Flair Writing Industries Limited
(An ISO 9001:2015; ISO 14001 : 2015 & SA 8000 : 2014 Certified Company)
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Ref- FWIL/SEC/2024-25/119

February 05, 2025

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**

<u>Sub: Transcript of Investor Call held on February 03, 2025</u>

Dear Sir(s)/ Madam(s),

Pursuant to Regulation 30 of the Listing Regulations, copy of transcript of the Investor call held on February 03, 2025 at 12:00 p.m. (Indian Standard Time) to discuss Company's performance for the quarter and nine months ended December 31, 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
Date: 2025.02.05 17:55:49 +05'30'

Vishal Kishor Chanda
Company Secretary and Compliance Officer

Encl: As above

“Flair Writing Industries Limited

Q3 and 9 Months FY '25 Earnings Conference Call”

February 03, 2025

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. DIVYANSH SARDA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Flair Writing Industries Limited Q3 and 9M FY '25 Earnings Conference Call hosted by Orient Capital. 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.

I now hand the conference over to Mr. Divyansh Sarda from Orient Capital. Thank you, and over to you, Mr. Sarda.

Divyansh Sarda: Good afternoon, everyone. Welcome to Flair Writing Industries Q3 and 9 Months FY '25 Earnings Conference Call. Today on the call, we have Mr. Vimalchand Rathod, the Managing Director; Mr. Mohit Rathod, Whole-Time Director; Mr. Sumit Rathod, Whole-Time Director; and Mr. Alpesh Porwal, the Chief Financial Officer.

Short disclaimer before we start this call. This call may contain some forward-looking statements, which may be based upon our belief, opinion and expectations of the company as of today. These statements are not a guarantee of future performance and will involve unforeseen risks and uncertainties.

With that, I would now like to hand over the conference to Mr. Vimalchand Rathod, Managing Director, for his opening remarks. Thank you, and over to you, sir.

Vimalchand Rathod: Good afternoon, everyone. I want to express my gratitude to all the participants who have joined the call. I hope everyone had the opportunity to go through our investor presentation and press release that we have uploaded on the exchange. The quarter gone by was a pivotal quarter marked by many positives.

We continued our growth momentum across existing segments while laying foundations for new avenues for growth. All our divisions delivered healthy growth in both domestic and export markets. Our brand remains the engine for all our premiumization, but I was particularly delighted to note the pickup in OEM sales.

Among the key highlights of the quarter was our announcement of strategic partnership with the Maped, France, for distribution of products. Second initiative was towards boosting our presence in the Pencil segment. We launched a range of mechanical pencils, which gave a feeling of writing with a wood-free wooden pencil.

Currently, we are manufacturing mechanical pencil and soon we are going to start manufacturing polymer pencils, wooden pencils and other new stationery items through one of our new subsidiaries. Pencil forms a substantial portion of our overall stationery and writing instruments segment, and thus we have segmented our ability to address this segment via in-house manufacturing of both wooden and mechanical pencils.

I'm also delighted to announce that we have got award as top exporter by PLEXCONCIL for the year '21-'22 and '22-'23 and one of the best brands of 2024 by ET Edge, underscoring the strong brand recall amongst customers and our efforts to build brand value over the years. The upcoming quarter 4 is always our strongest quarter in terms of demand driven by upcoming exam season and our push in the export market.

With organic tailwinds to our biggest segment of the upcoming quarter and continued growth of momentum in creative and Steel Bottles, we are optimistic of our performance and look to close the year on a high.

I now hand over the call to Mr. Alpesh Porwal, our CFO, to discuss financial performance.

Alpesh Porwal: Thank you, MD sir, and good afternoon, everybody. Moving to the consolidated performance of the company for Q3 FY '25. Revenue from operations for Q3 FY '25 was at INR265 crores, an increase of 17.6% year-on-year. Gross profit for the quarter was INR137 crores, which increased by 17% on a year-on-year basis.

Gross profit margins came in at 51.9%, largely stable year-on-year. EBITDA for the quarter was INR45 crores, increasing by 31.1% on a year-on-year basis. EBITDA margin was at 17.1%. We saw an impressive margin expansion of 176 basis points year-on-year. Profit after tax for the quarter was at INR29 crores increasing by 54% on a year-on-year basis. Profit after tax margin for the quarter was at 11.1%. PAT Margin expanded by 262 basis points.

Moving to the 9 monthly results. Consolidated performance of the company for 9 months FY '25. Revenue from operations for 9 months FY '25 was at INR782 crores, an increase of 7.3% year-on-year.

Gross profit for the 9 months was at INR403 crores, which increased by 9.4% on a year-on-year basis. Gross profit margin came in at 51.5%. Gross profit margins expanded by 100 bps. EBITDA for the 9 months was at INR138 crores, declining by 2% year-on-year. EBITDA margin was at 17.6% Profit after tax for the 9 months was at INR88 crores, improving 4.7% year-on-year. Profit after tax margin for the quarter was at 11.3%.

