



WORLD CLASS PENS

Sector - Printing & Stationery

Issue Opens - November 22, 2023 to November 26, 2023

Price Band
₹288 to ₹304

Face Value
₹5

Lot Size
49 Shares

Issue Size
₹593.00 Cr

Issue Type
Book Built

Research@ganeshstock.com

IMPORTANT EVENTS



Issue Size

19,506,578 shares/ ₹593.00 Cr

Fresh Issue

9,605,263 share / ₹292.00 Cr

Offer for Sale

9,901,315 shares / ₹301.00 Cr

Basis of Allotment

Thursday, November 30, 2023

Initiation of Refunds

Friday, December 1, 2023

Credit of Shares to Demat

Monday, December 4, 2023

Tata Tech. IPO Listing date

Tuesday, December 5, 2023

PROMOTERS

- **Mr. Khubilal Jugraj Rathod (Chairman and Wholetime Director)**
- **Mr. Vimalchand Jugraj Rathod (Managing Director)**
- **Mr. Rajesh Khubilal Rathod , Mr. Mohit Khubilal Rathod (Whole-time Director)**

Promoters collectively hold 79.21% (Post Issue) of the Equity Share.

ABOUT THE COMPANY







One of the top three companies in India's writing instrument market is Flair Writing Industries Limited. At the end of FY23, the corporation held a roughly 9% market share in the nation's writing and creative instruments market.

The company serves a broad spectrum of clients, including offices, professionals, and students, by providing a large selection of goods at various pricing points. Pens, stationery, and calculators are among the writing equipment they produce and sell. Through one of its subsidiaries, FWEPL, the firm has also lately ventured into the production of a broad variety of houseware items, such as bottles, storage containers, casseroles, serving solutions, cleaning solutions, baskets, and paper bins. Pens and other goods are produced by the firm using 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.

SERVICES

They manufacture and distribute writing instruments for sale in India and abroad under Their flagship brand "Flair", Their principal brands "Hauser" and "Pierre Cardin" and have recently introduced "ZOOX" in India. They also manufacture writing instruments under contract on an OEM basis for international companies for export and for sale in India. They 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. They manufacture and distribute calculators 174 under the "Flair" brand. They further manufacture and distribute houseware products and have recently commissioned manufacturing of steel bottles through Their one of Their Subsidiaries.

- The brands "Flair"  and "Hauser"  offers mass-market and premium pen and stationery products,
- The brand "ZOOX"  focusses on mid-premium and premium writing instruments, and
- The "Pierre Cardin"  brand offers premium pen and stationery products.



Details of revenue from operations from sale of products for the periods indicated, are set out below:

| Particulars | Revenue from sale of products for the Financial Year | | | | | |
|-----------------------------|---|---------------|-----------------------|---------------|-----------------------|---------------|
| | 2023 | | 2022 | | 2021 | |
| | <i>(in ₹ million)</i> | <i>(in %)</i> | <i>(in ₹ million)</i> | <i>(in %)</i> | <i>(in ₹ million)</i> | <i>(in %)</i> |
| Sale of products (domestic) | 7,478.21 | 79.33 | 4,342.05 | 75.20 | 1,824.01 | 61.21 |
| Sale of products (exports) | 1,847.05 | 19.59 | 1,345.64 | 23.31 | 1,081.71 | 36.30 |

INDUSTRY OVERVIEW

The pen segment is predicted to grow at a compound annual growth rate of 7.5% to 8.5% over the same period. Organized players dominate the Indian writing and creative instruments market, which is expected to grow at a 7.7% to 8.4% annual growth rate over the Financial Years 2023 to 2028. The highly fragmented Indian steel bottle market is projected to expand at a compound annual growth rate of 14% to 16% between the fiscal years 2023 and 2028. According to estimates, the Indian homeware market will be worth between Rs. 400 and Rs. 450 billion by March 31, 2023, with a 40% to 45% share held by the kitchen appliances category.

OBJECTS OF THE OFFER

The Company proposes to utilize the Net Proceeds towards the funding of the following objects:

- To fund the set up of a new manufacturing unit in Valsad, Gujarat.
- For capital expenditure for the company and the subsidiary FWEPL.
- For capital capital requirement for the company and the subsidiary FWEPL as well as FCIPL.
- To prepay or repay, full or in part, debt obtained by the company as well as its subsidiaries FWEPL and FCIPL.
- For general corporate purposes.

