



May 23, 2024

To,

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| 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 Audited Financial Statements/Results (Standalone & Consolidated) of the Company for the Financial Year & Quarter ended March 31, 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



May 23, 2024

Financial Results for the year ended March 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 quarter, 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 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



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), Curtains, etc. being predominantly polyester based and technical in nature were largely exported out of China until 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

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 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 ~ Looking forward FY 25 and FY 24

- ✓ Revenue and PAT for FY 24 at ~INR 572 Crs and INR ~46.6 Crs respectively versus ~INR 563 Crs and ~INR 58.3 Crs in corresponding period previous year. EBIDTA for FY 24 stood at INR 94.27 Crs vs INR 99.93 for the previous year. FY 24 net profit has been lower owing to higher depreciation on recent capex, increase in Interest rates, increase in operating costs 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 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 indicating good growth in FY 25 after muted growth in FY 24. Company's well diversified product range & wide customer base has been key factor for sustainable growth. FY 24 has been 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 over two years. 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. 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 202-2023 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 over couple of years after FY 22, certain investments and recurring costs especially relating to new product lines and development costs has had slight impact of margin and will continue to have some impact until the it crosses break-even optimum levels for each product lines as expected in the coming years.
- ✓ 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 190 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 . 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 (Dec 22 to Sep 24), Cotton Home Textiles division and processing unit to have 3x capacity by Sep 2024. Overall Investment INR 45 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 INR 18 Crs
 - ✓ Invested INR 12 Cr in aggregate for Rooftop Solar energy 2.1 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. Upgraded to A (stable)/A1 (Aug 23 by CARE). Net Debt stands at INR 74 Crs only as of March 31, 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 | FY 24 | FY 23 | FY 22 | FY 21 | FY 20 | FY 19 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Total Income | 572.3 | 563.8 | 511.4 | 326.7 | 306.3 | 270.3 |
| Total Income growth % | 1.5% | 10.2% | 56.5% | 6.7% | 13.3% | |
| EBIDTA | 94.27 | 99.93 | 86.6 | 47.9 | 37.8 | 29.8 |
| EBIDTA margin % | 16.47% | 17.73% | 16.93% | 14.67% | 12.32% | 11.02% |
| Depreciation | 20.6 | 14.5 | 10.2 | 8.8 | 8.0 | 5.2 |
| Finance Cost | 11.3 | 7.8 | 5.0 | 3.8 | 8.6 | 6.8 |
| PBT | 62.4 | 77.6 | 71.4 | 35.3 | 21.2 | 17.8 |
| PAT | 46.6 | 58.3 | 51.1 | 25.0 | 18.1 | 15.1 |
| PAT margin % | 8.15% | 10.34% | 9.99% | 7.7% | 5.9% | 5.6% |
| Cash Profit | 67.2 | 72.8 | 61.3 | 33.8 | 26.1 | 20.3 |
| Cash Profit margin % | 11.7% | 12.9% | 12.0% | 10.4% | 8.5% | 7.5% |
| EPS (INR) | 19.2 | 24.0 | 21.0 | 10.3 | 7.5 | 6.2 |
| EPS growth % | -20.0% | 14.2% | 104.2% | 38.0% | 20.5% | |
| Cash EPS growth % | -7.6% | 18.8% | 81.0% | 29.7% | 28.8% | |

✓ 5 YRS CAGR:

- ✓ Revenue : 16.2%
- ✓ EBIDTA : 25.9%
- ✓ EPS : 24.4%
- ✓ CEPS : 27.1%

Total Income for FY 24 includes Interest/Finance Income of INR 5.01 Crs and INR 3.05 Crs respectively earned on Fixed deposits. The Finance cost for the same period is reported on gross basis

FY24 over FY 23 saw significant deacceleration in raw material pricing and stable currency. FY 24 has seen higher volume % growth over FY 23 versus growth % in Total Income (value). Whereas FY 23 over FY 22 had significant increase in raw material pricing and depreciating currency.

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 Mar 24 | QE Dec 23' | QE Mar 23' |
|----------------------|--------------|--------------|--------------|
| Total Income | 166.2 | 139.9 | 143.6 |
| EBIDTA | 20.28 | 24.94 | 25.76 |
| EBIDTA margin % | 12.20% | 17.83% | 17.94% |
| Depreciation | 5.75 | 5.37 | 4.08 |
| Finance Cost | 2.81 | 2.66 | 2.77 |
| PBT | 11.7 | 16.9 | 18.9 |
| PAT | 9.0 | 12.6 | 14.8 |
| PAT margin % | 5.4% | 9.0% | 10.3% |
| Cash Profit | 14.7 | 18.0 | 18.9 |
| Cash Profit margin % | 8.9% | 12.9% | 13.2% |

