

Cello World

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	CELLO IN
Equity Shares (m)	221
M.Cap.(INRb)/(USDb)	137.6 / 1.6
52-Week Range (INR)	1025 / 485
1, 6, 12 Rel. Per (%)	7/-21/-41
12M Avg Val (INR M)	174

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	21.4	24.6	29
EBITDA	5.1	5.9	7.4
Adj. PAT	3.4	3.8	4.9
EBITDA Margin (%)	23.8	24	25.5
Cons. Adj. EPS (INR)	15.3	17.1	22
EPS Gr. (%)	-1.7	11.7	28.7
BV/Sh. (INR)	102.1	119.2	135.8

Ratios

Net D:E	-0.3	-0.4	-0.4
RoE (%)	16	15	18
RoCE (%)	20	18	19

Valuations

P/E (x)	41	36	28
EV/EBITDA (x)	26	22	17

Shareholding Pattern (%)

As on	Mar-25	Dec-24	Mar-24
Promoter	75.0	75.0	78.1
DII	13.8	13.5	12.4
FII	6.5	7.5	4.4
Others	4.7	4.0	5.1

Note: FII includes depository receipts

CMP: INR623 **TP: INR720 (+16%)** **Buy**

Ramp-up in glassware capacity to support growth

Earnings in line

- Cello World (CELLO) reported ~15% revenue growth in 4QFY25, driven by improved consumer demand with the onset of early summer and the accelerated growth in quick- and e-commerce segments.
- Growth in Consumerware (up 24% YoY) and Moulded Furniture & Allied products (8% YoY) was partially impacted by a decline in the Writing Instrument segment (down 11% YoY) due to the slowdown in export markets (~48% of the Writing Instrument sales).
- Despite short-term headwinds, the company anticipates a rebound in consumption-driven demand across segments in FY26, with the company witnessing early signs of recovery of the export market and the growth potential in quick commerce.
- We broadly maintain our FY26E/FY27E EPS with improvement in consumer demand in the domestic as well as the export markets coupled with the ramp-up of the glassware capacity. **We reiterate our BUY rating** with a TP of INR720 (premised on 33x FY27E EPS).

Consumerware and writing instruments drag operating performance

- Consol. revenue grew ~15% /5.7% YoY/QoQ to INR5.8 (est. INR5.5b). EBITDA grew 1.5%/6.2% YoY/QoQ to INR1.3b (est. in line).
- EBITDA margin contracted 300bp YoY, while it expanded 10bp QoQ to 23% (est. 23.1%) as gross margin contracted 110bp YoY. Gross margin expanded 220bp QoQ to 51.9%.
- Adj. PAT remained flat YoY, while it grew ~2% QoQ to INR882m.
- The consumerware segment's revenue (69% of total revenue in 4QFY25) grew 24% YoY/5% QoQ to INR4b.
- The writing Instrument segment's revenue (~13% revenue mix) declined 11% YoY, while revenue remained flat QoQ to INR783m. On the other hand, the revenue of Moulded Furniture and Allied products (~18% revenue mix) grew 8% YoY/14% QoQ to INR1b.
- In FY25, revenue/EBITDA/adj. PAT increased 7%/1%/2% to INR21.3b/ INR5.1b/INR3.3b.

Highlights from the management commentary

- **Guidance:** Management expects 12-15% revenue growth in FY26, while its EBITDA margin for FY26 is expected to remain stable, with the consumer segment guided to grow at 12-15%, the Furniture segment to rise at 7-8%, and the Writing Instruments business to grow in the range of 10-12%.
- **Demand Outlook:** Consumer demand witnessed an improvement in 4QFY26, supported by early summer-led demand for hydration products. However, growth trends remained inconsistent across months. The domestic writing instruments segment remained stable during the quarter, with management anticipating a resumption of growth from the second half of FY26, with the export market showing early signs of a recovery.

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- **BIS norms:** The company has identified a significant long-term growth opportunity in the domestic vacuum flask market, following the implementation of BIS import restrictions on imports from China. As an interim measure, it has secured 5-6 months of inventory to manage short-term demand requirements until in-house manufacturing commences.

