

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CELLO IN
Equity Shares (m)	221
M.Cap.(INRb)/(USDb)	196.2 / 2.3
52-Week Range (INR)	1025 / 711
1, 6, 12 Rel. Per (%)	-8/-2/-
12M Avg Val (INR M)	458

#### Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	20	23.5	28.2
EBITDA	5	6.1	7.6
Adj. PAT	3.3	4	5
EBITDA Margin (%)	25	26	27
Cons. Adj. EPS (INR)	15.6	18.7	23.6
EPS Gr. (%)	24.4	20.2	26.1
BV/Sh. (INR)	54.1	72.1	95
<b>Ratios</b>			
Net D:E	0.2	-0.1	-0.3
RoE (%)	29	26	25
RoCE (%)	33	28	30
<b>Valuations</b>			
P/E (x)	57	47	38
EV/EBITDA (x)	38	31	24

#### Shareholding pattern (%)

As on	Jun-24	Mar-24
Promoter	78.1	78.1
DII	12.1	12.4
FII	5.9	4.4
Others	4.0	5.1

Note: FII includes depository receipts

**CMP: INR888** **TP: INR1,070 (+20%)** **Buy**

## Consumerware and allied products businesses drive performance

#### Earnings in line with estimates

- CELLO reported revenue growth of 6% YoY in 1QFY25, led by consumerware (up 5% YoY; despite demand headwinds) and moulded furniture & allied product businesses (up 16% YoY; strong growth from coolers segment). The writing instruments business remained flat due to continued sluggishness in the overall demand scenario.
- EBITDA grew by 8% YoY as EBITDA margin expanded by 60bp, aided by improved gross margin (up 120bp YoY), which was led by a favorable product mix and continued focus on value-added premium products.
- We maintain our FY25/FY26 EPS estimates and retain our BUY rating on the stock with a TP of INR1,070.

#### Favorable product mix and premiumization led to margin expansion

- Consolidated revenue grew 6% YoY but declined 2% QoQ to INR5b (in line). EBITDA was up ~8% YoY/down 3% QoQ at INR1.3b (in line). EBITDA margin expanded 60bp YoY but contracted 20bp QoQ to 25.8% (est. 25.2%) as gross margin improved 120bp YoY/90bp QoQ, aided by favorable product mix and continued focus on value-added premium products. Adjusted PAT grew 7% YoY but declined 7% QoQ to INR826m. (in line).
- Consumerware segment revenue (65% of total revenue in 1Q) grew 5% YoY to INR3.3b (flat QoQ), despite demand headwinds, which were intensified by elections.
- Writing instruments revenue (~17% mix) was flat YoY at INR831m (down 5% YoY) due to continued sluggishness in the overall demand scenario. While revenue of moulded furniture and allied products (~19% mix) grew 16% YoY to INR941m (down 4% YoY), led by strong growth in cooler business.

#### Highlights from the management commentary

- Guidance:** CELLO has maintained its revenue growth guidance of 15%-17% in FY25 (from organic growth), driven by an improvement in the overall demand scenarios in 2HFY25. The company does not expect subdued demand scenario of 1Q to continue in upcoming quarters.
- Consumerware:** New glassware segment will start contributing to revenue in 2Q. The segment witnessed 170bp improvement in gross margin. It is focusing on premiumization of its product line to further improve its margins
- Writing Instrument:** CELLO will add new product lines such as marker, crayon and geometric boxes soon (mostly likely in 2HFY25). However, initially, margins for these new products will be lower than the current overall margins.

