

Cello World

BSE SENSEX 73,400 S&P CNX 22,273



Bloomberg	CELLO IN
Equity Shares (m)	212
M.Cap.(INRb)/(USDb)	174.7 / 2.1
52-Week Range (INR)	949 / 711
1, 6, 12 Rel. Per (%)	9/-/-
12M Avg Val (INR M)	572
Free float (%)	21.9

Financials Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	20.6	24.6	29.2
EBITDA	5.1	6.4	7.8
Adj. PAT	3.3	4.2	5.1
EBITDA Margin (%)	24.8	26	26.7
Cons. Adj. EPS (INR)	15.7	19.6	24.2
EPS Gr. (%)	25.3	25	23.3
BV/Sh. (INR)	32	51.6	75.8

Ratios

Net D:E	0.1	-0.3	-0.5
RoE (%)	49.1	38.1	31.9
RoCE (%)	44.1	41.2	38.7

Valuations

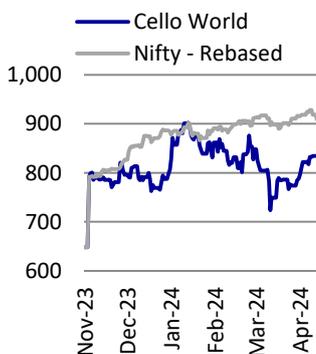
P/E (x)	52.4	41.9	34
EV/EBITDA (x)	35	27.1	21.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	78.1	78.1	0.0
DII	12.4	12.8	0.0
FII	4.4	3.0	0.0
Others	5.1	6.2	0.0

FII Includes depository receipts

Stock performance (one-year)



CMP: INR823

TP: INR1100 (+34%)

Buy

Among the best in industry

Cello World (CELLO) is the most diversified consumerware company and one of the top players in majority of its business segments. In this report, we have analyzed CELLO's position against key players in its fastest-growing business segment, glassware.

- Since its foray into the consumer glassware segment in 2017, CELLO has quickly scaled up this business to generate revenue of INR2.8b vs. a total addressable market (TAM) of INR35b in FY23. The segment will be a key growth driver (26% CAGR over FY23-26) for the company amid evolving applications, capacity expansions in opalware and soda lime glassware, increase in SKUs, and import substitution.
- Under the consumer glassware segment, opalware/soda lime glassware dominate, with TAM of ~INR14b/INR15b. While La Opala dominates the opalware category, CELLO is also catching up with recent capacity expansions in Daman. Moreover, CELLO is the only large branded player that is expanding in soda lime glassware (higher TAM), while other players are expanding in borosilicate glassware (TAM of ~INR4B).
- Currently, La Opala dominates in terms of revenue growth (CAGR of 46% over FY21-23) and margins (EBIT margin of 33% in FY23). CELLO is not far behind (36% revenue CAGR; 23% EBIT margins). With a ramp-up of its soda lime glass capacity and achieving economies of scale, CELLO will be able to narrow the gap going ahead.
- CELLO is currently trading at 34x FY26E EPS with RoE/RoCE of 32%/39% in FY26E. We believe that the company will be able to successfully scale up new businesses and expand SKUs and distribution reach in order to evolve as a leading brand in the respective segments. We reiterate our BUY rating with a TP of INR1,100 (premised on 45x FY26E EPS).

Consumer glassware to be a key growth driver

- The consumerware segment accounted for 66% of revenue in FY23, split between consumer houseware (77%) and consumer glassware (23%).
- The segment saw a strong 33% revenue CAGR during FY21-23, driven by both sub-segments (glassware and houseware). The consumer glassware segment is likely to outpace the houseware segment with a ~26% CAGR over FY23-26, led by strong demand tailwinds and capacity expansions.
- Since entering the consumer glassware segment in 2017, CELLO has rapidly scaled up this business to ~INR2.8b. Currently, the majority of CELLO's consumer glassware revenue comes from opalware (84% in FY23) and the remaining from other glassware types (soda lime, borosilicate glassware, and porcelain).
- CELLO established a 15,000MT plant in Daman for opalware production, which has now been expanded to 25,000MT. It also imports and sells soda lime and borosilicate glassware in India to diversify its offerings.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- The consumer glassware segment comprises subcategories, like opalware, soda lime glass and borosilicate glass, distinguished by their raw materials and production methods. The market is fragmented with many unorganized players and is also heavily dependent on imports due to weak domestic demand (until now), operational challenges, and high capital intensity.
- In CY21, the Indian consumer glassware market imported products worth INR11b, of which glassware products constituted ~77%, followed by opalware (15%) and melamine (8%).
- With increasing demand, evolving product applications and import replacement opportunities, branded glassware companies, like CELLO, La Opala, and Borosil, are expanding their capacities in India.
- Currently, opalware dominates in terms of domestic capacity. However, the next major leg of expansion is happening in soda lime and borosilicate glassware.
- CELLO/Borosil recently commissioned a soda lime/borosilicate plant in Rajasthan (20,000MT/9,100MT) in Mar'24. La Opala plans to invest in greenfield borosilicate glassware plants.
- These expansions in glassware subcategories signify a strategic shift toward domestic manufacturing to meet growing demand and reduce dependence on imports (current glassware import in India is ~INR8.4b).

Glassware industry dynamics and CELLO's place in it

- La Opala leads the opalware market with a 36% market share in FY23, driven by its early market entry, wide product range, and substantial capacity (36,000MT). In contrast, CELLO and Borosil operate under a single brand in the mass market segment.
- La Opala is expected to maintain its lead with its high gross margins and product diversity. CELLO is positioned to excel in the soda lime glassware market with its large manufacturing facility in India (only major player), while Borosil and La Opala focus on borosilicate glassware capacity for different applications.
- In FY23, the glassware market stood at ~INR35b — opalware (INR14b), glassware (INR19b), and porcelain (INR2b). The glassware market is split between soda lime glassware (~INR15b) and borosilicate glassware (INR4b).
- CELLO has entered soda lime glassware (larger TAM) by setting up capacity in Rajasthan (20,000MT). As the only large branded player in this fragmented market, CELLO is poised to capitalize on the growing preference for branded products. Additionally, the production cost of soda lime glassware is lower than that of borosilicate glassware, enhancing the economic feasibility of CELLO's expansion into this segment.
- CELLO is expected to see faster growth in soda lime glassware due to its larger TAM, which is projected to see a 15% CAGR over FY23-27 vs. borosilicate's 10% CAGR.
- We believe CELLO is likely to achieve a breakeven earlier due to higher demand and lower manufacturing costs for soda lime glassware, although borosilicate glassware may yield higher margins in the long term due to premium pricing and niche applications.

