“Flair Writing Industries Limited Q2 FY '25 Post Results Conference Call”

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MODERATOR: **MR. DEVANSH DEDHIA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Flair Writing Industries Limited Conference Call.

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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devansh Dedhia from Orient Capital. Thank you and over to you, sir.

Devansh Dedhia: Good afternoon, everyone. Welcome to Flair Writing Industries Limited Q2 FY '25 Earnings Conference Call.

Today on the call, we have Mr. Vimalchand Rathod – 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 will contain some forward-looking statements which may be based upon our belief, opinion, and expectation of the Company as of today. These statements are not a guarantee of future performance and will involve unforeseen risks and uncertainties. Thank you.

With that, I would now like to hand over the conference to Mr. Vimalchand Rathod, Managing Director. 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.

Our Pen segment achieved sequential growth on account of improving the domestic demand scenario, as guided in the previous con call, while registering a steady performance year-on-year. Creative range exhibited resilience during the quarter, posting stable results despite facing supply constraints from a key supplier. Steel bottles and houseware segment continued its rapid scale-up, providing us with a meaningful delta in the quarter. We remain extremely confident over the upcoming second half of the financial year to achieve our guided growth objectives.

I now hand over the call to Mr. Alpesh Porwal – our CFO, to discuss Financial Performance.

Alpesh Porwal: Good afternoon, everybody.

Moving to the Consolidated Performance of the Company for Q2 FY '25:

Revenue from operations for Q2 FY '25 was at INR270 crores, an increase of 5% year-on-year. Gross profit for the quarter was INR143 crores, which increased by 13% on year-on-year basis. Gross profit margin came in at 52.8%.

EBITDA for the quarter was INR51 crores, declining by 6% on year-on-year. EBITDA margin was at 18.7%. Profit after tax for the quarter was at INR33 crores, stable year-on-year basis. Profit after tax margin for the quarter was at 12.1%.

In Q2 FY '25, our Company has achieved healthy sequential growth. Revenue from operations for Q2 FY '25 saw an increase of 9.3%, sequentially. Gross profit improved by 16.1% on a sequential basis. Gross margins increased by 310 basis points. Expansion in gross profit and gross profit margin was on account of easing input cost, prudent inventory management and higher contribution from premium products.

EBITDA increased by 20.4% on a sequential basis. EBITDA margin expanded by 170 basis points. We are delighted to share that we as a Company are firmly on path to achieving our guided margin range of 19% to 20%. Sequential EBITDA margin expansion was in line with GP margin growth, further aided by moderate growth in employee expenses.

Profit after tax increased by 25% on a sequential basis, with profit margin improving by 150 basis points. Lower interest outlay, given our net debt negative status and largely in line depreciation, boosted further sequential rise in bottom line.

Moving to the Half Yearly Results:

Consolidated performance of the Company for H1 FY '25. Revenue from operations for H1 FY '25 was INR517 crores, an increase of 2.7% year-on-year. Gross profit for the half year was INR266 crores, which increased by 6% on a year-on-year basis. Gross profit margin came in at 51.4%.

EBITDA for the half year was INR93 crores, declining by 13% year-on-year. EBITDA margin was at 17.9%. Profit after tax for the half year was at INR59 crores, declining by 10% year-on-year. Profit after tax margin for the quarter was at 11.4%.

Our performance in Q2 FY '25 is a testament that we are converging on to our higher historical performances, especially on the margin front. This uptick in performance is especially encouraging given it comes on the back of a challenging first quarter on the demand and overall macro front.

The second half has always been stronger as compared to the first half for our Company and we are very excited to carry the present quarter's buoyancy in operations as we look to out-do ourselves going forward. While there may be a temporary spike in certain expenses, let me assure you, some of these are necessary outlays as we scale up as an organization to ensure future growth. Our CAPEX outlay as of H1 FY '25 was INR68 crores. Our CAPEX plan remains unchanged.

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

Mohit Rathod: Good afternoon everyone.

First, our Pen segment:

Our total revenue for the quarter was INR270 crores, out of which Pen contribution was INR213 crores in Q2 FY '25, thus contributing around 79% to our top-line. As highlighted in our previous earnings call, the domestic demand momentum has continued post-election with our largest segment registering a growth of 8.6% sequentially. The domestic performance of the pens was very encouraging from a demand perspective as we grew in double-digits.

