



# Flair Writing Industries Limited

(An ISO 9001:2015; ISO 14001 : 2015 & SA 8000 : 2014 Certified Company)

CIN NO.: U51100MH2016PLC284727

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February 19, 2024

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001. Scrip Code : <b>544030</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza, C/1, G Block, Bandra - Kurla Complex Bandra (East), Mumbai - 400 051. Symbol : <b>FLAIR</b>
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## Sub: Transcript of Investor Call held on February 12, 2024

Dear Sir(s)/ Madam(s),

Pursuant to Regulation 30 of the Listing Regulations, copy of transcript of the Investor call held on February 12, 2024 at 04:00 p.m. (Indian Standard Time) on the unaudited financial results for the quarter and nine months ended December 31, 2023, is enclosed.

You are requested to take the same on record.

Thanking you,

Yours faithfully,  
For Flair Writing Industries Limited

**Vishal Kishor Chanda**  
Company Secretary and Compliance Officer

Encl: As above

MUMBAI

Unit I, Trinity Ind. Park, Survey No.14,15,16,  
National Highway 8, Naigaon (E),  
Palghar 401 208, Maharashtra, India

DAMAN

Unit II, Survey No. 709/12 & 18,  
Somnath Road, Dabhel,  
Daman 396 210, India

DAMAN

Unit III, Survey No. 377/1,  
Plot No.19 & 21, Zari Causeway Road,  
Kachigam, Daman 396 210. India

DAMAN

Unit IV, Survey No. 370/2 A,  
Vapi Road, Kachigam,  
Daman 396 210. India

DEHRADUN

Khasra No. 1049/2, 1050/1,  
Twin Industrial Estate, Central Hope Town,  
Selaqui, Dehradun 248 011, Uttarakhand, India

VALSAD

Survey No.253, Village Shankar Talao,  
National Highway 8,  
Valsad 396 375, Gujarat, India



# “Flair Writing Industries Limited Q3 & 9M FY24 Earnings Conference Call”

**February 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. MAYUR GALA – CHIEF FINANCIAL OFFICER-  
FLAIR WRITING INDUSTRIES LIMITED**



**Moderator:** Ladies and gentlemen, good day and welcome to Flair Writing Industries Limited Q3 & 9 months FY24 Earnings Conference Call.

On the call, we have Mr. Vimalchand Rathod – Managing Director; Mr. Mohit Rathod – Whole-time Director; Mr. Sumit Rathod – Whole-time Director; and Mr. Mayur Gala – Chief Financial Officer.

A short disclaimer before we start this call. This call will contain some forward-looking statements which are completely based upon the beliefs, opinions, and expectations of the Company as of today. These statements are not a guarantee of future performance and will involve unforeseen risks and uncertainties.

As a reminder, all participants' 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 "\*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vimalchand Rathod – Managing Director. Over to you, sir.

**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 an opportunity to go through our “Investor Presentation and Press Release” that we have uploaded on the Exchanges and on the Company's website.

Quarter 3 was two-faced for the Company. There, while we faced challenges on OEM front, we had rather encouraging results from our own brands.

Let me first share some “Operational Highlights and Achievements” for the quarter gone by before throwing some lights on our OEM situation:

For 9 months FY24, Revenue from our own brand sales witnessed a growth in both domestic and export markets. Growth was pronounced on the domestic market, experiencing double digit growth. For both these markets, the growth was fueled by the rise in volume. Majority of our brands have been growing in double digits, with Hauser experiencing very high growth. Quarter 3 of FY24 turned out well for Hauser and Pierre Cardin brands, as consumers turned to us for gifting and combo products in what was a delayed festive season.

Continuous innovation, category expansion, and deepening are the essence of our industry to stand out for the customers. In this quarter, we introduced 30 new products across different brands during the quarter. Year to year, we had 804 products in our portfolio. This marks the biggest portfolio increase we have undertaken since 2021 having introduced more than 100 products in 9 months of FY24. We continue to focus on distribution-led growth and expanding touchpoints to reach our consumers more efficiently and be more accessible to the market. This

has also translated into volume growth for our products as discussed earlier. To this effect, we have witnessed our distribution base by adding 11 super stockists in Q3 FY24. Total count now stands at 156 super stockists. Conscious promotional, marketing, and sales efforts have helped us become the recognizable brand in the industry. We strengthened our sales & marketing team with 36 new faces added to the previous headcount of 906. The revised strength now stands at 942 people.

However, the OEM and export segments were affected by macroeconomic pressures faced by our OEM partners in economies of the US and Europe, combined with uncertainties brought by the Red Sea crisis. This was indirectly passed on to us in the form of lower demand, ultimately affecting our production volumes and operations. However, we are of the firm belief that this situation is transient and short term in nature and their demand to recover- and grow in the near future. Already we have seen volume decrease in OEM and export, the export to be partially offset by the value gains. We have thus embarked on our planned expansion as evidenced by growth in our stockists and S&M team. When the tide turns in our favor, we will be able to enjoy some degree of operating leverages improving our bottom line.

Coming to our Steel Bottle Segment:

We have decided to seize the demand opportunity of steel bottles in the domestic market and are working on introducing our products via modern trade. We have also applied for a BIS license for our products and are expecting it shortly. This is particularly well positioned for the success of this segment and due to our in-house manufacturing and designing capabilities. We have considerably increased our offerings since the inception of this segment and also have multiple such designs in the pipeline ready to be launched in the steel bottles.

Creative segment continues to be a high performing one, and we have 3 distinct strategies to ensure it remains on our path for fast growth:

1. Channel Fill of Creative in our existing distribution network.
2. Portfolio consolidation and deepening to be able to provide a more comprehensive product basket in our distributions.
3. In-house manufacturing and backward integration of such products, which has been tested and accepted in the market.

Our outlook continues to remain positive for our future, ably supported by our faster growth in Creative and steel bottle segments, while pens remain on steady growth footing.

Our efforts towards premiumization have borne fruits as we have seen consistent and definite growth in our price realization. We will continue to maintain our efforts towards this goal. Exploring new partnerships, export horizons, categories, price segments, and consistent evolution in portfolio will help us capture new market share while retaining our existing share in the writing and creative industry.

I will now hand it over to Mr. Mayur Gala – our CFO, to discuss the Financial Performance.

**Mayur Gala:**

Good afternoon everybody.

Moving to the Consolidated Performance of the Company for Quarter 3 FY24:

Revenue from Operations for the Quarter 3 was at Rs. 224.9 crores, down by 3% on year-on-year basis. Gross profit for the quarter was Rs. 117.3 crores, an increase of 0.1% on a year-on-year basis, which is led by gross profit margin expansion of 161 bps to 52.1 percentage points. Improvement in gross profit can be attributable to the decrease in input cost. EBITDA for the Quarter 3 FY24 was Rs. 34.5 crores, with a decrease of 34.9% on a year-on-year basis. EBITDA margin was at 15.4 percentage points. The decline in EBITDA was due to a rise in employee costs as we expanded our team, which was discussed by Mr. Vimalji – our MD, earlier.

Freight cost was adversely affected due to the ongoing Red Sea crisis. We accelerated spend on advertisement and distribution. Thus these two resulted in higher other expenses for the quarter. Profit after tax for the quarter was Rs. 19 crores, a decrease of 42.9% on a year-on-year basis, and margin for Quarter 3 was at 8.4%. We fulfilled one of our objectives of the issue, namely pre-payment or repayment in part or full of certain borrowings availed by the Company and its subsidiaries. The finance cost decreased quarter on quarter to this effect. Depreciation was higher on account of new assets being put to use.

Now, coming to the 9 months' Performance:

Revenue from operations was at Rs. 728.6 crores, registering an increase of 6.8% year-on-year basis. Gross profit came at Rs. 368.1 crores, up 16.8 percentage points on a year-on-year basis with a margin of 50.5%. The Company saw a margin expansion of 432 bps. EBITDA grew by 8.2% year on year and was Rs. 140.7 crores, with an EBITDA margin of 19.3%. Profit after tax increased by 0.4% on a year-on-year basis to Rs. 84.3 crores, with a PAT margin of 11.6%.

Now I request the moderator to open the floor for a question & answer session.

**Moderator:**

We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question is from the line of Rahil Shah from Crown Capital. Please go ahead.

**Rahil Shah:**

So far, how has the market been since January for Quarter 4? What new strategies are you adopting for growth acceleration in all the categories? If you could answer that first.

**Sumit Rathod:**

Overall, as you know that Q4 is always better than Q3, and even historically if you see, that has always been a stronger quarter as compared to Q3. Going forward, even for this quarter, we are expecting it to be better than Q3. Breaking your question down to specifically what continuous

measures we are doing, we continue to be positive and introduce new models in the Creative as well as Flair segments. Even if you see recently, the brand-wise growth in our particular domestic market has been tremendous. Overall, even if I talk about the 9 months overall growth, we have grown domestically in our brands by 16%. So, we continue to focus on our brand penetration in this particular quarter as well and also going forward in the '24. We have also launched the steel bottle prior to '24, and we have just started to test the domestic market for that front as well.

**Rahil Shah:** The challenges you faced on the OEM front, do you expect them to fade away in this quarter or next year?

**Sumit Rathod:** Going forward, as you know, especially the US economy or the Red Sea crisis, I think a better impact will majorly come in the '24 calendar year as well.

**Rahil Shah:** And lastly, any outlook or guidance for next year revenue and margins, expectations or targets for the overall business?

**Mayur Gala:** The guidance for 2024-25 will be given once our year end date March 2024 happens.

**Moderator:** Our next question is from the line of Prathamesh from Motilal Oswal. Please go ahead.

**Prathamesh Dahake:** Sir, I wanted to check the 9 months' revenue mix. On the basis of pens, Creatives, and bottles, if you please break it down. And generally, what is the gross margin that we make across these 3 products in the domestic markets?

**Mayur Gala:** If I break it down on the revenue contribution-wise, Flair contributes roughly 40% of the total revenue, Creative contributes to 15%, Hauser at 25%, PC at 6%, and the rest is by the OEM.

**Prathamesh Dahake:** And what about the steel bottles as of now?

**Sumit Rathod:** Steel bottles we have just recently started in this particular month. So, the main revenue for the steel bottles will majorly have a greater impact in the 2024-25 year.

**Prathamesh Dahake:** My followup question was with regard to the gross margin. What gross margins do we really make across, let's say, different categories which you mentioned, as a part of revenue, across Creatives, pens? And what is the expected gross margin in steel bottles?

**Mayur Gala:** In terms of the gross margin for writing instruments category and Creative, we are in line with what we expected. At present, we are at 50% gross margin. Coming on the steel bottle gross margin, we anticipate a gross margin of roughly 30 to 35 percentage points once the full capacity is utilized.



- Prathamesh Dahake:** And wouldn't Creatives be a better gross margin product than pens, though you club them together? But wouldn't Creatives be a better gross margin product?
- Mayur Gala:** Ideally, Creative and writing instruments both are at similar margins. A couple of plus or minus depends on product to product and category of the product.
- Moderator:** Our next question is from the line of Drisha Poddar from Carnelian Capital. Please go ahead.
- Drisha Poddar:** Sir, I wanted to know what kind of volume growth; like you mentioned that in the domestic, we have seen about 16%. So what growth have we seen in Creative and also what kind of decline have we witnessed in the OEM? Because we see that there is overall 3% decline in the top line. I just wanted to understand where has the weakness really come from. That will be the first question.
- Sumit Rathod:** Overall, if you say brand-wise in the domestic market, Flair has grown by 9%, Creative has grown by 8%, and Hauser has been the leader with a continuous growth of around 32%. This, more or less, has been the mix so far. And looking at these numbers, even for Q4, we are very positive that our brand growth will come across and our presentation on our brand will be an indicator in the coming year as well.
- Drisha Poddar:** Sir, what has really led to the decline? Has there been a deceleration in the value growth? The OEM, 20% has been exports, which has come down to 15%. Where do we see this settling down and where do we see the demand pickup happening from exports?
- Sumit Rathod:** Overall, as a segment, we will go back to 80:20 as a percentage if you even see the ratio. And I think, going forward, this is where we are concentrating. Even overall if you see, not only in the domestic, but even in the export market, our brand sale has increased. The major decline which has happened, like we explained earlier also, is more in line with the OEM business as compared to our own brand. Export dip as we all see is a temporary dip because of the global crisis that we are facing.
- Drisha Poddar:** Sir, like you mentioned, there has been an increase in ad expenses and also increase in the freight costs due to the Red Sea. Could you just call out the numbers that how much has been our recent ad spend and how much is it supposed to be going forward?
- Mayur Gala:** In terms of the ad and marketing expense, we have done an additional spend of roughly Rs. 6 crores to Rs. 7 crores which we may not see in the Quarter 4 of FY24.
- Drisha Poddar:** The other part of the question was on the extra freight cost that we have incurred due to the Red Sea crisis. How much has that been? And would we see a similar amount in Q4 or would that not be there in Q4 and next year?

