Cello World

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CELLO IN
Equity Shares (m)	221
M.Cap.(INRb)/(USDb)	79.6 / 0.8
52-Week Range (INR)	674 / 337
1, 6, 12 Rel. Per (%)	-4/-24/-38
12M Avg Val (INR M)	194

Financials & Valuations (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	23.2	25.3	28.3
EBITDA	4.7	5.1	6.6
Adj. PAT	3.4	3.5	4.5
EBITDA Margin (%)	20.3	20.2	23.3
Cons. Adj. EPS (INR)	15.3	16	20.5
EPS Gr. (%)	-7.6	5	27.9
BV/Sh. (INR)	127.3	137.7	157.4
Ratios			
Net D:E	-0.3	-0.3	-0.4
RoE (%)	13	12	14
RoCE (%)	13	12	14
Valuations			
P/E (x)	24	23	18
EV/EBITDA (x)	16	14	10

Shareholding Pattern (%)

As on	Jun-26	Mar-26	Jun-25
Promoter	75.0	75.0	75.0
DII	15.1	12.7	14.6
FII	3.2	5.5	5.4
Others	6.6	6.8	5.0

Note: FII includes depository receipts

CMP: INR360 TP: INR480 (+33%) Buy

Writing instrument drives overall growth

Operating margin below our estimate

- Cello World (CELLO) reported muted performance in 1QFY27, with EBITDA declining 9% YoY, impacted by higher input costs, lower scale of operations at its steel bottle manufacturing unit due to the non-availibility of imported inventory, and subdued consumer demand across categories. The company undertook price hikes across key product categories to mitigate the impact of higher input costs, driving a sequential expansion in gross margins (from ~47% to ~52%).
- CELLO is focused on improving the utilization of its steelware and glassware units, which is expected to be a key driver of growth and profitability going forward. In the writing segment, Cello Pens' revenue and profitability are expected to improve gradually, supported by initiatives to rationalize the product portfolio. The company remains open to opportunistic inorganic expansion and diversification into adjacent categories to drive future growth.
- We largely maintain our earnings estimates, with revenue/EBITDA/PAT CAGR of 10%/19%/16% over FY26-FY28E. We continue to value the stock at 23x P/E (average of past four years) on FY28E EPS, arriving at a TP of INR480. **Accordingly, we reiterate our BUY rating on the stock.**

Margin under pressure due to muted topline growth

- In 4QFY26, CELLO's consolidated revenue remained flat YoY at INR5.2b (est. INR5.3b) and declined 19% QoQ.
- Consumerware (64% revenue) declined 8% YoY to INR3.3b (est. INR3.7b). Segmental gross margins came in at 55% vs ~56% in 1QFY26. The company undertook price increases in the consumerware category to mitigate the impact of high input costs, driving gross margin expansion on a sequential basis (48% in 4QFY26).
- Writing Instruments (21% revenue) registered a robust growth of 52% YoY to INR1.1b (est. INR1b), largely driven by rising contribution of the Cello Pens business. Gross margin stood at ~54% vs 59%/48% in 1QFY26/4QFY26.
- Molded furniture & allied products (15% revenue) declined 11% YoY to INR800m (est. INR630m). Segmental gross margin stood at 39.5% vs 40.9%/39.6% in 1QFY26/4QFY26.
- EBITDA declined 9% YoY and 23% QoQ to INR991m (est. INR1.1b). EBITDA margin contracted 18.8% (est. 20.6%), compared to 20.6%/19.7% in 1QFY26/4QFY26, respectively.
- Adj. PAT stood at INR734m (est. INR771m), marking a decline of 9% YoY/19% QoQ.

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Highlights from the management commentary

- **Steel bottle production:** The steel bottle unit continued to drag the performance of consumerware business due to the non-availability of imported inventory. Currently, the company offers limited SKUs (~20 vs previous 150). However, with the commencement of new lines , management expects a significant ramp-up in the coming quarters (SKUs to 50-55). The steelware ramp-up will be one of the key drivers for revenue growth and margin expansion for the company.
- **Glassware:** The glassware facility is currently operating at ~60% utilization and continues to be adversely impacted by Chinese dumping. While glassware revenue increased 35% YoY, utilization remained unchanged as demand was met through the sale of existing stock. The company reiterated that the facility has peak revenue potential of INR2-2.5b.
- **Price hikes to mitigate the risk of input costs:** The company undertook price hikes of ~7-20%, depending on product range, to mitigate the sharp rise in input costs (12-20% increase in polymer prices). In consumerware, the company undertook a price increase of ~12-13%, which impacted near-term demand. However, management does not foresee any major price actions in the coming quarters.
- **Guidance and outlook:** Management refrained from providing FY27 guidance due to the volatile macro environment. However, the company remains positive on growth from hereon, with a focus on ramping up steelware and glassware segments, which are likely to be key growth drivers. The company will also actively seek opportunities for inorganic expansion.

Valuation and view

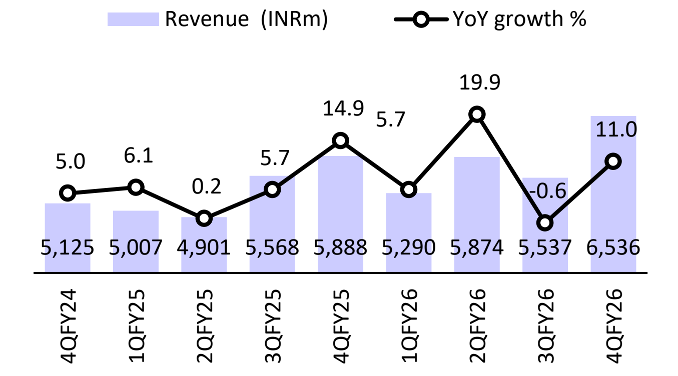
- CELLO is currently navigating a challenging operating environment, marked by subdued demand and elevated input costs, which have weighed on both revenue growth and profitability. We anticipate a gradual recovery from 2QFY27 onwards. An improvement in demand should drive higher utilization of glassware and steelware plants, supporting both revenue growth and profitability. Additionally, the recently launched Cello Stationery brand, which started contributing from 4QFY26, is expected to scale up meaningfully over the coming quarters.
- Near-term input cost volatility may persist amid an evolving geopolitical environment. However, improving capacity utilization and a higher contribution from premium products under the Cello brand are expected to support margin expansion over the medium term.
- We forecast revenue/EBITDA/PAT CAGR of 10%/19%/16%, respectively, over FY26-FY28E. At the CMP, the stock trades at 23x/18x P/E on our FY27E/FY28E EPS estimates of INR16/INR20.5, respectively. ***We continue to value the stock at 23x P/E (average of past four years) on FY28E EPS, arriving at a TP of INR480. Accordingly, we reiterate our BUY rating on the stock.***

Consolidated - Quarterly Earning Model (INRm)

Y/E March	FY26				FY27				FY26	FY27	FY27E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Gross Sales	**5,290**	**5,874**	**5,537**	**6,536**	**5,267**	**6,568**	**6,340**	**7,163**	**23,237**	**25,337**	**5,388**	**-2%**
YoY Change (%)	5.7	19.9	-0.6	11.0	-0.4	11.8	14.5	9.6	8.8	9.0	1.8	
Total Expenditure	4,200	4,598	4,480	5,247	4,277	5,288	5,021	5,659	18,524	20,244	4,278	
EBITDA	**1,091**	**1,277**	**1,057**	**1,289**	**991**	**1,279**	**1,319**	**1,504**	**4,713**	**5,093**	**1,110**	**-11%**
Margins (%)	20.6	21.7	19.1	19.7	18.8	19.5	20.8	21.0	20.3	20.1	20.6	
Depreciation	186	195	199	197	218	225	235	245	777	923	218	
Interest	1	5	6	4	6	5	5	4	15	20	3	
Other Income	173	136	166	76	181	150	100	152	551	583	145	
PBT before EO expense	**1,076**	**1,213**	**1,018**	**1,165**	**947**	**1,199**	**1,179**	**1,407**	**4,472**	**4,732**	**1,034**	
Extra-Ord expense	0	0	74	0	0	0	0	0	74	0	0	
PBT	**1,076**	**1,213**	**944**	**1,165**	**947**	**1,199**	**1,179**	**1,407**	**4,397**	**4,732**	**1,034**	
Tax	269	299	250	264	213	305	299	374	1,082	1,191	263	
Rate (%)	25.0	24.7	26.5	22.6	22.5	25.4	25.4	26.6	24.6	25.2	25.4	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**807**	**913**	**694**	**901**	**734**	**895**	**879**	**1,033**	**3,315**	**3,542**	**771**	
Adj PAT	**807**	**913**	**750**	**901**	**734**	**895**	**879**	**1,033**	**3,371**	**3,542**	**771**	**-5%**
YoY Change (%)	-9.8	5.2	-18.9	-6.3	-9.0	-2.0	17.3	14.6	-7.6	5.1	-4.4	
Margins (%)	15.2	15.5	13.5	13.8	13.9	13.6	13.9	14.4	14.5	14.0	14.3	

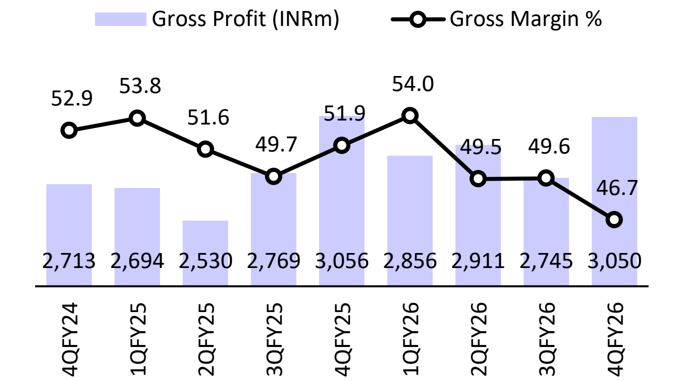
Key Exhibits

Exhibit 1: Consolidated revenue trend



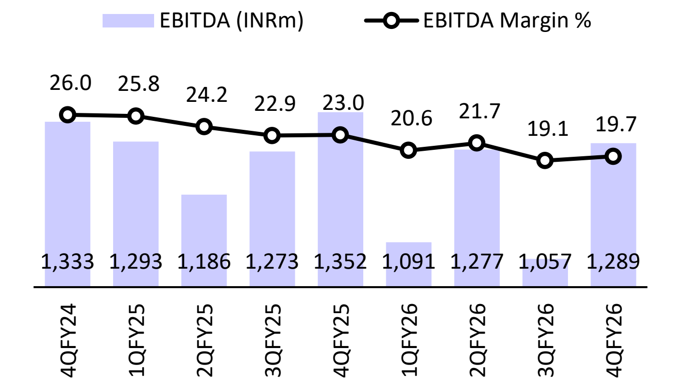
Source: Company, MOFSL

Exhibit 2: Consolidated gross profit trend



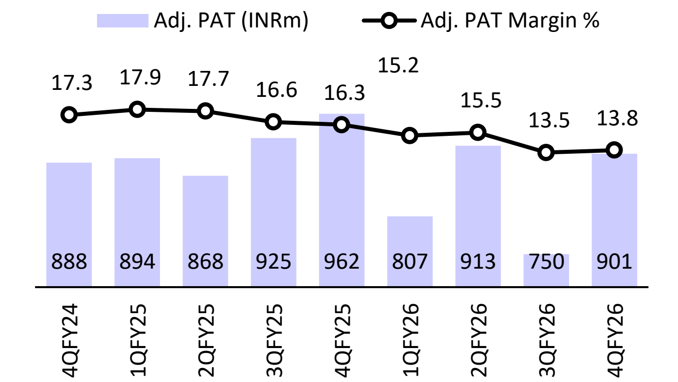
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



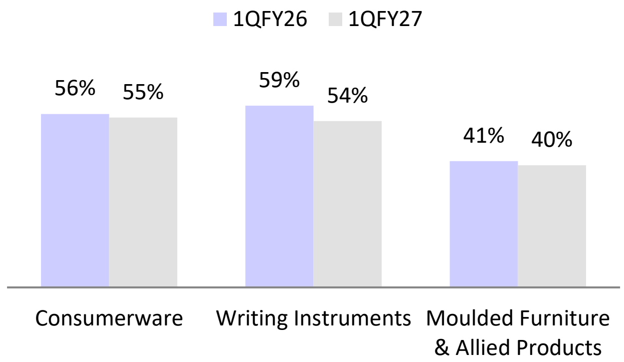
Source: Company, MOFSL

Exhibit 4: Consolidated adj. PAT trend



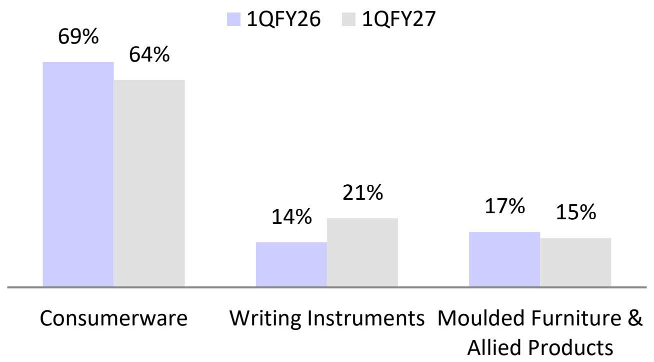
Source: Company, MOFSL

Exhibit 5: Gross margins across segments



Source: Company, MOFSL

Exhibit 6: Segment-wise revenue mix



Source: Company, MOFSL

Highlights from the management commentary

Guidance, Outlook, and Strategy

- CELLO has refrained from providing FY27 guidance; it remains watchful of 2Q performance amid macro headwinds.
- The company has a directionally positive outlook, supported by expected demand recovery and benefits from ongoing strategic initiatives.
- Focus areas: improvement of operating efficiency, distribution expansion, working capital management, and product portfolio enhancement.
- The company has made continued investments in adjacent categories and brand building, especially via e-commerce.
- It identifies steelware and glassware as key growth drivers; inorganic expansion opportunities are likely to be evaluated.

Operational Performance & Segmental Trends

- Consumerware was impacted by subdued demand and steel bottle stock-outs; the company has limited SKU availability (reduced from ~150 to ~20, expected to reach 50–55).
- Glassware revenue grew ~35% YoY, though utilization remains low at ~60% due to the impact of China dumping.
- Opalware reported a weak quarter; growth is expected to pick up in 2Q–3Q with festive demand.
- The margin of writing instruments segment was impacted by SKU rationalization; it is expected to stabilize going ahead.
- The moulded furniture segment is expected to remain stable with limited growth expectations.

Margins & Cost Pressures

- Gross margins: Consumerware ~55%, Writing ~54%, Moulded Furniture ~40%.
- Significant input cost inflation (polymer prices rose ~12–20%, high gas costs) impacted profitability.
- Price hikes of ~7–20% (consumerware) and ~10–14% (opalware) were implemented; demand will be impacted in the near term due to sharp price hikes.
- The company will experience limited pricing flexibility due to competitive pressure from Chinese imports; the pricing of imported products have not been hiked substantially.

Demand Trends & Channels

- Weak export demand and subdued domestic consumption can be attributed to inflationary pressures.
- The company witnessed strong traction in the e-commerce channel with healthy profitability. It remains a focus area for brand building.
- Channel mix: General trade 71%, Modern trade 5.3%, E-commerce 16%, Exports 7%.
- Channel inventory levels remain lower than average.

Capacity, Capex, and Expansion

- Utilization levels: Opalware ~80–85%, Glassware ~60%.
- New steel plant (8 lines) to drive incremental growth over the coming quarters.
- Peak revenue potential: Glassware INR2–2.5b; Steelware ~INR3b.
- Capex largely limited to maintenance and selective additions in the steel segment.

Other Highlights

- The Cello pens segment is ramping up. It is expected to contribute meaningfully to growth and margins.
- Kitchen appliances - present in niche categories but profitable growth.
- Branding & marketing spend is maintained at ~2.5–3% of sales.
- The Wimplast merger is nearing completion, with share allotment expected soon.
- Cash reserves have been maintained for potential inorganic opportunities.

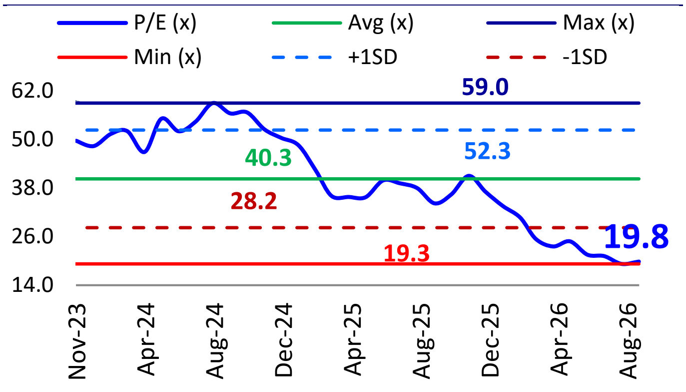
Valuation and view

- CELLO is currently navigating a challenging operating environment, marked by subdued demand and elevated input costs, which have weighed on both revenue growth and profitability. We anticipate a gradual recovery from 2QFY27 onwards. An improvement in demand should drive higher utilization of glassware and steelware plants, supporting both revenue growth and profitability. Additionally, the recently launched Cello Stationery brand, which started contributing from 4QFY26, is expected to scale up meaningfully over the coming quarters.
- Near-term input cost volatility may persist amid an evolving geopolitical environment. However, improving capacity utilization and a higher contribution from premium products under the Cello brand are expected to support margin expansion over the medium term.
- We forecast revenue/EBITDA/PAT CAGR of 10%/19%/16%, respectively, over FY26-FY28E. At the CMP, the stock trades at 23x/18x P/E on our FY27E/FY28E EPS estimates of INR16/INR20.5, respectively. We continue to value the stock at 23x P/E (average of past four years) on FY28E EPS, arriving at a TP of INR480. Accordingly, we reiterate our BUY rating on the stock.

Exhibit 7: Revisions to our earnings estimates

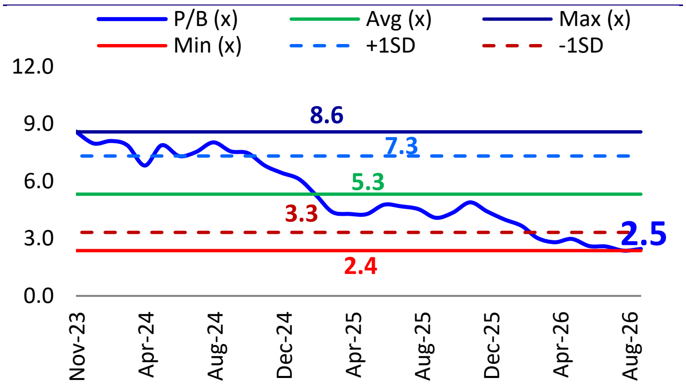
Earnings change	Old		New		Change	
(INR m)	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	25,192	28,202	25,337	28,263	1%	0%
EBITDA	5,215	6,627	5,093	6,642	-2%	0%
Adj. PAT	3,636	4,521	3,541	4,529	-3%	0%

Exhibit 8: One year forward P/E



Source: Company, MOFSL

Exhibit 9: One year forward P/B



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement (INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	**10,495**	**13,592**	**17,967**	**20,003**	**21,364**	**23,237**	**25,337**	**28,263**
Change (%)	NA	29.5	32.2	11.3	6.8	8.77	9.0	11.5
RM Cost	5,214	6,786	8,955	9,484	10,315	11,676	12,745	13,566
Employees Cost	968	1,319	1,576	1,895	2,112	2,420	2,660	2,798
Other Expenses	1,544	2,151	3,231	3,575	3,833	4,428	4,839	5,257
Total Expenditure	**7,727**	**10,256**	**13,762**	**14,954**	**16,260**	**18,524**	**20,244**	**21,621**
EBITDA	**2,767**	**3,336**	**4,205**	**5,049**	**5,104**	**4,713**	**5,093**	**6,642**
Margin (%)	26.4	24.5	23.4	25.2	23.9	20.3	20.1	23.5
Depreciation	489	476	503	567	620	777	923	1,225
EBIT	**2,278**	**2,860**	**3,702**	**4,481**	**4,484**	**3,936**	**4,170**	**5,417**
Int. and Finance Charges	23	29	18	26	15	15	20	15
Other Income	101	159	167	299	447	551	583	650
PBT bef. EO Exp.	**2,357**	**2,991**	**3,852**	**4,755**	**4,916**	**4,472**	**4,732**	**6,052**
EO Items	0	0	0	0	0	74	0	0
PBT after EO Exp.	**2,357**	**2,991**	**3,852**	**4,755**	**4,916**	**4,397**	**4,732**	**6,052**
Total Tax	701	796	1,001	1,189	1,267	1,082	1,191	1,523
Tax Rate (%)	29.8	26.6	26.0	25.0	25.8	24.6	25.2	25.2
Minority Interest	143	155	189	256	0	0	0	0
Reported PAT	**1,512**	**2,040**	**2,661**	**3,310**	**3,649**	**3,315**	**3,541**	**4,529**
Adjusted PAT	**1,512**	**2,040**	**2,661**	**3,310**	**3,649**	**3,371**	**3,541**	**4,529**
Change (%)	NA	34.9	30.5	24.4	10.2	-7.6	5.0	27.9
Margin (%)	14.4	15.0	14.8	16.5	17.1	14.5	14.0	16.0

Consolidated - Balance Sheet (INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	0	0	975	1,061	1,104	1,104	1,128	1,128
Total Reserves	-1,068	876	2,390	10,431	22,980	25,905	29,277	33,637
Net Worth	**-1,068**	**876**	**3,365**	**11,492**	**24,085**	**27,009**	**30,405**	**34,765**
Minority Interest	1,722	1,851	1,999	2,206	0	0	0	0
Total Loans	3,221	4,525	3,261	3,627	5	346	0	0
Deferred Tax Liabilities	82	84	84	126	152	168	168	168
Capital Employed	**3,957**	**7,336**	**8,709**	**17,452**	**24,242**	**27,523**	**30,573**	**34,933**
Gross Block	2,901	2,898	3,388	4,857	8,013	9,745	10,769	11,499
Less: Accum. Deprn.	309	312	671	1,238	1,858	2,635	3,558	4,783
Net Fixed Assets	**2,592**	**2,586**	**2,717**	**3,619**	**6,155**	**7,110**	**7,211**	**6,716**
Capital WIP	43	145	256	1,800	188	655	631	351
Total Investments	**1,197**	**1,500**	**1,769**	**1,698**	**5,996**	**6,195**	**6,195**	**6,195**
Current Investments	747	1,150	1,263	1,141	5,688	5,979	5,979	5,979
Curr. Assets, Loans&Adv.	**7,633**	**9,106**	**10,774**	**12,601**	**14,079**	**16,071**	**19,271**	**24,721**
Inventory	3,069	3,765	4,298	4,622	5,246	5,347	5,830	6,504
Account Receivables	3,714	4,067	4,623	6,106	6,578	7,496	7,983	8,363
Cash and Bank Balance	325	547	499	651	876	1,278	3,331	7,482
Loans and Advances	525	726	1,354	1,223	1,379	1,950	2,127	2,372
Curr. Liability & Prov.	**7,508**	**6,000**	**6,808**	**2,266**	**2,176**	**2,508**	**2,735**	**3,051**
Account Payables	984	1,255	1,342	1,442	1,502	1,515	1,652	1,843
Other Current Liabilities	6,471	4,685	5,428	783	604	824	898	1,002
Provisions	53	60	39	41	70	169	185	206
Net Current Assets	**125**	**3,106**	**3,966**	**10,335**	**11,902**	**13,563**	**16,536**	**21,670**
Appl. of Funds	**3,957**	**7,336**	**8,709**	**17,452**	**24,242**	**27,523**	**30,573**	**34,933**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	**7.1**	**9.6**	**12.5**	**15.6**	**16.5**	**15.3**	**16.0**	**20.5**
Cash EPS	9.4	11.9	14.9	18.3	20.1	19.5	20.2	26.0
BV/Share	NA	4.1	15.9	54.1	113.5	127.3	137.7	157.4
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	4.5	5.0	4.8	3.7
Valuation (x)								
P/E	51.8	38.4	29.4	23.7	22.3	24.2	22.5	17.6
Cash P/E	39.1	31.1	24.7	20.2	18.3	18.9	17.8	13.8
P/BV	NA	89.3	23.3	6.8	3.3	2.9	2.6	2.3
EV/Sales	7.2	6.1	4.2	4.1	3.5	3.2	2.8	2.4
EV/EBITDA	27.4	24.9	17.9	16.3	14.7	15.8	14.1	10.2
Dividend Yield (%)	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2
FCF per share	8.7	6.4	6.4	-1.6	4.3	1.7	8.8	16.3
Return Ratios (%)								
RoE	NA	232.8	79.1	28.8	15.1	12.5	12.3	13.9
RoCE	NA	58.7	47.6	33.0	18.7	13.2	12.3	13.9
RoIC	NA	55.7	48.4	34.5	21.8	16.2	15.7	19.6
Working Capital Ratios								
Fixed Asset Turnover (x)	3.6	4.7	5.3	4.1	2.7	2.4	2.4	2.5
Asset Turnover (x)	2.7	1.9	2.1	1.1	0.9	0.8	0.8	0.8
Inventory (Days)	107	101	87	84	90	84	84	84
Debtor (Days)	129	109	94	111	112	118	115	108
Creditor (Days)	34	34	27	26	26	24	24	24
Leverage Ratio (x)								
Current Ratio	1.0	1.5	1.6	5.6	6.5	6.4	7.0	8.1
Interest Cover Ratio	100.1	100.4	210.8	175.5	308.7	257.4	208.5	361.1
Net Debt/Equity	NA	3.2	0.4	0.2	-0.3	-0.3	-0.3	-0.4

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	2,357	2,991	3,852	4,750	4,913	4,471	4,732	6,052
Depreciation	489	476	503	567	620	777	923	1,225
Interest & Finance Charges	22	26	14	26	15	15	-563	-635
Direct Taxes Paid	-681	-843	-1,010	-1,160	-1,200	-1,084	-1,191	-1,523
(Inc)/Dec in WC	-221	-728	-1,150	-1,667	-1,309	-1,124	-920	-983
CF from Operations	**1,966**	**1,923**	**2,210**	**2,516**	**3,038**	**3,055**	**2,982**	**4,136**
Others	-29	-50	64	-204	-421	-505	0	0
CF from Operating incl EO	**1,936**	**1,873**	**2,274**	**2,312**	**2,617**	**2,551**	**2,982**	**4,136**
(Inc)/Dec in FA	-248	-516	-1,032	-2,649	-1,668	-2,178	-1,000	-450
Free Cash Flow	**1,688**	**1,356**	**1,242**	**-337**	**949**	**373**	**1,982**	**3,686**
(Pur)/Sale of Investments	0	0	0	0	0	295	0	0
Others	-126	-2,075	-4,527	228	-3,836	140	583	650
CF from Investments	**-375**	**-2,592**	**-5,559**	**-2,421**	**-5,504**	**-1,743**	**-417**	**200**
Issue of Shares	0	0	-151	0	7,131	0	23	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	191	-422	340	-346	0
Interest Paid	-15	-16	-5	-22	-11	-1	-20	-15
Dividend Paid	-1	-60	-96	-46	-386	-385	-169	-169
Others	-3,086	-237	4,754	138	-3,200	-1	0	0
CF from Fin. Activity	**-1,328**	**941**	**3,238**	**260**	**3,112**	**-47**	**-512**	**-184**
Inc/Dec of Cash	**233**	**222**	**-47**	**151**	**225**	**761**	**2,053**	**4,152**
Opening Balance	91	325	547	499	651	517	1,278	3,331
Closing Balance	**325**	**547**	**499**	**651**	**876**	**1,278**	**3,331**	**7,482**

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

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