

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	-
Offer for Sale	19000
Total	19000
Post issue mkt cap (Rs. bn)*	137.53
Lot size	23

***At Upper Price Band**

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%
Indicative Offer Timeline	
Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	30-Oct-2023
Bid/Offer Closing Date	01-Nov-2023
Finalization of the Basis of Allotment	06-Nov-2023
Initiation of refunds	07-Nov-2023
Credit of shares	08-Nov-2023
Listing Date	09-Nov-2023
Use of Proceeds	
Offer for sale	
Manager:	Kotak Mahindra Capital ,ICICI Securities, IIFL Securities, JM Financial, Motilal Oswal.
Registrar	Link Intime India Private Limited

Saral Seth
VP—Institutional Equities

sarals@indsec.co.in

+91 22 61146139

Jainam Shah
Research Associate

jainams@indsec.co.in

+91 22 61146127

Play on growing consumer ware industry albeit fair valuation...

Cello World Ltd is a prominent player in the consumer ware market in India with presence in the consumer houseware, writing instruments and stationery and molded furniture and allied products and consumer glassware categories.

Company was incorporated in 2018 while the promoters was associated with Cello Plastic industrial Works Ltd and Cello brand since 1962.

While the company was incorporated in 2018, the promoters had launched the glassware and opalware business in 2017 under the Cello brand and increased their revenue from operations from this business, from Rs. 1,483.59 million in the FY21, to Rs.2,290 mn in the FY22 and Rs. 2,760 mn in the FY23, at a CAGR of 36%.

In 2019, the company ventured into writing instruments and stationery under the **UNOMAX** brand, and the company has increased its volumes from 230.31 million units in FY21 to 458.10 million units in FY23 at CAGR of 41.03%. The writing instruments and stationery business have highest EBITDA across the industry.

Additionally, the company have launched cleaning aid business under Kleeno sub-brand in 2017 the volume of this brand has grown from 5.35 million units in FY21 to 7.12 million units in FY23 at a CAGR of 15.36%.

As of 30th June 2023, company has 15,891 SKU's across their various product categories.

Company owns / leases and operate 13 manufacturing facilities across five locations in India, as of June 30, 2023, and the company is currently establishing a glassware manufacturing facility in Rajasthan.

Company's revenue is derived from their in-house manufacturing operations aggregated to 79.4% of the total revenue from operations in FY23. The remaining products (consisting mainly of steel and glassware products) are manufactured by third party contract manufacturers who manufacture these products with their branding pursuant to arrangements with them.

Company has mainly in the three product category, consumer houseware which contributes ~65% of the total revenue, while writing instruments contributes ~18% of the total revenue and the molded furniture contributes ~16.5% of the total revenue.

Company has a strong distribution network across its product categories. As of 30th June 2023 consumer houseware has 717 distributors and 58716 retailers, while the writing instruments have 1509 distributors and 60826 retailers, and the moulded furniture has 1067 distributors and 6840 retailers

Valuation and Outlook:

At upper price band of Rs. 648, the IPO is valued at post issue P/E of 47.5x i.e. ~5% premium the avg valuation of its peers. The company has grown its revenue at a CAGR of ~31% over FY21-23 and at healthy profitability. Additionally, the company has 15,891 SKU's which are some of the positives for the company. Given that, the IPO is fairly valued and the competition remains high in core business, **We thus assign a "SUBSCRIBE for long term" rating to the IPO.**

Cello World Ltd

key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23	3MFY23	3MFY24
Revenue	10,495	13,592	17,967	4,326	4,718
Ebitda	2,767	3,336	4,205	968	1,192
Ebitda margin	26.4%	24.5%	23.4%	22.4%	25.3%
PAT	1,655	2,195	2,851	660	828
PAT Margin	15.8%	16.2%	15.9%	15.3%	17.6%
ROCE	57%	39%	42%	11%	8%

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	91.8%	78.0%
Public	8.2%	22.0%
Total	100%	100%

* At upper price band

Key Risks:

Royalty: Company does not own the trademark for their key brands, including “Cello”, “Unomax”, “Kleeno”, “Puro” and their respective logos. Such trademarks are registered in the name of Cello Plastic Industrial Works (“**CPIW**”), a member of their Promoter Group and a partnership firm owned and controlled by their Promoters, Pradeep Ghisulal Rathod and Pankaj Ghisulal Rathod. Company has agreed to pay CPIW, a yearly fee of 0.50% of the annual consolidated revenue of the business operations of their Company. As of October 15, 2023, CPIW has licensed (i) 389 trademarks and 11 copyrights to the Company; and (ii) 34 trademarks to Wim Plast Limited. “Cello” brand name is used by one of their competitors, BIC Clichy, for its writing instruments and stationery business. Any adverse impact on the “Cello” brand name due to the actions of BIC Clichy, which utilizes the brand name, and any subsequent adverse order relating to the litigation proceedings instituted by BIC Clichy may also adversely impact their reputation and business.

Fluctuation in key raw material prices: Company depend entirely on third-party suppliers for the supply of raw materials, including plastic granules and plastic polymer which are the most consumed raw materials in the production of their products. A significant portion of their expenses come from the cost of raw materials. As of FY23 cost of raw material consumed contributed 45.36% of the total expenses. So any fluctuation in the key input prices may have an adverse effect on their business, results of operations, financial condition.

Dependent on the distribution network for the sales :Company is dependent on their distribution network in India and overseas to sell and distribute their products to consumers. As of FY23 sales dependent on distribution network is 81% If they are unable to maintain and grow their distribution network, their products may not effectively reach consumers and they may lose market share. Any disruptions, delays or inefficiencies by, among their superstockists, distributors and retailers could adversely affect their operations and may lead to disruptions in their supply chain.

Cello World Ltd

Risk (continued)

Reliance on third party manufacturers: Company sources certain products such as steel and glassware products from third-party contract manufacturers primarily located in China. As of FY23 sales of steel and glassware products supplied by third party manufacturers is 21.35%. Company's dependence on third party manufacturers could adversely affect their business, results of operations, financial condition.

Seasonality: Company business is subject to seasonality as they see higher demand of their products from their customers during the festive seasons. Further, their products also face varied demand based on weather conditions across the seasonal cycles. So due to this reason their business might get affected by this seasonality.

Key performance Indicators

Products Categories	Entity through which product categories are manufactured/sold	Brands	Sub-Brands	Overview of range of products offered
Consumer Houseware	Cello World Limited	Cello	Puro, Chef, H2O, Modustack, Kleeno, Maxfresh and Duro	Houseware Insulatedware Electronic appliances and cookware, Cleaning aids, Opalware Glassware Porcelain
	Cello Industries Private Limited			
	Cello Houseware Private Limited			
	Cello Household Products Private Limited			
	Cello Consumerware Private Limited			
Writing Instruments and Stationery	Unomax Stationery Private Limited	Unomax	Ultron2X and Geltron.	Writing instruments - Stationery
Moulded Furniture and Allied Products	Wim Plast Limited	Cello	-	Moulded furniture - Allied product

Particulars	Financial Year			Three Months ended June 30	
	2021	2022	2023	2022	2023
Capacity Utilisation (Consumer Houseware)	43.30%	61.36%	79.16%	20.45%	21.60%
Capacity Utilisation (Opal ware and Glassware)	69.91%	94.41%	88.19%	22.97%	22.57%
Capacity Utilisation (Writing Instruments and Stationery)	40.22%	50.33%	68.12%	17.53%	19.51%
Capacity Utilisation (Moulded Furniture and Allied Products)	66.93%	70.49%	69.67%	15.43%	16.23%

Strengths

Diversified product portfolio across price points catering to diverse consumer requirements:

Company have a diverse range of products across different product categories, types of material and price points, which enables them to serve as a “one-stop-shop”, with consumers across all income levels purchasing their products. Company have the most diversified product portfolio among their peers, with products in the glassware, opalware, melamine and porcelain categories .As of June 30, 2023, company has 15,891 SKUs across different product categories. Company offers an extensive product range across 3 product categories. Company’s diversified product portfolio, which caters to a wide range of consumer uses across different age groups, festive seasons and occasions, has allowed them to maintain stable growth in their revenue over the years by enabling them to withstand fluctuations in demand arising from seasonality of demand for certain of their products. During the FY21, FY22 and FY23, and 1QFY23 AND 1QFY24,company launched 397, 169, 380, 55, and 50 new products, respectively.

