

Issue Details		
Issue Opens	13 <sup>th</sup> December, 2023	
Issue Closes	15 <sup>th</sup> December, 2023	
Issue Size (Rs. Cr)	1200	
Issue Size - OFS (Cr. Shares)	1.08	
Issue Size – Fresh (Cr. Shares)	0.44	
Authorized Shares	7,00,00,000	
Issued, Subscribed and Paid Up Sh. Pre offer	5,62,50,218	
Face Value	10	
Lot Size (Sh)	18	
Price Band	Rs 750 – Rs 790	
Issue Type	Book Built Issue IPO	
Book Value (As On 30/09/23)	70.69	
BRLMs	JM Financial, BNP Paribas, ICICI Securities, IIFL Securities	
Registrar	Link Intime India Pvt Ltd.	
Listing Venue	BSE, NSE	
Finalization of Allotment	On or about 18/12/2023	
Initiation of refund	On or about 19/12/2023	
Credit to Demat Account	On or about 19/12/2023	
Listing	On or about 20/12/2023	
Issue Structure		
Categories	Allocation	
QIBs	<=75%	
Non-Institutional	>15%	
Retail Portion	>10%	
<b>Total</b>	<b>100%</b>	
Shareholding Pattern		
Categories	Pre issue	Post Issue
Promoter & Promoter Group	100	75%
Public	-	25%
<b>Total</b>	<b>100</b>	<b>100</b>
Recommendation		
<b>SUBSCRIBE</b>		

### Company Background

Doms Industries Ltd (DIL) was incorporated in the year 2006 as 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. It 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.

### Objects of the Issue

- The Offer comprises of Fresh Issue by DIL and an Offer for Sale by the Selling Shareholders.
- 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.
- General corporate purposes.

### Key Points

- DIL is the second largest player in India's branded stationery and art products market, with a market share of 12% by value, at the end of FY 2023. *(The No.1 position is held by ITC)*
- From Fiscal 2012, DIL has a strategic partnership with FILA (51% share in pre-offer paid up capital), a listed Italian multinational company, engaged in the supply of various art materials' and stationery products', with a global presence. This has enabled it to gain access to international markets for distribution of its products as well as augmentation of its R&D and technological capabilities.
- DIL's products are marketed under its flagship brand 'DOMS' along with other brand/sub-brands including 'C3', 'Amariz', and 'Fixyfix'. Wooden pencils contribute the major chunk of revenue with a 32% share.
- Manufacturing facilities are located at Umbergaon, Gujarat and Bari Brahma, in Jammu and Kashmir. DIL plans to utilize the Net Proceeds from the fresh issue for enhancement of its manufacturing facilities.
- DIL has a global footprint catering to over 45 countries. The domestic network comprises of over 120 super-stockists, over 4,000 distributors, sales team of over 500 personnel covering more than 120,000 retail touch points across 3,500 cities and towns. It has also got a sizeable presence in the E-Commerce platform.

### Recommendation --

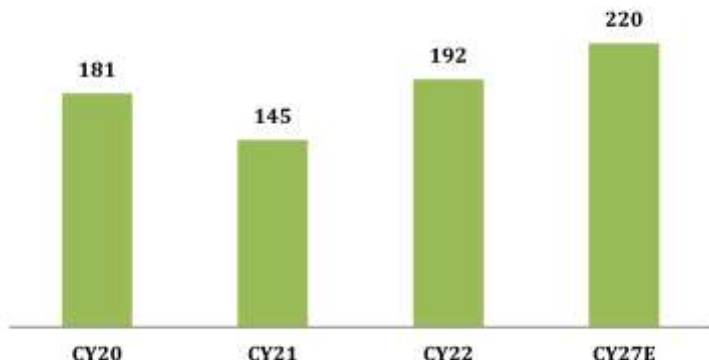
**Doms Industries Ltd is a trusted branded players in the domestic stationery markets with a 12% overall market share. The strategic partnership with FILA has enabled it to grow its footprints in the international arena by leveraging its technology and expertise. A rising disposable income encourages parents to go for quality branded products for their children. The per capita consumption of stationery in India is abysmally low compared to the world global average and thus presents an enormous opportunity for branded players as DOMS to grow significantly. We would recommend a SUBSCRIBE to the issue.**

Consolidated Financials In INR Crs	H1FY24	FY23	FY22	FY21
Revenue from Operations	761.79	1,211.89	683.60	402.82
Operating Profit (excl OI)	127.44	186.66	69.71	30.03
Profit Before Tax (PBT)	99.23	138.76	24.02	-7.58
Profit After Tax (PAT)	73.90	102.87	17.14	-6.03
EPS	13.14	18.29	3.05	-1.07
Equity	56.25	0.37	0.37	0.37

