


ISSUE DETAILS

Issue Opens	30 th October, 2023
Issue Closes	1 st November, 2023
Issue Size (Rs. Crore)	1,900
Issue Size – OFS (Shares)	2,93,20,987
Authorised Shares	22,00,00,000
Subscribed & Paid-Up Shares	21,22,31,034
Face Value (Rs.)	5.00
Price Band (Rs.)	617 – 648
Lot Size	23 Shares
Employee Discount (Rs.)	61 per share
Employee Reservation	1,70,358 shares
Issue Type	Book Build Issue
Exchanges	NSE & BSE
BRLMs	<ul style="list-style-type: none"> • Kotak Mahindra Capital • ICICI Securities • IIFL Securities • JM Financial • Motilal Oswal Investment
Registrar	Link Intime India
Finalisation of Allotment	On or about 06/11/2023
Initiation of Refund	On or about 07/11/2023
Credit to DMAT Account	On or about 08/11/2023
Listing on Exchanges	On or about 09/11/2023

ISSUE STRUCTURE

Categories	Allocation
QIBs & Anchor Investor	50.00%
Non – Institutional	15.00%
Retail	35.00%
Total	100.00%

SHAREHOLDING PATTERN

Categories	Pre – IPO	Post – IPO
Promoter & Promoter Group	91.88%	78.07%
Public	8.12%	21.93%
Total	100.00%	100.00%

RECOMMENDATION
SUBSCRIBE
Company Background

Cello World is a prominent company in the consumer goods industry, with a diverse range of products spanning from kitchenware to stationery, which has helped it establish a notable presence in the market. The company is known for its quality and affordability in its product offerings, catering to a wide customer base across 3 key segments, i.e., Consumer Houseware, Stationary and Writing Instruments, and Molded Furniture and allied products.

Objectives of the Issue

- Achieve the benefits of listing the Equity Shares on the Exchanges.
- Carry out the Offer for Sale of up to 2,93,20,987 Equity Shares.

Key Points

- Over the past three decades, the company has refrained from seeking external funding for its growth. The management anticipates that internal resources will suffice for planned expansions over the next 3 to 5 years.
- The company currently has an outstanding unsecured loan of Rs. 86.62 Crores from its promoters, at a 0% interest rate. This loan, stemming from a merger, is to be repaid within the next 3 - 4 years.
- Cello has demonstrated a remarkable track record of scaling new businesses and product categories. For example, in the Glassware and Opalware business, Cello's revenue increased at a CAGR of 36.40% to Rs. 276.02 Crores in FY23. In the Writing Instruments and Stationery category, Cello saw its product sales grow at a CAGR of 41.03%, reaching 458.10 million units in FY 2023. Furthermore, Cello expanded its Cleaning Aids business, achieving a CAGR of 15.36% in the number of units sold to 7.12 million units in FY 2023.
- Cello World operates 13 manufacturing units located in five different regions across India. Additionally, the company has plans to establish a glass manufacturing unit in Rajasthan, incorporating European machinery to enhance productivity and capacity.
- The company offers a wide range of products, with a total of 15,841 Stock-Keeping Units (SKUs) spanning across various product categories as of March 31st, 2023.
- The Moulded Furniture division of the company is produced through its subsidiary, Wim Plast Ltd., a listed entity on the BSE with a market capitalization exceeding Rs. 800 Crores.
- **Cello World's strengths, diverse product portfolio, effective distribution network, in-house manufacturing capabilities, experienced management, and strong financial performance position it as an attractive investment opportunity. With a strong brand presence and a proven ability to adapt to changing market dynamics and scale new businesses, the company is well-equipped for sustained growth and market leadership. Keeping these factors in mind, we recommend a "SUBSCRIBE" to the issue.**

Consolidated Financials (In Rs. Crore)	FY 2023	FY 2022	FY 2021
Revenue from Operations	1,796.70	1,359.18	1,049.46
Operating Profit (Excl. OI)	420.54	333.57	276.74
Profit Before Tax (PBT)	385.20	299.10	235.69
Profit After Tax (PAT)	285.07	219.52	165.55
Equity	97.50	0.10	0.10
EPS (Rs.)	13.17	10.46	7.75
Book Value (Rs.)	17.25	4.49	(5.47)

Source: ACE Equity, AUM Research

Industry Overview

➤ Consumer Houseware:

The global Consumer Houseware market has experienced steady growth, growing from a value of approximately US\$ 98 Billion in 2020 to US\$ 106 Billion in 2022. Market projections indicate growth at CAGR of 6.6%, which is expected to lead to a Market Value of roughly US\$ 142 Billion by 2027. Key drivers contributing to this growth include the introduction of affordable advanced materials, the rise of modular kitchens and aesthetically pleasing consumerware, increased spending on home improvement, social media influence, and rising disposable income.

