



SMC Ranking
 ★★☆☆☆ (2.5/5)

Issue Highlights

Industry	Houseware
Offer for sale (Shares)	9,901,315
Fresh Issue (Shares)	9,605,263
Net Offer to the Public	19,506,578
Issue Size (Rs. Cr.)	562-593
Price Band (Rs.)	288-304
Offer Date	22-Nov-23
Close Date	24-Nov-23
Face Value	5
Lot Size	49

Issue Composition

	In shares
Total Issue for Sale	19,506,578
QIB	9,753,289
NIB	2,925,987
Retail	6,827,302

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	97.49%	79.21%
QIB	2.51%	11.53%
NIB	0.00%	2.78%
Retail	0.00%	6.48%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company intends to utilize the net proceeds from the issue towards the funding of the following objects:

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

Book Running Lead Manager

- Nuvama Wealth Management Limited
- Axis Capital Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in 1976, Flair is engaged in developing and manufacturing writing instruments that are tailored to today's continuously shifting market. The company owns several brands including FLAIR, HAUSER, PIERRE CARDIN, FLAIR CREATIVE, FLAIR HOUSEWARE, and the ZOOX. In the Financial Year 2023, the company sold a total of 130.36 crore units of pens, out of which 97.53 crore units, which accounts for 74.82% of the sales, were sold domestically while 32.83 crore units, accounting for 25.18% of the sales, were exported globally. Furthermore, the company has recently ventured into manufacturing a diverse range of houseware products such as casseroles, bottles, storage containers, serving solutions, cleaning solutions, baskets, and paper bins. This expansion was made possible through one of its subsidiaries, FWEPL.

Strength

Among the top three players in the overall writing instruments industry in India: The company is among the top 3 players in the overall writing instruments industry in India. With substantial revenue of Rs. 915.55 crore in Financial Year 2023, it holds a market share of approximately 9% in the overall writing and creative instruments industry as of March 31, 2023. The company has developed a reputation as one of the key manufacturers of pens writing instruments in India, according to CRISIL, and aims to continue to build on this reputation by introducing new range of products and brands. It also offers products under other principal brands of "Hauser", "Pierre Cardin" and "ZOOX". According to CRISIL, within the writing and creative instruments industry, pens form a major share and are driven by volumes. Its brands "Flair" and "Hauser" offer mass-market and premium pen and stationery products, brand "ZOOX" focusses on mid-premium and premium writing instruments, and "Pierre Cardin" brand offers premium pen and stationery products. The company believes that it has the ability to further consolidate its leadership position as its brands command credibility in the market and it has a competitive advantage in existing markets as well as to enter new markets to grow its product range.

Diversified range of products across various price points catering to a wide spectrum of consumers: The Company focuses on providing quality products to consumers, including students, professionals and offices. The company offers products at prices ranging between Rs. 5 and Rs. 3,000. The goal of the company is to cater to consumers in its 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"). In order to enhance its brand presence in terms of product pricing, it focuses on competitive pricing and aggressive marketing for its Mass Segment and focus on brand building and product differentiation in its Mid-premium Segment and Premium Segment. In the three-month period ended June 30, 2023 and Financial Year 2023, it launched 28 and 151 pen products, respectively, across various price points.

Largest pan-India distributor/dealer network and wholesale/retailer network in the writing instruments industry* and strong presence in targeted markets abroad: Its multi-tiered nationwide domestic sales and distribution network enables its products to reach a wide range of consumers and help to ensure effective market penetration across geographies. As compared to key competitors such as DOMS, Camlin, Linc, and Luxor, the company boasts the largest distributor/dealer network and wholesale/retailer network in the writing instruments segment in India. This extensive network, comprising approximately 7,700 distributors/dealers and 315,000 wholesalers/retailers, provides a

competitive edge. As of June 30, 2023, it had 131 super-stockists in India (including Flair Sporty), supported by its sales and marketing employees, and a retail presence in 2,424 cities, towns and villages in India.

Ability to partner with international brands in the writing instruments industry and one of the largest exporter of writing and creative instruments in India: The company has a significant international footprint, with a substantial portion of its products being exported globally. In the three-month period ending June 30, 2023, it exported 18.91% of its pens globally. The ability to tap into international markets enhances its growth prospects. Its relationship with its five largest customers (in terms of their contribution to its total revenue from operations for the three-month period ended June 30, 2023 and the Financial Year 2023), located in U.S., United Arab Emirates, Yemen, Japan and Colombia averaged approximately 15 years. As of June 30, 2023, it had relationships with 54 international distributors for the distribution and sale of its products abroad. As of June 30, 2023, its products were sold by the company and its distributors in 77 countries, whereby it mitigates any concentration risk.

