



SMC Ranking
 ★★☆☆☆ (3/5)

Issue Highlights

Industry	Consumer Product
Offer for sale (Shares)	10,759,493
Fresh Issue (Shares)	4,430,380
Net Offer to the Public	15,189,873
Issue Size (Rs. Cr.)	1139-1200
Price Band (Rs.)	750-790
Employee Discount	Rs 61 per share
Offer Date	13-Dec-23
Close Date	15-Dec-23
Face Value	10
Lot Size	18 Shares

Issue Composition

	In shares
Total Issue for Sale	15,189,873
QIB	11,392,405
NIB	2,278,481
Retail	1,518,987

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	74.97%
QIB	0.00%	18.77%
NIB	0.00%	3.75%
Retail	0.00%	2.50%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The net proceeds of the Fresh Issue, i.e., gross proceeds of the Fresh Issue less the offer expenses apportioned to the Company ("Net Proceeds") are proposed to be utilised in the following manner:

- Proposing to partly finance the cost of establishing a new manufacturing facility to expand its production capabilities for a wide range of writing instruments, watercolour pens, markers, and highlighters.
- General corporate purposes.

Book Running Lead Manager

- JM Financial Limited
- BNP Paribas
- ICICI Securities Limited
- IIFL Securities Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in 2006, DOMS Industries Limited is a stationery and art product company primarily engaged in designing, developing, manufacturing, and selling a wide range of these products under the flagship brand, DOMS. As of March 31, 2023, the company has marked its presence in over 40 countries. The company held 29% and 30% market share, respectively, in Fiscal 2023 for its core products for pencils and mathematical instrument boxes. The company offers well-designed and high-quality stationery and art materials to consumers, which are classified into seven categories: (i) scholastic stationery; (ii) scholastic art materials; (iii) paper stationery; (iv) kits and combos; (v) office supplies; (vi) hobby and craft; and (vii) fine art products. The company has an exclusive tie-up with certain entities of the FILA Group for the distribution and marketing of their products in South Asia. As of March 31, 2023, the company has a strong, global multi-channel distribution network across the Americas, Africa, Asia Pacific, Europe, and the Middle East.

Strength

Leadership position in the Indian 'stationery and art material' industry with the widest range of products, driving rapid business growth: The company believe that it has a strong brand that its consumers trust, as evidenced by its leadership position in the 'stationery and art material' products industry in India. It has 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. It has leveraged its experience and success with its flagship brand 'DOMS' and introduced new brands and sub-brands to the market which complement its flagship brand. Its presence across multiple stationery categories and price points has enabled it to be the fastest growing stationery and art material products company in India in terms of revenue over the period from Fiscal 2020 to Fiscal 2023.

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

The company believes that its strong and reputed brand increases consumer confidence and influences purchase decision in its favour. DOMS' R&D efforts are focused on product development, cost reduction, and integration of modern technologies to its processes, which help it in improving its operational efficiency. Further, new processes which are developed in its R&D units are initially implemented on a pilot basis at its Umbergaon Manufacturing Facilities to understand the efficacy and challenges before initiating commercial production. Its advertisement and business promotion expenses represented 0.37%, 0.41%, 0.28%, and 0.33% of its revenue from operations in Fiscal 2021, 2022 and 2023, and for the six months period ended September 30, 2023, respectively and the yield on advertising expenses represented 267.47 times, 243.36 times, 355.18 times, and 301.76 times of revenue in Fiscal 2021, 2022 and 2023, and for the six months period ended September 30, 2023, respectively. It believes its focus on developing quality products and offering them at affordable price points, specifically keeping in mind children and young adults, allows it to differentiate its offerings from its competitors and gives it a strategic advantage.

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

It operates 13 manufacturing facilities across Umbergaon, Gujarat, spread over approximately 34 acres of land covering approximately 0.11800 crore square feet and is one of the largest stationery manufacturing facilities in India. Its annual installed capacity as on March 31, 2023, for its key products was 473.49 crore units. It undertakes end-to-end

operations, from conceptualization to design, manufacturing, packaging and distribution of its product portfolio through its integrated operations at its Umbergaon Manufacturing Facilities. It also operates 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 it produces wooden slats from locally sourced wood.