Valuation and view

- The consumer segment (including glassware) is expected to post a CAGR of 20% over FY25-27, fueled by the ramp-up of the new glass facility and new product additions along with demand recovery over the coming quarter.
- The Writing Instruments segment is expected to recover from 2HFY26, with export markets already showing early signs of revival.
- We maintain our FY26/FY27 EPS estimates with an uptick in consumer demand in the domestic as well as the export market coupled with the ramp-up of the glassware capacity. **We reiterate our Buy rating with a TP of INR720 (premised on 33x FY27E EPS).**

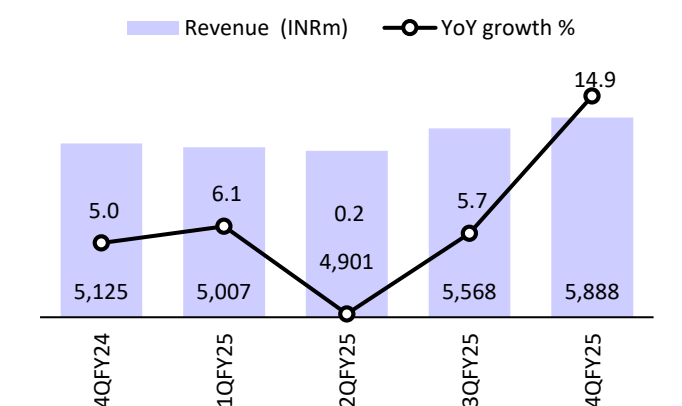
Consolidated - Quarterly Earnings Model

(INR m)

Y/E March	FY24				FY25				FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	4,718	4,890	5,271	5,125	5,007	4,901	5,568	5,888	20,003	21,364
YoY Change (%)	NA	NA	NA	5.0	6.1	0.2	5.7	14.9	11.3	6.8
Total Expenditure	3,526	3,687	3,949	3,792	3,714	3,715	4,296	4,536	14,954	16,260
EBITDA	1,192	1,203	1,321	1,333	1,293	1,186	1,273	1,352	5,049	5,104
Margins (%)	25.3	24.6	25.1	26.0	25.8	24.2	22.9	23.0	25.2	23.9
Depreciation	118	127	147	175	141	148	151	180	567	620
Interest	6	7	5	8	6	3	3	3	26	15
Other Income	81	107	45	66	60	133	124	130	299	447
PBT before EO expense	1,149	1,176	1,214	1,215	1,206	1,168	1,243	1,299	4,755	4,916
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	1,149	1,176	1,214	1,215	1,206	1,168	1,243	1,299	4,755	4,916
Tax	321	310	307	250	311	300	318	338	1,188	1,267
Rate (%)	27.9	26.4	25.3	20.6	25.8	25.7	25.6	26.0	25.0	25.8
Minority Interest & Profit/Loss of Asso. Cos.	54	66	58	77	69	51	61	80	256	261
Reported PAT	774	800	849	888	826	816	864	882	3,311	3,388
Adj PAT	774	800	849	888	826	816	864	882	3,311	3,388
YoY Change (%)	NA	NA	NA	-81.8	6.6	2.1	1.8	-0.7	24.4	2.3
Margins (%)	16.4	16.4	16.1	17.3	16.5	16.7	15.5	15.0	16.6	15.9

