

DOMS Industries Limited

| Issue Detail | |
|------------------|----------------------|
| Price Band (Rs.) | Rs.750 – Rs.790 |
| Face Value (Rs.) | 10.00 |
| Issue Size (Rs.) | 1,200.00 Cr. |
| Issue Type | Book Built Issue IPO |
| Minimum lot | 18 Shares |
| Issue Opens | December 13, 2023 |
| Issue Closes | December 15, 2023 |
| Listing on | BSE & NSE |

| Indicative Timeline | On or before |
|------------------------------------|-------------------|
| Finalization of Basis of Allotment | December 18, 2023 |
| Unblocking of Funds | December 19, 2023 |
| Credit of shares to Demat Account | December 19, 2023 |
| Listing on exchange | December 20, 2023 |

| Other Detail | |
|----------------------------|--|
| Book Running Lead Managers | JM Financial Limited, BNP Paribas, ICICI Securities Limited and IIFL Securities Limited. |
| Registrar | Link Intime India Private Limited. |

| IPO Shareholding (%) | | |
|----------------------|----------------|----------------|
| Category | Pre-Issue | Post-Issue |
| Promoters | 100% | 74.97 % |
| Public | - | 25.03 % |
| Total | 100.00% | 100.00% |

| Distribution Team |
|---|
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|--|
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Company Background

DOMS Industries Limited (“DOMS”) was incorporated on October 24, 2006. DOMS design, develop, manufacture, and sell a wide range of stationery and art products, primarily under the flagship brand ‘DOMS’, in the domestic market as well as in over 45 countries internationally, as of September 30, 2023. They are the 2nd largest player in India’s branded ‘stationery and art’ products market, with a market share of ~12% by value, as of Fiscal 2023.

Their core products such as ‘pencils’ and ‘mathematical instrument boxes’ enjoy high market shares of 29% and 30% by value in Fiscal 2023 respectively.

DOMS offers well-designed and quality ‘stationery and art material’ products to consumers, which they classify across 7 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.

Issue Details

The IPO is a combination of Fresh Issue of Equity Shares aggregating upto Rs. 350 Cr and Offer for Sale of Equity Shares aggregating upto Rs. 850 Cr. respectively.

Issue Objectives

The company will achieve:

- Proposing to partly finance the cost of establishing a new manufacturing facility at Umbergaon, District Valsad to expand its production capabilities for a wide range of writing instruments, water colour pens, markers, and highlighters.
- General Corporate Purposes.

IPO Share Issue Structure

| Category | Allocation | Number of Shares | Value at upper price band (Rs. in Cr.) |
|---------------------|-------------|--------------------|--|
| QIB (Institutional) | 75% | 1,13,44,936 | 896.25 |
| Non Institutional | 15% | 22,68,987 | 179.25 |
| Retail | 10% | 15,12,658 | 119.50 |
| Employee* | | 63,291 | 4.53 |
| Total | 100% | 1,51,89,873 | 1,199.53 |

Employee Discount is Rs. 75 Per Share*

Source: Company RHP, ACMIL Research

Outlook

DOMS Industries Limited has a strong brand that their consumers trust, as evidenced by their leadership position in the ‘stationery and art material’ products industry in India. Company’s robust manufacturing infrastructure, multi-channel distribution network with strong pan India and international presence with a focus on backward integration to drive efficiencies by high quality, innovative and differentiated products ensure a positive outlook for the future. At the upper price band of Rs. 790/-, stock has valued at PE multiple of 43.19 of its FY23 Diluted EPS.

Company Overview





DOMS has the widest breadth of product categories amongst their peers in India. They are amongst the few 'stationery and art material' products manufacturing and marketing companies globally with such a wide product breadth. They are the fastest growing 'stationery and art material' products company in India in terms of revenue over the period from Fiscal 2020 to Fiscal 2023. Company's products are marketed under their flagship brand 'DOMS' along with other brand/sub-brands including 'C3', 'Amariz', and 'Fixyfix'. While 'wooden pencils' is their largest product in terms of revenue.

