Flair Writing Industries Limited
(An ISO 9001:2015; ISO 14001 : 2015 & SA 8000 : 2014 Certified Company)
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August 16, 2024

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001. Scrip Code : **544030**	**National Stock Exchange of India Limited** Exchange Plaza, C/1, G Block, Bandra - Kurla Complex Bandra (East), Mumbai - 400 051. Symbol : **FLAIR**

Sub: Transcript of Investor Call held on August 12, 2024

Dear Sir(s)/ Madam(s),

Pursuant to Regulation 30 of the Listing Regulations, copy of transcript of the Investor call held on August 12, 2024 at 03:30 p.m. (Indian Standard Time) on the Un-audited financial results for the quarter and three months ended June 30, 2024, is enclosed.

You are requested to take the same on record.

Thanking you,

Yours faithfully,
For **Flair Writing Industries Limited**

VISHAL KISHOR CHANDA
Digitally signed by VISHAL KISHOR CHANDA
DN: cn=VISHAL KISHOR CHANDA, c=IN, st=Maharashtra, o=Personal, serialNumber=fe43602d22614319358501763f7956f7768022 2fc2571bc8f531e5cf3e9f4dbf
Date: 2024.08.16 12:02:12 +05'30'

Vishal Kishor Chanda
Company Secretary and Compliance Officer

Encl: As above

"Flair Writing Industries Limited

Q1 FY '25 Earnings Conference Call"

August 12, 2024

MANAGEMENT:	**MR. VIMALCHAND RATHOD – MANAGING DIRECTOR – FLAIR WRITING INDUSTRIES LIMITED** **MR. MOHIT RATHOD - WHOLE TIME DIRECTOR – FLAIR WRITING INDUSTRIES LIMITED** **MR. SUMIT RATHOD – WHOLE TIME DIRECTOR – FLAIR WRITING INDUSTRIES LIMITED** **MR. ALPESH PORWAL – CHIEF FINANCIAL OFFICER – FLAIR WRITING INDUSTRIES LIMITED**
MODERATOR:	**MR. IRFAN RAEEN – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Flair Writing Industries Limited Q1 FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. Please note that this conference is being recorded. I will hand the conference over to Mr. Irfan Raeen from Orient Capital. Thank you and over to you, sir.

Irfan Raeen: Thank you, Neha. On behalf of Flair Writing Industries Limited, I extend a warm welcome to all participants on Q1 FY25 Financial Results Discussion Call. Today on our call, we have Mr. Vimalchand Rathod, Managing Director, Mr. Mohit Rathod, Whole Time Director, Mr. Sumit Rathod, Whole Time Director, and Mr. Alpesh Porwal, Chief Financial Officer. Before we begin the call, I would like to give a short disclaimer.

This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. With this, I would like to hand over the call to Vimalchand sir. Over to you, sir. Thank you.

Vimalchand Rathod: Good afternoon, everyone. I want to express my gratitude to all the participants who have joined the call today. I hope everyone had the opportunity to go through our investor presentation and press release that we have uploaded on the exchanges. As the largest pen brand in India, the current quarter was a quarter of two halves. First half was dominated by phased general election and school being shut early on account of the intense heat waves which settled down by the second half as growth picked up.

Creative brand continues to grow at a high double-digit rate and we expect it to sustain and improve upon this growth going forward. Visibility of the future pipeline with product innovation in this segment remains strong. Steel bottles and houseware segments have started to gain momentum and have been accepted well in the domestic market. It remains an important area of focus for the company as you work towards unlocking the growth potential of this segment.

It gives me immense pleasure to welcome Mr. Alpesh Porwal as the new Chief Financial Officer of the company. He has two decades of experience across various functional areas and will provide us with invaluable insights. Mr. Alpesh Porwal succeeds the outgoing Mr. Mayur Gala, who ceases to be the Chief Financial Officer and KMP. We would like to thank Mr. Gala for his services and wish him well for all the upcoming endeavours. I will now hand over the calls to Mr. Mohit Rathod to provide insight in each segment.

Mohit Rathod: Thank you. Good afternoon, everyone. I would like to go in-depth on the performance of each division. First of all pen segment. Our total revenue for the quarter was INR247 crores out of which pen contribution was INR196 crores for the Q1 25 contributing around 81% to our top line.

Overall, pen's division performance was stable as compared to previous year. As highlighted by our Managing Director pen segment performance was two paced with performance of the pen's division in the first half of the quarter being affected as demand was dampened by activities leading up to the phased elections.

Overall, demand picked up in the second half of quarter post the peak of elections. Despite facing such challenges in the demand environment our own brands grew by 7% year-on-year in the domestic market signifying their resilience and wider market acceptance. This demand momentum has continued in the current months as well making us quite optimistic for our largest business segment going forward.

A key takeaway was the performance of Hauser brand which saw a good growth in Q1. The brand performance in a rather challenging environment highlights the dominant position of our best seller Hauser XO in the industry. Furthermore, we received good initial market feedback on the relaunch of INR5 MRP products and we remain intact on focusing on this segment as we can leverage our past investments into moulds and machinery to grow this segment without any significant need of additional capex.

For the quarter we introduced nine new models in the overall category and from these seven models were in mid-premium to premium category to consolidate our leadership position in the mid-premium and premium segments. This has helped us to strengthen our portfolio position in this category.

Despite certain challenges, our ASP for the overall business increased from INR 5.27 in Q1 24 and INR 5. 17 in Q4 24 to current INR 5.29 in Q1 25, a testament of our focus on premiumization strategy.

Talking about creative segment. Creative as a segment increased in Q1 25 by 21.4% year-on-year with the revenue clocking in at INR37 crores. The high growth segment saw the highest share of all new products launches during the quarter as the company introduced 16 new products in this category. Inclusion of Disney collaborated products from Q2 of 25 to our existing portfolio will provide an avenue for further growth in this segment. We plan to introduce new models in pencil range and colouring range to widen our portfolio.

The company was able to deliver robust growth in this category through the existing distribution network via increasing channel filling. Long-term strategic actions for the segment will be towards gradually increasing the in-house manufacturing capabilities to improve margins and enhance presence of creative products in our own distribution network.

Talking about steel bottle segment, steel bottles has gathered the momentum registering a 116% year-on-year increase to INR8 crores. Aggressive scaling, robust enquiries and a growing order book in the category provide an exciting outlook for this segment. We are confident of achieving a significant contribution from this segment in financial year 25 as we witness an increasing trend of month-on-month revenue run rate.

We significantly expanded our steel bottles offerings with the launch of 7 new variants in this quarter alone. Design innovations, in-house lacquering and colouring capabilities and integrated manufacturing equip us with the necessary tools to create our own niche in this market apart from the distinct edge of BIS certification in place for most of the products.

Contribution of our own brand sales to overall mix improved to 87% in Q1 25 from 83% Q124 with overall own brand sales growing by 5% on year-on-year basis to INR215 crores. Persistent geopolitical issues around the Red Sea have raised freight costs and created a shortage of shipping containers, bottlenecking supply to the export markets thus affecting overseas own brand sales although demand remains intact.

However, we received a very encouraging update from export OEM segment which is on a gradual, but a definite path of recovery, increasing by 10% in the current quarter. Domestic OEM face a subdued demand and is expected to remain at current quarterly levels which we propose to make up from our own brand sales in domestic market. Our capex plans remains on track to be completed in a timely manner. Successful execution of our premiumization strategy has helped us consistently yield better realization per piece on the back of brand positioning, extensive portfolio catering to mid-premium and premium markets, as well as constant innovation in products that have satisfied consumer needs.

Overall, we continue to be optimistic for the future growth with the pen segment's growth now being on track, ably supported by two high-growing segments in creative and steel bottles. I will now hand it over to Mr. Alpesh Porwal, our new CFO, to discuss the financial performance. Thank you.

Alphesh Porwal: Good afternoon, everyone. Thank you, MD sir, for your kind introduction. Moving to the consolidated performance of the company for Q1 FY25, revenue from operations for Q1 FY25 was at INR247.1 crores, an increase of 0.2% year-on-year. Gross profit for the quarter was at INR122.9 crores which declined by 1.3% year-on-year basis. Gross profit margin came in at 49.7%. Marginally higher input cost led to a comparatively softer gross margin for the quarter. EBITDA for the quarter was INR42 crores.

EBITDA margin was at 17%. And profit after tax for the quarter was at INR26.2 crores. And profit after tax margin for the quarter was at 10.6%. Certain one-off expenses in Q1 such as early CSR expenditure for the year and organizing a national sales manager conference combined with scheduled rise in employees and sales and marketing team in line with national rollout of sales policy attributed to rise in employee expenses on a yearly basis. However, we remain quite confident in our ability to achieve about 19.5% EBITDA margin mark in the following three quarters. Thank you. And over to moderator to take further questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Resha Mehta from GreenEdge Wealth. Please go ahead.

Resha Mehta: Yes, thank you. So, the first one is on the export business. So, the export OEM business has grown by 6%. But if you look at our export own brand business, that has declined by 9%. So, why would this dichotomy be if the problems of freight, container, etc. were seen for both?

Mohit Rathod: Yes, so you're talking about exports, right?

Resha Mehta: Correct.

Mohit Rathod: Yes. So, as you can see, because of the geopolitical reasons, the freight costs and the shortage in the containers have, led to the decline in sales, majorly for our branded products, because our distributors were not able to, get goods on time, because of the delay, and as well as the cost rose significantly almost three times and to certain countries, it was more than five times.

So, there is no, if you look at the overall demand, there is no, the demand still remains intact. So, we don't see any, anything. Yes, as the situation is slowly, slowly improving, I think it should be back on track, as far as our branded sales is concerned.

Alphesh Porwal: At the same time, the export OEM overall was up by 10%. So, there was a marginal 6% volume loss, but more than offset by 16% value gain. Yes.

Resha Mehta: So, if the problems were the same, right, for both these segments, right, whether it is export OEM or whether it is export own brand sales, right, the problems of container high freight costs were the same. So, that's what my question precisely was, that why own brand sales have declined while, the OEM exports have grown?

Mohit Rathod: See, the thing is the OEM, the big buyers, they normally they buy as per the projections, whether the container costs are high or low, for them, it doesn't matter whether the freight charges are three times or five times. But as far as the distributors are concerned, it does matter because everything is taken into account when they buy and when they sell it. So, that's the reason.

And mainly, when we do it, our own branded sales, US and the South American markets were a little bit hit, and even the UAE market, which was our main market for exports.

Resha Mehta: This you're talking on the own brand side, right?

Mohit Rathod: Own brand.

Resha Mehta: South America and OEM is to which market? Export OEM is to which market?

Mohit Rathod: Majorly to US.

Resha Mehta: Got it. And your exports are on FOB basis?

Vimalchand Rathod: Yes. Most of our exports are on FOB basis.

Resha Mehta: For both, right? Own brand as well as OEM?

Vimalchand Rathod: Yes.

Resha Mehta: Right. Second question is on the creative side. So, currently, if you could just call out, is there any in-house manufacturing that we do? If yes, what is the savings there? And by when do we expect it to become, margin accretive? And once let's say, I think the ambition is to get to a 75% in-house manufacturing share. So, once we reach that number, then, how do margins shape up?

Mohit Rathod: So, as we mentioned that, the capex plan is already on and, everything is in time as per the schedule. And, once the capex, similarly, even for the creative, all the manufacturing lines have been already ordered and set up. So, I think by the end of the year or early next year we should be making , up to 75% of our total business. What we get from creative would be manufactured in-house. And this will enable us to maintain the EBITDA levels at the same level as writing instruments.

Resha Mehta: Understood. And if I can see even one more question.

Mohit Rathod: Yes.

Resha Mehta: Yes. So, in your presentation, you have mentioned that, there is some team structure change on the distribution side, right? So, if you can just elaborate on that, that currently is the same team different for the creative, pens, etc bottles and what is the change that you all have done?

Mohit Rathod: Sorry, can you repeat the question? We didn't understand the, what are the changes we have done?

Resha Mehta: Yes. So, in your presentation, you have called out that as far as the distribution goes, the same team structure, there has been some change in terms of pens, creatives, etc. So, what are these changes that you all have implemented on the ground? If you can elaborate on that.

Mohit Rathod: So, there are no major changes we have done. The only thing is, if you can see in the presentation, the number of distributors have increased. Majorly, nothing to do with the creative, but we have increased the number of distributors for steel bottles. So, I think there is no major change in the distribution pattern or the way we do distribution. It's the same as before. We haven't changed anything in that.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Nuvama Wealth Management Company. Please go ahead.

Sneha Talreja: Hi, good afternoon, sir. Just a couple of questions from my end. Firstly, in your core pens business, if I look at your growth this particular quarter and exclude creative from your own brands business, you've grown roughly by around 1% on a year-on-year basis. If I look at your guidance, that stands at about 11% to 12-odd percent on a CAGR basis.

Although I understand this particular quarter was impacted by elections and all, would you help us understand how you started and how the monthly growth run rate has been for you and how confident are you in achieving this number for an annual, for the year as a whole, which is FY '25? That's my first one.

Mohit Rathod: Yes. So, when we talk about Q1, as we all know that April month was badly affected due to various reasons. But May and June, we bounced back by INR90 crores plus, INR93 crores and then INR97 crores followed in June. July also, we have maintained the similar levels. And going forward also, we are hoping and we are very, very optimistic about the products, what we have in pipeline which we're going to be launching in Q2, Q3, and Q4 will help us get to the numbers.

As far as the pens is concerned, and creative, as we mentioned that we are on the right track in creative also by Q2, we would be in the Disney range of products, which we will be launching in the month of, in September that will help us, increase the sale a bit and, will help us penetrate further for creative. And steel bottles, guidance, as we discussed that we are on the right track, month-on-month, the run rate of sales is positive, it is growing month-on-month.

And going forward, there's also positive signs for the exports OEM. So, both put together domestic plus export OEM, I think we should be able to match the guidance.

Management: Just to add, on the April number was about INR61.57 crores, which moved to about INR93 crores in May and INR98 crores in June.

Sneha Talreja: And this is the overall company number, including creative, OEMs and all.

Management: Yes, it's a total number. So, April effect, elections affecting of April is very visible.

Sneha Talreja: Secondly, if I look at the domestic OEMs also, that is also down significantly. Although you have been sharing a lot of information in your exports OEM that, you know, there's a growth visibility or adding SKUs with them. What are we doing to revive the domestic OEM business?

Mohit Rathod: So, domestic OEM business, as we mentioned earlier also, is going to be stable and subdued because we don't see, and it's going to be compensated by the sales increase in our own brands.

Sneha Talreja: Okay, so we have visibility from Q2 itself of growing double digit and that offsetting the domestic OEM business?

Mohit Rathod: No, domestic OEM business is going to be in the similar level as Q1.

Sneha Talreja: Understood. Thirdly, if at all you can touch upon the steel bottle business, how are we faring there? Where all have we, you know, how many distributors have we added? How is business panning out in the domestic market? Plus, any signs of, us starting on the export business for the steel bottles?

Mohit Rathod: Yes. So, in domestic market for steel bottles, we have already appointed 20 plus distributors and we have also recruited around 15 salesmen. And other than that, we have also set up a separate department to cater to modern trade and we have already, got into Reliance and other departmental stores. We are going to be further adding more modern trade, buyers in the list in coming months for the festival season.

And e-com also we have set up a separate department. As we all know that, in e-com it takes about six to seven months to get the ratings on level. So, we are on track and, hopefully by the end of Q2, we would be, one in the best sellers in on Amazon and Flipkart.

Moderator: Thank you. The next question is from the line of Niraj Kamlekar from ProsperoTree PMS. Please go ahead.

Niraj Kamlekar: Sir, my question may be repetitive, but I would like to ask this. Pen is our largest revenue segment and in this quarter the Pen has not reported the same numbers on a Y-o-Y basis because the OEM, domestic OEM particularly, were underperformed. So, how we will report any growth or will achieve any growth if the domestic OEM will remain underperformed or not giving any growth opportunity? So, will you rely only on our own brand or do you have any other plan to grow?

Mohit Rathod: So, as far as the domestic OEM is concerned the demand is going to be subdued and we will be relying on our own brands to compensate. And if you look at the numbers, our own brand, which is Hauser, is doing exceptionally well in domestic market. And one of the products in Hauser, which is in the name of Hauser XO, is one of the best sellers in the industry. So, we are banking on that. So the overall traction is also very good. So growth-wise, we would be focusing mainly on our own brand sales for domestic market.

Niraj Kamtekar: Yes, sir. But what happens, suppose the OEM is down by the INR10 crores or INR15 crores or INR20 crores and we get some growth from the own brand, then the number will be the same and the profitability will be also same. When we will grow from the -- suppose the OEM will not grow in the future, then also we want to grow from pen segment. What is our strategy?

Mohit Rathod: So OEM business is not going to be zero, it will be at the similar level as Q1 previous year. So taking that into account, and as far as our brand is concerned, it's getting a good traction in the market. I think overall the growth trajectory would be at the levels of our projection.

Niraj Kamtekar: So from quarter 2 onwards, suppose the OEM will not grow, then also can we report the growth in the quarter 2 onwards?

Mohit Rathod: Because Creative and Hauser is growing at a faster pace. So it will result in overall business growth.

Management: We have been knowing about the domestic OEM sales slowing down because of the change in the management that happened last year. So now the new management has come in and they are maintaining the same level of growth. So we will continue to take care of that. But it will be more than offsetted by our own growth, especially in Hauser and some of the player brands competing in that particular line. So that market share which was of theirs is being absorbed substantially by our own brands.

Niraj Kamtekar: And if the OEM degrowth is replaced by our own brand growth, will it result into higher profitability because our own brand is carrying some higher margin?

Alphesh Porwal: Certainly. That offsets the entire thing out here because our own brands have better profitability out here. And I'll slightly put up, we see the challenges on a daily basis. And that's where we see that OEM was coming as a challenge to some extent. And so we're focusing more and we're shifting our entire thing on towards our own brands also. We see the numbers also growing up out there. So it is compensating -- it's more than compensating. It is taking care of the future growth now.

Niraj Kamtekar: And sir, do we audit our distribution channel anytime? Because where the Flair brands or Hauser brands are available, Zoox is not available or even sometimes the shopkeeper does not know the name of the Zoox because we inquired some certain places and Zoox is not available. And Zoox is in the mid-segment. If Zoox reports the growth, there will be much more value growth in the pen segment. Why the ZOOX is not available in each and every store where Flair and Hauser are also available?

Mohit Rathod: So, Zoox purposely we haven't launched pan India. We have launched only in few selected outlets because being a little expensive premium plastic pens. So we were focusing on only A class counters. We haven't reached out to B and C class counters. So maybe going forward, we would be entering into those B and C categories as well.

So as far as Zoox is concerned, we are going slow. We are understanding the market since it is a very, very premium product compared to what we have been selling in Flair and Hauser. So that's the reason why we want to go slow. And the response is also very good in selected cities and towns. So gradually we will be growing in that.

Niraj Kamtekar: Yes. But my point is that Flair are available, Hauser are available in the same shop. Zoox is not available whether we are not marketing the Zoox product to that shopkeeper or intentionally or our Zoox distribution channel is totally different than the Hauser and Flair?

Sumit Rathod: So, distribution channel is the same. It is just that going forward along with the Q3, Q4, you will see more traction and more visibility of Zoox product in the market. And along with that, we are also planning to launch a few more products in the Zoox brand kitty. So very soon you will be seeing a couple of more products in the market and also increased visibility in the market.

Moderator: The next question is from the line of Vivek Tulshyan from New Mark Capital. Please go ahead.

Vivek Tulshyan: You guys have mentioned that you are looking to re-enter the INR5 price point segment. And once you do that, what share of business do you expect to come from that category and does that lead to lowering of ASPs and lowering of margins as we go along?

Mohit Rathod: So, if you look at our historical numbers, we were always present in INR5 category. It is only last 2, 2.5 years we exited that category and we were focusing more on INR10 and above,INR10 MRP and above. But because of the competition re-entering INR5, we thought of getting it back, going it back to INR5 and there is no additional capex required because we already have all the moulds and machines in hand.

But as you said, the ASPs will be maintained at this level only because we would be introducing premium and mid-premium category products as well. And as you know, even current -- if you look at Q1 numbers also, we have maintained or increased slightly our ASP in spite of launching INR5 MRP products. So we have been very, very careful of the product mix of what our sales team and distributors are selling.

Vivek Tulshyan: But does launching the INR5 product or promoting the INR5 product again because the competition has got more keen on that market, does that lead to our sales cannibalization?

Management: Basically, we were there in that segment and we moved on by focusing on the INR10 plus segment, which you have seen a major traction in our growth on some of the Hauser XO and Flair Yolo type of introductions we have been making. We already have past investments done in the moulds and we are just using without any major additional capex, we are just leveraging our existing investment there. So there is hardly marginal change in that.

Vivek Tulshyan: My question is if you are selling the same volume to the channel, then selling INR10 pen is obviously more lucrative compared to INR5 pen. So, how do you guys think about the mix?

Sumit Rathod: So, it is not about cannibalizing our MRP product because we have a very strong sub-brand into our category, but it is more from the competition perspective and also that the market of INR5 is still there, which was there present earlier also. So, it is just taking back our market share to a certain percentage in that INR5 market back into the stores.

So, like already mentioned, since we were already present and our network and our team and our distribution channel already knows that we had many products in Hauser and Flair brand in the INR5 category. So, we are just trying to recapture and take our market share back.

Vivek Tulshyan: And on the steel bottles, you mentioned there is some positive traction from the export OEM. So, and you also mentioned that the year you could see some significant contributions on steel bottles. So, on a full year FY '25 basis, will you have like a percentage that steel bottles can contribute in terms of the overall revenues?

Mohit Rathod: Yes. So, overall, we are targeting around 4.5% to 5% contribution coming from steel bottles and steel bottles and household as a category both put together around 4.5% to 5% of the overall revenue.

Vivek Tulshyan: Got it. And just one last question. Will you know what is the cash balance at the end of June 30th?

Mohit Rathod: So, basically, we have a cash credit limit. So, we normally, we do not keep balance there. The limit utilization goes down when there is a surplus cash coming from the generation.

Vimalchand Rathod: Sir, The surplus cash we keep in the deposit. Yes. And based on the current account, it is hardly anything.

Management: With fixed deposit, what is the balance? What is the FD we have?

Mohit Rathod: Mr. Vivek, maybe we will email it to you.

Vivek Tulshyan: No problem. Thank you so much.

Mohit Rathod: Around INR5 crores is the FD.

Moderator: Thank you. The next question is from the line of Sahil Vora from M & S Associates. Please go ahead.

Sahil Vora: Good afternoon, sir. I had a couple of questions. So, recently, the company got a few customs and GST demand notices. Just wanted to understand what will be the expected…

Management: Yes. Can you complete the question, please? Can you complete the question?

Moderator: Mr. Vikas, your line has been unmuted. Please go ahead with your question.

Vikas: Yes. Good afternoon, everyone. So, just with respect to the steel borders business, I think I just heard it that it would be somewhere around 5% of the total revenues. So, 5% it comes to somewhere around INR45 crores, INR50 crores. So, INR1,000 crores. So, we will only be able to scale up from INR8 crores to INR50 crores throughout the year in this new segment. Because that was the whole segment aspiring what has been talked about for the last two quarters.

Mohit Rathod: Yes. So, this is the guidance what we are giving going forward. And year-on-year, it's going to improve from there. Since it's the first year of our doing business in this category, we are targeting around 5% of our total top line.

Vikas: But the order value would be much higher, right? From the existing OEM for the INR50 crores business, we would not be investing into the businesses, right?

Mohit Rathod: So, order value is going to gradually increase year-on-year. And that's the reason why we have invested into steel bottles. It's going to be gradually increased year-on-year, as we introduce more and new models for them.

Vikas: So, what would be the average capacity as of now been put on to produce the bottle business? And how much we are producing?

Management: At the end of the year, we will be about 45% utilization.

Vikas: Okay. And what is the actual capacity?

Management: So, actually, in terms of value?

Vikas: In terms of bottles?

Sumit Rathod: In terms of bottles. So, this is a very complex manufacturing. So, it is a mix of combination of manufacturing. But we can go with the understanding that end of the year, with this kind of a projection that we have having around 5%, that will occupy around 40% to 45% of our manufacturing capacity.

Mohit Rathod: Because the same manufacturing line can manufacture single wall and double wall bottles as well. So, when we make a double wall bottle, the production is half. When we make a single wall bottle, the production is double. So, it depends on the demand from the market and the product mix. But if you look at the overall per line, the capacity is about 80,000 to 100,000 bottles per month.

Vikas: 80,000 to 100,000 bottles per month?

Mohit Rathod: Yes. Per Line.

Vikas: Thank you very much.

Moderator: Thank you. The next question is from the line of Sahil Vora from M & S Associates. Please go ahead.

Sahil Vora: Yes, sir. I just had a couple of questions. Sir, recently the company got a few customs and GST demand notices. Just wanted to understand what will be the expected liability arising from these orders?

Alphesh Porwal: So, the GST demands which you have been getting out of the older years and as you would know, the department has also been kind of raking up all these issues. Almost all of the GST demands have been replied to or have been settled. So, we don't see a liability out here at our end because...

Vimalchand Rathod: There will be some liability. Because it is an appeal. So, as soon as the appeal is settled, then we will know the exact -- But it will not be substantial.

Alphesh Porwal: It won't be substantial. And there are only two of them which we have to go on an appeal. Rest of all we have replied to. So, these also not. And it's a small number which we are talking about.

Sahil Vora: Okay, that's good to know. Sir, my next question is, I saw in a news article that a big player in steel segment are still complaining of cheap Chinese steel being imported and stuffed in the Indian market. So, what is your experience in the steel bottle segment? And can you highlight where do you source your steel from? And are we also importing Chinese steel to save on raw material cost?

Sumit Rathod: So, the steel bottle import which is through the BIS standard which has to happen for the Indian market that has been postponed for a couple of months because the Indian domestic market still has to develop to the complete demands of the Indian requirement. So, hopefully as the Indian manufacturing setup keeps on growing this import will reduce along the years.

And as BIS standards will become more stringent these imports will reduce going on and on. And also from our part, we are having a combination of sourcing from steel from India as well as a couple of importers which import from various countries like Korea, Vietnam and other countries and China for us.

Sahil Vora: Okay, that's it from my side. Thank you.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Saloni Shah from SK Investments. Please go ahead.

Saloni Shah: Hello, sir. Thank you for the opportunity. Sir, I have a question. So, like the Disney partnership, are there any other collaborations that we're looking on in the pen segment? Because from what I've seen, such movie or TV show character branding is quite appealing to the young kids. So, any thoughts on that?

Mohit Rathod: So, we are not tying up for any writing instruments like for pens with Disney or any other Warner Brothers characters. But yes, we have only tied up for creative division because there's a lot of excitement among the younger kids when they see anything with Disney prints or Warner Brothers prints. But for writing instruments, which is normally after fourth, fifth standard they use it. So the excitement for those pens are not that much because we tried earlier and it wasn't very successful. So, we are just restricting it to the creative division.

Saloni Shah: Okay, sir. Thank you so much. That's all from my side.

Moderator: Thank you. The next follow-up question is from the line of Niraj Kamtekar from Prospero Tree PMS. Please go ahead.

Niraj Kamtekar: Thanks for the opportunity, sir, once again. Sir, my question is that on the basis of the Q1 result, I can say that our growth engine will be the creative segment because the pen segment as it is because of the OEM slowdown and the natural industry growth is not more than the 4% to 5%. So, if we want to achieve the higher growth in a double digit, we must focus on the creative segment.

What specifically we are doing to make the INR145 crores revenue for FY '24 to 200 or something more than INR200 crores revenue. Please share any idea or share your thoughts on that.

Mohit Rathod: See, number one, as you said that the writing instruments, we are definitely going to grow and next three quarters are looking very, very promising. And our brands also have seen a good traction in domestic market and export also because Q1 was slow but Q2, Q3, Q4, when we talk to our distributors they're very, very positive as far as our brand sales is concerned.

And when we talk about creative, of course, as you rightly said so there's a huge scope for us because we are new in this category and there are a lot of verticals we would be entering or increasing the range in each vertical like, for example, the pencils or the coloring range or crayons and the kits and the geometry boxes. There's still a long way to go, a lot of products we have to develop and introduce in various price range to get the maximum benefit out of it.

Management: Just to add that the industry is growing at 6.5% to 7% and Flair as such historically has been always outgrowing the industry trend being the market leader. We continue to target our growth accordingly.

Niraj Kamtekar: Sir, for pen segment, are we expecting the volume growth or value growth?

Mohit Rathod: So we are expecting both, a combination of both. So in Q1, we saw a good volume growth, but going forward, it's going to be a combination of value as well as volume.

Niraj Kamtekar: And for the creative segment, we have tied up with Disney and we are going to use their character. Are we going to pay the royalty on a per-piece basis or there will be a fixed fee to pay them?

Mohit Rathod: So there is a royalty agreement already in place with Disney. It's based on the sales.

Niraj Kamtekar: On the sales, it is.

Mohit Rathod: Yes.

Niraj Kamtekar: Okay. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we'll take this as the last question. I would now like to hand the conference over to the management for closing comments.

Mohit Rathod: So thank you so much for all the questions. And as we said that going forward, we would be very, very optimistic about the overall growth of the company in all three segments, writing instruments, creative and steel bottles. And we would be in the direction of expanding our manufacturing base in the need of achieving the numbers, final numbers and thank you so much for your time and attending the call.

Management: And in case anyone has any follow-up questions, you can let know the IR get back to you.

Vimalchand Rathod: Thank you very much.

Moderator: Thank you. On behalf of Flair Writing Industries Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.