLE-TIME DIRECTORS AND/ OR MANAGERS:

(Rs. In lacs)

Sl. No.	Particulars of Remuneration	Name of MD	Name of WTD	Name of Executive Director	Total Amount
		Mr. Ajay Anand	Mr. Sanjay Anand	Mr. B. Chikkerur	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	68.40	38.40	4.14	110.94
	(b) Value of perquisites u/s 17(2) Income - tax Act, 1961				
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	-as % of profit	-	-	-	-
	-others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total (A)	68.40	38.40	4.14	110.94

G. REMUNERATION TO OTHER DIRECTORS

(In Rs.)

		Shweta Jain	Manan Shah	Vinit Rathod
a.	Fee for attending board meetings / committee meetings	30,000	45,000	50,000
b.	Commission	--		—
c.	Others, please specify	--		—

H. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(Rs. in Lacs)

	Particulars of Remuneration	Mr. Ankit Madhwani CFO	Mr. Ankit Parekh CS	Total
1	Gross salary			
	(a) Gross Salary including the Value of perquisites as per provisions contained in u/s 17(1) and (2) of the Income -tax Act, 1961	42.53	6.00	48.53
	(b) Profits in lieu of salary under u/s 17(3) Income-tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission as % of profit, others	-	-	-
	Total	42.53	6.00	48.53

I. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Authority [RD / NCLT/ COURT]
A. COMPANY					
Penalty	N.A.				
Punishment	N.A.				
Compounding	N.A.				
B. DIRECTORS					
Penalty	N.A.				
Punishment	N.A.				
Compounding	N.A.				
C. OTHER OFFICERS IN DEFAULT					
Penalty	N.A.				
Punishment	N.A.				
Compounding	N.A.				

INDEPENDENT AUDITOR'S REPORT**To The Members of Faze Three Limited****Report on the standalone Indian Accounting Standards (Ind AS) financial statements**

We have audited the accompanying standalone Ind AS financial statements of Faze Three Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the standalone Ind AS financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended, and the accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at March 31, 2018, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

- a) The previous GAAP financial statements of the Company for the year ended March 31, 2017, were audited by another auditor whose report dated May 06, 2017 expressed an unmodified opinion on those statements.
- b) The comparative financial information of the Company for the year ended March 31, 2017 and the transition date opening balance sheet as at April 1, 2016 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended March 31, 2016 and March 31, 2017 dated April 26, 2016 and May 06, 2017 respectively expressed an unmodified audit opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been not audited by us.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of sub-section 11 of section 143 of the Act, we give in the 'Annexure B', a statement on the matters specified in paragraphs 3 and 4 of the Order.

For MSKA & Associates (Formerly known as MSKA & Associates)

Chartered Accountants

ICAI Firm Registration No. 105047W

Amrish Vaidya

Partner

Membership No. 101739

Place: Mumbai

Date : May 22, 2018

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF FAZE THREE LIMITED

[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Faze Three Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those

Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For MSKA & Associates (Formerly known as MZSK & Associates)

Chartered Accountants

ICAI Firm Registration No.105047W

Amrish Vaidya

Membership No.: 101739

Place: Mumbai

Date: May 22, 2018

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF FAZE THREE INDIA LIMITED FOR THE YEAR ENDED MARCH 31, 2018

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regards to the size of the company and nature of its business. Pursuant to the program, a portion of fixed assets has been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- ii. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on verification between the physical stock and the book records.
- iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has not either directly or indirectly, granted any loan to any of its directors or to any other person in whom the director is interested, in accordance with the provisions of section 185 of the Act and the Company has not made investments through more than two layers of investment companies in accordance with the provisions of section 186 of the Act. Accordingly, provisions stated in paragraph 3(iv) of the Order are not applicable to the Company.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.
- vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, service tax, goods and service tax, duty of customs, value added tax, cess and any other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2018 for a period of more than six months from the date on when they become payable.

(b) According to the information and explanation given to us and the records of the Company examined by us, there are no dues of income tax, sales-tax, service tax, goods and service tax, customs duty, excise duty, value added tax, cess and any other statutory dues which have not been deposited on account of any dispute.

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the financial institution and banks. The Company has not taken any loan from the government and has not issued any debentures.
- ix. In our opinion, according to the information explanation provided to us, money raised by way of term loans during the year have been applied for the purpose for which they were raised. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.
- x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.
- xi. According the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has made preferential allotment of equity shares and convertible equity warrants during the year and the requirements of Section 42 of the Act have been complied with. The amount raised has been used for the purposes for which they were raised.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

For MSKA & Associates (Formerly known as MZSK & Associates)

Chartered Accountants

ICAI Firm Registration No. 105047W

Amrish Vaidya

Partner

Membership No.101739

Place: Mumbai

Date: May 22, 2018

Faze Three Limited				
Standalone Balance Sheet as at 31 March 2018				
(Amount in crores, unless otherwise stated)				
	Notes	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
ASSETS				
Non-current assets				
Property, plant and equipment	5	113.40	111.80	124.84
Capital work-in-progress		1.16	0.19	0.03
Investment property	6	-	0.69	-
Financial assets				
Investments	7	2.64	0.39	0.38
Other financial assets	8	3.04	1.11	1.17
Deferred tax asset (net)	34	4.12	-	-
Total non-current assets		124.36	114.18	126.42
Current assets				
Inventories	9	69.76	71.49	81.52
Financial assets				
Investments	7	0.19	-	-
Trade receivables	10	40.08	39.68	51.91
Cash and cash equivalents	11	2.22	1.84	2.14
Bank balances other than cash and cash equivalent	12	0.12	0.69	15.60
Other financial assets	13	1.03	1.26	0.37
Current tax assets (net)	14	0.88	-	3.53
Other current assets	15	22.41	15.66	12.29
Total current assets		136.69	130.62	167.36
Total assets		261.05	244.80	293.78
EQUITY AND LIABILITIES				
Equity				
Equity share capital	16	24.72	23.30	12.19
Other equity	17	147.20	128.19	75.67
Total equity		171.92	151.49	87.86
Liabilities				
Non-current liabilities				
Financial liabilities				
Borrowings	18	0.82	0.47	0.04
Other financial liabilities	19	-	3.10	5.60
Employee benefit obligations	20	0.94	0.85	0.50
Deferred tax liability (net)	34	-	1.08	14.14
Total non-current liabilities		1.76	5.50	20.28
Current liabilities				
Financial liabilities				
Borrowings	21	72.90	50.92	59.37
Trade payables	22	6.75	23.12	18.52
Other financial liabilities	23	0.27	0.59	85.35
Employee benefit obligations	20	1.60	1.40	1.25
Other current liabilities	24	5.85	9.66	21.15
Current tax liabilities (Net)	25	-	2.12	-
Total current liabilities		87.37	87.81	185.64
Total liabilities		89.13	93.31	205.92
Total equity and liabilities		261.05	244.80	293.78
Summary of significant accounting policies				
The accompanying notes are an integral part of the financial statements.				
As per our report of even date				
For MSKA & Associates (Formerly known as MZSK & Associates)				
Chartered Accountants				
ICAI Firm Registration No.:105047W				
Amrish Vaidya Partner Membership No: 101739				
Place : Mumbai Date : May 22, 2018				
For and on behalf of the Board of Directors of Faze Three Limited CIN: L99999DN1985PLC000197				
Ajay Anand Managing Director DIN: 00373248				
Sanjay Anand Whole-time Director DIN: 01367853				
Ankit Madhwani Chief Financial Officer				
Ankit Parekh Company Secretary M No: A31990				

Faze Three Limited			
Standalone Statement of Profit and Loss for the year ended 31 March 2018		(Amount in crores, unless otherwise stated)	
	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Income			
Revenue from operations	26	239.87	243.77
Other income	27	10.63	22.90
Total income		250.50	266.67
Expenses			
Cost of material consumed	28	116.26	115.86
Changes in inventories of finished goods and work-in-progress	29	(0.90)	10.36
Employee benefits expense	30	39.12	34.41
Finance costs	31	7.77	7.99
Depreciation and amortization expense	32	6.69	6.96
Other expenses	33	66.02	63.82
Total expenses		234.96	239.40
Profit before tax		15.54	27.27
Income tax expense			
Current tax	34	3.32	1.70
Less: MAT credit entitlement	34	(3.32)	(1.70)
Deferred tax credit	34	(1.29)	(10.59)
Total income tax expense		(1.29)	(10.59)
Profit for the year		16.83	37.86
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Re-measurement gains on defined benefit plans		0.25	0.38
Income tax effect		(0.08)	(0.12)
		0.17	0.26
Other comprehensive income for the year		0.17	0.26
Total other comprehensive income for the year		16.66	37.60
Earnings per share			
Basic (₹ / Share)	35	7.00	23.09
Diluted (₹ / Share)	35	6.99	23.09
Summary of significant accounting policies	2		
The accompanying notes are an integral part of the financial statements			
As per our report of even date		For and on behalf of the Board of Directors of	
For MSKA & Associates (Formerly known as MZSK & Associates)		Faze Three Limited	
Chartered Accountants		CIN: L99999DN1985PLC000197	
ICAI Firm Registration No.:105047W			
Amrish Vaidya		Ajay Anand	Sanjay Anand
Partner		Managing Director	Whole-time Director
Membership No: 101739		DIN: 00373248	DIN: 01367853
Place : Mumbai		Ankit Madhwani	Ankit Parekh
Date : May 22, 2018		Chief Financial Officer	Company Secretary
			M No: A31990

Faze Three Limited		
Statement of cash flows for the year ended 31 March 2018		
	(Amount in INR crores, unless otherwise stated)	
	Year ended 31 March 2018	Year ended 31 March 2017
Cash flow from operating activities		
Profit before tax	15.54	27.27
Adjustments for:		
Remeasurements of net defined benefit plans	0.25	0.38
Depreciation and amortization expenses	6.69	6.96
Finance cost	5.01	4.90
Interest income	(0.03)	(0.07)
Gain on sale of Investment	-	(0.10)
Gain on sale of Investment Property	(6.40)	-
Gain on sale of fixed assets	-	(2.20)
Operating profit before working capital changes	21.06	37.14
Changes in working capital		
Increase / (decrease) in trade payables	(16.37)	4.61
Decrease/ (increase) in inventories	1.73	10.03
Decrease/ (increase) in trade receivables	(0.40)	12.22
Decrease/ (increase) in other financial assets	0.22	(0.98)
Decrease in other current liabilities	(3.82)	(11.49)
Increase/ (decrease) in other financial liabilities	(0.32)	(84.75)
Increase/ (decrease) in Employee benefit obligations	0.29	0.50
Decrease/ (increase) in other financial assets	(1.93)	0.06
Decrease/ (increase) in other current assets	(6.74)	(3.37)
Cash generated used in operations	(6.28)	(36.03)
Income tax paid (net of refund)	(7.16)	2.66
Net cash flows used in operating activities (A)	(13.44)	(33.37)
Cash flow from Investing activities		
Payment for purchase of property, plant and equipment	(8.71)	(4.25)
Payment for capital work-in-process	(0.97)	(0.16)
Proceed from sale of Investment property	7.11	-
Investments in subsidiary	(2.43)	-
Proceeds from sales of investments	-	0.10
Proceeds from sale/ disposal of fixed assets	0.01	7.66
Net proceeds from fixed deposits	0.57	14.91
Interest received	0.26	0.18
Net cash flow from investing activities (B)	(4.16)	18.44
Cash flow from Financing activities		
Proceeds from issuance of equity share capital	-	11.11
Proceeds from issuance of equity share capital against share premium	3.78	11.11
Proceeds against share application money	-	7.84
Proceeds from long-term borrowings	0.35	0.43
Repayment of term loan from banks	(3.10)	(2.50)
Proceeds/(repayment) from short-term borrowings	21.96	(8.46)
Interest paid	(5.01)	(4.90)
Net cash flow from financing activities (C)	17.98	14.63
Net increase in cash and cash equivalents (A+B+C)	0.38	(0.30)
Cash and cash equivalents at the beginning of the year	1.84	2.14
Cash and cash equivalents at the end of the year	2.22	1.84
Cash and cash equivalents comprise (Refer note 10)		
Balances with banks		
On current accounts	2.17	1.73
Bank balance on EEFC account	-	0.03
Cash on hand	0.05	0.08
Total cash and bank balances at end of the year	2.22	1.84
Summary of significant accounting policies		
The accompanying notes are an integral part of the financial statements.		
As per our report of even date		
For MSKA & Associates (Formerly known as MZSK & Associates)		
Chartered Accountants		
ICAI Firm Registration No.:105047W		
Amrish Vaidya		
Partner		
Membership No: 101739		
Place : Mumbai		
Date : May 22, 2018		
For and on behalf of the Board of Directors of		
Faze Three Limited		
CIN: L99999DN1985PLC000197		
Ajay Anand		
Managing Director		
DIN: 00373248		
Ankit Madhwani		
Chief Financial Officer		
Sanjay Anand		
Whole-time Director		
DIN: 01367853		
Ankit Parekh		
Company Secretary		
M No: A31990		

Faze Three Limited

Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

1. General Information

Faze Three Limited is engaged in manufacturing and exports of home furnishing items viz. bathmats, rugs, blankets, throws, cushions, etc. It has six manufacturing locations across India viz. Panipat (3), Vapi (1) and Dadra & Nagar Haveli (2). The company is a direct exporter to most retail giants mainly in US and Europe. The Company is a public company incorporated and domiciled in India and has its registered office in Dapada, Silvassa, UT of Dadra and Nagar Haveli. The company's equity shares are listed on the Bombay Stock Exchange.

2. Significant accounting policies

Significant accounting policies adopted by the company are as under:

2.1 Basis of Preparation of Standalone Financial Statements**(A) Statement of Compliance with Ind AS**

Ministry of Corporate Affairs notified roadmap to implement Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendments) Rules, 2016. As per the said roadmap, the company is required to apply Ind AS starting from financial year beginning on or after 1st April, 2016. Accordingly, the standalone financial statements of the Company have been prepared in accordance with the Ind AS.

For all periods up to and including the year ended 31st March 2017, the Company prepared its standalone financial statements in accordance with the Accounting Standards notified under the section 133 of the Companies Act 2013, read together with Companies (Accounts) Rules 2014 (Indian GAAP). These standalone financial statements for the year ended 31st March, 2018 are the first the company has prepared in accordance with Ind AS (refer note 5 for information on how the company has adopted Ind-AS).

The standalone financial statements are presented in Indian Rupees ('INR') and all values rounded to the nearest crores, except otherwise indicated.

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use

(B) Basis of measurement

The standalone financial statements have been prepared on a historical cost convention on accrual basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:-

- i) Certain financial assets and liabilities measured at fair value (refer accounting policy on financial instruments)
- ii) Embedded derivative
- iii) Asset classified as held for sale

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the rendering of service and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and noncurrent classification of assets and liabilities

(C) Use of estimates

The preparation of standalone financial statements in conformity with Ind AS requires the Management to make estimate and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amount of revenue and expenses for the year and disclosures of contingent liabilities as at the Balance Sheet date. The estimates and assumptions used in the accompanying standalone financial statements are based upon the Management's evaluation of the relevant facts and circumstances as at the date of the standalone financial statements. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates, if any, are recognized in the year in which the estimates are revised and in any future years affected.

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Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

2.2 Property, plant and equipment

Freehold Land and Leasehold land are carried at fair value based on periodic valuation by the external independent valuers. Increase in the carrying amounts arising on revaluation of freehold and leasehold land are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders equity. To the extent that the reserves show a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increase of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to profit or loss. Each year difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation reserve to the retained earnings.

Property, plant and equipment are stated at original cost inclusive of incidental expenses related to acquisition net of tax / duty credit availed, net of accumulated depreciation and accumulated impairment losses, if any, such cost includes cost of replacing part of plant and equipment and borrowing cost for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'. Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at balance sheet date.

