

Cello World

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CELLO IN
Equity Shares (m)	221
M.Cap.(INRb)/(USDb)	135 / 1.5
52-Week Range (INR)	861 / 485
1, 6, 12 Rel. Per (%)	0/6/-36
12M Avg Val (INR M)	151

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	24.3	28.6	32.5
EBITDA	5.5	7.3	8.3
Adj. PAT	3.6	4.9	5.6
EBITDA Margin (%)	22.6	25.5	25.5
Cons. Adj. EPS (INR)	16.5	22.3	25.5
EPS Gr. (%)	7.7	35.3	14.3
BV/Sh. (INR)	118.5	135.5	160.3

Ratios

Net D:E	-0.3	-0.4	-0.5
RoE (%)	15	18	17
RoCE (%)	17	19	18

Valuations

P/E (x)	37	27	24
EV/EBITDA (x)	24	17	15

Shareholding Pattern (%)

As on	Sep-25	Jun-25	Sep-24
Promoter	75.0	75.0	75.0
DII	14.0	14.6	13.6
FII	5.6	5.4	7.7
Others	5.4	5.0	3.7

Note: FII includes depository receipts

CMP: INR611

TP: INR720 (+18%)

Buy

Festive-led momentum supports growth

Earnings in line with estimates

- Cello World (CELLO) reported a healthy revenue growth of ~20%, largely led by a 23% YoY growth in the consumerware segment. The writing instrument segment also witnessed a healthy recovery (up 17%) after a five-quarter decline. Growth was supported by a healthy uptake across key categories in the festive season.
- The company maintained its FY26 growth guidance of ~12-15% for revenue and ~22-23% for EBITDA margin, implying a 14%/18% revenue/EBITDA growth for 2HFY26. This is expected to be supported by the ramping up of the glassware facility, commissioning of the steelware plant, and demand recovery.
- We largely maintain our FY26/27/28 earnings estimates and reiterate our BUY rating with a TP of INR720 (premised on 30x Sept'27E EPS).

Margin pressure persists amid cost inflation and supply constraints

- In 2QFY26, CELLO's consolidated revenue grew 20% YoY/11% QoQ to INR5.9b (est. INR 5.6b). EBITDA grew ~8%/11% YoY/QoQ to INR1.3b (est. in line).
- EBITDA margin contracted 250bp YoY, largely due to higher employee/other expenses rising 210bp/60bp YoY, while it expanded 110bp QoQ to 21.7%. Gross margin contracted 210bp/440bp YoY/QoQ to 49.5%. The higher costs were driven by the inability to raise prices, increased energy and wage expenses from the new glassware facility, and supply constraints at the steelware facility.
- Adj. PAT grew 5%/17% YoY/QoQ to INR857m (est. in line).
- Consumerware segment's revenue (72% of total revenue in 2QFY26) grew 23%/15% YoY/QoQ to INR4.2b. Gross margin contracted 230bp YoY.
- Writing instrument segment's revenue (~14% revenue mix) grew 17% YoY/11% QoQ to INR817m. Further, molded furniture and allied products (~14% of the revenue mix) grew 8% YoY, while they declined 6% QoQ to INR842m. The gross margin of writing instruments expanded 60bp YoY, while that of molded furniture and allied products declined 440bp YoY.

Highlights from the management commentary

- **Guidance:** Capex is expected to be ~INR1.5b for FY26 (majorly for steel flask), including INR750m for maintenance. Further, the company expects performance to be better in FY27, driven by the glassware and steelware plants.
- **Acquiring Cello brand:** Cello Plastic Industrial Works (CPIW), CELLO's promoter entity, is reacquiring the Cello trademark from the BIC Group for its writing instruments and stationery segment. With existing capacity in place, no major capex is expected. Revenue under the Cello brand is expected to begin in Jan'26, while the Unomax brand will continue to be marketed as well.
- **Glassware:** Glassware capacity utilization reached 60% in 2QFY26, achieving breakeven; profits are expected ahead. The company plans to expand its range to 150 SKUs (from 110).

