

Estimate change	
TP change	
Rating change	

Bloomberg	CELLO IN
Equity Shares (m)	221
M.Cap.(INRb)/(USDb)	105.4 / 1.2
52-Week Range (INR)	674 / 468
1, 6, 12 Rel. Per (%)	-6/-14/-34
12M Avg Val (INR M)	130

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	22.8	25.5	28.9
EBITDA	4.7	6.2	7.4
Adj. PAT	3.1	4.1	4.9
EBITDA Margin (%)	20.6	24.3	25.6
Cons. Adj. EPS (INR)	14.1	18.6	22.1
EPS Gr. (%)	-8	31.8	19.1
BV/Sh. (INR)	115.8	129.1	150.5
Ratios			
Net D:E	-0.4	-0.4	-0.5
RoE (%)	13	16	16
RoCE (%)	15	17	17
Valuations			
P/E (x)	34	26	22
EV/EBITDA (x)	21	15	13

Shareholding Pattern (%)

As on	Dec-25	Sep-25	Dec-24
Promoter	75.0	75.0	75.0
DII	13.4	14.0	13.5
FII	5.4	5.6	7.5
Others	6.2	5.4	4.0

Note: FII includes depository receipts

CMP: INR477

TP: INR600 (+26%)

Buy

Consumerware mars overall performance

Earnings miss our estimate

- Cello World (CELLO) reported a muted quarter with flat revenue growth due to flat growth in the consumerware segment. Following the implementation of BIS norms, the company has been unable to import products of BIS-compliant quality, resulting in a 40% dip in steelware revenue. Further, the molded furniture segment declined 11% YoY due to weakness in polymer prices, which was partially offset by a 10% growth in the writing instrument segment, led by healthy growth in both export and domestic markets.
- The company expects an 8–10% revenue growth until 1HFY27, with pickup expected after that due to increasing utilization in the glassware plant, stabilization in the steelware business, and growth in the Writing Instruments segment (through Cello and Unomax).
- **Factoring in lower-than-estimated earnings in 3Q and management guidance, we cut our FY26E/FY27E/FY28E earnings by 12%/15%/11%. We reiterate our BUY rating with a TP of INR600 (premised on 27x FY28E EPS).**

Weakness in margins due to operating deleverage

- In 3QFY26, CELLO's consol. revenue remained largely flat YoY, while it declined 5% QoQ to INR5.5b (est. INR6.1b). EBITDA declined ~17%/17% YoY/QoQ to INR1.1b (est. INR1.4b).
- EBITDA margin contracted 380bp/260bp YoY/QoQ to 19.1%, largely due to higher employee costs/other expenses (up 200bp/170bp YoY and 60bp/200bp QoQ). Gross margin contracted 10bp YoY to 49.6%, while it remained flat QoQ.
- Adj. PAT declined ~20%/19% YoY/QoQ to INR692m (est. INR903m). The company had a labor code impact of INR74m.
- Consumerware segment's revenue (70% of total revenue in 3QFY26) remained flat YoY, while it declined 9% QoQ to INR3.9b. Gross margin expanded 20bp YoY.
- Writing instrument segment's revenue (~15% revenue mix) grew 10%/4% YoY/QoQ to INR853m. Further, molded furniture and allied products (~12% of the revenue mix) declined 11%/1% YoY/QoQ to INR830m. The gross margin of writing instruments expanded 210bp YoY, while that of molded furniture and allied products declined 450bp YoY.

Highlights from the management commentary

- **Steelware:** Stockouts in insulated steel products led to a 40% drop in steel revenue; without these constraints, the consumerware segment could have grown ~12% YoY. Although the company had built 6–8 months of inventory post-BIS implementation and sourced from local OEMs, it currently faces product shortages and plans to ramp up production to restore growth.

- **Writing Instruments:** The company expects the Cello brand to start contributing from 4QFY26 and targets combined revenue of INR5b from Cello and Unomax in FY27, with plans to scale this to over INR10b in the following years. Given that stationery forms a relatively small portion of BIC Cello's portfolio, management sees significant growth potential in this segment.
- **Glassware:** The glassware facility is currently operating at ~60% utilization and is expected to remain at similar levels over the next couple of quarters. The company aims to ramp up utilization to ~80% by the end of FY27. At present, the facility is operating at break-even and is not yet profitable.

