

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR617 TP: INR800 (+30%) Buy

Muted Q3 performance; consumption-led rebound on the horizon

Bloomberg	CELLO IN
Equity Shares (m)	221
M.Cap.(INRb)/(USDb)	135.6 / 1.6
52-Week Range (INR)	1025 / 596
1, 6, 12 Rel. Per (%)	-12/-26/-31
12M Avg Val (INR M)	212

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	21	24.6	29.3
EBITDA	5	5.7	7.5
Adj. PAT	3.4	3.7	5
EBITDA Margin (%)	23.8	23.2	25.6
Cons. Adj. EPS (INR)	15.8	17.5	23.7
EPS Gr. (%)	1.3	10.8	35.4
BV/Sh. (INR)	69.2	86	108.9

Ratios

Net D:E	-0.1	-0.3	-0.4
RoE (%)	23	20	24
RoCE (%)	24	24	26

Valuations

P/E (x)	39	35	26
EV/EBITDA (x)	26	23	17

Shareholding Pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	78.1
DII	13.5	13.6	12.8
FII	7.5	7.7	3.0
Others	4.0	3.7	6.2

Note: FII includes depository receipts

Earnings below estimates

- CELLO reported ~5% revenue growth in 3QFY25, driven by festive demand in the first half of the quarter. However, this was offset by a slowdown in consumption and discretionary spending later in the quarter.
- Growth in Consumerware (up 9% YoY) and Moulded Furniture & Allied products (up 7% YoY) was partially impacted by a decline in the Writing Instrument segment (down 11% YoY), despite export markets showing sequential recovery.
- Despite short-term headwinds, the company anticipates a rebound in consumption-driven demand due to the revised income tax policies in the new budget and untapped growth potential in quick commerce (currently ~1.5%-2.0% of e-commerce sales)
- Factoring in the weak 3Q performance, we cut our FY25/FY26/FY27 EPS estimates by 6%/19%/11% due to a delay in the ramp-up of Glassware, along with low revenue and margin for Writing Instrument caused by subdued export demand. We reiterate our Buy rating with a TP of INR800 (premised on 34x FY27E EPS)

Higher RM and discounting continue to hurt operating performance

- Consol. revenue grew ~5.7% /13.6% YoY/QoQ at INR5.6b (est. INR5.7b). EBITDA declined 3.6% YoY, while it grew 7% QoQ to INR1.3b (est. INR1.4b).
- EBITDA margins contracted 220bp YoY/130bp QoQ to 22.9% (est. 25.1%) as gross margins contracted 180bp YoY/190bp QoQ to 49.7%, led by discounting in the competitive market along with a rise in raw material costs.
- Adj. PAT grew 1.8%/6% YoY/QoQ to INR864m (est. INR939m).
- Consumerware segment's revenue (69% of total revenue in 3QFY25) grew 9% YoY/13% QoQ to INR3.9b.
- Writing Instrument segment's revenue (~14% revenue mix) declined 11% YoY, while revenue grew 11% QoQ to INR773m. On the other hand, the revenue of Moulded Furniture and Allied products (~17% revenue mix) grew 7% YoY/19% QoQ to INR931m.
- In 9MFY25, revenue/EBITDA/adj. PAT increased 4%/1%/3% to INR15.5b/ INR3.7b/INR2.5b.

Highlights from the management commentary

- **Guidance:** The company expects 12-14% revenue growth in FY26, with an upside to 15-17% if demand improves. EBITDA margins for FY26 are expected to remain stable, despite short-term pressures, primarily due to the ramp-up of Glassware (maximum impact likely to be ~100bp).
- **Glassware Expansion:** The newly commissioned glassware plant is currently at 50% capacity utilization and is expected to reach 75-80% in six months. It is expected to generate INR1.5b in FY26, scaling to INR2.5b in FY27 at peak capacity utilization.

- **Demand Outlook:** While exports remain challenging, early signs of recovery are visible. E-commerce and quick commerce are growing at 15-20%, driving revenue growth. New product launches contribute 15% of revenue, with further expansion in Writing Instruments and Premium Consumer Houseware. Additionally, higher e-commerce penetration and a capacity ramp-up in Glassware and Opalware are expected to support growth and margin recovery.

