

IPO Report

Choice

“Subscribe with Caution” to Cello World Ltd.

Growth tailwinds persists, but issue aggressively priced



Salient features of the IPO:

- Consumerware company, **Cello World Ltd.** (CWL), is coming up with an IPO to raise around Rs. 1,900cr, which opens on 30th Oct. and closes on 1st Nov. 2023. The price band is Rs. 617 - 648 per share.
- The IPO consists only of OFS portion, thus the company will not receive any funds from the issue.
- The issue size has been increased to Rs. 1,900cr, compared to Rs. 1,750cr planned while filing the DRHP.
- During Sept. - Oct. 2022, CWL raised Rs. 475cr from four AIFs (three managed by ICICI Venture Funds and one by Tata Capital) by issuing 0.7cr compulsorily convertible preference shares. These investors entered the company at a valuation of around Rs. 5,850cr, compared to the current demanded valuation of Rs. 13,753cr (a premium of 135% over the entry price). Upon conversion into equity shares, these investors held 8.12% stake (pre-IPO) in the company. Moreover, these investors are not participating in the OFS.
- Couple of promoter & promoter group (P&PG) entities are participating in the OFS and offloading 2.9cr shares (considering the higher price band). Post-IPO, P&PG will have 78.07% stake in the company, compared to 91.88% earlier. Consequently, public shareholding will increase from 8.12% to 21.93%.

Key competitive strengths:

- Well-established brand name and strong market positions
- 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
- Ability to manufacture a diverse range of products and maintain an optimal inventory levels
- Skilled and experienced management team
- Strong historical financial results

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Changing consumer demand and preferences
- Delay in the commissioning of glassware unit at Rajasthan
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- The Indian Consumerware market is broadly divided into two categories, Consumer Houseware and Consumer Glassware. Consumer Houseware includes products like hydration, cookware, insulated ware, lunchboxes, storage containers, melamine, small kitchen appliances and cleaning products; while Consumer Glassware includes Opalware, Glassware and Porcelain products. Over FY20-22, the domestic Consumerware market has expanded by 6.8% CAGR to a size of Rs. 34,800cr. Over FY22-27E, it is further forecasted to grow by 10.2% CAGR to Rs. 56,500cr. During the same period, Consumer Houseware category is expected grow by 10% CAGR, while Consumer Glassware is expected to continue to grow at double digit. This growth would be aided by increasing disposable income, nuclearization of families and growing demand for organized & functional kitchen spaces. Branded products had contributed around 60% to the domestic Consumerware market and with growth of 12.6% CAGR (higher than market growth), it will continue to dominate the market. CWL, with its flagship brand "Cello", had 8% share in the branded Consumerware market and 4.9% share in the total Consumerware market in FY23 (Source: RHP). Cello also had a 4.7% share in the branded moulded furniture market and 2.8% share in the overall moulded furniture market (Rs. 14,200cr) in FY23.

Issue details

Price band	Rs. 617 - 648 per share
Face value	Rs. 5
Shares for fresh issue	Nil
Shares for OFS	2.932 - 3.079cr shares
Fresh issue size	N/a
OFS issue size	Rs. 1,900cr
Total issue size	2.932 - 3.079cr shares (Rs. 1,900cr)
Employee reservation	0.015 - 0.016cr shares (Rs. 10cr)
Net issue size	2.917 - 3.063cr shares (Rs. 1,890cr)
Bidding date	30 th Oct. - 1 st Nov. 2023

Implied MCAP at higher price band

Rs. 13,753cr

Implied enterprise value at higher price band

Rs. 13,928cr

Book running lead manager

Kotak Mahindra Capital Company Ltd., ICICI Securities Ltd., IIFL Securities Ltd., JM Financial Ltd. and Motilal Oswal Investment Advisors Ltd.

Registrar

Link Intime India Pvt. Ltd.

Sector

Plastic Products

Promoters

Mr. Pradeep Ghisulal Rathod, Mr. Pankaj Ghisulal Rathod and Mr. Gaurav Pradeep Rathod

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	1.458 - 1.532cr shares
Non institutional portion (Big)	10%	0.292 - 0.306cr shares
Non institutional portion (Small)	5%	0.146 - 0.153cr shares
Retail portion	35%	1.021 - 1.072cr shares

Indicative IPO process time line

Finalization of basis of allotment	6 th Nov. 2023
Unblocking of ASBA account	7 th Nov. 2023
Credit to demat accounts	8 th Nov. 2023
Commencement of trading	9 th Nov. 2023