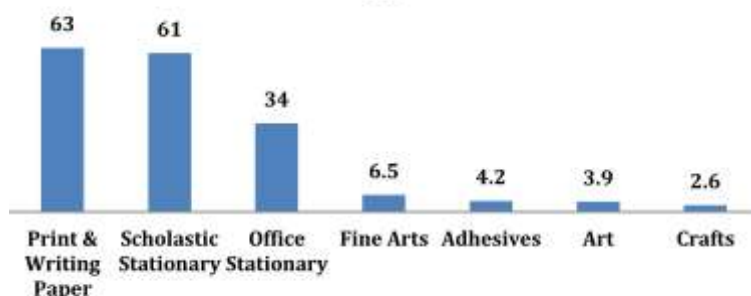
Source: Company's RHP, Ace Equity, AUM Research

**Industry Overview**

Global Market Size Of Stationery Products In USD Bn



Global Stationery Market Categories &amp; Value In USD Bn In CY22

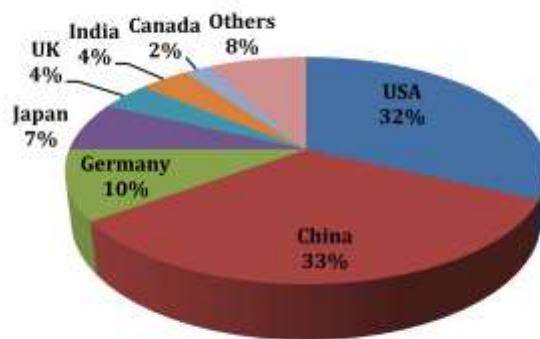

**Demand for stationery and art material products by different age groups**

Product Category	Age 5-12	Age 13-19	Age 20-29	Age 30-59	Age 60+
Scholastic stationery	✓	✓	✓	-	-
Office stationery	-	-	✓	✓	-
Pens & Writing Instrument	-	✓	✓	✓	✓
Paper stationery	✓	✓	✓	✓	✓
Adhesives stationery	-	✓	✓	✓	✓
Scholastic art material	✓	✓	-	-	-
Fine art products	-	✓	✓	✓	✓
Hobby and craft	✓	✓	✓	✓	✓

Country Wise Share In CY22



Projected Share In CY27E


**Major Exporters and Importers**

Country	Exports In USD Bn	Imports In USD Bn
China & Hong Kong	16.70	9.90
Germany	5.00	2.70
Japan	1.80	0.80
India	0.55	0.60
USA	11.20	11.60
UK	3.90	2.80

