Market Intelligence
& Analytics

CRISIL
An S&P Global Company

An assessment of writing and creative instruments industry and steel bottle industry in India

June 2023

Addendum Oct 2023

Table of contents

1 Macroeconomic assessment

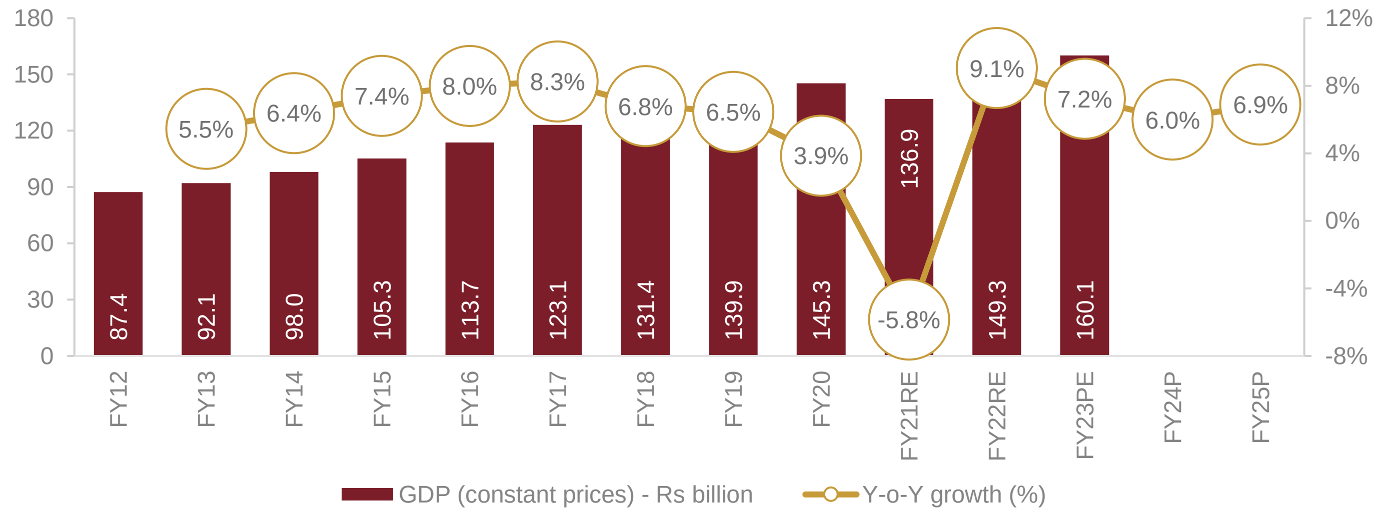
1.1 India's macroeconomic assessment

India's GDP logged a 5.7% CAGR over fiscals 2012 to 2023

In 2015, the Ministry of Statistics and Programme Implementation (MoSPI) changed the base year for calculating India's gross domestic product (GDP) from fiscal 2005 to fiscal 2012. Based on this, the country's GDP clocked a CAGR of 5.7% between fiscal 2012 and fiscal 2023.

As per the National Statistics Office's provisional estimates released in May, India's GDP has grown 7.2% in fiscal 2023 which comes on top of 9.1% expansion in fiscal 2022, suggesting strong growth momentum, propelled by domestic demand through the year, both from investment and private consumption. Investment's share rose to an 11-year high of 34% of GDP, while that of private consumption rose to an 18-year high of 58.5% in fiscal 2023.

Real GDP growth in India (new series) – constant prices



Note:

PE: Provisional estimates; RE: Revised estimates; P: Projected

The above-mentioned values are reported by Government under various stage of estimates.

Only actual and estimates of GDP are provided in the bar graph above

Source: Provisional estimates of national income 2022-23 and quarterly estimates of gross domestic product for the fourth quarter (Q4) of 2022-23, Central Statistics Office (CSO), MoSPI, CRISIL MI&A

CRISIL forecasts India's GDP to grow by 6.0% in fiscal 2024

While growth was robust in fiscal 2023, a slowdown is inevitable this fiscal, driven by rising borrowing costs. While central banks aggressively raised policy rates over the past 15 months, their transmission to broader lending rates is taking place with a lag. Rates are expected to peak in the fiscal, hitting both global and domestic demand. External demand will weaken more, with major advanced economies facing the highest interest rates in over a decade. S&P Global expects US GDP growth to slow to 0.7% in 2023 from 2.1% in 2022; Eurozone will brake to 0.3% from 3.5%. These economies account for 33% of India's goods exports. Hence, exports will rein in India's growth this fiscal.

While the rise in domestic interest rates is relatively lower than in advanced economies, bank lending rates have reached the pre-pandemic five-year average. This is expected to moderate domestic demand, especially in interest-sensitive segments, such as automobiles and housing. However, falling commodity prices and slowing inflation augur well for domestic demand this fiscal.

The key swing factor is monsoon, which has a significant bearing on rural demand. While the India Metrological Department (IMD) has forecast a normal monsoon, regional and temporal distribution will have a bearing on agricultural output. Downside risks from an expected El Niño remain.

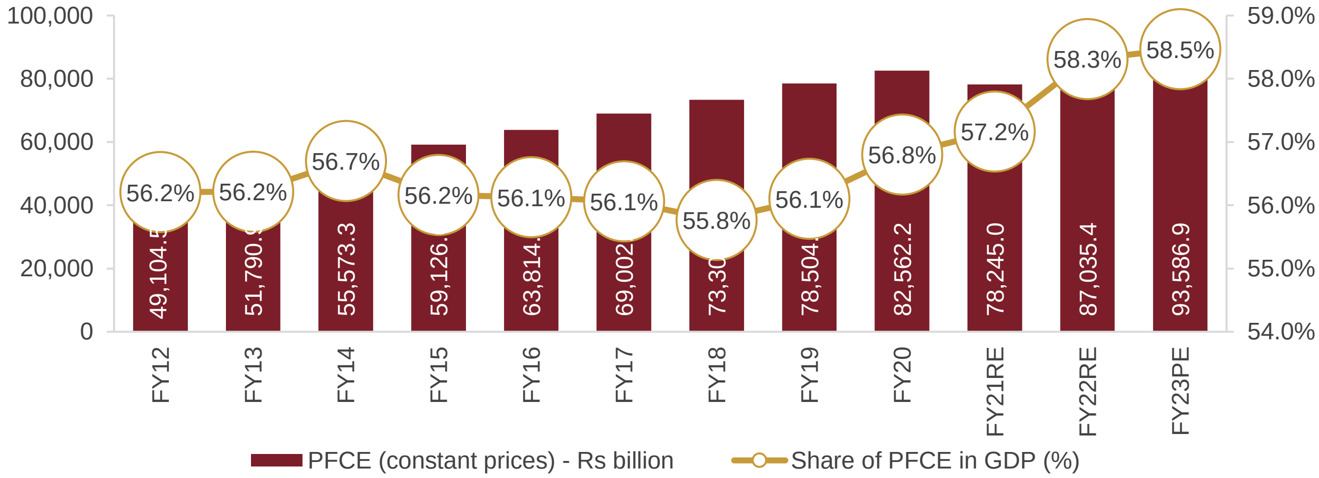
Overall, India's real GDP is expected to grow 6% in fiscal 2024, compared with 7.2% in fiscal 2023. However, it is projected to improve to 6.9% in fiscal 2025.

1.2 Review of private final consumption expenditure (PFCE)

PFCE to maintain dominant share in India's GDP

PFCE at constant prices clocked 6.0% CAGR between fiscals 2012 and 2023, driven by good monsoons, wage revisions as per Pay Commission's recommendations, benign interest rates and low inflation.

PFCE (at constant prices)



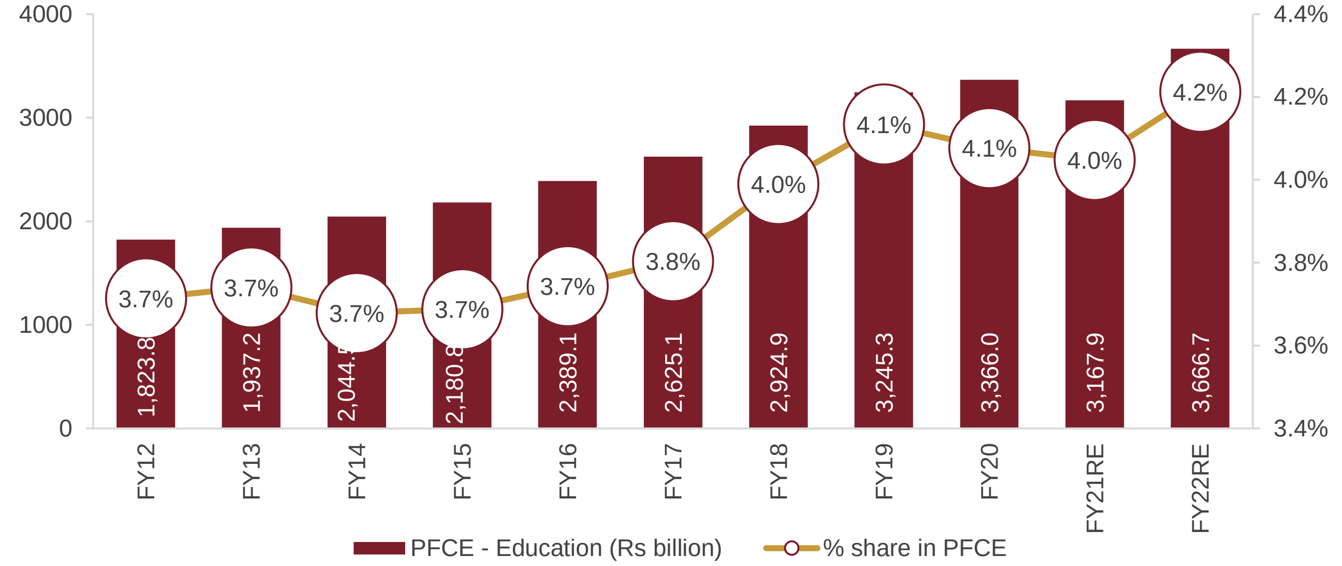
Note: PE: Provisional estimates; RE: Revised estimates; AE: Advance estimates

Source: MoSPI, CRISIL MI&A

Share of education in overall PFCE has been increasing over years

At constant prices, the share of education segment in PFCE has growth from 3.7% in fiscal 2012 to 4.2% in fiscal 2022. During the same period, in value terms, private final consumption in the education segment has grown at a CAGR of 7.2% to ~Rs. 3,667 billion by fiscal 2022.

PFCE – education (constant prices)



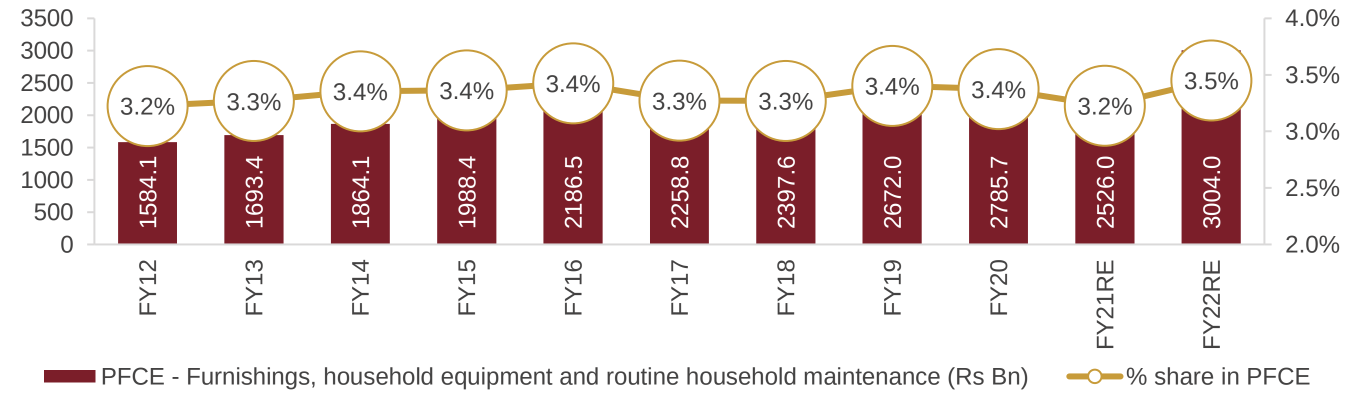
Note: PE: Provisional estimates; RE: Revised estimates; AE: Advance estimates

Source: MoSPI, CRISIL MI&A

Private final consumption in furnishings, household equipment and routine household maintenance segment grew at 6.6% CAGR between fiscal 2012 and 2022

At constant prices, the share of furnishings, household equipment and routine household maintenance segment in PFCE between fiscals 2012 and 2022 has been rangebound between 3.2% and 3.5%. During the same period, in value terms, private final consumption in the segment has grown at a CAGR of 6.6% reaching ~Rs. 3,004 billion by fiscal 2022. The segments PFCE has seen a growth inline with overall PFCE which has grown at 6.0% during the same period.

PFCE – furnishings, household equipment and routine household maintenance (constant prices)



Note: PE: Provisional estimates; RE: Revised estimates; AE: Advance estimates

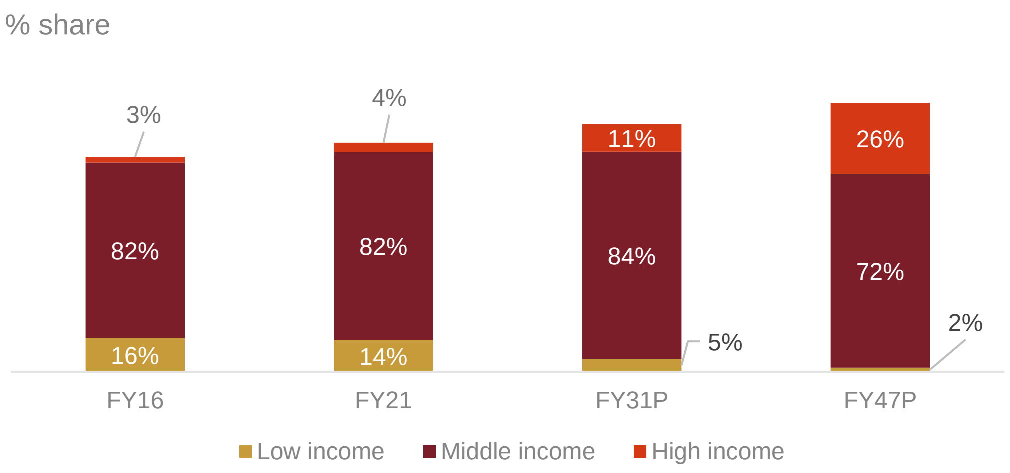
Source: MoSPI, CRISIL MI&A

1.3 Fundamental growth drivers for consumption in India

Decline in poverty levels indicates rise in middle- and high-income population in India

According to the People Research on India's Consumer Economy (PRICE) survey of ICE 360^0, in percentage terms the number of poor (defined as those living at or below Rs 1,25,000) in India declined to ~14% from ~16% over the fiscal 2016 to fiscal 2021. The decline in poor population indicates that growth in middle- and high-income groups in India, which seen an increase in share from ~85% in fiscal 2016 to ~86% in fiscal 2021, and are expected to reach ~95% by fiscal 2031. The middle-income group formed ~82% of total population in fiscal 2021. A positive economic outlook and growth across key employment-generating sectors (such as real estate, infrastructure and automotive) are expected to have a cascading effect on the overall per capita income of the population in the medium-to-long term. This, in turn, is expected to drive consumption expenditure and discretionary spending.

Broad split of population into income groups

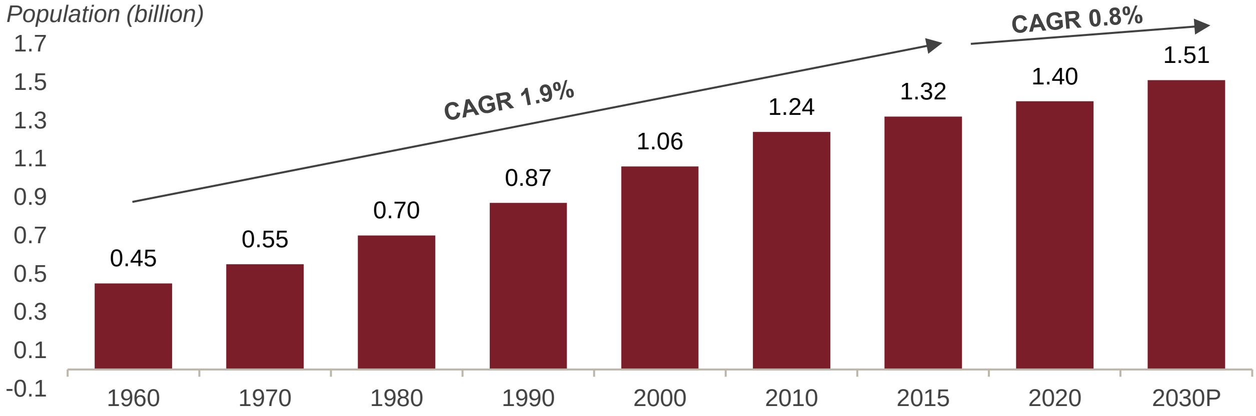


Notes:
E: Estimated; P: Projected
Low-income group: Defined as set of people earning less than Rs 125 thousand per annum
Middle-income group: Defined as set of people earning between Rs 125 thousand to Rs 3 million
High-income group: Defined as set of people earning more than Rs 3 million
Source: People Research on India's Consumer Economy (PRICE) survey of ICE 360^0, CRISIL MI&A

India's population is projected to grow at a 0.8% CAGR between 2020 and 2030

According to the United Nation's (UN) World Urbanization Prospects, 2022 revision, India and China - two of the most populous countries - accounted for nearly 36% of the world's population in 2021. As per United Nations Population Fund's (UNFPA), "State of World Population Report" of 2023, India's population by mid-year of 2023 is estimated to surpass China by around ~2.9 million.

India's population growth



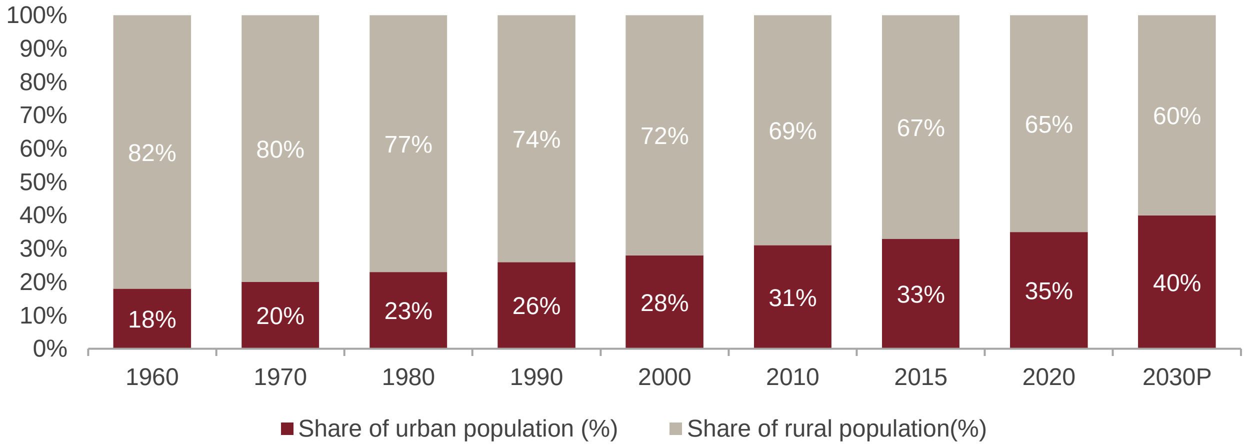
Note: P: Projected

Source: UN Department of Economic and Social Affairs, World Population Prospects 2022, CRISIL MI&A

Urbanisation likely to reach 40% by 2030

India's urban population has been rising over years and is expected to continue with the rise in economic growth. From ~31% of the total population in 2010, it is projected to rise to nearly 40% by 2030, according to a UN report on urbanisation.