Valuation and view

- We expect the Writing Instrument segment to witness muted growth on a YoY basis in 4QFY25, followed by a recovery starting 1QFY26, led by a recovery in the export business. The Glassware facility began commercial production in Feb'25, and we anticipate a ramp-up in commercial production from 1QFY26 onwards.
- The inventory levels in consumer houseware have normalized, as festive demand helped clear excess stock. As a result, we expect healthy growth in the segment.
- Factoring in the weak 3Q performance, we cut our FY25/FY26/FY27 EPS estimates by 6%/19%/11% due to a delay in the ramp-up of Glassware and lowering revenue and margin for Writing Instrument caused by subdued export demand. **We reiterate our Buy rating with a TP of INR800 (premised on 34x FY27E EPS).**

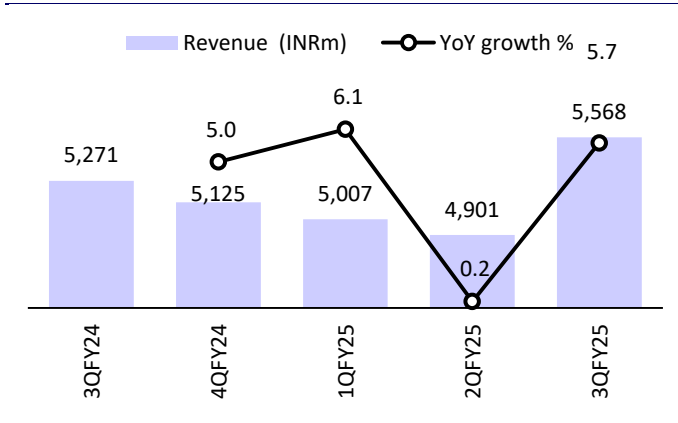
Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E 3Q	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Gross Sales	4,718	4,890	5,271	5,125	5,007	4,901	5,568	5,555	20,003	21,031	5,695	-2%
YoY Change (%)	NA	NA	NA	5.0	6.1	0.2	5.7	8.4	11.3	5.1	16.5	
Total Expenditure	3,526	3,687	3,949	3,792	3,714	3,715	4,296	4,269	14,954	15,993	4,263	
EBITDA	1,192	1,203	1,321	1,333	1,293	1,186	1,273	1,286	5,049	5,037	1,432	-11%
Margins (%)	25.3	24.6	25.1	26.0	25.8	24.2	22.9	23.1	25.2	24.0	25.1	
Depreciation	118	127	147	175	141	148	151	160	567	600	150	
Interest	6	7	5	8	6	3	3	3	26	14	3	
Other Income	81	107	45	66	60	133	124	125	299	442	65	
PBT before EO expense	1,149	1,176	1,214	1,215	1,206	1,168	1,243	1,248	4,755	4,865	1,344	
PBT	1,149	1,176	1,214	1,215	1,206	1,168	1,243	1,248	4,755	4,865	1,344	
Tax	321	310	307	250	311	300	318	313	1,188	1,242	339	
Rate (%)	27.9	26.4	25.3	20.6	25.8	25.7	25.6	25.1	25.0	25.5	25.2	
Mlt & Profit/Loss of Asso. Cos.	54	66	58	77	69	51	61	88	256	269	66	
Reported PAT	774	800	849	888	826	816	864	847	3,311	3,353	939	
Adj PAT	774	800	849	888	826	816	864	847	3,311	3,353	939	-8%
YoY Change (%)	NA	NA	NA	-81.8	6.6	2.1	1.8	-4.6	24.4	1.3	17.4	
Margins (%)	16.4	16.4	16.1	17.3	16.5	16.7	15.5	15.2	16.6	15.9	16.5	