Hauser brand continued its market dominance, growing higher than 25% year-on-year. The brand's performance in a rather challenging environment highlights the superior position of Hauser XO being the market leader in the industry. We have already registered more than 20% growth, being in line with the Company's strategy towards premiumization.

For the quarter, we introduced 14 new models in the overall category. From these, nine were launched in the mid-premium to premium category to consolidate our leadership position in these segments. Our ASP for overall business increased from INR5.5 in Q2 FY '24 and INR5.3 in Q1 FY '25 to INR5.7 in Q2 FY '25, a testament to our focus on improving our market of mid-premium and premium products.

Coming to Creative range:

The Creative segment remained steady in Q2 FY '25 with revenue clocking in at INR41 crores stable year-on-year. The segment grew by 10% year-on-year in H1 FY '25 to INR78 crores. The Creative segment had a one-off wherein one of our key suppliers faced a major financial distress due to which they had to close their manufacturing units. This in turn affected the supply to the Company for about half the quarter. In cognizance to this situation, the Company had pre-ordered moulds for these products with in-house manufacturing scheduled to begin in the next quarter as a measure to de-risk dependence on external suppliers.

Disney collaborated products have been approved by the concerned parties and was launched in September. This will provide an additional avenue for growth in this segment. The products will be priced similar to our other kits with a simple objective to capture mind space and shelf space amongst the kids and make Flair a more widely recognized brand.

Talking about Steel Bottles:

Steel bottles registered an impressive 248% growth year-on-year to INR12 crores. For the first half of this year, we clocked in revenue of INR20 crores, already surpassing full-year FY '24 contribution from this segment. We enhanced our Steel Bottle offerings with the launch of three new variants in this quarter alone. And going forward, we plan to launch three new designs every quarter to significantly expand our existing product offerings in the domestic market.

Contribution of our own brand sales to the overall mix improved further to 90% in Q2 FY '25 from 87% in Q2 FY '24, with our own brand sales growing by 9% year-on-year to INR242 crores. And in the domestic market, our own brand registered 15% growth on a year-on-year basis. Over the years, we have been focusing on our own brand business to be our core growth driver. We have consistently delivered double-digit growth from this vertical wherein our Company has operational control.

I would now like to highlight some strategic steps and areas of focus for the future:

In view of the current domestic OEM situation, we will focus on our own brand sales for the growth in the domestic market. While revenue from domestic OEMs is expected to remain steady at the current quarterly level with limited downside, our own brands provide us with good opportunities in view of their catering across price points and dominant market presence of Flair and Hauser, providing a better control over margins and other prospects.

Over the past quarters, export OEM division has stabilized, having grown steadily. This provides further wind to our sails. Although export sales have decreased in the current quarter on demand and freight headwinds, we still are upbeat on the same, with recovery foreseen in the second half. We are the largest exporter of writing instruments in the country and are always on the outlook for expanding our global footprint.

In Creative, the track record of the segment is one of high growth and we are very confident that this will carry on in the future. There are three broad strategies that we would work on: increasing product portfolio and capitalizing on viable white spaces. Two, increase in distribution reach of the segment through increased channel fill. Three, an increase in-house manufacturing capabilities, gradually reaching 75% in the coming year.

In Steel Bottles, we are experiencing an increasing month-on-month sales growth trend in this division. There is a huge scope in the domestic market in terms of import substitution and we have two clear strategies to pursue; introducing high quality and attractive bottles that stand out for the end consumers and enhance distribution network by new tie-ups within modern trade by exploring e-commerce and larger stores within our own distribution network.

Premiumization continues to remain at the core of our operations. We strive to retain a healthy mix of mass, mid-premium and premium segment. Successful execution of our premiumization strategy has helped us to consistently yield higher realization per piece on back of brand positioning, extensive portfolio catering to mid-premium and premium market, as well as constant innovation in products that have satisfied consumer needs.

Overall, we are optimistic for future growth with Pen segment now being on track, ably supported by two high growing segments, Creative and Steel Bottles. Going forward, you will see the fruits of executing these strategies as they start reflecting in our business performance.

I will now request the moderator to open the floor for questions-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Shraddha Kapadia from Share India. Please go ahead.

Shraddha Kapadia: Thank you so much for the opportunity and congratulations on a better set of numbers this time. So, if you could help me understand the challenges which you will be facing in your supply chain specially; and also, how are you planning to address the same? Because last time we had mentioned about the Red Sea crisis and the freight issues, so are we still facing it or is it resolved now?

