

About Company

Cello World is a famous Indian consumer product company mainly dealing in three categories such as writing instruments and stationery, molded furniture, consumer housewares and related products. The company has an experience of more than 60 years in the field of consumer product industry which enables them to better understand consumer preferences and choices. Cello World has 13 manufacturing units situated in 5 different locations in India. The company also aims to set up a glass manufacturing unit in Rajasthan with European made machinery to enable efficient productivity and enhanced manufacturing capacity. As of March 31, 2023, the company has 15,841 stock-keeping units ("SKU") across all product ranges. As of March 31, 2023, the company's national sales distribution team comprises of 683 members. The core strength of the company lies in the following:

1. Strong market position and branding.
2. Multiple product ranges to meet the different requisitions of the customers.
3. The company has a track record of scaling up businesses and product categories.
4. Experienced Management team with domain expertise.

Objects of the Offer:

The objects of the Offer are to

- (i) Achieve the benefits of listing the Equity Shares on the Stock Exchanges; and
- (ii) Carry out the Offer for Sale of up to Equity Shares aggregating up to 17,500.00million by the Selling Shareholders. Further, The Company expects that the proposed listing of its Equity Shares will enhance the companies visibility and brand image as well as provide a public market for the Equity Shares in India. The Company will not receive any proceeds from the Offer.

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Issue

Open	Close
Monday 30-Oct-23	Wednesday 01-Nov-23

Issue Size

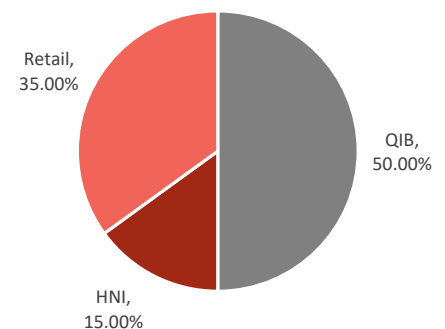
Fresh Issue

Offer for Sale	1900.00 cr
Total Issue	1900.00 cr

Per Equity Share

Price Band	Face Value
Rs.617 - Rs648	Rs 5
Minimum Shares	23 Qty

NET OFFER STRUCTURE



Source: Dalal & Broacha Research

Rationale

Well-established brand name and strong market positions.

The company's strong market position in the consumer products industry segment is a reflection of its vast experience, continuous product development, and consumer understanding. The brand "Cello" was awarded as one of the most trusted brands in India in 2021 by Commerzify. The company is a prominent player in the consumer ware market in India, with products in the consumer houseware, writing instruments and stationery, and molded furniture and allied products categories. The company launched the writing instruments and stationery business in 2019 under the "Unomax" brand. It had the highest EBITDA margin for the financial years 2021, 2022, and 2023. To enhance brand awareness and strengthen brand recall for the brands and sub-brands that the company uses, the company utilizes a diverse array of promotional and marketing efforts, including in-shop displays, merchandising, advertisements in print and social media, retail branding, and product branding. The brand advertisements and marketing campaigns have been critical in developing the brand identity. The company also continuously seeks to increase its digital presence and engagements and engage in brand associations. Further, through Cello Industrial Plastic Works, the company has also engaged a celebrity as a brand ambassador, endorsing and strengthening the "Cello" brand equity and brand recall among our consumers. The company has also engaged with tie-ups with large studios to market the lunch boxes, bottles, and stationery for children, using various cartoon characters.

