

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	318
12 month price target (INR)	440
52 Week High/Low	343/194
Market cap (INR bn/USD bn)	33/0.4
Free float (%)	21.41
Avg. daily value traded (INR mn)	51.0

SHAREHOLDING PATTERN

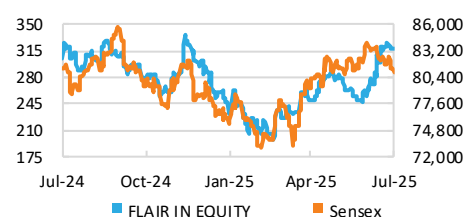
	Jun-25	Mar-25	Dec-24
Promoter	78.59%	78.59%	78.59%
FII	0.05%	0.06%	0.09%
DII	10.23%	9.55%	10.51%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	10,799	12,555	14,537	16,799
EBITDA	1,847	2,129	2,536	2,953
Adjusted profit	1,191	1,399	1,767	2,118
Diluted EPS (INR)	11.3	13.3	16.8	20.1
EPS growth (%)	0.6	17.5	26.3	19.9
RoAE (%)	12.4	12.9	14.2	14.7
P/E (x)	30.1	25.6	20.3	16.9
EV/EBITDA (x)	18.9	15.8	12.7	10.4
Dividend yield (%)	0	0	0	0

PRICE PERFORMANCE



Margins bounce; own brands lead the way

Flair Writing Instrument (Flair) reported strong Q1FY26 results—while top line expanded 17% YoY in line with estimate, EBITDA margins expanded 16bp YoY/146bp QoQ to 17.2% versus estimated 16.1%. Creatives/steel bottle business clocked 77%/55% YoY growth. Management maintained revenue growth guidance of 15–16% in FY26 led by growth in creatives at 40%, steel bottles at 50% and pens business in high single digit. Margins too are likely to sustain at 17%.

Given growth is finally back on track driven by strong traction in creatives, growth visibility in steel bottles and a margin recovery, we are raising target PE to 25x (earlier 23x). Retain 'BUY' with a revised TP of INR440 (earlier INR400) based on Q1FY28E EPS.

Own brands improve; OEMs slip; guidance maintained

Q1FY26 revenue expanded 17% YoY to INR2.88bn. Domestic/export own-brand clocked 23%/24% YoY growth to INR2,380/260mn. Domestic/export OEM sales fell 52%/4% YoY to INR70/170mn. During the quarter, revenue from overall pens inched up 3% YoY to INR2bn, fuelled by the launch of eight new pens. Management is targeting high single-digit growth for pens in FY26E. They guided for an overall revenue growth of 15–16% in FY26.

Margins jump, likely to sustain in FY27E

During Q1FY26, EBITDA margins expanded 16bp YoY to 17.2% (up 146bp QoQ). Gross margin improved 24bp YoY on the back of a favourable product mix. Employee expenses during the quarter surged 31.5% YoY on the back of: i) an addition to the sales and marketing team (up 13%) over the period; ii) overall elevated employee headcount due to higher in-house manufacturing; and iii) wage and salary hikes. Flair expects employee costs to stabilise at current levels. Management has guided for FY26 margins to remain at 17% levels with higher impetus from in-house manufacturing in the creatives business.

Steel bottles and creatives accelerate growth

Flair's creative revenue grew an impressive 77% YoY at INR650mn while steel bottles business clocked 55% YoY growth at INR130mn on a low base. While the company has spread creative to 68,000 outlets, it expects an improvement in throughput and is aiming for 40% growth in FY26E. For steel bottles, Flair has been focusing on the domestic market while testing international waters selectively. Current utilisation level for the company is 70%. The company has earmarked INR800–900mn for capex, which is to be utilised for the 200,000 sq. ft. Valsad facility.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	2,885	2,471	16.8	2,980	(3.2)
EBITDA	495	420	17.9	468	5.8
Adjusted Profit	290	262	10.5	308	(6.1)
Diluted EPS (INR)	2.7	2.5	9.5	2.9	(6.1)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	10,799	12,555	14,537	16,799
Gross profit	5,477	6,152	7,123	8,242
Employee costs	1,717	1,889	2,116	2,433
Other expenses	1,912	2,134	2,471	2,856
EBITDA	1,847	2,129	2,536	2,953
Depreciation	447	552	527	540
Less: Interest expense	53	31	21	12
Add: Other income	246	320	368	423
Profit before tax	1,593	1,866	2,356	2,824
Prov for tax	403	466	589	706
Less: Other adj	0	0	0	0
Reported profit	1,191	1,399	1,767	2,118
Less: Excp.item (net)	0	0	0	0
Adjusted profit	1,191	1,399	1,767	2,118
Diluted shares o/s	105	105	105	105
Adjusted diluted EPS	11.3	13.3	16.8	20.1
DPS (INR)	0	0	0	0
Tax rate (%)	25.3	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Capex (INR mn)	244.1	350.0	150.0	150.0
Jobwork % of Sales	3.5	3.5	3.5	3.5
Fuel cost % of Sales	2.2	2.2	2.2	2.2
EBITDA margin (%)	17.1	17.0	17.4	17.6
Net profit margin (%)	11.0	11.1	12.2	12.6
Revenue growth (% YoY)	10.3	16.3	15.8	15.6
EBITDA growth (% YoY)	(3.4)	15.2	19.1	16.4
Adj. profit growth (%)	0.6	17.5	26.3	19.9