Mohit Rathod: So, as far as export is concerned, of course, last quarter we had faced this issue. Currently also we are facing the similar issue but going forward we are very, very optimistic after, we had a conference call with all our distributors, whoever is handling our brand and we got a very, very positive feedback from them. And, if you look at the absolute value term, we are in degrowth by INR12 crores in export market and going forward we are going to recover that amount in exports, going forward. So, we are on track as far as export is concerned.

Vimalchand Rathod: We are confident that we will be able to achieve the target what we have set for us.

Shraddha Kapadia: Also, I just wanted to understand that we had provided the guidance in the last quarter for the three years. So, do we stick to it and how do we plan to have much more growth in the second half considering the first half has been a bit impacted?

Mohit Rathod: Yes. So, if you look at our historical performance, ideally the second half is always better than the first half. And going forward, checking all the parameters of all the brands, be it Pen segments, Steel Bottles and Creative, we are not changing any guidance towards the target. We are in line on achieving our target for the current year.

Moderator: Thank you. The next question comes from Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Hi, good evening, sir and congrats, I mean, thanks a lot for the opportunity just couple of questions from my end. Firstly, on the Creative side, you said that there was some supply constraint issue based on which I do not think you've seen any growth in Q2. Has there been solved and are you in track for growth in Creative on a Y-o-Y basis from Q3 onwards?

Mohit Rathod: So, when we talk about Q2, yes, there was a supply chain issue which has been sorted now with the alternative supplier. I would just like to reiterate that, we have already placed the order for the moulds. So, we would be starting the same product with in-house manufacturing by the end of the quarter. So, we would be sorting that issue. And when we talk about the overall growth of Creative, if you look at H1, it has been 10% growth. And we are in line as we committed that in coming two quarters, we would be at 25% growth.

Sneha Talreja: So, that will be after Q3. Q3 will still have constraints. From Q4, you are on track for 20%, 25% growth.

Mohit Rathod: From Q3 onwards, you will see the upward trend.

Sneha Talreja: Secondly, while you just mentioned to the previous participant that you are on track of achieving your guidance, which is around 11% to 12% CAGR sort of a journey, even if I have to put that number in your revenues, that means you will have to do Q3 and Q4 20%, 20% plus growth.

Mohit Rathod: Right.

Sneha Talreja: How do you plan to achieve it? Which are the segments which you expect are going to drive that first? Secondly, your annual margin guidance stands at about 19.5% sort of a number. And the first two quarters have of course been subdued. So, how are you planning to achieve even the margin number?

Mohit Rathod: Right. So, when we talk about the top-line, the Pen segment, of course, if you look at our traction of last three months, it has been very, very positive as far as domestic is concerned. And similarly, going forward, we expect the same in domestic front. As far as exports also, we have been getting very positive feedback from our distributors. And other than that, our OEM suppliers also have the kind of projections what they have given. It looks like in overall Pen segment, we are on track.

As far as Creative is concerned, we have been always going at 25% year-on-year, of course, barring the last quarter which was flat. Going forward also, we would be in the similar trajectory of 25% plus in Creative, because there are two-three new production lines which are coming, as I already mentioned, in watercolor pens, in wooden pencils, in other kinds of pencils and the kits. And Disney range coming in because Disney also, we got only 15-20 days of sales in Q2. So, going forward, we would be adding that sales as well. So, overall, it looks like Creative, we would be ending up at 25% plus range.

And Steel Bottles, month-on-month, we have been growing and the response has been positive, not only from our general trade perspective, , but also e-com and modern trade. So, considering all the aspects, all the three divisions going next six months would help us achieve to the numbers what we have committed.

Sneha Talreja: And on the margin front?

Alpesh Porwal: Margin fronts, we are improving. We are having a slew of measures which we are bringing in, in terms of operational efficiency and others also. So, and like we saw in this quarter also, the raw material costs also, the downward trend of raw material costs as it had spiked up in last quarter when we saw a big gap there. So, margin front, we are aiming towards the objective of 19% to 20% reach there.

Moderator: Thank you. The next question comes from Megh Shah from Prospero Tree Financial Services. Please go ahead.

