



## IPO Report

28<sup>th</sup> Oct'23

### Snapshot

Cello is 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. Cello's extensive product range spanning Drinkware, Insulatedware, Dinnerware, Serveware, and Glassware, and categories like Cleaning supplies, Stationery, Small kitchen appliances, Moulded furniture and Air coolers positions the company strongly in the Indian market.

### VALUATION

Company is bringing the issue at price band of Rs 617-648 per share at p/e multiple of 42x on post issue annualized Q1FY24 PAT basis.

Company is well-established brand name and has strong market positions. Company has diversified product portfolio across price points catering to diverse consumer requirements. Company has track record of scaling up new businesses and product categories. Company's pan-India distribution network with a presence across multiple channels has ability to manufacture a diverse range of products and maintain optimal inventory levels. Also, company has shown strong historical financial results in last years. Hence, looking after all above we recommend "Subscribe" on issue.

Price Band (Rs./Share)	<b>617-648</b>
Opening date of the issue	<b>30<sup>th</sup> Oct '2023</b>
Closing Date of the issue	<b>01<sup>st</sup> Nov '2023</b>
No of shares pre issue	212231034 Eq Shares
Issue Size	Rs 1900 Cr
Offer For Sale	30811946-29337023 Eq Shares
Face Value (Rs/ share)	Rs 5/share
Bid Lot	23
Employee Discount	Rs 61/ share

### BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 14583332 Eq Shares)
Non-Institutional	15% of the offer (Approx 4375000 Eq Shares)
Retail	35 % of the offer ( Approx 10208334 Eq Shares)
Employee Reservation	Rs 10 Cr
Lead managers	Kotak Mahindra Capital, Citigroup Global, JM Financial, J.P.Morgan India
Registrar to the issue	KFin Technologies Ltd.

## WHAT WE LIKE

### Strong historical financial results

Company have been continuously growing its business through increase in sales, and the expansion of brand portfolio, product offerings and distribution network. Company's operational efficiencies and supply chain network has resulted in better control of expenses and thereby resulted in an increase in profit after tax. Company's revenue from operations increased, from ₹10,494.55 million in the Financial Year 2021, to ₹13,591.76 million in the Financial Year 2022 and ₹17,966.95 million in the Financial Year 2023, at a CAGR of 30.84%. Company's restated profit for the period/year also increased, from ₹1,655.48 million in the Financial Year 2021, to ₹2,195.23 million in the Financial Year 2022 and ₹2,850.55 million in the Financial Year 2023, at a CAGR of 31.22%.

### Track record of scaling up new businesses and product categories

Company have a track record of scaling up new businesses and product categories. While Company was incorporated only in 2018, its Promoters were involved in the launch of the glassware and opalware business in 2017 under the "Cello" brand. Company also launched its writing instruments and stationery product category in 2019 under the "Unomax" brand, and increased its volume of products sold from this product category, from 230.31 million units in the Financial Year 2021, to 264.27 million units in the Financial Year 2022 and 458.10 million units in the Financial Year 2023, at a CAGR of 41.03%. Company sold 101.18 million units in the three months ended June 30, 2022 and 127.99 million units in the three months ended June 30, 2023

### Well-established brand name and strong market positions

Company's brand "Cello" was awarded as one of the most trusted brands of India in 2021 by Commerzify. Wintermediates, company is a large manufacturer of contrast media intermediates in India.



## COMPANY BACKGROUND

Company was incorporated in 2018, its erstwhile promoter Late Ghisulal Dhanraj Rathod, father of two of company's Promoters, Pradeep Ghisulal Rathod and Pankaj Ghisulal Rathod, was associated with Cello Plastic Industrial Works ("CPIW") and the "Cello" brand since 1962. Company's Promoters (through their family) have since diversified its product range and brand portfolio over the last six decades. The six decades of experience of company's Promoters (through their family) in the consumer products industry has enabled company to better understand the preferences and needs of consumers in India, diversify its product portfolio and grow its multi-channel distribution network. This has enabled company to curate an extensive product portfolio that caters to a diverse range of consumer requirements, and offers a broad range of contemporary products across different ranges, types of 191 material and price points. As of June 30, 2023, company offered 15,891 stock-keeping units ("SKUs") across its product categories.