Pan-India distribution network with a presence across multiple channels

Companies pan-India distribution network is one of the key reasons behind their efficient launch of new range of products in the past. Company regularly interact with their distributors and retailers for insight into consumer preferences and market feedback, which in turn helps them to, among others, (i) check for product-market fit at an early stage before scaling them up, and (ii) structure appropriate pricing discounts and advertisement campaigns during festive seasons.

Products categories	Distribution network(as of June 30,2023)
Consumer Houseware	717 distributors & 58,716 retailers
Writing Instruments and Stationery	29 super-stockists,1,509 distributors & 60,826 retailers
Moulded furniture and Allied products	1,067 distributors & 6,840 retailers

Ability to manufacture a diverse range of products and maintain optimal inventory levels

Company manufacturing capabilities allow them to manufacture a diverse range of products in-house, revenue derived from their in-house manufacturing operations aggregated to 79.37% of their total revenue from operations in FY23. The remaining products (consisting mainly of steel and glassware products) are manufactured by third party contract manufacturers who manufacture products with their branding pursuant to arrangements with them. Company own and operate 13 manufacturing facilities across five locations, with an installed annual capacity of 58 million units of consumer houseware products p.a., 15,000 tonnes of opal ware and glassware p.a., 705 million units of writing instruments and stationery products p.a. and 12.8 million units of moulded furniture and allied products, as of June 30, 2023. Company are currently establishing a glassware manufacturing facility in Rajasthan.

Strategies

- **Expand distribution network:** Company seeks to enhance their addressable market by expanding their sales and distribution network of distributors, sub distributors and retailers across India .Company aims to expand their network by expanding their sales and distribution network in states where they are currently not very active, increase sales velocity by incentivizing their distributors and retailers to increase the volume of products sold by them, increase presence in existing markets abroad by expanding their distribution network and entering into new markets for writing instruments and stationery products.
- **Scale up branding, promotional and digital activities:** Company intend to focus their promotional and marketing efforts in areas such as above and below the line marketing, retail branding, product branding, and advertisement channels such as television, digital media and social media. Company also continuously seek to increase their digital presence and engagements and engage in brand associations. As of three months ended June 30,2023 marketing expenses and advertising expense as a % of the total revenue was 0.59%.
- **Grow manufacturing capabilities and expand production capacities:** Company intends to grow their manufacturing capabilities so that they are able to quickly and effectively respond to increases in market demand for their products, in order to continue to grow their business. Company currently in the process of setting up a glassware manufacturing facility in Rajasthan, which is expected to have an installed annual capacity of 20,000 tonnes of glassware p.a.. Currently company relies on the import of glassware from third party suppliers outside of India, their planned establishment of a glassware manufacturing facility is expected to lower their dependence on the import of glassware. Further, company have also recently expanded their opalware capacity in their manufacturing facility in Daman to increase their installed annual capacity to 25,000 tonnes of opalware p.a.

Cello World Ltd

Industry overview

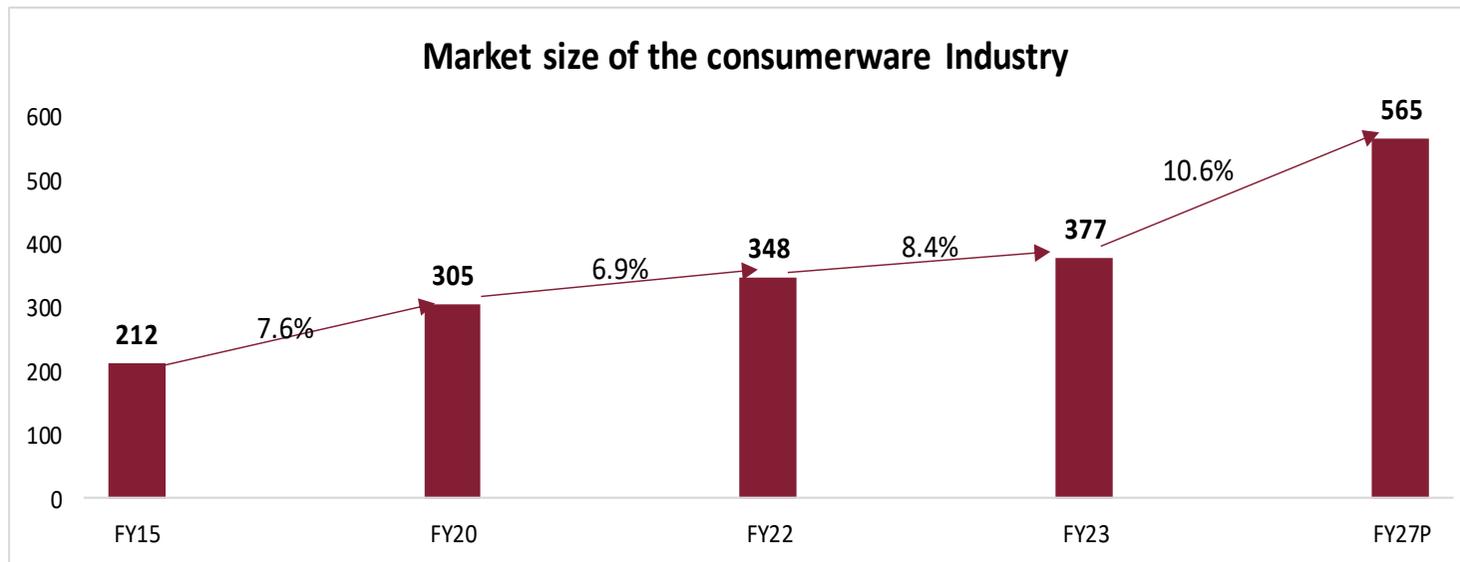
- In FY 2022, the total retail market reached a value of \$844 Bn whereas the organized retail market had a value of \$109 Bn, contributing to ~13% of the total retail market in India.
- By FY 2027, the values for total retail and organized retail are expected to reach \$1,418 Bn and \$325 Bn respectively, exhibiting CAGR of ~11% and 24% for total and organized retail respectively from FY22 to FY27.

Growth bifurcation in the retail market in India			
Particulars	CAGR		
	2015-20	2022-25P	2022-27P
Total Retail in India	10.1%	11.3%	10.9%
Unorganized Retail	9.1%	8.2%	8.3%
Organized Retail	19.1%	28.8%	24.4%
Modern Retail (Brick and Motar)	11.9%	27.5%	23.0%
E-commerce/Online Retail	43.4%	30.4%	26.0%
Share of Organized Retail	8.2%	15.7%	12.2%

- The Indian Consumer ware Market is broadly divided into two categories, Consumer Houseware and Consumer Glassware.
- Consumer Houseware includes Hydration, Cookware, Insulated Ware, Lunchboxes, Storage Containers, Melamine, Small Kitchen Appliances and Cleaning Products.
- Consumer Glassware includes Opal ware, Glassware and Porcelain.
- This market has witnessed steady growth over the years with market size increasing from Rs 305 Bn in FY20 to Rs 348 Bn FY22 growing at a CAGR of 6.9% and Rs 565 Bn Cr in FY27 growing at a CAGR of 10.2% for the period FY 2022-2027.
- Various factors like increasing disposable income, nuclearization of families, and growing demand for organized and functional kitchen spaces are further adding to the growth of the Indian Consumerware Market.