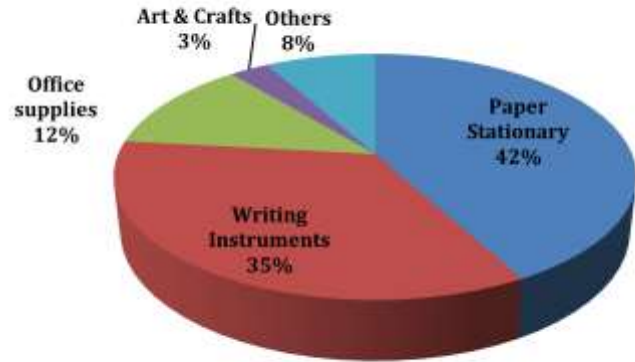
Source: Company's RHP, AUM Research

## The Indian Stationery Market

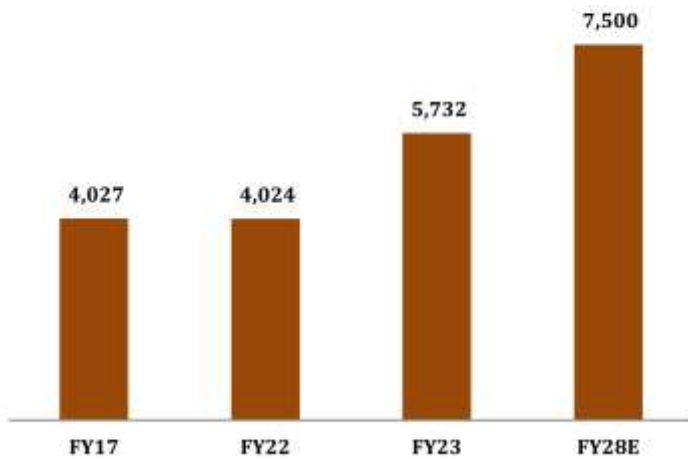
Market Value In INR Cr



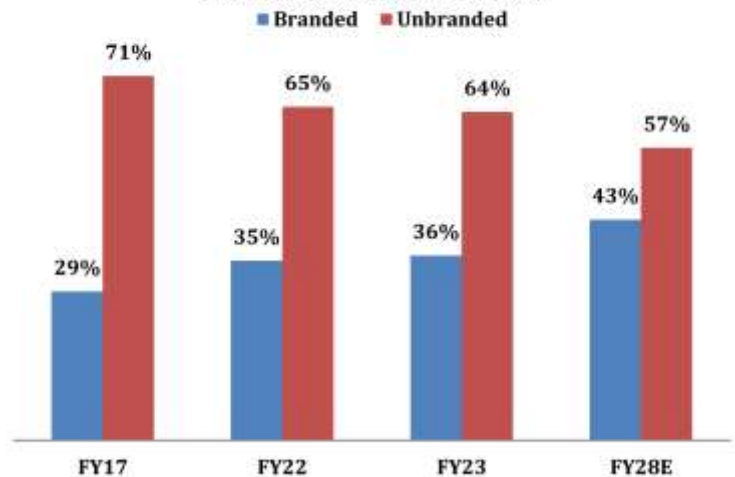
Product Wise Break Up



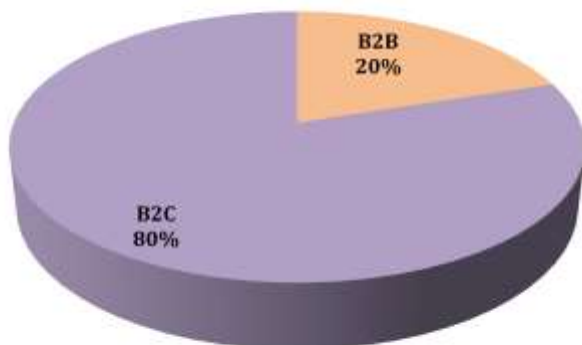
Exports In INR Cr



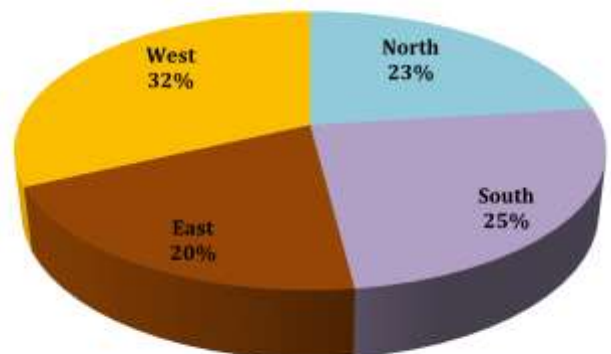
Share Of Branded Vs Non-Branded



B2B Vs B2C Customers



Region Wise Market Share



**Key features of the Indian Stationery market**

**Preference for branded innovative products**

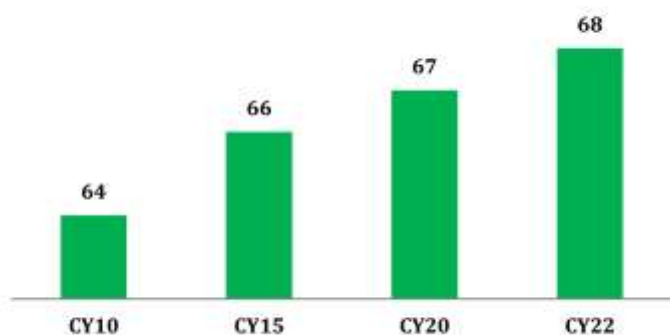
- **Changing customer mindset:-** A shift in consumer mind-set towards products which are aesthetically designed and have good functionalities has led to an increase in demand for innovative and creative products across price segments.
- **Rise in disposable income:-** An increase in disposable income of people have increased their purchasing power, which in turn has accelerated the demand for premium stationery products in India.
- **Children as influencers:-** Children are also becoming more and more conscious pertaining to their likes and dislikes, while purchasing such products, there by driving the demand of innovative and creative stationery products in Indian market.
- **More innovative products by producers:-** Stationery manufacturers are coming up with new products, having enhanced designs and superior functionalities and are adding innovation to their offerings. **“DOMS” brand are renowned for their product designing and premium quality.**

**China plus one strategy**

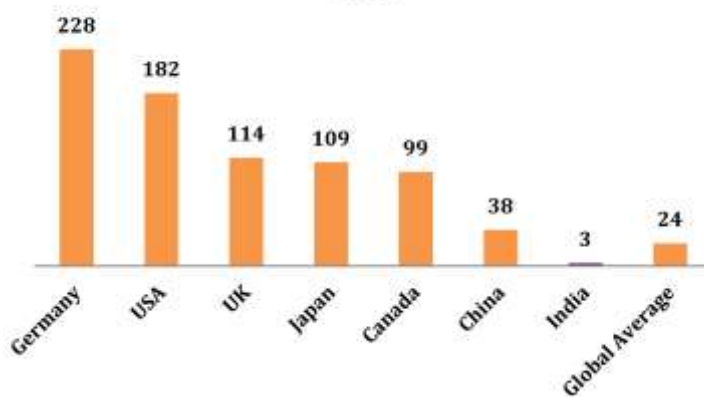
- **Post 1990 till Covid-19:-** In 1990s, many global manufacturing entities in US, Europe etc. shifted their production facilities to China owing to favourable factors of production, which made it the centre of global supply chain. But in CY21, during post pandemic recovery, when there was a surge in demand across the world, China’s Zero Covid policy and supply chain disruption issues made it difficult for these manufacturing entities to meet the demand. As a result of this, companies are diversifying their business and investment out of China to alternative destinations. **India holds an important place in this regard.**
- **Destination India:-** A large manufacturing base, favourable factors of production, strong business ecosystem, and incentivising government policies, which help in growing the exports potential of stationery from India are the key factors. India witnessed an annual growth rate of 42% in FY23 in stationery exports.