India's urban vs rural population



P: projected

Source: World Urbanization Prospects: The 2018 Revision, UN, CRISIL MI&A

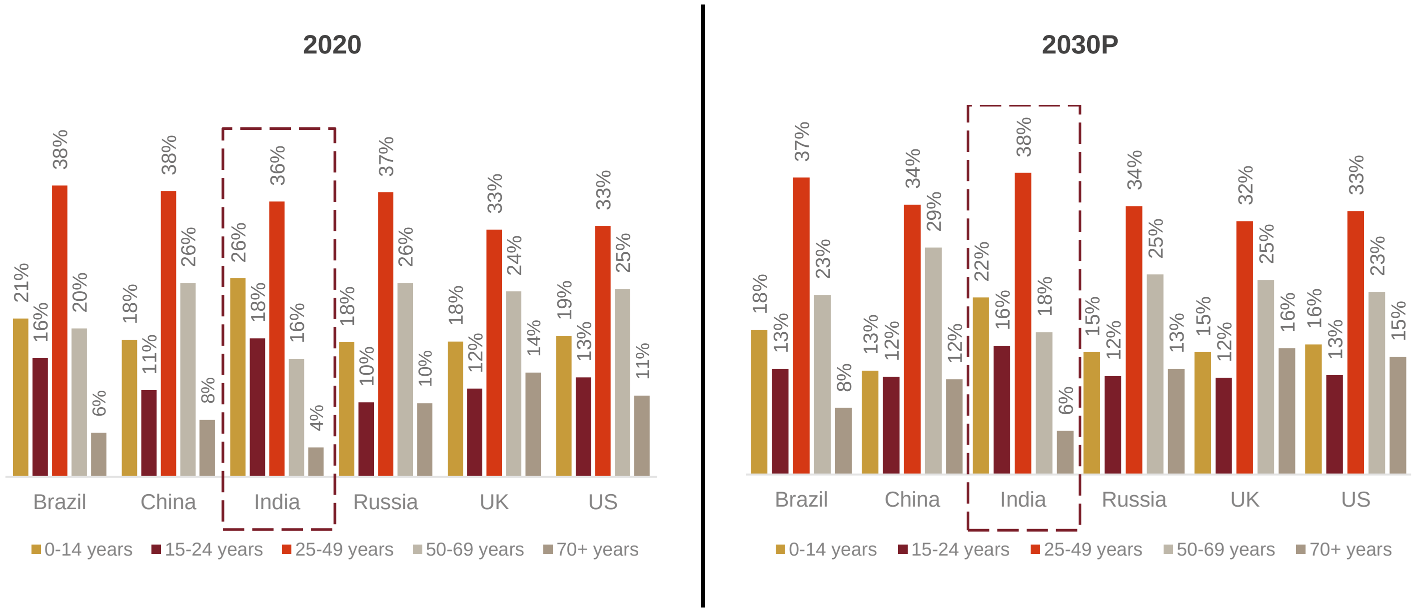
People from rural areas move to cities for better job opportunities, education, and quality of life. The entire family or only a few individuals (generally an earning member or students) may migrate, while the other members continue to live in their rural homes.

India's youth to account for ~39% of its population by 2030

As per the UN's 2022 Revision of World Population Prospects, India's youth (0-24 years) accounted for nearly half its population in 2020, significantly higher than that for some of its peers (Brazil at 36.4%, China at 29.4% and the Russian Federation at 27.5%). The fact that ~26% of the population is aged below 15 indicates that a high proportion of the country's young population is expected to remain so in the coming years.

This share of youth is, in fact, expected to reach ~39% by 2030, and remain significantly higher than that of peers (Brazil at 31.5%, China at 25.4% and the Russian Federation at 27.7%). This also indicates a higher proportion of population entering the workforce.

Age-wise population break-up for key countries



P: Projected

Source: United Nations, Department of Economic and Social Affairs, Population Division (2022); World Population Prospects 2022; CRISIL MI&A

Indian population's median age to be 30.9 years by 2030

According to the UN, the global median age rose to ~30 years in 2020 from ~20 years in 1970. This is lower than the median age in developed countries such as the US (37.5 years) and the UK (39.5 years). Interestingly, India's median age is 27.3 years, indicating a favourable demographic dividend. Furthermore, it is the lowest among its BRIC peers: Brazil (32.4 years), Russia (37.4 years) and China (38.6 years).

This trend is expected to continue up to 2030. A large proportion of the population being employed implies a strong potential for an increase in income levels, along with disposable income.

Median age trend across key countries

Country	1970	1990	2010	2015	2020	2030P
Brazil	17.3	21.5	28.2	30.3	32.4	36.5
China	18.0	23.7	34.1	35.6	37.4	42.7
India	18.3	20.0	24.0	25.5	27.3	30.9
Russian Federation	29.7	32.2	36.9	37.6	38.6	42.1
UK	33.2	34.8	38.5	39.0	39.5	41.6
US	27.2	31.8	36.1	36.6	37.5	39.7
World	20.3	23.0	27.3	28.5	29.7	32.1

P: Projected

Source: United Nations, Department of Economic and Social Affairs, Population Division (2022); World Population Prospects 2022, CRISIL MI&A

India saw robust growth in per capita income over fiscals 2012-23

India's per capita net national income (NNI), a broad indicator of living standards, has grown at a 4.1% CAGR between fiscal 2012-23 with growth led by better job opportunities, propped up by overall GDP growth. Similar to per capita NNI, per capita GDP also saw overall growth of 4.5% between fiscals 2012 and 2023, reaching Rs 115,746 in fiscal 2023.

Per capita NNI and per capita GDP at constant prices

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21RE	FY22RE	FY23PE
Per capita NNI (Rs)	63,462	65,538	68,572	72,805	77,659	83,003	87,586	92,133	94,420	86,054	92,583	98,374
YoY growth (%)		3.3%	4.6%	6.2%	6.7%	6.9%	5.5%	5.2%	2.5%	-8.9%	7.6%	6.3%
Per capita GDP (Rs)	71,609	74,599	78,348	83,091	88,616	94,751	100,035	105,448	108,387	100,981	109,060	115,746
YoY growth (%)		4.2%	5.0%	6.1%	6.6%	6.9%	5.6%	5.4%	2.8%	-6.8%	8.0%	6.1%

PE: Provisional estimates; RE: Revised estimates; AE: Advance estimates

Source: Provisional estimates of national income 2022-23 and quarterly estimates of GDP for the fourth quarter of 2022-23; CSO; MoSPI; CRISIL MI&A

India's gross disposable income has more than doubled over the past decade

At current prices, India's gross disposable income more than doubled over fiscals 2012-23, reaching Rs 273,365 billion in fiscal 2023. During this period, gross national disposable income (GNDI) logged a CAGR of 10.7%.

GNDI – current prices

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21RE	FY22RE	FY23PE
GNDI (Rs billion)	89,644	101,773	114,896	127,257	140,252	155,947	173,110	191,911	204,508	201,154	236,067	273,365
YoY growth (%)		13.5%	12.9%	10.8%	10.2%	11.2%	11.0%	10.9%	6.6%	-1.6%	17.4%	15.8%

PE: Provisional estimates; RE: Revised estimates; AE: Advance estimates

Source: Provisional estimates of national income 2022-23 and quarterly estimates of GDP for the fourth quarter of 2022-23; CSO; MoSPI; CRISIL MI&A

1.4 Key regulations governing Indian writing instruments industry and overall Indian homeware industry

GST rates hiked for stationery products in fiscal 2022 and fiscal 2023

The Goods and Services Tax (GST) rate applicability on stationery varies across items. During fiscal 2022, the Government of India decided to include all pens under the 18% GST category which was earlier levied only on fountain pens and stylograph pens. In addition, in fiscal 2023, GST rates on stationery items such as printing, writing, or drawing ink; and marking-out instruments were hiked to 18% from 12%.

BIS mark for potable water bottles and insulated flasks

To promote domestic manufacturing and reduce imports, the Department for Promotion of Industry, and Internal Trade (DPIIT) has made the Bureau of Indian Standards (BIS) mark mandatory for potable water bottles. A Draft Quality Control Order has been proposed by the DPIIT for potable water bottles and insulated flasks.

The enforcement date of this order is yet to be announced as the department welcomed suggestions and feedback until December 31, 2022. After consultation with the BIS, it has been decided that potable water bottles and insulated flasks must display the Standard Mark, obtained through a licence from the Bureau. It is important to note that this order does not apply to goods or articles intended for export. The BIS mark can improve consumer confidence in products and help companies market and promote steel bottles in the Indian market.

National Education Policy

In July 2020, the government has introduced the National Educational Policy (NEP) to bring various changes in the Indian education system. It proposes reforms in school education and higher education, including technical education.

The major aim of NEP 2020 is to increase the Gross Enrolment Ratio (GER), which compares the enrolment in a specific level of education to the population of the age-group which is most age-appropriate for that level of education, at both the K-12 level and in higher education.

It targets to reach a 100% GER by 2030 for preschool to the secondary level, whereas in higher education including vocational education it targets reaching 50% by 2035. Further, the policy also aims to increase public investment in education to 6% of GDP (~2.5% as of fiscal 2024 budgetary estimates)

In addition to this, budgetary spending on education by the government of India has seen a growth. During fiscal 2018 to 2024BE the education budget has grown at a CAGR of 5.9%.

2 Overview of Indian writing and creative instruments industry

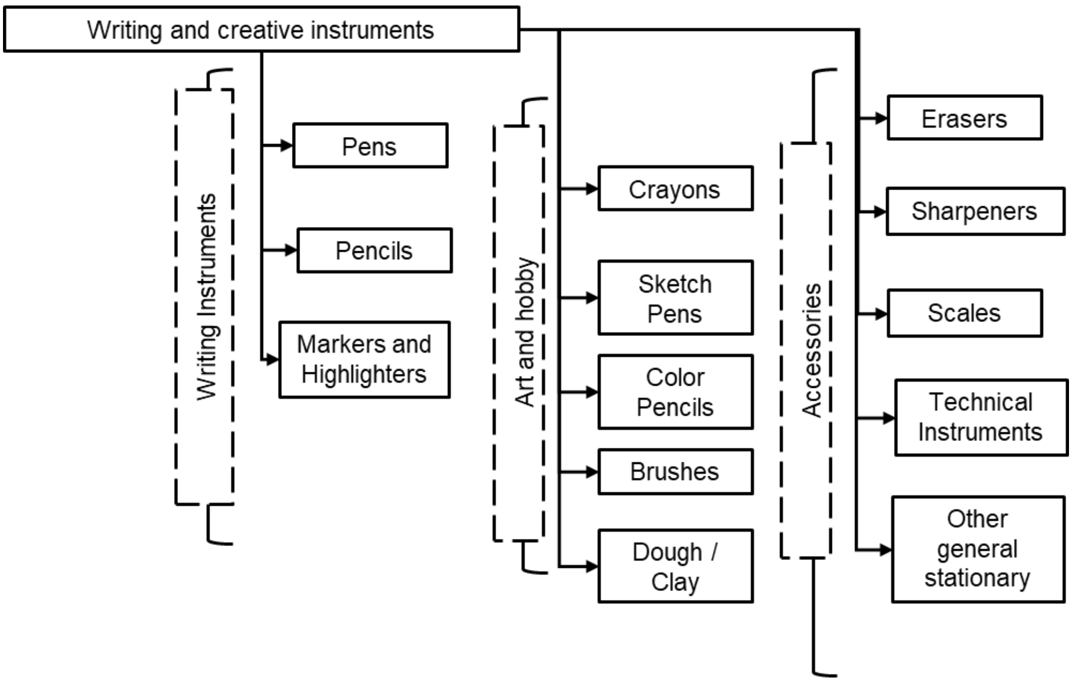
2.1 Writing and creative instruments industry

The writing and creative instruments segment comprises of writing equipment such as pens, pencils, markers and highlighters; and art and hobby equipment such as crayons, sketch pens, colour pencils, brushes, and accessories such as erasers, sharpeners. Among the writing and creative instruments industry pens account for a major share.

In-house manufacturing preferred in Indian writing and creative instruments industry

Manufacturing landscape of in the Indian writing and creative instruments industry is broadly divided into two major categories of players: those with in-house manufacturing capabilities and those that rely on imports. Players with in-house manufacturing capabilities can produce products at a lower cost, in addition to having the flexibility to innovate and develop products that satisfy changing consumer preferences. In addition to this, there are international brands that partner with Indian entities to leverage their in-house manufacturing facilities providing them a cost-effective way to expand their presence in the domestic market without the need to set up their own manufacturing facilities.

Overview of writing and creative instruments industry



Note:

Other general stationery includes exam pads, kits, gift sets, etc. Above classification is broad-based and can be re-designed/re-classified based on user groups, product types, etc.

The above analysis doesn't include paper based stationery items like notebooks and papers and non-paper based stationery such as Mathematical instruments, Office products and Computer Stationery

Source: Industry, CRISIL MI&A

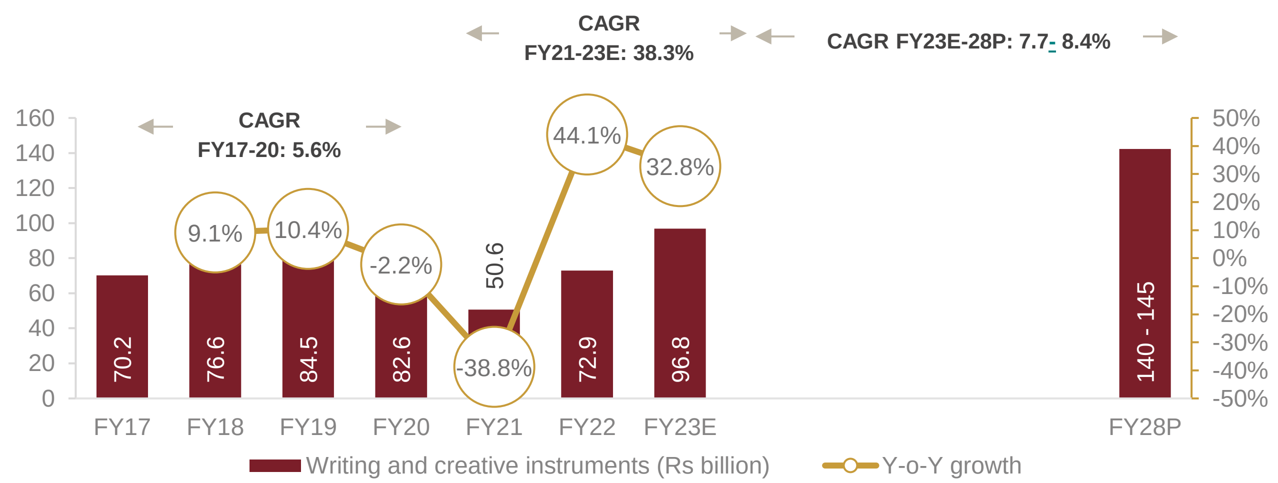
Indian writing and creative instruments industry saw steady growth before the pandemic, surpassed pre-pandemic levels in fiscal 2023

The writing and creative instruments industry in India has experienced consistent growth between fiscals 2018 to 2020, driven by product innovation, design modifications, brand development by leading players, and high demand. The industry has witnessed a shift in its structure, with large organised players gaining market share over unorganised, smaller players. Large organised players have been able to grow faster than the industry average by diversifying their product portfolios and expanding distribution channels.

However, in fiscal 2021 due to Covid-19 pandemic there was closure of schools and institutions resulting in a subdued demand for products, leading to a 39% decline in fiscal 2021. As offices reopened and schools restarted, the industry started witnessing a pick-up in demand in fiscal 2022 with industry surpassing pre-pandemic levels, in fiscal 2023. Overall, the industry expanded at a CAGR of 38.3% between fiscals 2021 and 2023.

Over fiscals 2018-23, the writing and creative instruments industry experienced price growth across various segments. However, the extent of price increases varied among these segments. Notably, pens demonstrated the highest growth in prices, closely followed by the art and hobby and marker segments. Although the pencil segment also witnessed a price increase, growth was slower compared with other segments. The price increases could be attributed to the shift in consumer trend towards premiumisation and the adoption of product categories such as art and hobby.

Indian writing and creative instruments industry, by manufacturer's realisation



E: Estimated; P: Projected

Source: CRISIL MI&A

Writing and creative instruments industry at manufacturer's realisation and at maximum retail price (MRP)

In Rs billion	FY17	FY18	FY19	FY20	FY21	FY22	FY23E		FY28P
manufacturer's realisation	70.2	76.6	84.5	82.6	50.6	72.9	96.8		140 -145
MRP	100.4	109.6	121.0	118.2	72.4	104.4	138.3		200 -205

Note: MRP level values are calculated based on typical markups obtained through industry interactions

E: Estimated; P: Projected

Source: CRISIL MI&A

Indian writing and creative instruments industry to log 7.7-8.4% CAGR over fiscals 2023-28

Going ahead, demand for writing and creative instruments is expected to be supported by various factors, such as growing focus on education, rise in parallel education systems, and demand from the office segment.

The rising focus on education, which is also reflected in the rising literacy rate for the country, coupled with rising trend of parallel education in recent years, characterised by the emergence of coaching classes, training programmes, etc is expected to provide impetus to the industry. Apart from this, with the return to offices, demand from the office-going population is also expected to contribute to the growth of the industry going forward.

Further introduction of National Educational Policy (NEP) – 2020 by government of India focusing on education penetration in the country and the skill development programs by government for Medium, Small and Micro Enterprises (MSMEs) coupled with growth in the sector aiding in addition of workforce would further bolster the writing and creative instruments industry.

Segmental breakup of writing and creative instruments industry at manufacturer's realisation

Rs billion	FY17	FY18	FY19	FY20	FY21	FY22	FY23E		FY28P
Pens	27.1	29.5	32.6	32.4	19.2	30.4	43.1		62 - 65
Pencils	15.6	16.8	18.1	18	9.7	13.7	18.2		23 - 24
Markers and Highlighters	4.5	4.7	5.0	4.8	2.8	3.9	5.1		6.5 - 7.0
Art and Hobby	17.3	19.7	22.1	21.2	15.1	18.4	23.5		38 - 40
Accessories	5.8	5.9	6.8	6.3	3.8	6.5	6.9		9.5 - 10.5

E: Estimated; P: Projected

Source: CRISIL MI&A

Segmental breakup of writing and creative instruments industry at MRP

Rs billion	FY17	FY18	FY19	FY20	FY21	FY22	FY23E		FY28P
Pens	37.9	41.3	45.6	45.3	26.9	42.5	60.4		87 - 90
Pencils	21.8	23.5	25.3	25.2	13.5	19.2	25.4		32 - 33
Markers and Highlighters	6.7	7.0	7.5	7.2	4.2	5.9	7.7		10.0 - 10.5
Art and Hobby	25.1	28.5	32.0	30.7	21.9	26.7	34.1		56 - 58
Accessories	9.0	9.2	10.5	9.8	5.9	10.1	10.7		15 -16

Note: MRP level values are calculated based on typical markups obtained through industry interactions

E: Estimated; P: Projected

Source: CRISIL MI&A

Organised players dominate Indian writing and creative instruments industry

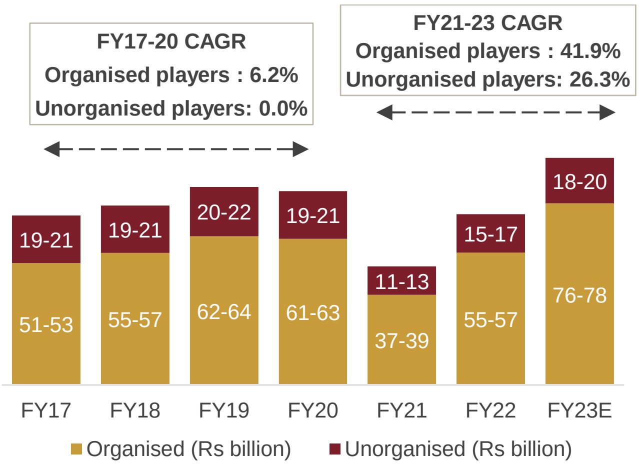
The Indian writing and creative instruments industry has many small, unorganised players, as well as organised players. The smaller players typically offer low-value products and operate in specific geographies. Organised players, on the other hand, have wider product portfolios, a pan-India presence and multiple manufacturing facilities. Organised players are also engaged in exports.

The pandemic has brought a behavioural shift among the end-users of the industry — there has been increased focus on extracurricular activities in addition to conventional education presenting an opportunity for organised players to introduce different products with standalone and bundled offerings, supporting their recovery and growth post Covid-19.

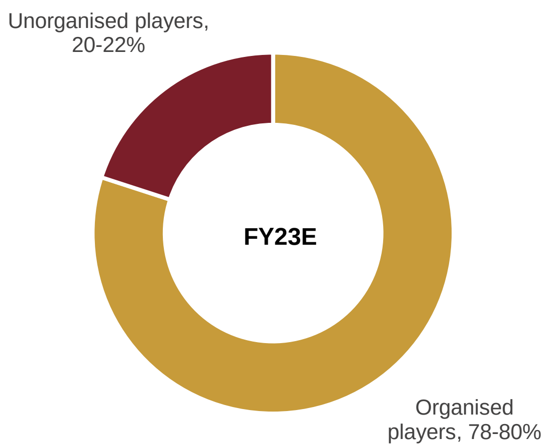
Further, there was closure of numerous unorganised players during pandemic as weak demand for products and limited access to capital made it difficult for these players to sustain operations leading to organised players capturing a majority of the market. Additionally, organised players registered healthy growth and surpassed pre-pandemic revenue levels in fiscal 2023, while, unorganised players' revenues are still below pre-pandemic levels. Within the organised segment, a few players posted strong revenue growth of ~50-60% on-year in fiscal 2023, driving growth of the overall industry.