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	91.88%	78.07%
Public	8.12%	21.93%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	23
Employee discount	Rs. 61 per equity share
Application money	Rs. 14,904 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
Cello World Ltd.	5	648	13,753	13,928					1,836	443	282	51.6%	24.1%	15.3%
Nilkamal Ltd.	10	2,326	3,470	3,611	0.1%	-5.9%	20.9%	13.7%	3,174	314	138	40.6%	9.9%	4.3%
Supreme Industries Ltd.	2	4,297	54,581	53,835	4.7%	23.0%	60.3%	105.8%	9,364	1,252	867	29.2%	13.4%	9.3%
Wim Plast Ltd.	10	714	857	745	-6.5%	42.5%	59.7%	46.4%	328	60	44	42.9%	18.3%	13.6%
Borosil Ltd.	1	389	4,458	4,388	-5.2%	-11.6%	-6.2%	-11.9%	1,062	125	78	60.8%	11.8%	7.3%
La Opala RG Ltd.	2	435	4,827	4,417	1.8%	-6.0%	21.4%	9.7%	456	175	132	83.4%	38.3%	28.8%
Kokuyo Camlin Ltd.	1	135	1,354	1,401	-1.4%	5.2%	84.7%	90.4%	813	65	35	37.4%	8.0%	4.2%
Linc Ltd.	10	792	1,178	1,166	14.0%	20.1%	25.7%	186.5%	501	67	40	41.0%	13.3%	8.1%
Average												47.9%	16.1%	10.8%

Company name	3Y revenue growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	3Y average EBITDA margin	3Y average PAT margin	3Y capital employed growth (CAGR)	3Y CFO growth (CAGR)	3Y average working capital cycle (Days)	3Y average CFO / EBITDA	3Y average CFO / Capital employed	3Y average fixed asset turnover (x)	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
Cello World Ltd.	30.8%	23.3%	32.7%	24.8%	14.7%		8.4%	170.6	60.1%		5.0	1.0		
Nilkamal Ltd.	22.3%	10.4%	8.9%	10.1%	4.2%	13.5%	-3.3%	96.6	57.1%	10.6%	3.6	1.4	9.0%	8.1%
Supreme Industries Ltd.	20.3%	-3.3%	-5.9%	16.4%	12.4%	22.4%	-15.5%	35.0	69.7%	28.6%	4.0	1.5	25.2%	23.1%
Wim Plast Ltd.	11.0%	5.2%	14.0%	18.0%	11.9%	6.1%	26.0%	187.9	77.6%	13.6%	3.2	0.7	8.8%	7.8%
Borosil Ltd.	32.5%	23.4%	46.0%	14.4%	8.6%	24.8%	-41.4%	96.2	110.7%	18.7%	2.1	0.8	9.1%	8.1%
La Opala RG Ltd.	46.3%	55.5%	57.5%	35.6%	25.9%	2.4%	14.5%	78.6	89.7%	23.6%	1.5	0.4	11.7%	12.5%
Kokuyo Camlin Ltd.	38.6%	157.6%		4.1%	-0.5%	1.1%	-33.2%	106.3	303.6%	13.9%	3.8	1.4	0.4%	2.3%
Linc Ltd.	7.0%	145.3%		7.5%	3.3%	8.6%	-4.1%	71.7	209.4%	20.8%	4.4	1.5	8.9%	8.3%
Average	25.5%	56.3%	24.1%	15.2%	9.4%	11.3%	-8.1%	96.0	131.1%	18.5%	3.2	1.1	10.5%	10.0%

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	EV / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM Earning yield
Cello World Ltd.	13.3	38.6	0.5	0.4	6.2	1.2	34.4%	45.1%	48.8	16.8	7.6	31.4	7.5	2.0%
Nilkamal Ltd.	92.3	880.7	15.0	0.1	3.9	1.5	10.5%	11.9%	25.2	2.6	1.1	11.5	1.1	4.0%
Supreme Industries Ltd.	68.3	346.5	24.0	0.0	4.4	1.6	19.7%	25.7%	63.0	12.4	5.7	43.0	5.8	1.6%
Wim Plast Ltd.	37.0	369.6	8.0	0.0	4.3	0.7	10.0%	13.7%	19.3	1.9	2.3	12.4	2.6	5.2%
Borosil Ltd.	6.8	75.4	0.0	0.1	1.9	0.9	9.0%	9.6%	57.3	5.2	4.1	35.1	4.2	1.7%
La Opala RG Ltd.	11.9	69.8	2.8	0.0	2.1	0.5	17.0%	36.8%	36.7	6.2	9.7	25.3	10.6	2.7%
Kokuyo Camlin Ltd.	3.4	26.2	0.0	0.2	5.8	1.8	13.1%	18.3%	39.2	5.2	1.7	21.6	1.7	2.5%
Linc Ltd.	27.2	119.1	1.8	0.0	5.5	1.8	22.8%	26.5%	29.2	6.6	2.3	17.5	2.4	3.4%
Average			7.4	0.1	4.0	1.3	14.6%	20.4%	38.6	5.7	3.9	23.8	4.0	3.0%

Note: Financials as of FY23 and TTM (with IPO adjustments); Source: Choice Broking Research