**Factors to lead the increase in demand for stationery products**

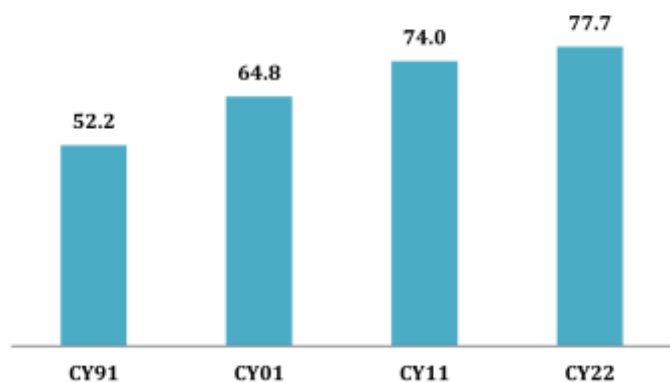
Rise In Working Age Population % 15-59 Yrs



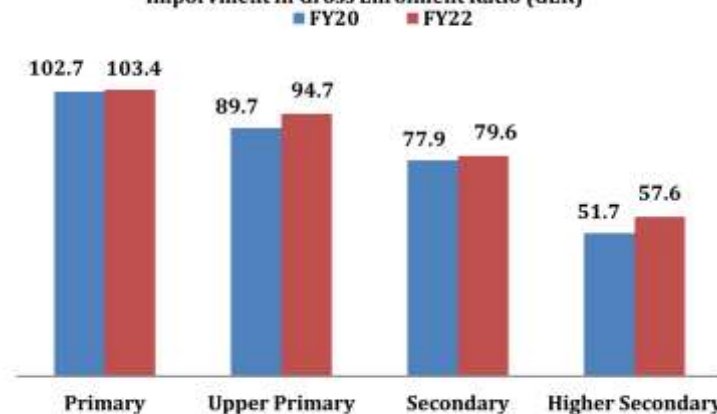
Scope For Increase In Per Capital Stationery Consumption In US\$



Rise In Literacy Rates



Imporvment In Gross Enrolment Ratio (GER)



Source: Company’s RHP, AUM Research



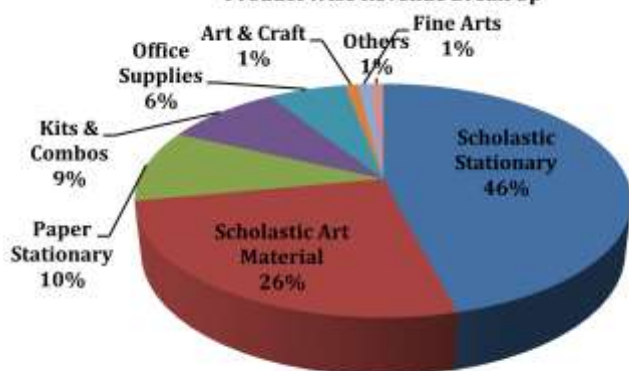
## Company Overview

### Background

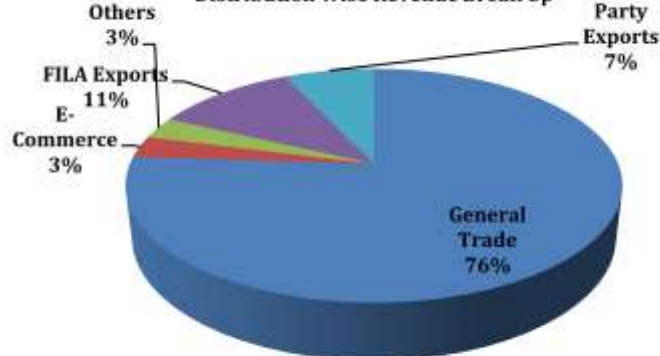
DOMS Industries Limited (DIL) is an Indian stationery and art materials manufacturing company, headquartered in Valsad, Gujarat. It is also one of the largest stationery manufacturers in India ranking second with a 12% overall market share. Its products are classified into seven categories (i) scholastic stationery; (ii) scholastic art material; (iii) paper stationery; (iv) kits and combos; (v) office supplies; (vi) hobby and craft; and (vii) fine art products.

