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### Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	5,930.0
Fresh Issue (No. of Shares in Lakhs)	96.1
Offer for Sale (No. of Shares in Lakhs)	99.0
Bid/Issue opens on	22-Nov-23
Bid/Issue closes on	24-Nov-23
Face Value	5
Price Band	288-304
Minimum Lot	49

### Objects of the Issue

- Offer for sale: ₹ 3010 million**  
 Setting up the New Valsad Unit.  
 Funding capital expenditure of the company and the Subsidiary, Flair Writing Equipments Pvt Ltd ("FWEPL")  
 Funding working capital requirements of the company and the Subsidiaries, Flair Writing Equipments Pvt Ltd and Flair Cyrosil Industries Pvt Ltd ("FCIPL").  
 Repayment/pre-payment, in part or full, of certain borrowings availed by the company and their Subsidiaries, Flair Writing Equipments Pvt Ltd and Flair Cyrosil Industries Ltd  
 General Corporate Purposes
- Fresh issue: ₹ 2920 million**

Book Running Lead Managers	
Axis Capital Ltd	
Nuvama Wealth Limited	
Registrar to the Offer	
Link Intime India Private Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	550.0
Subscribed paid up capital (Pre-Offer)	479.0
Paid up capital (post-Offer)	527.0

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	97.5	79.2
Public – Others	2.5	20.8
Total	100	100

### Financials

Particulars (₹ In million)	3MFY24	FY23	FY22	FY21
Revenue from operations	2,467	9,427	5,774	2,980
Operating expenses	1,944	7,591	4,798	2,750
<b>EBITDA</b>	<b>523</b>	<b>1,835</b>	<b>976</b>	<b>230</b>
Other Income	18	116	102	129
Depreciation	84	273	244	224
<b>EBIT</b>	<b>457</b>	<b>1,678</b>	<b>834</b>	<b>134</b>
Interest	28	90	100	113
<b>PBT</b>	<b>430</b>	<b>1,588</b>	<b>734</b>	<b>21</b>
Tax	108	407	183	11
<b>PAT</b>	<b>321</b>	<b>1,181</b>	<b>552</b>	<b>10</b>
Ratios	3MFY24	FY23	FY22	FY21
EBITDAM	21.2%	19.5%	16.9%	7.7%
PATM	13.0%	12.5%	9.6%	0.3%
Sales growth	NM	63.3%	93.8%	NM

### Company Description

Flair Writing Industries Limited ("Flair") was incorporated on August 12, 2016. Flair is among the Top-3 players in the overall writing instruments industry with a revenue of ₹915.55 crore in Financial Year 2023 and occupy a market share of approximately 9% in the overall writing and creative instruments industry in India, as of March 31, 2023.

Flair is also among the Top-2 organized players which have seen faster growth in revenue as compared to overall writing and creative instrument industry growth rate between Financial Year 2017 and 2023; they grew at a CAGR of approximately 14% during the same period.

Company's flagship brand "Flair" has enjoyed a market presence of over 45 years. They manufacture and distribute writing instruments including pens, stationery products and calculators. They have also diversified into manufacturing houseware products and steel bottles. In Financial Year 2023, Flair sold 130.36 crore units of pens, of which 97.53 crore units or 74.82% was sold domestically, and 32.83 crore units or 25.18% was exported globally.

Flair had the largest distributor/dealer network and wholesale/retailer network, in the writing instruments segment in India, comprising approximately 7,700 distributors/dealers and approximately 315,000 wholesalers/retailers, as of March 31, 2023. They occupied a market share of 7.1% in the export of writing and creative instruments industry, in FY2023.

Flair manufactures and distributes several brands in India and partner with various international brands in the writing instruments industry. Company's products are sold under the "Flair" brand, their principal brands "Hauser" and "Pierre Cardin" and they have recently introduced "ZOOX" in India.

The company also contract manufactures writing instruments as an OEM for export and for sale in India. They also provide customized corporate gifting products to their corporate customers.

They launched a range of "Flair Creative" products in Financial Year 2021 which include water colours, crayons, sketch pens, erasers, wooden pencils and geometry boxes, fine liners, sharpeners, and scales. They offered 727 different products as of June 30, 2023.

Flair manufactures pens and other products from 11 manufacturing plants located in Valsad, in Naigaon (near Mumbai); in Daman, Union Territory of Dadra and Nagar Haveli and Daman and Diu; and in Dehradun.

### Valuation & Outlook

Flair Writing Instruments Limited commands a strong position as one of the top 3 players in India's writing instruments industry, boasting consistent revenue growth, a diversified product range, and a significant international footprint. With over 45 years of market presence, its flagship brand "Flair" reflects stability, and the company maintains the largest distribution network in the country. Moreover, its business efficiency has been improved with existing products, resulting in bright prospects.

At the upper price band company is valuing at P/E of 27.1x with a market cap of ₹32,040 million post issue of equity shares and return on net worth of 31.1%.