- CWL also has presence in the domestic writing instrument market, whose market size stood at Rs. 13,350cr in FY23 and is further anticipated to reach a size of 24,460cr by FY27E. The company launched the writing instruments and stationery product category in 2019 under the “Unomax” brand and currently has 2.4% share in the branded writing instruments market and 1.9% share in the overall writing instruments market.
- Presently, CWL is a prominent company in the domestic Consumerware market. Its product categories are diversified covering consumer houseware, writing instruments & stationery and moulded furniture & allied products; which offers the company a robust risk diversification strategy against demand shocks within any particular product category. Additionally, diversified product portfolio also provides it with considerable advantage in terms of influencing the retail channel and effectively introducing new products or categories, thereby cumulatively assisting it in dominating the domestic Consumerware market. As of 31st Mar. 2023, the company had 15,841 SKUs across the product categories.
- Though CWL was incorporated in 2018, its promoters were associated with the Cello Plastic Industrial Works (CPIW) and the “Cello” brand since 1962. After restructuring the group companies, CPIW retained the ownership of the brands, while all the manufacturing activities were mainly consolidated in CWL.
- CWL’s promoters had a track record of scaling-up new businesses and product categories. It launched its glassware & opalware business in 2017 under the “Cello” brand and reported a 36.4% CAGR growth in the business over FY21-23. Further, the promoters re-launched its writing instruments & stationery product category in 2019 under the “Unomax” brand. Initially fully catering to the export market till FY21, leveraging the distribution reach, they expanded into the domestic market which generated around 60% of the writing instruments & stationery business in FY23. The “Unomax” brand consistently reported highest EBITDA margin in the domestic writing instruments market during FY21-23. Prior to 2019, the promoters operated in the domestic writing instruments & stationery market under the Cello brand, which was sold to a French company in 2015 at a valuation of around Rs. 2,000cr. Further, the promoters launched the cleaning aids business in 2017 under the “Kleeno” brand and scaled it to a Rs. 66.8cr business in FY23.
- CWL’s operation is supported by 13 manufacturing facilities in India including eight facilities in Daman (in the Union Territory of Daman & Diu), two facilities in Haridwar (Uttarakhand), one facility in Baddi (Himachal Pradesh), one facility in Chennai (Tamil Nadu) and one facility in Kolkata (West Bengal). As of 30th Jun. 2023, these facilities had an installed annual capacity of 57.8mn units of consumer houseware products, 0.015mn tonnes of opalware & glassware, 705mn units of writing instruments & stationery products and 12.8mn units of moulded furniture & allied products. The company has completed the expansion of opalware capacity at the Daman facility, as a result, the opalware capacity increased to 0.025mn tonnes per annum from 0.015mn tonnes.

Key highlights of the company (Contd...):

- The company derived around 80% of the total revenue from in-house manufacturing, while the remaining products (consisting mainly of steel and glassware products) were manufactured by third party manufacturers. CWL is in the process of establishing a greenfield glassware manufacturing facility with a capacity of 0.02mn tonnes in Rajasthan. This project is expected to be commissioned by Mar. 2024.
- CWL also has a strong pan-India distribution network, comprising of 3,322 distributors and 0.13mn retailers as of 30th Jun. 2023. Of these, the Consumer Houseware and Writing Instruments & Stationery business had 717 and 1509 distributors, respectively, while 0.06mn retailers each for respective divisions. Anticipating a huge growth potential in the Writing Instruments & Stationery business, the company is targeting to have a network of around 2,500 distributors in the medium term.
- The company's promoters had around 55% stake in Wim Plast Ltd. (WPL; involved into the manufacturing of moulded furniture & allied products). During Sept.-Oct. 2022, CWL raised Rs. 475cr from couple of investors (ICICI Venture Funds and Tata Capital) to fund the acquisition of promoter's stake in WPL. Pursuant to the acquisition, WPL became the subsidiary of CWL.
- On the back of higher demand of its products across the product categories and anticipated improved realization, CWL has reported a robust growth in the operating revenue. However, relatively higher power & fuel expenses and advertising expenses mainly led to a contraction in the profitability margins.
- The company reported a 30.8% CAGR rise in consolidated operating revenue to Rs. 1,796.7cr in FY23. Product-wise, business from the Consumer Houseware increased by 32.8% (contributing an average 65% to the top-line), while business from the Writing Instruments & Stationery (contributing an average 13% to the top-line) and Moulded Furniture & Allied Products increased by 60% and 11%, respectively, during the period. Net cost of production increased by 31.1% CAGR (relatively higher than top-line growth), resulted in a 16bps contraction in gross profit margin, which stood at 50.2% in FY23. Consolidated EBITDA increased by 23.3% CAGR to Rs. 420.5cr. EBITDA margin contracted by 296bps to 23.4%, due to relatively higher other expenses (mainly comprising of advertising expenses, power & fuel expenses etc.). Depreciation charge increased by 1.4% CAGR, while lower financial liabilities led to a 12.2% CAGR decline in finance cost. Further with 377bps fall in the effective tax rate, reported PAT increased by 32.7% CAGR to Rs. 266.1cr in FY23. PAT margin expanded by 40bps during the period to 14.8% in FY23. CWL reported positive operating cash flows during the period, which grew by 8.4% CAGR. Average operating cash flow stood at Rs. 202.7cr. Total financial liabilities declined by 6% CAGR, however, continued better profitability led to a debt-to-equity ratio stood at 0.4x in FY23 (considering the conversion of preference shares into equity shares).
- During Q1 FY24, CWL reported a 9.1% Y-o-Y growth in the top-line to Rs. 471.8cr. Consumer Houseware and Writing Instruments & Stationery verticals reported 7.5% and 32.8% Y-o-Y expansion in the business, while the Moulded Furniture & Allied Products vertical reported a 3.7% drop in the business. Consolidated EBITDA and PAT increased by 23.2% and 25.2% Y-o-Y, respectively, while respective margins expanded by 290bps and 211bps during Q1 FY24. On TTM basis, top-line stood at Rs. 1,835.9cr, with EBITDA and PAT margin of 24.1% and 15.3%, respectively, compared to 23.4% and 14.8% in FY23.
- Based on our quick conservative estimate, over FY23-25E, we are forecasting a top-line growth of 21% CAGR to Rs. 2,632cr in FY25E. EBITDA and PAT margin are likely to expand by 165bps and 85bps, respectively, mainly due to lower cost of revenue. Post-issue RoIC and RoE is expected at 23.7% and 27.1% in FY25E, compared to 29.4% and 32.5%, respectively, in FY23.

Peer comparison and valuation: At higher price band, CWL is demanding a TTM P/E multiple of 48.8x (to its TTM earning per share of Rs. 13.3), which is at significant premium to the peer average of 38.6x. Thus the issue is overvalued.

On the back of diversified product portfolio, wide distribution reach and established brands, the company has maintained a dominant position in the domestic Consumerware market. Its expansion in the glassware products, would further strengthen its position in the market. There are growth tailwinds for the sector and CWL is well placed to benefit from the same. But due to highly priced issue, we are assigning a **"Subscribe with Caution"** rating for the issue.

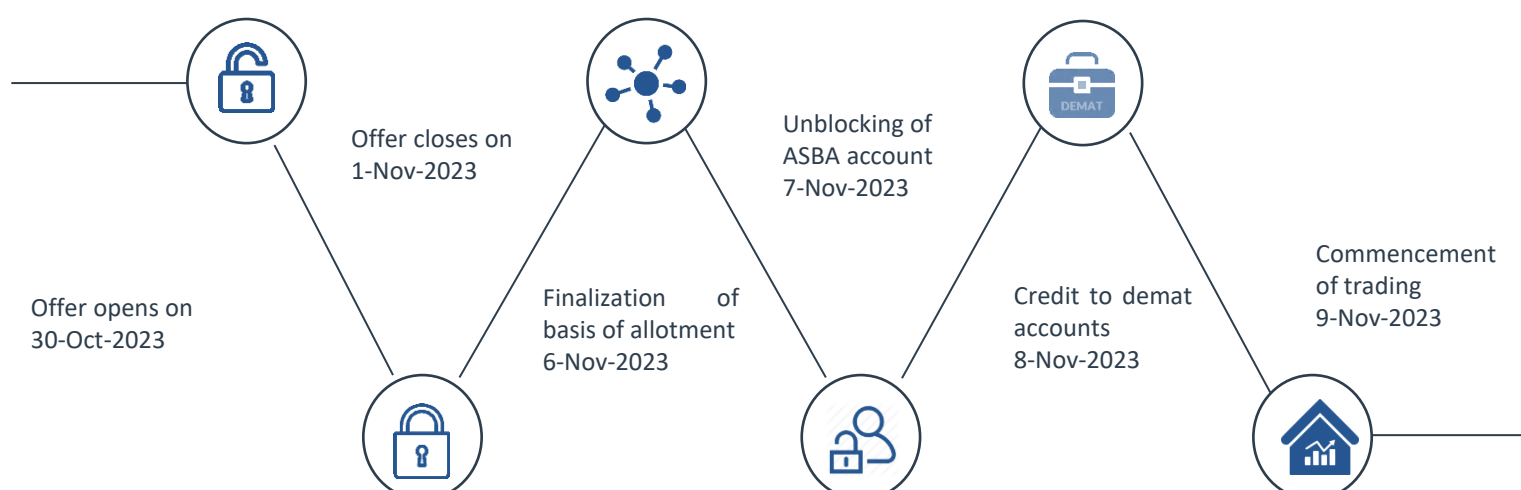
About the issue:

- CWL is coming up with an IPO with 2.932 - 3.079cr shares (fresh issue: nil; OFS shares: 2.932 - 3.079cr shares) in offering. This offer represents 13.82 – 14.51% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 1,900cr.
- The issue is through book building process with a price band of Rs. 617 - 648 per share.
- Lot size comprises of 23 equity shares and in-multiple of 23 shares thereafter.
- The issue will open on 30th Oct. 2023 and close on 1st Nov. 2023.
- The IPO consists only of OFS portion, thus the company will not receive any funds from the issue.
- The issue size has been increased to Rs. 1,900cr, compared to Rs. 1,750cr planned while filing the DRHP.
- During Sept. - Oct. 2022, CWL raised Rs. 475cr from four AIFs (three managed by ICICI Venture Funds and one by Tata Capital) by issuing 0.7cr compulsorily convertible preference shares. These investors entered the company at a valuation of around Rs. 5,850cr, compared to the current demanded valuation of Rs. 13,753cr (a premium of 135% over the entry price). Upon conversion into equity shares, these investors held 8.12% stake (pre-IPO) in the company. Moreover, these investors are not participating in the OFS.
- Couple of promoter & promoter group (P&PG) entities are participating in the OFS and offloading 2.9cr shares (considering the higher price band). Post-IPO, P&PG will have 78.07% stake in the company, compared to 91.88% earlier. Consequently, public shareholding will increase from 8.12% to 21.93%.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	91.88%	78.07%
Public	8.12%	21.93%
Non-promoter & Non-public	0.00%	0.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY21-23: On the back of higher demand of its products across the product categories and anticipated improved realization, CWL has reported a robust growth in the operating revenue. However, relatively higher power & fuel expenses and advertising expenses mainly led to a contraction in the profitability margins.

The company reported a 30.8% CAGR rise in consolidated operating revenue to Rs. 1,796.7cr in FY23. Product-wise, business from the Consumer Houseware increased by 32.8% (contributing an average 65% to the top-line), while business from the Writing Instruments & Stationery (contributing an average 13% to the top-line) and Moulded Furniture & Allied Products increased by 60% and 11%, respectively, during the period.

Net cost of production increased by 31.1% CAGR (relatively higher than top-line growth), resulted in a 16bps contraction in gross profit margin, which stood at 50.2% in FY23. Consolidated EBITDA increased by 23.3% CAGR to Rs. 420.5cr. EBITDA margin contracted by 296bps to 23.4%, due to relatively higher other expenses (mainly comprising of advertising expenses, power & fuel expenses etc.).

Depreciation charge increased by 1.4% CAGR, while lower financial liabilities led to a 12.2% CAGR decline in finance cost. Further with 377bps fall in the effective tax rate, reported PAT increased by 32.7% CAGR to Rs. 266.1cr in FY23. PAT margin expanded by 40bps during the period to 14.8% in FY23.

CWL reported positive operating cash flows during the period, which grew by 8.4% CAGR. Average operating cash flow stood at Rs. 202.7cr. Total financial liabilities declined by 6% CAGR, however, continued better profitability led to a debt-to-equity ratio stood at 0.4x in FY23 (considering the conversion of preference shares into equity shares).

Performance during Q1 FY24: CWL reported a 9.1% Y-o-Y growth in the top-line to Rs. 471.8cr. Consumer Houseware and Writing Instruments & Stationery verticals reported 7.5% and 32.8% Y-o-Y expansion in the business, while the Moulded Furniture & Allied Products vertical reported a 3.7% drop in the business.

Consolidated EBITDA and PAT increased by 23.2% and 25.2% Y-o-Y, respectively, while respective margins expanded by 290bps and 211bps during Q1 FY24.

On TTM basis, top-line stood at Rs. 1,835.9cr, with EBITDA and PAT margin of 24.1% and 15.3%, respectively, compared to 23.4% and 14.8% in FY23.

