



Recommendation	SUBSCRIBE		BACKGROUND																																																																
Price Band	Rs 288-304		<p>Established in 1976, Flair specializes in manufacturing and distributing writing instruments, which includes pens, stationery items, and calculators. With brands like FLAIR, HAUSER, PIERRE CARDIN and ZOOX, they sold 130 Cr pens in FY23. While it has launched a range of 'Flair Creative' instruments in 2021, it has also recently forayed into houseware products such as steel bottles through Flair Writing Equipments Pvt Ltd (FWEPL). They offer a diverse product range for students, professionals, and offices.</p> <p><b>Details of the Issue:</b></p> <ul style="list-style-type: none"> <li>Total issue of ~Rs. 593 Cr (at upper price band) consists of fresh issue worth Rs. 292 Cr and offer for sales worth Rs. 301 Cr</li> <li>To utilize an estimated amount of – i) Rs. 55.9cr to set up new plant at Valsad unit; ii) Rs. 86.8cr to fund capex of the company and subsidiary, Flair Writing Equipments Pvt Ltd (FWEPL); iii) Rs. 77 cr to fund working capital requirements of the company and its subsidiaries, FWEPL and Flair Cyrosil Industries Pvt Ltd (FCIPL) and iv) Rs. 43 cr for the Repayment/pre-payment, in part or full, of certain borrowings availed by Flair and their Subsidiaries, FWEPL and FCIPL</li> </ul> <p><b>Investment Rationale:</b></p> <ul style="list-style-type: none"> <li>One of the leading player in writing instruments industry in India</li> <li>Diversified product portfolio across price points catering to diverse consumer requirements</li> <li>Pan-India largest distribution network with a strong presence in targeted markets abroad</li> <li>Ability to manufacture a diverse range of high quality products and strong innovation capabilities</li> <li>One of the largest exporter of writing and creative instruments in India with its ability to partner with international brands in the industry</li> </ul> <p><b>Valuation and Recommendation:-</b></p> <p>Flair Writing Instruments Ltd is one of the leading company in the industry it operates with a domestic market share of 9%. The company has outperformed industry with a revenue growth at 14% CAGR between FY17-23(industry growth at 5.5%). Flair has delivered a healthy performance in FY23 with 19.5% of operating margin which is best in the industry. Also, ROE and ROCE stood at 27.1% and 30.5% in FY23 which is well above peer performance. <b>The issue is valued at 27x to FY23 EPS which is at discount to its peers. Thus, we recommend SUBSCRIBE to the issue.</b></p> <table border="1"> <thead> <tr> <th>Financials</th> <th>FY21</th> <th>FY22</th> <th>FY23</th> <th>Q1FY24</th> </tr> </thead> <tbody> <tr> <td>Net Revenues</td> <td>298</td> <td>577</td> <td>943</td> <td>247</td> </tr> <tr> <td>Growth (%)</td> <td>0.0%</td> <td>93.8%</td> <td>63.3%</td> <td>0.0%</td> </tr> <tr> <td>EBITDA</td> <td>23</td> <td>98</td> <td>184</td> <td>52</td> </tr> <tr> <td>EBITDA Margin (%)</td> <td>7.7%</td> <td>16.9%</td> <td>19.5%</td> <td>21.2%</td> </tr> <tr> <td>PBT</td> <td>2</td> <td>73</td> <td>159</td> <td>43</td> </tr> <tr> <td>Adjusted PAT</td> <td>1</td> <td>55</td> <td>118</td> <td>32</td> </tr> <tr> <td>EPS</td> <td>0.09</td> <td>5.23</td> <td>11.21</td> <td>3.05</td> </tr> <tr> <td>ROCE</td> <td>3.4%</td> <td>18.8%</td> <td>30.5%</td> <td>30.8%</td> </tr> <tr> <td>EV/Sales</td> <td>11.0</td> <td>5.7</td> <td>3.5</td> <td>3.3</td> </tr> <tr> <td>EV/EBITDA</td> <td>143.0</td> <td>33.7</td> <td>17.9</td> <td>15.7</td> </tr> <tr> <td>P/E</td> <td>3236.4</td> <td>58.1</td> <td>27.1</td> <td>24.9</td> </tr> </tbody> </table> <p>Source: RHP, NBRR</p>					Financials	FY21	FY22	FY23	Q1FY24	Net Revenues	298	577	943	247	Growth (%)	0.0%	93.8%	63.3%	0.0%	EBITDA	23	98	184	52	EBITDA Margin (%)	7.7%	16.9%	19.5%	21.2%	PBT	2	73	159	43	Adjusted PAT	1	55	118	32	EPS	0.09	5.23	11.21	3.05	ROCE	3.4%	18.8%	30.5%	30.8%	EV/Sales	11.0	5.7	3.5	3.3	EV/EBITDA	143.0	33.7	17.9	15.7	P/E	3236.4	58.1	27.1	24.9
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Bidding Date	22nd Nov-24th Nov																																																																		
Book Running Lead Manager	Nuvama Wealth Management, Axis Capital																																																																		
Registrar	Link Intime India Private Limited																																																																		
Sector	Stationary																																																																		
<b>Minimum Retail Application- Detail At Cut off Price</b>																																																																			
Number of Shares	49																																																																		
Minimum Application Money	Rs. 14896																																																																		
Discount to retail	0																																																																		
Payment Mode	ASBA																																																																		
<b>Consolidated Financials (Rs Cr)</b>	<b>FY22</b>	<b>FY23</b>																																																																	
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<b>Valuations (FY23)</b>	<b>Lower Band</b>	<b>Upper Band</b>																																																																	
Market Cap (Rs Cr)	2,759	3,204																																																																	
Adj EPS	11.2	11.2																																																																	
PE	26	27																																																																	
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Enterprise Value (Rs Cr)	2,842	3,287																																																																	
<b>Post Issue Shareholding Pattern</b>																																																																			
Promoters	79.2%																																																																		
Public/Other	20.8%																																																																		
<b>Offer structure for different categories</b>																																																																			
QIB (Including Mutual Fund)	50%																																																																		
Non-Institutional	15%																																																																		
Retail	35%																																																																		
Post Issue Equity (Rs. in cr)	52.7																																																																		
Issue Size (Rs in cr)	593																																																																		
Face Value (Rs)	5																																																																		
Priyanka Baliga Research Analyst (+91 22 6273 8177) <a href="mailto:priyanka.baliga@nirmalbang.com">priyanka.baliga@nirmalbang.com</a>																																																																			

