

## Subscribe

### Issue Detail

Price Band (Rs.)	Rs.288- Rs.304
Face Value (Rs.)	5.00
Issue Size (Rs.)	593.00 Cr.
Issue Type	Book Built Issue IPO
Lot Size	49 Shares
Issue Opens	November 22, 2023
Issue Closes	November 24, 2023
Listing on	BSE & NSE

### Indicative Timeline

#### On or before

Finalization of Basis of Allotment	November 30, 2023
Unblocking of Funds	December 01, 2023
Credit of shares to Demat Account	December 04, 2023
Listing on exchange	December 05, 2023

### Other Detail

Book Running Lead Managers	Nuvama Wealth Management Limited and Axis Capital Limited.
Registrar	Link Intime India Private Limited.

### IPO Shareholding (%)

Category	Pre-Issue	Post-Issue
Promoters	97.49%	79.21%
Public	2.51%	20.79%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### Distribution Team

E: ipo@acm.co.in  
D: +91 22 6132 5931

### Retail Research

E: retailresearch@acm.co.in  
D: +91 22 2858 3206

## Flair Writing Industries Limited

### Company Background

**Flair Writing Industries Limited (FLAIR)** was incorporated on August 12, 2016. The Company is among the Top-3 players in the overall writing instruments industry with a revenue of Rs.915.55 crore in Financial Year 2023 and occupy a market share of approximately 9% in the overall writing and creative instruments industry in India, as of March 31, 2023. FLAIR is also among the Top-2 organized players which have seen faster growth in revenue as compared to overall writing and creative instrument industry growth rate between Financial Year 2017 and 2023; they grew at a CAGR of approximately 14% during the same period. The company's flagship brand "Flair" has enjoyed a market presence of over 45 years. They manufacture and distribute writing instruments including pens, stationery products and calculators. They have also diversified into manufacturing houseware products and steel bottles.

### Issue Details

The issue size is Rs. 593.00 Cr. which comprises of Fresh Issue of upto Rs.292 Cr. and Offer for Sale of Equity Shares upto Rs.301 Cr.

### Issue Objectives

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

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

### IPO Share Issue Structure

Category	Allocation	Number of Shares	Value at upper band (Rs. In Cr.)
QIB ( Institutional)	50%	97,53,289	296.50
Non Institutional	15%	29,25,987	88.95
Retail	35%	68,27,302	207.55
<b>Total</b>	<b>100%</b>	<b>1,95,06,578</b>	<b>593.00</b>

Source: Company RHP, ACMIIL Research

### Outlook and Recommendation

**Flair Writing Industries Limited (FLAIR)** has the largest distributor/dealer network and wholesale/retailer network, in the writing instruments segment in India, comprising approximately 7,700 distributors/dealers and ~3,15,000 wholesalers retailers, as of March 31, 2023. It is among the Top 3 players in the overall writing instruments industry in India with a diversified range of products across various price points catering to a wide spectrum of consumers At the upper price band of Rs. 304, stock has valued at PE multiple of 24.01 of its FY23 Diluted EPS. **We recommend subscribing to the issue from a medium to long-term perspective.**

### Company Overview

Flair Writing Industries Limited is engaged in developing and manufacturing writing instruments that are tailored to today's continuously shifting market. FLAIR is an ISO 9001 : 2015; ISO 14001 : 2015 certified company, adhering to global business & social norms.

FLAIR has established business relationships with some of the leading pioneers in the writing industry. 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 1,303.60 million units of pens, out of which 975.30 million units, which accounts for 74.82% of the sales, were sold domestically while 328.30 million 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.

During the 3-month period ended June 30, 2023, Flair sold 34.43 crore units of pens, of which 27.92 crore units or 81.09% was sold domestically, and 6.51 crore units or 18.91% was exported globally, and in Financial Year 2023, Flair sold 130.36 crore units of pens, of which 97.53 crore units or 74.82% was sold domestically, and 32.83 crore units or 25.18% was exported globally

Flair manufactures and distributes several brands in India and due to their ability to manufacture quality products and their distribution and retail capabilities, they are able to partner with various international brands in the writing instruments industry. Company's products are sold under the "Flair" brand, their principal brands "Hauser" and "Pierre Cardin" and they have recently introduced "ZOOX" in India.

### Business Overview

The company's product range includes a variety of pens (ball pens, fountain pens, gel pens, roller pens and metal pens), which is their largest category in terms of number of products offered, stationery products (mechanical pencils, highlighters, correction pens, markers, gel crayons and kids' stationery kits) and calculators. They launched a range of "Flair Creative" products in Financial Year 2021 which include water colours, crayons, sketch pens, erasers, wooden pencils and geometry boxes, fine liners, sharpeners, and scales. They offered 727 different products as of June 30, 2023.

