



“Flair Writing Industries Limited
Q1 FY '26 Earnings Conference Call”
July 29, 2025



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MODERATOR: **MS. DARSHI JAIN – MUFG INTIME**



*Flair Writing Industries Limited
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Moderator: Ladies and gentlemen, good day, and welcome to Flair Writing Industries Limited Q1 FY '26 Earnings Conference Call hosted by MUFG Intime India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Darshi Jain from MUFG Intime. Thank you, and over to you, ma'am.

Darshi Jain: Thank you. Good afternoon, everyone. Welcome to the Flair Writing Industries Q1 FY '26 Earnings Conference Call. Today on the call we have Mr. Vimalchand Rathod, Managing Director; Mr. Mohit Rathod, Whole-Time Director; Mr. Sumit Rathod, Whole-Time Director; and Mr. Alpesh Porwal, the Chief Financial Officer.

A short disclaimer before we start this call. This call will contain some forward-looking statements, which may be based upon our beliefs, opinion and expectations of the company as of today. These statements are not a guarantee of future performance and will involve unforeseen risks and uncertainties.

With that, I would now like to hand over the conference call to Mr. Vimalchand Rathod, the Managing Director, for his opening remarks. Thank you, and over to you, sir.

Vimalchand Rathod: Good afternoon, everyone. I want to express my gratitude to all the participants who have joined the call. I hope everyone had the opportunity to go through our investor presentation and press release that have been uploaded on the exchange.

We delivered strong revenue growth in Q1 FY '26, mainly driven by our own brand portfolio. It was heartening to see that both domestic and export markets demonstrated robust demand of our branded products. This quarter has been particularly a standout quarter for our Creative segment as new product innovations over the past year are finding their foothold in the market while the existing product portfolio continued to mature.

Additionally, ramped up in-house manufacturing of Creative products have allowed us to respond more effectively to growing consumer demand and strengthen our position in the segment. We achieved broader segment growth in all the 3 business verticals with new product launches catering to a wide spectrum of customers.

Our capex time line remains on track with construction already underway at our new manufacturing facility at Valsad spanning around 2 lakh square feet. As part of this expansion, we have placed orders of 60 injection molding machines, molds and assembly machines. This investment will greatly boost our production capacity and drive further growth in the coming quarters.



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Given flexible nature of our production and machinery, the upcoming facility will benefit both pen segment as well as Creative segment. I will further our commitment to increase shares of in-house Creative manufacturing.

I now hand over the call to Mr. Alpesh Porwal, our CFO, to discuss in detail about our Q1 FY '26 financial performance. Thank you.

Alpesh Porwal:

Good afternoon, everybody. Moving to the consolidated performance of the company for Q1 FY '26. Revenue from operations for Q1 '26 was at INR288.5 crores, an increase of 16.8% year-on-year compared to the corresponding quarter of the previous year.

Gross profit for the quarter was INR144.2 crores, which increased by 17.3% over corresponding quarter of the previous year. Gross profit margin came in at 50%, closer to the historical range of previous financial years, mainly due to a change of product mix in favor of certain higher-value products. Gross profit margin was approximately 24 bps higher year-on-year and 138 bps higher sequentially.

EBITDA for the quarter was INR49.5 crores registering a growth of 17.9% year-on-year compared to the corresponding quarter of the previous year. EBITDA margin was at 17.2%, 16 bps higher compared to Q1 FY '25 and 146 bps higher sequentially compared to Q4 FY '25. Profit after tax for the quarter was at INR29 crores increasing by 10.5% on a year-on-year basis. PAT margins for the quarter was 10%.

On the qualitative front for the results, the overall revenue growth is in line with our stated growth guidance for 15% to 16% CAGR over the medium term, driven by a mix of stable compounders and high-growth achievers.

There are certain areas, which I would like to throw light on. About our employee expenses, as stated in the previous call, we have been working towards stabilizing employee expenses. During this quarter, Employee expenses registered a 5.4% increase on a quarter-over-quarter basis. Going forward, we remain focused on maintaining this cost at a steady level.

While employee cost seems to have risen sharply when compared to Q1 FY '26, this growth has been underpinned by rising head count and hikes, which includes rise in sales and marketing team as well as manufacturing workforce as we look to quickly scale up our 2 divisions that is Creative and Steel Bottles through higher in-house manufacturing.

Both these businesses delivered very high growth during the quarter, and it is for these scenarios for which we have been investing in our teams and would look to do so in the near future as well. However, as guided earlier, the sequential pace of increase will tend to moderate as we enjoy an operating lever as the year progresses.

Overall, our other expenses grew modestly over the previous year and saw a decline over the Q4 FY '25. While I would refrain from commenting over the quarter-to-quarter trend of expenses,



however, I wish to emphasize something. Over a period, you would see expenses associated to higher in-house manufacturing increase and being balanced out by a reduction in job work charges. This gives us a greater operational control.

However, at the same time, we would also be open to leveraging the option of job work to meet a swell in demand. It's a mix of proactive and reactive decision making, but it is important to us given the dynamic market condition with respect to consumer needs and new emerging trends.

Thus, while absolute numbers may rise as the business scales up, we do not foresee any sudden spikes in expenses. We are confident that the EBITDA margin trajectory will be maintained and will glide upwards as the year progresses.

Through past couple of quarters, our organization has been undergoing qualitative business transformation. This process is fuelled out of the need to build dependable pillars as we look to enter the next phase of growth. You may be aware of the more pronounced aspects of this plan: beat our ongoing capex cycle, augmenting our teams, increasing our range of products and entering into high potential segments.

However, let me also share with you some of the softer aspects of this transformative journey. As part of our sustainability and growth initiatives, we have installed a rooftop solar system with a capacity of 1.85 megawatts at an approximate cost of INR4.5 crores. This investment is expected to reduce our dependence on grid electricity and lead to a measurable decrease in Scope 2 GHG emissions apart from bringing cost efficiencies.

Besides the rooftop solar project, we have in the recent past invested in institutionalized practices such as rainwater harvesting and have started robust effluent treatment plants, ETPs, to recycle water within our operations.

Besides integrating sustainability within our operations, we are also leveraging technology in our operations. There has been an increased focus on automation within production and assembly lines to enhance efficiency. We already had a dedicated field force application to enhance the efficiency and accountability of our sales and marketing teams. The digital tool facilitates real-time tracking of secondary sales, daily coverage reporting and a generation of actionable MIS reports.

Also, we have recently kick-started a major digital transformation initiative through the replacement of our legacy ERP system, which will be undertaken shortly. This transformation will span multiple functional areas, providing a more cohesive platform for decision-making. It will also enable us to streamline business processes with a particular focus on manufacturing. Environment stewardship combined with effective technology implementation will further improve our organizational agility.

Now on the business segment highlights. Our Own Brand sales have continued a strong upward trajectory with consistent growth across both the domestic market and export market. Overall,



our Own Brand sales grew by 23% year-on-year to INR264 crores. We are pleased to see strong performance from the export market similar to domestic market, registering a heartening rebound from stable growth of the previous financial year.

Coming to our OEM sales. Overall OEM sales declined by 24% year-on-year, driven largely by the decline in domestic OEM sales, specifically related to our pen OEM customer. Export OEM was stable at INR17 crores in Q1 FY '26 compared to INR18 crores in Q1 FY '25.

Coming on to the product segments. Pens business, the pens segment grew 3% year-on-year to INR202 crores for Q1 FY '26. During this quarter, we released 8 new pens across all 3 price segments, mass, mid-premium and premium.

Because the pens segment's revenue is made up of different pieces, some nuance is necessary from our side without getting into specifics of numbers.

First, the Own Brand sales, specifically domestic Own Brand sales, which forms the largest part of the pie. Domestic Own Brand sales grew in high single digit with a mix of both volume and value growth.

Second, our Own Brand export sales, which grew strongly in high double digits. This was a very encouraging rebound from the past year, which was largely marked by geopolitical turmoil. Traditionally, Latam and Middle East have been important contributing markets. We're actively trying to diversify our presence by exploring new countries that are underserved and show good potential.

Third, export OEM. We share a long-standing relationship with our export team partners, as you all are well versed. In the quarter, this piece of business was stable, and in fact, grew marginally. Fourth, domestic OEM of which pens is a part of and this was a sort of growth laggard during the quarter. It saw a material decline, but as previously stated, we have not taken its contribution while setting up for our consolidated growth expectations set for the medium-term guidance.

With respect to the domestic OEM pens segment, we are quite confident of creating alternating channels through other segments that would support our overall business. We achieved our revenue growth guidance in quarter despite domestic OEM pens segment being impacted.

In terms of new diversified revenue channel, we have distribution partnership with Mapped for the Creative products, which will be revenue accretive. However, let me preface that currently it is at a nascent stage and we will develop this business over time and thus it, too, will further contribute to our revenue.

Other than Mapped, there is still some capex underway at Flomaxe Stationery's facility in Surat for a new range of products within pencils. With its commencement expected soon, it, too, will further provide an additional revenue stream.



Thus, overall, as these new channels mature further, we are confident that we would be undeterred from achieving our consolidated revenue growth expectations of 14% to 15%. Next, our standout, the Creative segment. The Creative segment achieved impressive growth of 77% year-on-year growth for Q1 FY '26. The revenue contribution stood at INR65 crores for the quarter.

We expanded our product portfolio by introducing 6 fresh offerings under the Creative range during the quarter. As on June 30, 2026, we have a total of 223 product offerings in Creative. Our focus within the segment is twofold: introduce new innovative products and build in-house manufacturing capability.

Amongst the product categories, we are approaching pencils with a renewed focus by also leveraging our strategic venture in Flomax Stationery. We believe our strength in pens will translate us to being another major player within the broader pencil space in the near future. Coming to steel bottle segment. We continued to scale the steel bottle segment as the revenue contribution for the quarter increased by 55% year-on-year to INR13 crores.

We are consistently working to expand our portfolio base and strengthen our distribution network. Consumer demand alternates between single-walled and double-walled bottles based on the season, and our goal is to have a very comprehensive portfolio of attractive and innovative products in bottles, flasks, mugs, etc, catering to wider corporate and educational sector.

Looking back at the quarter, we are pleased with our business performance and look forward to building on this growth trajectory. We remain well equipped to scale as a resilient organization that is known for its ability to deliver standout quality products from time to time all the time.

Thank you. And I request the moderator to open the floor for question-and-answer session.

