



August 13, 2024

To,

BSE Limited Department of Corporate Services, P. J. Towers, Dalal Street, Mumbai – 400 001. Scrip Code: 530079	National Stock Exchange of India Limited Listing Compliance Department, Exchange Plaza, Plot No. C/ 1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051. Symbol: FAZE3Q
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Dear Sir/Ma'am,

Sub: Disclosure of information pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In compliance with Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Company's presentation on the Un-Audited Financial Results of the Company for the Quarter ended June 30, 2024.

You are requested to kindly take the same on record and bring it to the notice of your constituents.

Thanking you,

Yours Sincerely,
For **Faze Three Limited**

Akram Sati
Company Secretary & Compliance Officer
M. No. A50020



Aug 13, 2024

Financial Results for the quarter ended June 30, 2024 & Company presentation

About the Company

Engaged in manufacturing of Technical & Home Textiles products

Direct Exports to Large Retailers in USA, UK & EUR region. Over 90% Revenue is Exports only. Visit <http://www.fazethree.com/> for more details

8 factory locations including captive process houses.

Factory Locations: Silvassa (2) (UT of DN&DD) and Vapi (1) (Guj.) for Home & Technical Textiles. Panipat (4) (Haryana) for Handloom Home Textiles. (1) in Aurangabad, Maharashtra

During the year, the company added office cum Showroom location in New York, USA to accelerate reach and efforts towards growing the business and new product categories

Technical & Home Textiles Products: Floor coverings (Bathmats / Rugs – Rubber backed), Performance & Outdoor Home Textiles made of micro polyester, Cushions, Top of the Bed Products, Blankets, Curtains, Accessories, etc.

Handloom Home Textiles Products : Bathmats, Accent Rugs, Throws, Cushions, Powerloom rugs, Accessories, etc.

China plus One: Eureka moment this decade for above categories akin to Sheets and Towels in 2008-09 wherein India is leader today aided by move from China

PLI scheme for MMF in India is recognition to the opportunity, will build optimum supply chain for company's products

Established in 1985

Listed in 1995

Focused on Home & Technical Textiles manufacturing since its Inception

Factories built and operated as per globally mandated / acceptable standards of infrastructure and operation

Company has capability to offer every product other than sheets and towels under Home Textile segment. Currently floor covering segment is the dominant product category

Equal capabilities, expertise & share between Cotton & Polyester /MMF products currently. Share of Polyester/ MMF expected to rise in future given the global trend

Management Team Consists of Founder / Promoters, Professionals/CXO's heading core functions in each factories

Inhouse capability for Design, Development & Innovations across all the product offerings

Vertically integrated operations for all products starting from Yarn to finished product / merchandise

Rated A/A1(stable) for Long term/Short term by CARE ratings (Aug 23)

Business Model

- Inhouse Capability from Design to Delivery : Yarn to Finished Product
- Significant engagement with customer prior to order confirmation on Design, development, etc.
- Order backed manufacturing only
- Direct exports to customers, ~95% FOB
- Over 95% domestic raw materials
- Faster order turnaround times (60d-120d)
- Moderate MOQ's, flexibility across products / Colours, designs

Markets & Customers

- USA 65%, UK/EUR 30%, Bal ROW
- Strong relationship with Top 15 customers over last 2 decades. Consistent business across product lines
- Top 15 customers contribute around 80% of Revenue
- Any single Customer revenue < 15% of Revenue of the company
- Most customers procure multiple products across factories of the company

Business Potential

- Top 15 Customers comprise of very large retail chains in USA, UK, EUR
- Customer appetite is at-least 10x across all product lines given their global sourcing including in India
- Tangible move for sourcing to India from erstwhile China across Company's products amongst company's Customers
- Huge un-fulfilled demand within existing customer base / product mix offered by company

Competition / Peer Exporters

- Company is uniquely placed to have multiple product lines across Handloom, Technical & Home Textiles products.
- Most Peers have one of the many products
- Adequate opportunity & customer appetite for all the existing Indian peers in the product categories of the company
- Chinese competition: erstwhile headwind has become a tailwind
- Cost & tariff arbitrage neutralised between India & China under Home textiles