Depreciation methods, estimated useful lives

The Company depreciates property, plant and equipment over their estimated useful lives using the straight line method. The estimated useful lives of assets are as follows:

<u>Property, plant and equipment</u>	<u>Period of Lease</u>
Leasehold improvement	Lease period
Factory Building	30 years
Office Building	60 years
Plant & Machinery (Tufting Machines)	20 years
Plant & Machinery (Others)	15 years
Laboratory Equipments	10 years
Furniture and Fixtures	10 years
Office Equipment	5 years
Electrical Installations	10 years
Fire Hydrant Systems	15 years
Vehicles	8 years
Computers:	
-Servers	6 years
-End user devices such as, desktops, laptops etc.	3 years

Building constructed on leasehold land are depreciated based on the useful life specified in schedule II to the Companies Act, 2013, where the lease period of land is beyond the life of the building. In other case, building constructed on leasehold lands are amortised over the primary lease period of the land.

Based on the technical experts assessment of useful life, certain items of property plant and equipment are being depreciated over useful lives different from the prescribed useful lives under Schedule II to the Companies Act, 2013.

Faze Three Limited**Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018**

Management believes that such estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Depreciation on addition to property plant and equipment is provided on pro-rata basis from the date of acquisition. Depreciation on sale/deduction from property plant and equipment is provided up to the date preceding the date of sale, deduction as the case may be. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Statement of Profit and Loss under 'Other Income'.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.3 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the investment property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation on building is provided over the estimated useful lives as specified in schedule II to the Companies Act, 2013. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted on prospective basis as appropriate, at each financial year end. The effects of any revision are included in the statement of profit and loss when the change arises.

The Company, based on technical assessment made by technical expert and management estimate, depreciates the building over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

2.4 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

2.5 Foreign Currency Transactions**Functional and presentation currency**

Items included in the standalone financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The standalone financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

Faze Three Limited

Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

Transactions and balances

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. Gains/Losses arising out of fluctuation in foreign exchange rate between the transaction date and settlement date are recognised as income or expense in the period in which they arise in the Statement of Profit and Loss.

All monetary assets and liabilities in foreign currencies are restated at the year end at the exchange rate prevailing at the year end and the exchange differences are recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or losses arising of transaction of non-monetary items is recognised in line with the gains or losses of the item that gave arise to the translation difference.

2.6 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The Company's management determines the policies and procedures for fair value measurement such as derivative instrument.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the standalone financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.7 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

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Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer on delivery of goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of Services:

Revenue from sale of services is recognised as per terms of the contract with customers when the outcome of the transactions involving rendering of services can be estimated reliably.

Interest Income:

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in the other income in the statement of profit and loss.

Rental Income

Lease agreements where the risks and rewards incident to the ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals are recognised on straight line basis as per the terms of the agreements in the statement of profit and loss.

Export Incentives

Export Incentive from the government is recognised when there is a reasonable assurance that (i) the company will comply with the conditions attached to them and (ii) the incentive will be received.

When the incentive relates to revenue, it is recognised as income on a systematic basis in the statement of profit or loss over the periods necessary to match them with the related income, which they relate to.

2.8 Taxes

Tax on income for the current period is determined on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the relevant tax laws and based on the expected outcome of assessments / appeals.

(A) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the year end date. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(B) Deferred tax

Deferred income tax is provided in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in standalone financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

Current and deferred tax is recognized in statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantial all of the risks and benefits incidental to ownership of the leased items, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by lessor are classified as operating leases. Lease rentals are charges to the statement of profit and loss on straight line basis.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, packaging materials and stores and spare parts are valued at lower of cost and net realizable value. Cost includes purchase price, (excluding those subsequently recoverable by the enterprise from the concerned revenue authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. In determining the cost, weighted average cost method is used.

Work in progress, manufactured finished goods and traded goods are valued at the lower of cost and net realisable value. Cost of work in progress and manufactured finished goods is determined on the weighted average basis and comprises direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on a weighted average basis.

Slow and non-moving material, obsolesce, defective inventories are duly provided for and valued at actual cost incurred upto the date of balance sheet. Materials and supplies held for use in production of inventories are not written down if the finished products in which they will be used are expected to be sold at or above cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

2.11 Trade Receivables

Trade Receivables are amounts due from customers for sale of goods or services performed in the ordinary course of business. Trade Receivables are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method, net of provision for impairment. The carrying value less impairment provision of trade receivables, are assumed to be approximate to their fair values.

2.12 Impairment of non-financial assets

The Company assesses at each year end whether there is any objective evidence that a non financial asset or a group of non financial assets is impaired. If any such indication exists, the Company estimates the asset's recoverable amount and the amount of impairment loss.

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Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognized in Statement of Profit and Loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through Statement of Profit and Loss.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash in flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

2.13 Provisions and contingent liabilities

Provisions are recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The Company records a provision for decommissioning costs. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

2.14 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks, cash on hand and demand deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, cash in banks and demand deposits.

2.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(A) Financial assets**(i) Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortised cost.

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Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- a) at amortized cost; or
- b) at fair value through other comprehensive income; or
- c) at fair value through profit or loss.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Debt Instruments: Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method (EIR).

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in Statement of Profit and Loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of Profit and Loss and recognized in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

Equity instruments: All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument- by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss. The Company has currently exercised irrevocable option to classify its investment in equity instruments of PQR Private Limited. Other than this no other equity instrument qualifies definition of financial asset in case of the Company.

(iii) Impairment of financial assets

In accordance with Ind AS 109, Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on financial assets that are measured at amortized cost and FVOCI.

Faze Three Limited**Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018**

For recognition of impairment loss on financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent years, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

Life time ECLs are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the year end.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider all contractual terms of the financial instrument (including prepayment, extension etc.) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payment is more than 30 days past due.

ECL impairment loss allowance (or reversal) recognized during the year is recognized as income/expense in the statement of profit and loss. In balance sheet ECL for financial assets measured at amortized cost is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

(iv) Derecognition of financial assets

A financial asset is derecognized only when

- a) the rights to receive cash flows from the financial asset is transferred or
- b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the financial asset is transferred then in that case financial asset is derecognized only if substantially all risks and rewards of ownership of the financial asset is transferred. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

(B) Financial liabilities**(i) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and at amortized cost, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

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Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statement of Profit and Loss.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss as finance costs.

(C) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. Derivatives embedded in all other host contract are separated if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(D) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.16 Employee Benefits**(A) Short-term employee benefits**

All employee benefits payable only within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, etc. and the expected cost of bonus, ex-gratia, and incentives are recognised in the period during which the employee renders the related service.

(B) Post employment benefits**(i) Defined contribution plan**

State Government Provident Scheme is a defined contributed plan. The contribution paid/payable under the scheme is recognised in the statement of profit and loss during the period in which the employee renders the related services.

(ii) Defined benefit plans

Gratuity: The Company provides for gratuity, a defined benefit plan (the 'Gratuity Plan') covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognized in the other comprehensive income in the year in which they arise.

2.17 Contributed equity

Equity shares are classified as equity share capital.

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Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share is the net profit or loss for the year after deducting preference dividends and any attributable tax thereto for the year. The weighted average number of equity shares outstanding during the year and for all the years presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

2.19 Rounding off amounts

All amounts disclosed in standalone financial statements and notes have been rounded off to the nearest crores as per requirement of Schedule III of the Act, unless otherwise stated.

3. Significant accounting judgments, estimates and assumptions

The preparation of standalone financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(A) Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward except for the unabsorbed depreciation. Refer Note 34.

(B) Defined benefit plans (gratuity benefits)

The cost of the defined benefit plans such as gratuity are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each year end.

The principal assumptions are the discount and salary growth rate. The discount rate is based upon the market yields available on government bonds at the accounting date with a term that matches that of liabilities. Salary increase rate

Faze Three Limited**Notes forming part of the Standalone Ind AS Financial Statements for the year ended 31 March 2018**

takes into account of inflation, seniority, promotion and other relevant factors on long term basis. For details refer Note 36.

4. First-time adoption of IndAS**Transition to Ind AS**

These standalone financial statements are the first set of Ind AS standalone financial statements prepared by the Company. Accordingly, the Company has prepared standalone financial statements which comply with Ind AS applicable for year ending on 31 March 2018, together with the comparative year data as at and for the year ended 31 March 2017, as described in the significant accounting policies. In preparing these standalone financial statements, the Company's opening balance sheet was prepared as at 1 April 2016, being the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its previous GAAP standalone financial statements, including the balance sheet as at 1 April 2016 and the standalone financial statements as at and for the year ended 31 March 2017.

4.1 Exemptions availed on first time adoption of Ind AS

Ind AS 101, First-time Adoption of Indian Accounting Standards, allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has accordingly applied the following exemptions.

(a) Deemed Cost

Since there is no change in the functional currency, the Company has elected to continue with carrying value for all of its property, plant and equipment except freehold land and leasehold land as recognized in its Indian GAAP standalone financial statements as its deemed cost at the date of transition. This exemption can also be used for investment properties. Accordingly the management has elected to measure all of its property, plant and equipment except freehold land and leasehold land, investment properties at their Indian GAAP carrying value.

(b) Standards issued but not yet effective:

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the financial statements are discussed below. The Company intends to adopt these standards, if applicable, when they become effective.

i) Appendix B to Ind AS 21, Foreign currency transactions and advance consideration

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company is currently evaluating the requirements of amendments. The Company believe that the adoption of this amendment will not have a material effect on its financial statements.

ii) Ind AS 115 - Revenue from Contract with Customers

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Faze Three Limited

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

4.3 Reconciliations

The following reconciliations provides the effect of transition to Ind AS from previous GAAP in accordance with Ind AS 101, First-time Adoption of Indian Accounting Standards:

(a) Reconciliation of equity as at date of transition 1 April 2016

	Notes to first-time adoption	Previous GAAP*	Adjustments	Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment	(f) (i)	65.38	59.46	124.84
Capital work-in-progress		0.03	-	0.03
Financial assets				
Investments	(f) (ii)	0.37	0.01	0.38
Other financial assets		1.16	-	1.17
Total non-current assets		66.94	59.47	126.42
Current assets				
Inventories		81.52	-	81.52
Financial assets				
Trade receivables		51.91	-	51.91
Cash and cash equivalents		2.14	-	2.14
Bank balances other than cash and cash equivalents		15.60	-	15.60
Other financial assets		0.37	-	0.37
Current tax assets (net)		3.53	-	3.53
Other current assets	(f) (iii)	11.58	0.71	12.29
Total current assets		166.65	0.71	167.36
Total assets		233.59	60.18	293.78
EQUITY AND LIABILITIES				
Equity				
Equity share capital		12.19	-	12.19
Other equity		(49.98)	125.63	75.67
Total equity		(37.79)	125.63	87.86
Liabilities				
Non-current liabilities				
Financial liabilities				
Borrowings		0.04	-	0.04
Other financial liabilities		5.60	-	5.60
Employee benefit obligations	(f) (iv)	1.52	(1.02)	0.50
Deferred tax liability (net)	(f) (v)	13.90	0.24	14.14
Total non-current liabilities		21.06	(0.78)	20.28
Current liabilities				
Financial liabilities				
Borrowings		59.37	-	59.37
Trade payables		18.52	-	18.52
Other financial liabilities	(f) (vi)	150.03	(64.68)	85.35
Employee benefit obligations		1.25	-	1.25
Other current liabilities		21.15	-	21.15
Total current liabilities		250.32	(64.68)	185.64
Total liabilities		271.38	(65.46)	205.92
Total equity and liabilities		233.59	60.18	293.78

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

Faze Three Limited

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

(b) Reconciliation of equity as at 31 March 2017

	Notes to first-time adoption	Previous GAAP*	Adjustments	Ind AS
Non-current assets				
Property, plant and equipment	(f) (i)	56.38	55.41	111.80
Capital work-in-progress		0.19	-	0.19
Investment property		0.69	-	0.69
Financial assets				
Investments	(f) (ii)	0.37	0.02	0.39
Other financial assets		1.11	-	1.11
Total non-current assets		58.74	55.44	114.18
Current assets				
Inventories		71.49	-	71.49
Financial assets				
Trade receivables		39.68	-	39.68
Cash and cash equivalents		1.84	-	1.84
Bank balances other than above		0.69	-	0.69
Other financial assets		1.26	-	1.26
Other current assets	(f) (iii)	13.72	1.95	15.66
Total current assets		128.68	1.95	130.62
Total assets		187.42	57.39	244.80
EQUITY AND LIABILITIES				
Equity				
Equity share capital		23.30	-	23.30
Other equity		71.54	56.66	128.19
Total equity		94.84	56.66	151.49
Liabilities				
Non-current liabilities				
Financial liabilities				
Borrowings		0.47	-	0.47
Other financial liabilities		3.10	-	3.10
Employee benefit obligation	(f) (iv)	0.76	0.09	0.85
Deferred tax liability (net)	(f) (v)	2.56	(1.47)	1.08
Total non-current liabilities		6.89	(1.38)	5.50
Current liabilities				
Financial liabilities				
Borrowings		50.92	-	50.92
Trade payables		23.12	-	23.12
Other financial liabilities		0.59	-	0.59
Employee benefit obligations		1.40	-	1.40
Other current liabilities		9.66	-	9.66
Current tax liabilities (Net)	(f) (v)	-	2.12	2.12
Total current liabilities		85.68	2.12	87.81
Total liabilities		92.58	0.74	93.32
Total equity and liabilities		187.42	57.38	244.80

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

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Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

(c) Reconciliation of profit or loss for the year ended 31 March 2017

	Notes to first-time adoption	Previous GAAP*	Adjustments	Ind AS
Income				
Revenue from operations	(f)(ii) & (f)(iii)	243.77	-	243.77
Other income		21.66	1.24	22.90
Total income		265.43	1.24	266.67
Expenses				
Cost of material consumed	(f)(iv)	115.86	-	115.86
Changes in inventories of finished goods, stock-in-trade and work-in-progress		10.36	-	10.36
Employee benefit expense		33.67	0.74	34.41
Finance costs		7.99	-	7.99
Depreciation and amortization expense	(f)(vi)	6.96	-	6.96
Other expenses		62.41	1.41	63.82
Total expenses		237.25	2.15	239.39
Profit /(Loss) before tax		28.17	(0.90)	27.27
Income tax expense				
Current tax	(f)(v)	1.70	-	1.70
Less : Mat Credit Entitlement		(1.70)	-	(1.70)
Deferred tax credit		(11.12)	(0.53)	(10.59)
Total income tax expense		(11.12)	(0.53)	(10.59)
Profit for the year		39.29	(1.44)	37.86
Other comprehensive income				
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>				
Re-measurement gains/ (losses) on defined benefit plans	(f)(iv)	-	0.38	0.38
Income tax effect	(f)(v)	-	(0.12)	(0.12)
Other comprehensive income for the year		-	0.25	0.26
Total other comprehensive income for the year		39.29	(1.69)	37.60

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

(d) Reconciliation of total equity as at 31 March 2017 and 1 April 2016

	Notes to first-time adoption	31 March 2017	1 April 2016
Shareholder's funds as per previous GAAP		94.84	(37.79)
Adjustments			
(i) Remeasurement of defined benefit obligations reclassified to OCI	(f)(iv)	0.28	1.02
(ii) Fair Value of investment	(f)(ii)	0.03	0.01
(iii) Mark-to-market on forward contract derivatives	(f)(iii)	1.94	0.71
(iv) Equity Component of compound financial instrument	(f)(vi)	-	64.69
(v) Deferred taxes	(f)(v)	(1.01)	(0.24)
(vi) Fair valuation of land	(f)(i)	55.41	59.46
Total Adjustment		56.65	125.64
Shareholder's equity as per Ind AS		151.49	87.86

Faze Three Limited

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

(e) Reconciliation of total comprehensive income for the year ended 31 March 2017

	Notes to first-time adoption	31 March 2017
Profit after tax as per previous GAAP		39.29
Adjustment		
(i) Remeasurement of employee defined obligations reclassified to OCI	(f)(iv)	(1.12)
(ii) Gain on fair value of Investments	(f)(ii)	0.02
(iii) Mark-to-market gain on currency forward contracts	(f)(iii)	1.21
(iv) Loss on settlement of financial liability (FCCB)	(f)(vi)	(1.40)
(v) Tax effect on above adjustments	(f)(v)	(0.66)
(vi) Other Comprehensive Income (net of tax)	(f)(vii)	0.26
Total		(1.69)
Profit as per Ind AS		37.60

(f) Notes to first-time adoption

(i) Revaluation of land and building

The Company has valued the entire class of asset being Freehold and Leasehold Land as per accounting policy adopted by Company under IND AS for valuing such class of assets at fair value as deemed cost on the transition date & subsequent measurement. Consequent to this, freehold land, leasehold land and total equity has increased by ₹ 55.41 crores as on 31 March, 2017 (₹ 59.46 crores - 1 April, 2016).