- Mayur Gala:** The total amount in terms of the increase in the freight cost amounts to Rs. 2 crores. But Q4, we may not be able to give guidance at this point of time. It is still going on.
- Drisha Poddar:** And for Q4 also, are we seeing demand sluggishness from exports from the OEM partners? Or do we see some green shoots and some growth is expected in the future?
- Sumit Rathod:** Growth will definitely be there in our own brands, but overall, in the times to come, even the OEM segment will become better. Even if you see because of this current Red Sea crisis or even the US economy, it was mutually decided that the order book will gradually get shifted to 2024. And currently they are concentrating on ... and also to take care of the high freight cost which is currently going on in the market.
- Drisha Poddar:** And sir, like you mentioned, steel bottles would contribute mainly in FY25. How much capacity utilization can we expect in FY25? And also, the new products that we have launched – I saw that even the presentations are new; the insulated cups and all have been introduced – currently we are manufacturing in-house or is it third party? And how has the response been?
- Sumit Rathod:** We have just launched in the domestic market, and it has just been 1 or 2 customers that we have launched with. Production is from the domestic in-house products that we have launched in the market. Response definitely has been positive. But going forward, we have in the pipeline 6 to 7 new products which we will be launching in times to come. That will have a major impact, like we mentioned, in 2024-25.
- Drisha Poddar:** And those will be from our own production line?
- Sumit Rathod:** Yes, completely our own production line.
- Drisha Poddar:** Sir, is it fair to assume that all the 3 lines would be up and running in FY25?
- Sumit Rathod:** Yes, it will be a gradual input that will happen in the 3 lines. But yes, our targets still remain intact that we want all the 3 lines to be fully functional in the coming years.
- Drisha Poddar:** And the demand from the OEM customer for the steel bottle, is that intact? Because, that is a dedicated line.
- Sumit Rathod:** In fact, we are still very positive of this particular segment and this particular market, not only for the domestic, also for the export market. We continue that expectation in the coming time and it's just that it's newly launched. I think more and more effect in the market will be seen in the upcoming months.
- Moderator:** Our next question is from the line of Shraddha Kapadia from Share India. Please go ahead.
- Shraddha Kapadia:** Basically, can you please let us know exactly how much amount of debt has been repaid?



**Mayur Gala:** We have total repayment of Rs. 43 crores in term loan, and we have recouped the CC account with Rs. 44 crores. This has happened in the last quarter of FY24\*. Total reduction is at Rs. 87 crores.

\*the said debt repayment was already done in Q3 FY24

**Shraddha Kapadia:** Also, I just wanted to know whether do we retain our CAPEX guidance or is there any change from the last quarter?

**Mayur Gala:** There is no change in the CAPEX guidance. As per the plan, we are incurring the CAPEX.

**Shraddha Kapadia:** Not more additional CAPEX has been planned. You had given guidance till FY25. That is what we are maintaining, right?

**Mayur Gala:** Yes.

**Sumit Rathod:** We are still concentrating on our process of increasing our in-house production capacity for the Creative line. We continue to do so. And also the standard improvement and increase in the production of the models that we will be doing also in the writing instrument category, that plan is still intact.

**Moderator:** Our next question is from the line of Jatin Manuja from Nuvama. Please go ahead.

**Neha:** This is Neha from Nuvama. Just a couple of questions from my end. As you mentioned, there has been a significant growth on the exports front. I just wanted to understand we have seen, I think, 8% to 9% growth only on the Creative side. Earlier, this was a segment where we were targeting 25% to 30% growth at least. And this is not the segment which is targeted towards exports. What's the thing which is missing on the Creative side?

**Mayur Gala:** 8% growth is on the volume front. And if you take on the revenue front, it is at 16% to 17%.

**Neha:** Still slightly lower compared to what we were earlier targeting.

**Mayur Gala:** We have targeted in the range of 16% to 17% only as such.

**Neha:** For this year?

**Mayur Gala:** Yes.

**Neha:** And what's your outlook on the coming 2 to 3 years on the Creative side value growth?

**Sumit Rathod:** We are still targeting to maintain our targets. And that's the reason we are also planning to have more input adding into the production facility. So, our targets are still intact as we see.

- Neha:** which is around 16% to 18%?
- Mayur Gala:** Yes.
- Neha:** What would be the similar growth on the value-wise on the pens side?
- Mayur Gala:** Basically, if we look at in the pen and writing instruments segment, we plan to retain a growth of 14% to 15% on a YoY basis.
- Sumit Rathod:** Even continuous premiumization that we have always are focused on, even if you see the current numbers, like mentioned earlier, our per piece revenue account has increased – if you see the 9 months' numbers – from 5.2 to 5.5.
- Moderator:** Our next question is from the line of Megh Shah from Prospero Tree. Please go ahead.
- Megh Shah:** Sir, my first question is that the Company has 3 operating segments – pens, Creative, and steel bottles divisions. And pens is the largest contributor of the total revenue. The industry itself is growing by 5% to 7%. I think our growth may be higher than the 5% to 7%. But to register overall double-digit growth for the Company, the other 2 segments must have registered or reported to have generated a higher double-digit growth. Is it possible for the Company to register double-digit growth?
- Sumit Rathod:** Like I mentioned, the steel bottle line we have just launched in the market, but going forward, we are expecting it to give us a healthy contribution to the overall turnover. And when we say about Creative, the Creative growth percentage was around 16%. It is still in the double digit that we had targeted for.
- Megh Shah:** Yes, but the largest contributor is the pens segment. I think it is growing below double digits, below 10%. Suppose the Company has to grow by 10%, then other segments must have grown by a higher double-digit growth. And Creative is definitely growing at 16%. So, can the bottle division also meet that growth rate?
- Sumit Rathod:** Yes. Business for the steel bottle industry because we will be starting at the base, definitely in the beginning we are expecting it to be in a double-digit growth pattern. Because we have recently launched it, that effect will majorly come in the 2024 calendar year.
- Megh Shah:** But for the FY25, do you think reasonably can we have a 10% growth rate for the next 2 to 3 years?
- Sumit Rathod:** Yes, because this category itself is growing drastically in the domestic market and also the expectation of these particular models even in the export market is growing. So, we are very positive, and we still think that it will register a continuous double digit in the coming years.

