“Flair Writing Industries Limited
Q2 & H1 FY27 Earnings Conference Call”
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MODERATOR: **MR. ARYAN SABNANI – MUFG INTIME**

Moderator: Ladies and gentlemen, good day and welcome to Flair Writing Industries Limited Q2 and H1 FY27 Earnings Conference Call. 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. Aryan Sabnani MUFG Intime. Thank you, and over to you, sir.

Aryan Sabnani: Thank you. Good afternoon, everyone. Welcome to Flair Writing Industries Limited Q2 and H1 FY27 Earnings Conference call. Today on the call, we have Mr. Mohit Rathod, Whole-Time Director; Mr. Sumit Rathod, the Whole Time Director; and Mr. Alpesh Porwal, the Chief Financial Officer.

A short disclaimer before we start this call. This call will contain some forward-looking statements, which may be based upon our beliefs, 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 call to Mr. Sumit Rathod, the Whole-Time Director, for his opening remarks. Thank you, and over to you, sir.

Sumit Rathod: Thank you, Aryan. Good afternoon, everyone, and a warm welcome to Flair Writing Industries Limited Q2 and H1 FY '27 earnings conference call. Thank you for joining us today. I hope you have had an opportunity to review our financial results, investor presentation and press release, which have been made available on the stock exchanges.

To begin with, I would like to share some perspective on the broader business environment and the development that shaped our operations during the quarter. We are pleased to announce revenue from operations for Q2 FY '27 grew sequentially to 6.5% at INR340 crores, which is contributed by an export revenue growth of 13% sequentially, which stood at INR49 crores.

Domestic sales grew by 6% sequentially in Q2 FY '27, increasing to INR292 crores from INR276 crores in Q1 FY '27. On a half yearly basis, domestic sales grew by 11% to INR568 crores in H1 FY '27 from INR513 crores in H1 FY '26. Our domestic business has continued to demonstrate resilience, despite facing a combination of internal and external challenges during the quarter including temporary disruption to our manufacturing operations due to the floods in Valsad and Daman facilities.

These numbers reflect the underlying strength of our brands and distribution networks, and the continued demand for our products in the domestic market. Despite the temporary setbacks during the quarter, we have been able to sustain our growth momentum, which is encouraging. Our broader strategy remains intact, with a continued focus on building a more balanced portfolio by strengthening our core writing instruments business.

While expanding our presence across Creative products and Steel Bottles and Houseware with continuous endeavor to increase the composition of the business between pen and non-pen

categories, targeting to 60% and 40%, respectively. We have taken necessary steps in expanding our manufacturing facilities for Creative in Surat and upcoming Valsad facility.

We also expect to commence commercial operation of new fourth line for Steel bottles in Q4 FY '27. On the corporate governance front, as approved at our recent AGM, we have appointed PricewaterhouseCoopers as our statutory auditor for Flair Writing Industries Limited. This is an important step in our continued efforts towards enhancing governance standards, transparency and institutional processes as we grow the business.

We are pleased to inform you that the Board of Directors have approved an interim dividend of 10%, amounting to INR0.50 per share as part of distribution strategy for our shareholders. Overall, we remain confident in our long-term prospect of Flair. We continue to navigate near-term challenges.

Our focus remains strengthening our businesses, expanding our portfolio and delivering sustainable growth. As a part of our business expansion and growth, we are looking for potential acquisition in the Creative segment. I would like to thank all our shareholders and stakeholders for their continued trust and for being part of Flair's growth journey.

Now, I hand it over to our CFO, Mr. Alpesh Porwal, to take you through the update on broader business and company financials.

Alpesh Porwal: Thank you, Sumit. Let me take you all through the business and financial performance of the company for Q2 and H1 FY '27. The first half of FY '27 has been characterized by a challenging and evolving operating environment, with a combination of domestic and international factors influencing business activities.

Our gross profit and EBITDA margins have been impacted by elevated raw material costs, primarily arising from the ongoing geopolitical situation in West Asia, along with the resulting supply side disruptions and price volatility. Despite these pressures, we have remained focused on protecting our margins through a combination of cost rationalization, operational efficiencies.

Targeted promotional schemes and selective price increases across our product portfolio. These initiatives have helped us partially mitigate the impact of input cost inflation. While the long-term fundamentals of the Indian consumer products and stationery industry remain encouraging, the second quarter witnessed certain exceptional developments that temporarily affected the normal course of our operations.

