

IPO Report

Choice

“SUBSCRIBE” to

Flair Writing Industries Ltd.

A dominant player in the domestic writing instruments market



Salient features of the IPO:

- **Flair Writing Industries Ltd.** (Flair), a stationery products manufacturing company is coming up with an IPO to raise around Rs. 595cr, which opens on 22nd Nov. and closes on 24th Nov. 2023. The price band is Rs. 288 - 304 per share.
- The IPO is a combination of fresh and OFS portion. From the OFS issue, the company will not receive any funds. From the fresh issue net proceeds, it will be utilizing Rs. 56cr for setting up a new writing instrument facility at Valsad, Gujarat; Rs. 86.7cr will be used to fund the capital expenditure at the subsidiary level; Rs. 77cr for funding the working capital requirement and another Rs. 43cr will be utilized to prepay/repay borrowings.
- On 10th Nov. 2023, Flair in consultation with the BRLMs has executed preferential allotment of 0.24cr shares (to Volrado Venture Partners Fund, a fund managed by Enam Holdings) at Rs. 304 per share. Total amount realized was Rs. 73cr. As a result, the fresh issue was reduced to Rs. 292cr, compared to Rs. 365cr proposed while filing the DRHP.
- Couple of promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.99cr shares (considering the higher price band). Post-IPO, P&PG will have 79.21% stake in the company, compared to 97.49% earlier. Consequently, public shareholding will increase from 2.51% to 20.79%.

Key competitive strengths:

- Among the top-3 players in the overall writing instruments market 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 market and strong presence in targeted markets abroad
- Ability to partner with international brands in the writing instruments market and one of the largest exporter of writing & creative instruments from India
- High quality manufacturing at a large scale coupled with innovation capabilities
- Historical track-record of strong financial performance with sector-leading profitability
- Experienced promoters supported by professional senior management team

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Changing consumer demand and preferences
- Delay in the commissioning of new facilities
- Unfavorable product-mix and forex rates
- Volatilities in the raw material prices
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- The writing & creative instruments market comprises of writing equipment such as pens, pencils, markers & highlighters; and art & hobby equipment such as crayons, sketch pens, colour pencils, brushes and accessories such as erasers, sharpeners etc. Among the writing & creative instruments market, pens account for a major share (i.e. 44% in value terms). Over FY17-23, the market seems to have expanded by 5.5% CAGR to reach a size of around Rs. 9,680cr. Organized players accounted for 78-80% of the total market in FY23. Going forward, organized players are poised to experience significant faster growth, compared to unorganized players. The higher organized market growth rate would be attributed to the continued market share gains from the unorganized sector and secondly, the expansion of product offerings across various categories and age groups.

Issue details

Price band	Rs. 288 - 304 per share
Face value	Rs. 5
Shares for fresh issue	0.961 - 1.014cr shares
Shares for OFS	0.990 - 1.045cr shares
Fresh issue size	Rs. 292cr
OFS issue size	Rs. 301cr
Total issue size	1.951 - 2.059cr shares (Rs. 593cr)
Bidding date	22 nd Nov. - 24 th Nov. 2023
Implied MCAP at higher price band	Rs. 3,204cr
Implied enterprise value at higher price band	Rs. 2,982cr
Book running lead manager	Nuvama Wealth Management Ltd. and Axis Capital Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Stationary
Promoters	Mr. Khubilal Jugraj Rathod, Mr. Vimalchand Jugraj Rathod, MR. Rajesh Khubilal Rathod, Mr. Mohit Khubilal Rathod and Mr. Sumit Rathod

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.975 - 1.030cr shares
Non institutional portion (Big)	10%	0.195 - 0.206cr shares
Non institutional portion (Small)	5%	0.098 - 0.103cr shares
Retail portion	35%	0.683 - 0.721cr shares