**Valuation and view**

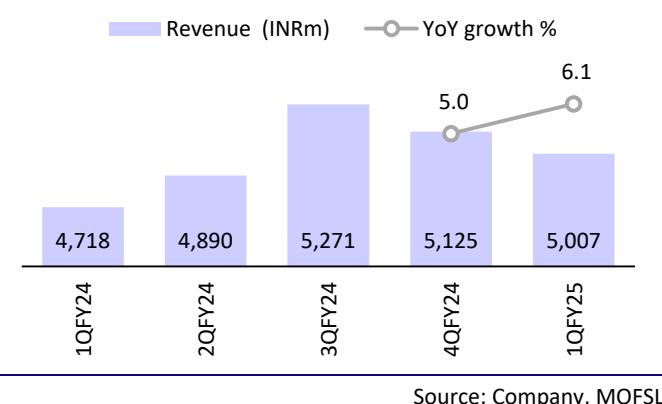
- Operating in diverse industries, CELLO benefits from an expanding TAM (CAGR of 13% over FY23-27 to INR1,229b), driven by various sector-specific tailwinds, including favorable demographics, increased discretionary spending, greater product penetration, import substitution, innovation, evolving gifting trends, and brand loyalty. We estimate CELLO to grow faster than the industry.
- The company is expected to post a robust CAGR of 19%/23%/23% in revenue/EBITDA/adj. PAT over FY24-26E. This will be driven by the expansion of both SKUs and distribution reach, coupled with strong growth in the glassware segment after the ramp-up of the new plant in Rajasthan.
- **We reiterate our BUY rating on CELLO with a TP of INR1,070 (premised on 45x FY26E EPS).**

**Consolidated - Quarterly Earning Model**

Y/E March									(INRm)			
	FY24				FY25E				FY24	FY25E	FY25E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1Q	Var	
<b>Gross Sales</b>	<b>4,718</b>	<b>4,890</b>	<b>5,271</b>	<b>5,125</b>	<b>5,007</b>	<b>5,476</b>	<b>6,430</b>	<b>6,560</b>	<b>20,003</b>	<b>23,473</b>	<b>5,142</b>	<b>-3%</b>
YoY Change (%)	NA	NA	NA	5.0	6.1	12.0	22.0	28.0	11.3	17.3	9.0	
<b>Total Expenditure</b>	<b>3,526</b>	<b>3,687</b>	<b>3,949</b>	<b>3,792</b>	<b>3,714</b>	<b>4,103</b>	<b>4,733</b>	<b>4,792</b>	<b>14,954</b>	<b>17,342</b>	<b>3,847</b>	
<b>EBITDA</b>	<b>1,192</b>	<b>1,203</b>	<b>1,321</b>	<b>1,333</b>	<b>1,293</b>	<b>1,374</b>	<b>1,697</b>	<b>1,768</b>	<b>5,049</b>	<b>6,131</b>	<b>1,295</b>	<b>0%</b>
Margins (%)	25.3	24.6	25.1	26.0	25.8	25.1	26.4	27.0	25.2	26.1	25.2	
Depreciation	118	127	147	175	141	165	190	205	567	701	179	
Interest	6	7	5	8	6	4	3	3	26	16	6	
Other Income	81	107	45	66	60	110	65	80	299	315	85	
<b>PBT before EO expense</b>	<b>1,149</b>	<b>1,176</b>	<b>1,214</b>	<b>1,215</b>	<b>1,206</b>	<b>1,315</b>	<b>1,569</b>	<b>1,640</b>	<b>4,755</b>	<b>5,729</b>	<b>1,195</b>	
<b>PBT</b>	<b>1,149</b>	<b>1,176</b>	<b>1,214</b>	<b>1,215</b>	<b>1,206</b>	<b>1,315</b>	<b>1,569</b>	<b>1,640</b>	<b>4,755</b>	<b>5,729</b>	<b>1,195</b>	
Tax	321	310	307	250	311	331	395	411	1,188	1,449	301	
Rate (%)	27.9	26.4	25.3	20.6	25.8	25.2	25.2	25.1	25.0	25.3	25.2	
MI & Profit/Loss of Asso. Cos.	54	66	58	77	69	80	66	88	256	303	60	
<b>Reported PAT</b>	<b>774</b>	<b>800</b>	<b>849</b>	<b>888</b>	<b>826</b>	<b>903</b>	<b>1,108</b>	<b>1,141</b>	<b>3,311</b>	<b>3,977</b>	<b>834</b>	
<b>Adj PAT</b>	<b>774</b>	<b>800</b>	<b>849</b>	<b>888</b>	<b>826</b>	<b>903</b>	<b>1,108</b>	<b>1,141</b>	<b>3,311</b>	<b>3,977</b>	<b>834</b>	<b>-1%</b>
YoY Change (%)	NA	NA	NA	-81.8	6.6	12.9	30.5	28.5	24.4	20.1	7.7	
Margins (%)	16.4	16.4	16.1	17.3	16.5	16.5	17.2	17.4	16.6	16.9	16.2	

