February 2024

Initiating Coverage | Sector: Consumer

Cello World

Greeting the world with Cello!

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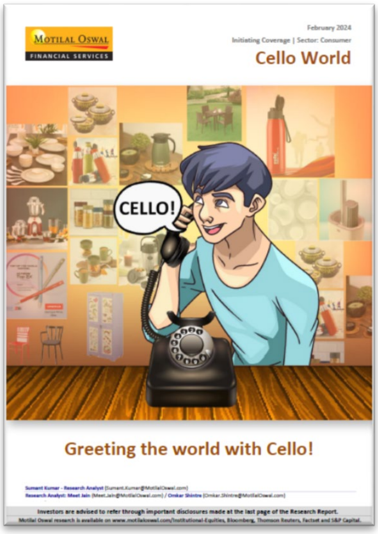


Cello World

Greeting the world with Cello!

- Cello World Limited (Cello) is a household brand with presence across categories, such as consumer houseware (FY23 contribution: 66%); writing instruments & stationery (16%); and moulded furniture & allied products (18%). The company has over six decades of experience in scaling up new businesses and carving out leaders among them.
- We estimate CELLO to grow faster than the industry. The company is expected to post a robust revenue/EBITDA/Adj. PAT CAGR of 18%/23%/25% over FY23-FY26. This will be driven by the expansion of both SKUs and distribution reach, coupled with strong growth in the glassware segment post-commissioning of the new plant in Rajasthan. Cello is currently trading at 35x FY26E P/E with an RoE/RoCE of 32%/39% in FY26E. We initiate coverage on the stock with a BUY rating and a TP of INR1,100 (premised on 45x FY26E P/E).

Cello World

BSE Sensex	NIFTY-50
72,790	22,122

CMP: INR839 TP: INR1,100 (+31%) Buy

Stock Info

Bloomberg	CELLO IN
Equity Shares (m)	212.0
M.Cap.(INRb)/(USDb)	178.1 / 2.2
52-Week Range (INR)	920 / 749
1, 6, 12 Rel. Per (%)	-3/-/-
12M Avg Val (INR M)	690
Free float (%)	21.9

Financial Snapshot (INR b)

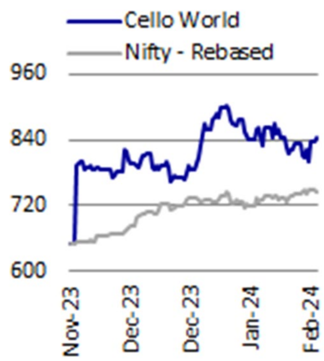
Y/E MARCH	FY24E	FY25E	FY26E
Sales	20.6	24.6	29.2
EBITDA	5.1	6.4	7.8
Adj. PAT	3.3	4.2	5.1
EBITDA Margin (%)	24.8	26	26.7
Cons. Adj. EPS (INR)	15.7	19.6	24.2
EPS Gr. (%)	25.3	25	23.3
BV/Sh. (INR)	32	51.6	75.8
Ratios			
Net D:E	0.1	-0.3	-0.5
RoE (%)	49.1	38.1	31.9
RoCE (%)	44.1	41.2	38.7
Valuations			
P/E (x)	53.4	42.7	34.6
EV/EBITDA (x)	35.6	27.6	22.1

Shareholding pattern (%)

As On	Dec-23
Promoter	78.1
DII	12.8
FII	3.0
Others	6.2

FII Includes depository receipts

Stock performance (one-year)



Greeting the world with Cello!

Cello World Limited (Cello) is a household brand with presence across categories, such as consumer houseware (FY23 contribution: 66%); writing instruments & stationery (16%); and moulded furniture & allied products (18%). The company has over six decades of experience in scaling up new businesses and carving out leaders among them.

- **Cello has a strong pan-India brand recall supported by its diverse product portfolio (~15,841 SKUs) and deep distribution network (3,300+ distributors and 1,26,000+ retailers), which help it expand its existing product categories and scale up new product categories quickly (launched Glassware in 2017, and Writing Instruments in 2019).**
- **Cello's expansion of its SKUs is facilitated by its robust manufacturing capability (~79% in-house manufacturing), with 13 plants spread across five locations. In response to the growing demand and to minimize reliance on glassware imports, Cello is building a new glassware plant of 20,000MTPA at Falna, Rajasthan. Further, the company is expanding its opalware capacity by 10,000MTPA at Daman, thereby enhancing the company's self-sufficiency in production.**
- **Cello, with a presence across diverse product categories, benefits from the growing total addressable market (TAM) of each of its category. The overall TAM of Cello is expected to record a 13% CAGR over FY23-27 (to INR1,229b by FY27 from INR743b in FY23). Of this, the opalware and glassware segments (under consumer houseware) are likely to report the highest CAGR of 18% and 15%, respectively.**
- **We estimate CELLO to grow faster than the industry. The company is expected to post a robust revenue/EBITDA/Adj. PAT CAGR of 18%/23%/25% over FY23-FY26. This will be driven by the expansion of both SKUs and distribution reach, coupled with strong growth in the glassware segment post-commissioning of the new plant in Rajasthan. Cello is currently trading at 35x FY26E P/E with an RoE/RoCE of 32%/39% in FY26E. We initiate coverage on the stock with a BUY rating and a TP of INR1,100 (premised on 45x FY26E P/E).**
- **Key downside risks: a) volatility in key raw material prices; b) dependence on third-party manufacturers; and c) intensified competition.**

Strong brand equity and market penetration to fuel sustainable growth

- Cello has a strong brand recall in the consumer products industry, reflecting its extensive experience, continuous product development, and understanding of consumer needs.
- Cello has built a strong brand portfolio, including "Cello" and "Unomax," with several sub-brands. The company focuses on meeting evolving consumer needs by leveraging its experience and innovation. It continually introduces new product ranges across various categories, totaling around 15,841 SKUs, demonstrating its commitment to innovation and expansion.
- Cello's diverse product range at different price points allows it to serve as a "one-stop-shop" for consumers of all income levels. The wide spectrum of product offerings caters to a broad range of consumer needs.

- Cello's increasing product portfolio is supported by its pan-India distribution network of over 3,300+ distributors and 1,26,000+ retailers. This is backed by its nationwide 721-member sales team as of Jun'23, up from 683 in Mar'23.
- The company has been constantly optimizing its distribution strength and efficiency by: i) increasing the number of distributors and limiting their coverage areas for better focus; ii) investing in technological advancements for its sales force, equipping them with an automated order tracking mobile app; and iii) rationalizing SKUs with distributors using ERP systems, and ensuring efficient catering to area-specific demands.

Building winning businesses and products

- Cello has a proven track record of expanding into new businesses and product categories throughout its journey. Cello is one of the most diversified companies in its industry, offering products across various categories. This has been made possible by strong pillars such as extensive distribution reach and efficient manufacturing capability.
- For instance, the company launched its glassware and Kleeno segments (cleaning products) in 2017. Since then, the segments have generated revenues of INR2.8b and INR0.66b, respectively, in FY23, representing a CAGR of 36% and 17% over FY21-23. Similarly, Cello relaunched the writing instrument segment under the 'UNOMAX' brand in 2019 and quickly scaled it to a revenue segment of INR2.9b by FY23, achieving a 60% CAGR over FY21-23. These recently launched businesses already contribute 35% of the revenue in FY23.
- Cello's strong manufacturing ability with well-spread plants (13 plants across five locations) is the backbone of these growing businesses. The in-house manufacturing accounted for ~79% of its total manufacturing capacity in 9MFY24. Further, the company is likely to increase its capacity with the ongoing expansion (both greenfield and brownfield) of glass capacity by 30,000MTPA.
- This expansion aims to reduce dependence on glassware imports and cater to the increasing demand for opalware.

Growing TAM across categories

- Cello is a diversified company with a presence in three major segments: Consumerware, Writing Instruments, and Moulded Furniture & Allied Products. The company generated 92% of its revenue from the domestic market in FY23. The domestic market has experienced a healthy CAGR of ~9% during FY15-FY23.
- The combined Indian TAM of all the three segments was ~INR743b as of FY23, which is expected to increase to INR1,229b by FY27 (at a CAGR of 13%). Of this, Consumerware had the largest TAM of INR348b in FY23, followed by Writing Instruments at INR280b, and Moulded Furniture at INR142b.
- All these three segments' TAM is poised to register a strong CAGR of 11%/15%/17% over FY23-27E, fueled by favorable demographics, increased discretionary spending, higher product penetration, innovation, shorter replacement cycles, evolving gifting trends, brand loyalty, et al.
- Further, a shift towards branded products is one of the key factors driving growth for Cello. As of FY23, the branded market mix for Consumerware/Writing Instruments/Moulded Furniture stood at 61%/78%/59%, which is anticipated to increase to 67%/84%/63% by FY27.

- Hence, we expect Cello to register a CAGR of 18% over FY23-26, which is higher than the industry CAGR of 13%. Moreover, Consumerware, Writing Instruments, and Moulded Furniture are likely to post 18%, 27%, and 8% CAGR over the same period, respectively.

Strong track record of healthy financials

- Cello has delivered strong revenue growth over the last two years, with a revenue CAGR of 31% over FY21-23, fueled by strong growth across segments. Writing Instruments achieved the highest growth at 60% (on a low base), followed by Consumerware at 33%, and Moulded Furniture at 11%.
- Margin is expected to improve from the current levels of 23.4% to ~26.7% by FY26, aided by the economies of scale (with increase in SKUs), efficiencies in manufacturing and distribution, and increasing mix of value-added products.
- Improving margins coupled with measures, such channel financing, are likely to further help in easing the working capital days to 138 by FY26 from 154 days in FY23. This will in turn strengthen the cash flow of the company with CFO/ EBITDA ratio improving to ~68% by FY26 from 54% in FY23, thereby generating a cumulative FCFF of INR9.2b over the next three years.

Valuation and View

- Cello is a leading player across its product categories, renowned for its strong brand reputation and extensive distribution network.
- The company excels in manufacturing a diverse range of products while maintaining optimal inventory levels, enabling it to aggressively expand existing SKUs and venture into new businesses.
- Operating in diverse industries, Cello benefits from an expanding TAM driven by various sector tailwinds, including favorable demographics, increased discretionary spending, greater product penetration, import substitution, innovation, evolving gifting trends, and brand loyalty.
- We estimate Cello to deliver a revenue/EBITDA/Adj. PAT CAGR of 18%/23%/ 25% over FY23-26.
- Cello is currently trading at 35x FY26E P/E with a RoE/RoCE of 32%/39% in FY26E. We believe that the company will be able to successfully scale up new businesses, and expand SKUs as well as distribution reach to evolve as a leading brand in its respective industries. **We initiate coverage on the stock with a BUY rating and a TP of INR1,100 (premised on 45x FY26E P/E).**
- **Key downside risks: a) volatility in key raw material prices; b) dependence on third-party manufacturers; and c) intensified competition.**

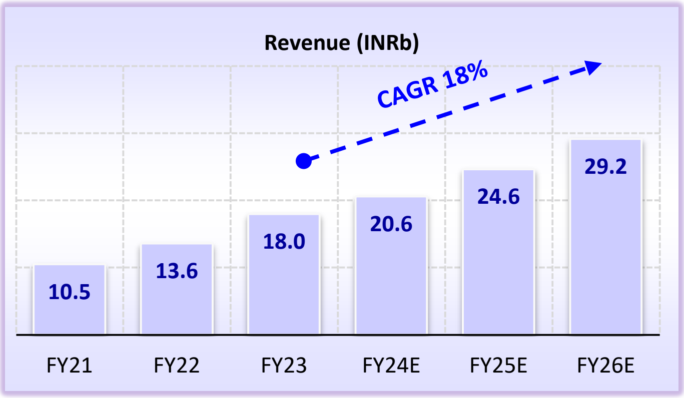
Exhibit 1: Comparative valuation

Peers	CMP	TP	MCap	EPS			EPS Growth (%)			P/E (x)			RoE (%)		
	(INR)	(INR)	(INR b)	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Cello World*	**839**	**1050**	**178.1**	**17.1**	**21.4**	**26.4**	**25.3**	**25.0**	**23.3**	**53**	**43**	**35**	**50**	**38**	**32**
La Opala	350	NA	38.9	13.5	15.1	18.3	22	12	21	26	23	19	17	18	18
Stove Kraft	494	NA	16.3	9.9	17.0	27.4	-9	72	61	50	29	18	8	10	14
TTK Prestige	768	NA	106.5	17.1	21.5	25.6	-7	25	19	45	36	30	12	14	15
Linc	609	NA	9.1	22.1	30.6	38.5	-12	38	26	28	20	16	18	21	23
DOMS	1611	NA	97.8	23.9	28.8	33.9	31	21	18	67	56	48	25	19	19

