

CELLO WORLD LTD

30-10-2023 to 01-11-2023

Industry: Consumer Houseware

Price Band: ₹ 617 - 648

Recommendation: Subscribe with Long Term

Post Implied Market Cap: ₹ 13,095 - 13,753 Cr

Key Data

Issue Size (₹ Cr)	1900
Fresh (₹)	-
OFS (₹)	1,900.00
No of shares offered	30,811,946 - 29,337,023
Face Value (₹ /share)	5
Bid Lot	23

About the Company

Cello World Ltd (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. With an experience of more than 60 years in the field of consumer product industry it enables them to better understand consumer preferences and choices. 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. Company has nationwide sales and distribution network which is supported by their 721 members sales team, as of June 30, 2023.

Investment Rationale

- **Well-established brand name and strong market positions:** Cello World is a prominent player in India's consumer-ware market, offering products in consumer houseware, writing instruments, stationery, and molded furniture. Their brand "Cello" was recognized as one of India's most trusted brands in 2021. In 2019, they introduced the "Unomax" brand for writing instruments and stationery. The company invests in a wide range of promotional and marketing strategies, including in-shop displays, merchandising, print and social media advertising, retail and product branding, to enhance brand awareness and recall.
- **Diverse product range meeting varied consumer needs:** Cello World focuses on understanding consumer needs through their distributor network and innovates to meet diverse preferences. They offer a wide range of 15,891 SKUs across various categories, materials and price points which enables them to serve as a "one-stop-shop" by serving customers of all income levels. Their products span plastic, steel, opal, glass, copper, and melamine materials, making them a one-stop-shop for glassware, opalware, melamine, and porcelain products.
- **Track record of scaling up new businesses and product categories:** Despite Cello World's formal incorporation in 2018, their experienced promoters successfully launched new businesses and product categories. In 2017, they introduced glassware and opalware under the "Cello" brand, followed by writing instruments and stationery in 2019 under "Unomax." Additionally, they ventured into the cleaning aids industry in 2017 with the "Kleeno" subbrand, all under the trusted "Cello" umbrella, showcasing their consistent commitment to innovation and growth.
- **Pan-India distribution network with a presence across multiple channels:** Cello World's expansive pan-India distribution network, complemented by a dedicated sales team of 721 members, has been instrumental in successfully launching new product ranges. Their products reach consumers through modern trade, e-commerce platforms, corporate clients, government departments, and even their own websites. This well-rounded distribution strategy underscores the company's adaptability and broad market reach.
- **Ability to manufacture a diverse range of products and maintain optimal inventory levels:** Cello World's comprehensive in-house manufacturing capabilities empower them to swiftly meet growing demand, expedite product launches, maintain strict quality control, and enhance supply chain management. With 13 manufacturing facilities spread across five locations, they possess an annual production capacity of 57.77 million units of consumer houseware products, 15,000 tonnes of opalware and glassware, 705 million units of writing instruments and stationery products, and 12.80 million units of molded furniture and allied products, as of June 30, 2023. This strategic advantage positions the company to excel in an evolving market.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	06-11-2023
Refunds/Unblocking ASBA Fund	07-11-2023
Credit of equity shares to DP A/c	08-11-2023
Trading commences	09-11-2023

Shareholding (No. of shares)

Pre-Issue	21,22,31,034
Post Issue (Lower price band)	21,22,31,034
Post Issue (Higher price band)	21,22,31,034

Shareholding Pattern

Promoters:	%
Pre Issue	55.13%
Post Issue	44.22%
Promoters Group:	
Pre Issue	36.75%
Post Issue	33.84%
Public - Others:	
Pre Issue	8.12%
Post Issue	21.34%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Risk

- Raw material price fluctuations pose risks to their operations.
- Dependency on third-party contract manufacturers primarily located in China.
- Risk of 100% OFS.

MView

We believe Cello World IPO offer gives investors an opportunity to invest in a renowned Indian consumer product company with 60+ years of experience. We think a strong established brand and diverse product portfolio across different product categories enables them to serve as a "one-stop-shop" for all Consumer Houseware across all income levels. With a strong Pan-India distribution network and presence in all multiple sales channels and 13 manufacturing facilities across 5 different locations enables them to scale up production quickly and penetrate the market. By looking at the financials historically, Cello world has delivered a healthy growth in revenue from operation of 29.51%/32.19% in FY 2022/23 and healthy profit after tax growth of 32.6% in FY 2022 and 29.9% in FY 2023.

On Valuation parse at upper price band of ₹ 648/- and based on annualized earnings and fully diluted post-IPO paid-up capital, the issue is asking for a Market Cap of ₹ 13,753 Cr with P/E of 41.51x on consolidated basis, which seems the issue is reasonably priced by looking at the expected revenue and profit growth. Investors should also look at IPO offers which come with 100% OFS issue which is an area of concern for new investors, but due to higher EBITDA/PAT margins and higher ROCE compared to its peers we advocate a good long term prospects for the company. Hence considering all parameters, we recommend investors to "SUBSCRIBE" to the Cello World Ltd IPO offer with long-term perspective

Other Details

BRLMs: Kotak Mahindra Capital, Citigroup
Global, JM Financial, J.P.Morgan India

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

Research Analyst

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Jun' 30		As at March' 31		
	2023 (03)	2022 (03)	2023	2022	2021
Equity Share Capital	97.5	0.1	97.5	0.1	0.1
Instruments entirely equity in nature	14.38	-	-	-	-
Reserve as stated	785.41	149.74	238.95	87.64	-106.76
Net worth as stated	1,226.66	495.76	665.73	444.04	289.59
Revenue from Operations	471.78	432.61	1,796.70	1,359.18	1,049.46
Revenue Growth (%)	9.05%	-	32.19%	29.51%	-
EBITDA	127.3	100.74	437.28	349.50	286.87
EBITDA Margin (%)	26.98%	23.29%	24.34%	25.71%	27.34%
Profit Before Tax	114.92	88.67	385.2	299.1	235.69
Net Profit for the Period	82.83	66.03	285.06	219.52	165.55
Net Profit Margin (%)	17.56%	15.26%	15.87%	16.15%	15.77%
EPS (₹)	3.65	3.17	13.65	10.46	7.75
RONW%	6.31%	12.48%	39.98%	45.94%	52.21%
NAV (₹)	57.79	25.42	34.14	22.77	14.85
ROCE(%)	8.06%	11.28%	44.48%	40.92%	58.73%

Source: Company RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from Operations (As on 31st March 2023)	EPS	NAV	P/E	RONW
Cello World Ltd	Standalone	13753	5	1,796.70	13.65	56.84	47.47	56.84
Borosil Ltd	Consolidated	4,505	1	1,027.12	7.86	67.97	48.57	67.97
Kokuyo Camlin Ltd	Consolidated	1,408	1	774.94	2.44	26.18	41.17	26.18
La Opala RG Ltd	Consolidated	4,539	2	452.32	11.08	69.81	35.39	69.81
Stove Kraft Ltd	Consolidated	1,702	10	1,283.85	10.87	122.13	47.43	122.13
TTK Prestige Ltd	Consolidated	10,856	1	2,777.13	18.34	139.85	43.45	139.85
Linc Ltd	Consolidated	1,197.74	10	486.76	25.15	123.39	28.76	123.39
Hawkins Cooker Ltd	Consolidated	3,706.23	10	1,005.80	179.24	522.2	39.62	522.2

Date as on 31st March 2023, Cline Mcap, PE calculated as on 26-10-2023



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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