Our Valued Customers

Walmart TARGET TJ-maxx COSTCO WHOLESALE JC Penney

Sainsbury's DOLLAR GENERAL MATALAN REJUVENATION next

M&S WILLIAMS SONOMA ASDA Dunelm Pier1

LIDL Argos west elm POTTERY BARN BED BATH & BEYOND

LANDS' END sam's club Debenhams Dillard's VOSSEN

COUNTRY ROAD Marshalls RESTORATION HARDWARE emart DKNY

ZARA HOME Loblaws ANTHROPOLOGIE HomeGoods

MYER SHINSEGAE MIGROS FRONTGATE CALVIN KLEIN

HBC MY STORE JYSK AQUANOVA GRUND spirella KAS australia

Product glimpse: refer www.fazethree.com



Home Textile Industry / Global Supply Chain : Trends & Update

India is a leading supplier of Sheets & Towels and other products under the Cotton Home Textiles Segment given the availability of Cotton in India

Floor coverings (Bathmats, Rugs, Outdoor, performance textiles), Curtains, etc. being predominantly polyester based and technical in nature are largely exported out of China. Estimated exports are said to be at least 20 times of India

Post 2019, Tariffs imposed on China textiles exports, rising labour & power costs, pollution crackdowns, diminishing incentives, etc made the Chinese exports relatively expensive

In 2020/21 owing to COVID Pandemic, supply chain disruptions & strong momentum towards “China Plus One” has led to gradual demand shift from Top Organised Retailers across the Globe towards India, being a natural ally & having reliably delivered over the years

Dec 2020 & May 2024: Walmart reiterates its commitment to triple its sourcing to \$ 10 Bn p.a

(<https://corporate.walmart.com/newsroom/2020/12/10/walmart-commits-to-sourcing-10-billion-of-india-made-goods-each-year-by-2027>)

May 2023: Walmart CEO Doug McMillon reiterates \$ 10 Bn sourcing Goal in meeting with PM Modi

Similarly Other Large Customers preference in UK and EUROPE are tangibly shifting to “other than Made in China” as demonstrated from surveys / trends

Impending FTA’s with G7 countries will give a big push to India going forward

Incumbent suppliers in India have a huge demand tailwind from above factors. Effective expeditious execution by brownfield / green field expansion is the key to tap demand momentum

Other Supplier countries likes Turkey, Egypt, Portugal, Pakistan, Bangladesh have also faced challenges leading to customer preference towards India

PLI-2 for MMF expected will establish a robust supply chain of MMF, esp. for Polyester based raw materials to make company’s final products more competitive globally. Also FTA’s with UK and other nations will aid growth

Management Comments ~ Looking forward FY 25 and FY 24

- ✓ Consol' Revenue and PAT for Q1FY 25 at ~INR 151.53 Crs and INR ~7.27 Crs respectively versus ~INR 134.28 Crs and ~INR 12.37 Crs in Q1FY24. EBIDTA for Q1FY25 stood at INR 18.90 Crs vs INR 24.18 Crs for Q1FY24.
- ✓ EDBITA & Net profit for TTM J24, Q4 Mar 24 and Q1J24 has been lower owing to higher raw material costs, one time product development costs, higher initial operating costs on new product lines, depreciation on recent capex, increase in Interest rates and certain one-time costs during the year.
- ✓ The Company expects Revenue growth of 15% for FY 25 versus FY 24 conservatively as all external factors have turned positive and US market continuous to remain strong. The company has built & added new product lines and invested significantly in building them product lines under the home textiles category which will get incremental revenue during this year and coming years.
- ✓ Order visibility / pipeline for FY 25 is higher than average run rate indicating good growth in FY 25 after muted growth in FY 24. Company's well diversified product range & wide global customer base has been key factor for sustainable growth.
- ✓ USA continues to witness a good economy and jobs market despite high interest rates over two years. The Company's products largely positioned in the band at \$10-25\$ per piece / per set band for sale by retailers which empirically have not seen significant reduction in demand in tough times. In fact, benefits accrue from pocket share saved on larger items which is expended on smaller merchandise, though counter-intuitive.
- ✓ Big picture, China plus one sentiment continues to improve in India's favour overall and especially in value added Textile merchandises pertaining to MMF. Ban on cotton from China is now fully implemented globally. Recently imposed Tariffs on China on EV, Solar, Climate related industries are first major step by current administration towards China and advances the China plus one strategy which had slowed down in 2022-2023 due to lower CNY/USD and higher Inflation.
- ✓ The Company has significantly invested across all locations (brown field expansions) over last 3 years mainly to add capacity in legacy products and build new product lines in the existing locations. However, owing to low growth & inflation over couple of years after FY 22, certain investments and recurring costs especially relating to new product lines and development costs has had impact of margin over last 2 quarters and will continue to have some impact through this year until the it crosses break-even optimum levels for each product lines as expected in the coming years with growth.
- ✓ The Company has allocated two non-core assets (erstwhile factory land) for divestment in Panipat location. The said divestment could result in inflow of up to INR 25 Crs within the next 12-24 months. This has been possible owing to Capex and capacity building over the last 12-15 months in other factory location.

