

# **Cello World Limited**

**Companion for Life!**



**NOT RATED**

## Companion for Life!

Cello World Limited (“Cello World”) was incorporated on July 25, 2018. Cello World is associated with Cello Plastic Industrial Works (“CPIW”) and the “Cello” brand since 1962. Their promoters (through their family) have since diversified their product range and brand portfolio over the last 6 decades. The 6 decades of experience of their promoters (through their family) in the consumer products industry has enabled the company to better understand the preferences and needs of consumers in India, diversify the product portfolio and grow the multi-channel distribution network. This has enabled them to curate an extensive product portfolio that caters to a diverse range of consumer requirements and offers a broad range of contemporary products across different ranges, types of product categories.

Cello World offers their consumer products across 3 categories: Consumer Houseware, Writing Instruments and Stationery, and Moulded Furniture and Allied Products. The consumer-ware market is broadly divided into 2 categories, consumer houseware and consumer glassware and Cello World is the prominent player in the consumer-ware market in India with presence in the consumer houseware, writing instruments and stationery, and moulded furniture and allied products and consumer glassware categories.

The company owns/lease and operate 13 manufacturing facilities across 5 locations in India, as of June 30, 2023, and they are currently establishing a glassware manufacturing facility in Rajasthan.

Company’s nationwide sales and distribution network is supported by their 721 members sales team, as of June 30, 2023. Further, their products also reach consumers through modern trade and export channels, e-commerce marketplaces and their own websites.

| Industry | Consumer ware |
|----------|---------------|
|----------|---------------|

| Issue Details |                           |
|---------------|---------------------------|
| Listing       | BSE & NSE                 |
| Open Date     | 30 <sup>th</sup> Oct 2023 |
| Close Date    | 1 <sup>st</sup> Nov 2023  |
| Price Band    | INR 617-648               |
| Face Value    | INR 5                     |
| Market Lot    | 23 shares                 |
| Minimum Lot   | 1 Lot                     |

| Issue Structure     |              |
|---------------------|--------------|
| Offer for Sale      | 100.00%      |
| Fresh Issue         | 0.00%        |
| Issue Size (Amt)    | INR 1900cr   |
| Issue Size (Shares) | 29,337,023   |
| QIB Share (%)       | ≤ 50%        |
| Non-Inst Share (%)  | ≥ 15%        |
| Retail Share (%)    | ≥ 35%        |
| Pre issue sh (nos)  | 195,000,000  |
| Post issue sh (nos) | 212,231,034  |
| Post issue M Cap    | INR 13752 cr |

| Shareholding (%) | Pre (%)       | Post (%)      |
|------------------|---------------|---------------|
| Promoters        | 91.88         | 78.06         |
| Public           | 8.12          | 21.94         |
| <b>TOTAL</b>     | <b>100.00</b> | <b>100.00</b> |

### Key Financial Data (INR Cr, unless specified)

|      | Revenue | EBITDA | PAT   | EBITDA<br>A<br>(%) | PAT<br>(%) | EPS<br>(₹) | BVPS<br>(₹) | RON<br>W(%) | ROC<br>E(%) | P/E<br>(X) | EV/Sales<br>(X) | EV/EBITDA<br>(X) |
|------|---------|--------|-------|--------------------|------------|------------|-------------|-------------|-------------|------------|-----------------|------------------|
| FY21 | 1049.5  | 276.7  | 165.5 | 26.4               | 15.8       | 7.8        | 3.4         | 52.2        | 58.7        | 83.6       | 12.2            | 46.4             |
| FY22 | 1359.2  | 333.6  | 219.5 | 24.5               | 16.2       | 10.5       | 14.0        | 45.9        | 40.9        | 61.9       | 9.5             | 38.7             |
| FY23 | 1796.7  | 420.5  | 285.1 | 23.4               | 15.9       | 13.6       | 27.5        | 40.0        | 44.5        | 47.5       | 7.1             | 30.4             |

## Growth Strategies

### **Well-established brand name and strong market positions**

Cello World is a prominent player in the consumer-ware market in India with products in the consumer houseware, writing instruments and stationery, and moulded furniture and allied products categories. Their brand “Cello” was awarded as one of the most trusted brands of India in 2021 by Commerzify. Further, they launched the writing instruments and stationery business in 2019 under the “Unomax” brand. To enhance brand awareness and strengthen brand recall for the brands and sub-brands that they use, they utilise a diverse array of promotional and marketing efforts, including in-shop displays, merchandising, advertisements in print and social media, retail branding and product branding.

### **Pan-India distribution network with a presence across multiple channels**

Company’s pan-India distribution network is one of the key reasons behind their efficient launch of new range of products in the past. Their nationwide sales and distribution network is supported by their 721 member sales team, as of June 30, 2023. Their products also reach consumers through modern trade and export channels, e-commerce marketplaces and their own websites. In addition, they also sell their products in bulk quantities to corporate clients and government departments.

