7 November 2026
2QFY27 Results Update | Sector: Consumer

Cello World

Estimate change	⇔
TP change	⇔
Rating change	⇔

Bloomberg	CELLO IN
Equity Shares (m)	226
M.Cap.(INRb)/(USDb)	82 / 0.9
52-Week Range (INR)	657 / 314
1, 6, 12 Rel. Per (%)	-11/-17/-42
12M Avg Val (INR M)	242

Financials & Valuations (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	23.2	25.4	28.3
EBITDA	4.7	5.1	6.6
Adj. PAT	3.4	3.5	4.5
EBITDA Margin (%)	20.3	20.1	23.3
Cons. Adj. EPS (INR)	15.3	15.9	20.5
EPS Gr. (%)	-7.6	4.5	28.3
BV/Sh. (INR)	127.3	137.6	157.3
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	Sep-26	Jun-26	Sep-25
Promoter	73.5	75.0	75.0
DII	14.6	15.1	14.0
FII	2.0	3.2	5.6
Others	9.9	6.6	5.4

Note: FII includes depository receipts

CMP: INR364 **TP: INR465 (+28%)** **Buy**

Writing instruments emerge as the key driver

Earnings in line

- Cello World (CELLO) reported a muted performance in 2QFY27, with EBITDA declining 5% in 2QFY27, impacted by elevated input costs, lower scale of operations at its steel bottle manufacturing unit due to operational inefficiencies, and subdued consumer demand. The company undertook price hikes across key categories and improved product mix to mitigate input cost pressures.
- CELLO is focused on ramping up steel bottle production through SKU expansion to 50-55 by Dec'26 and commissioning two additional lines. In glassware, the upgraded furnace is expected to restart by Dec'26, supporting higher utilization and better product mix, while Opalware utilization is targeted to reach ~85% (vs 80% currently) by FY27-end. In writing instruments, CELLO-led growth and product portfolio rationalization are expected to drive gradual margin expansion. Overall, management expects ~10% revenue growth in FY27
- We largely maintain our earnings estimates, with revenue/EBITDA/PAT CAGR of 10%/19%/16% over FY26-FY28. We continue to value the stock at 23x P/E on FY28E EPS, arriving at a TP of INR465. **Accordingly, we reiterate our BUY rating on the stock.**

Lower operating leverage results in margin contraction

- Consolidated revenue grew 8% YoY/20% QoQ to INR6.3b, in line with our estimate.
- Consumerware (66% revenue) declined 1% YoY to INR4.2b (est. INR4.3b). Segmental gross margins came in at 52% vs ~50% in 2QFY26. The company undertook price increases in the consumerware category to mitigate the impact of high input costs.
- Writing Instruments (22% revenue) registered robust growth of 68% YoY to INR1.4b (est. INR1.1b), largely driven by rising contribution of the Cello Pens business. Gross margin stood at ~52% vs 55%/54% in 2QFY26/1QFY27.
- Molded furniture & allied products (13% revenue) declined 6% YoY to INR789m (est. INR800m). Segmental gross margin stood at 38.5% vs 40.9%/39.5% in 2QFY26/1QFY27.
- EBITDA declined 5% YoY but grew 23% QoQ to INR1.3b, in line with our estimate. EBITDA margin stood at 19.2% vs 21.7%/18.8% in 2QFY26/1QFY27 (est. 18.5%).
- Adj. PAT declined 10% YoY to INR819m, in line with our estimate. In 1HFY27, revenue grew 4% YoY to INR11.6b, while EBITDA/PAT declined 7%/10% YoY to INR2.2b/INR1.6b.
- CFO grew 33% YoY to INR1.7b in 1HFY27. Gross debt declined to INR217m as of Sep'26 from INR346m as of Mar'26

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Highlights from the management commentary

