

JESWANI & RATHORE

CHARTERED ACCOUNTANTS

408/C, NIRANJAN, 99, MARINE DRIVE, MUMBAI- 400 002

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CERTIFICATE ON KEY PERFORMANCE INDICATORS

Date: October 27, 2023

To,

The Board of Directors,

Flair Writing Industries Limited

63 B/C, Government Industrial Estate, Charkop,

Kandivali (West), Mumbai - 400 067

Maharashtra, India

Nuvama Wealth Management Limited

(Formerly known as Edelweiss Securities Limited)

801 - 804, Wing A, Building No 3,

Inspire BKC, G Block,

Bandra Kurla Complex,

Bandra East,

Mumbai – 400 051

Axis Capital Limited

1st Floor, Axis House

C-2 Wadia International Center

Pandurang Budhkar Marg,

Worli, Mumbai 400 025

Maharashtra, India

(Nuvama Wealth Management Limited and Axis Capital Limited are collectively referred to as the “**Book Running Lead Managers**” or the “**BRLMs**”)

Re: **Proposed initial public offering of equity shares of face value of ₹5 each (“Equity Shares”) by Flair Writing Industries Limited (the “Company”) and such offering (the “Offer”)**

In relation to the Company, its subsidiary and its affiliates, we, **Jeswani & Rathore** are an independent firm of chartered accountants.

We have been informed that the Company proposes to file the red herring prospectus (the “**RHP**”) and the prospectus with Registrar of Companies, Maharashtra at Mumbai (“**Registrar of Companies**”) and thereafter with the Securities and Exchange Board of India (“**SEBI**”), and BSE Limited, National Stock Exchange of India Limited (collectively, the “**Stock Exchanges**”), in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”) and any other documents or materials to be issued in relation to the Offer (collectively with the RHP and Prospectus, the “**Offer Documents**”).

We have received a request from the Company to perform certain procedures and certify details of key financial and operation performance indicators (“**KPI**”) of the Company and its subsidiary (collectively the “**Company Entities**”). The accompanying Annexure A, containing details of GAAP measures, Non-GAAP Financial measures and Non-Financial measures (part of financial reporting) as identified by the Company as at and for the financial years ended

March 31, 2023, 2022 and 2021 and as at and for the quarter ended June 30, 2023 as per the requirement of Schedule VI, Part A (9) (K) (3) of the SEBI ICDR Regulations (the "**KPIs**"). We confirm that we are an "Expert" in terms of Sections 2(38), 26 and other applicable provisions of the Companies Act, 2013, and consent to use our name and details being included as "Expert" in terms of Sections 2(38), 26 and other applicable provisions of the Companies Act, 2013, as amended, in the Offer Documents or any other material in connection with the Offer.

In this regard, we have examined the audited Restated Consolidated Summary Statements of the Company and its subsidiaries, as of and for the financial years ended March 31, 2023, March 31, 2022, and March 31, 2021 and as at and for the quarter ended June 30, 2023, prepared in accordance with Section 26 of Part I of Chapter III of the Companies Act, 2013, SEBI ICDR Regulations and the guidance note on reports in company prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended ("**ICAI**"), and the examination reports issued thereon (the "**Restated Financial Statements**") and to evaluate the accuracy, validity and completeness of KPIs have conducted the procedures enlisted below:

- (i) We have reviewed the definition of each KPI as provided to us by the Company;
- (ii) Proved the arithmetic accuracy or computation of the percentages or amounts;
- (iii) We have compared the amounts/figures identified by you on the attached copy of the DRHP to the corresponding amounts set out in the relevant **Annexure A** and found them to be in agreement. We have also compared the amounts in the **Annexure A** hereto to the corresponding amounts appearing in Restated Financial Statements, audited financial statements, accounting records, other financial and / or operational records and registers, including invoices, management reports, internal financial and operational reports, reports used for periodic MIS reporting, reports from digital/ computerized systems, and other applicable committees and any other relevant records and documents of the Company necessary or required for verification of the relevant information, and found all such amounts to be in agreement.
- (iv) In relation to the details with respect to comparison of the KPI's of peer group companies with certain KPIs of the Company, for verification of the calculation provided by the Company team including the definition, we have relied on respective annual reports and half yearly results of such peer companies as available publicly.

