

Recommendation		SUBSCRIBE	BACKGROUND					
Price Band	Rs 750-790		<p>Incorporated in 2006, DOMS Industries Ltd is involved in manufacturing, and selling a wide range of stationery and art products, primarily under its flagship brand 'DOMS', in the domestic market as well as in over 45 countries internationally. Other Sub-brand under its belt are 'C3', 'Amariz', and 'Fixyfix'. The company's keen focus on research and development, product engineering, and backward integrated manufacturing, operations, combined with its multi-channel pan-India distribution network has enabled it to achieve a strong brand recall amongst consumers. DOMS Industries Ltd is second largest player in India's branded 'Stationery and art' products market (market share by value in FY23: ~12%).</p> <p>Details of the Issue:</p> <ul style="list-style-type: none"> Total issue of Rs 1,200 Cr, consists of fresh issue worth Rs 350 Cr and offer for sale of Rs 850 Cr by its promoters The net proceeds from the fresh issue to be utilised towards i) financing the cost of a new manufacturing facility to expand DOMS' production capabilities for a wide range of writing instruments, water colour pens, markers, and highlighters, and ii) general corporate purposes <p>Investment Rationale:</p> <ul style="list-style-type: none"> Second largest player in India's branded 'stationery and art' products market Strong brand recall driven by high quality, innovative and differentiated products Robust manufacturing infrastructure, with a focus on backward integration to drive efficiencies; Robust multi-channel distribution network with strong pan India presence Strategic partnership with FILA enabling access to global markets and product know-how <p>Valuation and Recommendation:-</p> <p>DOMS Industries Ltd is one of the leading players in branded stationery and art products where it focuses on R&D, product engineering, backward integrated manufacturing with its presence in Pan India. Further, its strategic partnership with FILA group has enabled them to strengthen its business across international market. Company's financial performance has been strong over the years with revenue / PAT growth at 23% / 42% CAGR between FY20-23, respectively. The issue is valued at 46x to FY23 EPS and 33x to annualised H1FY24 EPS which we believe to be fairly valued. Thus, we recommend SUBSCRIBE to the issue with a long term investment view.</p>					
Bidding Date	13 th Dec-15 th Dec							
Book Running Lead Manager	JM Financial, BNP Paribas, ICICI Securities, IIFL Securities							
Registrar	Link Intime India Private Limited							
Sector	Stationary							
Minimum Retail Application- Detail At Cut off Price			Consolidated Financials (Rs Cr)					
Number of Shares	18		FY22	FY23				
Minimum Application Money	Rs. 14,220		Total Income	684	1,212			
Discount to retail	0		EBITDA	70	187			
Payment Mode	ASBA		Adj PAT	16	103			
Valuations (FY23)	Lower Band	Upper Band	Investment Rationale:					
Market Cap (Rs Cr)	4,551	4,794	<ul style="list-style-type: none"> Second largest player in India's branded 'stationery and art' products market Strong brand recall driven by high quality, innovative and differentiated products Robust manufacturing infrastructure, with a focus on backward integration to drive efficiencies; Robust multi-channel distribution network with strong pan India presence Strategic partnership with FILA enabling access to global markets and product know-how 					
Adj EPS	16.9	16.9	Valuation and Recommendation:-					
PE	44	47	<p>DOMS Industries Ltd is one of the leading players in branded stationery and art products where it focuses on R&D, product engineering, backward integrated manufacturing with its presence in Pan India. Further, its strategic partnership with FILA group has enabled them to strengthen its business across international market. Company's financial performance has been strong over the years with revenue / PAT growth at 23% / 42% CAGR between FY20-23, respectively. The issue is valued at 46x to FY23 EPS and 33x to annualised H1FY24 EPS which we believe to be fairly valued. Thus, we recommend SUBSCRIBE to the issue with a long term investment view.</p>					
EV/ EBITDA	25	26	Financials					
Enterprise Value (Rs Cr)	4,679	4,922	FY20	FY21	FY22	FY23	H1FY24	
Post Issue Shareholding Pattern			Net Revenues	654	403	684	1,212	762
Promoters	75.0%		Growth (%)	0.0%	-38.4%	69.7%	77.3%	0.0%
Public/Other	25.0%		EBITDA	76	30	70	187	127
Offer structure for different categories			EBITDA Margin (%)	11.6%	7.5%	10.2%	15.4%	16.7%
QIB (Including Mutual Fund)	75%		PBT	48	(8)	24	139	99
Non-Institutional	15%		Adjusted PAT	36	(5)	16	103	73
Retail	10%		EPS	5.94	-0.82	2.71	16.95	11.99
Post Issue Equity (Rs. in cr)	60.7		ROCE	17.1%	0.4%	10.0%	33.1%	35.7%
Issue Size (Rs in cr)	1,200		EV/Sales	7.5	12.2	7.2	4.1	6.5
Face Value (Rs)	10		EV/EBITDA	64.6	163.9	70.6	26.4	38.6
Priyanka Baliga Research Analyst (+91 22 6273 8177) priyanka.baliga@nirmalbang.com			P/E	133.0	-968.4	292.0	46.6	32.9
			Source: RHP, NBRR					