Indicative IPO process time line

Finalization of basis of allotment	30 th Nov. 2023
Unblocking of ASBA account	1 st Dec. 2023
Credit to demat accounts	4 th Dec. 2023
Commencement of trading	5 th Dec. 2023

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	97.49%	79.21%
Public	2.51%	20.79%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	49
Application money	Rs. 14,896 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				Total operating revenue (Rs. cr)	EBITDA (Rs. cr)	PAT (Rs. cr)	Gross margin	EBITDA margin	PAT margin
					1 M	3 M	6 M	1 Y						
Flair Writing Industries Ltd.	5	304	3,204	2,982					943	184	118	46.0%	19.5%	12.5%
Cello World Ltd.	5	785	16,661	16,837					1,797	421	266	50.2%	23.4%	14.8%
Kokuyo Camlin Ltd.	1	148	1,487	1,534	-9.3%	-19.2%	62.3%	61.7%	775	54	24	37.0%	7.0%	3.1%
Linc Ltd.	10	673	1,001	988	-12.1%	10.4%	11.6%	135.7%	487	61	37	39.5%	12.6%	7.7%
Average												42.2%	14.3%	8.5%

Company name	3Y revenue growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	3Y average EBITDA margin	3Y average PAT margin	3Y capital employed growth (CAGR)	3Y CFO growth (CAGR)	3Y average working capital cycle (Days)	3Y average CFO / EBITDA	3Y average CFO / Capital employed	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
Flair Writing Industries Ltd.	77.9%	182.5%	993.3%	14.7%	7.5%	14.4%	26.4%	184.4	117.0%	14.3%	0.9	10.9%	9.0%
Cello World Ltd.	30.8%	23.3%	32.7%	24.8%	14.7%		8.4%	170.6	60.1%		1.0	41.2%	252.0%
Kokuyo Camlin Ltd.	38.6%	157.6%		4.1%	-0.5%	1.1%	-33.2%	106.3	303.6%	13.9%	1.4	0.4%	2.3%
Linc Ltd.	37.7%	145.3%		7.5%	3.3%	8.6%	-4.1%	71.7	209.4%	20.8%	1.5	8.9%	8.3%
Average	35.7%	108.7%	32.7%	12.1%	5.9%	4.9%	-9.7%	116.2	191.0%	17.4%	1.3	16.9%	87.5%

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
Flair Writing Industries Ltd.	11.2	75.9	0.0	0.2	3.7	0.9	14.8%	30.8%	27.1	4.0	3.2	16.2	3.4	3.7%
Cello World Ltd.	12.5	38.6	0.5	0.4	6.0	1.2	32.5%	42.5%	62.6	20.3	9.4	40.0	9.3	1.6%
Kokuyo Camlin Ltd.	2.4	26.2	0.0	0.2	5.6	1.8	9.3%	14.3%	60.9	5.7	2.0	28.2	1.9	1.6%
Linc Ltd.	25.1	119.1	1.8	0.0	5.4	1.8	21.1%	24.1%	26.8	5.6	2.0	16.1	2.1	3.7%
Average				0.8	0.2	5.7	21.0%	27.0%	50.1	10.5	4.5	28.1	4.4	2.3%

Note: Financials as of FY23 and stock return as of 9th Nov. 2023; Source: Choice Broking Research