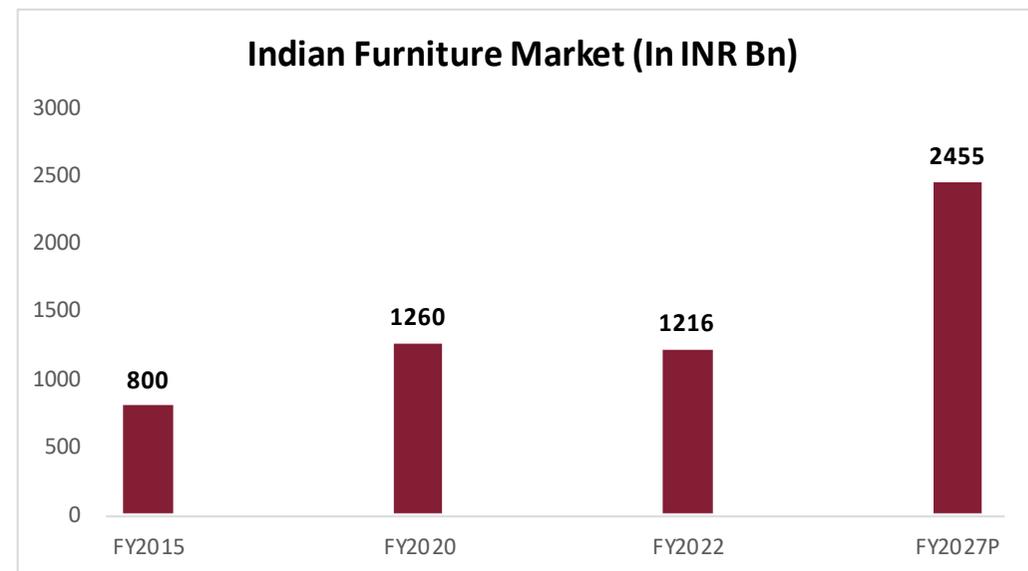
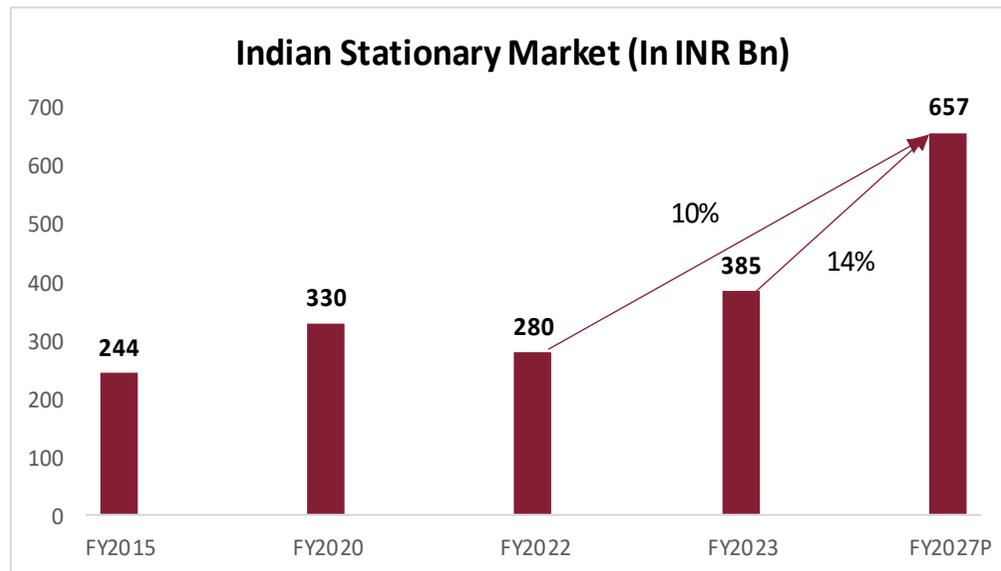
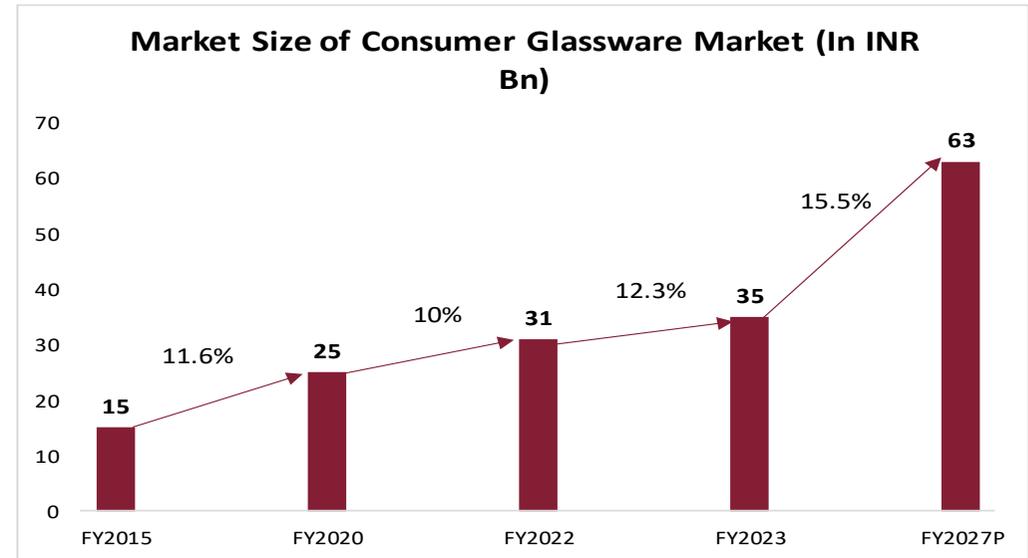
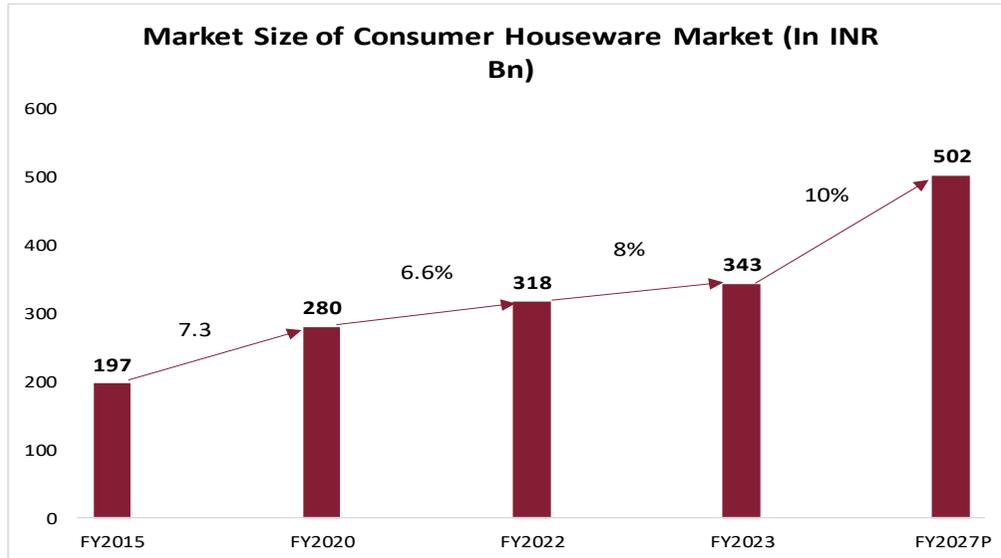
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Industry overview



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Industry overview



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Peers

Company Name	CMP	Revenue(In mn)	PAT (In mn)	ROCE	P/E	D/E
Cello	648	17,967	2661	42%	47.47	0.62
Borosil Ltd	387	10,110	900	11%	50.59	0.12
Kokuyo Camlin Ltd	139	7750	240	12%	57.97	0.21
La Opala RG Ltd	427	4520	1230	22%	40.81	0.02
Stove Craft Ltd	499	12810	360	13%	51.49	0.49
TTK Prestige Ltd	775	27770	2530	18%	43.78	0.08
Linc Ltd	862	4870	370	31%	33.39	0.01
Hawkins Cookers Ltd	7015	10060	950	46%	40.23	0.15

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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