

Luxor Writing Instruments Private Limited

September 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	85.00	CARE BBB-; Stable	Assigned
Short Term Bank Facilities	10.00	CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Luxor Writing instruments Private Ltd (LWIPL), are based on a combined view of LWIPL and Luxor International Private Limited (LIPL) (herein referred to as Luxor group) since the business and financial risk profiles of both the entities are linked with similar line of business, common promoters and cash flow fungibility between the entities. The ratings assigned factors in experienced promoters, established track record of operations with strategic collaborations with foreign companies, established brand presence with diversified product portfolio and strong distribution network and operational performance marked by steady revenue growth. The ratings are, however, constrained by fluctuating profitability margins owing to volatile nature of raw material, elevated debt levels driven by regular debt funded capex and working capital intensive nature of operations. The ratings are further constrained by exposure to foreign currency fluctuation risk and intense competition from unorganised segment in writing instruments industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in revenue above Rs. 900 Cr and PBILDT (Profit before Interest, lease, depreciation and tax) margin above 9% on a sustained basis.
- Improvement in financial risk profile with overall gearing below 0.70x on a sustained basis.

Negative factors

- Deterioration in profitability with PBILDT margin below 5%.
- Deterioration in financial risk profile with overall gearing above 1.20x on a sustained basis.

Analytical approach: Combined. CARE has combined financials of two entities viz Luxor Writing Instruments Private Limited (LWIPL) and Luxor International Private Limited (LIPL) [collectively referred to as Luxor group] since, the said entities are engaged in a similar line of activity, have common promoters along with having significant operational and financial linkages. The details of the entity considered in combining the financials is provided in Annexure-6.

Outlook: Stable

CARE Ratings believe that the entity is likely to sustain its stable operating performance due to its association with the top international brands and strong presence in both domestic as well as international market.

Detailed description of key rating drivers:

Key strengths

Extensive experience of promoters with long track record of operations: Luxor group, founded by Late Mr. D.K. Jain, started manufacturing writing instruments in India in 1963. The group is now headed by chairperson Mrs. Usha Jain who has over 5 decades of industry experience and looks after the overall operations of the group. She is ably supported by Mrs. Pooja Jain (Managing Director), executive MBA from Harvard Business school and has over 25 years of industry experience. The top management is assisted by qualified professionals with vast experience in the field of production, finance, distribution, and marketing.

Established market position with strong brand presence: Luxor is one of the brand leaders in the Indian writing instruments industry. In addition to its own brand, company has also entered into long-term exclusive agreements with the original manufacturers of renowned global brands like Parker & Waterman. Luxor enjoys strong market presence, being the exclusive manufacturer and distributor for these brands in India. Further, the highest revenue contribution in FY24 (refers to the period from April 01 to March 31) came from the Luxor brand, accounting for ~56% of the TOI (total operating income) (PY:

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

45%), followed by Parker and Waterman, contributing ~36% (PY: 20%) and Schneider and pilot contributing ~7% (PY: 32%) and rest from other brands, reflecting growing acceptance and penetration in domestic markets for the home grown brand.

Diversified product portfolio and customer base with strong distribution network: The group has a diversified product portfolio with products such as luxury pens, ball pens, highlighters, colours, sketch pens, markers, notebooks, etc. Products are sold in the domestic market through a strong distribution network of over 5000 super distributors and through B2B, E-commerce, modern trade sales, with more than 60,000 retail outlets have been covered, while export sales are carried out in the form of contract manufacturing for leading international names such as Crayola (U.S), Carrefour (France), Walmart and Newell (USA), Spar (France), The works (UK), etc.

Moderate growth in revenue from last 5 years with fluctuating profitability margins: The group has reported modest growth in the scale of operations over the past five years at a compounded annual growth rate (CAGR) of ~6% during the period (FY20 – FY24). During FY24, group reported slight decline in TOI and stood at Rs. 647.89 Cr (PY: Rs. 668.13 Cr) mainly due to discontinuation of business with Pilot, Japan. Further, the profitability margins remained moderate and fluctuating within the range of ~5-7% over the last 5 years. This volatility is due to the fluctuating prices of key raw materials such as polymers, ink, and tips. The company is able to pass on the price change to limited extent only as there is high level of competition in the writing instrument industry especially from the unorganized sector.

Key weaknesses

Moderate financial risk profile: Though the overall gearing of the group has improved over the years and stood below unity as on March 31, 2024 mainly on account of scheduled repayment of existing loans and accretion of profits to net worth. However, company's overall debt levels remained stable driven by regular debt funded capex for automation, capacity enhancement into existing plants and high working capital utilization. Further, an additional debt funded capex of ~Rs. 72 Cr has also been planned to be incurred till FY27 in a debt-equity ratio of 75:25 for manufacturing of notebooks and for bringing capacity for new brands like Schneider and Doodles. Debt coverage indicators improved in FY24 as reflected by interest coverage ratio stood at 3.57x (PY: 3.02x) and total debt to gross cash accruals stood at 3.52x (PY: 4.66x).

Working capital intensive nature of operations: Operations are working capital intensive marked by an average operating cycle of around 60 days as on March 31, 2024 (PY: 55 days). The working capital requirements are met largely through bank borrowings resulting in high WC limit utilization. Going forward, working capital requirement may intensify considering the sizeable capex planned in the group and thus remain a key monitorable.

Margins susceptible to volatility in raw material prices and currency risk

Crude oil plays significant role in the stationery industry, primarily as a raw material for plastic production as the pens and plastic coatings are made from petroleum-derived plastics. Additionally, petroleum by-products are used in the production of ink. Therefore, fluctuation in crude oil prices has a direct bearing on the cost of producing various stationery items made from plastic or other petroleum-based materials. The cost of raw material for Luxor accounts for ~55%-60% of its total production cost. However, company passes on the change in prices to a limited extent as there is intense competition in the industry and therefore this volatility in raw material prices is reflected in fluctuating margins as well. Further, company has backward integration set up for ink and tips, which fulfils all the requirements for tips, however ink is imported also to some extent. Further, raw materials are sourced through both domestic and overseas suppliers and company mitigates foreign currency fluctuation risk through natural hedging, as exports are more than imports with exports stood at ~Rs. 225 crore and imports at ~Rs. 80 crore during the fiscal year 2024. The company has also booked net gain of Rs. 2.57 crore in FY24 (PY: Rs. 4.01 Cr) on foreign currency transactions.

Exposure to Intense Competition: The company faces intense competition from unorganised sector as their pricing is low comparatively, which creates pressure over brands in terms of sales, pricing, bargaining power and hence profitability.

Liquidity: Adequate

The company has adequate liquidity marked by sufficient cushion in expected gross cash accruals to the tune of Rs.31.09 Crore in FY25 against repayment obligations to the tune of Rs.6.72 Cr in Luxor Writing Instruments Private Limited (LWIPL) and Rs.7.22 Crore in Luxor International Private Limited (LIPL). The current ratio of the group has also remained marginally above unity over the past 5 fiscals and stood at 1.11x as on March 31, 2024. However, group's cash flow from operations declined significantly in FY24 mainly due to working capital changes. Further, the average working capital limit utilization stood high at 84% in Luxor Writing Instruments Private Limited and 80% in Luxor International Private Limited during the 12-month period ending June 2024. Further, with projected debt funded capex of ~Rs. 72 Cr (debt-equity ratio of 75:25) and anticipated increase in WC limit utilization in line with improvement in operations, improvement in cash flow from operations and therefore liquidity position shall remain a key monitorable.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Household Products	Stationary

Luxor group began its operations in 1963 under the name Luxor Pen company, a proprietorship concern. It was formed by late Mr. D.K. Jain. The group manufactures writing instruments under its own brand- Luxor. The entire domestic business was transferred to Luxor Writing instruments Private Limited. The group ventured into export market in 1990 by forming an exclusive international division namely Luxor exports company. The entire business of Luxor exports company was transferred to Luxor International Private Limited in 2002.

Brief Financials (Combined) (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	668.13	647.89	159.99
PBILDT	48.63	48.16	10.5
PAT	9.75	22.23	NA
Overall gearing (times)	0.99	0.82	NA
Interest coverage (times)	3.02	3.57	NA

UA: Unaudited NA: Not Available; Note: these are latest available financial results

About the company: Luxor Writing Instruments Private Limited (LWIPL)

LWIPL was formed in 1996 for manufacturing writing instruments under the brand name, Luxor. The company has exclusive manufacturing and distribution rights in India for writing instruments for other brands including Parker and Waterman. The manufacturing facilities of LWIPL are located in Haridwar, Udyog Vihar and Noida.

Brief Financials (Standalone) (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	Q1FY25 (UA)
Total operating income	489.65	445.16	104.03
PBILDT	33.17	30.92	7.23
PAT	6.62	17.32	NA
Overall gearing (times)	0.72	0.67	NA
Interest coverage (times)	3.50	4.07	NA

A: Audited P: Provisional UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL assigned the ratings to the bank facilities of Luxor International private Limited into 'Issuer not-cooperating' category vide press release dated September 13, 2023, on account of non-availability of requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Proposed fund based limits		-	-	-	20.22	CARE BBB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	50.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	10.00	CARE A3
Term Loan-Long Term		-	-	31/08/2028	14.78	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	50.00	CARE BBB-; Stable				
2	Term Loan-Long Term	LT	14.78	CARE BBB-; Stable				
3	Non-fund-based - ST-BG/LC	ST	10.00	CARE A3				
4	Fund-based - LT-Proposed fund based limits	LT	20.22	CARE BBB-; Stable				

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable
Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Proposed fund based limits	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Term Loan-Long Term	Simple

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities Combined

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Luxor International Private Limited	Full	Group entity

Contact us

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About us:

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