Share of organised players in Indian writing and creative instruments industry, by manufacturer's realisation

Trend among organised and unorganised players in industry



Share of organised players in fiscal 2023



E: Estimated

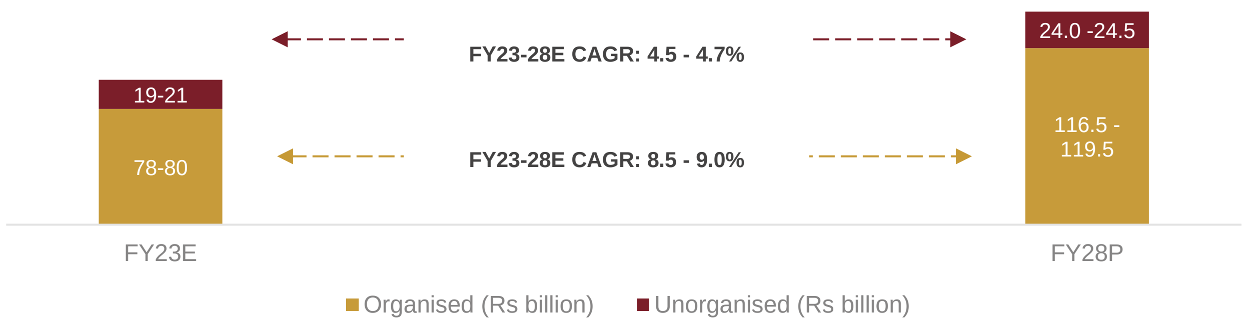
Source: CRISIL MI&A

Organised segment to log 8.5-9.0% CAGR between fiscals 2023 and 2028

In the writing and creative instruments industry, over fiscals 2023-28, organised players are poised to experience significant faster growth when compared unorganised players. The higher growth rate among organised players could be attributed to organised players gaining market share from the unorganised sector during the pandemic, and this trend is expected to continue in the coming years. Secondly, the expansion of product offerings by organised players across various categories and age groups is expected to aid their growth.

In addition, the shift in consumer preference towards premiumisation and branded products in categories such as pens, is expected to further boost the growth of organised players. Since the industry is witnessing consolidation across the value chain, with leading players actively engaged in brand-building efforts, the share of organised players in the industry is expected to rise in the medium term.

Share of organised vs unorganised players in Indian writing and creative instruments industry



E: Estimated; P: Projected

Source: CRISIL MI&A

Key seven organised players are major growth drivers for overall organised segment

Among organised players, the key seven organised players in the writing and creative instrument industry have grown faster than the rest of the organised players. These key seven organised players include – BIC Cello (India) Pvt Ltd, Flair Writing Industries Ltd, Hindustan Pencils Pvt Ltd, Kokuyo Camlin Ltd, Linc Ltd, Luxor Writing Instruments Pvt Ltd, and DOMS Industries Pvt Ltd – in no specific order.

Between fiscals 2017 and fiscal 2020, these key seven organised players clocked higher growth when compared to rest of the organised players as well as the overall industry. Though in fiscal 2020, pandemic has impacted the overall industry, post-pandemic between fiscal 2021 to 2023, the key seven organised players played a pivotal role in driving industry growth. This growth of key seven organised players can be attributed to venturing into new price segments in the existing category of products.

Going forward, the key seven organised players are expected to continue the growth momentum at a similar pace, with the writing and creative instrument industry growing at CAGR of 7.7-8.4% between fiscals 2023 and 2028, driven by factors such as a rise in literacy rates and government initiatives towards education.

Growth of key seven players in organised writing and creative instrument industry

	FY17-20 CAGR	FY21-23E CAGR	FY17-23E CAGR
Key 7 organised players	8.6%	52.7%	8.7%
Remaining organised players	2.6%	26.5%	3.9%
Overall organised segment	6.2%	41.9%	6.9%
Overall unorganised segment	0.0%	26.3%	(0.7)%
Overall writing and creative instruments industry	5.6%	38.3%	5.5%

Note: E – Estimated as per industry interactions

Source: CRISIL MI&A

Overview of pen segment

Pens are among the most used tools for writing on paper. The Indian pen industry is characterised by offerings across different price points and different value propositions. As of fiscal 2023, pens occupy a larger share of 44% in the writing and creative instruments industry in value terms.

Broadly, the pen segment can be classified into three major sub-segments, based on product price point. Typically, pens priced up to Rs 15 are referred to as mass-market pens, and pens priced between Rs 16 to 100 are referred as mid-premium pens while the pens above Rs 100 are classified as high-value pens/ premium pens. Mainly driven by students, the mass-market sub-segment is highly competitive with price denominations also playing a crucial role in saleability. Meanwhile, in the case of mid-premium / premium pens, brand creation and product differentiation are key to success.

Players often invent new products to ensure that variations are introduced in their price ranges. Also, many brands offer bundled packs of five pieces and above, which helps them in pricing units at odd multiples. In addition to the domestic market, which continues to support growth of the pen segment, exports also make this segment lucrative for leading players.

Qualitative overview of pen segment

Mass-market pens
- Driven by volume
- Price points are crucial
- Difficult to increase prices
- Brand recall is moderate due to impulsive buying in most cases
- Focus group: students, corporate supplies
- Essential to have deep retail penetration

Premium pens
- Driven by prices
- Premium is built on product branding
- Brand leverage is high
- Focus group: professionals, corporate gifting

Source: Industry, CRISIL MI&A

Qualitative overview of key users

Students
- Driven by volume
- Price points are crucial

Corporates
- Driven by volume for day-to-day use (corporate supplies)
- Driven by prices for corporate gifting

Others like artists
- Driven by product mix
- Driven by usability

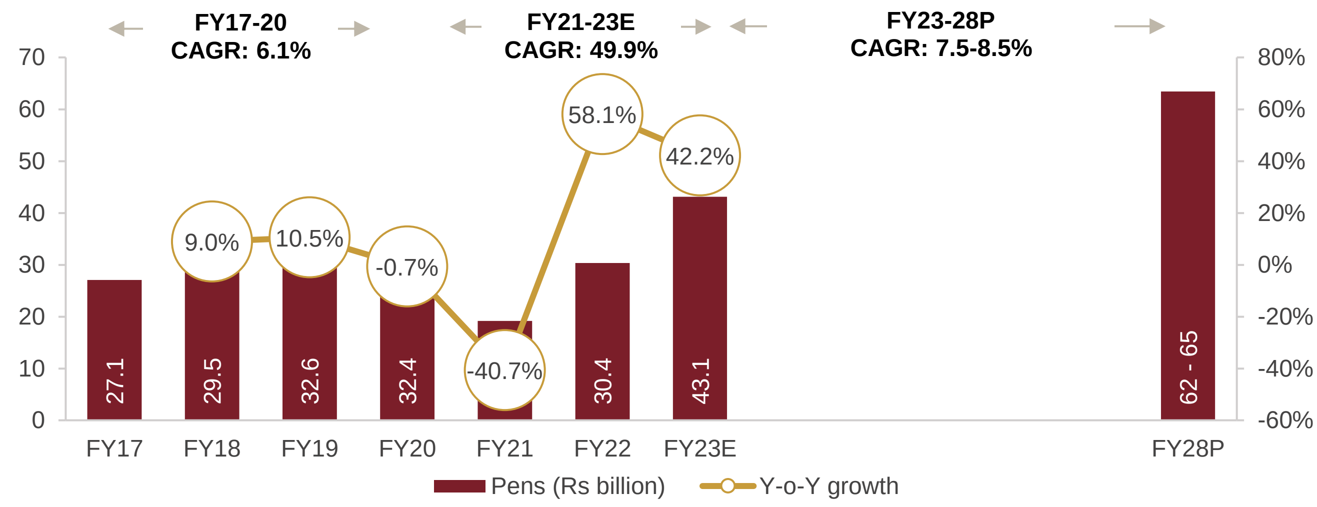
Source: Industry, CRISIL MI&A

Pen segment in India grew at a healthy pace before pandemic intervention

Demand for pens in India is driven by usage by and growth in students and the working-class population. On the back of steady demand, the industry grew at 6.1% CAGR between fiscal 2017 and 2020 attributed to an increase in volume in the segment as there was healthy growth in the target population of the country, consisting of population seeking education and office-going population. However, in fiscal 2021, demand declined significantly due to the pandemic-induced lockdown, which resulted in the closure of schools, colleges, and offices. In addition, the shift towards digital education during fiscal 2021 further contributed to the decrease in demand, with on-year decline of approximately 41% in the industry. As the economy started opening, the industry surpassed the pre-pandemic level with demand began recovering — educational institutions supported most of the recovery in fiscals 2022 and 2023.

It is also to be noted that the perceived magnitude of the threat posed by digital education has subdued than initially anticipated during the pandemic with prominent online education platforms shifting towards establishing physical coaching centres, indicating unlikely displacement of offline education.

Pen segment in India at manufacturers realisation



Note: E – Estimated, P – Projected

Source: CRISIL MI&A

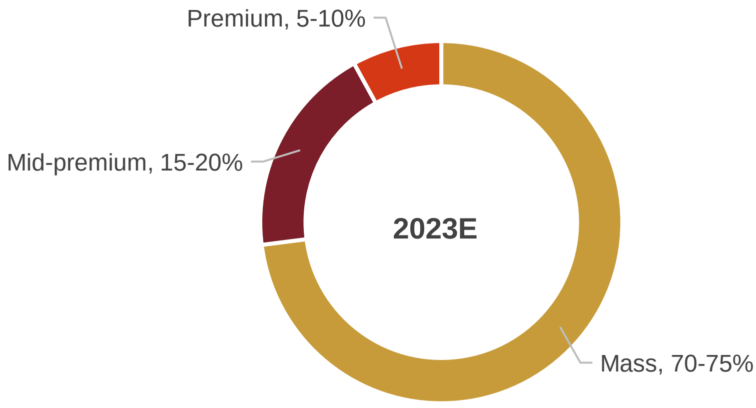
Pen segment in India expected to log 7.5-8.5% CAGR between fiscals 2023 and 2028

Following recovery from pandemic-related stress, the pen segment is projected to clock 7.5-8.5% CAGR between fiscals 2023 and 2028.This growth will be driven by factors such as increasing disposable income leading to preference for premium pens, rising literacy rates, government initiatives to improve education penetration, and a growing young population in India. Furthermore, the shifting preference towards pens as a writing instrument over pencils is also contributing to the growth in the industry.

Mass-market products held a lion's share in overall pen segment in fiscal 2023

As of fiscal 2023, the mass-market subsegment, which is priced between Rs 5 and Rs 15, occupied larger share in the overall pen segment followed by the mid-premium subsegment, which is priced between Rs 16 and Rs 100, The premium subsegment, which is priced above Rs 100 – considered as a high value category .

Split of pen segment across price points last fiscal (value terms)



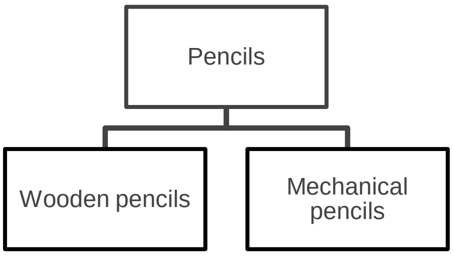
Note: E – Estimated

Source: CRISIL MI&A

Overview of pencil segment

Pencil continues to be a core writing instrument until Class V (after which pens are introduced to students for writing). Despite many innovations in the product (such as different mechanical pencils), wooden pencils continue to dominate the market in India. Today, pencil manufactures offer a range of products based on different graphite grading scales and end-user applications.

Broad classification of pencils

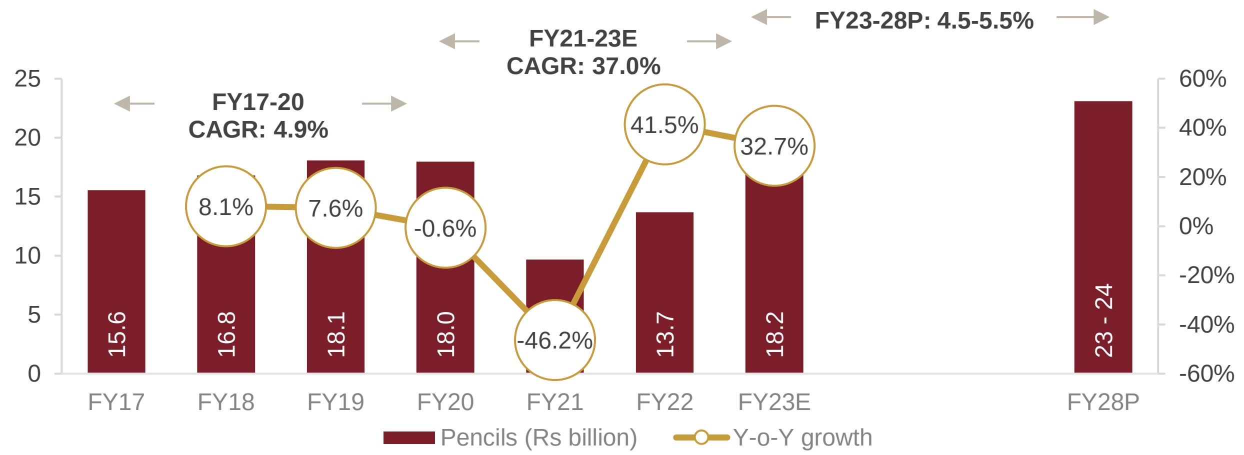


Source: Industry, CRISIL MI&A

Pencil segment in India grew steadily before pandemic; segment recovered in fiscal 2023

Demand for pencils in India is driven by students until Class V, as pencils are considered the primary writing instrument during this academic stage. The industry growth is supported by volume growth as well as from price rise grew at 4.9% between fiscal 2017 and 2020. Though the pencil demand was hit during the pandemic in fiscal 2021, as education institutions (major demand driver) were closed due to the lockdown as the economy started opening and the education sector resumed physical classes, demand recovered to post-pandemic levels in fiscal 2022 and 2023.

Pencil segment in India at manufacturers realisation



Note: E – Estimated, P – Projected

Source: CRISIL MI&A

Pencil segment expected to log 4.5-5.5% CAGR between fiscals 2023 and 2028

Going forward, demand for pencils is expected to be propelled by increasing literacy rates, government initiatives to enhance education accessibility, and greater focus on education through budget allocation. With impetus from the education sector auguring well for the pencil segment, the segment is expected to register 4.5-5.5% CAGR between fiscals 2023 and 2028.

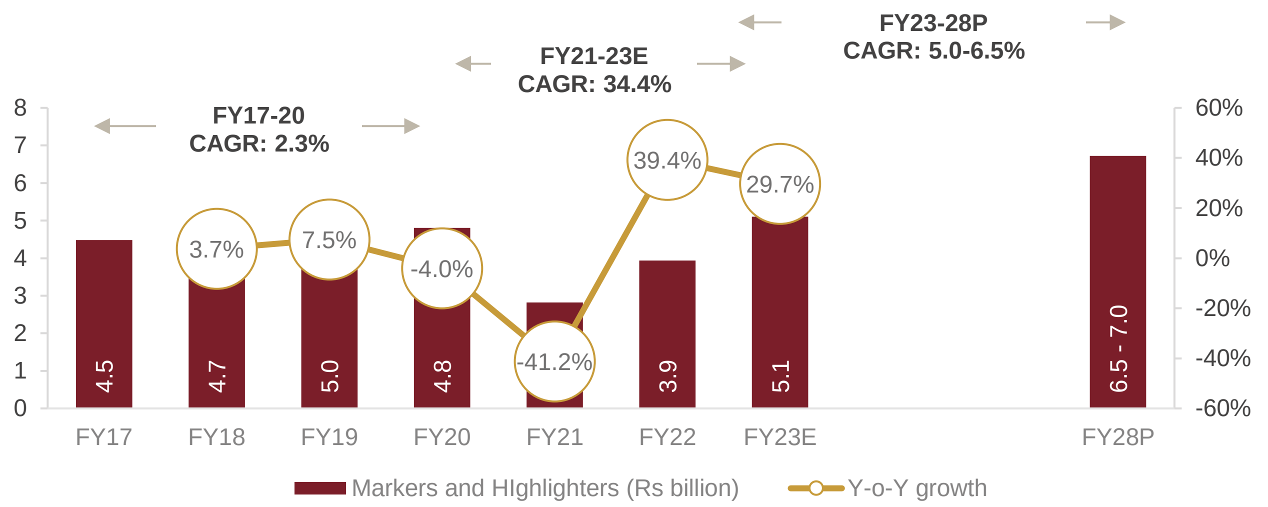
Overview of marker and highlighter segment

Markers and highlighters come in different colours and have specific usage. Permanent markers, typically used over glass or metal surfaces, are used to retain writings for a fairly long time. On the other hand, whiteboard markers use erasable ink and are used for temporary writing on specific surfaces. Highlighters, as the name suggests, are used to highlight existing write-ups. These products find applications in academic sessions as well as in corporate processes.

Marker and highlighter demand grew moderately before pandemic; recovery continued last fiscal

Markers are predominantly used by office workers, while highlighters are popular among both office workers and students. Between fiscals 2017 and 2020, driven by the price rise in the segment the industry grew at a healthy rate. In fiscal 2021 the industry saw a decline owing to the pandemic impact, as the majority of the workforce worked remotely, and the usage of the products reduced. The industry recovered in fiscal 2023, reaching Rs 5.1 billion, as the economy opened and work from office gradually resumed.

Marker and highlighter segment in India at manufacturers realisation



Note: E – Estimated, P – Projected

Source: CRISIL MI&A

Marker and highlighter segment expected to log 5.0-6.5% CAGR between fiscals 2023 and 2028

After recovering from pandemic-related stress, the Indian marker and highlighter industry is expected to log 5.0-6.5% CAGR between fiscals 2023 and 2028. This growth will be driven by the rising number of bibliophiles amid the pandemic, as well as the increasing penetration of education. Additionally, young individuals entering the workforce will further contribute to demand in this segment.

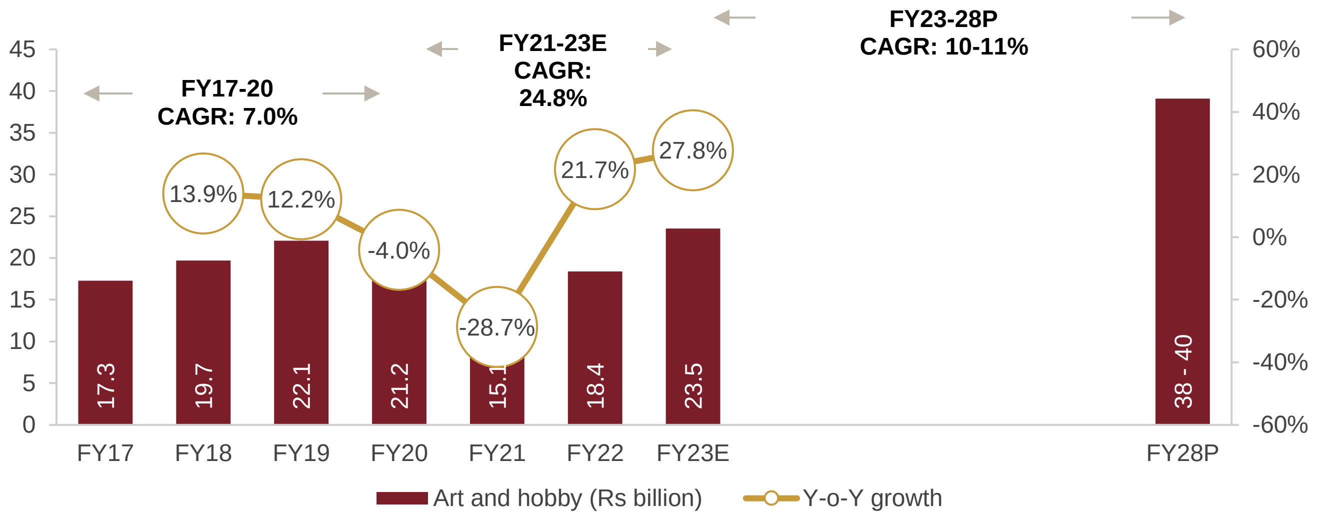
Overview of art and hobby instrument segment

The Indian art stationery market is a dynamic industry that caters to the needs of art enthusiasts, hobbyists, students and professionals. It encompasses a wide range of creative and functional products. These products include drawing colour pencils, paints, brushes, crayons, dough, and clay. Art and hobby products are majorly used in schools and at home.

Art and hobby segment in India grew at a stable pace from fiscal 2017 to fiscal 2020

The art and hobby segment saw stable growth in the recent past, with the industry growing from Rs 17 billion in fiscal 2017 to ~Rs. 24 billion in fiscal 2023. Industry demand declined in fiscal 2021 on account of pandemic-related stress — demand for such products was impacted as it is majorly supported by school-going students. The art and hobby segment, however, has experienced significant growth post-pandemic. In fiscals 2022 and 2023, the segment grew ~22% and ~28%, respectively. This growth can be attributed to the adoption of art as a hobby during the pandemic, as people had more spare time and sought such activities.

Art and hobby segment in India at manufacturers realisation



Note: E – Estimated, P – Projected

Source: CRISIL MI&A

Art and hobby segment in India expected to clock 10-11% CAGR between fiscals 2023 and 2028

The pandemic caused a behavioural shift in end-consumers of this segment, as more people started to take up arts and hobbies in their spare time. Industry players captured this opportunity by introducing products catering to young adults as well as people from the working class. Considering these factors, along with improved standard of living, expansion of schools, increased emphasis on extracurricular activities, government initiatives to enhance education quality, and shifting preference of students towards arts, would aid the growth in the segment.