The company traces their lineage back to 1973, with the formation of a partnership firm, 'R.R. Industries' by their founders, late Rasiklal Amritlal Raveshia and late Mansukhlal Jamnadas Rajani, which over the years undertook the business of manufacturing and sale of pencils and crayons. Subsequently, in 2005, another partnership firm 'S. Tech Industries' was founded by certain members of their Promoter Group, to primarily undertake the business of manufacturing and sale of polymer based 'scholastic stationery'. In order to streamline their operations and achieve integration of businesses, the company (then known as 'Writefine Products Pvt Ltd') acquired the business of these partnership firms. Further, in 2012, the company entered into a strategic partnership with FILA, a listed Italian multinational company, engaged in the supply of various 'art materials' and 'stationery products', with a global presence.

Company's partnership with FILA has enabled them to gain access to international markets for distribution of their products, augmentation of their R&D and technological capabilities. Their symbiotic association with FILA, based on mutual synergies, has resulted in expansion of their international footprint in key American and European markets and has helped in the global distribution of 'DOMS' brand. Further, they have an exclusive tie-up with certain entities of the FILA Group, for distribution and marketing for all categories of their respective products, under their name and trademark, in India, Nepal, Bhutan, Sri Lanka, Bangladesh, Myanmar, and Maldives.

Company's products are marketed under their flagship brand 'DOMS' along with other brand/sub-brands including 'C3', 'Amariz', and 'Fixyfix'. While 'wooden pencils' is their largest product in terms of revenue, contributing 31.66% to their Gross Product Sales amounting to Rs.389.99 crore as of Fiscal 2023 and Rs.252.41 crore for the 6 months period ended September 30, 2023 respectively, their product offerings have evolved significantly over the past several years. This has also allowed them to achieve the least concentration to overall revenue from the largest product segment among peers as of Fiscal 2022. Their inhouse product design team focusses on developing products, keeping in mind latest trends, customer lifestyles, aspirations, and preferences, who along with their dedicated R&D team develop, test, and evaluate products prior to launch. They have recently launched their writing instruments under 'DOMS' brand in 2023, fine-art products under 'Amariz' and adhesive products under 'Fixy Fix'.

Company Brands & Products

| Major Brands | |
|---|--|
|  | 'DOMS' is company's flagship brand. The products under the 'DOMS' brand are known for its premium quality and product designing. They sell all products in the scholastic stationery, scholastic art material, paper stationery, hobby and craft, office supplies and kits and combos under this brand. Their 'DOMS' brand tag line, 'Every Ambition Needs Preparation', is intended to create optimistic and progressive thoughts and encourage students, hobby enthusiasts and professionals to discover their talents and enhance their skills. |
|  | 'C3' brand was launched in the year 2012, to capture the affordable market segment. The key product in this category are polymer pencils, which when compared to wooden pencils are slightly cheaper. They introduced other products along with 'C3' polymer pencils, include colour pencils, sharpeners, erasers, kits and combos, chalks, and mathematical instruments box. |
| Key sub-brands under the flagship brand 'DOMS' | |
|  | 'Amariz' was launched in the year 2022, as a sub-brand under the flagship brand 'DOMS'. The company has introduced and continue to introduce fine art products under 'Amariz' with a specific focus towards artists professionals as an end user. They have recently launched art brushes and kneadable erasers under this sub-brand. |
|  | 'FixyFix' was launched in the year 2023, as a sub-brand under the flagship brand 'DOMS'. The company offers an exclusive range of glues and adhesives under this sub-brand. They have recently launched glue sticks, glitter glues, fragrance glues and white glues under 'FixyFix'. |

Source: Company RHP, ACMIIL Research

Key Products



Wooden pencils: Wooden pencils is one of the key products in company's product categories. The wooden pencil portfolio consists of (i) wooden black-lead pencils; and (ii) wooden colour-lead pencils.

The company manufactures and distribute a wide range of black lead pencils which are available in a variety of shapes, colours, and pack sizes. Their wooden black-lead pencil portfolio includes drawing pencils which have pencils of lead degrees like 2B, 3B, 4B, etc. Over the years, they have improvised on their black lead pencil portfolio. Prior to the launch of 'DOMS' zoom triangle pencils in 2010, most of the pencils sold in India were hexagonal in shape. The launch of the triangular shaped pencils in three mixed pastel colour shades and the concept of packing three different coloured pencils in a pack was a revolution for the stationery industry. Another innovation in pencils were the groove pencils. 'DOMS' groove pencils are manufactured with a patented technology which is exclusive for the company in India. The grooves carved on the pencils make them ergonomically easy to hold, provide strong grip and support, thus resulting in superior comfort, better handwriting, and colouring.