On the valuation front, we believe that the company is fairly priced. Thus, we recommend an "Subscribe – Long Term" rating to the IPO.

### **Company's Operations**

Flair Writing Industries Ltd ("Flair") is among the Top-3 players in the overall writing instruments industry with a revenue of ₹915.55 crore in Financial Year 2023 and occupy a market share of approximately 9% in the overall writing and creative instruments industry in India, as of March 31, 2023. Flair is also among the Top-2 organized players which have seen faster growth in revenue as compared to overall writing and creative instrument industry growth rate, i.e., while the industry grew at a compounded annual growth rate ("CAGR") of 5.5% between Financial Year 2017 and 2023, they grew at a CAGR of approximately 14% during the same period. Their flagship brand "Flair" has enjoyed a market presence of over 45 years. They have an extensive range of products across various price points and cater to a broad range of consumers, including students, professionals, and offices.

They manufacture and distribute writing instruments including pens, stationery products and calculators. Leveraging on their manufacturing capabilities, and their existing customer base in the writing and creative instruments business, they have also diversified into manufacturing houseware products and steel bottles. During the 3-month period ended June 30, 2023, Flair sold 34.43 crore units of pens, of which 27.92 crore units or 81.09% was sold domestically, and 6.51 crore units or 18.91% was exported globally, and in Financial Year 2023, Flair sold 130.36 crore units of pens, of which 97.53 crore units or 74.82% was sold domestically, and 32.83 crore units or 25.18% was exported globally. Compared with other key organized players in the writing and creative instruments industry such as DOMS, Camlin, Linc and Luxor, Flair had the largest distributor/dealer network and wholesale/retailer network, in the writing instruments segment in India, comprising approximately 7,700 distributors/dealers and approximately 315,000 wholesalers/retailers, as of March 31, 2023.

They occupied a market share of 7.1% in the export of writing and creative instruments industry, in Financial Year 2023. Flair manufactures and distributes several brands in India and due to their ability to manufacture quality products and their distribution and retail capabilities, they are able to partner with various international brands in the writing instruments industry. Company's products are sold under the "Flair" brand, their principal brands "Hauser" and "Pierre Cardin" and they have recently introduced "ZOOX" in India.

The company also contract manufactures writing instruments as an OEM for export and for sale in India, which contributed 16.87%, 19.94%, 33.37% and 38.67% to their revenue from operations in the 3-month period ended June 30, 2023 and the Financial Years 2023, 2022 and 2021, respectively. They also provide customized corporate gifting products to their corporate customers. Company's product range includes a variety of pens (ball pens, fountain pens, gel pens, roller pens and metal pens), which is their largest category in terms of number of products offered, stationery products (mechanical pencils, highlighters, correction pens, markers, gel crayons and kids' stationery kits) and calculators. They launched a range of "Flair Creative" products in Financial Year 2021 which include water colours, crayons, sketch pens, erasers, wooden pencils and geometry boxes, fine liners, sharpeners, and scales. They offered 727 different products as of June 30, 2023.

The company have recently forayed into manufacturing a wide range of houseware products including casseroles, bottles, storage containers, serving solutions, cleaning solutions and basket and paper bins, through one of their Subsidiaries, FWEPL. The company intends to utilize a portion of the proceeds from the Offer for funding capital expenditure of FWEPL for purchase of machinery and moulds to expand its manufacturing capacity for writing instruments. The company intends to leverage the strength of the "Flair" brand and their manufacturing and distribution capabilities to expand and optimize the business of houseware products and steel bottles, which is expected to be a key area of their growth going forward.

Company's management is led by the guidance of certain of their Promoters and the professional management team. Their Promoters have more than 4 decades of experience in the writing instruments industry and have been instrumental in the growth of the "Flair" brand since its inception, as well as the origination or acquisition of all their other brands and OEM business. They also have a professional management team which includes their Key Managerial Personnel and Senior Management. Their Promoters are complemented by the senior management team with an exhaustive experience across the writing and creative instruments industry in India. The senior management team has been instrumental in formulating sound business strategies and in their growth.

Company's facilities include 11 manufacturing plants in India, including 3 plants in Valsad, Gujarat ("Valsad Building-II", "Valsad Building-III" and "Valsad Building-IV"), 1 plant in Naigaon, Maharashtra ("Naigaon Unit-I"), 5 plants in Daman, Union Territory of Dadra and Nagar Haveli and Daman and Diu ("Daman Unit-II", "Daman Unit-III", "Daman Unit-IV", "Daman UnitV" and "Daman Agrawal Unit") and 2 plants in Dehradun, Uttarakhand ("Dehradun Unit-I" and "Dehradun Unit-II"). While the company runs manufacturing operations from Valsad Building-II, their Subsidiary, FWEPL, operates Valsad Building-III and their Subsidiary, FCIPL, operates Valsad Building-IV.

The company owns the land on which Daman Unit-II and Daman Unit-IV are located and have entered into license agreements in respect of the land and buildings for Naigaon Unit-I, Daman Unit-III, Daman Unit-V, Daman Agrawal Unit, Dehradun Unit-I, Dehradun Unit-II, Valsad Building-II, Valsad Building-III, and Valsad Building-IV.

