Cello World Limited

(formerly known as 'Cello World Private Limited')

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December 05, 2023

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **Scrip Code: 544012**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **Symbol: CELLO**

Sub: Transcript of Investor Call

Dear Sir(s)/ Madam(s),

Pursuant to Regulation 30 of the Listing Regulations, copy of transcript of the Investor call held on November 28, 2023 at 09:00 a.m. (Indian Standard Time) on the unaudited financial results for the quarter and half year ended September 30, 2023, is enclosed.

The said transcript is also available on the Company's website.

This is for your information and records.

Thanking you.

Yours faithfully,

For Cello World Limited

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PRAGNESH TRIVEDI

Digitally signed by HEMANGI PRAGNESH TRIVEDI
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Hemangi Trivedi
Company Secretary and Compliance Officer
ACS-27603
Encl: a/a

“Cello World Limited's Q2 FY'24 Earnings Conference Call”

November 28, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 28th November 2023 will prevail

MANAGEMENT: **MR. PRADEEP RATHOD – CHAIRMAN & MANAGING DIRECTOR, CELLO WORLD LIMITED**
MR. PANKAJ RATHOD – JOINT MANAGING DIRECTOR, CELLO WORLD LIMITED
MR. GAURAV RATHOD – JOINT MANAGING DIRECTOR, CELLO WORLD LIMITED
MR. ATUL PAROLIA – CHIEF FINANCIAL OFFICER, CELLO WORLD LIMITED

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Cello World Q2 FY24 Results Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Sagar. On behalf of ICICI Securities, we welcome you all to Q2 FY24 Results Conference Call of Cello World Limited.

We have with us today senior management represented by Mr. Pradeep Rathod -- Chairman and Managing Director; Mr. Pankaj Rathod -- Joint Managing Director; Mr. Gaurav Rathod -- Joint Managing Director; and Mr. Atul Parolia -- CFO.

Now, I hand over the call to the management for the "Initial Comments on the Quarterly Performance" and then we will open the floor for "Question and Answer Session." Thanks, and over to you, Pradeep ji.

Pradeep Rathod: Thank you. Good morning, everybody. A very warm welcome and thanks all for joining our first earning call post listing. On this call, we are joined by our Joint M.Ds, Pankaj Rathod, and Gaurav Rathod, along with us CFO, Mr. Atul Parolia.

The "Results and Presentation" are uploaded on the stock exchange and the company's website. I hope everybody had a chance to look at it.

We are happy to witness a healthy response to our IPO. We want to express our gratitude to all our shareholders for entrusting the confidence in us. We would like to congratulate everyone associated with our company, including employees, customers, business partners and bankers.

During the H1 FY24, our company has achieved a revenue of 961 crores, EBITDA of 244 crores and PAT of 169 crores. EBITDA margin stood at a healthy 25.4%. This performance is backed by volume growth and improvement in product mix.

With this brief, I would like to hand over to Pankaj Rathod to take this forward.

Pankaj Rathod: Thank you and good morning. I will give a quick synopsis of our journey so far. Cello World was incorporated in 2018; however the roots of the promoter family in this line of business go back to 1960s. Over the first six decades horizon, the promoter family diversified product range and brand portfolio. All the consumer-facing products owned by the promoter group have been consolidated under the Cello World Limited prior to the IPO. The wealth of the experience has given us a very deep understanding on the Indian consumer preference and needs.

We have curated an extensive product portfolio that caters to a diverse range of consumer requirements and offer a broad range of contemporary products across different ranges, type, material, and price points. Our key brands including Cello, Unomax and the respective logos are registered in the name of Cello Plastic Industrial Works, a Member of the Promoter Group, (CPIW), has granted a company an exclusive worldwide sub-licensee to use these brand names. This license is valid for 20-years and auto renewal after this term. Further, this is no royalty of brand payment is done by Cello World for users of the brand name.

With this, I will hand over to Gaurav Rathod to talk about Business and Growth Strategy.

Gaurav Rathod:

Thank you, and good morning, everyone. I'll give you a synopsis of the business and the strategies for the growth. Our product portfolio can broadly be categorized in three verticals. All our businesses are consumer-facing, but we operate our businesses as three key verticals, namely Consumerware, Writing Instruments and Molded Furniture. Within these verticals, we manufacture varied products such as insulated bottles, dinnerware, pens and stationary storage containers, glassware and other products. We manufacture our products at our 13 state-of-the-art manufacturing facilities, which are located in Daman, Baddi, Haridwar, Kolkata and Chennai. Further, we are adding another location in Rajasthan which will take care of our future expansion across product lines for the next five to six years. 80% of our revenues come from these manufacturing units.

In terms of channel wise revenue distribution, general trade is the backbone of our distribution network and it is well complemented by modern trade, online and exports.

Leveraging our strong brand recall manufacturing capabilities, vast distribution network over the years, we have grown our revenues and PAT at a healthy CAGR. The resilience of our business model is evident in the growth that we saw even during the pandemic.

Going forward, we are committed to scale this brand to new heights. We continue to churn out new and innovative products every year. We have launched various products in the first half of '24. We have given a snapshot of these in our presentation.

The company is also setting up a Greenfield soda lime glass unit in Rajasthan, which will be operational by March of 2024. This will be one of its kind facility manufacturing various products like tumblers and storage containers to name a few, further enhancing the diverse range of products that the company offers. For this plant, we have earmarked a CAPEX of Rs.200 crores.

On the writing instruments side of the business, our base is currently small and as we cover only 55% of India geography, so there is ample room for growth. Also, currently our portfolio consists mainly of ball and gel pens. Going forward, we will be adding other related stationary items.

In the molded furniture vertical there is a lot of unorganized competition. So, our strategy has been to add more value-added products to our product mix. We have already started this process and today 13% of our business comes from these products. Going forward, we aim to enhance this number even further.