On the qualitative front for the quarter, dedicated efforts towards rationalization of resources to enhance efficiencies over the past quarters have started to gradually bear fruit. During the quarter, employee benefit expenses increased by 14.3% on a year-on-year basis and other expenses increased by 8.4% year-on-year, both coming in lower than gross profit rise of 17% year-on-year as shared above.

This controlled rise in expenses enabled EBITDA margin's expansion, thus allowing us to enjoy some operating leverage on a yearly basis. Sequentially, both employee costs and other expenses remain in line at a combined outlay of INR91.9 crores in Q3 '25 as compared to INR92.2 crores in the second quarter of '25.

Thus, the marginal decline across key metrics quarter-to-quarter essentially flowed from higher gross margin in the previous quarter. Our net debt negative status enabled lower interest costs on a yearly and sequential basis, while ongoing capex program is leading the natural increase in depreciation.

We will continue to invest in our teams and optimizing our sales and distribution structure to unlock higher efficiencies with medium-term outlook. We made additions across functional areas of sales, manufacturing and administration. So overall, while these outlay towards employee expenses and other expenses may seem on the elevated front from outside looking in, these are necessary investments today to drive growth forward.

I would now like to hand over to Mr. Sumit Rathod, our Whole-Time Director, for insights into each business segment.

Sumit Rathod: Thank you, Alpesh. Good afternoon, everyone. We achieved healthy year-on-year growth across all business segments. Our own brand sales have gone from strength to strength with rise registered across domestic and export markets. Domestic own brand sales have increased 14% year-on-year to INR206 crores.

Export owned brand sales increased by 33% on a year-to-year basis to clock INR26 crores. Exports are stronger in the second half of the year for us, and this is further evidenced by 17% sequential rise in exports own brand sales. Thus, overall own brand sales grew by 15% year-on-year to INR232 crores. For 9 months, this number stands at INR689 crores, registering a 10% growth.

Coming on to the product segments. First, the Pens business. The Pens segment grew 10% year-on-year to INR197 crores. The segment also reported a 3% growth on a 9-month basis to INR606 crores, which was heartening to note given the flat performance during the first 2 quarters of this year.

There has always been a seasonality to the demand during the third quarter in terms of school holidays combined with festivities subduing demand for this category as customer spending gets directed to other products. However, as highlighted by our Managing Director earlier, the upcoming quarter 4 is our strongest quarter from a business point of view, and we are quite optimistic for the demand uptick for Pen segment to continue.

During this quarter, we released 33 new pens, of which 29 are targeted to mid-premium and premium segments and 4 new pens launched in newest price category of INR10. We continue to execute on our premiumization strategy with majority of new releases geared towards the mid-premium and premium segments.

The Creative segment achieved a 10% year-on-year growth for both Q3 FY '25 as well as 9-month FY '25. The revenue contribution stood at INR45 crores for the quarter and INR123 crores for the 9 months. We expand our portfolio by introducing 16 fresh offerings under the creative range during the quarter.

Notably amongst them has been the launch of our new 2 mm mechanical pencil range. It is a substantial substitute to the traditional wooden pencil and comes in a range of Pastel and Disney-branded pencils. This launch further strengthens our positioning in the Pencil segment, which remains a material part of the overall writing instrument category.

We took another decisive step in the overall development of our creative brand by partnering up with Maped. Maped is a French brand that has been in existence for close to 8 decades. They manufacture quality and premium stationery products and with this partnership, we will leverage our extensive network of distributors and retail touch points to distribute Maped's products in India.

While this not only gives us an opportunity to generate incremental growth for the company as a whole, it increases our basket of offering under the creative segment to the distributors. Maped product will primarily be catering to the premium segment of stationery products and thus also enable us to offer products at all price ranges.

The collaboration with Disney is progressing well. We now manufacture and distribute 20 Disney branded products across categories. We continue to scale the Steel Bottle segment as the revenue contribution for the quarter more than tripled to INR12 crores. On a 9-month basis, the segment has generated INR32 crores in revenue, providing us with substantial growth delta.

We added 3 new bottles during the quarter to our portfolio and look towards 2 key levers for growth in the business, providing quality and attractive bottles and increasing distribution reach. We remain steadfast to our core strategies for sustainable growth.

These include innovation and feedback-driven portfolio expansion addressing market requirement across price points, deepening distribution throughput from our existing network, exploring partnership and new avenues for growth, focusing on quality operations with a great share on in-house manufacturing, concentrated efforts for successful execution of premiumization policy.

Thank you, and I request moderator to open the floor for Q&A session.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Aradhana Jain with B&K Securities.

Aradhana Jain: Congratulations on the good set of numbers. My first question is on the top line growth. If I see for 9 months that stands at 7% versus the full year guidance that was given to us was around 11%-12%. That implies that company will have to grow at 20% plus in 4Q. While in the opening remarks, you did mention that 4Q is your best quarter, are we still on track to see such sort of growth? And what would be the growth in fourth quarter? That's my first question.