**Company Background**

Established in 1976, Flair specializes in manufacturing and distributing writing instruments, which includes pens, stationery items, and calculators. With brands like FLAIR, HAUSER, PIERRE CARDIN and ZOOX, they sold 130 Cr pens in FY23.

Brand	Logo	Focus Market
Flair & Hauser		Mass-market and premium pen and stationery products
ZOOX		Mid-premium and premium writing instruments
Pierre Cardin		Premium pen and stationery products

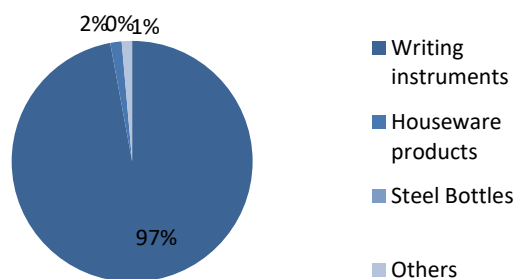
Source: RHP, NBRR

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 their revenue in Q1FY24, FY23, FY22 and FY21, respectively. They also provide customized corporate gifting products to their corporate customers.

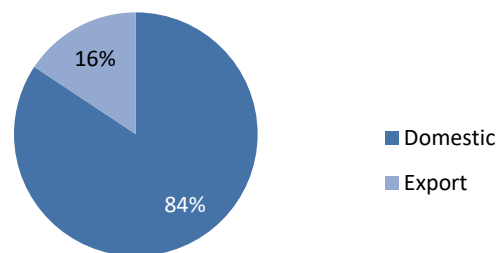
Recently, it is expanding into housewares such as casseroles, bottles, storage containers, serving solutions, cleaning solutions, baskets, and paper bins through FWEPL. It is one of the top-three players in India's writing instruments industry. They offer a diverse product range for students, professionals, and offices.