- With a share of around 9%, FWIL was among the top-3 players in the overall writing instruments market in FY23. Moreover, it occupied a share of 7.1% in the export of writing & creative products from India in FY23. In terms of business growth, the company was among the top-2 organized players which have witnessed faster revenue growth, compared to the overall writing & creative instruments market growth rate, i.e., while the market grew by 5.5% CAGR over FY17-23, FWIL's business expanded by 14.3% CAGR during the same period. Further, for majority of period, the company reported market leading EBITDA and PAT margins among the key organized players. In terms of market reach, FWIL had the largest distributor/dealer network and wholesale/retailer network in the writing instruments market in India. In FY23 it had around 7,700 distributors/dealers and 0.32mn wholesalers/retailers under its network.
- Its product range includes a variety of pens (ball pens, fountain pens, gel pens, roller pens and metal pens), stationery products (mechanical pencils, highlighters, correction pens, markers, gel crayons and kid's stationery kits), creative products (which include water colours, crayons, sketch pens, erasers, wooden pencils and geometry boxes, fine liners, sharpeners and scales) and calculators.
- FWIL manufactures and sells writing instruments in India and abroad under the flagship brand "Flair"; and principal brands like "Hauser" and "Pierre Cardin". Recently, the company introduced "ZOOX" branded writing instruments in India. Under "Flair" and "Hauser" brands, it offered mass-market and premium pen & stationery products, while "ZOOX" brand focused on mid-premium and premium writing instruments, and "Pierre Cardin" brand had premium pen & stationery products. During FY23, 50% of the writing instruments business was from mass-market category and rest from mid-premium and premium category.
- FWIL also manufactures writing instruments under contract on an OEM basis for international companies for export and for sale in India. During FY23, business from the OEMs stood at around 20% of the total operating revenue. The company also launched a range of creative & stationery products under the "Flair Creative" brand primarily for sale in India. It also manufactures and sells calculators under the "Flair" brand.
- During FY18-23, volume of pens sold increased by 2.4% CAGR to 130.4cr, of which 81.1% of the pens were sold domestically, while the rest were exported. Business from the creative & stationery products (Flair Creative) is getting traction from the behavioral shift (resulting from Covid-19 pandemic) among the end users, which are focusing more on extracurricular activities. To support the business growth, the company intends to introduce different products (like art materials) with standalone and bundled offerings.
- Leveraging its manufacturing capabilities, existing customer base in the writing instruments business, the company diversified into the manufacturing of houseware products and steel bottles. Under houseware category, FWIL had products like casseroles, bottles, storage containers, serving solutions, cleaning solutions and basket & paper bins. Its steel bottles comprised of single and double vacuum layered bottles. Currently, both these business segment are in initial stage, however, considering the huge available market there is a good opportunity for FWIL to expand its operations.
- The company manufactured writing instruments and other products from 11 manufacturing facilities, of these three plants are located in Valsad (Gujarat), one plant in Naigaon (Maharashtra), five plants in Daman (Union Territory of Dadra and Nagar Haveli and Daman and Diu) and two plants in Dehradun (Uttarakhand). These plants cumulatively had an effective production capacity of around 198cr pieces and operated at a utilization level of 74.5% during FY23.

Key highlights of the company (Contd...):