- **Glassware:** Glassware operations continued to face pressure from elevated natural gas prices and competition from low-priced Chinese imports. Capacity utilization stood at ~60%, similar to the previous quarter. Natural gas prices, which had increased to INR53-54/Standard Cubic Metre (almost doubling), account for ~30% of the segment's cost. The company has taken a price hike of ~8-10%, alongside improving product mix, to partially offset the cost inflation. The segment achieved EBITDA breakeven during the quarter.
- **Opalware:** Opalware recorded marginal YoY growth, with capacity utilization stable at ~80%. The company has taken a price hike of ~10%, with volumes remaining broadly stable and the increase in realizations driving revenue growth. Management aims to increase utilization to ~85% by the end of FY27 and exhaust the existing capacity during FY28.
- **Writing instruments:** Writing instruments delivered strong YoY revenue growth of 69.5%, primarily driven by the ramp-up of the acquired CELLO brand, while the Unomax business remained broadly at last year's level. However, profitability remains below the historical levels of Unomax, as the company is rationalizing the product portfolio by discontinuing several low-margin products and introducing more margin-accretive offerings. Management expects margins to expand over the next few quarters as production costs are optimized and the product portfolio is further rationalized.

Valuation and view

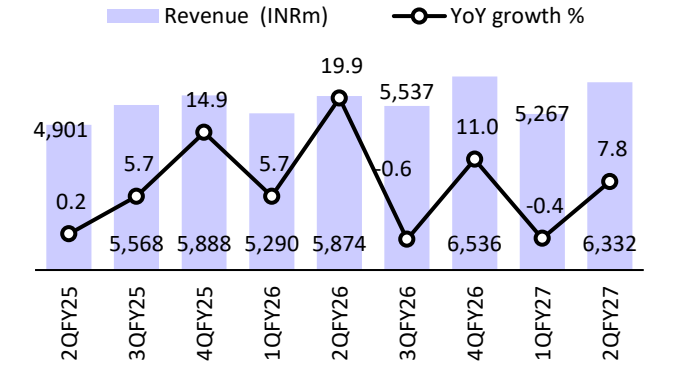
- CELLO's 2QFY27 profitability remained under pressure from elevated input costs and operational inefficiencies at its steel bottle facility, while glassware margins were impacted by higher natural gas prices. We expect a gradual recovery, supported by the ramp-up of steel bottle production through wider SKU availability and improved efficiencies, and the restart of the upgraded glassware furnace by Dec'26.
- Further, CELLO's margins are expected to expand through product portfolio rationalization, a shift toward higher-margin offerings and manufacturing cost optimization as the business scales up.
- We largely maintain our earnings estimates, with revenue/EBITDA/PAT CAGR of 10%/19%/16% over FY26-FY28. We continue to value the stock at 23x P/E on FY28E EPS, arriving at a TP of INR465. Accordingly, we reiterate our BUY rating on the stock.

Consolidated - Quarterly Earning Model (INRm)

Y/E March	FY26				FY27				FY26	FY27E	FY27	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Gross Sales	**5,290**	**5,874**	**5,537**	**6,536**	**5,267**	**6,332**	**6,398**	**7,386**	**23,237**	**25,384**	**6,285**	**1%**
YoY Change (%)	5.7	19.9	-0.6	11.0	-0.4	7.8	15.6	13.0	8.8	9.2	18.8	
Total Expenditure	4,200	4,598	4,480	5,247	4,277	5,114	5,068	5,839	18,524	20,297	5,123	
EBITDA	**1,091**	**1,277**	**1,057**	**1,289**	**991**	**1,218**	**1,331**	**1,547**	**4,713**	**5,087**	**1,163**	**5%**
Margins (%)	20.6	21.7	19.1	19.7	18.8	19.2	20.8	20.9	20.3	20.0	18.5	
Depreciation	186	195	199	197	218	241	245	245	777	949	225	
Interest	1	5	6	4	6	5	4	4	15	19	5	
Other Income	173	136	166	76	181	132	100	152	551	565	150	
PBT before EO expense	**1,076**	**1,213**	**1,018**	**1,165**	**947**	**1,104**	**1,182**	**1,450**	**4,472**	**4,683**	**1,083**	
Extra-Ord expense	0	0	74	0	0	0	0	0	74	0	0	
PBT	**1,076**	**1,213**	**944**	**1,165**	**947**	**1,104**	**1,182**	**1,450**	**4,397**	**4,683**	**1,083**	
Tax	269	299	250	264	213	285	297	365	1,082	1,160	275	
Rate (%)	25.0	24.7	26.5	22.6	22.5	25.8	25.2	25.2	24.6	24.8	25.4	
Adj PAT	**807**	**913**	**750**	**901**	**734**	**819**	**884**	**1,085**	**3,371**	**3,523**	**808**	**1%**
YoY Change (%)	-9.8	5.2	-18.9	-6.3	-9.0	-10.3	17.9	20.4	-7.6	4.5	0.1	
Margins (%)	15.2	15.5	13.5	13.8	13.9	12.9	13.8	14.7	14.5	13.9	12.9	

