

IPO Note

CELLO WORLD LIMITED

October 30, 2023





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Details of the Issue

Price Band	₹ 617 - ₹ 648
Issue Size	₹ 1,900 Cr
Face Value	₹ 5
Bid Lot	23
Listing on	BSE, NSE
Post Issue Mcap	₹ 13,752.57 Cr
Investment Range	₹ 14,191 - ₹ 14,904

Important Indicative Dates (2023)

Opening	30 - Oct
Closing	01 - Nov
Basis of Allotment	06 - Nov
Refund Initiation	07 - Nov
Credit to Demat	08 - Nov
Listing Date	09 - Nov

No of shares (Mn)

Fresh Issue of Shares	-
Offer for Sales	29.32
Total No of Shares	29.32

Lead Manager

Kotak Mahindra Capital Company Limited
ICICI Securities Limited
IIFL Securities Limited
JM Financial Limited
Motilal Oswal Investment Advisor Limited

Offer Details

Offer Size	₹ 1,900 Cr
Fresh Issue	₹ 1,900 Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	950	14.66	15.40	50
NIB	285	4.40	4.62	15
Retail	665	10.26	10.78	35
Em-ploy.	-	-	-	-
Total	1,900	29.32	30.79	100

Invest Now**Company Profile**

Cello World Ltd is a renowned Indian consumer product company, specializes in three key categories: writing instruments and stationery, molded furniture, and consumer housewares. With over six decades of industry experience, Cello World has developed a deep understanding of consumer preferences. The company operates 13 manufacturing units spread across five different locations in India and has plans to establish a glass manufacturing facility in Rajasthan, equipped with European machinery for improved productivity and expanded manufacturing capacity.

As of March 31, 2023, Cello World boasts an impressive portfolio of 15,841 stock-keeping units (SKUs) covering various product ranges. Their national sales distribution team comprises 683 dedicated members. Key strengths of the company include a robust market position and strong branding, diverse product ranges to cater to various customer needs, a proven track record of business and product category expansion, and an experienced management team with domain expertise.

Business Highlights & Services

company, established in 2018, has a strong track record of successfully expanding new businesses and product categories. The founders has launched the glassware and opal-ware business under the "Cello" brand in 2017, achieving impressive revenue growth from ₹1,483.59 million in 2021 to ₹2,760.16 million in 2023, with a CAGR of 36.40%. In the first three months of 2023, revenue reached ₹739.78 million.

Additionally, it introduced the "Unomax" brand for writing instruments and stationery in 2019. Sales have shown remarkable growth, with a CAGR of 41.03%, going from 230.31 million units in 2021 to 458.10 million units in 2023. Revenue for this category was ₹834.09 million in the first quarter of 2023, and "Unomax" consistently delivered the highest EBITDA margin in the past three years. Furthermore, in 2017, company's founders played a pivotal role in launching the cleaning aids business under the "Kleeno" sub-brand, achieving steady growth, with sales increasing from 5.35 million units in 2021 to 7.12 million units in 2023. Revenue for this business was ₹186.51 million in the first quarter of 2023.

As of June 30, 2023, company owns/leases and operates a total of 13 manufacturing facilities spread across five locations in India. They are also in the process of establishing a new glassware manufacturing facility in Rajasthan. Its manufacturing capabilities are extensive and enable to produce a wide variety of products in-house. For the Financial Years 2021, 2022, and 2023, as well as the three months ending June 30, 2022 and June 30, 2023, a significant portion of revenue, ranging from 78.65% to 82.63%, is generated from in-house manufacturing operations. These figures illustrate the substantial contribution of internal manufacturing to overall revenue.

For products not produced in-house, primarily steel and glassware items, it collaborates with third-party contract manufacturers who produce these goods under brand name through agreements with them.

Its large-scale manufacturing and efficient supply chain management enable to benefit from economies of scale in various aspects of business. It also prioritizes maintaining optimal inventory levels at manufacturing facilities through the use of technology and market information. Moreover, it places a strong emphasis on upholding high-quality standards and adhering to good manufacturing practices.

Company boasts a robust pan-India distribution network, which has evolved over six decades, stemming from the network established by CPIW for thermoware and plastic materials.