- With an aim to be among the top-3 players in the domestic writing instruments market, FWIL is planning to set-up a new facility in Valsad (Gujarat). Apart from manufacturing writing instruments, the company also intends to manufacture houseware products. From the fresh issue net proceeds, it will utilize Rs. 56cr for this expansion. Additionally, the company will utilize another Rs. 86.7cr from the fresh issue net proceeds to fund its capital expenditure at the subsidiary level.
- For steel bottles, already the company has received letter of intent from one of the key OEM customers. One manufacturing line has been commissioned on Mar. 2023 at Valsad. It further intends to commission two more manufacturing lines during FY24. Of these three lines, two lines will be dedicated to the OEM customers and one line will be used for manufacturing and sales in India and overseas market under the flagship “Flair” brand.
- Mainly on the back of new product launches, innovative designs, quality and competitive pricing, FWIL has reported a strong and consistent financial performance over FY21-23. On a low base in FY21 (due to Covid-19 pandemic), it has reported a 779.9% CAGR rise in total operating revenue, which stood at Rs. 942.7cr in FY23. Sales of products (which contributed an average 98% to the total operating revenue) increased by 79.1% CAGR. Domestic and overseas sales of products increased by 102.5% and 30.7% CAGR, respectively. Pens sales volume increased by 44% CAGR, while blended realization improved by 24.4% CAGR. Net cost of revenue increased by 74.8% CAGR (a rate lower than top-line growth), resulting to an 188bps expansion in the gross profit margin, which stood at 46% in FY23. Further with relatively lower employee and other expenses, EBITDA margin stood at 19.5% in FY23, compared to 7.7% in FY21. With expanded capacities, depreciation charge was higher by 10.4% CAGR, while lower financial liabilities led to a 10.8% CAGR fall in finance costs. Further with lower effective tax rate, reported PAT stood at Rs. 118.2cr in FY23 from Rs. 1cr in FY21. FWIL reported positive operating cash flows during the period, which grew by 26.4% CAGR. Average operating cash flow stood at Rs. 64cr. Total financial liabilities declined by 3.6% CAGR, resulting to a debt-to-equity ratio of 0.3x in FY23, compared to 0.6x in FY21. Pre-issue RoIC and RoE stood at 23.9% and 27.2%, respectively, in FY23, as against 0.1% and 0.4% in FY23.
- During Q1 FY24, FWIL reported a consolidated top-line of Rs. 246.7cr, with EBITDA and PAT margins of 21.2% and 13%, respectively. Based on our quick conservative estimate, over FY23-25E, we are forecasting a top-line growth of 20.7% CAGR to Rs. 1,373.1cr in FY25E. However, with relatively higher operating costs, EBITDA and PAT margin are likely to contract by 81bps and 37bps, respectively. Post-issue RoIC and RoE is expected at 13% and 15.3% in FY25E, compared to 13.7% and 14.8%, respectively, in FY23.

Peer comparison and valuation: FWIL is one of the dominant players in the domestic writing instruments market. Going forward, the pens sales volume growth is likely to moderate, compared to the growth during FY21-23, but will remain higher than volume growth reported during FY17-23. Further, new product launches with innovative designs are likely to improve the blended pens realizations. Moreover, improved penetration of other products like creative stationary items, houseware and steel bottles will further boost the top-line growth.

At higher price band, FWIL is demanding a TTM P/E multiple of 27.1x (to its FY23 EPS of Rs. 11.2), which is at discount to the peer average of 50.1x. Thus, we are assigning a **“SUBSCRIBE”** rating for the issue.

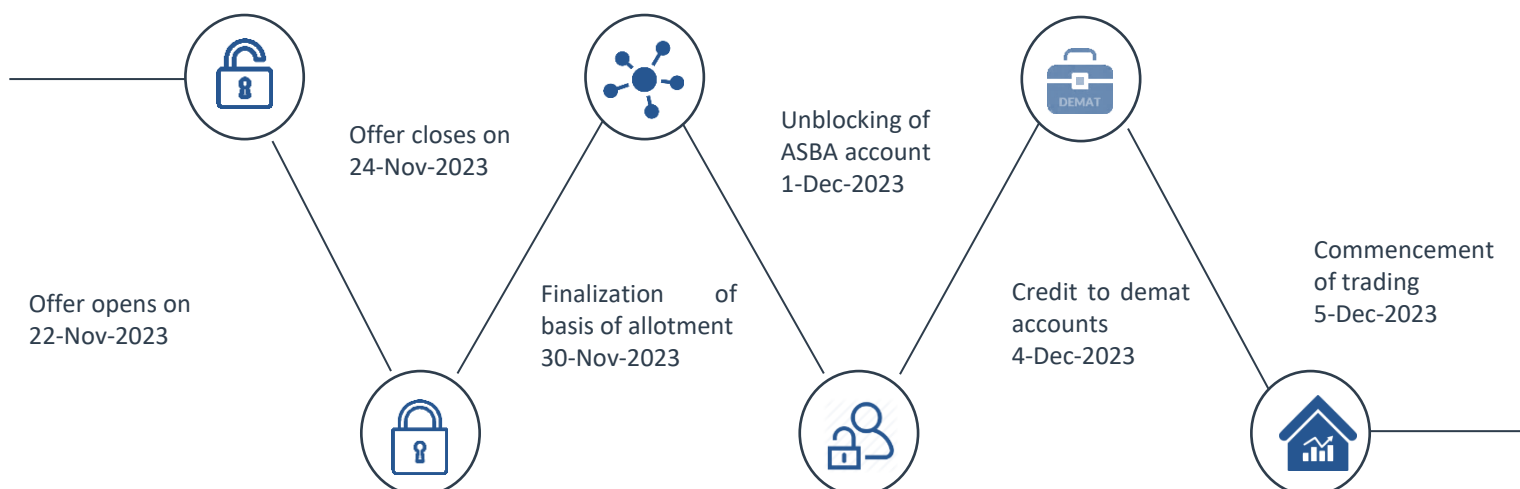
About the issue:

- Flair is coming up with an IPO with 1.951 - 2.059cr shares (fresh issue: 0.961 - 1.014cr shares; OFS shares: 0.990 - 1.045cr shares) in offering. This offer represents 18.51 - 19.44% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 593cr.
- The issue is through book building process with a price band of Rs. 288 - 304 per share.
- Lot size comprises of 49 equity shares and in-multiple of 49 shares thereafter.
- The issue will open on 22nd Nov. 2023 and close on 24th Nov. 2023.
- The IPO is a combination of fresh and OFS portion. From the OFS issue, the company will not receive any funds. From the fresh issue net proceeds, it will be utilizing Rs. 56cr for setting up a new writing instrument facility at Valsad, Gujarat; Rs. 86.7cr will be used to fund the capital expenditure at the subsidiary level; Rs. 77cr for funding the working capital requirement and another Rs. 43cr will be utilized to prepay/repay borrowings.
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- Couple of promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.99cr shares (considering the higher price band). Post-IPO, P&PG will have 79.21% stake in the company, compared to 97.49% earlier. Consequently, public shareholding will increase from 2.51% to 20.79%.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	97.49%	79.21%
Public	2.51%	20.79%
Non-promoter & Non-public	0.00%	0.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY21-23: Mainly on the back of new product launches, innovative designs, quality and competitive pricing, FWIL has reported a strong and consistent financial performance over FY21-23. On a low base in FY21 (due to Covid-19 pandemic), it has reported a 779.9% CAGR rise in total operating revenue, which stood at Rs. 942.7cr in FY23. Sales of products (which contributed an average 98% to the total operating revenue) increased by 79.1% CAGR. Domestic and overseas sales of products increased by 102.5% and 30.7% CAGR, respectively. Pens sales volume increased by 44% CAGR, while blended realization improved by 24.4% CAGR.

Net cost of revenue increased by 74.8% CAGR (a rate lower than top-line growth), resulting to a 188bps expansion in the gross profit margin, which stood at 46% in FY23. Further with relatively lower employee and other expenses, EBITDA margin stood at 19.5% in FY23, compared to 7.7% in FY21.

With expanded capacities, depreciation charge was higher by 10.4% CAGR, while lower financial liabilities led to a 10.8% CAGR fall in finance costs. Further with lower effective tax rate, reported PAT stood at Rs. 118.2cr in FY23 from Rs. 1cr in FY21.

FWIL reported positive operating cash flows during the period, which grew by 26.4% CAGR. Average operating cash flow stood at Rs. 64cr. Total financial liabilities declined by 3.6% CAGR, resulting to a debt-to-equity ratio of 0.3x in FY23, compared to 0.6x in FY21. Pre-issue RoIC and RoE stood at 23.9% and 27.2%, respectively, in FY23, as against 0.1% and 0.4% in FY23.

Performance during Q1 FY24: FWIL reported a consolidated top-line of Rs. 246.7cr, with EBITDA and PAT margins of 21.2% and 13%, respectively.

