



## KEY DATA

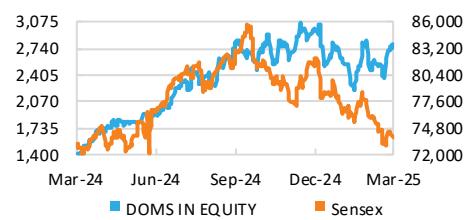
Rating	BUY
Sector relative	Outperformer
Price (INR)	2,810
12 month price target (INR)	3,386
52 Week High/Low	3,115/1,285
Market cap (INR bn/USD bn)	171/2.0
Free float (%)	0.0
Avg. daily value traded (INR mn)	635.7

## SHAREHOLDING PATTERN

	Dec-24	Sep-24	Jun-24
Promoter	70.38%	74.96%	74.96%
FII	9.96%	7.59%	6.55%
DII	15.71%	14.09%	15.11%
Pledge	0%	0%	0%

Year to March	FY25A	FY26E	FY27E	FY27E
Revenue	19,382	24,808	31,707	31,707
EBITDA	3,452	4,346	5,390	5,390
Adjusted profit	2,036	2,711	3,425	3,425
Diluted EPS (INR)	33.5	44.7	56.4	56.4
EPS growth (%)	32.9	33.2	26.3	26.3
RoAE (%)	21.5	22.8	22.8	22.8
P/E (x)	83.8	62.9	49.8	45.2
EV/EBITDA (x)	45.7	36.1	28.8	26.1
Dividend yield (%)	0	0	0	0

## PRICE PERFORMANCE



## Growth by design: Innovation a key tool

We recently interacted with MD Mr Santosh Ravesia and CFO Mr Rahul Shah of DOMS Industries (DOMS). Takeaways: i) The vision is to make DOMS the world's largest stationery & arts company. ii) Focusing on innovation, problem solving and innovative launches along with backward integration. iii) Committed to kids-focused categories. iv) Despite soft market demand and capacity constraints for now, DOMS is outperforming led by a strong product profile and improving distribution. v) Management is confident of growing the core business by 20% (consolidated 23–25% YoY) with an OPM of 17–17.5% in FY25.

Maintain 'BUY' with a revised TP of INR3,386 (earlier INR3,210) as we roll forward the valuation to FY27E at an unchanged 60x PE.

## Focus on innovation, problem solving and product launches

One of the strong pillars of DOMS is its R&D capability and a design team constantly focusing on innovative and differentiated offerings. The team works on product development, cost reduction and integration of modern technologies in processes, which help in improving operational efficiency. The company has a state-of-the-art R&D facility at its Umbergaon facility. DOMS started differentiating products not only based on durability, but also in terms of usability and aesthetics, rather than coming up with standardised or me-too products. Furthermore, it controlled end-to-end manufacturing, which ensured better product quality. This, in our view, has been a key success factor for DOMS.

## Optimally utilised; large capacity expansion underway

Despite a soft market, DOMS has been outperforming peers. Its plants are currently running at optimum utilisation due to capacity constraints, and therefore not facing much issues with its growth target. With new facilities expected to be commissioned by the end of FY26 on a 44-acre parcel in Umbergaon and demand potentially strengthening by then, the next phase of growth is around the horizon. Meanwhile, the company has also introduced a new range of adhesives, which will directly compete with the likes of Fevicol from Pidillite. The company also recently completed its expansion of mathematical boxes and the paper stationery business while it is in the process of expanding pencils from 5mn pencils to 7.5mn a day along with strong capacity expansion in pens, mechanical pencils, etc.

## Cost optimisation, backward integration yielding improved margins

In recent years, DOMS strategically acquired stakes in many companies to improve cost efficiency. These acquisitions include SKIDO, which manufactures bags for its kits and combos (recently launched), Clapjoy, a manufacturer of toys for these kits, and Micro Wood, which produces paper packaging materials and tin boxes specifically for the company's geometry boxes and combos. Unlike rivals, DOMS has integrated these functions in its subsidiaries/associates. This backward integration allows for better cost efficiencies and ultimately lifts margins. By managing its production and packaging processes internally, DOMS can ensure higher standards.