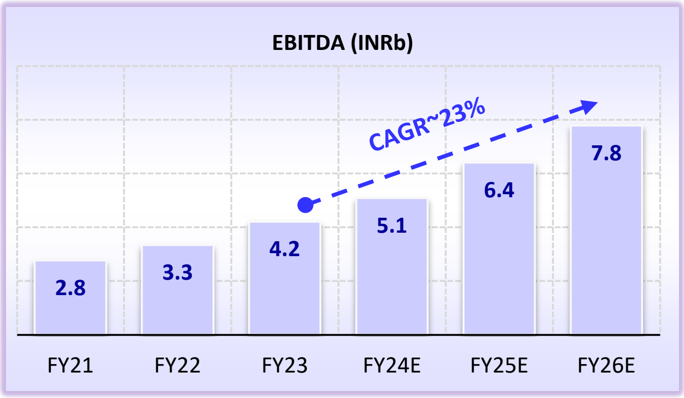
Note: CMP as on Feb 26, 2024; *our estimates rest BBG estimate Source: MOFSL, Company, BBG

STORY IN CHARTS

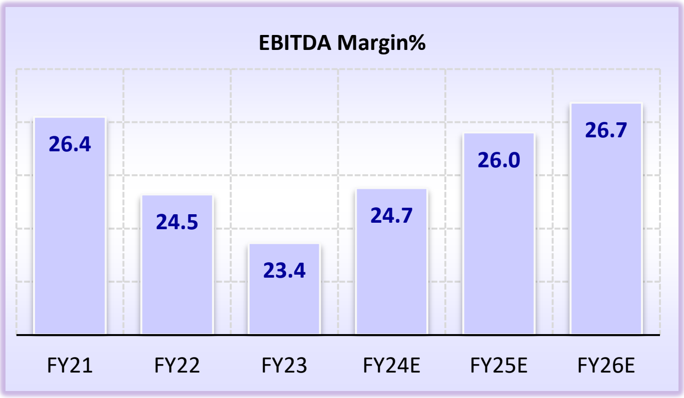
Revenue to record 18% CAGR over FY23-FY26E…



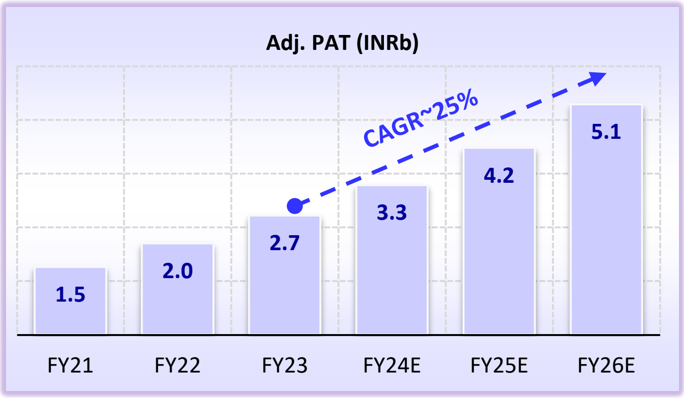
…supported by strong EBITDA growth…



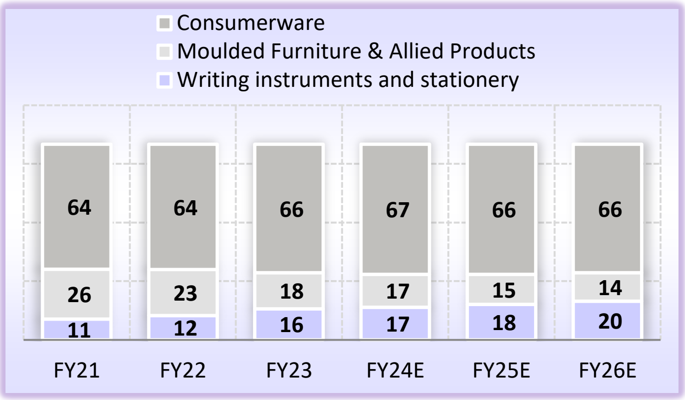
…and improving margin profile



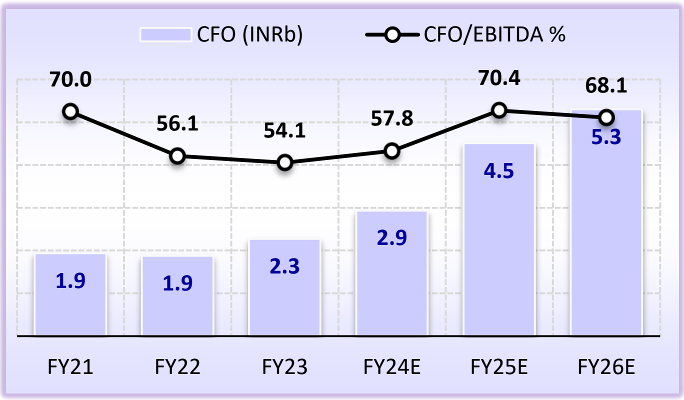
Adj. PAT to register 25% CAGR over FY23-FY26E



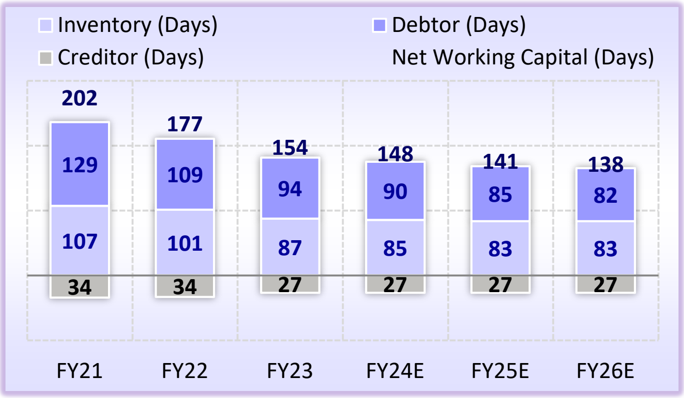
Revenue mix across verticals %



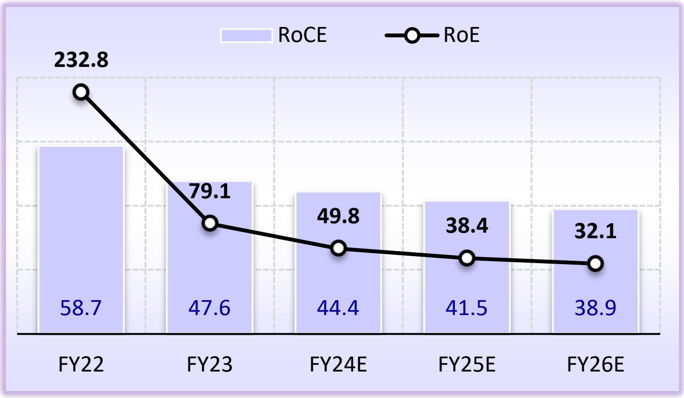
Healthy cash flow generation



Working capital days to reduce further



RoE/RoCE trends



Source: MOFSL, Company

Company overview

- Cello was incorporated in 2018; however, the erstwhile promoter, Late Ghisulal Dhanraj Rathod – father of the current promoters, Pradeep Ghisulal Rathod and Pankaj Ghisulal Rathod – was associated with Cello Plastic Industrial Works and the "Cello" brand since 1962.
- Since then, the Rathod family has diversified its product range and brand portfolio over the last six decades. With 15,841 stock-keeping units (SKUs) across various categories, the company offers a wide range of contemporary products in different materials and price points.

Exhibit 1: The company's brands and product portfolios

Product categories	Revenue mix in FY23	Entity(ies) through which products are sold / manufactured	Brands	Sub-brands	Overview of the range of products offered
Consumer Houseware	65.74%	- Cello World - Cello Industries - Cello Houseware - Cello Household Products - Cello Consumerware	cello®	Puro, Chef, H2O, Modustack, Kleeno, Maxfresh and Duro.	- Houseware - Insulated ware - Electronic appliances and cookware - Cleaning aids - Opalware - Glassware - Porcelain
Writing Instruments and Stationery	15.86%	Unomax Stationery	UNOMAX® DON'T JUST WRITE, GLIDE.	Ultron2X and Geltron.	-Pen & Pencil -Highlighters -Correction Pens -Markers
Moulded Furniture and Allied Products	18.40%	Wim Plast	cello®	-	- Moulded furniture - Allied products -Air Coolers

Exhibit 2: Product mix and profitability

Product category – revenue contribution	Unit	FY21	FY22	FY23
Consumer Houseware	(INR m)	6,698	8,711	11,811
	% of total revenue	63.83%	64.09%	65.74%
Writing Instruments and Stationery	(INR m)	1,114	1,693	2,850
	% of total revenue	10.61%	12.46%	15.86%
Moulded Furniture and Allied Products	(INR m)	2,682	3,188	3,306
	% of total revenue	25.56%	23.45%	18.40%
Product Category EBIT				
Consumer Houseware	(INR m)	1,697	2,175	2,658
EBIT Margins %	%	25.3%	25.0%	22.5%
Writing Instruments and Stationery	(INR m)	257	375	655
EBIT Margins %	%	23.1%	22.0%	23.0%
Moulded Furniture and Allied Products	(INR m)	426	469	557
EBIT Margins %	%	15.9%	14.7%	16.8%

Exhibit 3: Cello's product range and offerings used commonly in the kitchen

Exhibit 4: Cello World's corporate structure

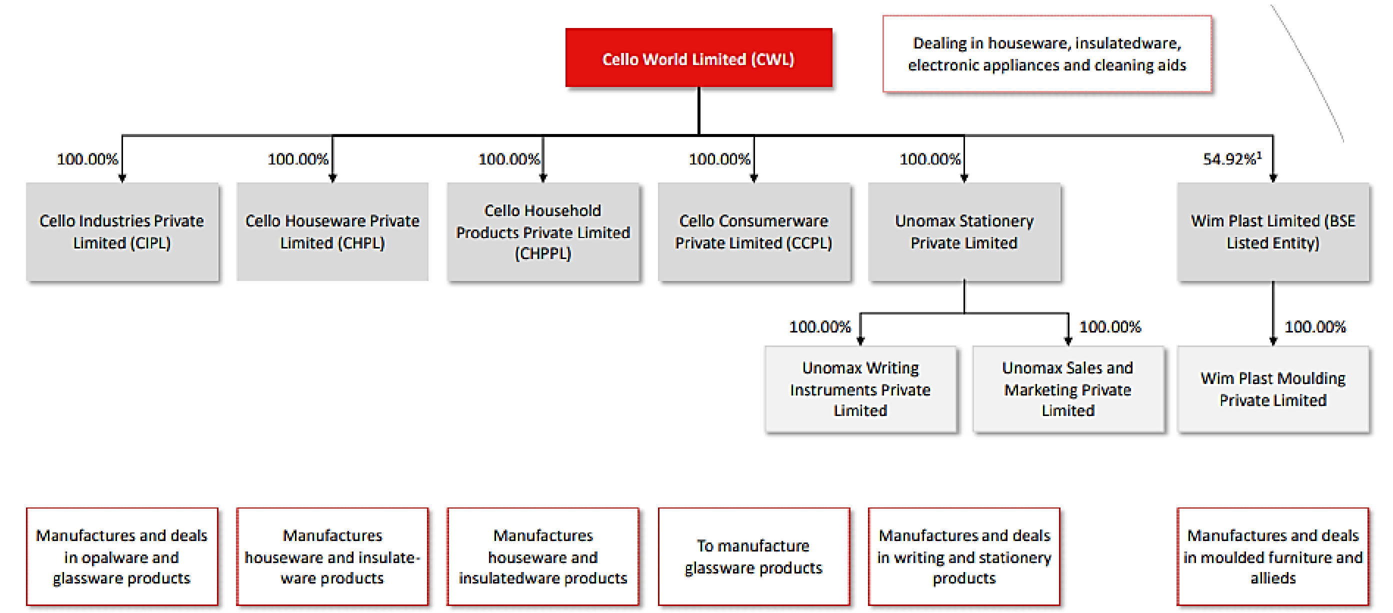


Exhibit 5: Manufacturing facilities spread across India

Unit	Entity(ies) through which manufacturing unit is operated	Products manufactured	Location
Daman Unit-I	❖ Wim Plast Limited	✓ Plastic moulded furniture and other articles	Daman, Daman and Diu
Daman Unit-II	❖ Wim Plast Limited	✓ Plastic moulded furniture and other articles	Daman, Daman and Diu
Daman Unit-III	❖ Wim Plast Limited	✓ Plastic Extrusion Sheet	Daman, Daman and Diu
Daman Unit-IV	❖ Cello Household Products Private Limited	✓ Household and Insulatedware	Daman, Daman and Diu
Daman Unit-V	❖ Cello Household Products Private Limited	✓ Household and Insulatedware	Daman, Daman and Diu
Daman Unit-VI	❖ Cello Industries Private Limited	✓ Opalware and Glassware	Daman, Daman and Diu
Daman Unit-VII	❖ Unomax Stationery Private Limited	✓ Stationery and allied products	Daman, Daman and Diu
Daman Unit-VIII	❖ Unoxmax Writing Instruments Private Limited	✓ Stationery and allied products	Daman, Daman and Diu
Baddi Unit-I	❖ Wim Plast Limited	✓ Plastic Extrusion Sheet	Baddi, Himachal Pradesh
Chennai Unit-I	❖ Wim Plast Limited	✓ Plastic moulded furniture and other articles	Chennai, Tamil Nadu.
Haridwar Unit-I	❖ Wim Plast Limited	✓ Plastic moulded furniture and other articles	Haridwar, Uttarakhand
Haridwar Unit-II	❖ Cello Houseware Private Limited	✓ Houseware, insulatedware, cleaning items and allied products.	Haridwar, Uttarakhand
Kolkata Unit-I	❖ Wim Plast Limited	✓ Plastic moulded furniture and other articles	Kolkata, West Bengal
Falna Unit –***(under construction)***		✓ Glassware	Falna, District Pali, Rajasthan