Robust multi-channel distribution network with strong pan India presence: It has a widespread multi-channel distribution network, through which it sells its products (i) through general trade, where it sells products to its super-stockists, who sell to a distributor, and who in turn sells it to a wholesaler or retailer; (ii) through modern trade, where it sells its products to supermarkets, hypermarkets, mini markets, cash and carry stores and on leading e-commerce platforms; and (iii) to large corporates, institutions, and other companies who sell its products either in their own brand or under its flagship 'DOMS' brand. It believes that its systematic distribution network ensures effective market penetration and facilitates its growth strategy.

Strategic partnership with F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. enabling access to global markets and product know-how: As of December 31, 2022, FILA had a consolidated total revenue of USD ~ 0.84 Billion. 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 coloring, design, modelling, writing, and painting objects, such as pencils, crayons, modelling clay, chalk, oil colors, acrylics, watercolors, paints and paper for the fine arts, school and leisure in over 150 countries across 5 continents such as Italy, United States of America, France, Germany, Greece, Poland, Canada, Mexico, Russia, Spain, Sweden, Turkey, South Africa, etc. Its collaboration with FILA has helped it expand its international footprint in Asia Pacific, Europe, and Middle Eastern markets with the distribution of its products. It 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.

STRATEGY

Expansion of manufacturing capacities: DOMS intends to streamline its operations and enhance its manufacturing capacity for writing instrument products by adding approximately 0.10 million square feet to its mbergaon Manufacturing Facilities. It continues to focus on further integrating its operations and benefit from economies of scale and improve operating margins. Further, to enhance its manufacturing operations in order to meet the current and anticipated demand of its roducts, it has acquired a parcel of land measuring approximately 44 acres located adjacent to Umbergaon Manufacturing Facilities. It intends to use a portion of the Net Proceeds amounting to Rs. 25.60 crore, Rs.206.18 crore and Rs.148.22 crore in Fiscals 2024, 2025 and 2026, respectively, for the construction of the manufacturing facilities on this land.

Supplement its product portfolio in order to expand addressable market size and capture higher consumer wallet share: The 'stationery and art material' market has untapped potential in multiple categories with a limited presence of branded players. It believe that powerful consumer trends will continue to expand the approximately Rs.38,500 crore. It continues to seek opportunities to introduce new products. Further, it continuously seeks to increase the depth within its products which would help to improve average revenue realisation.

Strengthen its distribution network and expand its modern trade channels: As of September 30, 2023, it has a widespread multi-channel distribution network with a strong pan-India presence. It seeks to continue to develop its distribution network and increase its geographical reach through reinforcing and expanding its distribution channels. It seeks to achieve this by increasing the network of its distribution channel partners as well as increasing its presence across different retail store formats in addition to the traditional stationery stores. It continues to remain focused on entering into arrangements with more supers stockists in order to create new distribution channels to reach under-served areas and smaller towns. While it believes that its pan-India presence affords it a significant reach to all parts of the country, it believes that the markets in eastern and southern India, have a scope of further market expansion and it intends to capitalise on the same by shoring up its network presence in these markets.

Undertake inorganic growth through acquisitions or strategic partnerships: It has a demonstrated history of acquiring and successfully integrating companies, with significant acquisitions in the last year. Through these acquisitions, it seeks to consolidate its position further in the Indian 'stationery and art material' products segment, increasing its scale and market share. In Fiscal 2024, it undertook the acquisition of Micro Wood Private Limited as a strategic investment, which will help it in achieving greater degree of backward integration for manufacturing of certain products.