## Financial Statements

### Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY27E
Total operating income	19,382	24,808	31,707	31,707
Gross profit	8,140	10,271	13,000	13,000
Employee costs	2,557	3,196	3,995	3,995
Other expenses	2,132	2,729	3,615	3,615
EBITDA	3,452	4,346	5,390	5,390
Depreciation	664	826	995	995
Less: Interest expense	174	91	43	43
Add: Other income	201	301	346	346
Profit before tax	2,814	3,730	4,699	4,699
Prov for tax	704	932	1,175	1,175
Less: Other adj	0	0	0	0
Reported profit	2,036	2,711	3,425	3,425
Less: Excp.item (net)	0	0	0	0
Adjusted profit	2,036	2,711	3,425	3,425
Diluted shares o/s	61	61	61	61
Adjusted diluted EPS	33.5	44.7	56.4	56.4
DPS (INR)	0	0	0	0
Tax rate (%)	25.0	25.0	25.0	25.0

### Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY27E
Scholastic % Growth	17.0	17.9	18.1	18.1
Paper % Growth	11.7	14.2	14.4	14.4
Scholastic Art % Growth	9.7	21.1	23.6	23.6
EBITDA margin (%)	17.8	17.5	17.0	17.0
Net profit margin (%)	10.5	10.9	10.8	10.8
Revenue growth (% YoY)	26.1	28.0	27.8	27.8
EBITDA growth (% YoY)	26.6	25.9	24.0	24.0
Adj. profit growth (%)	32.9	33.2	26.3	26.3

### Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY27E
GDP (YoY %)	6.4	6.4	6.4	6.4
Repo rate (%)	6.5	6.5	6.5	6.5
USD/INR (average)	81.0	81.0	81.0	81.0
Kits & combo % growth	15.0	12.0	12.0	12.0
Office supplie % growth	90.0	80.0	60.0	60.0
Hobby & Craft % growth	(15.0)	25.0	25.0	25.0
Fine art % growth	12.0	15.0	15.0	15.0
Capex (INR mn)	(2,500.0)	(2,000.0)	(2,000.0)	(2,000.0)
Employee % of Sales	13.2	12.9	12.6	12.6

### Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY27E
Diluted P/E (x)	83.8	62.9	49.8	45.2
Price/BV (x)	16.3	12.9	10.2	9.2
EV/EBITDA (x)	45.7	36.1	28.8	26.1
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY27E
Share capital	607	607	607	607
Reserves	9,884	12,645	16,142	16,142
Shareholders funds	10,491	13,252	16,749	16,749
Minority interest	0	0	0	0
Borrowings	1,159	359	359	359
Trade payables	1,232	1,593	2,050	2,050
Other liabs & prov	835	835	835	835
Total liabilities	14,296	16,619	20,572	20,572
Net block	5,650	6,824	7,829	7,829
Intangible assets	1,167	1,167	1,167	1,167
Capital WIP	254	254	254	254
Total fixed assets	7,072	8,246	9,251	9,251
Non current inv	15	15	15	15
Cash/cash equivalent	454	567	2,203	2,203
Sundry debtors	797	1,020	1,303	1,303
Loans & advances	7	7	7	7
Other assets	5,468	6,280	7,308	7,308
Total assets	14,296	16,619	20,572	20,572

### Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY27E
Reported profit	2,814	3,730	4,699	4,699
Add: Depreciation	664	826	995	995
Interest (net of tax)	174	91	43	43
Others	(201)	(301)	(346)	(346)
Less: Changes in WC	343	675	855	855
Operating cash flow	2,405	2,739	3,361	3,361
Less: Capex	(2,500)	(2,000)	(2,000)	(2,000)
Free cash flow	(95)	739	1,361	1,361

### Key Ratios

Year to March	FY25A	FY26E	FY27E	FY27E
RoE (%)	21.5	22.8	22.8	22.8
RoCE (%)	28.2	30.2	30.9	30.9
Inventory days	82	80	80	80
Receivable days	14	13	13	13
Payable days	35	35	36	36
Working cap (% sales)	24.0	21.9	25.0	25.0
Gross debt/equity (x)	0.1	0	0	0
Net debt/equity (x)	0.1	0	(0.1)	(0.1)
Interest coverage (x)	16.0	38.7	102.1	102.1

### Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY27E
EPS growth (%)	32.9	33.2	26.3	26.3
RoE (%)	21.5	22.8	22.8	22.8
EBITDA growth (%)	26.6	25.9	24.0	24.0
Payout ratio (%)	0	0	0	0

## Mr Santosh Raveschia – Managing Director



Mr Santosh Raveschia, aged 48, is Managing Director and one of the individual promoters of DOMS. He has been associated with the company as a Director and Promoter since its incorporation.

Mr Raveschia joined R.R. Industries in 2000 and has been its partner since 2002. He has also been a partner at S-Tech Industries since 2006.

Mr Raveschia oversees all aspects of DOMS's business, including new product development, and crafting and executing go-to market strategies.

## Mr Rahul Shah – Chief Financial Officer



Mr Rahul Shah is a Bachelor of Management Studies and Master of Commerce, both from the University of Mumbai. He holds a Post-Graduate Diploma in Management (Finance) from S. P. Jain Institute of Management & Research.

Prior to joining DOMS, Mr Shah worked at ARANCA Mumbai Private Limited as a senior research analyst and Cohen Independent Research Group as an outside contractor analyst. Subsequently, he joined Leap Growth Partners LLP, a boutique investment banking advisory outfit, as a partner. Thereafter in December 2016, Mr Shah joined DOMS Industries as Vice President – Finance & Accounts.

## Focus on innovation, problem solving and new product launches

One of the strong pillars of DOMS is its R&D capability and a design team constantly focusing on innovative and differentiated offerings. The team works on product development, cost reduction and integration of modern technologies in processes, which help in improving operational efficiency. The company has a state-of-the-art R&D facility at its Umbergaon facility. DOMS started differentiating products not only based on durability, but also in terms of usability and aesthetics, rather than coming up with standardised or me-too products. Furthermore, it controls end-to-end manufacturing, which ensures better product quality. This, in our view, has been a key success factor for DOMS.

Apart from new products, DOMS's R&D is focused on improving usability of its existing products (e.g. small colour pencil extender), patenting technology (Groove pencil), creating newer designs in key categories (Two Dooz sharpener, which can be used by both left-handed and right-handed), and improving processes (erasers made of non-toxic thermoplastic rubber instead of vinyl and rubber). This clearly highlights DOMS's focus on innovation and a customer-centric approach.

### Exhibit 1: Recent introductions by DOMS



Source: Company, Nuvama Research

### Exhibit 2: Recent innovations by DOMS



Source: Company, Nuvama Research

## Strong focus on backward integration

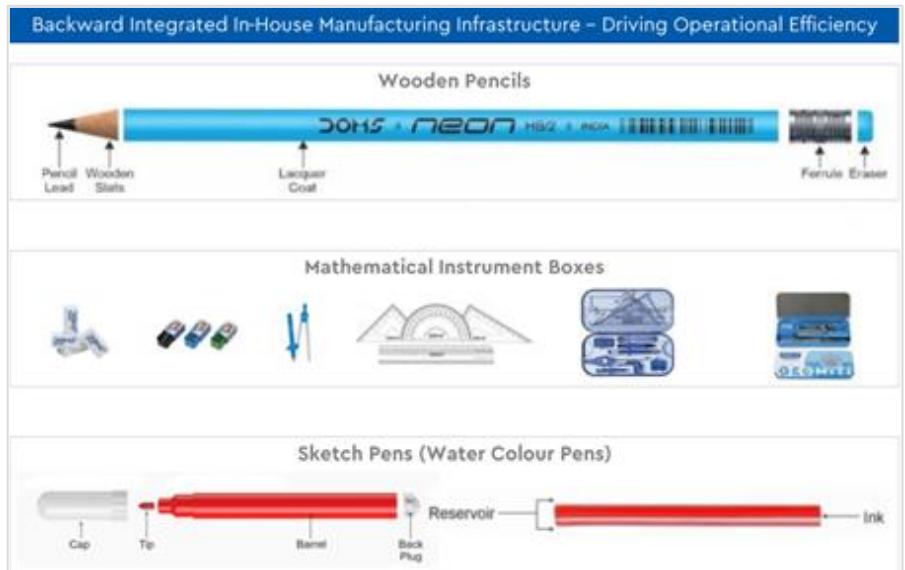
The company conceptualises, designs, develops and—aims to—manufacture all products in-house. Apart from manufacturing products, the company takes care of printing and packaging in-house too. For a strong grip over quality and costs, DOMS manufactures all key components of majority of its products.

Besides, the fully integrated operations in Umbergaon built for large-scale operations are strategically located to achieve shorter lead time to market and underpin its cost competitiveness, allowing it to cater to both domestic and international markets effectively.

All of this has been possible through its strategically acquired stakes in a wide range of companies across its value chain with an aim to deepen backward integration: SKIDO, