

# Cello World

## Best in class



Enviably new-product  
and expansion track record

Industry leading growth and  
margins amongst peers  
across verticals

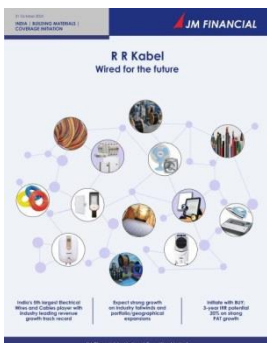
Initiate coverage with BUY;  
3-year potential IRR of  
16% on strong PAT growth

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Cello World Ltd (Cello), promoted by the Rathod family, has a wide-ranging consumer-facing category presence – Consumerware (66% of FY23 revenue), Plastic Moulded Furniture (18%) and Writing Instruments (16%). The company also has one the best distribution networks across verticals. It has posted best-in-class revenue growth, operating margins and return profile among its peers in every category in FY21-23. We forecast Cello to post industry leading Revenue/EBITDA/PAT CAGR of 16%/21%/24% respectively in FY23-26. We initiate coverage with a BUY rating and a Mar’25TP of INR 950, basis 40x FY26 EPS and see a potential 16% IRR over the next 3 years.

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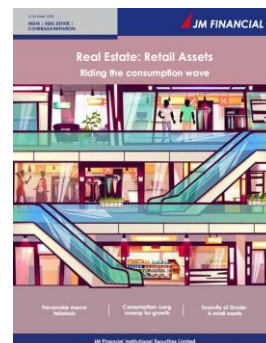
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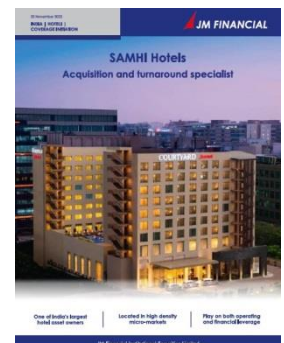
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# Cello World Ltd

Best in class

Cello World Ltd (Cello), promoted by the Rathod family, has a history of successful diversification into various consumer-facing categories such as consumerware (1962; 66% of FY23 revenue), plastic moulded furniture (1988; 18% of FY23 revenue) and writing instruments (1995; 16% of FY23 revenue). Cello has again demonstrated its capability to scale up new categories successfully with a) entry into glassware and opalware in 2017 - touched INR 2.8bn revenue in FY23, and b) writing instruments (relaunched in 2019 under UNOMAX brand) - achieved INR 2.9bn revenue in FY23. Cello is the most diversified product company among its peers, with **best-in-class** revenue growth, distribution network, margins and return profile among its peers in each vertical (basis FY21-23 performance; Cello converted from a partnership firm into a corporate entity in 2018). In our opinion, Cello will be the biggest beneficiary of steady industry growth (8% CAGR in FY23-27), macro tailwinds (e.g. formalization, import substitution for few categories like glassware) with its strategy of expansion in distribution (e.g., only 55% of the geography covered in writing instruments in the past 4 years), brand spends, category addition/scale-up of existing categories (e.g., kitchen appliances; currently less than 5% of revenue) and increase in value-added products (e.g., from 13% in FY23 to 25-30% in the next 2-3 years in molded plastic furniture). We forecast Cello's Revenue/EBITDA/PAT to grow 16%/21%/24% CAGR in FY23-26. We initiate coverage with a BUY rating and a Mar'25TP of INR 950 (40x FY26EPS) and see a potential 16% IRR over the next 3 years.

## Strong history of category addition and scale-up

The 6 decades of experience in the consumer products industry is reflected in its successful foray into consumerware (casseroles, bottles, storage containers), moulded plastics (1988), and writing instruments (launched in 1994, exited in 2015 and relaunched in 2019 post expiry of the non-compete clause; achieved INR 2.9bn revenue in FY23). Opalware products, launched in 2017, is already an INR 2.8bn category and will see significant growth in the medium term led by glass capacity addition and new product offerings (e.g., tumblers, storageware etc). Cello is the most diversified kitchen and home products company among its peers.

## Biggest beneficiary of industry tailwinds

Cello's TAM (including Consumerware, Writing instruments, Moulded plastics) is estimated to be around INR743bn and have seen 9% CAGR in FY15-23 and is likely to post 8% CAGR to reach INR1.02tn in FY27. Also, the branded market, which constituted 66% in FY23 (55% in FY15), is estimated to see 11% CAGR in FY23-27 to 72% in FY27. Cello with its significant distribution reach/expansion and diverse product offerings will be the biggest beneficiary of this opportunity, in our view. Cello is expected to see substantial distribution expansion in writing instruments, and value-added products expansion in the moulded furniture segment.

## Significantly outperforms peers

Cello group's restructuring in 2021 resulted in its entire consumer-facing products businesses folding into Cello. We find that Cello has outperformed its peers across consumerware and writing instruments in almost all aspects of revenue growth, margins and return profile in FY21-23. Cello's product prices are mostly at a premium to its peers, reflecting brand strength. We estimate Cello to post industry leading Revenue/EBITDA/PAT CAGR of 16%/21%/24% respectively in FY23-26, with exit RoE/RoCE/RoIC of 30%/26%/31% respectively. Our estimates on revenue growth/margins are below the company's guidance.

## Best in class; Initiate with BUY

We initiate coverage with a BUY rating and a Mar'25TP of INR 950, basis 40x FY26 EPS and see a potential 16% IRR over the next 3 years. Our target P/E multiple, we believe, reflects Cello's a) positives of diversified product offering, branding, distribution set-up, and b) best-in-class earnings growth and return profile, partially offset by concerns over limited financial history and brand ownership (promoters have 20-year licence for all consumer-facing products with automatic renewal; waived off any licence fee/royalty). Key risks: Sharp swing in polypropylene prices and changes in brand licencing arrangement.

Recommendation and Price Target		Financial Summary					(INR mn)
Current Reco	BUY	Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Current Price Target	950	Net Sales	13,592	17,967	20,097	23,434	27,980
Upside (%)	19%	Sales Growth (%)	29.5	32.2	11.9	16.6	19.4
		EBITDA	3,336	4,205	4,953	5,834	7,506
		EBITDA Margin (%)	24.5	23.4	24.6	24.9	26.8
		Adjusted Net Profit	2,040	2,661	3,296	3,784	5,053
		Diluted EPS (INR)	10.5	13.2	15.5	17.8	23.8
		Diluted EPS Growth (%)	34.9	25.9	18.0	14.8	33.6
		ROIC (%)	23.3	26.4	26.2	25.8	30.7
		ROE (%)	0.0	125.5	43.9	28.4	29.5
		P/E (x)	76.2	60.5	51.3	44.7	33.5
		P/B (x)	177.3	47.9	14.5	11.3	8.8
		EV/EBITDA (x)	53.7	42.5	34.6	29.1	22.3
		Dividend Yield (%)	0.0	0.0	0.0	0.3	0.5

Source: Company data, JM Financial. Note: Valuations as of 01/Jan/2024

Key Data – CELLO IN			
Current Market Price	INR797		
Market cap (bn)	INR169.1/US\$2.0		
Free Float	17%		
Shares in issue (mn)	212.2		
Diluted share (mn)	212.2		
3-mon avg daily val (mn)	NA		
52-week range	837/749		
Sensex/Nifty	72,272/21,742		
INR/US\$	83.2		

Price Performance			
%	1M	6M	12M
Absolute	0.1%	NA	NA
Relative*	-6.5%	NA	NA

\*To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet & Visible Alpha; You can also access our portal: [www.jmflresearch.com](http://www.jmflresearch.com)  
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

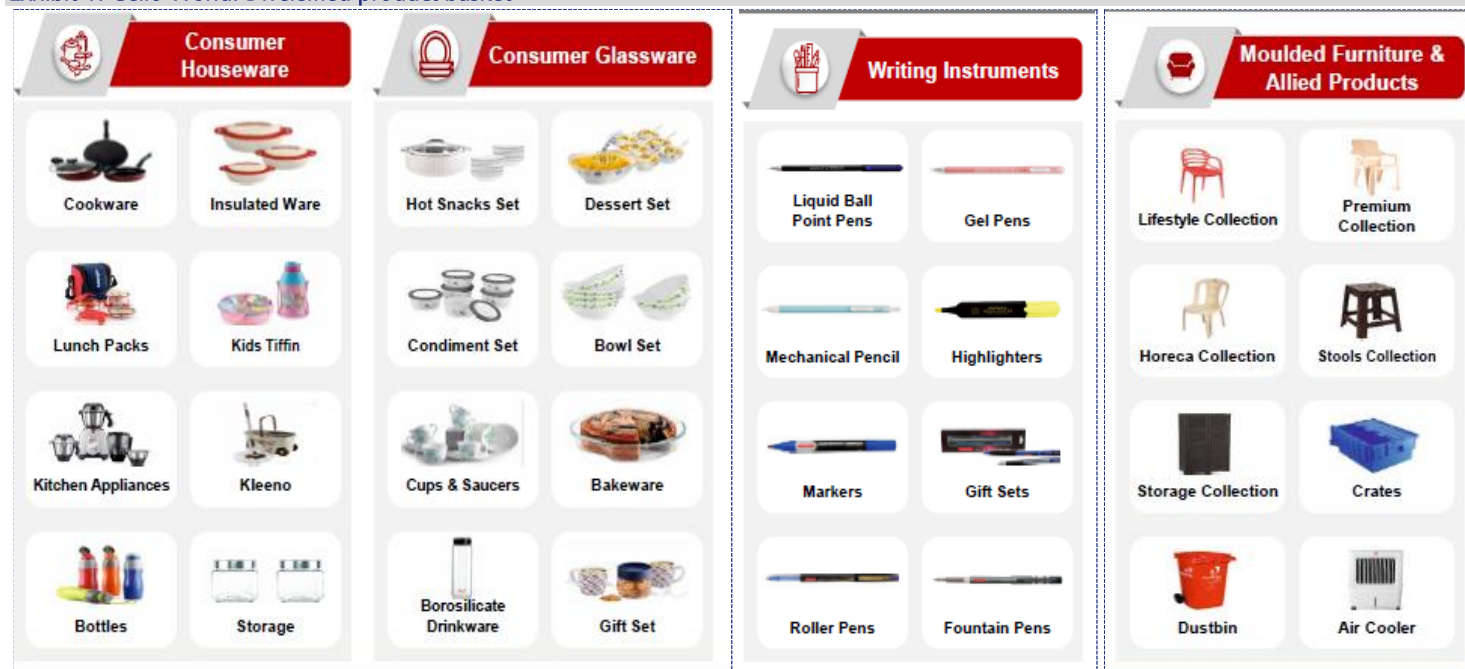
**Achal Lohade**  
achal.lohade@jmfl.com  
Tel: (91 22) 66303081

**Vicky Waghvani**  
vicky.waghvani@jmfl.com  
Tel: (91 22) 66303074

**Vineet Shanker**  
vineet.shanker@jmfl.com  
Tel: (91 22) 66303574

## Focus Charts

Exhibit 1. Cello World: Diversified product basket



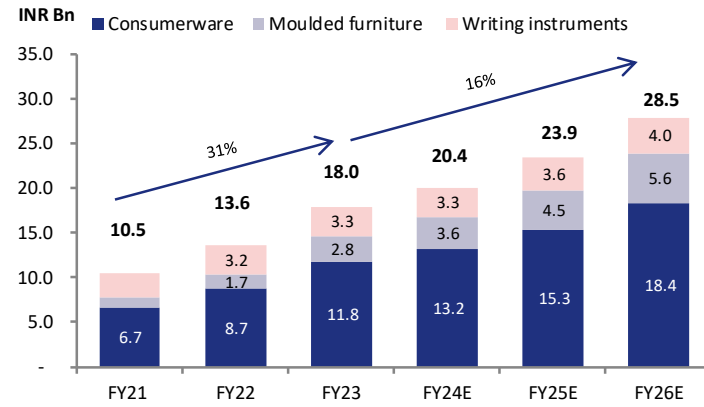
Source: Company RHP, JM Financial

Exhibit 2. Addressable market for Cello

INR bn	Total Market Size			CAGR (Total)		Branded Market Size			CAGR (Branded)		Branded as % of total		
	FY15	FY23	FY27E	FY15-23	FY23-27E	FY15	FY23	FY27E	FY15-23	FY23-27E	FY15	FY23	FY27E
<b>Consumerware</b>	<b>212.0</b>	<b>378.0</b>	<b>523.5</b>	<b>7%</b>	<b>8%</b>	<b>110.0</b>	<b>231.1</b>	<b>350.7</b>	<b>10%</b>	<b>11%</b>	<b>52%</b>	<b>61%</b>	<b>67%</b>
<b>Houseware</b>	<b>197.0</b>	<b>343.0</b>	<b>466.2</b>	<b>7%</b>	<b>8%</b>	<b>101.7</b>	<b>208.9</b>	<b>311.7</b>	<b>9%</b>	<b>11%</b>	<b>52%</b>	<b>61%</b>	<b>67%</b>
Small Kitchen Appliances	73.0	135.0	190.6	8%	9%	49.6	102.6	152.5	10%	10%	68%	76%	80%
Cookware	55.0	79.0	96.0	5%	5%	18.7	32.4	46.1	7%	9%	34%	41%	48%
Hydration	28.0	55.0	77.6	9%	9%	16.2	36.9	56.7	11%	11%	58%	67%	73%
Storage Containers	14.0	26.0	35.4	8%	8%	3.1	8.1	12.4	13%	11%	22%	31%	35%
Lunch Boxes	12.0	22.0	32.2	8%	10%	6.5	13.6	21.6	10%	12%	54%	62%	67%
Thermoware	7.0	13.0	17.7	8%	8%	3.6	7.9	11.8	10%	11%	52%	61%	67%
Cleaning Products	4.0	8.0	10.9	9%	8%	2.1	4.9	7.3	11%	11%	52%	61%	67%
Melamine	4.0	5.0	5.8	3%	4%	1.9	2.6	3.4	4%	7%	47%	51%	58%
<b>Glassware</b>	<b>15.0</b>	<b>35.0</b>	<b>57.3</b>	<b>11%</b>	<b>13%</b>	<b>8.2</b>	<b>22.2</b>	<b>38.9</b>	<b>13%</b>	<b>15%</b>	<b>55%</b>	<b>63%</b>	<b>68%</b>
Glassware	9.0	19.0	29.9	10%	12%	3.2	7.8	13.5	12%	15%	35%	41%	45%
Opalware	5.0	14.0	24.5	14%	15%	4.4	12.7	22.8	14%	16%	87%	91%	93%
Porcelain	1.0	2.0	2.9	9%	10%	0.7	1.6	2.7	10%	14%	74%	81%	93%
<b>Writing and Stationary (excl Paper)</b>	<b>100.0</b>	<b>223.0</b>	<b>333.4</b>	<b>11%</b>	<b>11%</b>	<b>65.0</b>	<b>173.9</b>	<b>279.6</b>	<b>13%</b>	<b>13%</b>	<b>65%</b>	<b>78%</b>	<b>84%</b>
<b>Writing Instruments</b>	<b>66.0</b>	<b>134.0</b>	<b>188.3</b>	<b>9%</b>	<b>9%</b>	<b>42.9</b>	<b>104.5</b>	<b>156.3</b>	<b>12%</b>	<b>11%</b>	<b>65%</b>	<b>78%</b>	<b>83%</b>
Pens	52.0	107.0	151.0	9%	9%	33.8	83.5	125.4	12%	11%	65%	78%	83%
Pencils	9.0	17.0	23.1	8%	8%	5.9	13.3	19.2	11%	10%	65%	78%	83%
Markers	5.0	10.0	14.1	9%	9%	3.3	7.8	11.7	12%	11%	65%	78%	83%
<b>Others</b>	<b>34.0</b>	<b>89.0</b>	<b>145.1</b>	<b>13%</b>	<b>13%</b>	<b>22.1</b>	<b>69.4</b>	<b>123.3</b>	<b>15%</b>	<b>15%</b>	<b>65%</b>	<b>78%</b>	<b>85%</b>
<b>Moulded Plastics Furniture</b>	<b>68.0</b>	<b>142.0</b>	<b>172.6</b>	<b>10%</b>	<b>5%</b>	<b>34.7</b>	<b>83.8</b>	<b>108.7</b>	<b>12%</b>	<b>7%</b>	<b>51%</b>	<b>59%</b>	<b>63%</b>
<b>Addressable Market Size</b>	<b>380.0</b>	<b>743.0</b>	<b>1,029.5</b>	<b>9%</b>	<b>8%</b>	<b>209.7</b>	<b>488.8</b>	<b>739.0</b>	<b>11%</b>	<b>11%</b>	<b>55%</b>	<b>66%</b>	<b>72%</b>

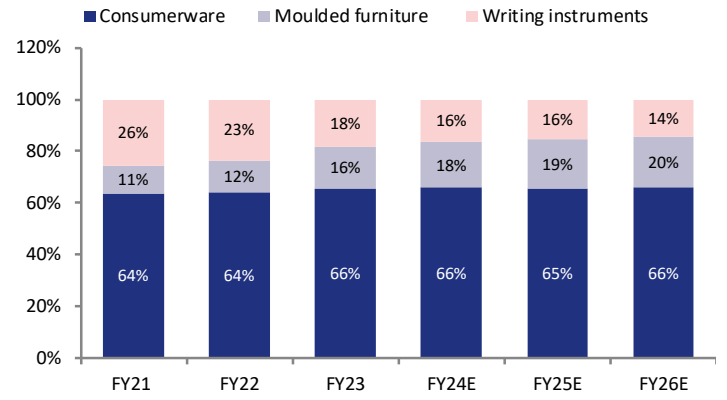
Source: Company, JM Financial, Industry

**Exhibit 3. Revenue trajectory**



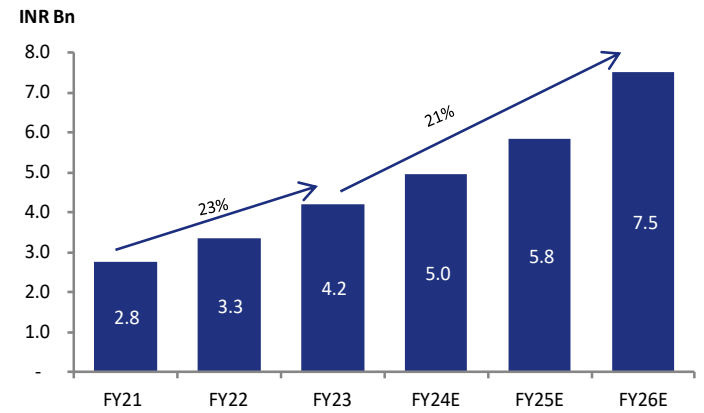
Source: Company RHP, JM Financial

**Exhibit 4. Revenue mix**



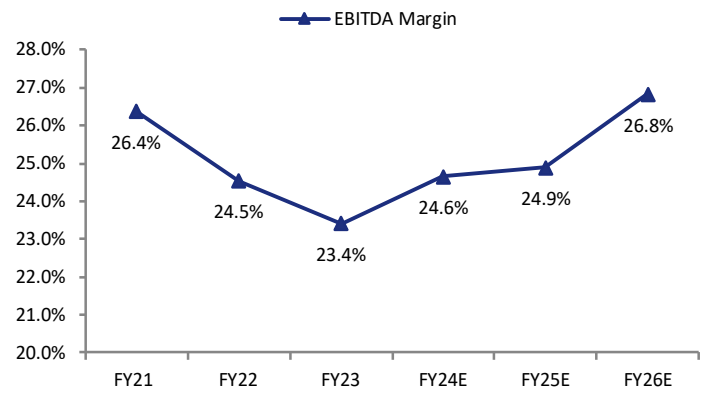
Source: Company RHP, JM Financial

**Exhibit 5. EBITDA trajectory**



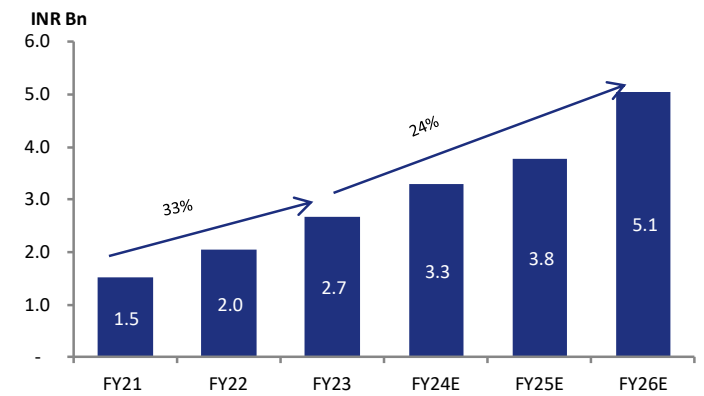
Source: Company RHP, JM Financial

**Exhibit 6. EBITDA margins trend**



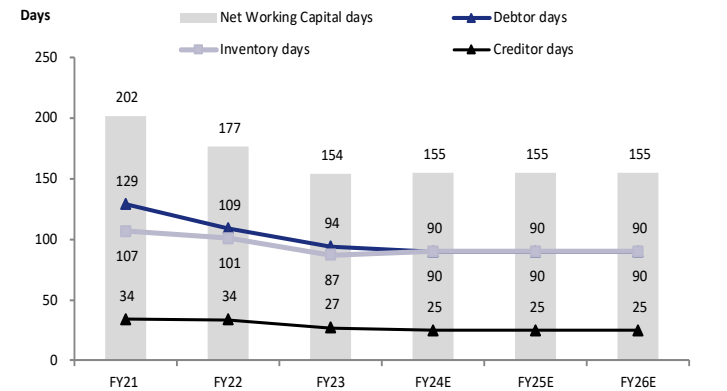
Source: Company RHP, JM Financial

**Exhibit 7. PAT trajectory**



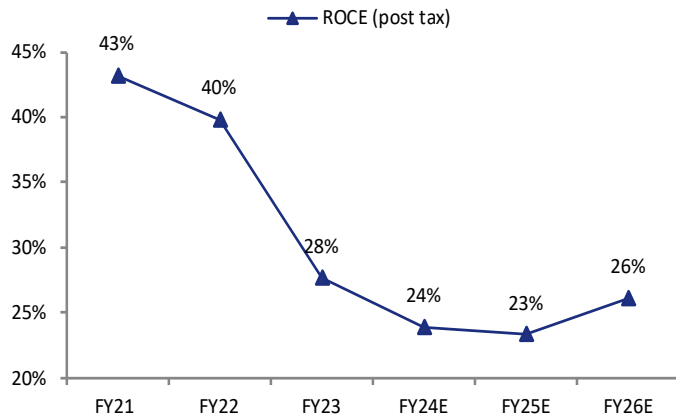
Source: Company RHP, JM Financial

**Exhibit 8. Net working capital**



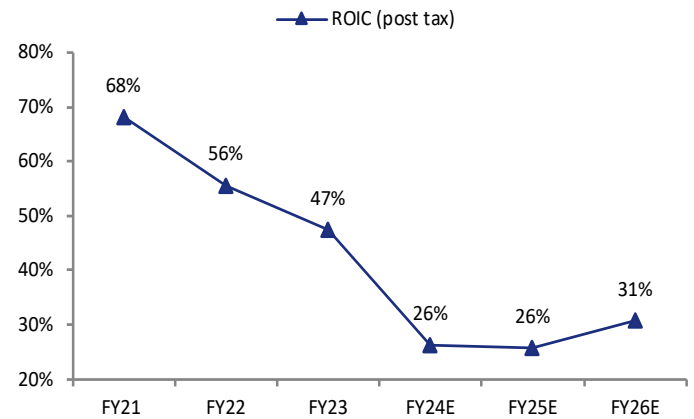
Source: Company RHP, JM Financial

Exhibit 9. RoCE (post tax)



Source: Company RHP, JM Financial

Exhibit 10. RoIC (post tax)



Source: Company RHP, JM Financial

Exhibit 11. Market size and Cello market share trend

INR bn	Branded / Unbranded	FY15	FY23	FY27E	CAGR FY15-23	CAGR FY23-27E
Indian Consumerware (Houseware+Glassware)	<b>Total market size</b>	<b>212.0</b>	<b>378.0</b>	<b>523.5</b>	<b>7%</b>	<b>8%</b>
	Branded market size	110.0	231.1	350.7	10%	11%
	Branded as % of total	52%	61%	67%		
	<b>Cello Revenue (INR bn)</b>		<b>11.8</b>	<b>21.2</b>		<b>16%</b>
	Cello Market share (%) - overall			3.1%	4.0%	
	<b>Cello Market share (%) - branded</b>			<b>5.1%</b>	<b>6.0%</b>	
Writing instrument	<b>Total market size</b>	<b>100.0</b>	<b>223.0</b>	<b>333.4</b>	<b>11%</b>	<b>11%</b>
	Branded market size	65.0	173.9	279.6	13%	13%
	Branded as % of total	65%	78%	84%		
	<b>Cello Domestic Revenue (INR bn)</b>		<b>1.9</b>	<b>4.5</b>		<b>25%</b>
	Cello Market share (%) - overall			0.8%	1.3%	
	<b>Cello Market share (%) - branded</b>			<b>1.1%</b>	<b>1.6%</b>	
Moulded Furniture	<b>Total market size</b>	<b>68.0</b>	<b>142.0</b>	<b>172.6</b>	<b>10%</b>	<b>5%</b>
	Branded market size	34.7	83.8	108.7	12%	7%
	Branded as % of total	51%	59%	63%		
	<b>Cello Revenue (INR bn)</b>		<b>3.3</b>	<b>4.3</b>		<b>7%</b>
	Cello Market share (%) - overall			2.3%	2.5%	
	<b>Cello Market share (%) - branded</b>			<b>3.9%</b>	<b>3.9%</b>	
All products combined	<b>Total market size</b>	<b>380.0</b>	<b>743.0</b>	<b>1,029.5</b>	<b>9%</b>	<b>8%</b>
	Branded market size	209.7	488.8	739.0	11%	11%
	Branded as % of total	55%	66%	72%		
	<b>Cello Revenue (INR bn)</b>		<b>17.0</b>	<b>29.9</b>		<b>15%</b>
	Cello Market share (%) - overall			2.3%	2.9%	
	<b>Cello Market share (%) - branded</b>			<b>3.5%</b>	<b>4.1%</b>	

Source: Company, Industry, JM Financial

## Exhibit 12. Comparison with listed peers

INR mn	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY21-23	FY23-26E
<b>Revenue</b>								
<b>Cello World</b>	<b>10,495</b>	<b>13,592</b>	<b>17,967</b>	<b>20,097</b>	<b>23,434</b>	<b>27,980</b>	<b>31%</b>	<b>16%</b>
La Opala *	2,113	3,227	4,523	4,776	5,584	6,898	46%	15%
Borosil *	5,848	8,399	10,271	NA	NA	NA	33%	NA
Stovekraft	8,590	11,364	12,838	14,379	16,536	18,851	22%	14%
TTK Prestige	20,331	25,322	26,257	24,943	27,257	29,792	14%	4%
Hawkins *	7,685	9,580	10,058	NA	NA	NA	14%	NA
<b>EBITDA Margins</b>								
<b>Cello World</b>	<b>26.4%</b>	<b>24.5%</b>	<b>23.4%</b>	<b>24.6%</b>	<b>24.9%</b>	<b>26.8%</b>	<b>24.5%</b>	<b>24.9%</b>
La Opala *	32.4%	37.9%	38.1%	38.5%	38.9%	38.7%	37.9%	38.7%
Borosil *	14.1%	17.1%	12.3%	NA	NA	NA	14.1%	NA
Stovekraft	13.2%	8.3%	7.7%	9.3%	10.1%	10.5%	8.3%	10.1%
TTK Prestige	15.5%	16.0%	13.7%	13.6%	13.9%	13.9%	15.5%	13.9%
Hawkins *	14.4%	12.5%	13.5%	NA	NA	NA	13.5%	NA
<b>Median (Excl Cello World)</b>	<b>14.4%</b>	<b>16.0%</b>	<b>13.5%</b>	<b>13.6%</b>	<b>13.9%</b>	<b>13.9%</b>	<b>14.4%</b>	<b>13.9%</b>
<b>PAT</b>								
<b>Cello World</b>	<b>1,512</b>	<b>2,040</b>	<b>2,661</b>	<b>3,296</b>	<b>3,784</b>	<b>5,053</b>	<b>33%</b>	<b>24%</b>
La Opala *	496	874	1,230	1,438	1,682	2,071	58%	19%
Borosil *	424	852	902	NA	NA	NA	46%	NA
Stovekraft	812	562	358	602	838	1,067	-34%	44%
TTK Prestige	2,351	2,937	2,602	2,432	2,747	2,919	5%	4%
Hawkins *	807	839	948	NA	NA	NA	8%	NA
<b>RoCE</b>								
<b>Cello World</b>	<b>43%</b>	<b>40%</b>	<b>28%</b>	<b>24%</b>	<b>23%</b>	<b>26%</b>	<b>40%</b>	<b>24%</b>
La Opala *	8%	14%	17%	19%	19%	19%	14%	19%
Borosil *	6%	13%	10%	NA	NA	NA	10%	NA
Stovekraft	32%	17%	10%	13%	16%	18%	17%	16%
TTK Prestige	16%	19%	15%	13%	13%	13%	16%	13%
Hawkins *	43%	37%	34%	NA	NA	NA	37%	NA
<b>Median (Excl Cello World)</b>	<b>16%</b>	<b>17%</b>	<b>15%</b>	<b>13%</b>	<b>16%</b>	<b>18%</b>	<b>16%</b>	<b>16%</b>
<b>ROIC</b>								
<b>Cello World</b>	<b>68%</b>	<b>56%</b>	<b>47%</b>	<b>26%</b>	<b>26%</b>	<b>31%</b>	<b>56%</b>	<b>26%</b>
La Opala *	21%	40%	51%	NA	NA	NA	40%	NA
Borosil *	6%	16%	10%	NA	NA	NA	10%	NA
Stovekraft	35%	18%	11%	13%	16%	19%	18%	16%
TTK Prestige	27%	35%	28%	25%	28%	30%	28%	28%
Hawkins *	88%	70%	46%	NA	NA	NA	70%	NA
<b>Median (Excl Cello World)</b>	<b>27%</b>	<b>35%</b>	<b>28%</b>	<b>19%</b>	<b>22%</b>	<b>24%</b>	<b>28%</b>	<b>22%</b>

Source: Company, JM Financial, Bloomberg; \* Bloomberg Estimates

## Company Profile

### History

Cello World Ltd was incorporated as a corporate entity in FY18. The company's erstwhile promoter Late Mr Ghisulal Dhanraj Rathod, father of two of the promoters, Mr Pradeep Ghisulal Rathod and Mr Pankaj Ghisulal Rathod, had been associated with Cello Plastic Industrial Works and the "Cello" brand since 1962. The promoters (through their family) have since diversified the product range and brand portfolio.

The 6 decades of experience of the promoters (through their family) in the consumer products industry has enabled Cello to better understand the preferences and needs of consumers in India. This has enabled the company to curate an extensive product portfolio that caters to a diverse range of consumer requirements, and it offers a broad range of contemporary products across different ranges, types of material and price points.

#### Exhibit 13. Brief history

FY	Details
1962	Erstwhile promoter associated with Cello Plastic Industrial works & the CELLO brand. It used to make plastic footwear and plastic bangles
1982	Started insulated wares and housewares. State of the art manufacturing plant for thermoware (i.e. casserole) in 1986
1988	Wim Plast was incorporated ( <b>plastic furniture</b> )
1995	<b>Started writing instruments</b> business
2009	Big Clichy acquired writing instruments business of Cello (40% for INR7.5bn and further to 100% in 2015). Cello exited Writing Instruments business
2017	Launched <b>cleaning aids</b> business under the "Kleeno" sub brand
2017	Launched <b>glassware and opalware</b> business under the "Cello" brand
2019	Launched <b>writing instruments</b> and stationary product category under the "Unomax" brand
2022	Group restructuring process (partnership firms converted into Pvt Ltd and then merged into WCL)
2023	<b>Investment by ICICI Venture PE and Tata Capital PE in Oct-Nov'22 (INR4.75bn for c.8% stake)</b>

Source: Company RHP, JM Financial

### Business segments

Cello's business can be broadly divided into three segments: Consumer Houseware (66% of FY23 revenue), Writing Instruments and Stationery (18% of revenue) and Moulded Furniture & Allied Products (16% of revenue). As of 30<sup>th</sup>Jun'23, the company offered 15,891 SKUs across its product categories. The table below sets forth the brands, sub-brands and range of products offered across the three product categories:

#### Exhibit 14. Consumer houseware product portfolio

Product Categories	Revenue Contribution		Brands	Sub-Brands	Overview of range of products offered
	FY23	1HFY24			
Consumer Houseware	66%	66%	Cello	Puro, Chef, H2O, Modustack, Kleeno, Maxfresh and Duro.	<ul style="list-style-type: none"> <li>- Houseware (Plastic bottles, Containers, Jugs, Buckets, Drums)</li> <li>- Insulatedware (Casseroles, Bottles, Flasks, Lunch boxes, Tiffin)</li> <li>- Electronic appliances (Mixers, Sandwich maker, Irons, Hot plates, Pots, Pans)</li> <li>- Cleaning aids (Brushes, Wipers, Brooms, Mops, Gloves, Dustbins)</li> <li>- Opalware (Dinner sets, Cups, saucers and mugs, Bowls, Lunch packs, etc)</li> <li>- Glassware (Tumblers, Jugs, Bottles, Lunch packs, etc)</li> <li>- Porcelain</li> </ul>
Writing Instruments and Stationery	16%	17%	Unomax	Ultron2X and Geltron.	<ul style="list-style-type: none"> <li>- Writing instruments (Ball point pen, Gel pen, Roller pen, Fountain pen, etc)</li> <li>- Stationery (Highlighters, Markers, Correction Pens)</li> </ul>
Moulded Furniture and Allied Products	18%	17%	Cello	-	<ul style="list-style-type: none"> <li>- Moulded furniture (Chairs, Tables, Trolleys, Stools, Cabinets, Ladders)</li> <li>- Allied products (Moulds, Bubble-guards, Crates, Palletes, Dustbin)</li> </ul>

Source: Company RHP, JM Financial

### Manufacturing facilities

Cello has 13 manufacturing facilities in India, eight of which are located in Daman, two in Haridwar (Uttarakhand) and one each in Baddi (Himachal Pradesh), Chennai (Tamil Nadu) and Kolkata (West Bengal).

The company has recently expanded installed capacity in opalware to 25,000 tonnes per annum (tpa) from 15,000tpa in Daman to cater to the growing demand for opalware products. Further, it is in the process of setting up a glassware manufacturing facility in Falna, Rajasthan, to reduce import dependence. The new unit will have an installed annual capacity of 20,000tpa and is expected to be commissioned in Mar'24.

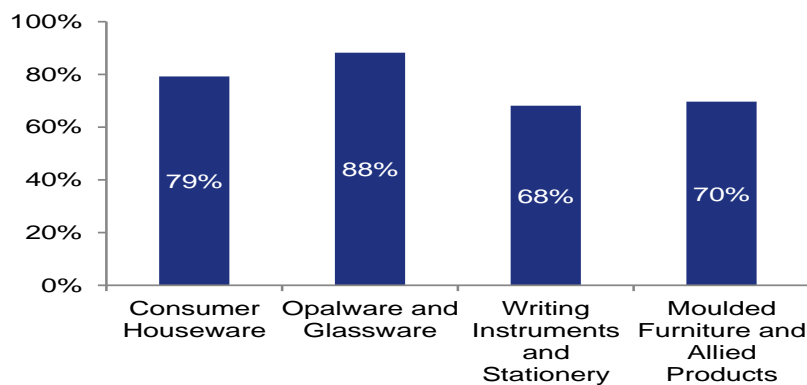
The company has derived 79%/83%/79% of revenue in FY21/FY22/FY23 respectively from its in-house manufacturing operations. The remaining products (consisting mainly of steel and glassware products) are manufactured by third party contract manufacturers.

