



IPO Note- Cello World Limited

30 October 2023

Cello World Limited (Cello) was incorporated in July 2018. They have an extensive product portfolio that caters to a diverse range of consumer requirements and offers a broad range of contemporary products across different ranges and types of product categories i.e Consumer Houseware, Writing Instruments and Stationery, and Moulded Furniture and Allied Products. Company operates 13 mfg. facilities across 5 locations in India and is currently establishing a glassware manufacturing facility in Rajasthan.

Strong brand name with a diversified product portfolio catering to diverse consumers:-

Cello World is a prominent player in the consumer-ware market in India with products in the consumer houseware, moulded furniture and allied products categories. Further, they launched the writing instruments and stationery business in 2019 under the "Unomax" brand. It focuses on identifying the needs and preferences of their consumers. Company offers 15,891 SKUs across the product categories. Their products are made of different types of materials, such as plastic, steel, opal, glass, copper, and melamine. They have the most diversified product portfolio, with products in the glassware, opalware, melamine and porcelain categories.

Presence across all material types and product category to scale up new business:-

Cello is expected to become the only domestic consumer products company which has presence across all material types. Its planning to have an in-house glassware manufacturing facility in Rajasthan with European based machinery that enables high productivity and precision in design and finish scaling up the consumer glassware and opalware business. Writing and instruments business has achieved scale over the last 4 years with the highest EBITDA margins among writing instruments business and will achieve further growth both in domestic and exports increasing the capacities by 60% and distribution network over the next few years. Further, the company intends to utilise its innovation capabilities to expand its existing product portfolio and develop new range of products across its product categories.

Key Risks: - 1) Highly Competitive Business Environment. 2) Entire IPO is OFS by Promoters. 3) Delay in commissioning of glassware unit in Rajasthan.

Decent financials & valuation – SUBSCRIBE.

At the upper price band, Cello is available at a PE of ~48x its FY23 EPS which is at a premium side. However, we believe that Cello's strong brand name, experienced management and expansion into opalware and glassware segment and being the only company in the industry to have presence across all material types, is well placed for a huge growth opportunity. We have a **SUBSCRIBE** recommendation to this issue.

Key Financials (₹ Cr)	Mar-21	Mar-22	Mar-23
Revenue	1,049	1,359	1,796
EBITDA	286	349	437
EBITDA Margin (%)	27	26	24
PAT	165	219	285
PAT Margin (%)	16	16	16
Net Worth	289	444	685
ROCE (%)	59	41	44
ROE (%)	52.0	46.0	40.0
Debt to Equity	5.11	1.70	0.62

Source: ABML Research, RHP, company presentation

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Rating	SUBSCRIBE	
Issue Details		
Issue Opens	30-Oct-23	
Issue Closes	01-Nov-23	
Face Value (₹)	5	
Price Band (₹)	617-648	
Bid Lot	23	
Issue Size at higher price band (₹ Cr)	1900	
Market cap @ upper price band (₹ cr)	13,752	
Listing	NSE/BSE	
BRLMs	Kotak Capital, ICICI securities, IIFL Securities, JM Financial, Motilal Oswal Investment Advisors	
Registrar	Link Intime India Pvt. Ltd.	
Shareholding Pattern (%)		
	Pre Issue	Post Issue
Promoter	100	91.8
Public	0	8.2
Issue Structure (In cr no. of shares)		
Issue size	2.93	
OFS	2.93	
Break-up of net issue to public (%):		
QIB's portion	50.0	
Non-Institutional portion	15.0	
Retail Portion	35.0	
Source: ABML Research, RHP		
Analyst Details		
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