Overview of accessories segment

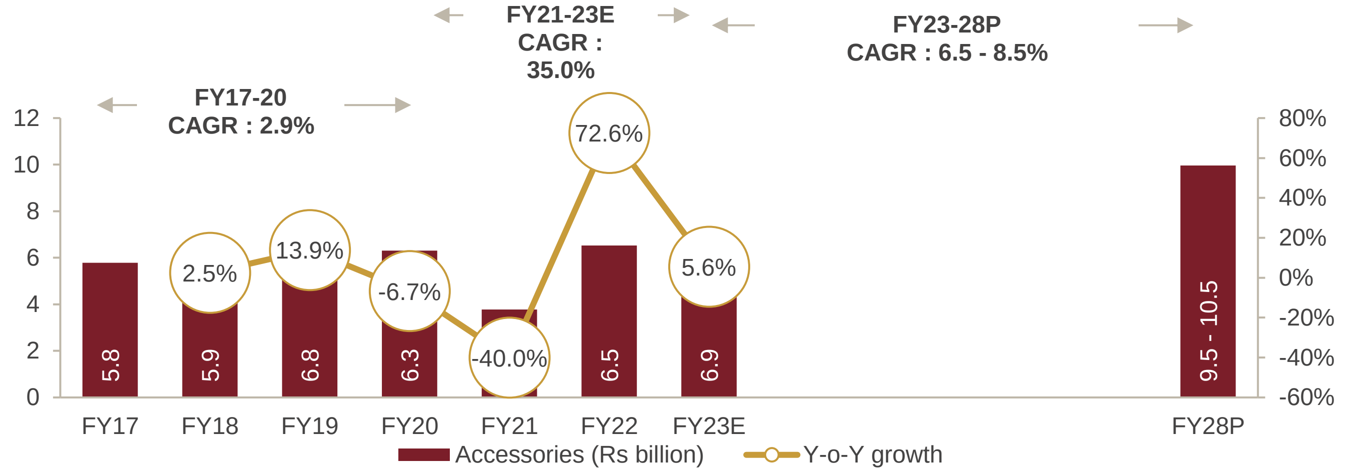
The accessories segment comprises instruments such as erasers, sharpeners, scales, and technical instruments such as dividers, compasses, protractors, etc and doesn't include products such as adhesives, calculators. In general, these instruments are used in conjunction with the instruments mentioned in the segments above, such as pens, pencils, markers, and art and hobby.

Accessories segment to grow at 6.5 - 8.5% CAGR from fiscal 2023 to fiscal 2028 after post-pandemic recovery

These accessories serve as complementary tools, enhancing the functionality and experience of the primary instruments. Consequently, the demand for this segment is predominantly linked to the growth of other writing and creative instruments.

The segment grew from fiscal 2017 to fiscal 2020 before Covid-related distress hit, pushing demand downwards. However, the segment recovered in fiscal 2023 in line with other segments in the industry. Going forward, the accessories segment is estimated to grow at 6.5-8.5% CAGR from fiscal 2023 to fiscal 2028, supported by overall growth in the writing and creative instruments industry.

Accessories segment in India at manufacturers' realisation



Note:

E-Estimated, P-Projected

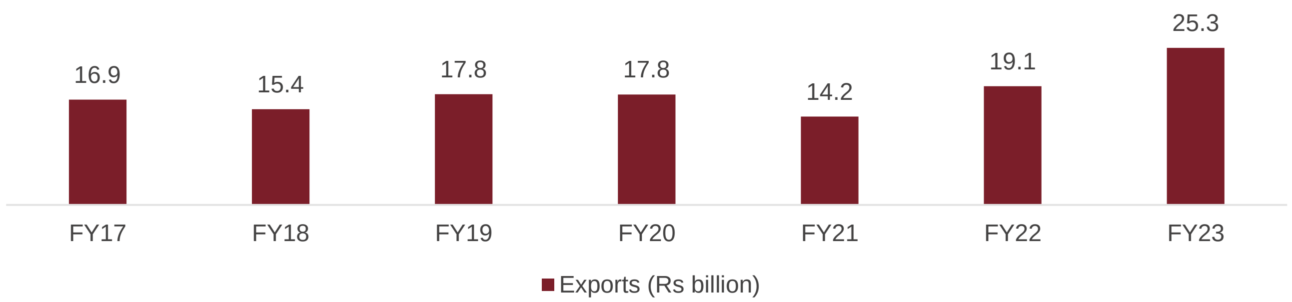
Source: CRISIL MI&A

2.2 Exports and imports scenario

Pens contributed to 65-75% of the exports (value terms) during fiscal 2018 to 2023

From fiscal 2018 to fiscal 2023, India exported writing and creative instruments worth ~Rs 18 billion per year on average, growing at ~9% CAGR. Of these, pens contributed 65-75% in value terms.

Export of writing and creative instruments from India (value terms)



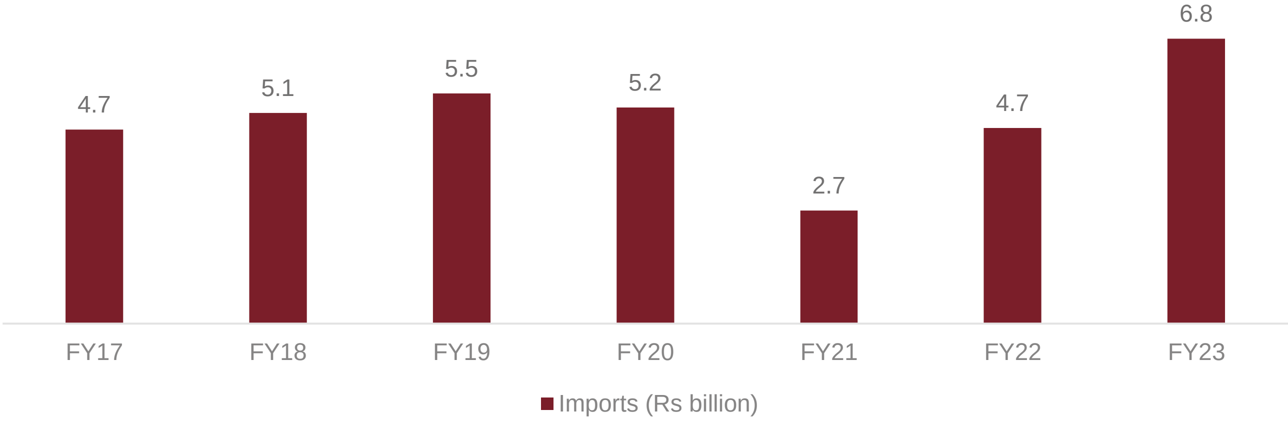
Note: Data compiled based on series of HS (harmonised commodity description and coding system) codes which include 960810, 960830, 960850, 960860, 960891, 960899, 960840, 96091000, 960820, 32131000, 90172010, 96033010, 40169200, and 82141010

Source: Ministry of Commerce, CRISIL MI&A

India's imports of writing and creative instruments grew at ~6% from fiscal 2018-23

From fiscal 2018 to fiscal 2023, India imported pens and pencils worth ~Rs 5 billion per year on average, growing at 6% CAGR in value terms. Of these imports, pens contributed 75- 85% in value terms.

Import of writing and creative instruments from India (value terms)



Note: Data compiled based on series of HS (harmonised commodity description and coding system) codes which include 960810, 960830, 960850, 960860, 960891, 960899, 960840, 96091000, 960820, 32131000, 90172010, 96033010, 40169200 and 82141010

Source: Ministry of Commerce, CRISIL MI&A

2.3 Key trends in the Indian writing and creative instrument industry

Hobby workshops

During lockdown, art became a one of popular stress-reliever and preferred indoor activity. Recognising the need to maintain customer engagement manufacturers introduced online art workshops, engaging all age groups by connecting with customers through technology aiding in their expansion of their market share.

Gifting

Gifting has emerged as a popular trend in the writing and creative instrument industry. Writing and creative instruments, like pens and drawing kits, are popular choices for meaningful and practical gifts across age groups. Customization adds uniqueness, while art and hobby gifts encourage creativity. Wide range of options for every occasion.

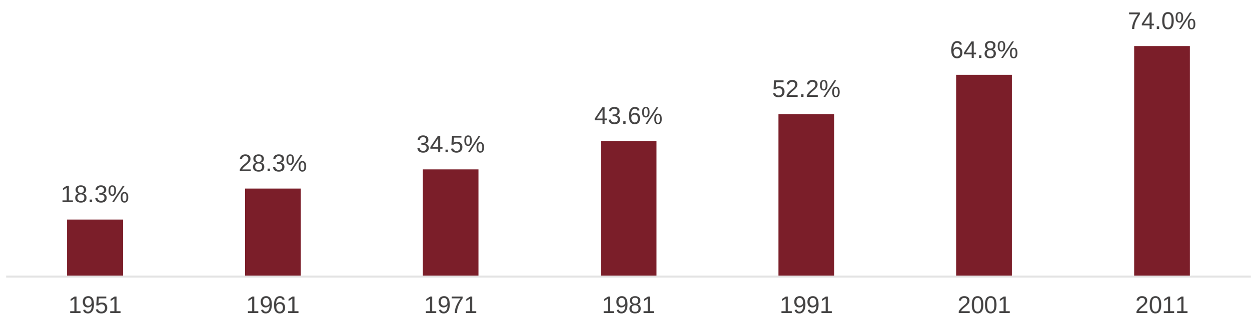
2.4 Growth drivers for the writing and creative instruments industry

Government Initiatives to boost education

Rising literacy levels

The government has taken various measures to improve literacy, such as the Right to Education Act (RTE) 2009, Sarva Siksha Abhiyan (SSA), and Mid-Day Meal Scheme. These have resulted in the share of literates rising to 74% in 2011 from 65% in 2001, a growth of 14% on-year. In addition, over the past few decades, the gross enrolment ratio (GER) has been improving across the K-12 segment due to the government's efforts to spread elementary education.

Growth in literacy in India



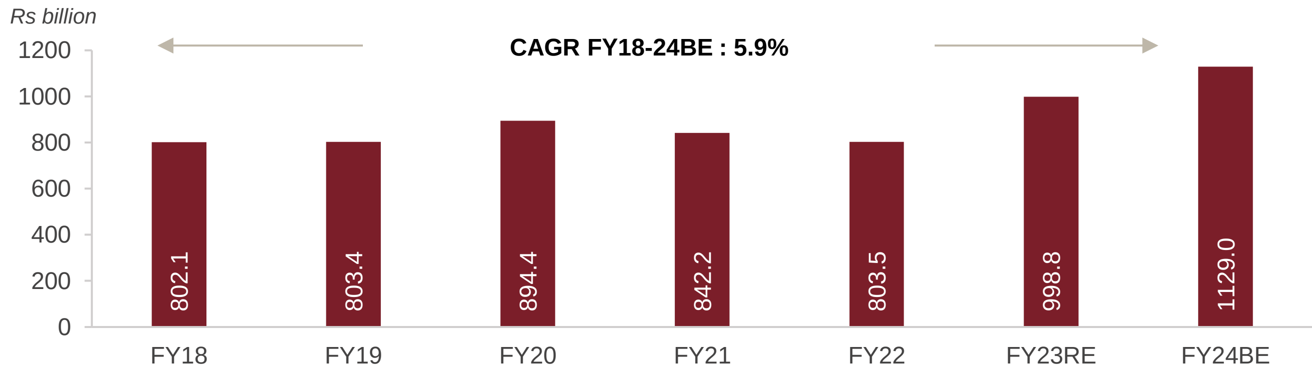
Note: According to Indian Census, literacy rate is computed for population of age 7 and above

Source: 2011 Census documents, CRISIL MI&A

Increasing spend by government on education

In addition to various initiatives, government has increased budgetary allocation towards education over the years. From fiscal 2018 to fiscal 2023 (budgetary estimates), allocation on education (school education and higher education) has been increased at 5.9% CAGR.

Budgetary allocation for education in India



Source: Budget documents, CRISIL MI&A

National Education Policy to aid demand growth

The government has also introduced the National Educational Policy (NEP) in July 2020. This policy was introduced to bring various changes in the Indian education system, and proposes reforms in school education and higher education, including technical education.

NEP 2020 aims to increase the Gross Enrolment Ratio (GER), which compares the enrolment in a specific level of education to the population of the age-group which is most age-appropriate for that level of education, at both the K-12 level and in higher education. At preschool to the secondary level, the NEP targets to reach a 100% GER by 2030 while in including vocational education it targets reaching 50% by 2035.

In addition, the policy also aims to increase public investment in education to 6% of GDP (~2.5% as of fiscal 2024 budgetary estimates)

Some of the other salient features of NEP 2020 include:

- Ensuring universal access at all levels of schooling from pre-primary school to Grade 12

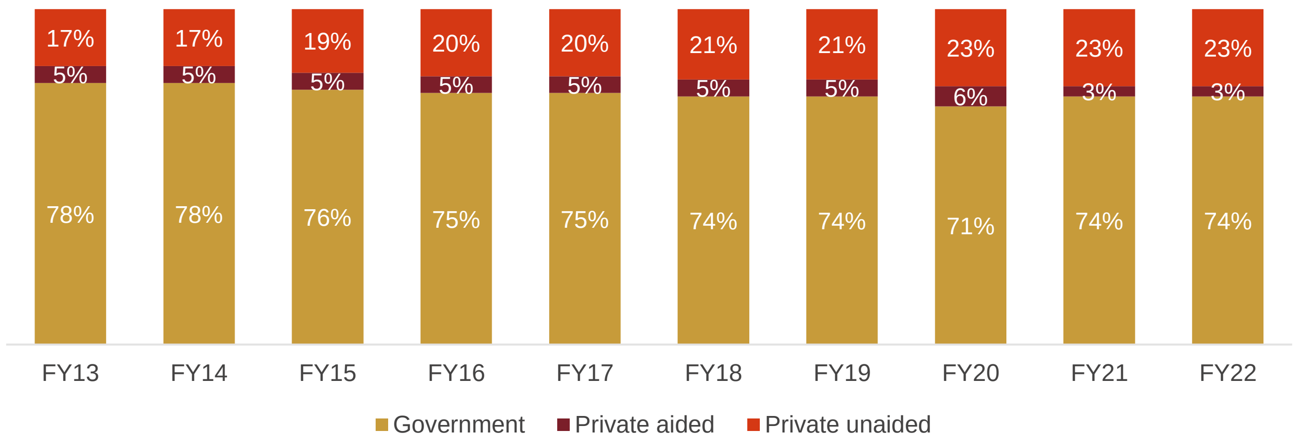
- New curricular and pedagogical structure (5+3+3+4) replacing the earlier structure of 10+2 system
- Setting up of a new National Assessment Centre, i.e. PARAKH (Performance Assessment, Review, and Analysis of Knowledge for Holistic Development)
- Ensuring availability of all resources through school complexes and clusters by setting up State School Standards Authority (SSSA)

Given the growth in education spending and introduction of various schemes and policies by Government of India such as NEP aid in rise of the literacy rate would further provide an impetus to growth in the writing and creative instruments industry.

Increasing share of private schools

For education till class X, the average spend per student in private schools (private unaided) is 7-8 times that in public schools and 1-2 times that in private aided schools, as per the National Sample Survey Organisation (NSSO) 75th round of survey.

Trends in composition of schools by management



Source: DISE, CRISIL MI&A

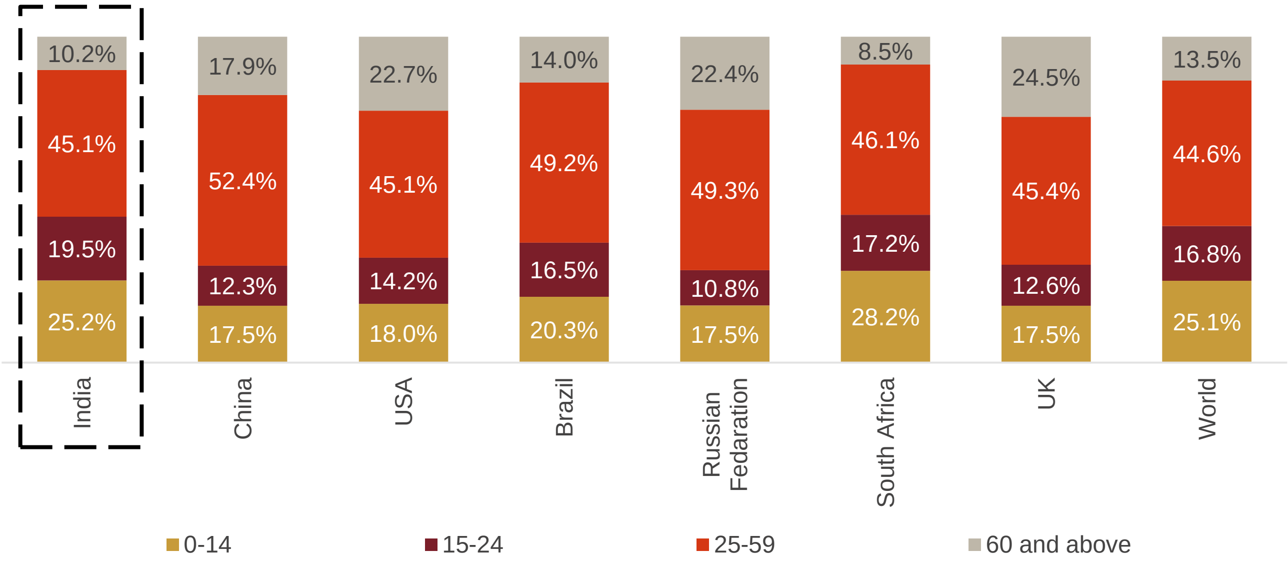
Books and stationery spendings form the second-highest expenditure item under the general and technical educational course (course fee forms the largest share). With increasing share of private unaided schools in overall K12 enrolment, spending on education is likely to grow rapidly. This would directly lead to an increase in demand for writing and creative instruments.

High share of youth population in India

Age constitutes the determining characteristic in definition of ‘youth’ by various agencies. United Nations defines youth as those in age group 15 to 24. A higher share of the youth population represents higher potential for educational institutes and, in turn, greater potential for the writing and creative instruments industry. Formal education emphasises use of pencils and notebooks for 5-10 years’ age group. Typically, pens, other writing instruments and technical instruments are introduced to the 11 years and above age group (generally in class V and above).

It should be noted that the closure of schools and colleges during the pandemic led to a transition towards digital education. However, after the pandemic, the expected magnitude of this shift was not as anticipated with establishment of offline institutes by online education providers. Moving ahead, it is essential to monitor the impact of digital education on the writing and creative instruments industry.

Share of population across age population for various countries



Source: CRISIL MI&A

Growth in Indian MSME sector workforce

The micro, small and medium enterprises (MSMEs) segment form an integral part of the Indian economy. Despite pandemic-induced challenges, most MSME sectors are recovering. This is evident from the 21% revenue growth in fiscal 2022 driven by healthy exports, higher commodity prices and increased healthcare demand due to pandemic.

The government introduced various reforms to support MSMEs during the pandemic. These included initiatives such as Credit Guarantee Scheme for Subordinate Debt (CGSSD), Emergency Credit Line Guaranteed Scheme (ECLGS) and Equity infusion for MSMEs through Self Reliant India Fund. In fiscal 2023, the MSME sector is estimated to grow 11-13% followed by 7-9% in fiscal 2024, building upon a high base aided by healthcare, consumption and construction-linked sectors.

As per the National Sample Survey (NSS) 73rd round conducted during 2015-16, the MSME sector has been creating 111 million jobs across sectors in both rural and urban areas. With ongoing growth in the sector and the skill development initiatives undertaken by the government, the availability of skilled labour within the MSME eco-system is expected to improve.

This addition of employment in MSME sectors would aid the demand for writing and creative instruments since they play an essential role in the day-to-day activities of the workforce, such as documentation.

Shift in consumer trends towards premiumisation

Over the years, premiumisation in writing and creative instruments industry has emerged as a growth driver. The shift towards premium products (which includes both the mid-premium and premium category) is driven by the need for better quality, longevity, and improved experience. In addition, is the increase in disposable income over the years. The gross national disposable income (GNDI), which is a measure of disposable income in India, has grown at 10.7% CAGR from fiscal 2012 to fiscal 2023, measured at current prices. This allows consumers to invest in premium products which provide superior performance and better durability.

2.5 Key factors for success in the writing and creative instruments industry

Product innovation

Product innovation has become a major success driver in the writing and creative instruments industry. The success of innovations in these writing instruments lies in their adaptability to changing consumer preferences, meeting their need for comfort, quality, and sustainability.

In segments such as pens and pencils ergonomic designs to prioritize comfort, reduce hand fatigue, and boost productivity and specialized ink formulations providing quick drying, smudge-proof writing, and vibrant colours for precise and clean writing, catering to art and design fields are developed. Segments such as arts and hobby are seeing a rise in customised preferences. Consumers are becoming increasingly conscious about their product preferences; their choices being influenced by influencers and market trends leading businesses to innovate and find better ways to serve customers.