### **Company Products**

#### **Flair**

Company's flagship brand "Flair" was established in 1976 for the manufacturing of fountain pens, ball pens and refills by M/s. Wimco Pen Co, a partnership firm which included Khubilal Rathod, one of the Promoters as partner, for manufacturing metal pens. Upon separation of businesses among the partners of M/s. Wimco Pen Co, the "Flair" brand was subsequently transferred in 1986 to a partnership firm established by certain Promoters, M/s. Flair Writing Instruments, which later got converted into the present Company in 2016.

As of June 30, 2023, company's product offering under the "Flair" brand comprised plastic and metal pens (ball pens, fountain pens, gel pens, roller pens and metal pens), which is their largest category in terms of number of products offered, stationery products (mechanical pencils, highlighters, correction pens, markers, gel crayons and kids' stationery kits), calculators, houseware products and steel bottles. Their creative range of products include water colours, crayons, sketch pens, erasers, wooden pencils and geometry boxes, fine liners, sharpeners and scales. Price points for pens in this brand range from ₹5 to ₹250 and the brand has market offerings of over 727 SKUs, as of June 30, 2023, to cater to a wide range of

customers across India and in the exports market. The highest selling “Flair” products in terms of revenue for the 3-month period ended June 30, 2023 were the “Ezee-Click Ball Pen” and the “Woody Pen” and the Financial Year 2023 were the “Ezee-Click Ball Pen” and the “Writometer”.



### Hauser

The company is offering “Hauser” writing products since 2014. A predecessor entity, NPPI, a partnership firm which converted into FPIPL and subsequently merged into the company pursuant to the Scheme, purchased certain “Hauser” trademarks pursuant to an agreement for sale of brand dated March 31, 2014 (the “Hauser Brand Agreement”) with HAUSER GmbH, as well as deeds of assignment dated May 23, 2014 and September 30, 2014. The agreement is governed by Swiss law. Pursuant to the license agreement dated October 27, 2014, NPPI has granted a limited license of certain Hauser trademarks back to HAUSER GmbH with respect to various writing instruments for a period of 20 years (subject to automatic renewal for additional periods of 10 years until termination) for certain territories in Europe.

As of June 30, 2023, their product offering under the “Hauser” brand comprised metal and plastic pens (ball pens, fountain pens, gel pens and liquid ink pens) and stationery (whiteboard markers, permanent markers, highlighters, mechanical pencils and correction pens). Price points for pens in this brand range from ₹6 to ₹325. The highest selling “Hauser” products in terms of revenue for the 3-month period ended June 30, 2023 were the “XO Ball Pen” and “XO Jumbo Ball Pen” and the Financial Year 2023 were the “XO Ball Pen” (with crossed sales of 2 crore units of pens in the month of March 2023) and the “Sonic Gel Pen”.



### Pierre Cardin

The company is offering “Pierre Cardin” writing products since 2012 pursuant to a trademark assignment agreement dated December 10, 2012 between PCL S.A. and Flair Pens Ltd, a Group Company and a member of the Promoter Group. “Pierre Cardin” is a French brand. The company acquired certain “Pierre Cardin” trademarks from Flair Pens Limited on July 10, 2018. Previously, Flair Pens Ltd manufactured and sold “Pierre Cardin” writing products in India pursuant to a license agreement dated December 1, 1994, with PCL S.A. Pursuant to exclusive brand authorisation arrangements entered into with PCL S.A., the company has recently commenced the export of “Pierre Cardin” products to certain countries which is subject to payment of a commission.

As of June 30, 2023, the product offering under the “Pierre Cardin” brand comprised ball pens, fountain pens, roller pens, mechanical pencils and gift sets. This brand targets premium segment consumers, including professionals and offices. Price points for pens in this brand range from ₹50 to ₹3,000. The highest selling “Pierre Cardin” products in terms of revenue for the 3-month period ended June 30, 2023 were the “Golden Eye Ball Pen” and “Image Ball Pen” and the Financial Year 2023 were the “Golden Eye Roller Pen” and the “Lapaz Ball Pen”.



*Pierre Cardin Golden Eye Roller Pen*

*Pierre Cardin Lapaz Ball Pen*

*Pierre Cardin Image Ball Pen*

**Other Brands**

The company also offers products under their other brand “ZOOX”, a mid- premium category pen brand. They are also a distributor of “ZIG” pens of Japan in India. The highest selling “ZOOX” products in terms of revenue for the 3-month period ended June 30, 2023 and the Financial Year 2023 were the “ZOOX F7” and the “ZOOX Y7”, which are shown below



ZOOX F7



ZOOX Y7

**Houseware Products**

As of June 30, 2023, company’s product offering for their houseware products comprised casseroles, bottles, storage containers, serving solutions, cleaning solutions and basket and paper bins. The revenue from the houseware products segment in the 3-month period ended June 30, 2023 and the Financial Year 2023 was ₹3.74 crore and ₹7.15 crore which contributed 1.52% and 0.76%, respectively, to their revenue from operations during the same period. The company manufactures and distributes such products through one of their subsidiaries, FWEPL.