**Megh Shah:** So, for the steel bottles, we are targeting the domestic market rather than the export market. Is it correct?

**Sumit Rathod:** We are targeting both the markets. Domestic market itself is a very big market for this particular segment, as you know. But even in the export front, because currently there is only one country which is supplying globally, India has a very large prospect to even become the second supplier to the global market as well.

**Megh Shah:** And sir, my second question is that in the Quarter 3, our GP margin improved substantially, but the GP was down because the revenue de-grew. At the same time, the other expenses were up. In that case, suppose our expenses are increased without a corresponding increase in the revenue, should we consider the increase in the expense as a fixed cost or is it a variable or it's a one-time expense?

**Mayur Gala:** As I mentioned previously also, there was an ad & marketing spend which was over and above the normal budget. It was in the range of Rs. 6 crores, which we may not see in the Quarter 4. Second increase in other expenses is due to the freight cost which was mentioned earlier also. Once everything stabilizes, these types of extraordinary costs won't be affecting the Quarter 4. Second cost which has actually affected is the employee cost because as you are aware, we are on our growth trajectory and we have normally hired the employees as per our plan. Like, for example, in the case of the sales employees also, we have additionally hired some 35 employees also.

**Megh Shah:** Sir, headcount has increased during the Quarter 3. Is it correct?

**Mayur Gala:** Headcount in the sales employees is increased by 36 employees.

**Megh Shah:** Sir, in connection to the advertising spend, do we really require the endorsement of the celebrity for the mass segment? Is it only for the premium segment product?

**Mohit Rathod:** The endorsement with a celebrity definitely helps because it makes our brand stand out in the clutter in the domestic market. It definitely helps. And which we have seen a good revenue growth for our brands in domestic, be it Hauser or Flair. It definitely helps, the celebrity endorsement.

**Megh Shah:** Sir, you said that 36 employees has increased. We have 3 major products – Flair, Hauser, and Pierre Cardin. For each segment, there is a different person heading that segment or only one person is heading everything?

**Mohit Rathod:** We have area-wise sales team. Maybe in the interior, we have common, but mostly all the cities, we have a separate sales team.

**Megh Shah:** And how they coordinate?

- Mohit Rathod:** It's all managed by the head office and the managers state-wise. And we have an app. Through that, they book all the orders, and so every day, we get the real-time data.
- Megh Shah:** Last question if possible. We have received 2-3 notices from the GST department. How much liability will rise by that notice?
- Mayur Gala:** We do not expect any major liability. The difference is due to the GST returns filed by our customers and our suppliers, and it has been reconciled with the department. So, we do not see any major impact coming from the GST notices which have been uploaded.
- Megh Shah:** But have you made any provision for the GST payment?
- Mayur Gala:** No. As per the guidance received from our legal counsel, we are not making any provision on these notices.
- Moderator:** Our next question is from the line of Majid Ahmed from Smart Sync Investment Advisor Services. Please go ahead.
- Majid Ahmed:** Sir, my first question that I have is, I wanted to know like you are selling Rs. 10 pen and that contributes around 75% of your total sales if I am not wrong. If you can give me the bifurcation of your product sales and can you give me the cost bifurcation of how much you sell Rs. 10? And you were also talking about operating leverage playing out in the future. How would that be impacting? Any detailing on the same?
- Mohit Rathod:** When we talk about the price segment-wise sales, the contribution remains mass versus premium mix, and we are at 49% and 51%. 49% is premium and 51% is the mass.
- Majid Ahmed:** What's the current update on our ZOOX brand? What is the revenue and how are you planning to position this brand?
- Mohit Rathod:** ZOOX brand revenue is very very small. Going forward, we are introducing 7 new models next month. After that, we would be having separate sales for ZOOX. Currently, there are only 2 models in ZOOX, but going forward, we are introducing 7 new models which will add revenue of ZOOX.
- Majid Ahmed:** Sir, my last question is, can you give your updates on your working capital cycle, your inventory days, and debtor days?
- Mayur Gala:** Debtors' number of days outstanding is 64 days. And in case of the inventory, it is in the range of 77 to 80 days. And in terms of the trade payable on the sales where the debtor is in the range of 23 days. Working capital cycle is somewhere in the range of 120 to 130 days.
- Majid Ahmed:** Any plan to reduce those days going forward? Anything that you have planned?