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	0	0	0	0
Repo rate (%)	0	0	0	0
USD/INR (average)	0	0	0	0
Manuf expns % Sales	7.6	7.6	7.6	7.6
Employee % of Sales	15.9	15.0	14.6	14.5
Freight out % of Sales	1.5	1.5	1.5	1.5
Travelling % of Sales	1.2	1.2	1.2	1.2
Depre % of gross block	9.0	9.5	8.7	8.7
Interest % of debt	14.5	12.0	12.0	12.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	30.1	25.6	20.3	16.9
Price/BV (x)	3.5	3.1	2.7	2.3
EV/EBITDA (x)	18.9	15.8	12.7	10.4
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	527	527	527	527
Reserves	9,658	11,057	12,824	14,942
Shareholders funds	10,185	11,584	13,351	15,469
Minority interest	(6)	(6)	(6)	(6)
Borrowings	296	216	136	56
Trade payables	539	789	934	1,078
Other liabs & prov	810	810	810	810
Total liabilities	12,181	13,751	15,583	17,765
Net block	4,254	4,052	3,675	3,285
Intangible assets	18	18	18	18
Capital WIP	230	230	230	230
Total fixed assets	4,501	4,300	3,923	3,533
Non current inv	0	0	0	0
Cash/cash equivalent	1,142	2,339	3,644	5,191
Sundry debtors	2,589	2,408	2,788	3,222
Loans & advances	4	4	4	4
Other assets	3,641	4,397	4,921	5,512
Total assets	12,181	13,751	15,583	17,765

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	1,593	1,866	2,356	2,824
Add: Depreciation	447	552	527	540
Interest (net of tax)	53	31	21	12
Others	(163)	0	0	0
Less: Changes in WC	1,006	(251)	759	881
Operating cash flow	544	2,233	1,556	1,789
Less: Capex	(1,338)	(350)	(150)	(150)
Free cash flow	(794)	1,883	1,406	1,639

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	12.4	12.9	14.2	14.7
RoCE (%)	16.5	17.0	18.8	19.6
Inventory days	176	178	168	159
Receivable days	80	73	65	65
Payable days	41	38	42	43
Working cap (% sales)	56.5	60.7	66.6	72.1
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	(0.2)	(0.3)	(0.3)
Interest coverage (x)	26.6	51.2	94.9	208.4

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	0.6	17.5	26.3	19.9
RoE (%)	12.4	12.9	14.2	14.7
EBITDA growth (%)	(3.4)	15.2	19.1	16.4
Payout ratio (%)	0	0	0	0

Q1FY26 conference call: Key highlights

Opening remarks

- Very good for creative—in house manufacturing helping
- Total 60 injection moulding machines-pens and creative segment
- Gross margin 24bp higher due to a favourable mix
- Guidance : 15–16% CAGR over the medium term
- Employee expense: Working towards stabilising it—remains focused on maintaining this cost—rising headcounts and salary hikes
- Expenses associated with in-house manufacturing to offset the jobwork expenses.
- 1.85MW: Solar rooftop capacity at the cost of INR45mn
- Leveraging technology among products
- Pens business: 3% to INR2.02bn—eight new pens, across all the segments
- Export: Own posted good growth—Latin America is one of the major export regions
- Maped: for creative products—Distribution channel
- Capex: Glowmaxe subsidiary—to commence soon
- Creative: Expanded – six fresh offerings
- June 2026, total 223 SKUs in Creative. Focus: new innovative products and set up in-house manufacturing
- Approaching pencils with new strategy: flow maxe
- Steel bottles: Consumer demand alternates between single walled and double walled – education and corporate sector
- Steel bottle: in line to grow with target
- Creative and Pens as a category: Going ahead, Flair would be adding more facilities for the categories
- Pens: 2.4bn
- **Capex breakdown(FY26)**
 - INR0.9bn allocated to plant, machinery, and building
 - Valsad: 200,000 sq. ft. facility
 - 60% for creatives, balance for writing instruments