The company manufactures pens and other products from 11 manufacturing plants located in Naigaon, Maharashtra; in Valsad, Gujarat; in Daman, Union Territory of Dadra and Nagar Haveli and Daman and Diu; and in Dehradun, Uttarakhand.

**Product Mix (Q1FY24)**



**Geography-wise revenue mix (Q1FY24)**



Source: RHP, NBRR

**Investment Rationale**

**One of the leading player in writing instruments industry in India**

FWIL is among the top three players in the overall writing instruments industry with a revenue of Rs. 915.6 cr in FY23 with a market share of ~9% in the overall Indian writing and creative instruments industry Mar'23, according to CRISIL. According to CRISIL, it has outperformed overall writing and creative instrument industry growth rate of 5.5% CAGR between FY17-23, as it delivered ~14% growth during the same period. It has sold 130.36 cr and 34.43 cr pens in FY23 and Q1FY24, respectively. Of which, 25.18% / 18.91% of pens were exported globally. The flagship brand, "Flair" was launched in 1976, with the involvement of certain of Promoters throughout its history and a focus on innovative designs and quality writing instruments. It has product offerings under other principal brands of "Hauser", "Pierre Cardin" and "ZOOX".

It can further consolidate its leadership position as their brands command credibility in the market. Also, it has a competitive advantage in existing markets as well as to enter new markets to grow its product range. Its emphasis on innovation and design enables it to manufacture and introduce a wide range of products. The innovative range of products include the following:



*Flair Glitter Gel Pen  
 (it has a metallic glitter ink effect)*



*Flair Writo-Meter Ball Pen  
 (it is our longest writing pen and writes up to 10,000 meters)*



*Sunny Ball Pen  
 (it has 4-in-1 refills)*



*Flair Yolo Ball Pen  
 (it has a laser carbon finish in body)*



*Hauser XO Ball Pen  
 (it is offered in pastel colours)*



*Ezee-Click Ball Pen  
 (it is a low-viscosity retractable pen)*

Source: RHP, NBRR

**Revenue from operations from sale of pen products by brand:**

	FY21		FY22		FY23		Q1FY24		CAGR (FY21-23)
	Rs. Cr	% of Pens Revenue	Rs. Cr	% of Pens Revenue	Rs. Cr	% of Pens Revenue	Rs. Cr	% of Pens Revenue	
Flair pens	96.4	39%	184.3	40%	323.6	45%	86.6	45%	83%
Hauser pens	33.5	14%	76.0	16%	193.0	27%	55.0	29%	140%
Pierre Cardin pens	14.1	6%	35.7	8%	52.4	7%	10.0	5%	93%
Others(1)	101.8	41%	169.2	36%	156.7	22%	40.1	21%	24%
Total	245.8	100%	465.2	100%	725.8	100%	191.7	100%	72%