The company have recently forayed into manufacturing a wide range of houseware products including casseroles, bottles, storage containers, serving solutions, cleaning solutions and basket and paper bins, through one of their Subsidiaries, FWEPL. The company intends to utilize a portion of the proceeds from the Offer for funding capital expenditure of FWEPL for purchase of machinery and moulds to expand its manufacturing capacity for writing instruments. The company intends to leverage the strength of the "Flair" brand and their manufacturing and distribution capabilities to expand and optimize the business of houseware products and steel bottles, which is expected to be a key area of their growth going forward.

They have recently commenced manufacturing steel bottles through one of their Subsidiaries, FCIPL, in March 2023. The steel bottle industry in India is projected to grow at a CAGR of 14-16% between Financial Year 2023 and 2028. They have received a letter of intent from one of their key OEM customers with whom the company has a relationship of more than 15 years. One manufacturing line has been commissioned in the month of March 2023, and they intend on commissioning 2 more manufacturing lines during the 3rd quarter of Financial Year 2024 at their manufacturing plant in Valsad, Gujarat.

Flair manufactures pens and other products from 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.

### Company's Products:

#### A) Flair



Source: Company RHP, ACMIIL Research



Source: Company RHP, ACMIIL Research

## B) Houser



*Houser Pens*

Source: Company RHP, ACMIIL Research

## C) Pierre Cardin



*Pierre Cardin Golden Eye Roller Pen*

*Pierre Cardin Lapaz Ball Pen*

*Pierre Cardin Image Ball Pen*

Source: Company RHP, ACMIIL Research

## D) Other Brands



*ZOOX F7*

*ZOOX Y7*

Source: Company RHP, ACMIIL Research

## E) Corporate Gifting & Houseware Products



*Casseroles*

*Baskets*

*Plastic Bottles*

*Storage Containers*

*Paper Bins*

Source: Company RHP, ACMIIL Research

**F) Steel Bottles**



Source: Company RHP, ACMIIL Research

**Manufacturing Facilities**

Company's facilities include 11 manufacturing plants in India, including 3 plants in Valsad, Gujarat ("Valsad Building-II", "Valsad Building-III" and "Valsad Building-IV"), 1 plant in Naigaon, Maharashtra ("Naigaon Unit-I"), 5 plants in Daman, Union Territory of Dadra and Nagar Haveli and Daman and Diu ("Daman Unit-II", "Daman Unit-III", "Daman Unit-IV", "Daman Unit- V" and "Daman Agrawal Unit") and 2 plants in Dehradun, Uttarakhand ("Dehradun Unit-I" and "Dehradun Unit-II"). While the company runs manufacturing operations from Valsad Building-II, their Subsidiary, FWEPL, operates Valsad Building-III and their Subsidiary, FCIPL, operates Valsad Building-IV.

The company owns the land on which Daman Unit-II and Daman Unit-IV are located and have entered into license agreements in respect of the land and buildings for Naigaon Unit-I, Daman Unit-III, Daman Unit-V, Daman Agrawal Unit, Dehradun Unit-I, Dehradun Unit-II, Valsad Building-II, Valsad Building-III, and Valsad Building-IV.

**Intellectual Property Rights**

The company owns the trademark in relation to the "Flair" brand and their rebranded corporate logo, "Flair" (word and device). They own certain "Hauser" trademarks, which were purchased by NPPI through the Hauser Brand Agreement in 2014. As of the date of this Red Herring Prospectus, the records of the German Patent and Trademark Office reflect FPPIPL, a Transferor Company formed pursuant to the conversion of NPPI, as the registered proprietor of such "Hauser" trademarks.

They acquired certain "Pierre Cardin" trademarks registered in India from Flair Pens Ltd, a Group Company and a member of the Promoter Group, on July 10, 2018. They have registered the trademarks in relation to their other in-house brand, "ZOOX".

The company has entered into agreements for sale of intellectual property with certain members of the Promoter Group, M/s. The Company has agreed to sell 45 trademarks registered in India and 11 trademarks registered abroad and used in the company's business to the company for a nominal consideration. Currently, certain trademarks including "FLAIR (WORD)", "FLAIR4U", "FLAIR V2" and "FLAIR 3 ACTION" have been transferred in the company's name and others are yet to be transferred in the company's name.