One of the key challenges during the quarter was the exceptionally heavy rainfall and flooding in parts of Western India, particularly Gujarat, which impacted our manufacturing facilities at Valsad and Daman. The intensity of the rainfall resulted in temporary disruptions to manufacturing activities, employee movements and the broader supply chain.

Our Valsad and Daman facilities remained non-operational for an average of approximately 15 days and 7 days, respectively, during the quarter. The situation was further compounded by temporary workforce shortages as some employees took additional time to resume work following the floods, resulting in delays in restoring normal production levels.

The combined impact of these disruptions is estimated to have resulted in a revenue loss of approximately INR25 crores during the quarter. In the absence of these exceptional disruptions, our quarterly revenue growth could have been approximately 7% to 8% higher than the reported level.

These were clearly exceptional circumstances, largely beyond our control, which had a temporary bearing on our operating performance. However, our team responded with considerable agility and focus to restore operations and minimize the overall impact. I'm pleased to share that manufacturing activities at both facilities have now returned to normalcy.

Our immediate priority is to improve production efficiencies, strengthen supply continuity and recover the business momentum through the coming quarters. We are confident that the normalization of operations will support a stronger performance in Q3 and the second half of FY '27.

Alongside these domestic challenges, continuing geopolitical uncertainties, particularly in West Asia, have also influenced the broader business environment. These developments have impacted international trade flows, logistics arrangements, freight costs and certain supply chains.

Given our presence across multiple international markets, including the Middle East, these developments have created additional complexities in managing export operations and servicing customers across geographies. While these uncertainties may continue to pose near-term challenges, we remain committed to diversifying our geographical presence and broadening our international market reach.

We are witnessing encouraging traction across several other export markets, particularly South America, Africa and other Asian countries. Our efforts are directed towards expanding our customer base in these geographies, reducing geographical concentration and building a more balanced and diversified export business over the medium to long term.

Despite the near-term challenges, we remain confident about the underlying strength and fundamentals of our business. Our established brand portfolio, diversified product offerings, manufacturing capabilities and extensive distribution network provide us with a strong foundation for sustainable growth.

Our focus remains on navigating the current environment effectively, while continuing to strengthen our competitive positioning and create long-term value for all stakeholders. Coming to our business developments, Flair continues to operate across 3 key segments: Writing instruments, Creative products and Steel bottles and Houseware.

Our core writing instrument business remains the foundation of our operations, while our newer categories are progressively expanding our addressable markets and broadening our overall consumer products portfolio. The Indian stationery and arts material industry continues to offer meaningful long-term opportunities supported by increasing consumer preference for branded products.

Continuous product innovation and the gradual expansion of organized distribution. Within this evolving landscape, we remain focused on strengthening our market position through product development, distribution expansion and deeper penetration across consumer segments.

While the broader Indian and global writing instrument markets are expected to grow at relatively modest low single-digit rates, our Writing Instrument business continues to outperform the industry, driven by the strength of our established brands, diversified product portfolio and extensive distribution network.

The segment has maintained a consistent growth trajectory, delivering 7% growth during H1 FY '27. This performance reinforces the resilience of our core business and our ability to gain market share and grow ahead of the underlying industry. Our broader strategy remains centered on building a more diversified consumer products company with Creative products and Steel bottles and Houseware emerging as important growth drivers.

Alongside our established Writing Instruments business. Our Creative Products segment delivered an encouraging 24% year-on-year growth during H1 FY '27. Reflecting sustained consumer traction and continued expansion of our product portfolio. We remain focused on accelerating this momentum through regular new SKU launches, innovative product introductions and a wider range of offerings aligned with evolving consumer preferences.

We believe that product innovation, portfolio expansion and deeper market penetration will continue to be the key drivers of growth in this segment. In our Steel bottles and Houseware business, we are progressing well with our planned capacity expansion. The fourth stainless Steel bottle manufacturing line is expected to be ready for commercial production by Q4 FY '27.

The additional capacity will further strengthen our manufacturing capabilities, provide greater flexibility for product and portfolio expansion and position us to capitalize on the growing opportunities in this category. Collectively, these initiatives reflect our continued commitment to building a diversified consumer products business, with multiple growth engines contributing to our long-term aspirations.

