



February 02, 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 December 31, 2023.

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



Feb 02, 2024

Financial Results for Nine months ended Dec 2023 & 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

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 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 (75d-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



REJUVENATION



MATALAN



M&S

WILLIAMS SONOMA
CALIFORNIA

POTTERY BARN
pottery barn kids



Sainsbury's



west elm



Garnet Hill
Beautiful, Naturally.™

POTTERY BARN | teen



sam's club

Debenhams

Dillard's
The Style of Your Life.

COUNTRY ROAD

Marshalls



emart



ZARA HOME



ANTHROPOLOGIE

HomeGoods

MYER
MY STORE



MIGROS

FRONTGATE

CALVIN KLEIN



freedom



AQUANOVA

GRUND

spirella



Product glimpse: refer www.fazethree.com



Home Textile Industry / Global Supply Chain : Trends & Update

India is a leading supplier of Sheets & Towels under the Home Textiles Segment (Bed & Bath) given the availability of Cotton. Budget 2023 allocates funds for improving long staple Cotton production in India.

Floor coverings (Bathmats, Rugs, Outdoor, performance textiles) being predominantly polyester based and technical in nature were largely exported out of China until 2018/2019 & 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 demand shift from Top Organised Retailers across the Globe towards India, being a natural ally & having reliably delivered over the years

Dec 2020: Walmart committed to triple its sourcing to \$ 10 Bn from India

(<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

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 for MMF will establish a robust supply chain of MMF, esp. for Polyester based raw materials to make company’s final products more competitive globally

Management Comments ~ FY 24 and way forward

- ✓ Revenue and PAT (Consol) for 9M ended Dec 23 ~INR 409 Crs and INR ~37.59 Crs respectively versus ~INR 420.2 Crs and ~INR 43.47 Crs in corresponding period previous year. This is mainly on account of higher depreciation and gross finance costs. EBIDTA for 9M ended FY 24 stood at INR 73.91 Cr (18.07%) vs INR 74.17 (17.65%) for the corresponding period previous year. There has been no major impact on sentiment or supply chain owing to middle east / red sea conflicts except for slight delays (~2 weeks) in shipping / waiting time.
- ✓ FY 25 looks very encouraging as all possible factors dragging the sector / outlook have played out over the last 12-18 months viz. Significant price deacceleration in raw materials after inflation in 2022, Retailers inventory correction / retail sales expectations, fears of recession, shipping time adjustments, Oil spike, etc. The inventory levels are low and US customer remains strong alongside Cotton and Polyester prices at levels fully absorbed in pricing.
- ✓ Significant focus into new product categories, innovative offerings and timely expansions post covid since Dec 2020 has enabled your company to double its Revenue and quadruple its EPS within last 4.5 year period including the COVID period. The company is much better placed and fully geared to continue its growth journey to deliver on the opportunity ahead. Revenue for TTM Dec INR 552 Crs include 15-18% of Revenue for new product lines introduced post 2020 which has augmented the headwinds to Revenue growth on legacy/standard products over last 12-24 months.
- ✓ Order visibility / pipeline run rate for FY 25 is expected higher than average for TTM Dec 23 indicating high growth in FY 25 after a low growth or muted FY 24 as base case. Full effect of Revenue from new product lines are expected to kick in some incremental additional revenue in H2 FY 24 and largely through FY 25. Major operating costs relating to developing new product lines has already been incurred over last 12 months. Company's well diversified product range & wide customer base has been a strong antidote against direct impact of significant slowdowns in the past, the same has evidently repeated in the last 18 months of correction period in the sector
- ✓ FY 24 is at best a pitstop in the high growth momentum of the sector / company and not a pause as all major retailers in USA / EUR / UK are looking to move supply chains to India in great hurry. The Company has also established new relationship with large retail chains in Europe.
- ✓ USA continues to witness a strong economy and jobs market despite high interest rates. This being more relevant metrics for company's segment of products. The slowdown in USA Housing is a headwind for home interiors segment whereas a tailwind for home improvement / home textile ~ merchandising segment.
- ✓ 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. CY 23 was normalisation for US and EUR/UK from Ukraine situation/ Oil Spikes and USDCNY remained relatively weaker to USDINR, both these may have temporarily slowed the pace of movement across sectors over last 12-18 months, this is expected to reverse and pick up momentum in the coming year.