- Mayur Gala:** Yes.
- Moderator:** Our next question is from the line of Prathamesh Dahake from Motilal Oswal. Please go ahead.
- Prathamesh Dahake:** Sir, my question is, for the 3 major categories, let's say pens, Creatives, and bottles, For the next year, what growth guidance would you give across both the domestic as well as exports markets? I know steel bottles is not in exports, so we can skip that. But for the other two, what would be your growth guidance?
- Sumit Rathod:** Firstly, steel will be contributing both from the domestic as well as the export market with the OEM category that we are looking at in the export. And of course, we are still very confident that we will be doing the numbers that we are targeting and almost still targeting double-digit growth in the coming year, especially in the calendar year of 2024-25.
- Prathamesh Dahake:** But if we were to break it down between categories across markets, what would these numbers look like?
- Sumit Rathod:** We are still going to concentrate on 80:20 ratio. And of course, going forward, still our concentration continues to be at premiumization as well as focusing and penetrating more in our own brands for which we have already seen continued success in the coming years. And even if you see our 9-month numbers, our brand has grown in double digits. We continue to focus on that in the coming calendar year as well. The ratio of export and domestic still remains to be 80:20.
- Prathamesh Dahake:** In domestic, what would be your expected growth target for pens, Creatives, and steel bottles in FY25?
- Sumit Rathod:** As you know, steel bottles we have just started in the domestic market. This was more or less the first month where we have just started with a few customers. Of course, that will definitely be in double digit because of the baseline. When you talk about the Creative and the writing instruments category, definitely, as you know, we are targeting to focus more on getting into the manufacturing of the Creative range because our focus of penetrating that particular segment in the domestic market is higher. Even for the writing instruments, we are still very aggressive and bullish to go into the double-digit growth for the domestic market as well.
- Prathamesh Dahake:** My next question was, let's say our steel bottle is Rs. 4,000 crores odd market, how much percentage of it would be serviced by imports?
- Sumit Rathod:** Currently, if you see just prior to the BIS restriction that the government has levied in India, almost 90% to 95% of the sales were happening from the import category only. That's the reason now with the BIS and other rules in place by the Indian government, the domestic market will definitely benefit from the manufacturing base that we have in India as well.

- Prathamesh Dahake:** And my last question was, let's say, in our writing instruments, our IP mentions that it is going to grow by 8 odd percent in terms of value. How much of it would be a function of volume and how much of it would be a function of price?
- Mayur Gala:** Normally it's almost 50:50 in terms of the volume and value both because 4% to 5% growth comes from the volume and the balance comes from the value growth in terms of the realization of the price. In our case also, in FY24 nine months, we have increased our average realization price by 5%.
- Moderator:** Our next question is from the line of Aazeb Parbatani from Omkara Capital. Please go ahead.
- Aazeb Parbatani:** I just have one question. In the PPT, you have mentioned that some of the debt has been repaid. I just wanted to know if you could quantify the number and the nature of the borrowing.
- Mayur Gala:** We have repaid a total of Rs. 87 crores, out of which Rs. 43 crores is towards the repayment of the term loan and Rs. 44 crores is towards the incremental working capital repaid to the banks.
- Moderator:** Our next question is from the line of Saloni Shah, an individual investor. Please go ahead.
- Saloni Shah:** Sir, you mentioned that we are exploring new export markets. Can you please throw some light on the same? Also, is the distribution strategy different in the export market as compared to the domestic one?
- Sumit Rathod:** Definitely, in export, we always keep on looking for new market segments and especially for a lot of countries where we are trying to focus on penetrating our own brand. That is why we keep on looking for new markets and new customer base. Even for the steel bottle or even for the export overall, we are exploring to get into a certain European as well as the Middle Eastern market for this particular category because it's a new product segment from our Flair house.
- Saloni Shah:** And my second question is, you have added new stockists. Can you give a sense of where have these been added since our touchpoints for villages and cities remain unchanged around 2,400 geography-wise? Could you throw some light on the same?
- Mohit Rathod:** When we talk about the new current set of super stockists that we have added in the current year, it's mainly in east and west. The north and south remain at the same number of super stockists. We haven't added any new.
- Saloni Shah:** Would it be fair to assume that the strategy will be to deepen the sales distribution rather than expanding to new places?
- Mohit Rathod:** Yes. In domestic, it is very very clear to be focused on our own brands. In fact, the traction for our own brand is very very positive and we hope that this will continue in the coming years as well.