Having discussed the broader operating environment and developments across our businesses, I would now like to take you through our financial performance for the quarter and the first half of FY '27. As highlighted earlier, our reported performance during the quarter reflects the impact of the exceptional weather-related disruptions at our manufacturing facilities, along with the prevailing geopolitical environment and associated operating challenges.

Notwithstanding these factors, we continue to register growth in our top line. Revenue from operations for Q2 FY '27 stood at INR340.1 crores, representing a sequential growth of 6.5%. For H1 FY '27, revenue from operations grew by 8.2% year-on-year to INR659.4 crores. On the profitability front, EBITDA for the quarter stood at INR50.6 crores with an EBITDA margin of 14.9%.

Importantly, we witnessed a sequential improvement in our profitability, with profit after tax increasing by 9.1% quarter-on-quarter to INR31.7 crores and margin improvement by 20 bps to

9.3%. This improvement reflects our continued focus on operational efficiencies, cost management and disciplined execution even in a challenging cost environment.

On the working capital front, our net working capital days increased marginally from 139 days in FY '26 to 145 days in H1 FY '27. This was primarily driven by an increase in inventory and debtor days. Inventory days increased from 94 to 104 days, mainly due to advanced stocking undertaken during the initial part of the quarter to take advantage of lower raw material prices.

At the same time, debtor days increased from 78 to 84 days, primarily due to slower collections in the export market. These two factors contributed to the increase in the overall working capital days during the period. Our focus remains on ensuring supply continuity while maintaining disciplined inventory and working capital management.

Looking ahead, we remain positive about the long-term growth prospects of our business and the opportunities across our established and emerging product categories. While the first half of FY '27 has presented certain exceptional challenges, we believe the underlying growth drivers of our business remain firmly in place.

With manufacturing operations now normalized, continued investment in capacity and expanding product portfolio and encouraging traction across our newer categories and export markets, we are well positioned to build stronger momentum in the coming quarters. Historically, the second half of the financial year has been stronger for our business, and we expect this seasonal trend together with the normalization of operations to support our performance in H2 FY '27.

Despite the disruptions experienced during the first half, we remain confident of delivering annual revenue growth of 12% or higher in FY '27. Beyond FY '27, our medium-term growth aspirations remain intact, and we would like to reiterate our guidance of approximately 15% year-on-year revenue growth.

We remain focused on delivering this growth through a combination of market share gains in our core writing instrument business, accelerated expansion of Creative products and Steel Bottles and Houseware, wider geographical penetration and continued investments in manufacturing and distribution capabilities.

While the external environment may remain dynamic, our priorities are clear: strengthen our core businesses, scale our emerging categories, improve operating efficiencies and maintain financial discipline. We believe the strength of our brands, our diversified business model and our execution capabilities provide us with a solid foundation to deliver sustainable growth and create long-term shareholder value.

With this, I would like to conclude my opening remarks and hand over the call to the moderator to open the floor for questions.

Moderator: Thank you very much, sir. We will now begin the question and answer session The first question is from the line of Jinesh Joshi from PL Capital.

Jinesh Joshi: Am I audible?

Moderator: Yes.

Jinesh Joshi: My first question is with respect to our EBITDA margins, which declined from 16.7% to about 14.9%, which prima facie indicates that in Q1, we had the benefit of low-cost inventory and hence to that a extent, we were shielded by the RM inflation. To a certain extent, we have seen that hit us in Q2?

But in your opening commentary, you also mentioned that we have done some kind of advance stocking of inventory, which essentially led to some kind of increase in inventory days. So just wanted to understand how to think about margins from here on, given the fact that the RM volatility continues to remain high?

Alpesh Porwal: Thank you, Jinesh. Like you said, we did stock up. We took the advantage of lower prices at times, and we continue to do so even now. So whenever we get an opportunity to procure at a lower, we do that. And if I were to talk about the inventory days, it will obviously go up because of the higher cost.

But then returning to your question about the margins and the expectation of margins in the coming days. Our endeavor is to kind of maintain the margin, so we continue to kind of maintain the margins with all the cost efficiencies and the discipline which we are following in the financial operations in our organization. So if the volatility of the price increases, we will continue to monitor it, and we'll take it that way.

Jinesh Joshi: Can you quantify out of the INR393 crores of inventory that we have on our balance sheet, how much of it is the low-cost one, and also if you can quantify out of this figure, how much of it is the amount pertaining to raw material inventory?

