

IPO Note: DOMS Industries Ltd.

Industry: Education

Date: December 13, 2023

Issue Snapshot		Issue Break up	
Company Name	DOMS Industries Ltd.	QIB ex Anchor	30% 45,37,975
Issue Opens	December 13, 2023 to December 15, 2023	Anchor Investor	45% 68,06,962
Price Band	Rs. 750 to Rs. 790	HNI<Rs. 10 Lakhs	5% 7,56,329
Bid Lot	18 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10% 15,12,658
The Offer	Public issue of 1,51,89,873 Equity shares of Face value Rs. 10 each, (Comprising of fresh issue of 44,30,380 Equity Shares* (Rs. 350 cr.) and Offer for Sale of 1,07,59,494 Equity Shares* (Rs. 850 cr.) by Selling Shareholder).	RII	10% 15,12,658
Issue Size	Rs. 1200 Crore	Total Public	100% 1,51,26,582
IPO Process	100% Book Building	Employee Reservation	63,291
Face Value	Rs. 10.00	Total	1,51,89,873
Exchanges	NSE & BSE	Equity Share Pre Issue (Nos. Cr.)	5.6
BRLM	JM Financial Ltd., BNP Paribas, ICICI Securities Ltd., IIFL Securities Ltd.	Fresh Share (Nos. Cr.)	0.4
Registrar	Link Intime India Private Ltd	OFS Share (Nos. Cr.)	1.1
		Equity Share Post Issue (Nos. Cr.)	6.1
		Market Cap (Rs. Cr.)	4,793.8
		Equity Dilution	7.3%
		Stake Sale by OFS	17.7%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to ₹8,000.00 million by F.I.L.A. - Fabbrica Italiana Lapis ED Affini S.P.A., up to ₹250.00 million by Sanjay Mansukhlal Rajani, up to ₹250.00 million by Ketan Mansukhlal Rajani)

Fresh Issue

- 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 Umbergaon, Valsad, Gujarat (Rs. 280.0 cr.); and
- General corporate purposes.

Company Highlights

- DOMS Industries Ltd. (DIL) designs, develops, manufactures, and sells 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. DIL 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). DIL's keen focus on research and development (R&D), product engineering, and backward integrated manufacturing, operations, combined with multichannel Pan-India distribution network has enabled it to achieve a strong brand recall amongst consumers.
- It offers well-designed and quality 'stationery and art material' products to consumers, which it classifies 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.
- As per the Technopak Report, it has the widest breadth of product categories amongst its peers in India and are amongst the few 'stationery and art material' products manufacturing and marketing companies globally with such a wide product breadth. Among other factors, DIL's presence across multiple such 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 (Source: Technopak Report).
- Its products are marketed under flagship brand 'DOMS' along with other brand/sub-brands including 'C3', 'Amariz', and 'Fixyfix'. While 'wooden pencils' is its largest product in terms of revenue, contributing 31.66% and 32.49% to Gross Product Sales. In order to support its growth strategy to expand manufacturing capabilities, recently the company has acquired 44 acres of land which is adjacent to its existing Umbergaon Manufacturing Facilities.

- As of September 30, 2023, it has a widespread 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 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 over 120 super-Stockists, and over 4,000 distributors along with a dedicated sale team of over 500 personnel covering more than 120,000 retail touch points over 3,500 cities and towns. DIL also caters to consumers through modern trade and e-commerce. Its products are sold through a variety of modern trade platforms such as supermarkets, hypermarkets, minimarkets, cash and carry stores. Further, its products are also available on multiple e-commerce platforms.
- The company undertakes the manufacturing operations from facilities located in Umbergaon, Gujarat and Bari Brahma, in Jammu and Kashmir. The Umbergaon Manufacturing Facilities are spread over approximately 34 acres of land covering approximately 1.07 msf, which are equipped with modern and automated production processes. Further, the Jammu Manufacturing Facility is spread across approximately 2 acres of land covering approximately 0.07 msf, focussed on producing wooden slats from locally sourced wood. The company is vertically integrated with operations such as procurement of raw materials, moulding, assembling, integration of sub-assemblies into finished products being done at the manufacturing facilities in Umbergaon, which has enabled the company to gain a competitive advantage by improving productivity and reducing costs. In order to support the growth strategy to expand the manufacturing capabilities, recently the company has also acquired 44 acres of land which is adjacent to the existing Umbergaon Manufacturing Facilities.