Thank you. And I would like to hand it over again to our CMD, Mr. Pradeep Rathod.

Pradeep Rathod : Before I give you the synopsis of our financial performance, I would like to highlight this entity is a culmination of all our consumerware business of the promoter group. A group restructuring was undertaken through a series of business combinations under control to consolidate the business under our company. However, all the financials for historical years have been restated and are fully comparable. Due to paucity of time, we have taken an exemption for present quarter two FY23 number. So, we have already started work in this front and will be able to give all the comparable figures in the future.

Talking about our Q2 performance, we recorded a top line of Rs.489 crores. Gross profit stood at Rs.261 crores with a 53.4% gross profit margin on a consolidated basis. EBITDA came in at Rs.120 crores with a 24.6% EBITDA margin. During the quarter PAT was at Rs.87 crores with a 17.7% PAT margin.

Coming to our H1 FY24 performance, we have registered a top line of Rs.961 crores, of which 66% came from our consumerware, 17% from our writing instruments and the remaining 17% from molded furniture and allied products. Gross profit stood at Rs.509 crores with a 53% margin. Consumerware garnered GP 53%, writing instruments GP margin was at 58.5%, molded furniture and allied products has the GP of 45%. EBITDA came in at Rs.244 crores with a 25.4% margin. EBITDA margin profile across vertical is also very healthy. PAT margin of Rs.169 crores with a margin of 17.6%.

On the consolidated basis, the company grew at 9% for H1. Though volume growth stands at 13%, the value growth was lower due to the softening of raw material and energy prices, which are the key raw materials for two of our major verticals. Because of the raw material plastic raw material going down substantially, there was correction in prices in some of our verticals. Also, number seems lower as the diwali festival season shifted from October to November and the key sales month became October. The Q3 would be much more healthier than we see in the coming quarters.

Though in the first half of '24 the consumer demand was not at the robust level and it was a little muted, but we are seeing a strong demand coming up, post October, we saw a very good month and I think the second half of the year would be much more robust. The profit margin stood at around 20% growth in the first half. In terms of balance sheet and key matric I would like Mr. Atul Parolia, CFO to highlights on this.

Atul Parolia: With regard to key balance sheet and cash flow related metrics, working capital days as on 30th September 2023 stood at 159 days as compared to 154 days as on 31st March 2023. Cash flow from operations of H1 FY24 stood at healthy Rs.105 crores. OCF-to-EBITDA stood at 43%. Cash and cash equivalent stood at Rs.53 crores as on 30th September 2023. CAPEX during H1 FY24 was Rs.107 crores. This year we expect to do a total CAPEX of Rs.225 crores. We have a track record of very healthy OCF/EBITDA conversion of past three financial years and this H1 was no different. In fact, we saw that affects more, but the returns ratios will continue to be healthy. The growth opportunity ahead of us is vast and with such strong cash flow and healthy balance sheet, we are very well placed to capture upcoming opportunities. Please note that in our presentation slide 20, Sales figure of consumer glass wear should be read as rupees in million instead of rupees in crores.

With these, we conclude our presentation and open the floor for questions and answers.

Moderator: We will now begin the question and answer session. The first question is from the line of Percy from IIFL. Please go ahead.

Percy: My first question is on the coolers business that you have recently launched. Do you plan to enter any other type of appliances also and why do you think that you can win in this market, I mean, because there are so many other players in the household appliances market apart from the plastic being used what is the commonality with the rest of your business?

Pankaj Rathod: We are only into the niche areas and we are only into kitchen appliances. So, we are trying to take mixers, induction cooker, kettle, cookware which are restricted to the kitchen. And why? Though it is a crowded space, definitely Cello is a brand and the consumers reach is the same. Even our target audience who purchases these are mostly women and they have been buying Cello products for various years on other casseroles to lunch carriers and everything because she's the decision maker. So, we are getting good response and we will only restrict and we will be in the niche area of this, we do not want to enter completely in the crowded area. So, we are just creating a niche market of a small portfolio, not a very large portfolio, it will be a medium portfolio what we want to create.

Percy: So, Sir, regarding this air coolers that you have recently entered, any comments on that?

Pankaj Rathod: Air coolers, we have launched much earlier. It was in fact 5 years before COVID, five to six years back. In the air cooler we did not get a very good response. This year we are scaling it up again in Wim Plast because that vertical which is in Wim Plast Limited, one of our subsidiaries now, and we did not have much deep pockets over there to put in full strength. So, this year we are launching it in a full way and that's a very elite product because wherever our furniture sells, the cooler applies because mostly in rural areas and there are only six states of operating; Rajasthan, Delhi, Punjab, Haryana, some part of Odisha, Andhra and Telangana.

Percy: So, there is no plan to get into any other household appliances like –

Pradeep Rathod: At present, we are not looking because we have quite a big basket for the next two years for all the verticals and all the product lines where we are thinking we have a good scope of growth. Post two years we would definitely think on some lines which are adjacent to our product which can add in our company's portfolio.

Percy: My second question is on household appliances. So, can you give some idea on what will be your growth driver here because my understanding is that the market growth of course decent, but it will be like a low double-digit kind of growth here, so is it market share gain from unorganized or do you see any other organized players which are weak from which you want to gain market share or is it a distribution expansion story? What is the driver of the growth here?

Gaurav Rathod: I think on the appliances front, we have a very small base till now. So, comparing and taking market share is still a little far away. As mentioned that we are in niche category and we want to operate in that category. So, we look at the appliances and cookware as one complete vertical and we wish to grow this in the niches that we have spoken about. So, we play on our strength, which is our plastic capabilities as well. So, we have inhouse molds that we are able to work with. So, that differentiates us from the market a little bit. So, I think here again niche is our mantra, not the mass market.