Company's readiness to capitalize on the Global Opportunity

- ✓ Invested over ~INR 190 Crs from internal accruals across units for Expansion, new machinery, new technologies, new product lines & de-bottlenecking from 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 . Overall Investment of INR 35 Crs
 - ✓ 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. Overall investment INR 25 Crs
 - ✓ Ongoing expansion at Panipat, Cotton Home Textiles division and processing unit to have 3x capacity by May 2024. Overall Investment INR 40 Crs (estimated).
 - ✓ 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. Investment of INR 12 Crs over July 2022- Dec 2023, building a revenue potential of at-least USD 10 Mln in phase 1 within 3-4 years. Overall Investment 16 Crs
 - ✓ Invested INR 10 Cr in Rooftop Solar energy 1.8 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 across units, new product development, other green initiatives, etc.
 - ✓ Company has zero long term debt since 2018. Upgraded to A (stable)/A1 (Aug 23 by CARE). Net Debt stands at INR 49 Crs only as of Sept 30, 2023. 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)

TTM = Trailing 12 months ended Dec 23 (01 Jan 2023 to 31 Dec 2023)



Particulars	TTM Dec 23	FY 23	FY 22	FY 21	FY 20	FY 19
Total Income	552.6	563.8	511.4	326.7	306.3	270.3
Total Income growth %	-2.0%	10.2%	56.5%	6.7%	13.3%	
EBIDTA	99.67	99.93	86.6	47.9	37.8	29.8
EBIDTA margin %	18.04%	17.73%	16.93%	14.67%	12.32%	11.02%
Depreciation	18.9	14.5	10.2	8.8	8.0	5.2
Finance Cost	11.2	7.8	5.0	3.8	8.6	6.8
PBT	69.5	77.6	71.4	35.3	21.2	17.8
PAT	52.4	58.3	51.1	25.0	18.1	15.1
PAT margin %	9.49%	10.34%	9.99%	7.7%	5.9%	5.6%
Cash Profit	71.4	72.8	61.3	33.8	26.1	20.3
Cash Profit margin %	12.9%	12.9%	12.0%	10.4%	8.5%	7.5%
EPS (INR)	21.6	24.0	21.0	10.3	7.5	6.2
EPS growth %	-10.1%	14.2%	104.2%	38.0%	20.5%	
Cash EPS growth %	-2.0%	18.8%	81.0%	29.7%	28.8%	

- ✓ Revenue for TTM Dec 23 full effect impact of significant fall in raw material prices, currency, inventory correction at retailers, etc. This trend is expected to reverse over next year.
- ✓ Over 5year period from (FY 19 to Dec 23)):
 - ✓ CAGR Revenue : 15%
 - ✓ CAGR EBIDTA : 27%
 - ✓ CAGR EPS : 28%

TTM Dec 23 Revenue lower by 2% compared to FY 23. EBIDTA margin at 18%+ owing to better Product mix, focus on good quality business, lower raw material prices over last 12 months and better currency realisation. This trend is expected to continue in FY 25.

Total Income for TTM Dec 23 and FY 23 includes Interest/Finance Income of INR 4.25 Crs and INR 3.05 Crs respectively on Fixed deposits. The Finance cost for the same period is reported on gross basis.

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



Particulars	QE Dec 23	QE Sep 23	QE Dec 22
Total Income	139.9	134.9	134.2
EBIDTA	24.94	24.79	24.90
EBIDTA margin %	17.83%	18.38%	18.56%
Depreciation	5.37	4.96	3.67
Finance Cost	2.66	2.84	1.88
PBT	16.9	17.0	19.4
PAT	12.6	12.6	14.5
PAT margin %	9.0%	9.3%	10.8%
Cash Profit	18.0	17.6	18.2
Cash Profit margin %	12.9%	13.0%	13.5%

- ✓ Revenue for QE Dec 23 has been on expected quarterly run-rate on account of factors viz raw material prices deacceleration and currency, volume impact is minimal. QoQ EBIDTA margin higher at 18%+, PAT% lower at 9% primarily owing to higher depreciation on Capex and impact of gross finance cost.
- ✓ There has been no major impact on sentiment or supply chain owing to middle east / red sea conflicts except for slight delays (~2 weeks) in shipping / waiting times leading to higher conversion cycle

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



Particulars	Dec 31, 2023	Mar 31, 2023	Mar 31,2022	Mar 31,2021	Mar 31,2020	Mar 31,2019
Networth^	371.9	334.6	278.3	226.1	201.5	185.2
Non-Current liabilities	8.5	6.8	5.3	1.7	2.6	3.9
ST Borrowings (Net of Cash & Cash Eq)*	73.4	44.3	77.1	48.9	37.2	46.7
Current liabilities	40.9	33.1	38.7	28.4	16.7	16.9
Total Liabilities	494.7	418.8	399.3	305.1	258.0	252.7
Net Fixed Assets^	241.9	208.4	157.1	132.9	125.4	121.0
Non-Current Assets	9.8	9.3	15.6	7.4	12.4	9.2
Current Assets (Excl Cash & Cash Eq)*	243.0	201.1	226.7	164.8	120.2	122.5
Total Assets	494.7	418.8	399.3	305.1	258.0	252.7
Core Capital Employed#^	397.5	329.3	304.3	221.7	186.0	180.6
*Cash & Cash Eq /Bank/FD/Liquid Invst	78.22	116.28	80.58	42.46	16.29	17.19

