

IPO Note

FLAIR WRITING INDUSTRIES LIMITED

November 22, 2023





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Details of the Issue

Price Band	₹ 288 - ₹ 304
Issue Size	₹ 593 Cr
Face Value	₹ 5
Bid Lot	49
Listing on	BSE, NSE
Post Issue Mcap	₹ 3,204 Cr
Investment Range	₹ 14,112 - ₹ 14,896

Important Indicative Dates (2023)

Opening	22- Nov
Closing	24 - Nov
Basis of Allotment	30- Nov
Refund Initiation	01 - Dec
Credit to Demat	04 - Dec
Listing Date	05 - Dec

No of shares (Mn)

Fresh Issue of Shares	9.61
Offer for Sales	9.90
Total No of Shares	19.51

Lead Manager

Nuvama Wealth Management Limited
Axis Capital Limited

Offer Details

Offer Size	₹ 593 Cr
Fresh Issue	₹ 292 Cr
OFS	₹ 301 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	297	9.75	10.30	50
NIB	208	6.85	7.21	35
Retail	89	2.93	3.09	15
Em-ploy.	-	-	-	-
Total	593	19.51	20.59	100

[Invest Now](#)[Company Profile](#)

Established in 1976, Flair is a dynamic player in the writing instruments industry, crafting products tailored to the evolving market. Holding ISO 9001:2015 and ISO 14001:2015 certifications, Flair adheres to global business and social standards. With robust ties to key players in the writing industry, Flair boasts a portfolio of brands including FLAIR, HAUSER, PIERRE CARDIN, FLAIR CREATIVE, FLAIR HOUSEWARE, and ZOOX. In FY2023, the company achieved substantial sales, totaling 1,303.60 million units of pens. Domestically, 74.82% of these sales (975.30 million units) were recorded, while 25.18% (328.30 million units) were exported globally.

Expanding its horizons, Flair has entered the houseware market, producing a diverse range of products like casseroles, bottles, storage containers, serving solutions, cleaning solutions, baskets, and paper bins. This strategic move was facilitated through its subsidiary, FWEPL.

[Business Highlights & Services](#)

Flair Ltd manufacture and distribute writing instruments for sale in India and abroad under flagship brand “Flair”, principal brands “Hauser” and “Pierre Cardin” and have recently introduced “ZOOX” in India. It also manufacture writing instruments under contract on an OEM basis for international companies for export and for sale in India. It have also launched a range of creative and stationery products under the “Flair Creative” brand primarily for sale in India and have recently commenced export of the products under this brand. Company manufacture and distribute calculators under the “Flair” brand. It further manufacture and distribute houseware products and have recently commissioned manufacturing of steel bottles through their Subsidiaries.

Flair is a top-three player in the global writing instruments industry, generating ₹9,155.5 million in revenue for FY2023. Holding a 9% market share in India's writing and creative instruments sector, company is recognized by CRISIL as one of the top two players with faster-than-average revenue growth (14% CAGR) compared to the industry (5.5% CAGR) from FY2017 to 2023. In FY2022, it achieved the highest operating (17.8%) and net income (9.6%) margins among key industry players. Its flagship brand “Flair” has enjoyed a market presence of over 45 years.

It has diverse product lineup encompasses various pens (ball, fountain, gel, roller, and metal pens), constituting their largest category. It also offer stationery items (mechanical pencils, highlighters, correction pens, markers, gel crayons, and kids' stationery kits), along with calculators. In FY 2021, introduced the "Flair Creative" range, featuring watercolors, crayons, sketch pens, erasers, wooden pencils, geometry boxes, fine liners, sharpeners, and scales. As of June 30, 2023, its portfolio includes a total of 727 different products.