The procedures were performed to assist in evaluating the accuracy, validity and completeness of the KPIs of the Company. On the basis of the procedures set forth in the **Annexure A**, forming part of this certificate, we confirm that KPIs are true and correct.

We confirm that the information in this certificate is true and correct and is in accordance with the requirements of the Companies Act, SEBI ICDR Regulations and other applicable law and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

We have conducted our examination in accordance with the "Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)" ("**Guidance Note**") issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. We have also complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

This certificate is issued for the sole purpose of the Offer, and we hereby consent to, and have no objection to, the inclusion of our name **Jeswani & Rathore**, and this certificate or any extract thereof, in full or part, for inclusion in the draft red herring prospectus, red herring prospectus, prospectus and any other material used in connection with the Offer (together, the "**Offer Documents**"), and for the submission of this certificate as may be necessary, to the Securities and Exchange Board of India, the stock exchange(s) where the Equity Shares are proposed to be listed, Registrar of Companies, Maharashtra at Mumbai or/and any other regulatory authorities as may be required and/or for the records to be maintained by the Book Running Lead Managers in connection with the Offer and in accordance with

applicable law, and for the purpose of any defense the Book Running Lead Managers may wish to advance in any claim or proceeding in connection with the contents of the Offer Documents. We also consent to the inclusion of this letter as a part of "Material Contracts and Documents for Inspection" in connection with Offer, which will be available for public for inspection online from the date of the filing of the RHP until the Bid/Offer Closing Date.

This certificate may be relied on by the BRLMs, their affiliates and legal counsels appointed in relation to the Offer and to assist the BRLMs in conducting and documenting their investigation and due diligence of the affairs of the Company in connection with the Offer. We hereby consent to this certificate being disclosed by the BRLMs, if required (i) by reason of any law, regulation, order or request of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defence in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We undertake to update you in writing of any changes in the abovementioned position until the date the Equity Shares issued pursuant to the Offer commence trading on the stock exchanges. In the absence of any communication from us till the Equity Shares commence trading on the stock exchanges, you may assume that there is no change in respect of the matters covered in this certificate.

All capitalized terms used but not defined herein shall have the meaning assigned to them in the Offer Documents.

Yours faithfully,

For Jeswani & Rathore
Chartered Accountants
Firm Reg. No.: 104202W

Khubilal G Rathore
Partner
(M. No. 012807)
UDIN: 23012807BGXVJZ5857

Date: October 27, 2023
Place: Mumbai

Cc:

Domestic Legal Counsel to the BRLMs

IndusLaw
#1502B, 15th Floor,
Tower – 1C, "One World Centre",
Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013
Maharashtra, India

Domestic Legal Counsel to the Company

S&R Associates
One World Center
1403 Tower 2 B
841 Senapati Bapat Marg, Lower Parel
Mumbai 400013
Maharashtra, India

Annexure A

1. Disclosure of all the KPIs pertaining to the Company that have been disclosed to its investors at any point of time during the three years preceding the date of this certificate.

No KPIs have been disclosed to investors at any point of time during the three-year period preceding the date of the Red Herring Prospectus.

2. Key financial and operational performance indicators (KPIs)

The KPIs disclosed below have been used historically by the Company to understand and analyze the business performance, which in result, help it in analyzing the growth of various verticals in comparison to its peers. The KPIs included herein below have been approved by the Audit Committee pursuant to resolution dated October XX, 2023. The table below sets forth the details of our KPI which the Company considers have a bearing for arriving at the basis for Offer Price, based on our Restated Consolidated Financial Information