Among the leading players across categories

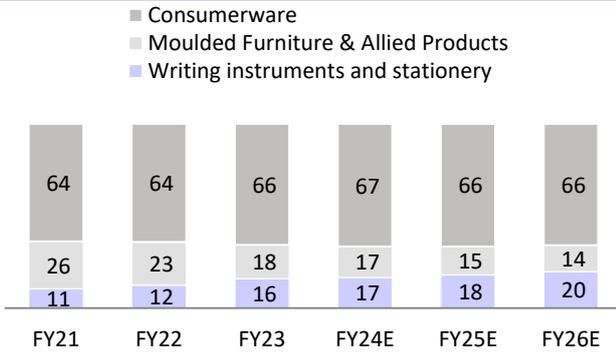
- In terms of financial performance, CELLO, a diversified consumerware company, compares favorably to its closest peer, Hamilton Houseware (Milton).
- The company posted a higher revenue CAGR of ~31% over FY21-FY23 vs. Milton's 28%. Additionally, CELLO boasts superior EBITDA margins of ~23% in FY23 vs. Milton's 16%. CELLO's success is attributed to its higher proportion of in-house manufacturing (~80%), leading to greater manufacturing efficiencies and diversification into higher-margin businesses like writing instruments and consumer glassware.
- Under the consumer glassware category, Borosil and La Opala are the closest peers. La Opala predominantly generates revenue from consumer glassware, while CELLO and Borosil have relatively smaller revenue share from this segment (15%/59% respectively). Lower share for Cello is due to its recent entry in 2017. However, CELLO has shown impressive growth, registering a 36% revenue CAGR over FY21-23.
- Opalware is a key revenue contributor for all key consumer glassware companies and CELLO is expected to sustain a healthy 15% revenue CAGR in the opalware segment over FY23-26.
- La Opala leads the consumer glassware segment with the highest EBIT margins (~33% in FY23), followed by CELLO (~23%) and Borosil (~8.5%). La Opala's strong margins are mainly driven by a focused product portfolio, diverse SKUs, and in-house manufacturing, while CELLO's diversified portfolio moderates its margins (houseware is a relatively a low-margin segment). Borosil's lower margins are a result of its reliance on imports and third-party manufacturers for a significant portion of its revenue.
- CELLO aims to improve margins to 26% by FY26 by leveraging economies of scale and efficiencies from the ramp-up in its soda lime glass capacity.

Valuation and view

- CELLO has been one of the leading players across its product categories, boasting a strong brand reputation and distribution reach. With its strong manufacturing background and brand equity, CELLO has been able to quickly scale up new businesses and compete with market leaders.
- The consumer glassware segment will be a key growth segment for the company and we believe CELLO will be able to surpass the market leader in the segment on back of operationalization of its new glassware capacity.
- We estimate CELLO to deliver a CAGR of 18%/23%/25% in revenue/EBITDA/adj. PAT over FY23-26.
- CELLO is currently trading at 34x FY26E EPS with RoE/RoCE of 32%/39% in FY26E. We reiterate our BUY rating with a TP of INR1,100 (premised on 45x FY26E EPS).

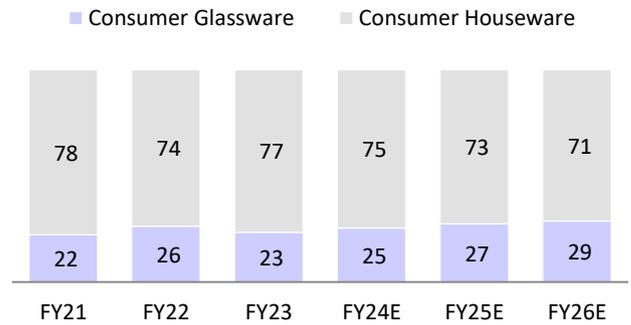
Story in charts

Exhibit 1: Consumerware dominates CELLO's revenue mix...