Source: RHP, NBRR

**Diversified product portfolio across price points catering to diverse consumer requirements**

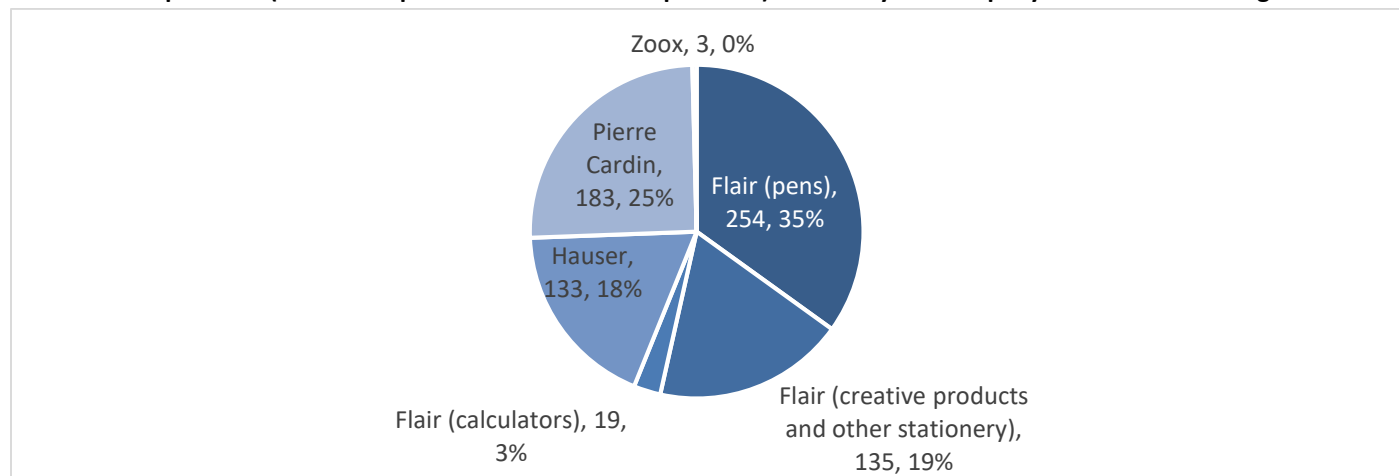
It has an extensive product range across various price points and consumer segments, including pen products (ball pens, fountain pens, gel pens, roller pens and metal pens), which is its largest category in terms of number of products offered, creative and stationery products (mechanical pencils, highlighters, correction pens, markers, gel crayons, colouring range, erasers, geometry boxes and kids' stationery kits), calculators. It has offered 727 different products as on Jun'23.

It offers products at prices ranging between Rs. 5 and Rs. 3,000. It has set a goal to cater to consumers in 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 terms of product pricing and brand enhancement, it mainly focuses on competitive pricing and aggressive marketing for Mass Segment while focusing on brand building and product differentiation in Mid-premium and Premium Segments. It has launched 28 and 151 pen products in Q1FY24 and FY23, respectively across various price points.

Leveraging its manufacturing capabilities, and its existing customer base in the writing and creative instruments business, it has also diversified into manufacturing houseware products and steel bottles.

**Details of the products (number of products and % of total products) offered by the company across various categories:**



Source: RHP, NBRR



**Pan-India largest distribution network with a strong presence in targeted markets abroad**

Company’s multi-tiered nationwide domestic sales and distribution network enables it to ensure effective market penetration across geographies in order to reach wide range of consumers. According to CRISIL, despite the growing share of modern retail formats, the writing instruments industry in India heavily relies on the traditional manufacturer-distributor-retailer model.

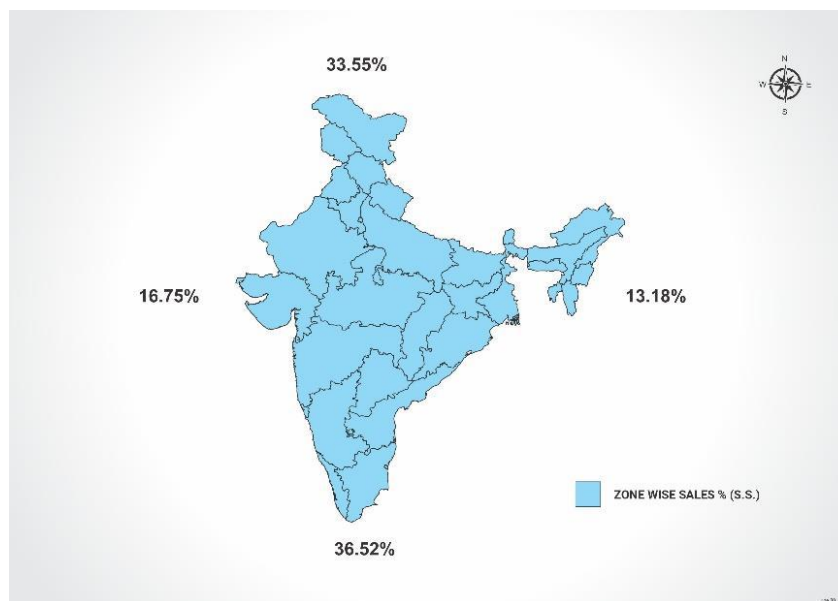
Flair had the largest distributor/dealer network and wholesale/retailer network, in the writing instruments segment in India, comprising ~7,700 distributors/dealers and ~315,000 wholesalers/retailers as on Mar’23. As on Jun’23, they had 131 super-stockists in India (including Flair Sporty), supported by their sales and marketing employees, and a retail presence in 2,424 cities, towns and villages in India.

**Details of super-stockists, distributors/dealers and wholesales/retailers:**

Particulars	FY21	FY22	FY23	Q1FY24
<b>Number of super-stockists</b>	84	125	131	131
<b>Number of distributors/dealers</b>	5,638	7,307	7,754	7,754
<b>Number of wholesalers/retailers</b>	180,000	235,000	315,000	315,000

Source: RHP, NBRR

**Zone-wise Product Sales as on Mar'23:**



Source: RHP, NBRR

It has a healthy relationship with its top 5 super-stockists (based on % of FY23 revenue) of averaged ~25 years. It has employed 889 sales and marketing employees as on Jun’23. Besides traditional distribution, its products are also sold through modern trade channels such as supermarkets and hypermarkets, as well as e-commerce.

## Ability to manufacture a diverse range of high quality products and strong innovation capabilities

As of Jun'23, Flair had 11 manufacturing plants which are equipped to customize manufacturing and products for their OEM and corporate customers. Company's emphasis on innovation and design has enabled them to introduce products such as the "Flair Glitter Gel Pen" (which has a metallic glitter ink effect), the "Hauser XO Ball Pen" (which is offered in pastel colors), the "Ezee-Click Ball Pen" (a low-viscosity retractable pen) and the "Flair Woody Ball Pen" (which has wood finish). Their other products include the "Flair Yolo Ball Pen" (which has a laser carbon body finish), the "Flair Writo-Meter Ball Pen" (which writes up to 10,000 meters), the "Sunny Ball Pen" (4-in-1) and the "Flair Creative Gem Pencil (which has a crystal in diamond shape on top of the pencil)".

Nine of its manufacturing plants in Naigaon, Daman and Valsad are located in proximity to the major Indian port in Nhava Sheva, Maharashtra and its units in Dehradun, Uttarakhand are located in proximity to the inland container depot in Moradabad, Uttar Pradesh. Except for its plant in Naigaon, Maharashtra (where primarily metal-based writing instruments and calculators are manually assembled), and its other operational manufacturing plants are versatile in that any of its products can be manufactured at any of its operational plants.

## One of the largest exporter of writing and creative instruments in India with its ability to partner with international brands in the industry

According to CRISIL, from Financial Year 2018 to 2023 India exported writing and creative instruments worth approximately ₹18 billion per year on average, growing at CAGR of approximately 9%. Of this, pens contributed 65-75% in value terms. It has established long-term relationships with international companies for which it manufactures and distributes or are a contract manufacturer. Its top 5 largest customers (based on % of FY23 revenue) are located in U.S., United Arab Emirates, Yemen, Japan and Colombia, as it has served them for averaged ~15 years.

For the export of its branded products, mainly "Flair", "Hauser", "Pierre Cardin", "ZOOX" and "Flair Creative", it has typically appointed a distributor for a particular brand in each country or region. As on Jun'23, Flair had relationships with 54 international distributors for the distribution and sale of its products abroad in 77 countries.