Company's readiness to capitalize on the Global Opportunity

- ✓ Invested over ~INR 200 Crs from internal accruals across units for Expansion, new machinery, new technologies, new product lines & de-bottlenecking since FY 2019.
- ✓ Concluded / Ongoing Expansions:
 - ✓ Concluded Expansion at Silvassa April 2021 - June 2022 to have 3x capacity of earlier (brown field) on existing spare land, under Floor coverings, Performance Rugs, Technical & Outdoor Textile products.
 - ✓ Concluded under Top of Bed & Blankets segment (Nov 2021 to Nov 2022) is concluded to increase capacity to 3x of existing capacity on existing land (brownfield), backed by commitments from various customers.
 - ✓ Ongoing expansion at Panipat (Dec 22 to Sep 24), Cotton Home Textiles division and processing unit to have 3x capacity by Nov 2024.
 - ✓ Investment in subsidiary Mats and More Pvt Limited (Aurangabad) to cater to a new category under floor coverings being patio mats including outdoors to cater to the existing customers based on business visibility. Revenue potential of at-least USD 10 Mln in phase 1 within 3-4 years. Overall Investment INR 18-20 Crs
 - ✓ Invested INR 18 Cr in aggregate for Rooftop Solar energy 2.9 MW (captive), Clean Energy for processing (PNG) & Li-ion (Electric) Material Handling Equipment keeping company's ESG goals in the forefront. Invested in Talent acquisition and team building across units, new product developments, other green initiatives, etc.
 - ✓ Company has zero long-term debt since 2018. CARE reaffirmed credit rating at A (stable)/A1 (Aug 24). Net Debt stands at INR 85.1 Crs only as of June 30, 2024. Factories / Infrastructure current replacement value estimated > INR 500 Crs, poses significant entry barrier for new entrants. Focus on reducing costs, being innovative and most competitive manufacturer for the customer globally while maintaining budgeted net profit margins
 - ✓ Strong partnerships with Key Domestic Suppliers / Vendors (being large corporates) with assured business certainty and upfront payment terms to secure quality and timely supplies from best in business

Profit and Loss Summary - Annual (consolidated) (figures in INR Crs)

Particulars	TTM Jun 24	FY 24	FY 23	FY 22	FY 21	FY 20	FY 19
Total Income	589.6	572.3	563.8	511.4	326.7	306.3	270.3
Total Income growth %	3.0%	1.5%	10.2%	56.5%	6.7%	13.3%	
EBIDTA	88.99	94.27	99.93	86.6	47.9	37.8	29.8
EBIDTA margin %	15.09%	16.47%	17.73%	16.93%	14.67%	12.32%	11.02%
Depreciation	21.9	20.6	14.5	10.2	8.8	8.0	5.2
Finance Cost	11.3	11.3	7.8	5.0	3.8	8.6	6.8
PBT	55.8	62.4	77.6	71.4	35.3	21.2	17.8
PAT	41.5	46.6	58.3	51.1	25.0	18.1	15.1
PAT margin %	7.04%	8.15%	10.34%	9.99%	7.7%	5.9%	5.6%
Cash Profit	63.4	67.2	72.8	61.3	33.8	26.1	20.3
Cash Profit margin %	10.8%	11.7%	12.9%	12.0%	10.4%	8.5%	7.5%
EPS (INR)	17.1	19.2	24.0	21.0	10.3	7.5	6.2
EPS growth %	-11.0%	-20.0%	14.2%	104.2%	38.0%	20.5%	
Cash EPS	26.1	27.7	29.9	25.2	13.9	10.7	8.3
Cash EPS growth %	-5.7%	-7.6%	18.8%	81.0%	29.7%	28.8%	