Alpesh Porwal: So , it's always a mix. So I'll tell you when we say raw material mix, we don't have a standard kind of structure where we say this is the percentage of raw material finished goods as the production grows, and as we kind of continue to grow, the entire stage changes, right, from raw material to semi-finished to finish. So to give you a percentage today of what is the percentage today, it will be a different percentage tomorrow.

Jinesh Joshi: Okay. But Nevertheless, okay. Let me switch to the other aspects. One is what is the progress on the new inventory measurement system that we were about to introduce. I think this is what we had highlighted in our last call to bring down the inventory days. And secondly, you also mentioned in your opening comments with respect to selective price increases that we have taken, if you can maybe just quantify what that number was?

Sumit Rathod: So regarding the inventory day control, so we have switched to a new ERP, but I think it's too early for the impact like we had discussed during the last call also. The impact is too early. It needs at least two or three quarters for the real impact to come in the business cycle. But we are strongly going forward toward it, and trying to control the inventory.

But looking at the volatility of the raw material prices and the availability based on the demand, we have been stocking up little raw material at our end. And I think we continue to monitor these levels of raw material and its impact on our product. And overall, if you see, working capital has increased by 6 days. But to control that, I think by another 15 to 20 days control that we aim to control, it will take at least 5 to 6 quarters to bring that into perspective.

Jinesh Joshi: And the quantum of price increase, is it possible to kind of give out that number?

Sumit Rathod: So see, the price increase in terms of in the market on our products, it's a combination of multiple things. We sometimes try to increase the price in the sense of reducing the discounts and the schemes on the product. And sometimes we also do value engineering at the factory level to decrease the prices, but the way the conditions of the market is today, at least for the new launches, we are able to or we have targeted to launch them at the new price input that is coming from the market. And that's how we will overall balance the pricing in the market.

Jinesh Joshi: Sure. Two small clarifications required. One is with respect to growth in Pens business, while we highlight that the overall revenue loss because of the disruption was about INR25 crores, we see Steel Bottles and Creative getting impacted in terms of growth, while in the case of Pens, the growth is relatively intact?

So any reason why Pens is not impacted. That is one. And secondly, just wanted to confirm, I think if I heard you right, you mentioned that for FY '27, our revenue growth guidance, which earlier I think was 15% is now 12%. So if you can just confirm whether I heard that right or not?

Sumit Rathod: So I will break your question down. So first, I would like to mention regarding Pens. So Pens, as you see, there is no major impact because of the monsoon effect. We have grown in Q2 by 5%. And overall, if you see H1 numbers, it has grown by 7% in H1 FY '27. There is also because there are other facilities of pen, for example, the facility in Uttarakhand.

And also the facility in the outskirts of Bombay and also a little bit of Daman, which helped us in maintaining the demand of the Pen category in the market during that monsoon period. So we were able to deliver as much as possible. Of course, it was a little affected, but it's not as compared to the Steel Bottles and Creative.

The Steel Bottles and Creative overall was impacted more because, as you know, Steel Bottles is manufacture in Valsad as a facility and Valsad facility was almost 15 days unproductive due to the floods that happened over there. So overall, if you see even in Steel Bottles, as you are mentioning, there wasif you see the Q1 numbers, we had grown by almost 54%. It was majorly because of this flood that we were not able to supply the demand of the market.

But going forward, the Steel Bottles category looks to be very positive. And in fact, now that the operations are back on track and we have also had a decent customer additions. The demand of Creative and household category continues to be strong. And with the new facility for Creative in Valsad and the new Q4 FY '27, the new fourth line for the Steel Bottles, which we plan to start with commercial production, which also help us for achieving the target of overall guidance that we have as a target.

Jinesh Joshi: And that revenue growth guidance figure, sir, if you can just clarify that part?

Sumit Rathod: So based on the current market situation and the geopolitical situation, I think we have -- even in the last call, we have corrected ourselves towards 12% growth guidance, and we strongly remain to that number for FY '27. And going forward, we are targeting with the current -- with the projects in the pipeline, the manufacturing facility that we have, we are targeting almost a 15% growth from FY '28 onwards.

Moderator: Next question is from the line of Resham Mehta from Green Edge Wealth.