Currently, the company has registered 151 trademarks in India. Further, they have filed 12 applications in India for registration. They have also registered certain trademarks in countries/territories such as the United States, the European Union, the United Kingdom, China, and Australia. Their applications in relation to certain trademarks including "BEAST" and "FLAIRFUN" are currently pending in India. Additionally, they have also registered 56 designs in India under the Designs Act, 2000. Further, they have filed an application for registration of 1 design, which is currently pending.

### Competitive Strengths

#### Among the Top-3 players in the overall writing instruments industry in India

The revenue from the Top-5 and Top-10 domestic and overseas customers:

Segment	FY21		FY22		FY23	
	Revenue in Rs. Cr.	% to Total	Revenue in Rs. Cr.	% to Total	Revenue in Rs. Cr.	% to Total
Revenue from Top-5 domestic customers	75.41	25.31%	169.52	29.36%	200.97	21.32%
Revenue from Top-10 domestic customers	93.67	31.43%	209.92	36.36%	274.95	29.17%
Revenue from Top-5 overseas customers	59.6	20.00%	71.5	12.38%	94.95	10.07%
Revenue from Top-10 overseas customers	72.6	24.36%	90.09	15.60%	124.95	13.26%

Source: Company RHP, ACMIIL Research

#### Diversified range of products across various price points catering to a wide spectrum of consumers

Flair has the most comprehensive product portfolio in the writing and creative instruments industry in India. They have 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 their 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, and Flair offered 727 different products as of June 30, 2023.

#### Largest pan-India distributor/dealer network and wholesale/retailer network in the writing instruments industry\* and strong presence in targeted markets abroad

Flair had the largest distributor/dealer network and wholesale/retailer network, in the writing instruments segment in India, comprising approximately 7,700 distributors/dealers and approximately 315,000 wholesalers/retailers, as of March 31, 2023. As of June 30, 2023, 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. Their multi-tiered nationwide domestic sales and distribution network enables their products to reach a wide range of consumers and help to ensure effective market penetration across geographies.

#### Ability to partner with international brands in the writing instruments industry and one of the largest exporter of writing and creative instruments in India

Flair has established long-term relationships with international companies for which they manufacture and distribute or a contract manufacturer. Their relationship with their 5 largest customers (in terms of their contribution to the total revenue from operations, located in U.S., United Arab Emirates, Yemen, Japan, and Colombia averaged approximately 15 years. Their Top-5 export countries were the U.S., United Arab Emirates, Yemen, Colombia and Japan, which contributed 61.19% of their revenue from export operations during the Financial Year 2023. As of June 30, 2023, they had relationships with 54 international distributors for the distribution and sale of their products abroad. As of June 30, 2023, their products were sold by them and their distributors in 77 countries.

#### High quality manufacturing at a large scale coupled with innovation capabilities

As of June 30, 2023, 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)".

#### Experienced Promoters supported by professional senior management team

The company promoters have more than 4 decades of experience in the writing instruments industry and have been instrumental in the growth of their "Flair" brand as well as in the origination and acquisition of all their other brands and the OEM business. The Whole-time Directors and promoters have experience in the writing instruments industry and are responsible for international sales and marketing. They also place emphasis on the strength of their workforce. As at June 30, 2023, they had 5,899 full-time employees of which 3,318 were woman employees, which formed approximately 56% of the total workforce in the Company.

### Key Business Strategies

#### Focus on growing the existing product portfolio and diversification of the 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. They aim to strengthen and expand their 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.

They intend to further expand their product offering and competitive advantage by diversifying their 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.

#### Emphasis on Mid-premium Segment and Premium Segment to increase margins

The company 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 ₹20 and ₹100, and their "Pierre Cardin" products which are priced ₹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", they have taken initiatives such as a dedicated sales and marketing team and marketing efforts including change in packaging and display stands. Also, to enhance their corporate gifting business, they have installed laser engraving and multi-colour printing machines at their manufacturing plant located in Daman.

#### Continue to increase production capacity and enhance capacity utilization

Company's manufacturing plants (other than their plant in Naigaon, Maharashtra) had a combined production capacity of 51.75 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 3-month period ended June 30, 2023, and FY2023, respectively.

The company aims to develop innovative technology and focus on innovative designing and automation across all segments that will allow them to lead in the writing and creative instruments market. They also intend to further improve their capacity utilization and to actively manage their operating costs through the introduction of automatic and semi-automatic assembly and packing machines and upgrade their existing machinery and purchase new machinery.

#### Strengthening presence in key geographies along with strategically expanding exports

The company intends to leverage their 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. They have established long-term relationships with international companies for which they manufacture and distribute or are a contract manufacturer and their relationship with their 5 largest customers located in U.S., United Arab Emirates, Yemen, Japan, and Colombia averaged approximately 15 years.