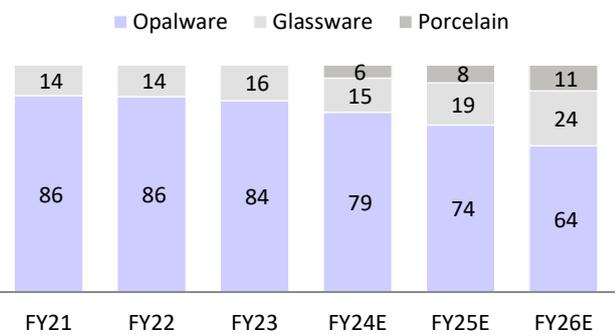
Source: Company, MOFSL

Exhibit 2: ...of which consumer houseware is major business



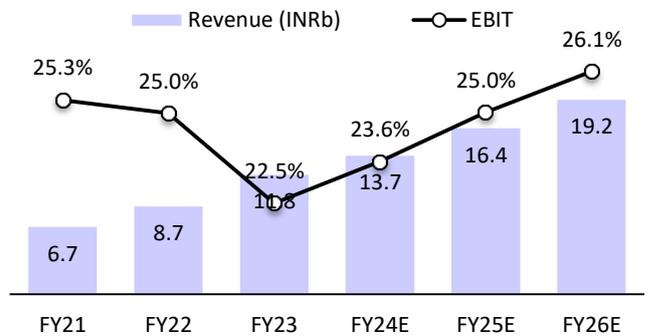
Source: Company, MOFSL

Exhibit 3: Opalware dominates in consumer glassware



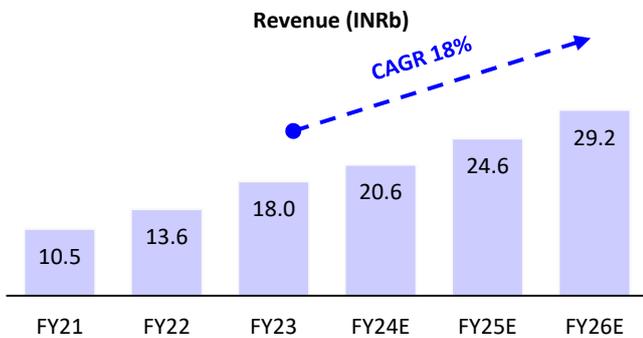
Source: Company, MOFSL

Exhibit 4: Consumer glassware to drive consumerware segment performance



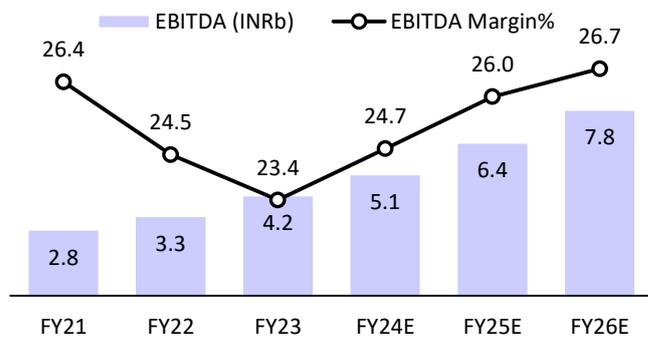
Source: Company, MOFSL

Exhibit 5: Expect 18% revenue CAGR over FY23-26



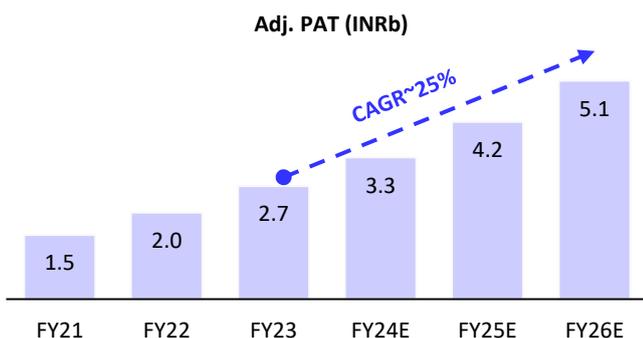
Source: Company, MOFSL

Exhibit 6: EBITDA expected to expand further



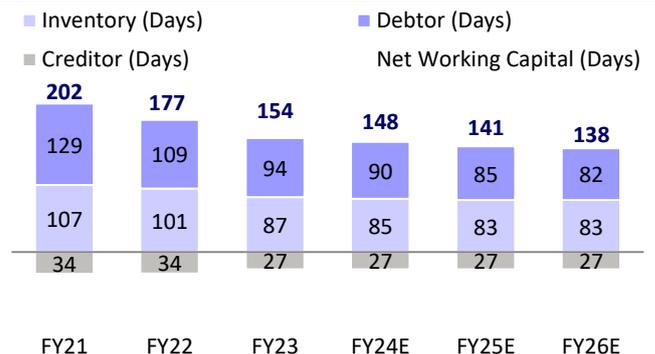
Source: Company, MOFSL

Exhibit 7: Expect 25% CAGR in PAT



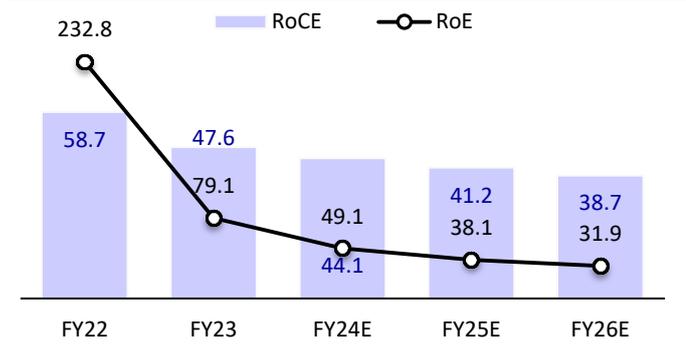
Source: Company, MOFSL

Exhibit 8: Net working capital days



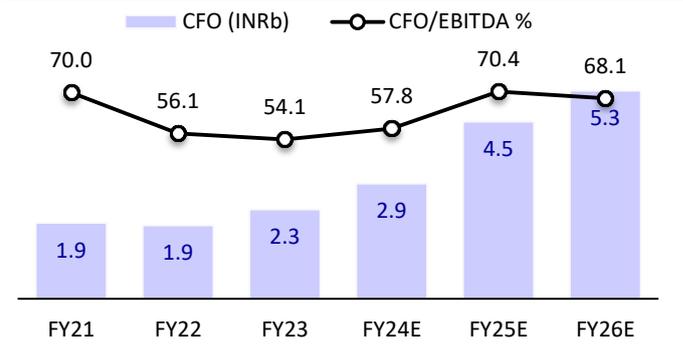
Source: Company, MOFSL

Exhibit 9: Healthy return ratios to sustain



Source: Company, MOFSL

Exhibit 10: Net working capital days



Source: Company, MOFSL

Exhibit 11: Business profiles of key players in the glassware category

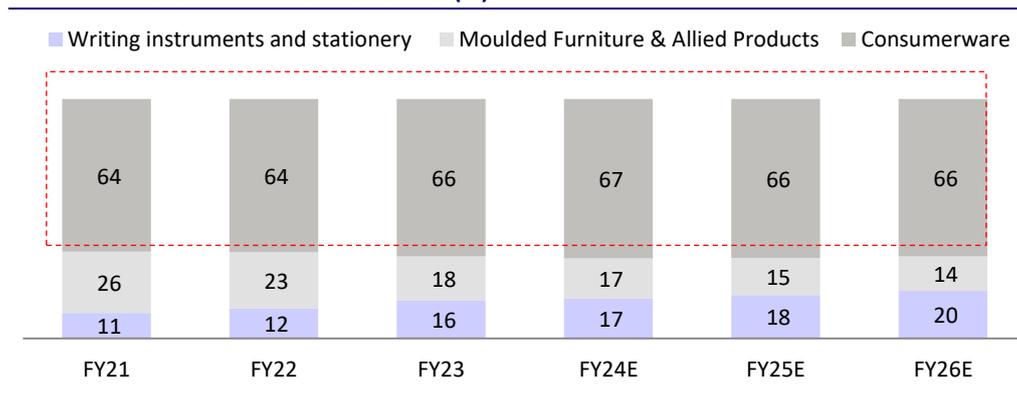
Parameters	Year	Cello	Borosil	La Opala
Brands		Cello, Cello-Puro, H2O, Unomax, Kleeno, Wimplast	Borosil, Larah	La Opala, Diva, Solitaire Crystal, Cook Serve Store
Segments		Consumer Houseware, Consumer Glassware, Writing Instruments, Moulded Furniture	Consumer Houseware (41%), Consumer Glassware (59%),	Consumer Glassware (Opalware & Crystalware); foraying into borosilicate glassware
In-house Mfg		~80%	~35-40%	100%
No. of Mfg Plants		1	2	3
Plant Locations		Daman Falna (Rajasthan)	Bharuch, Gujrat (SIP +CP); Jaipur, Rajasthan (CP)	Sitarganj, Uttarakhand; Madhupur, Jharkhand
Capacity	FY23	25000MT - Opalware - Daman 20,000MT - Glassware -Falna	~30600MT - Opalware ~9100MT - Borosilicate glass pressware - Jaipur	36,000 MTPA - largest capacity in India
Expansion	FY23	Recently done soda lime glassware at Falna	Recently done borosilicate glassware at Jaipur	Plans to added borosilicate capacity
Capex	FY23	Completed - ~INR2b-Falna;	Completed - INR750m	Planned- INR700m for Borosilicate
Peak Revenue from Capex		INR2.2-2.3b		INR1.3b
Asset Turn		1.1-1.2x		1.9x
Distribution Reach	FY23	717 dealer/distributors; ~58,716 Retailers	200+ distributors; 20,000 retailers; 100+ cities	250 distributors; 20,000 retailers; 600+ cities
Sales Personnel	FY23	721	100	-
A&D Spends % of Sales	FY23	1.30%	7.70%	3%
Market Share India	FY23	4.9% Overall; 8% Branded	60% for Microwavable & heat resistant glassware	~50% for opalware
Exports	FY23	-	5.59% to 47+ countries	10% to 30+ countries