Guidance

- Revenue growth guidance: 15–16% overall
 - Pens: 10%
 - Creative: 40%
 - Steel bottles: 50%
- EBITDA margins to improve slightly to 17%

Pens

- Segment grew 3%; high single-digit growth likely in FY26E
- Domestic OEM segment containing pens: has not done well during the quarter
- 62–38% from mass (10INR) and others

Creative

- 40% growth for the whole year in FY27E
- Building in-house capacity
- Growth of 45–50% sustainable
- Mapped: testing waters in marketing and distribution
- Distribution: 68,000 outlets currently
- Target in-house manufacturing for all products: 85% (currently 70%)
- Overall TAM: is larger

Steel bottles

- Major focus towards domestic market
- Actively working on exploring the international markets
- Maintained guidance
- Earlier imported goods still disrupting the market

OEMs

- The company has factored in flattish growth for OEMs
- Export: OEM is major chunk—company should expect similar levels

Miscellaneous

- Employee growth rate: higher due to sales and marketing team.
- Annualised levels of employee expense: should remain at similar levels
- Even though own brands are doing better, but concentration on creatives has offset margins
- Other expenses: has fallen due to absence of job work
- Working capital: Once new launches stabilise, they should stabilise.
- Credit period has been constant during the last two years in creative. New products are getting launched and garnering market share.
- RoE shall improve over the next two–three years aided by operating leverage
- Capacity utilisation: The company is planning new capex at its current 70–75% capacity utilisation. Steel bottles: little room for achieving the targeted numbers.

Exhibit 1: Quarterly snapshot (INR mn)

Year to Date	Q1FY26	Q1FY25	% change	Q4FY25	% change
Revenues	2,885	2,471	16.8	2,980	(3.2)
Raw material and components	1,443	1,242	16.2	1,532	(5.8)
Employee cost	504	383	31.5	476	5.8
Others	443	426	4.0	504	(12.1)
Total Expenditure (INR mn)	2,390	2,051	16.5	2,512	(4.9)
EBITDA	495	420	17.9	468	5.8
Depreciation	127	101	25.9	123	3.8
EBIT	368	319	15.3	345	6.6
Interest	12	15	(14.6)	11	9.6
Other income	33	49	(33.8)	80	(59.2)
Add: Prior period items					
Profit Before Tax	388	354	9.7	414	(6.3)
Less: Provision for Tax	99	92	7.4	106	(6.7)
Less: Minority Interest					
Add: Share of profit from associates					
Less: Profit from Discontinued Operations					
Add: Exceptional items (net of tax)					
Reported Profit	290	262	10.5	308	(6.1)
Adjusted Profit	286	263	8.63	307	(6.8)
No. of Diluted shares outstanding (mn)					
Adjusted Diluted EPS	2.7	2.5	8.37	2.9	(7.2)
Diluted P/E (x)					
EV/EBITDA (x)					
ROE(%)					
As % of net revenues					
Raw material	50.0	50.3	(0.2)	51.4	(1.4)
Staff expenses	17.5	15.5	2.0	16.0	1.5
Other expenses	15.3	17.2	(1.9)	16.9	(1.6)
EBITDA	17.2	17.0	0.2	15.7	1.5
Net profit	9.9	10.7	(0.7)	10.3	(0.4)

Source: Company, Nuvama Research

Company Description

The flagship brand “Flair” was established in 1976 to manufacture fountain pens, ball pens and refills by M/s Wimco Pen Co, a partnership firm, which included Mr Khubilal Jugraj Rathod, one of the promoters as partner, to manufacture metal pens. Upon separation of businesses among the partners of M/s Wimco Pen Co, the “Flair” brand was subsequently transferred in 1986 to a partnership firm established by the promoters, M/s Flair Writing Instruments, which later got converted into the present company in 2016. Flair Pens is the largest manufacturer of pens instruments in India in terms of installed manufacturing capacity and commands a market share of ~9% in the overall writing and creative instruments industry in India, as of FY23, according to CRISIL. Flair had a market share of 7.1% in the export of writing and creative instruments industry, in FY23, according to CRISIL. The company also offers products under other principal brands of “Hauser” and “Pierre Cardin”. The brands “Flair”, “Hauser” and “ZOOX” offer mass-market as well as premium products while “Pierre Cardin” focuses on the premium segment.