Company own/lease and operate 13 manufacturing facilities across five locations in India, as of June 30, 2023, and company is currently establishing a glassware manufacturing facility in Rajasthan. Company's manufacturing capabilities allow company to manufacture a diverse range of products in-house. Company's revenue derived from its in-house manufacturing operations aggregated to 78.65%, 82.63%, 79.37%, 82.08% and 79.67% of company's total revenue from operations for the Financial Years 2021, 2022 and 2023 and the three months ended June 30, 2022 and June 30, 2023, respectively. The remaining products (consisting mainly of steel and glassware products) are manufactured by third party contract manufacturers who manufacture these products with its branding pursuant to arrangements with company. The scale at which company manufacture its products, combined with company's supply chain management enables company to derive the benefits of economies of scale across various aspects of company's business model. Further, company maintain optimal inventory levels across company's manufacturing facilities by implementing technology and utilising available market information. Company also endeavor to maintain high quality standards and good manufacturing practices. Company have a strong pan-India distribution network. From the distribution network established by CPIW for its thermoware household articles and plastic materials business.

Company's nationwide sales and distribution network is supported by its 721 member sales team, as of June 30, 2023. Company equip its field staff across its distribution network with an enterprise resource planning system, which assists company in forecasting production levels and helps it in optimising inventory levels. Company have developed and maintain longstanding relationships with its distributors and retailers over the years. Further, company's products also reach consumers through modern trade and export channels, e-commerce marketplaces and its own websites. In addition, company also sell its products in bulk quantities to corporate clients and government departments. To enhance brand awareness and strengthen brand recall for the brands and sub-brands that company use, company utilise a diverse array of promotional and marketing efforts, including in-shop displays, merchandising, advertisements in print and social media, retail branding and product branding. Company have developed a strong brand identity through effective brand advertisements and marketing campaigns, including "Cello – Companion for Life", "Cello – Rishta Zindagi Bhar Ka", "Hot Chahive Toh Cello" and "Don't Just Write, Glide". All company's marketing efforts are initiated and coordinated by its marketing team of 24 employees, as of June 30, 2023.



## INVESTMENT RATIONALE

<i>Well-established brand name and strong market positions</i>	Company's strong market positions in the consumer products industry segment are a reflection of its vast experience, continuous product development and consumer understanding. Company's brand "Cello" was awarded as one of the most trusted brands of India in 2021 by Commerzify. Company is a prominent player in the consumerware market in India with products in the consumer houseware, writing instruments and stationery, and moulded furniture and allied products categories. While Company was incorporated only in 2018, its erstwhile promoter Late Ghisulal Dhanraj Rathod, father of company's Promoters, Pradeep Ghisulal Rathod and Pankaj Ghisulal Rathod, was associated with Cello Plastic Industrial Works and the "Cello" brand since 1962. Further, company launched the writing instruments and stationery business in 2019 under the "Unomax" brand. It had the highest EBITDA margin for the Financial Years 2021, 2022 and 2023
<i>Diversified product portfolio across price points catering to diverse consumer requirements</i>	Company focus on identifying the needs and preferences of its consumers through network of distributors, and innovating its products to cater to their differing requirements and preferences, while endeavouring that company's products are available across various price points and meet quality standards expected by its consumers. As of June 30, 2023, company offered 15,891 SKUs across product categories. Company offer an extensive product range across its three product categories. Company have a diverse range of products across different product categories, types of material and price points, which enables it to serve as a "one-stop-shop", with consumers across all income levels purchasing company's products Company's wide spectrum of product offerings cater to a wide range of consumer needs.
<i>Pan-India distribution network with a presence across multiple channels</i>	Company's pan-India distribution network is one of the key reasons behind its efficient launch of new range of products in the past. Company's nationwide sales and distribution network is supported by its 721 member sales team, as of June 30, 2023. Company equip its field staff across its distribution network with an enterprise resource planning system, which assists company in forecasting production levels and helps it in optimising inventory levels. Company have developed and maintain longstanding relationships with its distributors, and retailers over the years. Company regularly interact with its distributors and retailers for insight into consumer preferences and market feedback, which in turn helps company to, among others, (i) check for product-market fit at an early stage before scaling them up, and (ii) structure appropriate pricing discounts and advertisement campaigns during festive seasons.
<i>Skilled and experienced management team</i>	The Promoters of Company, Pradeep Ghisulal Rathod, Chairman and Managing Director, and, Pankaj Ghisulal Rathod and Gaurav Pradeep Rathod, Joint Managing Directors, have over 80 years of combined experience in the consumer products industry in India. Pradeep Ghisulal Rathod and Pankaj Ghisulal Rathod have nearly 40 and 34 years, respectively, of experience in the business of manufacturing and trading in, among others, plastic articles, insulatedware articles and raw materials. Gaurav Pradeep Rathod holds a master's degree in business administration from the University of Strathclyde, and is instrumental in the successful launch of opalware range of products, and growth of the online and e-commerce sales of company.



## OBJECTS OF OFFER

The objects of the Offer are to (i) achieve the benefits of listing the Equity Shares on the Stock Exchanges; and (ii) carry out the Offer for Sale of up to Equity Shares aggregating up to ₹ 19,000.00 million by the Selling Shareholders.

## RISKS

Company is dependent on company's distribution network in India and overseas to sell and distribute its products and any disruption in company's distribution network could have an adverse effect on its business, results of operations, financial condition and cash flows.

Source:RHP

## INDUSTRY OVERVIEW

### Indian Consumerware Market

The Indian Consumerware Market is broadly divided into two categories, Consumer Houseware and Consumer Glassware. The Consumer Houseware and Consumer Glassware markets are further segmented into various subcategories like: Consumer Houseware: Hydration, Cookware, Insulated Ware, Lunchboxes, Storage Containers, Melamine, Small Kitchen Appliances and Cleaning Products. Consumer Glassware: Opalware, Glassware and Porcelain This market was valued at INR 348 Bn in FY 2022. This market has witnessed steady growth over the years with market size increasing from INR 305 Bn in FY 2020 to INR 348 Bn FY 2022 growing at a CAGR of 6.9% and INR 565 Bn Cr in FY 2027 growing at a CAGR of 10.2% for the period FY 2022-2027. Various factors like increasing disposable income, nuclearization of families, and growing demand for organized and functional kitchen spaces are further adding to the growth of the Indian Consumerware Market. This growth is attributed to factors like favourable demographics with shifting dynamics in kitchen responsibilities and an increase in working women, increasing ownership of products per person and the evolving Indian consumer, with increased discretionary spending and improved product availability through online platforms and multi-brand outlets. Additionally, the shift towards innovative and creative products that prioritize aesthetics and functionality have accelerated the growth of branded players in the market and thus the industry itself.

### Branded Indian Consumerware Market

As of FY 2023, Branded play dominated nearly 61% (~INR 230 Bn) of the Consumerware market in India. This represents a significant increase from the share of around 52% (~ INR 110 Bn) recorded in the FY 2015, reflecting a CAGR of 9.6% for the Branded market. The Branded play is estimated to capture ~67% (~INR 377 Bn) share by FY 2027 at the CAGR of 13% for the period FY 2023-27 as the branded market continues to grow with a double digit CAGR, and a rate much faster than the unbranded market. In the branded Consumerware market, Cello occupied a market share of 8% for FY 2023. Its market share was 4.9% in the overall Consumerware market for the same period.