Pre-issue consolidated financial snapshot (Rs. cr)	FY21	FY22	FY23	Q1 FY24	CAGR over FY21-23	Y-o-Y (FY23 annual)
Writing instruments	286.8	556.0	915.6	239.5	78.7%	64.7%
Houseware products	0.2	0.4	7.5	3.8	462.3%	1898.4%
Others	10.9	21.0	19.6	3.4	34.0%	-6.6%
Revenue from operations	298.0	577.4	942.7	246.7	77.9%	63.3%
Gross profit	131.6	269.2	433.9	124.6	81.6%	61.2%
EBITDA	23.0	97.6	183.5	52.3	182.5%	88.1%
Reported PAT	1.0	55.2	118.2	32.2	993.3%	114.3%
Restated reported EPS	0.1	5.2	11.2	3.1	993.3%	114.3%
Cash flow from operating activities	60.4	35.0	96.4	1.6	26.4%	175.2%
NOPLAT	0.3	55.0	116.1	32.9	2013.2%	111.3%
FCF	2.1	36.4	48.5		377.6%	33.1%
RoIC (%)	0.1%	13.4%	23.9%	6.0%	2,387 bps	1,056 bps
Revenue growth rate	-58.9%	93.8%	63.3%			
Gross profit growth rate	-55.1%	104.6%	61.2%			
Gross profit margin	44.2%	46.6%	46.0%	50.5%	188 bps	(60) bps
EBITDA growth rate	-75.6%	324.3%	88.1%			
EBITDA margin	7.7%	16.9%	19.5%	21.2%	1,175 bps	257 bps
EBIT growth rate	-99.2%	12925.3%	113.3%			
EBIT margin	0.2%	12.7%	16.6%	17.8%	1,638 bps	389 bps
Restated reported PAT growth rate	-97.4%	5476.4%	114.3%			
Restated reported PAT margin	0.3%	9.6%	12.5%	13.0%	1,221 bps	299 bps
Inventory days	172.5	99.8	77.1	83.3	-33.2%	-22.8%
Debtor days	180.3	83.1	61.5	71.3	-41.6%	-26.0%
Payable days	(70.0)	(28.9)	(22.0)	(24.9)	-43.9%	-23.7%
Cash conversion cycle	282.7	154.0	116.5	129.7	-35.8%	-24.3%
Fixed asset turnover ratio	1.6	2.9	3.7	0.9	52.8%	28.4%
Total asset turnover ratio	0.6	1.0	1.4	0.3	49.1%	33.0%
Current ratio	3.7	2.5	2.3	2.6	-21.1%	-8.4%
Quick ratio	2.0	1.2	1.1	1.3	-25.7%	-7.9%
Total debt	155.1	151.6	144.1	184.7	-3.6%	-5.0%
Net debt	138.1	151.3	143.3	184.5	1.9%	-5.3%
Debt to equity	0.6	0.5	0.3	0.4	-25.2%	-30.7%
Net debt to EBITDA	6.0	1.6	0.8	3.5	-63.9%	-49.6%
RoE (%)	0.4%	17.4%	27.2%	6.9%	2,680 bps	978 bps
RoA (%)	0.2%	9.9%	17.3%	4.2%	1,707 bps	739 bps
RoCE (%)	0.1%	17.5%	30.8%	7.5%	3,069 bps	1,333 bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking

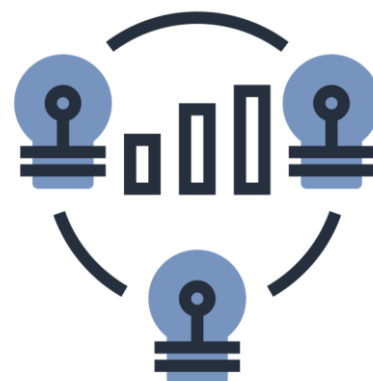


Competitive strengths:

- Among the top-3 players in the overall writing instruments market 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 market and strong presence in targeted markets abroad
- Ability to partner with international brands in the writing instruments market and one of the largest exporter of writing & creative instruments from India
- High quality manufacturing at a large scale coupled with innovation capabilities
- Historical track-record of strong financial performance with sector-leading profitability
- Experienced promoters supported by professional senior management team