The Indian Consumer Houseware market has closely followed global trends, and in FY 2022, it was valued at around Rs. 348 Billion, displaying a consistent growth pattern from Rs. 305 Billion in FY 2020. It is anticipated that this segment will continue to grow at a notable CAGR of 10.2%, reaching a market value of about Rs. 565 Billion by FY 2027. Branded players have significantly increased their market share, holding nearly 61% (approximately Rs. 230 Billion) of the market in FY 2023, with further expansion projected to reach around 67% (approximately Rs. 377 Billion) by FY 2027. This reflects a substantial double-digit CAGR.

➤ Writing Instruments and Stationery:

The Indian stationery market has demonstrated a consistent growth pattern, reaching approximately Rs. 385 Billion in FY 2023. A compelling CAGR of 14% is anticipated, leading to a projected market value of Rs. 657 Billion by FY 2027. Within this market, the writing instrument segment, valued at Rs. 133.5 Billion in FY 2023, is expected to grow at an impressive CAGR of 16%, reaching Rs. 244.6 Billion by FY 2027.

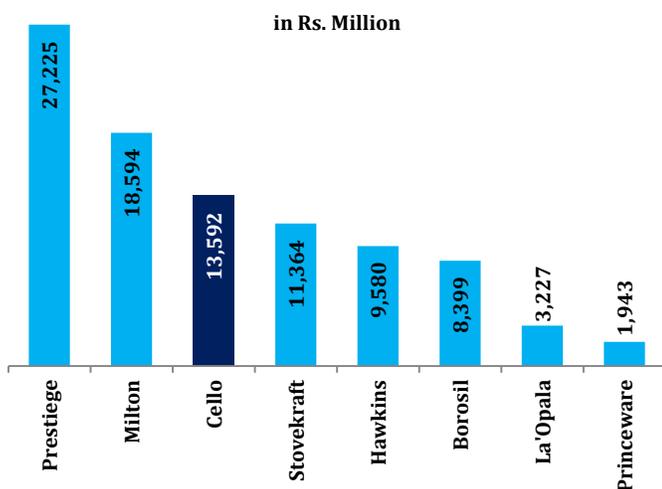
Branded players have increasingly gained prominence in this market, holding approximately 35% of the market share. The top eleven branded players, including ITC, Hindustan Pencils, DOMS, Camlin, Flair, Luxor, Linc, Cello, Navneet, Rorito, and Unomax, collectively command about 72% of the market share.

➤ Moulded Furniture and Allied Products:

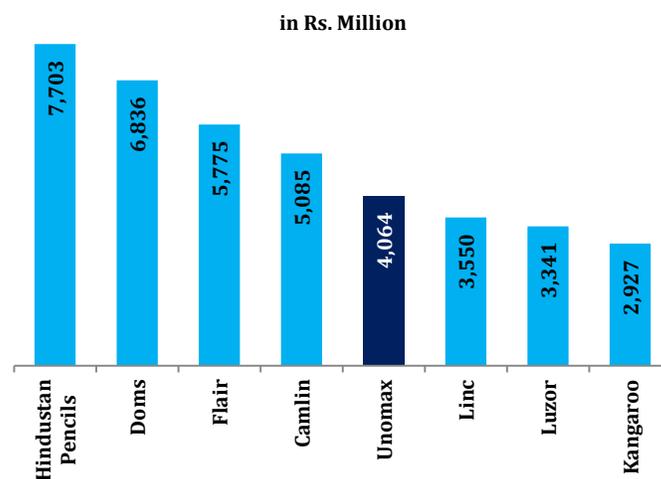
The Indian retail furniture market has displayed steady growth, progressing from Rs. 800 Billion in FY 2015 to Rs. 1,260 Billion in FY 2020. Despite a brief slowdown during the period 2020-2022 due to the pandemic, it is anticipated to rebound with a robust CAGR of approximately 15% over the next five years. The market is primarily characterized by unorganized players, with wood traditionally being the predominant material. However, there is a growing shift towards metal and plastic furniture due to factors such as affordability and durability.

In the plastic moulded furniture market, valued at Rs. 122 Billion in FY 2022, branded players have been gaining market share and are expected to capture approximately 63% by FY 2027. Notably, Cello is a significant player in this segment, with a 4.7% share of the branded market in FY 2023.

Revenue of Key Players in Consumerware Segment (FY22)



Revenue of Key Players in Stationary Segment (FY22)



Source: Company RHP, AUM Research

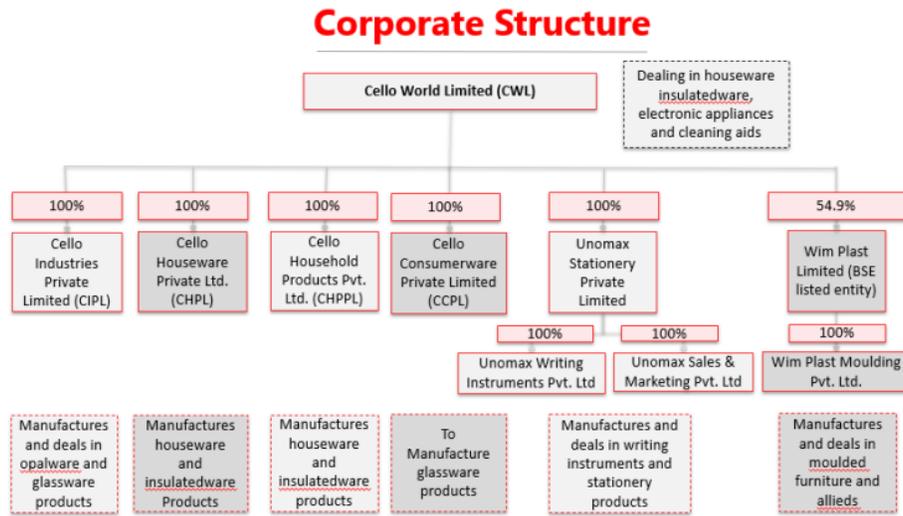
Company Overview

- Cello is a prominent player in the Indian consumerware market, with a presence in various segments, including Consumer Houseware, Writing Instruments and Stationery, Moulded Furniture and Allied Products, and Consumer Glassware. Despite its relatively recent incorporation in 2018, Cello has a rich history, as its promoters have been associated with the "Cello" brand since 1962, enabling the company to leverage six decades of experience in the consumer products industry.
- Cello's diverse product portfolio comprises of over 15,891 stock-keeping units (SKUs) across its product categories. These categories include Consumer Houseware, which features brands like Cello Puro, Chef, H2O, Modustack, Kleeno, Maxfresh, and Duro. In the Writing Instruments and Stationery segment, Cello offers products under the Unomax Ultron2X and Geltron brands. Meanwhile, the Moulded Furniture and Allied Products category is branded as Cello.
- The company does not possess trademark ownership for its prominent brands, including "Cello," "Unomax," "Kleeno," and "Puro," as well as their respective logos. These trademarks are registered under the name of Cello Plastic Industrial Works, a member of the Promoter Group and a partnership firm owned and controlled by the company's promoters. The company is not obligated to make any royalty payments to this entity indefinitely.
- The company owns and operates 13 manufacturing facilities in India, enabling in-house production of a diverse range of products and facilitating economies of scale. These in-house manufacturing operations contribute significantly to Cello's revenue, accounting for 79.67% of total revenue as of June 30, 2023. Cello's strong pan-India distribution network includes numerous distributors and retailers, supported by a dedicated sales team of 721 members. The company's products are also distributed through modern trade, e-commerce channels, and bulk sales to corporate clients and government departments.
- Cello's promotional and marketing efforts have resulted in a strong brand identity with effective brand advertisements and marketing campaigns, enhancing brand awareness and recall.
- Cello's promoters, with over 80 years of combined experience in the consumer products industry in India, contribute to the company's growth and success. The company's history, experienced leadership, diverse product portfolio, and a robust distribution network position Cello as a notable player in the Indian consumerware market.
- Cello's product categories, including Consumer Houseware, Writing Instruments and Stationery, and Moulded Furniture and Allied Products, are strategically managed to achieve revenue contributions, with Consumer Houseware leading in terms of revenue generation.

Cello Operations in a Nutshell				
Product Categories	Operating Entity	Brands	Sub - Brands	Product Range
Consumer Houseware	<ul style="list-style-type: none"> • Cello World Ltd. • Cello Industries Pvt. Ltd. • Cello Household Products Pvt. Ltd. • Cello Consumerware Pvt. Ltd. 	Cello	Puro, Chef, H2O, Modustack, Kleeno, Maxfresh, Duro	<ul style="list-style-type: none"> • Houseware • Insulatedware • Electronic Appliances and Cookware • Cleaning Aids • Opalware • Glassware • Porcelain
Writing Instruments and Stationery	<ul style="list-style-type: none"> • Unomax Stationary Pvt. Ltd. 	Unomax	Ultron2X and Geltron	<ul style="list-style-type: none"> • Writing Instruments • Stationary
Moulded Furniture and Allied Products	<ul style="list-style-type: none"> • Wim Plast Ltd. (Listed) 	Cello	-	<ul style="list-style-type: none"> • Moulded Furniture • Allied Products (Coolers, Bubble Wraps and Guards, Dustbins, etc)

Source: Company RHP, Industry Report, AUM Research

Cello Corporate Structure



Presence of Cello's Products in a Kitchen



Cello Writing Instruments and Stationery Product Line



Cello Moulded Furniture & Allied Products



Investment Rationale

1. Strong Brand Presence and Market Positions

- **Brand Trust:** Cello International boasts a well-established brand name, with "Cello" recognized as one of the most trusted brands in India. This strong brand presence in-stills confidence and loyalty among consumers, enhancing the potential for consistent sales growth and customer retention.
- **Market Leadership:** The Company holds prominent positions in multiple consumer product segments, including Consumer Houseware, Writing Instruments, Stationery, and Moulded Furniture. These strong market positions are the result of decades of experience, continuous product development, and a deep understanding of consumer preferences by the company.

Segment	Market Share
• Indian Branded Consumerware	8.0%
• Branded Stationary Market	1.8%
• Branded Writing Instrument	2.4%
• Moulded Furniture Market	4.7%

2. Diversified Product Portfolio for Varied Consumer Needs

- **Catering to All Price Points:** Cello offers a diverse range of products across different price points, ensuring that consumers from all income levels can access and purchase their products. This diversification enables the company to maintain stability in profit margins even in the face of fluctuating raw material prices.
- **Resilience in Adverse Events:** The Company's diversified product portfolio has demonstrated its ability to thrive even during challenging times, such as the COVID-19 pandemic. By serving a wide range of consumer needs, across different age groups and occasions, Cello maintains a robust growth trajectory despite seasonal fluctuations in demand. The management has reaffirmed its capacity to adapt pricing in response to fluctuations in raw material costs, demonstrating the company's agility in challenging market conditions.

3. Extensive Distribution Network Across India

- **Geographical Reach:** Cello's pan-India distribution network is a key driver of its efficient product launches and market penetration. By expanding into states where it has a limited presence, the company aims to increase customer wallet share and attract new consumers, driving market share growth. With its 13 operational manufacturing facilities and an additional facility set to be established in Rajasthan, the company is well-equipped to efficiently and punctually manage the distribution of its products throughout India.
- **Engagement and Incentives:** The Company actively engages with its distributors and retailers, incentivizing them to increase sales velocity. Various schemes, discounts, and promotional efforts keep the distribution network motivated and aligned with the company's growth objectives.