Creating a brand for product differentiation

The pens industry in the domestic market holds a 70-75% share with leading players emphasising brand building, the industry is expected to garner a bigger share in coming years. Leading players focus on brand building to expand their market share, utilizing vintage appeal, innovation, retailer networks, and technological advancements. While most brands are present across price segments (mass market, mid premium and premium), expansion within each segment has become crucial to tap demand at different price points. Major players differentiate their products through communication, and endorsements, and increasing availability of branded products in smaller cities and towns, and rural areas, has increased the penetration of major players into these untapped clusters. Aggressive advertising, marketing, and targeted sales activities further enhance their brand positioning and direct connection with end users, particularly students.

Continued emphasis on low-priced units

The mass market segment, mainly led by students, is highly competitive, with pens priced at Rs 5, Rs 10 and Rs 15 per unit (some pens are priced at less than Rs 5 as well). These price denominations play a crucial role in saleability of the products making players to often reinvent products to ensure that variations are introduced in these price ranges. Further, many brands offer bundled packs of five pieces or more, which helps in pricing units at odd multiples. While most companies concentrate on the mass market due to the sheer volume generated by the sub-segment, premium pens are important from a profitability and branding perspective.

Strong distribution footprint

Retail brand penetration is highly dependent on the supply chain model adopted. While India's fast-growing e-commerce industry makes it easier for manufacturers to come online and showcase their products, buyers in India have not really shown a propensity to purchase low-value items (such as pens and pencils) online. Despite the growing share of modern retail formats, the domestic writing instruments industry relies heavily on the traditional manufacturer-distributor-retailer model. Vintage, brand recognition, price position and exclusive selling rights (in some cases) play a crucial role in expanding footprint.

Corporate gifting

Corporate gifting is a widely accepted concept of maintaining relationships with old, as well as new clients and also given to employees as a gesture of goodwill and to reward them for their dedication. Pens are among the most preferred corporate gifts across sectors. With the wide array of branded pens available in the market, corporates are spoilt for choice. From the manufacturers' perspective, this segment is lucrative as branded premium products help improve profitability.

Packaging

Packaging plays a vital role in the writing and creative instruments industry. Unique and visually appealing packaging designs can help a brand stand out in a competitive market environment, while consistent packaging helps build brand recognition among consumers. Convenience and functionality are other aspects of packaging that help enhance user experience, while sustainable and eco-friendly packaging helps attract environmentally conscious consumers. Well-designed packaging can capture attention on store shelves and trigger impulsive purchase by consumers, which further helps sales.

2.6 Key risk factors in the industry

Competition in mass market products

Writing and creative instruments, in a way, are commodities. The Brand name tends to assure consumers of a product's quality and consistency of performance. Parents and/or students often purchase these items on an impulse and buy brands available with or offered by retailers. At times, retailers also offer products from local manufacturers or unbranded items at lower prices or in 'combo offers' with other stationery items. Companies mostly find it difficult to increase the prices of products targeted at students, considering that any increase in prices (deviation from denominations that are multiples of five) may shift demand to some other brand.

Risk mitigation

Brand identity / influence impacts consumer purchase decisions to a great extent. Leading companies can mitigate risks by creating strong brand recognition.

Foreign exchange currency risk

In seeking economies of scale through domestic manufacturing and well-established branding, many leading companies have been generating revenue from their export business as well. While this has helped companies diversify geographical risks, currency fluctuations continue to be a risk factor.

Risk mitigation

Companies often ensure adequate hedging in case of export revenue. At times, imports of raw material and related items also help companies in mitigating currency fluctuations to a great extent

Digitalisation

Following the pandemic, offline institutions have faced significant challenge from online platforms, which have gained traction owing to the convenience they offer. Nonetheless, this transition from the offline to online channel is occurring gradually. This slow adoption of the online channel can be attributed to many consumers' preference for brick-and-mortar stores given their wide range of product offerings and scope for personalised interactions.

Risk mitigation

Currently, the adoption of digitalisation is at the nascent stage. That said, online platforms are aiding the business in market expansion by reaching untapped markets. Hence, companies should also understand the importance of these online platforms and leverage them to gain deeper penetration in untapped marketplaces.

Increasing preference for e-learning

Covid-induced lockdowns led to increased emphasis on e-learning. With educational institutions temporarily closed and social distancing restrictions imposed, e-learning was chosen as the primary mode of education. This model posing a threat to the industry is the shift towards note-taking applications and typing over writing. In addition, in the case of the art and hobby segments, many digital devices provide in-built applications that allow people to sketch designs of their own. These may hamper the demand for writing and creative instruments industry.

However, it is also to be noted that the perceived magnitude of the threat posed by digital education has subdued than initially anticipated during the pandemic with prominent online education platforms shifting towards establishing physical coaching centres, indicating unlikely displacement of offline education.

Risk mitigation

Currently, the adoption of e-learning is at the nascent stage and the impact on the writing and creative instruments industry is miniscule. However, going forward, the penetration of digitalisation remains monitorable.

Imitation of innovation

Innovating by imitation is a threat the writing and creative instruments industry faces. In the industry, product innovation is crucial to meet consumers' needs and improve sales. Developing a new type of writing or creative instrument requires significant monetary and time investment. Competitors sometimes launch similar products to target customers. This leads to insufficient product differentiation for the original manufacturer. With a greater number of similar products flooding the market, original manufacturers may lose their market share.

Risk mitigation

To reduce the risk of imitation players in the industry, players can conduct a market test for the product and subsequently launch it on a larger scale once they have identified a suitable market fit. This approach provides them with a head start before competitors replicate the product. Moreover, consistently introducing innovative features or improvements can further assist in minimizing the imitation of their innovations.

3 Assessment of the steel bottles industry

3.1 Introduction

Types of steel bottles

Steel bottles can be broadly categorised into vacuum and non-vacuum bottles.

Vacuum

Vacuum steel bottles are also called as thermos or flasks. They can keep liquid stored for warm/cold for longer time. Such steel bottles are popular among customers and are available in different capacities ranging from 160 ml to 2200 ml with price ranging within Rs 580-2400 and with different colour and cap options**.**

Non-vacuum

Non-vacuum steel bottles are also known as fridge water bottles and are made of stainless steel. Non-vacuum water bottles are affordable and lightweight, and therefore, easily portable. These bottles are available in capacities ranging from 1000 ml to 460 ml. with price ranging from Rs 100 to Rs 500, catering to budget-conscious consumers.

The major distinction between vacuum and non-vacuum is the former has vacuum structure, which maintains the temperature of the inner liquid for an extended period.

Overview of steel bottles

Vacuumed steel bottles

Non-vacuum steel bottles

Source: Industry, CRISIL MI&A

key differences between plastic, non-vacuum steel and vacuum steel bottles

Properties	Vacuum steel bottle	Non-vacuum steel bottle	Plastic bottle
Heat conduction	Yes	No	No
Weight	Heavy	Medium	Light
Durability	High	Medium	Low
Price	High	Medium	Low
Reactivity	Non-reactive to most liquids	Non-reactive to most liquids	Reactive to liquids
Leak-proof	Yes	Yes	No

Source: Industry, CRISIL MI&A

Steel water bottles have gained traction

Plastic bottles, commonly used for carrying beverages, have raised concerns due to the leaching of Bisphenol A (BPA) into liquids with increase in temperature and time. In contrast, stainless steel bottles, made from food-grade material, are BPA-free, suitable for various beverages, and resistant to mould and bacteria.

With the global population becoming more health-conscious, hygiene-aware, and environmentally conscious, especially in during and post the pandemic era, steel bottles have been gaining traction. These bottles also offer advantages such as durability, reusability, and superior safety over plastic bottles, making them a viable alternative.

500 ml and 1000 ml the most popular options in vacuum category

The 1000 ml and 500ml stock keeping units (SKUs) are the most popular choice among customers in vacuum category, for carrying hot and cold beverages. Their popularity has increased during and after the pandemic as most people preferred to carry hot beverages while travelling as well as for storing at home. The 1000 ml-capacity bottles are the most popular SKU in non-vacuum category, as people prefer this option for carrying water to schools, colleges, gyms and while travelling.

Popular SKUs in vacuum and non-vacuum steel bottles

	Vacuum		Non-vacuum
Popular SKUs	1000 ml	500 ml	1000 ml
Price range	Rs 650 - 1450	Rs 499 - 950	Rs 100- 500
Popular brands	Milton, Cello, Borosil, Atlasware, Pexpo		Local brands

Note: the above-mentioned brand names are an indicative list, not an exhaustive list

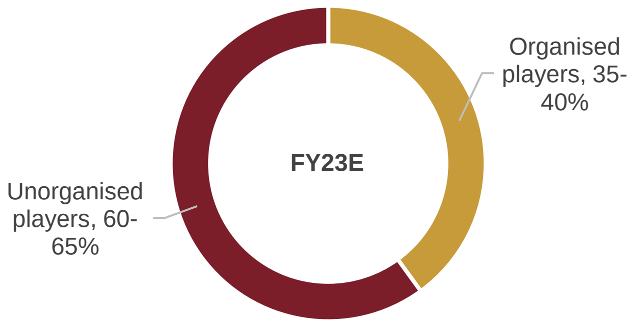
Source: Industry, CRISIL MI&A

3.2 Overview of steel bottles industry landscape

Steel bottles industry dominated by unorganised players

The Indian steel bottle manufacturing industry is highly fragmented, with unorganised players accounting for the majority share. Organised players include manufacturers such as Milton, Altasware, Pexpo, Cello and Borosil. As of fiscal 2023, in the overall market, organised players were estimated to have constituted a 35-40% market share, while the remaining 60-65% share was occupied by unorganised players.

Share of organised players in steel bottles industry



Source: Industry, CRISIL MI&A

Importing steel bottles preferred over in-house manufacturing

The domestic steel bottles industry primarily relies on imports for its manufacturing needs, with a limited number of companies engaged in in-house production. The dominance of imports can be attributed to the significantly lower prices offered by countries such as China making imported steel bottles more attractive to the Indian market.

In addition, producing such bottles is capital-intensive and requires a complex process that demands a specialised workforce. For instance, the manufacturing process for vacuum steel bottles the inner and outer layer is made of food grade stainless which is rust resistant. To create insulation, a gap is created between the inner and outer layers, from which air is evacuated, to create vacuum. The lack of availability of skilled force to carry out this process also limits Indian companies' ability to undertake large-scale in-house manufacture of vacuum steel bottles.

That said, the manufacture of steel bottles is slowly gaining traction in India, and organised players such as Milton, Atlasware, and Pexpo have started manufacturing locally; Stovekraft (Pigeon brand) plans to commission steel bottle manufacturing to reduce dependency on vendors outside India. Nonetheless, a large number of steel bottles are still imported into India.

Overview of steel bottle manufacturing landscape in India

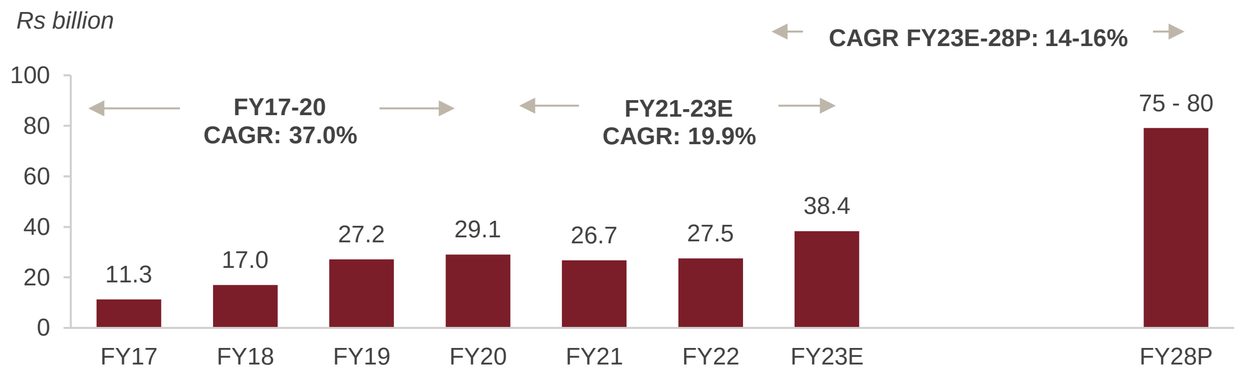
	Organised players	Unorganised players
Presence	• Pan-India	• Regional/local
Distribution network	• Well-established distribution network across India, with several distributors and retailers • Sell products through e- commerce websites and modern trade channels as well	• Sell through local/regional retail outlets • Sells through e-commerce websites as well
Manufacturing/ imported	• Very few organised players in India manufacture vacuum bottles, increasing import dependency • Organised players get non-vacuum bottles manufactured by local OEMs as well as import these	• Mostly import • Steel utensil manufacturers have now started manufacturing non-vacuum bottles as well • Vasai, Chennai are the major hubs where manufacturing is done
Numbers	• 30-40	• 200-300
Key brands	• Milton, Cello, Atlasware, Pexpo, DMart, Ikea, Borosil, Decathlon, Home Center	• Miloni, Artlabel, Fruitalite

Source: Industry, CRISIL MI&A

Growth between fiscals 2018 and 2022 majorly due to pandemic-led increased health-consciousness

Demand for steel bottles in India has continuously increased, with the industry having grown at 37% CAGR, majorly on account of a rise in the target population, specifically school and office goers, and gym and travel enthusiasts. However, in fiscals 2021 and 2022, the pandemic struck, resulting in the closure of schools, colleges, and offices. Nonetheless, demand for steel bottles was impacted by a slight margin, and saw a 3% recovery in fiscal 2022, with overall demand reaching pre-Covid levels. This was majorly led by an increase in the adoption and penetration of steel bottles during the pandemic amid increased health-consciousness, also supported by the fact that steel bottles are non-porous, easy to use, and provide good insulation, helping store cold/hot liquids at similar temperatures for a long time. This trend continued in fiscal 2023 as well, supporting the industry to reach Rs 38.4 billion.

Steel bottle industry in India



Note: E: Estimated, P: Projected

Source: CRISIL MI&A

The domestic steel bottle industry is expected to register 14-16% CAGR in fiscals 2023-28 led by increase in health-conscious consumers and penetration of steel bottles

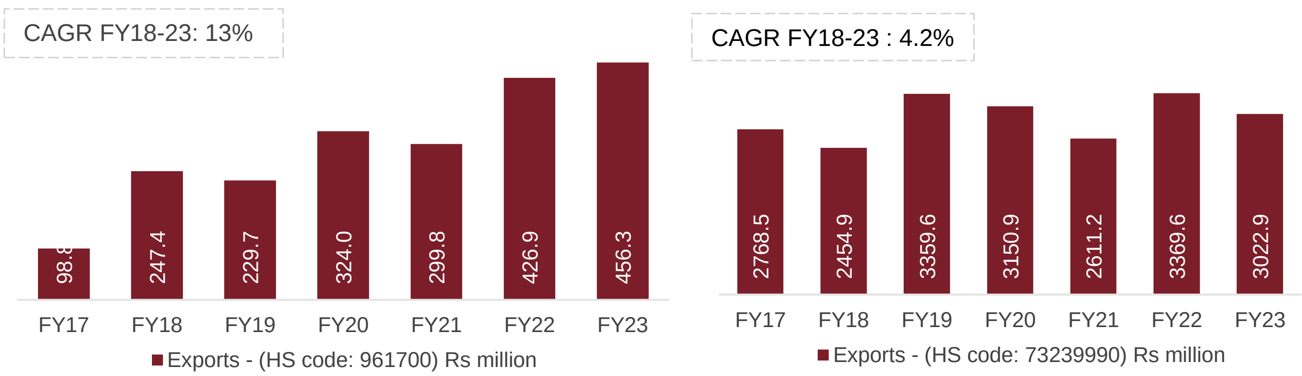
As per the UN Population Fund's State of World Population Report for 2023, India is set to surpass China to become the world's most populous country. The continued increase in population and a growing interest in sustainable products and healthier lifestyles following the pandemic would aid further penetration of steel bottles in India, thus bolstering demand.

In addition, China+1 strategy picking up globally coupled with manufacturers focusing on domestic manufacturing to reduce the dependence on imports leads to better products that fit consumer preference, enabling growth.

3.3 Export and import trends in the steel bottle industry

Indian manufacturers export steel bottles under two different HS codes, 961700 and 73239990. HS code 961700 includes export of vacuum steel bottles, which registered CAGR of 13% from fiscals 2018 to 2023. HS code 73239990 consists of other table, kitchen, or household articles in addition to steel bottles. This category registered CAGR of 4.2% during the said period.

Export trends in the domestic steel bottle industry

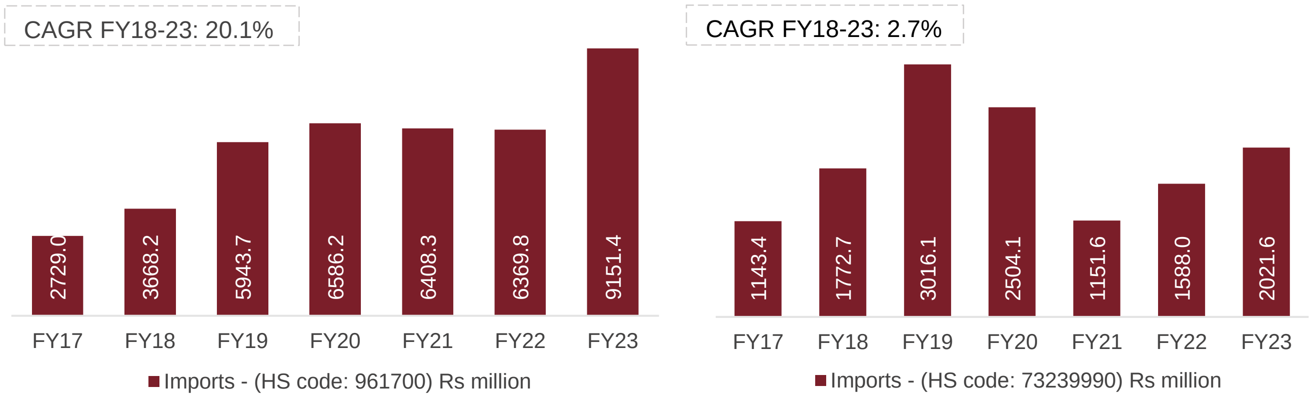


Source: DGFT, CRISIL MI&A

The steel bottle industry in India is majorly import dependent due to lower prices of imported products compared with those of domestic products. Import demand is further driven by the manufacturing process being complex and capital intensive.

Steel bottle imports are recorded under two different HS codes, 961700 and 73239990. HS code 961700 includes import of vacuum steel bottles, which registered CAGR of ~20% from fiscals 2018 to 2023. HS code 73239990 consists of other table, kitchen, or household articles in addition to steel bottles. This category saw CAGR of 2.7% during the said period.

Import trends in the domestic steel bottle industry



Source: DGFT, CRISIL MI&A

3.4 Key trends in the domestic steel bottle industry

Decreasing use of plastic bottles

In recent years, there has been a significant decrease in the use of plastic bottles with growing awareness of the detrimental impact of plastic on the environment and a desire for more sustainable alternatives. Increasing awareness regarding this issue has prompted individuals and communities to seek alternatives, with steel bottles emerging as a popular choice.

Steel bottles offer numerous advantages over their plastic counterparts. Unlike plastic bottles, which are often single-use and end up in landfills or oceans, steel bottles can be used repeatedly, reducing waste generation. Also, steel being a recyclable material has also aided for the adoption of steel bottles.

The pandemic led to rise in the adoption of steel bottles

During the Covid-19 pandemic, there was a noticeable shift in consumer preference towards steel bottles as people became more conscious of hygiene and safety measures.

One of the primary reasons for the rise in popularity of steel bottles is their durability and insulation properties making them ideal for individuals working from home or engaging in outdoor activities. Furthermore, steel bottles are easy to clean and reuse. They are non-porous, which makes them resistant to the growth of bacteria compared to plastic bottles. With the pandemic contributing to individuals shifting towards health-conscious choices, steel bottles are witnessing growing adoption.

Increased customer consciousness about stylish products

Consumer preferences have evolved over the years, with growing inclination towards stylish and attractive products. Steel bottles are not only environment friendly and convenient, but they are also fashionable and stylish. Furthermore, steel bottles are available in various colours, sizes, and design options, which helps customers go with the style and colour of their preference.

Increase in e-commerce

The rise of e-commerce platforms is providing an impetus to the sale of steel bottles. Online platforms, such as Flipkart and Amazon, provide a vast marketplace for steel bottle manufacturers and retailers to showcase their products for wider reach further helping potential customers explore a wide range of steel bottle options and compare prices, enabling them to make informed purchasing decisions. In addition, increasing penetration of e-commerce in tier-2 and tier-3 cities would aid steel bottle manufacturers in catering to a larger set of audience.

3.5 Growth drivers for the domestic steel bottle industry

Steel bottles are more durable and eco-friendlier than their plastic counterparts

In comparison to their plastic counterparts, stainless steel bottles are built to sustain in the long run. Their sturdy, stainless steel construction ensures they can endure the rigours of everyday life. They can endure accidental drops and resist impacts, proving to be reliable and long-lasting. This durability has made stainless steel bottles increasingly popular among frequent travellers and individuals in school or office settings. Moreover, steel bottles are a sustainable alternative to single-use plastic bottles and help reduce waste and promote eco-consciousness, making them an attractive option for eco-friendly customers.

