IPO Details:

Cello World Ltd is coming out with an IPO of about Rs. 1,900.00 cr consisting of 2,93,20,987 shares of face value of Rs. 5 each in a price band of Rs. 617 – Rs. 648. The entire IPO of Rs. 1,900.00 cr comprises of Offer for Sale by the promoters and some of the existing shareholders of the Company. The IPO opens on 30th October and closes on 1st November.

Company Details:

- A **prominent player in the consumerware market in India** with presence in the consumer houseware, writing instruments and stationery, and moulded furniture and allied products and consumer glassware categories.
- It has curated an **extensive product portfolio** which includes broad range of contemporary products across different ranges, types of material and price points. As of 30th Jun' 2023, it offered **15,891 stock-keeping units (SKUs)** across its product categories.
- Consumer houseware and Moulded Furniture & Allied Products are sold under **"Cello"** brand while Writing Instruments and Stationery products are sold under **"Unomax"** brand.
- **Operates 13 manufacturing facilities** across five locations in India, with an installed annual capacity of **57.77 million units p.a**. of Consumer houseware products, **15,000 tonnes p.a**. of opalware and glassware, **705.00 million units p.a**. of writing instruments and stationery products and **12.80 million units p.a.** of moulded furniture and allied products.

Strength:

- **Developed strong pan-India distribution network** which includes 717 distributors and about 58,716 retailers across India for its Consumer Houseware products, 29 super-stockists, 1,509 distributors and about 60,826 retailers across India for its Writing Instruments and Stationery products and 1,067 distributors and about 6,840 retailers across India for its Moulded Furniture and Allied Products.
- Cello enjoys **4.9% market share** in the overall Consumerware market in India while its **market share stands at 8%** within the branded Consumerware market in India.
- Diverse range of products across different product categories and price points enables it to serve as a **"one-stop-shop"** with consumers across all income levels.

Growth Drivers:

- Indian Consumerware market is expected to grow from **Rs. 34,800 cr in FY22 to Rs. 56,500 cr in FY27**, translating into CAGR of 10.2% on the back of favourable demographics, increasing disposable incomes, growing demand for organized and functional kitchen spaces, shift towards innovative and creative products, amongst others.

- Share of Branded Consumerware market in India has grown from **52% in FY15 to 61% in FY23** and is **expected to further increase to 67% by FY27**.

- **Aims to expand its product portfolio** in its consumer houseware product category, by focusing on introducing new range of products in the kitchenware, porcelain, appliances, cookware, glassware, writing instruments and stationery spaces in order **to increase wallet share** and secure repeat orders from existing customers and attract new customers.

- **Ramp-up** at its recently expanded opalware capacity in Daman from **15,000 tonnes p.a. to 25,000 tonnes p.a. and expansion** of its glassware manufacturing capacity by **setting up 20,000 tonnes per annum** facility in Rajasthan will help Company in growing its business.

Key Financial Highlights –

Cello World Ltd (Rs. Cr)

Year	Revenue	Ebitda	Ebitda Margins (%)	PAT	EPS	RoCE (%)	RoE (%)
FY21	1,049.46	276.74	26.4%	151.20	7.75	58.7%	52.2%
FY22	1,359.18	333.57	24.5%	204.00	10.46	40.9%	45.9%
FY23	1,796.70	420.54	23.4%	266.13	13.17	44.5%	23.2%
Q1 FY24	471.78	119.20	25.3%	77.44	3.65	8.1%	6.3%

- Revenue from operations have grown from Rs. 1,049.46 cr in FY21 to Rs. 1,796.70 cr in FY23, translating into CAGR of 30.8%.

- Ebitda has however grown at a lower CAGR of 23.3% between FY21 – FY23 as Ebitda margins have declined from 26.4% in FY21 to 23.4% in FY23 on the back of higher Other Expenses which as a percentage of Operating Revenues inched up from 14.7% in FY21 to 18.0% in FY23.

- Profits after tax has grown from Rs. 151.20 cr in FY21 to Rs. 266.13 cr in FY23.

- Capital efficiency of the business is good with company generating RoCE and RoE of 44.5% and 23.2% in FY23. RoEs optically looks lower in FY23 on the back of fund raise of Rs. 475 cr done by the Company through issuance of preference shares.

Valuations:

- At Upper end of the IPO price band of Rs. 648, Cello World Ltd will be valued at about Rs. 13,752.57 cr.
- On EV/Ebitda basis (TTM), Company is available at 31.8x while on PE basis, its available at 48.8x its TTM Adjusted EPS of Rs. 13.27.
- **Investments should be avoided in Cello World Ltd purely due to higher valuations, otherwise the business characteristics is very good in terms of long term business prospects, shift in business from unorganized to organized players, Company enjoying good brand recall, very high operating and capital efficiency which is evident from the fact that Ebitda margins has been consistently above 23% and RoCEs and RoEs too have been consistently higher.**

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*Long Term Investments could range from 3-5 years.