Track record of scaling up new businesses and product categories

The company was incorporated only in 2018. The promoters were involved in the launch of the glassware and opal ware business in 2017 under the "Cello" brand and increased the revenue from operations from this business from ₹1,483.59 million in the financial year 2021 to ₹2,289.88 million in the financial year 2022 and ₹2,760.16 million in the financial year 2023, at a CAGR of 36.40%. Further, revenue from operations in this business was ₹591.29 million for the three months ended June 30, 2022, and ₹739.78 million for the three months ended June 30, 2023. The company sold 101.18 million units in the three months ended June 30, 2022, and 127.99 million units in the three months ended June 30, 2023. For the financial years 2021, 2022, and 2023, and the three months ended June 30, 2022, and June 30, 2023, revenue from the writing instruments and stationery product category was ₹1,113.80 million, ₹1,693.35 million, ₹2,849.99 million, ₹628.26 million, and ₹834.09 million, respectively. Further, the promoters were involved in the launch of the cleaning aid business in 2017 under the "Kleeno" sub brand. The company has been able to scale up this business by increasing the volume of products sold from it, from 5.35 million units in the financial year 2021 to 6.92 million units in the financial year 2022 and 7.12 million units in the financial year 2023, at a CAGR of 15.36%. Further, the company sold 1.67 million units in the three months ended June 30, 2022, and 2.14

million units in the three months ended June 30, 2023. For the financial years 2021, 2022, and 2023, and the three months ended June 30, 2022, and June 30, 2023, revenue from our cleaning aids business was ₹491.53 million, ₹607.79 million, ₹667.67 million, ₹165.98 million, and ₹186.51 million, respectively.

Ability to manufacture a diverse range of products and maintain optimal inventory levels

The manufacturing capabilities allow the company to manufacture a diverse range of products in-house, which in turn enables the company to scale up production quickly to meet increased demand, reduce the time taken to launch new products in the market, maintain quality control of the products, maintain better control over the supply chain, and mitigate the risk of supply chain disruption. The remaining products are manufactured by third-party contract manufacturers who manufacture products with the branding pursuant to arrangements with the company. The company owns and operates 13 manufacturing facilities across five locations, with an installed annual capacity of 57.77 million units of consumer houseware products per annum, 15,000 tons of opal ware and glassware per annum, 705.00 million units of writing instruments and stationery products per annum, and 12.80 million units of molded furniture and allied products, as of June 30, 2023. The glassware manufacturing facility in Rajasthan is expected to (i) house various machines, including fire polishing machines and servo gob feeders; (ii) be located close to the raw material suppliers; and (iii) provide a dry-weather environment that is suitable for the manufacturing of glassware. Further, the scale at which the company manufactures the products, combined with supply chain management including raw material sourcing, packaging, transportation, quality control, and sales, enables the company to derive the benefits of economies of scale across various aspects of the business model, including manufacturing, procurement, supply chain, and distribution. The company maintains optimal inventory levels across the manufacturing facilities by implementing technology and utilizing available market information. We have implemented an enterprise resource planning system, which is a systems application and product software, to, among others, help the company track consumer demands and maintain optimum inventory levels for the consumer houseware, molded furniture, and allied products product categories. An optimal level of inventory is important to the business as it allows us to respond to consumer demand effectively.

Conclusion

Cello World is a prominent player in the Indian consumer products across 3 categories: **consumer ware** market (contributes to 66% of FY23 revenue), **writing instruments and stationery** (contributes to 16% of FY23 revenue), **molded furniture and allied products** (contributes to 18% of FY23 revenue). The consumer ware market is divided into two main categories: consumer houseware and consumer glassware. Cello World owns/lease and operates 13 manufacturing facilities across 5 locations in India, as of June 30, 2023, and is currently establishing a glassware manufacturing facility in Rajasthan.

Cello World boasts a robust distribution network comprising approximately 3,322 distributors and 126,382 retailers, achieving the highest RoCE in the industry at 44.48% in FY23. The Indian Consumer

Houseware market is valued at approximately INR 343 billion, while Consumer Glassware is INR 34 billion, Writing Instruments at INR 133.50 billion, and Molded Furniture and Allied Products at INR 205 billion in FY23. These segments are expected to grow at CAGRs of 10%, 16.67%, 16.34%, and 16.53% from FY23 to FY27, with branded players outpacing unbranded competitors in the market.

The company's Sales/EBITDA/PAT has grown at 31%/23%/31% CAGR from FY21-23, on a higher price band (Rs 648) it is priced at a multiple of ~48x on FY23 earnings. Given Cello World's strong financial performance with metrics consistently above industry averages, we recommend subscribing to the issue.

Disclaimer

Sources of the reports taken from: Red Herring Prospectus, Various other the company sites, etc.

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