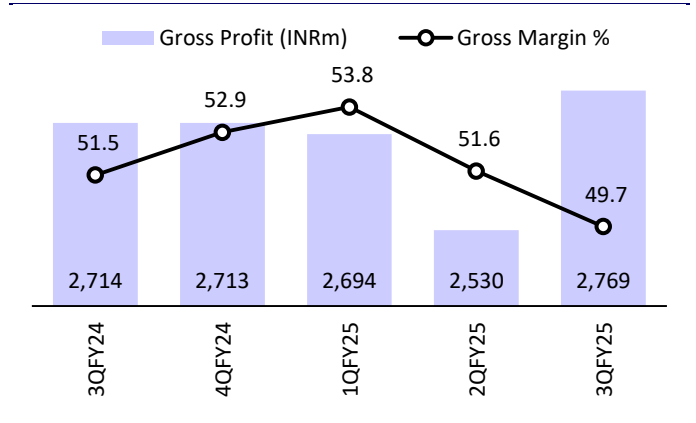
Key Exhibits

Exhibit 1: Consolidated revenue trend



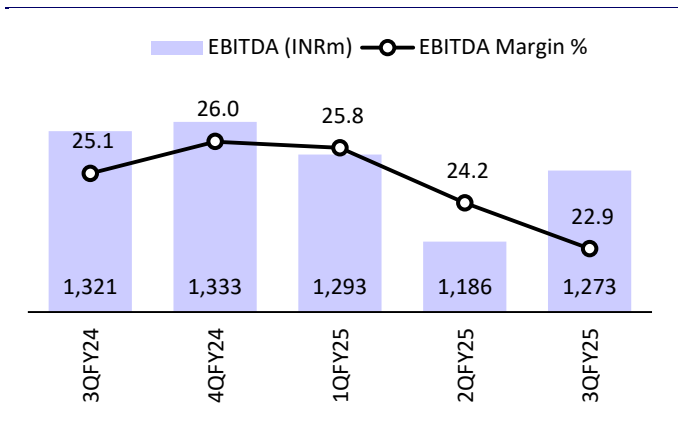
Source: Company, MOFSL

Exhibit 2: Consolidated gross profit trend



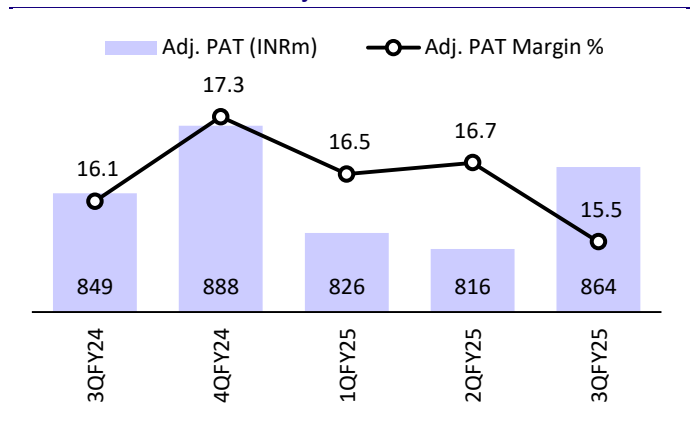
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