High quality manufacturing at a large scale coupled with innovation capabilities: As of June 30, 2023, it had 11 manufacturing plants located in Valsad, Gujarat; in Naigaon (near Mumbai), Maharashtra; in Daman, Union Territory of Dadra and Nagar Haveli and Daman and Diu; and in Dehradun, Uttarakhand.

Historical track-record of strong financial performance with industry-leading profitability: The company has an established a track-record of strong and consistent financial performance, with its revenue from operations, profit after tax, EBITDA and return on capital employed ratio having grown at a CAGR of 77.86%, 992.77%, 133.21% and 200.03%, respectively, from Financial Year 2021 to Financial Year 2023. This is attributable to its continued focus on innovative designs, new product launch The consistent growth in assets, revenue, and net worth, as reflected in the financial data, adds to the overall financial robustness.

Strategy

Focus on growing its existing product portfolio and diversification of its 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. The company aims to strengthen and expand its 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. The company intends to further expand its product offering and competitive advantage by diversifying its 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. The company believes that its continued focus towards cost efficient manufacturing and adopting new technologies with focus on product quality and process improvement and an aggressive distribution and marketing strategy, will help it to have a competitive advantage across the industry in India and globally and assist in continuing to maintain its position in the writing instruments industry

Emphasis on Mid-premium Segment and Premium Segment to increase margins: Flair 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 Rs.20 and Rs.100, and their "Pierre Cardin" products which are priced Rs.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", the company has taken initiatives such as a dedicated sales and marketing team and marketing efforts including change in packaging and display stands. It also intends to expand its corporate gifting business comprising higher-margin products customized according to the requirements of its corporate customers and have deployed dedicated sales teams in various cities in India in this regard.

Continue to increase production capacity and enhance capacity utilization: The company aims to continue to be among the top three players in the overall writing instruments industry in India. Its

manufacturing plants (other than its plant in Naigaon, Maharashtra) had a combined production capacity of 51.76 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 three-month period ended June 30, 2023 and Financial Year 2023, respectively, according to the Chartered Engineer, pursuant to the certificate dated October 26, 2023.

Strengthening presence in key geographies along with strategically expanding exports: The Company intends to leverage its 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. The company has established long-term relationships with international companies for which it manufactures and distributes or is a contract manufacturer and its relationship with its 5 largest customers located in U.S., United Arab Emirates, Yemen, Japan, and Colombia averaged approximately 15 years. Also, it seeks to expand the market for its products particularly in markets where it can extract higher margins such as Africa, Central America, and South America. The company also aims to further increase sales of the “Pierre Cardin” and “ZOOX” brands of pens in the Middle East markets.

Deepen the sales and distribution network and further strengthen the brands: Flair intends to expand its existing sales and distribution network in India, by entering into arrangements with more super stockists 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. The company has consistently allocated significant resources to establish and strengthen their flagship brand “Flair” and their principal brand “Hauser” through various marketing initiatives. The company aims to further increase the visibility of their “Flair Creative” range of products and the “Pierre Cardin” and “ZOOX” brands, in India and globally.

Risk factor

- 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.
- The success of the company depends on its ability to respond to consumer needs and maintain an optimal product mix.
- While having a large distributor/dealer network is strength, dependence on it makes the company vulnerable to disruptions in the distribution chain, changes in distributor behavior, or economic conditions affecting the network.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Kokuyo Camlin	817.56	40.11	4.00	37.05	5.19	28.57	1	148.20	1486.50
Linc	504.94	38.56	25.92	25.95	5.42	124.19	10	672.75	1000.53
Cello World	1796.70	285.07	12.53	62.65	48.28	16.26	5	785.05	16661.20
Flair Writing Industries Limited**	942.66	118.10	11.21	27.13	4.41	69.00	5	304.00	3204.02

*Peer Comparison company financials are based on TTM and cell world - peer company financials are FY23 based due to new listed company. Flair Writing Industries financials are FY23.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.304, the stock is priced at pre issue P/E of 24.66x on FY2023 EPS of Rs. 12.33. Post issue, the stock is priced at a P/E of 27.13x on its EPS of Rs.11.21. Looking at the P/B ratio at Rs.304, pre issue, book value of Rs. 45.44 of P/Bvx 6.69x. Post issue, book value of Rs. 69.00 of P/Bvx 4.41x.