View

- Doms Industries has a strong brand that the consumers trust, as evidenced by the 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 of 29% and 30% by value in FY23 respectively. The company has a wide and differentiated product category, which includes over 3,800 SKUs as of September 30, 2023
- DOMS has been granted 13 registered designs and 419 registered trademarks in India and 88 registered international trademarks. The Corporate Promoter has issued the company brand authorisation letters to use the trademarks of certain entities under the FILA Group.
- DOMS operates 13 manufacturing facilities across Umbergaon, Gujarat, spread over approximately 34 acres of land covering approximately 1.18 msf and is one of the largest stationery manufacturing facilities in India. The annual installed capacity as on March 31, 2023, for the key products was 473.49 crore units. The company also operate 1 manufacturing facility which is spread across approximately 2 acres of land covering approximately 0.07 msf at Bari Brahma, in Jammu and Kashmir where the company produce wooden slats from locally sourced wood. In order to meet the expected rise in consumer demand across the product categories, the company has undertaken further capital expenditure in FY23 of Rs. 125.94 crore, primarily towards enhancing the manufacturing capabilities across the range of product categories.
- As of September 30, 2023, DOMS has a widespread multi-channel distribution network with a strong pan-India presence. The company seek to continue to develop the distribution network and increase the geographical reach through reinforcing and expanding the distribution channels. In terms of the international presence, over the years the company has developed a robust export sales network through the association with FILA as well as through distributors in over 45 countries.
- The company intends to continue to actively pursue strategic investments and acquisitions, which are complementary to the business. Such efforts will be focused on: (i) increasing the market share further; (ii) deepening the presence in certain geographies; and (iii) improving profitability.
- The market is gradually shifting towards branded play, because of shift in consumer preference towards premium and innovative products, GST implementation, branded players undertaking various brand building initiatives and economies of pan-India distribution network by branded players. The leadership position in the 'stationery and arts' products industry, recognised primarily under the DOMS brand, provides the company with an opportunity to grow the business.
- On the financial front, over FY21-23, DOMS's revenue/ EBITDA grew at a CAGR of 73.5%/ 149.3% to Rs. 1211 cr/ Rs. 187 cr/, respectively, while EBITDA margin improved by 795bps (to 15.4%). In FY23, Net Profit has come in at Rs. 103 cr against Rs. 17 cr in FY22.
- In terms of the valuations, on the higher price band, DOMS demands P/E multiple of 32.4x based on post issue fully diluted annualized FY24 EPS.