Percy: So, just for my understanding, Gaurav, in the household products you have the bottles and the casseroles and all that. You already have a pretty sort of well diversified product portfolio and these products have been there in your portfolio since many, many years. Do you think that product portfolio sort of expansion is the sort of route to growth because that doesn't seem to be the case looking at your product portfolio? Most of the segments that you would want to be there are already there since many, many years.

Gaurav Rathod: No, I think we have always grown our segment or vertical because if you look, we entered into glassware as well. So, again these are all consumer-facing businesses. So, Glassware was a recent venture which was only about five years ago. So, I think that is how we have been –

Percy: Glassware, I understand it's a new venture and there is definitely a ramp up there which is happening. Ex-glassware, the homeware division, I was asking about that.

Gaurav Rathod: Glassware is also a part of homeware only. So, it is basically one vertical put together because they go to the same household and the buyers are the same, also, the retail outlets are very similar. So, I think when we compare as a market the whole consumerware needs to be looked at one vertical rather than looking at it separately. There will be of course product lines which will have saturation at point of time, but then we have always expanded horizontally into different verticals or different product lines. So, I think within the consumerware is a very vast product array that we offer and that is why we keep on continually growing horizontally.

Moderator: The next question is from the line of Ankur Sharma from HDFC Life. Please go ahead.

Ankur Sharma: So, while you said there was a 9% growth overall in the first half, possible to also share numbers for Q2, glassware, houseware, pens and the molded furniture, how would each of those have done for Q2? And I understand obviously there would have been a sales shift because of festive.

Pradeep Rathod : Consumerware in Q2 was 67% of the revenue. Writing instruments 17% and furniture and allied around 16%.

Ankur Sharma: On a YoY?

Pradeep Rathod : This year because we did not have the Q2 figures consolidated because the writing instruments and Wim Plast got consolidated post October in the third quarter. So, the numbers are not similar on that line and because of the time constraints which I've spoken, my first message itself, will not go back in doing IND AS because all the new figures which I'm giving are written and we do not follow IND AS at that time. So, that's why it is not 100% comparable and that's Why I said it is on the level of 9% growth. Going forward, definitely, we will give quarter-on-quarter because it got listed on 6th and when we go IND AS, we have to go with the auditors and it takes a long time. So, that's why we took an exemption and frrom next quarter we will definitely do that.

Ankur Sharma: If I remember your remarks, Q3 seems to be doing reasonably well given sales shifted to October?

Pradeep Rathod : So, if you see our profit growth, what we have compared within ourselves on a segment is around 20% growth. Going forward October because it was the main month for our festive season of sales, it shifted September last year to October this year. So, this quarter sales and the last quarter because of the summer season is very, very robust always mostly, historically also. We think it will be much better than what it is, I think so it should be more than 20% growth over in the second half.

Ankur Sharma: On this new soda glass factory which is coming up from Q4 in Rajasthan, if you could help us understand how much sales can we generate from here? What kind of products that will come from here? Will margins be similar to the existing glassware business, just some more color there on the new plant?

Gaurav Rathod: This facility that is coming up about is 25,000 tons capacity and up to Rs.230 crores, that would be the revenue that can be expected from this plant. Overall, yes, margins will be in similar lines to our current glassware unit.

Ankur Sharma: This would be mostly import substitution of existing imports of such glassware, is that right?

Gaurav Rathod: Yes, majority of it will be import substitution because this is like one of its kind facility in India, so mostly import substitution.

Ankur Sharma: On the pens business, I obviously understand we've had a very long history of running pens and doing it very well. If you could just help us understand how do you see this business growing, I know we scaled it up very well in the last 2-3 years, but how's the growth trajectory, what are the new products you're looking to introduce, geographic expansion, just a few pointers on how you see this segment going?

Pankaj Rathod: I will just give you a brief. In fact, we started this writing instruments with the new brand Unomax in 2019-20 and there was COVID just after two months after our launch. Last year we had done about Rs.285 crores from zero in three years. This year the first six months have been good months comparatively And now we are extending our range as we have already said that we are mainly concentrating on the gel pens and ball pens …and of course, there are other products with it. But we are now getting into more stationery product also and also increasing our range within the gel pen and the ball pen. Even our reach in the market today is much lower because we wanted first to grow. We were growing at a very fast pace, so the capacity and everything would have been constrained. So, now we have already put up a second plant which has already started last year which has a lot of capacity which will be consumed in this couple of years. We are increasing our distribution network. So, we are getting now more into two and three tier cities also where we were not before. Our retail network is still very small compared to the size of the market which we are growing this month. So, I think growing the distribution network and the new product, we are very confident that this business for us from this to grow at a healthy pace for the next two to three years seems very good.

Moderator: The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Earlier you mentioned about the 20% growth, so that would be for the second-half year-on-year or you're looking at half-on-half?

Pradeep Rathod : This second half.

Pallavi Deshpande: Second half and so first half was approximately 9% and second half 20%, right.

Pradeep Rathod : Yes.

Pallavi Deshpande: Would we be missing the guidance of 20% to 25% for the year?

Pradeep Rathod : No. As I mentioned, because of softening of the price, our price correction was in the range of around 5% to 6%. So, major raw material which is plastic has gone down by 22% from February of '23 till April, May and now further it is softening. So, the price reduction definitely will have to be passed on to an extent. That's why if you see our gross profit margins have increased in all the segments. That's why it looks muted. But volume growth if you see we will be achieving around 22% to 24% though in the first half even the consumer sentiments were not that very high.

Pallavi Deshpande: Going ahead do you maintain that FY25 onwards the same -?

Pradeep Rathod : We are very sure on our profitability figures and everything what we have given. I think so we will definitely achieve that.

Moderator: The next question is from the line of Mr. Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Just a clarification. You said 9% growth YoY for the first half. Is that for the company as a whole or just for the consumerware business, sir?

Pradeep Rathod : For the company as a whole.

Achal Lohade: Would you be able to give a sense with respect to how much would be for consumerware and how much would be for the writing instruments and the molded furniture?