**Exhibit 15. Cello manufacturing presence**



Source: Company RHP, JM Financial

**Exhibit 16. Capacity utilisation – FY23**



Source: Company RHP, JM Financial

## Corporate Restructuring

Cello Plastic Industrial Works (CPIW) is the exclusive owner of the “Cello”, “Unomax” “Kleeno”, “Puro” trademarks and their respective logos. CPIW was a partnership firm incorporated in 1958. The Late Mr Ghisulal Dhanraj Rathod (father of the promoters) joined CPIW as a partner in 1962. CPIW was engaged in the business of manufacturing and dealing of thermoware household articles and plastic materials or articles; it is currently not active in these businesses.

Over the years, the promoters formed various entities to carry out business under the brand name of “Cello”. These separate entities were initially formed under the “Cello” brand as each of these entities focussed on distinct businesses within the consumerware sector, and enabled geographic expansion across the country.

In FY22, a series of business combinations was undertaken to consolidate control under one company and reduce the cost of operating the businesses, exploring synergies across the entire group in areas such as branding, marketing and distribution across product categories. The following restructuring process was undertaken:

### Exhibit 17. Business transfer details

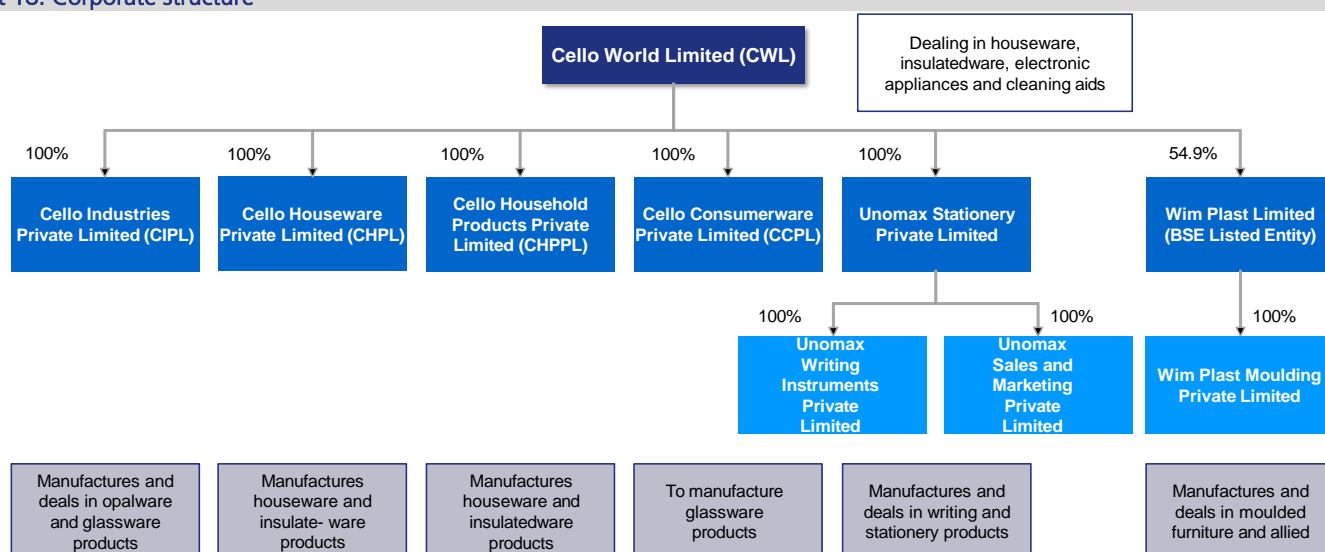
Partnership Firm	Comments
Cello Plast (Partnership Firm) was formed in 1991 to carry on the business of manufacturing insulatedware & opalware at Daman, Daman and Diu.	Business of Cello Plast was acquired by Cello Industries Private Limited (subsidiary company) pursuant to a business transfer agreement dated 30 <sup>th</sup> Nov'21 for consideration of INR 1,425mn.
Cello Plastotech (Partnership Firm) was formed in 1995 to carry on the business of manufacturing new ranges of consumerware at Daman, Daman and Diu.	Business of Cello Plastotech was acquired by Cello Household Products Private Limited (subsidiary) pursuant to a business transfer agreement dated 30 <sup>th</sup> Jun'21 for consideration of INR 474mn.
Cello Industries (partnership firm) was formed in 2005 to carry on the business of manufacturing new ranges of insulated ware at Haridwar, Uttarakhand.	Cello Industries was converted into a private limited company, viz. Cello Houseware Private Limited, and is now one of the subsidiaries

Source: Company RHP, JM Financial

### Apart from this, Cello executed the following business transfer/acquisitions:

- Business of Unomax Pens and Stationery Private Limited was acquired by Unomax Stationery Private Limited (subsidiary) pursuant to a business transfer agreement dated 1<sup>st</sup> Nov'22 for a consideration of INR 811mn.
- Cello acquired 54.92% stake in Wim Plast Limited by way of purchase of shares from promoters and members of the Promoter Group through an open market inter-se transfer on 10<sup>th</sup> Nov'22 at a price of INR 501 per equity share.
- Cello, through its subsidiary, acquired 40% shareholding in Pecasa Tableware Pvt Limited, engaged in business of manufacturing, importing and exporting, trading and dealing in or otherwise engaging in ceramic tiles, porcelain vitrified tiles, glass, china boneware, porcelainware, crockeryware, pottery, tableware, hotelware and glassware.

## Exhibit 18. Corporate structure



Source: Company RHP, JM Financial

## Exhibit 19. Shareholding pattern

Shareholders	Number of shares o/s (in mn)	% of shares o/s
A) Promoter & Promoter group	165.7	78.1%
B) Public		
India Advantage Fund S5 I	3.4	1.6%
Tata Capital Growth Fund II	4.2	2.0%
India Advantage Fund S4 I	8.7	4.1%
Others	30.3	14.3%
<b>Total</b>	<b>212.2</b>	<b>100.0%</b>

Source: Company RHP, JM Financial; shareholding as of 2 Nov 2023

## Exhibit 20. Cello - Key managerial personnel (KMP) and senior management

Name	Designation	Remarks
Atul Parolia	Chief Financial Officer	<ul style="list-style-type: none"> <li>He has been associated with the Company since April 1, 2023 and was appointed in his current role as the CFO with effect from the same date.</li> <li>He is an associate of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India, and has more than 30 years of experience in finance and accounting. He is responsible for taking a leadership role in financial decision making and providing strategic financial input to the senior management. Prior to joining the Company, he was associated with Cello Industries and Cello Home Products as the senior general manager – accounts and finance and with Cello Thermoware Private Limited as the senior general manager. He has been associated with the Cello group since November 1, 1991.</li> </ul>
Hemangi Trivedi	Company Secretary	<ul style="list-style-type: none"> <li>She has been associated with the Company since April 17, 2023 and was appointed in her current role as the Company Secretary and Compliance Officer of the Company with effect from the same date. She is responsible for the secretarial, compliance and legal functions of the Company.</li> <li>She holds a bachelor's degree in commerce and a bachelor's degree in law from the University of Mumbai and is also an associate of the Institute of Company Secretaries of India. She has over 10 years of experience in the field of legal and secretarial compliance. Prior to joining the Company, she was associated with Aavaada Energy Private Limited as senior manager – secretarial and compliance and with Sanjay Doshi and Associates as an associate company secretary.</li> </ul>

Source: Company RHP, JM Financial

**Exhibit 21. Cello - Board of Directors**

Name	Designation	Remarks
Pradeep Ghisulal Rathod	Chairman and Managing Director	<ul style="list-style-type: none"> <li>▪ He has more than 40 years of experience in the business of manufacturing and trading in plastic articles, insulatedware articles and raw materials.</li> <li>▪ He has been Director of the Company since its incorporation.</li> </ul>
Pankaj Ghisulal Rathod	Joint Managing Director	<ul style="list-style-type: none"> <li>▪ He has more than 34 years of experience in the business of manufacturing and trading in plastic articles, insulatedware articles and raw materials.</li> <li>▪ He was instrumental in the launch of the writing instruments business and also has experience in marketing and product development of all consumer product categories.</li> <li>▪ He has been Director of the Company since its incorporation.</li> </ul>
Gaurav Pradeep Rathod	Joint Managing Director	<ul style="list-style-type: none"> <li>▪ He holds a master's degree in business administration from the University of Strathclyde, Scotland and a bachelor's degree in science (economics-finance) from Bentley University, Massachusetts.</li> <li>▪ He has more than 9 years of experience in the marketing of consumerware products and is instrumental in the launch of opalware range of products, and the growth of online and e-commerce sales of the Company.</li> <li>▪ He has been Director of the Company since its incorporation.</li> </ul>
Gagandeep Singh Chhina	Non-Executive Director	<ul style="list-style-type: none"> <li>▪ He holds a post-graduate diploma in management from the IIM, Calcutta and a bachelor's degree in engineering (mechanical) from the Punjab Engineering College, Chandigarh, Panjab University.</li> <li>▪ He has over 16 years of experience in the private equity and financial services industry, and was previously associated with Engineers India Limited, WL Ross (India) Limited. He also serves as the senior director, private equity at ICICI Venture Funds Management Company Limited.</li> <li>▪ He was appointed as a Non-Executive Director on the Board with effect from October 21, 2022.</li> </ul>
Piyush Sohanraj Chhajed	Independent Director	<ul style="list-style-type: none"> <li>▪ He is a fellow of the Institute of Chartered Accountants of India and has also passed the information systems audit assessment test conducted by the Institute of Chartered Accountants of India. He has more than 18 years of experience practicing as a chartered accountant. He was appointed as an Independent Director on the Board with effect from July 29, 2023.</li> </ul>
Pushap Raj Singhvi	Independent Director	<ul style="list-style-type: none"> <li>▪ He holds a bachelor's degree in law from the University of Calcutta and has nearly 18 years of experience working in sales, marketing and commercial positions in the petrochemical industry.</li> <li>▪ He was previously associated with Borouge (India) Private Limited as the managing director.</li> <li>▪ He was appointed as an Independent Director on the Board with effect from July 29, 2023.</li> </ul>
Arun Kumar Singhal	Independent Director	<ul style="list-style-type: none"> <li>▪ He holds a bachelor's degree in engineering from the Birla Institute of Technology and Science. He has more than 14 years of experience in sales, marketing, contract manufacturing and exports, having worked in positions such as general manager (sales and marketing), vice president (sales and contract manufacturing), vice president (operations and exports), the regional customer development director and the regional franchise operations director at Johnson and Johnson, India and Johnson and Johnson, Asia Pacific.</li> <li>▪ He was appointed as an Independent Director on the Board with effect from July 29, 2023.</li> </ul>
Sunipa Ghosh	Independent Director	<ul style="list-style-type: none"> <li>▪ She holds a post graduate diploma in business management from the Indian Institute of Social Welfare and Business Management and is also admitted as an associate member and fellow of the Institute of Company Secretaries of India.</li> <li>▪ She has about 20 years of experience in secretarial, compliance and legal matters.</li> <li>▪ She was appointed as an Independent Director on the Board with effect from July 29, 2023.</li> </ul>
Manali Kshirsagar	Independent Director	<ul style="list-style-type: none"> <li>▪ She holds a bachelor's degree in law from the Government Law College, University of Mumbai, Maharashtra and is enrolled as an advocate with the Bar Council of Maharashtra and Goa. She has also passed the professional programme examination held by the Institute of Company Secretaries of India.</li> <li>▪ She has more than six years of legal experience working in areas of acquisitions, joint ventures, company restructuring, fund raising and has advised on matters relating to intellectual property, corporate secretarial, immovable properties and commercial contracts. Prior to joining Company, she was associated with Parinam Law Associates and ALMT Legal.</li> <li>▪ She was appointed as an Independent Director on our Board with effect from July 29, 2023.</li> </ul>

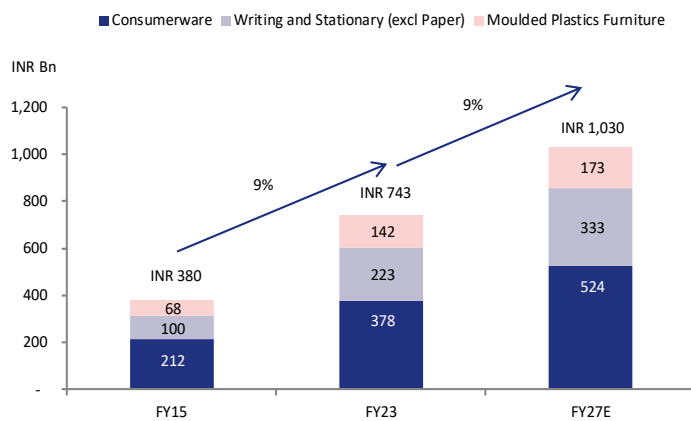
Source: Company RHP, JM Financial

## Investment Rationale

### Well placed to ride steady industry growth and market share gain of branded segment

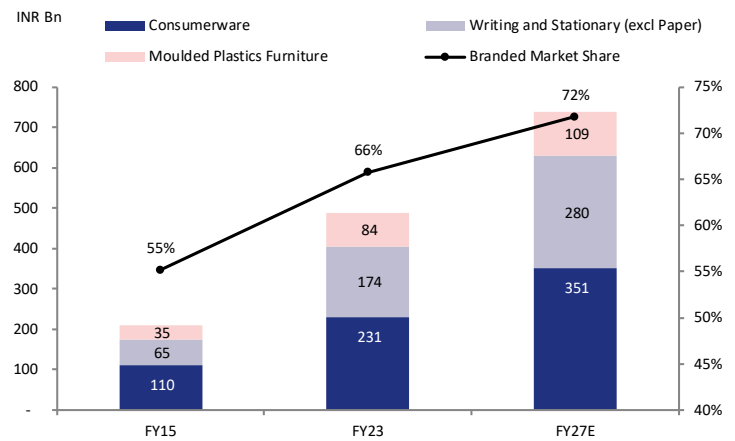
The total addressable market size (TAM) for Cello (including houseware, glassware, writing instruments and plastic moulded furniture) is estimated to be INR 743bn, having grown at 9% CAGR in FY15-23. Within this, the branded market, which constituted 55% in FY15, has grown to 66% in FY23 and is expected to further rise to 72% by FY27. Consumers are increasingly shifting to organised players due to several factors like assurance of quality, standardised products, better customer service, transparent pricing, and a sense of trust and reliability associated with established brands. Additionally, the convenience, wider product range and, often, a more seamless shopping experience offered by organised players are contributing to this shift. Cello, being one of the most aggressive players, will be the biggest beneficiary of such an enormous opportunity and potential for long-term growth, especially with aggressive initiatives in marketing, an extensive distribution network, and an expanding product portfolio.

**Exhibit 22. Cello's total addressable market (TAM) size and growth**



Source: Company RHP, JM Financial

**Exhibit 23. Branded share to see further gains**



Source: Company RHP, JM Financial

### Proven expertise in scaling new businesses and product categories with precision

We believe Cello has demonstrated an excellent track record in scaling up new businesses and product categories. For example: **a)** The company entered into glassware and opalware business in FY17 under the brand Cello and scaled up revenue at 36% CAGR in FY21-23 to INR 2.8bn (16% of FY23 revenue) growing at a CAGR of 36%. **b)** It re-entered the writing instruments business with the "Unomax" brand in FY19, and posted 41% CAGR in volume in FY21-23 (Unomax brand has the highest EBITDA margin for the FY21-23). **c)** Launched cleaning aids business in FY17 with Kleeno, a sub-brand under the "Cello" brand.

Small kitchen appliances, which constitute 18% of FY23 TAM, is estimated to see 9% CAGR in FY23-27 (8% in FY15-23). At present, Cello has limited offerings in this segment. However, the company now intends to scale up in this segment (select product offerings) over the medium term leveraging the existing distribution network and manufacturing facilities. While small kitchen appliances typically entail lower gross margins (as compared to Cello's existing gross margin in consumerware), operating leverage can offset the same, in our opinion, leading to marginal impact at the operating margin level.

**Exhibit 24. Expanding new business segments**



Cello started glassware & opalware business in FY17 that contributed revenue of INR 2.76bn in FY23 (15% of revenue).



Cello entered in writing instruments and stationery segment with "Unomax" brand in FY19 and reached revenue of INR 2.85bn in FY23 (16% of revenue)



Cello entered cleaning aids business in FY17 under the brand "Kleeno"

Source: Company RHP, JM Financial

**Diversified product basket across price points meeting varied consumer requirements**

Cello is a one-stop-shop solution offering a diverse range of products across different product categories, types of material and price points. The wide spectrum of product offerings caters to a diverse range of consumer needs. As of 30<sup>th</sup> June'23, the company offered 15,891 SKUs across its three product categories. Cello introduced 397/169/380 new products during FY21/FY22/FY23 across three product categories respectively.

The company has demonstrated the ability to expand SKUs and products across various price points. For example, in a number of product categories, it had initially started with more affordable products, and subsequently expanded into value-added products at higher price points. Conversely, in a number of product categories, it had initially started with value-added products at higher price points, and later expanded into more affordable products. The company's diversified product portfolio has also allowed it to maintain stable profit margins over the years by enabling it to withstand fluctuations in raw material prices.