- Moderator:** Our next question is from the line of Niraj Kamtekar from Prospero Tree. Please go ahead.
- Niraj Vijay Kamtekar:** What is the revenue composition of mass product, mid premium, and premium segments for 9 months and for Q3?
- Mohit Rathod:** As we said earlier also, the mass versus premium and mid premium is about 49% versus 51%. 49% is premium and mid premium and 51% is mass.
- Niraj Vijay Kamtekar:** Revenue competition between export and domestic for 9 months and for Q3?
- Mayur Gala:** It's 85% and 15%. The 85% is domestic and 15% is the export for 9 months. For Q3 is also in the range of 11% and 89%, the 11% being the export and 89% being the domestic market.
- Moderator:** Our next question is from the line of Chinmay Gandre from Canara HSBC Life Insurance. Please go ahead.
- Chinmay Gandre:** Sir, my question is on steel bottles. Basically, for this year, roughly Rs. 40-50 odd crores top line was expected and maybe next year at least double of that. But don't you think the number is maybe we are falling short of these expectations? If you could help us understand that.
- Sumit Rathod:** So steel bottles business, As you know, one of our major OEM customers, because of the Red Sea crisis, we have mutually decided to shift that particular sales in the '24 calendar year. Going forward, that number is still intact from the export business. On the domestic front, we have just launched in the domestic market. So, the base is still getting started. Modern trade is the category where we have started currently. Going forward, I think in the coming months and especially in the calendar year '24, this will have a significant impact on the overall turnover, as we expect. This modern trade, we are also in the process of setting up the distribution channel. What we were earlier planning to do in '24-25 calendar year, we have preponed it by a quarter, and we have already started to work on the field.
- Chinmay Gandre:** For FY25, steel bottles should be Rs. 100 crores plus revenue broadly. That would be right assumption?
- Sumit Rathod:** Overall target and the overall, we are very bullish about this segment from the manufacturing base in the domestic as well as the exports front. So, we are still expecting it to be a very good contributor in the overall turnover in the coming years. Specific number, we are not able to share with you. But we are very bullish about this segment.
- Chinmay Gandre:** For domestic, we got all the approvals, right? The product is approved by BIS? All the approvals are in place?
- Sumit Rathod:** For the factory, yes, all the approvals are in place. From the BIS certification point of view, that thing is in process. In a matter of time, those things will also be in place.

- Chinmay Gandre:** Today, because of the Red Sea issue and the issues you highlighted with respect to export for steel bottles, what kind of quarterly revenues are we losing out or is getting delayed rather?
- Sumit Rathod:** If you see, the freight cost itself has almost doubled in certain cases. And the transit period has also increased in double compared to a lot of other countries. This is having a major impact in the export market, especially in the OEM category. And because of the high risk, overall, all the customers have transitioned and keeping it stable for currently and then diverting those particular sales in the '24-25 calendar year.
- Chinmay Gandre:** CY24 sales they have started which got shifted from previous year? Or once there is some normalization in terms of freight cost and the transit time, then the exports would kind of revive or restart rather?
- Pravin Rathod:** Once it stabilizes, the total shipping time and the freight cost will come down to a reasonable number, then it will continue to go back to the original what we have always been doing on 20% of our overall sales coming from the exports.
- Moderator:** Our next question is from the line of Deepak Malik from Carnelian Asset Management. Please go ahead.
- Deepak Malik:** First is, I want to request the management that they should provide the segment-wise breakup in the presentation. It's very difficult to understand the business, otherwise.
- Mayur Gala:** We will consider your view.
- Deepak Malik:** Now when I look at your breakup which you have provided that OEM versus the brand mix, it says that last year it was 14% OEM contribution which has come down to 11%. When I put into the numbers, that means this quarter it has done Rs. 25 crores vis-a-vis Rs. 33 crores last year. That means 24% decline. And when I see the rest of the brand sales which comes to Rs. 200 crores last year and Rs. 200 crores this year, which means that is flat. Can you please provide the breakup of these brand sales like how much Flair has done and how much Creative has done and how much Hauser has done? And also, earlier you said that there was a volume growth and there was a value growth. But when I see overall brand sales, it is actually flat year on year in this quarter.
- Mayur Gala:** In volume terms, it is flat if you take the 9 months FY24.
- Deepak Malik:** Sir, I am talking about the Quarter 3 right now.
- Mayur Gala:** In Quarter 3, there has been a dip in the volume also to the extent of 3% in the revenue and 6% in the volume terms.