Revenue from Operations

	FY21		FY22		FY23		H1FY24	
	Amount (Rs. Cr.)	% of Gross Sale	Amount (Rs. Cr.)	% of Gross Sale	Amount (Rs. Cr.)	% of Gross Sale	Amount (Rs. Cr.)	% of Gross Sale
Product Category								
Scholastic stationery	191.0	46.2	327.0	47.2	568.8	46.2	354.4	45.6
Scholastic art material	97.5	23.6	166.4	24.0	292.8	23.8	203.0	26.1
Paper stationery	40.3	9.8	64.1	9.3	127.4	10.3	77.3	10.0
Kits and combos	46.5	11.3	79.7	11.5	126.4	10.3	67.3	8.7
Office supplies	24.6	6.0	40.3	5.8	75.2	6.1	48.8	6.3
Hobby and craft	0.4	0.1	0.6	0.1	15.7	1.3	11.3	1.5
Fine art products	5.8	1.4	9.6	1.4	14.2	1.2	8.3	1.1
Others	7.0	1.7	5.4	0.8	11.3	0.9	6.5	0.8
Grand Total	413.0	100.0	693.1	100.0	1231.7	100.0	776.8	100.0
Distribution Network								
Domestic								
General trade	290.7	70.4	492.2	71.0	915.7	74.3	587.2	75.6
Modern trade and ecommerce platform	12.0	2.9	21.5	3.1	26.3	2.1	22.3	2.9
Others	10.2	2.5	14.7	2.1	32.2	2.6	23.2	3.0
Total	312.9	75.8	528.4	76.2	974.2	79.1	632.6	81.4
Exports								
Export to the FILA Group	69.3	16.8	106.5	15.4	158.6	12.9	85.5	11.0
Third party exports	30.9	7.5	58.2	8.4	99.0	8.0	58.7	7.6
Total	100.2	24.3	164.7	23.8	257.6	20.9	144.2	18.6
Grand Total	413.0	100.0	693.1	100.0	1231.7	100.0	776.8	100.0
Regional Breakdown								
North	110.9	35.4	177.5	33.6	310.3	31.9	194.5	30.7
West	89.5	28.6	155.4	29.4	297.4	30.5	210.5	33.3
East	64.2	20.5	96.7	18.3	177.5	18.2	107.7	17.0
South	48.3	15.4	98.7	18.7	188.9	19.4	120.0	19.0
Total	312.9	100.0	528.4	100.0	974.2	100.0	632.6	100.0
Key Products								
Wooden pencils	152.8	37.0	231.1	33.4	390.0	31.7	252.4	32.5
Crayons	22.6	5.5	35.2	5.1	72.4	5.9	55.3	7.1
Mathematical instruments box	13.4	3.3	34.5	5.0	68.8	5.6	52.1	6.7
Sketch pens	18.6	4.5	36.8	5.3	68.8	5.6	47.0	6.1
Erasers	19.6	4.7	42.5	6.1	66.9	5.4	36.3	4.7
Exercise books	21.7	5.3	29.3	4.2	66.4	5.4	39.4	5.1
Total	248.8	60.2	409.3	59.1	733.3	59.5	482.6	62.1

Financial Statement

(In Rs. Cr)	FY21	FY22	FY23	H1FY24
Share Capital	0.4	0.4	0.4	56.3
Net Worth	241.7	258.1	355.3	422.2
Long Term Borrowings	2.9	2.9	15.2	85.6
Other Long Term Liabilities	34.3	37.2	39.4	48.4
Short-term borrowings	94.4	82.1	84.9	90.8
Other Current Liabilities	84.3	117.3	145.0	182.4
Fixed Assets	231.7	230.6	327.1	458.9
Non Current Assets	249.7	22.2	33.3	43.7
Current Assets	207.4	244.6	279.4	326.8
Total Assets	457.5	497.5	639.8	829.5
Revenue from Operations	402.8	683.6	1211.9	761.8
Revenue Growth (%)		69.7	77.3	
EBITDA	30.0	69.7	186.7	127.4
EBITDA Margin (%)	7.5	10.2	15.4	16.7
Net Profit	(6.0)	17.1	102.9	73.9
Net Profit Margin (%)	(1.5)	2.5	8.5	9.7
Earnings Per Share (Rs.)	(1.1)	3.1	18.3	13.1
Return on Networth (%)	NA	6.9	33.5	19.0
Net Asset Value per Share (Rs.)	41.5	44.0	60.0	70.7

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY21	FY22	FY23	H1FY24
Cash flow from Operations Activities	15.2	50.9	173.3	108.1
Cash flow from Investing Activities	(18.7)	(33.7)	(135.9)	(128.3)
Cash flow from Financing Activities	24.9	(30.6)	(12.4)	34.2
Net increase/(decrease) in cash and cash equivalents	21.4	(13.4)	25.0	14.0
Cash and cash equivalents at the beginning of the year	1.3	22.7	9.3	34.3
Cash and cash equivalents at the end of the year	22.7	9.3	34.3	48.2