Source: Company, MOFSL

Consumer glassware to be a key growth driver

- CELLO is among the most diversified companies in the consumerware category, with presence in houseware, glassware, writing instruments and moulded furniture.
- The consumerware segment accounted for ~66% of the company’s total revenue in FY23, which was divided between consumer houseware (77%) and consumer glassware (23%).

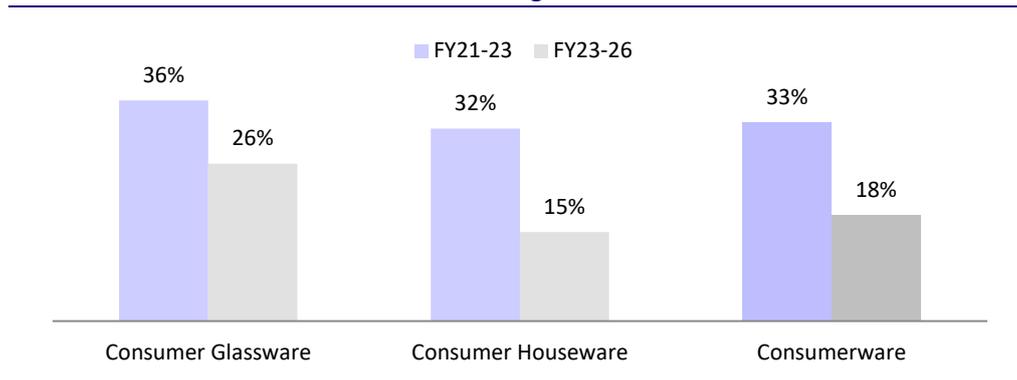
Exhibit 12: Revenue mix trend of CELLO (%)



Source: Company, MOFSL

- Overall, the consumerware segment has posted a strong revenue CAGR of ~33% over FY21-23, driven by both sub segments. However, going ahead, we expect the glassware segment to outpace the houseware segment, led by strong demand tailwinds and capacity expansions. The glassware segment is expected to register a revenue CAGR of ~26% over FY23-26 vs. ~15% for the houseware segment.

Exhibit 13: Revenue CAGR of consumerware segment

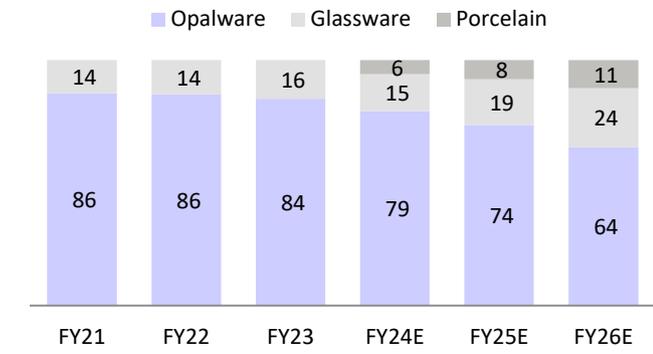


Source: Company, MOFSL

- CELLO entered the **glassware segment** in 2017 and since then, it has significantly scaled up the business to ~INR2.8b.
- Glassware is a broad category, with major subcategories such as opalware, glassware (soda lime and borosilicate) and porcelain.
- Currently, the majority of CELLO’s revenue in the glassware category comes from the opalware segment (84% in FY23) and the remaining from glassware.

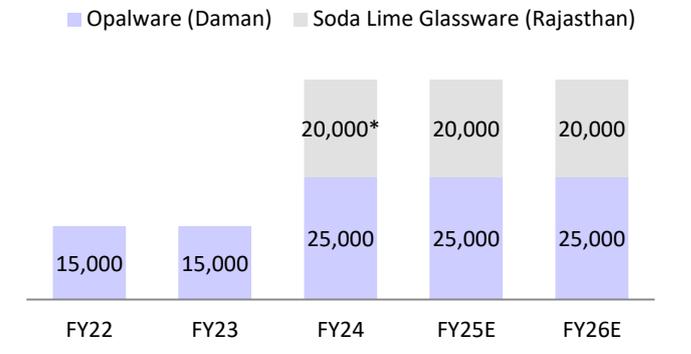
- Under glassware, the company entered the opalware category by setting up a 15,000MT plant in Daman, which has now been expanded to 25,000MT. The company also started to import glassware (both soda lime and Borosilicate) and sell it in India to widen its offerings.

Exhibit 14: Consumer glassware revenue mix %



Source: Company, MOFSL

Exhibit 15: Glassware capacity expansion (MTPA)

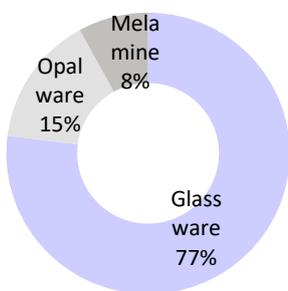


*Commissioned in Mar'24

Source: Company, MOFSL

- Each of these glassware sub-categories is distinguished based on raw materials and manufacturing process. For instance, opalware products are built on the foundation of soda lime glass with an additional step of adding nucleating agents (commonly fluorite) into the mixture of soda lime glass. For borosilicate glass, the key raw material is borax or boron oxide. In all the types of glassware, silica is the common raw material, which is readily available.
- In terms of market, the consumer glassware market is very fragmented with many unorganized players. Imports account for the majority of the market due to the lack of strong domestic demand, scalability in terms of operations and capital intensive nature of business.
- Further, glass furnace is required to be running 24x7 as it takes a significant time (~6-8 weeks) and cost to start the furnace, thereby affecting production volumes and margins in case of shutdown. One major drawback of running a glassware factory is that inventory piles up if demand is weak, which can result in the dumping of inventory at a discount or even below costs. Hence, till date, the Indian glassware market has been filled with imports (much viable option till date).
- In CY21, the Indian consumer glassware market imported products worth INR11b, of which glassware products (soda lime and borosilicate) constituted ~77%, followed by opalware (15%) and melamine (8%).

Glassware Imports in CY21 - ~INR11b



Domestic players focus on import replacement

- With evolving application and SKUs of glassware, coupled with an improving demand scenario, the scalability of this segment started to improve, thereby giving the branded players, such as CELLO, La Opala and Borosil, reasons to build capacities in India to replace imports.
- Currently, in India, the majority of the capacities are in the opalware segment, with La Opala having the largest capacity (36,000MT), followed by Borosil (~30,600MT) and CELLO (25,000MT).

- However, the next leg of expansion by these companies will be into soda lime and borosilicate glassware products, which are largely imported in India.
- CELLO is setting up a soda lime glassware manufacturing facility in Falna, Rajasthan, with an annual capacity of 20,000 tons for a capex of ~INR2b. This plant has recently been commissioned and is expected to start commercial operations by the end of 1QFY25. The company has also recently expanded its opalware capacity in Daman to 25,000TPA from 15,000MTPA.
- The glassware manufacturing facility in Rajasthan is expected to house automatic inspection machines to ensure that sorting of glasses is performed precisely. The facility is located close to raw material suppliers and will provide a dry weather environment that is suitable for the manufacturing of glassware.
- Borosil has recently set up a ~9,100MT (25TPD) borosilicate glassware capacity in Jaipur at a capex of ~INR750m. The plant achieved commercial production in Mar'24.
- La Opala also plans to set up a greenfield borosilicate glassware capacity with a total outlay of INR700m with peak revenue potential of INR1.3b.

Exhibit 16: Glassware capacity across key players (MTPA)

Company	Category	FY23	FY24	FY25E	FY26E
Cello	Opalware	15,000	25,000	25,000	25,000
	Soda Lime Glassware		20,000	20,000	20,000
Borosil	Opalware	30,600	30,600	30,600	30,600
	Borosilicate Glassware		9,100	9,100	9,100
La Opala	Opalware	25,000	36,000	36,000	36,000

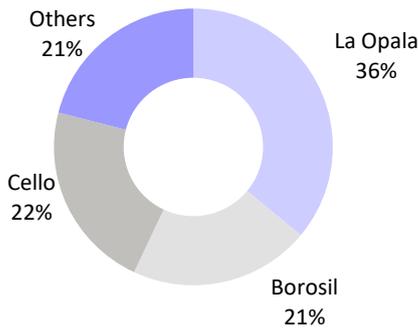
Source: Company, MOFSL

- Capacity additions in the glassware subcategory, where imports currently stand at ~INR8.4b, offer a huge opportunity for Indian players to capture the import market.

Consumer glassware industry dynamics and CELLO's place in it

- In the opalware category, La Opala has been the market leader with a ~36% market share in FY23. CELLO/Borosil have a market share of 22%/21%. La Opala has been able to dominate the market owing to its early entry into the market in 1980s, a wider presence in this segment with a higher number of SKUs across different price points (multiple brands), and the largest capacity in India (36,000MT). CELLO and Borosil are present under a single brand "Cello" and "Larah", respectively, in the mass market category.
- We believe that, in the opalware category, La Opala will continue to lead the market with its industry-best gross margins (~80-82%) and a diverse product range.
- The other subcategory, where we believe CELLO will have an upper hand, is soda lime glassware as it is the only branded player to set up a large manufacturing facility in India with a capacity of 20,000MT. Borosil and La Opala are setting up borosilicate glassware capacity in India, which has a different application than soda lime glass.

Exhibit 17: Indian opalware market share mix FY23



Source: Company, MOFSL

Exhibit 18: Opalware dinner set



Source: MOFSL, Company

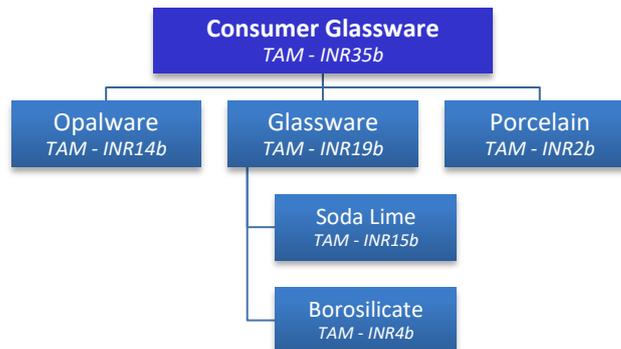
Exhibit 19: Key characteristics of soda lime and borosilicate glassware

Parameters	Soda lime glass	Borosilicate glass
Product Example		
Cost	Less expensive	Relatively expensive
Raw material	Sodium carbonate, lime, dolomite, silicon dioxide, and aluminum oxide	Boric oxide, silica sand, soda ash and alumina
Applications	Everyday use, drinking glasses, jars	Heat-resistant applications, labware, baking dishes
Safety (F&B)	Generally safe, with some concerns for vintage/decorative pieces	Generally safe, potentially better for long-term acidic food storage
Thermal resistance	Lower- more prone to cracking under sudden temperature changes	Higher resistance
Chemical resistance	More resistant to chemical leaching	Less resistant to chemical leaching
Durability	Harder and scratch resistant	Relatively less harder

Source: MOFSL,

- The total consumer glassware market in FY23 was ~INR35b, comprising three subcategories, opalware (INR14b), glassware (INR19b) and porcelain (INR2b).
- The glassware subcategory (INR19b) is further split between two major types of glassware, i.e., soda lime glassware (~INR15b) and borosilicate glassware (INR4b).

Exhibit 20: Consumer glassware industry TAM in FY23



Source: Company, MOFSL

- CELLO has forayed into a much bigger TAM category of soda lime glass, which is the most used consumer glassware in India, finding its application in food and beverage, decorations, etc.
- Being the only branded player in this fragmented market of soda lime glassware, the company can ride the wave of the shift from unbranded to branded consumer preference.
- On the cost economics side, the production cost of soda lime glassware is lower than that of borosilicate glassware.

Exhibit 21: Cost economics of soda lime and borosilicate glassware

Factor	Soda Lime Glassware	Borosilicate Glassware
Raw material cost	Lower	❖ Higher - more expensive due to the addition of boron trioxide which requires different manufacturing process
Manufacturing cost	Lower	❖ Higher – requires higher temperatures and more complex shaping techniques, thereby increasing production costs.
Energy consumption	Lower	❖ Higher - requires higher processing temperatures
Labor cost	Potentially lower	❖ Potentially Higher – skilled labor required for Certain shaping techniques
Transportation cost	Potentially lower	❖ Potentially Higher – relatively more heavier
Selling price	Lower	❖ Higher - higher production costs and niche applications

Source: MOFSL

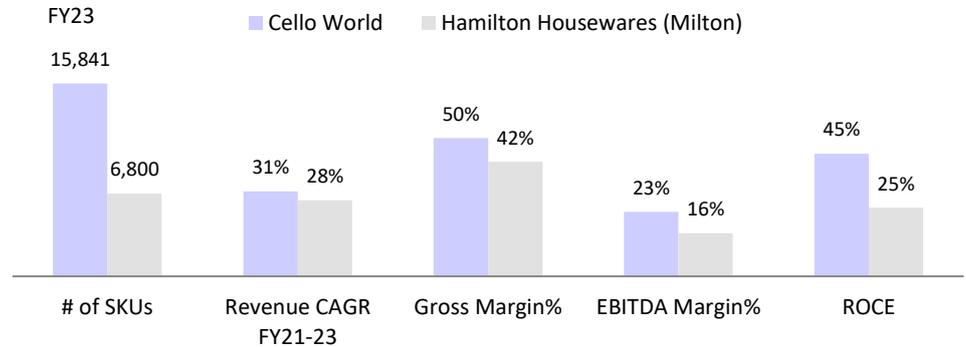
- Currently, as none of the listed entities has manufacturing capacity operating for an entire quarter/year of both types of glassware, it is difficult to gauge the operating viability of the glassware segment.
- However, for CELLO, we expect growth in soda lime glassware to be much higher, led by higher growth in TAM (15% CAGR over FY23-27). For Borosil, growth will be limited in line with growth in its TAM (~10% CAGR over FY23-27).
- In terms of margins, CELLO will be able to break-even much earlier as the manufacturing cost of soda lime glassware is much lower than that of borosilicate. However, in the long term, borosilicate glassware can command better margins as it is sold at a premium and for niche applications.
- While companies are ramping up their capacities, a strong and deeply penetrated distribution network will play a vital role in increasing utilization.
- Currently, CELLO has the largest distributor network for its consumerware category (includes houseware segment), with ~717 dealers/distributors and ~58,716 retailers. Borosil and La Opala, operating majorly in the consumer glassware category, have over 200/250 distributors and ~20,000 retailers each spanning over 100/600 cities.

Among the leading players across categories

- CELLO, being a diversified consumerware company, has a diverse set of peers across business segments. The closest peer for CELLO is Hamilton Houseware (Milton), which has a similar diversified business in the consumerware category.
- CELLO (consolidated) posted a revenue CAGR of ~31% over FY21-23 vs. Milton's ~28%. The company generated superior EBITDA margins of ~23% in FY23 vs. Milton's ~16%. High margins were driven by a higher share of in house manufacturing (~80%), in turn improving manufacturing efficiency and diversification in better-margin businesses of writing instruments and consumer

glassware. Consequently, this reflects in RoCE of CELLO, which was ~45% in FY23 vs. Milton’s ~25%.

Exhibit 22: Peer comparison: CELLO and Milton



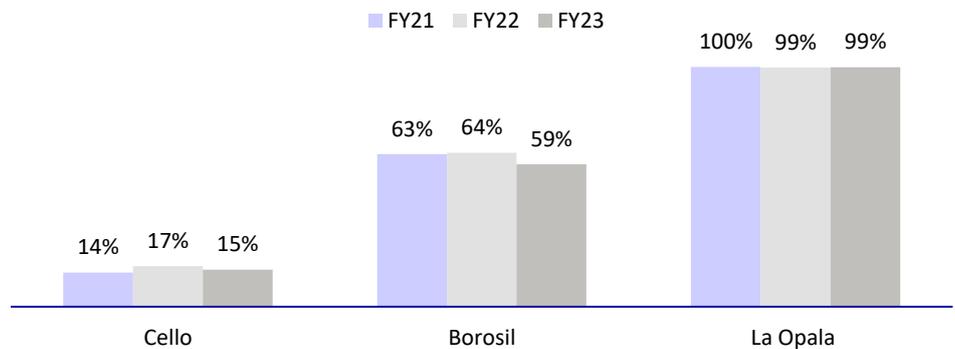
Source: Company, MOFSL

- Under the consumer glassware category, Borosil and La Opala are the closest peers as discussed above.

CELLO’s consumer glassware segment is catching up to market leaders

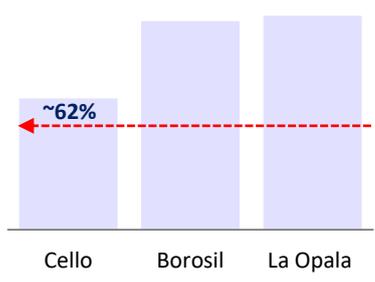
- Among the three players, La Opala derives the majority (~99%) of its revenue from the consumer glassware segment. CELLO/Borosil generate ~15%/59% of its revenue from consumer glassware. For all three players, opalware is the largest revenue contributor, largely used in the dinner set or tableware.

Exhibit 23: Consumer glassware revenue share for key players



Source: Company, MOFSL

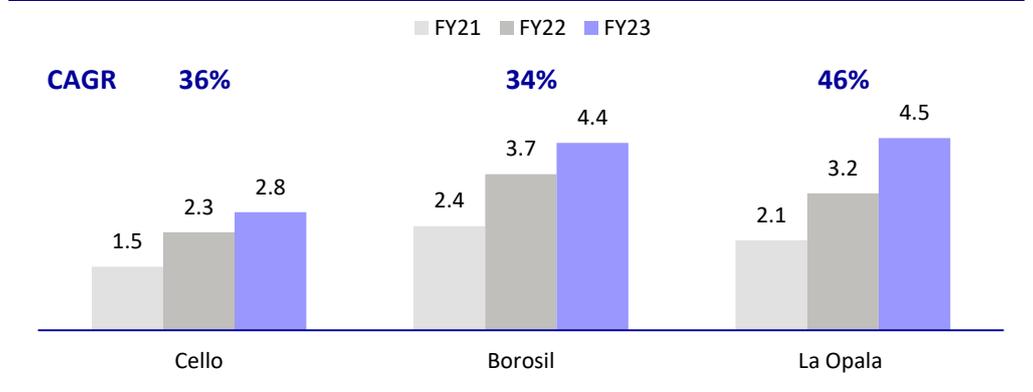
Cello's Consumer Glassware revenue reaching 62% of Peers in FY23



- CELLO’s has a lower share of consumer glassware as the company entered this space in 2017, while other players have been in this segment for decades.
- Despite being a recent entrant in this space, CELLO has been able to quickly ramp up the segment, registering a ~36% revenue CAGR over FY21-23(vs. La Opala’s 46%). Borosil reported a revenue CAGR of 34% over FY21-23. CELLO has already reached ~62% of the revenue of both La Opala and Borosil in FY23 (i.e. consumer glassware revenue of Cello is INR2.8b vs. INR4.4b/INR4.5b of Borosil and La Opala in FY23).