- Deepak Malik:** Sir, if you can provide clearly in terms of how much Flair has declined this quarter, how much Creative has declined in this quarter, and how much Hauser and how much Pierre Cardin has declined in this quarter?
- Mayur Gala:** Basically, all this data if you want to have brand-wise combined, I can provide the data for the brand-wise combined. Brand-wise, we have grown by 3% in volume in our own brands in export and domestic market. And as far as our revenue from operations is concerned in our own brands, we are at Rs. 200 crores, but individual breakup I am not able to provide you immediately.
- Deepak Malik:** Is it correct to say that your brand-wise sales has remained flat year on year in this quarter?
- Mayur Gala:** No, the basic reason for brand-wise sales being flat is the export market. If we take the domestic market, we have grown by 5% in the domestic market. But there has been a dip in the export market, which is actually taking the flat for the Quarter 3 on overall basis in our own brand.
- Deepak Malik:** That means exports have declined. How much is the export portion in the brand market?
- Mayur Gala:** The export portion if you look at it, it is in the range of roughly 12% in own brands of the total brand-wise sales.
- Deepak Malik:** So, how much exports have declined?
- Mayur Gala:** Export has declined by 27% in our own brands.
- Deepak Malik:** Sir, what is the reason for slow growth of just 5% in the domestic market in the brands?
- Mayur Gala:** If you look at the average selling price, we have roughly increased our average selling price by 5 percentage points. The domestic competition and intensity of the market was such that we were not in the range of cutting of the prices or something like that. That's why we maintained a steady growth of 5% in our domestic market, keeping our overall premiumization strategy intact.
- Deepak Malik:** So, volume growth was nil this quarter?
- Mayur Gala:** Yes, volume growth was nil in this quarter.
- Deepak Malik:** And that is the reason we have gone for this Rs. 6 crores to Rs. 7 crores of the marketing part, right?
- Mayur Gala:** Yes, there was a 3% increase in the volume growth, but overall revenue was flat in this quarter.
- Deepak Malik:** I am talking about the domestic brand sales which you said 5% growth in the value terms. Now, what is the price growth and what is the volume growth in that?

- Mayur Gala:** If you take the 5% growth in the domestic market, it has particularly come from the domestic revenue 5% growth in terms of volume and 5% in terms of the value.
- Deepak Malik:** Again let me rephrase it. You said there is a value growth of 5% in domestic and export has declined by 27% in the brand, right? Now when there is a 5% value growth, then volume as well as price both cannot increase by 5%.
- Mayur Gala:** That means value and the volume, both have increased by 5%. That means my average realization has increased on a flat basis basically.
- Deepak Malik:** Sir, I am just saying if you can break up the 5% value growth in terms of volume and price, how much price have you taken increase in this quarter?
- Mayur Gala:** We can separately provide the data to you.
- Deepak Malik:** Sir, in terms of the guidance, you earlier said that Rs. 1,150 crores kind of top line growth and around 19% to 21% margin in this year and around, I think Rs. 135 crores to Rs. 140 crores of PAT for FY24. Now, it looks like that revenue will not cross Rs. 1,000 crores in FY24. Is that the right assumption?
- Mayur Gala:** We cannot disclose the specific numbers as such because of the regulatory requirements.
- Deepak Malik:** But what is the guidance for FY24 now?
- Sumit Rathod:** FY24 we are still positive and we expect that in the calendar year of '24, once the export bounces back and the steel bottle range will penetrate more in the domestic market and even the export market, we are still very positive and bullish about those particular segments.
- Deepak Malik:** But are we maintaining our earlier guidance which we have given?
- Sumit Rathod:** We are still targeting the same percentage growth that we are expecting. Going forward, once this particular year closes, we will be concentrating and will be in a better position to give you a better and more clear guidance.
- Deepak Malik:** No, sir. I am not asking about FY25. I am asking about FY24 where there is only one and a half months left. I am asking about FY24 guidance which you had earlier given, also given on the TV.
- Sumit Rathod:** As we mentioned, we will not be able to give you a clear definite number to it, but we have been very positive, and as we mentioned, compared to Q3, Q4 is always better, and we still continue to target the Q4 numbers as targeted. So, compared to Q3, our numbers will be better. So, going forward, we are looking at a positive number.



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**Moderator:** Ladies and gentlemen, due to time constraints, that was the last question for the day. I now hand the conference over to Mr. Vimalchand Rathod for closing comments.

**Vimalchand Rathod:** Thank you everyone for taking some time out of your day to participate in this call. In case of any queries, reach out to our investor relations advisors, Orient Capital. We wish you all the best and hope to interact with you in the coming quarters.

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