The wooden colour lead pencil portfolio includes the regular use half-size and full-size colour pencils available in 24 shades. They also manufacture and market bi-colour pencils (different colour lead on the end of the pencil), the water-soluble colour pencils and mega colours pencils (higher lead sizes). They have improvised their colour lead pencil by inclusion of the extender in half size colour pencils to increase the length of the pencils. This extender enables consumers to continue to use the pencils even after its size is reduced due to repeated sharpening. Some of the popular products in their wooden pencil portfolio are: (i) 'DOMS' neon pencils with eraser tip; (ii) 'DOMS' zoom triangle pencils; and (iii) 'DOMS' X1 pencil.

Crayons: Company's portfolio of crayons consists of: (i) wax crayons; (ii) oil pastels; and (iii) plastic crayons. It includes SKUs for toddlers, students, and artists which are available in different shapes, sizes, and shades. These are available in over 50 shades. They have extended the patented groove technology and design to the 'plastic crayons' portfolio and introduced the 'DOMS' groove plastic crayons. Some of the innovative and popular products in crayons are: (i) 'DOMS' bi-colour wax crayons; (ii) 'DOMS' grippie plastic crayons for toddlers; and (iii) 'DOMS' hexagonal oil pastels.

Mathematical instrument box: Doms has one of the widest ranges of mathematical instrument boxes. In India, they sell 7 SKUs of this product under the flagship brand, 'DOMS' and 1 SKU under their 'C3' brand. The key components in a mathematical instrument box are the tin box, rounder, divider, scale, set square and protractor. They also provide one pencil, eraser, and sharpener in most of the mathematical instrument boxes that they sell.

Sketch pens: The company manufactures and market a wide variety of sketch pens for multipurpose use ranging from drawing, sketching, marking, and writing. Their sketch pens are developed using the technical know-how from the R&D done in Italy. The key feature of this product is the unique push resistant tip.

Erasers: Company's portfolio of erasers, available in different sizes, shapes and designs, include: (i) white coloured eraser; (ii) fragranced eraser; and (iii) coloured erasers. DOMS is one of the foremost companies in India to indigenously manufacture and market erasers using thermoplastic rubber (TPR) material. Some of the attractive products in this category are the retractable pen shaped eraser and Erasner, which is a combination of an eraser as well as a sharpener in a single product.

Exercise books: An exercise book is a book primarily used in schools and colleges for students to take notes. These products are classified into 4 sub-types based on their sizes: (i) 21 x 29.7 cm (A4); (ii) 17 x 27 cm; (iii) 18 x 24 cm; and (iv) 15.5 x 19 cm. In each of these sub-types, different SKUs are available which include different page numbers and different ruling patterns.

Source: Company RHP, ACMIIL Research

Manufacturing Facilities

The company undertakes their 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, their 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. They are vertically integrated with operations such as procurement of raw materials, moulding, assembling, integration of sub-assemblies into finished products being done at their manufacturing facilities in Umbergaon, which has enabled them to gain a competitive advantage by improving productivity and reducing costs. In order to support the growth strategy to expand the manufacturing capabilities, recently they have also acquired 44 acres of land which is adjacent to their existing Umbergaon Manufacturing Facilities.

Intellectual Property

DOMS has been granted 13 registered designs and 419 registered trademarks in India and 88 registered international trademarks. Their Corporate Promoter has issued the company brand authorisation letters to use the trademarks of certain entities under the FILA Group.

Research & Development

As of September 30, 2023, DOMS has a dedicated team of 50 employees working at a state of art R&D and design facility in Umbergaon, which is equipped with modern and advanced equipment's to develop, test, and evaluate their products. The product development is driven by their cross-functional team which regularly engages with the customers. Their in-house product design team focusses on developing products keeping in mind the latest trends, customer lifestyles, aspirations, and preferences.

The company undertakes the R&D activities like: (i) product evaluation; (ii) process development including feasibility studies, laboratory validation and development history reports; (iii) process scale up and validation; and (iv) regulatory filings and approvals. Their focus on R&D enables them to gain a competitive advantage by not only improving productivity but also reducing costs.