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

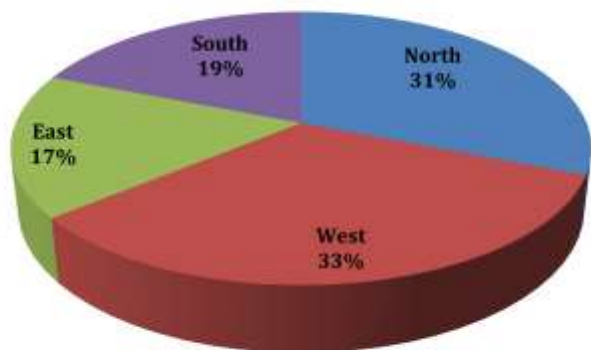
Product Wise Revenue Break Up



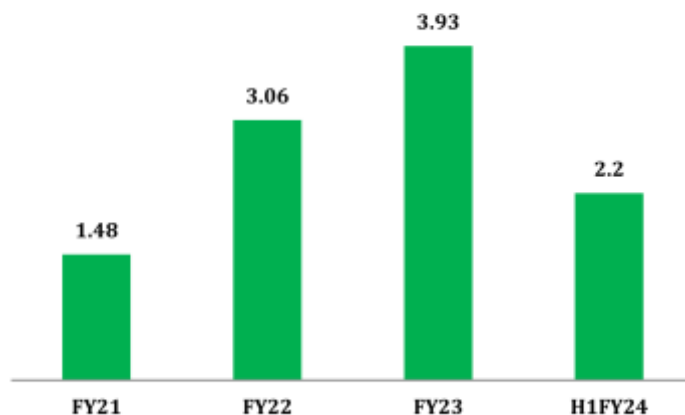
Distribution Wise Revenue Break Up



Region Wise Revenue Break Up



Product Sales In Bn Units



Source: Company's RHP, AUM Research

## **Rationale For Investment**

### **No.2 position in the Indian 'stationery and art material' industry with the widest range of products**

- **Second largest branded player:-** DIL is the second largest player in India's branded 'stationery and art's products market, with a market share of 12% at the end of FY23. Its core products such as 'pencils' and 'mathematical instrument boxes' enjoy high market shares; 29% and 30% market share respectively by value.
- **Introduction of new brands at regular intervals:-** DIL leveraged its experience and success with the flagship brand 'DOMS' and introduced new brands and sub-brands to the market which complimented the flagship brand. In order to garner market share in the affordable market segment, DIL launched brand 'C3' in the year 2012, under which it sells polymer black lead pencils, colour pencils, erasers, sharpeners, chalks, etc. 'Amariz' brand catering to fine arts products was launched in 2022 and 'Fixy Fix' brand catering to glues and adhesives was launched in 2023.
- **Pricing of products at various price points for unique market positioning:-** DIL's strong brands, 'DOMS' and 'C3' enables it to price its products at various price points as per its' end use and preferences of the customers. For e.g it offer 'pencils' ranging from MRP Rs 3 per pencil to Rs 12.50 per pencil, and 'mathematical instruments box' MRP ranging from Rs 90 per box to Rs 200 per box.

### **Strategic partnership with F.I.L.A.- Fabbrica Italiana Lapis ed Affini S.p.A. enabling access to global markets and product know-how**

- **Partnership with F.I.L.A-** FILA is a leading global enterprise devoted to the research, design, manufacture and sale of tools for creative expression for over 100 years. In the year 2012, FILA entered into a strategic partnership with DIL, acquiring 18.50% of the paid-up capital and subsequently increased it to 51% in the year 2015. DIL has a synergetic relationship with FILA, wherein its day-to-day operations are completely managed by its Individual Promoters and other professional staff, while it receives strategic inputs from FILA, from time to time.
- **Expanding its footprints to other continents:-** DIL's partnership with FILA has enabled it to expand its' international footprint in Asia Pacific, Europe, and Middle Eastern markets. 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.
- **Mutually beneficial for both parties:-** DIL manufactures certain specific products at its Umbergaon Manufacturing Facilities, for the FILA Group and also undertakes OEM manufacturing for them. The benefits are mutual and DIL has helped FILA by improving their ability to source high quality products at competitive prices from India for global sales and also consolidate certain procurement activities. DIL capitalizes on FILA's years of experience in manufacturing and selling art material products and in turn FILA benefits from DIL's experience in manufacturing stationery products, such as pencils.
- **Augmentation of DIL's R&D facilities:-** DIL's knowledge sharing with FILA enables it to augment its R&D capabilities and enables it to remain updated with emerging global trends and technology. For e.g DIL's leverages the R&D undertaken by FILA in manufacturing of chalks and markers.