- We expect the company to register a healthy revenue CAGR of ~15% in opalware over FY23-26 on the back of an increase in capacity and further penetration of distribution network.
- Among the three companies, Borosil derives a higher share (24% in FY23) from the glassware subcategory and is renowned for its bakeware category of borosilicate glass. While La Opala will be key competitor for Borosil in this space, CELLO is focusing on a larger TAM subcategory of soda lime glass, which has a low presence of branded players.
- The opalware category has been the fastest growing subcategory in terms of TAM with a CAGR of ~14% over FY15-23 and is expected to continue to deliver a similar growth going ahead. Glassware is also expected to register a revenue CAGR of 15% over FY23-27.

Exhibit 24: Consumer glassware revenue trend of key players (INR b)

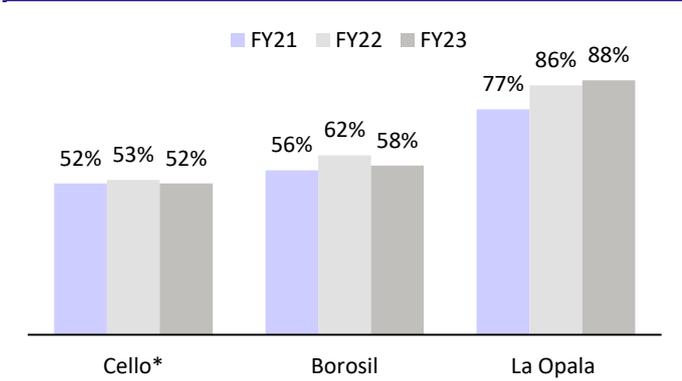


Source: Company, MOFSL

Margins among the best in industry

- For the consumer glassware category, La Opala has the best EBIT margins of ~33% in FY23, followed by CELLO at ~23% and Borosil at ~8.5%.

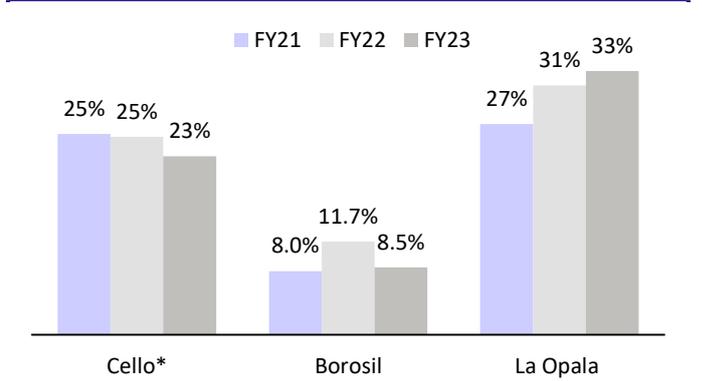
Exhibit 25: Gross margin across key players (%)



*Consumerware Category

Source: Company, MOFSL

Exhibit 26: EBIT margins across key players (%)



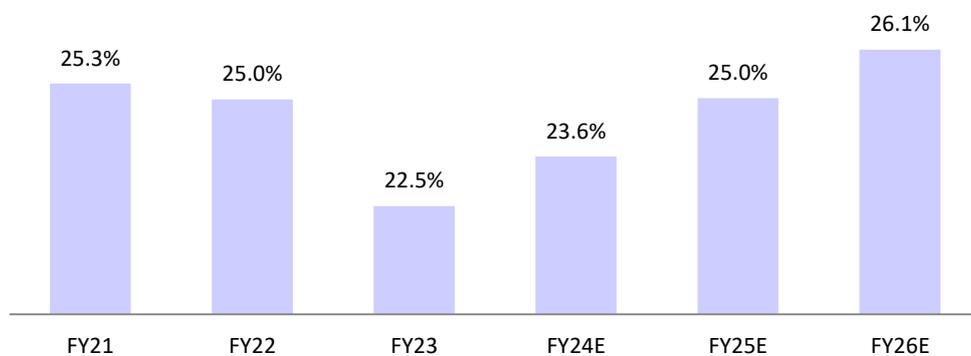
*Consumerware Category

Source: Company, MOFSL

- La Opala’s higher margins are mainly driven by its concentrated product portfolio (better focus), diverse range of product SKUs in opalware (mass to premium), fully in-house opalware product manufacturing (leading to better efficiencies), and the largest capacity in India (economies of scale).

- For CELLO, being a diversified player in the consumerware category, the margins tend to moderate as the houseware category's margin profile is expected to be in the range of 18-20%, while for consumer glassware the company's margins are expected to be in the range of 25-30%.
- Borosil generates only 35% of its revenue from opalware (in FY23), for which it has in-house capacity and the rest is either imported or sourced from third-party manufacturers. This is the primary reason for a lower margin profile of ~8.5% in FY23 compared to La Opala and Cello, which have a high share of in-house manufacturing in revenue (~80%/~100% respectively).
- We believe CELLO will be able to narrow down the margin gap with La Opala after the ramp-up of its soda lime glass capacity, which will provide the company better economies of scale and manufacturing efficiencies.

Exhibit 27: CELLO's Consumerware EBIT margin expansion mostly driven by glassware



Source: Company, MOFSL

Valuation and View

- CELLO has been one of the leading players across its product categories, boasting a strong brand reputation and distribution reach.
- The company has the ability to manufacture a diverse range of products while maintaining optimal inventory levels. This helps the company aggressively add SKUs to existing products and scale up new businesses from scratch.
- With its strong manufacturing background and brand equity, CELLO has been able to quickly scale up new businesses and compete with market leaders.
- The consumer glassware segment will be one of the key growth segments for the company, and we believe CELLO will be able to surpass the market leader in the segment on back of operationalization of its new glassware capacity.
- We estimate a CAGR of 18%/23%/25% in revenue/EBITDA/Adj. PAT over FY23-26.
- CELLO is currently trading at 34x FY26E EPS with RoE/RoCE of 32%/39% in FY26E. We reiterate our BUY rating with a TP of INR1,100 (based on 45x FY26E EPS).