Strong brand equity and market penetration to fuel sustainable growth

Cello – household brand ingrained in the minds of every generation

- Cello has a strong brand recall in the consumer products industry, reflecting its extensive experience, continuous product development, and understanding of consumer needs.
- The brand "Cello" was awarded as one of the most trusted brands of India in 2021 by Commerzify. As a leading player in the consumerware market, the company offers a diverse range of products across various categories.
- The company has established two strong brands, "Cello" and "Unomax", and multiple sub-brands such as Puro, Chef, H2O, Modustack, Kleeno, Maxfresh, and Duro in consumer houseware and Ultron2X and Geltron in writing instruments.
- With multiple brands under the Cello umbrella, the company has been focused on continuously meeting the evolving consumer demands by utilizing its extensive experience, market knowledge, and innovation capabilities.
- It actively develops and introduces new product lines. For example, its recent launches include writing instruments, cleaning aids, opalware, glassware, cookware products, and appliances. As of date, the company has **~15,841 SKUs** across various categories.
- The company has launched ~397/169/380 new products across categories in FY21/FY22/FY23.

Exhibit 6: Category wise product launches in recent years

Product Categories	FY21	FY22	FY23
Consumer Houseware	376	123	322
Writing Instruments and Stationery	18	34	47
Moulded Furniture and Allied Products	3	12	11
Total new products launched	397	169	380

Exhibit 7: Diversified product portfolio

- Its diverse product range at different price points allows it to serve as a "one-stop-shop" for consumers of all income levels. The wide spectrum of product offerings caters to a broad range of consumer needs.
- The company has demonstrated its ability to expand its SKUs and product offerings at different price points. For instance, in certain product categories, it began with more affordable products and later expanded into value-added products at higher price points. Conversely, in other categories, it started with higher-priced value-added products and then expanded into more affordable options.
- The diversified product portfolio has contributed to maintaining stable profit margins over the years by effectively managing fluctuations in raw material prices.
- Cello's products are made of different types of materials, such as plastic, steel, opal, glass, copper and melamine. The company has the most diversified product portfolio among its peers, with products in the glassware, opalware, melamine, and porcelain categories.

Increasing product portfolio aided by its pan-India distribution network

- Pan-India distribution reach is also one of the key reasons behind the company's efficient launch of new ranges of products in the past.
- For instance, Cello launched its writing instruments and stationery product category in CY19 under the "Unomax" brand and quickly ramped up its volume to 458.1m units in FY23 from 230m units in the FY21 (i.e. at a CAGR of ~41%).
- To bring in more efficiency and reach in its distribution network, the company is increasing the number of distributors and limiting the region/areas covered by individual distributors so as to intensify their focus in respective areas.
- Further, the company has been actively investing in technological advancements in its sales force to enhance efficiency and data collection. The field staff is equipped with an automated order tracking mobile application. This data helps in forecasting production levels based on market demand for the products.
- Moreover, the number of SKUs with the distributors is being rationalized with the help of the ERP systems so as to cater to the area-specific demand in a more efficient way.

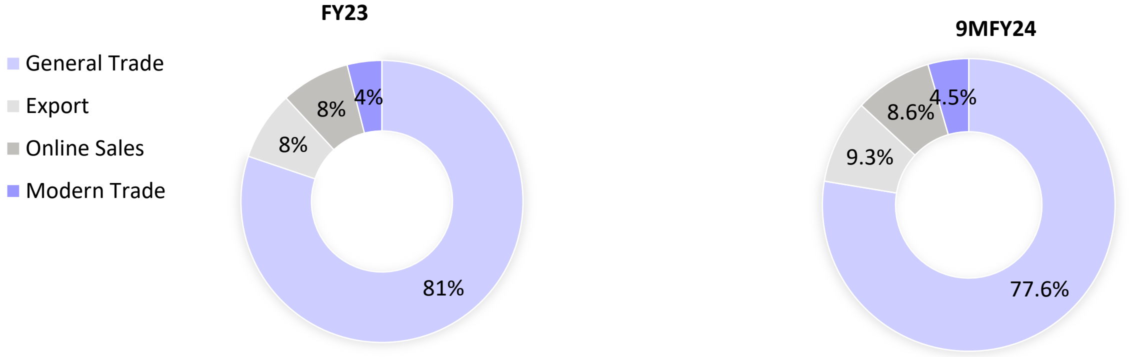
Exhibit 8: Cello's extensive sales and distribution network

Product Categories	Distribution Network* (as of 1HFY23)
Consumer Houseware	❖ **717 distributors; ~58,716 retailers** located across India
Writing Instruments and Stationery	❖ **29 super-stockist; ~1,509 distributors**; **~60,826 retailers** located across India
Moulded Furniture and Allied Products	❖ **~1,067 distributors** and **~6,840 retailers** located across India

- The company's nationwide sales and distribution network is supported by a 721-member sales team as of Jun'23, up from 683 in Mar'23.
- However, there is still more room for distribution network expansion by tapping new geographies and penetrating further into the existing areas. For instance, only 55% of the geography has been covered under the writing instruments segment over the past four years.

- The products are distributed through modern trade, export channels, e-commerce marketplaces, and the company's own websites. Furthermore, the company caters to corporate clients and government departments by selling products in bulk quantities.
- Cello has a strong presence in general trade (GT), with ~81% of revenue contribution in FY23. This segment will continue to dominate going forward.

Exhibit 9: Channel wise revenue mix



Source: Technopak Analysis

Exhibit 10: Peer comparison for distribution reach

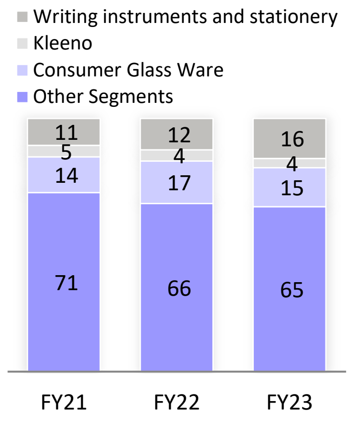
Category	Players	Dealers/ Distributors	Retail Outlets
Consumerware	Cello	678	51,900*
	Milton	NA	~55,000
	LaOpala	~200	~20,000
	Borosil	~200+	~14,000+
	Tupperware	~55,000+ Direct Sellers	~100+ stores
	TTK Prestige	NA	670+ stores
	Stovekraft	700+	61,400+
	Hawkins	NA	NA
	Roxx	NA	~6000 (MBOs), 4 (EBOs)
Stationery	Unomax	1457	59,100
	Camlin	NA	~1,50,000+
	Linc	~2650+	~2,18,000+
	DOMS	~4500	NA
	Rorito	~1800 (Redistribution Stockists), 27 main stockists	~5,00,000

*This represents the direct retail outreach; Source: Cello DRHP, MOFSL

Building winning businesses and products

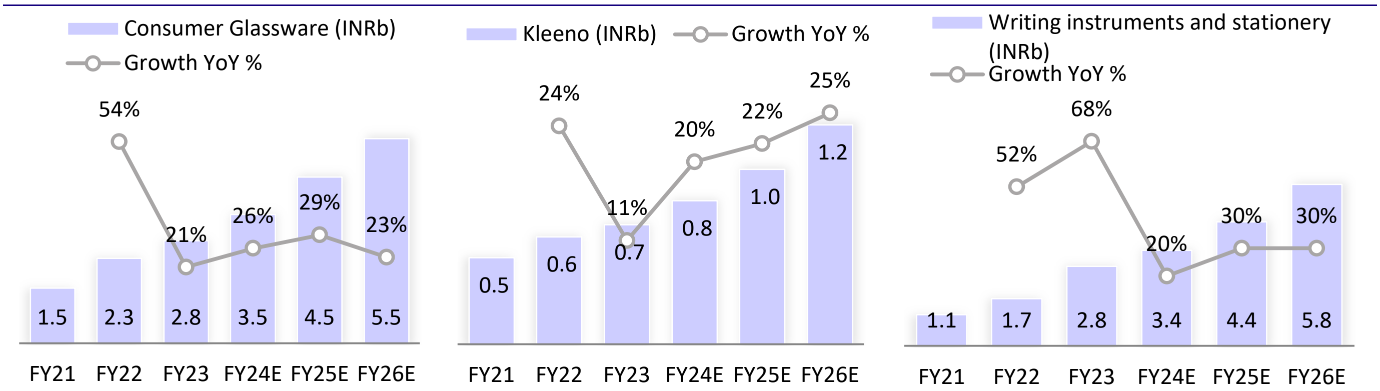
Recently launched businesses contributed 35% of revenue in FY23

Revenue Mix (%)



- Cello has a proven track record of expanding into new businesses and product categories over its entire journey. It is one of the most diversified companies in its space with products across categories, which have been possible on the back of strong pillars such as an extensive distribution reach and efficient manufacturing capabilities.
- For instance, the glassware and opalware business, launched under the 'Cello' brand in 2017, saw significant revenue growth from INR1,484m in FY21 to INR2,760m in FY23 (i.e. CAGR of 36.47%).
- Similarly, the cleaning aids business, launched under the 'Kleeno' sub-brand in 2017, expanded its product sales volume from 5.35m units in FY21 to 7.12m units in FY23 (CAGR of 15.36%). Revenue from this business stood at INR492m/ INR608m/ INR668m for FY21/FY22/FY23.
- Recently, the company relaunched its writing instruments and stationery product category under the new brand 'Unomax' in 2019, which quickly gained momentum across India. The segment saw its product sales volume increase to 458.10m units in FY23 from 230.31m units in FY21 (CAGR of 41.03%). The segment generated revenue of INR1,114m/INR1,693m/INR2,850m for FY21/FY22/FY23.
- **All the three recently launched segments contributed ~15%/4%/16% in FY23.**
- The company in Apr'22 forayed into Porcelain products through the acquisition of a ~40% stake in Pecasa Tableware Pvt. Ltd., which is engaged in the business of manufacturing, trading and dealing in ceramic tiles, porcelain vitrified tiles, glass, china boneware, porcelain wares, crockery wares, pottery, table wares, hotel wares, and glassware.

Exhibit 11: Track record and expectation of strong scale-up of business – Revenue (INRb)



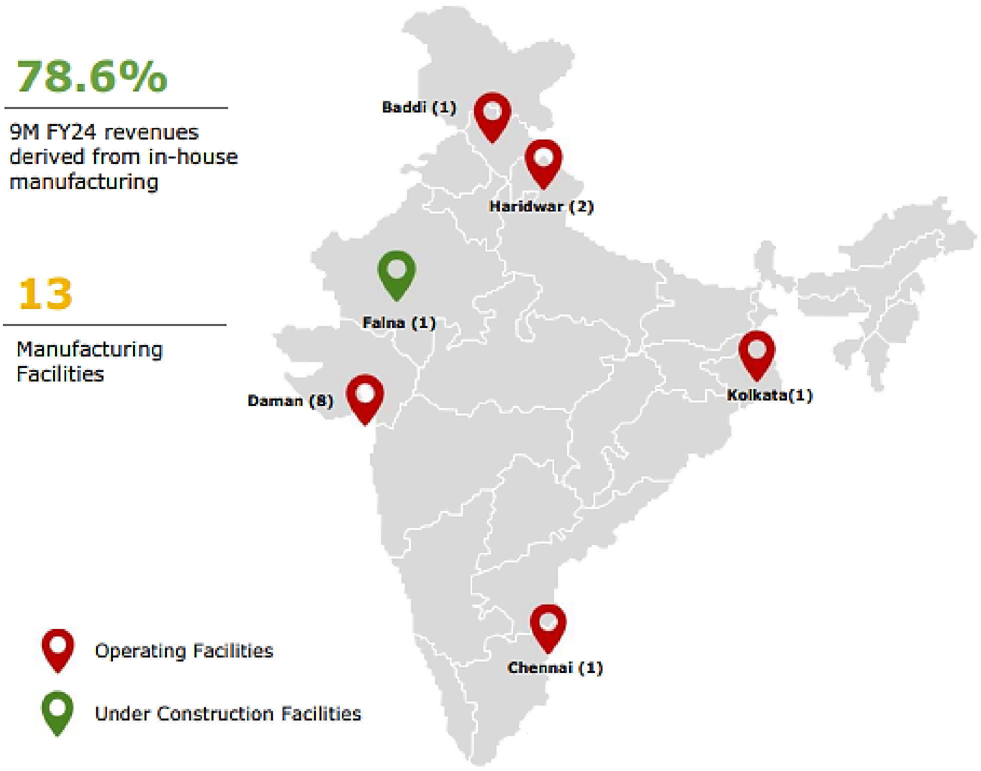
Source: Technopak Analysis

- The successful scale-up of business was driven by strong pillars such as an extensive distribution reach (discussed earlier) and efficient manufacturing capabilities.

Manufacturing prowess to support growth

- A significant amount of products, approximately 78.65%/82.63%/79.37%/79% in FY21/FY22/FY23/9MFY24, are manufactured in-house, showcasing the company's strong manufacturing capabilities.
- The company owns and operates 13 manufacturing facilities across five locations with an installed annual capacity of 57.77m units p.a. of consumer houseware products, 15,000TPA of opalware and glassware, 705m units p.a. of writing instruments and stationery products, and 12.8m units of moulded furniture and allied products, as of Dec'23. (Refer Exhibit 5).
- The remaining products, mainly steel and glassware products, are manufactured by third-party contract manufacturers under agreements with the company.

Exhibit 12: An extensive plant network to support sales

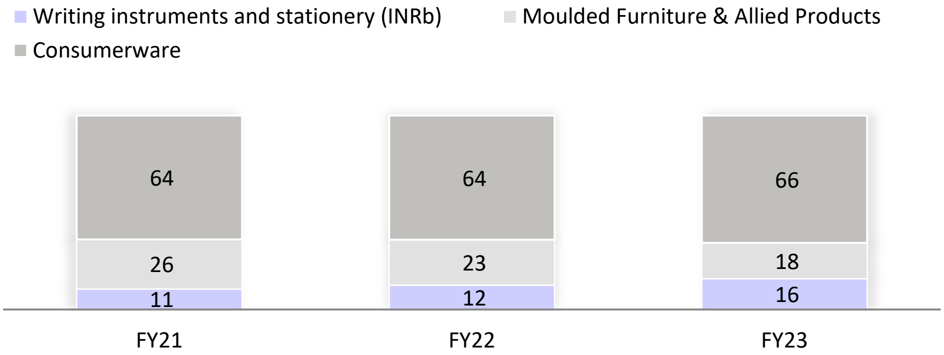


- However, to reduce the dependence on glassware imports, the company is setting up a glassware manufacturing facility in Falna, Rajasthan, with an annual capacity of 20,000 tonnes. The company is also expanding opalware capacity in Daman to 25,000TPA from 15,000MTPA.
- The glassware manufacturing facility in Rajasthan is expected to house automatic inspection machines to ensure that sorting of glasses is performed precisely. It is located close to its raw material suppliers and will provide a dry weather environment that is suitable for the manufacturing of glassware.
- Leveraging economies of scale and efficient supply chain management, the company benefits from its large-scale manufacturing operations. Also, utilizing technology and market information, the company maintains optimal inventory levels across its facilities, with a focus on maintaining high-quality standards and adhering to good manufacturing practices.

Growing TAM across categories

- Cello is a diversified company with a footprint in three major segments, consumerware, writing instruments, and moulded furniture and allied products.
- The company generates the majority (~92% in FY23) of its revenue from the domestic market, driven by healthy growth of Indian TAM (~9% CAGR over FY15-23).
- The combined Indian TAM of all three segments is ~INR743b as of FY23, which is largely dominated by the consumerware segment (INR378b), followed by writing instruments (INR223b) and moulded plastic furniture (INR142b).
- However, in terms of its revenue mix, the consumerware segment is the largest and accounted for ~66% in FY23 with a CAGR of 33% over FY21-23 on the back of growing TAM.

Exhibit 13: Consumerware accounts for largest share of revenue

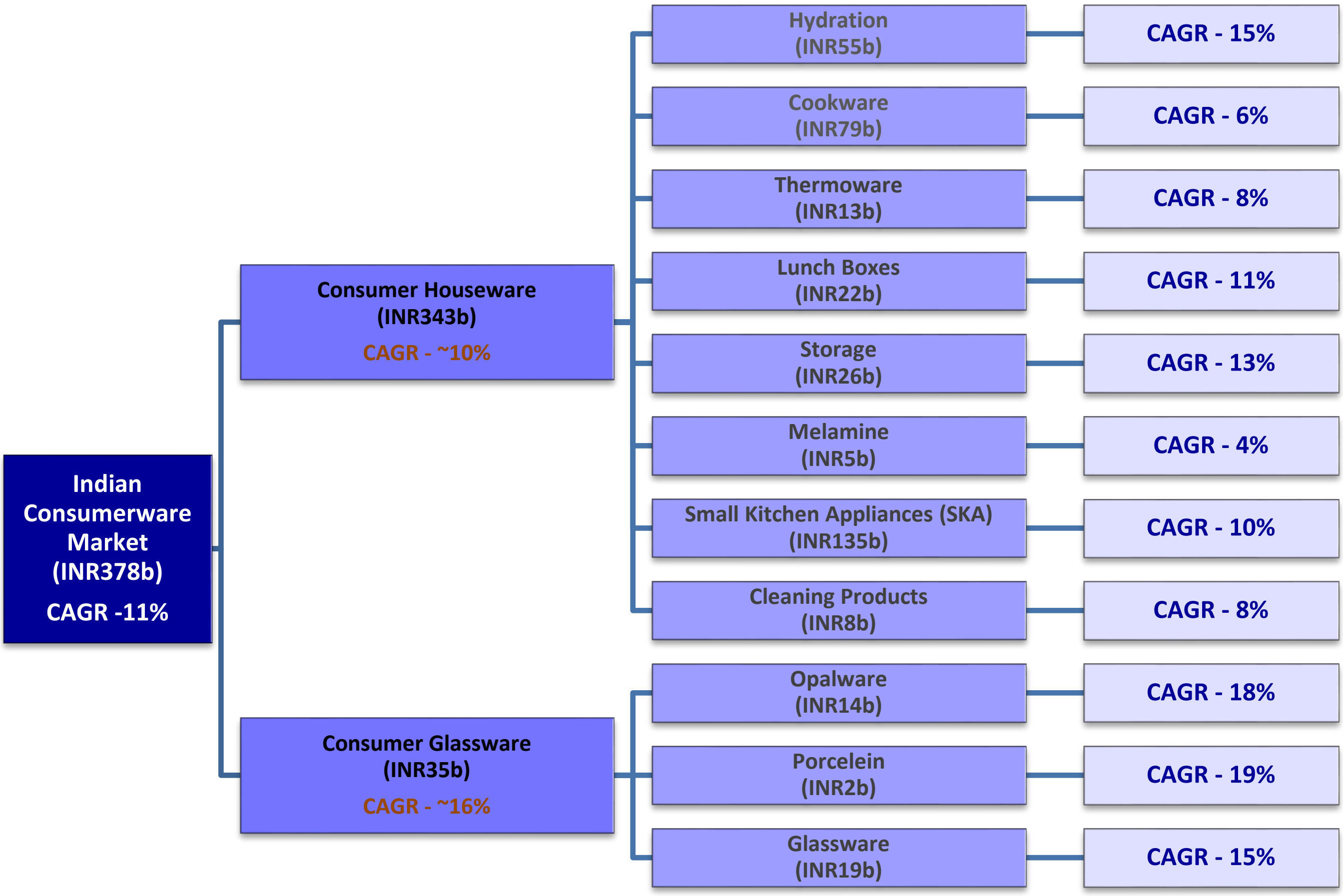


Source: MOFSL, Company

Consumerware Market TAM CAGR of ~11% over FY23-27

- The Indian consumerware market is broadly divided into two categories, consumer houseware and consumer glassware, with a total TAM of INR378b.
- The consumer houseware and consumer glassware markets are further segmented into various subcategories like:
  - Consumer houseware has a TAM of INR343b and is expected to grow at a CAGR of~10% over FY23-27. This category includes hydration, cookware, insulated ware, lunchboxes, storage containers, melamine, small kitchen appliances and cleaning products.
  - Consumer glassware currently has a lower TAM of INR35b, but it is expected to grow at a faster rate of ~16% over FY23-27. This category comprises opalware, glassware and porcelain.

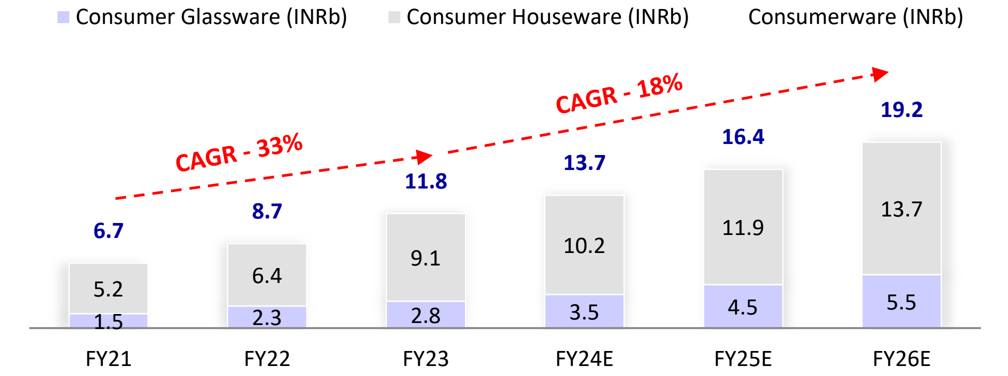
Exhibit 14: Category-wise segmentation of Indian consumerware market size (as of FY23)



Note: CAGR for FY22-27 Source: Technopak Analysis

- Under the consumer houseware segment, Cello offers the widest range of product categories such as houseware/thermoware, steelware, melamine, appliances and cleaning products (under the 'Kleeno' brand).
- Houseware/thermoware account for the largest share in the company's houseware segment with ~57% revenue mix in FY23, followed by steelware.
- The Indian consumerware market TAM is expected to register a CAGR of ~11% over FY23-27E, driven by 1) favorable demographics, 2) evolving Indian consumers with increased discretionary spending, 3) increased penetration and availability of products, 4) increasing ownership of products per person, 5) a shift toward innovative and creative products, 6) aesthetics of products, 7) a shorter replacement cycle led by increasing replacement rates, 8) gifting trends, and 9) loyalty to established brands.
- Cello is expected to post a 18% CAGR over FY23-26, with major growth coming from the glassware business (CAGR of 26%), in which the company is expanding the production (new Falna unit) and ramping up existing capacities. The houseware segment is also expected to post a healthy CAGR of ~15% on the back of key growth drivers mentioned above.

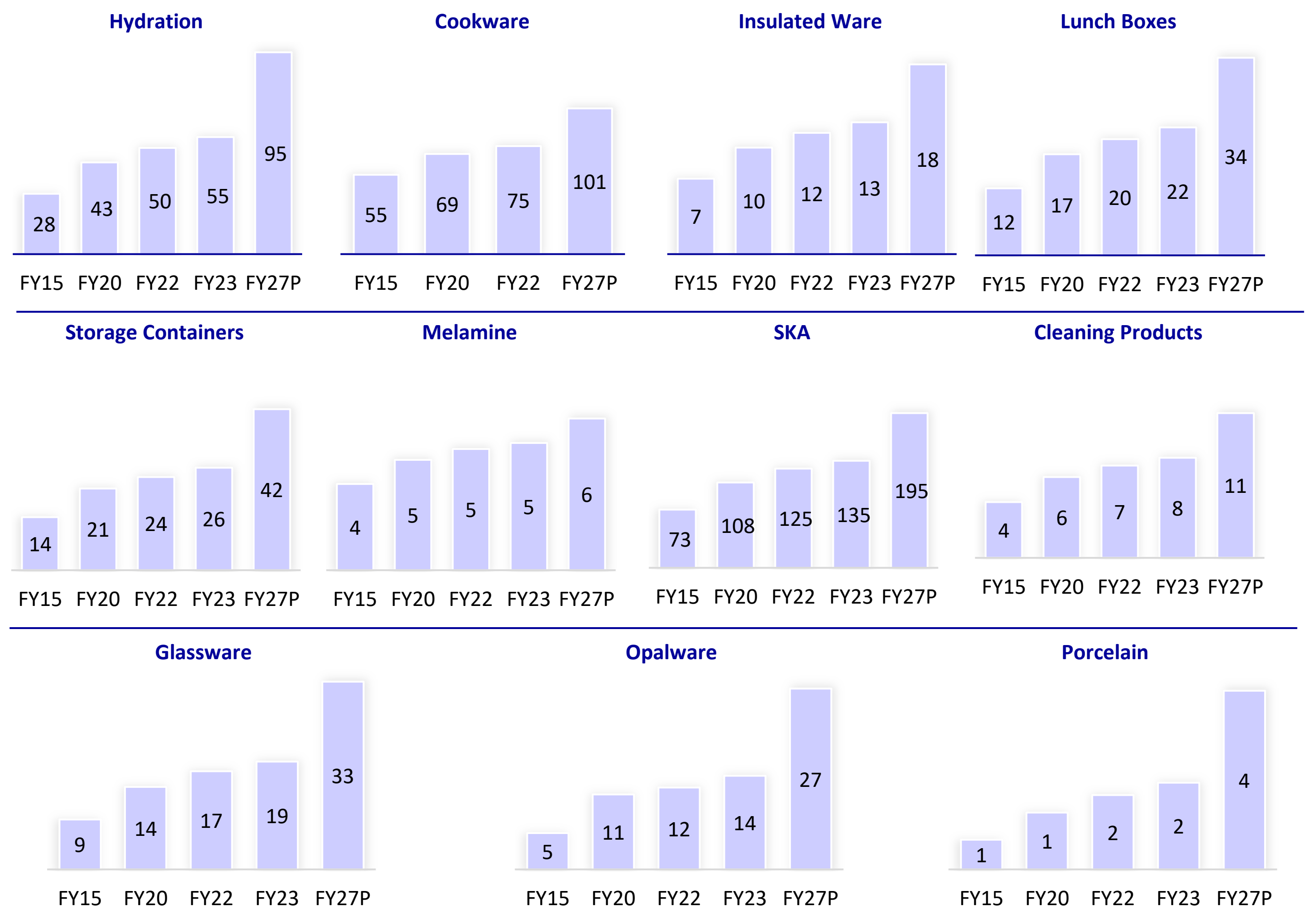
Exhibit 15: Consumerware segment to register 18% CAGR



Source: MOFSL, Company

- However, this industry is also prone to certain risks such as a change in customer preference, macro-economic factors, increased competition, volatility in raw material prices, presence of unbranded players, and a change in geo-political situations.

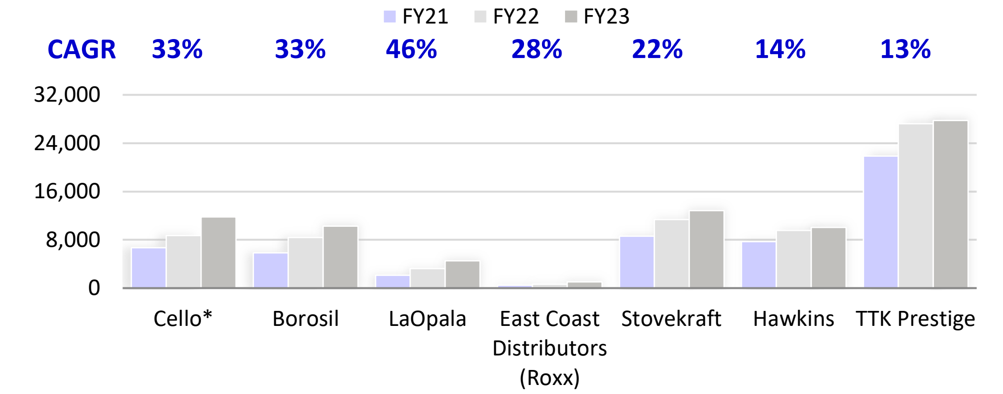
Exhibit 16: Indian TAM of each segment under the consumerware market (INRb)



Source: Technopak Analysis

- The consumerware industry is characterized by high competitive intensity with multiple players in both branded (61% mix in FY23) and unbranded (39%) categories.
- Key players in the segment include Hamilton Housewares (Milton), Borosil, LaOpala, Tupperware, East Coast Distributors (Roxx), Princeware, Rajprabhu Traders, Stovekraft, Hawkins, and TTK Prestige.
- Cello's CAGR of 33% over FY21-23 was the second highest after LaOpala's 46%.

Exhibit 17: Revenue trend of key consumerware companies (INR m)



*Revenue of Consumerware division Source: MOFSL, Company

Indian TAM of writing instruments and stationery is expected to grow faster

- The Indian stationery market has seen consistent growth, reaching INR330b in FY20 with a CAGR of 6%. However, it faced a significant decline in FY21 due to the impact of Covid-19. In FY22, the market bounced back at a growth rate of 35% as schools, colleges, and offices resumed in-person activities. As of FY23, the market size was INR385b and is projected to grow to INR657b by FY27 at a CAGR of ~14% over FY23-27.
- The Indian stationery market is divided into paper stationery and non-paper stationery products, with non-paper stationery comprising the larger share by value. Cello caters to the non-paper stationery market with a TAM of INR223b as of FY23, which is expected to grow at a healthy CAGR of 16% over FY23-27 to INR245b. This category is largely dominated (~60% mix) by the writing instrument segment (TAM of INR134B).
- This market is also controlled by branded players, accounting for 78% (INR174b) of the market in FY23. Their market share is projected to increase to 85% (INR208b) by FY27.

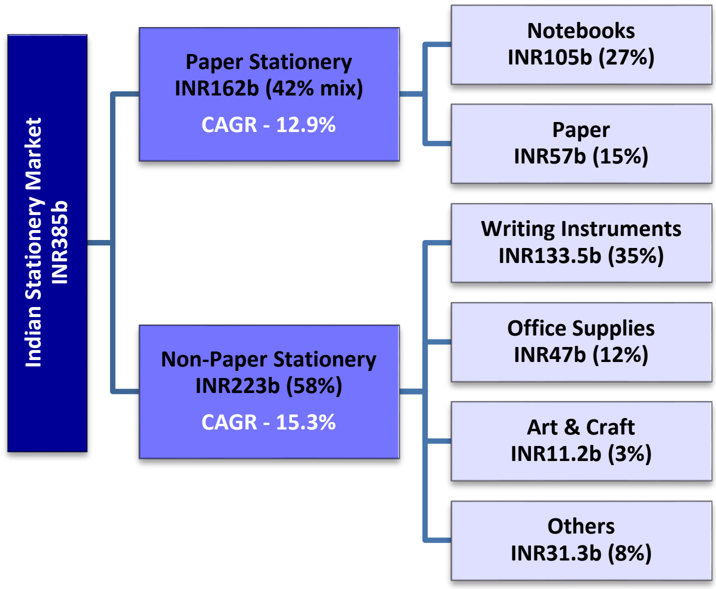
Exhibit 18: Price segments of pens in India and their share

Segments	Price Points	Market Share	Major Players
Mass market	Up to INR15	80%	Unomax, Linc, Flair
Premium	INR15 to INR400	16%	Luxor, Unomax
Super Premium	over INR400	4%	Parker, Montblanc

Source: MOFSL, Company

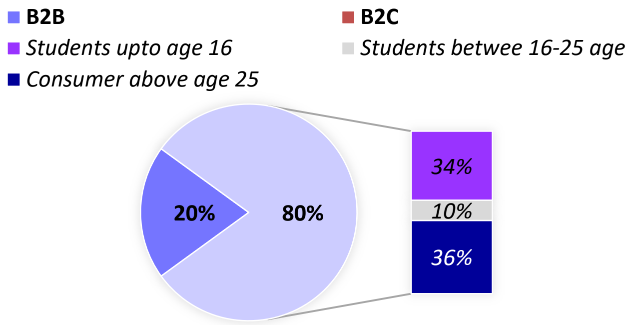
- Factors such as changing consumer preferences, the GST regime, brand-building efforts, and strong distribution networks will contribute to the success of branded players in the market.

Exhibit 19: Overall stationery market in India



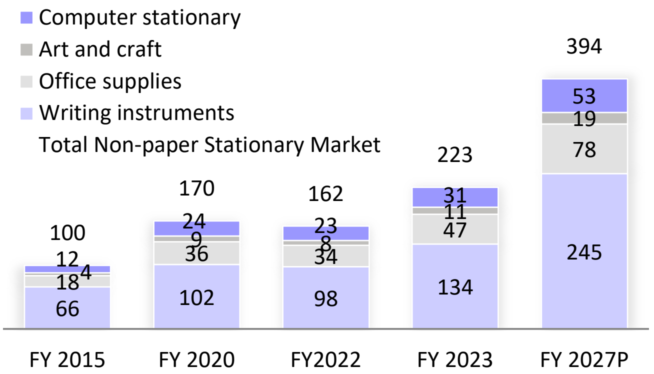
Note: CAGR over FY23-27 Source: Technopak Analysis

Exhibit 20: Indian stationery market by customer type



Source: MOFSL, Company

Exhibit 21: Indian non-paper stationery market size trend (INRb)



Source: MOFSL, Company

- Cello has been a market leader in this space until it sold its Cello brand (only for the writing instruments segment) in 2015 to a French company named Bic Clichy.
- However, with strong demand tailwinds in this sector, the company again entered the writing instrument and stationery business in 2019 under the brand 'Unomax', which quickly scaled up to ~INR2.9b in revenue in FY23.
- Going ahead, the segment is expected to witness a strong 18.6% CAGR over FY22-27, backed by key trends mentioned below (Exhibit 21).

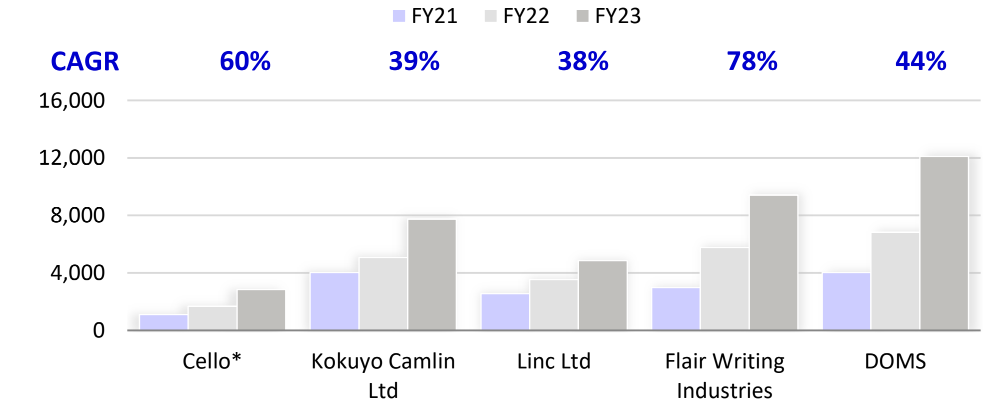
Exhibit 22: Key trends in Indian stationery market

Gradual shift towards branded products	Shift towards innovative and creative products	China+1	Rising penetration of e-commerce
•Consumer preference toward premium and innovative products •GST implementation •Marketing, Brand building •Economices of scale •Pan-India distribution	•Changing consumer mindset toward asthetically designed products and good functionality •Increase in disposable income	•Major shift after Covid in manufacturing base •India poised to grow its export market	•Comfort in purchasing products •Wide range of products available •Competitive price levels

Source: Cello World DRHP,

- The Indian educational industry is undergoing substantial growth, reaching INR10.55t in FY22, and is projected to surge to INR20.3t by FY27, boasting a robust CAGR of 14%.
- The Government of India's allocation of INR1.12t for the education sector in the Union Budget 2023-24 (up 8.2% YoY) should significantly boost demand for stationery products.
- Several policy reforms, including the New India Literacy Programme and National Education Policy 2020, underscore the government's commitment to promoting literacy, ensuring quality education, and providing essential support to school-going children.
- As a result, the anticipated rise in government expenditure on education is poised to drive demand for stationery products, meeting the evolving needs of both educational institutions and students across India.

Exhibit 23: Revenue trend for branded players (INR m)

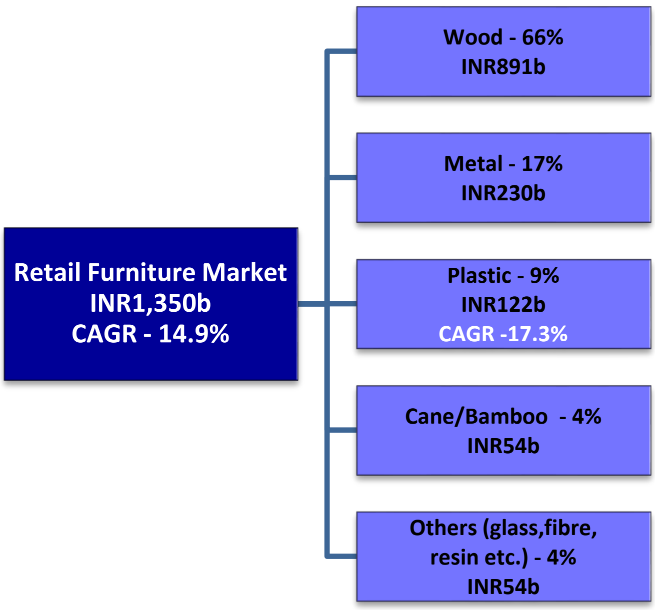


Source: MOFSL, Company

Moulded furniture market gaining momentum

- The Indian furniture market is segmented by material types, with wood accounting for 66% of the market share. Wooden furniture is mainly driven by the residential sector and is dominated by the unorganized sector, along with organized players like Godrej Interio, Durian, and Pepperfry.
- However, due to wood scarcity and cost, metal and plastic furniture have gained popularity for their durability and affordability, constituting ~17% and 9% of the total market, respectively, with plastic furniture being moulded and increasingly preferred by the mass mid-income group.
- The plastic moulded furniture market in India has witnessed significant growth over the years, from a value of INR68b in 2015 to INR142b in FY23 (CAGR of 10%).
- The increasing popularity of moulded furniture can be attributed to its unique features, including easy maintenance, lightweight, durability, and diverse designs. The market is expected to continue growing and is projected to reach INR270b by FY27, growing at a CAGR of ~17%.

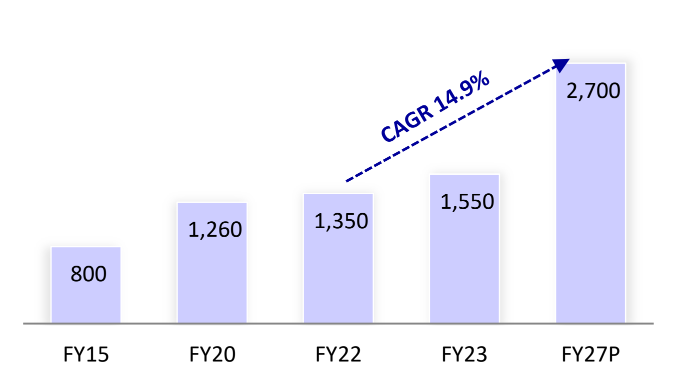
Exhibit 24: Retail furniture market TAM



Note: CAGR over FY22-27E

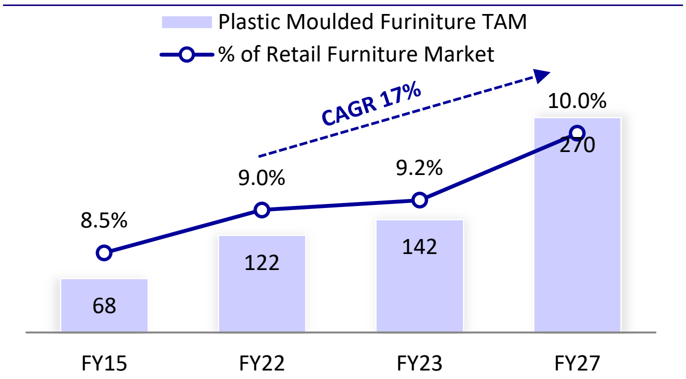
Source: MOFSL, Company

Exhibit 25: Retail furniture market TAM trend (INR b)



Source: MOFSL, Company

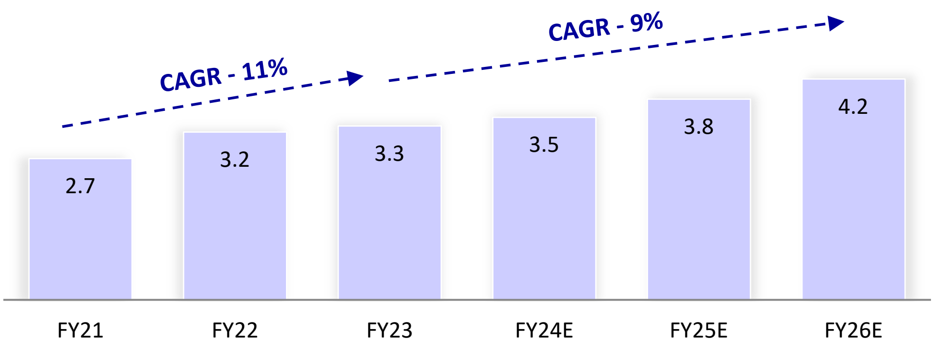
Exhibit 26: Increasing % of plastic moulded furniture (INRb)



Source: MOFSL, Company

- Cello, through its subsidiary Wim Plast Ltd, is one of the key players in the plastic moulded furniture market, with a ~2.8%/4.7% share in overall/branded market. The segment has seen healthy revenue growth of ~11% over FY21-23 and is expected to witness a ~9% CAGR over FY22-27.
- The growth will be aided by growing demand for affordable furniture; urbanization and rising middle-class population; affinity to branded products; ease of manufacturing; growth of the tourism and hospitality industry; and technological advancements.
- **Key players** in this industry are Cello Wimplast, Supreme, Nilkamal, Avro Furnitures, Anmol Industries, Prima Plastics, and Italica.

Exhibit 27: Cello Wimplast revenue trend to sustain (INR b)



Source: MOFSL, Company

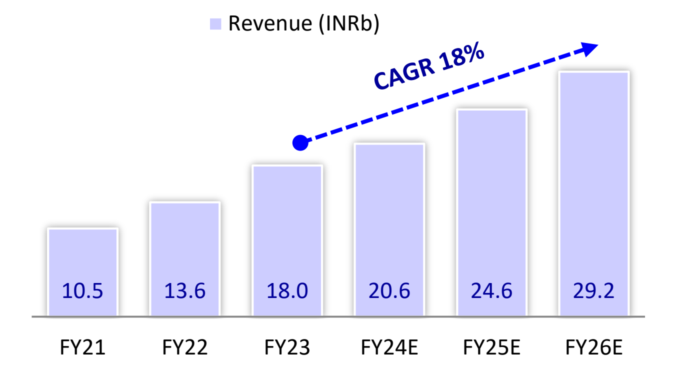
Strong track record of healthy financials

Revenue/EBITDA/PAT clocked an impressive 31%/23%/33% CAGR over FY21-23

Revenue growth momentum to continue

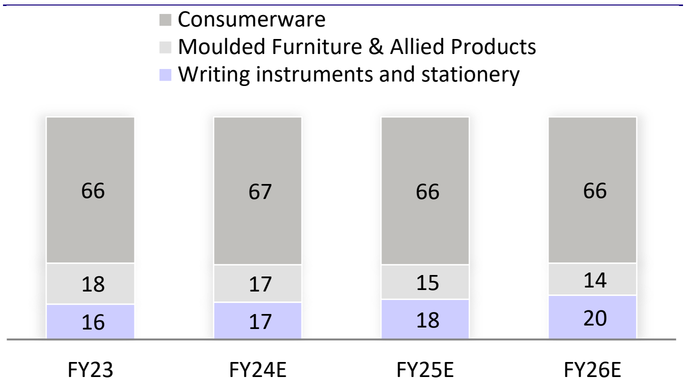
- Cello has delivered a strong revenue growth over the last two years with a revenue CAGR of 31% over FY21-23, fueled by all the product segments.
- The writing instruments segment recorded the fastest growth at 60%, followed by Consumerware at 33%, while the molded furniture segment exhibited a decent 11% CAGR over the period.
- The consumer glassware segment is expected to report the highest growth going ahead, driven by the establishment of a new plant in Rajasthan, capacity expansion in Daman, and an increased contribution from the porcelain business. Revenue CAGR is expected to be ~26% over FY23-26.
- The writing instrument segments, with an expected CAGR of ~27% over FY23-26, is marginally behind the glassware segment in terms of growth. This segment is rapidly expanding its presence across India, and the company is actively exploring significant opportunities in exports.
- The Consumer houseware/Moulded furniture segments are expected to register a healthy CAGR of 15%/8% over FY23-26.
- With strong thrust across business segments, the overall revenue of Cello is projected to register a robust CAGR of 18% over FY23-26.

Exhibit 28: Revenue to report 18% CAGR over FY23-26



Source: MOFSL, Company

Exhibit 29: Expected business mix going forward (%)

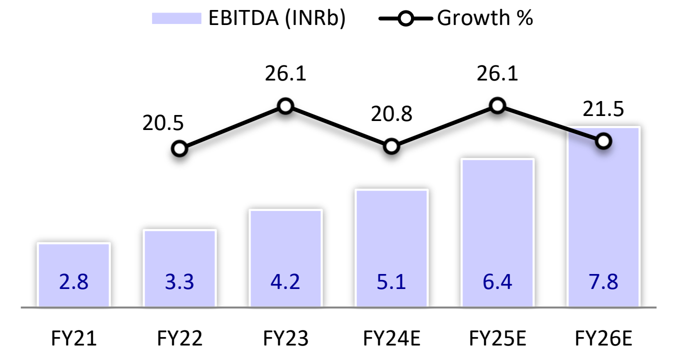


Source: MOFSL, Company

Sustaining healthy Margins going ahead

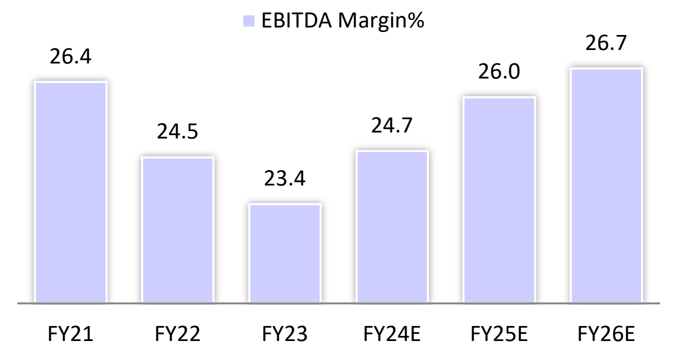
- Cello has witnessed some margin dip in the last few years, led by declining EBIT margins in the Consumerware business to 23% in FY23 from 25% in FY21. This was majorly on the back of an increase in advertising expenses (1.3% of sales in FY23 vs. 0.9% in FY21).
- Writing Instruments EBIT margins remained stable at ~23% over the last three years, while Molded Furniture business margins witnessed an expansion of 100bp.
- Anticipating continued margin enhancement, aided by the addition of SKUs in existing categories, pickup in higher margin products segments (such as import substitution of glassware imports), optimization of the distribution network, and the realization of economies of scale, we foresee a rise in margins over the next few years.
- We expect margins to improve to 26.7% by FY26 from 23.4% in FY23.

Exhibit 30: EBITDA expected to register a CAGR of 23%...



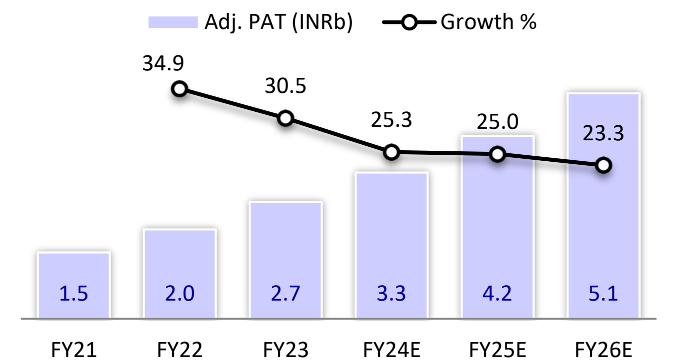
Source: MOFSL, Company

Exhibit 31: …led by improvement in margin over FY23-26



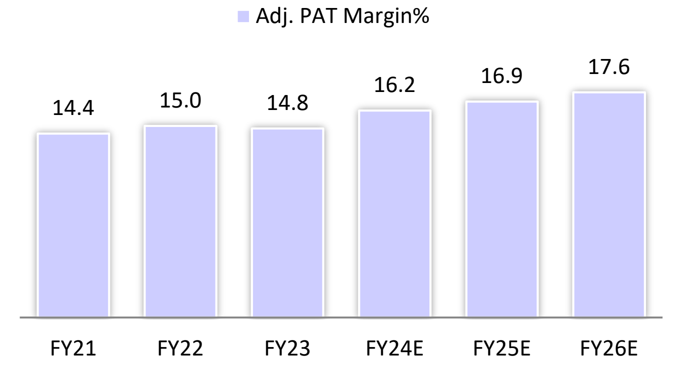
Source: MOFSL, Company

Exhibit 32: Adj. PAT to report higher CAGR of 25%...



Source: Company, MOFSL

Exhibit 33: …led by improvement in margin over FY23-26



Source: Company, MOFSL

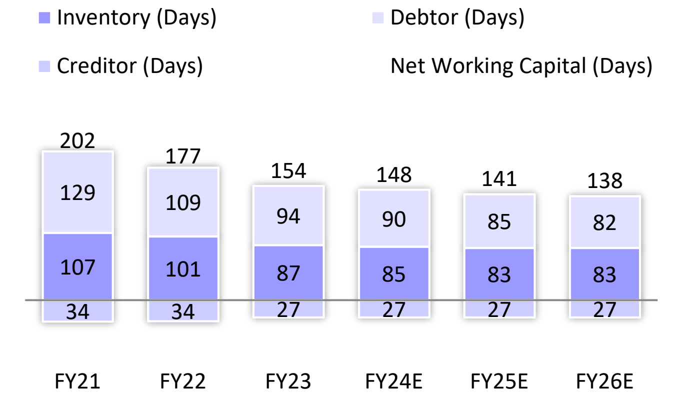
Working capital to improve…

- Cello’s working capital has come down from 202 days in FY21 to 154 days in FY23, on the back of effective inventory optimization with its distributers and an improvement in receivables days to 94 in FY23 from 129 in FY21.
- The company is also planning to get into channel financing in a phased manner and has also identified 30 distributors to start with. Following the implementation of channel financing, the company plans to extend a credit period of ~60days. Overall, the company is expected to reduce the receivable days by 10-12 days.
- Overall, we expect the working capital to ease further to 138 days by FY26 from 154 days in FY23, fueled by measures taken by the company.

…resulting in higher free cash flows

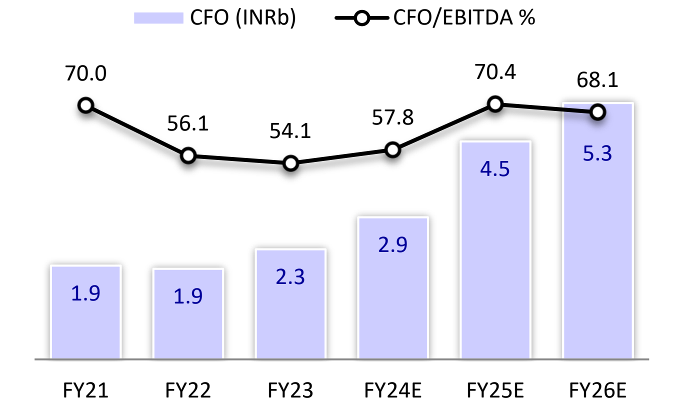
- The company’s CFO has been improving year on year from INR1.9b in FY21 to INR2.3b in FY23, mainly due to improving working capital.
- However, the CFO/EBITDA ratio declined to 54% in FY23 from ~70% in FY21. It is still at reasonable levels, reflecting its strong cash flow generation. Going forward, with strong growth trajectory and further easing of working capital, we expect the ratio to inch upwards to its FY21 levels, indicating a strong cash flow generation.

Exhibit 34: Net working capital days to reduce…



Source: Company, MOFSL

Exhibit 35: Cash flows from operations to improve



Source: Company, MOFSL

Overall, we expect a healthy improvement in the company's financials going forward, propelled by strong revenue growth, improving margin profile, easing working capital (resulting in strong cash flow generation), and lastly sustaining a healthy return ratio.

Peer Comparison

Exhibit 36: Key Financial metrics of Peers

Company (INR m)	Revenue			Gross Profits			Gross Margin (%)			Marketing Spend (%)		
	FY21	FY22	FY23	2021	2022	2023	2021	2022	2023	2021	2022	2023
Cello World	**10,495**	**13,592**	**17,967**	**5,280**	**6,806**	**9,012**	**50.3**	**50.1**	**50.2**	**0.9**	**0.8**	**1.3**
Consumerware Players												
Borosil	5,848	8,399	10,271	3,415	5,319	6,147	58.4	63.3	59.8	4.0	4.8	6.2
LaOpala	2,113	3,227	4,523	1,543	2,595	3,733	73.0	80.4	82.5	0.5	0.6	0.0
East Coast Distributors (Roxx)	491	646	1,032	132	182	318	26.8	28.2	30.9	3.7	2.7	2.8
Stovekraft	8,590	11,364	12,838	3,007	3,629	4,204	35.0	31.9	32.7	2.2	2.5	2.7
Hawkins	7,685	9,580	10,058	4,033	4,692	4,944	52.5	49.0	49.2	3.4	3.5	3.8
TTK Prestige	21,869	27,225	27,771	9,180	11,275	11,164	42.0	41.4	40.2	4.5	5.1	5.2
Stationery												
Kokuyo Camlin Ltd	4,031	5,085	7,749	1,668	1,960	2,867	41.4	38.5	37.0	1.5	0.9	1.6
Linc Ltd	2,567	3,550	4,868	839	1,175	1,922	32.7	33.1	39.5	1.6	1.7	NA
Flair Writing Industries	2,980	5,775	9,427	1,316	2,693	4,339	44.2	46.6	46.0	0.6	0.8	1.3
DOMS	4,028	6,836	12,118	1,575	2,515	4,485	39.1	36.8	37.0	0.4	0.4	0.3

Source: Cello World DRHP,

Exhibit 37: Key Financial metrics of Peers

Company (INR m)	EBITDA			EBITDA Margin (%)			ROCE (%)		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Cello World	**2,767**	**3,336**	**4,205**	**26.4**	**24.5**	**23.4**	**58.7**	**40.9**	**44.5**
Consumerware Players									
Borosil	991	1,682	1,511	17.0	20.0	14.7	9.7	18.4	12.0
LaOpala	765	1,414	1,940	36.2	43.8	42.9	9.3	16.3	20.6
East Coast Distributors (Roxx)	3	26	79	0.6	4.0	7.7	-0.5	3.1	8.1
Stovekraft	1,146	933	955	13.3	8.2	7.4	28.8	16.9	11.4
Hawkins	1,181	1,256	1,395	15.4	13.1	13.9	55.2	46.5	41.5
TTK Prestige	3,679	4,610	4,042	16.8	16.9	14.6	22.0	24.2	18.1
Stationery									
Kokuyo Camlin Ltd	92	172	564	2.3	3.4	7.3	-3.0	-0.2	12.5
Linc Ltd	116	244	648	4.5	6.9	13.3	-0.7	7.8	28.2
Flair Writing Industries	361	1,081	1,951	12.1	18.7	20.7	3.4	18.5	29.7
DOMS	360	723	1,912	8.9	10.6	15.7	0.4	10.1	33.5

Source: Cello World DRHP,

Valuation and key risks

Initiate coverage with a BUY

- Cello has been one of the leading players across its product categories boasting a strong brand reputation and distribution reach.
- The company has created an ability to manufacture a diverse range of products along with maintaining optimal inventory levels. This is fueling the company to aggressively add SKUs in existing products as well as scale up new businesses from scratch.
- The company operates in diverse industries, experiencing continuous expansion of the TAM, driven by multiple sector tailwinds. These include favorable demographics, rising discretionary spends, increased product penetration and availability; import substitution in categories such as glassware, increasing ownership of products per person, a shift toward innovative and creative offering, evolving gifting trends, and a steadfast loyalty to established brands.
- We estimate Cello to deliver revenue/EBITDA/Adj. PAT CAGR of 18%/23%/25% over FY23-26.
- Cello is currently trading at 35x FY26E P/E with a RoE/RoCE of 32%/39% in FY26E. We believe that the company will be able to successfully scale up new businesses, expand SKUs, and distribution reach to evolve as a leading brand in their respective industries. **We initiate coverage on the stock with a BUY rating and a TP of INR1,100 (premised on 45x FY26E P/E).**

Revenue/EBITDA/Adj. PAT CAGR of 18%/23%/25% over FY23-26E

Key risks

- Volatility in prices of key raw materials such as plastic granules and supply chain issues can lead to disruption in operations.
- The company is dependent on third-party manufacturers for certain products, which may potentially impact quality and timely delivery.
- The company operates under a competitive business environment with multiple large-scale as well as regional players, thereby, affecting their margins and bargaining power.
- Disruption in the distribution network will adversely impact the company's brand and market share.

Exhibit 38: Comparative valuation

Peers	CMP	TP	MCap	EPS			EPS Growth (%)			P/E (x)			RoE (%)		
	(INR)	(INR)	(INR b)	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Cello World*	**839**	**1050**	**178.1**	**17.1**	**21.4**	**26.4**	**25.3**	**25.0**	**23.3**	**53**	**43**	**35**	**50**	**38**	**32**
La Opala	350	NA	38.9	13.5	15.1	18.3	22	12	21	26	23	19	17	18	18
Stove Kraft	494	NA	16.3	9.9	17.0	27.4	-9	72	61	50	29	18	8	10	14
TTK Prestige	768	NA	106.5	17.1	21.5	25.6	-7	25	19	45	36	30	12	14	15
Linc	609	NA	9.1	22.1	30.6	38.5	-12	38	26	28	20	16	18	21	23
DOMS	1611	NA	97.8	23.9	28.8	33.9	31	21	18	67	56	48	25	19	19

Note: CMP as on Feb 26, 2024; *our estimates rest BBG estimate Source: MOFSL, Company, BBG

ESG initiatives

Environmental initiatives

- The company exclusively utilizes multi-use plastics in its products and refrains from incorporating any single-use plastics.
- The company focuses on maximizing energy efficiency by utilizing solar energy generated from solar panels installed at a few of its manufacturing facilities. In Daman, the company derives a significant amount of energy from solar panels installed there.
- The company's manufacturing process primarily involves molding raw materials into end-products, which does not entail the discharge of a significant amount of hazardous and pollutant waste into the air and water.

CSR initiatives

- The company has been invested in doing social welfare in areas such as Health Care, Women Empowerment, Environment Sustainability, Food & Nutrition, Animal Welfare, Education, Training to promote nationally recognized sports, and Governor's relief fund.
- The company has contributed to social cause in the medical field for over two decades. It has donated to various medical institutes and organizations, aiding in the construction of medical facilities and providing crucial medical equipment.
- The company has given scholarships to thousands of kids over two decades. By focusing on these marginalized groups, the company is making contribution to creating a more inclusive and equitable society.

Governance

- As of Dec'23, the Board comprised nine Directors that included five Independent Directors and two woman Directors.
- The Board comprises seasoned professionals with expertise in various fields, contributing diverse experiences.
- The Board's performance is assessed annually based on their responsibilities, and a strong compliance mechanism is in place to adhere to applicable rules and regulations.

Bull and Bear cases

Bull case

- ☑ In our bull case scenario, we assume a revenue CAGR of 22% over FY23-26, aided by a strong growth from the opalware segment (due to capacity addition), followed by writing instruments (due to huge macro tailwinds), and the scale up of new products, such as porcelain.
- ☑ We expect the margin to expand ~350bp from the current levels to reach ~29.5% over FY26, led by an improving mix and favorable operating leverage.
- ☑ The company's EPS would register a robust CAGR of 31% over FY23-26E, driven by operating leverage.

Bear case

- ☑ In our bear case scenario, we assume a revenue CAGR of 15% over FY23-26, considering demand-side challenges that would restrict the strong growth trajectory.
- ☑ We expect the margin to expand ~250bp from the current levels to reach 25.9% over FY26.
- ☑ The company's EPS would register a CAGR of 20% over FY23-26E.

Exhibit 39: Bull and Bear case scenarios (INR m)

	Particulars	FY24E	FY25E	FY26E	CAGR (FY23-26E, %)
Bear case	Revenue	20,578	24,052	27,411	15
	EBITDA	5,081	6,037	7,099	19
INR980	EPS	16	18	22	20
Base case	Revenue	20,578	24,642	29,158	18
	EBITDA	5,081	6,407	7,785	23
INR1100	EPS	16	20	24	25
Bull case	Revenue	20,578	26,229	32,828	22
	EBITDA	5,081	6,819	8,831	28
INR1260	EPS	16	21	28	31

Source: MOFSL, Company

SWOT analysis

- ☑ A well-established brand name and strong market position
- ☑ Diversified product portfolio across price points, catering to diverse consumer requirements
- ☑ Track record of scaling up new businesses and product categories
- ☑ Pan-India distribution network with a presence across multiple channels

- ☑ Present in a Competitive market – both branded and unbranded
- ☑ Limited brand presence outside India
- ☑ Dependence on third-party manufacturers and raw material suppliers

- ☑ Expanding into new markets
- ☑ Increasing disposable income with favorable demographics,
- ☑ Increasing brand loyalty
- ☑ Focus on premiumization

- ☑ Fluctuation in raw material prices
- ☑ Economic slowdown
- ☑ Changing consumer preferences

Management team

Pradeep Ghisulal Rathod
Chairman and Managing Director

He has more than 40 years of experience in the manufacturing and trading business, specializing in plastic articles, insulatedware articles, and raw materials, among others. He has been a Director of Cello since its incorporation.

Pankaj Ghisulal Rathod
Joint Managing Director

He has over 34 years of experience in the manufacturing and trading business, specializing in plastic articles, insulatedware articles, and raw materials, among others. He was instrumental in the launch of the writing instruments business and also has experience in marketing and product development of all consumer product categories.

Gaurav Pradeep Rathod
Joint Managing Director

He has over nine years of experience in the marketing of consumerware products. He has a Master's degree in Business Administration from University of Strathclyde, Scotland, and a Bachelor's degree in Science (Economics-finance) from Bentley University, Massachusetts. He was instrumental in the launch of opalware products and the growth of online and e-commerce sales.

Atul Parolia
Chief Financial Officer

He is associated with Cello group since 1991 and has over 30 years of experience in finance and accounting. He is Associate of ICAI and ICSI. He assumes a pivotal role in undertaking leadership responsibilities for financial decision-making and providing strategic financial inputs to senior management.

Rajesh Bang
CFO – Cello Household Pvt. Ltd.

He is a member of the Institute of Chartered Accountants of India and has more than 25 years of experience in finance, accounts, taxation, internal control, and costing. He joined Cello Household Products on April 1, 2015, as the general manager, and was appointed in his current role in CHPPL with effect from April 25, 2023.

Hemangi Trivedi
CS and Compliance Officer

She has over 10 years of experience in the field of legal and secretarial compliance. Prior to joining Cello, she was associated with Avaada Energy Private Limited. She holds a bachelor's degree in commerce and a bachelor's degree in law from the University of Mumbai, Maharashtra, and is also an associate of the Institute of Company Secretaries of India.

Shreyas Jain
CFO – Unomax Stationary Pvt. Ltd.

He holds a master's degree in business administration with a specialization in finance from the Institute for Technology and Management, Southern New Hampshire University. He has more than 23 years of experience in finance, accounts, taxation, treasury management and investments, compliances, statutory audit and internal control and costing. He joined the company on April 21, 2023 as the general manager – accounts and finance and later appointed as CFO with effect from April 25, 2023. Prior to his current role he worked across positions with Cello Pens and Stationery Private Limited.

Financials and valuations

Consolidated - Income Statement (INRm)

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	**10,495**	**13,592**	**17,967**	**20,578**	**24,642**	**29,158**
Change (%)	NA	29.5	32.2	14.5	19.8	18.3
RM Cost	5,214	6,786	8,955	9,877	11,656	13,646
Employees Cost	968	1,319	1,576	1,915	2,267	2,624
Other Expenses	1,544	2,151	3,231	3,704	4,312	5,103
Total Expenditure	**7,727**	**10,256**	**13,762**	**15,497**	**18,235**	**21,373**
% of Sales	73.6	75.5	76.6	75.3	74.0	73.3
EBITDA	**2,767**	**3,336**	**4,205**	**5,081**	**6,407**	**7,785**
Margin (%)	26.4	24.5	23.4	24.7	26.0	26.7
Depreciation	489	476	503	575	758	806
EBIT	**2,278**	**2,860**	**3,702**	**4,506**	**5,649**	**6,979**
Int. and Finance Charges	23	29	18	22	14	0
Other Income	101	159	167	263	271	277
PBT bef. EO Exp.	**2,357**	**2,991**	**3,852**	**4,748**	**5,906**	**7,256**
EO Items	0	0	0	0	0	0
PBT after EO Exp.	**2,357**	**2,991**	**3,852**	**4,748**	**5,906**	**7,256**
Total Tax	701	796	1,001	1,195	1,487	1,826
Tax Rate (%)	29.8	26.6	26.0	25.2	25.2	25.2
Minority Interest	143	155	189	218	250	288
Reported PAT	**1,512**	**2,040**	**2,661**	**3,335**	**4,170**	**5,142**
Adjusted PAT	**1,512**	**2,040**	**2,661**	**3,335**	**4,170**	**5,142**
Change (%)	NA	34.9	30.5	25.3	25.0	23.3
Margin (%)	14.4	15.0	14.8	16.2	16.9	17.6

Consolidated - Balance Sheet (INRm)

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	0	0	975	1,061	1,061	1,061
Total Reserves	-1,068	876	2,390	5,725	9,894	15,036
Net Worth	**-1,068**	**876**	**3,365**	**6,786**	**10,955**	**16,097**
Minority Interest	1,722	1,851	1,999	2,217	2,467	2,755
Total Loans	3,221	4,525	3,261	2,761	1,019	19
Deferred Tax Liabilities	82	84	84	84	84	84
Capital Employed	**3,957**	**7,336**	**8,709**	**11,848**	**14,526**	**18,956**
Gross Block	2,901	2,898	3,388	6,093	6,409	6,887
Less: Accum. Deprn.	309	312	671	1,246	2,004	2,810
Net Fixed Assets	**2,592**	**2,586**	**2,717**	**4,847**	**4,405**	**4,077**
Capital WIP	43	145	256	51	285	307
Total Investments	**1,197**	**1,500**	**1,769**	**1,769**	**1,769**	**1,769**
Current Investments	747	1,150	1,263	1,263	1,263	1,263
Curr. Assets, Loans&Adv.	**7,633**	**9,106**	**10,774**	**12,178**	**16,434**	**22,693**
Inventory	3,069	3,765	4,298	4,792	5,604	6,631
Account Receivables	3,714	4,067	4,623	5,074	5,739	6,551
Cash and Bank Balance	325	547	499	761	3,235	7,314
Loans and Advances	525	726	1,354	1,551	1,857	2,198
Curr. Liability & Prov.	**7,508**	**6,000**	**6,808**	**6,999**	**8,368**	**9,891**
Account Payables	984	1,255	1,342	738	870	1,019
Other Current Liabilities	6,471	4,685	5,428	6,216	7,444	8,808
Provisions	53	60	39	45	54	63
Net Current Assets	**125**	**3,106**	**3,966**	**5,180**	**8,066**	**12,802**
Appl. of Funds	**3,957**	**7,336**	**8,709**	**11,848**	**14,526**	**18,956**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)						
EPS	**7.1**	**9.6**	**12.5**	**15.7**	**19.6**	**24.2**
Cash EPS	9.4	11.9	14.9	18.4	23.2	28.0
BV/Share	NA	4.1	15.9	32.0	51.6	75.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)						
P/E	117.8	87.3	66.9	53.4	42.7	34.6
Cash P/E	89.0	70.8	56.3	45.5	36.1	29.9
P/BV	NA	203.2	52.9	26.2	16.3	11.1
EV/Sales	16.0	13.4	9.3	8.8	7.2	5.9
EV/EBITDA	60.5	54.8	39.7	35.6	27.6	22.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	8.7	6.4	6.4	2.0	18.6	22.6
Return Ratios (%)						
RoE	NA	232.8	79.1	49.1	38.1	31.9
RoCE	NA	58.7	47.6	44.1	41.2	38.7
RoIC	NA	55.7	48.4	43.7	45.7	55.6
Working Capital Ratios						
Fixed Asset Turnover (x)	3.6	4.7	5.3	3.4	3.8	4.2
Asset Turnover (x)	2.7	1.9	2.1	1.7	1.7	1.5
Inventory (Days)	107	101	87	85	83	83
Debtor (Days)	129	109	94	90	85	82
Creditor (Days)	34	34	27	13	13	13
Leverage Ratio (x)						
Current Ratio	1.0	1.5	1.6	1.7	2.0	2.3
Interest Cover Ratio	100.1	100.4	210.8	208.8	417.0	NA
Net Debt/Equity	NA	3.2	0.4	0.1	-0.3	-0.5

Consolidated - Cash Flow Statement (INRm)

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	2,357	2,991	3,852	4,748	5,906	7,256
Depreciation	489	476	503	575	758	806
Interest & Finance Charges	22	26	14	-241	-258	-277
Direct Taxes Paid	-681	-843	-1,010	-1,195	-1,487	-1,826
(Inc)/Dec in WC	-221	-728	-1,150	-952	-413	-657
CF from Operations	**1,966**	**1,923**	**2,210**	**2,935**	**4,507**	**5,302**
Others	-29	-50	64	0	0	0
CF from Operating incl EO	**1,936**	**1,873**	**2,274**	**2,935**	**4,507**	**5,302**
(Inc)/Dec in FA	-248	-516	-1,032	-2,500	-550	-500
Free Cash Flow	**1,688**	**1,356**	**1,242**	**435**	**3,957**	**4,802**
(Pur)/Sale of Investments	0	0	0	0	0	0
Others	-126	-2,075	-4,527	263	271	277
CF from Investments	**-375**	**-2,592**	**-5,559**	**-2,237**	**-279**	**-223**
Issue of Shares	0	0	-151	86	0	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	-500	-1,742	-1,000
Interest Paid	-15	-16	-5	-22	-14	0
Dividend Paid	-1	-60	-96	0	0	0
Others	-3,086	-237	4,754	0	0	0
CF from Fin. Activity	**-1,328**	**941**	**3,238**	**-435**	**-1,755**	**-1,000**
Inc/Dec of Cash	**233**	**222**	**-47**	**262**	**2,473**	**4,079**
Opening Balance	91	325	547	499	761	3,235
Closing Balance	**325**	**547**	**499**	**761**	**3,235**	**7,314**

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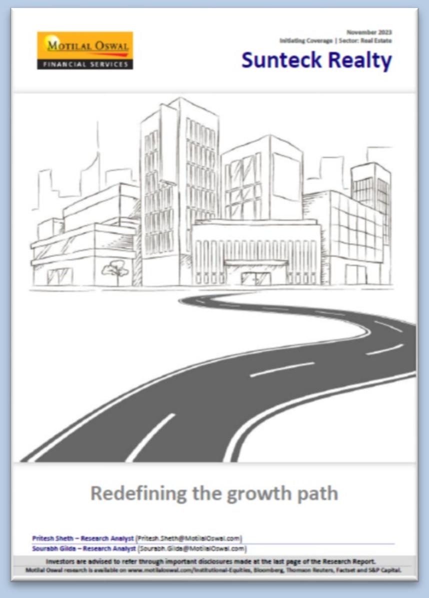

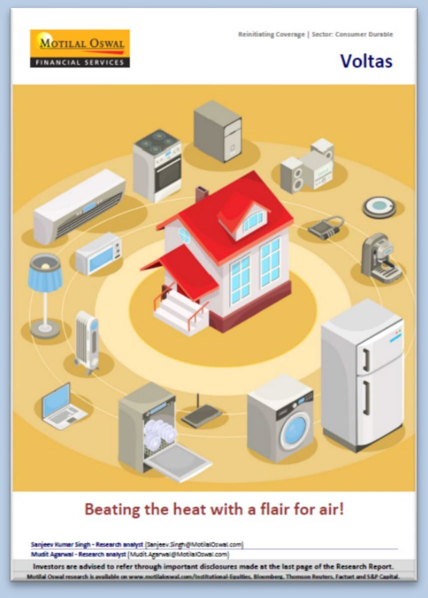

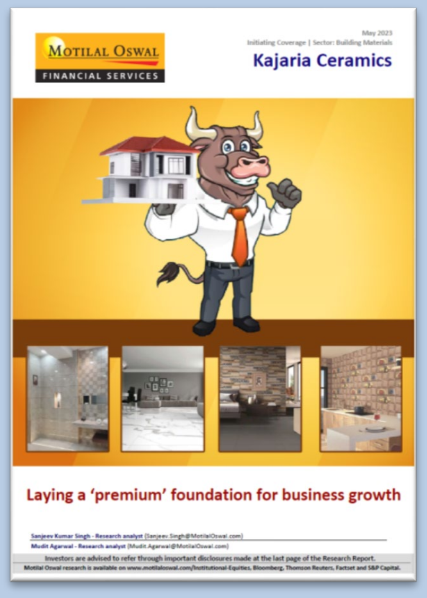

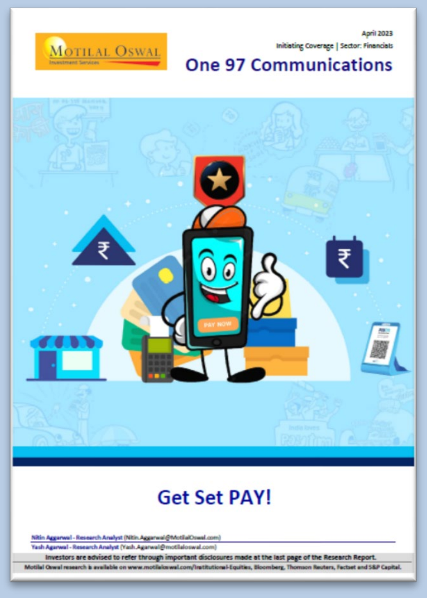

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