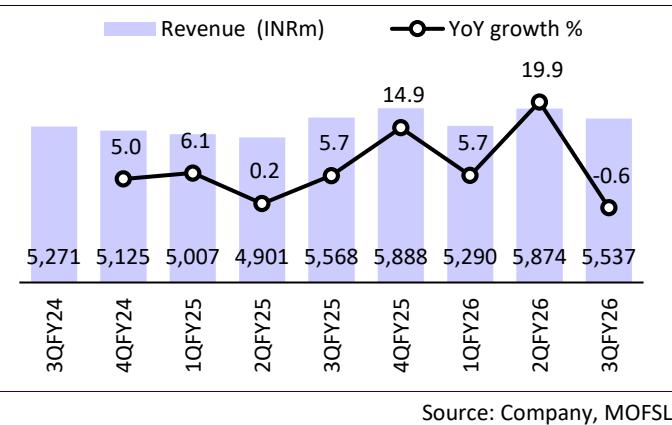
Valuation and view

- The company expects sustained healthy growth in the writing instruments segment, supported by the addition of the Cello brand to its portfolio. Meanwhile, the consumerware segment is expected to stabilize from 2HFY27 onward, driven by normalization in steelware and improved capacity utilization in the glassware segment.
- We expect CELLO to register an 11%/13%/13% revenue/EBITDA/Adj. PAT CAGR over FY25-28. **We reiterate our BUY rating with a TP of INR600 (premised on 27x FY28E EPS).**

Y/E March	FY25								FY26			FY25	FY26E	FY26E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE							
Gross Sales	5,007	4,901	5,568	5,888	5,290	5,874	5,537	6,050	21,364	22,751	6,072				-9%
YoY Change (%)	6.1	0.2	5.7	14.9	5.7	19.9	-0.6	2.7	6.8	6.5	9.0				
Total Expenditure	3,714	3,715	4,296	4,536	4,200	4,598	4,480	4,775	16,260	18,052	4,713				
EBITDA	1,293	1,186	1,273	1,352	1,091	1,277	1,057	1,275	5,104	4,699	1,360				-22%
Margins (%)	25.8	24.2	22.9	23.0	20.6	21.7	19.1	21.1	23.9	20.7	22.4				
Depreciation	141	148	151	180	186	195	199	210	620	790	205				
Interest	6	3	3	3	1	5	6	5	15	17	1				
Other Income	60	133	124	130	173	136	166	175	447	650	145				
PBT before EO expense	1,206	1,168	1,243	1,299	1,076	1,213	1,018	1,235	4,916	4,541	1,299				
Extra-Ord expense	0	0	0	0	0	0	74	0	0	74	0				
PBT	1,206	1,168	1,243	1,299	1,076	1,213	944	1,235	4,916	4,467	1,299				
Tax	311	300	318	338	269	299	250	314	1,267	1,132	326				
Rate (%)	25.8	25.7	25.6	26.0	25.0	24.7	26.5	25.4	25.8	25.3	25.1				
MI & Profit/Loss of Asso. Cos.	69	51	61	80	76	57	58	83	261	274	70				
Reported PAT	826	816	864	882	730	857	636	838	3,388	3,062	903				
Adj PAT	826	816	864	882	730	857	692	838	3,388	3,117	903				-23%
YoY Change (%)	6.6	2.1	1.8	-0.7	-11.6	4.9	-19.9	-5.0	2.3	-8.0	4.5				
Margins (%)	16.5	16.7	15.5	15.0	13.8	14.6	12.5	13.9	15.9	13.7	14.9				