Pradeep Rathod : Molded furniture did not grow in value because when raw material goes down by 22% I think so they have to pass at least 16% to 17%. In fact it is a little minus on the value side though the volume growth is very good over there.

Achal Lohade: And what about the consumerware?

Pradeep Rathod : The consumerware grew at around 7% to 8%. Again here, there is a correction of around 5% to 6% and one month shift of our diwali month being major in October, so last year September was the peak month, this year in October writing instruments grow at a healthy 24%, 25% top line.

Achal Lohade: Consumerware 7%, 8% is the value growth for the first half?

Pradeep Rathod : Volume growth would be around 13% to 14%, and that too because changed to October, otherwise it would have been in the range of 17% to 18%.

Achal Lohade: Like you said 20% growth YoY for the second half, have I understood right?

Pradeep Rathod : Yes.

Achal Lohade: This second half to second half right, not compared to first half?

Pradeep Rathod : Second half to second half, YoY.

Achal Lohade: In terms of the margins and obviously we have been top notch in terms of across segments margin performance, do you see we expanding margin or we'll keep margin probably stable and push harder on the growth, how do we look at margins for each of these three verticals?

Pradeep Rathod : So, margins would be stable. Definitely, we are at a very good level of margins. I do not really want to comment here we will grow from here. If we compromise also in future a percent or two, definitely the growth will be much higher.

Achal Lohade: In terms of the new categories, so you mentioned about the kitchen appliances if I heard you right, would it come at a substantially lower margin given it is far more competitive, lot of existing players being there for the decades, is that what you're hinting at when you say 100 to 200 basis points margin compression only for these new categories, have I understood right?

Pradeep Rathod : See, this is a very small vertical at present. If we do have any margin, it would not affect too much at a consolidated level. It is a very small market. We want to grow that. It is at a healthy margin only we want to grow. That's why we said we would want to go into niche area. Because the expenditures, sales and all are much higher in this segment for the time being, we are seeing a little muted percentage of profit. But going forward, I think so we will take to a very healthy level and we would like to operate on that healthy level margin only.

Achal Lohade: With respect to the glassware business, can you help us understand what is the total industry capacity at the moment? I presume the utilization has to be 90%, 100% it has to be run continuously for a couple of years or three years. So, do you see a risk of price reduction given if there is a risk of overcapacity in the short term?

Gaurav Rathod: So, basically I think in the glassware side we operate in two verticals; one is the opalware and the new vertical that is the soda lime glasses, which is coming up in Rajasthan. So, on the opalware side, I think the number of players are a few in the market and there is a very huge deterrent to entry, and all the three players that are in the market are good size, more experienced and mature players. So, I don't see any problem on that side. When it comes to the soda lime glass, basically it's more of import substitution. So, we would be the first ones in India to put a facility of this kind. It is still at a very small revenue. Today, the market is quite substantial when it comes to imports. So, we just want a small pie what we are eyeing for in that particular market. So, I don't see any problems reaching those revenues in a very short period of time. And when it comes to the profitability also we don't see any compromises. There has been expansion of capacities everywhere even when it comes to opalware. But even after that the margins seem to be healthy.

Achal Lohade: You mentioned about 13% mix from the value-added products. So, a) how do you define this value added products; and b) this 13%, what is the outlook over next three to five years, could it be 25%, 30% or could it be 18%, 20%?

Pradeep Rathod : So, this is on the molded furniture side what we said 13%. From a lifestyle product what we have started last two years back where the product is more value-added, there is a difference you will definitely see which can go into households, then for outdoors like small eateries and this place where we get a good price when the product is good. And it's a little difficult to manufacture even out of raw material which is recycled and all, because the strength has to be much better, the looks are different, the colors are different. So, this value addition is giving us a better margin. So, if you see in Wim Plast also in the last two years, we have scaled our profitability up in percentage terms compared to any of the peers in this. We aim to take it to 25% to 30% over the next 2-3 years with the mix of the products where our lifestyle and better products would be a mix of sale of around 25% to 30%.

Achal Lohade: In terms of the capital expenditure for FY24, I think, Atul, you mentioned about 225 crores. But how do you see FY25-26, what kind of annual CAPEX would we look at for next 2-3 years?

Pradeep Rathod : Except our glassware, which is a high CAPEX vertical, writing instruments, consumerware, long glass doesn't have a very high CAPEX. So, that we have been expanding over the years. The ratio from CAPEX to turnover is around 7x. So, whatever we want to scale over the next three years, for the company of this size it will be a negligible CAPEX, around 40 to 60 crores a year.

Achal Lohade: So, the question that was in my mind next was, how do you deploy the cash flows, given the kind of significant cash flows we're looking at annually, how do you see it in terms of dividend or the payout?

Pradeep Rathod : For next one or two years, we want to use all our money to grow. So, the glass plant when we starte, it even needs a lot of working capital. Even we are aiming to go at 20% plus CAGR over the next three years. one is the CAPEX side, the other is the working capital side. If you see historically also one of our listed companies, Wim Plast, we have been regularly giving dividend at a good level and we have maintained that for last 20 years. So, with scaling up too early we just got out of the issue and definitely we'll have really a good dividend policy.

Achal Lohade: Just one small clarification since you raised a topic about working capital. Obviously, our receivables are probably one of the highest in the peers. So, how do you look at this, a), do you see utilizing the likes of channel financing bill discounting to reduce this or also curtailing the credit to the trade partners?

Pradeep Rathod : Little bit we will cut in. There are some places where we are really giving it high because they are old associated with us and we were little comfortable. Channel financing, yes, we started a little bit but we do not want to go fully aggressive on that. Because I think with this kind of business and what we see the profitability is because my good products which do not move very fast, always, we maintain that stock. So, the turnaround for that product in the distributors warehouse is a little slow. And that's why the payment is late. Otherwise it is not. So, if I do not want to sell that kind of a product and I want to sell only the me-too products like everybody sells, the margins get disturbed. From last 25 years we have been giving a better credit period into the distribution and that will help the company. So, we would not like to really disturb it to a larger extent. Yes, definitely, we'll discipline it to a better level.