Also, they seek to expand the market for their products particularly in markets where they can extract higher margins such as Africa, Central America, and South America. They also aim to further increase sales of the "Pierre Cardin" and "ZOOX" brands of pens in the Middle East markets.

#### Deepen the sales and distribution network

Flair intends to expand their 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.

They also intend to increase their interaction with the super-stockists, distributors, direct dealers, wholesalers, and retailers, including through their sales and marketing employees and the use of information technology platforms.

#### Further strengthen the brands

The company has consistently allocated significant resources to establish and strengthen their flagship brand "Flair" and their principal brand "Hauser" through various marketing initiatives. They aim to further increase the visibility of their "Flair Creative" range of products and the "Pierre Cardin" and "ZOOX" brands, in India and globally. They seek to continue to enhance brand awareness and customer loyalty through mass media activities include brand ambassadors and celebrity endorsements, television and print advertisements and social media outreach and direct outreach activities comprise billboards, posters, danglers, streamers, catalogues and pamphlets. They have launched advertisement campaigns through celebrity endorsements for their "Flair" and "Hauser" brands.

### Financial Snapshot (Consolidated)

Particulars (in Rs. Mn)	As of and for the period ended			
	FY21	FY22	FY23	June 30, 2023
Revenue from Operations	2,979.88	5,773.98	9,426.60	2,446.98
Revenue from Domestic Operations	1,836.93	4,368.07	7,499.86	2,067.66
Revenue from Export Operations	1,142.95	1,405.91	1,926.74	399.32
EBITDA	229.97	975.68	1,835.12	523.35
EBITDA Margin (%)	7.72	16.9	19.47	21.21*
PAT	9.89	551.51	1,181.00	321.38
PAT Margin (%)	0.33	9.55	12.53	13.03*
ROCE (%)	0.14	17.41	31.24	7.64*
ROE (%)	0.37	18.87	31.17	7.08*
Debt to Equity Ratio	0.49	0.39	0.26	0.27*
Diluted EPS (Rs.)	0.11	5.91	12.66	3.44*

Source: Company RHP, ACMIIL Research  
(Note: \* Not annualized)

### Comparison with Peers

Name of Company	Revenue from operations (in Rs. Mn.)	Diluted EPS (Rs.)	P/E	RoNW (%)
<b>Flair Writing Industries Limited</b>	<b>9,426.60</b>	<b>12.66</b>	<b>24.01</b>	<b>31.17</b>
Linc Limited	4,867.60	25.15	33.5	23.37
Kokuyo Camlin Limited	7,749.43	2.44	56.82	9.74
Cello World Limited*	17,966.90	13.17	N.A.	23.17*

Source: Company RHP, ACMIIL Research  
(Note: \*Cello World Limited was listed on November 6, 2023)

### Risks and concerns

- An increase in the cost of or a shortfall in the availability of raw materials from its suppliers due to various reasons could have material adverse effect on a company's business, operations, prospects or financial results.
- FLAIR is dependent on its distribution network in India and overseas to sell its products and any disruption in the company's distribution network could have a material adverse effect on the business, operations, prospects or financial results

## ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum calls
Market Watch	Smart Delivery trades
Investor First	Positional technical calls
Preview	Investment ideas
Market Pulse	Master trades High & Medium Risk
RBI Monetary Policy	Techno Funda
Budget Report	Stock Basket
Weekly Derivatives Synopsis	Mutual fund model portfolios
Rollover Snapshot	Portfolio Doctor
Rollover Analysis (Monthly)	

For More Information on Retail Research Products please visit

<https://www.investmentz.com/research-services>

# Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

### Retail Research Desk:

Email: [retailresearch@acm.co.in](mailto:retailresearch@acm.co.in)

Research Analyst Registration Number:

**INH000002483**

CIN: **U65990MH1993PLC075388**

### Download Investmentz app:



### Follow us on:



#### Information pertaining to Asit C. Mehta Investment Intermediates Limited (ACMIIL):

ACMIIL is a SEBI registered Stock Broker, Merchant Banker, Portfolio Manager, Research Analyst and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Nucleus IT Enabled Services, and Asit C. Mehta Financial Services Limited (all providing services other than stock broking, merchant banking and portfolio management services.).

#### Disclosures

ACMIIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/ merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have not served as an officer/director or employee of the companies being covered.

#### Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIIL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report.

You are also requested to refer to the disclaimer (which is deemed to be part and parcel and is applicable to this research report as well) :

<http://www.investmentz.com/disclaimer>