Pre-issue consolidated financial snapshot (Rs. cr)	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM	CAGR over FY21-23	Y-o-Y (FY23 annual)
Consumer Houseware	669.8	871.1	1,181.1	288.8	310.4	1,202.7	32.8%	35.6%
Writing Instruments and Stationery	111.4	169.3	285.0	62.8	83.4	305.6	60.0%	68.3%
Moulded Furniture and Allied Products	268.2	318.8	330.6	80.9	77.9	327.6	11.0%	3.7%
Revenue from operations	1,049.5	1,359.2	1,796.7	432.6	471.8	1,835.9	30.8%	32.2%
Gross profit	528.0	680.6	901.2	201.3	248.1	948.0	30.6%	32.4%
EBITDA	276.7	333.6	420.5	96.8	119.2	443.0	23.3%	26.1%
Reported PAT	151.2	204.0	266.1	61.9	77.4	281.7	32.7%	30.5%
Restated reported EPS	7.1	9.6	12.5	2.9	3.6	13.3	32.7%	30.5%
Cash flow from operating activities	193.6	187.3	227.4	50.8	80.7	257.2	8.4%	21.4%
NOPLAT	160.0	209.9	274.0	63.3	77.4	288.0	30.8%	30.5%
FCF		11.2	(800.5)					
RoIC (%)	634.9%	91.7%	29.4%	22.1%	7.9%	29.3%		(6,229) bps
Revenue growth rate		29.5%	32.2%		9.1%			
Gross profit growth rate		28.9%	32.4%		23.2%			
Gross profit margin	50.3%	50.1%	50.2%	46.5%	52.6%	51.6%	(16) bps	8 bps
EBITDA growth rate		20.5%	26.1%		23.2%			
EBITDA margin	26.4%	24.5%	23.4%	22.4%	25.3%	24.1%	(296) bps	(114) bps
EBIT growth rate		25.5%	29.4%		26.3%			
EBIT margin	21.7%	21.0%	20.6%	19.7%	22.8%	21.4%	(111) bps	(44) bps
Restated reported PAT growth rate		34.9%	30.5%		25.2%			
Restated reported PAT margin	14.4%	15.0%	14.8%	14.3%	16.4%	15.3%	40 bps	(20) bps
Inventory days	106.8	91.8	81.9	78.2	78.5	81.8	-12.4%	-10.8%
Debtor days	129.2	104.5	88.3	90.5	100.9	105.1	-17.3%	-15.5%
Payable days	(34.2)	(30.1)	(26.4)	(27.8)	(32.5)	(33.9)	-12.2%	-12.3%
Cash conversion cycle	201.7	166.2	143.8	140.9	146.8	153.0	-15.6%	-13.5%
Fixed asset turnover ratio	4.0	5.0	6.0	1.5	1.5	5.7	23.2%	21.4%
Total asset turnover ratio	0.9	1.0	1.2	0.3	0.3	1.1	12.5%	13.6%
Current ratio	0.8	1.0	2.3	1.0	2.2	2.2	70.6%	135.5%
Quick ratio	0.5	0.6	1.4	0.6	1.4	1.4	70.2%	136.0%
Total debt	944.1	897.4	834.9	887.1	351.6	351.6	-6.0%	-7.0%
Net debt	836.9	727.8	658.7	705.7	147.9	147.9	-11.3%	-9.5%
Debt to equity	(8.8)	10.2	2.5	5.9	0.4	0.4		-75.8%
Net debt to EBITDA	3.0	2.2	1.6	7.3	1.2	0.3	-28.0%	-28.2%
RoE (%)	-141.6%	232.8%	79.1%	41.3%	8.6%	31.4%		
RoA (%)	13.2%	15.3%	17.2%	4.4%	4.6%	16.7%	396 bps	185 bps
RoCE (%)	-1168.0%	229.3%	42.6%	47.1%	11.6%	42.5%		

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking



Competitive strengths:

- Well-established brand name and strong market positions
- 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
- Ability to manufacture a diverse range of products and maintain an optimal inventory levels
- Skilled and experienced management team
- Strong historical financial results

Business strategy:

- Continued innovation to grow wallet share and expand consumer base
- Expand distribution network
- Scale-up branding, promotional and digital activities
- Grow manufacturing capabilities and expand production capacities



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Changing consumer demand and preferences
- Delay in the commissioning of glassware unit at Rajasthan
- Unfavorable product-mix
- Volatilities in the raw material prices
- Difficulty in maintaining the profitability
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)								
	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM	CAGR over FY21 - 23	Annual growth over FY22
Revenue from operations	1,049.5	1,359.2	1,796.7	432.6	471.8	1,835.9	30.8%	32.2%
Cost of materials consumed	(353.1)	(532.2)	(647.8)	(163.7)	(162.3)	(646.4)	35.4%	21.7%
Purchases of stock-in-trade	(155.6)	(200.3)	(311.0)	(79.7)	(48.1)	(279.4)	41.4%	55.3%
Changes in inventories of finished goods, semi-finished goods and stock-in-trade	(12.7)	54.0	63.3	12.1	(13.3)	37.8		17.2%
Gross profit	528.0	680.6	901.2	201.3	248.1	948.0	30.6%	32.4%
Employee benefits expense	(96.8)	(131.9)	(157.6)	(36.8)	(44.8)	(165.6)	27.6%	19.4%
Other expenses	(154.4)	(215.1)	(323.1)	(67.8)	(84.2)	(339.4)	44.6%	50.2%
EBITDA	276.7	333.6	420.5	96.8	119.2	443.0	23.3%	26.1%
Depreciation and amortisation expense	(48.9)	(47.6)	(50.3)	(11.7)	(11.8)	(50.4)	1.4%	5.8%
EBIT	227.8	286.0	370.2	85.0	107.4	392.6	27.5%	29.4%
Finance costs	(2.3)	(2.9)	(1.8)	(0.4)	(0.6)	(2.0)	-12.2%	-38.4%
Other income	10.1	15.9	16.7	4.0	8.1	20.9	28.6%	5.1%
PBT	235.7	299.1	385.2	88.7	114.9	411.5	27.8%	28.8%
Tax expenses	(70.1)	(79.6)	(100.1)	(22.6)	(32.1)	(109.6)	19.5%	25.8%
PAT before share of profit/(loss) from JV entities	165.5	219.5	285.1	66.0	82.8	301.9	31.2%	29.9%
Profit/(loss) from JV entities			(0.0)	(0.0)	(0.0)	(0.0)		
Minority interest	(14.3)	(15.5)	(18.9)	(4.2)	(5.4)	(20.2)	14.8%	21.9%
Reported PAT	151.2	204.0	266.1	61.9	77.4	281.7	32.7%	30.5%

Consolidated balance sheet statement (Rs. cr)								
	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM	CAGR over FY21 - 23	Annual growth over FY22
Equity share capital	0.0	0.0	97.5	0.0	97.5	97.5		
Other equity	(106.8)	87.6	239.0	149.7	799.8	799.8		172.7%
Minority interest	172.2	185.1	199.9	189.4	205.4	205.4	7.8%	8.0%
Non-current borrowings			8.7		8.7	8.7		
Non-current lease liabilities	10.4	8.7	7.1	9.4	6.6	6.6	-17.3%	-18.0%
Other non-current financial liabilities			483.1			0.0		
Non-current provisions	3.6	4.5	2.5	5.3	2.7	2.7	-16.9%	-44.4%
Net deferred tax liabilities	8.2	8.4	8.4	8.1	7.4	7.4	1.2%	0.2%
Trade payables	98.4	125.5	134.2	133.5	170.6	170.6	16.8%	6.9%
Current borrowings	322.1	452.5	317.4	437.8	311.4	311.4	-0.7%	-29.9%
Current lease liabilities	1.6	1.7	1.9	2.0	2.0	2.0	9.8%	9.9%
Other current financial liabilities	610.1	434.5	16.7	437.9	23.0	23.0	-83.5%	-96.2%
Current provisions	1.7	1.5	1.4	1.7	1.2	1.2	-8.5%	-3.6%
Net current tax liabilities	5.0	3.4	3.6	13.1	17.5	17.5	-15.9%	5.7%
Other current liabilities	20.0	20.2	30.4	9.7	32.4	32.4	23.2%	50.5%
Total liabilities	1,146.5	1,333.7	1,551.7	1,397.6	1,686.0	1,686.0	16.3%	16.3%
Property, plant and equipment	237.6	238.7	253.7	238.2	251.0	251.0	3.3%	6.3%
Intangible assets	0.4	0.5	0.4	0.5	3.7	3.7	-1.7%	-23.8%
Capital work-in-progress	4.3	11.8	20.9	18.3	52.1	52.1	121.1%	77.1%
Intangible assets under development		2.8	4.8	3.1		0.0		72.9%
Right-of-use assets	21.2	19.3	17.6	20.1	17.0	17.0	-9.0%	-9.0%
Non-current investments			0.8	0.8	0.8	0.8		
Other non-current investments	45.0	35.0	49.8	40.6	65.5	65.5	5.2%	42.3%
Non-current loans	1.9	1.2	7.6	1.3	7.8	7.8	99.4%	520.4%
Other non-current financial assets	8.7	9.9	8.9	10.2	7.2	7.2	1.2%	-9.4%
Net deferred tax assets	2.1	2.8	4.7	3.3	2.7	2.7	49.1%	68.5%
Net income tax assets	0.6	2.3	2.3	3.2	2.5	2.5	91.6%	1.5%
Other non-current assets	4.1	14.2	40.2	16.6	57.4	57.4	213.3%	182.7%
Inventories	306.9	376.5	429.8	375.8	411.4	411.4	18.3%	14.1%
Trade receivables	371.4	406.7	462.3	435.0	528.8	528.8	11.6%	13.7%
Current investments	74.7	115.0	126.3	136.2	149.5	149.5	30.0%	9.9%
Cash & cash equivalents	32.5	54.7	49.9	45.2	54.1	54.1	24.0%	-8.7%
Current loans	1.4	2.0	1.2	2.0	1.0	1.0	-7.8%	-42.2%
Other current financial assets	4.8	3.4	17.4	4.0	9.3	9.3	89.8%	409.2%
Other current assets	28.8	36.8	37.5	43.5	48.8	48.8	14.2%	2.1%
Assets classified as held for sale			15.4		15.4	15.4		
Total assets	1,146.5	1,333.7	1,551.7	1,397.6	1,686.0	1,686.0	16.3%	16.3%