Casseroles

Baskets

Plastic Bottles

Storage Containers

Paper Bins

**Steel Bottles**

Flair offers steel bottles which comprise single and double vacuum layers and are available with suitable customisation in design and sizes. They have received a letter of intent from one of their key OEM customers with whom the company had a relationship of more than 15 years. 1 manufacturing line has been commissioned in the month of March 2023 and they intend on commissioning 2 more manufacturing lines during the 3rd quarter of FY2024. Out of the 3 lines, 2 lines are proposed to be dedicated to OEM customer and 1 line is proposed to be dedicated for manufacturing and sale in India and for exports under their brands.



Hexa

Scuba

Spark

**Segment-wise Revenue from operations**

Particulars (% of revenue)	June'23	FY23	FY22	FY21
Writing instruments	97.08%	97.12%	96.30%	96.25%
Houseware products	1.53%	0.80%	0.06%	0.08%
Other*	1.39%	2.08%	3.64%	3.67%
Total	100%	100%	100%	100%

\*Includes export incentives, scrap sales, credit notes, plastic granules, parts and publicity materials, among other things.

**Revenue disaggregation by geography**

Particulars	June'23	FY23	FY22	FY21
Sale of products (Domestic)	83.62%	79.33%	75.20%	61.21%
Sale of products (Exports)	15.55%	19.59%	23.31%	36.30%

**Strengths:**

- **Among the Top-3 players in the overall writing instruments industry in India**



Particulars	June'23	FY23	FY22	FY21
Revenue from Top-5 domestic customers	22.62%	21.32%	29.36%	25.31%
Revenue from Top-10 domestic customers	30.71%	29.17%	36.36%	31.43%
Revenue from Top-5 customers (export)	7.41%	10.07%	12.38%	20.00%
Revenue from Top-10 customers (export)	10.18%	13.26%	15.60%	24.36%

- **Largest pan-India distributor/dealer network and wholesale/retailer network in the writing instruments industry\* and strong presence in targeted markets abroad**

Flair had the largest distributor/dealer network and wholesale/retailer network, in the writing instruments segment in India, comprising approximately 7,700 distributors/dealers and approximately 315,000 wholesalers/retailers, as of March 31, 2023. As of June 30, 2023, they had 131 super-stockists in India (including Flair Sporty), supported by their sales and marketing employees, and a retail presence in 2,424 cities, towns and villages in India. Their multi-tiered nationwide domestic sales and distribution network enables their products to reach a wide range of consumers and help to ensure effective market penetration across geographies.

Particulars	June'23	FY23	FY22	FY21
Number of super-stockists	131	131	125	84
Number of distributors/dealers	7,754	7,754	7,307	5,638
Number of wholesalers/retailers	3,15,000	3,15,000	2,35,000	1,80,000

- **High quality manufacturing at a large scale coupled with innovation capabilities**

As of June 30, 2023, Flair had 11 manufacturing plants which are equipped to customize manufacturing and products for their OEM and corporate customers. Company's emphasis on innovation and design has enabled them to introduce products such as the "Flair Glitter Gel Pen" (which has a metallic glitter ink effect), the "Hauser XO Ball Pen" (which is offered in pastel colors), the "Ezee-Click Ball Pen" (a low-viscosity retractable pen) and the "Flair Woody Ball Pen" (which has wood finish). Their other products include the "Flair Yolo Ball Pen" (which has a laser carbon body finish), the "Flair Writo-Meter Ball Pen" (which writes up to 10,000 meters), the "Sunny Ball Pen" (4-in-1) and the "Flair Creative Gem Pencil" (which has a crystal in diamond shape on top of the pencil)

- **Diversified range of products across various price points catering to a wide spectrum of consumers**

Flair has the most comprehensive product portfolio in the writing and creative instruments industry in India. They have an extensive product range across various price points and consumer segments, including pen products (ball pens, fountain pens, gel pens, roller pens and metal pens), which is their largest category in terms of number of products offered, creative and stationery products (mechanical pencils, highlighters, correction pens, markers, gel crayons, colouring range, erasers, geometry boxes and kids' stationery kits), calculators, and Flair offered 727 different products as of June 30, 2023. The company focuses on providing quality products to consumers, including students, professionals and offices. They offer products at prices ranging between ₹5 and ₹3,000. Company's goal is to cater to consumers in their target segments, from

writing instruments priced between ₹5 and ₹15 (“Mass Segment”), priced between ₹16 and ₹100 (“Mid-premium Segment”) and priced above ₹100 (“Premium Segment”). In order to enhance their brand presence in terms of product pricing, Flair focuses on competitive pricing and aggressive marketing for their Mass Segment and focus on brand building and product differentiation in their Mid-premium Segment and Premium Segment. In the 3-month period ended June 30, 2023 and FY2023, they launched 28 and 151 pen products, respectively, across various price points. Leveraging on their manufacturing capabilities, and the existing customer base in the writing and creative instruments business, they have also diversified into manufacturing houseware products and steel bottles.

➤ **Experienced Promoters supported by professional senior management team**

The company promoters have more than 4 decades of experience in the writing instruments industry and have been instrumental in the growth of their “Flair” brand as well as in the origination and acquisition of all their other brands and the OEM business. The Whole-time Directors and promoters have experience in the writing instruments industry and are responsible for international sales and marketing. They also place emphasis on the strength of their workforce. As at June 30, 2023, they had 5,899 full-time employees of which 3,318 were woman employees, which formed approximately 56% of the total workforce in the Company.

**Key Strategies:**

➤ **Emphasis on Mid-premium Segment and Premium Segment to increase margins**

The company intends to focus on increasing the sales of their Mid-premium Segment and Premium Segment products, particularly their “Flair”, “Hauser” and “ZOOX” products which are priced between ₹20 and ₹100, and their “Pierre Cardin” products which are priced ₹100 onwards. Such products achieve better margins and improve the shelf visibility of their products and the positioning of the brands with consumers. In relation to “Pierre Cardin”, they have taken initiatives such as a dedicated sales and marketing team and marketing efforts including change in packaging and display stands. Also, to enhance their corporate gifting business, they have installed laser engraving and multi-colour printing machines at their manufacturing plant located in Daman.

➤ **Focus on growing the existing product portfolio and diversification of the product range**

The company’s most brands are present across price segments (mass market and high value), the expansion within each segment has become crucial to tap demand at different price points. They aim to strengthen and expand their existing product portfolio with a focus on “ZOOX” pens, “Flair Creatives”, range of houseware products and steel bottles, by leveraging the “Flair”, “Hauser” and “Pierre Cardin” brands to create customer base for such businesses. They intend to further expand their product offering and competitive advantage by diversifying their product range, primarily through the introduction of art materials and stationery products. Expanding into the stationery products market would also provide access to a wider consumer base which would include students in younger age groups.

➤ **Continue to increase production capacity and enhance capacity utilization**

Company’s manufacturing plants (other than their plant in Naigaon, Maharashtra) had a combined production capacity of 51.75 crore pieces per quarter and 202.37 crore pieces per annum, as of June 30, 2023, and March 31, 2023, respectively, and a capacity utilization of 77.59% and 72.82% in the 3-month period ended June 30, 2023, and FY2023, respectively. The company aims to develop innovative technology and focus on innovative designing and automation across all segments that will allow them to lead in the writing and creative instruments market. They also intend to further improve their capacity utilization and to actively manage their operating costs through the introduction of automatic and semi-automatic assembly and packing machines and upgrade their existing machinery and purchase new machinery.

➤ **Deepen the sales and distribution network**

Flair intends to expand their existing sales and distribution network in India, by entering into arrangements with more superstockists and distributors and continuing to nurture existing relationships in order to create new distribution channels to reach under-served areas and smaller towns across all zones of India with a focus on Eastern and Western zones in India. They also intend to increase their interaction with the super-stockists, distributors, direct dealers, wholesalers, and retailers, including through their sales and marketing employees and the use of information technology platforms.

➤ **Strengthening presence in key geographies along with strategically expanding exports**

The company intends to leverage their leading position as an award-winning exporter of writing instruments from India to increase penetration in existing markets abroad by expanding their distribution network and to enter new markets. They have established long-term relationships with international companies for which they manufacture and distribute or are a contract manufacturer and their relationship with their 5 largest customers located in U.S., United Arab Emirates, Yemen, Japan, and Colombia averaged approximately 15 years. Also, they seek to expand the market for their products particularly in markets where they can extract higher margins such as Africa, Central America, and South America. They also aim to further increase sales of the “Pierre Cardin” and “ZOOX” brands of pens in the Middle East markets.

➤ **Further strengthen the brands**

The company has consistently allocated significant resources to establish and strengthen their flagship brand “Flair” and their principal brand “Hauser” through various marketing initiatives. They aim to further increase the visibility of their “Flair Creative” range of products and the “Pierre Cardin” and “ZOOX” brands, in India and globally. They seek to continue to enhance brand awareness and customer loyalty through mass media activities include brand ambassadors and celebrity endorsements, television and print advertisements and social media outreach and direct outreach activities comprise billboards, posters, danglers, streamers, catalogues and pamphlets. They have launched advertisement campaigns through celebrity endorsements for their “Flair” and “Hauser” brands.