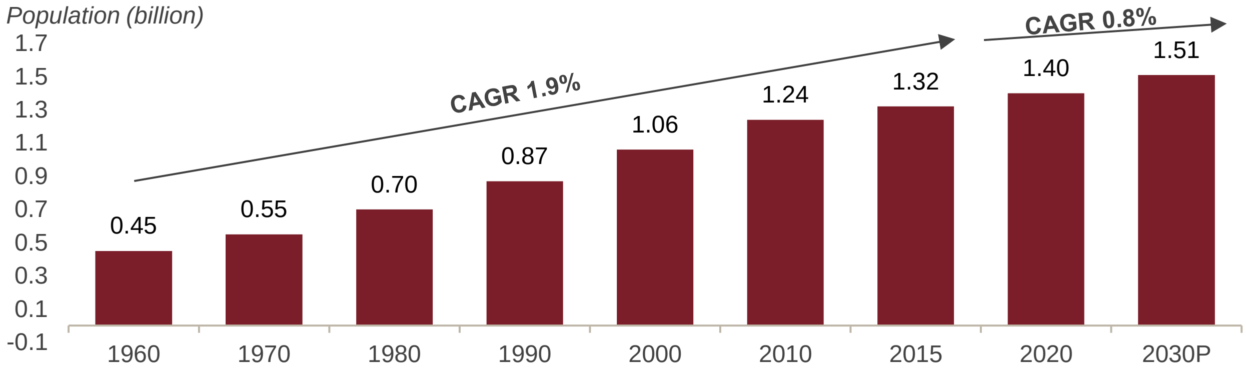
Increase in health consciousness among consumers

Considering raising awareness regarding the importance of hydration in the aftermath of the Covid-19 pandemic, health-conscious consumers are increasingly opting to use steel bottles as a relatively more sustainable and safer alternative. This is majorly on account of steel bottles offering durability, long-term use, and the ability to keep beverages at the desired temperature for long periods, making them a practical choice for health-conscious consumers on the go.

Population growth

According to the 2011 Census, India's population reached approximately 1.2 billion at a CAGR of 1.9% between 2001 and 2011. The United Nations Population Fund's State of World Population Report for 2023 predicts that India's population will surpass China's by around 2.9 million by mid-2023. This significant population growth serves as a catalyst for increased demand for steel bottles in India. The rising number of health-conscious consumers are fuelling the adoption of steel bottles across the country, driving growth in the overall industry.

India's population growth



Note: P: Projected

Source: UN Department of Economic and Social Affairs, World Population Prospects 2022, CRISIL MI&A

Rise in urbanisation and disposable income to aid industry growth

India's urban population has been rising over the years and is expected to continue to do so with rise in economic growth. According to a UN report on urbanisation, the country's urban population is projected to rise to nearly 40% of the total population by 2030 from ~31% in 2010.

With more people migrating from rural to urban areas, the demand for alternatives to single-use plastic bottles is led by the shift in consumer behaviour towards adopting sustainable or environment-friendly products. The rise in urbanisation also leads to an increase in retail infrastructure facilities, such as supermarkets, hyper marts, and e-commerce facilities. This will help steel bottle manufacturers reach a wider clientele through their distribution network, improving the accessibility and availability of these products.

In addition to a growing urban population, India's gross disposable income during fiscals 2012-2023, GNDI registered CAGR of 10.7%. This will further push consumers towards long-lasting and durable options, such as steel bottles.

Growing inclination towards domestic production of steel bottles

The domestic steel bottle industry relies heavily on imports, primarily sourcing, from countries such as China due to the cost advantages they offer over local manufacturing. In India, only a handful of players, such as Milton, Atlasware, and Pexpo, engage in in-house production of steel bottles, especially vacuumed ones.

However, amid continued rise in domestic demand for steel bottles, there has been a notable surge in domestic manufacturing. Players such Stovekraft, which operates under the Pigeon brand, have announced plans to commission own manufacturing plans in India to reduce the dependence on imports.

The rise in domestic manufacturing of steel bottles also aids product innovation by catering to customer and results in improved product quality. The availability and affordability of steel bottles in India will improve in tandem with more players entering manufacturing.

China+1 strategy to unlock further growth potential for Indian steel bottle industry

China+1 strategy refers to approach adopted by companies across the globe to diversify their manufacturing from China to reduce their higher reliance on the country. This approach has gained importance in the recent past due to various factors such as rising cost of labour, geo-political risks, increase complexity in the regulatory environment. This creates a need for the companies diversify their manufacturing and supply chain from China, creating an opportunity for developing countries such as India, Vietnam with provide advantages such as access to low labour costs, stable political environment and favourable regulatory environment.

3.6 Challenges for steel bottle industry in India

Availability of substitute products catering to health-conscious consumers

Though steel bottles, either vacuumed or non-vacuumed, cater to the need of health-conscious consumers there are other alternatives available in the market as well. These include bottles made of copper which are among the preferred alternatives.

That said, there are a few advantages that steel bottles have over copper ones. Firstly, steel bottles are easier to clean compared with copper bottles. Secondly, steel bottles (vacuumed) can maintain the temperature of liquid for longer durations than copper bottles. Also, copper bottles are mostly used only for water, whereas steel bottles can be used for other storing beverages too.

Volatility of raw material prices

Stainless steel, especially food grade, is a major raw material used in the manufacturing of steel bottles, prices for which fluctuate depending upon the domestic demand scenario, global stainless prices, availability of raw materials (iron in this case), and supply chain disruptions, among others.

The price fluctuations make it difficult for manufacturers to constantly adapt to the changing prices, which hampers their ability to be competitive in the market. Secondly, cost of production rises with the increase in raw material prices, impacting the affordability of steel bottles as manufacturers need to pass on the price rises to the end consumer.

To mitigate the effect of volatility in raw materials prices, manufacturers look at various options, such as long-term contracts, hedging, or diversified sourcing of raw material.

Rising threat from the unorganised sector

As of fiscal 2023, it is estimated that organised players occupy a 35-40% share in the overall steel bottle industry, while the rest is held by unorganised players. Most unorganised manufacturers operate on a small scale and can offer products at low prices, which comes with challenges for the industry as well organised players.

In addition, lack expertise by unorganised players, leading to lack of consistency in the product quality may cause dissatisfaction among customers affecting demand. Secondly, unorganised players engage in price undercutting by offering products at lower costs due to low overheads intensifying the competition among organised players, who operate at a larger scale and have better product quality.

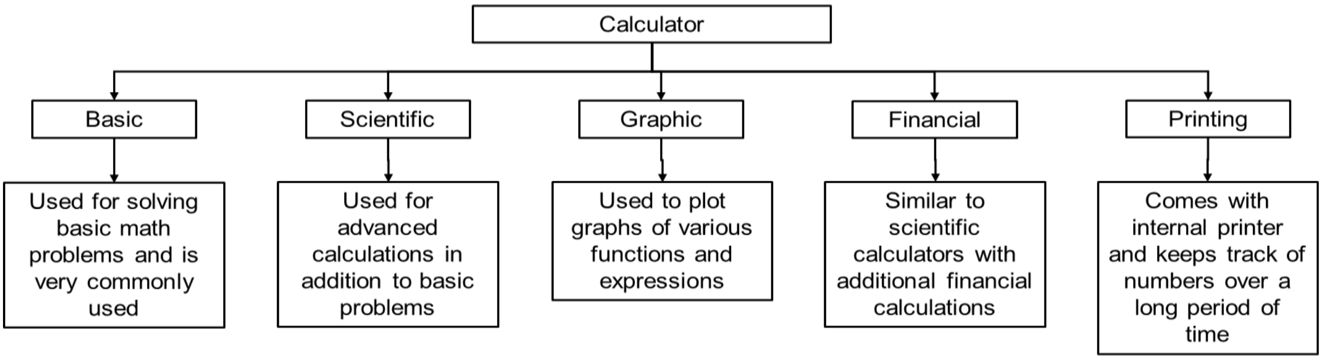
Furthermore, unorganised players mostly rely on imports of steel bottles, whose prices are lower compared with those of domestic manufacturers. This leads to pricing pressure in the industry.

4 Overview of calculator market in India

4.1 Qualitative overview

Calculators are electronic devices that gained popularity in the 1970s for their ability to simplify and accelerate mathematical calculations. Widely utilized in various sectors such as finance, education, and government, calculators also find their usage in fields like engineering, accounting, and business management. With developing countries like India where there is a huge population and several industries are coming up, the opportunity for growth in the calculator's market is huge, which is further bolstered by the constant demand for calculators in education and competitive examinations.

Types of calculators



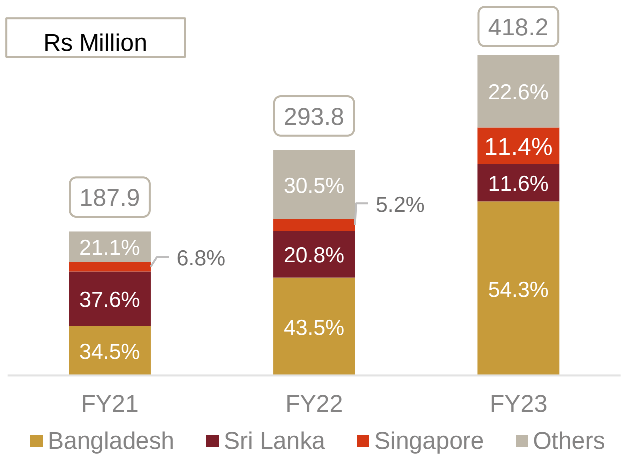
Source: Industry, CRISIL MI&A

That said, embedding of calculators in devices such as mobile handsets, laptops, computers and smart watches pose a threat to the growth of calculators.

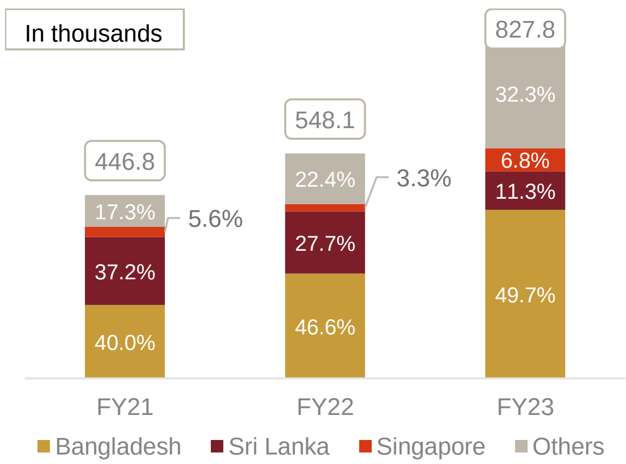
Export of calculators from India

On the export front, on average, India exported calculators totalling Rs 300 million annually from fiscals 2021 to 2023, with exports the highest in fiscal 2023 at ~Rs 418 million, or ~0.8 million units.

Value terms



Volume terms



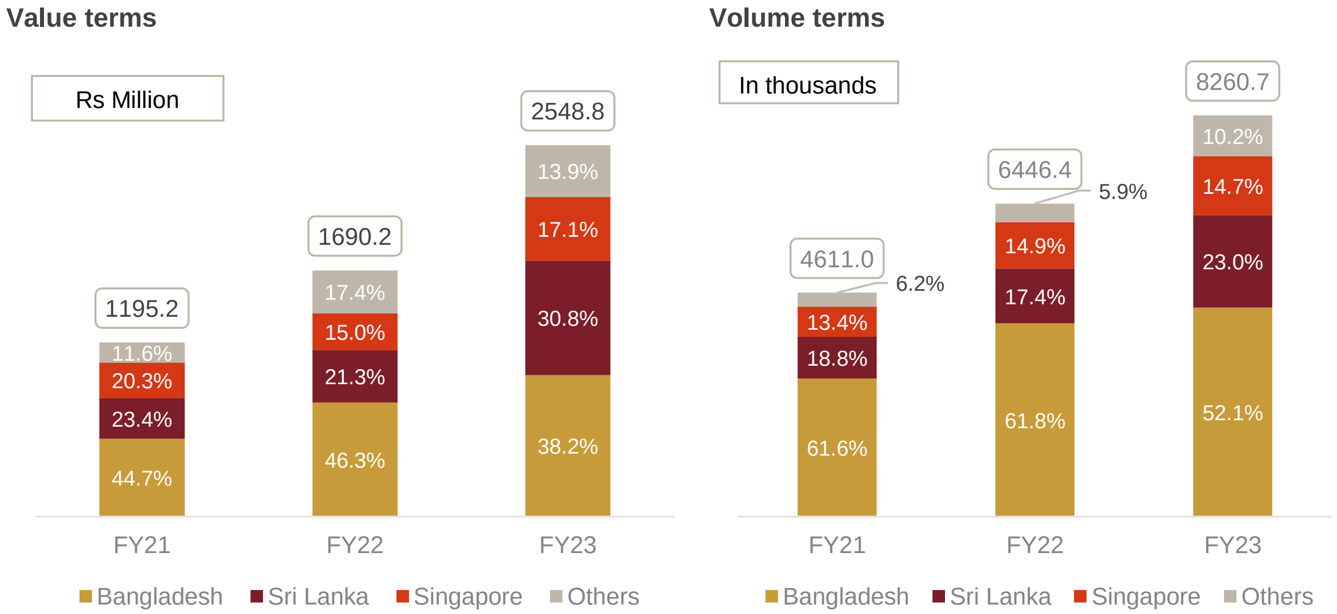
Note: Data compiled based on six-digit series of HS code: 847010, 847021, 847029 and 847030

Source: DGFT, CRISIL MI&A Research

Bangladesh accounted for the largest export destination in fiscals 2021, 2022 and 2023 in value as well as volume terms, followed by Sri Lanka and Singapore, respectively.

Import of calculators to India

India imported calculators totalling Rs 1.8 billion annually over the past three years (average figure for fiscal 2021 to 2023), and, thereby, much higher compared with exports. In fact, imports were the highest in fiscal 2023, at Rs 2.5 billion, or ~8.3 million units.



Note: Data compiled based on six-digit series of HS code: 847010, 847021, 847029 and 847030

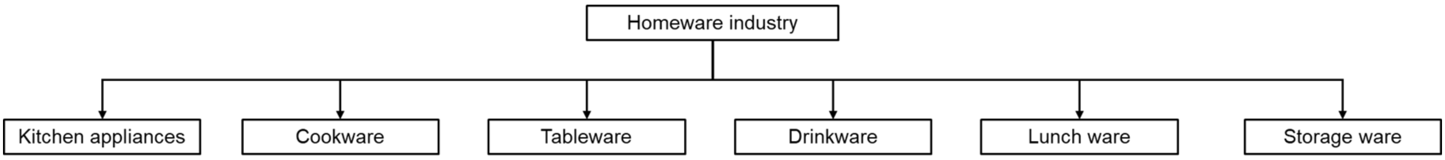
Source: DGFT, CRISIL MI&A

In terms of value, India imports calculators primarily from the Philippines, Thailand and Hong Kong, with the share of the Philippines the highest. That said, the country's share in the import basket has been shrinking since fiscal 2021.

5 Overview of homeware industry in India

The Indian homeware industry offers a diverse range of products that meet the functional and aesthetic needs of households. The homeware industry, with its sub-segments focused on kitchen appliances, cookware, tableware / serve ware, drinkware, lunch ware, and storage ware, caters to the diverse needs and preferences of Indian consumers.

Homeware industry overview



Source: Industry, CRISIL MI&A

Kitchen appliances segment includes wide range of offerings such as refrigerators, microwave ovens, blenders, food processors, toasters, juicers, hobs and electric kettles among others.

Cookware segment forms one of the integral parts of homeware segment. This cookware segment includes products such as rice cookers, pressure cookers, frying pans, saucepans, woks, grills, and cookware accessories.

Tableware/ serve ware segment consists of products such as dishes, bowls, plates, and cutlery. As the name suggests the products in this segment is majorly used in serving and eating meals.

Indian households use wide variety of choices under the **drinkware segment** which consists of products such as tumblers, jugs, mugs, cups, plastic bottles, vacuumed steel bottles, non-vacuumed steel bottles and dispensers.

Lunch ware segment consists of Lunch boxes or tiffin boxes products that are mainly used for storing and carrying food for job goers and among students.

Storage ware segment includes products such as jars, containers, oil dispensers, chillers designed to keep food fresh, protect it from moisture or pests, and maximize shelf life.

5.1 Kitchen appliances form a major portion of Indian homeware industry

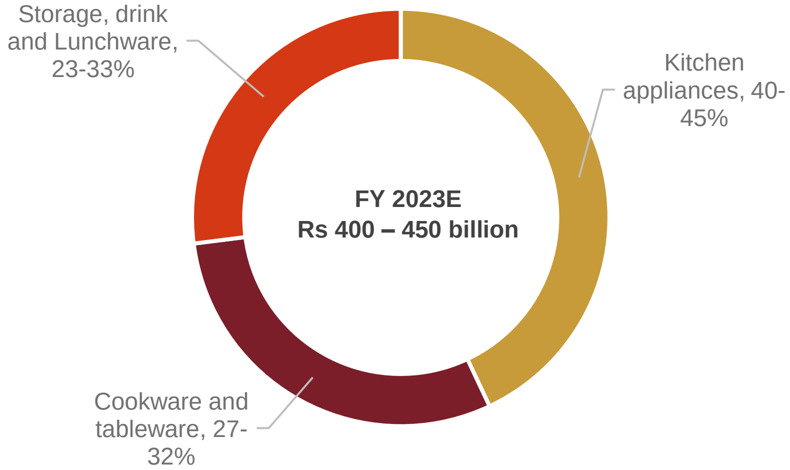
As of fiscal 2023, Indian homeware industry market is estimated to be around Rs 400 – 450 billion. Of this the lion’s share is occupied by the kitchen appliances segment with a share of 40 - 45%. This is followed by cookware and tableware segments which combinedly occupy a share of 27 - 32%, while rest of the industry is occupied by storage ware, drinkware and lunch ware segments with drinkware occupying the highest share among the three.

During the same period of fiscal 2023, steel drinkware occupies a share of 8-10% in the overall Indian homeware industry. Going forward it is expected to occupy a share of 12-14% in the overall Indian homeware industry as of fiscal 2028.

Going forward, the growth in the homeware industry in India is majorly driven by various factors. These include economic factors such as rise in disposable income, growing population and urbanisation. In addition, with increasing emphasis on health, Indian consumer population is getting more health conscious with a greater number of people preferring home cooked food also drives the growth in the industry.

Further growing influence of social media with platforms such as Instagram, Facebook and You tube influencing consumer preferences towards visually appealing and aesthetically pleasing homeware products coupled with influence from celebrity chefs and cooking shows gaining popularity in India also is inspiring the consumer segment to try new cooking techniques, experiment with different cuisines and also to upgrade their household items acts as key driver for the industry.

Indian homeware industry (2023E)



Note:
E: Estimated
Source: Industry, CRISIL MI&A

6 Competitive assessment of key players

Note: Data in this section was obtained from publicly available sources, including annual reports of players, regulatory filings, and/or company websites. The financials in the competitive section have been reclassified by CRISIL MI&A, based on annual reports and financial fillings of players.