Business strategy:

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



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Changing consumer demand and preferences
- Delay in the commissioning of new facilities
- Unfavorable product-mix and forex rates
- Volatilities in the raw material prices
- Difficulty in maintaining the profitability
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)						
	FY21	FY22	FY23	Q1 FY24	CAGR over FY21 - 23	Annual growth over FY22
Revenue from operations	298.0	577.4	942.7	246.7	77.9%	63.3%
Cost of materials consumed	(146.1)	(333.6)	(508.2)	(141.4)	86.5%	52.3%
Purchases of stock-in-trade	(4.8)	(4.7)	(6.2)	(1.1)	13.8%	30.5%
Changes in inventories of finished goods, semi-finished goods and stock-in-trade	(15.6)	30.2	5.5	20.4		-81.6%
Gross profit	131.6	269.2	433.9	124.6	81.6%	61.2%
Employee benefits expense	(58.4)	(87.8)	(117.3)	(35.0)	41.8%	33.6%
Other expenses	(50.2)	(83.8)	(133.0)	(37.2)	62.8%	58.7%
EBITDA	23.0	97.6	183.5	52.3	182.5%	88.1%
Depreciation and amortisation expense	(22.4)	(24.4)	(27.3)	(8.4)	10.4%	12.2%
EBIT	0.6	73.2	156.2	43.9	1567.0%	113.3%
Finance costs	(11.3)	(10.0)	(9.0)	(2.8)	-10.8%	-9.9%
Other income	12.9	10.2	11.6	1.8	-5.0%	13.6%
PBT	2.1	73.4	158.8	43.0	762.0%	116.2%
Tax expenses	(1.1)	(18.3)	(40.7)	(10.8)	495.4%	122.4%
PAT before share of profit/(loss) from JV entities	1.0	55.2	118.1	32.1	992.8%	114.1%
Minority interest			0.1	0.0		
Reported PAT	1.0	55.2	118.2	32.2	993.3%	114.3%

Consolidated balance sheet statement (Rs. cr)						
	FY21	FY22	FY23	Q1 FY24	CAGR over FY21 - 23	Annual growth over FY22
Equity share capital	23.3	23.3	46.7	46.7	41.4%	100.0%
Other equity	238.3	293.6	388.3	419.7	27.7%	32.2%
Minority interest			0.3	0.2		
Non-current borrowings	118.8	82.9	48.9	82.4	-35.9%	-41.0%
Non-current lease liabilities	4.4	1.4	6.8	23.9	24.5%	398.3%
Other non-current financial liabilities	3.2	1.3	0.3	0.2	-71.5%	-80.1%
Non-current provisions	5.3	6.1	6.3	7.5	9.0%	4.0%
Net deferred tax liabilities	10.2	9.5	9.6	8.6	-3.4%	0.6%
Other non-current liabilities	0.3	0.3	0.3	0.2		
Trade payables	41.1	50.3	63.6	68.3	24.4%	26.4%
Current borrowings	11.5	43.5	66.7	44.3	140.8%	53.5%
Current lease liabilities	3.2	3.0	1.1	4.6	-42.3%	-64.7%
Other current financial liabilities	14.0	19.6	20.4	29.4	20.8%	4.0%
Current provisions	4.8	5.6	7.7	9.5	27.3%	37.2%
Net current tax liabilities	0.1	9.4	6.5	6.2	924.9%	-30.7%
Other current liabilities	2.3	7.7	10.9	13.5	119.1%	42.4%
Total liabilities	480.7	557.5	684.2	765.0	19.3%	22.7%
Property, plant and equipment	176.4	190.1	240.1	240.2	16.7%	26.3%
Intangible assets	2.7	2.4	2.0	2.0	-14.6%	-15.1%
Capital work-in-progress		1.8	1.6	4.2		-10.2%
Right-of-use assets	6.5	3.6	7.5	27.7	7.1%	108.2%
Goodwill			0.4	0.4		
Non-current loans	0.0	0.0	0.0	0.4	70.3%	-19.4%
Other non-current financial assets	2.0	2.2	5.6	6.9	66.1%	148.5%
Net deferred tax assets		0.1	0.1	0.1		-20.0%
Other non-current assets	6.6	5.1	16.4	29.9	58.0%	221.4%
Inventories	131.4	184.3	213.8	228.3	27.6%	16.0%
Trade receivables	115.8	147.0	170.7	195.5	21.4%	16.1%
Current investments	16.3					
Cash & cash equivalents	0.7	0.3	0.8	0.2	8.0%	138.4%
Current loans	0.2	0.2	0.3	0.1	24.4%	47.1%
Other current financial assets	0.2	0.3	0.8	1.1	117.5%	198.6%
Other current assets	21.8	20.2	24.2	28.2	5.4%	20.2%
Total assets	480.7	557.5	684.2	765.0	19.3%	22.7%