## Industry Snapshot

### Organised players dominate Indian writing and creative instruments industry

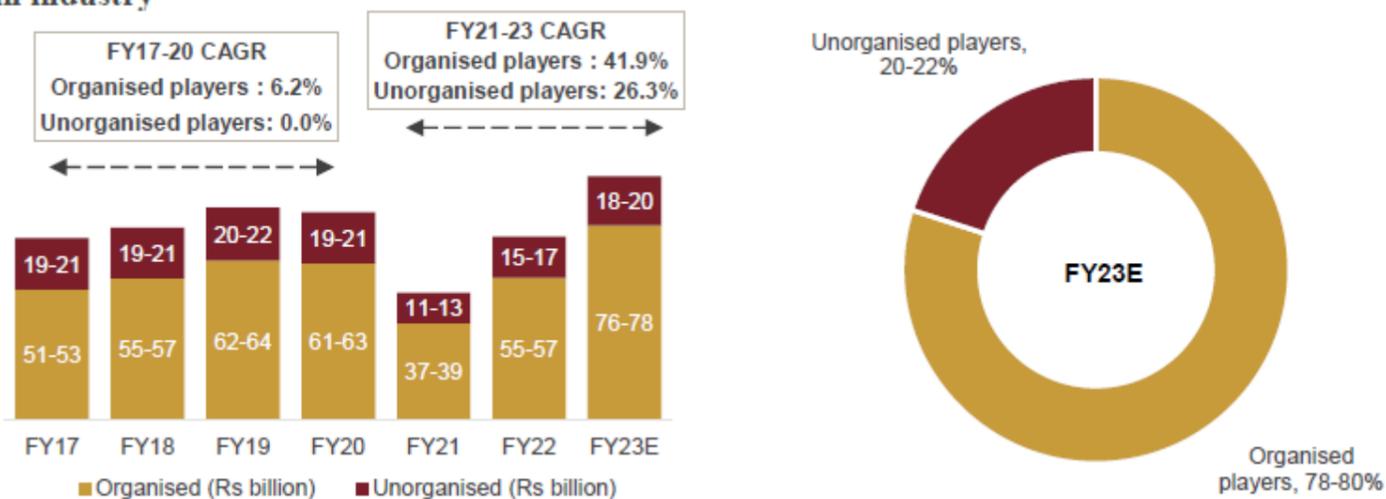
The Indian writing and creative instruments industry has many small, unorganised players, as well as organised players. The smaller players typically offer low-value products and operate in specific geographies. Organised players, on the other hand, have wider product portfolios, a pan-India presence and multiple manufacturing facilities. Organised players are also engaged in exports.

The pandemic has brought a behavioural shift among the end-users of the industry - there has been increased focus on extracurricular activities in addition to conventional education presenting an opportunity for organised players to introduce different products with standalone and bundled offerings, supporting their recovery and growth post Covid-19.

Further, there was closure of numerous unorganised players during pandemic as weak demand for products and limited access to capital made it difficult for these players to sustain operations leading to organised players capturing a majority of the market. Additionally, organised players registered healthy growth and surpassed pre-pandemic revenue levels in Financial Year 2023, while unorganised players' revenues are still below pre-pandemic levels. Within the organised segment, a few players posted strong revenue growth of approximately 50 to 60% on-year in Financial Year 2023, driving growth of the overall industry.

### Share of organised players in Indian writing and creative instruments industry, by manufacturer's realisation

**Trend among organised and unorganised players in industry**      **Share of organised players in Financial Year 2023**



### Key factors for success in the writing and creative instruments industry

#### Product innovation

Product innovation has become a major success driver in the writing and creative instruments industry.

The success of innovations in these writing instruments lies in their adaptability to changing consumer preferences, meeting their need for comfort, quality, and sustainability.

#### Creating a brand for product differentiation

The pens industry in the domestic market holds 70% to 75% share with leading players emphasising brand building, the industry is expected to garner a bigger share in coming years. Leading players focus on brand building to expand their market share, utilizing vintage appeal, innovation, retailer networks, and technological advancements. While most brands are present across price segments (mass market, mid premium and premium), expansion within each segment has become crucial to tap demand at different price points. Major players differentiate their products through communication, and endorsements, and increasing availability of branded products in smaller cities and towns, and rural areas, has increased the penetration of major players into these untapped clusters.

#### Continued emphasis on low-priced units

The mass market segment, mainly led by students, is highly competitive, with pens priced at ₹ 5, ₹ 10 and ₹ 15 per unit (some pens are priced at less than ₹ 5 as well). These price denominations play a crucial role in saleability of the products making players to often reinvent products to ensure that variations are introduced in these price ranges. Further, many brands offer bundled packs of five pieces or more, which helps in pricing units at odd multiples.

#### Strong distribution footprint

Retail brand penetration is highly dependent on the supply chain model adopted. While India's fast-growing e-commerce industry makes it easier for manufacturers to come online and showcase their products, buyers in India have not really shown a propensity to purchase low-value items (such as pens and pencils) online. Despite the growing share of modern retail formats, the domestic writing instruments industry relies heavily on the traditional manufacturer-distributor-retailer model. Vintage, brand recognition, price position and exclusive selling rights (in some cases) play a crucial role in expanding footprint.