This network is supported by a 721-member sales team equipped with an enterprise resource planning system, ensuring efficient production forecasting and inventory management. It maintain enduring relationships with distributors and retailers, reaching customers through various channels, including modern trade, e-commerce, and corporate and government clients. It brand recognition is reinforced through diverse marketing initiatives, such as in-shop displays, social media ads, and print media campaigns, managed by a 24-member marketing team. It brand identity is further solidified through memorable campaigns like "Cello - Companion for Life" and "Don't Just Write, Glide."

Brand and Product

Consumer Houseware: Product Under the consumer houseware products category are offered and sold under the well-known "Cello" brand, and it product brand lineup includes popular sub-brands like "Kleeno," "Puro," "Chef," "H2O," "Modustack," "Maxfresh," and "Duro."

Houseware	Insulatedware	Electronic appliances and cookware	Cleaning aids	Opalware	Glassware
<ul style="list-style-type: none"> - Plastic bottles - Containers - Jugs - Buckets - Drums 	<ul style="list-style-type: none"> - Casseroles - Bottles - Flasks - Lunch boxes - Water Jugs - Tiffin 	<ul style="list-style-type: none"> - Mixers - Sandwich makers - Irons - Hot plates - Pots - Pans 	<ul style="list-style-type: none"> - Brushes - Wipers - Brooms - Mops - Gloves - Dustbins 	<ul style="list-style-type: none"> - Dinner sets - Cups, saucers and mugs - Bowls - Lunch packs - Mixing bowls - Bakeware - Tea and Coffee sets - Gift sets 	<ul style="list-style-type: none"> - Tumblers - Jugs - Bottles - Lunch packs - Storage containers - Vegetable bowl sets - Quick bite sets - Pudding sets - Hot snacks sets - Noodle bowl sets - Dry fruit sets



Writing Instrument and Stationery: Product under the writing instruments and stationery product category are offered and sold by us under the "Unomax" brand. The popular sub-brands under the "Unomax" brand include "Ultron2X" and "Geltron".

Writing instruments	Stationery
<ul style="list-style-type: none"> - Ball point pen - Gel pen - Roller pen - Fountain pen - Metal pen - Mechanical pencil 	<ul style="list-style-type: none"> - Highlighters - Markers - Correction Pens



Moulded Furniture and Allied Product: Product under the moulded furniture and allied products category are offered and sold by it under the "Cello" brand. The table and image below set forth an overview of range of products under the moulded furniture and allied products product category:





Distribution Network

Company's nationwide sales and distribution network, backed by a dedicated team of 721 sales members, is a cornerstone of successful product launches. It empowers field staff with enterprise resource planning systems for production forecasting and inventory optimization. Its enduring partnerships with distributors and retailers allow them to gather valuable consumer insights and market feedback. This informs them to make decisions on product-market fit, pricing discounts, and festive season advertising campaigns, ensuring products meet customer needs and market demands efficiently.

Product Categories	Distribution Network* (as of June 30, 2023)
Consumer Houseware	717 distributors and approximately 58,716 retailers located across India
Writing Instruments and Stationery	29 super-stockists, approximately 1,509 distributors and approximately 60,826 retailers located across India
Moulded Furniture and Allied Products	1,067 distributors and approximately 6,840 retailers located across India

Manufacturing Facilities and Production Capacity

Company has 13 manufacturing facilities in India, including eight facilities in Daman in the Union Territory of Daman and 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. Its revenue derived from in-house manufacturing operations aggregated to 78.65%, 82.63%, 79.37%, 82.08% and 79.67% of total revenue from operations for the Financial Years 2021, 2022 and 2023, and the three months ended June 30, 2022 and June 30, 2023, respectively. The remaining products (consisting mainly of steel and glassware products) are manufactured by third party contract manufacturers who manufacture products with their branding pursuant to contracts with them.