*(FILA is holding 2.86 Cr shares amounting to 51% of the paid up capital as on the date of filing of the RHP. It is offering to sell shares worth Rs 800 Cr. Two other promoters Sanjay Mansukhlal Rajani and Ketan Mansukhlal Rajani hold 8.63% stake each. They are offering to sell shares worth Rs 25 Cr each amounting to Rs 50 Cr. Post Issue FILA would be holding approximately 30% of the paid-up capital)*

### **Robust manufacturing facilities with backward integration**

- **Fully integrated operations:-** DIL's Umbergaon facility is able to undertake end-to-end operations, from conceptualisation to design, manufacturing, packaging and distribution of its product portfolio. The Umbergaon plant is built for large scale operations as the facilities and storage depots are strategically located to achieve shorter time to market, greater cost competitiveness. Implementation of SAP as its ERP solution in the year 2015, has helped DIL to standardise the processes and provide for planning, performance monitoring and provision of real time information to improve profitability.
- **Focus on backward integration:-** DIL's Bari Brahma facility in Jammu and Kashmir produces wooden slats from locally sourced wood. The wooden slats produced by DIL are further used as an input material for production of wood-cased pencils. In the past, DIL procured some of these components from third party vendors. However, over a span of time, it started manufacturing wooden slats at the Jammu Manufacturing Facility from wooden logs sourced locally from Kashmir. These wooden slats are then transported to the manufacturing facilities at Umbergaon, Gujarat, where they are well treated, seasoned and processed. DIL manufactures the black and colour leads used in the production of pencils.

### **Extensive distribution network**

- **Dedicated sales team:-** DIL's distribution network in India for general trade is through super-stockists, and distributors, who are supported by over 500 members dedicated sales team. As on September 30, 2023, DIL has seven warehouses, three depots, over 120 super stockists, and over 4,000 distributors, who work with their superstockists, located across 28 states and eight union territories.
- **Long standing relationships:-** DIL consistently engages with their super-stockists, direct distributors and end retailers to collect product feedback and insights on market trends to drive its product development initiatives.

**Future Growth Strategies**

- **Expansion of manufacturing facilities:-** DIL plans to use a portion of the Net Proceeds amounting to Rs 26 Cr, Rs 206 Cr and Rs 148 Cr in Fiscals 2024, 2025 and 2026, respectively, for enhancement of its' manufacturing activities. DIL is aiming to streamline the operations and enhance the manufacturing capacity for writing instrument products by adding approximately 0.10 million square feet to the Umbergaon Manufacturing Facilities as it focuses on further integrating its operations and benefit from economies of scale, thus improving operating margins.
- **Supplement its product portfolio:-** The 'stationery and art material' market has untapped potential in multiple categories with a limited presence of branded players and is currently valued at around Rs 38,500 Cr. DIL aims to offer more products with a differentiated appeal to its consumers comprising of kids, children and young adults. For e.g (i) 'DOMS' groove pencils are manufactured with a patented technology that is exclusive for it in India. The grooves on these triangular pencils promote superior grip while writing and (ii) two-dooz pencil sharpener, which is designed for effective use by both left-handed and right-handed persons.
- **Further expand its global footprints:-** DIL has developed a robust export sales network through its association with FILA as well as through distributors in over 45 countries, covering America, Africa, Asia Pacific, Europe, and Middle East, that sell products under the DOMS and C3 brands. It aims to expand the distribution capabilities in certain South East Asian countries as well as in the African continent. DIL has recently entered the European market with sales of its own DOMS branded products in Italy and its superior product offering and quality, is expected to generate significant sales from this region.
- **Undertaking inorganic growth through acquisitions or strategic partnerships:-** In FY24, DIL acquired Micro Wood Private Limited as a strategic investment, which will help it in achieving greater degree of backward integration for manufacturing of certain products. It also acquired minority stake in ClapJoy Innovations Private Limited, which is in the business of manufacturing and sale of 'toys', to enter into a complementary line of business to capitalise on its existing distribution and sales network. DIL is aiming to increase its portfolio of brands through acquisitions to provide its customers with differentiated offerings.
- **Strengthen its technology and data capabilities to drive business efficiencies:-** DIL relies on Sales Force Automation (SFA), a software solution that it uses to track and oversee the performance of its sales force. Through SFA, DIL is able to gain access to its sales activities that enables seamless monitoring and analysis of the team's performance. More than 120,000 retail touch points collect orders from the retailers in the SFA mobile application. The data captured allows DIL to understand the demand for its products, enabling it to undertake production planning and sales plan for subsequent months. DIL is aiming to further invest in IT infrastructure in order to increase its productivity through proper utilization of resources. Data Analytics is one important element which DIL wants to capitalize on to understand the preferences of its customers, improve sales and help in scaling its operations.