Sr. No.	Metric	As of and for the Quarter	As of and for the Fiscal		
		June 2023*	2023	2022	2021
(₹ million, unless otherwise specified)					
1	Number of pens sold	344.32	1,303.60	964.30	628.38
2	Number of distributors/dealers	7,754	7,754	7,307	5,638
3	Number of wholesalers & retailers	3,15,000	3,15,000	2,35,000	1,80,000
4	Revenue from operations (1)	2,446.98	9,426.60	5,773.98	2,979.88
5	Revenue from domestic operations(2)	2,067.66	7,499.86	4,368.07	1,836.93
6	Revenue from export operations(3)	399.32	1,926.74	1,405.91	1,142.95
7	Gross Material Margin(4)	1,245.92	4,338.90	2,692.05	1,315.65
8	EBITDA(5)	523.35	1,835.12	975.68	229.97
9	EBITDA margin (%) (6)	21.21	19.47	16.90	7.72
10	Profit after tax (PAT) (7)	321.38	1,181.00	551.51	9.89
11	PAT margin (%) (8)	13.03	12.53	9.55	0.33
12	Gross Material Margin (%) (9)	50.50	46.03	46.62	44.15
13	Return on capital employed ratio (%) (10)	7.64	31.24	17.41	0.14
14	Return on equity ratio (%) (11)	7.08	31.17	18.87	0.37
15	Trade receivable days(12)	68	61	83	180
16	Inventory days(13)	165	143	187	309
17	Trade Payable days(14)	49	41	54	125
18	Working capital cycle (days) (15)	184	163	216	364
19	Debt to Equity Ratio(16)	0.27	0.26	0.39	0.49
20	Net Debt/EBITDA(17)	2.42	0.63	1.29	4.93
21	Sales and marketing expenditure ratio (%) (18)	2.10	1.48	0.89	0.75
22	Earnings per share (in ₹) (19)	3.44	12.66	5.91	0.11

*Not annualized for the quarter ended June 30, 2023

Notes:

1. Calculated as revenue from sale of the products and other operating revenue of the

- Company as set out in the Restated Consolidated Financial Information
2. Calculated as revenue from sale of the products and other operating revenue of the Company in India as set out in the Restated Consolidated Financial Information
 3. Calculated as revenue from sale of the products and other operating revenue of the Company outside India as set out in the Restated Consolidated Financial Information
 4. Calculated as the difference between revenue from operations less cost of finished goods produced (i.e. sum of: (i) cost of raw material and components consumed; (ii) purchase of stock-in-trade; (iii) changes in inventories of finished goods, work-in-progress and stock-in-trade)
 5. Calculated as profit or loss for the year plus tax expenses, finance costs, depreciation and amortization expense and exceptional items less other income
 6. Calculated as EBITDA divided by revenue from operations
 7. Profit after tax for the year as appearing in the Restated Consolidated Financial Information
 8. Calculated as restated profit after tax divided by revenue from operations
 9. Calculated as Gross Material Margin and divided by total revenue
 10. Calculated as EBIT (i.e. calculated as profit or loss for the year plus tax expenses, finance costs less other income) divided by capital employed (i.e. sum of: (i) Net Worth; (ii) long-term borrowings; (iii) short-term borrowings; (iv) current maturities of long-term debt)
 11. Calculated by dividing EBIT by average Net Worth
 12. Defined as average trade receivables divided by revenue from operations multiplied by 365 for each financial year
 13. Calculated as average of inventory divided by Cost of goods sold(cost of goods comprises Cost of Materials Consumed, Purchases of Stock in Trade and Changes in inventories of finished goods, semi finished goods and Stock in trade) multiplied by 365 for each financial year
 14. Calculated as average trade payables divided by operational expenses multiplied by 365 for each financial year
 15. Calculated as the sum of Trade Receivables Days and Inventory Days less Trade Payable Days
 16. Calculated by dividing total debt (including both long term and short term borrowings) by net worth of the Company
 17. Calculated by dividing the difference between total debt minus Cash marketable securities by the EBITDA
 18. Calculated as advertising expenses, sales promotion and marketing expenses, and commission and brokerage divided by revenue generated from operations
 19. Calculated by dividing the net restated profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year

