



SMC Ranking

★ ★ ★ ☆ ☆ (2.5/5)

Issue Highlights

Industry	Consumer Product
Offer for sale (Shares)	29,320,987
Net Offer to the Public	29,320,987
Issue Size (Rs. Cr.)	1809-1900
Price Band (Rs.)	617-648
Employee Discount	Rs 61 per share
Offer Date	30-Oct-23
Close Date	1-Nov-23
Face Value	5
Lot Size	23 Shares

Issue Composition

	In shares
Total Issue for Sale	29,320,987
QIB	14,660,494
NIB	4,398,148
Retail	10,262,345

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	91.88%	81.70%
QIB	8.12%	11.39%
NIB	0.00%	2.07%
Retail	0.00%	4.84%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The objects of the Offer are to (i) achieve the benefits of listing the Equity Shares on the Stock Exchanges; and (ii) carry out the Offer for Sale of up to [●] Equity Shares aggregating up to Rs. 1900 Crore by the Selling Shareholders. Further, the Company expects that the proposed listing of its Equity Shares will enhance its visibility.

Book Running Lead Manager

- Kotak Mahindra Capital Company Limited
- ICICI Securities Limited
- IIFL Securities Limited
- JM Financial Limited
- Motilal Oswal Investment Advisors Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Cello World is a famous Indian consumer product company mainly dealing in three categories such as writing instruments and stationery, molded furniture, consumer housewares and related products. Cello World has 13 manufacturing units situated in 5 different locations in India. The company also aims to set up a glass manufacturing unit in Rajasthan with European made machinery to enable efficient productivity and enhanced manufacturing capacity. As of March 31, 2023, the company has 15,841 stock-keeping units ("SKU") across all product ranges. The company's national sales distribution team comprises of 683 members.

Strength

Well-established brand name and strong market positions: Cello World's strong market positions in the consumer products industry segment are a reflection of its vast experience, continuous product development and consumer understanding. The brand "Cello" was awarded as one of the most trusted brands of India in 2021 by Commerzify. Cello World is a prominent player in the consumerware market in India with products in the consumer houseware, writing instruments and stationery, and moulded furniture and allied products categories. To enhance brand awareness and strengthen brand recall for the brands and sub-brands that it uses, it utilises a diverse array of promotional and marketing efforts, including in-shop displays, merchandising, advertisements in print and social media, retail branding and product branding. Its brand advertisements and marketing campaigns have been critical in developing its brand identity. It also continuously seeks to increase its digital presence and engagements and engage in brand associations.

Diversified product portfolio across price points catering to diverse consumer requirements: Cello World focuses on identifying the needs and preferences of its consumers through its network of distributors, and innovating its products to cater to their differing requirements and preferences, while endeavouring that its products are available across various price points and meet quality standards expected by its consumers. As of June 30, 2023, it offered 15,891 SKUs across its product categories. It offers an extensive product range across its three product categories. Cello World has a diverse range of products across different product categories, types of material and price points, which enables it to serve as a "one-stop-shop", with consumers across all income levels purchasing its products. Cello World has the most diversified product portfolio among its peers, with products in the glassware, opalware, melamine and porcelain categories.

Track record of scaling up new businesses and product categories: Cello World has a track record of scaling up new businesses and product categories. Its revenue has been increased from Rs.148.36 Crore in the Financial Year 2021, to Rs.229 Crore in the Financial Year 2022 and Rs.276 Crore in the Financial Year 2023, at a CAGR of 36.40%. Further, revenue from operations from this business was Rs.59.13 Crore for the three months ended June 30, 2022 and Rs.73.98 Crore for the three months ended June 30, 2023. Cello World also launched its writing instruments and stationery product category in 2019 under the "Unomax" brand, and increased its volume of products sold from this product category, from 23 Crore units in the Financial Year 2021, to 26.43 Crore units in the Financial Year 2022 and 45.81 Crore units in the Financial Year 2023, at a CAGR of 41.03%. Cello World track record of scaling up its opalware, writing instruments and stationery, and cleaning aids businesses.