Resham Mehta: Yes. I have a couple of questions. So one is, I think in your opening remarks, I did hear that we are looking at inorganic opportunity in the Creative side. So I think we are growing very handsomely on the Creative side organically. So what's the thought process or the rationale behind thinking about inorganic growth in this category?

Sumit Rathod: So for the inorganic growth for Creative as a segment, as you know, Creative as a segment is a very massive segment. And of course, you are right that we have a lot of products that we have brought in-house for manufacturing. But there are still a lot of to have that quick growth expansion in the market for this year and also for the coming years, we are looking for a great opportunity who has a good manufacturing base, which will help us expand drastically in this category for the coming years. So I think that's a clear call for looking for good opportunities in the market.

Resham Mehta: Got it. The other is on the export side of the business. So for obvious reasons, it's been muted. But do we have any plans, one, to kind of mitigate the loss of sales from this disruption? On the export side? And on the second side, can we have some compensatory sale by increasing our domestic revenues or how do we basically think of making up for the loss of export revenue?

Sumit Rathod: See one good positive note about export market is that we have seen a 13% growth quarter-on-quarter, if you see the current numbers. And being one of the leading exporters from India, I think it remains an important part of our long-term growth strategy. While overseas demand is a little subdued, you're right.

But I think we are exploring newer opportunities in new geographies and also trying to penetrate the existing market by giving more categories from our portfolio. So I think as the geopolitical situation gets a little more settled, I think we will be back on track for the export presence overall in the market.

Resham Mehta: Just a follow-up here. When you say exploring more categories for exports, so have we received any approvals for exports in, say, the Creative side or the bottle side of the business, maybe on the B2B export side? Or even if you could talk about the B2C exports for these two categories?

Sumit Rathod: See, as you know, we are trying around since a couple of years now, we are trying to push our brand sales more in the export market. And when you talk about approvals, I think we have very strong relations with our distributors in a lot of these countries, where even for them, Creative is a natural diversification product for that particular market.

And I think through those strong channels, we are trying to penetrate even that category. And also, we are trying to push more of those Pen products, which are more concept or innovative products in those particular areas. So I think overall, Pens and Stationery is something which is what we are concentrating on majorly in our own brand for the export market as well.

Resham Mehta: So let's say, before the West Asia crisis, were we doing any exports of Creatives and bottles?

Sumit Rathod: Yes. We were doing exports, but of course, the number was very small. And I think along with time and as the market situation settles, I think we are going to see a growth in these numbers around the years.

Resham Mehta: And just one last bit on the margins. So I think to one of the previous participants, you said that we would maintain our margins. So let's say crude remains at the current level. When you say maintain your margins, meaning maintaining the Q2 margins of around 15% EBITDA, is that understanding right?

Alpesh Porwal: Right. So with the kind of discipline which we are following in bringing about operational efficiency and also diversification in our business front, we have been able to manage to kind of maintain the margins despite of the pressures from the increasing raw material prices, which is led by a lot of disruptions, which we all are experiencing. So as far as margins are concerned, yes, we would maintain these margins because it's a balanced approach, which we have taken. And if global environment improves, margins will go back to our 16%, 17% range.

Resham Mehta: So 15% is what we are looking to maintain at, assuming crude remains at current levels, right?

Alpesh Porwal: Certainly. Yes.

Resham Mehta: Right. And sorry, just one last one on the price hike side, right? So while I understand that price hikes could be in the form of discounts, reduced discounts and promotion as well, right? But see, I think the other peers, though Pens is very small for them, I think they have adopted a clear strategy of , in these inflationary times, they want to gain market share?

And hence, maybe they've not passed on the price hikes in the market as would have been desired to maintain margins. So would you say that we are also being forced somewhere down the line to kind of adopt this strategy of not passing on the inflation to the consumer just to maintain our market share because of competitive pressures? If you could just comment on this?

Sumit Rathod: See, competition will always remain where it is, global crisis or no global crisis. But I think for us as a strategy, like we said, we have a certain threshold where we try to maintain the pricing through discounts and schemes and by doing little value engineering at the manufacturing end. But overall, we try to maintain this balance of margins because we are also in the all 3 categories of mass, mid-premium and premium.

So we try to balance it also through the quantities that we sell in each of the segments. Also, I think going forward, if the raw material prices remain to be volatile and in an upward trend, we have a strategy of increasing the price of certain products in the market, and we will continue to monitor the impact of it in terms of manufacturing also at the same time.