Moderator: Thank you very much. The first question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Congratulations on great set of numbers, both on the revenue as well as margin front. Just a couple of questions from my end. While you've seen a great amount of growth in Creatives, on other side, your OEM business, both in the domestic and the export side, seem to be down on a Q-o-Q basis. Could you give some color on that?

Mohit Rathod: Yes. Thank you. So answering your question on the OEM front. So as we mentioned in the last couple of quarter calls also that, as far as the domestic front is concerned, in our growth projection, we haven't taken any of that factor into consideration that will hamper our growth going forward.

But yes, when we talk about exports, it's been stabilized. Of course, OEM is a major chunk in export business and it has stabilized over the years. And I think going forward also, we're going



to see a consistent level of business in OEM. There's not going to be a major change in OEM as far as the exports is concerned.

Sneha Talreja: Understood. Secondly, on the Creative side, of course, you've guided for 40% growth during the year, but you have started on a great note of 77-odd percent. What's driving this growth? And on an annualized basis, would you like to revise your numbers or guidance?

Mohit Rathod: Yes. So basically, in Creative segment, as we mentioned in the last couple of quarter calls that we are building our in-house capacity for meeting the demand of Creative products in all the categories that we have entered, be it from the scholastic range of pencils, erasers, sharpeners, geo boxes, to the office supply ranges, to the kits and the coloring range. So all the category we are doing, the demand has been very, very positive.

So the overall contribution of 77% growth in Q1 is because of those factors. And also at last couple of products, which we have launched in last few quarters have been doing exceedingly well. And going forward also, we are expecting a similar trend.

Of course, when we compare Q1 last year, it was -- the base was low. But going forward, we're going to streamline at 45%, 50% growth going forward.

Sneha Talreja: That's helpful. Thirdly, on the employee expenses, I recall you stating in the last con call also that you're building up a new division, be it steel bottles, be it Creatives. And that is where you are seeing around 30-odd percent growth on a Y-o-Y basis on this employee expenses side. But what's the run rate likely to stabilize at as we move forward?

Alpesh Porwal: As far as the employees are concerned, see, with the higher employee expenses on a year-on-year basis on account of strengthening of sales and marketing teams in the period, overall, employee head count increased and given trend of higher in-house manufacturing also which added to the increase in the wages and salary hikes. And if I were to talk about -- can you repeat the question once again, Sneha?

Sneha Talreja: Just wanted to understand what would be the annualized level of employee expenses? Can we see further increases happening even from here?

Alpesh Porwal: No. The employee expense what we have put is optimal amount here. Like I said, we would not shy away if we have to kind of add employees. But as of today, this number has moderated. And going forward, it will be within these moderated limits.

Sneha Talreja: Understood. And just last question, if at all, I may. On the steel bottles front, as far as I understand, this is purely driven by the domestic market? Any visibility that now we have found from the exports OEM side?

Sumit Rathod: So for the steel bottle perspective, yes, we are trying to have a little traction in the international market as well. But I think still our major concentration is still more towards the domestic front.



And still, there's a long way to go only in the domestic front as well. But we are trying to open new avenues in the export market as well.

Moderator: The next question comes from the line of Aradhana Jain from B&K Securities.

Aradhana Jain: I have a couple of questions. My first question is on the pens segment. If we see that the pens segment has just grown by 3% and the guidance that was given was around 9-10% for the entire year, so do you think that you will be able to still reach that 9%-10% growth with just 3% growth in the first quarter?

And given that the domestic OEM in the pens segment has seen a bit of drag because that has not done well for us, so do you think that will revise from these levels? Or should the overall 14%-15% growth be driven by the other 2 categories and pens would still be in the maybe 5%-6% range for the overall year? That's my first question.

Mohit Rathod: Yes. So thank you, Aradhana. So to answer your question regarding the pen growth, we would still stick to the guidance what we have stated in high single-digit growth. Of course, OEM was a drag considering the other 2 categories doing well in terms of Creative and houseware at 77% and 55% growth. But yes, the OEM overall was a drag in the pen category.

But the growth -- if we look at the overall growth barring OEMs, we are still at the single-digit -- high single-digit growth, which we had projected. So as far as the traction is concerned in the domestic market as well as the export market, the traction is still the same. It's extremely good what we have been saying for the last 2 quarters we're going to continue the same level of traction next few quarters as well. So overall, the guidance for the pens would remain the same as what we have guided during the early -- yes.

Aradhana Jain: And how much of your pens segment growth was value and volume?

Mohit Rathod: So if you look at the overall thing when we talk about 3%, it was mainly a value growth.

Aradhana Jain: Okay. So...

Mohit Rathod: Because of the drag in the OEM thing.

Aradhana Jain: And how much of the contribution was from above INR10 category and the INR5 and INR10 category, like what is the sort of mix?

Mohit Rathod: See, same as compared to what we did in Q4. There is no change in the ratio between the mass and mid-premium and premium category. We are still at a similar level of what we did in Q4.

Aradhana Jain: Q4. Close to like 50%, or 60% coming from pens?

Mohit Rathod: It was 62% and 38%.

Aradhana Jain: 62% coming from sub INR10.



Mohit Rathod: From mass, yes. INR10 category, yes.

Aradhana Jain: Okay. And team, I wanted to understand on the Own Brand segment, what I understand is that, obviously, the Own Brand segment is better margin business for us, right? So given like the contribution of Own Brand has increased from, say, 87% to 91% in this quarter, why have the margins not improved in line with the improvement in the Own Brand contribution going up? Like is the understanding correct?

Alpesh Porwal: Are you referring to the PAT or you're referring to EBITDA? The EBITDA is clear...

Aradhana Jain: I'm saying Own Brand business contribution has gone up on a year-on-year basis. Like last year, fourth quarter, the contribution of Own Brand was around 87%. This quarter, it's around 91%. So I'm just trying to understand that will that not help in also improving our margins or there is no direct correlation with Own Brand business going up and margin?

Mohit Rathod: So Aradhana, just to add here, since our Own Branded business is going up and also we need to understand the fact that we are also entering into a lot of new Creative categories where we are new in terms of the new verticals within the stationery category, where as a new entrant, we have to let go in terms of margin, but we are focusing more on the market share in that category.

So overall, if you look at it, yes, there is an improvement in overall EBITDA level margins compared to what we did in Q1 '25.

Aradhana Jain: Okay. Just 2 more questions from my end, one is on the steel bottles. The last 3 quarters, if I see we've been hovering around the INR12-13 crores number. So what is the expectation for the entire given that you were expecting like a 50% CAGR growth in the steel bottles segment, that would take us to closer to the INR70-odd crores number for the entire year.

So are we still in line to reach those sort of numbers? Because if I see the current run rate, we close maybe to INR55 crores, INR60-odd crores. So how are we expecting the growth in the steel bottles segment to improve from the current levels because it's been stagnated in the last 3 quarters.

Sumit Rathod: So currently, I would say, from the overall perspective, we are still targeting and going to maintain the same growth trajectory that we have mentioned earlier. Regarding the current quarter, I would say still there's a lot of material in the market from the import perspective, which was already in the market, which is slowly getting lower in the market.

But one of the good positive notes from our side is that we are getting a lot of traction in terms of volume growth as well as a little bit of a value growth. And we are penetrating more and more into the domestic market, and we are getting a lot of traction even for the new range of models that we have launched in the last quarter.



And going forward, I think we are going to increase. As we keep on increasing our portfolio in terms of the product list, I think this traction will keep on increasing. And we are quite confident that we'll maintain the trajectory that we have aimed for.

Aradhana Jain: Sure. Just last thing. In terms of guidance, is it fair to assume that the pens segment will contribute like close to 9%, 10% for the entire year? Are we like -- I just wanted to understand in terms of whether we are sustaining our guidance or not segment-wise.

So 9%, 10% of growth in pens; 30%, 35% of growth in Creative; and a 50% growth in steel bottles. Is it fair to assume that we'll be able to deliver on these sort of growth?

Mohit Rathod: Yes, Aradhana, we are maintaining our guidance.

Aradhana Jain: And the EBITDA margins closer to 17.2%, 17.5% range?

Mohit Rathod: So yes, as the operating leverage kicks in, we would try to maintain the EBITDA level margins. Yes.

Aradhana Jain: And any sense on how much of the Creative business is coming from the Disney products and Mapped like in terms of contribution, any sense?

Alpesh Porwal: No. We just mentioned that Mapped is at a nascent stage. So while we build the market for these Mapped products, which is a different range of products, we are testing the waters, we're testing the market. And once we are kind of through, we will see the accretion from Mapped also.

Mohit Rathod: It's too early to say. I think in the coming quarters, you will see more of a traction from Mapped sales.

Aradhana Jain: And Disney?

Mohit Rathod: Disney is stable of what we were doing earlier in the last past few quarters. So the main traction what you see in Q1 is mainly in our Own Brand.

Moderator: The next question comes from the line of Jaiveer Shekhawat from Ambit Capital.

Jaiveer Shekhawat: Sir, my first question is on your Creative business. It doesn't seem that you're winning market share or the growth that you're seeing is by aggressively discounting because we have not really seen any impact on margins.

So if you could possibly expand in terms of what you're doing right, what product gap you are able to address effectively. And also, who do you think, in your opinion, you're taking away market share from basis the market research you might have done.

And also, we are hearing more legacy pen players also trying to enter into the creative and office supply range. So how do you sort of plan to again continuously grow in this segment? That will be my first question.



Mohit Rathod: Yes. Thank you, Jaiveer. So answering your question regarding the Creative, as we mentioned that in last couple of quarters, we have entered into many verticals, be it geo boxes, wooden pencils, the kit categories. So all those categories are performing well.

So overall, if you see the kind of growth what we got in Q1 is to do a lot with the kind of innovation and the kind of the freshness we have brought to the entire product portfolio. And when we talk about the market share, I would say we are gaining market share. And at the same time, we are also gaining -- benefiting from the overall increase in the market industry as a whole. So I wouldn't pinpoint any particular competitor. But yes, it's overall, the market is also doing well.

Jaiveer Shekhawat: Understood. Second, on your expenses, I see that there is a sequential Q-o-Q decline that has happened. How much of that is due to the shift to the in-house manufacturing from job work which you were doing earlier?

Alpesh Porwal: We won't have the exact numbers of the shift because -- from in-house...

Jaiveer Shekhawat: Or if there are any larger reasons, which has driven that decline in expenses?

Alpesh Porwal: Other expenses is because of the job work charges, et cetera. We have rationalized the employee expenses. So Jaiveer, to just answer your question, if I understood correctly, let me know. But then, if you're talking of other expenses, the major part is job work, which is a part of the other expenses. And then it has gone down because that's where we see we're bringing our optimization in the -- leveraging and optimization in the employee cost.

And employee cost when I say -- if I were to look at the total employee cost is the line item which you see is the employee benefit and the other one is when it comes from other expenses, the job work which appears in other expenses. Yes, and as the in-house production increases, we will see the expenses coming down gradually.

Jaiveer Shekhawat: Understood. Very well understood. Last question, could you talk about your existing capacities, which you have across all these segments? And then given that you have outlined INR80 crores, INR90 crores, I mean, how would those capacities impose that?

Sumit Rathod So from the overall perspective from the capacity, I think in the steel bottles, as we have mentioned earlier, the steel bottles segment, we still have the capacity in line to grow with the target that we are aiming for.

And when it comes to Creative and pens as a category, I think along with time as the requirement arises, we have already planned in the capex for the future growth of this particular 2 segments. And as new and new category come in-house, we will be adding more facility for those respective portfolio.



- Jaiveer Shekhawat:** Or if you could just break down how much of capex is going into different segments. I understand not much is going to steel bottles. But between Creative and pens, how would that split between that INR80 crores- INR90 crores?
- Sumit Rathod:** So overall from the pen perspective, we say the overall volume will be around 2.4 billion in terms of overall in terms of pen as a category. And when you're talking about capex. For FY '26, the planned capex of INR80 crores, INR90 crores has been embarked to support the key strategic initiatives, including the establishment of new manufacturing facility in Valsad dedicated to writing instrument as well as the Creative as a segment. And of this, INR26 crores are deployed in Q1 FY '26 as a part of budgeted capital plan.
- So we have placed around new injection molding machines and tip machine order. And we are planning to expand the Valsad manufacturing facility spanning to 2 lakh square feet in overall, which is going to be a new under construction facility.
- Mohit Rathod:** And also to add here, Jaiveer, to answer your question, as you know, most of our facilities are fungible. So it will be very difficult to say whether we are building capacity for Creative or the pens division. So it's more to do with more fungible assets we are building. So I would say it's going to be contributing to both the categories.
- Jaiveer Shekhawat:** That's very clear. Last question, if I may. I see a lot of your new product launches, I think these also, as you were rightly mentioning, are more appealing to especially kids. You've got a lot of these cartoon characters as well, Avengers, Disney.
- Is that also one of the factors that's helping you in terms of gaining market share? Are those sort of products not available? And then, of course, there must be IP rights as well associated with them. It sort of also insulates competition from copying you?
- Mohit Rathod:** Yes. It's also to do with -- I would say, as I mentioned earlier, the overall change of portfolio what we have done in the last couple of quarters, our focus is more and our endeavor is to bring more and more freshness in the products and the innovative side to do with the combinations and the -- that overall designing, we have really worked very hard, the entire R&D team has worked hard on the designing part of it. So I think now we are seeing in the kind of response we are getting, we are seeing that result.
- Moderator:** The next question comes from the line of Aliasgar Shakir from Motilal Oswal.
- Aliasgar Shakir:** This is Ali from Motilal Oswal Mutual Fund. Sir, a couple of questions, one is on the margin. You have indicated that you have scope to improve margin by 200 bps and part of that can come from operating leverage.
- So just if you can share what kind of revenue scale or what kind of growth in the next couple of years will make you achieve? I know we have indicated mid-teens kind of growth. So I just



wanted to understand how much is the margin linked to the revenue and the mix of the business so that we can measure the improvement in margin from that point of view.

Alpesh Porwal:

So just to share with you that we maintain the short term -- the medium-term projections, which we have shared with you earlier. So the margins are also like last quarter, we had said that the projections for the coming period will be -- we'll maintain a minimum margin, which we saw EBITDA margin which we saw in the previous year the entire year.

And this will only -- you only kind of see it going up north. Why and that reason is because we have a Creative as a segment where we are doing a lot of in-house manufacturing and that adds to the margin. And that is where we have also kind of invested in man and machines here, which we'll see the operating leverage to improve, the EBITDA margin in the coming quarters.

So in the short and medium term, we look at a growth of 14%, 15% CAGR at least for the next 2 years. And this is with a given set of products and range and the given set of business which we are in.

Aliasgar Shakir:

Got it. So can you just indicate, I mean, if you are doing this mid-teens growth then with this mid-teens growth you should be able to achieve the 200 bps margin improvement in, what, 2 years, 3 years' time? And I mean, what mix do we believe by then Creative will achieve?

Alpesh Porwal:

A mix of -- can you repeat the question again?

Aliasgar Shakir:

So question is just follow up on this. Basically, when you're seeing mid-teens growth that you can do at an overall basis and then this should allow you to reach 200 bps margin improvement, right, in the next 2, 3 years, correct? So if you can just indicate what is the mix of Creative in the overall business till that time?

Alpesh Porwal:

The revenue mix has been changing since last year where we see the Creative contribution is increasing vis-a-vis pens. But then that is all given within the total revenue going up. So none of the individual segment's revenue will only increase. But the proportion of Creative is certainly going to increase in the coming period for the next 2 periods.

Still, we see a stabilized number because the base is still very small. Last year we were just at 170 and this year we're going to just grow year-on-year. So revenue mix of steel bottle and Creative will, in fact, increase.

Aliasgar Shakir:

Okay. Okay. I'll take this offline, I have some follow-ups here. Second question is on the Creative side. So your creative growth obviously is coming also from a lot of new product developments that you are doing. But can you just explain what is the overlap in distribution? Is Creative entirely part of the pens distribution?

And what is the penetration today in our overall network that we have in Creative and how much scope do we have? So I was just trying to understand the growth that Creative can get from distribution expansion?



- Mohit Rathod:** Yes. So when we talk about the overall coverage of Creative as a category, we have already had 68,000 outlets. We are planning to grow from here further, but at the same time consolidating the distribution network of 68,000 outlets. We would like to further increase the per-outlet share for at least the next few quarters. And from there on, we will try to increase the number of outlets, yes.
- Aliasgar Shakir:** Got it. So the lever is more basically increase in consumption per outlet than actually the increased expansion?
- Mohit Rathod:** Yes.
- Moderator:** The next question comes from the line of Rajas Joshi from ChrysCapital.
- Rajas Joshi:** So my first question would be on the gross margin. You alluded to the fact that the gross margin expanded due to a change in the mix. So was this mix largely market driven or did we take some portfolio changes during the quarter? And how do you see this going ahead?
- Alpesh Porwal:** So the margin of when you say -- asking was it because of the portfolio change of product mix, it was a combination of both. It was market driven. Obviously, when we kind of are introducing products in the market like we got in the Creative segment, it is all market driven. We cater to the marketplace and expectations. Plus, we also have our own innovations, which can create new markets for our products. So our products also create new markets. So the entire thing is a mix of both.
- Rajas Joshi:** Got it. So I was actually coming from the sense of mass versus premium mix, which affected the gross margin. So on that front, how are we seeing things?
- Alpesh Porwal:** No. So the gross margin -- when you're talking about the gross margin, it is obviously because of better product mix. The change in the product mix and sale of high-value products. Company enjoyed higher ASP in Q4. Company was trading and increasing its Creative portfolio. Hence, there was a lower GM. So once we started off -- we increased the share of in-house manufacturing, obviously, it increases our gross margins, too.
- Rajas Joshi:** Got it, got it. And on the segmental margins, so EBITDA margins specifically. The bottles business, I believe, was breakthrough last quarter. So this quarter, how would that be?
- Alpesh Porwal:** The last quarter where we were EBITDA positive. So we became EBITDA positive and we continue to kind of scale up on that front.
- Moderator:** The next question comes from the line of Resha Mehta from GreenEdge Wealth.
- Resha Mehta:** Complements on the margin comeback and good to see some very differentiated new product launches on the presentation. So the first question is on the sales growth. So sorry for just harping on this, but if you look at -- so while in the last 2 quarters, both Q4 and Q1, we've grown very healthily, but if I look at H2 of the last financial year, the base was very high. We grew by



18%. So on that base, just wanted to check, is a 15%, 16% kind of CAGR that we have spoken about, is that something that is possible?

Mohit Rathod: Yes, yes, exactly. So we are working towards that only. And so that 15%, 16% growth is very, very achievable looking at the current trend and the traction what we are getting from the market.

Resha Mehta: Got it. And on the margin side, so when you say the margins will be maintained, so when you say maintained, do we look at Q1 margins for the full financial year so at 17.4%? So what -- FY '26 margins, what do they look like? So do they tend to be more towards the 17% that we have seen in Q1 or they may go up to like 18% kind of a number?

Alpesh Porwal: No. So Resha, here what happens when we say maintain is that we had the entire FY '25 margin, which was at 17.1%. And when -- there would be different margins for Q4 and other quarters. When we say maintain it, we are going to maintain this margin and only go northwards once we kind of start benefiting from the operating leverage, which will go to increase the EBITDA margin.

Resha Mehta: Got it. So at least 17.1-17.2% is something that we'll try and maintain for this financial year, right?

Alpesh Porwal: We will maintain that.

Resha Mehta: And Creatives, what is our target for in-house manufacturing share for this financial year? And what were the margins in FY '25 for Creative?

Mohit Rathod: So as such, we don't have any separate data for Creative as a category or pen because the facility and the resources used are common for stationery and pens. So we don't have a separate percentage category-wise. But yes, to answer your other question, almost 70% of the products now are in-house, which will further increase to almost 80%, 85% in next couple of quarters.

Resha Mehta: Understood. And on the working capital, we had guided for some modest improvements in working capital. So in this quarter, are we seeing some improvements in inventory and debtor days?

Alpesh Porwal: Working capital, see, it's a mix of what products, new products which we are getting in. And also every time we have these new products, we say that the working capital goes up. But I would say that it is just a matter of time as the products -- the new production, new launches stabilize we will see the working capital coming back to our original levels.

So because previous call also we are discussing, we are expanding our product basket. And as a result, we must stock up on multiple SKUs before these levels rationalize as the products discovers it, right? So once the products mature, you will see the inventory levels coming down. On the receivables front, we have extended a higher credit period driven by typical business nature of the export -- on the export front.



- Resha Mehta:** Sir, would it be fair to assume that maybe working capital would have kind of seen slight deterioration sequentially?
- Alpesh Porwal:** I wouldn't say deterioration, but I would share the numbers in the half yearly outlook. And when you see, it is going to be at the same level and only better, so when we share the numbers.
- Resha Mehta:** Right. And on the exports front, you mentioned that bottles we are not seeing any export revenues. But on the Creative side, are we seeing any export revenues, be it in our own brand or OEM?
- And the last question is that Maped while it's at a very nascent stage, but how is the response wherever we have launched it in the limited number of markets? And do we also get the mandate for manufacturing for them sometime soon?
- Mohit Rathod:** So when we talk about Creative as a category in export market, the demand is there, but we're not able to meet their expectations. So we are focusing more on domestic sales rather than exports for the Creative as a category.
- Resha Mehta:** Okay. And on Maped and just a follow-up there. So when we say we are not able to meet their expectations in terms of the product, probably it is not as per their specification or what is it?
- Sumit Rathod:** So for Maped, I think, like you mentioned, it's very early. I think -- but in the current quarter, the product mix that we have for the domestic market, it's a very mid-premium kind of a category. So a longer time, I think we'll -- we are quite confident that we'll be able to penetrate the market, and create a substantial growth number, or I would say, a contribution number. By Q3 and Q4, you will see the number.
- Pravin Rathod:** And on your previous question, it is not about the expectations of the product line. It's more of the capacity constraint, and we are focusing more on domestic to increase our market share.
- Resha Mehta:** Understood. Maped manufacturing?
- Sumit Rathod:** Overall Creative as a category. Because as we said, we are increasing the manufacturing base for Creative to increase it from 70% to 85% to bring it in-house.
- Resha Mehta:** But I think initially, the mandate was just for distribution. So have we also now got the mandate for manufacturing?
- Sumit Rathod:** So this is for Creative, from a domestic own brand perspective when you asked the question for the export market. And for Maped, yes, it is for marketing and distribution for the domestic market.
- Moderator:** The next question comes from the line of Kishore Kumar from Unifi Capital.



- Kishore Kumar:** I just have 1 question. So given the sizable growth in Creatives and bottle segment, is the aggressive market because of the credit period -- or the higher credit period is actually driving the demand? Or organically, the industry expansion is also helping the brand?
- Mohit Rathod:** So the credit period what we are talking about has been same as what we have been doing for last couple of years. There's no increase in the credit period. But yes, the product appreciation and the response and the traction what we're getting is much better than what we were getting earlier.
- And last year also, a couple of quarters, we could not grow because of the capacity constraint. But once the capacity -- we have built up the capacity, now we are growing because we are able to meet the demand in the market.
- Kishore Kumar:** Got it, sir. So overall, you mentioned 70% to 80% is in-house now. Is this number for the Creatives or for pens as well?
- Mohit Rathod:** No, no, for Creatives. Pen is 100% in-house.
- Kishore Kumar:** Okay. So 70% to 80% is for Creatives in-house. Got it.
- Moderator:** The next question comes from the line of Deepesh Sancheti from Maanya Finance.
- Deepesh Sancheti:** Congratulations on a great set of numbers. Just 1 question. ROE has dipped from almost 24% to 11%. I heard that you were mentioning that you were planning to grow about 15% -- 15% to 16% CAGR every year in terms of revenues. Just wanted to know what ROE we should be looking at, which the company will be able to maintain over the next 2, 3 years?
- Pravin Rathod:** So primarily with the operating leverage kicking in once the new plant also gets operational and as the EBITDA margins further improve, the bottom line contribution will definitely -- is targeted that we improve on the ROE definitely.
- It will be not the right place to give you the guidance on that at this stage. Let at least 1 more quarter go and we will be able to tell you that.
- Deepesh Sancheti:** As in -- are we looking at a particular number of 15% or something? I mean, should we, as an investor look at around 15% as a reasonable ROE, which the company will be able to maintain in the next 2, 3 years?
- Pravin Rathod:** Yes, our target would be to achieve even slightly higher than that as we go because we have the right product mix. The installed capacity would be in place at that time. On all trends we are growing. So definitely, we will look forward to that.
- Deepesh Sancheti:** And where will this growth come from? Because this kind of pens revenue was about a growth of about 3%, whereas Creative and houseware actually got our revenues up. I'm talking about the next 1 or 2 years, where will the actual growth come from?



Pravin Rathod: So from an on a higher digit growth of -- higher single-digit growth is what we are envisaging. This particular 3% is only because of a drag on the OEM -- domestic OEM primarily, which has been a known factor to all of you.

So on Own Brand, of course, we have grown substantially. And that actual contribution came to about higher single digit even on the Own Brand. So hopefully, we will continue to maintain the 9% what we had indicated.

Deepesh Sancheti: Okay. And are we planning any significant capex and any debt which we are going to plan for this kind of capex?

Pravin Rathod: We already explained in the part of the call capex, that we have an ongoing capex program of INR80 crores to INR90 crores, of which INR26 crores were deployed in the Q1 of FY '26. We ordered about 50-plus injection molding machines. So it's part of the growth plan as envisaged.

Deepesh Sancheti: And this is going to sustain this kind of capex. So we should expect around -- a capex of around INR90 crores, INR100 crores coming every year?