(ii) Fair valuation of Investments

In previous GAAP, Investments in quoted mutual funds of the company were measured at lower of cost or fair value. Under Ind AS, these investments have been classified as fair value through profit and loss (FVTPL) on the date of transition. The fair value changes are recognised in the Statement of Profit and Loss. Consequent to this, investments and other income has increased by ₹ 0.03 crores as on 31 March, 2017 (₹ 0.01 crores - 1 April, 2016).

(iii) Mark-to-market on Foreign Currency Derivatives

Under Ind AS, forward contracts on currency are recognised as financial assets / liabilities and measured at fair value through profit and loss (FVTPL) on the date of transition. Mark to market (MTM) arising on forward contracts on currency are recognised in profit or loss. Consequent to this, current assets and other income has increased by ₹ 1.94 crores as on 31 March, 2017 (₹ 0.71 crores - 1 April, 2016).

(iv) Remeasurement of benefit plan

In the financial statements prepared under previous GAAP, remeasurement costs of defined benefit plans, arising primarily due to change in actuarial assumptions was recognised as Employee benefits expense in the Statement of Profit and Loss. Under Ind AS, such remeasurement costs relating to defined benefit plans is recognised in Other Comprehensive Income as per the requirements of Ind AS 19, Employee benefits. Consequently, the related tax effect of the same has also been recognised in Other Comprehensive Income. Consequent to this, actuarial loss of ₹0.38 crores is reclassified from employee benefit expenses to OCI, resulting decrease in employee benefit expenses and profit after tax for the year ended 31 March, 2017 by ₹ 0.26 crores as on 31 March, 2017 (₹ 0.11 crores - 1 April, 2016) net of taxes. There is no impact on the total equity as at 31 March, 2017.

(v) Deferred tax

Indian GAAP requires assessment of virtual certainty in case of losses for recognizing deferred tax asset, but under Ind AS deferred tax assets are recognized for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Consequent to this, total equity has decreased by ₹ 1.01 crores as on 31 March, 2017 (₹ 0.24 crores - 1 April, 2016) and profit for the year ended 31 March 2017 has increased by ₹ 0.66 crores.

(vi) Equity Component of Compound Financial Instrument

As per Ind AS 32, Foreign Currency Convertible Bonds (FCCBs) are compound financial instruments which require split accounting into liability component and equity component. The instrument value of FCCBs as per Indian GAAP was ₹ 103.29 Crs as on April 1, 2016, based on the fair valuation carried out by independent valuer, under Ind AS 32 & Ind AS 109 read with Ind AS 113, the fair value of the liability component of FCCBs is arrived at ₹ 38.61 crores and classified under Current Financial liabilities. The residual amount of ₹ 64.68 crores has been classified as the value of Equity Component of FCCBs & classified under Other Equity in the opening Balance Sheet on the transition date. During FY 2017, the buyback of entire FCCBs was done at ₹ 40.01 crores, therefore net amount of ₹ 1.40 crores has been debited to profit and loss account for FY 2017.

(vii) Other comprehensive income

The concept of Other Comprehensive Income (OCI) did not exist under Indian GAAP.

(viii) Statement of cash flows

No material impact on transition from Indian GAAP to Ind AS on the statement of cash flows.

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Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

5 Property, plant and equipment

(Amount in crores, unless otherwise stated)

Particulars	Gross block			Depreciation			Net block	
	As at 1 April 2017	Additions/ Adjustments	Deductions/ Adjustments	As at 31 March 2018	As at 1 April 2017	For the year	As at 31 March 2018	As at 31 March 2017
Owned assets								
Leasehold land	9.21	-	-	9.21	-	-	-	9.21
Freehold land	52.05	-	-	52.05	-	-	-	52.05
Building	38.23	1.17	-	39.40	16.24	1.16	17.80	22.00
Plant and machinery	71.33	5.75	-	77.08	46.78	4.44	51.22	24.55
Furniture and fixtures	5.32	0.51	-	5.83	4.22	0.20	4.42	1.10
Vehicles	4.20	0.42	-	4.62	2.97	0.21	3.18	1.23
Office equipment	1.52	0.19	-	1.71	1.13	0.17	1.30	0.39
Computers	2.73	0.30	-	3.03	2.27	0.26	2.54	0.46
Electrical installations	5.22	0.37	0.01	5.58	4.50	0.22	4.74	0.72
Fire hydrants	0.13	-	-	0.13	0.03	0.01	0.04	0.10
Total	189.94	8.71	0.01	198.64	78.14	6.67	85.24	111.80

Particulars	Gross block			Depreciation			Net block	
	As at 1 April 2016	Additions/ Adjustments	Deductions/ Adjustments	As at 31 March 2017	As at 1 April 2016	For the year	As at 31 March 2017	As at 31 March 2016
Owned assets								
Leasehold land (refer note 5.1)	9.21	-	-	9.21	-	-	-	9.21
Freehold land (refer note 5.1)	58.55	-	6.50	52.05	-	-	-	58.55
Building	42.53	0.64	4.94	38.23	16.11	1.28	16.24	26.42
Plant and machinery	69.71	1.62	-	71.33	42.43	4.35	46.78	27.27
Furniture and fixtures	5.87	0.30	0.85	5.32	4.76	0.26	4.22	1.12
Vehicles	3.30	0.90	-	4.20	2.79	0.18	2.97	0.51
Office equipment	1.23	0.29	-	1.52	0.89	0.24	1.13	0.34
Computers	2.43	0.30	-	2.73	2.08	0.19	2.27	0.35
Electrical installations	5.02	0.20	-	5.22	4.06	0.44	4.50	0.96
Fire hydrants	0.13	-	-	0.13	0.02	0.01	0.03	0.11
Total	197.98	4.25	12.29	189.94	73.14	6.95	78.14	124.84

5.1 Fair valuation of land

The fair value of land consists of lands containing the factories of the Company. Fair value of the properties was determined by estimating and arriving at the 'Prevailing Market value' by N M Pai & Company an accredited independent valuer appointed by the Company for the said purpose. The valuation performed by the valuer is based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

Faze Three Limited

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

6 Investment property

Cost	Amount
Deemed cost as at 1 April 2016	-
Additions (On 1st December 2016)	0.70
Disposals	-
As at 31 March 2017	0.70
Additions	-
Disposals/adjustments	(0.70)
Closing as at 31 March 2018	-

Accumulated amortization and impairment, if any

For the year	0.01
Disposals	-
Up to 31 March 2017	0.01
For the year	0.02
Disposals/adjustments	(0.02)
Closing as at 31 March 2018	-

Net block

As at 31 March 2018	-
As at 31 March 2017	0.69
As at 01 April 2016	-

Information regarding income and expenditure of Investment property

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Rental income derived from Investment property	0.51	0.16
Profit arising from Investment property before depreciation and indirect expenses	0.51	0.16
Less – Depreciation and amortisation expenses	(0.02)	(0.01)
Profit arising from Investment property before indirect expenses	0.49	0.15

The Company's investment property consisted of commercial property at Worli (erstwhile corporate office of the company) given on lease to Bank of Maharashtra for a period of 10 years with effect from December 2016.

As at 31 March 2017 and 1 April 2016, the fair values of the property are ₹ 6.94 crores and ₹ 6.75 crores respectively. These valuations are based on valuations performed by Sigma Engineering Consultants, an accredited independent valuer. Sigma Engineering Consultants is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

Reconciliation of fair value:	Amount
Opening balance as at 1 April 2016 (Book value forming part of PPE)	1.54
Fair value difference	5.40
Purchases	-
Closing balance as at 31 March 2017	6.94

Faze Three Limited

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

7	Financial assets- Investments	31 March 2018	31 March 2017	1 April 2016
	<u>Unquoted equity shares</u>			
	2,500 (31 March, 2017: 2,500, 1 April 2016: 2,500) Equity shares of Rs. 10 each fully paid-up in Saraswat Co-op Bank Limited.	0.00	0.00	0.00
	40 (31 March, 2017: 40, 1 April 2016: 40) Equity shares of Rs. 25 each fully paid-up in Greater Bombay Co-operative Bank Limited	0.00	0.00	0.00
	Investment in subsidiary (Faze Three US LLC)	2.43	-	-
	<u>Quoted Investments</u>			
	14,53,042 (31 March, 2017: 14,53,042, 1 April 2016: 14,53,042) Equity shares of Rs. 10 each fully paid-up in V R Woodart Limited	0.21	0.21	0.21
	Investments in Mutual Fund - Canara Robeco Mutual Fund (Quoted) (Refer footnote i)	0.19	0.18	0.17
	Total	2.83	0.39	0.38
	Current	0.19	-	-
	Non- Current	2.64	0.39	0.38
		2.83	0.39	0.38
	Aggregate book value of:			
	Quoted investments	0.40	0.39	0.38
	Unquoted investments	2.44	0.00	0.00
	Aggregate market value of:			
	Quoted investments	1.32	0.65	0.44
	Unquoted investments	2.44	0.00	0.00

Footnotes:**i. Details of investments in mutual funds:**

Particulars	Face Value (in ₹)	Number of units			Amount		
		As at 31 March 2018	As at 31 March 2017	As at 1 April 2016	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Canara Robeco Capital Protection Oriented Fund - Series 4 - Regular Growth	10	159,990	159,990	159,990	0.19	0.18	0.17
		159,990	159,990	159,990	0.19	0.18	0.17

8	<u>Other financial assets</u>	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
	Security deposits	0.81	1.03	1.08
	Capital advance	2.23	0.08	0.09
	Total	3.04	1.11	1.17

9	<u>Inventories *</u>	31 March 2018	31 March 2017	1 April 2016
	Raw material	25.29	27.73	27.44
	Work in progress	23.29	15.72	18.06
	Finished goods	18.43	25.10	33.12
	Store and spares parts including packing material	2.03	2.22	2.21
	Dyes and chemicals	0.72	0.72	0.69
	Total	69.76	71.49	81.52

* Hypothecated as charge against short term - borrowings. Refer note 21.

Faze Three Limited

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

10	Trade receivables	31 March 2018	31 March 2017	1 April 2016
	Secured, considered good	-	-	-
	Unsecured			
	-Considered good	40.08	39.68	51.91
	Total	40.08	39.68	51.91
	Further classified as:			
	Receivable from related parties (Refer footnote i)	1.32	3.69	4.44
	Receivable from others	38.76	35.99	47.47
		40.08	39.68	51.91
	Footnote i : Include due from following Companies in which the Company is having a common directors / relative of directors:			
	Aunde India Limited	1.32	3.69	4.44
	Next Interiors Private Limited	-	-	0.37
		1.32	3.69	4.81
11	Cash and cash equivalents	31 March 2018	31 March 2017	1 April 2016
	Balances with banks			
	On current accounts	2.17	1.73	1.34
	Fixed deposits with maturity of less than 3 months	-	-	0.67
	Bank balance in EEFC account	-	0.03	0.03
	Cash on hand	0.05	0.08	0.10
	Total	2.22	1.84	2.14
	Specified bank notes (SBNs):			
	Particulars	SBNs	Other denomination notes	Total
	Closing cash in hand as on 8 November 2016	0.00	0.06	0.06
	Add: Permitted Receipts *	-	0.28	0.28
	Less: Permitted Payments	0.00	0.25	0.25
	Less: Deposits	0.00	-	0.00
	Closing cash in hand as on 30 December 2016	-	0.09	0.09
	* Permitted receipts include amount of ₹ 0.24 crores of other denomination notes withdrawn from bank during the specified period at 6 plant locations across India and ₹ 0.04 crores of other denomination notes received against staff advances / imprest.			
12	Bank balances other than cash and cash equivalent	31 March 2018	31 March 2017	1 April 2016
	In Fixed deposit with maturity for more than three months but less than twelve months from balance sheet date	0.12	0.69	15.60
	Total	0.12	0.69	15.60
13	Other financial assets	31 March 2018	31 March 2017	1 April 2016
	<u>Unsecured, considered good</u>			
	Security deposit	0.03	0.03	0.03
	Interest accrued on fixed deposits	0.00	0.23	0.34
	Loans and advances	1.00	1.00	0.00
	Total	1.03	1.26	0.37
14	Current tax assets (net)	31 March 2018	31 March 2017	1 April 2016
	Advance income tax (net of provisions)	0.88	-	3.53
	Total	0.88	-	3.53

Faze Three Limited

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

15	Other current assets	31 March 2018	31 March 2017	1 April 2016
	Export incentive receivable	6.84	7.87	4.32
	Advance to suppliers	0.02	0.66	0.87
	Staff advances	0.19	0.14	0.15
	Refund of VAT / service tax receivable	1.73	4.33	5.70
	GST input credit	4.38	-	-
	GST rebate receivable	8.45	-	-
	MTM gain on currency forward contracts	0.19	1.94	0.71
	Prepaid expenses	0.49	0.74	0.54
	Other receivables	0.12	-	-
	Total	22.41	15.66	12.29

16	Equity share capital	31 March 2018	31 March 2017	1 April 2016
	Authorized			
	26,000,000 (31 March 2017: 26,000,000, 1 April 2016: 17,000,000) Equity Shares of ₹ 10/- each	26.00	26.00	17.00
	Total	26.00	26.00	17.00
	Issued, subscribed and paid up			
	24,319,000 (31 March 2017: 23,300,000, 1 April 2016: 12,188,797) Equity Shares of ₹ 10/- each fully paid	24.32	23.30	12.19
	Total	24.32	23.30	12.19
	Convertible Warrants			
	145,500 Convertible Warrants of ₹ 10/- each *	0.40	-	-
	Total	0.40	0.00	0.00
	Total	24.72	23.30	12.19

* The Company has received 25% upfront payment at the time of subscription of the warrants from the allottees and the Company will receive the balance 75% will be received within 18 months from the date of allotment. The above Convertible Warrants were issued on preferential basis at a price of ₹ 110/- per warrant including a premium of ₹ 100/- per share on face value of ₹ 10/- per share.

(a)	Reconciliation of equity shares outstanding at the beginning and at the end of the year	31 March 2018		31 March 2017	
		Number of shares	Amount	Number of shares	Amount
	Outstanding at the beginning of the year	23,300,000	23.30	12,188,797	12.19
	Add: Issued during the year	1,019,000	1.02	11,111,203	11.11
	Outstanding at the end of the year	24,319,000	24.32	23,300,000	23.30

(b) Rights, preferences and restrictions attached to shares

The Company has only one class of equity shares having par value of ₹ 10/- per share. All the equity shares rank pari passu in all respect. Dividend if any declared is payable in Indian Rupees. Final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion of their shareholding.

(c) Rights, preferences and restrictions attached to warrants

The Company has issued convertible equity warrants on preferential basis to promoter/non promoter group. The equity shares to be so allotted on exercise of the warrants shall upon conversion rank pari-passu with the existing equity shares of the Company, in such form and manner and upon such terms and conditions as may be determined by the Board in accordance with the ICDR Regulations of other applicable laws as may be prevailing at the time. The warrants and equity shares allotted pursuant to exercise of such warrants shall be subject to lock-in for such period as specified under chapter VII of ICDR Regulations. In the event the warrant holders does not exercise the warrants within 18 months from the date of allotment, the warrant shall lapse and the amount paid shall stand forfeited by the Company.

