

The Issue

Type of Issue	Rs. Mn
Fresh Issue	3,500
Offer for Sale	8,500
Total Issue Size	12,000
Post-Issue Market cap*	47,938
Lot size	18 shares

*At Upper Price Band

Issue Break-Up

Reservation for	% of Issue
QIB	75%
NII	15%
Retail	10%
Total	100%

Indicative Offer Timeline
Indicative Date

Bid/Offer Opening Date	13th Dec 2023
Bid/Offer Closing Date	15th Dec 2023
Basis of allotment	18th Dec 2023
Credit of shares to Demat	19th Dec 2023
Listing Date	20th Dec 2023

Use of Proceeds

Part financing of proposed new manufacturing facility to expand production

Manager JM Fin, BNP Paribas, ICICI, IIFL Sec

Registrar Link Intime

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Leading player in writing instruments and stationary industry

Company Overview: DOMS Industries (DOMS) designs, develops, manufactures and sells a wide range of stationery and art products, primarily under its flagship brand ‘DOMS’, in the domestic and international markets.

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 Fiscal 2023 (Source: Technopak Report).

Company’s products are marketed under their flagship brand ‘**DOMS**’ along with other brand/sub-brands including ‘**C3**’, ‘**Amariz**’, and ‘**Fixyfix**’. While ‘wooden pencils’ contribute ~31% to its sales.

Its core products such as ‘pencils’ and ‘mathematical instrument boxes’ enjoy high market shares; 29% and 30% market share by value in Fiscal 2023 respectively (Source: Technopak Report).

It offers well-designed and quality ‘stationery and art material’ products to consumers like (i) scholastic stationery (~46% of rev); (ii) scholastic art material (~26% of sales); (iii) paper stationery (~10% of sales); (iv) kits and combos (~9% of sales); (v) office supplies (~6% of sales); (vi) hobby and craft (~1% of sales); and (vii) fine art products (~1% of sales).

Its operates 13 manufacturing facilities across Umbergaon, Gujarat and one in Bari Brahma, J&K. It has a wide-spread multi-channel distribution network with a strong pan-India presence and a global footprint catering to over 45 countries, covering the Americas, Africa, Asia Pacific, Europe, and Middle East. In the domestic market, it sells its products through (i) general trade; (ii) modern trade and ecommerce; and (iii) original equipment manufacturer (OEM) & institutions.

Its domestic distribution network for general trade comprises of ~120 super-stockists, and ~4k distributors along with a dedicated sales team of ~500 personnel covering ~120k retail touch points ~3.5k cities.

Valuation and View: On post-issue basis, the IPO is priced at 50.0x/33.9x FY23/FY24E EPS which is in-line with the avg valuation of its industry peers like Flair, Camlin, Linc & Navneet. DOMS is a leading writing instrument and stationary player in India with 12% overall market share and in pencils segment it holds ~30% market share. Company has a diversified distribution network having ~120k retail touch points. The company has grown its Rev/Ebitda at a CAGR of 73%/149% over FY21-23 led by low base and market share gains across categories. It enjoys post-issue ROE/ROCE of 14%/18% respectively with healthy margin of ~16%. Given its strong parentage, healthy financials, robust market share, we assign a **SUBSCRIBE** rating to the issue.

DOMS

DOMS's key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23	1HFY24E
Net sales	4,028	6,836	12,119	7,618
Gross profit	1,575	2,515	4,485	3,029
Gross margin (%)	39.1%	36.8%	37.0%	39.8%
Staff cost	711	1,014	1,418	1,025
Other expenses	564	804	1,201	729
Adj. EBITDA	300	697	1,867	1,274
Adj. EBITDA margin (%)	7.5%	10.2%	15.4%	16.7%
Dep	348	380	407	228
EBIT	-47	317	1,460	1,047
EBIT margin (%)	-1.2%	4.6%	12.0%	13.7%
Fin. Costs	88	103	119	78
Other income	60	26	46	24
PBT	-76	240	1,388	992
PBT margin (%)	-1.9%	3.5%	11.5%	13.0%
Tax	-16	69	359	252
JV Profit/minorities	-30	-28	-71	-34
Cons PAT	-90	144	958	706
Cons PAT margin (%)	-2.2%	2.1%	7.9%	9.3%

Key Risks:

- **Product concentration risk:** Company derives ~31% of its sales from wooden pencils. Any increase in competitive intensity could affect company's sales.
- **Exports to FILA group:** Company derives 13% of its export sales to FILA group. Any slowdown in FILA group could impact DOMS revenues.
- **Competitive intensity:** DOMS competes with large writing instrument companies like Hindustan Pencils, Flair, Navneet which command high market share in their categories. Increase in competition could affect the margin for DOMS.

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter	100%	75%
Public	0%	25%
Total	100%	100%

Selling shareholders

F.I.L.A.	upto Rs 8,000 mn
Sanjay Mansukhlal Rajani	upto Rs 250 mn
Ketan Mansukhlal Rajani	upto Rs 250 mn

DOMS

DOMS segment wise revenue mix (%)

Revenue segment wise	FY21	FY22	FY23	1HFY24
Scholastic stationery	46%	47%	46%	46%
Scholastic art material	24%	24%	24%	26%
Paper stationery	10%	9%	10%	10%
Kits and combos	11%	11%	10%	9%
Office supplies	6%	6%	6%	6%
Hobby and craft	0%	0%	1%	1%
Fine art products	1%	1%	1%	1%
Others	2%	1%	1%	1%

DOMS geography wise revenue mix (%)

Revenue mix Domestic v/s Exports (%)	FY21	FY22	FY23	1HFY24
General trade	70	71	74	76
Modern trade and E-comm platform	3	3	2	3
Others	2	2	3	3
Domestic	76	76	79	81
Export to FILA Group	17	15	13	11
Third party exports	7	8	8	8
Exports	24	24	21	19

DOMS

DOMS region wise revenue mix (%)

Revenue region wise (%)	FY21	FY22	FY23	1HFY24
North	35.4	33.6	31.9	30.7
South	28.6	29.4	30.5	33.2
East	20.5	18.3	18.2	17.0
West	15.4	18.7	19.4	18.9

Average Selling Price (ASP) for its key products

Revenue region wise (%)	FY21	FY22	FY23	1HFY24
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

Key brands:



Affordable Market Segment Brand



Joy of Creation

Range of Products
for Rural India

Sub-Brand

AMARIZ

Range of Fine Art
Products



Range of Glues &
Adhesives

DOMS

DOMS category wise product basket (%)

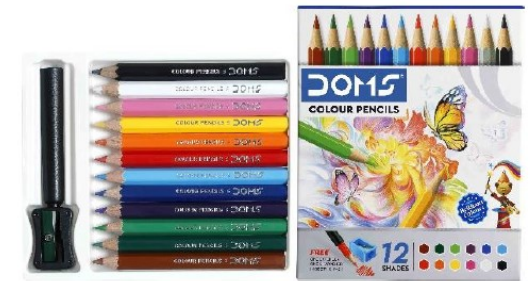
Scholastic Stationery	Scholastic Art Material	Hobby & Craft	Office Supplies	Paper Stationery	Fine Art Products	Kits & Combos
<ul style="list-style-type: none"> Black Lead Pencils Mechanical Pencils Erasers Sharpeners Mathematical Instruments Chalk & Chalk Holders 	<ul style="list-style-type: none"> Wax Crayons Oil Pastels Colour Pencils Plastic Crayons Poster Colours Water Colours Sketch Markers Brush Pens Tempera Colours Brushes 	<ul style="list-style-type: none"> Modelling Clay Playing Dough Glitter Glue Liquid Glue 	<ul style="list-style-type: none"> Pens Board Markers Permanent Markers Correction Pens Glue Sticks 	<ul style="list-style-type: none"> Notebooks Exercise Book Drawing Book Sketch Pads Executive Diaries Conference Pads 	<ul style="list-style-type: none"> Artists Pencils Kneadable Erasers Water Colours for Artist Gouache Colours Varnishes & Mediums Inks Canvases Artist Papers Brushes for Artists A wide range of Artist Essentials 	<ul style="list-style-type: none"> Stationery Kits Art Material Kits Painting Kits Combo Packs
SKU Count : 392	SKU Count : 283	SKU Count : 45	SKU Count : 146	SKU Count : 418	SKU Count : 2531	SKU Count : 63

DOMS

Diversified range of product SKUs



Neon eraser



Colour pencils

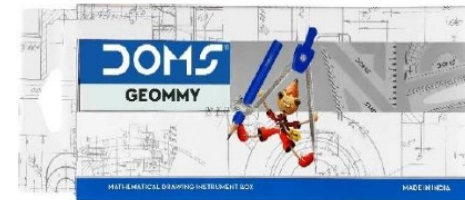
₹90 per mathematical instruments box

₹200 per mathematical instruments box

₹3 per pencil



₹12.50 per pencil



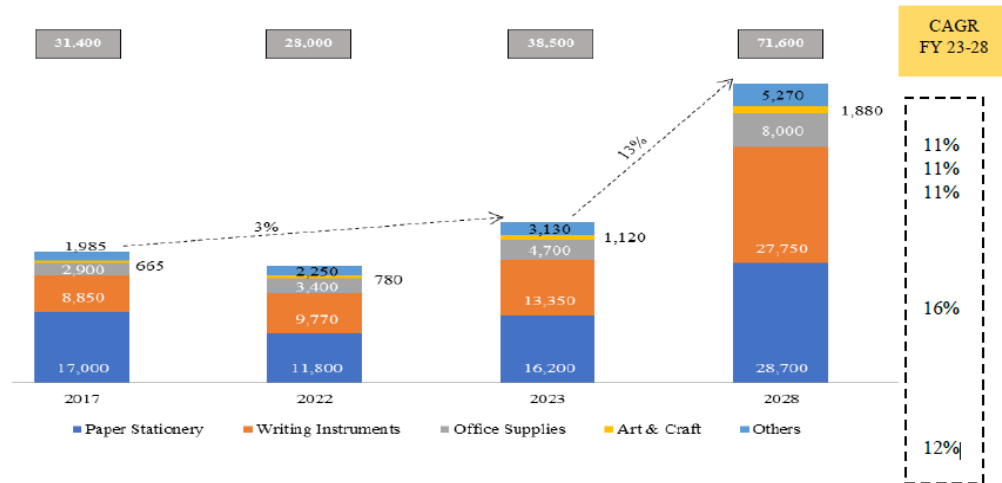
DOMS

DOMS product wise capacity and capacity utilization (%)

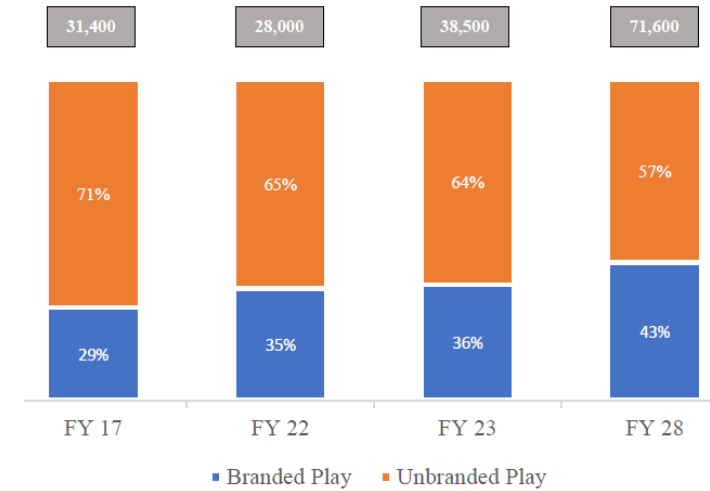
		FY21			FY22			FY23		
Revenue region wise (%)	Unit	Installed capacity (units in mn)	Actual production (units in mn)	Capacity utilization (%)	Installed capacity (units in mn)	Actual production (units in mn)	Capacity utilization (%)	Installed capacity (units in mn)	Actual production (units in mn)	Capacity utilization (%)
Wooden pencils	Nos	864.00	687.43	79.56%	1080.00	1,045.26	96.78%	1,512.00	1,413.59	93.49%
Crayons	Nos	810.00	329.01	40.62%	810.00	525.33	64.86%	1,058.00	936.58	88.52%
Mathematical instruments box	Nos	9.00	3.00	33.36%	13.50	7.60	56.26%	15.00	14.59	97.23%
Water colour pens	Packs	37.50	31.20	83.19%	43.50	41.02	94.30%	70.00	65.68	93.83%
Erasers	Nos	440.00	267.45	60.78%	750.00	495.81	66.11%	650.00	571.17	87.87%
Exercise books	Nos	15.00	10.60	70.63%	24.30	15.19	62.50%	36.72	27.04	73.64%
Polymer pencils	Nos	300.00	138.23	46.08%	360.00	287.79	79.94%	396.00	326.98	82.57%
Sharpeners	Nos	180.00	112.67	62.59%	270.00	221.72	82.12%	420.00	357.27	85.06%
Ball point pens	Nos	125.00	69.48	55.58%	210.00	127.39	60.66%	250.00	232.58	93.03%
Drawing and Sketch book	Nos	5.06	3.21	63.44%	6.56	5.60	85.42%	7.56	5.34	70.64%
All types of markers	Nos	21.00	17.05	81.19%	27.00	25.32	93.78%	43.50	38.86	89.33%
Water colour cakes	Nos	100.00	65.14	65.14%	100.80	97.87	97.10%	122.40	96.67	78.98%
Tempera colours	Packs	18.75	18.39	98.07%	15.00	10.28	68.52%	18.75	18.39	98.07%
Scales	Nos	135.00	119.24	88.32%	100.00	58.22	58.22%	135.00	119.24	88.32%

Industry Outlook

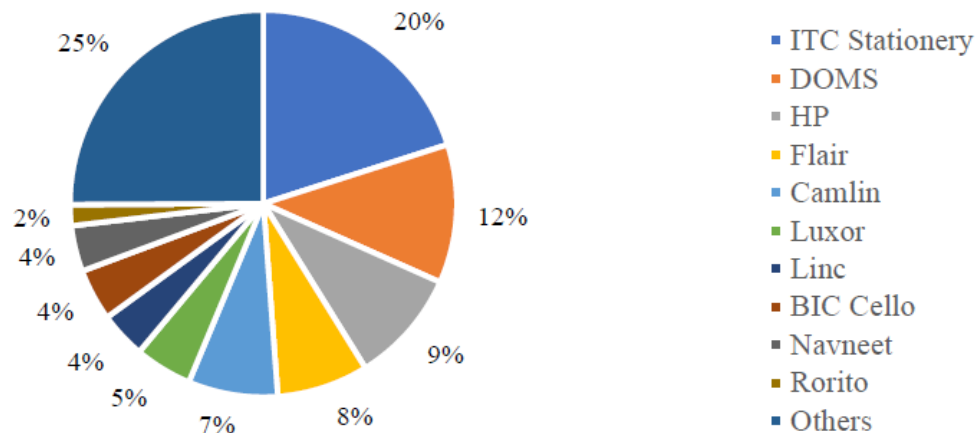
Indian stationery and art materials mkt value (Rs in cr)



Share of Branded Play in Indian stationery and art materials mkt (%)



Market share of players in Domestic Branded market in India (%)

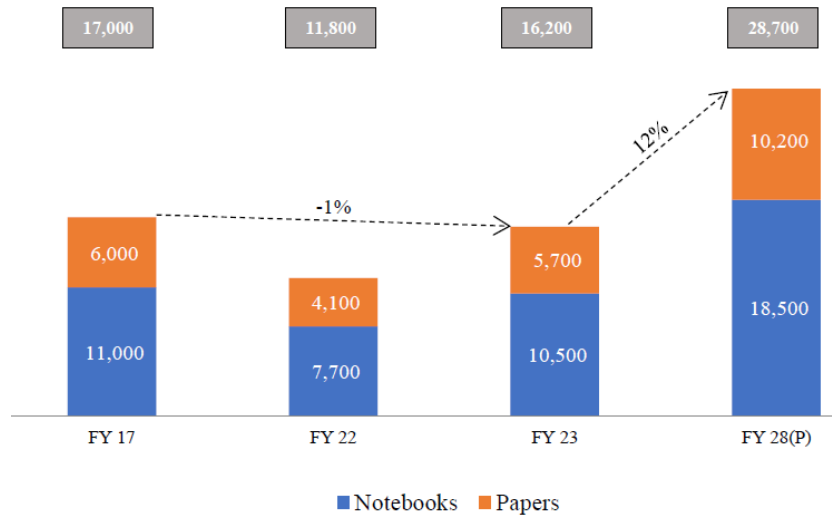


Key players domestic and export revenue and gross margin

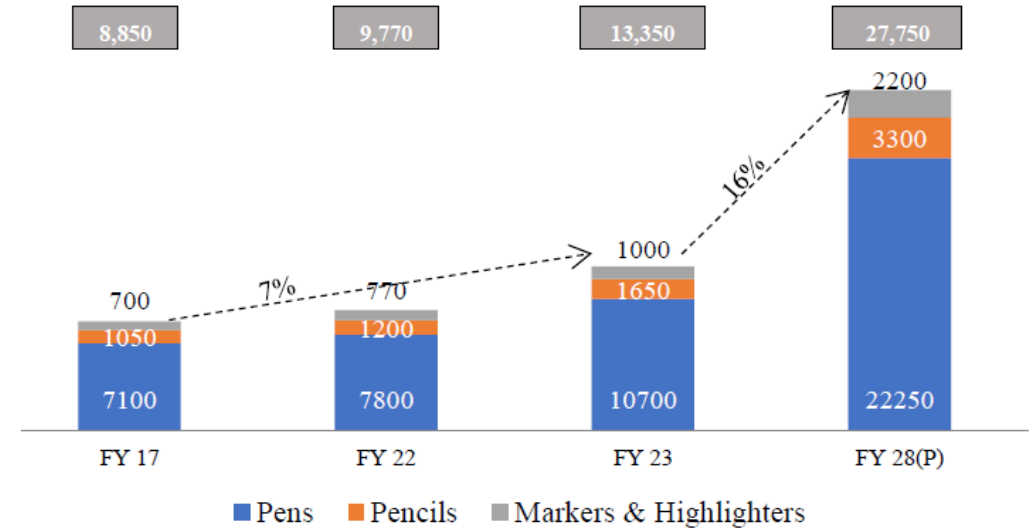
Rs bn	Rev	Domestic	Export	Gross margin (%)
DOMS	12.3	9.7	2.6	37%
Kokuyo Camlin	7.8	7.4	0.3	37%
Hindustan Pencils	11.0	9.6	1.5	NA
Navneet	9.5	3.8	5.7	50%
Luxor	4.9	4.8	0.1	41%
Linc	4.9	3.9	1.0	40%
Flair	9.4	7.6	1.9	46%
Rorito	1.7	1.7	0.0	40%
BIC Cello	5.5	4.3	1.2	NA
ITC Stationery	24.6	20.1	4.5	NA

Industry Outlook

Indian Paper Stationery Market (Rs in cr)



Indian Domestic Writing Instrument Market (Rs in cr)



Sub-Categories of Indian writing Instruments Industry

Pen	80%	Ballpoint	68%
		Gel	20%
		Rollerball	12%
Pencil	12%	Wooden	92%
		Polymer	7%
		Mechanical	1%
Markers and Highlighters	8%	-	-

Distribution network and Retail touch points for key players

DOMS	1,15,000+
Kokuyo Camlin	3,00,000+
Hindustan Pencils	NA
Navneet	48,000+
Luxor	NA
Linc	2,18,000+
Flair	3,15,000
Rorito	3,00,000
BIC Cello	NA
ITC Stationery	NA

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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DISCLOSURE

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