Competitive Strengths

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

The company has a strong brand that their consumers trust, as evidenced by their leadership position in the 'stationery and art material' products industry in India. Their core products such as 'pencils' and 'mathematical instrument boxes' enjoy high market shares of 29% and 30% by value in Fiscal 2023 respectively. They have a wide and differentiated product category, which includes over 3,800 SKUs as of September 30, 2023. They have leveraged their experience and success with their flagship brand 'DOMS' and introduced new brands and sub-brands to the market which complement their flagship brand. In addition to being present across multiple product categories to cater to a diverse demography, they have also ensured their products are available at various price points, through their brands 'DOMS' and 'C3', each of which benefited from strong brand loyalty and unique market positioning.

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

The company sells 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 their products and helps leverage their pricing strategy. They have consciously focussed on R&D and innovation, across both products and processes, while maintaining their quality standards and striving to incorporate technology in their operations. Company's R&D efforts are focussed on product development, cost reduction, and integration of modern technologies to their processes, which help them in improving their operational efficiency. Their knowledge sharing with FILA allows them to augment their R&D and technology capabilities and enables them to remain updated with emerging global trends and technology. They are among the topmost followed stationery and art material brands in India with a large following of over 10 lakh followers on YouTube, and over 40,000 followers on Instagram.

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

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. Their annual installed capacity as on March 31, 2023, for the key products was 473.49 crore units. The company undertakes end-to-end operations, from conceptualisation to design, manufacturing, packaging and distribution of their product portfolio through their integrated operations at their Umbergaon Manufacturing Facilities which are built for large scale operations and their facilities and storage depots are also strategically located to achieve shorter time to market, greater cost competitiveness. They 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 they produce wooden slats from locally sourced wood.

Robust multi-channel distribution network with strong pan India and international presence

The company has a widespread multi-channel distribution network, through which they sell their products (i) through general trade, where they sell products to their super-stockists, who sell to a distributor, and who in turn sells it to a wholesaler or retailer; (ii) through modern trade, where they sell their 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 their products either in their own brand or under their flagship 'DOMS' brand. Over the years, they have developed a pan-India distribution network. As of September 30, 2023, their products were sold in over 3,500 cities and towns in India.

Strategic partnership with FILA enabling access to global markets and product know-how

FILA, Company's Corporate Promoter, is an Italy based leading global enterprise devoted to the research, design, manufacture and sale of tools for creative expression, catering to millions of homes, schools, offices and ateliers. 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 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. In the year 2012, FILA entered into a strategic partnership with Doms, acquiring 18.50% of the paid-up capital of the Company, with a subsequent increase to 51% in the year 2015. They have a synergetic relationship with FILA. Company's collaboration with FILA has helped them expand their international footprint in Asia Pacific, Europe, and Middle Eastern markets with the distribution of their products. Their knowledge sharing with FILA allows them to augment their R&D capabilities and enables them to remain updated with emerging global trends and technology.

Experienced Promoters and management team

The Company's Individual Promoters and Directors have experience in the 'stationery and art materials' products industry and have been instrumental in the growth of 'DOMS' as a brand. Also, the Individual Promoters are actively involved in the day-to-day operations of the company, ensuring tight cost control and improvements in margins. The independent directors, with extensive experience, bring significant business expertise in the areas of manufacturing, sales, and marketing. As of September 30, 2023, they are supported by 8,890 full-time employees.

Key Business Strategies

Expansion of manufacturing capacities

The company currently manufactures their products from their plants across Umbergaon with an annual installed capacity of 4,734.93 million units as on March 31, 2023, for their key products, with an efficiency of 4,223.98 million units during such period. In order to meet the expected rise in consumer demand across their product categories, they have undertaken further capital expenditure in Fiscal 2023 of Rs.125.94 crore, primarily towards enhancing their manufacturing capabilities across their range of product categories.

Supplement the 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. The company continues to seek opportunities to introduce new products. They launched (i) 'DOMS' groove pencils that are manufactured with a patented technology that is exclusive for the company in India and (ii) two-dooz pencil sharpener. To further diversify revenue streams, they identify potential products which are complementary to their current product categories.

Strengthen the distribution network and expand the modern trade channels

As of September 30, 2023, DOMS has a widespread multi-channel distribution network with a strong pan-India presence. They seek to continue to develop their distribution network and increase their geographical reach through reinforcing and expanding the distribution channels. They seek to achieve this by increasing the network of their distribution channel partners as well as increasing their presence across different retail store formats in addition to the traditional stationery stores. In terms of their international presence, over the years they have developed a robust export sales network through their association with FILA as well as through distributors in over 45 countries.