3. **Definition of KPI**

S. No.	Name of Metric	Description
1.	Number of pens sold (cumulative for the Financial Year)	This metric is used to track the overall sales operations for the pen products, during a particular period
2.	Number of distributors/dealers	This metric is used to track the overall number of the distributors and dealers during a particular period
3.	Number of wholesalers/retailers	This metric is used to track the overall number of wholesalers and retailers during a particular period
4.	Revenue from operations	This metric is used by the management to track revenue generated from the business and to overall revenue growth over multiple periods
5.	Revenue from domestic operations	This metric is used by the management to track revenue generated from the business and to overall revenue growth over multiple periods, in India
6.	Revenue from export	This metric is used by the management to track

S. No.	Name of Metric	Description
	operations	revenue generated from the business and to overall revenue growth over multiple periods, outside India
7.	Gross Material Margin	This metric is used by the management to track material profitability and Cost of Goods Sold
8.	EBITDA	Tracking EBITDA helps the Company identify underlying trends in the business and facilitates evaluation of year-on-year operating performance of the operations by eliminating items that are variable in nature and considered by the Company in the evaluation of ongoing operating performance and allowing comparison of the recurring core business operating results over multiple periods
9.	EBITDA Margin	This metric tracks the margin profile of the business and in understanding areas of the business operations which have scope for improvement
10.	PAT	This metric provides information regarding the overall profitability of the business
11.	PAT Margin (%)	This metric is an indicator of overall profitability of the business and provides the financial benchmarking against peers as well as to compare against the historical performance of the business.
12.	Gross Profit Margin (%)	This metric is an indicator of the profitability of the Company after deducting the capital employed in the production and operation of the business
13.	Return on Capital Employed Ratio (%)	This ratio helps the Company in measuring the operating returns generated from total capital employed in the business
14.	Return on Equity Ratio (%)	This metric is profit for the year, divided by the average total equity (sum of opening and closing divided by two) during that year, and expressed as a percentage. RoE is an indicator of the Company's efficiency as it measures the Company's profitability. RoE is indicative of the profit generation by the Company against the equity contribution
15.	Trade Receivable Days	This metric represent the amount of time it takes a company to collect on its outstanding invoices
16.	Inventory Days	This metric is an efficiency ratio that measures the average number of days the Company holds its inventory before selling it
17.	Trade Payable Days	This metric is an efficiency ratio that measures the average number of days the Company takes to pay invoices of the suppliers
18.	Working Capital Cycle (Days)	This metric indicates how many days it takes for the Company to convert its working capital into revenue
19.	Debt to Equity Ratio	This metric compares shareholder's equity to company debt to assess the Company's amount of leverage and financial stability
20.	Net Debt/ EBITDA	This metric is a measurement of leverage to show the number of years it would take for the Company to pay back its debt if net debt and EBITDA are held constant
21.	Sales and Marketing Expenditure Ratio (%)	This metric indicates the cost incurred by the Company to market the products to consumers. This expense is incurred in order to boost sales and revenue through marketing or promotion of the products.

S. No.	Name of Metric	Description
22.	EPS (in ₹)	This metric represents the net profit generated per equity share and can be used to compare the performance against peers or to assess the value of the shares.

4. Description in the DRHP

Key performance indicators (KPIs) are quantifiable business metrics that corporate executives and other managers use to track and analyze factors deemed crucial to the success of an organization. Effective KPIs focus on the business processes and functions that senior management sees as most important for measuring progress toward meeting strategic goals and performance targets.

The Company uses certain financial and operational performance indicators or key performance indicators ("KPI") as supplemental measures to review and analyze financial and operating performance from period to period, and to evaluate the business. In addition, such measures may also be frequently used by securities analysts, investors and others within the organization to evaluate financial performance.

5. Comparison of its KPIs with Listed Industry Peers

We confirm that the Company has not undertaken a material acquisition or disposition of assets / business for the periods that are covered by the KPIs and accordingly, no comparison of KPIs over time based on additions or dispositions to the business, have been provided.

Financial Year ended March 31, 2021

S. No.	Name of Metric	As of and for the Financial Year 2021		
		Flair Writing Industries ⁽¹⁾⁽²⁾	Linc Limited	Kokuyo Camlin Limited
		<i>(in ₹ million, unless otherwise specified)</i>		
1.	Number of pens sold (cumulative for the Financial Year)	628.38	Not available	Not available
2.	Number of distributors/dealers	5,638	Not available	Not available
3.	Number of wholesalers/retailers	1,80,000	Not available	Not available
4.	Revenue from Operations	2,979.88	2,566.61	4031.24
5.	Revenue from Domestic Operations	1,836.93	2,080.74	Not available
6.	Revenue from Export Operations	1,142.95	485.87	Not available
7.	Gross Material Margin	1,315.65	839.38	1,668.11
8.	EBITDA	229.97	101.70	88.43
9.	EBITDA Margin	7.72	3.96	2.19
10.	PAT	9.89	0.40	(146.18)
11.	PAT Margin (%)	0.33	0.02	(3.63)
12.	Gross Material Margin (%)	44.15	32.70	41.38
13.	Return on Capital Employed Ratio (%)	0.14	(1.55)	(2.81)
14.	Return on Equity Ratio (%)	0.37	0.03	(5.93)
15.	Trade Receivable Days	180	57	188
16.	Inventory Days	309	191	330
17.	Trade Payable Days	125	105	177
18.	Working Capital Cycle (Days)	364	143	341
19.	Debt to Equity Ratio	0.49	0.07	0.29
20.	Net Debt/ EBITDA	4.93	0.88	7.18
21.	Sales and Marketing Expenditure Ratio (%)	0.75	Not available	Not available

S. No.	Name of Metric	As of and for the Financial Year 2021		
		Flair Writing Industries ⁽¹⁾⁽²⁾	Linc Limited	Kokuyo Camlin Limited
		<i>(in ₹ million, unless otherwise specified)</i>		
22.	EPS (in ₹)	0.11	0.03	(1.46)

Financial Year ended March 31, 2022

S. No.	Name of Metric	As of and for the Financial Year 2022		
		Flair Writing Industries ⁽¹⁾⁽²⁾	Linc Limited	Kokuyo Camlin Limited
		<i>(in ₹ million, unless otherwise specified)</i>		
1.	Number of pens sold (cumulative for the Financial Year)	964.30	Not available	Not available
2.	Number of distributors/dealers	7,307	Not available	Not available
3.	Number of wholesalers/retailers	2,35,000	Not available	Not available
4.	Revenue from Operations	5,773.98	3,549.57	5,084.72
5.	Revenue from Domestic Operations	4,368.07	2,793.61	Not available
6.	Revenue from Export Operations	1,405.91	755.96	Not available
7.	Gross Material Margin	2,692.05	1,174.74	1,960.05
8.	EBITDA	975.68	215.28	165.08
9.	EBITDA Margin	16.90	6.06	3.25
10.	PAT	551.51	81.30	(47.29)
11.	PAT Margin (%)	9.55	2.29	(0.93)
12.	Gross Material Margin (%)	46.62	33.10	38.55
13.	Return on Capital Employed Ratio (%)	17.41	6.00	(0.38)
14.	Return on Equity Ratio (%)	18.87	5.86	(1.96)
15.	Trade Receivable Days	83	36	134
16.	Inventory Days	187	86	218
17.	Trade Payable Days	54	53	124
18.	Working Capital Cycle (Days)	216	69	229
19.	Debt to Equity Ratio	0.39	0.02	0.29
20.	Net Debt/ EBITDA	1.29	0.15	3.83
21.	Sales and Marketing Expenditure Ratio (%)	0.89	Not available	Not available
22.	EPS (in ₹)	5.91	5.47	(0.47)

Financial Year ended March 31, 2023

S. No.	Particulars	As of and for the Financial Year 2023		
		Flair Writing Industries	Linc Limited*	Kokuyo Camlin Limited*
		<i>(₹ million, unless otherwise specified)</i>		
1	Number of pens sold (cumulative for the Financial Year)	1,303.60	760.10	Not Available
2	Number of distributors/dealers	7,754	2,650	1,500
3	Number of wholesalers/retailers	3,15,000	2,40,000	3,00,000
4	Revenue from operations	9,426.60	4,867.55	7,749.43
5	Revenue from domestic operations	7,499.86	Not Available	Not Available

S. No.	Particulars	As of and for the Financial Year 2023		
6	Revenue from export operations	1,926.74	Not Available	Not Available
7	Gross Material Margin	4338.90	1,921.65	2,867.10
8	EBITDA	1,835.12	613.59	543.68
9	EBITDA Margin	19.47	12.61	7.02
10	PAT	1,181.00	373.97	244.47
11	PAT Margin (%)	12.53	7.68	3.15
12	Gross Material Margin (%)	46.03	39.48	37.00
13	Return on Capital Employed Ratio (%)	31.24	29.12	11.94
14	Return on Equity Ratio (%)	31.17	23.37	9.74
15	Trade Receivable Days	61	27	31
16	Inventory days	143	89	107
17	Trade Payable days	41	49	45
18	Working capital cycle (days)	163	67	93
19	Debt to Equity Ratio	0.26	0.01	0.21
20	Net Debt/EBITDA	0.63	(0.19)	0.87
21	Sales and marketing expenditure ratio (%)	1.48	Not Available	Not Available
22	Earnings per share (in ₹)	12.66	25.15	2.44

*Source: All the financial information for listed industry peers mentioned above is either on standalone basis or consolidated basis and is sourced from the yearly results as available of the respective company for the year ended March 31, 2023 submitted to stock exchanges.

Three-month period ended June 30, 2023:

S. No.	Name of Metric	As of and for the three-month period ended June 30, 2023*		
		Flair Writing Industries ⁽¹⁾⁽²⁾	Linc Limited	Kokuyo Camlin Limited
		(in ₹ million, unless otherwise specified)		
1.	Number of pens sold (cumulative for the Financial Year)	344.32	Not available	Not available
2.	Number of distributors/dealers	7,754	Not available	Not available
3.	Number of wholesalers/retailers	3,15,000	Not available	Not available
4.	Revenue from operations	2,446.98	1,118.79	2,357.94
5.	Revenue from Domestic Operations	2,067.66	Not available	Not available
6.	Revenue from Export Operations	399.32	Not available	Not available
7.	Gross Material Margin	1,245.92	463.85	881.89
8.	EBITDA	523.35	131.49	242.18
9.	EBITDA Margin	21.21	11.75	10.27
10.	PAT	321.38	73.85	183.68
11.	PAT Margin (%)	13.03	6.60	7.79
12.	Gross Material Margin (%)	50.50	41.46	37.40
13.	Return on Capital Employed Ratio (%)	7.64	Not available	Not available
14.	Return on Equity Ratio (%)	7.08	4.08	Not available
15.	Trade Receivable Days	68	Not available	Not available
16.	Inventory Days	165	Not	Not

S. No.	Name of Metric	As of and for the three-month period ended June 30, 2023*		
		Flair Writing Industries ⁽¹⁾⁽²⁾	Linc Limited	Kokuyo Camlin Limited
		<i>(in ₹ million, unless otherwise specified)</i>		
			available	available
17.	Trade Payable Days	49	Not available	Not available
18.	Working Capital Cycle (Days)	184	Not available	Not available
19.	Debt to Equity Ratio	0.27	Not available	Not available
20.	Net Debt/ EBITDA	2.42	Not available	Not available
21.	Sales and Marketing Expenditure Ratio (%)	2.10	Not available	Not available
22.	EPS (in ₹)	3.44	4.97	1.83

*Not annualized for the quarter ended June 30, 2023

The above figures stated above have been determined on the basis of aforesaid definitions and the same may or may not be in line with CRISIL report.