Moderator: The next question is from the line of Keyur from ICICI Prudential Life Insurance Company. Please go ahead.

Keyur: The question is on the growth that you mentioned for the second half, 20% revenue growth, that is what you're guiding for the revenue growth, if I'm not wrong?

Pradeep Rathod : Right, right.

Keyur: So, the way in H1, we have seen that margins are higher because of the lower RM prices, so should we assume that the operating profit and PAT growth would be higher than the revenue growth in the second half, would it be fair understanding?

Pradeep Rathod : For at least this six months I'm very sure. Because of the raw material pricing softening up and a little demand being opened up in the market much better than what it was in H1 and now we have the raw material which is fully down, almost we are at a stage where we are now saturated and going down further and we have raw material which is already booked. So, for the next six months, definitely we see whatever we grow the margins will be above that in percentage of sales.

Keyur: Whatever you can share as to how the diwali festive was, if you can share the qualitative, quantitative data, that could be helpful?

Pradeep Rathod : Sorry, I couldn't get your question.

Keyur: So, post the Q2, in Q3 that is October and November, how was the festive season if you can give idea about how good or bad the festive season was?

Pradeep Rathod : Yes, October was a very good month definitely and November seems good.

Keyur: As you start your glassware facility in Q4, now that being a higher margin product and since we are doing import substitution, on manufacturing also we will save some cost, so should we assume higher gross or operating margins in FY25 versus FY24?

Pradeep Rathod : Once it starts operating in the first year, the entire furnace which can give us a turnover of around Rs.275 crores plus will not be achieved because there are a lot of SKUs and by the time we launch the locally produced material into the market, it would be around a quarter later. At EBITDA levels, yes, definitely will be much healthier from this year to next year. But the EBIT level would get over the next one or two years because of that particular thing. We will be operating on other fields that is definitely there. But because of the glassware for the time being, I think that we can get a little muted also next year. EBITDA definitely would be very high next year once we start the furnace.

Moderator: The next question is from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.

Praveen Sahay: First question is related to your CAPEX that is related glassware capacity expansion. Just a clarification. Total CAPEX is of Rs.250-odd crores and capacity would be around 25,000 tons?

Pradeep Rathod : No. So, the total CAPEX would be around Rs.200 crores. Rs.250 crores is the total layout what we have made over there in Rajasthan. So, there would be another plus line of the company also been started later on over there. So, the CAPEX for glassware particularly is Rs.200 crores.

Praveen Sahay: And the potential revenue is Rs.230-odd crores?

Pradeep Rathod : Rs.250-275 crores depends upon the product mix.

Praveen Sahay: The second question is related to the capacities only. You have a 79% of your revenue in the first half in, in-house manufacturing. And if I look at the capacity utilizations for each of your verticals, like consumer is more than 80%, writing 68% and molding is 70%. So, how to read this like every year you are going for a capacity expansion in each and every vertical and what level of utilization is the maximum you can go in each vertical?

Pradeep Rathod : See, first of all, in writing instruments, the capacity utilization was 68% to 70%, whereby we are going very fast, so that gets adjusted. We just have to add some machines because the mold capacities are already there. In some of the molds we do add new products into that. Even in the consumerware, it is just by adding machines, we do not have to create a facility. Unlike the glass the way it is, you have to put a furnace which is 25,000 tons or 20,000 tons. You cannot just get by expansion of 10% more. You have to grow. Either it is 50 and then 100 and 150. So, this is the way the expansion goes in. The utilization also changes a lot because of the raw material pricing. So, with this utilization level, it was always based on volume. So, volume is not the parameters we look normally into our business sense, we look as the value. My unit should make approximately this value of material it should make in a month. Because we do not give value, the right specification is the value what we can produce. So, in every plant we have a value-based plant and in glassware we do on a tonnage basis, how much ton of material we have made in this month and what is that capacity. Except that actually the capacity utilization is only on a base historical thought. Because the value might change a lot. If I change the raw material from one to another if we're making from a pack to a title, the raw material size is double. And if I make the similar bottle into that, the machine is same. My value will go double, then 2.5 times of what I was selling the bottle which was made out of another material. With very low CAPEX on this, this was never a constraint for the company, and it would not be in future also except the glassware where we have a higher CAPEX at the time; at one go, we have to do a higher CAPEX to put the plant. In our writing instruments, in our consumerware other than glass or in molded furniture the CAPEX is not very high. So, the ratios really do not matter a lot.

Praveen Sahay: And also similar to your molded furniture business in which a 13% is value added contribution, can you give for the other segments as well?

Pradeep Rathod : No, molded furniture per se was at a lower side, others we operate at a very decent margin only if you have seen historically. Even in writing instruments if you compare last year EBIT was around 23% which was best in the industry and still we are not at the top peak. Molded furniture per se where we really want to go into value added products, because we have a competition, which is unethical because of raw material which is used from recycled material and that competition we cannot chase because it's not apple-to-apple, right? And that's why we want to shift our portfolio to a category where it cannot be produced from any recycled raw material or where the brand definitely comes into picture when the price point is very high for a buyer.

Praveen Sahay: How much is the plastic product contribution in your top line ex of glass or appliances?

Pradeep Rathod : We have already given, but we have not kept in that way because we have thought in the three verticals, on the consumerware facing at this and we have given the gross margins definitely on the consumerware business.

Gaurav Rathod: When we compare plastic, we are actually across materials. We have a plastic bottle, but we have a steel inside it also. We are no longer a plastic company. It is very difficult to define the amount of plastic that goes into. Because there are glass products with plastic lids. So, plastic per se is very difficult to define anymore.

Praveen Sahay: If you can give how much the appliances contribute to your business?

Gaurav Rathod: Appliances today is a very small vertical for us; it's about only about Rs.75 crores of the turnover this year will come from that, so it's a very small niche line for us at this point of time.

Praveen Sahay: Rs.75 crores in FY23?

Gaurav Rathod: '24.

Praveen Sahay: So, that's the expectation you are saying to -?

Gaurav Rathod: Overall exactly what we have achieved almost in the first quarter based on that.

Praveen Sahay: And also if you can give some color on the seasonality of each of the products like as you mentioned overall second half is expected to deliver a very high growth compared to the Q1 and also you had highlighted that October is a heavy month which shifted because of festival, each vertical if you can give some like how is the seasonality throughout the year?

Pradeep Rathod : So, I'll start with the writing instruments which is the easiest. Back to school time is a little higher scaling up and exam time, so January, February, March quarter will be a little higher. April is low, May, June are very high months, so that quarter is good. Going into our consumerware business, definitely festive season gives a spike of around 4% to 6%. So, in the 12 months if I divide 8.33, I think for Diwali two months period would give us 21% to 22% sales. Other than that, it is not very strong seasonality. In summer, we have a spike because of bottles and water jars because it's a longer season; it's almost two and a half, three months and back to school also falls into the same. We don't have a very high seasonality where the sales come to 5% and then go to 15% in the second month.

Praveen Sahay: The question is on the distribution like as you also mentioned and in your presentation, general trade contributes on the higher side 75%, 76%, way forward we are going to maintain such kind of numbers or we are expecting modern trade, etc., to contribute more?

Pradeep Rathod : So, modern trade is again now getting established. If you see there were very few retail companies in India. One of the biggest which we could not sustain and got closed and so now again it is getting up. Earlier modern trade has the problem of pricing always and now they have understood the game also, okay, even we need some brands, with only pricing we will not be able to be a good store. So, the metrics will definitely change. Our general trade over the next two to three years would be around 70%. Our online sales will go from 9% to 10% of what it is today to around 12%, 13% and similar from 5% of our modern trade will go to 7%, 8%. Our export will be from 8%, 9% to around 10%, 11%. That's what is the market what we are looking at over the next three years.

Praveen Sahay: Sir, one clarification on the license for our 20-years. Can you elaborate further like how much the amount is and like how this structure is actually?

Pradeep Rathod : The brand is registered in one of our partnership companies where the promoters are 100% partners over there. We have licensed this from Cello Plastic Industrial Works to our company for 20 years was the first thing and perpetually it can be automatic renewal. It is an exclusive license with Cello World Limited and none of the consumer items can be even manufactured by the promoters who own the brand as a separate outside the company. There is no royalty and it is an auto renewal. So, you can assume that it is a perpetual license which we have worked for consumer-spaces across.

Praveen Sahay: How much amount paid for this?

Pradeep Rathod : No, we have not paid anything.

Praveen Sahay: So, there is no outgo of money, but we are having for 20 years and that will be auto renewal?

Pradeep Rathod : Yes.

Moderator: The next question is from the line of Jagvir Singh from Share Capital. Please go ahead.

Jagvir Singh: My first question is related to the writing instruments. So, we have done amazing work from zero to around Rs.300 crores in four, five years when we launch the Unomax. So, how much we are doing from exports and how much is the domestic and how big is the export opportunity for Indian players?

Pankaj Rathod : We are now almost four years into after launching the new brand Unomax in 2020. Last year, we had a turnover of Rs.285 crores. 40% was export and 60% was domestic. And I feel even in this year, I think it will be 35% would be export and 65% would be domestic. We feel that maybe we will have a 30:70 ratio going forward.

Jagvir Singh: But how big is the export opportunity, is there anything like for writing instrument?

Pankaj Rathod : What? I didn't get it.

Jagvir Singh: How big is this export opportunity? Is there anything like kind of writing instruments?

Pankaj Rathod : You mean to say the numbers what we did last year or this year? What is the size of the market?

Jagvir Singh: Yes. How big is the opportunity for Indian players for the exports?

Pankaj Rathod : Size of the market is huge because if you see the world market, it can be like 40,000, 50,000 crores market all over the world is for writing instruments. We are just a very small part of it. About 150 crores export, maybe this year 40, 50 crores is very negligible. So, there is a lot of potential of growing in this market here.

Jagvir Singh: The clearance by a big company in the writing instruments being around Rs.1,000 crores of revenues?

Moderator: Your voice is not clear.

Jagvir Singh: Sir, in the writing instruments, one player is a big company doing around Rs.1,000 crores of revenue, but then our margins are higher than the player. So, what is the main reason because we have more exports or lower advertising cost or what is the reason for this?

Pankaj Rathod : We operate in a category which is above 10, we don't do below 10. So, this is one of the reasons and also our product mix and our pricing are better than the competitors. Because we add more value products instead of getting into those lower end volume products.

Jagvir Singh: And the in the opalware side largest and the oldest player have a very high EBITDA margin around more than 40%. So, our opalware business also can do at some point these kind of margins or we sustain these kind of margins in the opalware business?

Gaurav Rathod: I think we already do similar margins with our competitors. So, I think we're not far away from that anyways.

Jagvir Singh: Is there any thought on the merger of this Wim Plast because now we have two listed companies?

Pradeep Rathod : Over the time we will definitely think and consider that.

Jagvir Singh: We did two things in the last four, five years, one is the writing instruments, so we have done a zero to around 300 crores and second is the opalware, we did very good. So, any other product lines where we can do these kind of new categories where we can do this kind of a scale?

