



IPO Report

11th Dec'23

Snapshot

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 of September 30, 2023. Company 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.

VALUATION

Company is bringing the issue at price band of Rs 750-790 per share at p/e multiple of 32x on post issue annualized H1FY24 PAT basis.

Company is having leadership position in the Indian 'stationery and art material' industry with the widest range of products, driving rapid business growth has strong brand recall driven by high quality, innovative and differentiated products with robust manufacturing infrastructure, & a focus on backward integration to drive efficiencies along with strategic partnership with FILA enabling access to global markets and product know-how has robust multi-channel distribution network with strong pan India presence

.Hence ,looking after all above we recommend "Subscribe" on issue.

Price Band (Rs./Share)	750-790
Opening date of the issue	13th Dec '2023
Closing Date of the issue	15th Dec '2023
No of shares pre issue	56250218 Eq Shares
Issue Size	Rs 1200 Cr
Fresh issue	Rs 350 Cr
Offer For Sale	Rs 850 Cr
Face Value (Rs/ share)	Rs 10/share
Bid Lot	18
Employee Discount	Rs 75/share

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 11344935 Eq Shares)
Non-Institutional	15% of the offer (Approx 2268987 Eq Shares)
Retail	10 % of the offer (Approx 1512658 Eq Shares)
Lead managers	JM Financial, BNP Paribas, ICICI Securities, IIFL Securities
Registrar to the issue	Link Intime India Pvt Ltd

WHAT WE LIKE

Leadership position in the Indian 'stationery and art material' industry with the widest range of products, driving rapid business growth

Company 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. 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 . Company have a wide and differentiated product category, which includes over 3,800 SKUs as of September 30, 2023, and is spread across (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

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

Company's strong and reputed brand increases consumer confidence and influences purchase decision in its favour. Company sell a diverse portfolio of products which occupy leadership positions in multiple of their respective product market categories in India .This indicates a high brand recall value for its products and helps leverage its pricing strategy. Company was the only one to have achieved a higher revenue in Fiscal 2022 (post Covid) vs. Fiscal 2020 (pre Covid), indicative of the strength and resilience of the brand.

Robust manufacturing infrastructure, with a focus on backward integration to drive efficiencies

Company operate 13 manufacturing facilities across Umbergaon, Gujarat, spread over approximately 34 acres of land covering approximately 1.18 million square feet and is one of the largest stationery manufacturing facilities in India . Company's annual installed capacity as on March 31, 2023, for its key products was 4,734.93 million units. Company undertake end-to-end operations, from conceptualisation to design, manufacturing, packaging and distribution of its product portfolio through its integrated operations at Umbergaon Manufacturing Facilities. Company also operate one manufacturing facility which is spread across approximately 2 acres of land covering approximately 0.07 million square feet at Bari Brahma, in Jammu and Kashmir, where company produce wooden slats from locally sourced wood.



COMPANY BACKGROUND

Company's keen focus on research and development (R&D), product engineering, and backward integrated manufacturing, operations, combined with its multichannel pan-India distribution network has enabled company to achieve a strong brand recall amongst consumers.

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. Company offer well-designed and quality 'stationery and art material' products to consumers, which it classify across 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.

Product Category	Fiscal 2021		Fiscal 2022		Fiscal 2023		Six months period ended September 30, 2023	
	Amount (₹ million)	% of Gross Product Sales	Amount (₹ million)	% of Gross Product Sales	Amount (₹ million)	% of Gross Product Sales	Amount (₹ million)	% of Gross Product Sales
Scholastic stationery	1910.03	46.24	3269.83	47.18	5688.06	46.18	3543.59	45.62
Scholastic art material	975.20	23.61	1663.70	24.00	2927.97	23.77	2029.86	26.13
Paper stationery	402.54	9.75	640.78	9.25	1273.52	10.34	773.15	9.95
Kits and combos	464.95	11.26	796.86	11.50	1263.83	10.26	672.58	8.66
Office supplies	245.60	5.95	403.06	5.82	752.45	6.11	488.05	6.28
Hobby and craft	3.72	0.09	6.46	0.09	157.26	1.28	112.64	1.45
Fine art products	58.13	1.41	96.20	1.69	141.69	1.15	83.18	1.07
Others	70.28	1.70	54.06	0.78	112.56	0.91	65.34	0.84
Grand Total	4130.45	100.00	6930.95	100.00	12317.34	100.00	7768.39	100.00

Company's products are marketed under its flagship brand 'DOMS' along with other brand/sub-brands including 'C3', 'Amariz', and 'Fixyfix'. While 'wooden pencils' is company's largest product in terms of revenue, contributing 31.66% and 32.49% to company's Gross Product Sales amounting to ₹3,899.88 million for Fiscal 2023 and ₹2,524.07 million for the six months period ended September 30, 2023 respectively, company's product offerings have evolved significantly over the past several years. This has also allowed company to achieve the least concentration to overall revenue from the largest product segment among peers as of Fiscal 2023. Company's in-house product design team focusses on developing products, keeping in mind latest trends, customer lifestyles, aspirations, and preferences, who along with its dedicated R&D team develop, test, and evaluate products prior to launch. Company continue to expand its product range to keep pace with the ever-evolving customer requirements and preferences and have recently launched company's writing instruments under 'DOMS' brand in 2023, fine-art products under 'Amariz' and adhesive products under 'Fixy Fix'.