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of the shareholder	31 March 2018		31 March 2017		1 April 2016	
	Number of shares	% of holding in the class	Number of shares	% of holding in the class	Number of shares	% of holding in the class
Ajay Anand	6,320,412	25.99	4,975,412	21.35	2,964,209	24.32
Ajay Anand (HUF) *	-	-	-	-	662,500	5.44
Instyle Investments Pvt. Ltd.	2,394,625	9.85	2,394,625	10.28	2,394,625	19.65
Ajay Jindal	2,750,000	11.31	4,000,000	17.17	-	-
Salim Govani	3,463,956	14.24	2,964,631	12.72	-	-
Neerav Hans	1,556,297	6.40	1,556,297	6.68	-	-
Whitley Willows Overseas Ltd.	-	-	-	-	1,638,297	13.44

* Equity Shares held by Ajay Anand (HUF) as on 6,62,500 shares 31 March, 2018 : 2.72% and 31 March 2017 : 2.84%

As per the records of the company, including its register of shareholders / members, the above shareholding represents both legal and beneficial ownership of shares.

(e) The Company has not issued bonus shares and shares for consideration other than cash.

17 Other equity

Particulars	31 March 2018	31 March 2017	1 April 2016
(A) Share application money pending allotment			
319,000 Equity Shares of ₹ 10/- each	-	0.32	-
Securities Premium of ₹ 100/- each on 319,000 Equity Shares	-	3.19	-
845,500 Convertible Equity Warrants of ₹ 10/- each with a premium of ₹ 100/-	-	4.34	-
Closing balance	-	7.84	-
a) Equity Shares and warrants against Share application money were allotted on April 7, 2017.			
b) Rights, preferences and restrictions attached to shares and warrants, (refer note 16 (b) & 16 (c) respectively)			

Faze Three Limited

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

(B) Equity component of compound financial instruments			
Opening balance	-	64.69	64.69
Add/Less: Transferred to general reserve on buyback of FCCB	-	(64.69)	-
Closing balance	-	-	64.69
(C) Capital reserve			
Opening balance	5.33	5.33	5.33
Add/Less: Transferred to reserves	-	-	-
Closing balance	5.33	5.33	5.33
(D) Securities premium			
Opening balance	14.24	3.13	3.13
Add : Securities premium credited on issue of shares	10.20	11.11	-
Closing balance	24.44	14.24	3.13
(E) General reserve			
Opening balance	96.09	31.40	31.40
Add: Transfer from equity component of compound financial instrument on extinguishment of liability	-	64.69	-
Closing balance	96.09	96.09	31.40
(F) Revaluation Reserve			
Opening balance	55.42	59.46	59.46
Addition / (deletion)	-	(4.04)	-
Closing balance	55.42	55.42	59.46
(G) Surplus/(deficit) in the statement of profit and loss			
Opening balance	(50.74)	(88.34)	(90.35)
Add: Profit for the year	16.66	37.60	2.01
Closing balance	(34.08)	(50.74)	(88.34)
Total	147.20	128.19	75.67

18

Non-current borrowings	31 March 2018	31 March 2017	1 April 2016	
Term Loans (secured)				
From Banks (refer note (i))	0.64	-	-	
Other Loans (Against hypothecation of vehicles) (refer note (ii))	0.18	0.47	0.04	
Total	0.82	0.47	0.04	
(i) Term Loan from Yes Bank :				
Secured by:				
(i) First pari-passu charge on the fixed assets of the company including plant and machinery and immovable assets of the company.				
(ii) First pari-passu charge on the entire current assets of the company.				
Terms of Repayment:				
Repayable in equated quarterly instalments till January, 2023.				
Rate of Interest:				
March 31, 2018 : 11.05%				
(ii) Terms and conditions of Other Loans				
Particulars	Loan 1	Loan 2	Loan 3	Loan 4
Maturity date	February 5, 2019	July 5, 2021	June 5, 2020	May 15, 2020
Number of installments due	11	40	24	24
Amount of installments due (amount in ₹)	57,195	54,440	25,258	25,512
Rate of Interest	9.37%	9.37%	8.51%	9.19%
Within one year (amount in ₹)	629,145	653,280	303,096	306,144
After one year but not more than five years (amount in ₹)	-	1,524,320	303,096	306,144
Name of the Financer	HDFC Bank	HDFC Bank	HDFC Bank	Tata Motors Finance Ltd

19 Other financial liabilities	31 March 2018	31 March 2017	1 April 2016
Lease equalization reserve	-	2.82	-
Deposits and retentions payable	-	0.28	5.60
Total	-	3.10	5.60

The company has discounted the lease rentals and availed a term loan from Punjab National Bank. Lease Equalisation (Term Loan) is secured by primary charge of assignment of future lease rental receivable as aforesaid. Term Loan from Punjab National Bank carries interest rate of 10.90% p.a. i.e. MCLR (5year) + 2.90% -0.75% as per L & A Cir 26/2016 and 67/2016, 5 year MCLR being 8.75% presently. The loan is repayable in monthly instalments of ₹ 2.71 Lakhs from April 2017 for a period of 116 months. The said liability was repaid in the current year.

20 Employee benefit obligations	Long term			Short term		
	31 March 2018	31 March 2017	1 April 2016	31 March 2018	31 March 2017	1 April 2016
Provision for employee benefits (refer note 36)						
Provision for gratuity (unfunded)	0.94	0.85	0.50	1.60	1.40	1.25
Total	0.94	0.85	0.50	1.60	1.40	1.25

Faze Three Limited

Notes forming part of the Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

21	Short-term borrowings	31 March 2018	31 March 2017	1 April 2016
	Secured, from bank			
	Packing Credit in Foreign Currency (PCFC)/Packing Credit in Rupee Scheme (PCRS) (refer footnote i)	72.64	50.56	58.77
	Unsecured, Loans from related parties (refer footnote ii & iii)	0.26	0.36	0.60
	Total	72.90	50.92	59.37

Terms and conditions of loans

(i) Packing Credit in Foreign Currency (PCFC) and Packing Credit in Rupee Scheme (PCRS) is secured by way of hypothecation of raw materials, work-in-progress, finished goods, spares & stores and goods meant for exports and book debts as prime security and collaterally secured by extension of the charge on the Fixed Assets of the Company to Canara Bank and Allahabad Bank jointly as a part of consortium till 31 July, 2017. PCFC and PCRS facilities from Canara Bank carry interest rate of (LIBOR + 350 bps) and MCLR + 0.75% respectively. PCRS facility from Allahabad Bank carry interest rate @ 10.70%.

PCRS facility from Yes Bank carry interest rate @ 10.25% w.e.f 1 August, 2017.

The company has interest rate subvention of 3% on the aforesaid rates for Packing Credit in Rupee Scheme (PCRS)

(ii) Loan from V R Woodart, the Associate Company, for 31 March, 2018 : ₹ 0.26 crores, 31 March, 2017 : ₹ 0.36 crores and 1 April, 2016 : ₹ 0.39 crores is repayable on demand.

(iii) Loan from Mr. Ajay Anand, Managing Director, for 31 March, 2018 : Nil, 31 March, 2017 : Nil and 1 April, 2016 : ₹ 0.21 crores is repayable on demand.

22	Trade payables	31 March 2018	31 March 2017	1 April 2016
	Total outstanding dues of micro enterprises and small enterprises	-	-	-
	Total outstanding dues of creditors other than micro enterprises and small enterprises* (Refer footnote below)	6.75	23.12	18.52
	Total	6.75	23.12	18.52

* Based on the information available with the Company, there are no outstanding dues and payments made to any supplier of goods and services beyond the specified period under Micro, Small and Medium Enterprises Development Act, 2006 [MSMED Act]. There is no interest payable or paid to any suppliers under the said Act.

23	Other financial liabilities	31 March 2018	31 March 2017	1 April 2016
	Current maturities of term loan	0.08	-	0.60
	Current maturities of vehicle loan	0.19	0.26	0.09
	Current maturities of lease equalisation scheme	-	0.33	-
	Foreign currency convertible bonds (refer note i below)	-	-	38.60
	Corporate guarantee for subsidiary (refer note ii below)	-	-	46.06
	Total	0.27	0.59	85.35

Note i : Foreign Currency Convertible Bonds

As per IND AS 32, FCCBs are compound financial instruments which require split accounting into liability component and equity component. On initial recognition, fair value of liability component arrived shall be reduced from the instrument value, to arrive at the residual value, which would be treated as equity component value of the instrument. If the value of liability component determined on initial recognition does not continue to represent the fair value on measurement date, the same is required to be valued to represent fair value as on that date.

The FCCBs of the company were due for redemption in December 2011 and were not redeemed until 1 April, 2016, being transition date to IND AS & measurement date. The instrument value of FCCBs as per Indian GAAP was ₹ 103.29 Crs as on 1 April, 2016. Since the same would not represent fair value on measurement date, a valuation has been carried by the "M/S Bhandarkar & Kale, Chartered Accountants" Independent valuers appointed by the company to arrive at the fair value of FCCBs on measurement date. Based on the said report, under IND AS 32 & Ind AS 109 read with IND AS 113, the fair value of the liability component of FCCBs is arrived at ₹ 38.61 crores and classified under Current Financial liabilities. The residual amount of ₹ 64.68 crores has been classified as the value of Equity Component of FCCBs & classified under Other Equity in the opening Balance Sheet on the transition date. During FY 2017, the buyback of entire FCCBs was done at ₹ 40.01 crores, therefore net amount of ₹ 1.40 crores has been debited to profit and loss account for FY 2017.

Note ii : Corporate Guarantee Liability

As per the approval from Canara Bank London, during the year, ₹ 18.92 crores was paid to Canara Bank over and above accumulation in the fixed deposits as on 31 March, 2016 being ₹ 14.32 crores. The aggregate payment of ₹ 33.24 crores (Equivalent to Euro 4.4 Mln principal value) was made on account of corporate guarantee given by the company to Canara Bank London for working capital loan given by the Bank to the German subsidiary of the company. On payment of the full principal amount as approved, the Bank approved waiver of unapplied interest, penal interest and other charges levied, etc. An amount of ₹ 13.47 crores has been written back and credited to Other Income during the year 2016-17 being difference of total outstanding as on 31 March, 2016 and aggregate amount paid.

Faze Three Limited

Notes forming part of the Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

24	Other current liabilities	31 March 2018	31 March 2017	1 April 2016
	Salary & reimbursement payable	3.60	2.55	2.25
	Statutory dues payable	0.19	0.20	0.21
	Expenses payable	2.04	4.13	5.21
	Advance / Claims from customer	0.02	2.78	13.48
	Total	5.85	9.66	21.15

25	Current tax liabilities (net)	31 March 2018	31 March 2017	1 April 2016
	Provision for taxation (net)	-	2.12	-
	Total	-	2.12	-

26	Revenue from operations	31 March 2018	31 March 2017
	Export Sales	204.64	197.71
	Domestic Sales *	15.39	19.14
	Export Incentives	19.84	26.92
	Total	239.87	243.77

* Revenue from operations for periods upto 30 June, 2017 includes excise duty, which is discontinued effective from 1 July, 2017 upon implementation of Goods and Service Tax (GST) in India. In accordance with Ind-AS 18 "Revenue", GST is not included in revenue from operations. In view of the aforesaid change, revenue from operations (domestic) for the year ended 31 March, 2018 are not completely comparable with previous periods.

27	Other income	31 March 2018	31 March 2017
	Rental income	1.00	0.68
	Interest income	0.03	0.07
	Fair valuation adjustments of investments *	0.01	0.02
	Miscellaneous income	0.21	3.00
	Job work Income	0.16	0.25
	Gain on sale of fixed assets	0.00	2.41
	Gain on sale of investment property	6.40	-
	Gain on forex receivables	2.82	2.90
	Gain on sale of investments	-	0.10
	Corporate guarantee for subsidiary written back (refer note 23 (ii))	-	13.47
	Total	10.63	22.90

* Fair valuation of investments represent fair valuation changes in mutual funds which has been restated to NAV as at reporting dates, which have not been recognized separately in financial statements.

28	Cost of material consumed	31 March 2018	31 March 2017
	Inventory at the beginning of the year	28.46	28.13
	Add: Purchases	113.81	116.19
	Less: Inventory at the end of the year	26.01	28.46
	Total	116.26	115.86

29	Changes in inventories of finished goods and work-in-progress	31 March 2018	31 March 2017
	Inventories at the beginning of the year		
	-Finished goods	25.10	33.12
	-Work-in-progress	15.72	18.06
		40.82	51.18
	Less: Inventories at the end of the year		
	-Finished goods	18.43	25.10
	-Work-in-progress	23.29	15.72
		41.72	40.82
	Net decrease/ (increase)	(0.90)	10.36

30	Employee benefits expense	31 March 2018	31 March 2017
	Salaries, wages, bonus and other allowances	35.59	30.81
	Contribution to Provident Fund and ESI	2.21	2.00
	Staff welfare expenses	1.32	1.60
	Total	39.12	34.41

Faze Three Limited

Notes forming part of the Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

31 Finance costs	31 March 2018	31 March 2017
Interest on borrowing	5.01	4.90
Bank charges	2.76	3.09
Total	7.77	7.99
32 Depreciation and amortization expense	31 March 2018	31 March 2017
Depreciation (refer note 5)	6.67	6.95
Amortisation (refer note 6)	0.02	0.01
Total	6.69	6.96
33 Other expenses	31 March 2018	31 March 2017
Sewing, stitching, processing & finishing charges	13.61	11.91
Power & fuel	17.38	16.12
Clearing and forwarding expenses	7.87	7.33
Repairs & maintenance:		
Plant & machinery	2.63	2.46
Building	0.81	0.88
Other manufacturing expenses (refer note ii below)	7.89	8.70
Rent, rates & taxes (Refer note 37)	1.33	1.47
Stores and spares consumed	2.08	1.81
Audit fees (refer note i below)	0.13	0.08
Miscellaneous expenses	3.28	5.06
Security expenses	0.95	0.97
Courier expenses	1.18	1.01
Travelling, vehicle & conveyance expenses	2.11	2.58
Legal & professional fees	2.41	2.14
Insurance charges	0.49	0.49
Selling & distribution expenses	1.87	0.81
Total	66.02	63.82

Note i: The following is the break-up of Auditors remuneration (exclusive of taxes)

	31 March 2018	31 March 2017
As auditor:		
Statutory audit	0.13	0.06
In other capacity:		
Tax audit	-	0.01
Other matters	-	0.01
Total	0.13	0.08

Note ii: The following is the break-up of Other manufacturing expenses

	31 March 2018	31 March 2017
Dyeing charges	0.46	1.30
Water charges	2.32	2.39
Testing charges	0.89	0.89
Weaving charges	1.36	1.83
Others	2.86	2.29
Total	7.89	8.70

34 Income Tax

(A) Deferred tax relates to the following:	31 March 2018	31 March 2017	1 April 2016
Deferred tax assets			
On provision for employee benefits	1.12	-	-
Unabsorbed depreciation	4.46	6.64	-
MAT credit entitlement	5.02	1.70	-
	10.60	8.34	-
Deferred tax liabilities			
On property, plant and equipment	6.40	9.30	13.90
On Temporary Difference on account of MTM on forwards	0.08	0.12	0.24
	6.48	9.42	14.14
Deferred tax asset / (liabilities), net	4.12	(1.08)	(14.14)

Faze Three Limited

Notes forming part of the Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

	31 March 2018	31 March 2017	1 April 2016
(B) Recognition of deferred tax asset to the extent of deferred tax liability			
Deferred tax asset	10.60	8.34	-
Deferred tax liabilities	(6.48)	(9.42)	(14.14)
Deferred tax assets/ (liabilities), net	4.12	(1.08)	(14.14)
(C) Reconciliation of deferred tax assets/ (liabilities) (net):	31 March 2018	31 March 2017	
Opening balance		(1.08)	(14.14)
MAT Credit utilised		3.32	1.70
Tax asset recognized in Statement of Profit and Loss		1.29	10.59
Tax asset recognized in OCI		0.08	0.12
Other temporary differences		0.50	0.65
Closing balance	4.12	(1.08)	
(D) Tax losses of (31 March 2017: ₹ 27.35 Crores, 1 April 2016: ₹ 56.21 Crores are available for offsetting for a maximum period of eight years against future taxable profits of the Company.			
(E) Reconciliation of tax charge	31 March 2018	31 March 2017	
Profit before tax	15.54	27.27	
Income tax expense at tax rates applicable	5.14	9.02	
Tax effects of:			
- Item not deductible for tax	(5.21)	(9.14)	
- Other timing differences	(1.29)	(10.59)	
Income tax expense	(1.37)	(10.71)	