Undertake inorganic growth through acquisitions or strategic partnerships

The company intends to continue to actively pursue strategic investments and acquisitions, which are complementary to their business. Such efforts will be focused on: (i) increasing the market share further; (ii) deepening the presence in certain geographies; and (iii) improving profitability. In Fiscal 2024, DOMS undertook the acquisition of Micro Wood Pvt Ltd as a strategic investment, which will help them in achieving greater degree of backward integration for manufacturing of certain products. Further, they recently also acquired a minority stake in ClapJoy Innovations Pvt Ltd, which is in the business of manufacturing and sale of 'toys', to enter into a complementary line of business to capitalise on their existing distribution and sales network.

Strengthening the 'DOMS' brands and enhance synergies

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. Their leadership position in the 'stationery and arts' products industry, recognised primarily under the DOMS brand, provides them with an opportunity to grow their business. They have consistently allocated significant resources to establish and strengthen their brand and to increase their brand recall as one of India's leading 'stationery and arts' brands.

Strengthen the technology and data capabilities to drive business efficiencies

The company intends to continue to invest in their technology and data capabilities to drive business efficiencies, stay connected with their customers and strengthen cross-brand, and cross-functional synergies. They rely on Sales Force Automation (SFA), a software solution that they use to track and oversee the performance of their large sales force. Through SFA, they are able to gain access to their sales activities and enable seamless monitoring and analysis of their team's performance. They rely on Distributor Management Systems (DMS) for seamless communication between their super- stockists and them, for efficient order management, expedited stock replenishment and delivery tracking.

Financial Snapshot (Consolidated)

| Particulars (Values in Cr.) | FY21 | FY22 | FY23 | June 30, 2023 |
|-----------------------------|--------|--------|----------|---------------|
| Share Capital | 0.37 | 0.37 | 0.37 | 56.25 |
| Reserves | 233.24 | 246.87 | 337.06 | 341.36 |
| Net Worth as stated | 233.61 | 247.25 | 337.43 | 397.61 |
| Revenue from Operations | 402.82 | 683.6 | 1,211.89 | 761.8 |
| EBITDA | 30.03 | 69.71 | 186.66 | 127.45 |
| EBITDA Margin (%) | 7.45% | 10.20% | 15.40% | 16.73% |
| PBT | -7.58 | 24.02 | 138.76 | 99.14 |
| PAT | -6.03 | 17.14 | 102.87 | 73.91 |
| PAT Margin (%) | -1.50% | 2.51% | 8.49% | 9.70% |
| Diluted EPS (Rs.) | -1.07 | 3.05 | 18.29 | 13.14 |
| RONW (%) | -2.58% | 6.93% | 30.49% | 18.59% |
| Net Asset Value (Rs.) | 41.53 | 43.95 | 59.99 | 70.69 |
| ROE (%) | NA | 6.86% | 33.54% | 19.01% |
| ROCE (%) | 0.36% | 10.04% | 33.31% | 18.04% |

Source: Company RHP, ACMIIL Research

Comparison with Peers

| Name of the Company | Face Value | Total Revenue from Operation for Fiscal 2023 (Values in Cr.) | Diluted EPS (Rs.) | P/E | RoNW (%) |
|------------------------------|------------|--|-------------------|--------------|---------------|
| DOMS Industries Ltd | 10 | 1,211.89 | 18.29 | 43.19 | 28.39% |
| Kokuyo Camlin Ltd | 1 | 774.94 | 2.44 | 64.14 | 9.31% |
| Linc Ltd | 10 | 486.76 | 25.15 | 28.15 | 21.10% |
| Navneet Education Ltd | 2 | 1,696.83 | 9.04 | 15.86 | 17.78% |
| Flair Writing Industries Ltd | 5 | 942.66 | 12.66 | 35.76 | 27.18% |

Source: Company RHP, ACMIIL Research

Risks and concerns

- Any disruption, breakdown or shutdown of its Manufacturing Facilities may have a material adverse effect on their business, results of operations and financial condition.
- Company maintains high levels of inventory and any failure to correctly assess the demand for their products and maintain optimal inventory levels could further increase the inventory and inventory holding costs and adversely affect its business, results of operations and financial condition.
- Company's operations are human capital intensive and may be materially affected by strikes, work stoppages or increased wage demands by its employees or those of their suppliers.

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