**Exhibit 25. Kitchen product portfolio**



Source: Company RHP, JM Financial

**Exhibit 26. Writing instruments and stationery product portfolio**



Source: Company RHP, JM Financial

**Exhibit 27. Moulded furniture and allied products portfolio**



Source: Company RHP, JM Financial

**Pan-India distribution network with a presence across multiple channels**

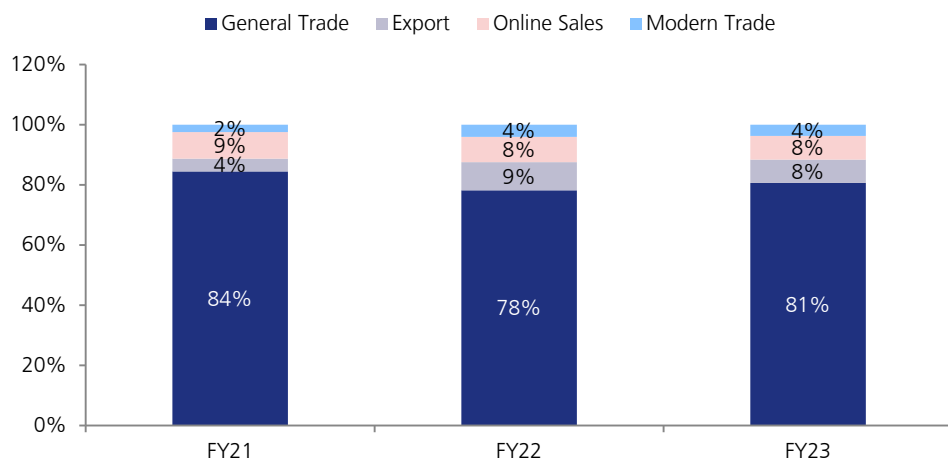
Cello's distribution network is a cornerstone of its market presence. The company leverages a multi-tiered distribution system, partnering with distributors, wholesalers, retailers, and online platforms. Its pan-India distribution network is the backbone of its ability to cater to a wide array of consumers spread across the country.

**Exhibit 28. Strong distribution network**

Product Categories	Distribution Network* (as of June 30, 2023)
Consumer Houseware	717 distributors and approximately 58,716 retailers located across India
Writing Instruments and Stationery	29 super-stockists, approximately 1,509 distributors and approximately 60,826 retailers located across India
Moulded Furniture and Allied Products	1,067 distributors and approximately 6,840 retailers located across India

Source: Company RHP, JM Financial

**Exhibit 29. Channel-wise revenue**



Source: Company RHP, JM Financial

**Exhibit 30. Cello has one of the largest distribution networks**

Category	Players	Retail Outlet
Consumerware	<b>Cello</b>	<b>51,900*</b>
	Milton	~55,000
	LaOpala	~20,000
	Borosil	~14,000+
	Tupperware	~100+ stores
	TTK Prestige	670+ Stores
	Stovekraft	61,400+
	Hawkins	NA
	Roxx	~6000 (MBOs), 4 (EBOs)
Stationery	<b>Unomax (Cello World; launched in 2019)</b>	<b>59,100</b>
	Camlin	~1,50,000+
	Linc	~2,18,000+
	DOMS	NA
	Rorito	~5,00,000

Source: Company RHP, JM Financial

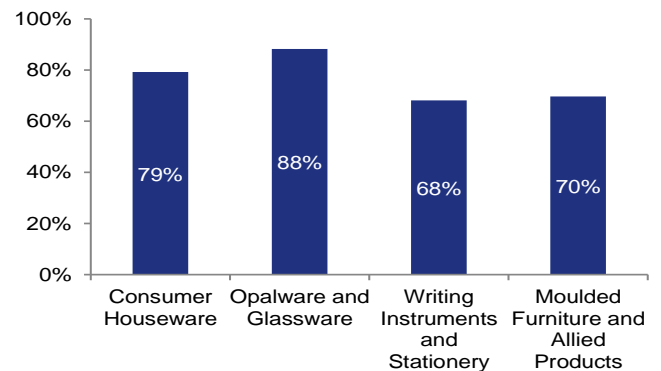
**Growing manufacturing capabilities and expanding production capacities**

Cello continues to focus on in-house manufacturing for most of its product offerings. Own manufactured contributed c.79% to Cello's revenue in FY23 (79%/83% in FY21/22 respectively) with a majority of the outsourcing restricted to glassware products (imports) and certain appliances (domestic).

Cello recently expanded its opalware installed capacity from 15,000tpa to 25,000tpa in Daman (Aug'23) and is currently in the process of setting up a 20,000tpa glassware facility in Falna (Rajasthan). The company continues to enhance capacities across categories to cater to growth and does not have any constraints in terms of space availability, etc.

**Exhibit 31. Manufacturing facilities**

Source: Company RHP, JM Financial

**Exhibit 32. Capacity utilisation (FY23)**

Source: Company RHP, JM Financial

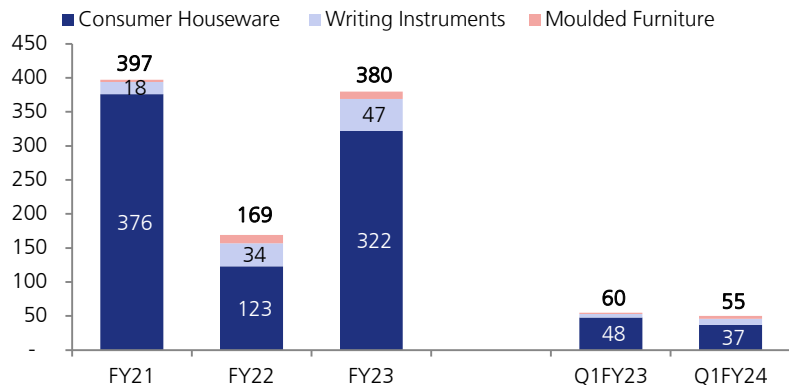
**Continued innovation to grow wallet share and expand consumer base**

Cello continuously focuses on research and development to expand its existing product portfolio and develop a new range of products across its product categories. It launched 397/169/380 new products across categories during FY21/FY22/FY23 respectively. The company has an in-house design team of 25 members responsible for designing products.

Cello aims to expand its product portfolio in the consumer houseware product category by introducing a new range of products under kitchenware, porcelain, appliances, cookware,

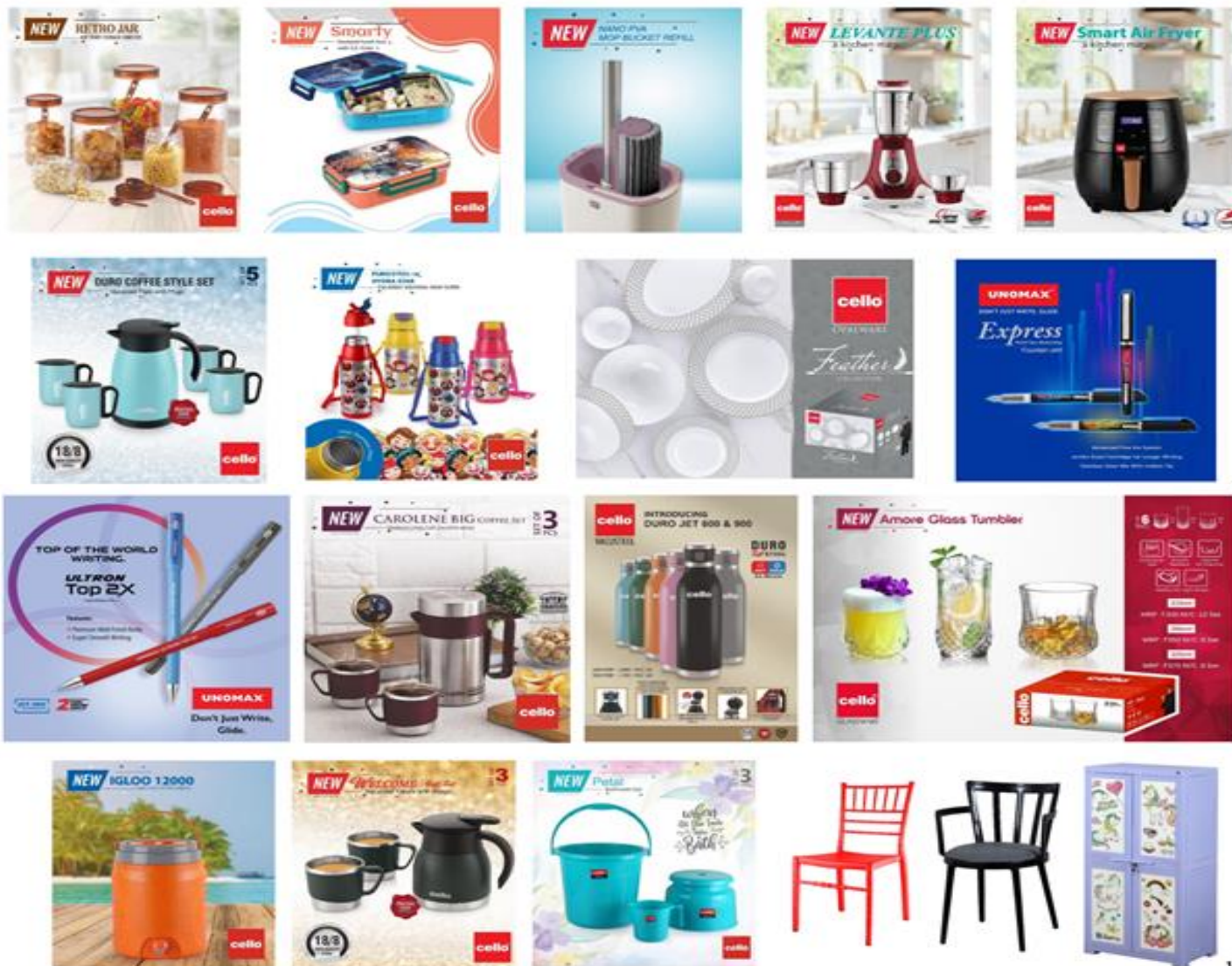
glassware, writing instruments, and stationery spaces. It focuses on attracting new customers and expanding wallet share from existing customers to increase market share and scale of the business.

Exhibit 33. New products launched



Source: Company RHP, JM Financial

Exhibit 34. New products launched in 1HFY24



10

Source: Company (2QFY24 PPT)

### Unique product portfolio and industry leading performance across verticals:

As shown in exhibit 35 below, Cello has the best metrics of revenue growth (despite low A&P spend), margins, PAT growth and return profile among its peers across all categories.

Cello's product diversification is unique and unparalleled, in our view, as none of the peers has a presence in more than one category. Moreover, Cello has one the lowest marketing spends as compared to its peer companies, as shown in Exhibit 36.

#### Exhibit 35. Peer comparison

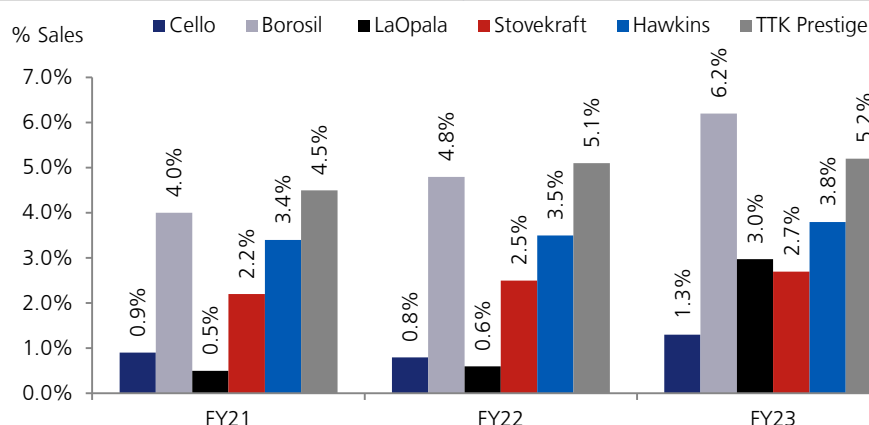
INR mn	FY21	FY22	FY23	CAGR FY21-23
<b>Consumerware</b>				
Revenue				
<b>Cello</b>	<b>6,698</b>	<b>8,711</b>	<b>11,811</b>	<b>33%</b>
Milton	14,543	18,594	NA	NA
Borosil	3,848	5,730	7,418	39%
La Opala	2,113	3,227	4,523	46%
EBIT margin				
<b>Cello</b>	<b>25.3%</b>	<b>25.0%</b>	<b>22.5%</b>	
Milton	13.8%	11.8%	NA	
Borosil	7.0%	12.5%	7.7%	
La Opala	26.6%	33.7%	33.3%	
<b>Writing Instruments</b>				
Revenue				
<b>Cello World</b>	<b>1,114</b>	<b>1,693</b>	<b>2,850</b>	<b>60%</b>
BIC Cello	2,646	4,064	NA	NA
DOMS	4,028	6,836	12,119	73%
Flair	2,980	5,774	9,427	78%
Hindustan Pencil	4,886	7,703	NA	NA
EBIT margin				
<b>Cello World</b>	<b>23.1%</b>	<b>22.2%</b>	<b>23.0%</b>	
BIC Cello	-60.1%	-39.0%	NA	
DOMS	0.3%	5.0%	12.4%	
Flair	4.5%	14.5%	17.8%	
Hindustan Pencil	2.8%	3.2%	NA	
<b>Moulded Plastics Furniture</b>				
Revenue				
<b>Cello World</b>	<b>2,682</b>	<b>3,188</b>	<b>3,306</b>	<b>11%</b>
Nilkamal	20,922	27,301	31,309	22%
EBIT margin				
<b>Cello World</b>	<b>15.9%</b>	<b>14.7%</b>	<b>16.8%</b>	
Nilkamal	8.2%	4.8%	6.6%	

Source: Company, Industry, JM Financial

- Cello is among the largest players among peers in terms of revenue. Milton is by far the largest player and closest comparable to Cello (but unlisted) in houseware category.
- EBIT margins are highest among peers-significantly higher than Milton on account of higher in-house manufacturing and product mix (opalware)
- La Opala has highest margins due to exclusive glassware presence (Cello's comparable margins are ~27-28%)
- Cello Unomax is a relatively smaller player among peers, given it has restarted this business in FY20, post the completion of non-compete period.
- Cello has seen significant scale-up in the past 2 years, led by exports in FY22 and domestic distribution expansion in FY23.
- Cello's margins are one of the highest among peers.

- Cello has shown decent revenue growth over FY21-23 along with healthy margins

#### Exhibit 36. Cello – One of the lowest marketing spends



Source: Company RHP, JM Financial

## Exhibit 37. Market size and Cello market share trend

INR bn	Branded / Unbranded	FY15	FY23	FY27	CAGR FY15-23	CAGR FY23-27
Indian Consumerware (Houseware+Glassware)	<b>Total market size</b>	<b>212.0</b>	<b>378.0</b>	<b>523.5</b>	<b>7%</b>	<b>8%</b>
	Branded market size	110.0	231.1	350.7	10%	11%
	Branded as % of total	52%	61%	67%		
	<b>Cello Revenue (INR bn)</b>		<b>11.8</b>	<b>21.2</b>		<b>16%</b>
	Cello Market share (%) - overall		3.1%	4.0%		
	<b>Cello Market share (%) - branded</b>		<b>5.1%</b>	<b>6.0%</b>		
Writing instrument	<b>Total market size</b>	<b>100.0</b>	<b>223.0</b>	<b>333.4</b>	<b>11%</b>	<b>11%</b>
	Branded market size	65.0	173.9	279.6	13%	13%
	Branded as % of total	65%	78%	84%		
	<b>Cello Domestic Revenue (INR bn)</b>		<b>1.9</b>	<b>4.5</b>		<b>25%</b>
	Cello Market share (%) - overall		0.8%	1.3%		
	<b>Cello Market share (%) - branded</b>		<b>1.1%</b>	<b>1.6%</b>		
Moulded Furniture	<b>Total market size</b>	<b>68.0</b>	<b>142.0</b>	<b>172.6</b>	<b>10%</b>	<b>5%</b>
	Branded market size	34.7	83.8	108.7	12%	7%
	Branded as % of total	51%	59%	63%		
	<b>Cello Revenue (INR bn)</b>		<b>3.3</b>	<b>4.3</b>		<b>7%</b>
	Cello Market share (%) - overall		2.3%	2.5%		
	<b>Cello Market share (%) - branded</b>		<b>3.9%</b>	<b>3.9%</b>		
All products combined	<b>Total market size</b>	<b>380.0</b>	<b>743.0</b>	<b>1,029.5</b>	<b>9%</b>	<b>8%</b>
	Branded market size	209.7	488.8	739.0	11%	11%
	Branded as % of total	55%	66%	72%		
	<b>Cello Revenue (INR bn)</b>		<b>17.0</b>	<b>29.9</b>		<b>15%</b>
	Cello Market share (%) - overall		2.3%	2.9%		
	<b>Cello Market share (%) - branded</b>		<b>3.5%</b>	<b>4.1%</b>		

Source: Company RHP, Industry, JM Financial

## Best-in-class positioning among listed kitchen consumerware companies

As shown in the following exhibit, Cello has the best metrics of revenue growth, margins, and returns profile among peers. We note Cello's FY23 EBITDA/PAT is higher than that of TTK Prestige, India's biggest kitchen appliance company in the listed space, and expect Cello to significantly outperform TTK Prestige in FY23-26.

## Exhibit 38. Comparison with listed peers

INR mn	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY21-23	FY23-26E
<b>Revenue</b>								
<b>Cello World</b>	<b>10,495</b>	<b>13,592</b>	<b>17,967</b>	<b>20,097</b>	<b>23,434</b>	<b>27,980</b>	<b>31%</b>	<b>16%</b>
La Opala *	2,113	3,227	4,523	4,776	5,584	6,898	46%	15%
Borosil *	5,848	8,399	10,271	NA	NA	NA	33%	NA
Stovekraft	8,590	11,364	12,838	14,379	16,536	18,851	22%	14%
TTK Prestige	20,331	25,322	26,257	24,943	27,257	29,792	14%	4%
Hawkins *	7,685	9,580	10,058	NA	NA	NA	14%	NA
<b>EBITDA Margins</b>								
<b>Cello World</b>	<b>26.4%</b>	<b>24.5%</b>	<b>23.4%</b>	<b>24.6%</b>	<b>24.9%</b>	<b>26.8%</b>	<b>24.5%</b>	<b>24.9%</b>
La Opala *	32.4%	37.9%	38.1%	38.5%	38.9%	38.7%	37.9%	38.7%
Borosil *	14.1%	17.1%	12.3%	NA	NA	NA	14.1%	NA
Stovekraft	13.2%	8.3%	7.7%	9.3%	10.1%	10.5%	8.3%	10.1%
TTK Prestige	15.5%	16.0%	13.7%	13.6%	13.9%	13.9%	15.5%	13.9%
Hawkins *	14.4%	12.5%	13.5%	NA	NA	NA	13.5%	NA
<b>Median (Excl Cello World)</b>	<b>14.4%</b>	<b>16.0%</b>	<b>13.5%</b>	<b>13.6%</b>	<b>13.9%</b>	<b>13.9%</b>	<b>14.4%</b>	<b>13.9%</b>
<b>PAT</b>								
<b>Cello World</b>	<b>1,512</b>	<b>2,040</b>	<b>2,661</b>	<b>3,296</b>	<b>3,784</b>	<b>5,053</b>	<b>33%</b>	<b>24%</b>
La Opala *	496	874	1,230	1,438	1,682	2,071	58%	19%
Borosil *	424	852	902	NA	NA	NA	46%	NA
Stovekraft	812	562	358	602	838	1,067	-34%	44%
TTK Prestige	2,351	2,937	2,602	2,432	2,747	2,919	5%	4%
Hawkins *	807	839	948	NA	NA	NA	8%	NA
<b>RoCE</b>								
<b>Cello World</b>	<b>43%</b>	<b>40%</b>	<b>28%</b>	<b>24%</b>	<b>23%</b>	<b>26%</b>	<b>40%</b>	<b>24%</b>
La Opala *	8%	14%	17%	19%	19%	19%	14%	19%
Borosil *	6%	13%	10%	NA	NA	NA	10%	NA
Stovekraft	32%	17%	10%	13%	16%	18%	17%	16%
TTK Prestige	16%	19%	15%	13%	13%	13%	16%	13%
Hawkins *	43%	37%	34%	NA	NA	NA	37%	NA
<b>Median (Excl Cello World)</b>	<b>16%</b>	<b>17%</b>	<b>15%</b>	<b>13%</b>	<b>16%</b>	<b>18%</b>	<b>16%</b>	<b>16%</b>
<b>ROIC</b>								
<b>Cello World</b>	<b>68%</b>	<b>56%</b>	<b>47%</b>	<b>26%</b>	<b>26%</b>	<b>31%</b>	<b>56%</b>	<b>26%</b>
La Opala *	21%	40%	51%	NA	NA	NA	40%	NA
Borosil *	6%	16%	10%	NA	NA	NA	10%	NA
Stovekraft	35%	18%	11%	13%	16%	19%	18%	16%
TTK Prestige	27%	35%	28%	25%	28%	30%	28%	28%
Hawkins *	88%	70%	46%	NA	NA	NA	70%	NA
<b>Median (Excl Cello World)</b>	<b>27%</b>	<b>35%</b>	<b>28%</b>	<b>19%</b>	<b>22%</b>	<b>24%</b>	<b>28%</b>	<b>22%</b>

Source: Company, JM Financial, Bloomberg; \* Bloomberg Estimates

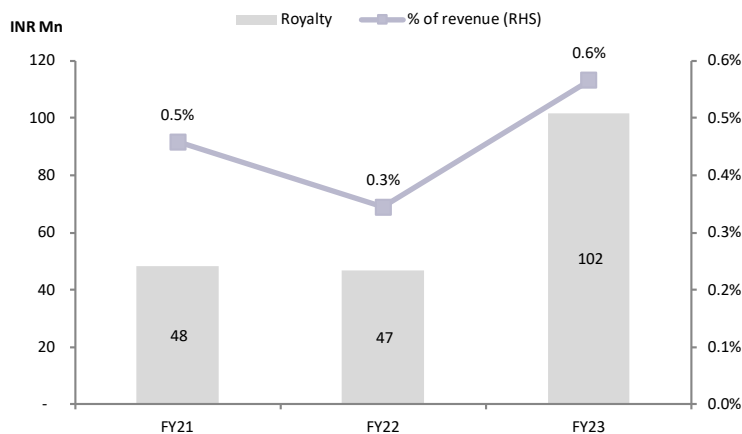
## Key risks

### Cello doesn't own trademarks of key brands

Cello World does not own the trademark for its key brands, including “Cello”, “Unomax”, “Kleeno”, “Puro” and their respective logos. These trademarks are registered in the name of Cello Plastic Industrial Works (“CPIW”), a member of the Promoter Group and a partnership firm owned and controlled by the promoters Mr Pradeep Ghisulal Rathod and Mr Pankaj Ghisulal Rathod.

Cello World (along with its subsidiaries) have entered into a trademark licence agreement (“Trademark Licence Agreement”) with CPIW, pursuant to which CPIW has granted the company an exclusive, worldwide, sub-licensable licence to use the trademarks, mentioned in the Trademark Licence Agreement, including “Cello”, “Kleeno” “Puro” “Unomax’ (“Brands”), and sell its products under such brands (“Licence”). The respective Licences are entitled for automatic renewal on expiries and CPIW has agreed to waive royalty consideration (0.5% to 1% of product revenues) with effect from 1<sup>st</sup> Oct’23 for the remaining term of the Trademark Licence Agreement and thereafter. We believe change in any of the key clauses could pose risk to Cello’s financial and stock performance.

**Exhibit 39. Historical royalty expense trend**



Source: Company RHP

**Fluctuations in raw material prices:** Plastic granules and polymer are the key raw material (~50% of COGS – polypropylene is the most important as it is used in various products across categories), prices of which have been volatile in last year. The sharp rise in prices of plastic granule or polymer may pose a significant challenge for the company, as it can significantly impact gross margin for the company and may also lead to reduction in sales volume.

**Exhibit 40. Polypropylene price – Long Term**



Source: Company RHP, JM Financial. Bloomberg

**Exhibit 41. Polypropylene price – Short Term**



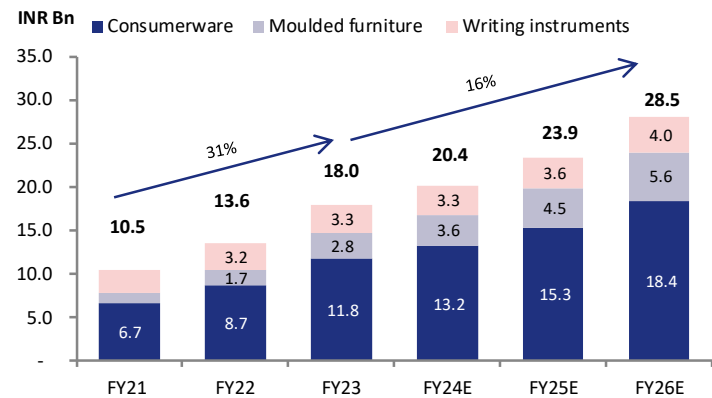
Source: Company RHP, JM Financial. Bloomberg

## Financial Analysis and Outlook

- Strong established brand along with extensive distribution network will drive strong revenue growth:** Cello is one of the fastest-growing consumerware companies with revenue CAGR of 31% over FY21-23; Writing instruments has been the fastest-growing segment, registering 60% CAGR (owing to lower base), followed by Consumer houseware segment with 33% CAGR. Moulded furniture segment too reported strong growth of 11% CAGR, partly helped by high RM prices.

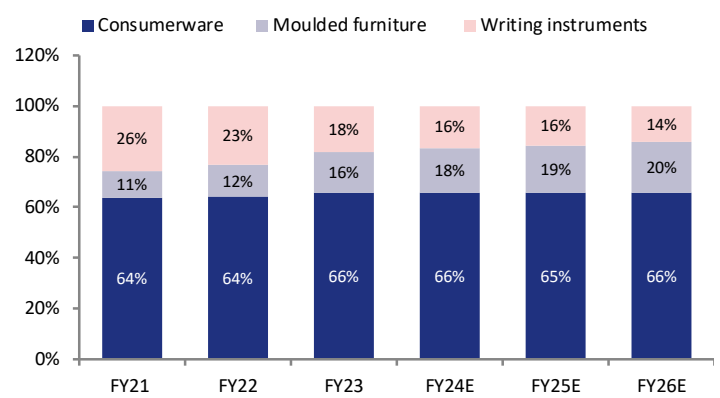
Going ahead, we expect revenue growth of 16% CAGR driven by a) strong volume growth due to steep price correction as well as shift of consumers towards branded products, b) capacity addition across segments (particularly opalware category), and c) introduction of new products (including appliances). The consumer houseware segment is expected to grow by 16% CAGR while writing instruments/moulded furniture is expected to grow by 25%/7% CAGR over FY23-26.

**Exhibit 42. Revenue trend**



Source: Company RHP, JM Financial

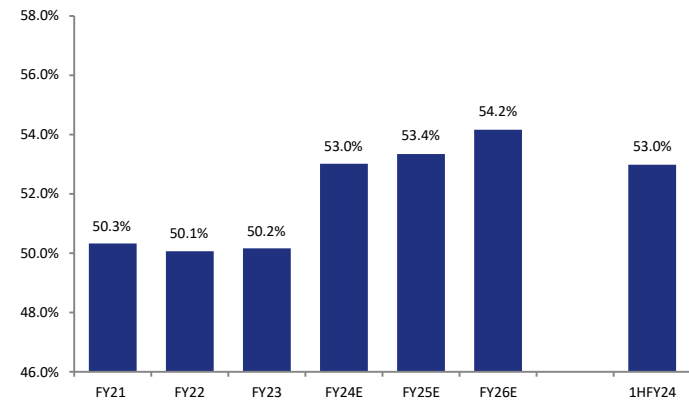
**Exhibit 43. Revenue mix (%)**



Source: Company RHP, JM Financial

- Moderation in key raw material prices gives room for GM improvement:** Cello's gross margin was broadly stable at c.50.2% over FY21-23. However, plastic is the major raw material for the company (47% of total RM cost) and prices have corrected by ~35% from peak, driving gross margin to 53% in 1HFY24 (the company has retained part of the RM cost reduction). We expect further expansion in gross margin as we assume a) stable RM prices, b) rise in contribution of glassware products (manufacturing to start from Mar'24 - lower RM cost and high process cost), and c) rise in value-added products in moulding plastic furniture and writing instruments segments.

**Exhibit 44. Gross margins trend**



Source: Company RHP, JM Financial

**Exhibit 45. Polypropylene price**

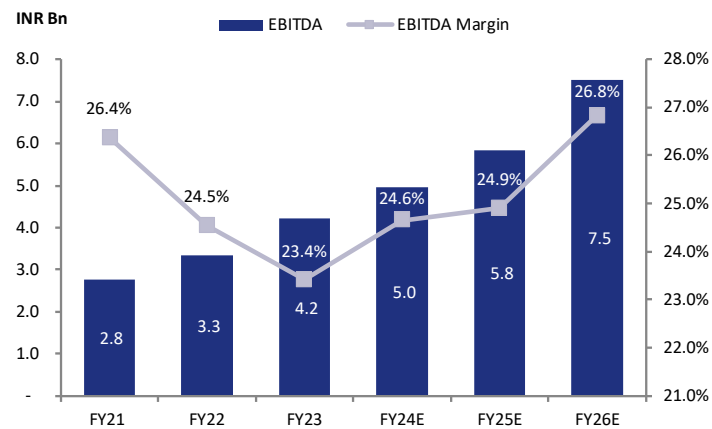


Source: Company RHP, JM Financial. Bloomberg

- **Strong PAT growth on operating margin expansion:** While gross margin was stable, EBITDA margin moderated by 300bps during FY21-23 on account of rise in other expenses as most of the costs got normalised (cost reductions during FY21 across industry due to Covid uncertainty).

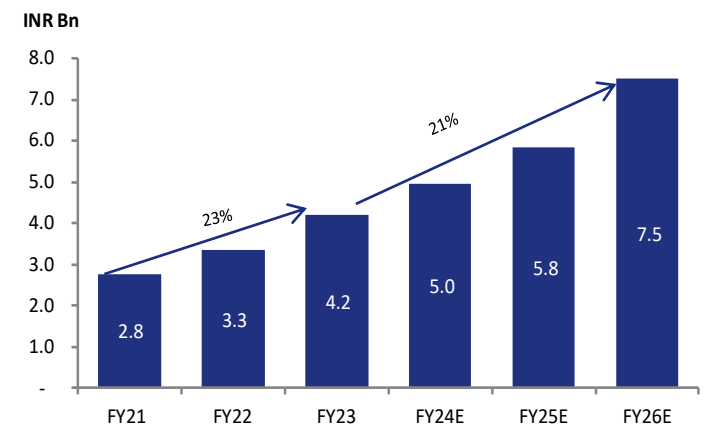
We expect EBITDA margin to expand from 23.4% in FY23 to 26.8% in FY26 on the back of a) rise in contribution of the high-margin glassware business (already estimated to be around 27-28%), and b) operating leverage. Thus, we expect Cello to post 21% CAGR in EBITDA over FY23-26. We estimate 24% CAGR in consolidated PAT (post minority interest).

**Exhibit 46. EBITDA and EBITDA margin**



Source: Company RHP, JM Financial

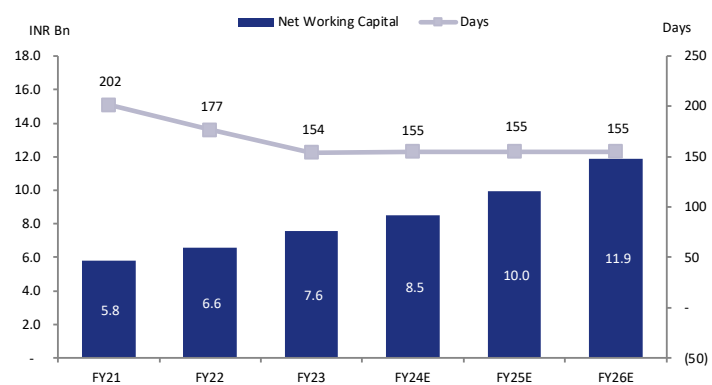
**Exhibit 47. Consolidated PAT (post minority interest)**



Source: Company RHP, JM Financial

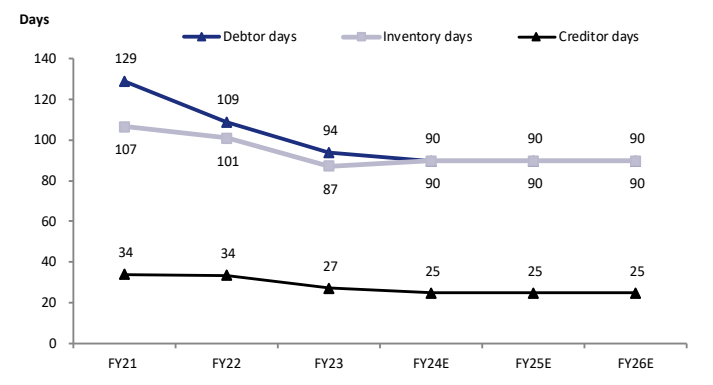
- **High working capital intensity on slow moving products (earning higher margins):** Cello has high inventory and receivable days on account of higher mix of slow-moving items in its product portfolio (which earn far superior margins compared to low-margin commodity products), and that is expected to continue. Net working capital days has improved from 202 days in FY21 (Covid-impacted period) to 154 days in FY23, wherein debtor days and inventory days have reduced by 48 days/35 days respectively. We estimate networking capital days to be stable over the next 2-3 years.

**Exhibit 48. Net working capital (absolute) and days RHS**



Source: Company RHP, JM Financial

**Exhibit 49. Receivable, inventories and payable days trend**



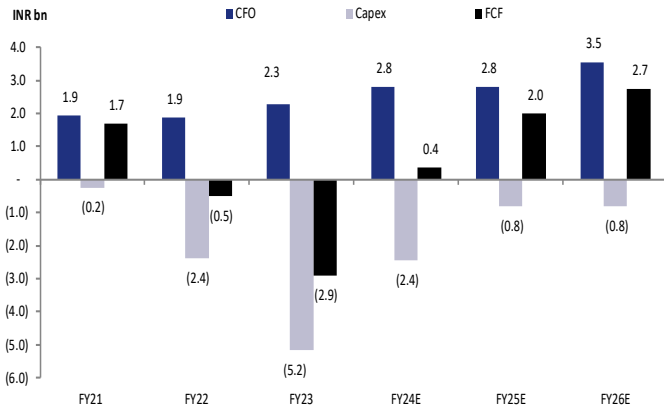
Source: Company RHP, JM Financial

- **Strong OCF performance with robust return profile:** Notwithstanding high working capital days, Cello has reported strong OCF performance (average INR 2bn in FY21-23; OCF/EBITDA of c.56%), and that is expected to sustain in FY23-26 (average INR 3.5bn). The company has embarked upon greenfield capex of INR 2.5bn (for glassware products), apart from routine capex (INR 0.6bn-0.8bn).

Cello has significant asset turns (average gross block to sales of 3.5x in FY21-23) and is expected to see a modest reduction on account of growing contribution of glassware (a relatively high fixed-asset-heavy product category).

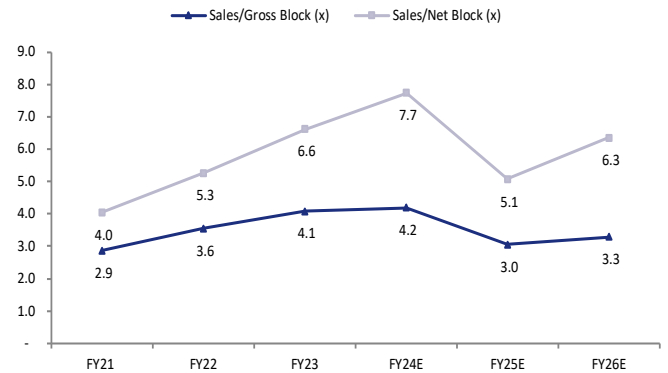
With industry leading margins and higher asset turns, Cello's returns are extremely strong (RoCE/RoIC of 27.7%/47.4% respectively) in FY23 and expected to remain robust in FY23-26, in our view.