✓ 5 YRS CAGR:

- ✓ Revenue : 14%
- ✓ EBIDTA : 18.7%
- ✓ EPS : 18.1%
- ✓ CEPS : 19.4%

TTM : Trailing Twelve months

- TTM Jun 24 & FY24 over FY 23 saw significant deacceleration in raw material pricing and stable currency at the same time there has seen higher volume % growth over previous periods.
- The Company expects to exceed its Revenue and EPS CAGR achieved in the last 5 years over the next 5 years period

Profit and Loss Summary - Quarterly (consolidated) (figures in INR Crs)



Particulars	QE Jun 24	QE Mar 24	QE Jun 23
Total Income	151.5	166.2	134.3
EBIDTA	18.90	20.28	24.2
EBIDTA margin %	12.47%	12.20%	18.00%
Depreciation	5.83	5.75	4.52
Finance Cost	3.01	2.81	2.94
PBT	10.1	11.7	16.7
PAT	7.3	9.0	12.4
PAT margin %	4.8%	5.4%	9.2%
Cash Profit	13.1	14.7	16.9
Cash Profit margin %	8.6%	8.9%	12.6%

- ✓ Revenue for QE June 24 grew over 12.8% compared to QE June 23. Historically June quarter is the lowest in terms of total revenue for the company during the year given the product seasonality. QE Jun 2024 being the highest ever June quarter revenue for the company
- ✓ EBIDTA margin for the current and previous quarter is relatively lower mainly on account of incremental one-time costs incurred during the current & previous quarter on establishment of new office cum product showroom in New York, development costs and initial running costs of new product lines and set up costs & permission expenses incurred in north India factory (Panipat) including on moving fuel source from Agri fuel (Husk) to Natural Gas for processing. Overall Impact of INR 29.1 Mln (Q1FY25) & (Q4 FY24 at 41.2 Mln).

Balance Sheet Summary Annual (consolidated) (figures in INR Crs)

Particulars	Jun-24	Mar 31, 2024	Mar 31, 2023	Mar 31,2022	Mar 31,2021	Mar 31,2020	Mar 31,2019
Networth [^]	387.9	380.6	334.6	278.3	226.1	201.5	185.2
Non-Current liabilities	12.4	8.7	6.8	5.3	1.7	2.6	3.9
ST Borrowings (Net of Cash & Cash Eq)*	85.1	74.0	44.3	77.1	48.9	37.2	46.7
Current liabilities	48.6	39.4	33.1	38.7	28.4	16.7	16.9
Total Liabilities	533.9	502.6	418.8	399.3	305.1	258.0	252.7
Net Fixed Assets [^]	255.3	240.5	208.4	157.1	132.9	125.4	121.0
Non-Current Assets	21.6	18.4	9.3	15.6	7.4	12.4	9.2
Current Assets (Excl Cash & Cash Eq)*	256.9	243.7	201.1	226.7	164.8	120.2	122.5
Total Assets	533.9	502.6	418.8	399.3	305.1	258.0	252.7
Core Capital Employed#[^]	429.2	407.2	329.3	304.3	221.7	186.0	180.6
*Cash & Cash Eq /Bank/FD/Liquid Invst	74.62	82.6	116.28	80.58	42.46	16.29	17.19

[^] includes INR 56.08 of Land Revaluation Reserve

Core capital employed excludes revaluation of INR 56.08 and Current Liabilities

*Excludes Cash and Cash Equivalents (which includes cash and bank balances and current investments in liquid securities)