6.1 Operating parameters

Segmental presence of key players in the Indian writing and creative instrument Industry

Category of products	Pens	Pencils	Markers /Highlighters	Art and hobby	Calculator	Accessories
A W Faber Castell (India) Pvt Ltd	✓	✓	✓	✓	✗	✓
Add Pens Pvt Ltd	✓	✓	✓	✓	✗	✗
BIC Cello (India) Pvt Ltd	✓	✓	✓	✓	✗	✓
DOMS Industries Pvt Ltd	✓	✓	✓	✓	✗	✓
Elkos Pens Ltd	✓	✓	✓	✓	✗	✓
Flair Writing Industries Ltd	✓	✓	✓	✓	✓	✓
Hamilton Writing Instruments Pvt Ltd	✓	✗	✓	✗	✓	✓
Hindustan Pencils Pvt Ltd	✓	✓	✓	✓	✗	✓
ITC Ltd	✓	✓	✓	✓	✗	✓
Kokuyo Camlin Ltd*	✗	✓	✓	✓	✗	✓
Lexi Private Ltd	✓	✗	✗	✗	✗	✗
Linc Ltd	✓	✓	✓	✗	✓	✓
Luxor Writing Instruments Pvt Ltd	✓	✗	✓	✓	✗	✓
Pental Stationery (India) Pvt Ltd	✓	✓	✓	✓	✗	✓
Pidilite Industries Ltd	✗	✗	✗	✓	✗	✓
Reynolds Pens India Pvt Ltd	✓	✓	✓	✓	✗	✓
Unomax Pens And Stationery Pvt Ltd	✓	✓	✓	✗	✗	✗
William Penn Pvt Ltd	✓	✓	✗	✗	✗	✗

Note: The player list considered for writing and creative instrument industry is indicative not an exhaustive

The above list of players considered are mentioned in a alphabetical order

* Kokuyo Camlin Ltd deals in inks

Source: Company websites, annual reports, CRISIL MI&A

Segmental presence of key players in Indian homeware industry

Category of products	Kitchen appliances	Dinnerware / serve ware	Storage	Drinkware	Lunchboxes	Cookware	Others
Borosil Ltd	✓	✓	✓	✓	✓	✓	✓
Cello Household Products Pvt Ltd	✓	✓	✓	✓	✓	✓	✓
Hamilton Housewares Pvt. Ltd	✓	✓	✓	✓	✓	✓	✓
Placero International Pvt Ltd	✗	✗	✗	✓	✓	✗	✗

Note:

The list of players is indicative and not exhaustive

The above list of players considered are mentioned in a alphabetical order

Kitchen appliances include, but not restricted to, juicer, mixer, grinder, kettle, sandwich maker, airfryer, blenders, choppers

Dinnerware or serveware include, but not restricted to, plates, bowls, dinnersets, cutlery, katoris, baking dishes, casseroles, table accessories

Storage includes, but not restricted to, jars, containers, oil dispensers, chillers

Drinkware include, but not restricted to, tumblers, jugs, mugs, cups, steel bottles, plastic bottles, flasks, dispensers

Lunchboxes include glass lunchboxes, steel lunchboxes, accessories such as carry bags

Cookware inlcudes, but not restricted to, pressure cookers, kadhais, fry pans, sauce pans, tope, steamer and cookware accessories

Also other for**:**

Borosil Ltd includes home décor, such as lights and diffusers, gas stoves, induction cooktop, homecare items, such as iron, UV sterlisers, and other items

Cello Household Products Pvt Ltd includes cleaning aids, bathroom accessories, home essentials and others

Hamilton Housewares Pvt. Ltd includes bathroom essentials, home essentials, HoReCa products and others

Source: Company websites, annual reports, CRISIL MI&A

Distribution network of some players in the writing and creative instruments industry

Company name	Dealers / distributors	Wholesalers / retailers	Source
DOMS Industries Pvt Ltd	4,000+	1,00,000	Rating rationale (May 2022)
Flair Writing Industries Ltd	7,700	3,15,000	Company interaction
Kokuyo Camlin Ltd	1,500	3,00,000	Rating rationale (July 2022)
Linc Ltd*	2,650+	2,40,000	Annual report and concall
Luxor Writing Instruments Pvt Ltd	4,500	80,000	Rating rationale (Jun 2022)

Notes:

The list of players is indicative, and not complete

For Linc Ltd, dealers/distributors data is as of fiscal 2022, while wholesalers/retailers data is as of fiscal 2023

Source: Company websites, annual reports, rating rationale, CRISIL MI&A Research

Export of writing and creative instruments

FY23	Total India exports	Flair Writing Industries Ltd	Share (%)
Exports (Rs Bn)	25.3	1.8	7.1%

Note: Data compiled based on series of HS (harmonised commodity description and coding system) codes which include 960810, 960830, 960850, 960860, 960891, 960899, 960840, 96091000, 960820, 32131000, 90172010, 96033010, 40169200, and 82141010

Source: Ministry of Commerce, CRISIL MI&A

6.2 Financial parameters

CRISIL MI&A has considered the following companies as competitors for Flair Writing Industries. These companies either operate in the same line of business or have the same product portfolioas that of Flair Writing Industries Ltd and available in public domain. However, please note that the peer set considered is an indicative list and not an exhaustive list of players present in the writing and creative instruments industry.

Kindly consider the following nomenclature to be used in further section of report

- BIC Cello (India) Pvt Ltd : BIC Cello
- Kokuyo Camlin Ltd : Camlin
- DOMS Industries Pvt Ltd : DOMS
- Flair Writing Industries Ltd : Flair
- Hindustan Pencils Pvt Ltd : Hindustan Pencils
- Linc Ltd : Linc
- Luxor Writing Instruments Pvt Ltd : Luxor
- Reynolds Pens India Pvt Ltd : Reynolds

Operating income

Operating income (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22	CAGR (FY17-19)	CAGR (FY20-22)	CAGR (FY17-22)
Hindustan Pencils	8,442.8	8,295.1	9,412.3	9,677.0	4,888.7	7,740.5	6%	-11%	-2%
DOMS	3,965.0	4,685.2	5,878.6	6,542.3	4,028.2	6,836.0	22%	2%	12%
Flair*	4,189.8^	5,736.7 (5,168.2)	7,323.9 (6,334.7)	7,251.5 (6,171.6)	2,979.9	5,774.0	32%	-11%	7%
Camlin	6,558.6	6,973.6	6,888.0	6,340.4	4,031.2	5,084.7	2%	-10%	-5%
BIC Cello	5,982.2	5,855.7	5,356.4	4,794.6	2,646.0	4,064.4	-5%	-8%	-7%
Linc	3,601.0	3,402.0	3,712.6	4,050.0	2,586.5	3,592.6	2%	-6%	0%
Luxor	3,174.4	3,310.0	3,483.2	3,650.3	2,317.5	3,341.2	5%	-4%	1%
Reynolds	209.1	889.3	1,669.2	1,926.6	1,922.8	2,987.3	183%	25%	70%

Note:

* As per the agreement(s) entered between Flair Writing Industries Ltd and Reynolds Pens India Pvt Ltd and the Subsidiary – Flair Distributor Pvt Ltd (FDPL). Flair Writing Industries Ltd manufactures products under the brand name Reynolds and sells them to Reynolds Pens India Pvt Ltd. The Subsidiary thereafter buys the said Products from Reynolds for sales and distribution. The values in the brackets indicate operating income excluding the impact from the sale mentioned.

^: The company has an operating income of Rs.1,496.5 million for the period between 12th August 2016 to March 2017. For fiscal 2017 (for period between April 2016 to March 2017) the company has an operating income of Rs. 4,189.8 million.

The numbers are adjusted as per CRISIL standardsThe numbers are adjusted as per CRISIL standards

The table is in the order of high operating income to low operating income basis fiscal 2022 figures

Values for Hindustan Pencils, DOMS, Flair and Luxor are considered on consolidated basis and the rest on standalone basis

indicates the top 3 companies among the players considered for operating income

Source:Annual reports, CRISIL MI&A

Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)

EBITDA (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22	CAGR (FY17-19)	CAGR (FY20-22)	CAGR (FY17-22)
Hindustan Pencils	625.0	483.5	543.2	439.7	93.4	276.1	-7%	-21%	-15%
DOMS	521.8	613.0	738.5	765.8	317.1	721.4	19%	-3%	7%
Flair	857.9	953.9	1,230.1	940.1	235.1	1,025.9	20%	4%	4%
Camlin	235.0	415.2	505.3	369.7	82.3	165.1	47%	-33%	-7%
BIC Cello	(487.8)	(327.7)	(975.6)	(879.0)	(1,397.3)	(1,412.9)	N.M	N.M	N.M
Linc	340.2	257.7	257.0	412.2	113.9	242.0	-13%	-23%	-7%
Luxor	279.2	255.6	344.1	210.1	47.0	72.5	11%	-41%	-24%
Reynolds	(118.9)	(33.6)	(81.0)	(30.1)	192.5	251.6	N.M	N.M	N.M

Note:
NM: Not meaningful, as the base value or final value in the calculation is negative or both values are negative
The table is in the order of high operating income to low operating income basis fiscal 2022 figures
Values for Hindustan Pencils, DOMS, Flair and Luxor are considered on consolidated basis and the rest on standalone basis
EBITDA values doesn't include non-operating income and are adjusted for gain or loss from foreign exchange fluctuations
The numbers are adjusted as per CRISIL standards
Source:Annual reports, CRISIL MI&A

EBITDA margin

Operating margin (%)	FY17	FY18	FY19	FY20	FY21	FY22
Hindustan Pencils	7.4	5.8	5.8	4.5	1.9	3.6
DOMS	13.2	13.1	12.6	11.7	7.9	10.6
Flair	20.5	16.6	16.8	13.0	7.9	17.8
Camlin	3.6	6.0	7.3	5.8	2.0	3.2
BIC Cello	(8.2)	(5.6)	(18.2)	(18.3)	(52.8)	(34.8)
Linc	9.4	7.6	6.9	10.2	4.4	6.7
Luxor	8.8	7.7	9.9	5.8	2.0	2.2
Reynolds	(56.9)	(3.8)	(4.9)	(1.6)	10.0	8.4

Note:
The table is in the order of high operating income to low operating income basis fiscal 2022 figures
Values for Hindustan Pencils, DOMS, Flair and Luxor are considered on consolidated basis and the rest on standalone basis
EBITDA values does not include the non-operating income for the company and are adjusted for gain or loss from foreign exchange fluctuations
EBITDA margin = EBITDA / Opearting income
The numbers are adjusted as per CRISIL standards
Source:Annual reports, CRISIL MI&A

Profit after tax

PAT (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22	CAGR (FY17-19)	CAGR (FY20-22)	CAGR (FY17-22)
Hindustan Pencils	45.0	28.4	84.3	82.7	(53.8)	67.9	37%	-9%	9%
DOMS	241.1	273.1	328.4	376.0	(60.3)	171.4	17%	-32%	-7%
Flair	502.4	492.6	661.7	379.4	9.9	551.5	15%	21%	2%
Camlin	15.0	98.2	152.0	43.6	(146.2)	(47.3)	219%	N.M	N.M
BIC Cello	(1,500.6)	(1,138.1)	(1,821.1)	(812.4)	(2,154.6)	(1,620.5)	N.M	N.M	N.M
Linc	172.6	78.4	54.5	192.5	0.4	81.3	-44%	-35%	-14%
Luxor	32.5	45.7	47.1	14.3	(94.1)	(50.4)	20%	N.M	N.M
Reynolds	(140.7)	(129.1)	(167.6)	(112.0)	(21.5)	150.4	N.M	N.M	N.M

Note:
The table is in the order of high operating income to low operating income basis fiscal 2022 figures
NM: Not meaningful, as base value or final value in the calculation is negative or both values are negative
Values for Hindustan Pencils, DOMS, Flair and Luxor are considered on consolidated basis and the rest on standalone basis
The numbers are adjusted as per CRISIL standards
Source:Annual reports, CRISIL MI&A

Profit after tax margin

PAT margin (%)	FY17	FY18	FY19	FY20	FY21	FY22
Hindustan Pencils	0.5	0.3	0.9	0.9	(1.1)	0.9
DOMS	6.1	5.8	5.6	5.7	(1.5)	2.5
Flair	12.0	8.6	9.0	5.2	0.3	9.6
Camlin	0.2	1.4	2.2	0.7	(3.6)	(0.9)
BIC Cello	(25.1)	(19.4)	(34.0)	(16.9)	(81.4)	(39.9)
Linc	4.8	2.3	1.5	4.8	0.0	2.3
Luxor	1.0	1.4	1.4	0.4	(4.1)	(1.5)
Reynolds	(67.3)	(14.5)	(10.0)	(5.8)	(1.1)	5.0

Note:
The table is in the order of high operating income to low operating income basis fiscal 2022 figures
Values for Hindustan Pencils, DOMS, Flair and Luxor are considered on consolidated basis and the rest on standalone basis
The numbers are adjusted as per CRISIL standards
Source: Annual reports, CRISIL MI&A

Snapshot of key ratios considered (FY2022)

FY22	EBITDA margin (%)	PAT margin (%)	ROCE (%)	ROE (%)	Current ratio (times)
Hindustan Pencils	3.6	0.9	**9.1**	5.2	1.5
DOMS	**10.6**	**2.5**	**10.2**	**6.9**	1.2
Flair	**17.8**	**9.6**	**19.6**	**19.2**	**2.3**
Camlin	3.2	(0.9)	(0.2)	(2.0)	1.6
BIC Cello	(34.8)	(39.9)	(37.6)	(38.3)	1.3

FY22	EBITDA margin (%)	PAT margin (%)	ROCE (%)	ROE (%)	Current ratio (times)
Linc	6.7	2.3	7.8	5.9	**2.1**
Luxor	2.2	(1.5)	1.5	(5.4)	1.0
Reynolds	**8.4**	**5.0**	6.8	**6.2**	**2.8**

Note:

The numbers are adjusted as per CRISIL standards

The table is in the order of high operating income to low operating income basis fiscal 2022 figures

Values for Hindustan Pencils, DOMS, Flair and Luxor are considered on consolidated basis and the rest on standalone basis

EBITDA values does not include the non-operating income for the company and are adjusted for gain or loss from foreign exchange fluctuations

indicates the top 3 companies among the players considered and in the ratio considered

Source:Annual reports, CRISIL MI&A

Snapshot of FY23 financials

FY23	Operating income (Rs Mn)	PAT (Rs Mn)	PAT margin (%)
Flair	9,426.6	1,181.0	12.5%
Camlin*	7,749.4	244.5	3.2%
Linc*	4,867.6	374.0	7.7%

Note:

*The numbers are not adjusted as per CRISIL standards

Values for Flair are considered on a consolidated basis and the rest on standalone basis

The table is in the order of high operating income to low operating income basis fiscal 2023 figures

FY23 financials for Hindustan Pencils, DOMS, BIC Cello, Luxor and Reynolds are not available

Source:Annual reports, CRISIL MI&A

Key observations in the writing and creative instruments industry

- As of fiscal 2023, Flair Writing Instruments was among the key manufacturers of pens writing instruments in India
- Flair Writing Instruments is the largest player in pens segment reporting a revenue of Rs. 7,541.8 Mn in fiscal 2023 from the pens writing instrument segment
- Flair Writing Instruments is among the top 3 player in overall writing instruments industry with revenue of Rs. 9,155.5 Mn in fiscal 2023. DOMS Industries, Kokoyu Camlin and Hindustan pencils are the other key top players in terms of revenue in the overall writing instruments industry
- Flair Writing Instruments is among the top 2 organised players which have seen faster growth in revenue as compared to overall writing and creative instrument industry growth rate of 5.5% from fiscal 2017 to fiscal 2023. Flair Writing Instruments grew at CAGR of ~14% from fiscal 2017 to fiscal 2023. Refer to table of 'G*rowth of key seven players in organised writing and creative instrument industry'.*
- As of fiscal 2023, Flair Writing Instruments had one of the largest distributor/dealer networks in the writing instruments segment in India, comprising over 7,748 distributors and 3,16,863 wholesalers and retailers
- The domestic writing and creative instruments industry is expected to reach Rs 140-145 billion by fiscal 2028, with pens as the largest category within the space (~44% share as of fiscal 2023) projected to grow at 7.5-8.5%

CAGR between fiscals 2023 and 2028. Organised players in the writing and creative instruments industry are expected to grow faster, at 8.3-8.5% CAGR during the same period.

- Writing instruments offered in bundled packs of five pieces or more offer retailers the benefit of multiple-unit pricing, which creates a better value proposition for mass-market consumers
- Modern retail is occupying a growing share of the retail market for the writing and creative instruments industry in India
- As of fiscal 2023, Flair writing instruments Limited, occupies a market share of ~9% in the overall writing and creative instruments industry in India.
- Flair Writing Instruments reported the highest operating and net income margins of 17.8% and 9.6% respectively in fiscal 2022 among the writing instruments players considered.

Addendum I dated 25th October 2023 to the report "Assessment of writing and creative instruments industry and steel bottle industry in India"

The following section is an addendum I to the report, 'Assessment of writing and creative instruments industry and steel bottle industry in India'' as of 25th October 2023. CRISIL MI&A has provided this addendum to cover relevant competition analysis of key for fiscal 2023. All other sections of the original report remain unchanged. In the current addendum, Cello World Limited has been added as a competitor as per observations provided by SEBI.

7 Competitive assessment of key players

Note: Data in this section was obtained from publicly available sources, including annual reports of players, regulatory filings, and/or company websites. The financials in the competitive section have been reclassified by CRISIL MI&A, based on annual reports and financial fillings of players.

7.1 Operating parameters

Segmental presence of key players in the Indian writing and creative instrument Industry

Category of products	Pens	Pencils	Markers /Highlighters	Art and hobby	Calculator	Accessories
A W Faber Castell (India) Pvt Ltd	✓	✓	✓	✓	✗	✓
Add Pens Pvt Ltd	✓	✓	✓	✓	✗	✗
BIC Cello (India) Pvt Ltd	✓	✓	✓	✓	✗	✓
DOMS Industries Pvt Ltd	✓	✓	✓	✓	✗	✓
Elkos Pens Ltd	✓	✓	✓	✓	✗	✓
Flair Writing Industries Ltd	✓	✓	✓	✓	✓	✓
Hamilton Writing Instruments Pvt Ltd	✓	✗	✓	✗	✓	✓
Hindustan Pencils Pvt Ltd	✓	✓	✓	✓	✗	✓
ITC Ltd	✓	✓	✓	✓	✗	✓
Kokuyo Camlin Ltd*	✗	✓	✓	✓	✗	✓
Lexi Private Ltd	✓	✗	✗	✗	✗	✗
Linc Ltd	✓	✓	✓	✗	✓	✓
Luxor Writing Instruments Pvt Ltd	✓	✗	✓	✓	✗	✓
Pental Stationery (India) Pvt Ltd	✓	✓	✓	✓	✗	✓
Pidilite Industries Ltd	✗	✗	✗	✓	✗	✓
Reynolds Pens India Pvt Ltd	✓	✓	✓	✓	✗	✓
Unomax Stationery Pvt Ltd^	✓	✓	✓	✗	✗	✗
William Penn Pvt Ltd	✓	✓	✗	✗	✗	✗

Note: The player list considered for writing and creative instrument industry is indicative not an exhaustive

The above list of players considered are mentioned in a alphabetical order

^ Unomax Stationery Pvt Ltd is a subsidiary of Cello World Limited operating in writing and creative instrument industry

^ Pursuant to a business transfer agreement dated 1st November, 2022, entered into between Unomax Stationery Private Limited and one of its related parties, Unomax Pens & Stationery Private Limited (UPSPL), UPSPL has transferred to Unomax Stationery Private Limited

* Kokuyo Camlin Ltd deals in inks

Source: Company websites, annual reports, CRISIL MI&A

Segmental presence of key players in Indian homeware industry

Category of products	Kitchen appliances	Dinnerware / serve ware	Storage	Drinkware	Lunchboxes	Cookware	Others
Borosil Ltd	✓	✓	✓	✓	✓	✓	✓
Cello Household Products Pvt Ltd	✓	✓	✓	✓	✓	✓	✓
Hamilton Housewares Pvt. Ltd	✓	✓	✓	✓	✓	✓	✓
Placero International Pvt Ltd	✗	✗	✗	✓	✓	✗	✗

Note:

The list of players is indicative and not exhaustive

The above list of players considered are mentioned in a alphabetical order

Kitchen appliances include, but not restricted to, juicer, mixer, grinder, kettle, sandwich maker, airfryer, blenders, choppers

Dinnerware or serveware include, but not restricted to, plates, bowls, dinnersets, cutlery, katoris, baking dishes, casseroles, table accessories

Storage includes, but not restricted to, jars, containers, oil dispensers, chillers

Drinkware include, but not restricted to, tumblers, jugs, mugs, cups, steel bottles, plastic bottles, flasks, dispensers

Lunchboxes include glass lunchboxes, steel lunchboxes, accessories such as carry bags

Cookware inlcudes, but not restricted to, pressure cookers, kadhais, fry pans, sauce pans, tope, steamer and cookware accessories

Also other for**:**

Borosil Ltd includes home décor, such as lights and diffusers, gas stoves, induction cooktop, homecare items, such as iron, UV sterlisers, and other items

Cello Household Products Pvt Ltd includes cleaning aids, bathroom accessories, home essentials and others

Hamilton Housewares Pvt. Ltd includes bathroom essentials, home essentials, HoReCa products and others

Source: Company websites, annual reports, CRISIL MI&A

Distribution network of some players in the writing and creative instruments industry

Company name	Dealers / distributors	Wholesalers / retailers	Source
DOMS Industries Pvt Ltd	3850+	1,15,000+	DRHP in Aug'23 (as of 31st Mar'2023)
Flair Writing Industries Ltd	7,700	3,15,000	Company interaction
Kokuyo Camlin Ltd	1,500	3,00,000	Rating rationale (July 2022)
Linc Ltd	2,862	2,41,000+	Annual report
Luxor Writing Instruments Pvt Ltd	4,500	80,000	Rating rationale (Jun 2022)
Reynolds Pens India Pvt Ltd	1800+	-	Official website
Unomax Stationery Pvt Ltd^	1,509	60,826	RHP in Oct'23 (as of 30th June, 2023)

Notes:

The list of players is indicative, and not completed

^ Unomax Stationery Pvt Ltd is a subsidiary of Cello World Limited operating in writing and creative instrument industry

^ Pursuant to a business transfer agreement dated 1st November 2022, entered into between Unomax Stationery Private Limited and one of its related parties, Unomax Pens & Stationery Private Limited (UPSPL), UPSPL has transferred to Unomax Stationery Private Limited

Source: Company websites, annual reports, rating rationale, CRISIL MI&A Research

Export of writing and creative instruments

FY23	Total India exports	Flair Writing Industries Ltd	Share (%)
Exports (Rs Bn)	25.3	1.8	7.1%

Note: Data compiled based on series of HS (harmonised commodity description and coding system) codes which include 960810, 960830, 960850, 960860, 960891, 960899, 960840, 96091000, 960820, 32131000, 90172010, 96033010, 40169200, and 82141010

Source: Ministry of Commerce, CRISIL MI&A

7.2 Financial parameters

CRISIL MI&A has considered the following companies as competitors for Flair Writing Industries. These companies either operate in the same line of business or have the same product portfolioas that of Flair Writing Industries Ltd and available in public domain. However, please note that the peer set considered is an indicative list and not an exhaustive list of players present in the writing and creative instruments industry.

