

Houseware Products | India

IPO | 20 November 2023

Flair Writing Instruments Limited

A leader in writing instruments



About the Company

Flair Writing Instruments Limited (FWIL) is among the top three players in the overall writing and creative instruments with a market share of approximately 9% in India as of Mar'23. FWIL has enjoyed a market presence of over 45 years with an extensive range of products across various price points and cater to a broad range of consumers, including students, professionals and offices. FWIL manufactures and distribute writing instruments including pens, stationery products and calculators, leveraging the brand, strong distribution network and manufacturing capabilities diversified into manufacturing house ware products and premium steel bottles largely for exports.

Leader in writing brands products in various price points

FWIL manufactures quality products, enjoys strong distribution and retail capabilities and are able to partner with various international brands in the writing instruments industry. FWIL products are sold under the "Flair" and "Hauser" brand for mass markets, "ZOOX" for mid premium segment and "Pierre Cardin" for premium segment for writing instruments and stationery products. FWIL launched a range of "Flair Creative" products in FY21 cumulatively moving the product basket to 727 different product SKU as of Jun'23.

New businesses to drive growth

FWIL through one of the subsidiaries FWEPL forayed into manufacturing a wide range of house ware products and premium steel bottles for exports of one of its esteemed OEM clients leveraging its strength utilizing some of its IPO proceeds for the business to build its manufacturing plant in Valsad, Gujarat. According to CRISIL, the steel bottle industry in India is projected to grow at a CAGR of 14-16% between FY23-28. FWIL expanded their product offering and competitive advantage by diversifying their product range, primarily through the introduction of art materials and stationery products to serve a wider consumer base and tap the younger age groups as the industry is expected to grow at 7.7% – 8.4% CAGR over FY23-28.

Largest exporter and strong domestic distribution network

FWIL had relationships with 54 international distributors with sales of 20% for FY23 in 77 countries with a market share of 7.1% in the export of writing and creative instruments and consistently received the award. FWIL products reach consumers through a diverse nationwide sales and distribution network, consisting of 131 super stockists, 7754 distributors and direct dealers, 315000 wholesalers and retailers, as of Jun'23 which helps them to understand consumer preferences and receive market feedback. The revenue breakup is pretty strong in the North-South region for 70% of the sales while East-West region contribution is at 30% for FY23.

Financials in Brief

On the financial front, the company reported a turnover of Rs 298 Crs, Rs577 Crs and Rs943 Crs for FY21, FY22 and FY23 respectively, on a consolidated basis. It posted net profit of Rs 1 Crs, Rs55 Crs and Rs 118 Crs respectively for the aforementioned period. FWIL 11 manufacturing plants has a combined production capacity of 202 Crs pieces pa with a capacity utilization of 73% for FY23. FWIL aims to develop innovative technology and focus on innovative designing and automation across all segments 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 from the IPO proceeds.

Our View

FWIL has established a consistent track record of strong and consistent financial performance, with strong improvement in margins as FY21 was a washout year for writing instruments due to lockdown in schools and offices Revenues and PAT both have improved over the past few years and improvement in margins would continue with new products in various categories and individual strong brands at various price points pushing the growth trajectory in the coming years. FWIL being one of the leaders in writing instruments both in domestic and exports market, industry leading profitability, experienced promoters by a strong professional team, faster growth of 14% CAGR compared to 5.5% for industry for FY17-23, strong dominance in its categories, debt free are the key investment positives. **Therefore we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	288-304
Face Value (Rs)	5
Issue Open/Closing Date	22-Nov-23/24-Nov-23
Fresh Issues (Crs)	292.0
OFS (Crs)	301.0
Total Issue (Crs)	593.0
Minimum Bid Qty. (Nos)	49
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	3,204

*At higher band

Object of the Issue

- ▶ New Plant and expansion and up gradation works in subsidiaries.
- ▶ Repayment in full or part of borrowings.
- ▶ General Corporate purposes.