Mohit Rathod: Yes. So looking at the numbers, in Q4, of course, it is one of our strongest quarters considering the market sentiments. And at the same time, we are very confident on achieving a double-digit growth in the current year.

Aradhana Jain: What would be the drivers for that? Mostly, like would it be from Pens or Creative or a combination?

Mohit Rathod: So it's a combination of all 3 segments. Pen, of course, as you have seen in Q3, we grew by 10%. Going forward in Q4 also, we are targeting the same numbers. And going forward to Creative, of course, the growth will be better and higher because as we are giving the guidance or maintaining the guidance of 18% to 20% growth in Creative. And Steel Bottles also, the traction is good, as we said earlier also. And going forward also, we are maintaining the same momentum in Q4 as well.

Aradhana Jain: Okay. While the Steel Bottles did grow on a year-on-year basis, the growth in Steel Bottles, but if I see on a sequential basis, it was flat. So any thoughts on that, that why was it flat Q-o-Q basis?

Mohit Rathod: So in this category, Q3 is a slow period because most of the buying happens before the festival season. So normally, there is a lull of almost 30 to 40 days. And after that, again, the demands pick up. So it's a normal tendency in Q3. The numbers are a little low. But as you can see, we have maintained the top line compared to Q2 and Q3 is, we have maintained the numbers.

Aradhana Jain: All right. Separately, on the margins, while the EBITDA margin has improved on a year-on-year basis, it is sequentially lower and overall below the guidance of 19% to 20% for FY '25. So what are the margin improvement levers? And by when do we expect it to start reflecting on the numbers?

Alpesh Porwal: On the margin front, let me take a moment out here how -- when you said the margins are lower than historical levels. If that's your question, right?

Aradhana Jain: Sequentially, it's lower.

Alpesh Porwal: Sequentially, it's lower. Let me just give you a brief on the margins out here. See, over all if you look at the financials, over the 9 month FY '25, gross margins overall have actually been better for the company by a full 1 percentage point over 9 months due to the rising share of premium products in the mix.

During the first half, we had faced elevated freight costs, which we had discussed earlier in our calls also. We faced elevated freight costs in the export markets, which also contributed to the rise in the other expense. Internally, a higher headcount and job work outsourcing raised employee costs and other expenses. And additionally, if you see, Aradhana, the actions were also undertaken to optimize distribution network.

Thus overall, below our GP margin, both employee expense and other expenses have remained elevated year-on-year. That's from the financials, if you see them. Below the EBITDA, higher other income on high cash balance and lower interest costs on net debt 0 balance sheet. That ensures that we substantially reduce the margin differential at the EBITDA level and achieve somewhat a parity of PAT margins for the previous of 9-month basis.

All these initiatives are not just for a single quarter we see, but are critical to ensure an organic buildup capability to scale our overall business. If you see the margins, the explanation for the lower margin sequentially is also because we are also yielding a good operating leverage over here in terms of all these last 3 quarters, which you see.

Aradhana Jain: Okay. But the current levels of 17.5%-17.6%, we see that improving to 19%, 20% by when? Like do we have any guidance on that?

Alpesh Porwal: Right. So in the next 2, 3 quarters, we see the numbers going back to 19%-19.5%. See, today, the reason is very simple. As we continue to invest in our teams and optimize our sales and distribution structure basically to unlock higher efficiencies, we are making additions across functional areas of sales and manufacturing.

And these are necessary investments today to drive growth forward. And as we grow, we will see our margins also improving because these investments will start paying off in the coming quarters.

Aradhana Jain: Understood. Just on capex, I have a very basic question. In FY '24, we did around INR110 crores of capex. In FY '25, around, again, INR100 crores of capex is what we are aiming at, I guess, from the PPT. So will it be possible for you to provide us segment-wise, how much have you incurred like towards Pens, towards Creative, towards Steel Bottle? How much capex has been incurred for each segment?

Alpesh Porwal: The numbers, I won't be able to give you right away. We will share with you later. But then let me just share with you that today, we are in the process of doing a backward integration where we bring about operating economies out here. We are adding capex in all these segments.

Steel, we have already done and going forward, as the numbers improve, we are planning that the numbers will go up beyond the capacity, which we have built up today. We'll have to end up having a separate outlay plans for Steel Bottles also. So going forward, yes, at least all 3 segments is what we are looking at adding capex.

Aradhana Jain: Sure. So maybe I'll get in touch with for that numbers.

Alpesh Porwal: Yes.

Moderator: Next question comes from the line of Sneha Talreja from Nuvama.

Sneha Talreja: Couple of questions while you've answered most of them in the previous participant. A couple of them. Even on the Pens side, we have seen -- in the own branded business, we've seen a significant drop in terms of quarter-on-quarter revenues. What would be the reason while on Steel Bottle side you said it was festivities because of which there was backlogging. What about the Pens side of it? We've seen revenues going down there on a Q-o-Q basis?