**Corporate gifting**

Corporate gifting is a widely accepted concept of maintaining relationships with old, as well as new clients and also given to employees as a gesture of goodwill and to reward them for their dedication. Pens are among the most preferred corporate gifts across sectors. From the manufacturers' perspective, this segment is lucrative as branded premium products help improve profitability.

**Packaging**

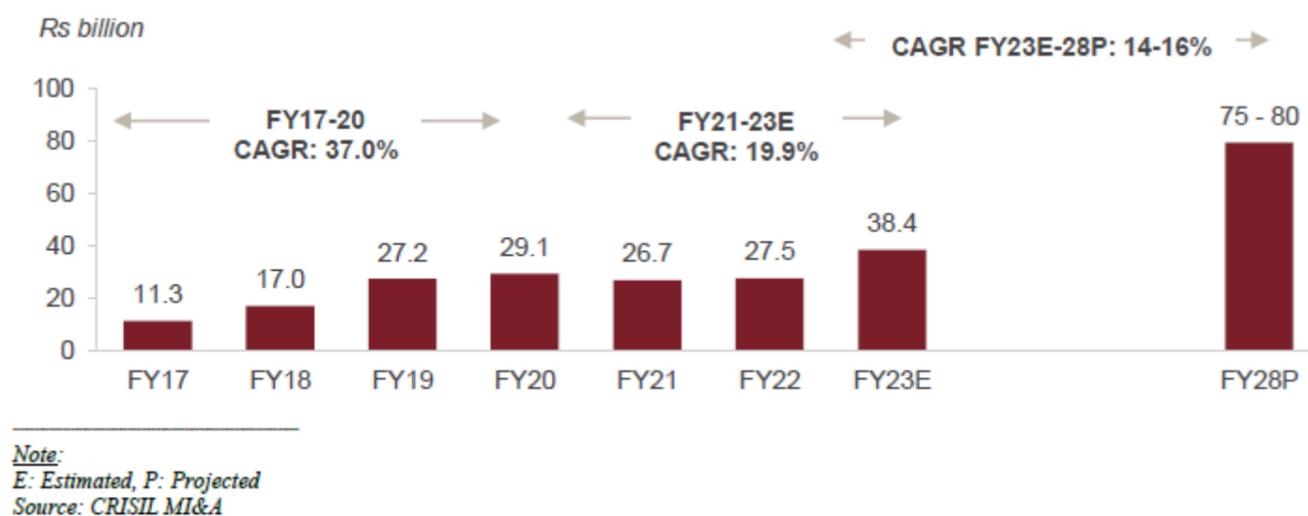
Packaging plays a vital role in the writing and creative instruments industry. Unique and visually appealing packaging designs can help a brand stand out in a competitive market environment, while consistent packaging helps build brand recognition among consumers

**Overview of steel bottles industry**

The Indian steel bottle manufacturing industry is highly fragmented, with unorganised players accounting for the majority share. Organised players include manufacturers such as Milton, Altasware, Pexpo, Cello and Borosil. As of Financial Year 2023, in the overall market, organised players were estimated to have constituted a 35 to 40% market share, while the remaining 60 to 65% share was occupied by unorganised players.

**Growth between Financial Years 2018 and Financial Year 2022 majorly due to pandemic-led increased health-consciousness**

Demand for steel bottles in India has continuously increased, with the industry having grown at 37% CAGR, majorly on account of a rise in the target population, specifically school and office goers, and gym and travel enthusiasts. However, in Financial Years 2021 and 2022, the pandemic struck, resulting in the closure of schools, colleges, and offices. Nonetheless, demand for steel bottles was impacted by a slight margin, and saw a 3% recovery in Financial Year 2022, with overall demand reaching pre-Covid levels. This was majorly led by an increase in the adoption and penetration of steel bottles during the pandemic amid increased health-consciousness, also supported by the fact that steel bottles are non-porous, easy to use, and provide good insulation, helping store cold or hot liquids at similar temperatures for a long time. This trend continued in Financial Year 2023 as well, supporting the industry to reach ₹ 38.4 billion.

**Steel bottle industry in India**

**The domestic steel bottle industry is expected to register 14 to 16% CAGR in Financial Years 2023 to 2028 led by increase in health conscious consumers and penetration of steel bottles**

**Overview of homeware industry in india**

The Indian homeware industry offers a diverse range of products that meet the functional and aesthetic needs of households. The homeware industry, with its sub-segments focused on kitchen appliances, cookware, tableware / serve ware, drinkware, lunch ware, and storage ware, caters to the diverse needs and preferences of Indian consumers.

**Kitchen appliances segment** includes wide range of offerings such as refrigerators, microwave ovens, blenders, food processors, toasters, juicers, hobs and electric kettles among others.

**Cookware segment** forms one of the integral parts of homeware segment. This cookware segment includes products such as rice cookers, pressure cookers, frying pans, saucepans, woks, grills, and cookware accessories.

**Tableware/ serve ware segment** consists of products such as dishes, bowls, plates, and cutlery. As the name suggests the products in this segment is majorly used in serving and eating meals.

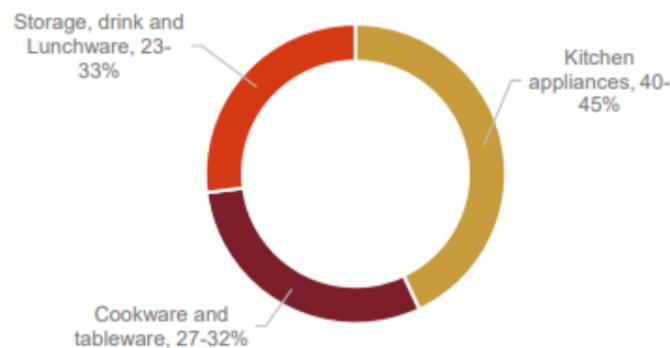
Indian households use wide variety of choices under the drinkware segment which consists of products such as tumblers, jugs, mugs, cups, plastic bottles, vacuumed steel bottles, non-vacuumed steel bottles and dispensers.

**Lunch ware segment** consists of lunch boxes or tiffin boxes products that are mainly used for storing and carrying food for job goers and among students. Storage ware segment includes products such as jars, containers, oil dispensers, chillers designed to keep food fresh, protect it from moisture or pests, and maximize shelf life.

As of Financial Year 2023, Indian homeware industry market is estimated to be around ₹ 400 to 450 billion. Of this the lion's share is occupied by the kitchen appliances segment with a share of 40 to 45%. This is followed by cookware and tableware segments which combinedly occupy a share of 27 to 32%, while rest of the industry is occupied by storage ware, drinkware and lunch ware segments with drinkware occupying the highest share among the three players.

**Indian homeware industry (2023E)**

As of Financial Year 2023, Indian homeware industry market is estimated to be around Rs 400 – 450 billion.



- Accounting ratios**

(in mn)

Particulars	3MFY 2024	FY 2023	FY 2022	FY 2021
Revenue from Operations	2,467	9,426	5,774	2,980
Growth in revenue from operations (%)	NM	19.4%	16.9%	NM
EBITDA	523	1,832	975	230
EBITDA Margin (%)	21.1	19.4	16.9	7.7
PBT	429	1,588	734	21
PAT	321	1,181	551	9.9
PAT Margin (%)	13.0	12.5	9.5	0.3
ROE (%)	7.0	31.1	18.8	0.3

- Comparison with listed entity**

Name of the company	Latest FY	Face value	P/E	EPS (Basic) (₹)	EPS (Diluted) (₹)	RONW (%)	NAV per equity share (₹)
Flair Writing Industries Ltd	Consolidated	5	27.1*	12.6	12.6	31.1	46.9
<b>Listed peers</b>							
Linc Limited	Consolidated	10	33.5	25.1	25.1	23.3	119.1
Kokuyo Camlin Ltd	Consolidated	1	56.8	2.4	2.4	9.7	26.1
Cello World Ltd	Consolidated	5	62.6	13.6	13.1	23.1	56.8

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on Nov 21, 2023.

2) \* P/E of company is calculated on EPS of FY23 and post issue no. of equity shares issued.

**Key Risks**

- The company's revenue and market share are dependent on the writing instruments industry, which may be sensitive to economic downturns or changes in consumer preferences. Intense competition from other key organized players in the writing and creative instruments industry such as DOMS, Camlin, Linc, and Luxor could impact market share and profitability.
- Historical instances of delayed or inaccurate statutory filings, delayed GST returns, and delayed contributions towards employee provident fund raise concerns about the company's compliance practices and governance.
- While having a large distributor/dealer network is a strength, dependence on it makes the company vulnerable to disruptions in the distribution chain, changes in distributor behavior, or economic conditions affecting the network.
- The company has not placed orders for machinery constituting 100% of the value of the total machinery to be purchased from the IPO proceeds. This may affect the timely implementation of expansion plans.
- The success of the company depends on its ability to respond to consumer needs and maintain an optimal product mix. Failure to do so could lead to a decline in product demand and negatively impact financial result.

**Valuation**

Flair Writing Instruments Limited commands a strong position as one of the top 3 players in India's writing instruments industry, boasting consistent revenue growth, a diversified product range, and a significant international footprint. With over 45 years of market presence, its flagship brand "Flair" reflects stability, and the company maintains the largest distribution network in the country. Moreover, its business efficiency has been improved with existing products, resulting in bright prospects.

At the upper price band company is valuing at P/E of 27.1x with a market cap of ₹32,040 million post issue of equity shares and return on net worth of 31.1%.

On the valuation front, we believe that the company is fairly priced. Thus, we recommend an "**Subscribe – Long Term**" rating to the IPO.

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	Buy	Hold	Sell
<b>Large Caps (Top 100 companies)</b>	>15%	0%-15%	Below 0%
<b>Mid-Caps (101st-250th company)</b>	>20%	0%-20%	Below 0%
<b>Small Caps (251st company onwards)</b>	>25%	0%-25%	Below 0%

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