Strengths

- ▶ Leader in writing brands products in various price points.
- ▶ Historical track-record of industry-leading profitability.
- ▶ High quality manufacturing at a large scale and distribution network for sales.
- ▶ Largest exporter and ability to partner with international brands.

Key Risk

- ▶ Sharp rise in input costs of plastic polymer prices.
- ▶ Price sensitive products and stiff competition.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	97.5	79.2
Others	2.5	20.8

Key Financials

(Rs Crs)	FY21	FY22	FY23
Revenue	298	577	943
EBITDA	23	98	184
EBITDA Margin (%)	7.7	16.9	19.5
PAT	1.0	55.2	118.1
PAT Margin (%)	0.3	9.6	12.5
EPS (Rs)	0.1	5.9	12.7
RocE (%)	0.4	18.9	31.2
RoE (%)	52.2	45.9	39.9
NAV (Rs.)	28.3	34.3	46.9
Networth	265	320	438

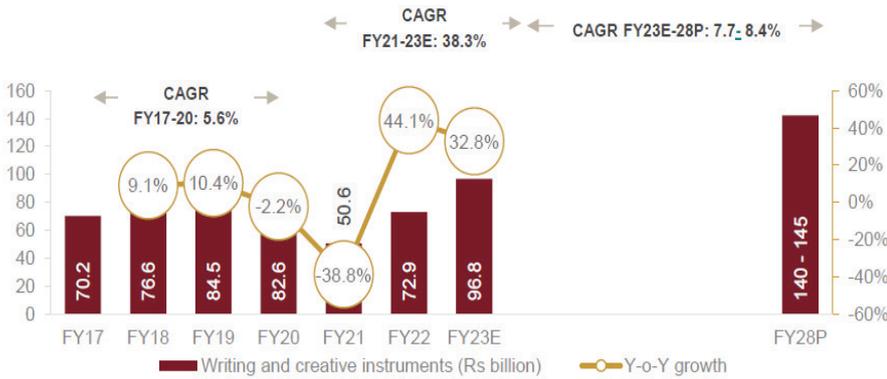
Source: RHP

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Exhibit 1: Indian writing and creative instruments industry, by manufacturer's realisation



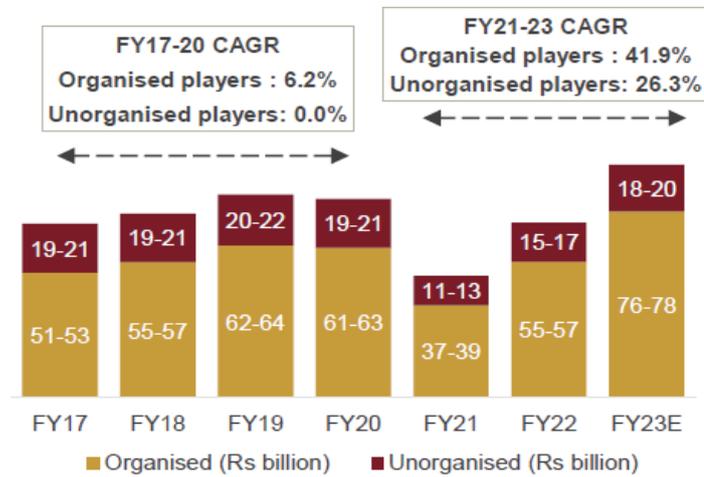
Note: E: Estimated; P: Projected
Source: RHP, CRISIL MI&A

Exhibit 2: Writing and creative instruments industry at manufacturer's realisation and at maximum retail price (MRP)