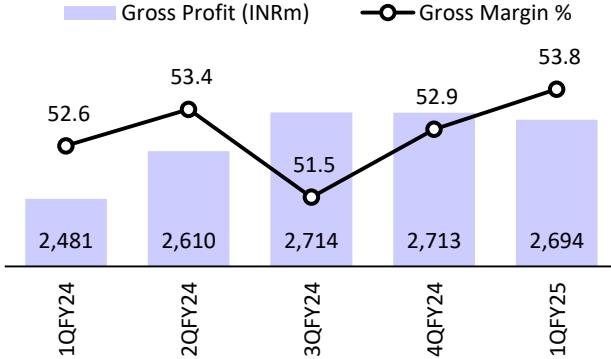
## Key Exhibits

### Exhibit 1: Consolidated revenue trend



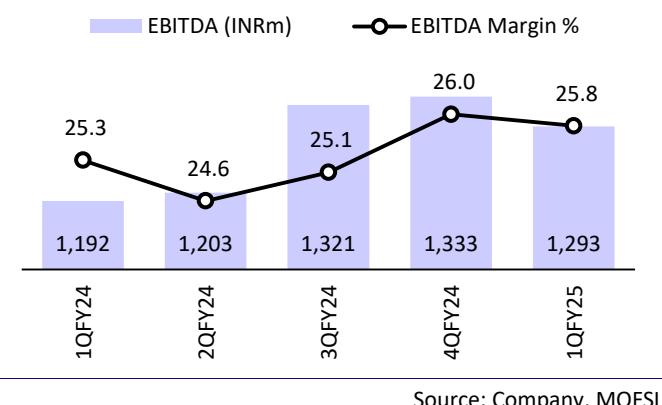
Source: Company, MOFSL

### Exhibit 2: Consolidated Gross margin trend



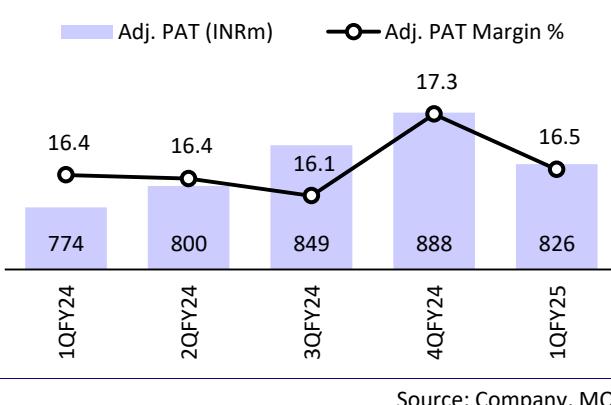
Source: Company, MOFSL

### Exhibit 3: Consolidated EBITDA trend



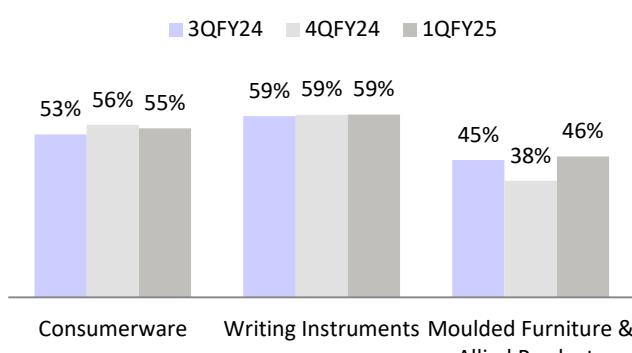
Source: Company, MOFSL

### Exhibit 4: Consolidated Adj. PAT trend



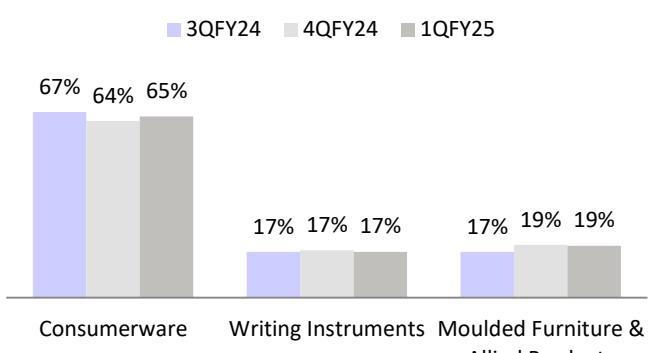
Source: Company, MOFSL

### Exhibit 5: Gross margins across segments



Source: Company, MOFSL

### Exhibit 6: Segment-wise revenue mix



Source: Company, MOFSL



## Highlights from the management commentary

### Operating Performance

- CELLO witnessed decent performance in 1Q as growth was in line with the industry.
- Growth was primarily driven by the consumerware and furniture businesses, while writing instruments remained flat due to continued sluggishness in the overall demand scenario.
- Improvement in gross margin is attributable to a shift in revenue mix, continued focus on value-added premium products and efforts toward improving operational efficiency.
- The company witnessed decent performance despite multiple headwinds on the demand front, which got further intensified due to the elections.
- In 1Q, there was considerable increase in ad spending on account of a back-to-school campaign held by the company. Ad spending stood at INR78m in 1QFY25 vs. INR28m in 1QFY24.

### Writing Instruments

- CELLO will add new product lines such as marker, crayon and geometric boxes very soon (mostly likely in 2HFY25).
- It will produce the new products through both outsourcing and in-house manufacturing (initially outsourcing will be higher).
- However, initially, the margins for new products will be lower than the current pen business.
- Pen segment witnessed subdued demand in 1Q. All the industry players witnessed flat demand.
- The company has covered most parts of India in terms of distribution.
- Exports improved, whereas domestic sales declined.

### Consumerware

- The segment witnessed 170bp improvement in gross margin during 1Q.
- A new glassware plant will contribute to revenue from hereon. Glassware segment can contribute ~INR750-800m of incremental revenue on YoY basis in balance 9MFY25.
- Glassware segment performed in line with other consumerware products. 1Q is generally weaker for glassware segment.
- Consumerware business witnessed ~75% capacity utilization.
