

13<sup>th</sup> December 2023

## DOMS Industries Ltd. – SUBSCRIBE

### Investment Thesis

- DOMS Industries Ltd. (DOMS) is set to launch its initial public offering (IPO) on December 13, 2023. DOMS plans to raise Rs. 1,200 crs which comprises of a fresh issue amounting to Rs. 350 crs and an Offer for Sale (OFS) of Rs. 850 crs. DOMS will not receive any proceeds of the OFS and the capital raised via fresh issue is to be utilized:
  - For establishing a new manufacturing facility to expand its production capabilities for a wide range of writing instruments, watercolor pens, markers, and highlighters.
  - General corporate purpose
- DOMS is the second largest player in India’s branded ‘stationery and art’ products market, with a market share of ~12% by value, as of FY23. DOMS designs, develops, manufactures and sells a wide range of stationery and art products, primarily under the flagship brand ‘DOMS’ in the domestic market as well as export to over 45 countries internationally.
- Core products such as ‘pencils’ and ‘mathematical instrument boxes’ enjoy high market shares; 29% and 30% market share by value in FY23, respectively.
- The Product Portfolio is bifurcated into seven categories: (i) scholastic stationery; (ii) scholastic art material; (iii) paper stationery; (iv) kits and combos; (v) office supplies; (vi) hobby and craft; and (vii) fine art products.

### Revenue from business Verticals

- DOMS has recorded stellar revenue growth to reach Rs. 1,211.9 crs in FY23 from Rs. 402.8 crs in FY21, translating to a 3x jump in topline. Further, it is on track to beat the FY23 topline with Rs. 761.8 crs in H1FY24.

Particulars	FY21	FY22	FY23	H1FY24
Revenue (Rs in crs)	402.8	683.6	1,211.9	761.8
EBITDA (Rs in crs)	30.3	69.7	186.7	127.4
EBITDA Margin (%)	7.5	10.2	15.4	16.7
PAT (Rs in crs)	(6.3)	17.1	102.9	73.4
PAT Margin (%)	(1.5)	2.5	8.5	9.7
EPS	(1.1)	3.0	18.3	13.14
RoCE (%)	0.4	10.0	33.3	18.0
RoE (%)	(2.5)	6.9	33.5	19.0

### IPO Details

Issue Open Date	13 December 2023
Issue Close Date	15 December 2023
Price Band (Rs.)	Rs. 750 – Rs. 790
Issue Size*	Rs. 1,200 crs
Issue Size (Shares)	1.51 crs
Market Lot	18 Shares
Listing Exchanges	NSE / BSE
Face Value (Rs.)	Rs. 10/-

\* At highest price band

### Key Details

Fresh Issue*	Rs. 350 crs
Issue Type	Book Building
Book Running Lead Manager	JM Financial BNP Paribas ICICI Securities IIFL Securities
Issue structure	QIB: 75% Non-Institutional: 15% Retail: 10%
Credit of Shares to Demat Account	19 December 2023
Issue Listing Date	20 December 2023

\* At highest price band

- With a superior portfolio of products that have significant market share, DOMS has been able to expand its EBITDA margins each to 15.4% in FY23 from 7.5% in FY21. The EBITDA in absolute terms have grown more than 6x to Rs. 186.7 crs. For H1FY24, the EBITDA margin was expanded further to 16.7%.

## Key Business Highlights

- **Leadership position in the Indian stationery and art material:** DOMS has a strong brand that consumers trust, as evidenced by a leadership position in the stationery and art material products industry in India. The core products such as pencils and mathematical instrument boxes enjoy high market shares; 29% and 30% market share by value in FY23.
- **Diversified product portfolio that is fueling growth:** Over the years DOMS has created a wide and differentiated product portfolio. As of 30<sup>th</sup> Sept 2023, it has over 3,800 SKU spread across the seven categories it possess.
- **Strong promotor in FILA, provides access to global market:** In 2012, DOMS entered a strategic partnership with FILA acquiring 18.5% of share capital, for the supply of various art materials and stationery products. Later in 2015, the stake increased to 51%. This has enabled DOMS to gain access to international markets for distribution of products, and augmentation of R&D. Additionally, DOMS has an exclusive tie-up with FILA and certain entities of the FILA Group for distribution and marketing for all categories of its respective products, under its name and trademark, in India, Nepal, Bhutan, Sri Lanka, Bangladesh, Myanmar, and Maldives.
- **Manufacturing Moat:** Currently, DOMS operates 13 manufacturing facilities covering 1.18 million sq.ft. and is one of the largest stationery manufacturing facilities in India with an installed capacity for its key products was 4,734.93 million units as on March 31, 2023. DOMS has been continuously incurring capex to build on this moat and intends to use part of the IPO proceeds for a new manufacturing facility.

## Valuation

At the upper price band, DOMS is priced at 46.6x FY23 diluted EPS post IPO. The listed peers in this category are currently available at average of 37.9x. This represents the IPO is priced at a premium. Considering DOMS leadership position, strong parentage, manufacturing excellence, the sanguine outlook on the sector this premium is justified.

Therefore, we are assigning a "**SUBSCRIBE**" rating to the IPO of DOMS. Investors with a medium to long-term horizon are encouraged to subscribe to the IPO.

## Risk & Concern

- Dependence on FILA.
- Distribution Risks.
- Increased competition.

## Graphs & Charts

Figure 1: Revenue Trend (FY23)

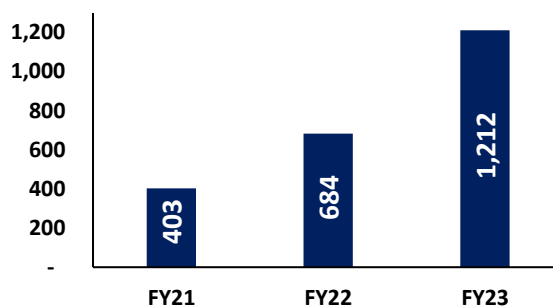


Figure 2: EBITDA & EBITDA margin Trend (FY23)

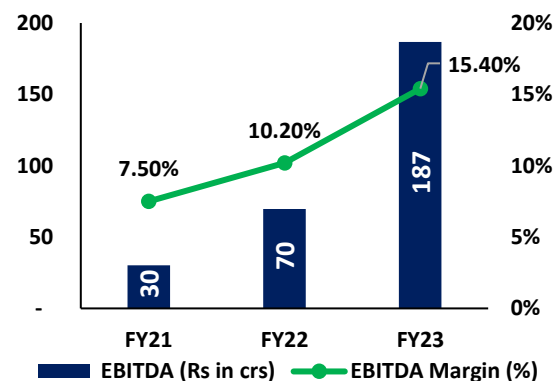
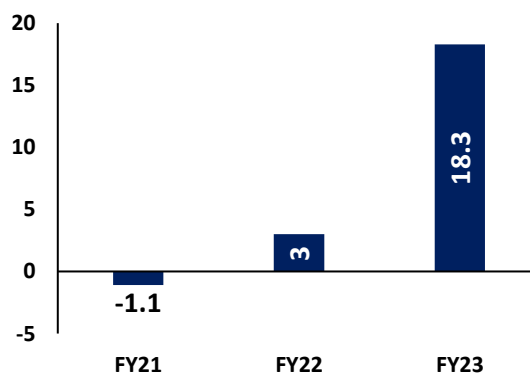


Figure 3: EPS Trend (FY23)



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