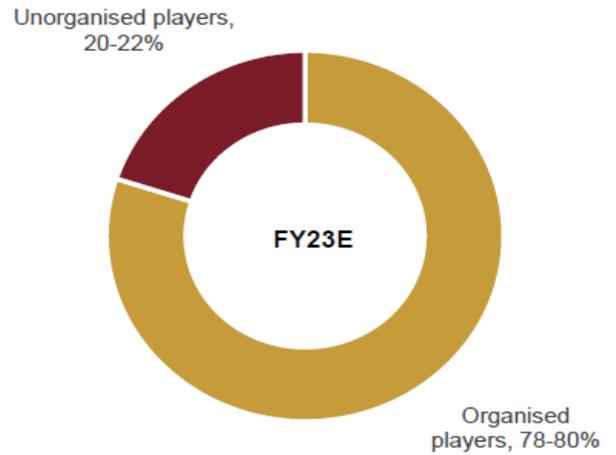
Rs in billion	FY17	FY18	FY19	FY20	FY21	FY22	FY23E		FY28P
Manufacturer's Realisation	70.2	76.6	84.5	82.6	50.6	72.9	96.8		140 -145
MRP	100.4	109.6	121.0	118.2	72.4	104.4	138.3		200 -205

Note: MRP level values are calculated based on typical markups obtained through industry interactions
E: Estimated; P: Projected
Source: RHP, CRISIL MI&A

Exhibit 3: Trend among organised and unorganised players in industry

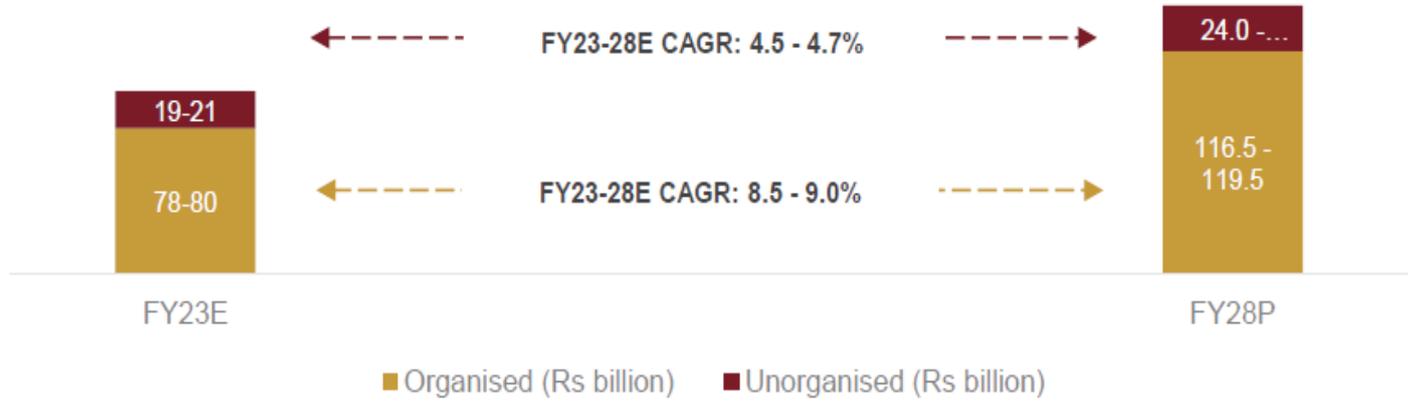


Share of organised players in Financial Year 2023



Note: E: Estimated
Source: RHP, CRISIL MI&A

Exhibit 4: Share of organised vs unorganised players in Indian writing and creative instruments industry



E: Estimated; P: Projected
Source: RHP, CRISIL MI&A

Exhibit 5: Growth of key seven players in organised writing and creative instrument industry

	FY17-20 CAGR	FY21-23E CAGR	FY17-23E CAGR
Key 7 organized players	8.6%	52.7%	8.7%
Remaining organized players	2.6%	26.5%	3.9%
Overall organized segment	6.2%	41.9%	6.9%
Overall unorganized segment	0.0%	26.3%	(0.7)%
Overall writing and creative instruments industry	5.6%	38.3%	5.5%