- The company has ~56,000 distributors, of which the company does frequent business with 80% of them and it does business few times a year with the rest of them.
- The company is focusing on premiumization of its product lines, which will help it further improve its margins.

### Moulded Furniture and Allied Products

- Cooler business drove the growth within the segment (the manufacturing of coolers is mainly outsourced).
- Wim Plast is still contributing very less to the overall business.

**Guidance**

- CELLO has maintained its revenue growth guidance of 15-17% in FY25 (from organic growth), driven by an improvement in the overall demand scenario in 2HFY25.
- The company does not expect subdued demand like 1Q in upcoming quarters.
- It expects ~15% of revenue coming from e-commerce in the next few years.

**Other Highlights**

- Recently, CELLO has successfully completed QIP by raising additional capital of INR7.37b. The company has met the minimum public shareholding norms, as the promoter holding now stands at 75%.
- Around 81% of sales in this quarter came from in-house manufacturing.
- Secondary sales were doing much better than primary sales. The company expects to witness improvement by the end of 1HFY25. Inventory days have improved slightly as on date from the 1Q level.
- CELLO has been looking at some of the inorganic growth opportunities.
- General trade has been weaker in this quarter but it is expected to improve.
- Input prices have mostly stabilized. CELLO does not expect prices to go down further.

**Valuation and view**

- Operating in diverse industries, CELLO benefits from an expanding TAM (CAGR of 13% over FY23-27 to INR1,229b), driven by various sector-specific tailwinds, including favorable demographics, increased discretionary spending, greater product penetration, import substitution, innovation, evolving gifting trends, and brand loyalty. We estimate CELLO to grow faster than the industry.
- The company is expected to post a robust CAGR of 19%/23%/23% in revenue/EBITDA/adj. PAT over FY24-26E. This will be driven by the expansion of both SKUs and distribution reach, coupled with strong growth in the glassware segment after the ramp-up of the new plant in Rajasthan.
- **We reiterate our BUY rating on CELLO with a TP of INR1,070 (premised on 45x FY26E EPS).**

**Exhibit 7: Changes to our estimates**

Earnings change (INR m)	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	23,818	28,543	23,473	28,212	-1%	-1%
EBITDA	6,193	7,707	6,131	7,617	-1%	-1%
Adj. PAT	4,041	5,091	3,977	5,017	-2%	-1%