Resham Mehta: So have we maintained our market share in the last 6 months or have we grown? If you could just comment on that, especially on the Pen side?

Sumit Rathod: See, overall, as you see, yes, we have been one of the leading in the Pen instrument category. And even currently today, we stand at almost 18%-plus as a market share. And we will continue to monitor this and try to gain more market share and make sure that we are not losing any market share to competition.

Moderator: Next question is from the line of Sneha from Nuvama.

Sneha: Just a couple of questions from my end. One is on your revised guidance. Now while we already brought down the guidance from 15% to 12%-odd. What I wanted to understand is it still entails you second half growth of about 15%-odd. So what is the expectation? Because first quarter, we grew by about 11%-odd, second quarter growth was 6%. So what are we banking on for the second half you grew by 15%-odd?

Sumit Rathod: See, I think, as you know, second half has always been strong. And last year also, if you see in H2, we have grown by 17% --18% I think as in Q2, I think- as the manufacturing facility has resumed back, we will continue to focus on the Creative and the Steel Bottles segment to penetrate in the market as the demand is still very strong.

And with the new facility coming up, especially for the Steel Bottles in Q4 of this year, I think our push in the market for that particular category will be even more stronger. And I think that's what will help us sustain the 12% growth guidance that we are strongly focusing upon.

Sneha: Any color on October month that you would want to give, which also substantiates the growth is in line for second half?

Sumit Rathod: So we would not be able to give you the October number. But let's say that things are very positive in the market and demand is still high. And with the manufacturing base coming back to normalcy, we have been able to fulfill the demand of the market.

Sneha: Sure. Just wanted to understand the second part was on the OEM front. What would have been the sales overall for the OEM this particular quarter and the split between domestic and exports is something moving there?

Sumit Rathod: So, Sneha, OEM number, we will get back to you. But as you know, our focus is still very strong on our own brand, and we continue to do so. But yes, on the export front, there is an OEM contribution. I think we can provide you with the numbers.

Sneha: Understood. And lastly, just because now your growth is likely to accelerate from first half being a 11% and 6%-odd to about 15%-odd, while still talking about margins being maintained on a level of 15%. The reason I'm asking this is your operating leverage will start kicking in because of much stronger growth? Or is it because the raw material cost has been, in fact, even more substantially higher than what we passed on in the market? Just some more clarity will be helpful there?

Alpesh Porwal: So when we say that we will maintain the margin in spite of a higher growth in the second half, when we to calculate that or estimate increasing raw material, it's a volatile market out here and it's always prudent to kind of factor in more volatility and say that, okay, this is the margin which we want to maintain. We are sure about the margins also. It can move northwards, if the prices give us a benefit incost of production.

Moderator: Next question is from the line of Moksh Morbia from Prospero Tree.

Moksh Morbia: Sir, my question may be repeated. Just now the previous participant may ask about the future acquisition in the field of the Creative segment. So can you share some light on the size, timing or benefits of such acquisition? Or have you identified any particular acquisition opportunity? Or it's only we are open for the acquisition? What is the thought on acquisition, sir? Please share your views?

Sumit Rathod: So the thought is open for acquisition. We are looking for greater opportunities and a good partner in this particular Creative segment. And I think it's too early for us to announce anything. I think as the time is right and we are a little more closer to reality, I think we will be able to give you a little more depth of which category and how we are doing. So I think we just have to wait.

Moksh Morbia: Can you share at least the size, what size we are supposed to acquire the amount-wise or revenue-wise, is there anything?

Sumit Rathod: No, I think we are open to opportunities. I think size is secondary. For us is a great partner with a good manufacturing base with, who has an experience in quality manufacturing, and which will add for value-added products to our portfolio is something what we are aiming at.

Moksh Morbia: So because we are acquiring something, are we lacking some products or we want to expand. That's why we are acquiring? And what is the logic for the acquisition, sir?

Sumit Rathod: I think it can be a combination of both. As you know, there are a lot of categories in Creative and stationery as a segment. So I think it can be as a good opportunity comes, it can be also a category expansion or it can be a new category as well.

Moksh Morbia: Okay. And sir, my another question is, again, somebody has asked because on quarter-on-quarter basis, our GP margin is down by 1%, but our operating margin down by 2% in spite of the higher revenue compared to the quarter one. And generally, whenever there is an increase in the revenue, it generates the operating leverage and improves the operating margin. But in our case, the operating margin is down by 2% and GP is down by only 1% so why? And will it be reversed in the future quarters?