Kindly consider the following nomenclature to be used in further section of report

- BIC Cello (India) Pvt Ltd : BIC Cello
- Kokuyo Camlin Ltd : Camlin
- DOMS Industries Pvt Ltd : DOMS
- Flair Writing Industries Ltd : Flair
- Hindustan Pencils Pvt Ltd : Hindustan Pencils
- Linc Ltd : Linc
- Luxor Writing Instruments Pvt Ltd : Luxor
- Reynolds Pens India Pvt Ltd : Reynolds
- Cello World Limited : Cello World

Operating income

Operating income (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	CAGR (FY17-19)	CAGR (FY20-22)	CAGR (FY17-22)	CAGR (FY20-23)
Hindustan Pencils	8,442.8	8,295.1	9,412.3	9,677.0	4,888.7	7,740.5	N.A	6%	-11%	-2%	N.A
DOMS	3,965.0	4,685.2	5,878.6	6,542.3	4,028.2	6,836.0	12,118.9	22%	2%	12%	23%
Flair*	4,189.8^	5,736.7 (5,168.2)	7,323.9 (6,334.7)	7,251.5 (6,171.6)	2,979.9	5,774.0	9,426.6	32%	-11%	7%	9%
Camlin	6,558.6	6,973.6	6,888.0	6,340.4	4,031.2	5,084.7	7,749.4	2%	-10%	-5%	7%
BIC Cello	5,982.2	5,855.7	5,356.4	4,794.6	2,646.0	4,064.4	N.A	-5%	-8%	-7%	N.A
Linc	3,601.0	3,402.0	3,712.6	4,050.0	2,586.5	3,592.6	4,867.5	2%	-6%	0%	6%
Luxor	3,174.4	3,310.0	3,483.2	3,650.3	2,317.5	3,341.2	N.A	5%	-4%	1%	N.A
Reynolds	209.1	889.3	1,669.2	1,926.6	1,922.8	2,987.3	N.A	183%	25%	70%	N.A
Cello world #	N.A$	N.A$	N.A$	N.A$	10,494.6	13,591.8	17,967.0	N.Ap	N.Ap	N.Ap	N.Ap

Note: N.A – Not avalable, N.Ap – Not Applicable

* As per the agreement(s) entered between Flair Writing Industries Ltd and Reynolds Pens India Pvt Ltd and the Subsidiary – Flair Distributor Pvt Ltd (FDPL). Flair Writing Industries Ltd manufactures products under the brand name Reynolds and sells them to Reynolds Pens India Pvt Ltd. The Subsidiary thereafter buys the said Products from Reynolds for sales and distribution. The values in the brackets indicate operating income excluding the impact from the sale mentioned.

^: The company has an operating income of Rs.1,496.5 million for the period between 12th August 2016 to March 2017. For fiscal 2017 (for period between April 2016 to March 2017) the company has an operating income of Rs. 4,189.8 million.

Values are as per RHP document dated 21st October 2023. The values mentioned are for overall business of the company which include consumerware, Writing instruments and stationary and Molded Furniture and Allied Products.

$ Not Available as per the RHP document dated 21st October 2023

The numbers are adjusted as per CRISIL standards

The table is in the order of high operating income to low operating income basis fiscal 2022 figures

Values for Hindustan Pencils, DOMS, Flair, Cello World and Luxor are considered on consolidated basis and the rest on standalone basis

indicates the top 3 companies among the players considered for operating income

Source:Annual reports, CRISIL MI&A

Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)

EBITDA (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	CAGR (FY17-19)	CAGR (FY20-22)	CAGR (FY17-22)	CAGR (FY20-23)
Hindustan Pencils	625.0	483.5	543.2	439.7	93.4	276.1	N.A	-7%	-21%	-15%	N.A
DOMS	521.8	613.0	738.5	765.8	317.1	721.4	1,893.4	19%	-3%	7%	35%
Flair	857.9	953.9	1,230.1	940.1	235.1	1,025.9	1,921.16	20%	4%	4%	27%
Camlin	235.0	415.2	505.3	369.7	82.3	167.3	543.7	47%	-33%	-7%	14%
BIC Cello	(487.8)	(327.7)	(975.6)	(879.0)	(1,397.3)	(1,412.9)	N.A	N.M	N.M	N.M	N.A
Linc	340.2	257.7	257.0	412.2	113.9	242.0	638.7	-13%	-23%	-7%	16%
Luxor	279.2	255.6	344.1	210.1	47.0	72.5	N.A	11%	-41%	-24%	N.A
Reynolds	(118.9)	(33.6)	(81.0)	(30.1)	192.5	251.6	N.A	N.M	N.M	N.M	N.A
Cello world #	N.A$	N.A$	N.A$	N.A$	2,869.0	3,495.0	4,373.0	N.Ap	N.Ap	N.Ap	N.Ap

Note: N.A – Not avalable, N.Ap – Not Applicable

NM: Not meaningful, as the base value or final value in the calculation is negative or both values are negative

The table is in the order of high operating income to low operating income basis fiscal 2022 figures

Values for Hindustan Pencils, DOMS, Flair, Cello World and Luxor are considered on consolidated basis and the rest on standalone basis

EBITDA values doesn't include non-operating income and are adjusted for gain or loss from foreign exchange fluctuations

The numbers are adjusted as per CRISIL standards

Values are as per RHP document dated 21st October 2023. The values mentioned are for overall business of the company which include consumerware, Writing instruments and stationary and Molded Furniture and Allied Products.

$ Not Available as per the RHP document dated 21st October 2023

Source:Annual reports, CRISIL MI&A

EBITDA margin

EBITDA margin (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Hindustan Pencils	7.4	5.8	5.8	4.5	1.9	3.6	N.A
DOMS	13.2	13.1	12.6	11.7	7.9	10.6	15.6
Flair	20.5	16.6	16.8	13.0	7.9	17.8	20.4
Camlin	3.6	6.0	7.3	5.8	2.0	3.3	7.0
BIC Cello	(8.2)	(5.6)	(18.2)	(18.3)	(52.8)	(34.8)	N.A
Linc	9.4	7.6	6.9	10.2	4.4	6.7	13.1
Luxor	8.8	7.7	9.9	5.8	2.0	2.2	N.A
Reynolds	(56.9)	(3.8)	(4.9)	(1.6)	10.0	8.4	N.A
Cello world #	N.A$	N.A$	N.A$	N.A$	27.3	25.7	24.3

Note: N.A Not available

The table is in the order of high operating income to low operating income basis fiscal 2022 figures

Values for Hindustan Pencils, DOMS, Flair, Cello World and Luxor are considered on consolidated basis and the rest on standalone basis

EBITDA values does not include the non-operating income for the company and are adjusted for gain or loss from foreign exchange fluctuations

EBITDA margin = EBITDA / Opearting income

Values are as per RHP document dated 21st October 2023. The values mentioned are for overall business of the company which include consumerware, Writing instruments and stationary and Molded Furniture and Allied Products.

$ Not Available as per the RHP document dated 21st October 2023

The numbers are adjusted as per CRISIL standards

Source:Annual reports, CRISIL MI&A

Profit after tax

PAT (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	CAGR (FY17-19)	CAGR (FY20-22)	CAGR (FY17-22)	CAGR (FY20-23)
Hindustan Pencils	45.0	28.4	84.3	82.7	(53.8)	67.9	N.A	37%	-9%	9%	N.A -
DOMS	241.1	273.1	328.4	376.0	(60.3)	171.4	1,028.7	17%	-32%	-7%	40%
Flair	502.4	492.6	661.7	379.4	9.9	551.5	1181.0	15%	21%	2%	46%
Camlin	15.0	98.2	152.0	43.6	(146.2)	(47.3)	244.5	219%	N.M	N.M	78%
BIC Cello	(1,500.6)	(1,138.1)	(1,821.1)	(812.4)	(2,154.6)	(1,620.5)	N.A	N.M	N.M	N.M	N.A
Linc	172.6	78.4	54.5	192.5	0.4	81.3	374.0	-44%	-35%	-14%	25%
Luxor	32.5	45.7	47.1	14.3	(94.1)	(50.4)	N.A	20%	N.M	N.M	N.A
Reynolds	(140.7)	(129.1)	(167.6)	(112.0)	(21.5)	150.4	N.A	N.M	N.M	N.M	N.A
Cello world #	N.A$	N.A$	N.A$	N.A$	1,655.0	2,195.0	2,851.0	N.Ap	N.Ap	N.Ap	N.Ap

Note: N.A – not available, N.Ap – Not Applicable

The table is in the order of high operating income to low operating income basis fiscal 2022 figures

NM: Not meaningful, as base value or final value in the calculation is negative or both values are negative

Values for Hindustan Pencils, DOMS, Flair, Cello World and Luxor are considered on consolidated basis and the rest on standalone basis

Values are as per RHP document dated 21st October 2023. The values mentioned are for overall business of the company which include consumerware, Writing instruments and stationary and Molded Furniture and Allied Products.

$ Not Available as per the RHP document dated 21st October 2023

The numbers are adjusted as per CRISIL standards

Source:Annual reports, CRISIL MI&A

Profit after tax margin

PAT margin (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Hindustan Pencils	0.5	0.3	0.9	0.9	(1.1)	0.9	N.A
DOMS	6.1	5.8	5.6	5.7	(1.5)	2.5	8.5
Flair	12.0	8.6	9.0	5.2	0.3	9.6	12.5
Camlin	0.2	1.4	2.2	0.7	(3.6)	(0.9)	3.2
BIC Cello	(25.1)	(19.4)	(34.0)	(16.9)	(81.4)	(39.9)	N.A
Linc	4.8	2.3	1.5	4.8	0.0	2.3	7.7
Luxor	1.0	1.4	1.4	0.4	(4.1)	(1.5)	N.A
Reynolds	(67.3)	(14.5)	(10.0)	(5.8)	(1.1)	5.0	N.A
Cello world #	N.A$	N.A$	N.A$	N.A$	15.8	16.2	15.9

Note: N.A – not available

The table is in the order of high operating income to low operating income basis fiscal 2022 figures

Values for Hindustan Pencils, DOMS, Flair, Cello World and Luxor are considered on consolidated basis and the rest on standalone basis

Values are as per RHP document dated 21st October 2023. The values mentioned are for overall business of the company which include consumerware, Writing instruments and stationary and Molded Furniture and Allied Products.

$ Not Available as per the RHP document dated 21st October 2023

The numbers are adjusted as per CRISIL standards

Source: Annual reports, CRISIL MI&A

Snapshot of key ratios considered (FY2022)

FY22	EBITDA margin (%)	PAT margin (%)	ROCE (%)	ROE (%)	Current ratio (times)
Hindustan Pencils	3.6	0.9	9.1	5.2	1.5
DOMS	**10.6**	**2.5**	**10.2**	**6.9**	1.2
Flair	**17.8**	**9.6**	**19.6**	**19.2**	**2.3**
Camlin	3.2	(0.9)	(0.2)	(2.0)	1.6
BIC Cello	(34.8)	(39.9)	(37.6)	(38.3)	1.3
Linc	6.7	2.3	7.8	5.9	**2.1**
Luxor	2.2	(1.5)	1.5	(5.4)	1.0
Reynolds	**8.4**	**5.0**	6.8	**6.2**	**2.8**
Cello World #	**25.7**	**16.2**	**40.9**	N.A	1.0

Note:

The numbers are adjusted as per CRISIL standards

The table is in the order of high operating income to low operating income basis fiscal 2022 figures

Values for Hindustan Pencils, DOMS, Flair, Cello World and Luxor are considered on consolidated basis and the rest on standalone basis

EBITDA values does not include the non-operating income for the company and are adjusted for gain or loss from foreign exchange fluctuations

Values are as per RHP document dated 21st October 2023. The values mentioned are for overall business of the company which include consumerware, Writing instruments and stationary and Molded Furniture and Allied Products.

N.A : Not Applicable as equity for the company is negative as disclosed in the RHP document filed 21st October 2023

indicates the top 3 companies among the players considered and in the ratio considered

Source:Annual reports, CRISIL MI&A

Snapshot of key ratios considered (FY2023)

FY23	Gross margin (%)	EBITDA margin (%)	PAT margin (%)	ROCE (%)	ROE (%)	Current ratio (times)
DOMS	37	15.6	8.5	38.2	33.8	1.2
Flair	46	20.4	12.5	33.3	31.6	2.2
Camlin	37	7.0	3.2	12.7	9.9	1.6
Linc	39	13.1	7.7	31.0	23.5	2.6
Cello World #	50	24.3	15.9	44.5	134.43	2.2

Note:

The numbers are adjusted as per CRISIL standards

Values for DOMS, Cello World and Flair are considered on consolidated basis and the rest on standalone basis

Values are as per RHP document dated 21st October 2023. The values mentioned are for overall business of the company which include consumerware, Writing instruments and stationary and Molded Furniture and Allied Products.

EBITDA values does not include the non-operating income for the company and are adjusted for gain or loss from foreign exchange fluctuations

Source:Annual reports, CRISIL MI&A

Snapshot of Q1FY24 financials

Q1FY24	Operating income (Rs Mn)	PAT (Rs Mn)	PAT Margin %
Flair	2,467.0	321.4	13%
Camlin	2,357.9	183.7	8%
Linc	1,118.8	73.9	7%
Cello World #	4,717.79	828.42	18%

Note: Values for Flair and Cello World are considered on a consolidated basis and the rest on standalone basis

Values are as per RHP document dated 21st October 2023. The values mentioned are for overall business of the company which include consumerware, Writing instruments and stationary and Molded Furniture and Allied Products.

Q1FY24 financials for Hindustan Pencils, DOMS, BIC Cello, Luxor and Reynolds are not available

Source:Quarterly reports, CRISIL MI&A

Other key metrics : Revenue generated from pens segment

FY22	Revenue from pens segment (Rs Mn)	Overall operating income for the company (Rs Mn)
Hindustan Pencils	912.4	7,740.5
DOMS	N.A	6,836.0
Flair	4,833.1	5,774.0
Camlin	N.A	5,084.7
BIC Cello	N.A	4,064.4
Linc^	3,078.8	3,592.6
Luxor	N.A	3,341.2
Reynolds	N.A	2,987.3
Cello World #	N.A	1,693.4*
Elkos Pens Ltd	N.A	1,460.0
Hamilton Writing Instruments	N.A	888.0
Lexi Private Ltd	N.A	384.0
Add Pens Pvt Ltd	N.A	181.0
ITC Limited	Refer to note below	652,049.6
Pidilite Industries	Refer to note below	89,360.0
Pental Stationary	Refer to note below	10-1000 MN
William Penn	Refer to note below	10-1000 MN

Note:

Other players such as Pental Stationary, William Penn have revenue less than Rs. 1000 Mn.

Pidillite Industries reported operating revenue of ~Rs.6,500 Mn in FY23 and ~Rs. 4,900 Mn in FY22 from Art & Craft Materials segment and the company is largely into creative writing instruments segment.

ITC Limited reported revenue of Rs. 33,412 Mn in FY23 and Rs. 27,935.3 Mn in FY22 from Education and Stationery Products, Personal Care Products, Safety Matches, Agarbattis etc. segment (Other FMCG non-food). Within education and stationery product segment, ITC has large contribution from notebooks and diaries category. As per Industry sourcing, CRISIL believes, ITC would have less than 10% revenue from the above mentioned segment revenue from pens category.

DOMS Industries is largely present in pencils segment and has approximately 5.3% manufacturing capacities dedicated to pens category and hence pens segment revenue is expected to less than 10%.

Camlin has large presence in arts and craft / creative writing instruments segment based on product information provided by the company.

Based on analysis of operating income, pens segment revenue and above key insights, CRISIL has estimated Flair pens to have higher market share in pens segment in India.

^value inlcudes revenue from pens and refills

Values are as per RHP document filed 21st October 2023

* Value mentioned indicates operating revenue generated by the company from writing instruments and stationary segment during the period

N.A: Not Available as similar data is not disclosed by player considered above

Source: Annual reports, CRISIL MI&A

FY23	Revenue from pens segment (Rs Mn)	Overall operating income for the company (Rs Mn)
Hindustan Pencils	N.A	N.A
DOMS	N.A	12,118.9
Flair	7,541.8	9,426.6
Camlin	N.A	7,749.4
BIC Cello	N.A	N.A
Linc^	4,198.9	4,867.5
Luxor	N.A	N.A
Reynolds	N.A	N.A
Cello World #	N.A	2,850.0*
Elkos Pens Ltd	N.A	N.A
Hamilton Writing Instruments	N.A	N.A
Lexi Private Ltd	N.A	N.A
Add Pens Pvt Ltd	N.A	N.A
ITC Limited	Refer to note below	758,265.8
Pidilite Industries	Refer to note below	106,600.0
Pental Stationary	Refer to note below	10-1000 MN
William Penn	Refer to note below	10-1000 MN

Note:

Other players such as Pental Stationary, William Penn have revenue less than Rs. 1000 Mn.

Pidillite Industries reported operating revenue of ~Rs.6,500 Mn in FY23 and ~Rs. 4,900 Mn in FY22 from Art & Craft Materials segment and the company is largely into creative writing instruments segment.

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DOMS Industries is largely present in pencils segment and has approximately 5.3% manufacturing capacities dedicated to pens category and hence pens segment revenue is expected to less than 10%.

Camlin has large presence in arts and craft / creative writing instruments segment based on product information provided by the company.

Based on analysis of operating income, pens segment revenue and above key insights, CRISIL has estimated Flair pens to have higher market share in pens segment in India.

^value inlcudes revenue from pens and refills

Values are as per RHP document filed 21st October 2023

* Value mentioned indicates operating revenue generated by the company from writing instruments and stationary segment during the period

N.A: Not Available

Source: Annual reports, CRISIL MI&A

Revenue generated from overall exports

Company	FY22 Revenue (Rs Mn)	FY23 Revenue (Rs Mn)
Hindustan Pencils	1,664.6	N.A
DOMS	1,647.3	2,575.7
Flair	1,345.6	1,847.0
Camlin	213.5	327.0
BIC Cello	1,320.4	N.A
Linc	756.0	1,014.1
Luxor	168.6	N.A
Reynolds	206.5	N.A
Cello World #	1,263.0	1,402.1

Note:

Values are as per RHP document filed 21st October 2023

Source: Annual reports, CRISIL MI&A

Volume of pens manufactured

FY23	Overall manufacturing (Mn units)	Domestic (Mn units)	Exports (Mn units)
Hindustan Pencils	N.A	N.A	N.A
DOMS	232.6	N.A	N.A
Flair	1,303.6	975.3	328.3
Camlin	N.A	N.A	N.A
BIC Cello	N.A	N.A	N.A
Linc	N.A	N.A	N.A
Luxor	N.A	N.A	N.A
Reynolds	N.A	N.A	N.A
Cello World	N.A	N.A	N.A

Note:

N.A: Not Available as similar data is not disclosed by player considered

Source: Annual reports, CRISIL MI&A

Key observations in the writing and creative instruments industry

- As of fiscal 2023, Flair Writing Instruments was among the key manufacturers of pens writing instruments in India
- Flair Writing Instruments is the largest player in pens segment reporting a revenue of Rs. 7,541.8 Mn in fiscal 2023 from the pens writing instrument segment
- Flair Writing Instruments is among the top 3 player in overall writing instruments industry with revenue of Rs. 9,155.5 Mn in fiscal 2023. DOMS Industries, Kokoyu Camlin and Hindustan pencils are the other key top players in terms of revenue in the overall writing instruments industry.
- Flair Writing Instruments is among the top 2 organised players which have seen faster growth in revenue as compared to overall writing and creative instrument industry growth rate of 5.5% from fiscal 2017 to fiscal 2023. Flair Writing Instruments grew at CAGR of ~14% from fiscal 2017 to fiscal 2023. Refer to table of 'G*rowth of key seven players in organised writing and creative instrument industry'.*
- As of fiscal 2023, Flair Writing Instruments had one of the largest distributor/dealer networks in the writing instruments segment in India, comprising over 7,748 distributors and 3,16,863 wholesalers and retailers
- The domestic writing and creative instruments industry is expected to reach Rs 140-145 billion by fiscal 2028, with pens as the largest category within the space (~44% share as of fiscal 2023) projected to grow at 7.5-8.5%

CAGR between fiscals 2023 and 2028. Organised players in the writing and creative instruments industry are expected to grow faster, at 8.3-8.5% CAGR during the same period.

- Writing instruments offered in bundled packs of five pieces or more offer retailers the benefit of multiple-unit pricing, which creates a better value proposition for mass-market consumers
- Modern retail is occupying a growing share of the retail market for the writing and creative instruments industry in India
- As of fiscal 2023, Flair writing instruments Limited, occupies a market share of ~9% in the overall writing and creative instruments industry in India.
- Flair Writing Instruments reported the highest operating and net income margins of 17.8% and 9.6% respectively in fiscal 2022 among the writing instruments players considered.

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