Mohit Rathod: So if you would have noticed, Sneha, if you compare historic numbers also, the Pen business always in Q3 because of the holiday season and festivities is relatively lower compared to Q2. So that's the reason why if you see sequentially, the Pen business looks down. But overall, if you see the numbers are better in terms of compared to Q3 last year and Q3 this year.

Sneha Talreja: Understood. So you expect the Q4 again, a strong rebound similar to previous year's numbers?

Mohit Rathod: Right. Exactly.

Alpesh Porwal: And Sneha, the cyclical thing has become more evident now in all the categories where we see all these consumer categories, we see the Q3 has been on the lower side. As for numbers, the previous year also our Q2 to Q3, we saw a lower top line of 12%. And this year, the difference is about 2.1% is what we look at.

So probably the silver lining or what we say the hope is that like what we have maintained, we have been able to maintain these numbers well in this year. So we are actually narrowing the gap between the dip of Q2 to Q3. I mean, just on the positive side, I would say.

Sneha Talreja: Understood. I just wanted to get some sense on Maped partnership that we have done. What are the things that we are planning to look at? What segment do they operate in? What's the visibility out there or some color there would be helpful?

Mohit Rathod: So Maped, as Sumit mentioned, it has a legacy of 8 decades, and they are primarily into premium stationery products, which is currently missing in our current portfolio of Creative products. So it's going to help us get into that segment. And going forward also, overall, the creative growth is going to be very, very positive with the help of Maped joining the Creative division.

Sneha Talreja: Understood. And lastly, on the margin front, although you said that you'll be back to about 19%-19.5% sort of a margin from next quarter itself, even if I consider that to be 19%-odd, this year margin guidance will go down from 19% to 20% to about 17% to 18%. Is my assumption correct?

Alpesh Porwal: I would actually not comment on the exact numbers, but this is where we're going to be heading to. So when I say 19%, 19.5% in the next 2, 3 quarters, so we see the marginal improvement in margins starting from this quarter onwards. That's the last quarter. In a way, you're right. We'll see the improvement here.

Moderator: Next question comes from the line of Shraddha Kapadia with Share India.

Shraddha Kapadia: Congratulations on the good set of numbers. So I had a few bookkeeping questions. So if you could give us a breakup of the Pen-wise contribution in terms of your Flair, PC and Hauser for 3Q and 9 months, last year and this year both?

Mohit Rathod: So overall, if you look at the numbers, we do not provide the brand-wise sales. But of course, if you look at our own brand sales, the growth 9 months has been in double digit, which is 10% plus of our own branded sales.

Shraddha Kapadia: No. So basically, for the Flair, Pierre Cardin and Hauser, if you could give the breakup in the Pen segment?

Mohit Rathod: Yes. So what we will do is we will ask our IR agency to get in touch with you as with all the breakups.

Shraddha Kapadia: Okay. Sure. Not an issue. Also, if you could give the average selling price for this quarter?

Mohit Rathod: The average selling price?

Shraddha Kapadia: Yes.

Mohit Rathod: Yes, it's about INR5.7.

Shraddha Kapadia: Okay. And so now I'll come to your subsidies and all. So if you could help us understand that how the Monterosa Stationery and the Flomaxe Stationery, how have they contributed to the consolidated financials? And what do we expect from them in future?

Sumit Rathod: So both the subsidiaries are our initiative to accelerate the growth of creative products. And one is going to help us in Maped, which will again help us in Creative. And the other is - more to do with the pencil manufacturing and polymer pencil manufacturing. So both are our initiative to accelerate the growth of creative, which going forward in next 3 years, we are targeting almost around 26%.

Shraddha Kapadia: Okay. So I just wanted to understand whether they have already started to contribute from this quarter to our top line and all? Or how is it? It's expected to contribute from future?

Alpesh Porwal: So, Shraddha, what has happened is in Monterosa, we have started -- we've just started the distribution of Maped products. Whereas in Flomaxe, we are setting up the unit there. So once the units are set up, we'll have the manufacturing facility there. And Monterosa is more of a distribution channel, which we have developed.

So these are 2 different things, which have just recently started. One has started. One as we set it up, we'll see the contribution coming from there. So to answer your first question, earlier question, the contribution to the top line today is just a nominal, negligible number. Just started, so won't see the numbers.

Moderator: Next question comes from the line of Resha Mehta with Green Edge Wealth.

Resha Mehta: Congrats for some growth revival quarter-on-quarter. So the first question is on the creative side. So if we see the quarter-on-quarter growth in this segment is low at 10%. So I would imagine that if we are on such a low base in terms of absolute revenues. Quarter-on-quarter 10% growth, would you say that, that is subdued?

Or is this something that we had planned for? Why are we basically not able to ramp up quickly? Because as I recall in one of your last calls, you had mentioned there was some problem with our outsourcing vendor. So is that still an issue? Or is there some other reason for low growth?

Mohit Rathod: So, we had fixed that problem by the end of November, so we are now back on track, and you will see the growth in the current quarter, a significant growth, which will make up for the entire year.

