13 August 2025

1QFY26 Results Update | Sector: Consumer

Cello World

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CELLO IN
Equity Shares (m)	221
M.Cap.(INRb)/(USDb)	119.7 / 1.4
52-Week Range (INR)	935 / 485
1, 6, 12 Rel. Per (%)	-11/-19/-41
12M Avg Val (INR M)	133

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	21.4	24	28.2
EBITDA	5.1	5.5	7.2
Adj. PAT	3.4	3.6	4.9
EBITDA Margin (%)	23.8	22.9	25.5
Cons. Adj. EPS (INR)	15.3	16.3	22.1
EPS Gr. (%)	-1.7	6.4	35.1
BV/Sh. (INR)	102.1	118.3	135
Ratios			
Net D:E	-0.3	-0.4	-0.4
RoE (%)	16	14	18
RoCE (%)	20	17	19
Valuations			
P/E (x)	36	33	25
EV/EBITDA (x)	23	21	15

Shareholding Pattern (%)

As on	Jun-25	Mar-25	Jun-24
Promoter	75.0	75.0	78.1
DII	14.6	13.8	12.1
FII	5.4	6.5	5.9
Others	5.0	4.7	4.0

Note: FII includes depository receipts

CMP: INR542 TP: INR700 (+29%) Buy

Slow start to FY26 amid weak demand environment

Earnings in line with estimates

- Cello World (CELLO) reported a slow start to FY26 with ~6% revenue growth, largely led by a 12% YoY growth in the consumerware segment. Growth was impacted by weak demand and a continued slowdown in the export market for its writing instrument segment (down 12% YoY), while the molded furniture segment remained flat YoY.
- With the onset of festive demand, management expects demand to pick up across categories. The company expects ~12-15% revenue growth with an EBITDA margin of 23%, implying a 14%/15% revenue/EBITDA growth for 9MFY26.
- We largely maintain our FY26/27 earnings estimates and reiterate our BUY rating with a TP of INR700 (premised on 32x FY27E EPS).

Weak demand and incremental cost from new plant hurt margins

- CELLO's consolidated revenue grew 6% YoY, while it declined 10% QoQ to INR5.3b (in line). EBITDA declined 16% YoY/19% QoQ to INR1.1b (est. INR1.2b).
- EBITDA margin contracted 520bp YoY/230bp QoQ to 20.6% (est. 22.9%), largely due to higher employee/other expenses rising 100bp/440bp YoY, while gross margin expanded only 20bp YoY to 54%. The higher costs resulted from competitive pressures and the inability to raise prices, along with increased energy and wage expenses from the new glassware facility.
- Adj. PAT declined 12% YoY/17% QoQ to INR730m (in line). Other income surged 2.9x YoY/33% QoQ to INR173m during the quarter.
- Consumerware segment's revenue (69% of total revenue in 1QFY26) grew 12% YoY (down 10% QoQ) to INR3.7b. Gross margin expanded 150bp YoY, led by a better product mix.
- Writing instrument segment's revenue (~14% revenue mix) declined 12% YoY/6% QoQ to INR735m, led by a slowdown in exports and flattish domestic demand, while molded furniture and allied products (~17% revenue mix) remained flat YoY/declined 15% QoQ to INR899m. Gross margins of both categories declined 40bp/470bp YoY.

Highlights from the management commentary

- **Guidance:** The company has guided for overall revenue growth of 12-15% for FY26, with an EBITDA margin of ~23%. Capex is expected to be ~INR1b for FY26, including INR400-500m for the steel flask facility. The glassware facility's revenue is guided at INR1.1-1.2b for FY26.
- **Competition:** The writing instruments market is becoming increasingly competitive, with rivals performing well in art, crafts, and stationery. Aggressive competitor pricing in 1Q pressured margins and delayed the company's usual April price hikes in the consumerware business. In the opalware segment, new entrants are also squeezing margins, and the brand's lower visibility in certain segments is slowing growth.

Sumant Kumar - Research Analyst (Sumant.Kumar@MotilalOswal.com)/ **Meet Jain** (Meet.Jain@MotilalOswal.com)

Research Analyst: Nirvik Saini (Nirvik.Saini @MotilalOswal.com)/ **Yash Darak** (Yash.Darak@MotilalOswal.com)

- **Demand Outlook:** Consumer demand has not fully recovered across categories, with the company experiencing slower demand trends. However, the company saw improved demand trends in July across all categories and expects stronger demand in the upcoming quarter due to the festive season.

Valuation and view

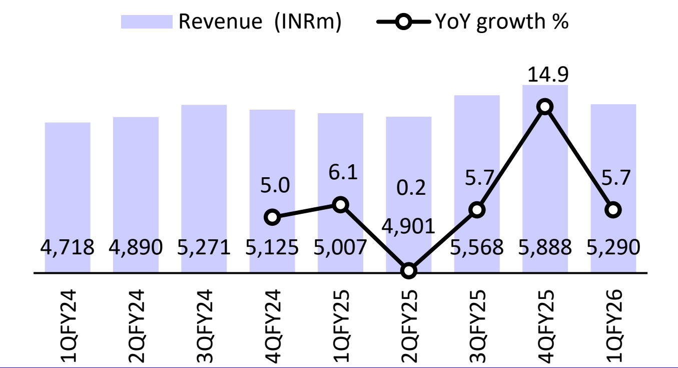
- We expect the writing instrument segment to start showing YoY growth from 2QFY26, supported by an improving demand scenario in both export and domestic markets. The consumerware segment is expected to maintain its current growth rate, with incremental growth driven by the ramp-up of the glassware facility, which should also contribute to improved margins.
- We expect CELLO to register 15%/19%/20% revenue/EBITDA/Adj. PAT CAGR over FY25-27. **We reiterate our BUY rating with a TP of INR700 (premised on 32x FY27E EPS)**

Consolidated - Quarterly Earning Model **(INRm)**

Y/E March	FY25				FY26				FY25	FY26E	FY26E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Gross Sales	**5,007**	**4,901**	**5,568**	**5,888**	**5,290**	**5,566**	**6,330**	**6,771**	**21,364**	**23,957**	**5,413**	**-2%**
YoY Change (%)	6.1	0.2	5.7	14.9	5.7	13.6	13.7	15.0	6.8	12.1	8.1	
Total Expenditure	3,714	3,715	4,296	4,536	4,200	4,303	4,845	5,135	16,260	18,482	4,176	
EBITDA	**1,293**	**1,186**	**1,273**	**1,352**	**1,091**	**1,263**	**1,486**	**1,636**	**5,104**	**5,475**	**1,238**	**-12%**
Margins (%)	25.8	24.2	22.9	23.0	20.6	22.7	23.5	24.2	23.9	22.9	22.9	
Depreciation	141	148	151	180	186	200	250	281	620	917	190	
Interest	6	3	3	3	1	1	1	1	15	4	0	
Other Income	60	133	124	130	173	150	165	170	447	658	70	
PBT before EO expense	**1,206**	**1,168**	**1,243**	**1,299**	**1,076**	**1,212**	**1,400**	**1,524**	**4,916**	**5,211**	**1,118**	
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**	**1,212**	**1,400**	**1,524**	**4,916**	**5,211**	**1,118**	
Tax	311	300	318	338	269	304	351	387	1,267	1,311	280	
Rate (%)	25.8	25.7	25.6	26.0	25.0	25.1	25.1	25.4	25.8	25.2	25.1	
Minority Interest & Profit/Loss of Asso. Cos.	69	51	61	80	76	65	70	83	261	294	74	
Reported PAT	**826**	**816**	**864**	**882**	**730**	**843**	**979**	**1,054**	**3,388**	**3,606**	**764**	
Adj PAT	**826**	**816**	**864**	**882**	**730**	**843**	**979**	**1,054**	**3,388**	**3,606**	**764**	**-4%**
YoY Change (%)	6.6	2.1	1.8	-0.7	-11.6	3.3	13.3	19.5	2.3	6.4	-7.5	
Margins (%)	16.5	16.7	15.5	15.0	13.8	15.1	15.5	15.6	15.9	15.1	14.1	

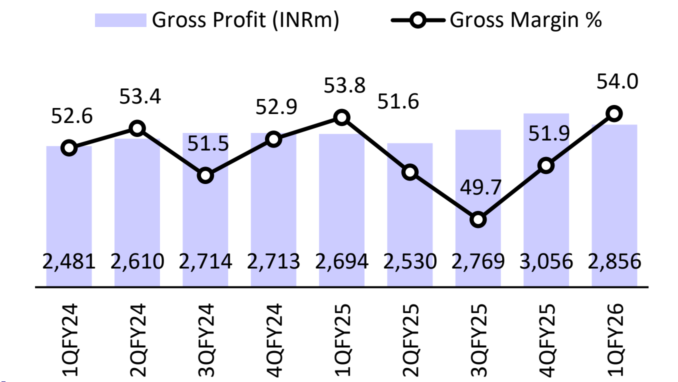
Key Exhibits

Exhibit 1: Consolidated revenue trend



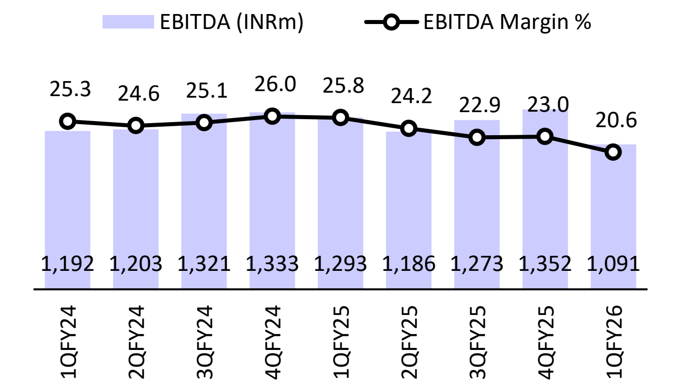
Source: Company, MOFSL

Exhibit 2: Consolidated gross profit trend



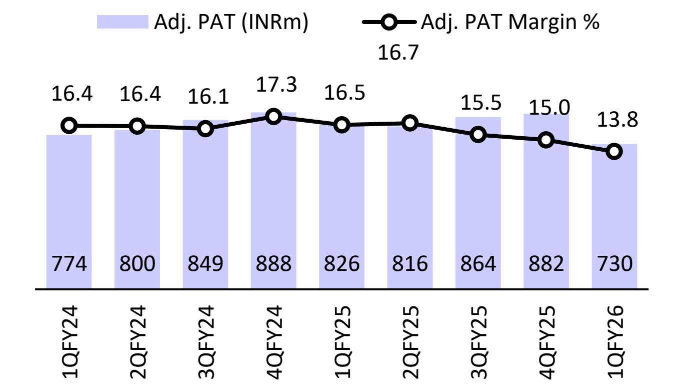
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



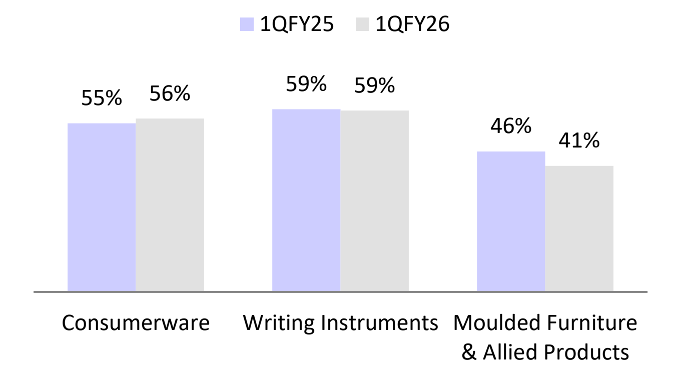
Source: Company, MOFSL

Exhibit 4: Consolidated adj. PAT trend



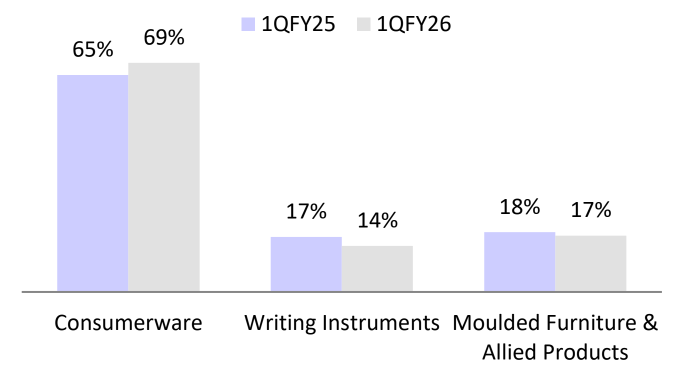
Source: Company, MOFSL

Exhibit 5: Gross margins across segments



Source: Company, MOFSL

Exhibit 6: Segment-wise revenue mix



Source: Company, MOFSL

CONFERENCE CALL

Highlights from the management commentary

Guidance

- CELLO reported a steady start to the year, delivering a 6% YoY growth to reach INR5.3b, driven by the consumer segment, and achieved its highest-ever gross profit margin of 54.0%.
- EBITDA margin contracted due to additional operational costs related to the new glassware facility.
- Growth was slightly impacted by the early onset of rainfall in May, which hurt hydration product sales.

Guidance and outlook

- Margins are expected to stabilize once the glass facility ramps up in the future.
- The company remains committed to enhancing its omnichannel presence to broaden product reach across India, focusing on premiumization and maintaining a stable margin profile.
- The company maintains a positive outlook for H2FY26, driven by a revival in consumer demand across categories.
- The consumerware segment is expected to grow 12-15% YoY, with decent traction anticipated.
- The company will continue to focus sharply on cost reductions.
- Margins are expected to be ~23%.
- The core consumerware segment sustained positive momentum, driven by standout categories such as hydration, opalware, and glassware.
- Writing instruments and furniture segments remained subdued during the quarter.
- Good traction was seen across categories in July.
- Capex is expected to be ~INR1b for FY26, including INR400-500m for the steel flask facility. The glassware facility's revenue guidance stands at INR1.1-1.2b for FY26.

Consumerware business

- Glassware grew 50%, with facility revenue guidance of INR1.1-1.2b for FY26.
- Hydration posted YoY growth but could have performed better if not for the early monsoons.
- The glassware segment remains loss-making, in line with expectations due to capacity expansion, and will continue to drag profitability (~1% impact) for the next couple of quarters. The company aims to breakeven by year-end.
- Margin pressure persisted due to subdued demand, preventing price hikes despite increased costs.
- Steel flask production is expected to start from November-December.
- Since the glassware capacity is new, efficiencies were low and expenses remained high, impacting overall margins.
- Margins have peaked in certain categories; the company will now focus on differentiation to improve margins.
- Opalware margins contracted due to higher energy costs and wage hikes, a trend that is expected to continue amid rising competition.

Writing instrument

- The company witnessed a continued slowdown in exports. The domestic market also experienced a slowdown this quarter. Domestic sales were flat; exports declined.
- **For the rest of the year, the company aims for ~10% YoY growth.**

- Despite new pen launches, initial traction was weak but has improved slightly in the last month.
- Efforts are being made to grow this segment through increased marketing and advertising.
- 5-7% of export sales go to the US, with no order cuts seen due to tariffs.
- The slowdown was driven by a decline in both volume and value growth.
- In a challenging environment, lesser-known brands tend to grow faster. No significant benefits are seen from the UK deal; all shipping routes remain operational.

Molded furniture
- Performance remained subdued, in line with industry trends.
- Focus remains on premiumization, with expectations of better trends going forward.
- Gross margin was low due to the product mix and will likely remain flat compared to last year.
- Margins may improve as premium products contribute more in the future.

Others
- GT trade remains the leading platform despite increasing traction in e-commerce and quick commerce.
- Other expenses rose due to higher discounts and schemes, aimed at offsetting the subdued environment and boosting sales.
- The company has a healthy order pipeline with trade routes now open. Middle East, Russia, and the US are showing good traction.
- While the number of outlets remains the same, shelf presence has increased.
- ~60-70% of the portfolio consists of differentiated products, with some developed specifically for e-commerce.
- Channel inventory is healthier than before; although demand slowdown in this quarter created some inventory build-up, the situation has improved YoY.
- In electrical appliances, where the company is already present, margins have eroded across the industry. The company aims to post a 15-20% CAGR and will sell products at its own prices.
- Expansion into new geographies has not yet yielded strong traction.

Valuation and view
- We expect the writing instrument segment to start showing YoY growth from 2QFY26, with improving demand scenario in both export and domestic markets. The consumerware segment is expected to maintain its current growth rate, with incremental growth driven by the ramp-up of the glassware facility, which should also contribute to improved margins.
- We expect CELLO to register 15%/19%/20% revenue/EBITDA/Adj. PAT CAGR over FY25-27. **We reiterate our Buy rating with a TP of INR700 (premised on 32x FY27E EPS)**

Earnings change	Old		New		Change	
(INR m)	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	24,365	28,783	23,957	28,238	-2%	-2%
EBITDA	5,689	7,331	5,475	7,193	-4%	-2%
Adj. PAT	3,644	4,830	3,606	4,873	-1%	1%

Financials and valuations

Consolidated - Income Statement (INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	**10,495**	**13,592**	**17,967**	**20,003**	**21,364**	**23,957**	**28,238**
Change (%)	NA	29.5	32.2	11.3	6.8	12.14	17.9
RM Cost	5,214	6,786	8,955	9,484	10,315	11,238	13,216
Employees Cost	968	1,319	1,576	1,895	2,112	2,469	2,626
Other Expenses	1,544	2,151	3,231	3,575	3,833	4,775	5,204
Total Expenditure	**7,727**	**10,256**	**13,762**	**14,954**	**16,260**	**18,482**	**21,046**
EBITDA	**2,767**	**3,336**	**4,205**	**5,049**	**5,104**	**5,475**	**7,193**
Margin (%)	26.4	24.5	23.4	25.2	23.9	22.9	25.5
Depreciation	489	476	503	567	620	917	1,004
EBIT	**2,278**	**2,860**	**3,702**	**4,481**	**4,484**	**4,558**	**6,188**
Int. and Finance Charges	23	29	18	26	15	4	0
Other Income	101	159	167	299	447	658	775
PBT bef. EO Exp.	**2,357**	**2,991**	**3,852**	**4,755**	**4,916**	**5,211**	**6,964**
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	**2,357**	**2,991**	**3,852**	**4,755**	**4,916**	**5,211**	**6,964**
Total Tax	701	796	1,001	1,189	1,267	1,311	1,753
Tax Rate (%)	29.8	26.6	26.0	25.0	25.8	25.2	25.2
Minority Interest	143	155	189	256	261	294	338
Reported PAT	**1,512**	**2,040**	**2,661**	**3,310**	**3,388**	**3,606**	**4,873**
Adjusted PAT	**1,512**	**2,040**	**2,661**	**3,310**	**3,388**	**3,606**	**4,873**
Change (%)	NA	34.9	30.5	24.4	2.4	6.4	35.1
Margin (%)	14.4	15.0	14.8	16.5	15.9	15.1	17.3

Consolidated - Balance Sheet (INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	0	0	975	1,061	1,104	1,104	1,104
Total Reserves	-1,068	876	2,390	10,431	20,570	24,010	28,717
Net Worth	**-1,068**	**876**	**3,365**	**11,492**	**21,674**	**25,114**	**29,821**
Minority Interest	1,722	1,851	1,999	2,206	2,411	2,705	3,044
Total Loans	3,221	4,525	3,261	3,627	5	0	0
Deferred Tax Liabilities	82	84	84	126	152	152	152
Capital Employed	**3,957**	**7,336**	**8,709**	**17,452**	**24,242**	**27,971**	**33,017**
Gross Block	2,901	2,898	3,388	4,857	8,013	8,663	9,594
Less: Accum. Deprn.	309	312	671	1,238	1,858	2,775	3,779
Net Fixed Assets	**2,592**	**2,586**	**2,717**	**3,619**	**6,155**	**5,888**	**5,814**
Capital WIP	43	145	256	1,800	188	538	608
Total Investments	**1,197**	**1,500**	**1,769**	**1,698**	**5,996**	**5,996**	**5,996**
Current Investments	747	1,150	1,263	1,141	5,688	5,688	5,688
Curr. Assets, Loans&Adv.	**7,633**	**9,106**	**10,774**	**12,601**	**14,079**	**17,990**	**23,475**
Inventory	3,069	3,765	4,298	4,622	5,246	5,883	6,934
Account Receivables	3,714	4,067	4,623	6,106	6,578	6,892	8,123
Cash and Bank Balance	325	547	499	651	876	3,669	6,595
Loans and Advances	525	726	1,354	1,223	1,379	1,547	1,823
Curr. Liability & Prov.	**7,508**	**6,000**	**6,808**	**2,266**	**2,176**	**2,441**	**2,877**
Account Payables	984	1,255	1,342	1,442	1,502	1,685	1,986
Other Current Liabilities	6,471	4,685	5,428	783	604	678	799
Provisions	53	60	39	41	70	79	93
Net Current Assets	**125**	**3,106**	**3,966**	**10,335**	**11,902**	**15,549**	**20,599**
Appl. of Funds	**3,957**	**7,336**	**8,709**	**17,452**	**24,242**	**27,971**	**33,016**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	**7.1**	**9.6**	**12.5**	**15.6**	**15.3**	**16.3**	**22.1**
Cash EPS	9.4	11.9	14.9	18.3	18.9	21.3	26.6
BV/Share	NA	4.1	15.9	54.1	102.1	118.3	135.0
DPS	0.0	0.0	0.0	0.8	0.8	0.8	0.8
Payout (%)	0.0	0.0	0.0	4.8	4.9	4.6	3.4
Valuation (x)							
P/E	76.4	56.6	43.4	34.9	35.5	33.3	24.7
Cash P/E	57.7	45.9	36.5	29.8	28.8	25.5	20.5
P/BV	NA	131.8	34.3	10.0	5.3	4.6	4.0
EV/Sales	10.5	8.8	6.1	6.0	5.4	4.7	3.9
EV/EBITDA	39.7	36.0	26.1	23.7	22.7	20.7	15.4
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.1	0.1	0.1
FCF per share	8.7	6.4	6.4	-1.6	4.3	10.5	10.5
Return Ratios (%)							
RoE	NA	232.8	79.1	28.8	15.6	14.4	17.7
RoCE	NA	58.7	47.6	33.0	19.9	16.7	19.0
RoIC	NA	55.7	48.4	34.5	21.8	19.5	24.6
Working Capital Ratios							
Fixed Asset Turnover (x)	3.6	4.7	5.3	4.1	2.7	2.8	2.9
Asset Turnover (x)	2.7	1.9	2.1	1.1	0.9	0.9	0.9
Inventory (Days)	107	101	87	84	90	90	90
Debtor (Days)	129	109	94	111	112	105	105
Creditor (Days)	34	34	27	26	26	26	26
Leverage Ratio (x)							
Current Ratio	1.0	1.5	1.6	5.6	6.5	7.4	8.2
Interest Cover Ratio	100.1	100.4	210.8	175.5	308.7	1,096.4	NA
Net Debt/Equity	NA	3.2	0.4	0.2	-0.3	-0.4	-0.4

Consolidated - Cash Flow Statement (INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	2,357	2,991	3,852	4,750	4,913	5,211	6,964
Depreciation	489	476	503	567	620	917	1,004
Interest & Finance Charges	22	26	14	26	15	-653	-775
Direct Taxes Paid	-681	-843	-1,010	-1,160	-1,200	-1,311	-1,753
(Inc)/Dec in WC	-221	-728	-1,150	-1,667	-1,309	-854	-2,123
CF from Operations	**1,966**	**1,923**	**2,210**	**2,516**	**3,038**	**3,310**	**3,317**
Others	-29	-50	64	-204	-421	0	0
CF from Operating incl EO	**1,936**	**1,873**	**2,274**	**2,312**	**2,617**	**3,310**	**3,317**
(Inc)/Dec in FA	-248	-516	-1,032	-2,649	-1,668	-1,000	-1,000
Free Cash Flow	**1,688**	**1,356**	**1,242**	**-337**	**949**	**2,310**	**2,317**
(Pur)/Sale of Investments	0	0	0	0	0	0	0
Others	-126	-2,075	-4,527	228	-3,836	658	775
CF from Investments	**-375**	**-2,592**	**-5,559**	**-2,421**	**-5,504**	**-342**	**-225**
Issue of Shares	0	0	-151	0	7,131	0	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	191	-422	-5	0
Interest Paid	-15	-16	-5	-22	-11	-4	0
Dividend Paid	-1	-60	-96	-46	-386	-166	-166
Others	-3,086	-237	4,754	138	-3,200	0	0
CF from Fin. Activity	**-1,328**	**941**	**3,238**	**260**	**3,112**	**-175**	**-166**
Inc/Dec of Cash	**233**	**222**	**-47**	**151**	**225**	**2,793**	**2,927**
Opening Balance	91	325	547	499	651	876	3,669
Closing Balance	**325**	**547**	**499**	**651**	**876**	**3,669**	**6,595**

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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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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