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)								
	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM	CAGR over FY21 - 23	Annual growth over FY22
Cash flow before working capital changes	283.8	344.3	443.4	102.3	121.0	462.1	25.0%	28.8%
Working capital changes	(22.1)	(72.8)	(115.0)	(36.9)	(22.9)	(100.9)	127.9%	58.0%
Cash flow from operating activities	193.6	187.3	227.4	50.8	80.7	257.2	8.4%	21.4%
Purchase of fixed assets and CWIP	(25.6)	(52.2)	(446.2)	(20.2)	(49.9)	(475.9)	317.3%	754.4%
Cash flow from investing activities	(53.2)	(261.8)	(556.8)	(48.6)	(68.9)	(577.1)	223.4%	112.7%
Cash flow from financing activities	(132.8)	94.1	323.8	(14.9)	(7.0)	331.7		244.1%
Net cash flow	7.6	19.6	(5.7)	(12.6)	4.8	11.8		
Opening balance of cash	9.1	16.7	36.3	36.3	30.6	23.6	99.2%	117.1%
Closing balance of cash	16.7	36.3	30.6	23.6	35.4	35.4	35.4%	-15.6%

Consolidated financial ratios						
Particulars	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM
Profitability ratios						
Revenue growth rate		29.5%	32.2%		9.1%	
Gross profit growth rate		28.9%	32.4%		23.2%	
Gross profit margin	50.3%	50.1%	50.2%	46.5%	52.6%	51.6%
EBITDA growth rate		20.5%	26.1%		23.2%	
EBITDA margin	26.4%	24.5%	23.4%	22.4%	25.3%	24.1%
EBIT growth rate		25.5%	29.4%		26.3%	
EBIT margin	21.7%	21.0%	20.6%	19.7%	22.8%	21.4%
Restated reported PAT growth rate		34.9%	30.5%		25.2%	
Restated reported PAT margin	14.4%	15.0%	14.8%	14.3%	16.4%	15.3%
Turnover ratios						
Inventory receivable turnover ratio	3.4	4.0	4.5	1.2	1.1	4.5
Trade receivable turnover ratio	2.8	3.5	4.1	1.0	0.9	3.5
Accounts payable turnover ratio	10.7	12.1	13.8	3.2	2.8	10.8
Fixed asset turnover ratio	4.0	5.0	6.0	1.5	1.5	5.7
Total asset turnover ratio	0.9	1.0	1.2	0.3	0.3	1.1
Return ratios						
RoIC (%)	634.9%	91.7%	29.4%	22.1%	7.9%	29.3%
RoE (%)	-141.6%	232.8%	79.1%	41.3%	8.6%	31.4%
RoA (%)	13.2%	15.3%	17.2%	4.4%	4.6%	16.7%
RoCE (%)	-1168.0%	229.3%	42.6%	47.1%	11.6%	42.5%
Per share data						
Restated adjusted EPS (Rs.)	7.1	9.6	12.5	2.9	3.6	13.3
DPS (Rs.)	0.3	0.5	0.5	0.0	0.0	0.5
BVPS (Rs.)	(5.0)	4.1	15.9	7.1	42.3	42.3
Operating cash flow per share (Rs.)	9.1	8.8	10.7	2.4	3.8	12.1
Free cash flow per share (Rs.)		0.5	(37.7)			
Dividend payout ratio	4.0%	4.7%	3.8%	0.0%	0.0%	3.6%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Pvt. Ltd. ("CEBPL") is a registered Research Analyst Entity (Reg. No. INH000000222; Cin. No. U65999MH2010PTC198714). Registered Address: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400-099. Tel. No. 022-6707 9999.

Compliance Officer: Swati Matkar; Tel. No. 022-6707-9999; Ext. 896; email-id: compliance@choiceindia.com

Grievance officer: Deepika Singhvi ; Tel. No. 022-6707-9999; Ext. 834; email-id: ig@choiceindia.com

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors .

This Research Report (hereinafter referred as "Report") has been prepared by Choice Equity Broking Pvt. Ltd. as a Research Entity (hereinafter referred as "CEBPL RE"). The Research Analysts, strategists are principally responsible for the preparation of "CEBPL RE" research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his/her own risk and CEBPL does not accept any liability as a result. Securities and derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

General disclaimer: This 'Report' is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this "Report" should rely on information/data arising out of their own study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This 'Report' has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Yester performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

Disclaimers in respect of jurisdiction: This Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India).

Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this Report.

Disclosures of interest (Additional):

- 1) "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company (ies) covered in this Report.
- 2) "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than one of the securities of the company (ies) covered in this Report as of the end of the month immediately preceding the distribution of the research report.
- 3) "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this Report.
- 4) "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in this Report, in the past twelve months.
- 5) "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this Report.
- 6) "CEBPL", or its associates have not received compensation or other benefits from the company (ies) covered in this Report or from any third party, in connection with the Report.
- 7) CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Report.
- 8) "CEBPL", its research analyst has not been engaged in market making activity for the company (ies) covered in the Report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. <https://choiceindia.com/research-listing>.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (Contd...)

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Report are given below:

Sr. no.	Particulars	Yes / No
1.	Whether compensation has been received from the company (ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2.	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1 of the company (ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company (ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company (ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in the Research report, in the last twelve months	No

Copyright: The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.