

Faze Three Limited (Revised)

September 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	210.00 (Enhanced from 165.00)	CARE A / CARE A1 (RWN)	Placed on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed the ratings outstanding on the bank facilities of Faze Three Limited (FTL) and placed ratings under rating watch with negative implications owing to uncertainty on the impact of the additional 25% tariff levied by the US Government on import of textiles from India w.e.f. August 27, 2025, on FTL's revenue and profitability. The additional tariffs levied on US exports is likely to impact entities in the home textiles sector which have a relatively high share of revenue from US. Although FTL derives more than 50% of its revenue from US exports, the company's business is on free-on-board (FOB) basis for over 95% of its exports, and its ability to absorb cost reduction, if any, on account of incremental tariffs and/or decline in demand from the key US customers could impact the company's coverage metrics and liquidity. The rating action also considers the moderation in FTL's total debt/ profit before interest, lease rentals, depreciation and taxation (PBILDT) to 2.14x in FY25 (net debt/PBILDT: 1.92x), above the negative sensitivity threshold of above 2.0x, owing to moderation in its PBILDT margin by ~400 bps year-on-year (YoY), partly due to one-time product development costs, higher initial operating costs on new product line, and reduction in export incentives. The rating watch could be resolved in case of downward revision in the tariffs and/or FTL's ability to pass on the incremental tariffs to its customers resulting in higher-than-envisioned profitability and better debt coverage indicators. As such, CareEdge Ratings would continue to monitor the developments in this regard and review ratings once further clarity emerges.

Ratings continue to derive strength from the company's extensive experience in the home and technical textiles industry, established relationships with its customers and a track record of repeat orders and its diversified product portfolio with no single product accounting for more than 25% of revenue in the last four years. FTL's revenue grew by ~22% YoY to Rs. 690 crore in FY25 driven by ~13% volume growth due to addition of new customers and expansion of product categories. The trend continued in Q1 FY26 where the company reported revenue growth of ~40% YoY. Ratings continue to factor in FTL's adequate financial risk profile reflected by adjusted overall gearing of 0.56x and total outside liabilities to tangible net worth (TOL/TNW) of 0.84x as on March 31, 2025, and no outstanding term debt. However, the company's profitability and debt coverage metrics are likely to remain under pressure until the tariff-related uncertainties recede.

Ratings remain constrained by the high geographical concentration of revenue with exports to the US accounting for over 50% of its revenue over the last three years. Ratings continue to factor in the working capital-intensive operations and exposure of FTL's revenue and margins to raw material price volatility and fluctuation in foreign exchange rates.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations above ₹750 crore with PBILDT margin above 15% translating into healthy cash flow from operations on a sustained basis.

Negative factors

- Significantly declining revenue or profitability impacting the debt coverage indicators and liquidity on a sustained basis.
- Large unanticipated debt-funded capex or acquisition resulting in deteriorating capital structure.
- Deteriorating working capital cycle leading to increasing total debt/ PBILDT above 2.00x.

Analytical approach: Consolidated

While arriving at ratings, CareEdge Ratings has considered the consolidated financial risk profile of FTL, and its subsidiaries, owing to the significant managerial, operational, and financial linkages between them, as detailed in Annexure-6.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Experienced promoters

FTL was founded by Ajay Anand in 1985, who currently serves as its Chairman and Managing Director. The promoter group also includes his brother, Sanjay Anand. FTL's promoters have over three decades of diverse knowledge and experience in the home and technical textiles industry and international marketing of home interiors and furnishings fabrics and made ups. Vishnu Ajay Anand has been involved in operations and management since 2017 as a succession planning initiative. The promoters are supported by a team of qualified senior managerial personnel.

Long-term relationship with reputed clientele, diversified product portfolio

FTL's major customers include global big-box retailers in the US, the UK, and Europe such as Walmart, Target, and Sainsbury, among others. The company benefits from established and long-term relationships with key customers, which are expected to result in high repeat orders and increasing wallet share, supporting revenue visibility. Moreover, the company has a wide product portfolio, including bathmats, bathrugs, blankets, mats, chairpads, carpets, beach towels, and other top-of-the-bed products, with top three products accounting for ~60% of revenue in FY25. CareEdge Ratings notes that the company has invested more than Rs. 250 crore towards building additional capacities, funded entirely through internal accruals since FY19, which is expected to support revenue growth over the medium term going forward. However, as indicated by the management, part of the planned capex is discretionary and may be deferred without impacting ongoing operations.

Comfortable financial risk profile and debt coverage metrics

The company's financial risk profile continues to remain comfortable as reflected by its adjusted overall gearing of 0.56x and TOL/TNW of 0.84x as on March 31, 2025 (PY: 0.52x, 0.81x, respectively) majorly considering improvement in its net worth base due to its sustained profitability in the recent years and limited reliance on external borrowings. FTL's debt coverage indicators remain adequate with PBILDT interest cover of 3.74x and total debt/PBILDT of 2.14x in FY25 with negligible debt repayment obligations. Going forward, the company is expected to maintain a conservative capital structure with overall gearing below 0.5x level and interest cover above 3.5x over the medium term. However, business disruptions owing to the additional levy of tariffs on imports of textile from India by the US Government could impact FTL's financial risk profile and remain a key monitorable.