Flair diversified into houseware product manufacturing, including casseroles, bottles, storage containers, and more, through subsidiary FWEPL. Utilizing part of the proceeds from the Offer, it plan to enhance FWEPL's capacity for writing instrument production. Leveraging the strong "Flair" brand, it aim to optimize business in houseware products and steel bottles, a key growth focus. Steel bottle manufacturing, initiated in March 2023 through FCIPL, aligns with the projected 14-16% CAGR in the Indian steel bottle industry from FY2023 to 2028, according to CRISIL. With a letter of intent from a key OEM customer, it has commissioned one manufacturing line and plan to add two more in Q3 FY2024 at Valsad, Gujarat plant.

Company's products in India are distributed nationwide through a robust network of super-stockists, distributors, direct dealers, wholesalers, and retailers.



With 131 super-stockists and a retail distributor presence in 2,424 locations, Flair reach extends to diverse markets. Supported by 889 sales and marketing employees, it has relationships with top super-stockists, averaging 25 years, contribute significantly to their revenue. Additionally, Flair products are available through modern retail outlets, e-commerce platforms, and international distributors in 77 countries, aligning with dual focus on consumer outreach and strengthening distribution partnerships.

Segmental Revenue Breakdown

Particulars	Three-month period ended June 30, 2023		Financial Year 2023		Financial Year 2022		Financial Year 2021	
	(in ₹ million)	As a percentage of total revenue (in %)	(in ₹ million)	As a percentage of total revenue (in %)	(in ₹ million)	As a percentage of total revenue (in %)	(in ₹ million)	As a percentage of total revenue (in %)
Writing instruments	2,394.99	97.08	9,155.50	97.12%	5,560.22	96.30%	2,868.23	96.25%
Houseware products	37.57	1.53	74.94	0.80%	3.75	0.06%	2.37	0.08%
Steel bottles	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Other*	34.42	1.39	196.16	2.08%	210.02	3.64%	109.27	3.67%
Total	2,466.98	100.00	9,426.60	100.00	5,773.98	100.00	2,979.88	100.00

Flair Import & Export Revenue Data

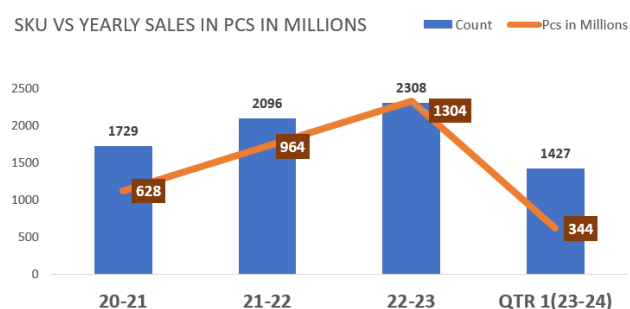
Particulars	Revenue from sale of products for the							
	Three-month period ended June 30, 2023		Financial Year 2023		Financial Year 2022		Financial Year 2021	
	(in ₹ million)	(in %)	(in ₹ million)	(in %)	(in ₹ million)	(in %)	(in ₹ million)	(in %)
Sale of products (domestic)	2,062.94	83.62	7,478.21	79.33	4,342.05	75.20	1,824.01	61.21
Sale of products (exports)	383.73	15.55	1,847.05	19.59	1,345.64	23.31	1,081.71	36.30

Brand and Product Discription

Flair: Flair is a flagship brand, originated in 1976 under M/s. Wimco Pen Co, specializing in fountain pens and ball pens. In 1986, the brand transitioned to M/s. Flair Writing Instruments, later becoming its present company in 2016. Its product range under "Flair" includes plastic and metal pens, stationery, calculators, houseware, and steel bottles. With over 727 SKUs, prices range from ₹5 to ₹250, catering to diverse customers in India and the export market. Top-selling products as of June 30, 2023, were the "Ezee-Click Ball Pen" and "Woody Pen," and for FY2023, the "Ezee-Click Ball Pen" and "Writometer."