35 Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to equity holders (after adjusting for interest on the convertible preference shares) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	31 March 2018	31 March 2017
Profit attributable to equity holders	16.66	37.60
Add/Less: Transactions during the year	-	-
Profit attributable to equity holders	16.66	37.60
Weighted average number of equity shares for basic EPS*	23,797,866	16,288,260
Effect of dilution:		
Convertible equity warrants	36,375	-
Weighted average number of equity shares adjusted for the effect of dilution	23,834,241	16,288,260
Basic earnings per share (INR)	7.00	23.09
Diluted earnings per share (INR)	6.99	23.09

* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

36 Employee benefits

	31 March 2018	31 March 2017
(A) Defined Contribution Plans		
During the year, the Company has recognized the following amounts in the Statement of Profit and Loss		
Employers' Contribution to Provident Fund and ESIC (Refer note 30)	1.96	2.00
(B) Defined benefit plans		
a) Gratuity payable to employees		
i) Actuarial assumptions		
Discount rate (per annum)	7.35%	6.85%
Rate of increase in Salary (per annum)	4.00%	4.00%
Expected average remaining working lives of employees (years)	4	4
Attrition rate		
For service 2 years and below	40%	40%
For service 3 years to 4 years	25%	25%
For service 5 years and above	15%	15%
ii) Changes in the present value of defined benefit obligation		
Present value of obligation at the beginning of the year	2.25	1.75
Interest cost	0.15	0.13
Current service cost	0.32	0.24
Benefits paid	(0.15)	(0.20)
Actuarial (gain)/ loss on obligations	(0.04)	0.32
Present value of obligation at the end of the year*	2.54	2.25
*Included in provision for employee benefits (Refer note 20)		

Faze Three Limited**Notes forming part of the Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

iii) Expense recognized in the Statement of Profit and Loss		Employee's gratuity fund	
Current service cost		0.32	0.24
Interest cost		0.15	0.13
Actuarial (gain) / loss on obligations		(0.04)	0.32
Transferred to OCI		(0.25)	(0.38)
Total expenses recognized in the Statement Profit and Loss*		0.19	0.31
*Included in Employee benefits expense (Refer Note 30).			
iv) Assets and liabilities recognized in the Balance Sheet:		Employee's gratuity fund	
Present value of unfunded obligation as at the end of the year		2.54	2.25
Unfunded net asset / (liability) recognized in Balance Sheet*		2.54	2.25
*Included in provision for employee benefits (Refer note 20)			
v) Expected contribution to the fund in the next year		31 March 2018	31 March 2017
Gratuity		0.56	0.47
vi) A quantitative sensitivity analysis for significant assumption as at 31 March 2018 is as shown below:		Employee's gratuity fund	
Impact on defined benefit obligation			
Discount rate			
1% increase		(0.10)	(0.09)
1% decrease		0.11	0.10
Rate of increase in salary			
1% increase		0.12	0.10
1% decrease		(0.11)	(0.09)
vii) Maturity profile of defined benefit obligation		From the fund	
Year			
1st Following Year		0.39	0.41
2nd Following Year		0.36	0.29
3rd Following Year		0.39	0.31
4th Following Year		0.33	0.28
5th Following Year		0.29	0.25
6th Following Year		1.02	0.89
Sum of 7th Year and above		0.94	0.77

37 Leases**Operating leases where Company is a lessee:**

The Company has entered into lease transactions mainly for leasing of office premise for a period of 5 years. The terms of lease include terms of renewal, increase in rents in future periods, which are in line with general inflation, and terms of cancellation. The operating lease payments recognized in the Statement of Profit and Loss in 31 March 2018: amounting to ₹ 0.36 crores is included in Note 33.

Future minimum rentals payable under non-cancellable operating leases are, as follows:*	31 March 2018	31 March 2017	1 April 2016
Within one year	0.42	-	-
After one year but not more than five years	1.75	-	-
More than five years	-	-	-

*As on 31 March 2017 and 1 April 2016 there were no non-cancellable operating leases.

38 Related Party Disclosures:

(A) Names of related parties and description of relationship as identified and certified by the Company:

Related party where control exists**Name of related party**

V R Woodart

Aunde India Limited

Ajay Anand (HUF)

Next Interiors Private Limited

Instyle Investments Private Limited

Rohina Anand Khira

Ashok Anand

Faze Three US LLC

Relationship

Entity in which director has common control

Entity in which director has common control

Entity in which director has common control

Entity in which relative of director has common control

Entity in which director has common control

Daughter of Managing Director

Brother of Managing Director

Wholly owned foreign subsidiary

Key Management Personnel (KMP)

Ajay Anand

Sanjay Anand

Ankit Parekh

Ankit Madhwani

Bheemanna Chikerrur

Managing Director

Whole-time Director

Company Secretary

Chief Financial Officer

Executive Director (Resigned on 27.09.2017)

Faze Three Limited

Notes forming part of the Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

(B) Details of transactions with related party in the ordinary course of business for the year ended:

		31 March 2018	31 March 2017
(i) Entity in which director has common control			
<u>Aunde India Limited</u>			
Sale of services		12.80	13.32
Purchase of goods		0.02	0.06
Rent income		0.33	0.40
Rent expense		0.03	0.12
Jobwork expense		0.09	0.24
Reimbursement of Expenses		0.18	0.05
<u>V R Woodart Limited</u>			
Loans repaid during the year		0.10	0.03
<u>Next Interiors Private Limited</u>			
Sale of goods		0.32	0.17
(ii) Wholly owned foreign subsidiary			
Investments		2.43	-
(iii) Key Management Personnel (KMP)			
Compensation of key management personnel (employee benefit)		1.59	1.62
(C) Amount due to related party as on	31 March 2018	31 March 2017	1 April 2016
V R Woodart	0.26	0.36	0.39
Amount due from related party			
Aunde India Limited	1.32	3.69	4.44
Next Interiors Private Limited	-	-	0.37

(D) Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

39 Fair values of financial assets and financial liabilities

The fair value of other current financial assets, cash and cash equivalents, trade receivables, investments, trade payables, short-term borrowings and other financial liabilities approximate the carrying amounts because of the short term nature of these financial instruments.

The amortized cost using effective interest rate (EIR) of non-current financial assets consisting of security and term deposits are not significantly different from the carrying amount.

Financial assets that are neither past due nor impaired include cash and cash equivalents, security deposits, term deposits, and other financial assets.

The impact of fair value on non-current borrowing, non-current security deposits and non-current term deposits is not material and therefore not considered for above disclosure.

40 Fair value hierarchy

The following is the hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

No financial assets/liabilities have been valued using level 1 fair value measurements.

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis:

	31 March 2018	31 March 2017	1 April 2016
Level 1 (Quoted price in active markets)			
Investments in mutual funds FVTPL	0.19	0.18	0.17
Level 2			
<u>Financial assets measured at fair value through profit or loss</u>			
Investments in unquoted instruments	2.44	0.00	0.00
Investments in quoted instruments but not in active markets	0.21	0.21	0.21
<u>Financial liability measured at fair value through profit or loss</u>			
Foreign currency convertible bonds	-	-	38.60
Level 3			
<u>Financial assets measured at amortized cost</u>			
Trade receivables	40.08	39.68	51.91
Security deposits	0.84	1.06	1.11
Capital advance	2.23	0.08	0.09
Cash and cash equivalents	2.22	1.84	2.14
Bank balances other than cash and cash equivalent	0.12	0.69	15.60
Interest accrued on fixed deposits	-	0.23	0.34
Loans and advances	1.00	1.00	-
The carrying amounts of trade receivables, cash and cash equivalents and other bank balances, loans and advances, interest on fixed deposits and security deposits are considered to approximate their fair values due to their short term nature. The carrying amounts of long term security deposits given are considered to approximate their fair value.			
<u>Financial liability measured at amortized cost</u>			
Borrowings	73.99	54.80	106.16
Trade payables	6.75	23.12	18.52
The carrying amounts of trade payables, payables for capital expenditure and security deposit received from customers are considered to approximate their fair values due to their short term nature. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including own and counterparty credit risk.			

Faze Three Limited**Notes forming part of the Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

41 Financial risk management objectives and policies

The Company is exposed to various financial risks. These risks are categorized into market risk, credit risk and liquidity risk. The Company's risk management is coordinated by the Board of Directors and focuses on securing long term and short term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

(A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings and derivative financial instruments.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	Effect on profit before tax (Rs in Crs)
FY 2018	25 bps	0.18
FY 2017	25 bps	0.14

(ii) Foreign currency risk

The Company is exposed to foreign currency risk arising mainly on export of finished goods and import of raw material. Foreign currency exposures are managed within approved policy parameters utilising forward contracts.

The carrying amounts of Company's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

Exposure to currency risk	31 March 2018		31 March 2017	
	INR	USD	INR	USD
Trade receivables (hedged)	38.53	0.59	35.42	0.55
Trade Payables (hedged)	-	-	0.23	0.00
Trade Payables (unhedged)	0.77	0.01	-	-

The following significant rate have been applied during the year	Year End Spot Rate	
	31 March 2018	31 March 2017
INR		
USD 1	65.04	64.84
EURO 1	80.62	69.25

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate (or any other material currency), with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

The company realises 90% of its sales in USD, based on the hedging policy followed by the company in case of normal volatility in USD / INR, the following effect is estimated.

	Change in USD rate	Effect on profit before tax
2018 USD / INR	1%	0.39
2017 USD / INR	1%	0.35

(B) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the statutory deposits with regulatory agencies and also arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The Company limits its exposure to credit risk of cash held with banks by dealing with highly rated banks and institutions and retaining sufficient balances in bank accounts required to meet a month's operational costs. The Management reviews the bank accounts on regular basis and fund drawdowns are planned to ensure that there is minimal surplus cash in bank accounts. The Company does not foresee any credit risks on deposits with regulatory authorities.

(C) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Faze Three Limited

Notes forming part of the Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

The table below summarizes the maturity profile of the Company's financial liabilities:

	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 March 2018				
Short term borrowings	24.26	48.64	-	72.90
Long-term borrowings	-	-	0.82	0.82
Trade payables	6.15	0.12	0.47	6.75
Other financial liabilities	0.05	0.23	-	0.27
	30.46	48.99	1.29	80.74
31 March 2017				
Short term borrowings	17.14	33.78	-	50.92
Long-term borrowings	-	-	0.47	0.47
Trade payables	11.43	11.69	-	23.12
Other financial liabilities	0.15	0.44	-	0.59
	28.72	45.91	0.47	75.10
1 April 2016				
Short term borrowings	15.37	44.00	-	59.37
Long-term borrowings	-	-	0.04	0.04
Trade payables	5.87	10.04	2.61	18.52
Other financial liability	0.33	85.02	-	85.35
	21.57	139.06	2.65	163.28

42 Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to achieve a strong capital base to sustain stability and plan future development of business.

The Company monitors gearing ratio i.e. total debt in proportion to its overall financing structure, i.e. equity and debt. Total debt mainly comprises of current liabilities which represents - Packing Credit in INR (98% of Total Debt). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

		31 March 2018	31 March 2017	1 April 2016
Total equity	(i)	171.92	151.49	87.86
Total debt	(ii)	73.72	51.39	59.42
Overall financing	(iii) = (i) + (ii)	245.64	202.88	147.27
Gearing ratio	(ii) / (iii)	0.30	0.25	0.40

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018, 31 March 2017 and 1 April 2016.

43 Contingent Liability and commitments

Contingent liabilities (to the extent not provided for)

	31 March 2018	31 March 2017	1 April 2016
Claims against the company not acknowledged as debt	-	0.30	0.30
Guarantees and Letter of Credit	2.94	3.21	3.50

44 Corporate social responsibility (CSR)

A) Gross amount required to be spent by the Company towards Corporate Social Responsibility is ₹ 0.28 Crores (31 March 2017 Nil).

B) No expenditure has been paid to a related party, in relation to CSR expenditure as per Ind-AS 24, Related Party Disclosures.

45 Dividends

The dividends declared by the Company are based on the profits available for distribution as reported in the financial statements of the Company. Accordingly, the retained earnings reported in these financial statements may not be fully distributable. The Board of Directors declared an interim dividend of ₹ 0.50 per share for the year ended 31 March, 2018.

46 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)

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

47 Previous year figures have been regrouped/ reclassified to confirm presentation as per Ind AS as required by Schedule III of the Act.

As per our report of even date

For MSKA & Associates (Formerly known as MZSK & Associates)

Chartered Accountants

ICAI Firm Registration No.:105047W

For and on behalf of the Board of Directors of

Faze Three Limited

CIN: L99999DN1985PLC000197

Amrish Vaidya

Partner

Membership No: 101739

Ajay Anand

Managing Director

DIN: 00373248

Sanjay Anand

Whole-time Director

DIN: 01367853

Place : Mumbai

Date : May 22, 2018

Ankit Madhwani

Chief Financial Officer

Ankit Parekh

Company Secretary

M No: A31990

INDEPENDENT AUDITOR'S REPORT

To the Members of Faze Three Limited

Report on the Consolidated (Ind AS) Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Faze Three Limited (hereinafter referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended, and the accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the consolidated financial position of the Group as at March 31, 2018, and its consolidated financial performance including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Other Matters

We did not audit the financial statements of a wholly owned foreign subsidiary company, included in the consolidated Ind AS financial statements, whose financial statements reflect total assets of Rs. 2.44 Crores as at March 31, 2018, total revenues of Rs. Nil for the year ended March 31, 2018 and total loss after tax of Rs 0.00 crores for the year then ended on that date, as considered in the consolidated Ind AS financial statement. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the unaudited financial statements approved by management. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the financial statements as certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, based on our audit and on the consideration of report of the other financial information of subsidiary, as noted in the 'Other Matter' paragraph above, we report, to the extent applicable that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
 - (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
 - (d) In our opinion the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 taken on record by the Board of Directors of the Holding Company and the reports of its subsidiary company, none of the directors of the Group Company, is disqualified as on March 31, 2018 from being appointed as a director of that Company in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'.
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary:
 - i. There were no pending litigations as at March 31, 2018 which would impact the consolidated Ind AS financial position of the Group.

- ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended March 31, 2018.
- iii. There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company during the year ended March 31, 2018.

For MSKA & Associates (Formerly known as MZSK & Associates)

Chartered Accountants

ICAI Firm Registration No. 105047W

Amrish Vaidya

Partner

Membership No. 101739

Place : Mumbai

Date : May 22, 2018

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED INDAS FINANCIAL STATEMENTS OF FAZE THREE LIMITED

[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Faze Three Limited ("the Holding Company") as of March 31, 2018 in conjunction with our audit of the consolidated Ind AS financial statements of the Holding Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Holding Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Holding Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a

material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Holding Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A Holding Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Holding Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Holding Company are being made only in accordance with authorizations of management and directors of the Holding Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Holding Company's assets that could have a material effect on the consolidated Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note.

Other Matter

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting relates to Holding Company, as no subsidiary companies are incorporated in India.