Megh Shah: Sir, my question is not related to particular quarter, but overall, the business. Because since listing, we are tracking the Company; and our quarterly revenue is around INR250 crores. Except this quarter, it is INR270 crores. So, why are we not growing? Is that because our Hauser brand is growing, our own brand, other brand is growing, but overall top-line is not growing, though the margin, this time the GP margin is around 52.8%, but overall, the PBT is around INR43 crores on every quarter, except the two-three quarter where the PBT was lower. Why is there anything we investors are missing or something is stopping the Company from growing? What exactly is that? We want to understand.

Mohit Rathod: Thank you. Overall, if you look at our presentation, our own brand has grown in the last one year and especially this quarter also we have grown by more than 15% and it was only because of the domestic OEM and export which brought us down and we could not see the result as per the numbers which we had projected and also there was a delay in starting the Steel Bottle business due to the initial hiccups. So, now things are on track, Steel Bottles, all the lines are in production. So, every month-on-month we are improving in that segment as well.

And to answer on the margin front, we had projected a certain number where we would all get up to achieve our targets and accordingly we had hired and we had increased our sales force and the employees at the factory. But now looking at the overall numbers, we are on track and quarterly results have shown that we are slowly, slowly on the upper trend and we would be on the guidance what we have projected.

Megh Shah: Sir, our revenue is from either domestic business or export business. Our export business is coming down and which is compensated by the growth in the domestic business. But net-net we stand where we were around INR250 crores. So, to grow the top-line, we have to grow both domestic as well as export. Or domestic growth must be much more higher than what we lose in the export business. So, what step the Company is taking to grow the top-line as well as the bottom-line, sir?

Mohit Rathod: So, as you mentioned that Q2 we have seen an upper trend of INR. 270 crores. So, going forward this trend is going to increase from INR. 270 crores upwards. And domestic, yes, we are targeting much better results going forward because all the products which we have planned are going to be launched in Q3 and Q4. So, looking on that, I think we are right on track.

Megh Shah: So, can we expect higher growth from the Q3 onwards?

Mohit Rathod: Yes, surely.

Megh Shah: And at the EBITDA level also because this year in this quarter the GP was very nice but the employee expense and other expense were much higher than the GP growth. So, our EBITDA margin is 18.7%, so now onwards there will be no much growth, no rise in the employee expense as well as the other expense, is it correct, sir?

Sumit Rathod: Yes, it is correct, because as you see the trend is from Q1 compared to Q2 was in the upper trend, so to get up for Q3 and Q4, there was some additional cost on the employees which was incurred and also there is a certain impact of the overall increment of last year which completely impacted in the month of July, that's why in Q2 it had a little effect. So, going forward against the increasing demand, there will be not much spike in the labor or the overall employee cost and this will get corrected in the coming quarter as the sale increases.

Megh Shah: The last one. Any increase in the revenue further will not proportionately increase in the other expense or the operating expense and thereby there will be an improvement in the EBITDA margin as well as the EBITDA?

Sumit Rathod: Yes, this is the trend that we are aiming for.

Moderator: Thank you. The next question comes from Resha Mehta from GreenEdge Wealth, please go ahead.

Resha Mehta: So, the first question is on the pens, so our competitors did launch the INR5 Pen segment, so have we entered that category and if yes, then what salience, revenue salience would that be having in our overall Pen revenue?

Mohit Rathod: Yes, so we are cognizant about the fact that the competitors have introduced INR5 Pen and we launched it in Q2 and the response has been very, very positive. We haven't launched all India, we have launched in certain states due to the capacity constraint but yes, from this quarter we are launching pan India, and the response has been very good. We haven't seen any cannibalization happening in the existing business as of yet.

Resha Mehta: And how would you define a premium Pen? What is the price point? So, is it more than INR. 10 and is a premium Pen for you and what percentage of revenue comes from say the premium part of the Pen portfolio?

Mohit Rathod: So, there are three categories where we define premium, mid-premium and mass. So, mass is anything below INR. 15 MRP and mid-premium is from INR. 16 to Rs. 100 and the premium is all INR. 100 and above. So, if you look at our historical numbers, we have been always maintaining a balance between mid-premium, premium versus mass. And that's the reason why we have a good bottom-line.

Resha Mehta: The second one is on the Creative. So, here, do we have a separate sales team for Creative versus a Pen team? And also, now what would be the distribution penetration for Creative in our existing network? I believe last time you said it is around 20%. So, have you expanded there?