Company Background

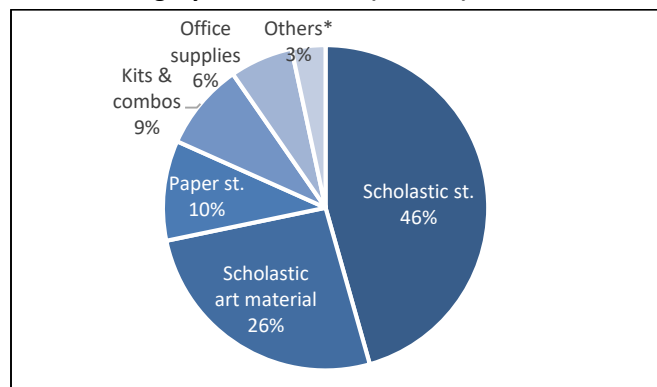
DOMS Industries Ltd incorporated in 2006, is involved in manufacturing, and selling a wide range of stationery and art products, primarily under its flagship brand 'DOMS', in the domestic market as well as in over 45 countries internationally. Other Sub-brand under its belt are 'C3', 'Amariz', and 'Fixyfix'. The company's keen focus on research and development, product engineering, and backward integrated manufacturing, operations, combined with its multi-channel pan-India distribution network has enabled it to achieve a strong brand recall amongst consumers. DOMS Industries Ltd is second largest player in India's branded 'Stationery and art' products market (market share by value in FY23: ~12%).

Classification of various Product categories as below:

Scholastic Stationery	Scholastic Art Material	Hobby & Craft	Office Supplies	Paper Stationery	Fine Arte Products	Kits & Combos
Black Lead Pencils	Wax Crayons	Modelling Clay	Pens	Notebooks	Artists Pencils	Stationery Kits
Mechanical Pencils	Oil Pastels	Playing Dough	Board Markers	Exercise Book	Kneadable Erasers	Art Material Kits
Erasers	Colour Pencils	Glitter Glue	Permanent Markers	Drawing Book	Water Colours for Artist	Painting Kits
Sharpeners	Plastic Crayons	Liquid Glue	Correction Pens	Sktech Pads	Gouache Colours	Combo Packs
Mathematical Instruments	Poster Colours		Glue Sticks	Executive Diaries	Varnishes & Mediums	
Chalk and Chalk Holders	Water Colours			Conference Pads	Inks	
	Sketch Markers				Canvases	
	Brush Pens				Artist Papers	
	Tempera Colours				Brushes for Artists	
	Brushes				A wide range of Artist Essentials	
SKU Count: 392	SKU Count: 283	SKU Count: 45	SKU Count: 146	SKU Count: 418	SKU Count: 2531	SKU Count: 63