^ includes INR 56.37 of Land Revaluation Reserve

Core capital employed excludes revaluation of INR 56.37 and Current Liabilities

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

*FY22: INR 80.58 Crs included INR 13.93 Crs of e-Scripts

*Current assets include GST input/refunds & ROETP /RoSCTL receivables at INR 21.35 Crs vs INR 18.60 Crs

Key Ratios Summary (consolidated)

Return Ratios	TTM D23	FY 23	FY 22	FY21	FY20	FY19
ROE [^]	18%	21%	23%	15%	10%	13%
Core ROCE # [^]	22%	27%	29%	19%	13%	15%
Operating Ratios	TTM D23	FY 23	FY 22	FY21	FY20	FY19
Current Ratio	5.9	6.1	5.9	5.8	7.2	7.2
Fixed Asset Turnover Ratio	3.0	3.7	5.1	4.2	3.8	4.1
Total Asset Turnover Ratio	1.3	1.6	1.5	1.3	1.3	1.4
Inventory days	94	61	96	88	88	98
Debtor days	54	64	59	78	60	62
Payable days	16	12	18	17	10	13
Cash Conversion Cycle	132	113	137	149	138	147
Solvency Ratios	TTM D23	FY 23	FY 22	FY21	FY20	FY19
Total Outside Liabilities / Total Equity	0.31	0.23	0.42	0.34	0.27	0.34
Net Debt / Equity	0.20	0.13	0.28	0.22	0.18	0.25
Net Debt / EBIDTA	0.74	0.44	0.89	1.02	1.25	1.48
Interest Coverage Ratio	7.20	10.90	15.31	10.37	3.64	3.65

[^]INR 56.41 of Land Revaluation Reserve *excluded* for calculation of the said ratio. TTM Dec 23 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 (ref slide 9)

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



s	Dec 31, 2023	Mar 31, 2023	Mar 31, 2022	Mar 31, 2021	Mar 31, 2020	Mar 31, 2019	Cumulative (FY 19- FY 24)	% of CFO
PAT + Depn + non-cash adj	52.4	72.8	61.3	33.8	26.1	20.3	266.6	
working capital changes	(33.0)	27.9	(56.1)	(29.0)	(2.3)	17.0	(75.6)	28%
CF from Operations (CFO)	19.4	100.6	5.2	4.9	23.8	37.2	191.0	
CF Investing & Fixed assets	(52.4)	(65.9)	(34.4)	(16.3)	(12.4)	(11.6)	(192.9)	72%
CF Borrowings/financing	29.1	(32.8)	28.2	11.7	(9.5)	(23.8)	2.9	-1%
CF Dividend			(1.2)	(1.5)		(1.5)	(4.2)	2%
CF change for the year / period	(3.9)	2.0	(2.2)	(1.2)	1.9	0.3	(3.2)	-1%

- 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
- 28% of CFO has been invested back into working capital for funding growth in operations over 5 years. The said number is expected to range between 22%-25% sustainably
- ~Over 70% of CFO has been invested for Expansion across all locations for future growth
- Company's current capex plan is expected to be concluded Q1FY25. This would make at least 40-45% of CFO available for alternative uses

Acquisition of factory at Aurangabad (Aug 2023) : Mats and More Private Limited, WOS, acquired an existing factory premises from Basell Polyolefins India Private Limited situated at Aurangabad vide Deed of Assignment executed on August 17, 2023. The cost of acquisition for the said premises is INR 51.6 million and has an area of 10,500 sq. meter. The said acquisition empowers the Company to pursue a growth plan for the category of outdoor and performance mats including patio mats.

Credit Rating Upgrade by CARE Ratings (Aug 2023) The Company's Long Term Rating was revised to A from A- and Short Term Ratings were revised to A1 from A2+

Listing on National Stock Exchange Faze Three Limited has Listed its equity shares on National Stock Exchange of India Limited (NSE), w.e.f. from the trading hours of Friday, November 18, 2022 on Main Board of NSE. Your Company is now Listed on both Major Stock Exchanges in India i.e. NSE & BSE Limited.

Awards & Recognition

Faze Three Limited was declared as the Award Winner of Dun & Bradstreet "Business Enterprises of Tomorrow 2022" Business Excellence Awards in Textile & Textile Articles Category (Mid-Corporate). The event took place on the eve of November 29, 2022 at Mumbai

For more details kindly refer the following link: <https://www.dnb.co.in/events/business-enterprises-of-tomorrow/default.aspx>

-Faze Three Limited was declared as the Award Winner of Dun & Bradstreet – Business Excellence Awards 2021 under Best Global Business Category (Mid-Corporates). The event took place virtually on November 24, 2021.

Thank you, Faze Three group

For any further details please contact:

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Disclaimer



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