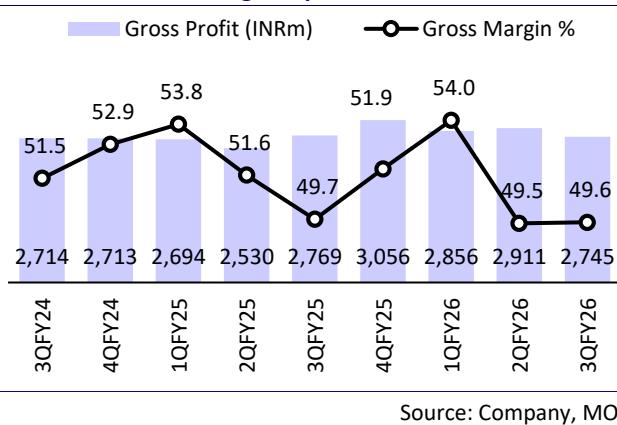
Key Exhibits

Exhibit 1: Consolidated revenue trend



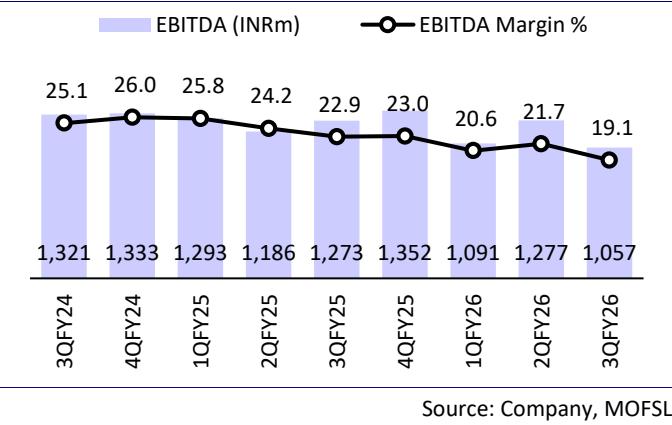
Source: Company, MOFSL

Exhibit 2: Consolidated gross profit trend



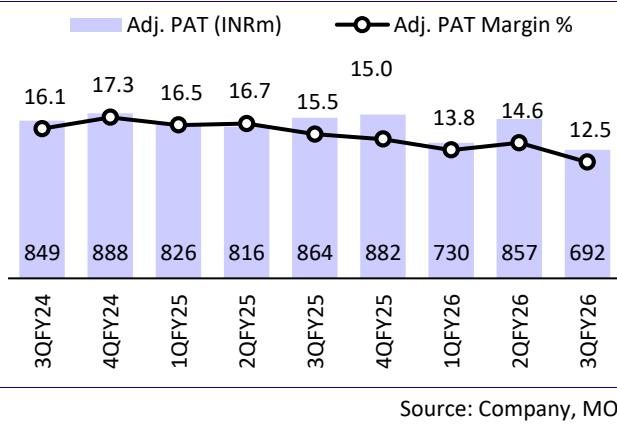
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