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)						
	FY21	FY22	FY23	Q1 FY24	CAGR over FY21 - 23	Annual growth over FY22
Cash flow before working capital changes	30.8	106.1	195.1	54.0	151.8%	84.0%
Working capital changes	29.8	(60.3)	(55.3)	(40.5)		-8.2%
Cash flow from operating activities	60.4	35.0	96.4	1.6	26.4%	175.2%
Purchase of fixed assets and CWIP	(10.4)	(39.2)	(74.5)	(9.6)	168.0%	89.8%
Cash flow from investing activities	(15.8)	(19.5)	(73.6)	(9.4)	115.9%	277.5%
Cash flow from financing activities	(47.5)	(15.9)	(22.3)	7.2	-31.5%	40.6%
Net cash flow	(2.9)	(0.3)	0.5	(0.6)		
Opening balance of cash	3.6	0.7	0.3	0.8	-72.0%	-58.0%
Closing balance of cash	0.7	0.3	0.8	0.2	8.9%	139.7%

Consolidated financial ratios				
Particulars	FY21	FY22	FY23	Q1 FY24
Profitability ratios				
Revenue growth rate	-58.9%	93.8%	63.3%	
Gross profit growth rate	-55.1%	104.6%	61.2%	
Gross profit margin	44.2%	46.6%	46.0%	50.5%
EBITDA growth rate	-75.6%	324.3%	88.1%	
EBITDA margin	7.7%	16.9%	19.5%	21.2%
EBIT growth rate	-99.2%	12925.3%	113.3%	
EBIT margin	0.2%	12.7%	16.6%	17.8%
Restated reported PAT growth rate	-97.4%	5476.4%	114.3%	
Restated reported PAT margin	0.3%	9.6%	12.5%	13.0%
Turnover ratios				
Inventory receivable turnover ratio	2.1	3.7	4.7	1.1
Trade receivable turnover ratio	2.0	4.4	5.9	1.3
Accounts payable turnover ratio	5.2	12.6	16.6	3.6
Fixed asset turnover ratio	1.6	2.9	3.7	0.9
Total asset turnover ratio	0.6	1.0	1.4	0.3
Return ratios				
RoIC (%)	0.1%	13.4%	23.9%	6.0%
RoE (%)	0.4%	17.4%	27.2%	6.9%
RoA (%)	0.2%	9.9%	17.3%	4.2%
RoCE (%)	0.1%	17.5%	30.8%	7.5%
Per share data				
Restated adjusted EPS (Rs.)	0.1	5.2	11.2	3.1
DPS (Rs.)	0.0	0.0	0.0	0.0
BVPS (Rs.)	24.8	30.1	41.3	44.2
Operating cash flow per share (Rs.)	5.7	3.3	9.2	0.2
Free cash flow per share (Rs.)	0.2	3.5	4.6	
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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