**Exhibit 50. Free cash flow trend**



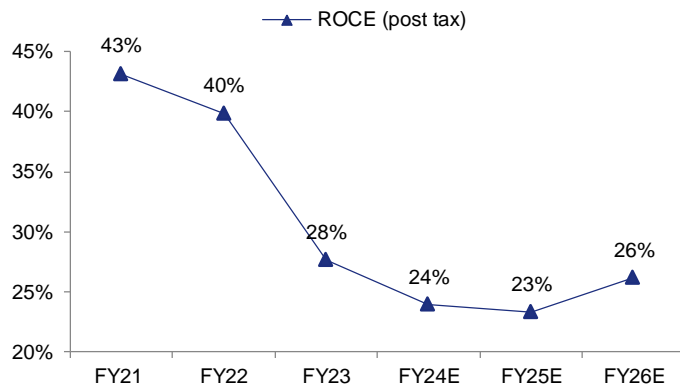
Source: Company RHP, JM Financial

**Exhibit 51. High asset turn**



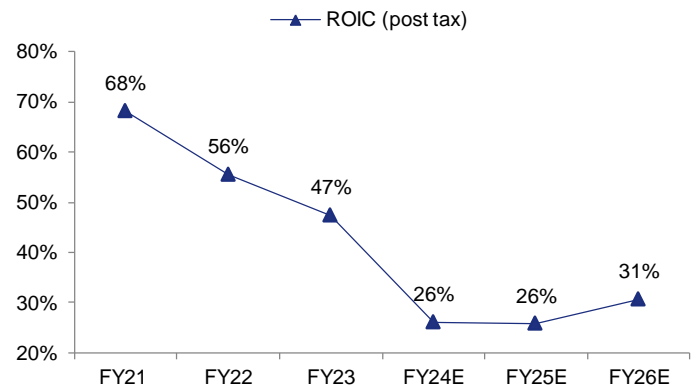
Source: Company RHP, JM Financial

**Exhibit 52. RoCE (post tax)**



Source: Company RHP, JM Financial

**Exhibit 53. ROIC (post tax)**



Source: Company RHP, JM Financial

## Recent quarter performance

## Exhibit 54. 2QFY24 results

INR mn	2Q24A	1Q24A	QoQ	1HFY24
<b>Net Sales</b>	<b>4,890</b>	<b>4,718</b>	<b>4%</b>	<b>9,607</b>
Consumerware	3,271	3,108	5%	6,379
Writing Instruments	821	831	-1%	1,652
Moulded Furniture and Allied Products	797	779	2%	1,576
Cost of RM Consumed	2,280	2,237	2%	4,516
<b>Gross Profit</b>	<b>2,610</b>	<b>2,481</b>	<b>5%</b>	<b>5,091</b>
<b>Gross margin</b>	<b>53.4%</b>	<b>52.6%</b>	<b>80 bps</b>	<b>53.0%</b>
Consumerware	<b>53.7%</b>	<b>52.9%</b>	<b>80 bps</b>	<b>53.3%</b>
Writing Instruments	<b>58.8%</b>	<b>58.9%</b>	<b>-10 bps</b>	<b>58.8%</b>
Moulded Furniture and Allied Products	<b>46.5%</b>	<b>44.6%</b>	<b>190 bps</b>	<b>45.6%</b>
Employee Costs	475	448	6%	923
% of sales	9.7%	9.5%	20 bps	9.6%
Other Expenses	932	842	11%	1,725
% of sales	19.1%	17.8%	120 bps	18.0%
Total Expenditure	3,687	3,526	5%	7,164
<b>EBITDA</b>	<b>1,203</b>	<b>1,192</b>	<b>1%</b>	<b>2,443</b>
<b>EBITDA Margin</b>	<b>24.6%</b>	<b>25.3%</b>	<b>-70 bps</b>	<b>25.4%</b>
Depreciation	127	118	7%	245
EBIT	1,077	1,074	0%	2,199
Other Income	106	81	31%	140
PBIT	1,183	1,155	2%	2,338
Interest	7	6	24%	13
Exceptional (Income)/Expense	0	0	NM	0
<b>Profit Before Tax</b>	<b>1,175</b>	<b>1,149</b>	<b>2%</b>	<b>2,325</b>
Tax Expense	310	321	-3%	631
Adj. Tax Rate	26.4%	27.9%	-150 bps	27.1%
<b>Reported Net Profit</b>	<b>865</b>	<b>828</b>	<b>4%</b>	<b>1,695</b>
Reported EPS (Basic)	3.9	3.7	4%	7.6
<b>Adjusted Net Profit</b>	<b>799</b>	<b>774</b>	<b>6%</b>	<b>1,574</b>
Adjusted EPS	3.9	3.7	4%	7.0

Source: Company, JM Financial

- Gross margin expanded by 80bps QoQ to 53.4%, primarily due to softening of raw material prices. Within this, Consumerware/ Moulded Furniture expanded by 80bps QoQ & 190bps QoQ while Writing Instruments declined by 10bps QoQ.

- EBITDA margin declined by 70bps QoQ to 24.6%, primarily due to higher other expenses (19.1% of revenue as compared to 17.8% in 1QFY24). Absolute EBITDA increased by 1%QoQ to INR 1.2bn.

- Channel mix in 1HFY24 in General Trade/Modern Trade/Exports/Online was 76.3%/5.1%/10.0%/8.6% respectively. Over the next 2-3 years, the management expects share of Online/Modern Trade/ Exports to increase to 12-13%/7-8%/10-11% respectively.
- The company reported operating cash flow of INR 1.05bn in 1HFY24; OCF/EBITDA stood at 43%.
- The management stated that consumer demand was sluggish during 2QFY24; however, with festive sales moving to 3QFY24, October witnessed strong sales traction across end-markets and product categories.
- The company has embarked on capex of INR 2.5bn for establishing a glassware factory at Falna, Rajasthan. The unit is scheduled to be operational by end of FY24. It will majorly manufacture import substitute products and has a revenue potential of INR 2.5bn-2.75bn over the next 2-3 years.

## Valuation and recommendation

We forecast Cello to post Revenue/EBITDA/PAT CAGR of 16%/21%/24% respectively in FY23-26 with median RoIC (post tax)/RoE (post tax) of 26%/30% respectively in FY23-26.

We value Cello at 40x FY26EPS to arrive at a Mar'25TP of INR 950, a potential upside of 19% to CMP, and also believe that CMP offers 16% IRR potential over the next 3 years. We initiate coverage with a **BUY** rating

We believe Cello is well placed to ride on the growth in consumerware, writing instruments and moulded plastics on the back of its strong track record of superior growth compared to peers, and it has the potential to scale up its appliances business well. Cello will continue to report industry leading growth/return metrics, in our view.

### Exhibit 55. Valuation comps

	CMP	Mkt Cap (INR bn)	P/E(x)				EV/EBITDA(x)				ROE(%)				FY23-26E CAGR		
			FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	Sales	EBITDA	EPS
<b>Cello World</b>	797	169	60.5	51.3	44.7	33.5	40.3	34.2	28.7	21.9	126%	44%	28%	30%	16%	21%	22%
La Opala RG*	368	41	31.2	27.0	23.1	18.3	21.2	19.8	16.8	13.7	16%	17%	18%	19%	15%	16%	19%
Borosil Ltd. *	339	39	NA	NA	NA	NA	31.9	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
TTK Prestige	747	104	39.8	42.6	37.7	35.5	26.7	28.4	25.0	22.6	14%	12%	13%	13%	4%	5%	4%
Stove Kraft	457	15	42.2	25.0	18.0	14.1	16.2	12.0	9.6	7.8	NA	15%	17%	20%	14%	26%	44%
Hawkins*	7,544	40	42.1	NA	NA	NA	29.1	NA	NA	NA	39%	NA	NA	NA	NA	NA	NA
<b>Median for sector (Excl Cello)</b>			<b>39.8</b>	<b>27.0</b>	<b>23.1</b>	<b>18.3</b>	<b>26.7</b>	<b>19.8</b>	<b>16.8</b>	<b>13.7</b>	<b>15%</b>	<b>15%</b>	<b>17%</b>	<b>19%</b>	<b>14%</b>	<b>16%</b>	<b>19%</b>

Source: Company, JM Financial, Bloomberg; \*Bloomberg Estimates

## Peer Comparison

As shown in the exhibit below, Cello has one of the best metrics in revenue growth, margins, PAT growth and return profile among its peers across all categories. Further, its product diversification is unique and unparalleled, in our view, as none of the peers have a presence in more than one category.

### Exhibit 56. Peer Comparison

INR mn	FY21	FY22	FY23	CAGR FY21-23
<b>Consumerware</b>				
Revenue				
<b>Cello</b>	<b>6,698</b>	<b>8,711</b>	<b>11,811</b>	<b>33%</b>
Milton	14,543	18,594	NA	NA
Borosil	3,848	5,730	7,418	39%
La Opala	2,113	3,227	4,523	46%
EBIT margin				
<b>Cello</b>	<b>25.3%</b>	<b>25.0%</b>	<b>22.5%</b>	-
Milton	13.8%	11.8%	NA	-
Borosil	7.0%	12.5%	7.7%	-
La Opala	26.6%	33.7%	33.3%	-
<b>Writing Instruments</b>				
Revenue				
<b>Cello</b>	<b>1,114</b>	<b>1,693</b>	<b>2,850</b>	<b>60%</b>
BIC Cello	2,646	4,064	NA	NA
DOMS	4,028	6,836	12,119	73%
Flair	2,980	5,774	9,427	78%
Hindustan Pencil	4,886	7,703	NA	NA
EBIT margin				
<b>Cello</b>	<b>23.1%</b>	<b>22.2%</b>	<b>23.0%</b>	-
BIC Cello	-60.1%	-39.0%	NA	-
DOMS	0.3%	5.0%	12.4%	-
Flair	4.5%	14.5%	17.8%	-
Hindustan Pencil	2.8%	3.2%	NA	-
<b>Moulded Plastics Furniture</b>				
Revenue				
<b>Cello</b>	<b>2,682</b>	<b>3,188</b>	<b>3,306</b>	<b>11%</b>
Nilkamal	20,922	27,301	31,309	22%
EBIT margin				
<b>Cello</b>	<b>15.9%</b>	<b>14.7%</b>	<b>16.8%</b>	-
Nilkamal	8.2%	4.8%	6.6%	-

Source: Company, MCA, JM Financial

- Cello is among the largest players among peers in terms of revenue. Milton is by far the largest player and the closest comparable to Cello (but unlisted) in houseware category.

- EBIT margins are highest among peers-significantly higher than Milton on account of higher in-house manufacturing and product mix (opalware)

- La Opala has highest margins due to exclusive glassware presence (Cello's comparable margins are ~27-28%)

- PAT growth best amongst the peers

- Cello Unomax is a relatively smaller player among peers, given it has restarted this business in FY20, post the completion of non-compete period.

- Cello has seen significant scale-up in the past 2 years, led by exports in FY22 and domestic distribution expansion in FY23.

- Cello's margins are one of the highest among peers.

- Cello has shown a decent revenue growth over FY21-23 along with healthy margins.

## Exhibit 57. Comparison with listed peers

INR mn	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY21-23	FY23-26E
<b>Revenue</b>								
<b>Cello World</b>	<b>10,495</b>	<b>13,592</b>	<b>17,967</b>	<b>20,097</b>	<b>23,434</b>	<b>27,980</b>	<b>31%</b>	<b>16%</b>
La Opala *	2,113	3,227	4,523	4,776	5,584	6,898	46%	15%
Borosil *	5,848	8,399	10,271	NA	NA	NA	33%	NA
Stovekraft	8,590	11,364	12,838	14,379	16,536	18,851	22%	14%
TTK Prestige	20,331	25,322	26,257	24,943	27,257	29,792	14%	4%
Hawkins *	7,685	9,580	10,058	NA	NA	NA	14%	NA
<b>EBITDA Margins</b>								
<b>Cello World</b>	<b>26.4%</b>	<b>24.5%</b>	<b>23.4%</b>	<b>24.6%</b>	<b>24.9%</b>	<b>26.8%</b>	<b>24.5%</b>	<b>24.9%</b>
La Opala *	32.4%	37.9%	38.1%	38.5%	38.9%	38.7%	37.9%	38.7%
Borosil *	14.1%	17.1%	12.3%	NA	NA	NA	14.1%	NA
Stovekraft	13.2%	8.3%	7.7%	9.3%	10.1%	10.5%	8.3%	10.1%
TTK Prestige	15.5%	16.0%	13.7%	13.6%	13.9%	13.9%	15.5%	13.9%
Hawkins *	14.4%	12.5%	13.5%	NA	NA	NA	13.5%	NA
<b>Median (Excl Cello World)</b>	<b>14.4%</b>	<b>16.0%</b>	<b>13.5%</b>	<b>13.6%</b>	<b>13.9%</b>	<b>13.9%</b>	<b>14.4%</b>	<b>13.9%</b>
<b>PAT</b>								
<b>Cello World</b>	<b>1,512</b>	<b>2,040</b>	<b>2,661</b>	<b>3,296</b>	<b>3,784</b>	<b>5,053</b>	<b>33%</b>	<b>24%</b>
La Opala *	496	874	1,230	1,438	1,682	2,071	58%	19%
Borosil *	424	852	902	NA	NA	NA	46%	NA
Stovekraft	812	562	358	602	838	1,067	-34%	44%
TTK Prestige	2,351	2,937	2,602	2,432	2,747	2,919	5%	4%
Hawkins *	807	839	948	NA	NA	NA	8%	NA
<b>RoCE</b>								
<b>Cello World</b>	<b>43%</b>	<b>40%</b>	<b>28%</b>	<b>24%</b>	<b>23%</b>	<b>26%</b>	<b>40%</b>	<b>24%</b>
La Opala *	8%	14%	17%	19%	19%	19%	14%	19%
Borosil *	6%	13%	10%	NA	NA	NA	10%	NA
Stovekraft	32%	17%	10%	13%	16%	18%	17%	16%
TTK Prestige	16%	19%	15%	13%	13%	13%	16%	13%
Hawkins *	43%	37%	34%	NA	NA	NA	37%	NA
<b>Median (Excl Cello World)</b>	<b>16%</b>	<b>17%</b>	<b>15%</b>	<b>13%</b>	<b>16%</b>	<b>18%</b>	<b>16%</b>	<b>16%</b>
<b>ROIC</b>								
<b>Cello World</b>	<b>68%</b>	<b>56%</b>	<b>47%</b>	<b>26%</b>	<b>26%</b>	<b>31%</b>	<b>56%</b>	<b>26%</b>
La Opala *	21%	40%	51%	NA	NA	NA	40%	NA
Borosil *	6%	16%	10%	NA	NA	NA	10%	NA
Stovekraft	35%	18%	11%	13%	16%	19%	18%	16%
TTK Prestige	27%	35%	28%	25%	28%	30%	28%	28%
Hawkins *	88%	70%	46%	NA	NA	NA	70%	NA
<b>Median (Excl Cello World)</b>	<b>27%</b>	<b>35%</b>	<b>28%</b>	<b>19%</b>	<b>22%</b>	<b>24%</b>	<b>28%</b>	<b>22%</b>

Source: Company, JM Financial, Bloomberg; \* Bloomberg Estimates

**Exhibit 58. Key players and their presence across Drinkware, Insulatedware, Dinnerware and Cookware**

Key Players	Drinkware				Insulated Ware			Dinnerware & Serveware					Cookware		
	Plastic	Plastic+Steel	Steel	Glass/copper	Plastic	Plastic+Steel	Steel	Opalware	Melamine	Porcelain	Steel	Plastic	Hard-Anodised	Non-Stick	Stainless Steel
Cello															
Milton															
LaOpala															
Borosil															
Corelle															
LocknLock															
Tupperware															
Signoraware															
Roxx															
Prestige															
Hawkins															
Gala															
Scotch-Brite															
Camlin															
Luxor															
LINC															
DOMS															
Flair															
Supreme															
Nilkamal Ltd.															
Stovekraft															

Source: Company RHP, JM Financial

**Exhibit 59. Key players and their presence across small kitchenware, cleaning supplies, glassware, stationary, etc.**

Key Players	Small Kitchen Appliances	Cleaning Supplies	Glassware			Stationery	Moulded Furniture	Air Coolers
			Borosilicate	Sodalime	Vitrele			
Cello								
Milton								
LaOpala								
Borosil								
Corelle								
LocknLock								
Tupperware								
Signoraware								
Roxx								
Prestige								
Hawkins								
Gala								
Scotch-Brite								
Camlin								
Luxor								
LINC								
DOMS								
Flair								
Supreme								
Nilkamal Ltd.								
Stovekraft								

Source: Company RHP, JM Financial

## Industry Analysis

We estimate the total industry size of the categories Cello is present in to be INR 743bn, and expect the total industry to post 8% CAGR in FY23-27 (9% CAGR in FY15-23). Within this, Consumerware (Houseware and Glassware), the largest category, is estimated to grow at 8% CAGR while Writing instruments could see the fastest growth of 11% in FY23-27 (11% CAGR in FY15-23). Moulded Plastics Furniture is estimated to see 5% CAGR (10% earlier-partly led by sharp increase in prices of key raw materials).

As shown in the following exhibit, the share of branded products has risen from 55% in FY15 to 66% in FY23, thanks to regulatory (GST, E-Way Bill, etc.) coupled with macro tailwinds of rising disposable income and aspirations of consumers and distribution/portfolio expansion by various players. Industry estimates the share of branded players to rise further from 66% to 72% by FY27.