Source: RHP, NBRR

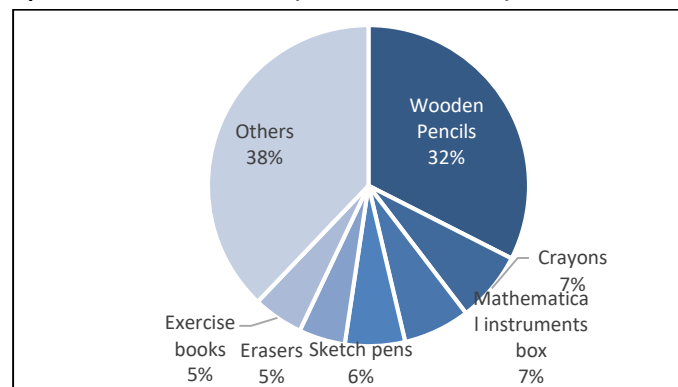
Product Category wise Revenue (H12024):



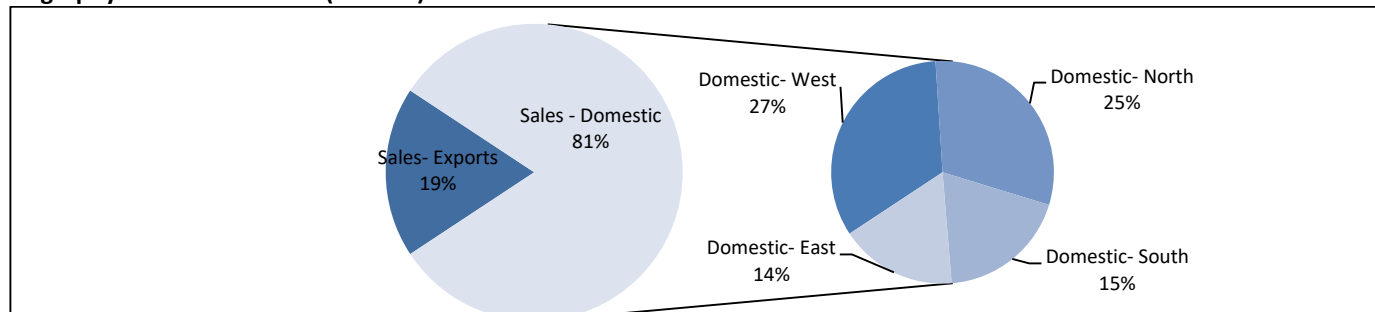
Source: RHP, NBRR

*Others include Hobby & Craft, Fine art products and others

Top Five Products H1FY24 (% of total revenue)



Geography-wise revenue mix (H1FY24)



Source: RHP, NBRR

Manufacturing Facilities

DOMS Industries has 13 manufacturing facilities for different products located at Umbergaon, Gujarat and Jammu As on Sep'23, it has seven warehouses and three depots located in Umbergaon, Gujarat.

Product Segment	Wooden pencils	Crayons	Mathematical Instruments Box	Water colour pens	Erasers	Exercise books	Polymer pencils
UOM	Nos	Nos	Nos	Packs	Nos	Nos	Nos
Installed capacity (mn)	1,512.00	1,058.00	15.00	70.00	650.00	36.72	396.00
Actual production (mn)	1,413.59	936.58	14.59	65.68	571.17	27.04	326.98
Capacity utilization (%)	93.49	88.52	97.23	93.83	87.87	73.64	82.57

Product Segment	Sharpeners	Ball point pens	Drawing and Sketch book	All types of markers	Water colour cakes	Tempera colours	Scales
UOM	Nos	Nos	Nos	Nos	Nos	Packs	Nos
Installed capacity (mn)	420.00	250.00	7.56	43.50	122.40	18.75	135.00
Actual production (mn)	357.27	232.58	5.34	38.86	96.67	18.39	119.24
Capacity utilization (%)	85.06	93.03	70.64	89.33	78.98	98.07	88.32

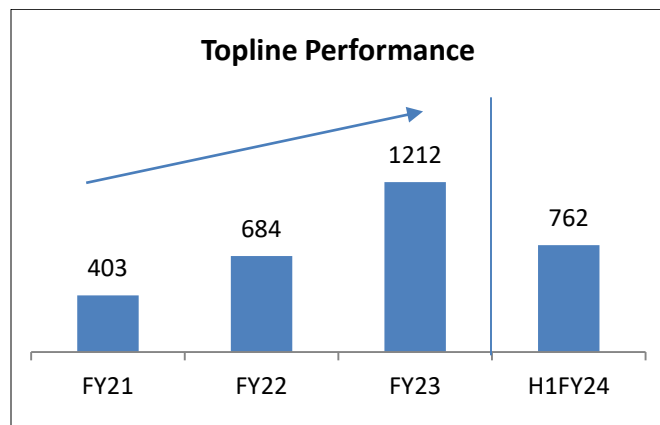
Product Strategy

DOMS continues to innovate and introduce new products. To illustrate on its innovative capabilities, i) DOMS has introduced groove pencils that are manufactured with a patented technology that is exclusive for its company in India. The grooves on these triangular pencils promote superior grip while writing with these pencils; ii) two-dooz pencil sharpener, which is designed for effective use by both left-handed and right-handed persons. Further, it has offered products at diverse price points in order to increase the depth within its products to improve its average revenue realization. The following table provides the average selling price (ASP) for its products:

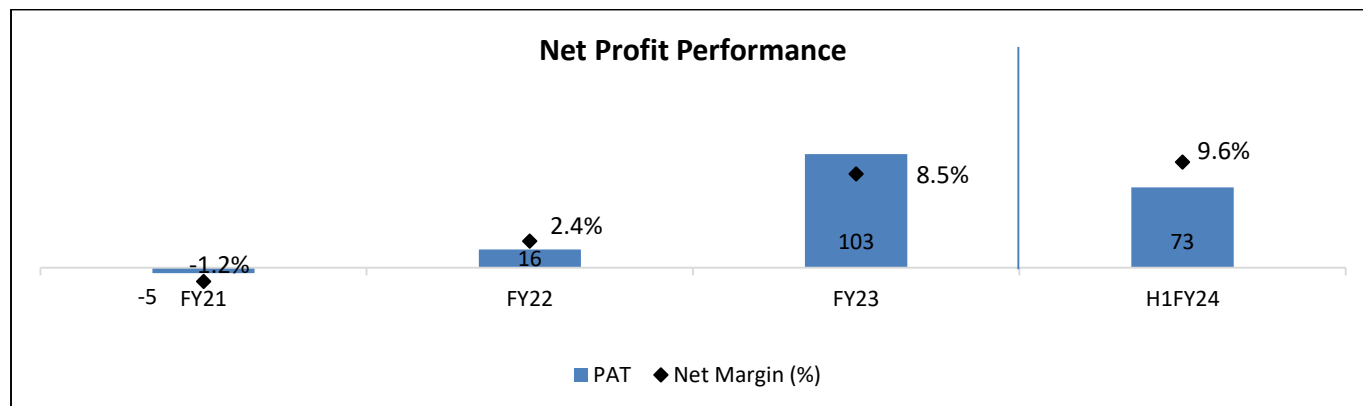
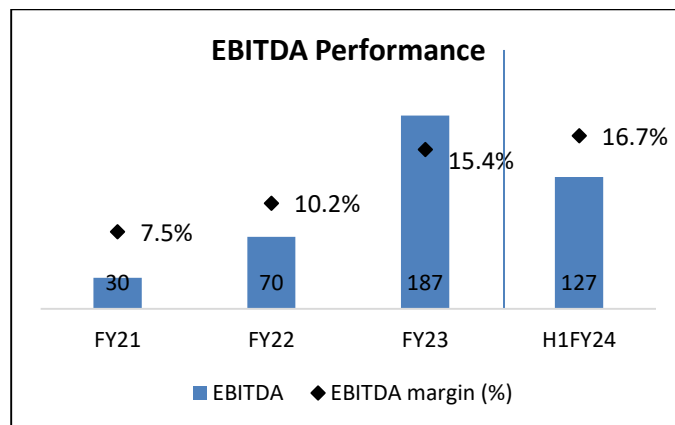
Key products	FY21 ASP	FY22 ASP	FY23 ASP	H1FY24 ASP
Wooden pencils (per unit)	2.60	2.64	2.88	3.10
Crayons & pastels (per unit)	0.87	0.84	0.99	1.01
Mathematical instruments box (per unit)	46.21	44.94	47.96	45.53
Sketch pens (per pack)	10.22	11.02	13.09	15.00
Erasers (per unit)	1.35	1.45	1.48	1.51
Exercise books (per unit)	20.19	19.70	25.91	36.41

Source: RHP, NBRR

Financial Performance Metrics:

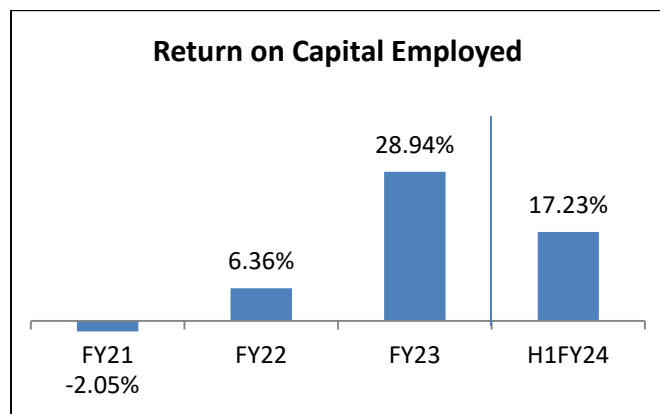


Source: RHP, NBRR

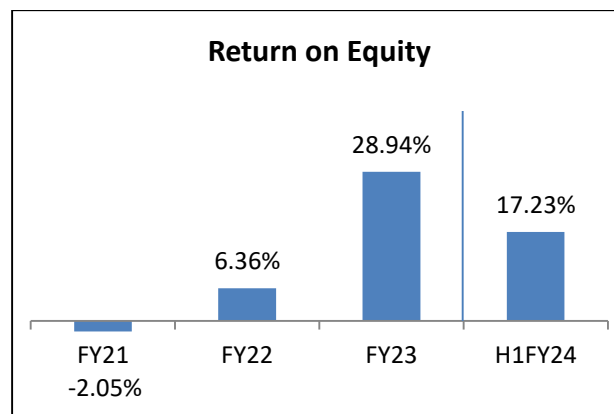


Source: RHP, NBRR

Return Ratios:



Source: RHP, NBRR



Source: RHP, NBRR

Investment Rationale

Second largest player in India’s branded ‘stationery and art’ products market

The company design, develop, manufacture, and sell a wide range of stationery and art products, primarily under its flagship brand ‘DOMS’, in the domestic market as well as in over 45 countries internationally as on Sept’23. They are the second largest player in India’s branded ‘stationery and art’ products market, with a market share of ~12% by value, as of Fiscal 2023. The company’s core products such as ‘pencils’ and ‘mathematical instrument boxes’ enjoy high market shares; 29% and 30% market share by value in Fiscal 2023 respectively.

In addition to being present across multiple product categories to cater to a diverse demography, it has also ensured its products to be available at various price points, through brands ‘DOMS’ and ‘C3’, each of which benefit from strong brand loyalty and unique market positioning.



Rs. 3 Pencil



Rs. 12.5 Pencil



Rs. 90 / Mathematical Instr. Box



Rs. 200 / Mathematical Instr. box

Strong brand recall driven by high quality, innovative and differentiated products

The company’s keen focus on research and development, product engineering, and backward integrated manufacturing, operations, combined with its multi-channel pan-India distribution network has enabled the company to achieve a strong brand recall amongst consumers. As per the Technopak Report, among ‘core’ peers as defined in the report, they were the only company to have achieved a higher revenue in FY22 (post Covid) vs. FY20 (pre Covid), indicative of the strength and resilience of the brand.

Company offers its products through various brands as mentioned below:

DOMS (registered since 2005)



C3 (launched in 2012)

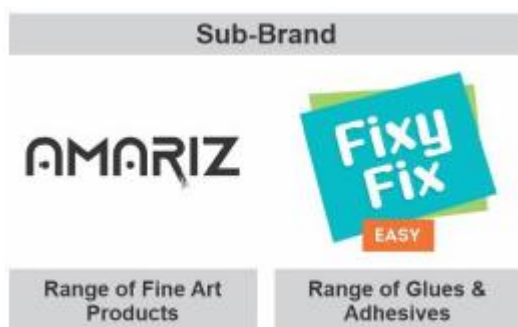
Affordable Market Segment Brand



Range of Products for Rural India

All products in the scholastic stationery, scholastic art material, paper stationery, hobby and craft, office supplies and kits and combos are being offered under 'DOMS' brand. While C3 brand was launched to capture the affordable market segment which includes products such as polymer pencils, which when compared to wooden pencils are slightly cheaper. It has also introduced other products to develop C3 brand such as colour pencils, sharpeners, erasers, kits and combos, chalks, and mathematical instruments box.

Key sub-brands under flagship brand of 'DOMS':



'Amariz' and 'FixyFix' were launched in 2022 / 2023, as a sub-brand under its flagship brand 'DOMS', respectively. It has introduced and continue to introduce fine art products under 'Amariz' with a specific focus towards artist professionals as an end user. It has recently launched art brushes and kneadable erasers under this sub-brand. It offers an exclusive range of glues and adhesives where it has recently launched glue sticks, glitter glues, fragrance glues and white glues under 'FixyFix'.

Robust manufacturing infrastructure, with a focus on backward integration

to drive efficiencies

The company's manufacturing facilities are in Umbergaon, Gujarat and Jammu & Kashmir, India. Company's Manufacturing activities are spread across 1 million square feet of built-up area. Annual Installed capacity of Manufacturing facilities is Wooden Pencils: 1,512 million, Crayons: 1,058 million, Mathematical Instrument Box : 15 million, Water Colour Pens (Sketch Markers): 70 million packs, Erasers: 650 million, Exercise books: 36.72 million, Polymer Pencils: 396 million, Sharpeners: 420 million, Ball Point Pens: 250 million, Drawing & Sketch Book: 7.56 million, All Types of Markers: 43.50 million, Water Colour Cakes: 122.40 million, Tempera Colour: 18.75 million packs, Scales: 135 million.

The company has undertaken end-to-end operations, from conceptualisation to design, manufacturing, packaging and distribution of its product in order to improve backward integration and to drive efficiencies. Their fully integrated operations comprise procurement of raw materials, moulding, assembling, and integration of sub-assemblies into finished products, quality control and testing of finished products.

Robust multi-channel distribution network with strong pan India presence

The company has a widespread multi-channel distribution network, through which they sell its products. The company through general trade sells products to its super-stockiest, who sell to a distributor, and who in turn sells it to a wholesaler or retailer; through modern trade, The Company sells its products to supermarkets, hypermarkets, mini markets, cash and carry stores and on leading e-commerce platforms. The company's domestic distribution network for general trade comprises of over 120 super-stockists, and over 4,000 distributors along with a dedicated sales team of over 500 personnel covering more than 120,000 retail touch points over 3,500 cities and towns.

Strategic partnership with F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. enabling access to global markets and product know-how

FILA who is a corporate promoter, is an Italy based leading global enterprise devoted to the research, design, manufacture and sale of tools for creative expression, catering to millions of homes, schools, offices and ateliers. With this issue, FILA is offloading shares worth ~Rs. 800 cr from its 51% stake (pre-issue). It will continue to hold 31% of DOMS' stake post issue.

FILA owns 25 renowned brands such as Giotto, Lyra, Dixon, Canson, Daler Rowney, Das and Tratto through which they sell a diversified portfolio of over 20 categories of products, including colouring, design, modelling, writing, and painting objects, such as pencils, crayons, modelling clay, chalk, oil colours, acrylics, watercolors, paints and paper for the fine arts, school and leisure in over 150 countries across 5 continents. The company's collaboration with FILA has helped it to expand its international footprint in Asia Pacific, Europe, and Middle Eastern markets with the distribution of products. The company has exclusive rights for the marketing, sales, and distribution of some of the products under the name and trademark of certain entities of FILA Group in India, Nepal, Bhutan, Sri Lanka, Bangladesh, Myanmar, and Maldives.

Risks and concerns

- DOMS is dependent on FILA Group, especially for its export sales where it has export sales to FILA group stood at Rs. 159 Cr in FY23 (12.9% of total sales and 61.6% of export sales).
- Major product concentration towards Wooden Pencils (~32% of total sales) may have an adverse impact on company's topline performance in the event of any decline in the sale of wooden pencils.
- There is a significant level of competition in the industry where it operates. Company's inability to compete effectively may have a material impact on business performance, operations and profitability.
- Risk related to acquisitions – As a part of DOMS' business strategy, it has undertaken certain acquisitions in the past and may continue to do so in the future. Any inability to manage the expansions of these acquisitions may lead to material adverse effect on company's business operations, as a result it will have a negative impact on its financial results.

Valuation and Recommendation

DOMS Industries Ltd is one of the leading players in branded stationery and art products where it focuses on R&D, product engineering, backward integrated manufacturing with its presence in Pan India. Further, its strategic partnership with FILA group has enabled them to strengthen its business across international market. Company's financial performance has been strong over the years with revenue / PAT growth at 23% / 42% CAGR between FY20-23, respectively.

The issue is valued at 46x to FY23 EPS and 33x to annualised H1FY24 EPS which we believe to be fairly valued. **Thus, we recommend SUBSCRIBE to the issue with a long term investment view.**

Listed Peers

FY23 Figures	Linc Ltd	Kokuyo Camlin Limited	Flair Writing Instruments Ltd	Average	DOMS
Revenue	487	775	943	735	1,212
CAGR (FY20-23)	7.4%	6.9%	18.0%	10.8%	22.8%
EBITDA Margin	12.6%	7.0%	19.5%	13.0%	15.4%
Asset Turns (x)	2.0	1.8	1.4	1.7	1.9
Wkg Cap Days	64	47	119	77	68
ROCE (%)	31.0%	12.0%	33.4%	25.5%	33.1%
ROE (%)	21.1%	9.3%	31.4%	20.6%	28.9%
Debt/Equity	0.0	0.2	2.5	0.9	0.3
EV/EBITDA	20.1	27.0	22.9	23.3	26.4
P/E	33.2	57.4	34.3	41.6	46.6