Pradeep Rathod : See, first of all, a new plant for glassware is coming up. Though it is an opal glass but it's completely different at end use. So, that has a huge potential. For the next two years the glass plant and opal expansion we would like to concentrate much more on that to become a top level plant. Porcelain is one project which is almost due to be launched in January where we will have more of hot drinks wares and this dinnerware. I think the company has a lot of verticals which we have already started in the last three to five years and which needs to be scaled up. So, we have a lot of these in our basket already to perform and to consolidate that on a higher level and maintain our profitability or grow from here.

Moderator: The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: How is the capacity ramp up going with respect to our expanded capacities on the opalware as of now?

Gaurav Rathod: So, opalware we have already expanded our capacities recently in August of 2023, so it's now in full capacity mode.

Karan Bhatelia: So, we are seeing the benefits already on volumes and on profitability side or we need to see the full benefits?

Gaurav Rathod: So, we have seen already, but I think it will be better in the next coming H2.

Karan Bhatelia: Also, with respect to our Rajasthan facility, we'll be having 20,000 MT. So, do we have sufficient land parcel if we have to further expand that if the demand for glassware increases all of a sudden, so do we have enough land parcel at Rajasthan for glassware and for opalware at Daman?

Gaurav Rathod: Yes, we have a pretty big land parcel. So, all our expansion, whether it be glassware, plasticware, anything, for the next five to six years we have enough land parcel to grow all our verticals.

Karan Bhatelia: You did mention of a 20% kind of value growth on second half to second half, but any color on how with respect to first half and second-half growth what's the outlook over there because we don't have second-half numbers of last year?

Pradeep Rathod : If you see the first half of this year, we have done around 950 crores, full year last year was 1,796 crores. So, I think it would be clear from the historical and what we have achieved over here how would the second half look if we are assuming to grow at 20%.

Moderator: The next question is from the line of Deepesh Sancheti from Mania Finance. Please go ahead.

Deepesh Sancheti: Just one question about going ahead what will be the growth drivers -- will the expansion coming from glassware in Rajasthan will be the only growth driver or there will be an enhanced capacity utilization as well as CAPEX in other consumerware, writing instruments and molded furniture?

Pradeep Rathod : Definitely, we want to scale up in all. As we already mentioned, writing instruments is a small vertical which has started 3.5-years back and that has a lot of expansion and we have already created new capacities within writing instruments. Our consumerware, glassware and opalware plus the other products which are the main line of the company insulated wares and all. We would definitely grow at a healthy pace in that also. Glassware could be a major driver. Writing instruments also can be a major driver to that, but our other consumer products also could grow at a very healthy pace. When we are assuming 20%, it won't be much different on this side.

Deepesh Sancheti: So, going ahead in FY25, we will be growing at a faster rate because of the glassware also coming into the sales?

Pradeep Rathod : Yes, definitely it will help further grow out the numbers.

Deepesh Sancheti: Now, Cello World, we are getting a price to earnings at around 60 whereas our subsidiary Wim Plast is getting a price to earnings at 15. Now, the merger will actually enhance the value for the company as well as the shareholders. Has the management thought about the prospect because this will also help reduce your shareholding to below 75%.

Pradeep Rathod : We will at the right time definitely would like to do that. It would be unfair to comment or I don't think so I exactly I can give you the details on this call particularly. Once we have the approval of the shareholders and all that, we will definitely look into that.

Moderator: The next question is from the line of Manav Vijay from Deep Financial Consultants Private Limited. Please go ahead.

Manav Vijay: My first question is regarding the writing instruments division that you have. Could you please mention what is the capacity that you have and what is the utilization that you are doing right now over there?

Pankaj Rathod : Last year, we did around Rs.285 crores in writing instruments. We have a capacity which we put in the last year with the second plant is almost like 550 crores volume we can do. So, that will be good enough for the next couple of years, yes. Capacity is not a problem, even as we grow at a healthy pace.

Manav Vijay: On the current plant capacity that you have, you can do around 550 crores of sales and there is no further CAPEX?

Pankaj Rathod : We have to just add some more machines, that's all. The land, building and all the other products all are in line, just some more new machines will be added as and when the growth is like every year.

Manav Vijay: Second question is regarding this segment only. So, in response to one of the earlier questions where the difference between the gross margin and the EBITDA margin was asked by one of the earlier participants, it was mentioned that we do not operate under actually Rs.10 price front and the reason why we have the margin is actually slightly better. So, for us, what is the average selling price that we realize at the company level?

Pankaj Rathod : MRP of the product is Rs.10 and it goes to say metal pens which are almost Rs.200. Also, the difference is that we always choose the product even in a category to be commanding a better price because of our quality and because of our product demand. It's not just the MRP but also our net realization to the competitor is higher. We operate in a more innovative way in terms of the distribution, which gives a better margin. Second is also like we don't operate into a lot of categories like there can be a sketch pen which can be sold at Rs.12 for 12 pens but we are selling a coloring pen at about Rs.150 for the same product. So, it's all depend on the product what we sell. So, we are going with a more profitable business than just putting number. After that also we have a strong market to grow in this category. So, like in the last three years you can understand that we have scaled up this business from zero to say 285 and we this six months also we have grown very healthy. We want to grow at a more value added product rather than being on a mass market, where we don't feel any value.

Manav Vijay: Is it possible to share the average selling price that you realized at the company level?

Pankaj Rathod : Yes, it's almost like Rs.6.5 to Rs.7 per piece net realization, because maximum is Rs.10 and then above, so it will be like somewhere at about Rs.6 or something.

Manav Vijay: My second question is regarding the opalware expansion that you have done. After the expansion, what is the total capacity, and on that capacity, what is the sales maximum possible that you can do?

Gaurav Rathod: I think we expanded our capacity by about 10,000 tons and the total sale that is possible now is in the range of 400 to 425 crores is what we expect from this plant.

Manav Vijay: With this kind of sales, what are the gross margins and the EBITDA margins that are possible?

Pradeep Rathod : We've already given the segment. The EBITDA margin would be in the range of around 27% to 28%.