Resha Mehta: Okay. And now what would be the share of in-sourcing in Creative?

Mohit Rathod: It's still at 50%.

Resha Mehta: And plans to take this up to what percent, by when?

Mohit Rathod: 75% by the end of '26.

Resha Mehta: Okay. So it will be 75% by FY '26, right?

Mohit Rathod: Yes.

Resha Mehta: Got it. And would there be any margins that we enjoy here? Is it at a breakeven level, the Creative segment EBITDA margins, how dilutive would that be to our overall margins?

Mohit Rathod: So we don't have a separate category-wise margin breakup. But if you look at the overall, it's at the similar level as Pen.

Alpesh Porwal: So what happens here is that we always try to kind of -- we invest in products and segments where we see the margins are between 18% to 20% on an average. While we started investing in creative segment now and as we build the entire segment here, the margins can be a little on the lower side from that particular segment.

But as it grows and we reach the optimum level, we'll reach at the same margin levels of 18.5% to 19.5 percentage. So the investments initially, obviously, you understand that, that whenever we make investments in something new, the margins we start up on lower margins. It takes a little time to kind of ramp up.

And here in Creative, we are also doing the backward integration. So the manufacturing facility out here, we are increasing plus the new subsidiaries, which we see out there, the manufacturing facility there also will increase, which will go up to increase our margin, in-house manufacturing basically.

Resha Mehta: Right. So just alluding to the previous participant's question, on the margin front, right? So 19%, 19.5%, while you did mention we plan to get there in the next 2 to 3 quarters, right? But just wanted to understand, so basically, this increase will happen because the investments that we have made will start bearing fruits and the high freight costs in the exports market will come down.

And also your new segments of Creative and Bottles will also kind of reach the Pen level margins. Is that understanding correct that these are going to be the key levers, which kind of help you move the margin?

Alpesh Porwal: Largely, yes, you are right. So it's going to be a mix of everything. So the backward integration and the new manufacturing facility in terms of partnerships, which we have got into our subsidiaries, which we have created, both put together will give us the higher margin also, will lead to that.

Resha Mehta: Right. On the export side, sir, do we export any Creative segment product currently? And also for the Bottles, have we started exporting to our OEM customers?

Sumit Rathod: Creative, we do export to the international market, but it's a very small segment. We are still building up the manufacturing base. And once the in-house manufacturing increases, that's where the actual price point for the international market will come in. And for the Steel Bottle, like we mentioned earlier, we have started a little bit in our own brand for the Steel Bottles. And going forward, we are planning to expand that business as well in the export market.

Resha Mehta: Sorry, so you said that for the Steel Bottles, you have started exporting in your own brand. Is that right?

Sumit Rathod: Yes, trial export has started in our own brand. And going forward, we are planning to increase that category.

Resha Mehta: Okay. And on the Steel Bottles, have you seen any lowering of guidance here? Because I think I recall FY '27, we had guided for INR125 crores revenue, while now we are stating INR100 crores. So is there a lowering of guidance here? Or...

Alpesh Porwal: No, we have always maintained that we'll reach the full capacity of INR120 crores, not even INR100 crores in the third year of operations. So by '27, we look at INR120 crores that's the guidance we have been maintaining, and we are reaching there.

Resha Mehta: And in terms of distribution expansion for the Steel Bottles, so while we are there in most of the modern trade; and exports also, like you said, we have started in a little bit, right? So do we plan to enter GT or no? We essentially wanted to be a modern trade and an export play initially and then perhaps we look at entering GT?

Mohit Rathod: No. So we have already started general trade. And currently, we have about 50 distributors, city-wise. And the GT traction is also very encouraging, looking at the numbers.

Mohit Rathod: Yes, the range of products is very good.

Resha Mehta: Understood. And just last 2 questions, right? So one is on the export side. So on the export side, so suddenly, what is it that it is leading to such a healthy growth that we have seen? Because like you said, Creative and Bottles, if any, is a very, very small negligible segment currently.

And the initial reason that we have been fighting for low export growth for the Pens was that the freight costs were pretty high. And as I understand, the freight costs are still high. They have not yet come off a lot, right? So what really is driving this Pen export growth? Have we added new OEM customers? Or what is it? Because we see that export growth in both own brand as well as OEM.

Mohit Rathod: So, both the categories are growing. OEM is also growing and our own brand sales is also growing. So what we have done in overall, the freight prices remain to be higher, but now that's a new normal and people have accepted it. But now again, it's easing off. So that's an advantage for us.

So going forward, even in the current quarter, it's a back-to-school stock taking for them as well because for June, July, they will need the stock in this quarter for their back-to-school season. So Q4 is always good and Q3, Q4 is always good for exports.

Resha Mehta: Okay. So you are saying that export -- the freight rates are no longer an issue because that's been accepted as the new norm. But we've not seen any addition of new clients or new export clients, new OEMs or anything of that sort, right? I mean that has not been a big contributor. Is this the...

Mohit Rathod: No, but only our existing distributors and our OEM clients have increased.