Considering the P/E valuation, on the lower end of the price band of Rs.288, the stock is priced at pre issue P/E of 23.36x on FY2023 EPS of Rs. 12.33. Post issue, the stock is priced at a P/E of 25.70x on its EPS of Rs.11.21. Looking at the P/B ratio at Rs.288, pre issue, book value of Rs. 45.44 of P/Bvx 6.34x. Post issue, book value of Rs. 69 of P/Bvx 4.17x.

Industry Outlook

The Indian writing and creative instruments industry is dominated by organised players and is expected to grow at a compound annual growth rate of 7.7% to 8.4% over the Financial Years 2023 to 2028, with the pen segment projected to grow at a compound annual growth rate of 7.5% to 8.5% over the same period. The Indian steel bottle industry is highly fragmented and is expected to grow at a compound annual growth rate of 14% to 16% over the Financial Years 2023 to 2028. As of March 31, 2023, the Indian homeware industry is estimated to be around Rs.400 to Rs.450 billion with the kitchen appliances segment occupying a share of 40% to 45%.

Outlook

The company holds 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. However, the success of the company depends on its ability to respond to consumer needs and maintain an optimal product mix. Beside, Offer for Sale (OFS) of Rs 301 crores goes to selling shareholders with no direct benefit to the company. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	22-November-23
BID/ISSUE CLOSES ON	24-November-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	30-November-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	01-December-23
Credit of Equity Shares to demat accounts of Allottees	04-December-23
Commencement of trading of the Equity Shares on the Stock Exchanges	05-December-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-23 (3 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	246.70	942.66	577.40
Total expenditure	194.36	759.15	479.83
Operating Profit	52.34	183.51	97.57
OPM%	21.21	19.47	16.90
Other Income	1.81	11.63	10.24
PBDIT	54.14	195.14	107.81
Depreciation	8.41	27.34	24.37
PBIT	45.73	167.80	83.44
Interest	2.78	9.00	10.00
PBT	42.95	158.80	73.45
Total tax expenses	10.81	40.70	18.30
PAT	32.14	118.10	55.15

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	240.16	240.09	190.07
Capital work-in-progress	4.16	1.60	1.78
Right of Use Asset	27.73	7.48	3.59
Goodwill	0.36	0.36	0.00
Other intangible assets	1.96	2.00	2.35
Financial Assets			
Loans	0.39	0.03	0.04
Other financial assets	6.92	5.56	2.24
Non-current tax assets (net)	29.88	16.38	5.10
Income tax assets (Net)	0.06	0.06	0.07
Total non-current assets	311.62	273.55	205.23
Current assets			
Inventories	228.32	213.76	184.30
Financial Assets			
Loans	0.07	0.33	0.22
Trade receivables	195.52	170.67	146.97
Cash and cash equivalents	0.20	0.79	0.33
Bank balances other than (iii) above	0.00	0.01	0.01
Other financial assets	1.14	0.84	0.28
Other current assets	28.18	24.23	20.16
Total current assets	453.42	410.63	352.26
Total Assets	765.04	684.18	557.49
Non-current liabilities			
Financial liabilities			
Borrowings	71.58	41.80	73.41
Lease liabilities	23.87	6.77	1.36
Other financial liabilities	0.19	0.26	1.30
Provisions	7.47	6.30	6.06
Other Non-current Liabilities	0.24	0.26	0.32
Deferred tax liabilities (net)	8.56	9.57	9.51
Total non-current liabilities	111.92	64.96	91.96
Current liabilities			
Financial Liabilities			
Borrowings	55.08	73.79	52.92
Lease Liabilities	4.56	1.06	3.01
Trades Payable - MSME	27.09	22.80	16.97
Trade Payables - other than MSME	41.26	40.76	33.32
Other financial liabilities	29.37	20.43	19.64
Provisions	9.51	7.72	5.62
Current tax liabilities (net)	6.19	6.51	9.40
Other current liabilities	13.47	10.92	7.67
Total current liabilities	186.52	184.00	148.55
Total	298.44	248.95	240.51
Net worth represented by:			
Equity Share Capital	46.69	46.69	23.35
Non Controlling interest	0.25	0.28	0.00
Other Equity	419.66	388.26	293.63
Net Worth	466.60	435.23	316.98

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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