Unit	Entity through which manufacturing unit is operated	Products manufactured	Description	Nature of Interest	Certifications
Daman Unit-I ("Daman Unit-I")	Wim Plast Limited	Plastic moulded furniture and other articles	Location: Daman, Daman and Diu Commencement of production: FY 2002 - 2003	Licensed since FY 2022 - 2023	ISO 9001:2015
Daman Unit-II ("Daman Unit-II")	Wim Plast Limited	Plastic moulded furniture and other articles	Location: Daman, Daman and Diu Commencement of production: FY 1999 - 2000	Owned since FY 1998-1999	ISO 14001:2015 ISO 50001:2018 ISO 45001:2018 ISO 90001:2015
Daman Unit-III ("Daman Unit-III")	Wim Plast Limited	Plastic Extrusion Sheet	Location: Daman, Daman and Diu Commencement of production: FY 2011 - 2012	Licensed since FY 2022 - 2023	ISO 9001:2015
Daman Unit-IV ("Daman Unit-IV")	Cello Household Products Private Limited	Household and Insulatedware	Location: Daman, Daman and Diu Commencement of production: FY 2014 - 2015	Licensed since FY 2023 - 24	ISO 9001:2015
Daman Unit-V ("Daman Unit-V")	Cello Household Products Private Limited	Household and Insulatedware	Location: Daman, Daman and Diu Commencement of production: FY 1997 - 1998	Licensed since FY 2023 - 2024	ISO 9001:2015
Daman Unit-VI ("Daman Unit-VI")	Cello Industries Private Limited	Opalware and Glassware	Location: Daman, Daman and Diu Commencement of production: FY 2016 - 2017	Licensed since FY 2023 - 2024	ISO 9001:2015
Daman Unit-VII ("Daman Unit-VII")	Unomax Stationery Private Limited	Stationery and allied products	Location: Daman, Daman and Diu Commencement of production: FY 2022 - 2023	Licensed since FY 2022 - 2023	ISO 9001:2015
Daman Unit-VIII ("Daman Unit-VIII")	Unomax Writing Instruments Private Limited	Stationery and allied products	Location: Daman, Daman and Diu Commencement of production: FY 2020 - 2021	Licensed since FY 2022 - 2023	-
Haridwar Unit-I ("Haridwar Unit-I")	Wim Plast Limited	Plastic moulded furniture and other articles	Location: Haridwar, Uttarakhand Commencement of production: FY 2011 - 2012	Owned since FY 2011 - 2012	ISO 9001:2015

Unit	Entity through which manufacturing unit is operated	Products manufactured	Description	Nature of Interest	Certifications
Haridwar Unit-II ("Haridwar Unit-II")	Cello Houseware Private Limited	Houseware, insulatedware, melamine and allied products	Location: Haridwar, Uttarakhand Commencement of production: FY 2009 - 2010	Licensed since FY 2021 - 2022	ISO 9001:2015
Baddi Unit-I ("Baddi Unit-I")	Wim Plast Limited	Plastic Extrusion Sheet	Location: Baddi, Himachal Pradesh Commencement of production: FY 2005 - 2006	Owned since FY 2004 - 2005	ISO 9001:2015
Chennai Unit-I ("Chennai Unit-I")	Wim Plast Limited	Plastic moulded furniture, other articles and tooling unit	Location: Chennai, Tamil Nadu Commencement of production: FY 2011 - 2012	Licensed since FY 2011 - 2012	-
Kolkata Unit-I ("Kolkata Unit-I")	Wim Plast Limited	Plastic moulded furniture and other articles	Location: Kolkata, West Bengal Commencement of production: FY 2012 - 2013	Licensed since 2012 - 2013	-

The production capacities of manufacturing facilities as of June 30, 2023:

	Production Capacity (Consumer Houseware) (in million units per annum, and as of June 30, 2023)	Production Capacity (Opalware and Glassware) (in tonnes per annum, and as of June 30, 2023)	Production Capacity (Writing Instruments and Stationery) (in million units of products per annum, and as of June 30, 2023)	Production Capacity (Moulded Furniture and Allied Products) (in million units of products per annum, and as of June 30, 2023)
Daman Unit-I & II*	-	-	-	2.25
Daman Unit-III	-	-	-	3.50
Daman Unit-IV	28.84	-	-	-
Daman Unit-V	9.66	-	-	-
Daman Unit-VI	-	15,000 [†]	-	-
Daman Unit-VII	-	-	620.00	-
Daman Unit-VIII	-	-	85.00	-
Haridwar Unit-I	-	-	-	1.25
Haridwar Unit-II	19.27	-	-	-
Baddi Unit-I	-	-	-	2.65
Chennai Unit-I	-	-	-	1.15
Kolkata Unit-I	-	-	-	2.00