Mohit Rathod: So, no, because we haven't expanded in Q2. We are maintaining the same 20%. What we are trying is to improve the throughput per call for each salesman. So, and also, yes, we have a separate sales team for Creative.

Resha Mehta: And this BIS is for stainless Steel Bottles. So, has that already been implemented or yet to be implemented?

Mohit Rathod: It is already being implemented.

Sumit Rathod: So, a lot of our products that we have launched in the market, especially in the double wall vacuum product, it is already BIS compliant. And that is the norm. So, even some of our key buyers from the modern trade and the e-comm category are also trending towards buying more of a BIS certified product.

Resha Mehta: And would you say that. So, when did this implementation happen? And after that, are you seeing that there are regional players who are vacating this space or something to that effect?

Sumit Rathod: So, getting BIS certification and to create that kind of a manufacturing line is something which is just started in India. Because as you know, this particular segment was probably more concentrated towards the import category. But having the complete manufacturing facility gives us an edge towards launching newer products. Like we mentioned, we introduced three products and even in the coming quarter, we will be launching more and more products. So, that gives us an edge. Whereas competition is concerned, yes, there will always be a limitation for import because of this BIS standard. So, going forward, we will see more and more domestic traction and manufacturing in this category.

Resha Mehta: My question was that on ground, have we already seen a reduction in competition or not yet? Nothing meaningful as yet?

Sumit Rathod: So, competition from the BIS angle, for example, to support the modern trade and e-comm, yes, there has been a little limitation from the competition angle. General Trade is still open. But I think as the BIS standard will get more and more strict in the domestic front overall, this will have an impact on the ground level.

Resha Mehta: And the other thing on the employee costs, absolute number around INR42 crores is what we are at. So, can we assume this runway to be now broadly steady going forward?

Sumit Rathod: Yes, there would not be any significant.

Resha Mehta: Major spikes would not be there, right?

Sumit Rathod: Yes, there would not be any significant increase in this particular.

Resha Mehta: And we can assume that for the Creative new facility, and also the in-house manufacturing that will start for Creative and also the Stainless-Steel Bottles, whatever, new laborers, etc. Employees had to be added. All those costs are baked into this Rs. 42 crores kind of runway, right?

Sumit Rathod: Yes, more or less, yes. Of course, a few technicians here and there, but overall the cost is already being incurred.

Resha Mehta: And just last two data questions. So, any reason for the gross margin improvement in this quarter?

Alpesh Porwal: Sorry, can you come again?

Resha Mehta: Any reason for the gross margin improvement in this quarter?

Alpesh Porwal: Like I said, the gross profit margin went up this quarter because of; one is the raw material cost. Like last quarter when we said that there was a spike in the raw material cost and that actually hit our manufacturing costs. So, that eased out and that helped us to kind of reduce the manufacturing costs. And second is also prudent inventory. So, we did some changes in the way we are managing our finished goods stock out here. But that's just to, kind of; just give you a layer of a lot of things going in this thing. And then there's also third thing is the higher contribution from the premium products. So, the premiumization strategy which we have been planning out and which is also yielding results now. So, that has helped us to kind of, increase the gross profit margin.

Resha Mehta: But largely attributed to raw material cooling off? Would that understanding be right?

Alpesh Porwal: Not solely to raw material cost but the premiumization policy. So, more premium products were sold, I would rather say.

Mohit Rathod: Because of, gifting period and, the festival period.

Resha Mehta: And this is the last data question. So, I missed the OEM revenue numbers for domestic and exports for the current quarter Q2 FY '25 and also for Q2 FY '24. If you could share that.

Mohit Rathod: So, you want a Q2 number or H1 number?

Resha Mehta: No, Q2 number.

Mohit Rathod: So, Q2 and domestic OEM was at INR12.5 crores.

Resha Mehta: Versus last year?

Mohit Rathod: Last year was INR. 15.5 crores.

Resha Mehta: And export OEM for both these quarters?

Mohit Rathod: Export OEM for Q2 was this year at INR16 crores and last year was at INR19 crores.

Resha Mehta: Right. And you mentioned that in your opening remarks that domestic OEM revenue at this Rs. 13 crores run rate is expected to be stable, right?

Mohit Rathod: Right.

Moderator: Thank you. The next question comes from Drisha Poddar from Carnelian Asset Managers. Please go ahead.