Source: RHP

Comparison with Listed Industry Peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
DOMS Industries Ltd.	1211.9	15.4	0.1	24.6	14.6	32.4	6.2	26.0	4.0	4793.8
Flair Writing Industries Ltd.	942.7	20.7	0.3	33.8	31.4	34.1	3.7	21.2	4.3	4033.5
Navneet Education Ltd.	1696.8	18.5	0.2	25.0	19.4	14.1	2.6	11.3	1.9	3284.6
Kokuyo Camlin Ltd.	774.9	7.3	0.2	12.6	9.7	42.9	6.0	23.2	2.1	1721.2
Linc Ltd.	486.8	13.2	0.0	31.4	23.4	27.6	5.8	15.4	2.1	1063.0

Ashika Stock Broking Limited ("ASBL") started its journey in the year 1994, and is presently offering a wide bouquet of services to its valued clients including broking services, depository services and distributorship of financial products (Mutual funds, IPO & Bonds). It became a "Research Entity" under SEBI (Research Analyst) Regulations 2014 in the year of 2015 (Reg No. INH000000206).

ASBL is a wholly owned subsidiary of Ashika Global Securities (P) Ltd., a RBI registered non-deposit taking NBFC Company. ASHIKA GROUP (details enumerated on our website www.ashikagroup.com) is an integrated financial service provider inter alia engaged in the business of Investment Banking, Corporate Lending, Commodity Broking, Debt Syndication & Other Advisory Services.

There were no significant and material disciplinary actions against ASBL taken by any regulatory authority during last three years except routine matters.

Disclosure

Research reports are being prepared and distributed by ASBL in the sole capacity of being a Research Analyst under SEBI (Research Analyst) Regulations 2014. The following disclosures and disclaimer are an essential part of any Research Report so being distributed.

1. ASBL or its associates, its Research Analysts (including their relatives) may have financial interest in the subject company(ies). And, the said financial interest is not limited to having an open stock market position in /acting as advisor to /having a loan transaction with the subject company(ies) apart from registration as clients.
2. ASBL or its Research Analysts (including their relatives) do not have any actual / beneficial ownership of 1% or more of securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the source research report or date of the concerned public appearance. However ASBL's associates may have actual / beneficial ownership of 1% or more of securities of the subject company(ies).
3. ASBL or its Research Analysts (including their relatives) do not have any other material conflict of interest at the time of publication of the source research report or date of the concerned public appearance. However ASBL's associates might have an actual / potential conflict of interest (other than ownership).
4. ASBL or its associates may have received compensation for investment banking, merchant banking, brokerage services and for other products and services from the subject companies during the preceding 12 months. However, ASBL or its associates or its Research analysts (forming part of Research Desk) have not received any compensation or other benefits from the subject companies or third parties in connection with the research report/ research recommendation. Moreover, Research Analysts have not received any compensation from the companies mentioned in the research report/ recommendation in the past twelve months.
5. The subject companies in the research report/ recommendation may be a client of or may have been a client of ASBL during the twelve months preceding the date of concerned public appearance for investment banking/ merchant banking / brokerage services.
6. ASBL or their Research Analysts have not managed or co-managed public offering of securities for the subject company(ies) in the past twelve months. However ASBL's associates may have managed or co-managed public offering of securities for the subject company(ies) in the past twelve months.
7. Research Analysts have not served as an officer, director or employee of the companies mentioned in the report/ recommendation.
8. Neither ASBL nor its Research Analysts have been engaged in market making activity for the companies mentioned in the report / recommendation.

Disclaimer

The research recommendations and information are solely for the personal information of the authorized recipient and does not construe to be an offer document or any investment, legal or taxation advice or solicitation of any action based upon it. This report is not for public distribution or use by any person or entity, where such distribution, publication, availability or use would be contrary to law, regulation or subject to any registration or licensing requirement. We will not treat recipients as customer by virtue of their receiving this report. The report is based upon the information obtained from public sources that we consider reliable, but we do not guarantee its accuracy or completeness. ASBL shall not be in anyways responsible for any loss or damage that may arise to any such person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations.