Cello World Limited

(formerly known as 'Cello World Private Limited')

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November 19, 2024

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 13, 2024 at 09:00 a.m. (Indian Standard Time) on the unaudited financial results for the second quarter ended September 30, 2024, 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

Hemangi
Pragnesh Trivedi

Digitally signed by Hemangi Pragnesh Trivedi
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"Cello World Limited

Q2 FY '25 Earnings Conference Call"

November 13, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 13th November 2024 will prevail

MANAGEMENT: **MR. GAURAV RATHOD – JOINT MANAGING DIRECTOR – CELLO WORLD LIMITED**
MR. ATUL PAROLIA – CHIEF FINANCIAL OFFICER – CELLO WORLD LIMITED

MODERATOR: **MR. NILESH PATIL – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Cello Limited Q2 FY '25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nilesh Patil from ICICI Securities. Thank you. And over to you, sir.

Nilesh Patil: Thanks, Sejal. Good morning, all of you. On behalf of ICICI Securities, we welcome you all to Q2 FY '25 Results Conference Call of Cello World Limited. We have with us Mr. Gaurav Rathod, Joint Managing Director; Mr. Atul Parolia, CFO. Now I hand over the call to management team for their initial comments on quarterly performance, and then we will open the floor for question and-answer session. Thanks, and over to you, sir.

Gaurav Rathod: Thank you, Nilesh. Good morning, everyone, and a very warm welcome to our Company's earnings call. Joining me is our CFO, Mr. Atul Parolia and our Investor Relations Adviser SGA. The results and presentations are available on the stock exchange and on the company website. I hope you had a chance to look at the same.

Our performance during financial year '25 is in line with the overall industry trends. Revenue and profit remained flattish on a year-on-year basis for the quarter. We were able to maintain our gross profit level margins at 52%. The softer performance was mainly on account of a delay in a lot of containers due to the new Russian sanctions and the Red Sea scenario in export, mainly in the Writing Instrument sector. For the quarter gone by, our Consumerware business continues to show positive growth of 5% year-on-year, whereas Writing Instruments and Molded Furniture business degrew, which had led to the result being flattish.

On the capex front, I'm excited about the completion of our investment towards the state-of-the-art glassware manufacturing facility in Rajasthan. We have commenced trial production, and this facility is equipped with very high-end machinery and basically with state-of-the-art technology. With the recent commissioning of this facility, I would like to highlight that we are now the only domestic consumer product company across all kinds of glassware and tableware products. The installed annual capacity of this plant is estimated to be about 20,000 metric tons. The facility has initiated manufacturing of commercial batches and over the course of time, we will ramp up the production and introduce multiple new lines of products.

We have begun Q3 on a strong note as the festive demand seems to be robust, especially in the Consumerware business. Combining this festive demand along with the gradual ramping up of the glassware production, we are confident of achieving better results for the next couple of quarters. From a growth perspective, we are keenly exploring other inorganic opportunities to complement our current business lines.

We remain confident about our Writing Instruments business too going forward. And we still have the same guidance of about 12% to 15% over the next 2 to 3 years. We are in the process of adding more products in this segment, which will contribute to achieving our growth aspirations. To end with, we expect the second half of this financial year to be much better with an improved demand scenario throughout all our business verticals.

I will now take a pause and would like to hand over to our CFO, Mr. Atul Parolia, for financial highlights. Thank you very much.

Atul Parolia: Thank you, Gaurav, and good morning to everyone. I will be sharing the financial details for the quarter gone by. In Q2 FY '25, we achieved a revenue of INR490 crores and EBITDA of INR132 crores with a healthy EBITDA margin of 27%. Our PAT stood at INR82 crores with a margin of 16.7% and growth of 6.7% (Wrongly said, growth number is 2.1%).

Speaking about the business verticals, over 70% of revenue came from the Consumerware 14% from Writing Instrument and remaining 16% from the Molded Furniture and allied products (Wrongly said, the split is 68%, 15% and 17% respectively). Consumerware gross margin was 53.6%, Writing Instruments margin was 57% and Molded Furniture margin was 45.4%. In terms of our channel mix, general trade contributed 74.6% of our sales, while export and online sales contributed approximately 8.5% and 10.8%, respectively, with modern trade contributing the remaining 6.1%.

Speaking of H1 FY '25, revenue was INR991 crores and a year-on-year growth of 3%. EBITDA also grew in line with the revenue and stood at INR267 crores. EBITDA margin was 27%. PAT was at INR167 crores (Wrongly said, number is 164 crores) with a margin of 17%. Our cash flow from operations stood at INR65 crores.

With this, I would like to open the session for question and answers.

Moderator: Thank you very much. The first question is from the line of Praveen from Prabhudas Lilladher Capital. Please go ahead.

Praveen: So, sir, my first question is related to, as you had also highlighted that the export is down because of a delay in container and that lead to the Writing business decline. So how is the situation right now? Because Q2, the decline in the Writing is more than 15%. So how is the situation is shaping right now in this segment?

Gaurav Rathod: I think the current scenario is much better over the last month. Though the -- basically there was about 2 to 3 months delay in the containers. And those were lost sales that I don't think we can recover completely because in those fronts as well in those countries, that sale was lost. So, I guess, right now, of course, it's much better. The previous sale -- previous order that we had is now moving out. So I think situation seems to be better, but it is going to be challenging, especially in countries like Russia, where we still face challenges because of their domestic challenges that they're facing there.

Praveen: Okay. So fair to understand that the things are improving, but still challenges is there. So achieving last year number would be a challenge for us.

Gaurav Rathod: No, not really in terms of -- because the domestic demand has also become much better. So I think achieving last year number in Writing Instruments should still not be a challenge for us, maybe even slight growth also is what we're expecting at least because the last quarter is always pretty good for Writing Instruments

Praveen: And now moving to the next question is related to the gross margin. And in the gross margin for a quarter, if I look at that overall gross margin has also contracted and so as for the segments. So I can understand related to the Writing loss of business. But how is the other businesses like for the consumer also there is a decline in the for the gross margin for the quarter as well as for the moulded furniture. So is that a pricing-led? Or is that the RM led?

Gaurav Rathod: No. So it's a mix of both. So when it comes to furniture, it is RM-led. When it comes to Consumerware, it is a slight discount because of the very weak demand, there was some pass-on of discounts in the market for initial -- for some time. So, I guess, that is a mix of both when it comes to both the different segments.

Praveen: with the demand improvement, consumer gross margin also expected to improve. Is it...

Gaurav Rathod: Absolutely. Absolutely.

Praveen: And lastly, on the glassware, which you had a commission recently and have given a 20,000 metric ton of facility, how is the revenue potential there? And also, you had highlighted it's stepping up well in this quarter. So can you give some more color on that revenue potential and how is the sales especially going on?

Gaurav Rathod: Sure. So I think glassware plant is currently under trial production. So it's not sale able production that we have started at this point of time. We hope to achieve this by the end of this month, we should have production that we can start selling.

In terms of glassware, I think the sales should flow in from next month onwards. So we'll have a good 4 months of sales for this year. In terms of the overall trend as I've mentioned that October was a good month. So the festive season went well, though it was in the last 15, 20 days that we really got this surge in demand. So our secondary sales have been pretty good. So the channel -- whatever choking was there a little bit in the channel that kind of get freed up. So that is why I feel that the demand overall should be much better going forward.

Having said that, this year has been a little surprising because we have had months where we feel that things have been going good, and then the next month, again, things were not that good. So I think, hopefully, this trend is here to stay. And -- but overall, I think it will still take in the whole consumer space, another couple of quarters to really see very good robust growth coming back.

Praveen: Great to hear, sir. And lastly, if you can give some more color on inorganic opportunity, which you highlighted in the opening remarks.

Gaurav Rathod: Right. So I think inorganic opportunity, we have been exploring for a while. And last time I mentioned as well that we are almost -we have a couple of things on the table. But due to some due diligence, I think we have kept that -- not on hold, but just dealing the whole process because we have some things that we want to be clear on before we go ahead. So there were some plastic companies, which is -- with similar product line, slightly different, a little more niche product line, which we were looking at. And it's still on the table, but that is one opportunity that we would like to close sooner or later.

Praveen: Is it possible to give any size indication? Like, is it the same size of any of your product line or segment line?

Gaurav Rathod: No, it's a smaller company. It's not a very huge size, about INR150 crores to INR175 crores of revenue. So it's not a very big size, but it's got products that are complementary and synergetic to us. So, I guess, that was the main reason for looking at a company like that.

Moderator: The next question is from the line of Sumit who is an Individual Investor.

Sumit: I actually have a question on the commentary from last quarter where you had mentioned that the heat wave was the major factor why domestic sales were low. And yet again, we are seeing the same reduction -- since a reduction, but very muted volume growth. So I understand that October will be a good month because festive season but are we seeing too much seasonality, therefore, in your domestic sales?

A lot of investors are in the company because you have a very domestic focused portfolio, which is very spread out, as you rightly said, but is it going to be really a wave with a crest and the trough every few months because I expected this quarter to be a lot better than April, May, June because of the elections getting over and the heat wave getting over?

Gaurav Rathod: No, I think the heat wave and the election was one of the reasons for the last quarter. But this quarter, as I said, it has been a surprising year. It's not -- it has been -- as you mentioned, that an ebb and flow has been there because we see 1 month very good and the second month is not that good. But having said that, the export demand is majorly in the Writing Instruments, and that's where we have really seen the degrowth. And -- but the consumer segment still is growing pretty robustly. So I think that's not where the challenge lies.

Seasonality as always has been a part of our business. So you will always see bottles selling more in, say, summer but flasks and say dinner sets is a festive demand. So there is a seasonality aspect to our overall sales in any case. But that's been there forever. It's just how the product line works, which is also good for us because it kind of whatever shock that we get, maybe an external, whatever external shock, we're able to absorb that because of our diversified portfolio. So, I guess, it's more how the market has been and the demand situation more than us doing anything differently.

Moderator: The next question is from the line of Karthik Bhat, who is an individual investor.

Karthik Bhat: So does this guidance of 15% to 17% growth for the full year remain intact , which you had previously given?

Gaurav Rathod: So I think we'll have to -- that guidance will change a little bit seeing the second quarter. But having added capacity for glassware and that will be new revenue that will come for us. So overall, I think that we should still achieve a good number because as I said, because of how difficult this year has been and how things have ebbed and flowed, it is tough to put a number at this point of time, though as I said October has been a good month and a good pickup in sales. We'll have to wait and watch how this year goes further.

Having said that, third and fourth quarter is slightly better for us on a year-on-year basis as well. So we should see slightly better growth in the next 2 quarters.

Karthik Bhat: Okay. Hence considering the slight de-growth in exports. So if you can -- would it be possible to share which countries or which geographies we typically export to?

Gaurav Rathod: Yes. So basically, as I mentioned, there are -- so Russia for us is a big country that we export to. So that has been our challenge because of the sanctions that are there in place and they've further increased the sanctions. So it's become more difficult for them to trade. And though there are ways that they find out to trade, but it just gets delayed the whole process.

So I think that's one of the reasons. And others over the Red Sea, we have a big export to the states to America as well. And that has caused a lot of containers to kind of delay because it takes the Red Sea route. So, I guess, these are the 2 major countries that have caused the challenges and the de-growth in exports.

Karthik Bhat: Okay. And so do we feel the need to kind of revisit the strategy for exports and in the context of this slightly sluggish demand, what are your thoughts as to how do we get back on the growth trajectory in the coming quarters.

Gaurav Rathod: I mentioned that things have been improving. It's not that it has not improved. So we will be able to close those sales that we kind of missed in the last 2 quarters. So, I guess, should be -- it is definitely a better situation than before. Having said that, if something happens externally, it is definitely currently not in our control. What we are focusing, of course, on is growing domestic sales.

And I think that's the only thing that we can focus on because there is still -- things are much better and looking good. So, I guess, focus on domestic demand and trying to close these orders and plus adding more countries is something that we are looking at.

Karthik Bhat: Okay. Okay. Sure. And any thoughts on FY '26 as of now, especially with this glassware facility also coming in as in what kind of growth can we look at in each of the segments? And what would be the key growth drivers as such?

Gaurav Rathod: Fine. So, I think, of course, glassware will be a driver for us. It's one of its kind facility in India. And we are basically substituting imports, so our idea is to completely use up this capacity in the next 2 years. So that itself will add a lot to our top line in the next coming year.

And with better demand, I'm sure we'll go back to the numbers of 15% to 17% as we have been guiding and have been achieving over the last 2 years. So, I guess, it's just a matter of time. Overall demand scenario has to improve for all of this to happen. And I think, as I mentioned, again it will take a couple of quarters to get there.

Karthik Bhat: Okay. Okay. And you mentioned it being an import substitute product. So just wanted to understand which countries is it typically imported from currently? Do you have any?

Gaurav Rathod: So different countries, of course, China being one of the major ones. You have Thailand, Indonesia, China, Turkey, the Middle East, it's imported from all these places with China having a large share.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal Financial Services.

Sumant Kumar: Sir, can you talk about bifurcation of volume and volume growth and the realization growth or degrowth, whatever?

Gaurav Rathod: So, I think -- Sumant, I think in our business, it's very difficult though there are numbers I can say but kind of -- because we sell a product from INR10 to INR5,000, if I sell more of the INR10 product, you'll have volume growth, right? So it's a little challenging and should -- our business, I would suggest is not -- should not be looked in that sense. But having said that, our volume growth overall is 8% in the Consumerware business and our value is 5% at this point of time. But that also states that there is some additional sale in the low ASP or low average selling price product.

Sumant Kumar: So can you talk about the Writing Instrument, we have seen a couple of quarter degrowth. So what is the outlook for short term to midterm? And what are we doing for the growth for the segment?

Gaurav Rathod: Right. So I think in terms of Writing Instrument, as I mentioned that things have improved in the export side of things. So that should get us back on track. Domestic demand is decent. So I think there, we should be able to cover up the losses that we've had in sales over the past 2 quarters. So, I guess, we should still be able to cross a certain threshold of last year plus a little bit of growth in this segment.

Moderator: Mr. Sumant, does that answer your question?

Sumant Kumar: Yes. So can we see glassware can show a good growth in Q3 FY '24 -- FY'25 onwards?

Gaurav Rathod: Yes. So I think glassware majorly we will only be able to start selling in the next month. So it should add to a certain amount of revenue growth, but major growth should come in the next -- in the fourth quarter.

Sumant Kumar: Okay. And wedding season is going to...

Moderator: Sorry to interrupt you, sir. I would request you to rejoin the queue for your follow-up question. The next question is from the line of Ankur from HDFC Life Insurance.

Ankur: Just you spoke about discounting and therefore, that impact on gross margins during the quarter given the weak demand, so if you could just talk about competitive behavior have those discounts been rolled back given your commentary on demand getting better? Or is it still more discount-led volume-driven kind of environment?

Gaurav Rathod: No. I think discount -- see if you look at the discounting as well, it's been very limited. It's not been a lot. If I look at other peers in the segment, we've seen major de-growth in gross profit margins across the segment. So we've been able to still maintain to a certain extent.

Having said that, at this point, a little discounting will, I think, be the case for the next couple of quarters. I don't think we can shy away from that because we still want to be competitive and at least maintain our turf. So I think going forward for the next couple of quarters, this trend will be there.

Ankur: Okay. And that kind of ties into the fact that you expect a few more quarters before growth really bounces back to that 15%, 17% levels, right? And therefore, then discounting kind of goes away, right? So that's how we should see it.

Gaurav Rathod: Correct. Correct. So I think as the demand picks up, the need for discounting of course comes down.

Moderator: The next question is from the line of Percy from IIFL Securities.

Percy: So on the glassware plant, I just wanted to understand one thing. So this is a plant which needs to run 24/7, right? So you have a capacity of around 20,000 tons per annum, which is 55 tons per day. So does this mean that your production will be 55 tons per day from the time you start commercial production?

Gaurav Rathod: No, it actually takes a little time to ramp up. So though the capacity is that much, maybe it will take about a couple of months, 2 to 3 months to ramp up. And we are able to run at, say, 70%, 80% as well depending on demand. So of course, it will depend on those factors, but the capacity is about 20,000 tons. So at the max, we can achieve this.

Percy: What's the minimum that you need to produce a day?

Gaurav Rathod: Minimum would be about 70% to 80%, as I said it would be 40 tons. So 55 tons a day, then it would be 40 tons.

Percy: Okay. Okay. And what is -- I mean, your capacity that you have put up 20,000 tons, what would be -- what would that capacity be as a percentage of India's total capacity for those kind of products?

Gaurav Rathod: So basically, today, most of it is an import, except for Firozabad where there are -- there is glass manufacturing, tableware manufacturing, but very -- the quality is not up to the level. So overall, this is about INR2,000 crores market with imports and domestic put together. And so we are looking at about a 10%, 12% kind of a market share of this entire market.

Percy: Understood. So this -- supposing you start off with 40 tons production per day, are you confident that you will be able to sort of sell that product immediately given that, I mean, you're starting from 0 and going to 70% capacity almost immediately. So do you think you can capture that 10% kind of market share right at the outset? Or does it take time for you to find customers, et cetera? And if it does take time, what happens to the production which you have done in the meanwhile?

Gaurav Rathod: So I think it will take a little time. When I talk about little, the time frame is about 3 to 6 months where once it starts spreading in the market because we have 2 advantages. One advantage is supply because most of this product line is an import and a lot of people import it. It's quite fragmented. So, I guess, one is supply, one is the consistency of the price.

Because today, I'm importing say, 2, 3 people are importing, anyone is able to import and they distort the price in the market. So, I guess, these 2 advantages are very big. We just have to enter with a bang and I don't see any reason why we can't scale this up very, very quickly. So as I mentioned last, as well in about 2 years, we want to definitely finish the capacity.

Percy: Got it. And what's the net realization for glassware for your typical product portfolio at a net sales level, what would be the realization per ton?

Gaurav Rathod: So it's similar to our opalware kind of margins that we enjoy here. Of course, once it has been ramped up at a lower level of capacity, it will be challenging to achieve a good level of margin. But at peak, we are able to achieve really good numbers.

Percy: Yes, not margin. I was asking the net sales per ton, how much that would be? And is it different from opalware?

Gaurav Rathod: It's different from opalware, it's a lot lower per ton. But having said that, it is -- there is a lot of value addition that still can happen in this product line. So it would be wrong for me to say that it is -- at what level it would be, but it is definitely lower than opalware. It's not at the same line.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: I have 2, 3 questions. So on Slide 5, you have given the first half revenue is about INR991 crores. I would say that about 67.6%. So about roughly INR670 crores is your Consumerware business. And it's about 53.6%, the margin what you have mentioned in the slide. I'm more curious, can you step out what is the opalware business in this? And if glassware is going to be starting now, what would be the contribution within that 67%, say, next 1, 2 years?

Gaurav Rathod: Right. So I think I can give you broadly, we do not indicate numbers separately for the Consumerware vertical. We don't give it separately. But overall, it's about 30% of the business -- 25 actually percent of the Consumerware business came from opalware. And the glassware business would add another 15%. So at its height, both put together, it would be about 40% to 45%.

Shirish Pardeshi: Okay. And directionally, once your final capacity gets build up to maybe about 40 tons what you're saying over the next 2 to 3 quarters. And subsequently, you will reach to 50 tons how this contribution of 68% -- 67% would settle for next 2 to 3 years?

Gaurav Rathod: So definitely, the Consumerware percentage would definitely increase because of this. And this will be a faster-growing segment. So of course, it will depend on the other segment, how they grow. But definitely, it will gain a little more percentage over the other 2 segments.

Shirish Pardeshi: Okay. And just one more follow-up on glassware since you are doing the internal production, in-house production, will the gross margin will be subsequently higher than 53%, 54% for glassware?

Gaurav Rathod: Yes. So opalware also the margin overall is slightly more than our other businesses. The gross margins are slightly better. So for glass also, it will be similar, but not initially later -- in later months once we have completely ramped up the production.

Shirish Pardeshi: My second and last question, how we should look at once this capacity comes full on stream? Not '25, but '26 some margin story, if you can give some more depth.

Gaurav Rathod: So as I said that we first have to reach full capacity. In terms of efficiencies also, we need to reach out good efficiency. Currently, we have just started. Glassware is a production that takes time to settle. It's not something that settles within a month or a couple of months. But once it's settles, it settles for about 10 years, and you don't have to look at it.

So, I guess, you are looking at it from that perspective. We hope to completely scale up by March and be there. That's the wish and aspiration to completely be at full capacity and also being able to sell that capacity by the next year and over the next 2 years, we should be able to exhaust this.

Shirish Pardeshi: Just one question, like industry has seen a very strong discounting in the last 30, 40 days. Do you think there is a pre-empting of competition in the glassware also from the discounting point?

Gaurav Rathod: So glassware, I have not -- I'm not seeing any other peers coming in. When I'm talking particularly about the glassware segment that we have just put up. So, I guess, there, it's just imports that we are substituting. So from that perspective, I don't see any pressures on margins.

Shirish Pardeshi: Just one last follow-up. This glassware you will put it in the match pricing or you will take the premium pricing?

Gaurav Rathod: No. So we will basically be at the similar pricing as what imports is coming into. So I think that's the strategy.

Moderator: The next question is from the line of Ritwik Sheth from Arkay Ventures.

Ritwik Sheth Yes. A couple of questions. The glassware plant would be commissioning. So what kind of product portfolio we are targeting from the glassware segment?

Gaurav Rathod: So in glassware, we majorly have drinking glasses or tumblers, all kinds of drinking glasses. We have will have storage containers, bowls, other tableware like plates, dinnerware. So this is the entire portfolio of the glassware plant and also hot drinks, so tea cups and mugs.

Ritwik Sheth Got it. Okay. And what can be the peak revenue once fully utilized from this segment -- from this plant?

Gaurav Rathod: About INR230 crores to INR250 crores we can achieve without value addition. If you -- if we start say decoration, coloring, there are a lot of other value additions that can be done to this product line that can further enhance the revenue.

Ritwik Sheth Okay. Okay. And what would be the payback for this plant after completely ramping up?

Gaurav Rathod: So the payback should be about 5 years, 5.5 years.

Ritwik Sheth Okay. Okay. Got it. And just one question, would there be any kind of cannibalization between the plastic and the glassware products for us?

Gaurav Rathod: No I think we've seen the demand for different products being very different. Also the channel that we sell-through. So most of our distribution is also quite separate. It is not -- there is some overlap, but most of it is a different channel through which we sell. So -and the product line -- and end usage is also very, very different. So a tumbler is, you will only be able to sell a glass tumbler, I don't think you can sell a plastic tumbler. So I think the product itself has a different use. So I don't see any cannibalization as such.

Ritwik Sheth Okay. And just one final question on this. What is the capex for this plant?

Gaurav Rathod: Capex is about INR250 crores.

Moderator: The next question is from the line of Deepesh Sancheti from Manya Financial Services.

Deepesh Sancheti: My question is specifically about the merger of WimPlast and Cello World. Any -- what is the rationale of demerging WimPlast and merging it into Cello, if you could just explain?

Gaurav Rathod: So, I think, we previously mentioned this as well, there are 2 rationales, one is that there is -- we do not see any point in running 2 separate listed entities as the business is not very different. Secondly, there is a lot of manufacturing facilities that WimPlast has, so in different parts of the country wherein we can share manufacturing facilities with our other plastic product lines. So, I guess, these were the 2 major rationales for the merger.

Deepesh Sancheti: Okay. And also with this merger, the entire money which WimPlast had given to Cello World as a loan for about 8% that also gets merged, right? I mean there is -- absolutely, there will be no loan on Cello then?

Atul Parolia: Yes, that's right. But as you know, we have -- while taking the QIP proceed, we have said that we will repay that loan. So already we've repaid that INR100 crores loan to WimPlast. And moreover, I mean, all the points will come to Cello World and that's right, what you're saying is right.

Gaurav Rathod: Because it will become a 100% subsidiary of Cello World.

Deepesh Sancheti: Okay. So effectively, a WimPlast shareholder will get 86 shares for -- of Cello World. That is right?

Gaurav Rathod: Yes, you're right.

Deepesh Sancheti: Now I wanted to understand in terms of Cello World because it's a very good deal for Cello World. WimPlast was trading at what 10PE, 12PE and we are trading at 60PE but my specific question right now is that since you are into 3 verticals, are we looking at actually demerging these 3 verticals in the near future or maybe going ahead? Because I'm sure that all the 3 verticals are completely unrelated to each other, right?

Gaurav Rathod: No, I think -- I don't think we are looking at that because otherwise, we would have not merged this back into Cello World. Because I feel though they have different product lines, there is a lot of synergy between these product lines because on the manufacturing side, our furniture is very, very similar to our other plastic manufactured products. So, I guess, I think there is synergy standing outside was not making sense, and that's the reason that the merger is happening.

Deepesh Sancheti: What I'm asking is that there's a plastic division, there is a pens division. And then there is glassware as well as all the Consumerware business. maybe having 3 verticals would enhance shareholder value in future. I mean, this is not that I'm proposing right now. So maybe in future, when all these 3 verticals can be listed separately?

Gaurav Rathod: So I think, of course, it depends on the growth potential of all these verticals because at the end of the day, when I talk about glassware, steel or plastic, they're still a consumer-focused category. So at the end of the retail sale of the consumer looks at it from a similar perspective, not from a different perspective. So, I guess, of course, if we say tomorrow, glassware becomes too big, then kind of it would probably make sense.

Deepesh Sancheti: Okay. And going ahead, are we expanding the glassware segment also? Or we are looking at first commercializing and commissioning the entire plant into full capacity?

Gaurav Rathod: No. I think our first thing is to completely commission this plant, get it to capacity and sell the capacity of this plan. That itself will take the share of glassware in the total business quite higher. So I think that's the first idea. Later on, of course, as we have scaled up our opalware as well, if there is a chance and if there is a market, of course, we will scale even further.

Moderator: The next question is from the line of Karan from Asian Market Securities.

Karan: So, Gaurav, with respect to the opalware plant, so what was the capacity utilization in the second quarter and how are we seeing that ramping up for the rest part of the year?

Gaurav Rathod: So currently, we're at about 75% capacity utilization on the opalware plant. We have about 25% still to go. So I think by about next year, we should be completely using up this facility. So not this year. We will not be able to completely utilize the full capacity, but we still be at about 75% to 80% utilization.

Karan: Right. And also, can you comment on the new product launches for the first half across categories and Y-o-Y as well?

Gaurav Rathod: So I think new products in terms of category, we have not added, glassware will be one thing that will be new, but was within...

Karan: So at the company level -- what are the new product launches -- new SKU launches at the company level?

Gaurav Rathod: New SKU is more evolutionary. So there is a certain type of bottle, so we make different varieties of the bottle. So every year, we launch about 300-odd products. Even this year, it's been in line. And of course, we reduce also a few. It's not only that we keep adding. So about 100-odd products have been launched in the first 6 months, but it's more evolutionary, more design specific that say there is 1 bottle, the other bottle is the same purpose, but slightly different or a newer design. So it's more a trend game rather than a completely new addition of product lines.

Karan: Right. And last question from my side. How is -- what kind of changes in selling price we've seen for opalware and glassware in the last 1 year at the industry level?

Gaurav Rathod: At the industry level, see there is also -- there has been actually a lot of deflationary pressures that have come in. So overall raw material prices and energy costs have come down dramatically since the last year. So I guess that is the only discount that has been passed on. So from the P&L perspective, it really doesn't have -- it's not changed much at our end in terms of realization.

Moderator: The next question is from the line of Aniket Kulkarni from BMSPL Capital.

Aniket Kulkarni So in the last couple of calls, I think we had spoken about the possibility of merging WimPlast. So have you had any thoughts about the same and, I mean, what is the idea behind this right now?

Gaurav Rathod: So I think we've been speaking about it. And I think now we have just taken this call. So it's already out there that we have now initiated the process for the merger. As I have mentioned earlier as well that the rationales are 2. One is that we don't see a separate entity standing out as a listed company. So there is no point and basically, it reduces our compliance while having it under Cello World.

Already because Cello World owns about 55% of the company in any case. So it's only about 45% that is being acquired. Also, we would be able to use these facilities as WimPlast has a lot of locations where it's manufacturing capacity is there. So we can use it for our other plastics product lines as well. So I think these are the 2 major rationale.

Moderator: The next question is from the line of Karan Bhuwania from ICICI Securities.

Karan Bhuwania: I just wanted to understand what are the distribution expansion plans we have, especially if you can speak about in the Writing Instrument segment, what are the plans we have in terms of distribution expansion?

Gaurav Rathod: So I think there are -- of course, there are certain gaps still in the Writing Instrument segment. Geographically, we have been growing the domestic distribution. They're pretty much covered, but of course can be improved, till last year levels, we were at about 120,000 outlets, which has grown about 15,000 to 20,000 outlets have been added in that, but there is still some way to go. We should be at about 2 lakh plus, and that's what we are aspiring to get to.

Karan Bhuwania: Gaurav, is there any specific time line you're looking to achieve this target?

Gaurav Rathod: So it's an evolving process. It keeps getting added. By the end of the year, we should be at about more than 1.5 lakhs. So by -- in the next 8 to 9 months, we should start looking at touching that number.

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

Gaurav Rathod: Thank you. I would like to thank everyone for being a part of this call. We hope we have answered all your questions. If you need any information, please reach out to us and our Investor Relations partner, SGA. We would answer all your queries. Thank you.

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