### Exhibit 60. Addressable market size

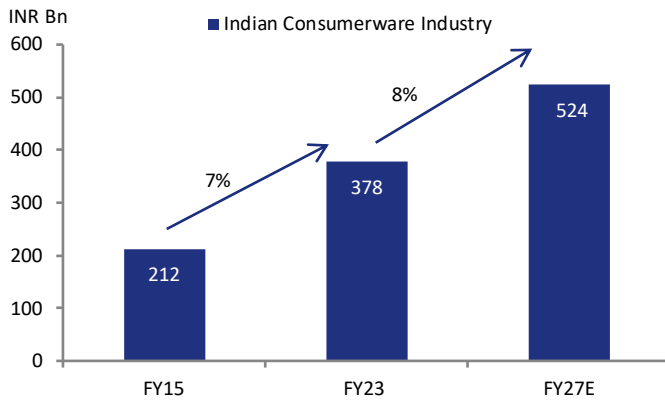
INR bn	Total Market Size			CAGR (Total)		Branded Market Size			CAGR (Branded)		Branded as % of total		
	FY15	FY23	FY27E	FY15-23	FY23-27	FY15	FY23	FY27E	FY15-23	FY23-27	FY15	FY23	FY27E
<b>Consumerware</b>	<b>212.0</b>	<b>378.0</b>	<b>523.5</b>	<b>7%</b>	<b>8%</b>	<b>110.0</b>	<b>231.1</b>	<b>350.7</b>	<b>10%</b>	<b>11%</b>	<b>52%</b>	<b>61%</b>	<b>67%</b>
<b>Houseware</b>	<b>197.0</b>	<b>343.0</b>	<b>466.2</b>	<b>7%</b>	<b>8%</b>	<b>101.7</b>	<b>208.9</b>	<b>311.7</b>	<b>9%</b>	<b>11%</b>	<b>52%</b>	<b>61%</b>	<b>67%</b>
Small Kitchen Appliances	73.0	135.0	190.6	8%	9%	49.6	102.6	152.5	10%	10%	68%	76%	80%
Cookware	55.0	79.0	96.0	5%	5%	18.7	32.4	46.1	7%	9%	34%	41%	48%
Hydration	28.0	55.0	77.6	9%	9%	16.2	36.9	56.7	11%	11%	58%	67%	73%
Storage Containers	14.0	26.0	35.4	8%	8%	3.1	8.1	12.4	13%	11%	22%	31%	35%
Lunch Boxes	12.0	22.0	32.2	8%	10%	6.5	13.6	21.6	10%	12%	54%	62%	67%
Thermoware	7.0	13.0	17.7	8%	8%	3.6	7.9	11.8	10%	11%	52%	61%	67%
Cleaning Products	4.0	8.0	10.9	9%	8%	2.1	4.9	7.3	11%	11%	52%	61%	67%
Melamine	4.0	5.0	5.8	3%	4%	1.9	2.6	3.4	4%	7%	47%	51%	58%
<b>Glassware</b>	<b>15.0</b>	<b>35.0</b>	<b>57.3</b>	<b>11%</b>	<b>13%</b>	<b>8.2</b>	<b>22.2</b>	<b>38.9</b>	<b>13%</b>	<b>15%</b>	<b>55%</b>	<b>63%</b>	<b>68%</b>
Glassware	9.0	19.0	29.9	10%	12%	3.2	7.8	13.5	12%	15%	35%	41%	45%
Opalware	5.0	14.0	24.5	14%	15%	4.4	12.7	22.8	14%	16%	87%	91%	93%
Porcelain	1.0	2.0	2.9	9%	10%	0.7	1.6	2.7	10%	14%	74%	81%	93%
<b>Writing and Stationary (excl Paper)</b>	<b>100.0</b>	<b>223.0</b>	<b>333.4</b>	<b>11%</b>	<b>11%</b>	<b>65.0</b>	<b>173.9</b>	<b>279.6</b>	<b>13%</b>	<b>13%</b>	<b>65%</b>	<b>78%</b>	<b>84%</b>
<b>Writing Instruments</b>	<b>66.0</b>	<b>134.0</b>	<b>188.3</b>	<b>9%</b>	<b>9%</b>	<b>42.9</b>	<b>104.5</b>	<b>156.3</b>	<b>12%</b>	<b>11%</b>	<b>65%</b>	<b>78%</b>	<b>83%</b>
Pens	52.0	107.0	151.0	9%	9%	33.8	83.5	125.4	12%	11%	65%	78%	83%
Pencils	9.0	17.0	23.1	8%	8%	5.9	13.3	19.2	11%	10%	65%	78%	83%
Markers	5.0	10.0	14.1	9%	9%	3.3	7.8	11.7	12%	11%	65%	78%	83%
<b>Others</b>	<b>34.0</b>	<b>89.0</b>	<b>145.1</b>	<b>13%</b>	<b>13%</b>	<b>22.1</b>	<b>69.4</b>	<b>123.3</b>	<b>15%</b>	<b>15%</b>	<b>65%</b>	<b>78%</b>	<b>85%</b>
<b>Moulded Plastics Furniture</b>	<b>68.0</b>	<b>142.0</b>	<b>172.6</b>	<b>10%</b>	<b>5%</b>	<b>34.7</b>	<b>83.8</b>	<b>108.7</b>	<b>12%</b>	<b>7%</b>	<b>51%</b>	<b>59%</b>	<b>63%</b>
<b>Addressable Market Size</b>	<b>380.0</b>	<b>743.0</b>	<b>1,029.5</b>	<b>9%</b>	<b>8%</b>	<b>209.7</b>	<b>488.8</b>	<b>739.0</b>	<b>11%</b>	<b>11%</b>	<b>55%</b>	<b>66%</b>	<b>72%</b>

Source: Company RHP, JM Financial

## A. Consumerware market

Indian Consumerware market has grown steadily at 7% CAGR over FY15-23 to INR 378bn. Various factors such as rising disposable income, family nuclearisation, urbanisation, changing consumer lifestyles, shifting dynamics in kitchen responsibilities due to an increase in working women, improved product availability through online platforms, and multi-brand outlets have contributed to this growth. Moving forward, the market is expected to reach INR 524bn by FY27, growing at 8% CAGR.

**Exhibit 61. Domestic consumerware market**



Source: Company RHP, JM Financial

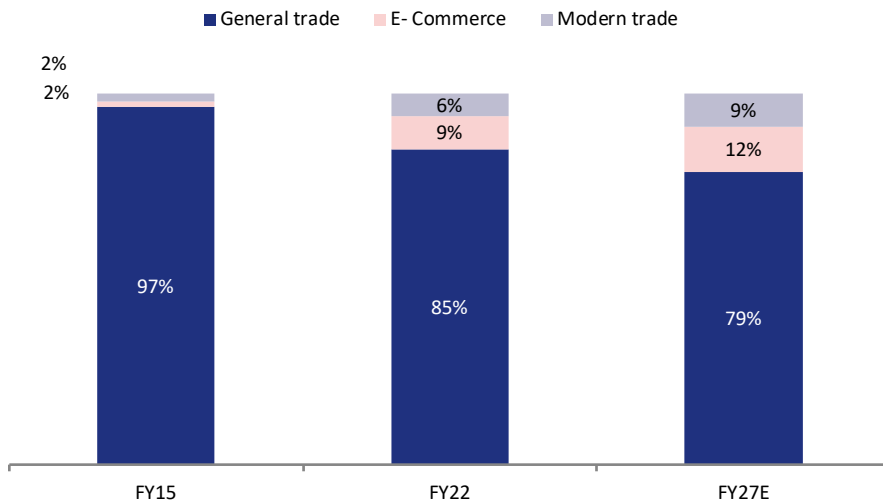
The Indian Consumerware Market can be divided into two categories: Consumer Houseware and Consumer Glassware. Consumer Houseware can be further subdivided into Hydration, Cookware, Insulated ware, Lunchboxes, Storage Containers, Melamine, Small Kitchen Appliances and Cleaning Products. Consumer Glassware can be segmented into Opalware, Glassware and Porcelain. Both Houseware and Glassware categories have displayed remarkable growth over time. Consumer Houseware industry is poised to grow by 8% CAGR over FY23-27 to INR 466bn, signalling a robust opportunity for companies entrenched in these domains. Consumer Glassware industry has been growing at double-digit CAGR over the years and is expected to continue the growth momentum to reach INR 57bn by FY27.

### Consumerware channel segmentation

Over time, the channel segmentation within the Indian Consumerware market has undergone a profound transformation. General trade held a dominant position with market share of 96.5% in FY15 within the consumerware segment. However, as the market progressed and evolved, there has been a gradual downtrend in general trade's contribution. Despite this decline, it continues to retain its prominent position as the primary channel for this category.

The rise of e-commerce has been a pivotal force reshaping the channel segmentation within the Consumerware market. In FY15, e-commerce held a modest share of just 2%. However, owing to the burgeoning consumer inclination toward online shopping, the e-commerce sector expanded strongly, seizing a substantial market share of 9% by FY22. This growth is likely to continue, with a projected market share of 12% by FY 2027, driven by factors such as convenience, wider product selection, competitive pricing, and the increasing penetration of internet connectivity in India.

**Exhibit 62. Channel-wise segmentation**

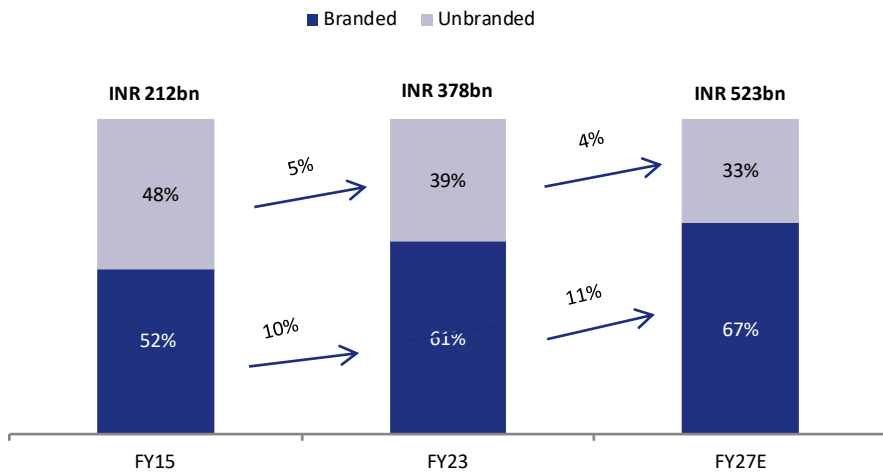


Source: Company RHP, JM Financial

**Branded Indian Consumerware Market**

Branded players have steadily expanded their market share from 52% in FY15 to 61% in FY23. They have registered superior growth of 10% CAGR over FY15-23, as compared to unbranded payers growing at just 5% CAGR over the same period. It is expected that branded players will continue their growth journey, a rate much faster than unbranded players, to garner 67% market share by FY27.

**Exhibit 63. Market share segregation basis branded and unbranded consumerware**



Source: Company RHP, JM Financial

## Growth drivers for branded consumerware market in India

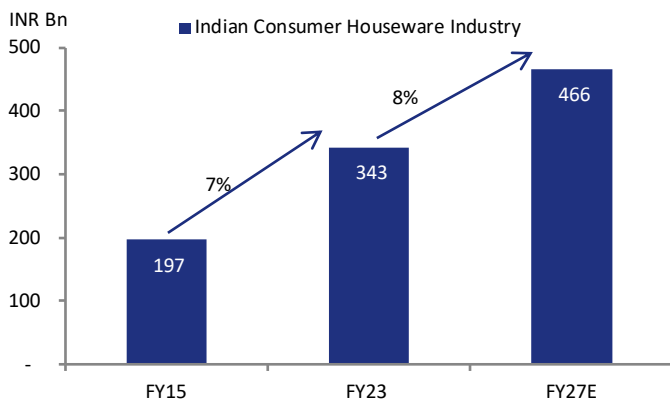
- Heightened consumer consciousness regarding safety and quality:** Growing consumer awareness of safety and quality has become a major driver for the growth of branded players in the Indian market. Indian consumers have increased brand awareness and recognise branded products as indicators of trust, superior quality and safety.
- Product innovation:** Major brands in the Indian Consumerware market are heavily investing in research and development efforts to spearhead technological advancements and introduce innovative products aligned with evolving consumer demands. This proactive strategy enables them to distinguish themselves from unbranded alternatives by delivering superior innovation and ensuring top-notch product quality.
- Economies of scale:** Branded players are harnessing their economies of scale to enhance distribution efficiencies and extend their footprint into new markets.
- Transitioning from utility to lifestyle:** As disposable income grows, Indian consumers are redefining their aspirations regarding houseware. No longer just utilitarian essentials, these items are now seen as enhancers of lifestyle. Today, consumers desire products that not only fulfil their basic needs but also resonate with their individual taste, style, and individuality.
- GST regime:** The implementation of the Goods and Services Tax (GST) has notably enhanced transparency across the entire value chain within the Consumerware industry, spanning 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.

### A1- Houseware Market

The Indian Houseware market grew from INR 197bn in FY15 to INR 343bn in FY23, registering growth of 7% CAGR. The market is expected to grow by 8% CAGR over FY23-27 to reach INR 466bn.

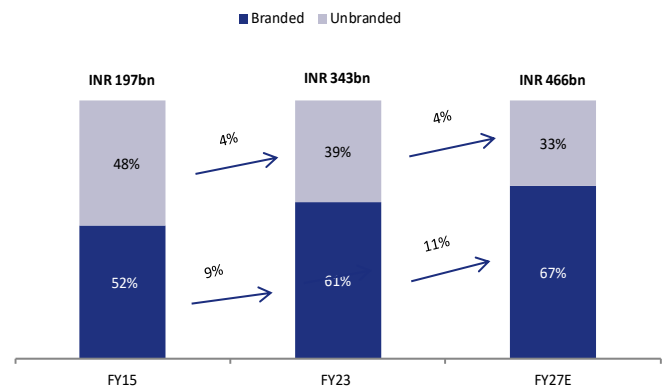
Branded players commanded nearly 61% (INR 209bn) of the Houseware market in India in FY23. This has increased from 52% (INR 102bn) recorded in FY15, reflecting a CAGR of 9% for the branded market. The branded play is estimated to capture ~67% (INR 312bn) market share by FY27, growing at 11% CAGR during FY23-27. The branded market is growing at a higher rate compared to the unbranded market, driving the growth of the Houseware market.

Exhibit 64. Consumer houseware market



Source: Company RHP, JM Financial

Exhibit 65. Market share – branded and unbranded



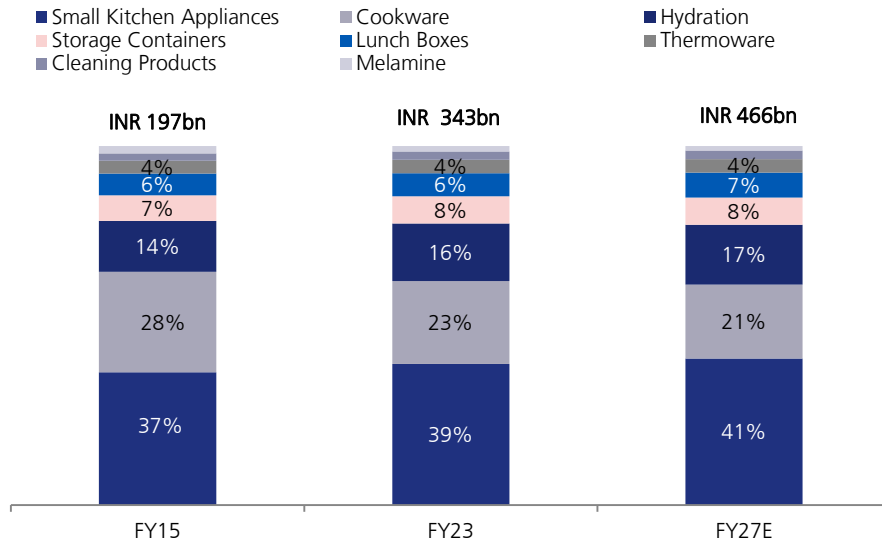
Source: Company RHP, JM Financial

## Category wise segmentation

The Consumer Houseware market in India comprises a wide array of products with Small Kitchen Appliances accounting for 39% of total sales in this market in FY23. This was followed by Cookware at 23% and Hydration products at 16%. The remaining categories, including Lunchboxes, Melamine, Storage Containers, Insulated Ware, and Cleaning Products made up the remaining 22% of the market. The growth of this market can be attributed to multiple factors such as the steady rise in disposable income, evolving lifestyle preferences, and the increasing prevalence of nuclear families.

Categories like Hydration, Insulatedware, Lunch Boxes, Small Kitchen Appliances and Cleaning Products had a higher share of branded play in the market in FY23, whereas categories like Cookware and Storage Containers are mostly unbranded.

**Exhibit 66. Category wise share – Indian consumer houseware market**



Source: Company RHP, JM Financial

**Hydration:** The Hydration market has grown at 9% CAGR from INR 28bn in FY15 to INR 55bn in FY23, constituting approximately 16% of the Indian Consumer Houseware Industry. The market is likely to grow further at a CAGR of 9% from FY23 till FY27 to INR 78bn, driven by factors such as increasing health awareness, the rise of the fitness industry, and the growing popularity of outdoor activities. The Hydration market is organised with some of the key players being brands such as Cello, Milton, Borosil, and Tupperware.

**Cookware:** The cookware market was valued at INR 79bn in FY23, constituting approximately 23% of the Indian Consumer Houseware industry and is expected to grow at a CAGR of 5% over FY23 to FY27 to INR 96bn. Key players in this category are Cello, Prestige, Hawkins, Pigeon, and Vinod Cookware, among others. These brands offer a diverse range of cookware products that cater to different cooking needs and preferences.

**Insulatedware:** Insulatedware market in India was valued at INR 13bn in FY23, constituting approximately 4% of Indian Consumer Houseware industry. Insulatedware market is expected to grow by 8% CAGR over FY23-27 to INR 18bn. Key players in this category in India include Milton, Cello, Borosil, and Tupperware. These brands offer a range of insulatedware products in different sizes, designs, and materials to cater to a variety of customer needs and preferences.

**Lunch boxes:** The Lunch boxes market constituted approximately 6% of the Indian Consumer Houseware industry in FY23. It has grown at a CAGR of 8% over FY15-23 to INR 22bn. The market is expected to grow further at a CAGR of 10% from FY23 to FY27 to INR 32bn.

