

Company Overview

Flair Writing Industries Limited (“Flair”) was incorporated on August 12, 2016 and is engaged in the manufacturing and distribution of writing instruments including pens, stationery products, and calculators. The company’s flagship brand “Flair” has enjoyed a market presence of over 45 years. Flair manufactures and distributes several brands in India and partners with various international brands in the writing instruments industry. The company’s products are sold under the “Flair” brand, their principal brands “Hauser” and “Pierre Cardin” and have recently introduced “ZOOX” in India. The company also contract manufactures writing instruments as an OEM for export and sale in India. They also provide customized corporate gifting products to their corporate customers. Flair manufactures pens and other products from 11 manufacturing plants located in Valsad, Naigaon (near Mumbai), Daman and Dehradun. In FY23, Flair Writing Industries sold more than 130.4 crore units of pens, of which 97.5 crore units (74.8%) of the pens were sold in India while the remaining 32.8 crore units (25.2%) were exported to other countries. 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.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Setting up the new Valsad Unit - Rs. 56 crores;
- ⇒ Funding capital expenditure of the company and the subsidiary, Flair Writing Equipments Pvt. Ltd. (“FWEPL”) - Rs. 87 crores;
- ⇒ Funding working capital requirements of the company and the subsidiaries, FEWPL and Flair Cyrosil Industries Pvt. Ltd. (“FCIPL”) - Rs. 77 crores;
- ⇒ Repayment/pre-payment, in part or full, of certain borrowings availed by the company and their subsidiaries - Rs. 43 crores;
- ⇒ Offer for sale - Rs. 301 crores;
- ⇒ General corporate purposes.

Investment Rationale

One of the leading players in writing instruments industry with a diversified product range across varied price points

Flair is among the top three players in the overall writing instruments industry, with a revenue of Rs. 916 crores in FY23 and occupies 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 two organized players which have seen faster growth in revenue as compared to the overall writing and creative instrument industry. The company grew its business at a CAGR of approximately 14% during FY2017-23 period whereas the industry grew at a CAGR of 5.5%. Flair also has the most comprehensive and extensive product portfolio across various price points and consumer segments including pen products, creative and stationery products, calculators. Overall, Flair offered 727 different products at prices ranging between Rs. 5 and Rs. 3,000. The company focuses on providing quality products to consumers, including students, professionals and offices. The company’s goal is to cater to consumers in their target segments, from writing instruments priced between Rs. 5 and Rs. 15 (“Mass Segment”), priced between Rs. 16 and Rs. 100 (“Mid-premium Segment”) and priced above Rs. 100 (“Premium Segment”). 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.

Largest pan-India distribution network and strong international presence with focus on exports and partnership

In FY23, 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 H1FY24, 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 helps to ensure effective market penetration across geographies. Flair has also established long-term relationships with international

Issue Details	
Offer Period	22 nd Nov, 2023 - 24 th Nov, 2023
Price Band	Rs. 288 to Rs. 304
Bid Lot	49
Listing	BSE & NSE
Issue Size (no. of shares in mn)	20.6
Issue Size (Rs. in bn)	5.9
Face Value (Rs.)	5

Issue Structure	
QIB	50%
NIB	15%
Retail	35%

BRLM	Nuvama Wealth Management Ltd., Axis Capital Ltd.
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Registrar	Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	97.49%	79.21%
Public	2.51%	20.79%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

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Flair Writing Industries Ltd.

companies for which they manufacture and distribute or act as a contract manufacturer. Their relationship with their five largest customers (in terms of revenue contribution) located in the US, UAE, Yemen, Japan, and Colombia averaged approximately 15 years. Their top five export countries were the US, UAE, Yemen, Colombia, and Japan, which contributed 61.19% of the revenue from exports during FY23. As of H1FY24, they had relationships with 54 international distributors for the distribution and sale of their products in more than 77 countries.