Drisha Poddar: Just one question from my side. I just wanted to understand that we have seen a slight increase in both our inventory and receivables. So, what has led to that and how should we see it for the rest of the year?

Mohit Rathod: Increase in inventory and?

Drisha Poddar: Receivables. So, how do we see the working capital, for the rest of the year?

Alpesh Porwal: So, when I look at the receivables out here, I will just give you the numbers here which we have worked out. The receivables, in fact, from Q1 to Q2 has improved. So, when I say it was a number, I will give you the number. It was 86 days and now it has come down to 85 days. Let's see. Sorry. I am getting the wrong numbers out here. It was 83 days, and it has come down to 81 days. That's the receivables. And the inventory, in fact, has come down from 86 to 85, right? I told you the wrong numbers.

Now, we can attribute this because last time also we mentioned that we are working on the receivables part where we are putting some strategies and policies in place and that is going to show colors. When I say 81 days as of Q2, in Q3 you will see a better number here and I will be happy to share that number with you next quarter again, a better number on the receivables. Even in inventory out here, which has always been between 80 to 85 and we are maintaining that because we also increased the number of SKUs, etc. Those things also work out when you are planning out something on better inventory management. So, every day, kind of, endeavor, I would say.

Drisha Poddar: And on the Steel Bottle side, I wanted to understand how is the export going to pan out and what are we expecting on the export side?

Mohit Rathod: Yes. So, exports, we are working on three new projects for exports and which is going to be seen in the H1 of next year.

Drisha Poddar: So, any number that you could call out, you want to call out?

Mohit Rathod: Numbers, we wouldn't call any numbers at this moment, but yes, we would be sticking to our guidance, what we spoke last time is on track.

Moderator: Thank you. The next question comes from Sahil Vora from M&A Associates. Please go ahead.

Sahil Vora: Sir, from what I have picked up, export for bottles will happen in H2, how are we utilizing the lines in the meanwhile, since in the previous calls, you have mentioned that out of three, one and a half lines are for OEM partners.

Mohit Rathod: So, in that, what we have done is we have also started manufacturing for our own brands in those lines, because all the lines are very fungible. So, we just change the mould, and we can produce whatever shape bottle we want. So, we have already started the production, and we have already started selling.

Sahil Vora: And sir, you mentioned that the focus is on the domestic market for bottles under your own label. So, besides that, are we in talks to white label for any domestic players or modern trade players for their in-house brands such as Reliance?

Mohit Rathod: Yes. So, we are already in touch and I wouldn't call any name, but yes, we have already started supplying them.

Moderator: Thank you. The next follow-up question comes from Megh Shah from Prospero Tree Financial Services. Please go ahead.

Megh Shah: Yes. What is the Creative H1 top-line for this year as well as last year?

Mohit Rathod: So, this year is INR78 crores and last year it was INR71 crores.

Megh Shah: And Q2?

Mohit Rathod: Q2 was INR41 crores.

Megh Shah: And in last year?

Mohit Rathod: Last year was also INR41 crores.

Megh Shah: Sir, other known paper stationary players are making growth in the export market. What problems are we facing and why are we not able to grow in the export market? And do we have any hope of reviving the export market?

Mohit Rathod: Yes. So, I already mentioned that, the export market is, revived in last one, one and a half month. And going forward also in the next six months, we would be on track because if you look at the absolute numbers, the degrowth is only by INR12 crores. And in the coming two quarters, I do not see any reason why we would not be achieving or growing, further that number. And we are super confident on surpassing our last year's number in exports.

Megh Shah: And another question related to the export. In the presentation, you mentioned that for FY '24, the export ASP is Rs. 4.1 versus domestic ASP of Rs. 5.8. So, what are the reasons for lower ASP in the export market and what steps are we talking to increase it?

Mohit Rathod: So, we are not taking any steps to improve it, but yes, because in export market, generally the mass products are sold in a bigger volume. And that's the reason why, you would see the ASP lower compared to the domestic market.

Megh Shah: And just one last question. What is the reason for increasing the other expenditure this quarter? Other expenses? Is it due to advertisement cost or any other cost?

Sumit Rathod: So, it is a combination of, like we mentioned earlier, it is a combination of a little increase in the overall employee cost, which is keeping in mind with the, trends, upper trends from Q1 to Q2 in terms of overall demand. And as we are confident for the Q3 and Q4, the trend is continuing. So, these costs are incurred in this particular period.