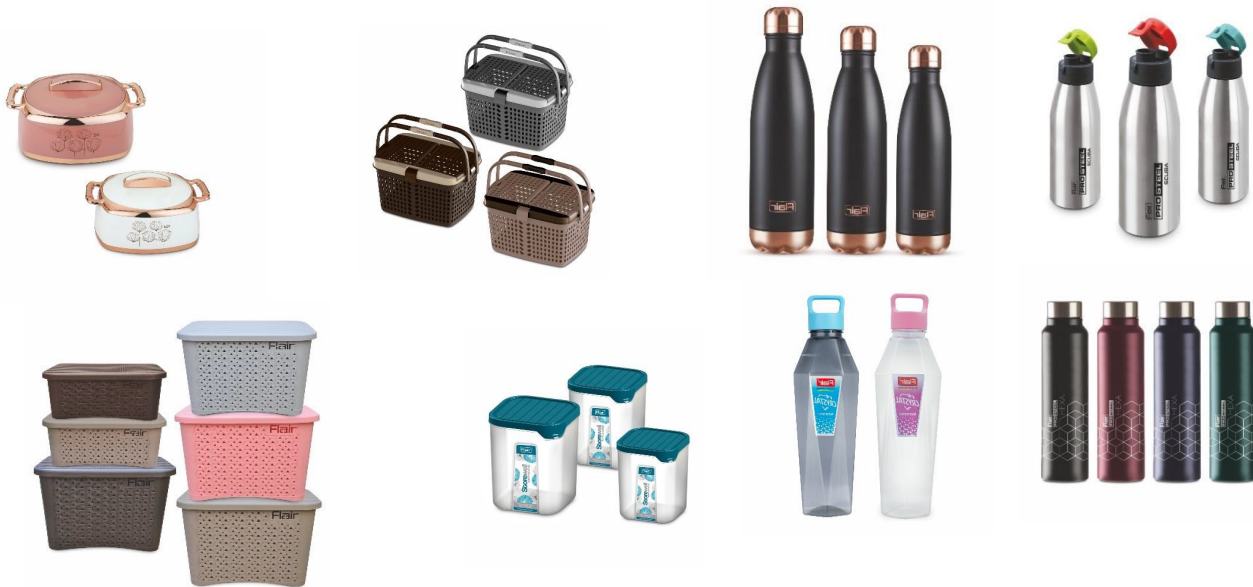
The graph below shows the total number of stock keeping units ("SKUs") of pen products along with the volume of SKUs sold in the Financial Years 2021, 2022 and 2023:





Houseware Product

As of June 30, 2023, its houseware product line includes casseroles, bottles, storage containers, serving solutions, cleaning solutions, and baskets. The segment generated ₹37.41 million and ₹71.49 million in revenue for the three-month period and FY 2023, contributing 1.52% and 0.76% to overall revenue. Managed by its subsidiary FWEPL, it plan to expand their houseware offerings under the "Flair" brand, particularly focusing on steel bottles with customization options. It have received a letter of intent from a key OEM customer, and with a dedicated manufacturing approach, company aim to strengthen its presence in the Indian steel bottle industry, aligning with the "Make in India" initiative. FCPL, another subsidiary, will handle exports, while leveraging the distribution and marketing strength of the company for local sales.



Manufacturing Capacity

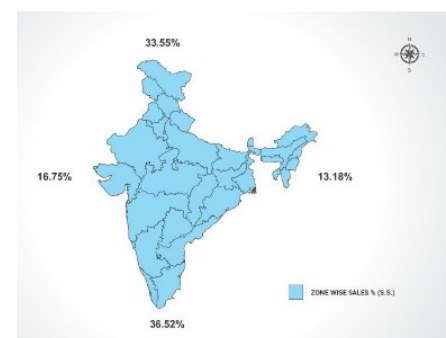
As of June 30, 2023, it had 11 manufacturing plants located in Valsad, Gujarat; in Naigaon (near Mumbai), Maharashtra; in Daman, Union Territory of Dadra and Nagar Haveli and Daman and Diu; and in Dehradun, Uttarakhand.