### Growth Drivers for Branded Market

1. Rising Awareness among consumers towards safety and quality The escalating consumer awareness regarding safety and quality has become a significant driver for the growth of branded players in the Indian market. Consumers in India have developed a heightened sense of brand consciousness, recognizing branded products as indicators of trust, superior quality, and safety. This trend has resulted in a preference for branded offerings across various income segments, providing branded players with ample opportunities to expand their market share through strategic investments in marketing and advertising initiatives, thereby enhancing brand visibility and consumer awareness.
2. Technological Intervention Branded players in the Indian Consumerware market are making significant investments in research and development to drive technological innovation and offer novel products that cater to the changing needs and preferences of consumers. This strategic approach enables them to differentiate themselves from unbranded alternatives by delivering superior innovation and product quality. One prominent example of this trend is the introduction of technologically advanced Consumerware products that enhance convenience and functionality. Branded players have brought innovations such as microwavesafe and oven-proof glassware, electric lunch boxes with inbuilt heating capabilities, and insulated casseroles and lunch boxes designed to keep food warm for extended periods. These innovations address the growing demand for on-the-go food containers and provide added value to consumers seeking convenient meal solutions. Cello, as a prominent player in the industry, has consistently demonstrated its ability to innovate and launch superior products that set it apart in the market. Notable instances of product innovation can be seen in their Vegetable and Fruit Cleaner and the Quick Boil Glassy H2O Electric Kettle. Borosil was one of the early innovators for microwavable glass in India.
3. Economies of Scale Branded players are also leveraging their economies of scale to improve distribution efficiencies and expand their reach into new markets. Brands like Cello, Prestige, Milton, and Borosil have been investing heavily in technology and logistics to improve their supply chain management and distribution networks. For instance, Cello has established a strong distribution network with more than 51000 retailers across India. The company has also invested in technology to improve its supply chain management and has implemented an SAP system for better inventory management and production planning. Milton too has implemented an ERP system for better inventory management, production planning, and sales forecasting.
4. Evolving Aspirations: From Utility to Lifestyle In tandem with the rise in disposable income, the aspirations of Indian consumers have undergone a significant transformation. There is a shift from houseware being perceived as utilitarian essentials to viewing them as lifestyle-enhancing accessories. Today, consumers are actively seeking products that not only fulfil their basic needs but also align with their unique personal taste, style, and individuality. To effectively tap into these evolving aspirations, brands must offer innovative designs, appealing aesthetics, and captivating product experiences. By doing so, they can position themselves to capture the attention and loyalty of Indian consumers, ultimately driving their purchasing decisions.
5. GST Regime: The introduction of the Goods and Services Tax (GST) regime has had a significant impact on the transparency of the entire value chain from manufacturers to retailers. This has resulted in a strong disincentive for trade practices such as underreporting of production and sales, non-billed transactions, and non-compliant behaviour. Additionally, the availability of input tax credits for taxes paid at different stages of the value chain has made the trade of branded products more acceptable. As a result, GST compliance has increased input costs for unbranded players, thereby narrowing the price gap between branded and unbranded products, and hence creating an opportunity for branded players to increase their market share.


**Consolidated Financials**

(Rs in Mn)

Financials	FY21	FY22	FY23	Q1FY24
Total Revenue (A)	10494.55	13591.76	17966.95	4717.79
Total Expenditure (B)	7727.14	10256.05	13761.57	3525.81
EBIDTA	2767.41	3335.71	4205.38	1191.98
EBIDTA Margin	26.37	24.54	23.41	25.27
Other Income	101.29	159.33	167.40	81.04
Depreciation	489.01	475.54	503.26	118.16
EBIT	2379.69	3019.50	3869.52	1154.86
Interest	22.76	28.50	17.56	5.66
PBT	2356.93	2991.00	3851.96	1149.20
Extraordinary Items	0.00	0.00	0.00	0.00
PBT	2356.93	2991.00	3851.96	1149.20
Tax	701.45	795.77	1001.30	320.78
PAT	1655.48	2195.23	2850.66	828.42
NPM	15.77	16.15	15.87	17.56
ROE %	52.21	45.94	23.17	6.31
EPS	7.75	10.46	13.17	3.65
Eq Cap	0.10	0.10	975.00	975.00
Net Worth	654.36	2,727.80	5,363.89	11,027.07

(Source: RHP)

**Peer Comparison**

Company Name	Face value	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Cello World Limited</i>	<i>5</i>		<i>17966.95</i>	<i>13,17</i>	<i>56,84</i>	<i>23.17</i>
<b>Peers</b>						
Borosil Limited	1	50.59	10271.21	7.86	67.97	11.55
Kokuyo Camlin Limited	1	57.97	7749.43	2.44	26.18	9.31
La Opala RG Limited	2	40.81	4523.24	11.08	69.81	15.87
Stove Kraft Limited	10	51.49	12838.47	10,86	122.31	8.87
TTK Prestige Limited	1	43.78	27771.30	18.34	139.85	13.11
Linc Limited	10	33,39	4867.55	25.15	123.39	20.38
Hawkins Cookers Limited	10	40.23	10057.95	179.24	522.20	34.32



(Source: RHP)

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