For **MSKA & Associates (Formerly known as MZSK & Associates)**

Chartered Accountants

ICAI Firm Registration No. 105047W

Amrish Vaidya

Partner

Membership No. 101739

Place : Mumbai

Date : May 22, 2018

Faze Three Limited		
Consolidated Balance Sheet as at 31 March 2018		(Amount in crores, unless otherwise stated)
	Notes	As at 31 March 2018
ASSETS		
Non-current assets		
Property, plant and equipment	5	113.40
Capital work-in-progress		1.16
Investment property	6	-
Financial assets		
Investments	7	0.21
Other financial assets	8	3.04
Deferred tax asset (net)	32	4.12
Total non-current assets		121.93
Current assets		
Inventories	9	72.13
Financial assets		
Investments	7	0.19
Trade receivables	10	40.08
Cash and cash equivalents	11	2.29
Bank balances other than cash and cash equivalent	12	0.12
Other financial assets	13	1.03
Current tax assets (net)	14	0.88
Other current assets	15	22.41
Total current assets		139.13
Total assets		261.06
EQUITY AND LIABILITIES		
Equity		
Equity share capital	16	24.72
Other equity	17	147.21
Total equity		171.93
Liabilities		
Non-current liabilities		
Financial liabilities		
Borrowings	18	0.82
Employee benefit obligations	19	0.94
Total non-current liabilities		1.76
Current liabilities		
Financial liabilities		
Borrowings	20	72.90
Trade payables	21	6.75
Other financial liabilities	22	0.27
Employee benefit obligations	19	1.60
Other current liabilities	23	5.85
Total current liabilities		87.37
Total liabilities		89.13
Total equity and liabilities		261.06
Summary of significant accounting policies		
The accompanying notes are an integral part of the financial statements.		
As per our report of even date	For and on behalf of the Board of Directors of	
For MSKA & Associates (Formerly known as	Faze Three Limited	
MZSK & Associates)		
Chartered Accountants	CIN: L99999DN1985PLC000197	
ICAI Firm Registration No.:105047W		
Amrish Vaidya	Ajay Anand	Sanjay Anand
Partner	Managing Director	Whole-time Director
Membership No: 101739	DIN: 00373248	DIN: 01367853
Mumbai	Ankit Madhwani	Ankit Parekh
May 22, 2018	Chief Financial Officer	Company Secretary
		M No: A31990

Faze Three Limited Consolidated Statement of Profit and Loss for the year ended 31 March 2018 (Amount in crores, unless otherwise stated)		
	Notes	Year ended 31 March 2018
Income		
Revenue from operations	24	239.87
Other income	25	10.63
Total income		250.50
Expenses		
Cost of material consumed	26	116.26
Changes in inventories of finished goods and work-in-progress	27	(0.90)
Employee benefits expense	28	39.12
Finance costs	29	7.77
Depreciation and amortization expense	30	6.69
Other expenses	31	66.02
Total expenses		234.96
Profit before tax		15.54
Income tax expense		
Current tax	32	3.32
Less: MAT credit entitlement	32	(3.32)
Deferred tax credit	32	(1.29)
Total income tax expense		(1.29)
Profit for the year		16.83
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		
Re-measurement gains on defined benefit plans		0.25
Income tax effect		(0.08)
		0.17
Other comprehensive income for the year		0.17
Total other comprehensive income for the year		16.66
Earnings per share		
Basic (₹ / Share)	33	7.00
Diluted (₹ / Share)	33	6.99
Summary of significant accounting policies 2 The accompanying notes are an integral part of the financial statements. As per our report of even date For MSKA & Associates (Formerly known as MZSK & Associates) Chartered Accountants ICAI Firm Registration No.:105047W Amrish Vaidya Partner Membership No: 101739 Mumbai May 22, 2018		
For and on behalf of the Board of Directors of Faze Three Limited CIN: L99999DN1985PLC000197 Ajay Anand Managing Director DIN: 00373248 Ankit Madhwani Chief Financial Officer Sanjay Anand Whole-time Director DIN: 01367853 Ankit Parekh Company Secretary M No: A31990		

Faze Three Limited

Consolidated Statement of changes in equity for the year ended 31 March 2018

(A) Equity share capital

Equity shares of ₹ 10 each issued, subscribed and fully paid

Opening

Add: issue during the year

Add : warrants issued during the year

Closing

(Amount in crores, unless otherwise stated)

As at

31 March 2018	
No. of shares	Amount
23,300,000	23.30
1,019,000	1.02
145,500	0.40
24,464,500	24.72

(B) Other equity

Particulars	Share Application Money Pending Allotment	Reserve and surplus					Total
		Foreign currency translation reserve	Capital reserve	Asset revaluation reserve	Securities premium	General reserve	
Balance as at 1 April 2017	7.84	-	5.33	55.42	14.24	96.09	128.18
Addition / Deletion during the year	-	0.01	-	-	-	-	0.01
Profit for the year	-	-	-	-	10.20	-	16.83
Other comprehensive income	-	-	-	-	-	-	27.03
Transferred to Share Capital	(7.84)	-	-	-	-	-	(0.17)
Balance as at 31 March 2018	-	0.01	5.33	55.42	24.44	96.09	147.21

Summary of significant accounting policies

2

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **MSKA & Associates (Formerly known as MZSK & Associates)**

Chartered Accountants

ICAI Firm Registration No.:105047W

Amrith Vaidya

Partner

Membership No: 101739

Mumbai**May 22, 2018**

For and on behalf of the Board of Directors of

Faze Three Limited

CIN: L99999DN1985PLC000197

Ajay Anand

Managing Director

DIN: 00373248

Sanjay Anand

Whole-time Director

DIN: 01367853

Ankit Madhwani

Chief Financial Officer

Ankit Parekh

Company Secretary

M No: A31990

Faze Three Limited	
Consolidated Statement of cash flows for the year ended 31 March 2018	
(Amount in INR crores, unless otherwise stated)	
	Year ended 31 March 2018
Cash flow from operating activities	
Profit / (Loss) before tax	15.54
Adjustments for:	
Remeasurement of net defined benefit plans	0.25
Depreciation and amortization expenses	6.69
Finance cost	5.01
Interest income	(0.03)
(Gain)/ loss on sale of Investment	(6.40)
Operating loss before working capital changes	21.06
Changes in working capital	
(Decrease) in trade payables	(16.36)
Decrease in inventories	(0.64)
(Increase) in trade receivables	(0.40)
Decrease in other financial assets	0.22
(Decrease) in other current liabilities	(3.82)
(Decrease) in other financial liabilities	(0.32)
Increase in employee benefit obligations	0.29
(Increase) in other financial assets	(1.93)
(Increase) in other current assets	(6.74)
Cash generated used in operations	(8.64)
Income tax paid	(7.16)
Net cash flows used in operating activities (A)	(15.80)
Cash flow from Investing activities	
Payment for purchase of property, plant and equipment	(8.71)
Payment for capital work-in-process	(0.97)
Proceed from sale of investment property	7.11
Proceeds from sale/ disposal of fixed assets	0.01
Net proceeds from fixed deposits	0.57
Interest received	0.26
Net cash flow from investing activities (B)	(1.73)
Cash flow from Financing activities	
Proceeds from issuance of equity share capital against share premium	3.78
Repayment of term loan from banks	(3.10)
Proceeds from long-term borrowings	0.35
Proceeds / (repayments) from short-term borrowings	21.96
Interest paid	(5.01)
Net cash flow from financing activities (C)	17.98
Net increase in cash and cash equivalents (A+B+C)	0.45
Cash and cash equivalents at the beginning of the year	1.84
Cash and cash equivalents at the end of the year	2.29
Cash and cash equivalents comprise (Refer note 10)	
Balances with banks	
On current accounts	2.24
Cash on hand	0.05
Total cash and bank balances at end of the year	2.29
Summary of significant accounting policies 2	
The accompanying notes are an integral part of the financial statements.	
As per our report of even date	
For MSKA & Associates (Formerly known as MZSK & Associates)	
Chartered Accountants	
ICAI Firm Registration No.:105047W	
Amrish Vaidya	
Partner	
Membership No: 101739	
Mumbai	
May 22, 2018	
For and on behalf of the Board of Directors of	
Faze Three Limited	
CIN: L99999DN1985PLC000197	
Ajay Anand	
Managing Director	
DIN: 00373248	
Sanjay Anand	
Whole-time Director	
DIN: 01367853	
Ankit Madhwani	
Chief Financial Officer	
Ankit Parekh	
Company Secretary	
M No: A31990	

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

1. General Information

Faze Three Limited is engaged in manufacturing and exports of home furnishing items viz. bathmats, rugs, blankets, throws, cushions, etc. It has six manufacturing locations across India viz. Panipat (3), Vapi (1) and Dadra & Nagar Haveli (2). The company is a direct exporter to most retail giants mainly in US and Europe. The Company is a public company incorporated and domiciled in India and has its registered office in Dapada, Silvassa, UT of Dadra and Nagar Haveli. The company's equity shares are listed on the Bombay Stock Exchange.

2. Significant accounting policies

Significant accounting policies adopted by the company are as under:

2.1 Basis of Preparation of Consolidated Ind AS Financial Statements**(A) Principles of consolidation**

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns, from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group. The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity income and expenses. Intercompany transaction, balances, and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

(B) Statement of Compliance with Ind AS

Ministry of Corporate Affairs notified roadmap to implement Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendments) Rules, 2016. As per the said roadmap, the company is required to apply Ind AS starting from financial year beginning on or after 1st April, 2016. Accordingly, the consolidated Ind AS financial statements of the Company have been prepared in accordance with the Ind AS.

For all periods up to and including the year ended 31st March 2017, the Company prepared its consolidated Ind AS financial statements in accordance with the Accounting Standards notified under the section 133 of the Companies Act 2013, read together with Companies (Accounts) Rules 2014 (Indian GAAP). These consolidated Ind AS financial statements for the year ended 31st March, 2018 are the first the company has prepared in accordance with Ind AS.

The consolidated Ind AS financial statements are presented in Indian Rupees ('INR') and all values rounded to the nearest crores, except otherwise indicated.

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use

(C) Basis of measurement

The consolidated Ind AS financial statements have been prepared on a historical cost convention on accrual basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:-

- i) Certain financial assets and liabilities measured at fair value (refer accounting policy on financial instruments)
- ii) Embedded derivative
- iii) Asset classified as held for sale

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the rendering of service and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and noncurrent classification of assets and liabilities

(D) Use of estimates

The preparation of consolidated Ind AS financial statements in conformity with Ind AS requires the Management to make estimate and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amount of revenue and expenses for the year and disclosures of contingent liabilities as at the Balance Sheet date. The estimates and assumptions used in the accompanying consolidated Ind AS financial statements are based upon the Management's evaluation of the relevant facts and circumstances as at the date of the consolidated Ind AS financial statements. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates, if any, are recognized in the year in which the estimates are revised and in any future years affected.

2.2 Property, plant and equipment

Freehold Land and Leasehold land are carried at fair value based on periodic valuation by the external independent valuers. Increase in the carrying amounts arising on revaluation of freehold and leasehold land are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders equity. To the extent that the reserves show a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increase of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to profit or loss. Each year difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation reserve to the retained earnings.

Property, plant and equipment are stated at original cost inclusive of incidental expenses related to acquisition net of tax / duty credit availed, net of accumulated depreciation and accumulated impairment losses, if any, such cost includes cost of replacing part of plant and equipment and borrowing cost for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'. Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at balance sheet date.

Depreciation methods, estimated useful lives

The Company depreciates property, plant and equipment over their estimated useful lives using the straight line method. The estimated useful lives of assets are as follows:

Property, plant and equipment	Period of Lease
Leasehold improvement	Lease period
Factory Building	30 years
Office Building	60 years
Plant & Machinery (Tufting Machines)	20 years
Plant & Machinery (Others)	15 years
Laboratory Equipments	10 years
Furniture and Fixtures	10 years
Office Equipment	5 years
Electrical Installations	10 years

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

Fire Hydrant Systems	15 years
Vehicles	8 years
Computers:	
-Servers	6 years
-End user devices such as, desktops, laptops etc.	3 years

Building constructed on leasehold land are depreciated based on the useful life specified in schedule II to the Companies Act, 2013, where the lease period of land is beyond the life of the building. In other case, building constructed on leasehold lands are amortised over the primary lease period of the land.

Based on the technical experts assessment of useful life, certain items of property plant and equipment are being depreciated over useful lives different from the prescribed useful lives under Schedule II to the Companies Act, 2013. Management believes that such estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Depreciation on addition to property plant and equipment is provided on pro-rata basis from the date of acquisition. Depreciation on sale/deduction from property plant and equipment is provided up to the date preceding the date of sale, deduction as the case may be. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Statement of Profit and Loss under 'Other Income'.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.3 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the investment property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation on building is provided over the estimated useful lives as specified in schedule II to the Companies Act, 2013. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted on prospective basis as appropriate, at each financial year end. The effects of any revision are included in the statement of profit and loss when the change arises.

The Company, based on technical assessment made by technical expert and management estimate, depreciates the building over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

2.4 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

2.5 Foreign Currency Transactions**Functional and presentation currency**

Items included in the consolidated Ind AS financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated Ind AS financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

Transactions and balances

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. Gains/Losses arising out of fluctuation in foreign exchange rate between the transaction date and settlement date are recognised as income or expense in the period in which they arise in the Statement of Profit and Loss.

All monetary assets and liabilities in foreign currencies are restated at the year end at the exchange rate prevailing at the year end and the exchange differences are recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or losses arising of transaction of non-monetary items is recognised in line with the gains or losses of the item that gave arise to the translation difference.

2.6 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The Company's management determines the policies and procedures for fair value measurement such as derivative instrument.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated Ind AS financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.7 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer on delivery of goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of Services:

Revenue from sale of services is recognised as per terms of the contract with customers when the outcome of the transactions involving rendering of services can be estimated reliably.

Interest Income:

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in the other income in the statement of profit and loss.

Rental Income

Lease agreements where the risks and rewards incident to the ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals are recognised on straight line basis as per the terms of the agreements in the statement of profit and loss.

Export Incentives

Export Incentive from the government is recognised when there is a reasonable assurance that (i) the company will comply with the conditions attached to them and (ii) the incentive will be received.

When the incentive relates to revenue, it is recognised as income on a systematic basis in the statement of profit or loss over the periods necessary to match them with the related income, which they relate to.

2.8 Taxes

Tax on income for the current period is determined on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the relevant tax laws and based on the expected outcome of assessments / appeals.

(A) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the year end date. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(B) Deferred tax

Deferred income tax is provided in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in consolidated Ind AS financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred

Faze Three Limited**Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018**

income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognized in statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantial all of the risks and benefits incidental to ownership of the leased items, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by lessor are classified as operating leases. Lease rentals are charges to the statement of profit and loss on straight line basis.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, packaging materials and stores and spare parts are valued at lower of cost and net realizable value. Cost includes purchase price, (excluding those subsequently recoverable by the enterprise from the concerned revenue authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. In determining the cost, weighted average cost method is used.

Work in progress, manufactured finished goods and traded goods are valued at the lower of cost and net realisable value. Cost of work in progress and manufactured finished goods is determined on the weighted average basis and comprises direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on a weighted average basis.

Slow and non-moving material, obsolesce, defective inventories are duly provided for and valued at actual cost incurred upto the date of balance sheet. Materials and supplies held for use in production of inventories are not written down if the finished products in which they will be used are expected to be sold at or above cost.

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Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

2.11 Trade Receivables

Trade Receivables are amounts due from customers for sale of goods or services performed in the ordinary course of business. Trade Receivables are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method, net of provision for impairment. The carrying value less impairment provision of trade receivables, are assumed to be approximate to their fair values.

2.12 Impairment of non-financial assets

The Company assesses at each year end whether there is any objective evidence that a non financial asset or a group of non financial assets is impaired. If any such indication exists, the Company estimates the asset's recoverable amount and the amount of impairment loss.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognized in Statement of Profit and Loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through Statement of Profit and Loss.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash in flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

2.13 Provisions and contingent liabilities

Provisions are recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The Company records a provision for decommissioning costs. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

2.14 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks, cash on hand and demand deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, cash in banks and demand deposits.

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

2.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(A) Financial assets**(i) Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortised cost.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- a) at amortized cost; or
- b) at fair value through other comprehensive income; or
- c) at fair value through profit or loss.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Debt Instruments: Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method (EIR).

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in Statement of Profit and Loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of Profit and Loss and recognized in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

Equity instruments: All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument- by-instrument basis. The classification is made on initial recognition and is irrevocable.

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss. The Company has currently exercised irrevocable option to classify its investment in equity instruments of PQR Private Limited. Other than this no other equity instrument qualifies definition of financial asset in case of the Company.

(iii) Impairment of financial assets

In accordance with Ind AS 109, Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on financial assets that are measured at amortized cost and FVOCI.

For recognition of impairment loss on financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent years, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

Life time ECLs are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the year end.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider all contractual terms of the financial instrument (including prepayment, extension etc.) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payment is more than 30 days past due.