Competitive Landscape

Segmentation of Indian consumer glassware market basis price:

Players	Product	Economy	Mid-Premium	Premium
Cello	Melamine	-	✓✓✓	✓
	Opalware	✓✓✓	✓	-
	Porcelain	-	✓✓	-
	Glassware	✓✓	✓	✓
Milton	Melamine	✓✓	✓	-
	Opalware	-	-	-
	Porcelain	✓✓✓	-	✓
	Glassware	✓✓✓	✓	✓
Borosil	Melamine	-	-	-
	Opalware	✓✓✓	✓	✓
	Porcelain	-	-	-
	Glassware	✓✓✓	✓✓	✓
La Opala	Melamine	-	-	-
	Opalware	✓✓	✓✓✓	✓
	Porcelain	-	-	-
	Glassware	✓✓	✓	-

Key players and their presence across various consumer ware and related categories

Key Players	Drinkware				Insulated Ware			Dinnerware & Serveware				Glassware				Cookware			Small Kitchen Appliances	Stationery	Cleaning Supplies	Moulded Furniture	Air Coolers
	plastic	Plastic+Steel	Steel	Glass/copper	plastic	Plastic+Steel	Steel	Opalware	Melamine	Porcelain	Steel	Plastic	Borosilicate	Sodalime	Vitreille	Hard Anodised	Non-Stick	Stainless Steel					
Cello																							
Milton																							
LaOpala																							
Borosil																							
Corelle																							
LocknLock																							
Tupperware																							
Signoraware																							
Ross																							
Prestige																							
Hawkins																							
Gala																							
Scotch-Brite																							
Camlin																							
Luxor																							
LINC																							
DOMS																							
Flair																							
Supreme																							
Nikamal Ltd.																							
Stovekraft																							

Source: Technopak Analysis

Peer Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Cello world Ltd	5	1,797	13.17	56.84	23.17	18.23%
Peers Group						
Borosil Ltd	1	1,027	7.86	67.97	50.59	11.50%
Kokuyo Camlin Ltd	1	775	2.44	26.18	57.97	9.31%
La Opala RG Ltd	2	452	11.08	69.18	40.81	15.87%
Stove Kraft Ltd	10	1,284	10.86	122.13	51.49	8.87%
TTK Prestige Ltd	1	2,777	18.34	139.85	43.78	13.11%
linc Ltd	10	487	25.15	123.39	33.39	20.38%

Revenue from Key Operations

Company	2021	2022	2023	CAGR 2021-23
Cello World*	10,495	13,592	17,967	30.8%
Consumerware Players				
Hamilton Housewares (Milton)	14,543	18,594	NA	NA
Borosil	5,848	8,399	10,271	32.5%
LaOpala	2,113	3,227	4,523	46.3%
Tupperware	1,600	1,491	NA	NA
East Coast Distributors (Ross)	491	646	1,032	28.0%
Princeware	1,748	1,943	NA	NA
Rajprabhu Traders	79	109	NA	NA
Stovekraft	8,590	11,364	12,838	22.3%
Hawkins	7,685	9,580	10,058	14.4%
TTK Prestige	21,869	27,225	27,771	12.7%
Stationary Players				
Kokuyo Camlin Ltd	4,031	5,085	7,749	38.6%
Linc Ltd	2,567	3,550	4,868	37.7%
Flair Writing Industries	2,980	5,775	9,427	77.9%
Luxor Writing Instruments	2,318	3,341	NA	NA
Rorito International	1,136	1,407	NA	NA
Hindustan Pencils	4,886	7,703	NA	NA
BIC Cello India	2,646	4,064	NA	NA
DOMS	4,028	6,836	12,118	44.3%
Kangaro	2,212	2,927	NA	NA