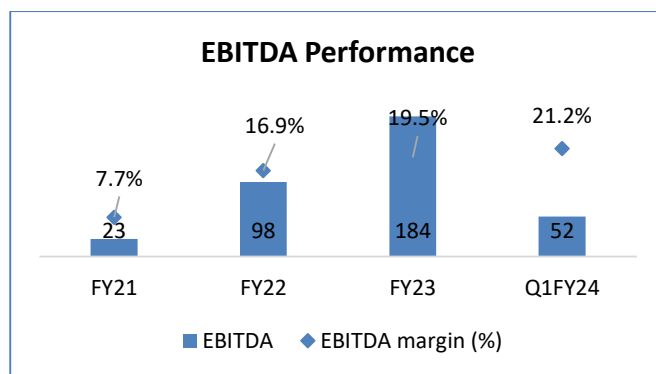
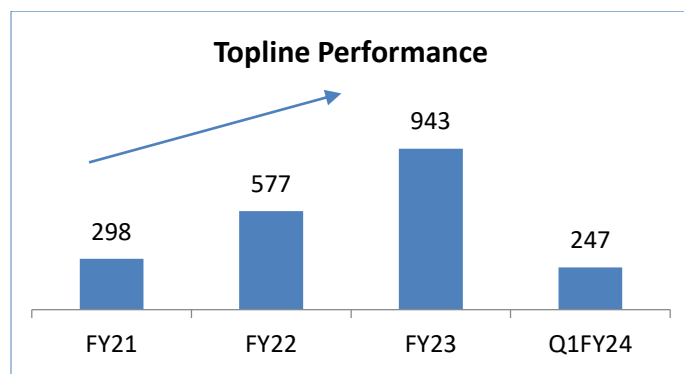
### Revenue from operations attributable to exports and % of revenue:

Particulars	FY21	FY22	FY23	Q1FY24
Export Revenue	108.2	134.6	184.7	38.4
% of revenue	36.3%	23.3%	19.6%	15.6%