Strengthening the 'DOMS' brands and enhance synergies: As of Fiscal 2023, branded play controls nearly 36% (~INR 13,850 crores) of the stationery market in India. Branded play is estimated to capture ~43% (~INR 30,500 crores) market share by Fiscal 2028. The 'stationery and art material' market in India has untapped potential in multiple categories with a limited presence of branded players. One of its key strengths is the strong brand equity generated by the DOMS brand. Its leadership position in the 'stationery and arts' products industry, recognised primarily under the DOMS brand, provides it with an opportunity to grow its business. It has consistently allocated significant resources to establish and strengthen its brand and to increase its brand recall as one of India's leading 'stationery and arts' brands. It has consciously developed its product categories under its flagship brand 'DOMS', allowing consumers to associate with its brand and believe that DOMS as a brand commands a recall amongst the consumers due to its image and goodwill established over the years. It intends to leverage its brand, quality, and pricing strategy to increase its market penetration to target children and young adults.

Strengthen its technology and data capabilities to drive business efficiencies: It intends to continue to invest in its technology and data capabilities to drive business efficiencies, stay connected with its customers and strengthen cross-brand, and cross-functional synergies. It relies on Sales Force Automation (SFA), a software solution that it uses to track and oversee the performance of its large sales force. Through SFA, it is able to gain access to its sales activities and enable seamless monitoring and analysis of its team's performance. It sales team which covers more than 120,000 retail touch points as of September 30, 2023, collect orders from the retailers in its SFA mobile application.

Risk factor

- Supply risk – The company has not entered into any formal contracts or exclusive arrangement with its suppliers from whom it procures materials consumed by the company for its manufacturing process.
- Competition – It faces significant competitive pressures in its business.
- Negative cash flows – it has had negative cash flows in previous financial years and may continue to have negative cash flows in the future, which could adversely affect its liquidity and operations.
- Distribution risk – The company is dependent on its 'general trade' distribution network for a significant portion (more than 70.00%) of its Gross Product Sales in each of the last three Fiscals and the six months period ended September 30, 2023.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Kokuyo Camlin	817.56	40.11	4	42.9	6.01	28.57	1	171.60	1721.21
Navneet Educat.	1730.52	234.14	5.39	26.94	2.58	56.29	2	145.20	3284.62
Linc	504.94	38.56	25.92	27.58	5.76	124.19	10	714.75	1063.00
Flair Writing Industries Limited	942.66	118.10	11.22	34.04	5.03	75.9	5	381.95	4025.58
DOMS Industries Limited**	1211.89	102.87	16.95	46.60	6.21	127.25	10.00	790.00	4793.77

*Peer companies financials are TTM based except Flair Writing industries Limited. Flair writing Financials are based on FY23.
**DOMS Financials are based on FY23

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.790, the stock is priced at pre issue P/E of 43.20x on FY2023 EPS of Rs.18.29. Post issue, the stock is priced at a P/E of 46.60x on its FY2023 EPS of Rs.16.95. Looking at the P/B ratio at Rs.790, pre issue book value of Rs. 75.06 of P/Bvx 10.53x. Post issue, book value of Rs. 127.25 of P/Bvx 6.21x.

Considering the P/E valuation, on the lower end of the price band of Rs.750, the stock is priced at pre issue P/E of 41.01x on FY2023 EPS of Rs.18.29. Post issue, the stock is priced at a P/E of 44.24x on its EPS of Rs.16.95. Looking at the P/B ratio at Rs.750, pre issue, book value of Rs. 75.06 of P/Bvx 9.99x. Post issue, book value of Rs. 127.25 of P/Bvx 5.89x.

Industry Outlook

The global school's (scholastic) stationery product market was valued at USD 61 billion in CY 22. The market is expected to grow at a CAGR of 2.2% during the period CY 22 to CY 27 and is expected to reach approximately USD 68 billion by CY 27. The Indian stationery and art materials market has exhibited continuous growth over the years with an estimated size of INR 38,500 crore by value as of FY 23. The Indian stationery and art materials market is expected to grow at a CAGR of ~13% during FY 23-28 period to reach a market value of INR 71,600 crore by FY 28. The growth of this market can be attributed to factors such as the increasing population, education rate, government policies towards education, and evolving digitalization trends that has aided in the growth of conventional stationery and art materials industry as students are now spending more time in self-studying, drawing, colouring, and doing other hands-on activities. 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. The Indian stationery and art materials exports market is expected to grow at a CAGR of ~6% during FY 23-28 period to reach a market value of INR 7,500 crore by FY 28.