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Valuation and view

- The consumerware segment is expected to maintain its current growth rate, with incremental growth driven by the ramp-up of the glassware facility and the commissioning of the steelware facility, which should also support improved margins. Meanwhile, the healthy growth momentum in the writing instruments segment is expected to continue in the coming quarter, supported by improving demand in both export and domestic markets.
- We expect CELLO to register 15%/17%/19% revenue/EBITDA/Adj. PAT CAGR over FY25-28. **We reiterate our BUY rating with a TP of INR720 (premised on 30x Sep'27E EPS).**

Consolidated - Quarterly Earning Model

Y/E March	FY25				FY26				FY25	FY26E	FY26E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Gross Sales	5,007	4,901	5,568	5,888	5,290	5,874	6,330	6,771	21,364	24,266	5,566	6%
YoY Change (%)	6.1	0.2	5.7	14.9	5.7	19.9	13.7	15.0	6.8	13.6	13.6	
Total Expenditure	3,714	3,715	4,296	4,536	4,200	4,598	4,880	5,133	16,260	18,810	4,303	
EBITDA	1,293	1,186	1,273	1,352	1,091	1,277	1,450	1,638	5,104	5,455	1,263	1%
Margins (%)	25.8	24.2	22.9	23.0	20.6	21.7	22.9	24.2	23.9	22.5	22.7	
Depreciation	141	148	151	180	186	195	205	220	620	806	200	
Interest	6	3	3	3	1	5	1	1	15	8	1	
Other Income	60	133	124	130	173	136	145	155	447	609	150	
PBT before EO expense	1,206	1,168	1,243	1,299	1,076	1,213	1,389	1,572	4,916	5,250	1,212	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,206	1,168	1,243	1,299	1,076	1,213	1,389	1,572	4,916	5,250	1,212	
Tax	311	300	318	338	269	299	348	399	1,267	1,316	304	
Rate (%)	25.8	25.7	25.6	26.0	25.0	24.7	25.1	25.4	25.8	25.1	25.1	
Minority Interest & Profit/Loss of Asso. Cos.	69	51	61	80	76	57	70	83	261	286	65	
Reported PAT	826	816	864	882	730	857	971	1,090	3,388	3,648	843	
Adj PAT	826	816	864	882	730	857	971	1,090	3,388	3,648	843	2%
YoY Change (%)	6.6	2.1	1.8	-0.7	-11.6	4.9	12.4	23.6	2.3	7.7	3.3	
Margins (%)	16.5	16.7	15.5	15.0	13.8	14.6	15.3	16.1	15.9	15.0	15.1	

Key Exhibits

Exhibit 1: Consolidated revenue trend

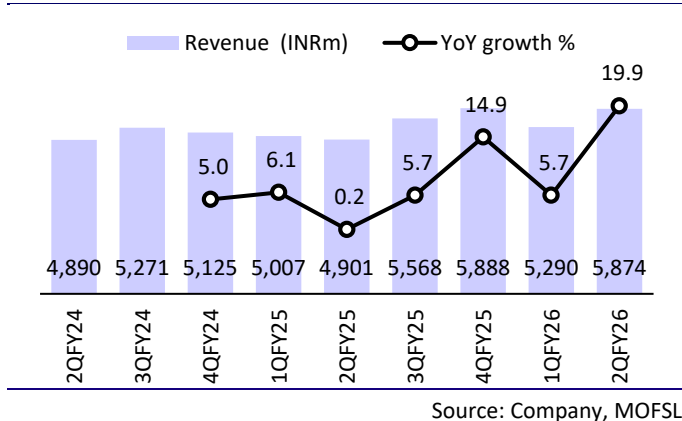


Exhibit 2: Consolidated gross profit trend

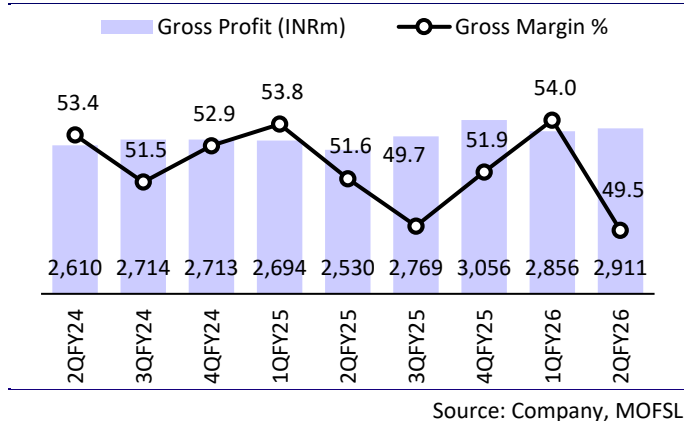


Exhibit 3: Consolidated EBITDA trend

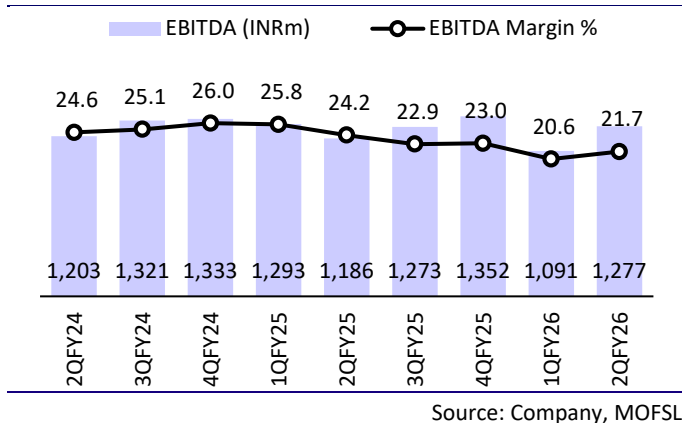


Exhibit 4: Consolidated adj. PAT trend

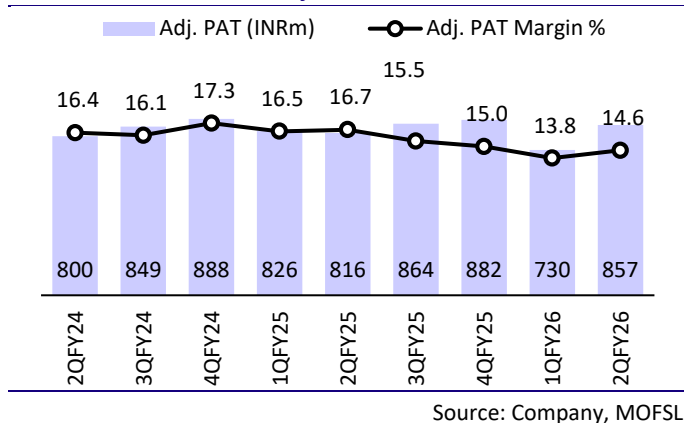


Exhibit 5: Gross margins across segments

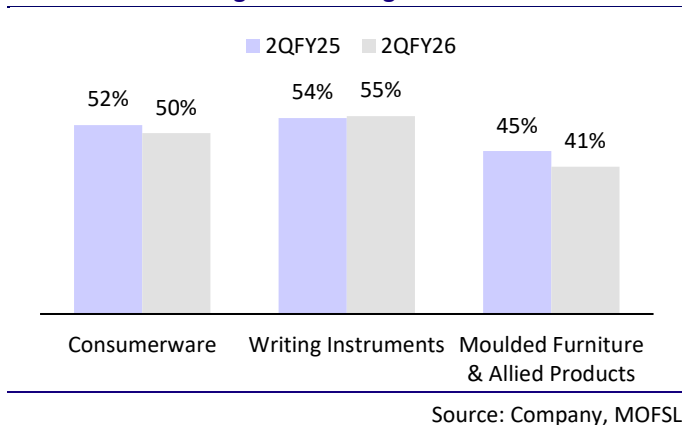
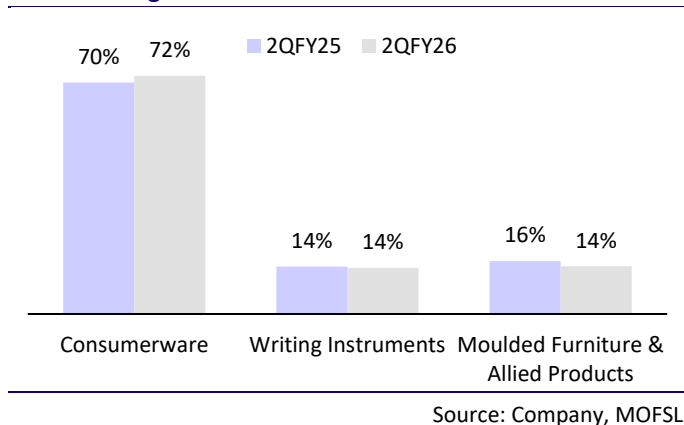


Exhibit 6: Segment-wise revenue mix





Highlights from the management commentary

Overview

- 2QFY26 benefited from strong festive momentum across key categories, supported by robust consumer demand and efficient execution.
- GST rate changes had a minimal impact on CELLO's portfolio (~10% of the product portfolio affected, primarily in the Hydration category). CELLO's revenue growth was driven by brand strength, disciplined operations, and continued focus on execution excellence.
- The company crossed the INR10b revenue mark in 1HFY26.
- Its orders have not slowed down yet due to US tariffs.

Guidance and outlook

- CELLO has maintained revenue growth guidance of double digits (~12-15%) in FY26, with EBITDAM, excluding other income, at ~22-23% (on track to achieve guidance).
- CELLO has planned capex of INR1.5b in FY26 (INR750m for the steel plant expansion and the remaining for maintenance). CELLO has guided INR750m capex in FY27, majorly for the maintenance purpose.

Reacquisition of the 'Cello' brand

- Cello, through one of its WOS, will enter into an agreement to lease the trademark for "Cello Brand" for Stationery and Writing Instruments from CPIW on the same terms like it has been doing for the other classes. This transaction is expected to close in Nov'25, with revenue expected from Jan'26.
- Cello Plastic Industrial Works (CPIW), a member of the Promoter Group of CWL, the umbrella entity holding the "Cello" brand in other classes as well, will acquire the trademark for Stationery and Writing Instruments i.e., "Cello Brand" from BIC Group.
- Upon the execution of this agreement with CPIW, Cello World Limited will operate Stationery and Writing Instruments portfolio among two brands namely, Cello and Unomax.
- CELLO's aim is to enhance operational efficiencies, optimize costs, and leverage existing manufacturing and distribution infrastructure to unlock the full potential of the cello brand business. The company believes brand equity is still strong for "Cello", and the lack of managerial efficiency/product additions has hampered the brand's growth.
- CELLO expects similar numbers like Unomax in terms of profitability in the next 1-1.5 years. It anticipates ~30-35% of the unused capacity in the Unomax facility will be utilized for the Cello brand.

Consumerware business

- CELLO's glassware plant achieved breakeven this quarter, with 60% utilization in 2QFY26.
- Its glass plant in Falna, Rajasthan, is ramping up as per the plan, with about 55% utilization in 1HFY26. The company expects the 75% utilization level to result in healthy margins.
- CELLO's opalware category reported double-digit growth in 2QFY26, with an 85% utilization level. Further capacity expansion is expected once utilization level reaches 100%, driven by growth prospects in the market.
- The wedding season in 3QFY26 is expected to boost opalware revenue. Competition is expected to be intense due to new arrivals in this category.

- CELLO's overall gross margins were affected in 2QFY26 by the steel category, glassware, and product mix.
- It reported gross margin contraction for its steel category due to supply shortages in the market, which led to the sourcing of steel from other OEMs.
- CELLO expects the steel category's production to begin from Dec'25. This is expected to enhance cost competitiveness and margin expansion in the category. It expects stabilization in 4-5 months .
- CELLO's plastic houseware is at the initial phase, with potential capacity additions expected if revenue growth is seen in the coming quarters.
- At present, CELLO has 110 SKUs, with a potential of 150 SKUs going forward.

Molded furniture

- Molded furniture growth was driven by product additions.
- The molded business does not anticipate ample growth prospects, and CELLO aims to increase margins through the premiumization of products.

Others

- In 1HFY26, CELLO derived ~78% of revenue from in-house manufacturing.
- In 1HFY26, CELLO's distribution channel mix was ~74%/7%/8%/11% for General Trade/Modern Trade/Exports/Online.
- WC is improving as inventory is being released due to improved channel stocking, and receivables were efficiently cleared in Oct'25.

Valuation and view

- The consumerware segment is expected to maintain its current growth rate, with incremental growth driven by the ramp-up of the glassware facility and commissioning of the steelware facility, which should also support improved margins. Meanwhile, the healthy growth momentum in writing instruments is expected to continue in the coming quarter, supported by an improving demand scenario in both the export and domestic markets.
- We expect CELLO to register 15%/17%/19% revenue/EBITDA/Adj. PAT CAGR over FY25-28. **We reiterate our BUY rating with a TP of INR720 (premised on 30x Sep'27E EPS)**

Exhibit 7: Earnings change

(INR m)	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	23,978	28,261	32,099	24,266	28,600	32,490	1%	1%	1%
EBITDA	5,480	7,198	8,176	5,455	7,285	8,276	0%	1%	1%
Adj. PAT	3,610	4,877	5,571	3,648	4,935	5,640	1%	1%	1%

Financials and valuations

Consolidated - Income Statement

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	10,495	13,592	17,967	20,003	21,364	24,266	28,600	32,490
Change (%)	NA	29.5	32.2	11.3	6.8	13.58	17.9	13.6
RM Cost	5,214	6,786	8,955	9,484	10,315	11,816	13,385	15,205
Employees Cost	968	1,319	1,576	1,895	2,112	2,472	2,660	3,022
Other Expenses	1,544	2,151	3,231	3,575	3,833	4,523	5,271	5,987
Total Expenditure	7,727	10,256	13,762	14,954	16,260	18,810	21,315	24,214
EBITDA	2,767	3,336	4,205	5,049	5,104	5,455	7,285	8,276
Margin (%)	26.4	24.5	23.4	25.2	23.9	22.5	25.5	25.5
Depreciation	489	476	503	567	620	806	1,036	1,125
EBIT	2,278	2,860	3,702	4,481	4,484	4,649	6,249	7,150
Int. and Finance Charges	23	29	18	26	15	8	0	0
Other Income	101	159	167	299	447	609	785	892
PBT bef. EO Exp.	2,357	2,991	3,852	4,755	4,916	5,250	7,034	8,042
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	2,357	2,991	3,852	4,755	4,916	5,250	7,034	8,042
Total Tax	701	796	1,001	1,189	1,267	1,316	1,770	2,024
Tax Rate (%)	29.8	26.6	26.0	25.0	25.8	25.1	25.2	25.2
Minority Interest	143	155	189	256	261	286	329	378
Reported PAT	1,512	2,040	2,661	3,310	3,388	3,648	4,935	5,640
Adjusted PAT	1,512	2,040	2,661	3,310	3,388	3,648	4,935	5,640
Change (%)	NA	34.9	30.5	24.4	2.4	7.7	35.3	14.3
Margin (%)	14.4	15.0	14.8	16.5	15.9	15.0	17.3	17.4

Consolidated - Balance Sheet

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	0	0	975	1,061	1,104	1,104	1,104	1,104
Total Reserves	-1,068	876	2,390	10,431	20,570	24,052	28,821	34,295
Net Worth	-1,068	876	3,365	11,492	21,674	25,156	29,925	35,399
Minority Interest	1,722	1,851	1,999	2,206	2,411	2,697	3,026	3,404
Total Loans	3,221	4,525	3,261	3,627	5	0	0	0
Deferred Tax Liabilities	82	84	84	126	152	152	152	152
Capital Employed	3,957	7,336	8,709	17,452	24,242	28,005	33,103	38,955
Gross Block	2,901	2,898	3,388	4,857	8,013	8,913	9,919	10,545
Less: Accum. Deprn.	309	312	671	1,238	1,858	2,664	3,700	4,826
Net Fixed Assets	2,592	2,586	2,717	3,619	6,155	6,249	6,218	5,719
Capital WIP	43	145	256	1,800	188	788	533	307
Total Investments	1,197	1,500	1,769	1,698	5,996	5,996	5,996	5,996
Current Investments	747	1,150	1,263	1,141	5,688	5,688	5,688	5,688
Curr. Assets, Loans&Adv.	7,633	9,106	10,774	12,601	14,079	17,444	23,269	30,243
Inventory	3,069	3,765	4,298	4,622	5,246	5,958	7,022	7,978
Account Receivables	3,714	4,067	4,623	6,106	6,578	6,981	8,227	9,346
Cash and Bank Balance	325	547	499	651	876	2,938	6,173	10,822
Loans and Advances	525	726	1,354	1,223	1,379	1,566	1,846	2,097
Curr. Liability & Prov.	7,508	6,000	6,808	2,266	2,176	2,472	2,914	3,310
Account Payables	984	1,255	1,342	1,442	1,502	1,706	2,011	2,284
Other Current Liabilities	6,471	4,685	5,428	783	604	686	809	919
Provisions	53	60	39	41	70	80	94	107
Net Current Assets	125	3,106	3,966	10,335	11,902	14,972	20,355	26,933
Appl. of Funds	3,957	7,336	8,709	17,452	24,242	28,004	33,102	38,955