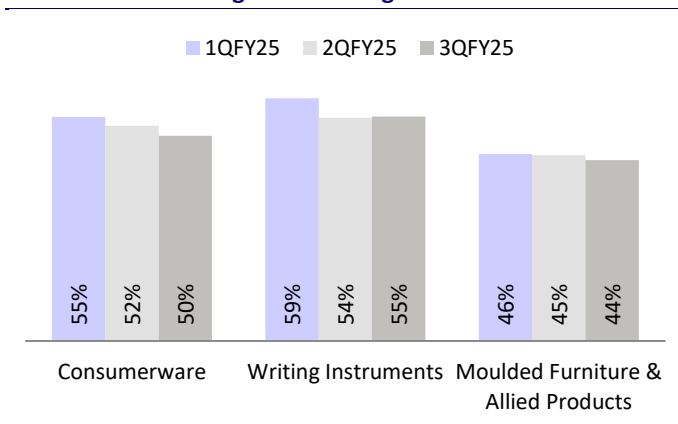
Source: Company, MOFSL

Exhibit 4: Consolidated adj. PAT trend



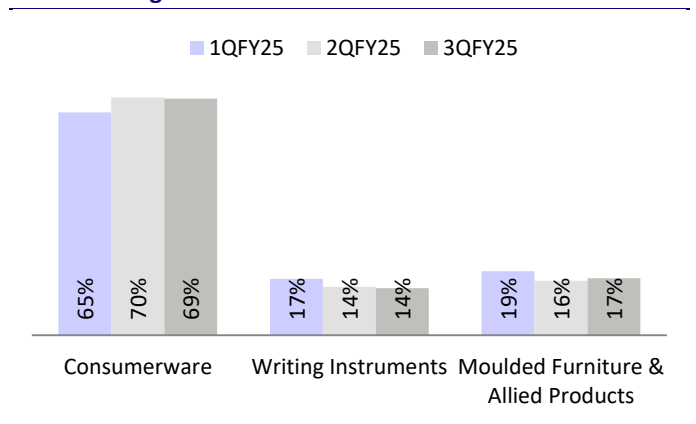
Source: Company, MOFSL

Exhibit 5: Gross margins across segments



Source: Company, MOFSL

Exhibit 6: Segment-wise revenue mix



Source: Company, MOFSL



Highlights from the management commentary

Guidance

- The company expects revenue growth of 12-14% in FY26, with the possibility of reaching 15-17% if demand conditions improve.
- The newly added glassware plant is projected to contribute an additional 3.5-4% to overall revenue.
- The Consumerware segment is expected to grow steadily at 8%, while the Writing Instruments business is projected to achieve 8-10% growth.
- The Furniture segment, which has been showing signs of recovery, is anticipated to grow 5-7% in the coming year.

Margin trends & cost pressures

- EBITDA margins for FY26 are expected to remain stable, despite short-term pressures.
- The ramp-up of the glassware plant will temporarily impact margins by ~100bp.
- Gross margins have slightly contracted due to a 0.5-0.7% impact from higher discounting in a competitive market, coupled with rising raw material prices and unfavorable product mix, though better pricing strategies have helped offset these pressures.
- While EBIT margins will see a greater impact in the early phase of the glassware expansion, strong gross margins in the Glassware segment are expected to drive improvements in FY26.

Demand outlook

- While the export market remains challenging, early signs of improvement are becoming visible.
- The company anticipates strong momentum in e-commerce and quick commerce channels, expecting 15-20% growth from these segments.
- Higher e-commerce penetration, along with capacity utilization ramp-up in the Glassware and Opalware segments, is expected to drive revenue growth and support margin recovery.
- New product launches already contribute 15% to total revenue, with further expansion planned in Writing Instrument and Premium Homeware. Additionally, the focus on premiumization and an improved product mix is expected to enhance margins and profitability.

Capacity expansion & capex plans

- The company has earmarked INR2.75b for capex in FY25, while FY26 capex is projected to be lower at INR750-1000m.
- The glassware plant, commissioned on 1st February and currently operating at 50% efficiency, is expected to scale up to 75-80% over the next six months. The first-year revenue contribution is estimated at INR1.5b, with expectations to increase to INR2.5b at full capacity in FY27.
- Opalware production utilization currently stands at 80% and is anticipated to improve further to 90-95% next year.
- The company is focused on expanding in quick commerce and premium product categories to strengthen its market share.

Working capital & cash flow management

- Trade receivables improved from 124 days in Q2FY25 to 111 days, with a target to reduce by another 15 days.
- Inventory turnover has improved, with inventory days decreasing from 98 to 88, while trade payables remain stable at 25 days, ensuring a healthy cash flow cycle.
- The company continues to focus on working capital optimization, aiming for a 90-95 day cycle in the coming quarters.

Others

- Management is closely monitoring geopolitical risks that could affect export performance, while the domestic market remains strong, supported by favorable budget policies and interest rate cuts.
- Despite a competitive landscape, the company has not faced significant market share loss as industry-wide growth has been slower.
- Temporary margin contraction due to additional market discounts is expected to stabilize, while the company remains focused on improving ROCE and ROE to drive long-term shareholder value.

Valuation and view

- We expect the writing instrument segment to witness muted growth on a YoY basis in 4QFY25, followed by a recovery from 1QFY26 onwards, led by a recovery in the export business. The Glassware facility began commercial production in Feb'25 and we expect the ramp-up in commercial production from 1QFY26 onwards.
- The inventory levels in consumer houseware have normalized, as festive demand helped clear excess stocks. As a result, we expect healthy growth in the segment.
- Factoring in the weak 3Q performance, we cut our FY25/FY26/FY27 EPS estimates by 6%/19%/11% due to a delay in the ramp-up of Glassware and lowering revenue and margin for Writing Instrument caused by subdued export demand. **We reiterate our Buy rating with a TP of INR800 (premised on 34x FY27E EPS)**

Exhibit 7: Earnings change

Earnings change (INR m)	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	21,700	26,031	31,499	21,031	24,606	29,251	-3%	-5%	-7%
EBITDA	5,480	7,028	8,505	5,037	5,674	7,451	-8%	-19%	-12%
Adj. PAT	3,574	4,595	5,675	3,353	3,715	5,029	-6%	-19%	-11%

Financials and valuations

Consolidated - Income Statement							(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	10,495	13,592	17,967	20,003	21,031	24,606	29,251
Change (%)	NA	29.5	32.2	11.3	5.1	17.00	18.9
RM Cost	5,214	6,786	8,955	9,484	10,177	11,516	13,690
Employees Cost	968	1,319	1,576	1,895	2,135	2,411	2,720
Other Expenses	1,544	2,151	3,231	3,575	3,682	5,005	5,391
Total Expenditure	7,727	10,256	13,762	14,954	15,993	18,933	21,801
EBITDA	2,767	3,336	4,205	5,049	5,037	5,674	7,451
Margin (%)	26.4	24.5	23.4	25.2	24.0	23.1	25.5
Depreciation	489	476	503	567	600	797	852
EBIT	2,278	2,860	3,702	4,481	4,437	4,876	6,599
Int. and Finance Charges	23	29	18	26	14	2	0
Other Income	101	159	167	299	442	492	585
PBT bef. EO Exp.	2,357	2,991	3,852	4,755	4,865	5,366	7,184
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	2,357	2,991	3,852	4,755	4,865	5,366	7,184
Total Tax	701	796	1,001	1,189	1,242	1,351	1,808
Tax Rate (%)	29.8	26.6	26.0	25.0	25.5	25.2	25.2
Minority Interest	143	155	189	256	269	301	347
Reported PAT	1,512	2,040	2,661	3,310	3,353	3,715	5,029
Adjusted PAT	1,512	2,040	2,661	3,310	3,353	3,715	5,029
Change (%)	NA	34.9	30.5	24.4	1.3	10.8	35.4
Margin (%)	14.4	15.0	14.8	16.5	15.9	15.1	17.2

Consolidated - Balance Sheet							(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	0	0	975	1,061	1,061	1,061	1,061
Total Reserves	-1,068	876	2,390	10,431	13,625	17,180	22,050
Net Worth	-1,068	876	3,365	11,492	14,686	18,242	23,112
Minority Interest	1,722	1,851	1,999	2,206	2,475	2,777	3,123
Total Loans	3,221	4,525	3,261	3,627	627	27	27
Deferred Tax Liabilities	82	84	84	126	126	126	126
Capital Employed	3,957	7,336	8,709	17,452	17,915	21,172	26,388
Gross Block	2,901	2,898	3,388	4,857	6,997	7,495	7,995
Less: Accum. Deprn.	309	312	671	1,238	1,838	2,636	3,488
Net Fixed Assets	2,592	2,586	2,717	3,619	5,159	4,860	4,507
Capital WIP	43	145	256	1,800	310	312	312
Total Investments	1,197	1,500	1,769	1,698	1,698	1,698	1,698
Current Investments	747	1,150	1,263	1,141	1,141	1,141	1,141
Curr. Assets, Loans&Adv.	7,633	9,106	10,774	12,601	13,131	17,090	23,184
Inventory	3,069	3,765	4,298	4,622	4,782	5,595	6,652
Account Receivables	3,714	4,067	4,623	6,106	5,474	6,404	7,613
Cash and Bank Balance	325	547	499	651	1,589	3,586	7,131
Loans and Advances	525	726	1,354	1,223	1,286	1,504	1,788
Curr. Liability & Prov.	7,508	6,000	6,808	2,266	2,382	2,787	3,314
Account Payables	984	1,255	1,342	1,442	1,516	1,774	2,109
Other Current Liabilities	6,471	4,685	5,428	783	823	963	1,145
Provisions	53	60	39	41	43	51	60
Net Current Assets	125	3,106	3,966	10,335	10,749	14,302	19,871
Appl. of Funds	3,957	7,336	8,709	17,452	17,915	21,172	26,388

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	7.1	9.6	12.5	15.6	15.8	17.5	23.7
Cash EPS	9.4	11.9	14.9	18.3	18.6	21.3	27.7
BV/Share	NA	4.1	15.9	54.1	69.2	86.0	108.9
DPS	0.0	0.0	0.0	0.8	0.8	0.8	0.8
Payout (%)	0.0	0.0	0.0	4.8	4.7	4.3	3.2
Valuation (x)							
P/E	86.6	64.2	49.2	39.6	39.1	35.3	26.0
Cash P/E	65.4	52.1	41.4	33.8	33.1	29.0	22.3
P/BV	NA	149.4	38.9	11.4	8.9	7.2	5.7
EV/Sales	11.8	10.0	6.9	6.7	6.2	5.2	4.3
EV/EBITDA	44.9	40.7	29.4	26.7	26.1	22.7	16.9
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.1	0.1	0.1
FCF per share	8.7	6.4	6.4	-1.6	17.3	10.7	14.7
Return Ratios (%)							
RoE	NA	232.8	79.1	28.8	22.8	20.4	24.3
RoCE	NA	58.7	47.6	33.0	23.9	23.9	26.0
RoIC	NA	55.7	48.4	34.5	23.9	24.4	30.1
Working Capital Ratios							
Fixed Asset Turnover (x)	3.6	4.7	5.3	4.1	3.0	3.3	3.7
Asset Turnover (x)	2.7	1.9	2.1	1.1	1.2	1.2	1.1
Inventory (Days)	107	101	87	84	83	83	83
Debtor (Days)	129	109	94	111	95	95	95
Creditor (Days)	34	34	27	26	26	26	26
Leverage Ratio (x)							
Current Ratio	1.0	1.5	1.6	5.6	5.5	6.1	7.0
Interest Cover Ratio	100.1	100.4	210.8	175.5	314.4	2,291.3	37,015.5
Net Debt/Equity	NA	3.2	0.4	0.2	-0.1	-0.3	-0.4

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	2,357	2,991	3,852	4,750	4,865	5,366	7,184
Depreciation	489	476	503	567	600	797	852
Interest & Finance Charges	22	26	14	26	-428	-490	-585
Direct Taxes Paid	-681	-843	-1,010	-1,160	-1,242	-1,351	-1,808
(Inc)/Dec in WC	-221	-728	-1,150	-1,667	525	-1,557	-2,023
CF from Operations	1,966	1,923	2,210	2,516	4,320	2,766	3,620
Others	-29	-50	64	-204	0	0	0
CF from Operating incl EO	1,936	1,873	2,274	2,312	4,320	2,766	3,620
(Inc)/Dec in FA	-248	-516	-1,032	-2,649	-650	-500	-500
Free Cash Flow	1,688	1,356	1,242	-337	3,670	2,266	3,120
(Pur)/Sale of Investments	0	0	0	0	0	0	0
Others	-126	-2,075	-4,527	228	442	492	585
CF from Investments	-375	-2,592	-5,559	-2,421	-208	-8	85
Issue of Shares	0	0	-151	0	0	0	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	191	-3,000	-600	0
Interest Paid	-15	-16	-5	-22	-14	-2	0
Dividend Paid	-1	-60	-96	-46	-159	-159	-159
Others	-3,086	-237	4,754	138	0	0	0
CF from Fin. Activity	-1,328	941	3,238	260	-3,173	-761	-159
Inc/Dec of Cash	233	222	-47	151	939	1,996	3,545
Opening Balance	91	325	547	499	651	1,589	3,586
Closing Balance	325	547	499	651	1,589	3,586	7,131

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

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

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

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