

DOMS INDUSTRIES LIMITED

13-12-2023 to 15-12-2023

Industry: Stationary

Price Band: ₹ 750 - 790

Recommendation: Subscribe for Listing Gains

Post Implied Market Cap: ₹ 4,569 - 4,794 Cr

Key Data

Issue Size (₹ Cr)	1,200
Fresh (₹)	350
OFS (₹)	850
No of shares offered	16,0007,406 - 15,196,510
Face Value (₹ /share)	10
Bid Lot	18

About the Company

DOMS Industries Limited (DOMS), incorporated in 2006, is a prominent player in the Indian stationery and art products market. Operating under the flagship brand 'DOMS,' they design, manufacture and sell a diverse range of products domestically and internationally, reaching over 45 countries. As of September 30, 2023, DOMS holds the second-largest market share (approximately 12%) in India's branded stationery and art products market. Key products such as pencils and mathematical instrument boxes enjoy substantial market shares of 29% and 30%, respectively. The company's product portfolio includes brands like 'C3,' 'Amariz,' and 'Fixyfix.' Through an Italian partnership with FILA, DOMS has expanded its reach in international markets, enhancing its R&D and technological capabilities. DOMS operates 13 manufacturing facilities in Umbergaon, Gujarat, covering around 34 acres, making it one of the largest stationery manufacturing facilities in India. The company's extensive domestic distribution network involves over 120 super-stockists, 4,000 distributors, and a dedicated sales team of 500 personnel, covering 120,000 retail touchpoints in more than 3,500 cities and towns.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	18-12-2023
Refunds/Unblocking ASBA Fund	19-12-2023
Credit of equity shares to DP A/c	19-12-2023
Trading commences	20-12-2023

Investment Rationale

- Leadership position in the Indian 'stationery and art material' industry with the widest range of products, driving rapid business growth:** The company dominates the Indian stationery and art material industry with a trusted brand evidenced by its leadership position. Core products like pencils and mathematical instrument boxes hold substantial market shares (29% and 30% by value in Fiscal 2023). With a diverse product range of over 3,800 SKUs as of September 30, 2023, the company leverages the success of its flagship brand 'DOMS' and introduces complementary new brands and sub-brands. Presence across various product categories ensures a broad demographic appeal. Additionally, strategic pricing through brands like 'DOMS' and 'C3' caters to different market segments benefiting from strong brand loyalty and unique market positioning.
- Strong brand recall driven by high quality, innovative and differentiated products:** The company holds leadership positions in various product categories in India, indicating strong brand recall. Their diverse portfolio benefits from a strategic pricing approach. A focus on R&D and innovation, maintaining quality standards, and incorporating technology enhances operational efficiency. Collaboration with FILA supports knowledge sharing, augmenting R&D and technology capabilities, keeping them aligned with global trends. The company is a highly followed brand in the stationery and art material sector, boasting a significant social media presence with over 10 lakh YouTube followers and 40,000 Instagram followers.
- Robust manufacturing infrastructure, with a focus on backward integration to drive efficiencies:** DOMS operates 13 expansive manufacturing facilities in Umbergaon, Gujarat covering approximately 34 acres—one of the largest stationery manufacturing setups in India. As of March 31, 2023, their annual installed capacity for key products reached 473.49 crore units. The company manages end-to-end operations, encompassing conceptualization, design, manufacturing, packaging, and distribution through integrated processes at Umbergaon. Strategically located facilities and storage depots ensure shorter time to market and enhanced cost competitiveness. Additionally, they have a manufacturing facility in Bari Brahma, Jammu and Kashmir, covering approximately 2 acres, producing wooden slats from locally sourced wood. DOMS is backward integrated, manufacturing key components and materials, including wooden slats sourced locally from Kashmir, and has achieved backward integration for their 'mathematical instruments box'.
- Robust multi-channel distribution network with strong pan India and international presence:** DOMS has a robust multi-channel distribution network, reaching consumers through general trade, modern trade (including supermarkets, hypermarkets, and e-commerce platforms), and corporate sales. The distribution chain involves super-stockists, distributors, wholesalers, and retailers. The company has established a Pan-India presence, with products available in over 3,500 cities and towns as of September 30, 2023.
- Strategic partnership with FILA enabling access to global markets and product know-how:** FILA, the corporate promoter of the company, is a leading global enterprise based in Italy, specializing in tools for creative expression. FILA owns 25 renowned brands, including Giotto, Lyra, and Dixon, selling a diverse portfolio in over 150 countries across 5 continents. The strategic partnership with DOMS began in 2012 when FILA acquired 18.50% of the company's paid-up capital, increasing it to 51% in 2015. The collaboration has been synergistic, aiding the company in expanding its international presence in Asia Pacific, Europe, and the Middle East. This partnership also facilitates knowledge sharing, enhancing the company's R&D capabilities and keeping them updated with global trends and technology.

Shareholding (No. of shares)

Pre-Issue	5,62,50,218
Post Issue (Lower price band)	6,09,16,885
Post Issue (Higher price band)	6,06,80,598

Shareholding Pattern

	%
Promoters:	
Pre Issue	89.26%
Post Issue	65.01%
Promoter Group:	
Pre Issue	10.74%
Post Issue	9.95%
Public -Others:	
Pre Issue	0.00%
Post Issue	25.03%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Risk

- Product concentration risk
- Distribution risk

MView

We believe DOMS IPO offer gives investors an opportunity to invest in a leading player in the Indian stationery and art material industry. We think DOMS has established itself as a dominant force in the Indian stationery and art material sector, holding significant market shares, particularly in core products like 'pencils' and 'mathematical instrument boxes' which makes them a trusted brand as reflective of its leadership position in the market. With the largest stationery manufacturing setups in India with 13 expansive facilities, DOMS end-to-end operations from conceptualization to distribution ensure efficiency and cost competitiveness, while Backward integration, innovation and a focus on R&D further enhance operational excellence. We think with the robust multi-channel distribution network and collaboration with FILA has not only bring international quality to Indian consumers but also it has given DOMS a global footprint for future growth in the export segment. By looking at the financials DOMS has delivered a healthy growth in revenue from operations of 69.71%/77.28% in FY22/23 and substantial profit growth of 500% in FY 2023. We think substantial growth numbers in revenue and profit is seen due to post COVID pent-up demand and hence we believe the future growth could be seen near to industrial average of 10-12% YoY. On valuation parse at upper price band of ₹ 790/-, based on annualized earnings and fully diluted post-IPO paid-up capital, the issue is asking for a Market Cap of ₹ 4794 Cr with P/E of 32.4x on consolidated basis, which seems the issue is fully priced-in discounting medium term growth. In the longer term, we like the company's commitment towards product quality, innovation and pricing strategy in the segment with a high growth target audience. We also see strong brand presence and multi SKU's bring sustainable growth in the long run. Hence, considering all the parameters and market momentum, we recommend investors to "SUBSCRIBE" the issue for listing only.

Other Details

BRLMs: JM Financial, BNP Paribas, ICICI Securities, IIFL Securities

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

Research Analyst

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30	As at March' 31		
	2023 (06)	2023	2022	2021
Equity Share Capital	56.25	0.37	0.37	0.37
Reserve as stated	341.36	337.06	246.87	233.24
Net Worth as stated	397.61	337.43	247.25	233.61
Revenue From Operations	761.8	1,211.89	683.60	402.82
Revenue Growth %	-	77.28%	69.71%	-
EBITDA	127.45	186.66	69.71	30.03
EBITDA Margin (%)	16.73%	15.40%	10.20%	7.45%
Profit Before Tax	99.14	138.76	24.02	-7.58
Net Profit for the Period	73.91	102.87	17.14	-6.03
Net Profit Margin (%)	9.70%	8.49%	2.51%	-1.50%
EPS (₹)	13.14%	18.29	3.05	-1.07
RONW(%)	18.59%	30.49%	6.93%	-2.58%
NAV (₹)	70.69	59.99	43.95	41.53
ROCE (%)	18.04%	33.31%	10.04%	0.36%
ROE	19.01%	33.54%	6.86%	NA

Source: Company RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from Operation FY 2023 (In Cr)	EPS	NAV	P/E	RONW
DOMS Industries Ltd	Consolidated (Annualised)	4,794	10	1,211.89	24.36	193.1	32.43	28.39%
Kokuyo Camlin Ltd	Consolidated	1,619	1	774.94	2.44	26.18	40.4	9.31%
Linc Ltd	Consolidated	1,023	10	486.76	25.15	119.16	26.5	21.10%
Navneet Education Ltd	Consolidated	3,244	2	1,696.83	9.04	50.85	26.6	17.78%
Flair Writing Industries Ltd	Consolidated	3,894	5	942.66	12.66	46.57	32.9	27.18%

Date as on 31st March 2023, Cline Mcap, PE calculated as on 11-12-2023

Revenue as on FY2023

DOMS Industries Ltd, EPS, NAV, PE are based on FY2024 annualised



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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