Megh Shah: Sir, I am asking about the increase in the other expenditure, not employee expenses.

Alpesh Porwal: So, in other expenditure, as you see, you rightly pointed out, there was an increase out here, because there were these job work charges, which was there one. And then secondly, there was an advertisement expenses also. You would have noted in the previous quarter, compared to the previous year, our expenses in the previous quarter for advertisement was very low. And we hardly had anything. Like last year, I would say we were at Rs. 17 crores. And this first quarter itself, we just put Rs. 1.5 crores. That is where we say we are re-igniting or at the restarting on the branding and advertisement expenses, on the branding exercise. That is where we see a spike here in the advertisement expenses. And majorly, it was, if I see a percentage-to-percentage basis, one second, I can give you the, I have the numbers here, and I can give you the percentage total. As a percentage basis, we haven't grown. As a percentage of sales, we haven't had much of a gap between the two quarters.

Megh Shah: So, going forward, do we expect the advertisement expense to remain the same?

Alpesh Porwal: No. As I said, compared to the previous quarter, we have started the branding in this quarter and hence we look at the future quarters also having a comprehensive advertisement policy and approach, which basically as such various brands, various products which we are introducing now; we have introduced steel production, Steel Bottles, we have new Creative coming in. So, all these things require some advertisements. And to just answer your question out here, compared to the previous quarter, this quarter, previous quarter our total expenses, other expenses were 17.23% and this quarter it is 18.44% as a percentage of sales.

Megh Shah: So, what is the total advertisement budget for FY '25?

Alpesh Porwal: As a budget, we have kept it as a top-up of Rs. 14 crores, but obviously we will see when the time comes and we will take a call then. So, right now till now we have expended only about total of Rs. 4.5 crores. That's what the number looks like today.

Moderator: Thank you. The next question comes from Danesh Mistry from Investor First Advisors. Please go ahead.

Danesh Mistry: Hello, sir, and congratulations on good growth in the Creative segment. I just had one clarification to ask, which is that the export growth that we are looking at going forward, is it coming from the Pen side or the Steel Bottle side? That's it from me. Thank you.

Mohit Rathod: Pen side.

Danesh Mistry: And the Steel Bottles, that anyways you have said that the exports will start soon, correct?

Mohit Rathod: Yes.

Moderator: Thank you. The next question comes from Rajesh Jain from EV Capital. Please go ahead.

Rajesh Jain: I just wanted to understand, the domestic OEM segment has been lagging for a couple of quarters now. Like so, like what are the strategic actions the Company will take to protect the downside risk from the OEM partners?

Mohit Rathod: So, as I mentioned that, domestic OEM is being compensated by the growth of our own brands in domestic markets. And the downside from here, we do not see any major downside coming in the next couple of quarters.

Rajesh Jain: And a follow-up was, what are your views, like, what are the views from the management in terms of any inorganic growth? Your close peers have made announcements towards acquisition or partnering with other players for inorganic growth?

Mohit Rathod: So, we are in discussion with a couple of projects and we will be announcing soon, maybe by next quarter or so.

Rajesh Jain: Like what is the space which the Company is looking into for inorganic growth, whenever you do announce it?

Mohit Rathod: So, we are looking in the same space, in stationary.

Rajesh Jain: So, would it be like small pens player or anything into the Creative product side or maybe any possibility to acquire your domestic OEM client outright and like maybe use your expertise to turn it around?

Mohit Rathod: Yes, so we are in talks with a couple of guys, as I mentioned that we will update you soon on that front, for sure.

Moderator: Thank you. The next question comes from Himesh Shah from Cruise Investments, please go ahead.

Himesh Shah: Just had one clarification, Disney branded products were launched in September, so how much additional revenue do you think it would contribute in Q3, above your normal growth, of course?

Mohit Rathod: So, in Disney, we are expecting at least to contribute about 10% to 15% of our Creative space.

Himesh Shah: And are there any plans of starting Steel Bottles in the export markets?

Mohit Rathod: Yes, of course.

Moderator: Thank you. In the interest of time, this was the last question. I would now like to hand the conference over to Mr. Mohit Rathod for closing comments.

Mohit Rathod: Yes, so thank you everyone for taking some time out to participate in this call. In case of any queries, reach out to our Investor Relation or Advisor, 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 Flair Writing Industries Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.