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	7.1	9.6	12.5	15.6	15.3	16.5	22.3	25.5
Cash EPS	9.4	11.9	14.9	18.3	18.9	21.0	27.0	30.6
BV/Share	NA	4.1	15.9	54.1	102.1	118.5	135.5	160.3
DPS	0.0	0.0	0.0	0.8	0.8	0.8	0.8	0.8
Payout (%)	0.0	0.0	0.0	4.8	4.9	4.5	3.4	2.9
Valuation (x)								
P/E	86.0	63.8	48.9	39.3	40.0	37.1	27.4	24.0
Cash P/E	65.0	51.7	41.1	33.6	32.5	29.2	22.7	20.0
P/BV	NA	148.4	38.7	11.3	6.0	5.2	4.5	3.8
EV/Sales	11.8	9.9	6.8	6.7	6.1	5.3	4.4	3.8
EV/EBITDA	44.6	40.4	29.3	26.6	25.7	23.7	17.4	14.8
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
FCF per share	8.7	6.4	6.4	-1.6	4.3	7.4	11.8	17.8
Return Ratios (%)								
RoE	NA	232.8	79.1	28.8	15.6	14.5	17.9	17.3
RoCE	NA	58.7	47.6	33.0	19.9	16.8	19.1	18.4
RoIC	NA	55.7	48.4	34.5	21.8	19.6	24.2	25.3
Working Capital Ratios								
Fixed Asset Turnover (x)	3.6	4.7	5.3	4.1	2.7	2.7	2.9	3.1
Asset Turnover (x)	2.7	1.9	2.1	1.1	0.9	0.9	0.9	0.8
Inventory (Days)	107	101	87	84	90	90	90	90
Debtor (Days)	129	109	94	111	112	105	105	105
Creditor (Days)	34	34	27	26	26	26	26	26
Leverage Ratio (x)								
Current Ratio	1.0	1.5	1.6	5.6	6.5	7.1	8.0	9.1
Interest Cover Ratio	100.1	100.4	210.8	175.5	308.7	584.0	NA	NA
Net Debt/Equity	NA	3.2	0.4	0.2	-0.3	-0.3	-0.4	-0.5

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	2,357	2,991	3,852	4,750	4,913	5,250	7,034	8,042
Depreciation	489	476	503	567	620	806	1,036	1,125
Interest & Finance Charges	22	26	14	26	15	-601	-785	-892
Direct Taxes Paid	-681	-843	-1,010	-1,160	-1,200	-1,316	-1,770	-2,024
(Inc)/Dec in WC	-221	-728	-1,150	-1,667	-1,309	-1,007	-2,149	-1,929
CF from Operations	1,966	1,923	2,210	2,516	3,038	3,132	3,365	4,322
Others	-29	-50	64	-204	-421	0	0	0
CF from Operating incl EO	1,936	1,873	2,274	2,312	2,617	3,132	3,365	4,322
(Inc)/Dec in FA	-248	-516	-1,032	-2,649	-1,668	-1,500	-750	-400
Free Cash Flow	1,688	1,356	1,242	-337	949	1,632	2,615	3,922
(Pur)/Sale of Investments	0	0	0	0	0	0	0	0
Others	-126	-2,075	-4,527	228	-3,836	609	785	892
CF from Investments	-375	-2,592	-5,559	-2,421	-5,504	-891	35	492
Issue of Shares	0	0	-151	0	7,131	0	0	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	191	-422	-5	0	0
Interest Paid	-15	-16	-5	-22	-11	-8	0	0
Dividend Paid	-1	-60	-96	-46	-386	-166	-166	-166
Others	-3,086	-237	4,754	138	-3,200	0	0	0
CF from Fin. Activity	-1,328	941	3,238	260	3,112	-179	-166	-166
Inc/Dec of Cash	233	222	-47	151	225	2,062	3,235	4,649
Opening Balance	91	325	547	499	651	876	2,938	6,173
Closing Balance	325	547	499	651	876	2,938	6,173	10,822

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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