Mohit Rathod: Throughput of the existing distribution.

Resha Mehta: Understood. And on the domestic side, right? So our domestic OEM revenues have been flat since -- at INR12 crores, INR13 crores since the last several quarters, right? And of course, you've highlighted that it's an OEM-specific issue and really nothing to do with us, right? But can we say that is there any growth possible from this INR12 crores, INR13 crores revenue run rate with that OEM is the worst behind for them.

Mohit Rathod: So going forward, we have not even -- we are concentrating on our own brands and in domestic market, and we have not even taken into future projections, have discounted the domestic OEM business.

Resha Mehta: Okay. So we expect this to remain a negligible part, right, and it will essentially be side-lined?

Mohit Rathod: Yes. Going forward.

Resha Mehta: Okay. Got it. And on the domestic -- lastly, on the domestic own brand, right? So if we were to just look at this particular quarter, while you highlighted that Q2 versus Q3 is -- I mean, Q3 is a seasonally slow quarter. But even if I were to look at your 9-month domestic own brand growth, right? And here, a big part of your growth would also be the creative segment. So can you highlight for just for domestic own brand Pens segment, what is your 9-month revenue growth?

Mohit Rathod: So, 9-month revenue growth is at 4%.

Resha Mehta: This is for domestic own brand pens, right?

Mohit Rathod: Yes.

Resha Mehta: Understood. This is the value growth you're talking about, right, not the volume growth?

Sumit Rathod: Yes, value-add.

Moderator: Next question comes from the line of Naitik with NV Alpha Fund.

Naitik: Sir, my first question is if you could give us some sense on what sort of arrangement we have with Maped in terms of any investments that we have to make, and in terms of the margins or commissions we will be making on the distribution that we do for them?

Sumit Rathod: So Maped arrangement is more of a distribution network. So we are expecting it to penetrate. And like I mentioned earlier, this is into the premium category in the Creative segment. So that will create and enlarge our complete portfolio of creative for the domestic segment, currently, which for the premium and certain products of the mid-premium where current our brands are not available for our products in our own brand. This is where the Maped category will cover up from the overall market perspective.

Naitik: Right. And sir, we would be -- the margins, I assume, would be much lower since it is just a distribution business?

Sumit Rathod: So margin, we try to maintain historically also on the similar levels. Of course, as it's a combination in the beginning, it might be a little subdued. But overall, as you know, these products are more in the mid-premium and the premium as a category. So along with time, these margins will average out in the overall strategy.

Naitik: Got it. My next question is on the Creative segment. Now we aspire to do 15% to 20% of minimum growth in this segment. But for last 3 to 4 quarters, we have been sort of in the INR40 crores to INR45 crores sort of range. So I mean, what levers do we have for increasing this growth to 20%?

Sumit Rathod: So as you know, there are multiple leverage which are going to contribute for this particular growth. As we mentioned, the in-house manufacturing, which is going to increase in various categories, including our investment, like mentioned in the Flomaxe, which is going to contribute more towards the in-house manufacturing of all different categories of pencils.

Also, Maped will also be a contributor for the overall segment. And of course, in Creative, as we are going along and as we mentioned earlier, we have already started investing in the in-house manufacturing. And there are certain key products like the newly launched 2 mm mechanical pencils, certain products in the Creative range. These are the categories which will drive the future growth.

Naitik: So sir, in terms of distribution, if I were to compare the Pen segment with the Creative segment, so what percentage of Pen segment distribution is already penetrated by us in the Creative segment?

Mohit Rathod: So when we talk about the penetration of Pen versus Creative, creative is present at 68,000 outlets. Currently, we are penetrating at 68,000 outlets and Pen is 330,000 outlets. But in Creative, we are focusing more to increase the throughput through these 68,000 outlets in initial phase.

Naitik: Right. Got it, sir. And in terms of your Steel Bottle segment, sir, I wanted to ask the INR12 crores of revenue that we did for the quarter, how much of this would be from B2B or private label or entire INR12 crores is in our own brands?

Mohit Rathod: So I think it's mostly 90% of it is in our own brands.

Naitik: Okay. Got it. And sir, lastly, in terms of exports, what sort of guidance do we have? We can grow exports in double digits, say, on Y-o-Y basis for the full year, not for the next quarter, but on a yearly sort of number, can we grow it in double digits? Can we grow exports in the double digits?

Mohit Rathod: So yes, from next year on, of course, we are targeting to grow it in double digits. But looking at the current year and subdued first and the second quarter, Q3 was very, very positive and Q4 also looks promising. So coming off as a yearly top line, we would be at a similar level in exports in the current year.

Moderator: Next question comes from the line of Ananya Nichani with Thinqwise Wealth Manager LLP.

Ananya Nichani: I had a question on the Houseware segment. So I've seen on your website that you have quite a comprehensive product portfolio under this category like casseroles rolls and steel tiffin boxes and all. So can you just shed some light on that, if it's completely you're manufacturing it in-house? Or how is the nature of the business?