Pan-India distribution network with a presence across multiple channels: Cello World's pan-India distribution network is one of the key reasons behind its efficient launch of new range of products in the past. Its nationwide sales and distribution network is

supported by its 721 member sales team, as of June 30, 2023. Cello World's equip its field staff across its distribution network with an enterprise resource planning system, which assists it in forecasting production levels and helps it in optimising inventory levels. Cello World has developed and maintains longstanding relationships with its distributors and retailers over the years. Cello World regularly interacts with its distributors and retailers for insight into consumer preferences and market feedback, which in turn helps it 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.

Ability to manufacture a diverse range of products and maintain optimal inventory levels: Its manufacturing capabilities allow it to manufacture a diverse range of products in-house, which in turn enables it to scale up production quickly to meet increased demand, reduce time taken to launch new products in the market, maintain quality control of its products, maintain better control over its supply chain and mitigate risk of supply chain disruption. Revenue derived from its in-house manufacturing operations aggregated to 78.65%, 82.63%, 79.37%, 82.08% and 79.67% of its total revenue from operations for the Financial Years 2021, 2022 and 2023, and the three months ended June 30, 2022 and June 30, 2023, respectively. It owns and operates 13 manufacturing facilities across five locations, with an installed annual capacity of 5.78 Crore units of consumer houseware products per annum, 15,000 tonnes of opalware and glassware per annum, 70.50 Crore units of writing instruments and stationery products per annum and 1.28 Crore units of moulded furniture and allied products, as of June 30, 2023. The company is currently establishing a glassware manufacturing facility in Rajasthan, which is expected to house European-made machinery that enables high productivity and precision in design and finish. This glassware manufacturing facility in Rajasthan is also expected to (i) house various machines, including fire polishing machines and servo gob feeder; (ii) be located close to its raw material suppliers; and (iii) provide a dry weather environment that is suitable for the manufacturing of glassware

Strong historical financial results: Cello World has been continuously growing its business through increase in sales, and the expansion of brand portfolio, product offerings and distribution network. Cello World's operational efficiencies and supply chain network has resulted in better control of expenses and thereby resulted in an increase in its profit after tax. Its revenue from operations increased, from Rs.1049.45 Crore in the Financial Year 2021, to Rs.1359.18 Crore in the Financial Year 2022 and Rs.1796.7 Crore in the Financial Year 2023, at a CAGR of 30.84%. Its revenue from operations was Rs.432.61 Crore for the three months ended June 30, 2022 and Rs.471.78 Crore for the three months ended June 30, 2023.

Strategy

Continued innovation to grow wallet share and expand consumer base: Cello World intends to utilise its innovation capabilities to expand its existing product portfolio and develop new range of products across its product categories. In particular, Cello World aims to expand its product portfolio in its consumer houseware product category, by focusing on introducing new range of products in the kitchenware, porcelain, appliances, cookware, glassware, writing instruments, and stationery spaces. Through new range of products, it expects to increase its wallet share and repeat orders from existing consumers and to also attract new consumers, in order to increase its market share and scale its business.

Expanding distribution network: Cello World seeks to enhance its addressable market by expanding its sales and distribution network of distributors, sub-distributors and retailers across India. In particular, it aims to expand its distribution network by implementing the following initiatives:

- Expand its sales and distribution network in states where it is currently not very active.
- Increase sales velocity by incentivizing distributors and retailers to increase the volume of products sold by them;
- Increase interaction with its distributors and retailers, including through its sales and marketing employees;
- Incentivise distributors through periodic and festival sales schemes, annual and periodic revenue targets and product-specific schemes (through discounts and gift hampers).

- Increase its presence in existing markets abroad by expanding its distribution network and entering into new markets for its writing instruments and stationery products.

Scale up branding, promotional and digital activities: Cello World's widespread presence and scale of operations allows it to increasingly focus on branding and promotional activities to enhance its visibility in the consumer products industry and promote its products, especially new range of products that it launches from time to time. While the "Cello" brand is well established and enjoys strong brand recall among consumers in India, it intends to continue to enhance brand awareness and strengthen brand recall for the newer brands, including in particular the "Kleeno" and "Puro" sub-brands (under the "Cello" brand), by continuing to focus on its branding and promotional activities going forward. During the Financial Years 2021, 2022 and 2023, and the three months ended June 30, 2022 and June 30, 2023, it spent Rs.9.26 Crore, Rs.10.42 Crore, Rs.23.70 Crore, Rs.2.89 Crore and Rs.2.80 Crore, respectively, towards advertisements, representing 0.88%, 0.77%, 1.32%, 0.67% and 0.59% of its revenue from operations, respectively. It intends to focus its 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.

Grow manufacturing capabilities and expand production capacities: Cello World intends to grow its manufacturing capabilities so that it is able to quickly and effectively respond to increases in market demand for its products, in order to continue to grow its business. Cello World is 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 per annum. Further, Cello World has also recently expanded its opalware capacity in its manufacturing facility in Daman to increase its installed annual capacity to 25,000 tonnes of opalware per annum, from 15,000 tonnes of opalware per annum, as of August 6, 2023. Cello World has expanded its opalware capacity because of the increasing demand for opalware products. Further, it regularly monitors market demand for its products, and may continue to increase its manufacturing capabilities in the future, if the forecasted market demand for its products exceeds its manufacturing capacities.

Risk factor

- Fluctuations in raw material prices, especially plastic granules and plastic polymer prices, and disruptions in their availability may have an adverse effect on its business.
- The company is dependent on distribution network in India and overseas to sell and distribute products and any disruption in its distribution network could have an adverse effect on its business.
- The company does not own the trademark for its key brands, including "Cello", "Unomax", "Kleeno", "Puro" and their respective logos.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Borosil Limited	1061.46	77.82	6.51	58.52	5.05	75.39	1	380.95	4363.81
Kokuyo Camlin Limited	812.63	34.46	3.44	39.24	5.16	26.18	1	135.00	1354.10
La Opala RG Limited	456.39	131.63	11.86	36.67	6.23	69.81	2	434.90	4827.39
Stove Kraft Limited	1306.54	35.89	24.77	21.38	5.77	91.80	10	526.85	1740.21
TTK Prestige Limited	2735.70	248.90	17.96	43.09	5.54	139.69	1	773.95	10728.03
Linc Limited	500.70	40.41	27.17	29.16	6.65	119.16	10	792.20	1178.18
Hawkins Cookers Limited	1011.48	92.51	174.88	40.61	13.61	521.99	10	7102.20	3757.06
Cello World Limited	1835.86	301.88	14.22	45.56	12.47	51.96	5	648.00	13752.57

*Peer companies and Cello World financials are TTM based.

Valuation

Considering the P/E valuation on the upper price band of Rs.648, EPS and P/E based on TTM are Rs.14.22 and 45.56 multiple respectively and at a lower price band of Rs. 617, P/E multiple is 43.38. Looking at the P/B ratio on the upper price band of Rs.648, book value and P/B of FY23 are Rs. 51.96 and 12.47 multiple respectively and at a lower price band of Rs. 617 P/B multiple is 11.88. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry Outlook

The Indian consumerware market size increased from Rs.305 billion in Fiscal 2020 to Rs.348 billion in Fiscal 2022, at a CAGR of 6.9%. As of Fiscal 2023, the Indian stationery market had an estimated size of Rs.385 billion by value. In the branded consumerware market, it occupied a market share of 8% for the Financial Year 2023. Its market share was 4.9% in the overall consumerware market for the same period.