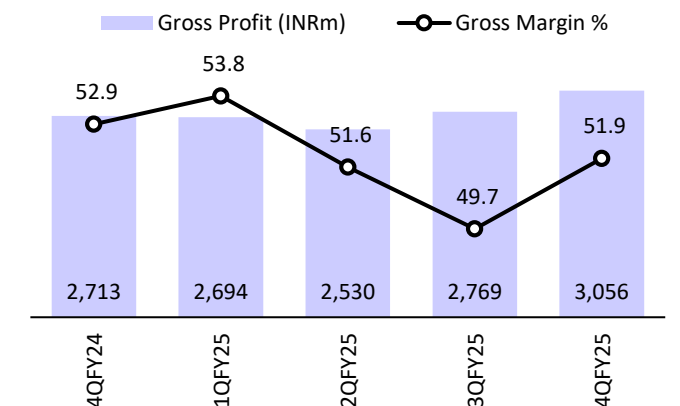
Key Exhibits

Exhibit 1: Consolidated revenue trend



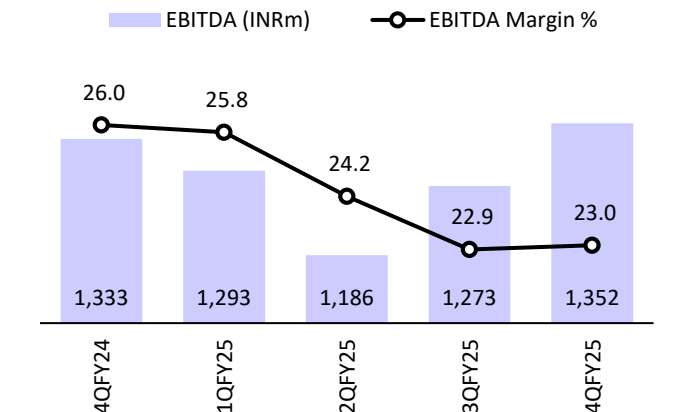
Source: Company, MOFSL

Exhibit 2: Consolidated gross profit trend



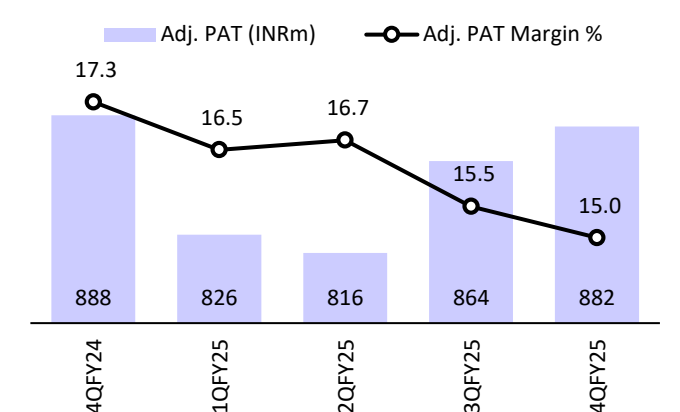
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