Alpesh Porwal: Yes. So this is a temporary feature which we see out here when it comes to operating margin. GP margin is explainable and which you all understand that, it's an increased raw material prices. Operating margins happened because we also saw some disruption out here where the cost was accumulated, we could not kind of allocate or spread it across the entire production, which we did in this quarter. So that is where we see a little kind of a lower operating margin, but yes, for certainly, in the coming quarters, you will see it going back to the previous numbers.

Moksh Morbia: Okay. Is there anything onetime expenses included in the other expense or anything because of the weather disruption?

Alpesh Porwal: No, no. There is nothing different out here. It's just that the costing so had we not lost INR25 crores due to the monsoon and the flooding, our growth would have been the same numbers. So the operating margin would have spread.

Moksh Morbia: And sir, about the Steel Bottle segment, quarter 2 or all quarter 1 revenue from the Steel Bottle segment is lower than the quarter 4. And generally, before the Diwali, the Steel Bottle may be given as a gift also. So have we lost something for the Diwali opportunity or we will recoup the whatever we lost during the quarter 2?

Sumit Rathod: See, as you know, if you see the Q1 numbers, Steel Bottle and Houseware household category has grown strongly by 54%. But Q2, as you know, the segment was highly impacted due to the disruption of the operations in the Valsad facility, which is almost around 15 days of no operation.

This was because of power outage issues in manpower movement and time taken to resume the operations back on track. But I think now as the operations are back on track, I think we remain optimistic and recovery of customer base and the demand is already there in the market. So I think we will come out strong in the quarters to come. And as you know, as mentioned earlier, the newer expected production line, which will be operational in Q4 should also help us achieve the overall Steel Bottles and Houseware growth guidance.

Moderator: Next question is from the line of Pratik Kothari from Unique PMS.

Pratik Kothari: Sorry, again on inorganic, you touched upon that we're looking for a great partner. So this would be not a complete buyout a JV of sorts. And just manufacturing base, I mean, so brand is something that we don't intend to. I mean we'll continue with Flair and this is only some manufacturing expertise?

Sumit Rathod: See, like I said, we are very open to a partnership. We are definitely looking at a more stronger manufacturing base. As you know, the presence of our brand in India is highly accepted by the larger audience. So if we would like to continue to make our brand stronger in these particular categories. But I think as I said earlier, I think it's too early to mention or brought down anything more precise.

I think as the time comes, we will be able to give you more detailed information. We would just like to say the opportunity that we had explored in Surat from our Flomaxe as a subsidiary. I think looking for a strong manufacturing partner in the categories where the expertise lies with the new partner is where we are looking at as an opportunity.

Pratik Kothari: Right. So the brand stays ours, I mean, does not?

Sumit Rathod: Yes.

Pratik Kothari: Correct. Second. Okay. Now second question, while I mean - I take your point on the inventory, but even receivables seem to have gone much higher or so this is our intent of bringing this down. So I mean, obviously, one is inventory, maybe that will kind of solve for it over a period of time once the volatility abates, but on the receivables, I mean, still not seeing at least in numbers, the intention that we have. So if you can just highlight what is happening there?

Alpesh Porwal: So on receivables, what happened is this quarter because of the entire kind of whatever disruption is happening across the international markets, the global markets, we saw the receivables number of days increasing in case of our export receivables. That has contributed largely to the receivables moving upwards.

And in the coming time, I mean, we are factoring all these things we are working on kind of the entire status. So overall target for bringing down the working capital is by 20 days over the next 5-, 6 quarters. So we see the export demand is also higher, and that also contributes to the higher receivables as of now. So domestic market, we are not seeing, the numbers going up. We are controlling those things. Yes.

Pratik Kothari: Correct, correct. And lastly, I mean, Creatives like I mean, our intention at the start of the year was to grow much, much faster. So this is just controlling of margins and being disciplined about that, which is bringing our growth down? Or is there something else that's playing out?

Sumit Rathod: I think it's a combination of both because as you see the raw material prices has also increased a lot. Also, we have seen little disruption in our manufacturing facility. which contributed to a little lesser growth because we were not able to provide the goods to the demand that the market had expected us to fulfil.