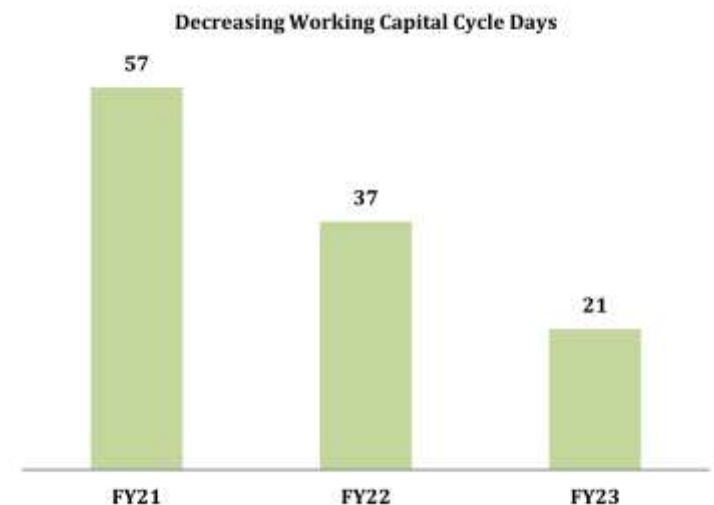
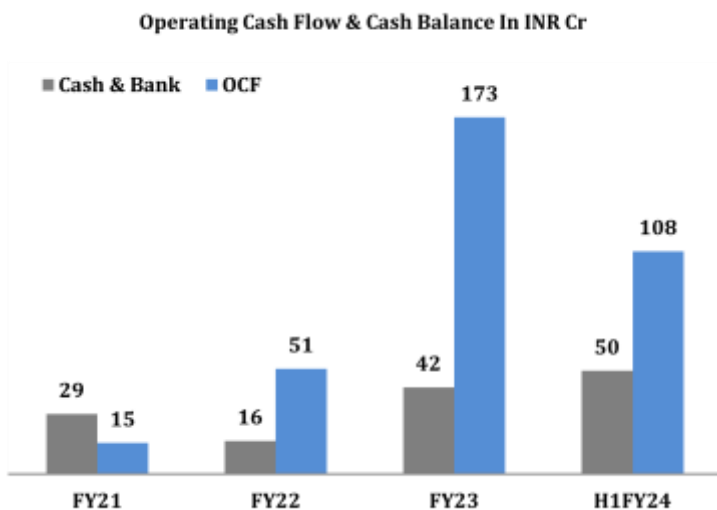
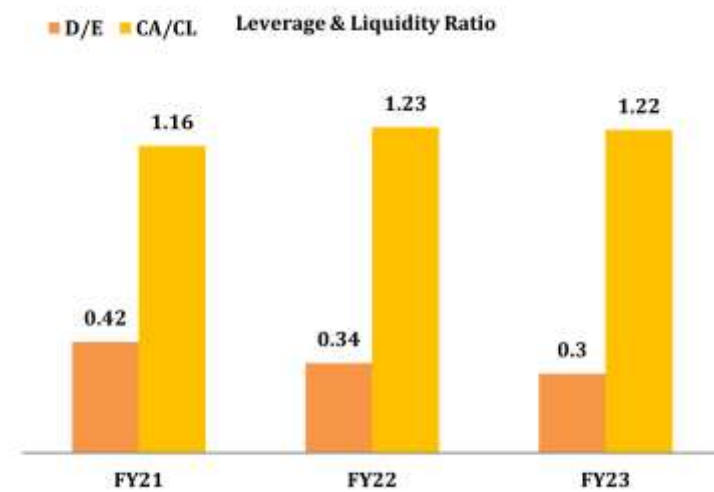
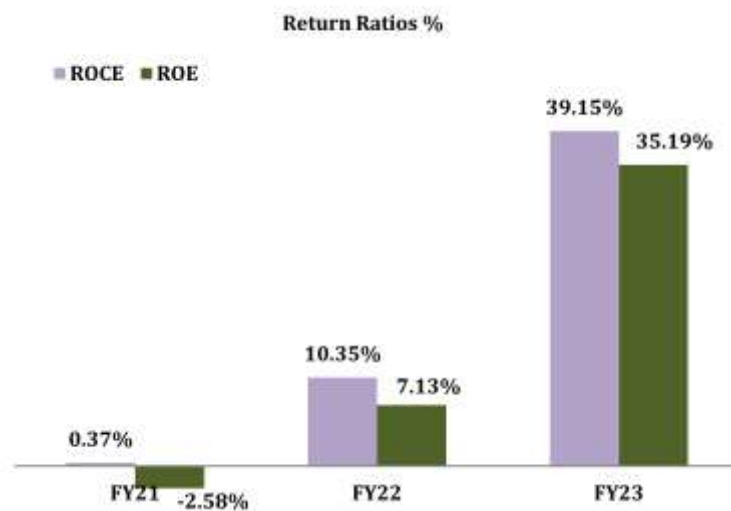
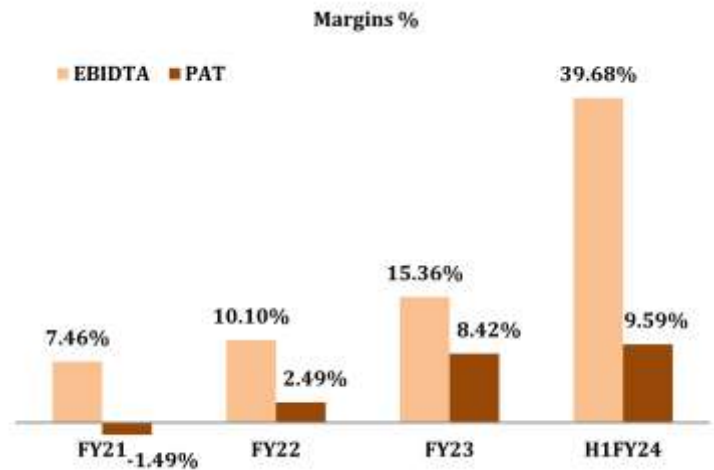
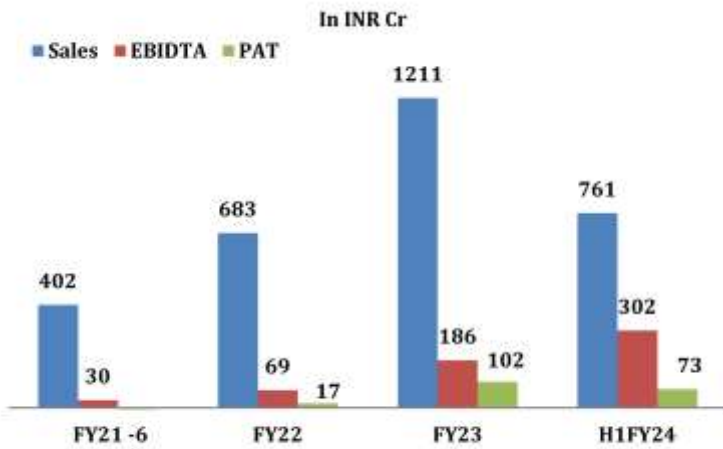
**Sales of some of its key products and their Average Selling Price (ASP)**