PAT from key operation's

Company	2021 PAT	2021 Margin	2022 PAT	2022 Margin	2023 PAT	2023 Margin	CAGR 2021-23
Cello World*	1,655	15.8%	2,195	16.2%	2,851	15.9%	31.2%
Consumerware Players							
Hamilton Housewares	1,334	9.2%	1,532	8.2%	NA	NA	NA
Borosil	424	7.2%	852	10.1%	902	8.8%	45.9%
LaOpala	496	23.5%	874	27.1%	1,230	27.2%	57.5%
Tupperware	67	4.2%	67	4.5%	NA	NA	NA
East Coast Distributors (Ross)	-31	-6.3%	12	1.8%	35	3.4%	na(1)
Princeware	20	1.1%	36	1.8%	NA	NA	NA
Rajprabhu Traders	0	0.1%	0	0.2%	NA	NA	NA
Stovekraft	812	9.5%	562	4.9%	358	2.8%	-33.6%
Hawkins	806	10.5%	839	8.8%	948	9.4%	8.4%
TTK Prestige	2,368	10.8%	3,048	11.2%	2,527	9.1%	3.3%
Stationary Players							
Kokuyo Camlin Ltd	-146	-3.6%	-47	-0.9%	244	3.2%	na(1)
Linc Ltd	0	0.0%	81	2.3%	374	7.7%	2988.7%
Flair Writing Industries	10	0.3%	562	9.7%	1,181	12.5%	1003.6%
Luxor Writing Instruments	-94	-4.1%	-50	-1.5%	NA	NA	NA
Rorito International	-391	-34.5%	-273	-19.4%	NA	NA	NA
Hindustan Pencils	-54	-1.1%	68	0.9%	NA	NA	NA
BIC Cello India	-2,155	-81.4%	-1,620	-39.9%	NA	NA	NA
DOMS	-60	-1.5%	171	2.5%	1,028	8.5%	na(1)
Kangaro	226	10.2%	306	10.5%	NA	NA	NA

**Companies Competitive Strength :**

- 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 optimal inventory levels.
- Skilled and experienced management team.
- Strong historical financial results

Key Strategies Implemented by Company

- Continued innovation to grow wallet share and expand consumer base.
- Expand distribution network.
- Scale up branding, promotional and digital activities.
- Scale up branding, promotional and digital activities.

Particulars (Rs Cr)	2023	2022	2021
Equity Share Capital	97.50	0.10	0.10
Reserves	239	88	(107)
Net worth as stated	666	444	290
Revenue from Operation	1,797	1,359	1,050
Revenue Growth (%)	32.19%	29.51%	-
EBITDA as Stated	437.28	349.50	286.87
EBITDA margin (%)	24.34%	25.71%	27.37%
Net Profit for the period	285.06	219.10	165.55
Net Profit (%) as Stated	15.87%	16.15%	15.77%
EPS (₹)	13.65	10.46	7.75
RoNW (%)	39.98%	45.94%	52.21%
ROCE(%)	44.48%	40.92%	58.73%

Valuations and Recommendation:

- Cello world Ltd annualized earning arrives at ₹ 331.32 Cr for 3MFY23. At upper price band of ₹ 648 Cr, Company is looking for post issue market cap of ₹ 13,752.57 Cr, Which implies a earning multiple (P/E) of 41.51(x).
- Based on the valuation, issue appears to be fairly valued, company has consistently demonstrated its manufacturing and production prowess through a continual stream of innovative products across a wide range of consumer household categories, appealing to various age groups. This strategy has not only expanded its customer base but has also grown its market presence and share in each product category. Additionally, it has strategically elevated its branding efforts, successfully attracting new customers and securing a greater foothold in its respective product segments. This has involved moving up the value chain in each market segment. The company has established a robust brand identity based on effective branding advertisements and marketing campaigns, such as "Cello - Companion for Life," "Cello - Rishta Zindagi Bhar Ka," "Hot Chahiye Toh Cello," and "Don't Just Write, Glide." Company is poised to become a leading player in its business verticals. With a substantial addressable market exhibiting an average growth rate of 16%, the company possesses strong financials and maintains a debt-free balance sheet. All of these factors position CWL as an attractive growth opportunity. Hence, we recommend an "Subscribe" rating for the issue.



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Dibandu Maji | + 022-6618 2689 | Dibandumaji@geplcapital.com

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