ECL impairment loss allowance (or reversal) recognized during the year is recognized as income/expense in the statement of profit and loss. In balance sheet ECL for financial assets measured at amortized cost is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

(iv) Derecognition of financial assets

A financial asset is derecognized only when

- a) the rights to receive cash flows from the financial asset is transferred or
- b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the financial asset is transferred then in that case financial asset is derecognized only if substantially all risks and rewards of ownership of the financial asset is transferred. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

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Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

(B) Financial liabilities**(i) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and at amortized cost, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statement of Profit and Loss.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss as finance costs.

(C) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. Derivatives embedded in all other host contract are separated if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(D) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.16 Employee Benefits**(A) Short-term employee benefits**

All employee benefits payable only within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, etc. and the expected cost of bonus, ex-gratia, and incentives are recognised in the period during which the employee renders the related service.

(B) Post employment benefits**(i) Defined contribution plan**

State Government Provident Scheme is a defined contributed plan. The contribution paid/payable under the scheme is recognised in the statement of profit and loss during the period in which the employee renders the related services.

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

(ii) Defined benefit plans

Gratuity: The Company provides for gratuity, a defined benefit plan (the 'Gratuity Plan') covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognized in the other comprehensive income in the year in which they arise.

2.17 Contributed equity

Equity shares are classified as equity share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share is the net profit or loss for the year after deducting preference dividends and any attributable tax thereto for the year. The weighted average number of equity shares outstanding during the year and for all the years presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

2.19 Rounding off amounts

All amounts disclosed in consolidated Ind AS financial statements and notes have been rounded off to the nearest crores as per requirement of Schedule III of the Act, unless otherwise stated.

3. Significant accounting judgments, estimates and assumptions

The preparation of consolidated Ind AS financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated Ind AS financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(A) Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward except for the unabsorbed depreciation. Refer Note 34.

Faze Three Limited

Notes forming part of the Consolidated Ind AS Financial Statements for the year ended 31 March 2018

(B) Defined benefit plans (gratuity benefits)

The cost of the defined benefit plans such as gratuity are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each year end.

The principal assumptions are the discount and salary growth rate. The discount rate is based upon the market yields available on government bonds at the accounting date with a term that matches that of liabilities. Salary increase rate takes into account of inflation, seniority, promotion and other relevant factors on long term basis. For details refer Note 36.

4. First-time adoption of IndAS**Transition to Ind AS**

These consolidated Ind AS financial statements are the first set of Ind AS consolidated Ind AS financial statements prepared by the Company. Accordingly, the Company has prepared consolidated Ind AS financial statements which comply with Ind AS applicable for year ending on 31 March 2018, together with the comparative year data as at and for the year ended 31 March 2017, as described in the significant accounting policies. In preparing these consolidated Ind AS financial statements, the Company's opening balance sheet was prepared as at 1 April 2016, being the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its previous GAAP consolidated Ind AS financial statements, including the balance sheet as at 1 April 2016 and the consolidated Ind AS financial statements as at and for the year ended 31 March 2017.

4.1 Exemptions availed on first time adoption of Ind AS

Ind AS 101, First-time Adoption of Indian Accounting Standards, allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has accordingly applied the following exemptions.

(a) Deemed Cost

Since there is no change in the functional currency, the Company has elected to continue with carrying value for all of its property, plant and equipment except freehold land and leasehold land as recognized in its Indian GAAP consolidated Ind AS financial statements as its deemed cost at the date of transition. This exemption can also be used for investment properties. Accordingly the management has elected to measure all of its property, plant and equipment except freehold land and leasehold land, investment properties at their Indian GAAP carrying value.

(b) Standards issued but not yet effective:

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the financial statements are discussed below. The Company intends to adopt these standards, if applicable, when they become effective.

i) Appendix B to Ind AS 21, Foreign currency transactions and advance consideration

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company is currently evaluating the requirements of amendments. The Company believe that the adoption of this amendment will not have a material effect on its financial statements.

ii) Ind AS 115- Revenue from Contract with Customers

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Faze Three Limited

Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

5 Property, plant and equipment

Particulars	Gross block			Depreciation			Net block	
	As at 1 April 2017	Additions/ Adjustments	Deductions/ Adjustments	As at 31 March 2018	For the year	Deductions/ Adjustments	As at 31 March 2018	As at 31 March 2017
Owned assets								
Leasehold land	9.21	-	-	9.21	-	-	-	9.21
Freehold land	52.05	-	-	52.05	-	-	-	52.05
Building	38.23	1.17	-	39.40	1.16	0.40	17.80	22.00
Plant and machinery	71.33	5.75	-	77.08	4.44	-	51.22	24.55
Furniture and fixtures	5.32	0.51	-	5.83	0.20	-	4.42	1.10
Vehicles	4.20	0.42	-	4.62	0.21	-	3.18	1.23
Office equipment	1.52	0.19	-	1.71	0.17	-	1.30	0.39
Computers	2.73	0.30	-	3.03	0.26	-	2.54	0.46
Electrical installations	5.22	0.37	0.01	5.58	0.22	-	4.74	0.72
Fire hydrants	0.13	-	-	0.13	0.01	-	0.04	0.10
Total	189.94	8.71	0.01	198.64	6.67	0.40	85.24	111.80
							113.40	

Faze Three Limited

Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

6 Investment property

<u>Cost</u>	Amount
As at 1 April 2017	0.70
Additions	-
Disposals/adjustments	(0.70)
Closing as at 31 March 2018	-

Accumulated amortization and impairment, if any

For the year	0.02
Disposals/adjustments	(0.02)
Closing as at 31 March 2018	-

Net block

As at 31 March 2018	-
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Information regarding income and expenditure of Investment property

Particulars	As at 31 March 2018
Rental income derived from Investment property	0.51
Profit arising from Investment property before depreciation and indirect expenses	0.51
Less – Depreciation and amortisation expenses	(0.02)
Profit arising from Investment property before indirect expenses	0.49

The Company's investment property consisted of commercial property at Worli (erstwhile corporate office of the company) given on lease to Bank of Maharashtra for a period of 10 years with effect from December 2016.

7 Financial assets- Investments	31 March 2018
<u>Unquoted equity shares</u>	
2,500 (31 March, 2017: 2,500, 1 April 2016: 2,500) Equity shares of Rs. 10 each fully paid-up in Saraswat Co-op Bank Limited.	0.00
40 (31 March, 2017: 40, 1 April 2016: 40) Equity shares of Rs. 25 each fully paid-up in Greater Bombay Co-operative Bank Limited	0.00
<u>Quoted Investments</u>	
14,53,042 (31 March, 2017: 14,53,042, 1 April 2016: 14,53,042) Equity shares of Rs. 10 each fully paid-up in V R Woodart Limited	0.21
Investments in Mutual Fund - Canara Robeco Mutual Fund (Quoted) (Refer footnote i)	0.19
Total	0.40
Current	0.19
Non- Current	0.21
	0.40
Aggregate book value of:	
Quoted investments	0.40
Unquoted investments	0.00
Aggregate market value of:	
Quoted investments	1.32
Unquoted investments	0.00

Faze Three Limited**Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

Footnotes:**i. Details of investments in mutual funds:**

Particulars		Number of units	Amount
	Face Value	As at 31 March	As at 31 March
Canara Robeco Capital Protection Oriented Fund - Series 4 - Regular Growth	10	159,990	0.19
		159,990	0.19

8	<u>Other financial assets</u>	As at 31 March
	Security deposits	0.81
	Capital advance	2.23
	Total	3.04

9	<u>Inventories *</u>	31 March 2018
	Raw material	25.29
	Work in progress	23.29
	Finished goods	20.80
	Store and spares parts including packing material	2.03
	Dyes and chemicals	0.72
	Total	72.13

* Hypothecated as charge against short term - borrowings. Refer note 18.

10	<u>Trade receivables</u>	31 March 2018
	Secured, considered good	-
	Unsecured	
	-Considered good	40.08
	Total	40.08
	Further classified as:	
	Receivable from related parties (Refer footnote i)	1.32
	Receivable from others	38.76
		40.08
	Footnote i : Include due from following Companies in which the Company is having a common directors / relative of directors:	
	Aunde India Limited	1.32
		1.32

11	<u>Cash and cash equivalents</u>	31 March 2018
	Balances with banks	
	On current accounts	2.24
	Cash on hand	0.05
	Total	2.29

Faze Three Limited

Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

12	Bank balances other than cash and cash equivalent	31 March 2018
	In Fixed deposit with maturity for more than three months but less than twelve months from balance sheet date	0.12
	Total	0.12
13	Other financial assets	31 March 2018
	<u>Unsecured, considered good</u>	
	Security deposit	0.03
	Interest accrued on fixed deposits	0.00
	Loans and advances	1.00
	Total	1.03
14	Current tax assets (net)	31 March 2018
	Advance income tax (net of provisions)	0.88
	Total	0.88
15	Other current assets	31 March 2018
	Export incentive receivable	6.84
	Advance to suppliers	0.02
	Staff advances	0.19
	Refund of VAT / Service tax receivable	1.73
	GST input credit	4.38
	GST rebate receivable	8.45
	MTM gain on currency forward contracts	0.19
	Prepaid expenses	0.49
	Other receivables	0.12
	Total	22.41
16	Equity share capital	31 March 2018
	<u>Authorized</u>	
	26,000,000 Equity Shares of ₹ 10/- each	26.00
	Total	26.00
	<u>Issued, subscribed and paid up</u>	
	24,319,000 Equity Shares of ₹ 10/- each fully paid	24.32
	Total	24.32
	<u>Convertible Warrants</u>	
	145,500 Convertible Warrants of ₹ 10/- each *	0.40
	Total	0.40
	Total	24.72

* The Company has received 25% upfront payment at the time of subscription of the warrants from the allottees and the Company will receive the balance 75% will be received within 18 months from the date of allotment. The above Convertible Warrants were issued on preferential basis at a price of ₹ 110 /- per warrant including a premium of ₹ 100/- per share on face value of ₹ 10/- per share.

(a)	Reconciliation of equity shares outstanding at the beginning and at the end of	31 March 2018	
		No of shares	Amount
	Outstanding at the beginning of the year	23,300,000	23.30
	Add: Issued during the year	1,019,000	1.02
	Outstanding at the end of the year	24,319,000	24.32

Faze Three Limited

Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

(b) Rights, preferences and restrictions attached to shares

The Company has only one class of equity shares having par value of ₹ 10/- per share. All the equity shares rank pari passu in all respect. Dividend if any declared is payable in Indian Rupees. Final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion of their shareholding.

(c) Rights, preferences and restrictions attached to warrants

The Company has issued convertible equity warrants on preferential basis to promoter/promoter group. The equity shares to be so allotted on exercise of the warrants shall upon conversion rank pari-passu with the existing equity shares of the Company, in such form and manner and upon such terms and conditions as may be determined by the Board in accordance with the ICDR Regulations of other applicable laws as may be prevailing at the time. The warrants and equity shares allotted pursuant to exercise of such warrants shall be subject to lock-in for such period as specified under chapter VII of ICDR Regulations. In the event the warrant holders does not exercise the warrants within 18 months from the date of allotment, the warrant shall lapse and the amount paid shall stand forfeited by the Company.

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of the shareholder	31 March 2018	
	Number of shares	% of holding in the class
Ajay Anand	6,320,412	25.99
Instyle Investments Pvt. Ltd.	2,394,625	9.85
Ajay Jindal	2,750,000	11.31
Salim Govani	3,463,956	14.24
Neerav Hans	1,556,297	6.40

As per the records of the company, including its register of shareholders / members, the above shareholding represents both legal and beneficial ownership of shares.

(e) The Company has not issued bonus shares and shares for consideration other than cash.**17 Other equity**

Particulars	31 March 2018
(A) Foreign currency translation reserve	
Opening balance	-
Add/Less: Transferred to general reserve on buyback of bonds	0.01
Closing balance	0.01
(B) Share application money pending allotment	
Opening balance	7.84
Add/Less: Transferred to equity	(7.84)
Closing balance	-
(C) Capital reserve	
Opening balance	5.33
Addition / (deletion)	-
Closing balance	5.33
(D) Securities premium	
Opening balance	14.24
Add : Securities premium credited on issue of shares	10.20
Closing balance	24.44
(E) General reserve	
Opening balance	96.09
Addition / (deletion)	-
Closing balance	96.09
(F) Revaluation Reserve	
Opening balance	55.42
Addition / (deletion)	-
Closing balance	55.42
(G) Surplus/(deficit) in the statement of profit and loss	
Opening balance	(50.74)
Add: Profit for the year	16.66
Closing balance	(34.08)
Total	147.21

Faze Three Limited

Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

18	Non-current borrowings	31 March 2018			
	Term Loans (secured)				
	From Banks (refer note (i))				0.64
	Other Loans (Against hypothecation of vehicles) (refer note (iii))				0.18
	Total				0.82
	(i) Term Loan from Yes Bank :				
	Secured by:				
	(i) First pari-passu charge on the fixed assets of the company including plant and machinery and immovable assets of the company.				
	(ii) First pari-passu charge on the entire current assets of the company.				
	Terms of Repayment:				
	Repayable in equated quarterly instalments till January, 2023.				
	Rate of Interest:				
	March 31, 2018 : 11.05%				
	(ii) Terms and conditions of Other Loans				
	Particulars	Loan 1	Loan 2	Loan 3	Loan 4
	Maturity date	February 5, 2019	July 5, 2021	June 5, 2020	May 15, 2020
	Number of installments due	11	40	24	24
	Amount of installments due	57195	54,440	25258	25,512
	Rate of Interest	9.37%	9.37%	8.51%	9.19%
	Within one year (₹)	629,145	653,280	303,096	306,144
	After one year but not more than five years (₹)	-	1,524,320	303,096	306,144
	Name of the Financier	HDFC Bank	HDFC Bank	HDFC Bank	Tata Motors Finance Ltd
19	Employee benefit obligations	Long term		Short term	
		31 March 2018		31 March 2018	
	Provision for employee benefits (refer note 34)				
	Provision for gratuity (unfunded)			0.94	1.60
	Total			0.94	1.60
20	Short-term borrowings	31 March 2018			
	Secured, from bank (refer footnote i)				
	Packing Credit in Foreign Currency (PCFC)/Packing Credit in Rupee Scheme (PCRS) (refer footnote i)				72.64
	Unsecured, Loans from related parties (refer footnote ii)				0.26
	Total				72.90
	Terms and conditions of loans				
	(i) Packing Credit in Foreign Currency (PCFC) and Packing Credit in Rupee Scheme (PCRS) is secured by way of hypothecation of raw materials, work-in-progress, finished goods, spares & stores and goods meant for exports and book debts as prime security and collaterally secured by extension of the charge on the Fixed Assets of the Company to Canara Bank and Allahabad Bank jointly as a part of consortium till 31 July, 2017. PCFC and PCRS facilities from Canara Bank carry interest rate of (LIBOR + 350 bps) and MCLR + 0.75% respectively. PCRS facility from Allahabad Bank carry interest rate @ 10.70%.				
	PCRS facility from Yes Bank carry interest rate @ 10.25% w.e.f 1 August, 2017.				
	The company has interest rate subvention of 3% on the aforesaid rates for Packing Credit in Rupee Scheme (PCRS).				
	(ii) Loan from V R Woodart, the Associate Company, for March 31, 2018 : 0.26 crores.				
21	Trade payables	31 March 2018			
	Total outstanding dues of micro enterprises and small enterprises				-
	Total outstanding dues of creditors other than micro enterprises and small enterprises* (Refer footnote below)				6.75
	Total				6.75
	*Based on the information available with the Company, there are no outstanding dues and payments made to any supplier of goods and services beyond the specified period under Micro, Small and Medium Enterprises Development Act, 2006 [MSMED Act]. There is no interest payable or paid to any suppliers under the said Act.				
22	Other financial liabilities	31 March 2018			
	Current maturities of term loan				0.08
	Current maturities of vehicle loan				0.19
	Total				0.27
23	Other current liabilities	31 March 2018			
	Salary & reimbursement payable				3.60
	Statutory due payable				0.19
	Expenses payable				2.04
	Advance / Claims from customer				0.02
	Total				5.85

Faze Three Limited**Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

24	Revenue from operations	31 March 2018
	Export Sales	204.64
	Domestic Sales *	15.39
	Export Incentives	19.84
	Total	239.87

* Revenue from operations for periods upto 30 June, 2017 includes excise duty, which is discontinued effective from 1 July, 2017 upon implementation of Goods and Service Tax (GST) in India. In accordance with Ind-AS 18 "Revenue", GST is not included in revenue from operations.