Manav Vijay: And the gross margins of around 53%, 54%?

Pradeep Rathod : The gross margin particularly in opalware is different. So, we have given at a consolidated level of 53%.

Manav Vijay: Maybe just one concern that I have regarding your consumerware division. So, over there you have opalware, you have appliances and you have other kitchen instruments –

Pradeep Rathod : Steel vacuum glass, normal vacuum glass, lunch carriers, bucket, storage containers, there are many verticals. End use I think more than anything you can have. So, there are lot of products in that. I hope you wanted this. Was it on the same line what you asked?

Manav Vijay: In your current consumerware segment you have opalware and you have appliances. What you do not have is the glass.

Pradeep Rathod : Glass to an extent of import is already built in the opalware business. Because we started importing a little bit glass to have the feel of the market because we were putting the plant. What are the products and that's what we started importing just to have the feel what are the products we should manufacture when we start this plant because plant is one and then what types of products, every product has to have a different mold and the design and all. So, we have to make the molds. So, we wanted to have the feel, so we started importing to a small market what we did over the last two years and then we'll convert that into our production locally.

Manav Vijay: My last question is regarding sir, in glassware, you mentioned that you're putting up this capacity and this capacity can do around 250 to 275 crores of sales. What do you think is possible in how much timeline you can reach to this desired sales number?

Gaurav Rathod: It's a continuous plant and I think we have sorted in that aspect. So, at maximum 2 to 2.5 years, we should achieve that number.

Manav Vijay: Gaurav, I think since this will be a continuous process, so you will run the plant actually at full capacity and you will continue to build the inventory till the time you will have the desired market, would that be right assumption to make?

Gaurav Rathod: Yes, that's correct.

Manav Vijay: At full capacity what kind of margins are possible?

Gaurav Rathod: We're looking at similar margins as we have in opalware.

Moderator: The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Just wanted to understand two things. What would be the glass revenues in first half for us within consumerware 633 crores there? Second would be what would be Milton's capacity on the glass side?

Pradeep Rathod : Milton is not manufacturing any soda lime glass. 100% is on import base. So, I don't know what are the figures accordingly.

Pallavi Deshpande: And these lunch boxes, they use the soda lime glass, right?

Pradeep Rathod : No soda lime is a vertical. Normally this drinkware, containers and everything what comes out of it at the end product. Soda lime is a material name.

Pallavi Deshpande: What would be our revenues in the first half?

Pradeep Rathod : It is there in the consumerware completely because from a little competitive edge we are only giving at the gross margin levels, because we see all our businesses are consumer based business as we have earlier strategized in that way. Some of the figures definitely I can discuss with you on this but we do not want to report into segment reporting. It gives a lot of insight of the company to the competitors.

Moderator: The next question is from the line of CA Arun Maroti from Subh Labh Research. Please go ahead.

CA A Maroti: My question is with regard to the borrowing which we show in the balance sheet that we have good amount from the related party. So, some color on that going forward will be very helpful?

Pradeep Rathod : When we consolidated all our companies into Cello World, the promoters sold their partnership companies into Cello World. The money required by the company, which I've explained again it is a loan which is created by the transfer of asset which will be paid back to the promoters in the next three to five years as the cash flow of the company happens.

CA A Maroti: On the opalware capacity side, if you can share the current capacity utilization on that?

Gaurav Rathod: We've just expanded our capacity in August of 2023, and we currently are at 60% capacity utilization.

CA A Maroti: What is the expected timeline for the utilization of the 100%?

Gaurav Rathod: About 1, 1.5-years we should be completely utilizing the entire capacity.

CA A Maroti: On the marketing spend side, as we have the brand ambassador Mr. Amitabh ji, so what is the duration of that contract and what are our standard marketing spend percentage of revenue and going ahead?

Pankaj Rathod : So, Amitabh Bachchan contract is like we renew every couple of years because he has this thing that he renews the agreement every year. All the production and all the all the advertising, PVC is all being made and whenever we require, we will use him again, but our contract is like automatic renewal every year.

CA A Maroti: What is the percentage of marketing spend of the revenue?

Pankaj Rathod : With this kind of volume 2%, 2.5% would be a good size.

CA A Maroti: On the online sale, if you can share what percent of sale we are getting from the e-commerce?

Gaurav Rathod: So, currently we are doing 8% of our revenue from our online business, which we are trying to scale it up to about 10% to 12%.

Moderator: The last question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: You did mention of getting more aggressive on the stationeryware side of the business. So, if our realization on pens is 6, 6.5, what could be the average realization for stationeryware and how it can change the blended margin profile?

Pankaj Rathod : It depends on what kind of stationery. So, during the season the margins are a little higher. Compared to our business we still feel that our writing instruments will be 70% of our business in future and 30% would be stationery. So, even if the stationery product prices are higher, maybe in terms of the changes in terms of per product realization will improve every year because we are also adding more value products, we are adding above Rs.10 like Rs.20, 30, 50. With all these ranges maybe the price point will move up in future. That's the whole idea of getting into higher end product. Major volume will come from the mass product, but around Rs.10 product, but definitely we are moving towards higher price point.

Karan Bhatelia: With respect to margins, are they substantially better compared to the writing division or is almost at par?

Pankaj Rathod : So, we are almost at par, yes.

Karan Bhatelia: No, sir, going ahead, I'm saying –

Pankaj Rathod : So, we are already at a very healthy margin, maybe we'll continue this thing.

Karan Bhatelia: With respect to domestic export, it will be again 70:30 or the stationery will be more on the domestic side?

Pankaj Rathod : 30% will be export and 70% will be domestic for the next 2-3 years, this is what we are looking at, yes.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

PankajRathod: Thank you, everyone for joining today's call. I hope that we were able to answer your questions satisfactorily. If you have any further queries, please contact SGA, our investor relations advisor. Thank you and thank you to all.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.