But I think going forward, as the manufacturing facility is also back on track and even the raw material prices could be the new raw material prices based on that, how we are managing and controlling the market prices along with time with new launches and also correcting the prices with the schemes and discounts, I think in the coming two quarters, you'll see a much better number.

Pratik Kothari: And how has been the acceptance in market? Because like Resha also mentioned, the peers have not taken as much price hike as we have. So how is the acceptance on the ground?

Sumit Rathod: So I think it happens with certain categories and certain products in each of those categories. It's not an overall price list upgrade. So based on the market demand and each of the product category, we balance how we increase the price in the market so that our growth is not affected and we don't lose market share. So we will continue to monitor and push the prices accordingly. And we balance the overall scenario.

Pratik Kothari: Correct.

Moderator: Next question is from the line of Shraddha Kapadia from SMIFS Limited.

Shraddha Kapadia: Yes. I just wanted very book keeping question. I needed the numbers in terms of volumes and realization for the Pens?

Alpesh Porwal: Can you repeat the question, please.

Shraddha Kapadia: Yes. So I needed the volumes and the realization for the Pens. So there is a 4.5% growth, right? So how much is from your volume and how much is from the ASP growth?

Alpesh Porwal: Only for Pens as you asked, right?

Shraddha Kapadia: Yes.

Alpesh Porwal: So in Pens, our volumes and value, both have contributed almost equally. And volume is a little on a higher side, I would say. So when you talk about premiumization to connect the dots, the premiumization is where we are also having competition from a lot of new entrants who are entering to the lower price Pens.

Shraddha Kapadia: So if you could quantify maybe the ASP number, would that be possible?

Alpesh Porwal: We'll get back to you on the numbers, ASP numbers, please.

Shraddha Kapadia: Okay. Sure. No problem. And if you have the capacity utilization for each of the categories Creative and the Steel Bottles?

Sumit Rathod: So Steel Bottle and Creative overall as a category, we are almost at around 75%. And as you know, in the history, 70%, 75% as we are reaching, we try to set up a base for new manufacturing facility. I think with the fourth line that we are expecting in Q4, I think that will help us increase the and fulfil the Steel Bottles demand for the market. And for Creative as well, we are planning a new facility in Valsad, which will help us with the future growth that we are expecting.

Shraddha Kapadia: Sure. And sir, about Pens?

Sumit Rathod: Pens as you know, the Creative segment is more or less the facility that in Valsad will be more or less fungible. So I think that facility will help us in the Creative as well as Pens as a category.

Moderator: Thank you. Next question is from the line of Sohani Singh from ROS Capital.

Sohani Singh: I just need to ask what would our portfolio balance look like at the end of the year after the slow start, sir?

Sumit Rathod: So currently, we are almost at.

Sumit Rathod: 30 and 70.

Alpesh Porwal: 30-70] by the end of the year as the new categories, which is the Creative and Household and Steel Bottle contribute more, we'll see the increase in the revenue. It will end the year up to 68-32. 68 will be Pens and 32 will be other.

Sohani Singh: Okay. And how are we planning to recoup the loss incurred in the current quarter?

Alpesh Porwal: How are we planning to? Sorry.

Sohani Singh: Recover the loss incurred in the current quarter.

Alpesh Porwal: That's what we're going to grow at a higher rate, and that's how the loss in terms of revenue is going to be covered. So we will close the year by 12% plus.

Sumit Rathod: There is no loss.

Alpesh Porwal: Yes. There's a loss in the sense the opportunity lost, but there's no as per loss in any sense.

Sohani Singh: Understood, sir. Sir, the employee turnover ratio as per the annual report, so there seems to be a 40% churn. So why is the attrition quite big?

Alpesh Porwal: It's an anomaly out there, In terms of printing. So we'll come back to you because we also noticed that there's an anomaly in printing somewhere which has gone wrong. But the numbers are quite lower than what you see out there on the paper.

Sohani Singh: Okay. Understood. Thank you.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for the day. I now hand the conference over to the management for the closing comments.

Sumit Rathod: Thank you, everyone for taking time out for this conference call today. If you have any more queries, please feel free to contact our IR team, MUFG Intime India Private Limited. Wishing you all a very happy Diwali, and have a good day. Thank you.

Moderator: Thank you very much, sir. On behalf of Flair Writing Industries Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.