Key weaknesses**Likely impact of tariff on US exports considering geographical and customer concentration of revenue**

The Indian textile industry operates in a cyclical, competitive, and fragmented environment, making it highly sensitive to changes in global economic conditions and domestic demand-supply dynamics. Globally, demand for home textiles is primarily driven by the US and Europe, with the US accounting for approximately 28–29% of India's textile and apparel exports in recent years. However, the imposition of a 50% tariff on Indian goods has created a cost disadvantage for Indian exporters, potentially diverting orders to competing countries such as Vietnam, Bangladesh, Pakistan, and China. FTL derives over 80% of its revenue from exports of home furnishings with the US being the largest market, accounting for more than 50% of revenue over the last four years. While the share of US in overall revenue has declined over the years with the company making inroads in new markets such as the UK and Europe, the high geographical concentration of revenue exposes FTL to the risks arising from evolving demand prospects in the US, including the impact of import tariffs levied by the US Government. CareEdge Ratings understands that more than 90% of FTL's business is contracted on free-on-board (FOB) basis which is likely to mitigate the impact of incremental tariffs to an extent. Moreover, FTL's revenue profile continues to be moderately concentrated with the top five customers contributing nearly 42% of the total sales in FY25 (PY: 29%) exposing it to impact from the loss of major customer. However, the risk is partly mitigated by track record of repeat orders from customers. Nevertheless, in the medium term at least, the company's performance will depend on sustainability of demand growth and geopolitical scenarios in the US, its key market.

High working capital intensity of operations

FTL has an elongated working capital cycle owing to large inventory holding requirements given the cotton stocking requirements due to its season availability and credit offered to customers. The company maintains an average inventory of 90-100 days towards raw material stocking and to meet the delivery timelines. The average collection period from customers has remained at 50-60 days over last three years. The company's working capital has remained elongated at ~130 days over the last three years. Nevertheless, order backed stocking of raw materials mitigates the risk of inventory write downs to an extent.

Susceptible to raw material price and forex rate fluctuation

The company's revenue and earnings remain exposed to risks arising from volatility in cotton and polyester prices. However, the risk is mitigated to a certain extent by the order-based procurement policy, which aids in passing on the raw material price volatility to customers, despite with a lag. Moreover, the company is inherently exposed to foreign currency fluctuation risk due to its export-oriented business, in the absence of a defined formal forex hedging policy.

Liquidity: Adequate

FTL's liquidity stood adequate marked by expected cash accruals in the range of ₹60-80 crore p.a. over the next 2-3 years. Against this, it has negligible debt repayment obligations of ₹4-5 crore p.a. towards lease liabilities and discretionary capex plans of ₹30-50 crore p.a. to be funded entirely through internal accruals. The average utilisation of sanctioned fund-based limits stood at ~86% for the 12-month period ended August 31, 2025. The liquidity position is supported by free cash and liquid investments of ~₹19 crore as on March 31, 2025. As on March 31, 2025, current ratio stood at 1.36x.

Environment, social, and governance (ESG) risks:

Environmental: FTL has in-house effluent treatment plant at its factory in Silvassa and Panipat for the treatment of wastewater generated from its dyeing unit. Also, the company has 3.5 MW of rooftop solar power capacity installed at its factory at Silvassa, which reduces its overall carbon footprint. Any tightening of and/or non-compliance with pollution control norms could lead to material financial impact on the company.

Social: To promote women empowerment, FTL has increase its female workforce over the years, which comprised ~20% of the total employees on company's payroll as on March 31, 2025. FTL also strictly complies with Prohibition And Prevention Of Sexual Harassment (POSH) regulations. FTL is also engaged in assisting the employees' family and relatives among others for finding out employment opportunities in separate manufacturing units of the company to increase income levels of its workers' families and build loyalty among the workforce at the same time.

Governance: Majority representation of board members constitutes of independent directors, including two foreign directors.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

[Manmade Yarn-Methodology](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles and apparels	Other textile products

Faze Three Limited (FTL), promoted by Mr. Ajay Anand in 1985, is a manufacturer and exporter of home furnishing textile products, mainly floor coverings, bathmats, rugs, towels, blankets, throws, and cushions. They have diversified their product mix and have included chair pads, floor covering, curtains, and kitchen textiles in the past few years. FTL has six manufacturing units at Panipat, Silvassa, and Vapi. FTL exports its home furnishings mainly to the US, UK and in major European countries.

Consolidated – Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	564.52	689.94	211.97
PBILDT	97.31	89.93	24.65
PAT	46.59	40.64	12.77
Overall gearing (times)	0.52	0.52	NA
Interest coverage (times)	4.49	3.74	5.88

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	-	205.13	CARE A / CARE A1 (RWN)
Fund-based/Non-fund-based-LT/ST	-	-	-	-	4.87	CARE A / CARE A1 (RWN)

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based/Non-fund-based-LT/ST	LT/ST	205.13	CARE A / CARE A1 (RWN)	-	1)CARE A; Stable / CARE A1 (02-Aug-24)	1)CARE A; Stable / CARE A1 (07-Aug-23)	1)CARE A-; Positive / CARE A2+ (05-Sep-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	4.87	CARE A / CARE A1 (RWN)	-	1)CARE A; Stable / CARE A1 (02-Aug-24)	1)CARE A; Stable / CARE A1 (07-Aug-23)	1)CARE A-; Positive / CARE A2+ (05-Sep-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Faze Three US LLC	Full	Wholly owned subsidiary
2	Mats and More Private Limited	Full	Wholly owned subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22-6754 3444 E-mail: ankur.sachdeva@careedge.in	Analytical Contacts Akhil Goyal Director CARE Ratings Limited Phone: +91-22-6754 3590 E-mail: akhil.goyal@careedge.in Raunak Modi Assistant Director CARE Ratings Limited Phone: +91-22-6754 3537 E-mail: raunak.modi@careedge.in Smith Jain Lead Analyst CARE Ratings Limited E-mail: smith.jain@careedge.in
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