Source: RHP, NBRR

Financials

P&L (Rs. Cr)	FY20	FY21	FY22	FY23	H1FY24	Balance Sheet (Rs. Cr)	FY20	FY21	FY22	FY23	H1FY24
Net Revenue	654	403	684	1,212	762	Share Capital	0	0	0	0	56
<i>% Growth</i>		-38%	70%	77%	26%*	Other Equity	240	233	247	337	341
Purchases of stock in trade	388	245	432	763	459	Minority Interest	5	8	11	18	25
<i>% of Revenues</i>	59.3%	60.9%	63.2%	63.0%	60.2%	Networth	246	242	258	355	422
Employee Cost	95	71	101	142	103	Total Loans	56	97	85	100	176
<i>% of Revenues</i>	14.6%	17.6%	14.8%	11.7%	13.5%	Other non-curr liab.	10	34	37	39	48
Other expenses	95	56	80	120	73	Trade payable	66	57	81	87	94
<i>% of Revenues</i>	14.5%	14.0%	11.8%	9.9%	9.6%	Other Current Liab	22	27	36	58	88
EBITDA	76	30	70	187	127	Total Equity & Liab.	400	458	497	640	829
<i>EBITDA Margin</i>	<i>11.6%</i>	<i>7.5%</i>	<i>10.2%</i>	<i>15.4%</i>	<i>16.7%</i>	Property, Plant and Equipment	192	187	186	280	347
Depreciation	25	35	38	41	23	CWIP	1	3	4	7	2
Other Income	1	6	3	5	2	Other Intangible assets / Right of u	4	42	40	40	110
Interest	4	9	10	12	8	Non Currrent Financial assets	19	11	11	12	17
Share of Profit equity accounted investe	0	0	0	0	0	Other non Curr. assets	0	7	12	21	27
PBT	48	(8)	24	139	99	Inventories	128	121	159	185	199
Tax	10	(2)	7	36	25	cash and cash equivalents	4	23	9	34	48
<i>Tax rate</i>	<i>21%</i>	<i>20%</i>	<i>29%</i>	<i>26%</i>	<i>25%</i>	Investments+loans	15	7	7	8	2
Other Comprehensive income	(2)	1	(1)	(0)	(1)	Trade receivables(debtor)	36	42	49	36	50
Adj. PAT (norm. Tax)	36	(5)	16	103	73	Other Current assets	0	15	20	17	28
<i>% Growth</i>		-114%	-432%	526%	41%*	Total Assets	400	458	497	640	829
EPS (Post Issue)	5.94	(0.82)	2.71	16.95	11.99						
*Growth is based on annualised basis over FY23											
Ratios & Others	FY20	FY21	FY22	FY23	H1FY24	Cash Flow (Rs. Cr)	FY20	FY21	FY22	FY23	H1FY24
Debt / Equity	0.2	0.4	0.3	0.3	0.4	Profit Before Tax	48	(8)	24	139	99
EBITDA Margin (%)	11.6%	7.5%	10.2%	15.4%	16.7%	Provisions & Others	29	40	51	54	32
PAT Margin (%)	5.5%	-1.2%	2.4%	8.5%	9.6%	Op. profit before WC	77	32	75	192	131
ROE (%)	14.7%	-2.0%	6.4%	28.9%	34.5%	Change in WC	(24)	(15)	(21)	15	(2)
ROCE (%)	17.1%	0.4%	10.0%	33.1%	35.7%	Less: Tax	16	2	3	34	21
						CF from operations	37	15	51	173	108
						Purchase/Sale of fixed assets	(56)	(16)	(35)	(135)	(63)
Turnover Ratios	FY20	FY21	FY22	FY23	H1FY24	Sale/Purchase of Investments	0	(3)	(0)	(2)	(65)
Debtors Days	20	38	26	11	12	Interest, dividend and other inc	0	1	1	1	(0)
Inventory Days	71	109	85	56	48	CF from Investing	(55)	(19)	(34)	(136)	(129)
Creditor Days	37	51	43	26	23	Repayment towards Lease Liab	(3)	(5)	(8)	(7)	(6)
Asset Turnover (x)	1.6	0.9	1.4	1.9	1.8	Finance cost	(4)	(8)	(11)	(14)	(5)
						(Repayment)/ proc current debt	24	38	(12)	15	55
						interest & div paid & Proceeds fro	0	0	0	(6)	(9)
Valuation Ratios	FY20	FY21	FY22	FY23	H1FY24	CF from Financing	17	25	(31)	(12)	34
Price/Earnings (x)	133.0	-968.4	292.0	46.6	32.9	Net Change in cash	(1)	21	(13)	25	13
EV/EBITDA (x)	64.6	163.9	70.6	26.4	19.3	Cash & Bank at beginning	5	1	23	9	34
EV/Sales (x)	7.5	12.2	7.2	4.1	3.2	Cash & Bank at end	4	23	9	34	48
Price/BV (x)	19.5	19.8	18.6	13.5	11.4						

Source: Company Data, NBRR

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