Outlook

Doms, the second largest player in India's branded stationery and art products market with a market share of 12 percent by value in FY23, will spend the net fresh issue proceeds for new manufacturing facility to expand production capabilities for writing instruments, water colour pens, markers and highlighters. And the remaining issue proceeds will be kept for general corporate purposes. Doms that enjoys 29 percent and 30 percent market share in core products such as pencils and mathematical instrument boxes in FY23, had a healthy track record of financial numbers.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	13-December-23
BID/ISSUE CLOSES ON	15-December-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	18-December-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	19-December-23
Credit of Equity Shares to demat accounts of Allottees	19-December-23
Commencement of trading of the Equity Shares on the Stock Exchanges	20-December-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sept-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	761.80	1211.89	683.60
Total expenditure	634.35	1025.23	613.89
Operating Profit	127.45	186.66	69.71
OPM%	16.73	15.40	10.20
Other Income	2.42	4.63	2.62
PBDIT	129.86	191.29	72.34
Depreciation	22.79	40.65	38.01
PBIT	107.08	150.64	34.32
Interest	7.85	11.88	10.30
Profit before Share of (Loss)/Profit equity accounted investees (net of tax)	99.23	138.76	24.02
Share of (Loss)/Profit equity accounted investees (net of tax)	-0.09	0.00	0.00
Profit/(Loss) before Tax	99.14	138.76	24.02
Tax	25.24	35.89	6.88
PAT	73.91	102.87	17.14

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sept-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	346.64	279.89	186.13
Capital work-in-progress	2.27	6.89	4.01
Right-of-use assets	47.54	38.16	38.20
Goodwill	62.37	2.01	2.01
Other Intangible Assets	0.10	0.15	0.24
Financial Assets			
Investments in associates	1.41	1.50	0.00
Other Financial Assets	15.73	10.92	10.63
Deferred Tax Assets (Net)	5.12	3.17	1.20
Other Tax Assets (Net)	1.05	0.30	1.06
Other Non-Current Assets	20.43	17.44	9.35
Total non-current assets	502.67	360.43	252.83
Current assets			
Inventories	198.64	184.64	159.19
Financial Assets			
Trade Receivables	49.71	35.64	49.16
Cash and Cash Equivalents	48.23	34.25	9.30
Bank Balances other than cash and cash equivalents as above	1.64	7.45	6.47
Loans	0.79	0.81	0.59
Other Current Assets	27.77	16.56	19.93
Total current assets	326.79	279.35	244.64
Total Assets	829.46	639.78	497.46
Non-current liabilities			
Financial liabilities			
Borrowings	85.57	15.16	2.85
Lease Liabilities	36.46	30.26	29.36
Provisions	11.98	9.13	7.82
Total non-current liabilities	134.01	54.54	40.03
Current liabilities			
Financial Liabilities			
Borrowings	90.81	84.91	82.05
Lease Liabilities	11.57	9.48	8.67
Trades Payable - MSME	5.58	5.06	4.52
Trade Payables - other than MSME	88.89	81.92	76.61
Other financial Liabilities	30.21	17.52	13.10
Other current liabilities	23.13	20.01	7.75
Provisions	7.68	3.59	1.86
Current tax Liabilities (Net)	15.38	7.40	4.78
Total current liabilities	273.26	229.90	199.33
Total	407.27	284.44	239.37
Net worth represented by:			
Equity Share Capital	56.25	0.37	0.37
Other equity	341.36	337.06	246.87
Non controlling interest	24.58	17.91	10.85
Net Worth	422.19	355.35	258.09

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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