TRACK RECORD OF FINANCIAL PERFORMANCE



| PARTICULARS | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 |
|---------------------------|---------------|--------------|-------------|--------------|---------------|
| Net Sales | 612.79 | 581.18 | 289.18 | 553.78 | 903.87 |
| Total Expenditure | 494.53 | 487.38 | 266.58 | 460.98 | 732.99 |
| Operating Profit | 118.26 | 93.8 | 22.6 | 92.8 | 170.88 |
| Other Income | 5.44 | 5.33 | 11.88 | 10.83 | 13.53 |
| Interest | 19.28 | 15.69 | 11 | 8.68 | 8.95 |
| Depreciation | 18.45 | 23.45 | 21.72 | 23.18 | 24.2 |
| Exceptional Items | 0 | 0 | 0 | 0 | 0 |
| Profit Before Tax | 85.97 | 60 | 1.76 | 71.77 | 151.25 |
| Provision for Tax | 20.96 | 21.88 | 1.26 | 17.89 | 39.66 |
| Net Profit | 65.01 | 38.12 | 0.5 | 53.88 | 111.6 |
| Adjusted EPS (Rs.) | 2.78 | 1.63 | 0.02 | 2.31 | 1.19 |

| PARTICULARS | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 |
|-------------------------------|---------------|--------------|---------------|---------------|--------------|
| Equity and Liabilities | | | | | |
| Share Capital | 23.35 | 23.35 | 23.35 | 23.35 | 46.69 |
| Total Reserves | 198.55 | 235.52 | 236.22 | 290.32 | 379.28 |
| Borrowings | 121.95 | 114.04 | 104.22 | 69.71 | 34.77 |
| Other N/C liabilities | 5.54 | 18.97 | 23.6 | 18.8 | 17.75 |
| Current liabilities | 175.83 | 146.81 | 80.04 | 136.84 | 155.4 |
| Total Liabilities | 525.22 | 538.7 | 467.42 | 539.01 | 633.9 |
| Assets | | | | | |
| Net Block | 181.95 | 195.2 | 178.29 | 180.52 | 200.09 |
| Capital WIP | 3.39 | 0 | 0 | 0.09 | 1.6 |
| Intangible WIP | 0 | 0 | 0 | 0 | 0 |
| Investments | 0.1 | 0.11 | 0.11 | 0.11 | 3.61 |
| Loans & Advances | 10.03 | 6.93 | 8.54 | 4 | 12.9 |
| Other N/C Assets | 0.03 | 0.02 | 0 | 2 | 1.68 |
| Current Assets | 329.73 | 336.43 | 280.47 | 352.29 | 414.01 |
| Total Assets | 525.22 | 538.7 | 467.42 | 539.01 | 633.9 |

STRENGTHS



- The business is one of the top three in India's writing instrument market as a whole.
- It offers a broad choice of products at different price ranges to suit the needs of different types of customers.
- The writing instruments sector boasts the largest distributor/dealer network and wholesale/retailer network in India, along with a robust presence in specific international markets.
- It is among India's top exporters of writing and creative instruments and has the capacity to collaborate with global companies in the writing instruments sector.
- Large-scale, high-quality manufacturing combined with innovative capabilities.

RISKS

- When it comes to raw material supplies, the corporation is mostly dependent on outside vendors. Any disruption in the raw materials supply or price rise could be detrimental to the company's operations.
- The company's operations may be disrupted by any interruption in the delivery of raw materials from outside vendors.
- For the business to operate, a sizable amount of working cash is needed. The company's operations may be severely impacted if such capital is not obtained.
- The business is dependent on its customers' estimates of the products' long-term demand. Erroneous demand forecasting and inventory management can have a negative impact on the company.
- The company operates in a competitive business environment. Competition from existing players and new entrants in the industry could have an adverse effect on the business.



VALUATION AND OUTLOOK

The issue's price range, in terms of valuation, is INR 288-304 per share. A P/E ratio of Flair Writing Industries Limited is 7.88x is based on a price range above INR 304 and FY23 EPS of INR 12.66 with an industry average of 38.53X.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

| Name Of the Company | Consolidated /Standalone | Face Value | Closing Price as on Oct'18, 2023 | Revenue from Operation for Fiscal 2023 (₹ in Cr) | EPS | NAV | P/E | RoNW% |
|-------------------------------|--------------------------|------------|----------------------------------|--|-------|--------|-------|--------|
| <i>Flair Writing Ind. LTD</i> | <i>Consolidated</i> | 5 | • | 942.66 | 12.66 | 46.9 | * | 31.17% |
| Linc LTD | Consolidated | 10 | 842.6 | 486.76 | 25.15 | 119.17 | 33.5 | 23.37% |
| Kokuyo Camlin LTD | Consolidated | 1 | 138.65 | 774.94 | 2.44 | 26.18 | 56.82 | 9.74% |
| Cello World LTD | Consolidated | 5 | Na | 1,796.70 | 13.65 | 56.84 | Na | 23.17 |

The company is one of the top three companies in India's writing instruments market, with sustained revenue growth, a diverse product portfolio, and a considerable international footprint. With over 45 years in the market, its flagship brand "Flair" represents stability, and the company maintains the country's largest distribution network. The company's success, however, is dependent on its ability to respond to consumer needs and maintain an ideal product mix. Aside from that, a Rs 301 crore Offer for Sale (OFS) goes to selling shareholders with no direct advantage to the company.

Over FY2023-28, the Indian writing and creative sector is predicted to develop at a CAGR of 7.7%- 8.4%, while the steel bottle business is expected to increase at a CAGR of 14%-16%. These opportunities will benefit Flair writing ltd. To considering fundamental as well as future metrics,

we propose a **"SUBSCRIBE"** rating for this IPO.

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