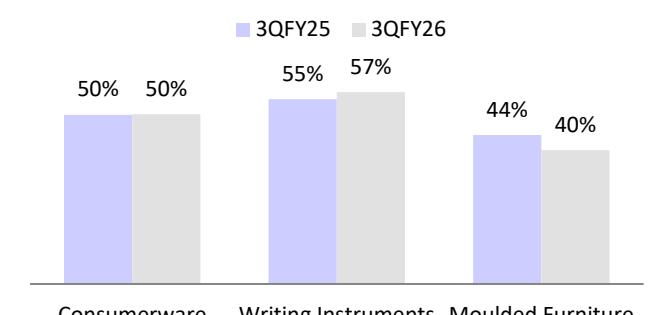
Source: Company, MOFSL

Exhibit 4: Consolidated adj. PAT trend



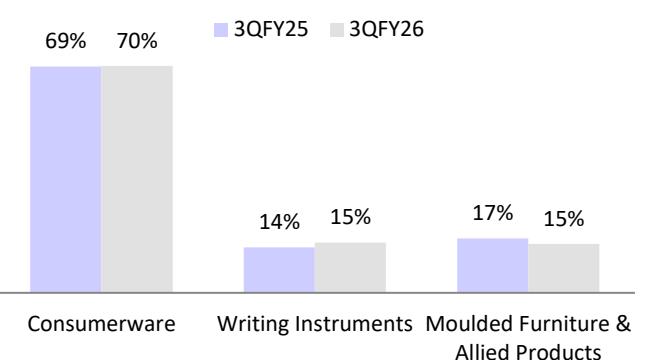
Source: Company, MOFSL

Exhibit 5: Gross margins across segments



Source: Company, MOFSL

Exhibit 6: Segment-wise revenue mix



Source: Company, MOFSL



Highlights from the management commentary

Overview

- Demand environment remains mixed; demand was weaker in December
- The company's priority is to rationalize its portfolio
- There was softness in profitability due to lower steel volumes and softness in profitability
- The company plans to put a sharper emphasis on working capital over the next few quarters
- The company doesn't see any pricing pressure issue as of now – it is working on the manufacturing side, where they can cut costs and optimize

Guidance and outlook

- Profitability is expected to be subdued over the next 2 quarters
- The company expects revenue growth to stabilize post 1HFY27
- The company expects to see a growth of 8-10% in 1HFY27; after that, the company expects to get back to its original revenue and EBITDA.

Consumerware

- The company faced stockouts in insulated steel products, resulting in a 40% decline in steel revenue. Had steel delivered the same growth, significant growth would have been possible. Growth would have been up 12% YoY in the consumerware segment.
- BIS had come in about last January, and the company had built a significant amount of stock. Hence, the company had about six to eight months of stock. Further, CELLO also procured some products locally through some OEMs.
- The company is unable to have all of those products today. However, going forward, the company plans to ramp up its production of these products.
- Two production lines are still operational in the consumerware segment
- In-house manufacturing of steel stands at ~72%
- Gross margin has been down majorly due to steelware and Diwali being preponed.
- The glassware facility operates at ~60% utilization, to remain at this level for the next couple of quarters.
- The company plans to increase capacity utilization to ~80% by the end of FY27.
- Currently, the glassware facility is not profitable; it is only breaking even
- Opalware facility currently operates at ~85% utilization level, the company looks forward to use 100% of its facility before any capex
- Brownfield capex in the opalware facility is not possible; any new greenfield capex at this point would require INR1-1.1b
- Rise in imports in opalware is not very significant
- At peak utilization, opalware can generate a revenue of INR4-4.1b

Writing Instruments

- The company expects a contribution from the Cello brand in 4QFY26
- In FY27, the company expects a revenue of INR5b from both Cello and Unomax combined. Over the next few years, the company would like to scale this revenue to more than INR10b
- Stationery is not a very small part of BIC Cello, leaving a big opportunity for the company
- The Cello brand was bought by CPIW, which is a promoter group entity, and all of the brand is housed there. Two deals had happened. One was the brand deal,

and one was the asset deal. The company was only involved in the brand deal. The assets were bought by a separate company altogether

- The company will require some more machines in the next couple of quarters. This would require a capex of about INR500m to INR600m in this category in the next one year

Molded furniture

- There was a decline due to weak polymer prices and some govt orders last quarter (not reflected this quarter)
- 62% of the total cost is accounted for by the polymer

Others

- Wimplast merger is expected to be completed by 1QFY27
- In 9MFY26, CELLO's distribution channel mix was ~75%/6%/8%/11% for General Trade/Modern Trade/Exports/Online.

Valuation and view

- The company expects sustained healthy growth in the writing instruments segment, supported by the addition of the Cello brand to its portfolio. Meanwhile, the consumerware segment is expected to stabilize from 2HFY27 onward, driven by normalization in steelware and improved capacity utilization in the glassware segment.
- We expect CELLO to register an 11%/13%/13% revenue/EBITDA/Adj. PAT CAGR over FY25-28. **We reiterate our BUY rating with a TP of INR600 (premised on 27x FY28E EPS).**

Exhibit 7: Revisions to our earnings estimates

(INR m)	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	23,886	28,110	31,914	22,751	25,494	28,872	-5%	-9%	-10%
EBITDA	5,291	7,160	8,129	4,699	6,246	7,354	-11%	-13%	-10%
Adj. PAT	3,525	4,832	5,518	3,117	4,108	4,892	-12%	-15%	-11%