25	Other income	31 March 2018
	Rental income	1.00
	Interest income	0.03
	Fair valuation adjustments of investments *	0.01
	Miscellaneous income	0.21
	Job work Income	0.16
	Gain on sale of fixed assets	0.00
	Gain on sale of investment property	6.40
	Gain on forex receivables	2.82
	Total	10.63

* Fair valuation of investments represent fair valuation changes in mutual funds which has been restated to NAV as at reporting dates, which have not been recognized separately in financial statements.

26	Cost of material consumed	31 March 2018
	Inventory at the beginning of the year	28.46
	Add: Purchases	113.81
	Less: Inventory at the end of the year	26.01
	Cost of raw material consumed	116.26

27	Changes in inventories of finished goods and work-in-progress	31 March 2018
	Inventories at the beginning of the year	
	-Finished goods	25.10
	-Work-in-progress	15.72
		40.82
	Less: Inventories at the end of the year	
	-Finished goods	18.42
	-Work-in-progress	23.29
		41.72
	Net decrease/ (increase)	(0.90)

28	Employee benefits expense	31 March 2018
	Salaries, wages, bonus and other allowances	35.59
	Contribution to Provident Fund and ESI	2.21
	Staff welfare expenses	1.32
	Total	39.12

Faze Three Limited**Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

29	Finance costs	31 March 2018
	Interest on borrowing	5.01
	Bank charges	2.76
	Total	7.77
30	Depreciation and amortization expense	31 March 2018
	Depreciation (refer note 5)	6.67
	Amortisation (refer note 6)	0.02
	Total	6.69
31	Other expenses	31 March 2018
	Sewing, stitching, processing & finishing charges	13.61
	Power & fuel	17.38
	Clearing and forwarding expenses	7.87
	Repairs & maintenance:	
	Plant & machinery	2.63
	Building	0.81
	Other manufacturing expenses (refer note ii below)	7.89
	Rent, rates & taxes	1.33
	Stores and spares consumed	2.08
	Audit fees (refer note i below)	0.13
	Miscellaneous expenses	3.28
	Security expenses	0.95
	Courier expenses	1.18
	Travelling, vehicle & conveyance expenses	2.11
	Legal & professional fees	2.41
	Insurance charges	0.49
	Selling & distribution expenses	1.87
	Total	66.02

Note i : The following is the break-up of Auditors remuneration (exclusive of taxes)

	31 March 2018
As auditor:	
Statutory audit	0.13
Total	0.13

Note i : The following is the break-up of Other manufacturing expenses

	31 March 2018
Dyeing charges	0.46
Water charges	2.32
Testing charges	0.89
Weaving charges	1.36
Others	2.86
Total	7.89

32 Income Tax

(A)	Deferred tax relates to the following:	31 March 2018
	Deferred tax assets	
	On provision for employee benefits	1.12
	Unabsorbed depreciation	4.46
	MAT credit entitlement	5.02
		10.60

Faze Three Limited**Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

Deferred tax liabilities	
On property, plant and equipment	6.40
On Temporary Difference on account of MTM on forwards	0.08
	6.48
Deferred tax (asset)/Liabilities, net	4.12
(B) Recognition of deferred tax asset to the extent of deferred tax liability	
	31 March 2018
Deferred tax asset	10.60
Deferred tax liabilities	(6.48)
Deferred tax assets/ (liabilities), net	4.12
(C) Reconciliation of deferred tax assets/ (liabilities) (net):	
	31 March 2018
Opening balance as of 1 April 2017	(1.08)
MAT credit utilised	3.32
Tax asset recognized in Statement of Profit and Loss	1.29
Tax asset recognized in OCI	0.08
Other temporary differences	0.50
Closing balance as at 31 March 2018	4.12
(D) Reconciliation of tax charge	
	31 March 2018
Profit before tax	15.54
Income tax expense at tax rates applicable	5.14
Tax effects of:	
- Item not deductible for tax	(5.21)
- Other timing differences	(1.29)
Income tax expense	(1.37)

33 Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to equity holders (after adjusting for interest on the convertible preference shares) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	31 March 2018
Profit attributable to equity holders	16.66
Add/Less: Transactions during the year	-
Profit attributable to equity holders	16.66
Weighted average number of equity shares for basic EPS*	23,797,866
Effect of dilution:	
Convertible equity warrants	36,375
Weighted average number of equity shares adjusted for the effect of dilution	23,834,241
Basic earnings per share (INR)	7.00
Diluted earnings per share (INR)	6.99

* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

34 Employee benefits

(A) Defined Contribution Plans		31 March 2018
During the year, the Company has recognized the following amounts in the Statement of Profit and Loss		
Employers' Contribution to Provident Fund, ESIC and Gratuity Fund (Refer note 28)		1.96
(B) Defined benefit plans		
a) Gratuity payable to employees		
i) Actuarial assumptions		
Discount rate (per annum)		7.35%
Rate of increase in Salary (per annum)		4.00%
Expected average remaining working lives of employees (years)		4

Faze Three Limited

Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018

(Amount in crores, unless otherwise stated)

Attrition rate	
For service 2 years and below	40%
For service 3 years to 4 years	25%
For service 5 years and above	15%
ii) Changes in the present value of defined benefit obligation	Employee's gratuity fund
Present value of obligation at the beginning of the year	2.25
Interest cost	0.15
Current service cost	0.32
Benefits paid	(0.15)
Actuarial (gain)/ loss on obligations	(0.04)
Present value of obligation at the end of the year*	2.54
*Included in provision for employee benefits (Refer note 19)	
iii) Expense recognized in the Statement of Profit and Loss	Employee's gratuity fund
Current service cost	0.32
Interest cost	0.15
Actuarial (gain) / loss on obligations	(0.04)
Transferred to OCI	(0.25)
Total expenses recognized in the Statement Profit and Loss*	0.19
*Included in Employee benefits expense (Refer Note 28).	
iv) Assets and liabilities recognized in the Balance Sheet:	Employee's gratuity fund
Present value of unfunded obligation as at the end of the year	2.54
Unfunded net asset / (liability) recognized in Balance Sheet*	2.54
*Included in provision for employee benefits (Refer note 19)	
v) Expected contribution to the fund in the next year	31 March 2018
Gratuity	0.56
vi) A quantitative sensitivity analysis for significant assumption as at 31 March 2018 is as shown below:	Employee's gratuity fund
Impact on defined benefit obligation	
Discount rate	
1% increase	(0.10)
1% decrease	0.11
Rate of increase in salary	
1% increase	0.12
1% decrease	(0.11)
vii) Maturity profile of defined benefit obligation	From the fund
Year	
1st Following Year	0.39
2nd Following Year	0.36
3rd Following Year	0.39
4th Following Year	0.33
5th Following Year	0.29
6th Following Year	1.02
Sum of 7th Year and above	0.94

35 Leases

Operating leases where Company is a lessee:

The Company has entered into lease transactions mainly for leasing of office premise for a period of 5 years. The terms of lease include terms of renewal, increase in rents in future periods, which are in line with general inflation, and terms of cancellation. The operating lease payments recognized in the Statement of Profit and Loss in 31 March 2018: amounting to ₹ 0.36 crores is included in Note 31.

Future minimum rentals payable under non-cancellable operating leases are, as follows:*	31 March 2018
Within one year	0.42
After one year but not more than five years	1.75
More than five years	-

*As on 31 March 2017 and 1 April 2016 there were no non-cancellable operating leases.

Faze Three Limited**Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

36 Related Party Disclosures:

(A) Names of related parties and description of relationship as identified and certified by the Company:

Related party where control exists**Name of related party**

V R Woodart Limited

Aunde India Limited

Ajay Anand (HUF)

Next Interiors Private Limited

Instyle Investments Private Limited

Rohina Anand Khira

Ashok Anand

Faze Three US LLC

Relationship

Entity in which director has common control

Entity in which director has common control

Entity in which director has common control

Entity in which relative of director has common control

Entity in which director has common control

Daughter of Managing Director

Brother of Managing Director

Wholly owned foreign subsidiary

Key Management Personnel (KMP)

Ajay Anand

Sanjay Anand

Ankit Parekh

Ankit Madhwani

Bheemanna Chikerrur

Managing Director

Whole-time Director

Company Secretary

Chief Financial Officer

Executive Director (Resigned on 27.09.2017)

(B) **Details of transactions with related party in the ordinary course of business for the year ended:**

(i) Entity in which director has common control	31 March 2018
<u>Aunde India Limited</u>	
Sale of services	12.80
Purchase of goods	0.02
Rent income	0.33
Rent expense	0.03
Jobwork expense	0.09
Reimbursement of Expenses	0.18
<u>V R Woodart Limited</u>	
Loans repaid during the year	0.10
<u>Next Interiors Private Limited</u>	
Sale of goods	0.32
(ii) Key Management Personnel (KMP)	
Compensation of key management personnel	1.59
(C) Amount due to related party as on:	31 March 2018
V R Woodart	0.26
Amount due from related party	
Aunde India Limited	1.32

(D) **Terms and conditions of transactions with related parties**

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

37 Fair values of financial assets and financial liabilities

The fair value of other current financial assets, cash and cash equivalents, trade receivables, investments, trade payables, short-term borrowings and other financial liabilities approximate the carrying amounts because of the short term nature of these financial instruments.

The amortized cost using effective interest rate (EIR) of non-current financial assets consisting of security and term deposits are not significantly different from the carrying amount.

Financial assets that are neither past due nor impaired include cash and cash equivalents, security deposits, term deposits, and other financial assets.

The impact of fair value on non-current borrowing, non-current security deposits and non-current term deposits is not material and therefore not considered for above disclosure.

Faze Three Limited**Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

38 Fair value hierarchy

The following is the hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

No financial assets/liabilities have been valued using level 1 fair value measurements.

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis:

	31 March 2018
Level 1 (Quoted price in active markets)	
Investments in mutual funds FVTPL	0.19
Level 2	
<u>Financial assets measured at fair value through profit or loss</u>	
Investments in quoted instruments but not in active markets	0.21
Level 3	
<u>Financial assets measured at amortized cost</u>	
Trade receivables	40.08
Security deposits	0.84
Capital advance	2.23
Cash and cash equivalents	2.22
Bank balances other than cash and cash equivalents	0.12
Loans and advances	1.00
The carrying amounts of trade receivables, cash and cash equivalents and other bank balances, loans and advances, interest on fixed deposits and security deposits are considered to approximate their fair values due to their short term nature. The carrying amounts of long term security deposits given are considerate to approximate their fair value.	
<u>Financial liability measured at amortized cost</u>	
Borrowings	73.99
Trade payables	6.75
The carrying amount of trade payables, payables for capital expenditure and security deposit received from customers are considered to approximate their fair values due to their short term nature. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including own and counterparty credit risk.	

39 Financial risk management objectives and policies

The Company is exposed to various financial risks. These risks are categorized into market risk, credit risk and liquidity risk. The Company's risk management is coordinated by the Board of Directors and focuses on securing long term and short term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

(A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings and derivative financial instruments.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	Effect on profit before tax (₹ in Crs)
FY 2018	25 bps	0.18

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

Exposure to currency risk	31 March 2018	
	INR	USD
Trade receivables (hedged)	38.53	0.59
Trade payables (unhedged)	0.77	0.01

The following significant rate have been applied during the year	Year End Spot Rate
	31 March 2018
USD 1	65.04
EURO 1	80.62

Faze Three Limited**Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate (or any other material currency), with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

The company realises 90% of its sales in USD, based on the hedging policy followed by the company in case of normal volatility in USD / INR, the following effect is estimated.

	Change in USD rate	Effect on profit before tax
2018		
USD / INR	1%	0.39

(B) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the statutory deposits with regulatory agencies and also arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The Company limits its exposure to credit risk of cash held with banks by dealing with highly rated banks and institutions and retaining sufficient balances in bank accounts required to meet a month's operational costs. The Management reviews the bank accounts on regular basis and fund drawdowns are planned to ensure that there is minimal surplus cash in bank accounts. The Company does not foresee any credit risks on deposits with regulatory authorities.

(C) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The table below summarizes the maturity profile of the Company's financial liabilities:

	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 March 2018				
Short term borrowings	24.26	48.64	-	72.90
Long-term borrowings	-	-	0.82	0.82
Trade payables	6.15	0.12	0.47	6.75
Other financial liability	0.05	0.23	-	0.27
	30.46	48.99	1.29	80.74

40 Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholder value and to ensure the Company's ability to continue as a going concern.

The Company monitors gearing ratio i.e. total debt in proportion to its overall financing structure, i.e. equity and debt. Total debt mainly comprises of current liabilities which represents - Packing Credit in INR (98% of Total Debt). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

		31 March 2018
Total equity	(i)	171.92
Total debt	(ii)	73.72
Overall financing	(iii) = (i) + (ii)	245.64
Gearing ratio	(ii) / (iii)	0.30

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018.

41 Contingent Liability and commitments**Contingent liabilities (to the extent not provided for)**

	31 March 2018
Claims against the company not acknowledged as debt	-
Guarantees and Letter of Credit	2.94

Faze Three Limited**Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2018**

(Amount in crores, unless otherwise stated)

42 Corporate social responsibility

- A) Gross amount required to be spent by the Company towards Corporate Social Responsibility is ₹ 0.28 Crores.
 B) No expenditure has been paid to a related party, in relation to CSR expenditure as per Ind-AS 24, Related Party Disclosures.

43 Dividends

The dividends declared by the Company are based on the profits available for distribution as reported in the financial statements of the Company. Accordingly, the retained earnings reported in these financial statements may not be fully distributable. The Board of Directors declared an interim dividend of ₹ 0.50 per share for the year ended 31 March, 2018.

44 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)

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

- 45 Previous year figures have been regrouped/ reclassified to confirm presentation as per Ind AS as required by Schedule III of the Act.

As per our report of even date

For MSKA & Associates (Formerly known as MZSK & Associates)
Chartered Accountants
 ICAI Firm Registration No.:105047W

Amrish Vaidya
 Partner
 Membership No: 101739

Mumbai
May 22, 2018

For and on behalf of the Board of Directors of
Faze Three Limited
 CIN: L99999DN1985PLC000197

Ajay Anand
 Managing Director
 DIN: 00373248

Ankit Madhwani
 Chief Financial Officer

Sanjay Anand
 Whole-time Director
 DIN: 01367853

Ankit Parekh
 Company Secretary
 M No: A31990

Form No. AOC - 1**to the financial statements for the year ended 31st March 2018**

Statement containing salient features of the financial statement of Subsidiaries/ Associate Companies/ Joint Ventures

Part "A" : Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Name of the subsidiary	Faze Three US LLC
The date since when the subsidiary was acquired	16th October 2017
Reporting period for the subsidiary concerned, if different from the holding company's reporting period	April 1, 2017 - March 31, 2018
Reporting currency and Exchange rate as on the last date of the relevant financial year in case of foreign subsidiaries.	Reporting Currency - US Dollar (USD) Exchange Rate as on March 31, 2018 - 1 USD = ₹ 65.0441
	(Amount in Rs.)
Share Capital	24,391,537.50
Reserves & surplus	-976.00
Total assets	24,390,562.00
Total liabilities	24,390,562.00
Investments	-
Turnover	-
Loss before taxation	976.00
Provision for taxation	-
Loss after taxation	976.00
Proposed Dividend	-
% of shareholding	100%

Note: Information under Part B is not applicable to the Company

For and on behalf of Board of Directors of

Faze Three Limited

CIN: L99999DN1985PLC000197

Ajay Anand

Managing Director

DIN: 00373248

Sanjay Anand

Whole-time Director

DIN: 01367853

Ankit Madhwani

Chief Financial Officer

Ankit Parekh

Company Secretary

M No. A31990

Placce: Mumbai

Date: May 22, 2018

Drive 9.3 km, 23 min