Segment	Distribution Network
• Consumer Houseware	717 Distributors; 58,716 Retailers across India
• Writing Instruments and Stationary	29 Super Stockists; 1,509 Distributors; 60,826 Retailers across India
• Moulded Furniture and Allied Product	1,067 Distributors; 6,840 Retailers across India

4. In-House Manufacturing Capabilities and Optimal Inventory Management

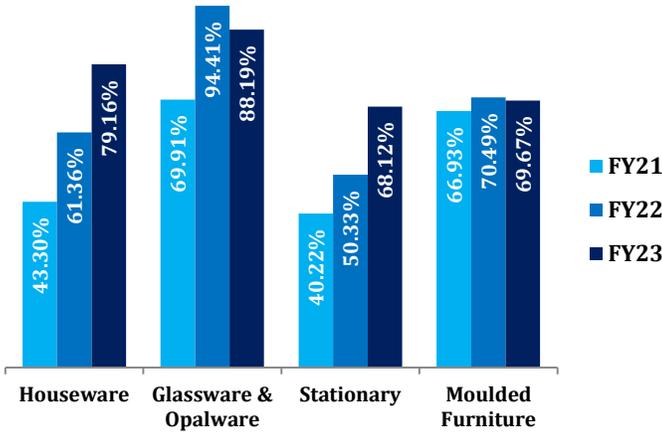
- **Production Flexibility:** Cello's in-house manufacturing capabilities enable rapid scaling of production to meet increasing demand, reduce time-to-market for new products, and maintain stringent quality control. The ability to manufacture a wide range of products internally allows the company to swiftly respond to evolving consumer preferences and market trends.
- **Efficient Supply Chain:** Optimal inventory management, supported by technology and market insights, helps maintain balanced inventory levels. This ensures an efficient response to consumer demand, reducing the risk of supply chain disruption.

5. Consistent Financial Performance

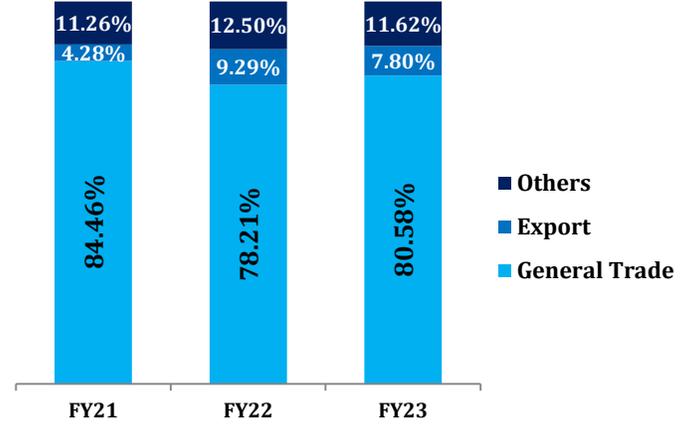
- **Revenue Growth:** Cello International has consistently recorded revenue growth, with a CAGR of nearly 31% between 2021 and 2023.
- **Profit Margins:** The Company's profit margins have remained strong, with a healthy margin of 17.56% in 2023. Positive cash flows and manageable debt levels further enhance financial stability.