Financials and valuations

Consolidated - Income Statement								
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	10,495	13,592	17,967	20,003	21,364	22,751	25,494	28,872
Change (%)	NA	29.5	32.2	11.3	6.8	6.49	12.1	13.2
RM Cost	5,214	6,786	8,955	9,484	10,315	11,186	12,110	13,512
Employees Cost	968	1,319	1,576	1,895	2,112	2,470	2,549	2,685
Other Expenses	1,544	2,151	3,231	3,575	3,833	4,397	4,589	5,321
Total Expenditure	7,727	10,256	13,762	14,954	16,260	18,052	19,248	21,518
EBITDA	2,767	3,336	4,205	5,049	5,104	4,699	6,246	7,354
Margin (%)	26.4	24.5	23.4	25.2	23.9	20.7	24.5	25.5
Depreciation	489	476	503	567	620	790	1,036	1,125
EBIT	2,278	2,860	3,702	4,481	4,484	3,908	5,210	6,229
Int. and Finance Charges	23	29	18	26	15	17	0	0
Other Income	101	159	167	299	447	650	700	793
PBT bef. EO Exp.	2,357	2,991	3,852	4,755	4,916	4,541	5,910	7,021
EO Items	0	0	0	0	0	74	0	0
PBT after EO Exp.	2,357	2,991	3,852	4,755	4,916	4,467	5,910	7,021
Total Tax	701	796	1,001	1,189	1,267	1,132	1,487	1,767
Tax Rate (%)	29.8	26.6	26.0	25.0	25.8	25.3	25.2	25.2
Minority Interest	143	155	189	256	261	274	315	362
Reported PAT	1,512	2,040	2,661	3,310	3,388	3,062	4,108	4,892
Adjusted PAT	1,512	2,040	2,661	3,310	3,388	3,117	4,108	4,892
Change (%)	NA	34.9	30.5	24.4	2.4	-8.0	31.8	19.1
Margin (%)	14.4	15.0	14.8	16.5	15.9	13.7	16.1	16.9

Consolidated - Balance Sheet								
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	0	0	975	1,061	1,104	1,104	1,104	1,104
Total Reserves	-1,068	876	2,390	10,431	20,570	23,466	27,408	32,134
Net Worth	-1,068	876	3,365	11,492	21,674	24,570	28,512	33,239
Minority Interest	1,722	1,851	1,999	2,206	2,411	2,684	2,999	3,361
Total Loans	3,221	4,525	3,261	3,627	5	0	0	0
Deferred Tax Liabilities	82	84	84	126	152	152	152	152
Capital Employed	3,957	7,336	8,709	17,452	24,242	27,406	31,663	36,752
Gross Block	2,901	2,898	3,388	4,857	8,013	8,913	9,919	10,545
Less: Accum. Deprn.	309	312	671	1,238	1,858	2,648	3,684	4,810
Net Fixed Assets	2,592	2,586	2,717	3,619	6,155	6,265	6,234	5,735
Capital WIP	43	145	256	1,800	188	788	533	307
Total Investments	1,197	1,500	1,769	1,698	5,996	5,996	5,996	5,996
Current Investments	747	1,150	1,263	1,141	5,688	5,688	5,688	5,688
Curr. Assets, Loans&Adv.	7,633	9,106	10,774	12,601	14,079	16,675	21,497	27,655
Inventory	3,069	3,765	4,298	4,622	5,246	5,586	6,260	7,089
Account Receivables	3,714	4,067	4,623	6,106	6,578	6,545	7,334	8,306
Cash and Bank Balance	325	547	499	651	876	3,075	6,257	10,396
Loans and Advances	525	726	1,354	1,223	1,379	1,469	1,646	1,864
Curr. Liability & Prov.	7,508	6,000	6,808	2,266	2,176	2,318	2,597	2,941
Account Payables	984	1,255	1,342	1,442	1,502	1,600	1,793	2,030
Other Current Liabilities	6,471	4,685	5,428	783	604	643	721	817
Provisions	53	60	39	41	70	75	84	95
Net Current Assets	125	3,106	3,966	10,335	11,902	14,357	18,900	24,714
Appl. of Funds	3,957	7,336	8,709	17,452	24,242	27,406	31,663	36,751