Valuation

Flair Writing Industries Ltd. exhibits a commendable track record of robust and consistent financial performance, showcasing impressive growth across key financial metrics from FY21 to FY23. With a notable CAGR of 77.9%, 992.8% and 133.2% in their topline, PAT, and EBITDA, respectively, the company has positioned itself as a frontrunner in the market. The company's rapid revenue growth, aligned with the geometric expansion in demand, is a testament to its successful market penetration and responsiveness to increased demand, particularly in the school sector. Flair leverages its deep insights into the writing products business, coupled with a diversified product range in a segment characterized by perennial demand. The scale advantage allows the company to maintain cost competitiveness, further solidifying its market position. Additionally, the strategic focus on the home needs sector is anticipated to further bolster sales, underlining Flair's adaptability to diverse market segments. As a stationery entity, the net profit margin exceeding 10% underscores the company's sound financial health. The RoE surpassing 31.2% in the latest year is indicative of efficient capital utilization and robust asset turnover ratio of 1.5 implies above-average asset efficiency. **The IPO offers an attractive proposition, particularly considering the EPS of 12.66, resulting in a P/E ratio of 24.01x. The valuation becomes compelling under the assumption of sustained profit growth and when factoring in the intrinsic value of the brand and premium valuation of the FMCG space. In summation, Flair Writing Industries Ltd. emerges as a relatively secure investment opportunity with appealing valuations and we advise a "SUBSCRIBE" rating with a medium to long-term horizon.**

Key Risks

- ⇒ **Market Dependency and Competition:** 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.
- ⇒ **Machinery Order Delay:** 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.
- ⇒ **Consumer Demand and Product Mix:** 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 results.



Flair Writing Industries Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Revenue			
Revenue from Operations	2,980	5,774	9,427
Total Revenue	2,980	5,774	9,427
Expenses			
Cost of raw materials and components consumed	1,461	3,336	5,082
Purchases of stock-in-trade	48	47	62
Changes in inventory	156	-302	-55
Employee benefit expenses	584	878	1,173
Other Expenses	502	838	1,330
Total Operating Expenses	2,750	4,798	7,592
EBITDA	230	976	1,835
Depreciation and Amortization expenses	224	244	273
Other income	129	102	116
EBIT	135	834	1,678
Finance costs	113	100	90
Exceptional Item	0	0	0
PBT	21	735	1,588
Current tax	2	191	405
Deferred Tax charge/ (credit)	9	-8	2
Total tax	11	183	407
PAT	10	552	1,181
Diluted EPS	0.1	5.9	12.7

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Cash Flow from operating activities	604	350	964
Cash flow from investing activities	-158	-195	-736
Cash flow from financing activities	-475	-159	-223
Net increase/(decrease) in cash and cash equivalents	-29	-3	5
Cash and cash equivalents at the beginning of the period	36	7	3
Cash and cash equivalents at the end of the period	7	3	8

Source: RHP, BP Equities Research



Flair Writing Industries Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23
Equity and Liabilities			
Equity Share Capital	233	233	467
Other Equity	2,383	2,936	3,885
Total Equity	2,616	3,170	4,352
Non-Current Liabilities			
Borrowings	1,116	734	418
Lease liabilities	44	14	68
Provisions	35	16	5
Other financial liabilities	53	61	63
Deferred tax liabilities (net)	102	95	96
Total Non Current Liabilities	1,350	920	650
Current Liabilities			
Borrowings	187	529	738
Lease liabilities	32	30	11
Trade Payables (MSME and SME)	86	170	228
Trade Payables (Other than MSME and SME)	325	333	408
Other financial liabilities	140	196	204
Provisions	48	56	77
Current tax liabilities (Net)	1	94	65
Other current liabilities	23	77	109
Total Current Liabilities	841	1,486	1,840
Total liabilities	2,191	2,405	2,490
Total Equity and Liabilities	4,807	5,575	6,842
Assets			
Non-Current Assets			
Property, plant and equipment	1,764	1,901	2,401
Capital Work-in-Progress	-	18	16
Right-of-use assets	65	36	75
Goodwill	-	-	4
Intangible Assets	27	24	20
Financial Assets	20	23	56
Income Tax Assets (Net)	-	1	1
Other Non-Current Assets	66	51	164
Total Non current assets	1,943	2,052	2,736
Current Assets			
Inventories	1,314	1,843	2,138
Investments	163	-	-
Trade Receivables	1,158	1,470	1,707
Cash and Cash Equivalents	7	3	8
Loans	2	2	3
Other Financial Assets	2	3	8
Other current assets	218	202	242
Total Current Assets	2,864	3,523	4,106
Total Assets	4,807	5,575	6,842

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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