Particulars	Three-month period ended June 30, 2023	Financial Year				
		2023	% change	2022	% change	2021
Production capacity (in million pieces)	517.53	2,023.68	9.07	1,855.32	5.46	1,759.24
Capacity utilization (in %)	77.59	72.82	24.67	58.41	73.74	33.62
Effective production capacity (in million pieces)	517.53	1,978.33	9.63	1,804.48	3.08	1,750.51
Effective capacity utilization (in %)	77.59	74.49	24.05	60.05	77.72	33.79

Flair Distribution Network Data

As of September 30, 2023, it had Term Loans Outstanding in 23 States and five Union Territories. Set forth below is a table showing the total Term Loans Outstanding made to borrowers in States and Union Territories where the totals of those loans exceeded 1% of its Term Loans Outstanding, as of September 30, 2023.

Particulars	Three-month period ended June 30, 2023	Financial Year 2023	Financial Year 2022	Financial Year 2021
Number of super-stockists	131	131	125	84
Number of distributors/dealers	7,754	7,754	7,307	5,638
Number of wholesalers/retailers	315,000	315,000	235,000	180,000





Objective of IPO

- Augmenting the capital base to meet future capital requirements and onward lending.
- The Company expects to receive the benefits of listing the Equity Shares on the Stock Exchanges, including enhancing the brand image among existing and potential customers and creating a public market for the Equity Shares in India.

Peers Comparison

Operating income (in ₹ million)	Financial Year							CAGR			
	2017	2018	2019	2020	2021	2022	2023	Financial Year 2017-2019	Financial Year 2020-2022	Financial Year 2017-2022	Financial Year 2020-2023
Hindustan Pencils	8,442.8	8,295.1	9,412.3	9,677.0	4,888.7	7,740.5	N.A.	6%	(11)%	(2)%	N.A.
DOMS	3,965.0	4,685.2	5,878.6	6,542.3	4,028.2	6,836.0	12,118.9	22%	2%	12%	23%
Flair*	4,189.8**	5,736.7 (5,168.2)	7,323.9 (6,334.7)	7,251.5 (6,171.6)	2,979.9	5,774.0	9,426.6	32%	(11)%	7%	9%
Camlin	6,558.6	6,973.6	6,888.0	6,340.4	4,031.2	5,084.7	7,749.4	2%	(10)%	(5)%	7%
BIC Cello	5,982.2	5,855.7	5,356.4	4,794.6	2,646.0	4,064.4	N.A.	(5)%	(8)%	(7)%	N.A.
Linc	3,601.0	3,402.0	3,712.6	4,050.0	2,586.5	3,592.6	4,867.5	2%	(6)%	0%	6%
Luxor	3,174.4	3,310.0	3,483.2	3,650.3	2,317.5	3,341.2	N.A.	5%	(4)%	1%	N.A.
Reynolds	209.1	889.3	1,669.2	1,926.6	1,922.8	2,987.3	N.A.	183%	25%	70%	N.A.
Cello World#	N.A [§]	N.A [§]	N.A [§]	N.A [§]	10,494.6	13,591.8	17,967.0	N.Ap	N.Ap	N.Ap	N.Ap

EBITDA margin (%)	Financial Year						
	2017	2018	2019	2020	2021	2022	2023
Hindustan Pencils	7.4	5.8	5.8	4.5	1.9	3.6	N.A.
DOMS	13.2	13.1	12.6	11.7	7.9	10.6	15.6
Flair	20.5	16.6	16.8	13.0	7.9	17.8	20.4
Camlin	3.6	6.0	7.3	5.8	2.0	3.3	7.0
BIC Cello	(8.2)	(5.6)	(18.2)	(18.3)	(52.8)	(34.8)	N.A.
Linc	9.4	7.6	6.9	10.2	4.4	6.7	13.1
Luxor	8.8	7.7	9.9	5.8	2.0	2.2	N.A.
Reynolds	(56.9)	(3.8)	(4.9)	(1.6)	10.0	8.4	N.A.
Cello World#	N.A [§]	N.A [§]	N.A [§]	N.A [§]	27.3	25.7	24.3

