



“Flair Writing Industries Limited  
Q4 and FY '26 Earnings Conference Call”

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 and FY '26 Earnings Conference Call of Flair Writing Industries 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 a touchtone phone. Please note that this conference is being recorded.

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

**Darshi Jain:** Thank you. Good afternoon, everyone, and welcome to the Flair Writing Industries Limited Q4 and FY '26 Earnings Conference Call. Today on the call, we have Mr. Vimalchand Rathod, the Managing Director; Mr. Mohit Rathod, the 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, opinions 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, and welcome to everyone. Thank you for joining Q4 and FY '26 Earnings Call. I hope everyone had the opportunity to go through our investor presentation and press release that has been uploaded on the exchange. We are pleased to conclude the year on a strong note, delivering 15.8% top line growth year-on-year, achieving our standard guidance of 15% growth.

Our new growth engine delivered outstanding results during the year with creative rising 74% year-on-year and Steel Bottles and houseware recording an exceptional 95% growth for the year. FY '26 has been a defining year in our transformation journey.

We have evolved from being a largely pan-centric business into a more diversified enterprise, building strong momentum in high-growth categories and Creatives and Steel Bottles and Housewares. These two categories now contribute 31% of overall revenue. This marks a strategic step towards a more scalable and future ready and sustainable business model.

At the same time, we have continued to strengthen our own brand sale which contributed 91% of our business in FY '26, a clear reflection of our growing strength and trust in our brand portfolio. We remain committed to deepening the mix further in the years ahead. Operations at our new Valsad facility are scheduled to commence from Q1 FY '27 with capacity ramp-up expected by Q3 FY '27.

This expansion will significantly enhance our manufacturing capabilities across the Pens and Creative segment, supporting increased production volumes and enabling us to cater to growing demand across segments.

In line with our strong performance and positive outlook, the Board of Directors have approved a final dividend of INR0.50 per share, representing 10% of face value of our equity share, aggregating 20% of FY '26 similar to previous year.

As we look ahead, we remain firmly focused on driving innovation and further deepening our brand leadership. This will position us to deliver endeavoring growth, creating long-term value and reinforce our leadership in the industry for years to come.

I now hand over the call to Mr. Alpesh Porwal, our CFO, to discuss in detail about our Q4 and FY '26 financial performance. Thank you.

**Alpesh Porwal:**

Thank you, MD, sir. Let me begin with the financial performance for the fourth quarter of FY '26. Revenue from operations for Q4 FY '26 stood at INR322.9 crores, an increase of 8.4% year-on-year. The gross profit for the quarter was at INR165.3 crores, which increased by 14.1% over the corresponding quarter of the previous year. The gross profit margin improved by 258 bps year-on-year to 51.2%, driven by a favorable shift in the company's product mix.

Also, the increasing contribution from the own brand sales has strengthened pricing power, resulting in an overall improvement in gross margin this quarter. EBITDA for the quarter was at INR57.7 crores, registering a growth of 23.3% year-on-year. EBITDA margin stood at 17.9%, an increase of 217 bps year-on-year.

As mentioned in our previous calls that we are seeing operating leverage come through this year. This reinforces our confidence in the effectiveness of our ongoing business transformation initiatives, including increased automation, managing our human capital and strengthening distribution relationships to support our expanding portfolio of innovative products.

Profit after tax for the quarter was at INR36.5 crores, increasing by 18.4% on a year-on-year basis. Profit after tax margin as PAT margin for the quarter stood at 11.3%, expanding by 96 bps year-on-year, supported by disciplined finance cost. The stronger PAT growth was driven by a broad-based improvement in profitability, supported by expansion across gross margin, EBITDA margin and overall PAT margin.

Moving to our FY '26 financial performance. Revenue from operations for FY '26 was at INR1,250.1 crores, an increase of 15.8% year-on-year. As mentioned by our MD sir, we achieved our revenue guidance of 15% this year. Gross profit for full year was INR637.8 crores, which increased by 16.4% on a year-on-year basis.

Gross profit margin came in at 51%. The gross profit margin grew marginally this year with 30 bps expansion. EBITDA for the full year was INR224.5 crores, increasing notably by 21.5% year-on-year. EBITDA margin also improved marginally by 85 bps to 18%. Profit after tax for the period was at INR141.3 crores, an increase of 18.7% year-on-year.

Profit after tax margin for the year was at 11.3%, increasing by 28 bps. As reflected in the full year performance, margins across all levels expanded meaningfully. Talking about our working capital. Our inventory days stood at 97 days in Q4 FY '26. It was similar compared to other

quarters as we stocked up more inventory in advance during the quarter, anticipating further price in crude oil and its byproducts.

On the other hand, our debtor days stood at 78 days. It reduced by 4 days quarter-on-quarter and our creditor days stood at 37 days, a decrease of 3 days quarter-on-quarter. Hence, our working capital for Q4 FY '26 stood at 139 days, which is also the same for full year.

We regularly launch new products, maintaining higher inventory during the initial demand discovery and feedback phase. Based on market responses and sales forecast, inventory levels are then adjusted to complete the product life cycle.

Coming to our business segment results. Our own brand sales. Our own brand sales have continued a strong upward trajectory with consistent growth across the domestic market. Overall, domestic own brand sales grew by 17% year-on-year to INR264 crores. For full year, this number stands at INR1,017 crores, registering a 20% growth year-on-year.

Domestic market has been a constant source of strength and underscores the favorable market positioning of all our products. Our own brand exports contributed INR34 crores to the total revenue in Q4 FY '26, an increase of 31% year-on-year, while for the full year, it was at INR122 crores, an increase of 29%.

We have consistently focused on increasing our own brand sales and reducing reliance on OEMs, and we are steadily delivering on this objective. Our own brand sales now account for approximately 91% of the total revenue in FY '26, marking a steady and consistent rise from 87% in FY '25, 86% in FY '24 and 80% in FY '23. About our OEM sales. The domestic OEM declined from INR15 crores in Q4 FY '25 to INR9 crores in Q4 FY '26.

As highlighted earlier, our domestic OEM business has been fully phased out with legacy OEM relationships reduced to 0. Nonetheless, we are pleased to share that new customer engagements through our Flomaxe subsidiary have created an incremental revenue stream within the domestic OEM segment.

Our export OEM business declined from INR32 crores in Q4 FY '25 to INR17 crores in Q4 FY '26. It was mainly because of persistent inflation and subdued demand being experienced domestically by our clients, further aggravated by West Asia prices.

As the macro environment stabilizes, we expect export OEM to recover meaningfully, driven by normalization of supply chains, improved logistics and a gradual revival in demand across key export markets, supported by enhanced customer engagement and execution capabilities.

Now coming to our product segment results. First, our high-growth segments of Creative and Steel Bottles and Houseware. The Creative segment achieved impressive growth of 80% year-on-year growth for Q4 FY '26 and 74% year-on-year for FY '26, the whole year.

The revenue contribution stood at INR86 crores for the quarter, that's Q4 at INR298 crores for the full financial year. We expanded our product portfolio by introducing six fresh offerings

under the Creative range during the quarter and overall 29 new products during the financial year.

We recently incurred a capex of INR20 crores FY '26 for the Flomaxe facility in Surat, mainly invested in the new building and plant in machinery and has already emerged as a revenue-accretive driver for the Creative segment. We recently operationalized wooden pencil manufacturing at this facility, a major category expansion in Creative segment.

We continue to scale the Steel Bottles and Houseware segment as the revenue contribution for the quarter increased by a stellar 76% year-on-year in Q4 FY '26 to INR22 crores as compared to INR12 crores in the corresponding quarter of the previous year.

On full year, the segment generated sales worth INR85 crores in revenue, which is a substantial increase of 95% year-on-year in financial year '26. We sell 24 products in this segment with multiple SKUs. Our growth strategy in this segment is driven by two key levers, expanding the product portfolio and deepening distribution reach, particularly within general trade.

Moving on to our Pens segment. The total revenue for the quarter declined 4% year-on-year from INR221.66 crores to INR213.44 crores. The overall decline is entirely attributable to our Pen OEM segment, which contracted 65%. Here, we also want to highlight that our own brand business in Pen grew 9%, a high single-digit growth.

This is a direct testament to the company's strategic focus on building and strengthening our own brand portfolio, which continues to deliver consistent growth. To summarize, while the Pens business grew in FY '26 with focus on quality and our revenue mix, showing a significant shift towards own brand sales, which now represents 95% of our Pens revenue versus 80% a year ago.

Coming to the geopolitical situation currently, which we are facing. Despite the West Asian crisis and uncertainty looming over it, we would like to maintain the revenue guidance of 15% FY '27. We remain confident about the upcoming year with a positive outlook driven by broad-based growth across all segments, supported by new product launches, enhanced manufacturing capabilities and stronger distribution enabling deeper market reach.

However, the ongoing West Asia crisis has inflated crude oil prices drastically, leading to a corresponding increase in crude-linked derivatives, which are one of the important components of raw materials.

While Q4 margin remain insulated due to pre-stock inventory as we typically maintain inventory buffers over multiple months, we expect a margin impact in Q1 FY '27 as higher cost inventory begins to flow through. Cost of such raw materials have gone up from 10% to 50% on an average. So we are expecting an impact of about 13% increase in the consumption ratio. To mitigate this, we are strategizing a combination of rationalization of schemes and discounts.

In household and Steelware, we have also increased the selling price for all the products. With sustained focus on premiumization with a consistently rising share of mid-premium and

premium products in new product launches, we expect to further offset the negative margin impact.

Reflecting on the quarter, we take pride in delivering overall strong performance despite challenging macroeconomic conditions, and we extend our sincere appreciation to all our stakeholders for their continued support. Building on this momentum, we remain focused on sustaining our progress and driving the next phase of growth.

Thank you. I would now like to hand over to the moderator to open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Aradhana Jain from 360 ONE Capital.

**Aradhana Jain:** Congratulations on delivering a steady operating performance despite the volatile macro environment that we are in. My first question is how much is the salience of crude on our raw materials? And you mentioned that the prices have increased to around 10% to 15%.

If you could throw some light of how much has the price hikes been taken during the quarter or even after that? And which SKUs would have seen the most price hikes? And did we witness any channel stocking ahead of the price increase that happened? That's my first question.

**Alpesh Porwal:** So when we say 13%, it's on an average for direct and indirect kind of materials which we use. Now when I say I calculated 30%, this is an average of raw material, chips, packaging and other decoration. Now overall, this range is actually from, say, 0% in certain of these products from 5% to 50%. And the weighted average comes to 13% today.

And that is why I say 13% is going to be the impact of the raw material prices due to crude -- in Q1, yes. And like I said, we also have the raw material stocked up. So which also kind of averages out the impact of increase in the raw material prices.

**Aradhana Jain:** So how much is the salience of crude on our raw materials? Like is it 30%, 40% of our raw materials is crude derivatives or how is it, if you could.

**Alpesh Porwal:** 35%.

**Aradhana Jain:** 35%. And did we witness any channel stocking ahead of the raw material increase that was happening?

**Alpesh Porwal:** Sorry, repeat your question.

**Aradhana Jain:** Was there any channel stocking that happened ahead of the raw material price increase before basically the...

**Alpesh Porwal:** So what happened, Aradhana as the war started, as you know, the raw material prices started increasing. So there was something that we average out our purchase was out here by buying in at the dips out there and also stocking in. Now what we see is that the pre-stock material, which is going to have -- is going to have my average cost not dipping down so much as it would be had I been purchasing the raw material at the current prices.

- Aradhana Jain:** Understood. And you also highlighted that we might see some bit of dip in our margins because of the inflation in the prices. If you could throw some light on how much could the dip be there on our margins on account of the increase in the raw material prices?
- Alpesh Porwal:** So everything averages out and the impact will be in the -- in Q4, a total of 13%, which would net up to something like a 4% or something in Q1.
- Aradhana Jain:** Okay. Second, I want to...
- Alpesh Porwal:** No, Aradhana, just to add this - I'm looking at 4% - which will eventually go down over the next 3 quarters. So as to end of FY '27, probably we do a recalibration out here and we'll be kind of at the same level of margin which we are today, maybe a 1% of difference out, which we see.
- Aradhana Jain:** Okay. The second question I wanted to understand is on the Pens segment. If you could throw some light on how is the outlook going to be over the next 2 to 3 years? We were guiding for high single-digit kind of growth in the pen segment, we have closed the year at around 2%. And I understand that our own brand has grown at 9%. But going forward, how would be -- how should one look at the mix between Pens and Steel Bottles and Creatives?
- Like obviously, if you see last year, we were at around 77%, 78% of Pens contribution, which has come down to around 68% this year. But going forward, what is the outlook on pens? And I understand the growth levers will be Creative and Steel Bottles. But if you could just help us understand what is the outlook going ahead?
- Mohit Rathod:** Yes. So Aradhana, so what we are targeting for the coming years is the writing instrument, which is Pens would be growing at 5% on an annual basis. And also to add the high-growth category, which is Creative, we are targeting 50% growth this year as well. And for Steel Bottles, we continue to grow at 40%. So overall, if you look at the ratio, will come out to around 15%.
- Aradhana Jain:** Understood. And during this quarter, our Steel Bottles revenue has moderated a bit if you compare that to, say, second quarter or third quarter. What is the reason for that? And how should one look at the growth in the Steel Bottles that INR22 crores, INR23-odd crores of quarterly revenue, what is our outlook on that? How do we plan to increase that? And what are the steps that we are taking towards it?
- Mohit Rathod:** Yes. So if you look at the Q4 when we compare to Q3, of course, Q3, there was the impact of festivals. So obviously, the sale was high at that time. And -- but going forward, we would -- we are strengthening all three fronts, which is to do with our GT, general trade, also the modern trade and e-com business along with the quick-com.
- Moderator:** The next question is from the line of Sneha from Nuvama.
- Sneha:** Congratulations on great numbers. Just a couple of questions from my end. What is the impact that you're now estimating in terms of margins going ahead? And for how long do you think that it will take to normalize? The reason I'm asking is you've already started taking actions in terms of reducing discounts and probably even increasing prices. But let's say, if the situation continues

with respect to polymer prices continues to remain volatile, when do we see margins normalizing?

**Alpesh Porwal:**

Like I said, when we look at a max of 4% in my Q1, this is the impact which I see. But if the war continues and the situation continues to linger, then like you said what you are asking is how do we kind of manage it. Today, we are not there in a lot of segments. We're not even touching the pricing and the entire economics of the market would undergo change if this war continues because the rising prices obviously have to stabilize and we have to pull it.

So in a nutshell, if I say, it will have an impact, the inflation will come in and it will have an impact on every product, including our products also. So the ultimate thing is the rise in MRP is what everybody will see. But today, we don't envisage that this crisis would continue beyond next 2, 3 months, when it starts stabilizing by the time. So even if the war thing ends by the next week, what we are expecting or we read, the pricing, the stabilization will take some time.

**Sneha:**

Noted. And did I hear it correctly that for Pens division now we are expecting around 5% sort of growth and rest of the segments will lead to driving overall 15% growth?

**Alpesh Porwal:**

Yes. Overall, we look at 15%. When we said what Mohit said is 5% growth is what we're expecting in Pens and 50% and 40% in Creative and Steel bottle, which comes to 15%.

**Sneha:**

And lastly, I just wanted to take your views on the inventory days reduction. Now we've been targeting that for over a year or so. What is the progress that we are making and what are the actions that we are taking? And FY '27, what's the probable reduction that we'll be able to see in the working capital cycle?

**Alpesh Porwal:**

So the entire working capital, if you see our inventory has -- inventory days went up from 87 in the previous year to 94 in this year. And over the period, what we see is this is a marginal improvement quarter-on-quarter also. Today, we stand at 97 days. This is majorly because of the restocking, as I said, which we anticipated and just to safeguard our interest, we insulated with stocking a little extra.

However, if you see my debtors , the numbers have started coming down in spite of these markets. it has come down by 2 days as I said today. And so are my creditors numbers -- number of days have reduced. That means I have started paying the creditors much faster, the cycle has become shorter. This entire impact would come to -- this entire impact would work out to almost 9 days of increasing my working capital going forward.

Going forward, obviously -- , streamline inventory. Inventory prestocking was a onetime event, which we said. This is not what we are going to -- is going to repeat. So with the entire West Asia crisis coming -- moving in a direction, we see around 5 to 7 days of improvement in inventory in the coming 2 quarters.

**Moderator:**

The next question is from the line of Jinesh Joshi from PL Capital.

**Jinesh Joshi:**

Sir, you mentioned that you have restocked certain inventory in anticipation of price rise. So can you just highlight how many months of cover do we have as far as 1Q is concerned?

**Alpesh Porwal:** So in my inventory, when I say raw material and packing material, which constitute -- which makes up around 40% of my inventory. And when I say stocking up of the inventory, it's around 4 to 5 weeks of inventory -- raw material inventory stock up.

**Jinesh Joshi:** Understood. And sir, I just want to understand our export revenue growth trajectory a bit better. Because if I look at our own brand sales, it has grown quite handsomely in 4Q, but our export OEM revenue is down, if I'm not mistaken. And given the fact that we are facing headwind in export markets due to logistical challenges, ideally it should impact the OEM revenue on the export side as well as the own brand revenue. But there is some kind of divergence. One category is reporting a growth whereas other is declining, so if can just explain this a bit?

**Sumit Rathod:** If you see in the export market, the overall in the OEM segment, there are many factors and recently due to the West Asian conflict that was going on that impacted the overall route, even the freight cost and even the route towards the exporting market. But when I say the own brand growth, we had a significant growth and even control on our brand and our strategies in those countries has helped us grow significantly overall in the export market.

And I think in the -- going forward, we continue to maintain that strategy. And now as you know, we have also opened up four new countries. And overall, we are 100-plus countries now in the overall export market.

**Jinesh Joshi:** Can you share out of the total export revenue, what is the share of the troubled countries at this point in time? And what has been the fall within that category as such?

**Mohit Rathod:** So the overall export to the Middle Eastern countries is about 25%.

**Jinesh Joshi:** And the extent of fall that we have seen in this quarter? I mean is it possible to kind of give some color on that?

**Mohit Rathod:** So see, past few weeks or past couple of months, we have not been able to export there, mainly because of the route is closed. So -- but anyways, when we talk to our buyers and our distributors, they are very, very positive because the back-to-school season is coming there as well. So they are very, very optimistic about the future business in this year.

**Jinesh Joshi:** Wanted to understand that on growth guidance on Steel Bottles and Creative a bit better, where we are seeing a 50% growth for Creatives and 40% for Steel Bottles. I think we launched about 59 new products in these categories in FY '26. So what is our plan for FY '27 in terms of new launches and any touch point expansion that we are planning, especially on the Steel Bottle side?

Because I believe on Creatives, we are at about 65,000 to 70,000 in terms of touch points. So what exactly is going to drive the growth in these two categories within Steel Bottles, are we planning to add the fourth line anytime soon?

**Mohit Rathod:** So when we talk about creative as we have seen in last 6 to 7 quarters, the momentum -- we have continued the growth momentum. And all the categories in the Creative, we are getting a good traction. And we will continue to launch new products this year as well because still we see a lot

of the categories we have to increase the depths of offerings of the products. And so the new launches will continue for this year as well.

And when we talk about the overall coverage in creative, I would say we would maintain the same and reiterate that we would be increasing the depth of the -- and our throughput in each and every outlet rather than increasing the number of outlets.

And to answer your other question in Steel Bottles, yes, we are launching a lot of new ranges in the coming year as well to increase the overall variety in the bottle. We would be -- since the base is small in all three categories, which would be general trade, modern trade and e-com, the growth is going to be all across .

**Jinesh Joshi:** And fourth line, sir, any plans to add fourth line within the...

**Alpesh Porwal:** We are planning to expand our Steel business by adding one more line.

**Moderator:** The next question is from the line of Nitin Jain from Fair Value Equity Advisory.

**Nitin Jain:** My question has been answered.

**Moderator:** The next question is from the line of Rahul Jain from Credence Wealth.

**Rahul Jain:** Congratulations on a good set of numbers. More specifically, we have done exceptionally well on Creative side and the Bottle. So my first question is, sir, with regards to the capex we have done in last three years our gross block has almost gone up from about INR200 crores to INR480 crores plus -- the cash flow capex, which I can see from last three years cash flow is roughly around INR350 crores.

So two questions related to the capex part. One is what further capex we plan to do in the current year that is FY '27 and based on the capex which we have done till now and also the commercial start of operations at Valsad and Surat, the INR20 crores capex. So typically, with this kind of infrastructure, what kind of peak revenues are achievable?

**Alpesh Porwal:** So just to add to this and give you a perspective, we capitalized -- we had a capex spend of INR104 crores in the previous financial year. And in Q4 itself, we had INR40 crores. The major part of this capex is like you -- I think probably would try to say the plant and machinery and moulds. That's a capex spend out here.

What we see in the coming year in this quarter when we capitalize the new Valsad facility, so we have another outlay of probably INR60 -- INR70-odd crores. And the total capex for the year would go to around INR80 crores, INR90 crores.

Having said this, when we -- historically also, you will see the number of times of revenue which we generate from our capital assets is around 3x. And it's more than 3x, so the similar revenue is what we expect from all the capital expenditure.

Now to put the capital expenditure, give you a proper perspective, annually, we have a replacement, etc., of around INR42 crores. Now with this another INR72 crores of capex coming

another INR72 crores, which we capitalize in Valsad over the period of two to three years where we see we reached the optimum level of capacity levels, and it would give us a 3x of this expenditure.

**Rahul Jain:** Sir, just to understand this clearly, based on the current capex plans, which is -- one which is completed till 31st March and one which you spoke about the Valsad, have about further around INR70 crores. So with this Valsad thing done completely. What kind of peak revenues are possible with this existing infrastructure.

**Alpesh Porwal:** Facility or we talking about the total?

**Rahul Jain:** I'm talking about the peak revenue of the total. Because we have been doing capex for last 2, 3 years now continuously.

**Alpesh Porwal:** We have been doing capex and we're also building up manufacturing facility. What we see in the next -- the peak revenue from the assets which we would have would come to around INR1750 crores of sales which we can do from these facilities which we are building up.

**Rahul Jain:** Okay. So including the Valsad new INR70 crores, it will be INR1750 crores?

**Alpesh Porwal:** Yes. That's the capacity which we will ultimately operate. Over the period of time.

**Rahul Jain:** And as we go forward, do we plan to reduce this intensity of capex reason being that somewhere due to the capex or can we go in terms of some kind of asset-light model so that our return ratios go beyond, say, 20%, 25%?

**Alpesh Porwal:** We are not thinking about an asset-light at this point of time. The way we are functioning out here by our capital outlays and we're going to continue with that. So it's not that we are saying that we have a lot of capital outlay, but as need basis and the opportunities at a given period of time. We plan the capex.

**Rahul Jain:** Within Creatives, we have done exceptionally well last year. And again, we are expecting about 50% growth in the current year FY '27. So what top two or three product categories are driving this growth? And where do you feel still there is a maximum potential to grow at this speed of 40%, 50% for another 2, 3 years to come?

**Mohit Rathod:** So the maximum revenue growth, what we have seen in the last couple of years is in the pencil category and also in the kids category. So pencil is going to grow further for next 2, 3 years. And also, we will be adding new categories in terms of the coloring range of geo boxes strengthen our position there as well. And when we talk about the pencil, it is all the pencils I'm talking about, which is the mechanical pencil, the wooden pencil facility, which we just added in Surat and as well as the two 2mm mechanical pencil, which we recently launched.

**Rahul Jain:** Sir, with regards to the rationalization of schemes which you have done and the price increases which you have taken across our product categories, as we speak today and we are entering the school season school about to start. So how is the demand scenario as we speak today?

- Mohit Rathod:** So the demand is extremely positive when we talk about the back-to-school season. It's very, very positive. Okay. So there is no dent on the demand post the price increases which we have taken.
- Rahul Jain:** Okay. So there is no dent on the demand post the price increases which we have taken?
- Mohit Rathod:** No, no.
- Rahul Jain:** And last question, sir, just to clarify on the margin impact. So last year, our operating margins have been somewhere around 18% for the full year. And you did alleviate that, of course, due to the crude impact, there will be some dent. But for the overall year, you said we should be back to around 18% margins for the year as a whole. Is that understanding correct?
- Alpesh Porwal:** So last year, the margins were EBITDA, if you were to talk about is 17.11%. And this year, we are closing almost close to 18% EBITDA. Are you talking about the EBITDA margins or you talking about the consumption ratio?
- Rahul Jain:** I'm talking about EBITDA margin, sir?
- Alpesh Porwal:** Exactly. So we have -- we said that we will be -- last year also at the beginning of the year, when we had the meet, we had said that we'll do anyways more than what we did the previous year, which was 17.1%. And throughout in the all the 4 quarters, we have kind of had a higher margin.
- Rahul Jain:** I'm talking about the year -- the current year FY'27. So you said there is some impact which margins will be there in quarter 1. But for the whole year, probably you feel that as we go forward, the overall margins for the full year can be around 18%?
- Sumit Rathod:** So I think looking at the global scenario right now, I think the overall impact that we maximum see right now is a maximum of 1% up and down based on the targets that we have set.
- Rahul Jain:** Okay. So the range can be 17% to 19%. That's my last question -- so the margins will be around 17% to 19% that understanding right?
- Sumit Rathod:** Yes. So like we said that our target was towards 18%. So we might see an impact of 1% looking at the global scenario.
- Moderator:** The next question is from the line of Ananya Nichani from Thinqwise Wealth Managers LLP.
- Ananya Nichani:** On the receivables there is an improvement, I wanted to understand what exactly drove that and whether it's sustainable going forward?
- Alpesh Porwal:** See, in terms of receivable, where we have shown an improvement, margin improvement, it's a simple thing to the process which we have started about the collection and addressing the needs.
- Sumit Rathod:** See, as you see as the overall impact of the Steel and the Household and the Creative category grows, this impact will further correct itself going forward because the strategies that we have put in place for these two particular segments are in a better manner as compared to the overall history of Pens credit segments that we maintain. So I think going forward, as we have said that

we have improved marginally. I think going forward with this ratio, we will further improve our numbers and number of days.

**Ananya Nichani:** So the receivable will continue to improve?

**Sumit Rathod:** Yes, for sure.

**Moderator:** The next question is from the line of Nilesh Doshi from Prospero tree AMC.

**Nilesh Doshi:** Congrats for the good set of numbers. Sir, the could look much better if the standalone also has performed better and contributed because since last 2 years, standalone profit at the operating level, it is still rather it is reduced from 2024. So what are the reason why the standalone profit is not increasing, though the revenue is growing, but the operating profit is not growing.

It is only the subsidiary which is generating the higher profit and so at the console level, the profit and revenue looks good. So what are the steps company is taking to improve the profitability of the standalone level?

**Pravin Rathod:** So across all the companies, whether they are from the main company or the subsidiaries, the production of the writing instruments Creatives are spread over. So it is not specifically to any particular company that the margins are improving.

It is the overall turnover that happens the way the expansion and the capex has happened in various categories in the new company, the subsidiary company, where in 2017, when the tax regime had gone down. So major expansion is happening there. you understand. So the output of the subsidiaries will always be higher at overall level, while the holding company continues to maintain its growth.

**Nilesh Doshi:** Sir, our revenue is growing at the standalone level. And I think at the standalone level, we are operating the Pens business. And that business is growing, the revenue is growing, but the operating profit is not growing. It was INR176 crores in the FY '24. Now it is INR155 crores when we are reporting the INR1,000-plus crores of the revenue at the standalone level. So my question is why it is from INR176 crores to INR155 crores and the revenue from INR900 crores to INR1,000 crores?

**Alpesh Porwal:** Firstly, let me just kind of clarify over here that when we are looking at Pens business, Creative business, these are -- we use molding machines, which are fungible -- between these segments. And as legal entities where we are spread out over Daman, Valsad, Dehradun and Surat, what we do is a specific product is manufactured in a manufacturing facility.

This can be either of these companies, legal entities where we manufacture. Depending on the product mix again and also on the market of that product, the sales kind of is affected. However, if I were to look at it from the consolidated levels, you will see the improvement or the best way to look at is consolidated levels. When you're talking of standalone legal entities, I would say that these are the byproducts of the product mix, which we have manufactured and sold from those manufacturing units.

**Nilesh Doshi:** Okay. Sir if we talk about the consolidated level. So there is a profit GP growth of 16% from INR547 crores to INR637 crores, the GP grew, in absolute term it is INR90 crores. Our operating profit at the console level grew by INR40 crores. Why? because the employee cost has grown by INR43 crores.

If any year where we could not maintain the such GP and because the employee cost is more of a fixed nature of cost we will take a hit at the operating level. So will it be a continue process of the employee cost is increasing, I think faster than our GP growth. So what is your thought on the employee cost and particularly at the operating level, how it will look if there will be no GP maintenance or GP growth?

**Alpesh Porwal:** So employee cost, if you look at the absolute number, it might grow, but so does the sales growth. At our -- if I do at the console level, my employee cost is same percentage-wise, same at 20% to 21%. It's consistent over there.

**Alpesh Porwal:** Yes. So employee cost is a line item over there. That plus job work, which is included in other expenses. If you were to total those numbers, then my employee cost remains between 20% and 21% throughout. So it won't like your fear of it would have an impact on my profit. No. It's only the other expenses are decreasing if you see the numbers as a part of percentage.

**Moderator:** The next question is from the line of Manpreet Arora of Arora from Arora Wealth.

**Manpreet Arora:** So first question is on the competitive landscape. You mentioned that we can do or we can do about 50% growth in our Creative segment. And if you look at the Creative segment, there are already players there, we have DOMS, we have FaberCastell, we have Cello, we have Camlin etc.

Now to achieve such a high rate of growth, will it be driven by capture of market share or do you think this market itself is growing at a very high rate and we could capture grow at that rate. So if you can talk about the competitive landscape in general and how we are to grow there, sir?

**Mohit Rathod:** So what we expect from -- the growth is from the -- we will increase our -- grab the market share from the existing players in the category by -- and the main reason why we have been growing at such a high speed is the innovative products, what we have launched in the last 2 years. And the pipeline of the new products which we are planning to launch in the coming years is quite exciting. So based on that, we are super confident that we would be able to grab that market share from our existing competitors.

**Manpreet Arora:** Okay. Primarily driven by capturing market share.

**Mohit Rathod:** Yes.

**Manpreet Arora:** Yes and of course, new innovative products. Sir, second question is on the Valsad facility. Now in the previous quarter presentation said that it will be partially commissioned in quarter 4. Now we are saying it will be commissioned or it will start in Q1 FY '27. So has there been a delay in commencing the facility?

**Sumit Rathod:** So I think looking at the Q4 overall global scenario. I mean there's a slight delay, but I think in Q1 it has already started. So already the machinery, the raw material that was partly delayed but I think Q1, like mentioned, it has already started.

**Manpreet Arora:** So sir, our understanding was that on Valsad starts a lot of the work that we outsource today on the Creative side will come in-house and that should also help us in improving our margins. Is that understanding still correct? And have you taken that into account because we are saying that we lose certain margin because of the volatility, but still guiding for 17%, 18% end of the year. So that reduction in margin or that improvement in margin that we get from Valsad is accounted. I'm assuming the whole calculation?

**Sumit Rathod:** We see the overall impact is higher, but considering that also like what you just mentioned, the Valsad and bringing a lot of these outside products in-house that will help us maintain and that's why we are restricting ourselves to that percentage. And we're still continuing with the guidance that we are putting in place despite the global scenario. So yes, definitely, it will help us in sustaining and maintaining the numbers that we have targeted despite the global scenario.

**Manpreet Arora:** Okay. Sir, one last one on the marketing spend. Now a large part of our customer base and students of schools and college going students. Now given that, what is our marketing strategy? Is it -- so we have a brand ambassador and then I think we do school reach-outs where we try to increase visibility of our products and promote.

And but given that the buyer is young and school going, what are the other things -- I mean, are we active on social media? And going forward, what will be our incremental marketing spend towards this channel? If you can talk about a strategy a bit.

**Mohit Rathod:** So the strategy will remain the same. We would be actively promoting our products on social media and as well as schools promotion will be actively on and a lot of BTL activities in terms of using a good POP display stands and acquiring a big shelf space in each outlet.

**Manpreet Arora:** And this has been our strategy in the last few years as well -- what I'm trying to understand is there a change in the strategy or no?

**Mohit Rathod:** No. It's the same.

**Moderator:** Ladies and gentlemen, that was the last question for the day. I may now hand the conference over to the management for closing comments.

**Vimalchand Rathod:** We would like to thank you all for taking out time for this call. For any further queries and questions, you can reach out to our MUFG Intime, our IR advisors. Thank you.

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