E – Estimated as per industry interactions
Source: RHP, CRISIL MI&A

Exhibit 6: Qualitative overview of pen segment



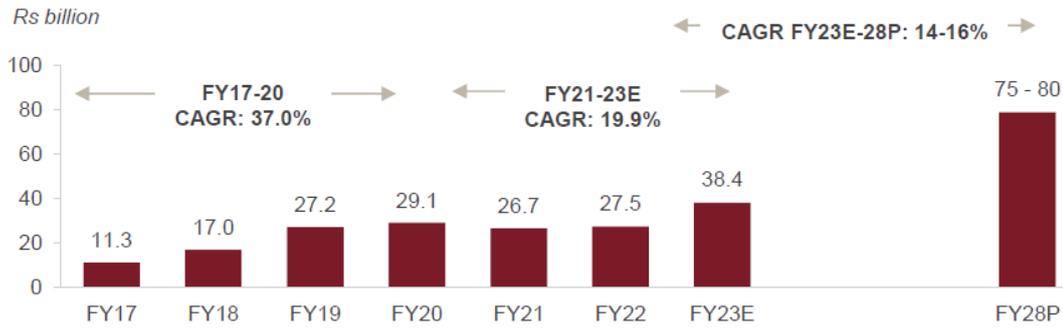
Source: RHP, Industry, CRISIL MI&A

Exhibit 7: Qualitative overview of key users



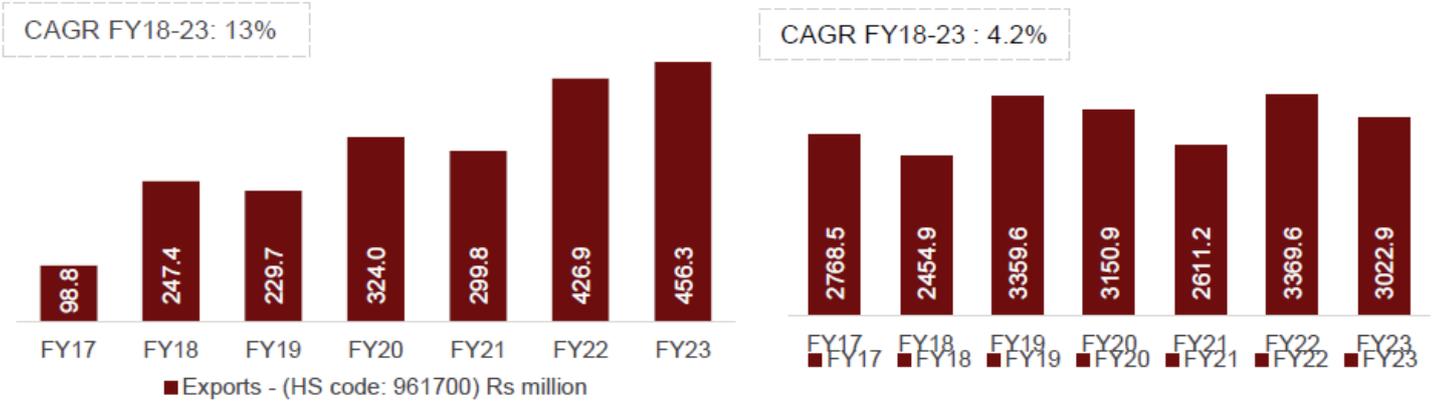
Source: RHP, Industry, CRISIL MI&A

Exhibit 8: Steel bottle industry in India



E: Estimated; P: Projected
Source: RHP, CRISIL MI&A

Exhibit 9: Export trends in the domestic steel bottle industry



Source: RHP, DGFT, CRISIL MI&A

Exhibit 10: Our other operational manufacturing plants are versatile in that any of our products can be manufactured at any of our operational plants



Source: RHP

Exhibit 11: Manufacturing Facilities and Other Properties



Dehradun Unit-I and Dehradun Unit-II



Valsad Building-II and Valsad Building-III

Source: RHP

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