

FLAIR WRITING INDUSTRIES LIMITED

22-11-2023 to 24-11-2023

Industry: Stationary

Price Band: ₹ 288 - 304

Recommendation: Subscribe for Long Term

Post Implied Market Cap: ₹ 3,051 - 3,204 Cr

Key Data

Issue Size (₹ Cr)	593
Fresh (₹)	292
OFS (₹)	301.00
No of shares offered	20,590,270 - 19,506,578
Face Value (₹ /share)	5
Bid Lot	49

About the Company

Flair Writing Industries Limited (Flair Writing), established in 2016, is a leading player in the writing instruments industry holding a 9% market share in India. They are among the top two in organized players with a CAGR of 14% from FY2017 to 2023. The flagship brand "Flair" has been in the market for over 45 years. They are largest manufacturer and distributors of pens, stationery, calculators, houseware products, and steel bottles in pan India. With a distributor network of 7,700 and 315,000 wholesalers/retailers, Flair is a key player in both domestic and export markets. They hold a 7.1% market share in the export of writing and creative instruments, operating from 11 manufacturing plants, they offer various brands, including "Hauser," "Pierre Cardin," and the recent addition "ZOOX." Additionally, Flair engages in OEM manufacturing, corporate gifting, and introduced a range of creative products in FY2021.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	30-11-2023
Refunds/Unblocking ASBA Fund	01-12-2023
Credit of equity shares to DP A/c	04-12-2023
Trading commences	05-12-2023

Investment Rationale

- **Diversified range of products across various price points catering to a wide spectrum of consumers:** Flair Writing dominates the writing and creative instruments industry in India with the most comprehensive product portfolio. Their diverse range covers various price points and consumer segments, including an extensive selection of pen products (ball pens, fountain pens, gel pens, roller pens, and metal pens), creative and stationery items (mechanical pencils, highlighters, correction pens, markers, gel crayons, colouring range, erasers, geometry boxes, and kids' stationery kits), as well as calculators. With 727 different products offered as of June 30, 2023, Flair holds a strong position in the market.
- **Largest Pan-India distributor/dealer network and wholesale/retailer network in the writing instruments industry* and strong presence in targeted markets abroad:** Flair Writing boasts the largest and extensive sales network in the Indian writing instruments segment, featuring about 7,700 distributors/dealers and around 315,000 wholesalers/retailers as of March 31, 2023. Additionally, they have 131 super-stockists, including Flair Sporty, and a retail presence in 2,424 cities, towns, and villages in India as of June 30, 2023. This multi-tiered domestic sales and distribution network, supported by dedicated sales and marketing teams, ensures wide-reaching product availability and effective market penetration across diverse geographical areas.
- **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 Writing has cultivated enduring relationships with international companies, serving as a contract manufacturer and distributor. Their top five customers, contributing significantly to total revenue, have maintained an average relationship of approximately 15 years. The United States, United Arab Emirates, Yemen, Colombia, and Japan are their leading export destinations, collectively contributing 61.19% of export revenue in FY2023. With 54 international distributors, Flair's products are sold in 77 countries as of June 30, 2023, reflecting a robust global presence.
- **High quality manufacturing at a large scale coupled with innovation capabilities:** As of June 30, 2023, Flair Writing operates 11 manufacturing plants, emphasizing customization for OEM and corporate clients. Their commitment to innovation and design is evident in products like the "Flair Glitter Gel Pen," featuring metallic glitter ink, the "Hauser XO Ball Pen" in pastel colours, the "Ezee-Click Ball Pen" with low-viscosity retractability, and the "Flair Woody Ball Pen" with a wood finish. Other notable products include the "Flair Yolo Ball Pen" with a laser carbon body finish, the "Flair Writo-Meter Ball Pen" boasting a 10,000-meter writing capacity, the versatile "Sunny Ball Pen" (4-in-1), and the creatively designed "Flair Creative Gem Pencil" featuring a diamond-shaped crystal on top.

Shareholding (No. of shares)

Pre-Issue	9,57,90,115
Post Issue (Lower price band)	10,59,29,003
Post Issue (Higher price band)	10,53,95,378

Shareholding Pattern

	%
Promoters & Promoter Group:	
Pre Issue	63.37%
Post Issue	51.73%
Promoter Group:	
Pre Issue	34.12%
Post Issue	27.48%
Public -Others:	
Pre Issue	2.51%
Post Issue	20.79%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Risk

- Fluctuation in the price of raw material.
- Dependency on distribution network in India and overseas.

MView

We believe Flair writing IPO offer gives investors an opportunity to invest in a leading four-decade old player in writing instruments which the flagship brand "Flair". We think Flair hold significant position in writing and creative instruments with diverse product portfolio spanning various price points would cater to a diverse consumer base and a strategic approach to market penetration. We also believe with extensive sales network and global presence would ensure wide-reaching product availability and effective market penetration across diverse geographical areas. We also think with strategic partnership with global brands and high quality manufacturing with innovation capabilities showcases reliability and credibility, and also highlight their ability to customize products for OEM and corporate clients. By looking at the financials Flair writing has delivered a healthy growth in revenue from operations of 16.9%/19.47% in FY22/23 and healthy profit growth of 5471% in FY 2022 and 114% in FY 2023. On valuation parse at upper price band of ₹ 304/- and based on annualized earnings and fully diluted post-IPO paid-up capital, the issue is asking for a Market Cap of ₹ 3204 Cr with P/E of 25x on consolidated basis, which seems the issue is fully priced by looking at the expected growth in revenue. Being among the top 3 player in overall writing instrument industry with a market share of 9% in overall writing and creative instruments industry in India, we believe company is strategically positioned coupled with a track record of sustained growth. Hence, we recommend investors to "SUBSCRIBE" to IPO with Long term perspective.

Other Details

BRLMs: Axis Capital, Nuvama Wealth

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

Research Analyst

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at June' 30	As at March' 31		
	2023 (06)	2023	2022	2021
Equity Share Capital	46.69	46.69	23.35	23.35
Reserve	419.66	388.26	293.63	238.26
Net Worth	470.16	437.99	319.86	264.65
Revenue From Operations	246.70	942.66	577.40	297.99
Revenue Growth %	-	19.5%	16.9%	-
EBITDA	52.34	183.51	97.57	23.00
EBITDA Margin (%)	21.21%	19.47%	16.90%	7.72%
Profit Before Tax	42.95	158.8	73.45	2.14
Net Profit for the Period	32.14	118.1	55.15	0.99
Net Profit Margin (%) as stated	13.03%	12.53%	9.55%	0.33%
EPS (₹)	3.44	12.66	5.91	0.11
RONW(%)	7.08%	31.17%	18.87%	0.37%
NAV (₹)	50.34	46.9	34.25	28.34
ROE (%) as stated	7.08%	31.17%	18.87%	0.37%
ROCE (%) as stated	7.64%	31.24%	17.41%	0.14%

Source: Company RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from Operation FY 2023 (In Cr)	EPS	NAV	P/E	RONW
Flair Writing Industries Ltd	Consolidated (Annualised FY 2024)	3204	5	942.66	12.20	109.17	24.92	31.17%
Linc Limited	Consolidated	1,037	10	486.76	25.15	119.17	26.9	23.37%
Kokuyo Camlin Ltd	Consolidated	1,475	1	774.94	2.44	26.18	36.8	9.74%
Cello World Ltd	Consolidated	16,363	5	1,796.70	13.65	56.84	61.5	23.17%

Date as on 31st March 2023, Cline Mcap, PE calculated as on 22-11-2023

Flair Writing Industries Ltd, Revenue EPS/PE, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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