Key Highlights

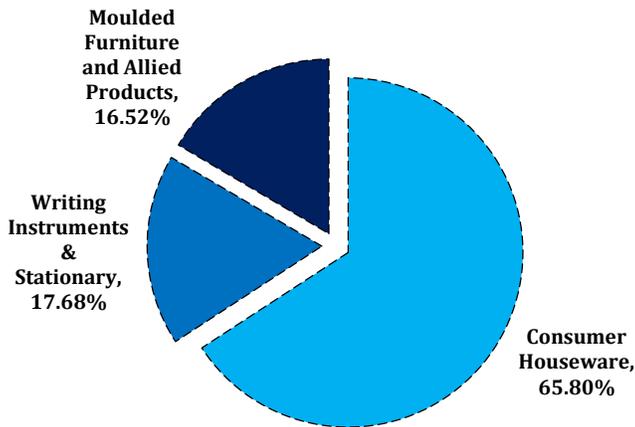
Capacity Utilisation Across Segments



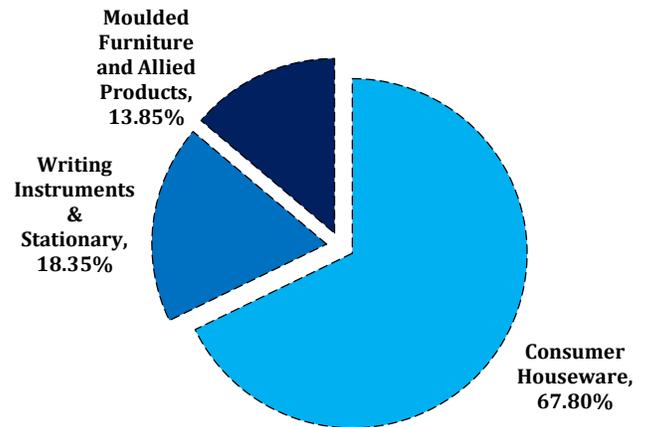
Distribution Network



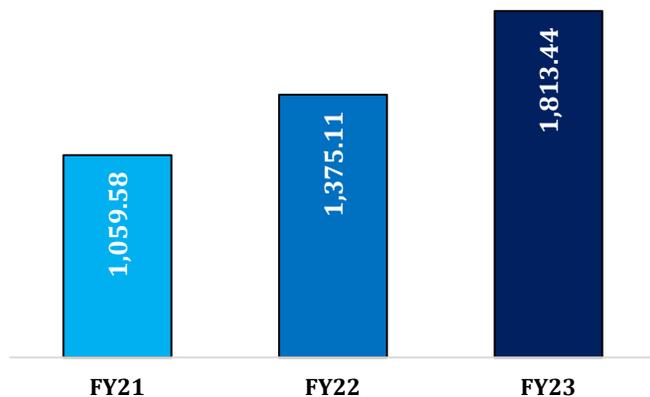
Product Category Revenue Contribution



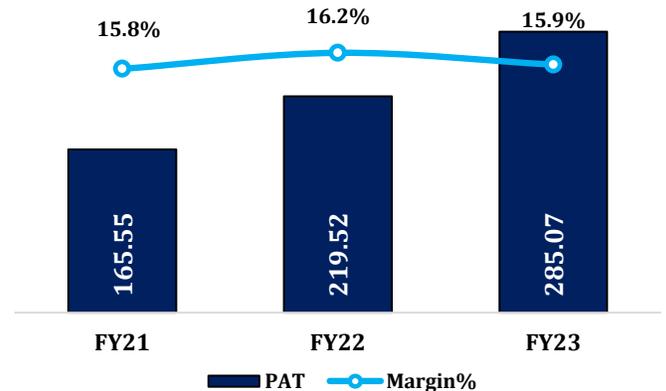
Product Category EBIT Contribution



Revenue Growth (Amount in Rs. Crore)



Profit Growth (Amount in Rs. Crore)



Source: Company Reports, AUM Research

Financial Highlights (Consolidated)			
(Amount in Rs. Crore)			
Particulars	Mar-23	Mar-22	Mar-21
Inc / Exp Performance			
Gross Sales	1,796.70	1,359.18	1,049.46
Total Income	1,813.44	1,375.11	1,059.58
Total Expenditure	1,376.16	1,025.61	772.71
Gross Profit	901.18	680.62	528.03
PBIDT	437.28	349.50	286.87
PBIT	386.95	301.95	237.97
PBT	385.20	299.10	235.69
PAT	285.07	219.52	165.55
Cash Profit	335.39	267.08	214.45
Sources of Funds			
Equity Paid Up	97.50	0.01	0.01
Reserves and Surplus	238.95	87.64	(106.76)
Net Worth	336.45	87.65	(106.75)
Total Debt	326.07	452.48	322.06
Capital Employed	662.52	540.12	215.31
Application of Funds			
Gross Block	440.00	382.18	366.21
Investments	176.91	149.95	119.74
Cash and Bank balance	49.93	54.68	32.47
Net Current Assets	618.94	(44.19)	(238.27)
Total Current Liabilities	505.50	1,039.30	1,058.81
Total Assets	1,546.98	1,330.86	1,144.39
Cash Flow			
Cash Flow from Operations	227.35	187.27	193.61
Cash Flow from Investing activities	(556.82)	(261.82)	(53.24)
Cash Flow from Finance activities	323.82	94.11	(132.81)
Free Cash flow	106.17	142.08	166.68
Key Ratios			
Debt to Equity (x)	0.97	5.16	(3.02)
Current Ratio (x)	2.22	0.96	0.77
ROCE (%)	64.35	79.94	110.52
RONW (%)	134.43	-	-
GPM (%)	50.16	50.08	50.31
PBIDTM (%)	24.34	25.71	27.34
PATM (%)	15.87	16.15	15.77
EPS	13.65	10.46	7.75
Equity Dividend %	170.00	80.00	140.00
Enterprise Value	373.63	397.81	289.60

Source: ACE Equity, AUM Research

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