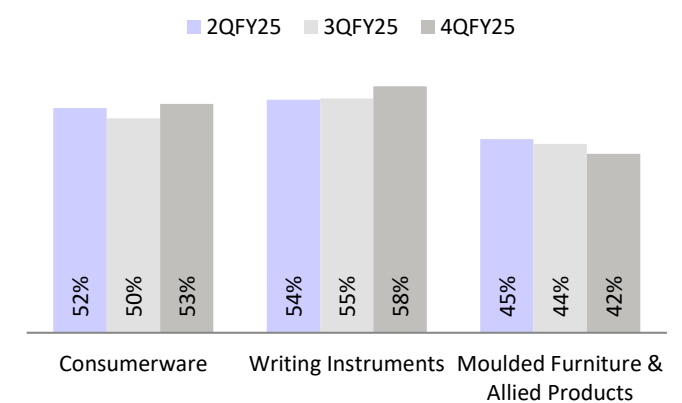
Source: Company, MOFSL

Exhibit 4: Consolidated adj. PAT trend



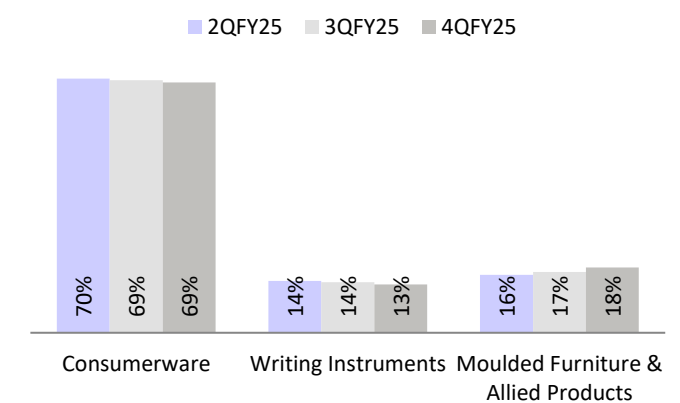
Source: Company, MOFSL

Exhibit 5: Gross margins across segments



Source: Company, MOFSL

Exhibit 6: Segment-wise revenue mix



Source: Company, MOFSL



Highlights from the management commentary

Guidance

- The company expects overall revenue growth of 12–15% in FY26.
- The consumerware segment (including glassware) is projected to grow at 17–18%, supported by new product additions and demand recovery.
- Writing Instruments business is expected to grow 10–12%, with stronger focus on domestic markets as export headwinds persist.
- The furniture segment is guided to grow at 7–8%, with a focus on expanding the premium product mix.
- Opalware plant capacity utilization at ~80% is targeted to be fully exhausted by FY26.
- The glassware plant, commissioned in Feb'25, is expected to contribute INR4.5b–INR4.7b in FY26, reaching 65–70% utilization by year-end.
- New steel vacuum flask plant to be commissioned in 3–4 months, aiming for operational efficiencies over FY26.

Margin trends & cost pressures

- EBITDA margin is expected to remain steady for FY26.
- The glassware plant is in a learning curve, currently at 55% efficiency, aiming for 75% in the next 2–3 months — margin pressure anticipated till break-even.
- Gross margin is healthy at ~58% in writing instruments, 53% in consumerware, and 42% in furniture.
- Raw material prices are anticipated to remain stable at current benign levels amid soft crude prices, supporting margin stability.
- Margin impact from BIS-related inventory adjustments in steel vacuum flasks is expected short term, but long-term opportunity remains strong.

Demand outlook

- Consumer demand improved in 4Q, driven by early summer hydration demand, though growth lacked consistency across months.
- Exports, especially in writing instruments (46% of segment sales), declined by INR200m YoY in FY25, but early signs of recovery were seen with entry into new markets.
- The domestic writing instruments market remains stable; management expects growth resumption from 2HFY26.
- Growth from quick commerce and e-commerce channels accelerated, contributing an incremental 2% to overall revenue share, with continued growth expected.
- Houseware (excluding glassware) is expected to grow from high single digits to low double digits in FY26.

Capacity expansion and capex plans

- The company incurred a capex of ~INR1.66b, primarily for the glassware plant.
- FY26 capex is planned at INR1b, including investments for the new steel vacuum flask plant.
- Opalware plant expected to reach full utilization (~INR4b–4.2b revenue potential) in FY26.
- Focus on deeper distribution reach across all states and higher penetration in alternative channels (quick commerce and e-commerce).

Working capital & cash flow management

- Inventory days are expected to improve by 7–10 days over FY26, aided by product rationalization and reduction of lower ROCE SKUs.
- Healthy operating cash flows at INR2.6b in FY25, with net debt reduced to a net cash position by Mar'25.
- Debtor days are targeted for further reduction through pipeline clean-ups and streamlined product offerings.

Others

- CELLO identified a significant long-term growth opportunity in the domestic vacuum flask market, following the implementation of BIS import restrictions. As an interim measure, it has secured 5–6 months of inventory to manage short-term demand requirements until in-house manufacturing commences.
- Despite challenges in the export business, particularly in writing instruments, the company has successfully maintained its market share and expanded its footprint into new international markets to mitigate geographic concentration risks.
- Management remains open to strategic M&A opportunities within the consumer segment. While actively evaluating prospects, the company remains prudent, having recently opted out of a potential acquisition following an unsatisfactory due diligence outcome.
- CELLO continues to prioritize the expansion of its premium product portfolio, portfolio optimization initiatives, and efforts to sustain and improve its return ratios (ROCE and ROE), thereby enhancing long-term shareholder value.

Valuation and view

- The consumer segment (including glassware) is expected to post a CAGR of 20% over FY25-27, fueled by the ramp-up of the new glass facility and new product additions along with demand recovery over the coming quarter.
- The Writing Instruments segment is expected to recover from 2HFY26, with export markets already showing early signs of revival.
- We maintain our FY26/FY27 EPS estimates with an uptick in consumer demand in the domestic as well as the export market coupled with the ramp-up of the glassware capacity. **We reiterate our Buy rating with a TP of INR720 (premised on 33x FY27E EPS).**

Exhibit 7: Our earnings revisions

Earnings change (INR m)	Old		New		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	24,606	29,251	24,564	28,959	0%	-1%
EBITDA	5,674	7,451	5,871	7,376	3%	-1%
Adj. PAT	3,715	5,029	3,784	4,869	2%	-3%

Financials and valuations

Consolidated - Income Statement

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	10,495	13,592	17,967	20,003	21,364	24,564	28,959
Change (%)	NA	29.5	32.2	11.3	6.8	14.98	17.9
RM Cost	5,214	6,786	8,955	9,484	10,315	11,496	13,553
Employees Cost	968	1,319	1,576	1,895	2,112	2,407	2,693
Other Expenses	1,544	2,151	3,231	3,575	3,833	4,790	5,337
Total Expenditure	7,727	10,256	13,762	14,954	16,260	18,693	21,582
EBITDA	2,767	3,336	4,205	5,049	5,104	5,871	7,376
Margin (%)	26.4	24.5	23.4	25.2	23.9	23.9	25.5
Depreciation	489	476	503	567	620	917	1,004
EBIT	2,278	2,860	3,702	4,481	4,484	4,954	6,372
Int. and Finance Charges	23	29	18	26	15	-2	-4
Other Income	101	159	167	299	447	491	579
PBT bef. EO Exp.	2,357	2,991	3,852	4,755	4,916	5,447	6,955
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	2,357	2,991	3,852	4,755	4,916	5,447	6,955
Total Tax	701	796	1,001	1,189	1,267	1,371	1,750
Tax Rate (%)	29.8	26.6	26.0	25.0	25.8	25.2	25.2
Minority Interest	143	155	189	256	261	292	336
Reported PAT	1,512	2,040	2,661	3,310	3,388	3,784	4,869
Adjusted PAT	1,512	2,040	2,661	3,310	3,388	3,784	4,869
Change (%)	NA	34.9	30.5	24.4	2.4	11.7	28.7
Margin (%)	14.4	15.0	14.8	16.5	15.9	15.4	16.8

Consolidated - Balance Sheet

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	0	0	975	1,061	1,104	1,104	1,104
Total Reserves	-1,068	876	2,390	10,431	20,570	24,188	28,891
Net Worth	-1,068	876	3,365	11,492	21,674	25,292	29,995
Minority Interest	1,722	1,851	1,999	2,206	2,411	2,703	3,039
Total Loans	3,221	4,525	3,261	3,627	5	-595	-595
Deferred Tax Liabilities	82	84	84	126	152	152	152
Capital Employed	3,957	7,336	8,709	17,452	24,242	27,552	32,591
Gross Block	2,901	2,898	3,388	4,857	8,013	8,663	9,594
Less: Accum. Deprn.	309	312	671	1,238	1,858	2,775	3,779
Net Fixed Assets	2,592	2,586	2,717	3,619	6,155	5,888	5,814
Capital WIP	43	145	256	1,800	188	538	608
Total Investments	1,197	1,500	1,769	1,698	5,996	5,996	5,996
Current Investments	747	1,150	1,263	1,141	5,688	5,688	5,688
Curr. Assets, Loans&Adv.	7,633	9,106	10,774	12,601	14,079	17,632	23,123
Inventory	3,069	3,765	4,298	4,622	5,246	6,031	7,111
Account Receivables	3,714	4,067	4,623	6,106	6,578	7,066	8,331
Cash and Bank Balance	325	547	499	651	876	2,949	5,812
Loans and Advances	525	726	1,354	1,223	1,379	1,586	1,869
Curr. Liability & Prov.	7,508	6,000	6,808	2,266	2,176	2,502	2,950
Account Payables	984	1,255	1,342	1,442	1,502	1,727	2,036
Other Current Liabilities	6,471	4,685	5,428	783	604	695	819
Provisions	53	60	39	41	70	81	95
Net Current Assets	125	3,106	3,966	10,335	11,902	15,130	20,173
Appl. of Funds	3,957	7,336	8,709	17,452	24,242	27,552	32,591

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	7.1	9.6	12.5	15.6	15.3	17.1	22.0
Cash EPS	9.4	11.9	14.9	18.3	18.9	22.2	26.6
BV/Share	NA	4.1	15.9	54.1	102.1	119.2	135.8
DPS	0.0	0.0	0.0	0.8	0.8	0.8	0.8
Payout (%)	0.0	0.0	0.0	4.8	4.9	4.4	3.4
Valuation (x)							
P/E	87.4	64.8	49.7	39.9	40.6	36.4	28.3
Cash P/E	66.1	52.6	41.8	34.1	33.0	28.1	23.4
P/BV	NA	150.9	39.3	11.5	6.1	5.2	4.6
EV/Sales	11.9	10.1	7.0	6.8	6.2	5.3	4.4
EV/EBITDA	45.3	41.0	29.7	27.0	26.1	22.3	17.4
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.1	0.1	0.1
FCF per share	8.7	6.4	6.4	-1.6	4.3	10.6	11.1
Return Ratios (%)							
RoE	NA	232.8	79.1	28.8	15.6	15.0	17.6
RoCE	NA	58.7	47.6	33.0	19.9	17.6	19.2
RoIC	NA	55.7	48.4	34.5	21.8	21.0	24.9
Working Capital Ratios							
Fixed Asset Turnover (x)	3.6	4.7	5.3	4.1	2.7	2.8	3.0
Asset Turnover (x)	2.7	1.9	2.1	1.1	0.9	0.9	0.9
Inventory (Days)	107	101	87	84	90	90	90
Debtor (Days)	129	109	94	111	112	105	105
Creditor (Days)	34	34	27	26	26	26	26
Leverage Ratio (x)							
Current Ratio	1.0	1.5	1.6	5.6	6.5	7.0	7.8
Interest Cover Ratio	100.1	100.4	210.8	175.5	308.7	-2,582.9	-1,647.4
Net Debt/Equity	NA	3.2	0.4	0.2	-0.3	-0.4	-0.4

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
(INRm)							
OP/(Loss) before Tax	2,357	2,991	3,852	4,750	4,913	5,447	6,955
Depreciation	489	476	503	567	620	917	1,004
Interest & Finance Charges	22	26	14	26	15	-493	-583
Direct Taxes Paid	-681	-843	-1,010	-1,160	-1,200	-1,371	-1,750
(Inc)/Dec in WC	-221	-728	-1,150	-1,667	-1,309	-1,155	-2,179
CF from Operations	1,966	1,923	2,210	2,516	3,038	3,345	3,446
Others	-29	-50	64	-204	-421	0	0
CF from Operating incl EO	1,936	1,873	2,274	2,312	2,617	3,345	3,446
(Inc)/Dec in FA	-248	-516	-1,032	-2,649	-1,668	-1,000	-1,000
Free Cash Flow	1,688	1,356	1,242	-337	949	2,345	2,446
(Pur)/Sale of Investments	0	0	0	0	0	0	0
Others	-126	-2,075	-4,527	228	-3,836	491	579
CF from Investments	-375	-2,592	-5,559	-2,421	-5,504	-509	-421
Issue of Shares	0	0	-151	0	7,131	0	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	191	-422	-600	0
Interest Paid	-15	-16	-5	-22	-11	2	4
Dividend Paid	-1	-60	-96	-46	-386	-166	-166
Others	-3,086	-237	4,754	138	-3,200	0	0
CF from Fin. Activity	-1,328	941	3,238	260	3,112	-764	-162
Inc/Dec of Cash	233	222	-47	151	225	2,073	2,864
Opening Balance	91	325	547	499	651	876	2,949
Closing Balance	325	547	499	651	876	2,949	5,812

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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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