Financials and valuations

Consolidated - Income Statement						(INRm)
Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	10,495	13,592	17,967	20,578	24,642	29,158
Change (%)	NA	29.5	32.2	14.5	19.8	18.3
RM Cost	5,214	6,786	8,955	9,877	11,656	13,646
Employees Cost	968	1,319	1,576	1,915	2,267	2,624
Other Expenses	1,544	2,151	3,231	3,704	4,312	5,103
Total Expenditure	7,727	10,256	13,762	15,497	18,235	21,373
% of Sales	73.6	75.5	76.6	75.3	74.0	73.3
EBITDA	2,767	3,336	4,205	5,081	6,407	7,785
Margin (%)	26.4	24.5	23.4	24.7	26.0	26.7
Depreciation	489	476	503	575	758	806
EBIT	2,278	2,860	3,702	4,506	5,649	6,979
Int. and Finance Charges	23	29	18	22	14	0
Other Income	101	159	167	263	271	277
PBT bef. EO Exp.	2,357	2,991	3,852	4,748	5,906	7,256
EO Items	0	0	0	0	0	0
PBT after EO Exp.	2,357	2,991	3,852	4,748	5,906	7,256
Total Tax	701	796	1,001	1,195	1,487	1,826
Tax Rate (%)	29.8	26.6	26.0	25.2	25.2	25.2
Minority Interest	143	155	189	218	250	288
Reported PAT	1,512	2,040	2,661	3,335	4,170	5,142
Adjusted PAT	1,512	2,040	2,661	3,335	4,170	5,142
Change (%)	NA	34.9	30.5	25.3	25.0	23.3
Margin (%)	14.4	15.0	14.8	16.2	16.9	17.6

Consolidated - Balance Sheet

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	0	0	975	1,061	1,061	1,061
Preference Capital	0	0	0	0	0	0
Total Reserves	-1,068	876	2,390	5,725	9,894	15,036
Net Worth	-1,068	876	3,365	6,786	10,955	16,097
Minority Interest	1,722	1,851	1,999	2,217	2,467	2,755
Total Loans	3,221	4,525	3,261	2,761	1,019	19
Deferred Tax Liabilities	82	84	84	84	84	84
Capital Employed	3,957	7,336	8,709	11,848	14,526	18,956
Gross Block	2,901	2,898	3,388	6,093	6,409	6,887
Less: Accum. Deprn.	309	312	671	1,246	2,004	2,810
Net Fixed Assets	2,592	2,586	2,717	4,847	4,405	4,077
Goodwill on Consolidation	0	0	0	0	0	0
Capital WIP	43	145	256	51	285	307
Total Investments	1,197	1,500	1,769	1,769	1,769	1,769
Current Investments	747	1,150	1,263	1,263	1,263	1,263
Curr. Assets, Loans&Adv.	7,633	9,106	10,774	12,178	16,434	22,693
Inventory	3,069	3,765	4,298	4,792	5,604	6,631
Account Receivables	3,714	4,067	4,623	5,074	5,739	6,551
Cash and Bank Balance	325	547	499	761	3,235	7,314
Loans and Advances	525	726	1,354	1,551	1,857	2,198
Curr. Liability & Prov.	7,508	6,000	6,808	6,999	8,368	9,891
Account Payables	984	1,255	1,342	738	870	1,019
Other Current Liabilities	6,471	4,685	5,428	6,216	7,444	8,808
Provisions	53	60	39	45	54	63
Net Current Assets	125	3,106	3,966	5,180	8,066	12,802
Misc Expenditure	0	0	0	0	0	0
Appl. of Funds	3,957	7,336	8,709	11,848	14,526	18,956

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)						
EPS	7.1	9.6	12.5	15.7	19.6	24.2
Cash EPS	9.4	11.9	14.9	18.4	23.2	28.0
BV/Share	NA	4.1	15.9	32.0	51.6	75.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)						
P/E	115.6	85.7	65.7	52.4	41.9	34.0
Cash P/E	87.3	69.5	55.2	44.7	35.5	29.4
P/BV	NA	199.4	51.9	25.8	16.0	10.9
EV/Sales	15.7	13.2	9.1	8.6	7.1	5.8
EV/EBITDA	59.4	53.8	39.0	35.0	27.1	21.7
FCF per share	8.7	6.4	6.4	2.0	18.6	22.6
Return Ratios (%)						
RoE	NA	232.8	79.1	49.1	38.1	31.9
RoCE	NA	58.7	47.6	44.1	41.2	38.7
RoIC	NA	55.7	48.4	43.7	45.7	55.6
Working Capital Ratios						
Fixed Asset Turnover (x)	3.6	4.7	5.3	3.4	3.8	4.2
Asset Turnover (x)	2.7	1.9	2.1	1.7	1.7	1.5
Inventory (Days)	107	101	87	85	83	83
Debtor (Days)	129	109	94	90	85	82
Creditor (Days)	34	34	27	27	27	27
Leverage Ratio (x)						
Current Ratio	1.0	1.5	1.6	1.7	2.0	2.3
Interest Cover Ratio	100.1	100.4	210.8	208.8	417.0	NA
Net Debt/Equity	NA	3.2	0.4	0.1	-0.3	-0.5

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	2,357	2,991	3,852	4,748	5,906	7,256
Depreciation	489	476	503	575	758	806
Interest & Finance Charges	22	26	14	-241	-258	-277
Direct Taxes Paid	-681	-843	-1,010	-1,195	-1,487	-1,826
(Inc)/Dec in WC	-221	-728	-1,150	-952	-413	-657
CF from Operations	1,966	1,923	2,210	2,935	4,507	5,302
Others	-29	-50	64	0	0	0
CF from Operating incl EO	1,936	1,873	2,274	2,935	4,507	5,302
(Inc)/Dec in FA	-248	-516	-1,032	-2,500	-550	-500
Free Cash Flow	1,688	1,356	1,242	435	3,957	4,802
(Pur)/Sale of Investments	0	0	0	0	0	0
Others	-126	-2,075	-4,527	263	271	277
CF from Investments	-375	-2,592	-5,559	-2,237	-279	-223
Issue of Shares	0	0	-151	86	0	0
Inc/(Dec) in Debt	1,775	1,254	-1,264	-500	-1,742	-1,000
Interest Paid	-15	-16	-5	-22	-14	0
Dividend Paid	-1	-60	-96	0	0	0
Others	-3,086	-237	4,754	0	0	0
CF from Fin. Activity	-1,328	941	3,238	-435	-1,755	-1,000
Inc/Dec of Cash	233	222	-47	262	2,473	4,079
Opening Balance	91	325	547	499	761	3,235
Closing Balance	325	547	499	761	3,235	7,314

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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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