[^]The Company has allocated non-core assets (erstwhile factory lands) for divestment in Panipat location. The said divestment could result in inflow of up to INR 25 Crs within the next 12-24 months

Key Ratios Summary (consolidated)



Return Ratios	TTM Jun 24	FY 24	FY 23	FY 22	FY21	FY20	FY19
ROE [^]	13%	15%	21%	23%	15%	10%	13%
Core ROCE # [^]	16%	20%	27%	29%	19%	13%	15%
Operating Ratios	TTM Jun 24	FY 24	FY 23	FY 22	FY21	FY20	FY19
Current Ratio	5.3	6.2	6.1	5.9	5.8	7.2	7.2
Fixed Asset Turnover Ratio	3.0	3.1	3.7	5.1	4.2	3.8	4.1
Total Asset Turnover Ratio	1.2	1.3	1.6	1.5	1.3	1.3	1.4
Inventory days	100	96	61	96	88	88	98
Debtor days	50	49	64	59	78	60	62
Payable days	20	15	12	18	17	10	13
Cash Conversion Cycle	130	130	113	137	149	138	147
Solvency Ratios	TTM Jun 24	FY 24	FY 23	FY 22	FY21	FY20	FY19
Total Outside Liabilities / Total Equity	0.34	0.30	0.23	0.42	0.34	0.27	0.34
Net Debt / Equity	0.22	0.19	0.13	0.28	0.22	0.18	0.25
Net Debt / EBIDTA	0.96	0.78	0.44	0.89	1.02	1.25	1.48
Interest Coverage Ratio	5.92	6.55	10.90	15.31	10.37	3.64	3.65

[^]INR 56.08 of Land Revaluation Reserve *excluded* for calculation of the said ratio. Revenue, EBIDTA and PAT considered for ROE & Core ROCE.

#Average Core Capital Employed considered for calculation of Core ROCE

Interest coverage ratio calculated on gross finance cost. Interest Income forms part of Total Income

Cash Flows Update (Consolidated) (figures in INR Crs)



Particulars	Jun-24	Mar-24	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19	Cumulative (2019-J24)	Cumulative (2019-J24) %
PAT + Depn + non-cash adj	13.2	67.2	72.8	61.3	33.8	26.1	20.3	294.7	100%
working capital changes	-3.5	-43.6	27.9	-56.1	-29.0	-2.3	17.0	-89.7	-30%
CF from Operations (CFO)	9.7	23.6	100.6	5.2	4.9	23.8	37.2	205.0	70%
CF Investing & Fixed assets	-20.7	-52.7	-65.9	-34.4	-16.3	-12.4	-11.6	-214.0	-73%
CF Borrowings/financing	11.1	29.7	-32.8	28.2	11.7	-9.5	-23.8	14.6	5%
CF Dividend				-1.2	-1.5		-1.5	-4.2	-1%
CF change for the year / period	0.1	0.6	2.0	-2.2	-1.2	1.9	0.3	1.4	

- ~30% of CFO has been invested back into working capital for self-funding growth in operations over 5 years. The said number is expected to range between ~25% sustainably
- ~Over 70% of CFO has been invested for Expansion across all locations for future growth
- CFO for FY 23 was significantly higher owing to easing of supply chain elongation & other factors from FY 22 (trend reversal).
- CFO for FY21 & FY22 was lower owing to supply chain elongation primarily due to container / shipping delays and delayed receipts of govt incentives for exports due to retrospective policy changes from FY 21 during FY 22
- Company's current capex plan is expected to be concluded in FY25. This would make at least 40-45% of CFO available for alternative uses

- **Awards & Recognition**

Faze Three Limited was declared as the Award Winner of Dun & Bradstreet “**Business Enterprises of Tomorrow 2024**” Business Excellence Awards in Textile & Textile Articles Category (Mid-Corporate). The event took place on the eve of June 21, 2024 at Delhi. For more details kindly refer the following link: <https://www.dnb.co.in/events/business-enterprises-of-tomorrow/default.aspx>

- **Credit Rating reaffirmed CARE Ratings (Aug 2024) at A(Stable)/A2+**

Thank you, Faze Three group

For any further details please contact:

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Disclaimer



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