### **Key Risks & Concerns**

- The company depends entirely on third-party suppliers for the supply of raw materials, including plastic granules and plastic polymer which are the most consumed raw materials in the production of products. A significant portion of the expenses come from the cost of raw materials. Thus, fluctuations in raw material prices, especially plastic granules and plastic polymer prices, and disruptions in their availability may have an adverse effect on the company’s business, results of operations, financial condition and cash flows.
- The regulatory and policy environment in which the company operates is evolving and subject to change. Such changes may adversely affect the company’s business, results of operations, financial condition, cash flows and prospects, to the extent that the company is unable to suitably respond to and comply with any such changes in applicable law and policy.
- India’s sovereign debt rating could be downgraded due to several factors, including changes in tax or fiscal policy or a decline in India’s foreign exchange reserves, all which are beyond control. The company’s borrowing costs and the access to the debt capital markets depend significantly on the sovereign credit ratings of India. Any adverse revisions to India’s credit ratings for domestic and overseas debt by international rating agencies may adversely impact the company’s ability to raise additional external financing, and the interest rates and other commercial terms at which such additional financing is available.

## Issue Structure and Offer Details

The proposed offer for sale of Cello World Limited is INR 1900 cr, 100% being offer for sale and the price band for the issue is in the range of INR 617 –648 and the bid lot is 23 shares and multiples thereof.

| Issue Structure   |                                |               |
|-------------------|--------------------------------|---------------|
| Investor Category | Allocation                     | No. of shares |
| QIB               | Not more than 50% of the Offer | 14,583,332    |
| NIB               | Not less than 15% of the Offer | 4,375,000     |
| Retail            | Not less than 35% of the Offer | 10,208,334    |
| Employees         |                                | 170,357       |