Sumit Rathod: So the household plastic category that you're talking about, almost 90-plus percent is all in-house in the manufacturing. And this category is overall to support the industry from the steel segment penetration domestic market. And as Mohit mentioned earlier, we are concentrating more towards penetrating the GT sales in the domestic market, and this particular portfolio helps penetrate that market.

Ananya Nichani: Okay. So are you doing any manufacturing efforts for this? Because I mean, we're barely hearing about it.

Sumit Rathod: No, we are manufacturing in-house these products.

Ananya Nichani: No. So are you making any marketing efforts for that because we're not seeing any kind of...

Sumit Rathod: So we are doing marketing, but the concentration overall from the marketing angle is more towards the steel bottle. But yes, we have been doing marketing, competitively a little subdued as compared to the Steel Bottles.

Ananya Nichani: Okay. And for Creative, in your Q4 presentation, you had guided 28%, 30% type of CAGR. So are you still on line for that for this year? Or are you revising it downwards?

Alpesh Porwal: Can you just repeat the question, please?

Ananya Nichani: Sir in your Q4 presentation, investor presentation, you had guided 28%-30% growth rate for the Creative segment. So this year, so far, we're not seeing that kind of growth come in. So for FY '25, do you still expect that kind of trajectory to continue? Or would you be revising the guidance downward?

Alpesh Porwal: So maybe you're right, the numbers don't say that we are going to kind of achieve those numbers of 28% and 30% this year.

Mohit Rathod: But current year, we will be at 20% growth by the year-end.

Mohit Rathod: There's a new product offering on the pencils.

Ananya Nichani: All right. 20% growth for FY '25?

Mohit Rathod: Pencils and all that we have now introduced, this will actually go to increase the growth rate.

Ananya Nichani: Okay. I just had one last question on employee cost. I understand that it's going to be increasing from now on, but can you just give some light on when it will peak and what other standardized levels maybe?

Alpesh Porwal: So on the employee cost, we did invest. You see a higher employee cost quarter-on-quarter on whatever periods we are comparing. This is basically to build the entire strength of the company for sales and distribution and administration and even in manufacturing. So the numbers, the teams are set up, and that's why you see a higher employee cost.

Obviously, the first quarter, you would have seen in the first and the second quarter on the wages front also, what contributes to a higher employee cost is the rise in the minimum wages. So that has also contributed.

But as we go forward, we have started consolidating. And in fact, we -- the ROI, if I would put it in that terms, the ROI on the investment in employees has started paying off. So that will go also to add on or make -- help us in the operating leverage going forward.

Moderator: Next question comes from the line of Shraddha Kapadia with Share India.

Shraddha Kapadia: Yes. So actually, just taking on the previous participant's question further. So if you could provide us a bit of detail on the launch of mechanical pencil, how it fits into the company's broader product strategy? Also what edge Flair is holding in this category? And since the launch, what has been the response for launching this new mechanical pencil? And what is our edge over the competitors, which we have for this product?

Mohit Rathod: So basically, as expected, the response is very, very positive. And we haven't launched in all India. We have launched only in a few states because we are also ramping up the production capacity, which will take about another 2 months. But whatever we are manufacturing on a monthly basis, we are liquidating that, and the response has been very, very positive.

Moderator: Next question comes from the line of Aradhana Jain with B&K Securities.

Aradhana Jain: Just on the previous participant's question on mechanical pencils. I understand that we've launched INR10 category mechanical pencils, right? So just wanted to understand that are there no other companies, which are manufacturing or selling at that price point? And secondly, you do have other mechanical pencils as well, right, in maybe a higher range.

If you could just throw some light on how has the performance overall on your mechanical pencils been of the other price points that you have? And what sort of traction are you expecting from this going forward? And what sort of differentiation? Like I couldn't understand on the differentiation part. I do understand that you're at the INR10 price point, but is that the only differentiation? Or is there something else as well?

Secondly, on the Pen segment, in the last quarter, we've said that we've again refocused our attention on the INR5 Pen segment. And we had launched a few pens in segment, which was to roll out across India eventually. So where are we on that? And what sort of traction are we seeing in that segment?

Mohit Rathod: Yes. So talking about mechanical pencils, currently, we are the largest mechanical pencil manufacturer in India. And the capacity we are increasing on a year-on-year basis. And there is a difference between the regular mechanical pencil and the mechanical pencil we just launched, which is a 2 mm mechanical pencil, which , you can say, a kind of substitute to a wooden pencil, which looks and feel like wooden pencil, but it is a mechanical pencil, a 2 mm mechanical pencil.

So in the earlier question, we were talking about that only that the response has been very, very positive. And that has helped us even penetrate our regular 0.5 and 0.7 mechanical pencils. So the overall category is in growing stage for us. That is one. The number two, the second question was about the INR5 pen.

So we have launched in a few states in India. And again, we would be doing that. By the end of this quarter, we would be launching in Pan-India. So the response has been very, very positive. And so going forward, this will help us penetrate further in INR5 as well.