- ✓ Revenue for QE Mar 24 grew significantly over quarterly run-rate over last 12 months on account of higher volumes across product lines.
- ✓ EBIDTA margin for the quarter is lower mainly on account of one-time costs incurred during the quarter on establishment of new office cum product showroom in New York, development costs of 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 41.2 Mln

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



| Particulars | Mar 31, 2024 | Mar 31, 2023 | Mar 31,2022 | Mar 31,2021 | Mar 31,2020 | Mar 31,2019 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Networth [^] | 380.6 | 334.6 | 278.3 | 226.1 | 201.5 | 185.2 |
| Non-Current liabilities | 8.7 | 6.8 | 5.3 | 1.7 | 2.6 | 3.9 |
| ST Borrowings (Net of Cash & Cash Eq)* | 74.0 | 44.3 | 77.1 | 48.9 | 37.2 | 46.7 |
| Current liabilities | 39.4 | 33.1 | 38.7 | 28.4 | 16.7 | 16.9 |
| Total Liabilities | 502.6 | 418.8 | 399.3 | 305.1 | 258.0 | 252.7 |
| | | | | | | |
| Net Fixed Assets [^] | 240.5 | 208.4 | 157.1 | 132.9 | 125.4 | 121.0 |
| Non-Current Assets | 18.4 | 9.3 | 15.6 | 7.4 | 12.4 | 9.2 |
| Current Assets (Excl Cash & Cash Eq)* | 243.7 | 201.1 | 226.7 | 164.8 | 120.2 | 122.5 |
| Total Assets | 502.6 | 418.8 | 399.3 | 305.1 | 258.0 | 252.7 |
| Core Capital Employed^{#^} | 407.2 | 329.3 | 304.3 | 221.7 | 186.0 | 180.6 |
| *Cash & Cash Eq /Bank/FD/Liquid Invst | 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 | FY 24 | FY 23 | FY 22 | FY21 | FY20 | FY19 |
|--|-------|-------|-------|-------|------|------|
| ROE [^] | 15% | 21% | 23% | 15% | 10% | 13% |
| Core ROCE # [^] | 20% | 27% | 29% | 19% | 13% | 15% |
| | | | | | | |
| Operating Ratios | FY 24 | FY 23 | FY 22 | FY21 | FY20 | FY19 |
| Current Ratio | 6.2 | 6.1 | 5.9 | 5.8 | 7.2 | 7.2 |
| Fixed Asset Turnover Ratio | 3.1 | 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 | 96 | 61 | 96 | 88 | 88 | 98 |
| Debtor days | 49 | 64 | 59 | 78 | 60 | 62 |
| Payable days | 15 | 12 | 18 | 17 | 10 | 13 |
| Cash Conversion Cycle | 130 | 113 | 137 | 149 | 138 | 147 |
| | | | | | | |
| Solvency Ratios | FY 24 | FY 23 | FY 22 | FY21 | FY20 | FY19 |
| Total Outside Liabilities / Total Equity | 0.30 | 0.23 | 0.42 | 0.34 | 0.27 | 0.34 |
| Net Debt / Equity | 0.19 | 0.13 | 0.28 | 0.22 | 0.18 | 0.25 |
| Net Debt / EBIDTA | 0.78 | 0.44 | 0.89 | 1.02 | 1.25 | 1.48 |
| Interest Coverage Ratio | 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 (ref slide 9)

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



| Particulars | Mar 31, 2024 | 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 | 67.2 | 72.8 | 61.3 | 33.8 | 26.1 | 20.3 | 281.5 | |
| working capital changes | (43.6) | 27.9 | (56.1) | (29.0) | (2.3) | 17.0 | (86.2) | 31% |
| CF from Operations (CFO) | 23.6 | 100.6 | 5.2 | 4.9 | 23.8 | 37.2 | 195.3 | |
| CF Investing & Fixed assets | (52.7) | (65.9) | (34.4) | (16.3) | (12.4) | (11.6) | (193.2) | 69% |
| CF Borrowings/financing | 29.7 | (32.8) | 28.2 | 11.7 | (9.5) | (23.8) | 3.5 | -1% |
| CF Dividend | | | (1.2) | (1.5) | | (1.5) | (4.2) | 1% |
| CF change for the year / period | 0.6 | 2.0 | (2.2) | (1.2) | 1.9 | 0.3 | 1.3 | 0% |

- ~30% 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 ~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 Q2FY25. 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.

The Company has been upgraded to Four Star export house from erstwhile three star during the year by Ministry of Commerce & Industry.

Thank you, Faze Three group

For any further details please contact:

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Disclaimer



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