Source: RHP, NBRR

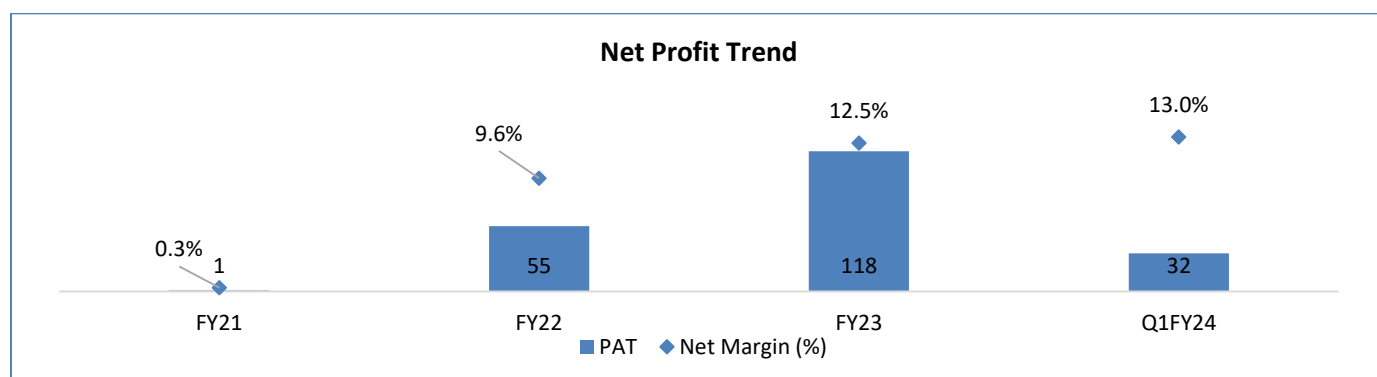
**Strong Financial Performance**

**Topline and Operating Performance**

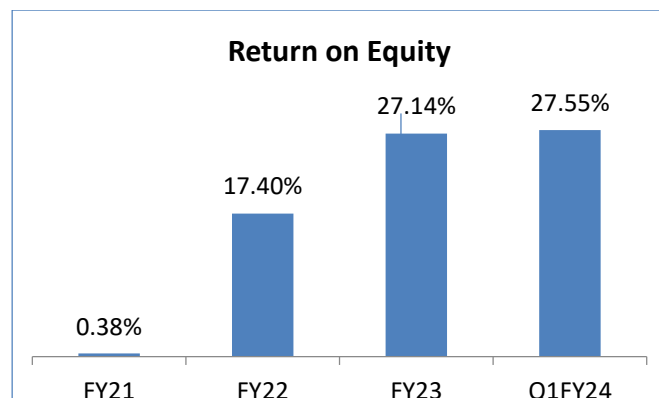
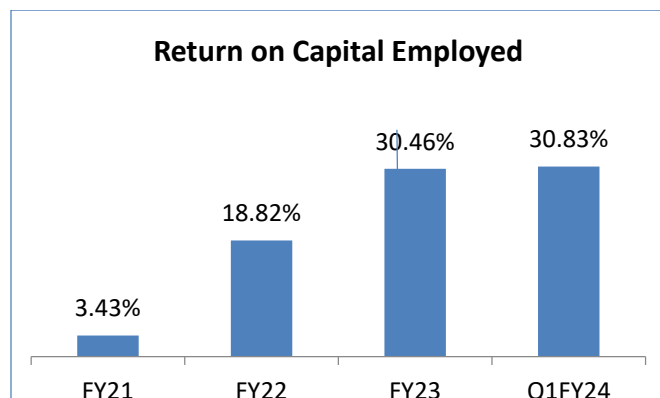


Source: RHP, NBRR

**Profitability Ratios**



Source: RHP, NBRR



Source: RHP, NBRR

## Risks and concerns

- Revenue heavily depends on "Flair," "Hauser," and "Pierre Cardin" brands; damage to their reputation could harm business, finances, and operations.
- The distribution network, crucial for domestic and international sales, faces potential harm if disrupted, impacting overall business, prospects, and financial outcomes.
- Manufacturing operations' slowdown or halt, due to labor disputes or resource access issues, could significantly damage business, operations, and financial prospects.
- Any material change in raw materials can have a negative impact on company's overall business operations.
- Fierce competition, including established companies and new entrants, poses a threat to the company's business, operations, finances, and future prospects.



## Valuation and Recommendation

Flair Writing Instruments Ltd is one of the leading company in the industry it operates with a domestic market share of 9%. The company has outperformed industry with a revenue growth at 14% CAGR between FY17-23 (industry growth at 5.5%). Rise in literacy rate and government initiatives towards education is expected to drive the writing and creative instrument industry at a CAGR of 7.7% to 8.4% between FY23-28E. Further, company's focus on innovation and penetration in domestic as well as export market to drive the further growth.

Flair has delivered a healthy performance in FY23 with 19.5% of operating margin which is best in the industry. Also, ROE and ROCE stood at 27.1% and 30.5% in FY23 which is well above peer performance. **The issue is valued at 27x to FY23 EPS which is at discount to its peers. Thus, we recommend SUBSCRIBE to the issue.**

## Listed Peers

FY23 Figures	Linc Ltd	Kokuyo Camlin Limited	Flair
Revenue	487	775	943
CAGR (FY21-23)	37.6%	38.7%	77.9%
EBITDA Margin	12.6%	7.0%	19.5%
Asset Turns (x)	2.0	1.8	1.4
W/kg Cap Days	64	47	88
ROCE (%)	31.0%	12.0%	30.5%
ROE (%)	21.1%	9.3%	27.1%
Debt/Equity	0.0	0.2	0.3
EV/EBITDA	20.1	27.0	17.9
P/E	33.2	57.4	27.1