*Number of shares based on a higher price band of INR 648*

*Source: Company Reports*

## Cello financial summary & analysis

| Fig in INR Cr (unless specified)    | FY21    | FY22    | FY23    | Fig in INR Cr (unless specified)   | FY21    | FY22    | FY23    |
|-------------------------------------|---------|---------|---------|------------------------------------|---------|---------|---------|
| <b>Income Statement</b>             |         |         |         | <b>Per share data &amp; Yields</b> |         |         |         |
| Revenue                             | 1,049.5 | 1,359.2 | 1,796.7 | Adjusted EPS (INR)                 | 7.8     | 10.5    | 13.6    |
| YoY Growth (%)                      |         | 29.5    | 32.2    | Adjusted Cash EPS (INR)            | 10.3    | 12.9    | 16.2    |
| Raw Material Cost                   | 12.7    | (54.0)  | (63.3)  | Adjusted BVPS (INR)                | 3.4     | 14.0    | 27.5    |
| RM Cost to Sales (%)                | 1.2     | (4.0)   | (3.5)   | Adjusted CFO per share (INR)       | 9.9     | 9.6     | 11.7    |
| Employee Cost                       | 96.8    | 131.9   | 157.6   | CFO Yield (%)                      | 1.5     | 1.5     | 1.8     |
| Employee Cost to Sales (%)          | 9.2     | 9.7     | 8.8     | Adjusted FCF per share (INR)       | 8.7     | 7.1     | 6.4     |
| Other Expenses                      | 663.1   | 947.7   | 1,281.9 | FCF Yield (%)                      | 1.3     | 1.1     | 1.0     |
| Other Exp to Sales (%)              | 63.2    | 69.7    | 71.3    | <b>Solvency Ratio (X)</b>          |         |         |         |
| EBITDA                              | 276.7   | 333.6   | 420.5   | Total Debt to Equity               | 4.9     | 1.7     | 0.6     |
| Margin (%)                          | 26.4    | 24.5    | 23.4    | Net Debt to Equity                 | 3.3     | 1.0     | 0.3     |
| YoY Growth (%)                      |         | 20.5    | 26.1    | Net Debt to EBITDA                 | 0.8     | 0.8     | 0.4     |
| Depreciation & Amortization         | 48.9    | 47.6    | 50.3    | <b>Return Ratios (%)</b>           |         |         |         |
| EBIT                                | 227.8   | 286.0   | 370.2   | Return on Equity                   | (141.6) | 232.8   | 79.1    |
| Margin (%)                          | 21.7    | 21.0    | 20.6    | Return on Capital Employed         | 74.3    | 38.9    | 41.4    |
| YoY Growth (%)                      |         | 25.5    | 29.4    | Return on Invested Capital         | 210.8   | 77.2    | 76.1    |
| Other Income                        | 10.1    | 15.9    | 16.7    | <b>Working Capital Ratios</b>      |         |         |         |
| Bill discounting & other charges    | 2.3     | 2.9     | 1.8     | Payable Days (Nos)                 | 34      | 34      | 27      |
| Fin Charges Coverage (X)            | 100.1   | 100.4   | 210.8   | Inventory Days (Nos)               | 107     | 101     | 87      |
| Exceptional Item                    | 0.0     | 0.0     | 0.0     | Receivable Days (Nos)              | 129     | 109     | 94      |
| PBT                                 | 235.7   | 299.1   | 385.2   | Net Working Capital Days (Nos)     | 202     | 177     | 154     |
| Margin (%)                          | 22.5    | 22.0    | 21.4    | Net Working Capital to Sales (%)   | 55.3    | 48.4    | 42.2    |
| YoY Growth (%)                      |         | 26.9    | 28.8    | <b>Valuation (X)</b>               |         |         |         |
| Tax Expense                         | 70.1    | 79.6    | 100.1   | P/E                                | 83.6    | 61.9    | 47.5    |
| Tax Rate (%)                        | 29.8    | 26.6    | 26.0    | P/BV                               | 193.1   | 46.3    | 23.6    |
| PAT                                 | 165.5   | 219.5   | 285.1   | EV/EBITDA                          | 46.4    | 38.7    | 30.4    |
| Margin (%)                          | 15.8    | 16.2    | 15.9    | EV/Sales                           | 12.2    | 9.5     | 7.1     |
| YoY Growth (%)                      |         | 32.6    | 29.9    | <b>Cash Flow Statement</b>         |         |         |         |
| Min Int/Sh of Assoc                 | (14.3)  | (15.5)  | (18.9)  | PBT                                | 235.7   | 299.1   | 385.2   |
| Net Profit                          | 151.2   | 204.0   | 266.1   | Adjustments                        | 48.1    | 45.5    | 42.5    |
| Margin (%)                          | 14.4    | 15.0    | 14.8    | Change in Working Capital          | (22.1)  | (77.8)  | (100.2) |
| YoY Growth (%)                      |         | 34.9    | 30.5    | Less: Tax Paid                     | (68.1)  | (79.6)  | (100.1) |
| <b>Balance Sheet</b>                |         |         |         | Cash Flow from Operations          | 193.6   | 187.3   | 227.4   |
| Share Capital                       | 0.0     | 0.0     | 97.5    | Net Capital Expenditure            | (24.8)  | (51.6)  | (103.2) |
| Total Reserves                      | 65.4    | 272.8   | 438.9   | Change in Investments              | (28.4)  | (210.2) | (453.6) |
| Shareholders Fund                   | 65.4    | 272.8   | 536.4   | Cash Flow from Investing           | (53.2)  | (261.8) | (556.8) |
| Long Term Borrowings                | 0.0     | 0.0     | 8.7     | Change in Borrowings               | (130.4) | 103.0   | (124.7) |
| Deferred Tax Assets / Liabilities   | 6.1     | 5.6     | 3.7     | Less: Finance Cost                 | (2.3)   | (2.9)   | (1.8)   |
| Other Long Term Liabilities         | 10.4    | 8.7     | 490.2   | Proceeds from Equity               | 0.0     | 0.0     | 475.0   |
| Long Term Trade Payables            | 0.0     | 0.0     | 0.0     | Buyback of Shares                  | 0.0     | 0.0     | (15.1)  |
| Long Term Provisions                | 3.6     | 4.5     | 2.5     | Dividend Paid                      | (0.1)   | (6.0)   | (9.6)   |
| Total Liabilities                   | 85.6    | 291.6   | 1,041.5 | Cash flow from Financing           | (132.8) | 94.1    | 323.8   |
| Net Block                           | 259.2   | 258.6   | 271.7   | Net Cash Flow                      | 7.5     | 19.6    | (5.7)   |
| Capital Work in Progress            | 4.3     | 11.8    | 20.9    | Forex Effect                       | 0.0     | 0.0     | 0.0     |
| Intangible assets under development | 0.0     | 2.8     | 4.8     | Opening Balance of Cash            | 9.1     | 16.7    | 36.3    |
| Non Current Investments             | 45.0    | 35.0    | 50.6    | Closing Balance of Cash            | 16.7    | 36.3    | 30.6    |
| Long Term Loans & Advances          | 11.4    | 23.9    | 55.5    |                                    |         |         |         |
| Other Non Current Assets            | 3.9     | 3.7     | 3.6     |                                    |         |         |         |
| Net Current Assets                  | (238.3) | (44.2)  | 634.4   |                                    |         |         |         |
| Total Assets                        | 85.6    | 291.6   | 1,041.5 |                                    |         |         |         |

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