Pravin Rathod: No, no. This was part of our -- the IPO process also and the regular growth that comes in. We have been investing in our molds in all from time to time with new product launches. So every year, there is always a capex program, but this here, we are ending with all the -- what we had been committed at the IPO.

Moderator: The next question comes from the line of Aradhana Jain from B&K Securities.

Aradhana Jain: Just a couple of follow-up questions. One on the capacity utilization. While you did mention that you have capex across pen and Creative and then there's a fungibility aspect to it, but just in terms of capacity utilization across, say, pens/writing instruments or Creatives and Steel Bottles if you could just throw some light on that, how is the utilization standing?

Sumit Rathod: So historically also when we reach an optimum of around 70%, 75% of our capacity, we tend to develop new manufacturing facility for the same. So like mentioned earlier, we have capex in plan and we have already -- and the momentum towards installing a new manufacturing facility in Valsad for which we have already given moulding machine and we already placed the moulds order and also assembly machines are in place.

So I think for the future growth, for the growth coming forward, we will be -- we are in place with the capex in the facility, which will help us assist in the targets that we have for each respective brands, especially for the Creative and pen as a category.

Aradhana Jain: So is it fair to assume that we've reached the 70%, 75% peak capacity for writing and Creative? That is why we are expanding the capacities with the new facility in Valsad?



- Sumit Rathod:** Yes. More or less, we are on that line of 70% capacity. But because, as you know, we'll have to pre-advance because we have to create a facility. So as per our historic norms, we are moving towards creating a new facility.
- Aradhana Jain:** And in Steel Bottles?
- Sumit Rathod:** So steel bottle, like I mentioned earlier, we have capacity for this year's target. So we have a little room to achieve those numbers. But going forward, as our overall turnover increases, we will be adding a facility as and when required.
- Aradhana Jain:** With the INR40-odd crores that we put in, that has an asset turn of close to around 3x, right? So maybe till the time we reach INR100 crores, INR120-odd crores of top line, the current capacity should be sustainable, right?
- Sumit Rathod:** Yes. So more or less on the similar lines other than some minor, small machines here and there.
- Aradhana Jain:** And in terms of steel bottles, where are we selling it? Like what are the channels where we are selling these steel bottles? And what is the TAM for your steel bottle coverage like the retail footprint and reach?
- Sumit Rathod:** I think, overall, from a domestic front, we are available in all the fronts. We are actively and aggressively making traction in the domestic front as well as the modern trade and the e-comm platform. So -- and we are also trying to focus a little bit from the international market perspective where we are trying to make a little room and trying to get little export done in our case.
- Aradhana Jain:** So have we started exporting to Newell again for the steel bottles?
- Sumit Rathod:** So very small volume we have been exporting for the export market. So I think going forward, we will try and increase that share as well.
- Aradhana Jain:** And in terms of your Creative, like you said that around 68,000 outlets you've reached and you said that you want to now focus more towards increasing your throughput per store. But what would be the TAM there? And why are we wanting to settle down at the 68,000, 70,000 outlets right now like in case the TAM is higher?
- And do we have all our products across all the outlets or it's selective? And what is the update on your mechanical pencils and how much is the contribution of mechanical potentials in Creative right now?
- Mohit Rathod:** So see, the overall TAM, as you compare with the overall stationery market is huge of which we are doing only 68,000 outlets. So I would say -- and also when we look at the individual product-wise coverage, we feel there is still a lot of room left for us to improve in that. And that's the reason why we want to consolidate and increase our throughput in those 68,000 outlets rather than focusing on getting new outlets.



So that is number one. Number two is when we talk about the mechanical pencils, I would say it has helped us, but also the other products has helped us achieve this kind of growth and this kind of number.

Aradhana Jain: No, my question was more to understand the new mechanical pencils that we introduced last year in the second half. How is that panning out? And have you been able to reach Pan-India with those pencils or there are still supply constraints there? Just to understand growth aspect.

Mohit Rathod: As we said last time also, the response was very good. And now there is no supply constraint, and we are launching almost Pan-India. We have launched the product, and we are just hoping to grow from there.

Aradhana Jain: Okay. Just last, in terms of any hero product that you have across all your 3 categories, is there anything that's standing out across all your 3 categories, which is pens. I know how Hauser XO is your...

Aradhana Jain: So if you could just help me understand that is in Creative any particular product shall be standing out?

Mohit Rathod: So it's a competition-sensitive data. So we would not like to talk about it. But yes, there are many products, not -- as I said, there's not individual products, but there are many products which are doing well.

And the kind of projection what we have, I think we will need -- we have to be dependent on 7, 8 categories rather than 1 category to grow. So I think we are in the right direction in terms of the kind of products what we are launching and the kind of response what we are getting. And we are quite confident that by the year-end, we will be meeting our expectation.

Moderator: Ladies and gentlemen, in the interest of time, that was the last question. I would now like to turn the conference over to management for closing comments. Thank you, and over to you, sir.

Alpesh Porwal: Thank you, everyone, for taking time out to participate in this call. In case of any queries, reach out to our Investor Relations advisor, MUFG Investor Relations. We wish you all the best and hope to interact with you soon. Thank you so much.

Moderator: Thank you. On behalf of MUFG Intime India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.