

CMP: INR 257

Outlook: Positive

Stock Info

BSE	544030
NSE	FLAIR
Bloomberg	FLAIR:IN
Sector	FMCG
Face Value (INR)	5
Equity Cap (INR Mn)	527
Mkt Cap (INR Mn)	27,097
52w H/L (INR)	223/343
Avg Yearly Volume (in 000')	159.35

Shareholding Pattern %

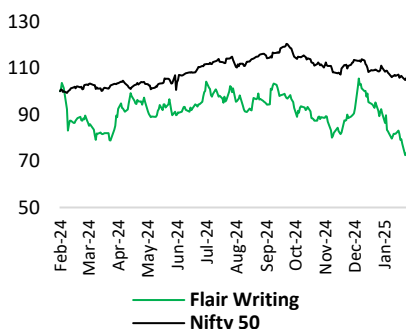
(As on Dec, 2024)

Promoters & Promoter Group	78.59
Public & Others	21.41

Stock Performance (%) 1m 6m 12m

Flair	-10.8	-15.6	-19.3
Nifty 50	-3.24	-3.45	6.68

Flair Vs Nifty 50



Flair was introduced in 1976 and is the leading name in the writing instruments industry, operatdebt-to-equity countries. With renowned brands like FLAIR, HAUSER, PIERRE CARDIN, FLAIR CREATIVE, FLAIR HOUSEWARE, & ZOOX. The company offers a diverse portfolio of 770 products, including pens, stationery, calculators, and steel bottles. They operate 11 manufacturing plants. The company reached 350,000 retailers across 2,500 towns and villages, solidifying its position among the top three players in the industry.

Investment Rationale:

Strong Revenue Trajectory with Diversified Segment Focus: The company continues to outperform the industry average growth rate of 7-8% CAGR, achieving a robust 14% CAGR with volume growth of 8-9%. The company revenue target for FY27 is projected at INR 16000-17000 Mn, supported by balanced performance across its three primary segments: writing instruments (INR 12000-13000 Mn), creative products (INR 2000-2500 Mn), and steel bottles (INR 1250 Mn). The company's guidance focuses on long-term sustainability, aiming for 14-15% annual revenue growth and maintaining stable EBITDA margins of 19-19.5%, driven by operational efficiencies and premiumization efforts.

Increasing Product Portfolio: The company's entry into the steel bottle segment offers substantial growth potential, with a revenue target of INR 500 Mn by FY25, INR 750-800 Mn by FY26, and INR 1250 Mn over the next three years and projected 20%+ EBITDA margins at full capacity utilization. Its BIS certification provides a competitive edge in both modern trade and e-commerce channels. Additionally, the creative products segment is set for over 20% annual growth, supported by a strategic shift towards increasing in-house manufacturing from 45% to 70% by year-end and the launch of co-branded merchandise, such as Disney products. This balanced product expansion across core categories reduces dependency on any single segment.

Operational Efficiency and Stable Margin: The company demonstrates a robust strategy for long-term growth, driven by disciplined operational efficiency and strong market positioning. Their focus on reducing the working capital cycle by 7-10 days annually not only improves cash flow but also lowers financing costs, enhancing overall financial health. The anticipated 3-4% annual growth in Average Selling Price further underscores their ability to drive profitability while maintaining tight control over costs. Despite product diversification, the company is committed to sustaining EBITDA margins at 19-19.5%, reflecting effective cost management.

Market Presence with a strong distribution network: The writing instruments segment continues to be the company's main source of revenue, supported by a well-established network of 68,000 outlets. Instead of increasing the number of outlets, the company focuses on boosting sales at existing locations and launching new INR 5 pens and mechanical pencils costing INR 10/ piece to strengthen its market position. The company is confident about capturing market share from unorganized players, driven by market consolidation and increasing education demand.

Outlook & Valuations:

Flair is the largest player in the writing instrument segment, with a leading revenue of INR 9787 Mn in FY24, surpassing peers like Cello Ltd, Kokuyo Camlin Ltd, and Linc Ltd. The company maintains its top position through a diverse product portfolio, strong distribution network, and consistent market performance. While newer entrants like DOMS are emerging, Flair continues to dominate the competitive landscape. With the industry projected to grow at 7.5-8%, Flair aims to outpace the market, leveraging its leadership position and expanding into creative products and innovative categories. **The company is valued at PE Multiple of 23.1x with trailing twelve months EPS of INR 11.1.**

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Deepali Kumari

deepalikumari@arihantcapital.com

Particulars (INR Mn)	FY21	FY22	FY23	FY24
Revenue	2980	5775	9427	9787
EBITDA Margins (%)	7.7	16.9	19.5	19.5
PAT Margins(%)	0.3	9.7	12.4	12.1
Debt/Equity(x)	0.53	0.41	0.26	0.08
ROE(%)	0.4	17.4	27.1	13.2
ROCE(%)	3.4	18.6	30	17.5

Source: Arihant Research, Company Filings

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 6, Lad Colony
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880