Outlook

With a presence in consumer houseware, writing instruments & stationery, and moulded furniture & allied products, and consumer glassware categories, the firm offered 15,891 stock-keeping units (SKUs) across its product categories as of June 2023. Around 80 percent of its revenue comes from the in-house manufacturing operations, and the remaining (mainly steel and glassware products) are made by third-party contract manufacturers. However, the company will not receive any proceeds from the offer.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	30-October-23
BID/ISSUE CLOSSES ON	01-November-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	06-November-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	07-November-23
Credit of Equity Shares to demat accounts of Allottees	08-November-23
Commencement of trading of the Equity Shares on the Stock Exchanges	09-November-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	30-Jun-23 (3 Months)	31-Mar-23 (12 Months)	31-Mar-22 (12 Months)
Revenue from operations	471.78	1796.70	1359.18
Total expenditure	352.58	1376.16	1025.61
Operating Profit	119.20	420.54	333.57
OPM%	25.27	23.41	24.54
Other Income	8.10	16.74	15.93
PBDIT	127.30	437.28	349.50
Depreciation	11.82	50.33	47.55
PBIT	115.49	386.95	301.95
Interest	0.57	1.76	2.85
Profit before tax	114.92	385.20	299.10
Tax	32.08	100.13	79.58
Profit & Loss before Share of Post-acquisition Profit of Associate	82.84	285.07	219.52

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	250.97	253.74	238.74
Capital work-in-progress	52.06	20.87	11.78
Right-of-use assets	17.02	17.57	19.31
Intangible assets	3.68	0.40	0.53
Intangible assets under development	0.00	4.78	2.77
Financial Assets			
Investments in associates	0.78	0.79	0.00
Other investments	65.45	49.81	35.00
Loans	7.81	7.64	1.23
Other financial assets	7.21	8.94	9.86
Deferred tax assets (net)	2.71	4.72	2.80
Income tax assets (net)	2.46	2.34	2.31
Other non-current assets	57.43	40.22	14.23
Total non-current assets	467.57	411.81	338.56
Current assets			
Inventories	411.36	429.76	376.55
Financial Assets			
Investments	149.55	126.31	114.95
Trade Receivables	528.85	462.30	406.72
Cash and Cash Equivalents	35.43	30.62	36.27
Bank Balances other than (ii) above	18.72	19.32	18.41
Loans	1.00	1.17	2.02
Other Financial Assets	9.33	17.41	3.42
Other Current Assets	48.80	37.55	36.77
Total current assets	1203.03	1124.44	995.10
Assets classified as held for sale	15.45	15.45	0.00
Total Assets	1686.05	1551.69	1333.66
Non-current liabilities			
Financial liabilities			
Borrowings	8.66	8.66	0.00
Lease Liabilities	6.62	7.14	8.70
Other financial liabilities	0.00	483.10	0.00
Provisions	2.71	2.50	4.50
Deferred tax liabilities (net)	7.36	8.41	8.39
Total non-current liabilities	25.35	509.81	21.59
Current liabilities			
Financial Liabilities			
Borrowings	311.41	317.41	452.48
Lease Liabilities	1.95	1.91	1.73
Trades Payable - MSME	40.11	42.63	29.45
Trade Payables - other than MSME	130.50	91.54	96.10
Other financial Liabilities	23.00	16.69	434.53
Other current liabilities	32.38	30.38	20.19
Provisions	1.20	1.40	1.46
Current tax Liabilities (Net)	17.45	3.55	3.36
Total current liabilities	557.99	505.50	1039.30
Total	583.34	1015.30	1060.88
NET Worth	1102.71	536.39	272.78
Net worth represented by:			
Equity Share Capital	97.50	97.50	0.01
Instruments entirely equity in nature	14.38	0.00	0.00
Other equity	785.41	238.95	87.64
Non controlling interest	205.43	199.94	185.13
Net Worth	1102.71	536.39	272.78

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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