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	7.1	9.6	12.5	15.6	15.3	14.1	18.6	22.1
Cash EPS	9.4	11.9	14.9	18.3	18.9	18.4	23.3	27.2
BV/Share	NA	4.1	15.9	54.1	102.1	115.8	129.1	150.5
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	4.9	5.4	4.0	3.4
Valuation (x)								
P/E	67.0	49.6	38.0	30.6	31.1	33.8	25.6	21.5
Cash P/E	50.6	40.2	32.0	26.1	25.3	25.9	20.5	17.5
P/BV	NA	115.5	30.1	8.8	4.7	4.1	3.7	3.2
EV/Sales	9.2	7.8	5.4	5.3	4.7	4.4	3.8	3.2
EV/EBITDA	35.0	31.8	22.9	20.9	19.8	21.1	15.4	12.6
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	8.2	12.0	15.9
Return Ratios (%)								
RoE	NA	232.8	79.1	28.8	15.6	12.7	15.5	15.8
RoCE	NA	58.7	47.6	33.0	19.9	14.7	16.7	17.0
RoIC	NA	55.7	48.4	34.5	21.8	16.8	21.4	23.9
Working Capital Ratios								
Fixed Asset Turnover (x)	3.6	4.7	5.3	4.1	2.7	2.6	2.6	2.7
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	90	90	90
Debtor (Days)	129	109	94	111	112	105	105	105
Creditor (Days)	34	34	27	26	26	26	26	26
Leverage Ratio (x)								
Current Ratio	1.0	1.5	1.6	5.6	6.5	7.2	8.3	9.4
Interest Cover Ratio	100.1	100.4	210.8	175.5	308.7	236.7	NA	NA
Net Debt/Equity	NA	3.2	0.4	0.2	-0.3	-0.4	-0.4	-0.5

Consolidated - Cash Flow Statement

(**INRm**)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	2,357	2,991	3,852	4,750	4,913	4,541	5,910	7,021
Depreciation	489	476	503	567	620	790	1,036	1,125
Interest & Finance Charges	22	26	14	26	15	-633	-700	-793
Direct Taxes Paid	-681	-843	-1,010	-1,160	-1,200	-1,132	-1,487	-1,767
(Inc)/Dec in WC	-221	-728	-1,150	-1,667	-1,309	-256	-1,360	-1,675
CF from Operations	1,966	1,923	2,210	2,516	3,038	3,311	3,398	3,912
Others	-29	-50	64	-204	-421	0	0	0
CF from Operating incl EO	1,936	1,873	2,274	2,312	2,617	3,311	3,398	3,912
(Inc)/Dec in FA	-248	-516	-1,032	-2,649	-1,668	-1,500	-750	-400
Free Cash Flow	1,688	1,356	1,242	-337	949	1,811	2,648	3,512
(Pur)/Sale of Investments	0	0	0	0	0	0	0	0
Others	-126	-2,075	-4,527	228	-3,836	650	700	793
CF from Investments	-375	-2,592	-5,559	-2,421	-5,504	-850	-50	393
Issue of Shares	0	0	-151	0	7,131	0	0	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	191	-422	-5	0	0
Interest Paid	-15	-16	-5	-22	-11	-17	0	0
Dividend Paid	-1	-60	-96	-46	-386	-166	-166	-166
Others	-3,086	-237	4,754	138	-3,200	-74	0	0
CF from Fin. Activity	-1,328	941	3,238	260	3,112	-262	-166	-166
Inc/Dec of Cash	233	222	-47	151	225	2,199	3,183	4,139
Opening Balance	91	325	547	499	651	876	3,075	6,257
Closing Balance	325	547	499	651	876	3,075	6,257	10,396

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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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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

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

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