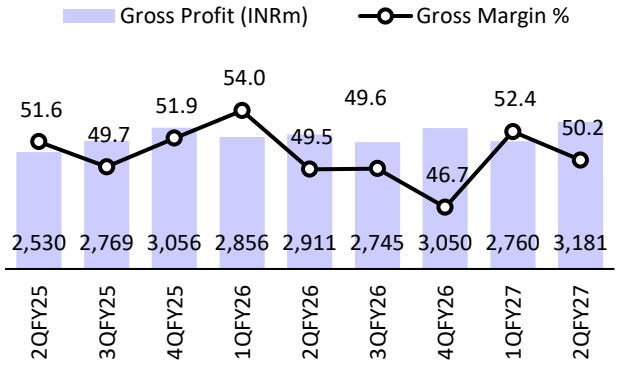
Key Exhibits

Exhibit 1: Consolidated revenue trend



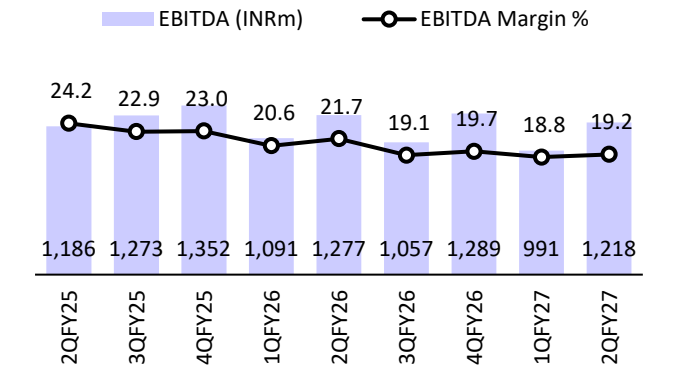
Source: Company, MOFSL

Exhibit 2: Consolidated gross profit trend



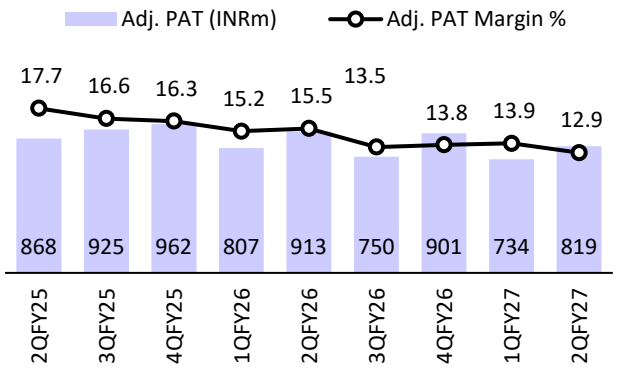
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



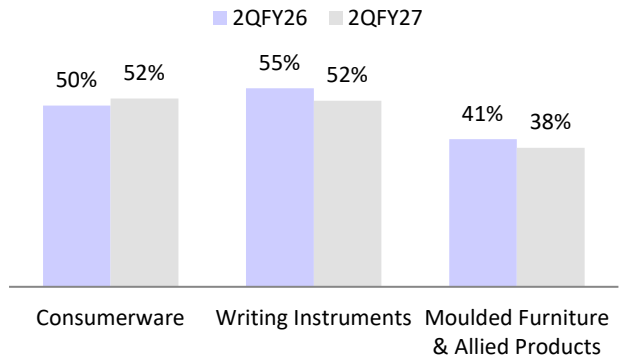
Source: Company, MOFSL

Exhibit 4: Consolidated adj. PAT trend



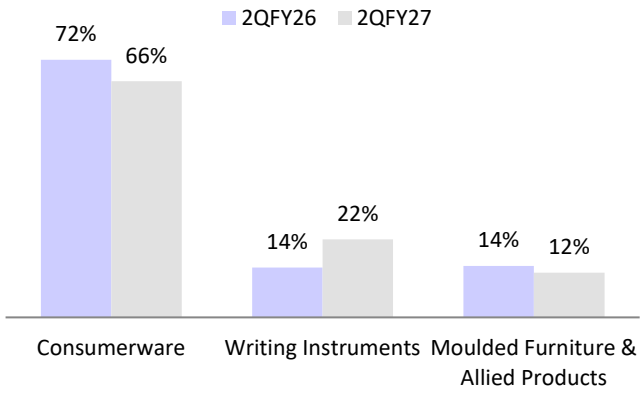
Source: Company, MOFSL

Exhibit 5: Gross margins across segments



Source: Company, MOFSL

Exhibit 6: Segment-wise revenue mix



Source: Company, MOFSL



Highlights from the management commentary

Guidance

- Management guided for 10% YoY revenue growth in FY27.
- The company expects steady performance improvement, driven by operational efficiencies, portfolio rationalization, distribution realignment, deeper market penetration, and working capital discipline.
- The second half is expected to be stronger, supported by festive demand shifting from 2Q to 3Q.

Overview

- West Asia-related geopolitical tensions and volatile crude prices have increased polymer, fuel, gas and packaging costs.
- Higher natural gas prices have impacted glassware and opalware margins.
- Management expects gross margin expansion over the next 1–1.5 months if crude price reductions sustain.
- Revenue mix comprised 64.8% consumerware, 21.5% writing instruments, and 13.7% molded furniture and allied products.
- Channel mix comprised 70.3% general trade, 15.7% online, 8.1% exports, and 5.9% modern trade.
- Online channel profitability remained in line with general trade.
- Gross margins stood at 53.4% for consumerware, 52.6% for writing instruments, and 39.0% for molded furniture and allied products.

Raw Material and Margin Outlook

- Polymer prices remain elevated despite some recent moderation in crude prices.
- Sustained reduction in crude prices could translate into lower polymer and gas costs over the next 1–1.5 months.
- Gross margin expansion is expected as input costs normalize and manufacturing efficiencies improve.
- Improved product mix and pricing actions are expected to provide additional margin support.

Consumerware

- Polymer price inflation and higher input costs continued to affect profitability.
- Glassware and steelware remain key growth and margin recovery opportunities.

- Management expects improved performance as manufacturing utilization and product mix improve.

Steel Bottles

- Demand remains healthy, with current production of approximately 2m pieces against installed capacity of 5m pieces.
- The company is expanding its portfolio to 50–55 SKUs, with two additional production lines included in the 5m-piece capacity.
- The company expects to recover the sales impact of import-related supply disruptions gradually as in-house manufacturing ramps up.
- The targeted product portfolio is expected by December, with meaningful sales recovery from the following quarter.
- Capacity utilization is expected to improve over the next couple of quarters.
- EBITDA margins are expected to stabilize as production efficiencies improve, although management has not provided a steady-state margin target.

Glassware

- Capacity utilization stood at approximately 60%, with customer response remaining encouraging.
- A temporary maintenance and machinery upgrade exercise is underway to improve product mix, with full operations expected to resume by December.
- Natural gas accounts for approximately 30% of the segment's cost, and gas prices have nearly doubled.
- The company implemented approximately 10% price hikes and improved product mix to offset higher costs.
- Competitive pressure from low-priced Chinese imports continues, although higher shipping costs have provided some relief.
- October demand was encouraging, and channel inventory remained relatively low following festive-season sales.
- Management expects profitability to recover as gas prices and operating costs normalize.

Opalware

- Management expects capacity utilization to reach approximately 85% by year-end and full utilization during the following financial year.
- Any proposed expansion is likely to be brownfield, leveraging existing glass plant infrastructure.

Writing Instruments

- The company continues to introduce products aligned with evolving customer preferences.
- Management is focused on profitable growth, portfolio strengthening, and improving competitive positioning.
- Segment margins remain under pressure, with recovery expected through improved operational efficiencies and product mix.

Molded Furniture and Allied Products

- High polymer prices, accounting for approximately 60% of raw material costs, have impacted volumes and profitability.
- Management is prioritizing revenue and profitability protection rather than pursuing aggressive growth in this highly competitive segment.

- E-commerce and quick commerce contributed 15.2% of segment revenue, providing an additional consumer reach channel.
- Management expects festive demand and normalization of polymer prices to support recovery in the second half.

Working Capital

- Working capital remained broadly at similar levels despite business growth.
- Higher inventory levels were primarily attributable to lower capacity utilization and elevated stocks.
- Receivables have been controlled, with management targeting a further reduction of approximately 5–7 days.
- The company is targeting an overall working capital cycle improvement of approximately 10–15 days over the coming quarters.

Capacity Expansion and Capex

- Management indicated limited capex requirements for FY27.
- Existing facilities provide sufficient headroom to support near-term growth through improved utilization.
- Steel bottle capacity can be expanded further through additional machinery.
- A decision on opalware expansion will depend on demand visibility and competitive developments.

Others

- Management expects three key margin expansion drivers: steel bottle manufacturing ramp-up, normalization of gas prices in glassware, and improved performance in writing instruments.
- Plastic and opalware growth remained relatively subdued during the quarter, while glassware continued to perform well.
- The company remains focused on improving utilization, optimizing the product mix, and strengthening working capital discipline.

Valuation and view

- CELLO's 2QFY27 profitability remained under pressure from elevated input costs and operational inefficiencies at its steel bottle facility, while glassware margins were impacted by higher natural gas prices. We expect a gradual recovery, supported by the ramp-up of steel bottle production through wider SKU availability and improved efficiencies, and the restart of the upgraded glassware furnace by Dec'26.
- Further, CELLO's margins are expected to expand through product portfolio rationalization, a shift toward higher-margin offerings, and manufacturing cost optimization as the business scales up.
- We largely maintain our earnings estimates, with revenue/EBITDA/PAT CAGR of 10%/19%/16% over FY26-FY28. We continue to value the stock at 23x P/E on FY28E EPS, arriving at a TP of INR465. 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	25,337	28,263	25,384	28,293	0%	0%
EBITDA	5,031	6,642	5,087	6,649	1%	0%
Adj. PAT	3,495	4,529	3,523	4,519	1%	0%

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**	**25,384**	**28,293**
Change (%)	NA	29.5	32.2	11.3	6.8	8.8	9.2	11.5
RM Cost	5,214	6,786	8,955	9,484	10,315	11,676	12,579	13,581
Employees Cost	968	1,319	1,576	1,895	2,112	2,420	2,824	2,801
Other Expenses	1,544	2,151	3,231	3,575	3,833	4,428	4,895	5,262
Total Expenditure	**7,727**	**10,256**	**13,762**	**14,954**	**16,260**	**18,524**	**20,297**	**21,644**
EBITDA	**2,767**	**3,336**	**4,205**	**5,049**	**5,104**	**4,713**	**5,087**	**6,649**
Margin (%)	26.4	24.5	23.4	25.2	23.9	20.3	20.0	23.5
Depreciation	489	476	503	567	620	777	949	1,225
EBIT	**2,278**	**2,860**	**3,702**	**4,481**	**4,484**	**3,936**	**4,137**	**5,424**
Int. and Finance Charges	23	29	18	26	15	15	19	15
Other Income	101	159	167	299	447	551	565	630
PBT bef. EO Exp.	**2,357**	**2,991**	**3,852**	**4,755**	**4,916**	**4,472**	**4,683**	**6,039**
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**	**4,683**	**6,039**
Total Tax	701	796	1,001	1,189	1,267	1,082	1,160	1,520
Tax Rate (%)	29.8	26.6	26.0	25.0	25.8	24.6	24.8	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**	**3,523**	**4,519**
Adjusted PAT	**1,512**	**2,040**	**2,661**	**3,310**	**3,649**	**3,371**	**3,523**	**4,519**
Change (%)	NA	34.9	30.5	24.4	10.2	-7.6	4.5	28.3
Margin (%)	14.4	15.0	14.8	16.5	17.1	14.5	13.9	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	29,259	33,609
Net Worth	**-1,068**	**876**	**3,365**	**11,492**	**24,085**	**27,009**	**30,386**	**34,736**
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**	**30,554**	**34,904**
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	3,585	4,809
Net Fixed Assets	**2,592**	**2,586**	**2,717**	**3,619**	**6,155**	**7,110**	**7,185**	**6,690**
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**	**19,283**	**24,722**
Inventory	3,069	3,765	4,298	4,622	5,246	5,347	5,841	6,511
Account Receivables	3,714	4,067	4,623	6,106	6,578	7,496	7,998	8,372
Cash and Bank Balance	325	547	499	651	876	1,278	3,314	7,465
Loans and Advances	525	726	1,354	1,223	1,379	1,950	2,131	2,375
Curr. Liability & Prov.	**7,508**	**6,000**	**6,808**	**2,266**	**2,176**	**2,508**	**2,740**	**3,054**
Account Payables	984	1,255	1,342	1,442	1,502	1,515	1,655	1,845
Other Current Liabilities	6,471	4,685	5,428	783	604	824	900	1,003
Provisions	53	60	39	41	70	169	185	206
Net Current Assets	**125**	**3,106**	**3,966**	**10,335**	**11,902**	**13,563**	**16,543**	**21,668**
Appl. of Funds	**3,957**	**7,336**	**8,709**	**17,452**	**24,242**	**27,523**	**30,554**	**34,904**

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**	**15.9**	**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	137.6	157.3
DPS	0.0	0.0	0.0	0.8	0.8	0.8	0.8	0.8
Payout (%)	0.0	0.0	0.0	4.8	4.5	5.0	4.8	3.7
Valuation (x)								
P/E	51.3	38.0	29.1	23.4	22.1	23.9	22.9	17.9
Cash P/E	38.7	30.8	24.5	20.0	18.2	18.7	18.0	14.0
P/BV	NA	88.4	23.0	6.7	3.2	2.9	2.7	2.3
EV/Sales	7.2	6.0	4.2	4.1	3.5	3.2	2.9	2.4
EV/EBITDA	27.1	24.6	17.8	16.2	14.5	15.6	14.4	10.4
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	16.4
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	15.6	19.7
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	214.9	361.6
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	4,683	6,039
Depreciation	489	476	503	567	620	777	949	1,225
Interest & Finance Charges	22	26	14	26	15	15	-546	-615
Direct Taxes Paid	-681	-843	-1,010	-1,160	-1,200	-1,084	-1,160	-1,520
(Inc)/Dec in WC	-221	-728	-1,150	-1,667	-1,309	-1,124	-944	-974
CF from Operations	**1,966**	**1,923**	**2,210**	**2,516**	**3,038**	**3,055**	**2,982**	**4,155**
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**	**4,155**
(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**	**3,705**
(Pur)/Sale of Investments	0	0	0	0	0	295	0	0
Others	-126	-2,075	-4,527	228	-3,836	140	565	630
CF from Investments	**-375**	**-2,592**	**-5,559**	**-2,421**	**-5,504**	**-1,743**	**-435**	**180**
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	-19	-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**	**-511**	**-184**
Inc/Dec of Cash	**233**	**222**	**-47**	**151**	**225**	**761**	**2,036**	**4,151**
Opening Balance	91	325	547	499	651	517	1,278	3,314
Closing Balance	**325**	**547**	**499**	**651**	**876**	**1,278**	**3,314**	**7,465**

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