	Financial Year 2023		Financial Year 2022	
	ROCE (%)	ROE (%)	ROCE (%)	ROE (%)
Hindustan Pencils	N.A.	N.A.	9.1	5.2
DOMS	38.2	33.8	10.2	6.9
Flair	33.3	31.6	19.6	19.2
Camlin	12.7	9.9	(0.2)	(2.0)
BIC Cello	N.A.	N.A.	(37.6)	(38.3)
Linc	31.0	23.5	7.8	5.9
Luxor	N.A.	N.A.	1.5	(5.4)
Reynolds	N.A.	N.A.	6.8	6.2
Cello World#	44.5	134.43	40.9	N.Ap

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Fair Writing Industries Ltd	5	943	12.66	46.9	NA	31.17%
Peers Group						
LINC Ltd	10	487	25.15	119.17	33.5	23.37%
Kokuyo Camlin Ltd	1	775	2.44	26.18	56.82	9.74%
Cello World Ltd	5	1,797	13.17	56.84	62.6	23.17%



Companies Competitive Strength :

- Among the top three players in the overall writing instruments industry in India.
- Diversified range of products across various price points catering to a wide spectrum of consumers
- Largest pan-India distributor/dealer network and wholesale/retailer network in the writing instruments industry* and strong presence in targeted markets abroad.
- Ability to partner with international brands in the writing instruments industry and one of the largest exporter of writing and creative instruments in India.
- High quality manufacturing at a large scale coupled with innovation capabilities.
- Experienced Promoters supported by professional senior management team
- Historical track-record of strong financial performance with industry-leading profitability

Key Strategies Implemented by Company

- Focus on growing existing product portfolio and diversification of product range.
- Emphasis on Mid-premium Segment and Premium Segment to increase margins.
- Continue to increase production capacity and enhance capacity utilization.
- Strengthening presence in key geographies along with strategically expanding exports.
- Further strengthen brands.
- Deepen their sales and distribution network

Particulars (Rs Cr)	2023	2022	2021
Equity Share Capital	46.69	23.35	23.35
Reserves	388.26	293.63	238.26
Net worth as stated	437.99	319.86	264.65
Revenue from Operations	942.66	577.40	297.99
Revenue Growth (%)	19.47%	16.90%	-
EBITDA	183.51	97.57	23
EBITDA Margins (%)	19.47%	16.90%	7.72%
Net Profit for the Period	118.10	55.15	0.99
Net Profit (%) as Stated	12.53%	9.55%	0.33%
EPS (₹)	12.66	5.91	0.11
RoNW (%)	31.17	18.87%	0.37%
NAV	46.90	34.25	28.34
ROE (%)	31.17%	18.87%	0.37%
ROCE (%)	31.24%	17.41%	0.14%

Valuations and Recommendation:

- Fair writing ind Ltd revenue arrives at ₹ 118.10 Cr for FY24. At upper price band of ₹ 304, Company is looking for post issue market cap of ₹ 3,204 Cr, Which implies a earning multiple (P/E) of 27(x).
- Based on the valuation, issue appears to be fairly valued, FWIL exhibits robust financial performance, rebounding from the challenges of FY21. Revenue and PAT have consistently improved, driven by enhanced margins and the introduction of new products across various categories. As a leader in both domestic and export markets for writing instruments, FWIL boasts industry-leading profitability, a 14% CAGR growth (FY17-23), and a debt-free status. With over 45 years in the market, the flagship brand "Flair" signifies stability. However, success hinges on adapting to consumer needs and maintaining an optimal product mix. Hence, we recommend "Subscribe" rating to the stock issue.



Notes

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