Moderator: Next question comes from the line of Resha Mehta with Green Edge Wealth.

Resha Mehta: Just one question. Working capital, so I think we've always been talking about making some small improvements. So have there been any improvements that have happened? And if yes, what are those? And how much more can we reduce?

Alpesh Porwal: As far as working capital is concerned, you're right. We have been working on this. We are aware of the high rates, which we have been having on working capital cycle. That is basically the stock and the debtors, which we see normally. See, there are 2 reasons out here for a higher working capital.

One, we say is due to the Chinese New Year closure, which has come in January, we had to keep extra stock in December. In the previous year, the Chinese New Year was in February. And hence, we had stocked up in January in the previous year.

The second reason is we have also added 55 new products and 3 of them are the first in the category, so there are 2 things, which we have to look at. It's just a matter of time when they stabilize in the market, and that will have a direct impact on 2 things. One is the stock that we have to maintain and also the credit period we are giving to penetrate the market.

So given these 2 contributors to a higher working capital, like you pointed out, we are aware of this, but the new policies, which we are kind of bringing in and new measures, which will go to reduce the working capital. So you will see the impact in this quarter when you look at the 31st March quarter, we will see a very positive impact here.

Resha Mehta: Right. Okay. So on the inventory days, I think we'll probably be at around 84, 85-odd days that we've been at. I understand maybe not much improvement possible there. But on the debtor side, you said we've put in some credit policies, et cetera. So where could that number I mean, what could that number reduce to? By how many days would we be able to reduce?

Alpesh Porwal: No. If we see -- Ms. Resha, what we see out here is, as we add products as a category, within the category, we can add so many products out here. But the first of its kind, I'll give you a small example of the 2 mm mechanical pencil or there is where -- it's a first in the category. It's a market to explore for us where we push our product, the first of its kind, we push the product in the market.

Once we get the traction in that product, that's when the credit period also starts going down. I'm -- just an example of how this works in the industry. And the stocking of the working -- stocking of the goods is where we have multiple SKUs.

When we come with multiple SKUs and new products being launched, there's always an anticipation of sales and having the product ready for supply, we have to kind of keep those products in stock. So these 2 reasons are the main where we see the higher working capital.

Mohit Rathod: Rationalizing is a continuous process.

Sumit Rathod: It continues. The rationalization continues.

Moderator: Next question comes from the line of Sahil Vora with M&S Associates.

Sahil Vora: I had a couple of questions on the distribution front. Could you provide an update on the current distribution reach for Steel Bottles? Last quarter, you had mentioned you had hired 25-odd new distributors. What does that count stand as of today? Also, have we targeted any new modern retailers?

Sumit Rathod: So yes, we have done a little more penetration in the GT market. And compared to earlier, now we have currently standing at 50 distributors. And when you talk about the modern retail and e-com, of course, it's a continuous process, and we are adding more and more partners in this channel. And going forward, we are working on a couple of more very significant players in the industry.

Sahil Vora: Okay. And on the Creative front, just a second. Yes, what is the count on the Creative front? And if I can recall, the earlier count was somewhere around 65,000 to 70,000 distributors, roughly translating to 20% of your existing network. What's the updated count, if you could provide that as well?

Sumit Rathod: So creative retail touch point is more or less in the similar lines, but what we are concentrating now as a policy is increasing the throughput and the shelf space in these particular retail outlets. And this is where our concentration of the current strategy implies to.

Sahil Vora: Okay. Understood. And my next question is regarding the Pen business. Your Pen business has decreased Q-o-Q, while on the other hand, the second half is always better for us historically. As I was of the opinion that back-to-school segment picks up demand from students and education institutes?

However, our Creative stationery and Steel Bottle business have exhibited growth. Did the festive shopping help this segment while reducing demand for Pens? And can you walk me through how the consumer demand was shaping up during this quarter?

Sumit Rathod: So if you talk about Q3, like we mentioned, this is more of a seasonal thing. So because of the festivities during this quarter, that's the reason the concentration of individual buyers shifts a little bit from the Pen segment more towards the household, and that's why you see the category jump. Also, of course, Q4 going forward, as you know, has always been one of the strongest. And you will see a significant increase in the Q4 in terms of all 3 categories.

Sahil Vora: Okay. So do we feel there is no headroom for growth in terms of revenue for Pen segment? Is the competitive intensity from like new players putting pressure on our overall market share?

Alpesh Porwal: No, we don't see that thing happening out here. And as you would understand that the competition was always there earlier also. What we are trying to explain to you is that the third quarter for us has always been on the lower side, and we see the uptick again in the fourth quarter. And historically, we have seen these numbers out here.

Mohit Rathod: Tailwinds are school exams.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Sumit Rathod: Thank you, everyone, for taking some time out to participate in this call. In case of any queries, reach out to our Investor Relation, our adviser, Orient Capital. We wish you all the best and hope to interact with you soon. Thank you so much.

Moderator: Thank you. On behalf of Orient Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.