Company undertake its manufacturing operations from facilities located in Umbergaon, Gujarat and Bari Brahma, in Jammu and Kashmir. Company's Umbergaon Manufacturing Facilities are spread over approximately 34 acres of land covering approximately 1.18 million square feet, which are equipped with modern and automated production processes. Further, company's Jammu Manufacturing Facility is spread across approximately 2 acres of land covering approximately 0.07 million square feet, focussed on producing wooden slats from locally sourced wood. Company is vertically integrated with operations such as procurement of raw materials, moulding, assembling, integration of sub-assemblies into finished products being done at company's manufacturing facilities in Umbergaon, Gujarat, which has enabled it to gain a competitive advantage by improving productivity and reducing costs.



INVESTMENT RATIONALE

<i>Leadership position in the Indian 'stationery and art material' industry with the widest range of products, driving rapid business growth</i>	Company have a strong brand that its consumers trust, as evidenced by company's leadership position in the 'stationery and art material' products industry in India. Company 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 .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. Company have leveraged its experience and success with its flagship brand 'DOMS' and introduced new brands and sub-brands to the market which complement company's flagship brand. For example, to capture the affordable market segment, company launched its brand 'C3' in the year 2012, under which company sell polymer black lead pencils, polymer colour pencils, erasers, sharpeners, chalks, etc.
<i>Strong brand recall driven by high quality, innovative and differentiated products</i>	Company's strong and reputed brand increases consumer confidence and influences purchase decision in its favour. Company sell a diverse portfolio of products which occupy leadership positions in multiple of their respective product market categories in India . This indicates a high brand recall value for company's products and helps leverage its pricing strategy. DOMS is the only company to have achieved a higher revenue in Fiscal 2022 (post Covid) vs. Fiscal 2020 (pre Covid), indicative of the strength and resilience of the brand. As further recognition of company's brand, company have been recipients of "The Economic Times Promising Brands 2021" recognition from Economic Times, and "India's No. 1 Brand Award 2017" from the International Brand Consulting Corporation, USA.
<i>Robust manufacturing infrastructure, with a focus on backward integration to drive efficiencies</i>	Company operate 13 manufacturing facilities across Umbergaon, Gujarat, spread over approximately 34 acres of land covering approximately 1.18 million square feet and is one of the largest stationery manufacturing facilities in India .Company's annual installed capacity as on March 31, 2023, for its key products was 4,734.93 million units. Company undertake end-to-end operations, from conceptualisation to design, manufacturing, packaging and distribution of its product portfolio through its integrated operations at its Umbergaon Manufacturing Facilities.
<i>Experienced Promoters and management team</i>	Company's Individual Promoters and Directors, Santosh Rasiklal Raveshia, Sanjay Mansukhlal Rajani, Chandni Vijay Somaiya and Ketan Mansukhlal Rajani, have over 23 years, 38 years, 19 years and 20 years of experience, respectively in the 'stationery and art materials' products industry and have been instrumental in the growth of 'DOMS' as a brand. While Santosh Rasiklal Raveshia, Sanjay Mansukhlal Rajani, and Chandni Vijay Somaiya oversee operations at company's manufacturing facilities at Umbergaon, Gujarat, Ketan Mansukhlal Rajani is responsible for its operations at company's manufacturing facility at Jammu. The Individual Promoters are actively involved in the day-to-day operations of Company, ensuring tight cost control and improvements in margins. Company's Corporate Promoter, FILA has its representatives on its Board, who bring their experience of the stationery industry and international exposure.



OBJECTS OF OFFER

Offer for Sale

The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale after deducting their respective portion of the Offer-related expenses and relevant taxes thereon

Fresh Issue

The net proceeds of the Fresh Issue are proposed to be utilised in the following manner:

1. Proposing to part finance the cost of establishing a new manufacturing facility to expand its production capabilities for a wide range of writing instruments, water colour pens, markers and highlighters, at Survey Nos: 153, 154, 155/2, 159, 160, 161, 164, 165, 166, 168, 170, 172, 175, 180, 181, 370 and 391/P1, Village: Dehri, Tal: Umbergaon, District Valsad, 396170, Gujarat, India ("Proposed Project"); and
2. General corporate purposes.

RISKS

Company derived a significant portion amounting to 60.23%, 59.06%, 59.54% and 62.12% of company's Gross Product Sales in Fiscals 2021, 2022 and 2023, and the six months period ended September 30, 2023 respectively, from the sale of its key products and a significant portion amounting to 36.99%, 33.35%, 31.66% and 32.49% of company's Gross Product Sales in Fiscals 2021, 2022, 2023 and the six months period ended September 30, 2023, respectively is attributable to the sale of 'wooden pencils'. Any decline in the Gross Product Sales of company's key products in general or specifically 'wooden pencils' could have an adverse effect on company's business, results of operations and financial condition.

Source:RHP

INDUSTRY OVERVIEW

OPPORTUNITY FOR INDIA TO BECOME AN EXPORT HUB OF STATIONERY PRODUCTS

India has become one of the major exporting nations in recent decades, which has facilitated the Indian economy to new heights. India has a thriving stationery and art materials industry, and there are several opportunities for the country to become an export hub for stationery products. India exports most of its stationery products to United States, United Kingdom, and United Arab Emirates. The demand for stationery products is growing rapidly worldwide, driven by increased literacy rates and education levels. India can capitalize on this demand by producing a diverse range of stationery products at competitive prices. Further, India has a vast availability of raw materials like paper, rubber, plastic, and wood, and also has a competitive advantage in cost-effective manufacturing due to lower labour costs. This helps drive down production costs of stationery products, thus making them more attractive to international buyers.

THE LIMITING FACTORS FOR THE STATIONERY AND ART MATERIALS MARKET AND THE KEY GROWTH DRIVERS

Raw material price volatility: Inflation had a significant impact on the stationery and art materials market. The world economy has been experiencing high inflation in recent years, which has led to a higher price in the stationery products. One of the key drivers for inflation is the cost of raw materials. Stationery products like pens, pencils, notebooks etc., rely heavily on raw materials such as paper, rubber, and plastics, which are subject to price fluctuations in the global market. The increase in the price of raw materials can lead to a higher cost for stationery manufacturers, thus causing a higher selling price product in the market.

Environment Concern: There has been a growing awareness among consumers concerning the impact of paper production on the environment. Consumers have become aware of the environmental impact of paper production, which has led to a shift towards eco-friendly products and a reduction in the use of paper-based stationery items. However, this gives an opportunity for the companies in the stationery and art materials industry to offer more environment and ecofriendly alternatives.

Digitalization: Digitalization have had a significant impact on workplaces, enabling increased collaboration, information accessibility, and remote work opportunities, resulting in increased productivity and efficiency. Moreover, the adoption of digital processes has helped to minimize the environmental impact of traditional paperbased practices, leading to enhanced sustainability and reduced carbon footprint. The shift towards paperless processes using digital devices has led to efficiency, convenience and cost savings for businesses and individuals. However, with the incre

ase in digitization, the global supply-demand for the physical stationery products (specially the office stationery) has remained subdued as the digital alternatives for notetaking and communication have replaced the traditional stationery items, such as pens, notepads, office diaries etc. in various settings. In emerging countries like India, the impact of digitalization is however limited due to low digital penetration specially in the rural areas. A significant portion of the population in the country, especially in the rural areas, has limited access to digital technologies, including internet connectivity. In many parts of India, the traditional stationery items like pens, pencils, and notebooks continue to be the primary means of writing and recording information. The reliance on physical stationery products is deeply ingrained in the education system, where handwritten notes and paper-based examinations remain prevalent. This reliance is further reinforced by cultural practices and habits.

E-commerce: The rise of e-commerce platforms has changed the retail landscape, offering consumers a convenient way to purchase products online. While this provides opportunities for stationery retailers to reach a broader customer base, it also intensifies competition and can lead to price pressures. Further, in countries such as India, a large number of value- seeking consumer groups prefer to buy unbranded stationery items from local


Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23	H1FY24
Total Revenue (A)	4028.17	6836.01	12118.90	7617.98
Total Expenditure (B)	3727.92	6138.88	10252.31	6343.53
EBIDTA	300.25	697.13	1866.59	1274.45
EBIDTA Margin	7.45	10.20	15.40	16.73
Other Income	59.71	26.24	46.33	24.17
Depreciation	347.69	380.13	406.50	227.86
EBIT	12.27	343.24	1506.42	1070.76
Interest	88.05	103.00	118.80	78.45
PBT	-75.78	240.24	1387.62	992.31
Extraordinary Items	0.00	0.00	0.00	0.00
PBT	-75.78	240.24	1387.62	992.31
Share of profit in associate	0.00	0.00	0.01	-0.88
PBT	-75.78	240.24	1387.63	991.43
Tax	-15.52	68.84	358.92	252.37
PAT	-60.26	171.40	1028.71	739.06
NPM	-1.50	2.51	8.49	9.70
ROE %	-3.86	5.81	28.39	17.76
EPS	-1.07	3.05	18.29	13.14
Eq Cap	3.73	3.73	3.73	562.50
Net Worth	2,416.79	2,580.94	3,553.45	4,221.89

(Source: RHP)

Peer Comparison

Company Name	Face value	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>DOMS Industries Limited</i>	<i>10</i>	<i>N.A</i>	<i>12118.90</i>	<i>18.29</i>	<i>59.99</i>	<i>28.39</i>
Peers						
Kokuyo Camlin Limited	1	64.14	7749.43	2.44	26.18	9.31
Linc Limited	10	28.15	4867.55	25.15	119.16	21.10
Navneet Education Limited	2	15.86	16968.30	9.04	50.85	17.78
Flair Writing Industries Limited	5	35.76	9426.60	12.66	46.57	27.18

(Source: RHP)



DISCLAIMER

HEM Securities Limited ("Research Entity or HSL") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services, merchant banking services, Portfolio Management Services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.