Source: RHP, NBRR

## Financials

P&L (Rs. Cr)	FY21	FY22	FY23	Q1FY24	Balance Sheet (Rs. Cr)	FY21	FY22	FY23	Q1FY24
Net Revenue	298	577	943	247	Share Capital	23	23	47	47
<b>% Growth</b>		<b>94%</b>	<b>63%</b>		Other Equity	238	294	388	420
Purchases of stock in trade	166	308	509	122	Minority Interest			0	0
<b>% of Revenues</b>	<b>55.8%</b>	<b>53.4%</b>	<b>54.0%</b>	<b>49.5%</b>	<b>Networth</b>	<b>262</b>	<b>317</b>	<b>435</b>	<b>467</b>
Employee Cost	58	88	117	35	<b>Total Loans</b>	<b>130</b>	<b>126</b>	<b>116</b>	<b>127</b>
<b>% of Revenues</b>	<b>19.6%</b>	<b>15.2%</b>	<b>12.4%</b>	<b>14.2%</b>	Other non-curr liab.	23	19	23	40
Other expenses	50	84	133	37	Trade payable	41	50	64	68
<b>% of Revenues</b>	<b>16.8%</b>	<b>14.5%</b>	<b>14.1%</b>	<b>15.1%</b>	Other Current Liab	24	45	47	63
<b>EBITDA</b>	<b>23</b>	<b>98</b>	<b>184</b>	<b>52</b>	<b>Total Equity &amp; Liab.</b>	<b>481</b>	<b>557</b>	<b>684</b>	<b>765</b>
<b>EBITDA Margin</b>	<b>7.7%</b>	<b>16.9%</b>	<b>19.5%</b>	<b>21.2%</b>	Property, Plant and Equipment	176	190	240	240
Depreciation	22	24	27	8	CWIP	0	2	2	4
Other Income	13	10	12	2	Other Intangible assets / Right of u	9	6	10	30
Interest	11	10	9	3	Non Current Financial assets	2	2	6	7
Exceptional item		0	0		Other non Curr. assets	7	5	16	30
<b>PBT</b>	<b>2</b>	<b>73</b>	<b>159</b>	<b>43</b>	Inventories	131	184	214	228
Tax	1	18	41	11	cash and cash equivalents	1	0	1	0
<b>Tax rate</b>	<b>54%</b>	<b>25%</b>	<b>26%</b>	<b>25%</b>	Investments+loans	17	1	1	1
Other Comprehensive income					Trade receivables(debtor)	116	147	171	196
<b>Adj. PAT (norm. Tax)</b>	<b>1</b>	<b>55</b>	<b>118</b>	<b>32</b>	Other Current assets	22	20	24	28
<b>% Growth</b>		<b>5471%</b>	<b>114%</b>		<b>Total Assets</b>	<b>481</b>	<b>557</b>	<b>684</b>	<b>765</b>
<b>EPS (Post Issue)</b>	<b>0.09</b>	<b>5.23</b>	<b>11.21</b>	<b>3.05</b>					

Ratios & Others	FY21	FY22	FY23	Q1FY24	Cash Flow (Rs. Cr)	FY21	FY22	FY23	Q1FY24
Debt / Equity	0.5	0.4	0.3	0.3	Profit Before Tax	2	73	159	43
EBITDA Margin (%)	7.7%	16.9%	19.5%	21.2%	Provisions & Others	29	33	36	11
PAT Margin (%)	0.3%	9.6%	12.5%	13.0%	<b>Op. profit before WC</b>	<b>31</b>	<b>106</b>	<b>195</b>	<b>54</b>
ROE (%)	0.4%	17.4%	27.1%	27.6%	Change in WC	30	(60)	(55)	(40)
ROCE (%)	3.4%	18.8%	30.5%	30.8%	Less: Tax	0	11	43	12
					<b>CF from operations</b>	<b>60</b>	<b>35</b>	<b>96</b>	<b>2</b>
					Purchase/Sale of fixed assets	(5)	(37)	(74)	(10)
					Sale/Purchase of Investments	(14)	17		
					Interest, dividend and other inc	3	1	1	0
					<b>CF from Investing</b>	<b>(16)</b>	<b>(19)</b>	<b>(74)</b>	<b>(9)</b>
					Repayment towards Lease Liab	(3)	(3)	(3)	(2)
					Repayment of Borrowings	(11)	(9)	(8)	(2)
					(Repayment)/ proc current debt				
					interest & div paid	(34)	(4)	(11)	11
					<b>CF from Financing</b>	<b>(48)</b>	<b>(16)</b>	<b>(22)</b>	<b>7</b>
					<b>Net Change in cash</b>	<b>(3)</b>	<b>(0)</b>	<b>1</b>	<b>(1)</b>
					Cash & Bank at beginning	4	1	0	1
					Cash & Bank at end	1	0	1	0

Source: Company Data, NBRR

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