**Storage containers:** The Storage Container market constituted approximately 8% of the Indian Consumer Houseware industry in FY23 and is expected to grow at a CAGR of 8%



from FY23-27 to INR 35bn. Key players in the Indian market for storage containers include brands such as Tupperware, Cello, Milton, Borosil, and Lock & Lock.

**Melamine products:** Melamine market was valued at INR 5bn in FY22 and is expected to grow at 4% CAGR over FY22-27 to INR 6bn. Key players include brands such as Cello and Milton.

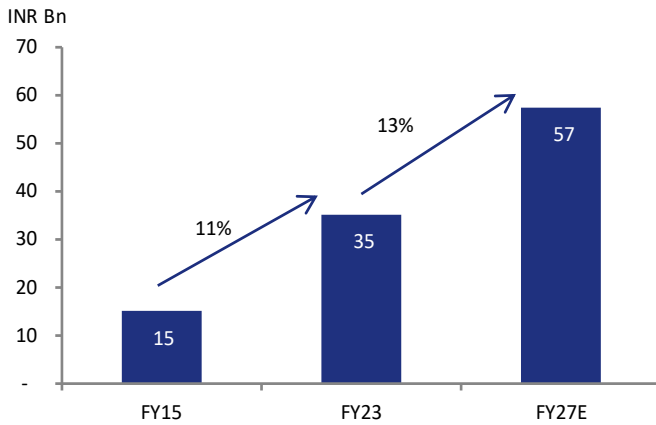
**Cleaning products:** Cleaning Products market constituted approximately 2% of the Indian Consumer Houseware industry for FY23 and is expected to grow at 8% CAGR to INR 11bn by FY27.



**B. Glassware market**

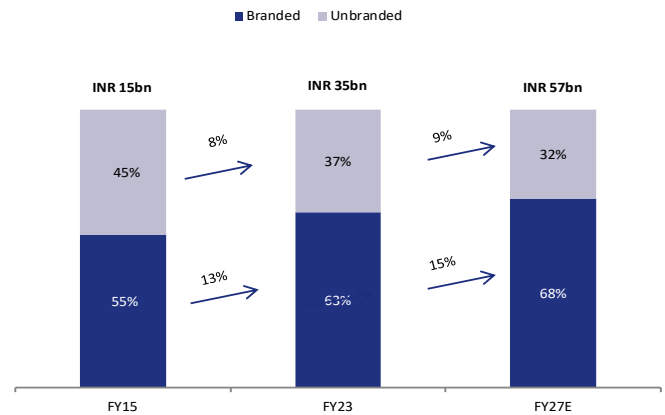
The Indian Glassware market grew at 11% CAGR over FY15-23 to INR 35bn. The market is expected to grow by 13% CAGR over FY23-27 to INR 57bn.

**Exhibit 67. Indian glassware market**



Source: Company RHP, JM Financial

**Exhibit 68. Branded market share**



Source: Company RHP, JM Financial

**Glassware:** Brands like Borosil, Milton, Cello, and Ocean Glassware are among the prominent contenders in India's Glassware category. The Glassware market constituted the maximum share of approximately 54% of the Indian Consumer Glassware industry in FY23. Glassware market was valued at INR 19bn in FY23 and is expected to grow by 12% CAGR over FY23-27.

**Opalware:** The Opalware market constituted a share of 40% of the Indian Consumer Glassware industry in FY23. The opalware market grew by 15% CAGR over FY15-23 to INR 14bn. The market is expected to grow by 15% CAGR to reach INR 25bn by FY27.

**Porcelain:** Porcelain dinnerware, renowned for its ornate designs, is a favoured option for formal gatherings and special occasions. This category was valued at INR 2bn in FY23 and is expected to grow by 10% CAGR over FY23-27 to reach INR 3bn.



## Exhibit 69. Segmentation of Indian consumer glassware market

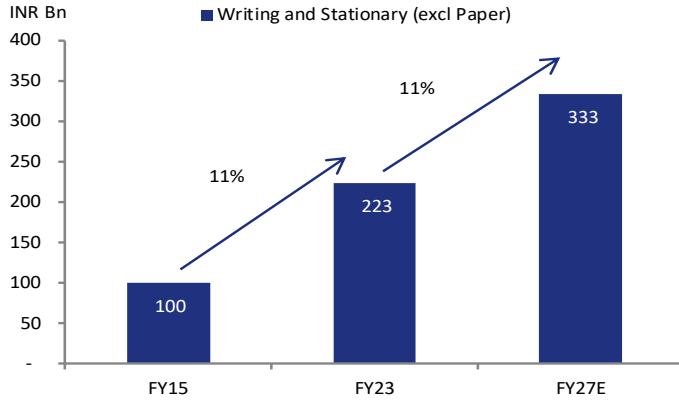
Players	Product	Economy	Mid-Premium	Premium
Cello	Melamine	-	✓✓✓	✓
	Opalware	✓✓✓	✓	-
	Porcelain	-	✓✓	-
	Glassware	✓✓	✓	✓
Milton	Melamine	✓✓	✓	-
	Opalware	-	-	-
	Porcelain	-	-	-
	Glassware	✓✓✓	✓	✓
Borosil	Melamine	-	-	-
	Opalware	✓✓✓	✓	✓
	Porcelain	-	-	-
	Glassware	✓✓✓	✓✓	✓
La Opala	Melamine	-	-	-
	Opalware	✓✓	✓✓✓	✓
	Porcelain	-	-	-
	Glassware	✓✓	✓	-

Source: Company RHP, JM Financial

## B. Writing and Stationary (excl Paper) Market

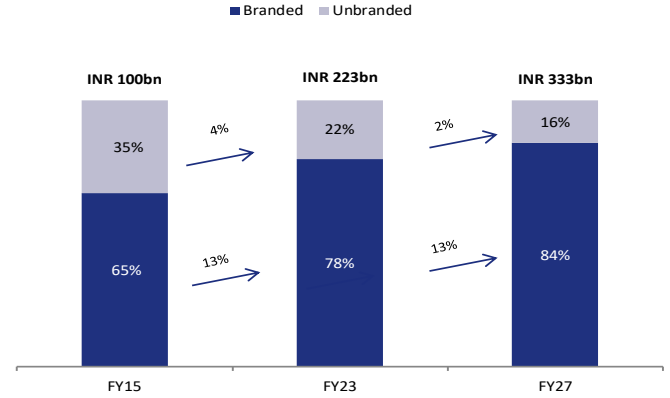
Indian Writing and Stationary (excl Paper) market includes Writing instruments (pens, pencils, markers and highlighters), Office supplies (files and folders, staplers, paper punches, stamp pad and inks) and various other stationery products. The market was valued at INR 223bn in FY23 and is expected to reach INR 333bn by FY27.

**Exhibit 70. Indian Writing and Stationary (excl Paper) market**



Source: Company RHP, JM Financial

**Exhibit 71. Branded vs. Unbranded market share**



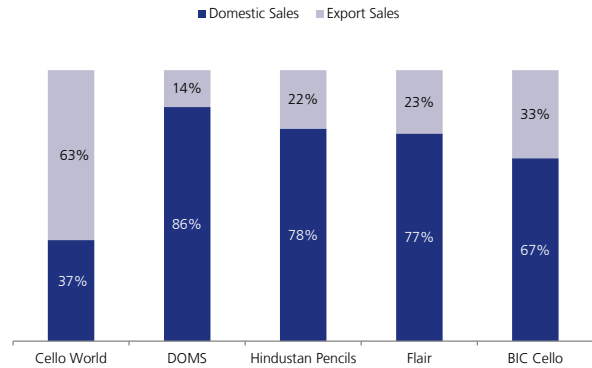
Source: Company RHP, JM Financial

**Exhibit 72. Key players in the writing & stationary market (INR Mn)**

Company	Revenue (FY23)
<b>Cello World</b>	<b>2,850</b>
DOMS	12,119
BIC Cello	NA
Flair	NA
Hindustan Pencils	9,427

Source: Company RHP, JM Financial, MCA

**Exhibit 73. Revenue split FY22**



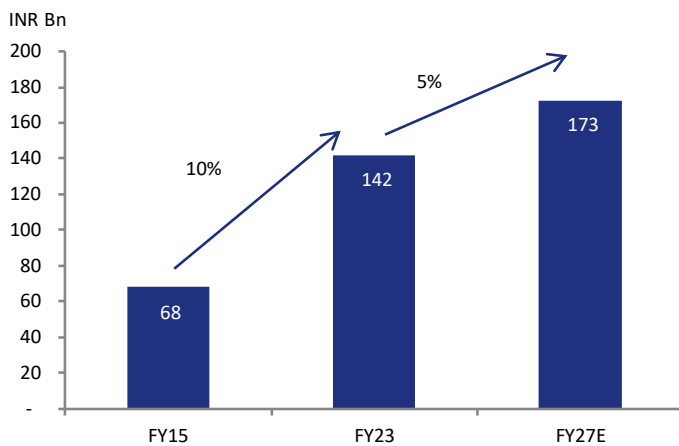
Source: Company RHP, JM Financial

## C. Plastic Moulded Furniture market

Moulded furniture is crafted through a moulding process that shapes plastic into precise designs and forms. This technique yields furniture pieces with a consistent and uniform appearance, showcasing defined shapes and contours achieved through the moulding of plastic materials. Moulded furniture is gaining popularity as it offers features unavailable in conventional wooden and metal furniture, such as easy maintenance, light weight, durability, designs etc.

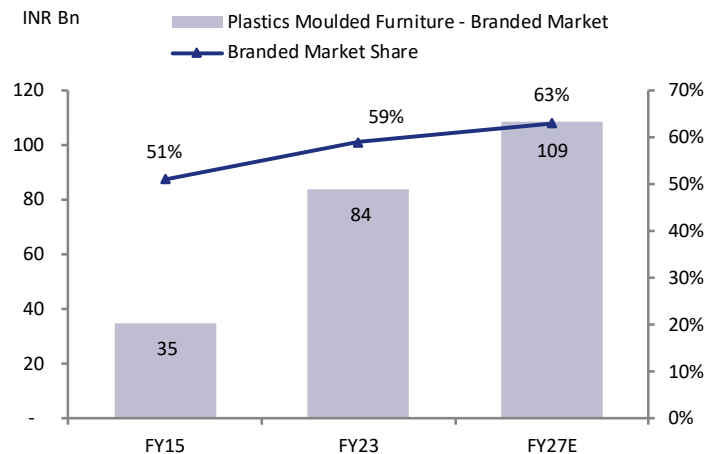
The Indian Plastic moulded furniture market was valued at INR 68bn in FY15. It grew at a CAGR of 10% to INR 142bn in FY23 (revenue growth boosted on account of significant increase in polymer prices in FY20-23) and is expected to grow further to INR 173bn by FY27 at a CAGR of 5% (correction in polymer prices in FY24).

**Exhibit 74. Domestic plastic moulded furniture**



Source: Company RHP, JM Financial

**Exhibit 75. Plastic moulded furniture - branded market**



Source: Company RHP, JM Financial

### Key product categories

The plastic moulded furniture market has been growing steadily and offers a wide range of product categories, including chairs and seating, stools, tables and storage, kids' furniture.

**Exhibit 76. Product segmentation across key players of moulded furniture market**

Key Players	Chairs & Seating	Stool & Tables	Storage	Kids Furniture
Cello Wimplast				
Supreme				
Nilkamal Ltd				
Avro Furnitures				
Anmol Industries				
Prima Plastics				
Italica				

Source: Company RHP, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	13,592	17,967	20,097	23,434	27,980
Sales Growth	29.5%	32.2%	11.9%	16.6%	19.4%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>13,592</b>	<b>17,967</b>	<b>20,097</b>	<b>23,434</b>	<b>27,980</b>
Cost of Goods Sold/Op. Exp	6,786	8,955	9,441	10,929	12,824
Personnel Cost	1,319	1,576	1,922	2,211	2,520
Other Expenses	2,151	3,231	3,780	4,460	5,129
<b>EBITDA</b>	<b>3,336</b>	<b>4,205</b>	<b>4,953</b>	<b>5,834</b>	<b>7,506</b>
EBITDA Margin	24.5%	23.4%	24.6%	24.9%	26.8%
EBITDA Growth	20.5%	26.1%	17.8%	17.8%	28.7%
Depn. & Amort.	476	503	520	875	1,012
EBIT	2,860	3,702	4,433	4,959	6,494
Other Income	159	167	350	400	500
Finance Cost	29	18	30	33	13
PBT before Excep. & Forex	2,991	3,852	4,753	5,326	6,981
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,991	3,852	4,753	5,326	6,981
Taxes	796	1,001	1,245	1,305	1,661
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	155	189	212	237	266
Reported Net Profit	2,040	2,661	3,296	3,784	5,053
<b>Adjusted Net Profit</b>	<b>2,040</b>	<b>2,661</b>	<b>3,296</b>	<b>3,784</b>	<b>5,053</b>
Net Margin	15.0%	14.8%	16.4%	16.1%	18.1%
Diluted Share Cap. (mn)	195.0	202.1	212.2	212.2	212.2
<b>Diluted EPS (INR)</b>	<b>10.5</b>	<b>13.2</b>	<b>15.5</b>	<b>17.8</b>	<b>23.8</b>
Diluted EPS Growth	34.9%	25.9%	18.0%	14.8%	33.6%
Total Dividend + Tax	0	0	0	424	849
Dividend Per Share (INR)	0.0	0.0	0.0	2.0	4.0

Source: Company RHP, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	2,991	3,852	4,541	5,088	6,715
Depn. & Amort.	476	503	520	875	1,012
Net Interest Exp. / Inc. (-)	2,629	-11	-320	-367	-487
Inc (-) / Dec in WCap.	-728	-1,150	-691	-1,493	-2,033
Others	-2,653	89	0	0	0
Taxes Paid	-843	-1,010	-1,245	-1,305	-1,661
<b>Operating Cash Flow</b>	<b>1,873</b>	<b>2,274</b>	<b>2,805</b>	<b>2,799</b>	<b>3,546</b>
Capex	-2,382	-5,170	-2,444	-800	-800
Free Cash Flow	-509	-2,897	361	1,999	2,746
Inc (-) / Dec in Investments	-236	-398	1,269	0	0
Others	0	0	0	0	0
<b>Investing Cash Flow</b>	<b>-2,618</b>	<b>-5,568</b>	<b>-1,174</b>	<b>-800</b>	<b>-800</b>
Inc / Dec (-) in Capital	0	4,599	172	0	0
Dividend + Tax thereon	-60	-96	0	-424	-849
Inc / Dec (-) in Loans	1,238	-1,266	-1,087	-1,000	-1,000
Others	-237	1	182	204	252
<b>Financing Cash Flow</b>	<b>941</b>	<b>3,238</b>	<b>-733</b>	<b>-1,221</b>	<b>-1,596</b>
<b>Inc / Dec (-) in Cash</b>	<b>196</b>	<b>-57</b>	<b>898</b>	<b>779</b>	<b>1,150</b>
Opening Cash Balance	167	363	499	1,747	2,926
Closing Cash Balance	547	499	1,747	2,926	4,526

Source: Company RHP, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	876	3,365	11,664	15,023	19,227
Share Capital	0	975	1,061	1,061	1,061
Reserves & Surplus	876	2,390	10,603	13,962	18,166
Preference Share Capital	4,345	4,831	0	0	0
Minority Interest	1,851	1,999	2,211	2,449	2,715
Total Loans	4,525	3,261	2,174	1,174	174
Def. Tax Liab. / Assets (-)	84	84	84	84	84
<b>Total - Equity &amp; Liab.</b>	<b>11,682</b>	<b>13,540</b>	<b>16,133</b>	<b>18,730</b>	<b>22,200</b>
Net Fixed Assets	2,586	2,717	2,597	4,622	4,410
Gross Fixed Assets	3,822	4,400	4,800	7,700	8,500
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	1,236	1,683	2,203	3,078	4,090
Capital WIP	145	256	2,300	200	200
Investments	1,500	1,769	500	500	500
Current Assets	9,106	10,774	12,663	15,654	19,773
Inventories	3,765	4,298	4,955	5,778	6,899
Sundry Debtors	4,067	4,623	4,955	5,778	6,899
Cash & Bank Balances	547	499	1,747	2,926	4,576
Loans & Advances	726	1,354	1,005	1,172	1,399
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	1,655	1,977	1,927	2,247	2,683
Current Liabilities	1,255	1,342	1,376	1,605	1,916
Provisions & Others	399	636	551	642	767
Net Current Assets	7,451	8,797	10,736	13,407	17,090
<b>Total - Assets</b>	<b>11,682</b>	<b>13,540</b>	<b>16,133</b>	<b>18,730</b>	<b>22,200</b>

Source: Company RHP, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	15.0%	14.8%	16.4%	16.1%	18.1%
Asset Turnover (x)	1.3	1.4	1.4	1.3	1.4
Leverage Factor (x)	0.0	5.9	2.0	1.3	1.2
RoE	0.0%	125.5%	43.9%	28.4%	29.5%

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	4.5	16.6	55.0	70.8	90.6
ROIC	23.3%	26.4%	26.2%	25.8%	30.7%
ROE	0.0%	125.5%	43.9%	28.4%	29.5%
Net Debt/Equity (x)	9.5	2.3	0.0	-0.1	-0.2
P/E (x)	75.2	59.8	50.7	44.1	33.0
P/B (x)	175.1	47.3	14.3	11.1	8.7
EV/EBITDA (x)	53.1	42.0	34.2	28.7	22.0
EV/Sales (x)	13.0	9.8	8.4	7.1	5.9
Debtor days	109	94	90	90	90
Inventory days	101	87	90	90	90
Creditor days	45	36	33	33	34

Source: Company RHP, JM Financial

## APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: [jmfinancial.research@jmfl.com](mailto:jmfinancial.research@jmfl.com) | [www.jmfl.com](http://www.jmfl.com)

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: [sahil.salastekar@jmfl.com](mailto:sahil.salastekar@jmfl.com)

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: [instcompliance@jmfl.com](mailto:instcompliance@jmfl.com)

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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