Investment Rationale

Flair is the largest manufacturer of pens with > 10% market share in the writing instrument industry and ~ 8% in the branded stationery and art industry in India. The strong market share is led by i) diversified range of product across various price points, highest ad spends and largest pan-India distribution and retailer networks. Flair is operating at 70–75% utilisation, which can be easily ramped up to 80–82%. The company is planning a greenfield expansion in Valsad and brownfield at Valsad, Dehradun and Daman facilities for pens and creatives, which is likely to drive growth. Flair is not only the largest company in the writing instrument space but has consistently enjoyed higher margins compared to peers. This is likely to be the result of brand pull achieved by highest brand spend in the industry, backward integrating tip manufacturing – critical for manufacturing pens along with emphasis on the growing mid-premium and premium range leading to increase in average sales realisations over the years.

Key Risks

- Competition from existing players and new entrants
- Risks associated with diversification
- Raw material disruption
- OEM business risk

Additional Data

Management

Chairman	Khubilal Rathod
MD	Vimal Rathod
Whole-time director	Rajesh Rathod
Whole-time director	Mohit Rathod
CFO	Alpesh Porwal

Holdings – Top 10*

	% Holding	% Holding
New Mark Capita	2.15	
Tata AMC	2.05	
SBI Funds	1.47	
Motilal Oswal A	0.70	

*Latest public data

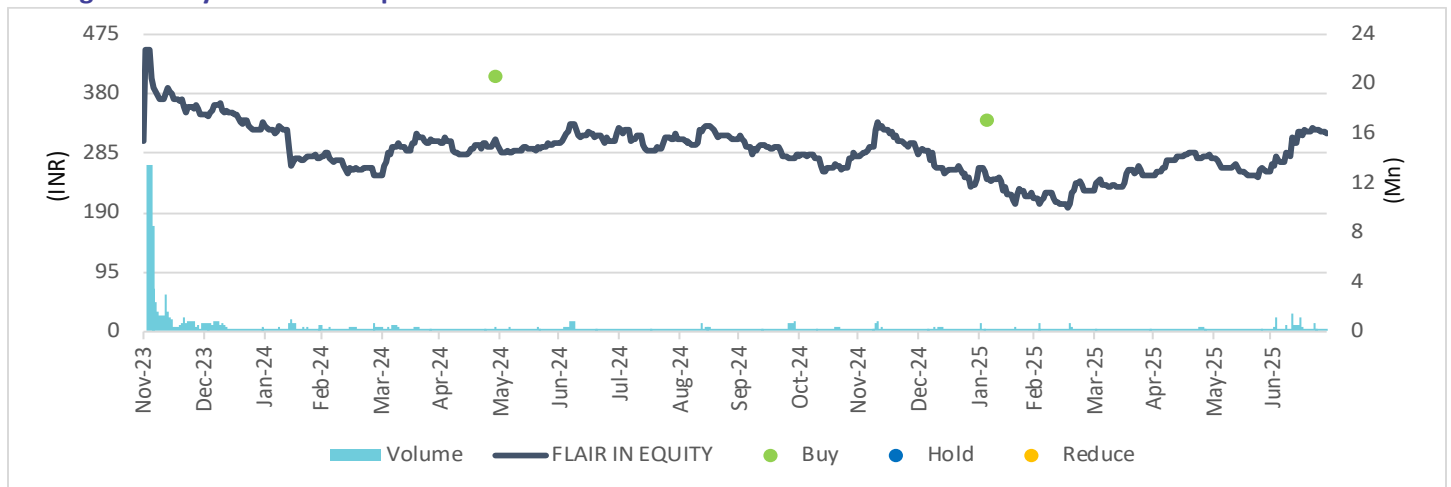
Recent Company Research

Date	Title	Price	Reco
04-Jul-25	Creative, steel bottle to drive fast gro; <i>Company Update</i>	273	Buy
23-May-25	Nothing to write home about; <i>Result Update</i>	277	Buy
03-Feb-25	Growth on a low base; weakness persists; <i>Result Update</i>	256	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
28-Jul-25	Balkrishna Industries	Q1 weak; TBR, PCR entry poses challenge; <i>Result Update</i>
28-May-25	RHI Magnesita India	Navigating through overcapacity market; <i>Result Update</i>
24-May-25	Balkrishna Industries	Entry into new segments: A challenge; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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