Figures In INR Cr				
Items	FY21	FY22	FY23	H1FY24
Wooden Pencils	153	231	390	252
Crayons	23	35	72	55
Maths Instruments	13	34	69	52
Sketch Pens	18	37	69	47
Erasers	19	42	67	36
Exercise Books	22	29	66	39
<b>Total</b>	<b>248</b>	<b>408</b>	<b>733</b>	<b>481</b>

Average Selling Price Per Unit				
Items	FY21	FY22	FY23	H1FY24
Wooden Pencils	2.60	2.64	2.88	3.10
Crayons	0.87	0.84	0.99	1.01
Maths Instruments	46.21	44.94	47.96	45.53
Sketch Pens	10.22	11.02	13.09	15.00
Erasers	1.35	1.45	1.48	1.51
Exercise Books	20.19	19.70	25.91	36.41

Source: Company's RHP, AUM Research

## Financial Overview



Source: Company's RHP, Ace Equity, AUM Research



December 12, 2023

<b>Consolidated Financials – Value in Rs. Crs</b>	<b>H1FY24</b>	<b>FY23</b>	<b>FY22</b>	<b>FY21</b>
Gross Sales	761.79	1,211.89	683.60	402.82
Total Income	764.21	1,216.52	686.23	408.79
Total Expenditure	634.35	1,025.23	613.89	372.79
PBIDT	129.85	191.29	72.34	36.00
PBIT	107.07	150.64	34.32	1.23
PBT	99.23	138.76	24.02	-7.58
PAT	73.90	102.87	17.14	-6.03
EPS	13.14	18.29	3.05	-1.07

<b>Sources of Funds</b>	<b>FY23</b>	<b>FY22</b>	<b>FY21</b>
Equity Paid Up	0.37	0.37	0.37
Reserves and Surplus	337.06	246.87	233.24
Net Worth	337.43	247.25	233.61
Total Debt (Long Term plus Short Term)	100.07	84.90	97.27
Capital Employed	437.50	332.15	330.89
<b>Application of Funds</b>			
Gross Block	433.02	299.85	262.86
Investments	1.50	0.00	0.00
Cash and Bank balance	41.70	15.76	29.01
Net Current Assets (Including Current Investments)	49.46	45.30	28.69
Total Current Liabilities	229.90	199.33	178.67
Total Assets	636.61	496.26	457.22
<b>Cash Flow</b>			
Cash Flow from Operations	173.26	50.94	15.21
Cash Flow from Investing activities	-135.93	-33.73	-18.75
Cash Flow from Finance activities	-12.37	-30.59	24.93
Free Cash flow	22.61	-0.41	-9.18
<b>Key Ratios</b>			
Debt to Equity(x)	0.30	0.34	0.42
Current Ratio(x)	1.22	1.23	1.16
ROCE(%)	39.15	10.35	0.37
RONW(%)	35.19	7.13	-2.58
PBIDTM(%)	15.78	10.58	8.94
PATM(%)	8.49	2.51	-1.50

Source: Company's RHP, Ace Equity, AUM Research

**Aum Capital RESEARCH DESK**

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