



Flair Writing Industries Ltd



SUBSCRIBE AT THE UPPER PRICE BAND OF INR304

Flair Writing Industries Ltd. (FWIL) is a leading player in the Indian writing instruments industry, holding a significant market share of approximately 9% as of March 31, 2023. FWIL has outpaced the industry's overall growth rate, achieving a CAGR of approximately 14% between FY17 and FY23 compared to the industry's CAGR of 5.5% during the same period. This robust growth is attributed to FWIL's strategic focus on innovation, brand building, and market expansion.

FWIL's flagship brand "Flair" has established itself as a household name in India, boasting a market presence of over 45 years. Its extensive product portfolio caters to a diverse range of consumers, from students and professionals to offices and institutions.

FWIL's pen sales reached 1,303.6 million units in FY23, with 74.82% sold domestically and 25.18% exported globally. The company boasts the largest distributor network in India, comprising over 7,700 distributors and 315,000 retailers.

FWIL's manufacturing prowess and distribution network have enabled it to become a trusted partner for various international brands in the writing instruments industry. The company's products are marketed under its own brands, including "Flair" for mass-market and premium pens and stationery, "Hauser" for premium pens and stationery, "ZOOX" for mid-premium and premium writing instruments, and "Pierre Cardin" for premium pens and stationery. 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 revenue from operations in the three-month period ended June 30, 2023, and the FY23, FY22 and FY21, respectively.

FWIL operates 11 manufacturing plants across India. The manufacturing facilities are strategically located in Valsad, Gujarat; Naigaon (near Mumbai), Maharashtra; Daman, Union Territory of Dadra and Nagar Haveli and Daman and Diu; and Dehradun, Uttarakhand.

Industry	PRINTING & STATIONERY
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Issue Details

Listing	BSE & NSE
Open Date	22 ND NOV 2023
Close Date	24 TH NOV 2023
Price Band	INR 288-304
Face Value	INR 5
Market Lot	49 SHARES
Minimum Lot	1 LOT

Issue Structure

Offer for Sale	49%
Fresh Issue	51%
Issue Size (Amt)	INR 593cr
Issue Size (Shares)	19506578
QIB Share (%)	50%
Non-Inst Share (%)	15%
Retail Share (%)	35%
Pre issue sh (nos)	95,790,115
Post issue sh (nos)	105,395,378
Post issue M Cap	INR 3204cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	63.3%	51.7%
Promoter-Group	34.1%	27.5%
Public	2.5%	20.8%
TOTAL	100	100

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY20	725.2	94.3	37.9	13.0	5.2	5.9	24.8	14.6	16.6	84.1	4.6	35.6
FY21	298.0	23.2	1.0	7.8	0.3	2.2	24.9	0.4	0.2	3,292.1	11.1	142.3
FY22	577.4	97.9	55.2	17.0	9.6	7.6	30.2	17.4	16.6	57.9	5.7	33.9
FY23	942.7	183.7	118.1	19.5	12.5	13.9	41.5	27.2	28.4	27.0	3.5	18.0

OFFER DETAILS AND VALUATION SUMMARY

FWIL proposed OFS size is INR 301 cr which would reduce promoter stake from 63.3%(pre-issue) to 51.7% post issue and promoter group shareholding would come down from 34.1%(pre-issue) to 27.5%(post-issue)

The size of fresh issue is INR 292cr and this object of the issue are

- Setting up a new manufacturing facility for writing instruments in District Valsad, Gujarat (New Valsad Unit) of INR 55.9 cr
- Funding capital expenditure of the company and its subsidiary, FWEPL amounting to INR 86.75 cr
- Funding working capital requirements of the company and its subsidiaries, FWEPL and FCIPL of INR 77cr.
- Repayment/pre-payment, in part or full of certain borrowings availed by the company and its Subsidiaries, FWEPL and FCIPL of INR 43 cr.
- General corporate purposes.

Indian writing and creative industry is expected to grow at a CAGR OF 7.7%-8.4% over FY2023-28 and the Steel bottle industry is expected to grow at 14%-16% over FY2023-28. Flair is going to benefit from these prospects. At the IPO price of INR304 (upper band) Flair is valued at a PE of 27x as compared to industry average of 45x, we recommend a SUBSCRIBE rating for this IPO.

Growth Strategies

- **Company plans to diversify their product portfolio to grow their revenue.**
- **Company intends to enjoy better margins by increasing revenue generated through premium products.**
- **Company has planned for significant capex to increase their production capacity.**
- **Strengthen their market position through delivering superior quality products.**
- **Continue to innovate and develop new products through R&D**
- **Building and maintain excellent relationships with distributors and partners.**

KEY RISKS AND CONCERNS

- **Company's business dependent on consumer choices and preferences and inability to keep up with new trends can significantly affect company's revenue.**
- **Company must comply with several statutory and regulatory licenses, permits and approvals required for conducting their operations.**
- **Any significant change in raw material prices can affect the operations and profitability.**
- **Company is dependent on their top 3 brands for significant part of their revenue.**

Issue Structure and Offer Details

The proposed offer for sale size is INR 301cr and the price band for the issue is in the range of INR 288-304 and the bid lot is 49 shares and multiples thereof. The size of fresh issue is INR 292cr

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NIB	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

Number of shares based on a higher price band of INR 304

Source: Company Reports

Details of the selling shareholders		
Promoter & Promoter Group	Amount offered(cr)	No of shares
Selling shares		
Khubilal Jugraj Rathod	51.4	1,784,721
Vimalchand Jugraj Rathod	39.6	1,376,735
Rajesh Khubilal Rathod	32.3	1,121,527
Mohit Khubilal Rathod	32.3	1,121,527
Sumit Rathod	32.3	1,121,527
PROMOTER GROUP		
Nirmala Khubilal Rathod	32.3	1,121,527
Manjula Vimalchand Rathod	32.3	1,121,527
Sangita Rajesh Rathod	16.1	560,764
Shalini Mohit Rathod	16.1	560,764
Sonal Sumit Rathod	16.1	560,764

The amount is based on a higher price band of INR 304

Source: Company Report

FINANCIAL SUMMARY AND ANALYSIS

Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23
Income Statement					Per share data & Yields				
Revenue	725.2	298.0	577.4	942.7	Adjusted EPS (INR)	3.6	0.1	5.3	11.3
YoY Growth (%)	(1.0)	(58.9)	93.8	63.3	Adjusted Cash EPS (INR)	5.9	2.2	7.6	13.9
Raw Material Cost	432.1	166.4	308.2	508.8	Adjusted BVPS (INR)	24.8	24.9	30.2	41.5
RM Cost to Sales (%)	59.6	55.8	53.4	54.0	Adjusted CFO per share (INR)	7.7	6.4	3.3	9.2
Employee Cost	103.2	58.4	87.8	117.3	CFO Yield (%)	2.5	2.1	1.1	3.0
Employee Cost to Sales (%)	14.2	19.6	15.2	12.4	Adjusted FCF per share (INR)	6.1	6.4	0.6	2.8
Other Expenses	95.5	49.9	83.5	132.9	FCF Yield (%)	2.0	2.1	0.2	0.9
Other Exp to Sales (%)	13.2	16.8	14.5	14.1	Solvency Ratio (X)				
EBITDA	94.3	23.2	97.9	183.7	Total Debt to Equity	0.7	0.5	0.4	0.3
Margin (%)	13.0	7.8	17.0	19.5	Net Debt to Equity	0.6	0.4	0.4	0.3
YoY Growth (%)	(21.9)	(75.4)	321.2	87.7	Net Debt to EBITDA	1.8	4.9	1.3	0.6
Depreciation & Amortization	23.6	22.4	24.4	27.3	Return Ratios (%)				
EBIT	70.8	0.8	73.5	156.3	Return on Equity	14.6	0.4	17.4	27.2
Margin (%)	9.8	0.3	12.7	16.6	Return on Capital Employed	10.3	0.1	12.5	21.1
YoY Growth (%)	(30.8)	(98.9)	9,070.5	112.7	Return on Invested Capital	16.6	0.2	16.6	28.4
Other Income	5.3	12.9	10.2	11.6	Working Capital Ratios				
Bill discounting & other charges	16.0	11.5	10.3	9.2	Payable Days (Nos)	37	50	32	25
Fin Charges Coverage (X)	4.4	0.1	7.1	17.0	Inventory Days (Nos)	76	161	117	83
Exceptional Item	0.0	0.0	0.0	0.0	Receivable Days (Nos)	90	142	93	66
PBT	60.1	2.2	73.4	158.8	Net Working Capital Days (Nos)	129	252	178	124
Margin (%)	8.3	0.7	12.7	16.8	Net Working Capital to Sales (%)	35.2	69.2	48.7	34.0
YoY Growth (%)	(31.9)	(96.4)	3,284.4	116.2	Valuation (X)				
Tax Expense	22.2	1.2	18.3	40.7	P/E	84.1	3,292.1	57.9	27.0
Tax Rate (%)	36.9	55.3	24.9	25.6	P/BV	12.3	12.2	10.1	7.3
PAT	37.9	1.0	55.2	118.1	EV/EBITDA	35.6	142.3	33.9	18.0
Margin (%)	5.2	0.3	9.6	12.5	EV/Sales	4.6	11.1	5.7	3.5
YoY Growth (%)	(43.2)	(97.4)	5,588.0	114.1	Cash Flow Statement				
Min Int/Sh of Assoc	0.0	(0.0)	0.0	0.1	PBT	60.1	2.2	73.4	158.8
Net Profit	37.9	1.0	55.2	118.2	Adjustments	68.7	17.1	54.7	18.2
Margin (%)	5.2	0.3	9.6	12.5	Change in Working Capital	(25.5)	49.3	(74.8)	(39.9)
YoY Growth (%)	(43.2)	(97.4)	5,588.0	114.1	Less: Tax Paid	(22.2)	(1.2)	(18.3)	(40.7)
Balance Sheet					Cash Flow from Operations	81.2	67.3	35.0	96.4
Share Capital	23.3	23.3	23.3	46.7	Net Capital Expenditure	(27.6)	(5.1)	(36.8)	(74.2)
Total Reserves	237.1	238.2	293.6	388.5	Change in Investments	(2.5)	(10.4)	17.3	0.6
Shareholders Fund	260.4	261.6	317.0	435.2	Cash Flow from Investing	(30.1)	(15.6)	(19.5)	(73.6)
Long Term Borrowings	118.9	110.0	73.4	41.8	Change in Borrowings	(33.4)	(43.2)	(5.6)	(13.2)
Deferred Tax Assets / Liabilities	(0.6)	10.2	9.5	9.6	Less: Finance Cost	(16.0)	(11.5)	(10.3)	(9.2)
Other Long Term Liabilities	14.4	7.8	3.0	7.3	Proceeds from Equity	0.0	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0
Long Term Provisions	5.2	5.3	6.1	6.3	Dividend Paid	0.0	0.0	0.0	0.0
Total Liabilities	398.4	395.0	408.9	500.2	Cash flow from Financing	(49.3)	(54.7)	(15.9)	(22.3)
Net Block	199.8	185.7	196.0	249.9	Net Cash Flow	1.8	(2.9)	(0.3)	0.5
Capital Work in Progress	1.1	0.0	1.8	1.6	Forex Effect	0.0	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	0.0	Opening Balance of Cash	1.8	3.6	0.7	0.3
Non Current Investments	0.0	0.0	0.0	0.0	Closing Balance of Cash	3.6	0.7	0.3	0.8
Long Term Loans & Advances	6.9	9.9	5.4	17.3					
Other Non Current Assets	0.0	0.0	2.0	4.7					
Net Current Assets	190.5	199.4	203.7	226.6					
Total Assets	398.4	395.0	408.9	500.2					

Source: Ventura Research

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