## Financials and valuations

Consolidated - Income Statement						(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>10,495</b>	<b>13,592</b>	<b>17,967</b>	<b>20,003</b>	<b>23,473</b>	<b>28,212</b>
Change (%)	NA	29.5	32.2	11.3	17.3	20.2
RM Cost	5,214	6,786	8,955	9,484	11,056	13,203
Employees Cost	968	1,319	1,576	1,895	2,202	2,539
Other Expenses	1,544	2,151	3,231	3,575	4,083	4,853
<b>Total Expenditure</b>	<b>7,727</b>	<b>10,256</b>	<b>13,762</b>	<b>14,954</b>	<b>17,342</b>	<b>20,595</b>
<b>EBITDA</b>	<b>2,767</b>	<b>3,336</b>	<b>4,205</b>	<b>5,049</b>	<b>6,131</b>	<b>7,617</b>
Margin (%)	26.4	24.5	23.4	25.2	26.1	27.0
Depreciation	489	476	503	567	701	870
<b>EBIT</b>	<b>2,278</b>	<b>2,860</b>	<b>3,702</b>	<b>4,481</b>	<b>5,430</b>	<b>6,748</b>
Int. and Finance Charges	23	29	18	26	16	2
Other Income	101	159	167	299	315	423
<b>PBT bef. EO Exp.</b>	<b>2,357</b>	<b>2,991</b>	<b>3,852</b>	<b>4,755</b>	<b>5,729</b>	<b>7,169</b>
EO Items	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>2,357</b>	<b>2,991</b>	<b>3,852</b>	<b>4,755</b>	<b>5,729</b>	<b>7,169</b>
Total Tax	701	796	1,001	1,189	1,449	1,804
Tax Rate (%)	29.8	26.6	26.0	25.0	25.3	25.2
Minority Interest	143	155	189	256	303	348
<b>Reported PAT</b>	<b>1,512</b>	<b>2,040</b>	<b>2,661</b>	<b>3,310</b>	<b>3,977</b>	<b>5,017</b>
<b>Adjusted PAT</b>	<b>1,512</b>	<b>2,040</b>	<b>2,661</b>	<b>3,310</b>	<b>3,977</b>	<b>5,017</b>
Change (%)	NA	34.9	30.5	24.4	20.2	26.1
Margin (%)	14.4	15.0	14.8	16.5	16.9	17.8

## Consolidated - Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	0	0	975	1,061	1,061	1,061
Total Reserves	-1,068	876	2,390	10,431	14,249	19,107
<b>Net Worth</b>	<b>-1,068</b>	<b>876</b>	<b>3,365</b>	<b>11,492</b>	<b>15,310</b>	<b>20,168</b>
Minority Interest	1,722	1,851	1,999	2,206	2,509	2,857
Total Loans	3,221	4,525	3,261	3,627	627	27
Deferred Tax Liabilities	82	84	84	126	126	126
<b>Capital Employed</b>	<b>3,957</b>	<b>7,336</b>	<b>8,709</b>	<b>17,452</b>	<b>18,573</b>	<b>23,178</b>
Gross Block	2,901	2,898	3,388	4,857	6,997	7,495
Less: Accum. Deprn.	309	312	671	1,238	1,939	2,809
<b>Net Fixed Assets</b>	<b>2,592</b>	<b>2,586</b>	<b>2,717</b>	<b>3,619</b>	<b>5,058</b>	<b>4,686</b>
Capital WIP	43	145	256	1,800	310	312
<b>Total Investments</b>	<b>1,197</b>	<b>1,500</b>	<b>1,769</b>	<b>1,698</b>	<b>1,698</b>	<b>1,698</b>
Current Investments	747	1,150	1,263	1,141	1,141	1,141
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>7,633</b>	<b>9,106</b>	<b>10,774</b>	<b>12,601</b>	<b>14,166</b>	<b>19,678</b>
Inventory	3,069	3,765	4,298	4,622	5,338	6,415
Account Receivables	3,714	4,067	4,623	6,106	6,109	7,343
Cash and Bank Balance	325	547	499	651	1,284	4,195
Loans and Advances	525	726	1,354	1,223	1,435	1,725
<b>Curr. Liability &amp; Prov.</b>	<b>7,508</b>	<b>6,000</b>	<b>6,808</b>	<b>2,266</b>	<b>2,659</b>	<b>3,196</b>
Account Payables	984	1,255	1,342	1,442	1,692	2,034
Other Current Liabilities	6,471	4,685	5,428	783	919	1,104
Provisions	53	60	39	41	48	58
<b>Net Current Assets</b>	<b>125</b>	<b>3,106</b>	<b>3,966</b>	<b>10,335</b>	<b>11,507</b>	<b>16,482</b>
<b>Appl. of Funds</b>	<b>3,957</b>	<b>7,336</b>	<b>8,709</b>	<b>17,452</b>	<b>18,573</b>	<b>23,178</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>						
<b>EPS</b>	<b>7.1</b>	<b>9.6</b>	<b>12.5</b>	<b>15.6</b>	<b>18.7</b>	<b>23.6</b>
Cash EPS	9.4	11.9	14.9	18.3	22.0	27.7
BV/Share	NA	4.1	15.9	54.1	72.1	95.0
DPS	0.0	0.0	0.0	0.8	0.8	0.8
Payout (%)	0.0	0.0	0.0	4.8	4.0	3.2
<b>Valuation (x)</b>						
P/E	124.8	92.5	70.9	57.0	47.4	37.6
Cash P/E	94.3	75.0	59.6	48.7	40.3	32.1
P/BV	NA	215.3	56.1	16.4	12.3	9.4
EV/Sales	16.9	14.2	9.8	9.6	8.1	6.6
EV/EBITDA	64.0	58.0	42.1	38.2	30.9	24.4
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.1	0.1
FCF per share	8.7	6.4	6.4	-1.6	16.5	15.3
<b>Return Ratios (%)</b>						
RoE	NA	232.8	79.1	28.8	26.0	24.9
RoCE	NA	58.7	47.6	33.0	27.6	29.7
RoIC	NA	55.7	48.4	34.5	28.4	31.3
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	3.6	4.7	5.3	4.1	3.4	3.8
Asset Turnover (x)	2.7	1.9	2.1	1.1	1.3	1.2
Inventory (Days)	107	101	87	84	83	83
Debtor (Days)	129	109	94	111	95	95
Creditor (Days)	34	34	27	26	26	26
<b>Leverage Ratio (x)</b>						
Current Ratio	1.0	1.5	1.6	5.6	5.3	6.2
Interest Cover Ratio	100.1	100.4	210.8	175.5	349.3	2,944.1
Net Debt/Equity	NA	3.2	0.4	0.2	-0.1	-0.3

### Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>OP/(Loss) before Tax</b>						
2,357	2,991	3,852	4,750	5,729	7,169	
Depreciation	489	476	503	567	701	870
Interest & Finance Charges	22	26	14	26	-299	-421
Direct Taxes Paid	-681	-843	-1,010	-1,160	-1,449	-1,804
(Inc)/Dec in WC	-221	-728	-1,150	-1,667	-539	-2,064
<b>CF from Operations</b>	<b>1,966</b>	<b>1,923</b>	<b>2,210</b>	<b>2,516</b>	<b>4,143</b>	<b>3,749</b>
Others	-29	-50	64	-204	0	0
<b>CF from Operating incl EO</b>	<b>1,936</b>	<b>1,873</b>	<b>2,274</b>	<b>2,312</b>	<b>4,143</b>	<b>3,749</b>
(Inc)/Dec in FA	-248	-516	-1,032	-2,649	-650	-500
<b>Free Cash Flow</b>	<b>1,688</b>	<b>1,356</b>	<b>1,242</b>	<b>-337</b>	<b>3,493</b>	<b>3,249</b>
(Pur)/Sale of Investments	0	0	0	0	0	0
Others	-126	-2,075	-4,527	228	315	423
<b>CF from Investments</b>	<b>-375</b>	<b>-2,592</b>	<b>-5,559</b>	<b>-2,421</b>	<b>-335</b>	<b>-77</b>
Issue of Shares	0	0	-151	0	0	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	191	-3,000	-600
Interest Paid	-15	-16	-5	-22	-16	-2
Dividend Paid	-1	-60	-96	-46	-159	-159
Others	-3,086	-237	4,754	138	0	0
<b>CF from Fin. Activity</b>	<b>-1,328</b>	<b>941</b>	<b>3,238</b>	<b>260</b>	<b>-3,175</b>	<b>-761</b>
<b>Inc/Dec of Cash</b>	<b>233</b>	<b>222</b>	<b>-47</b>	<b>151</b>	<b>634</b>	<b>2,911</b>
Opening Balance	91	325	547	499	651	1,284
<b>Closing Balance</b>	<b>325</b>	<b>547</b>	<b>499</b>	<b>651</b>	<b>1,284</b>	<b>4,195</b>

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

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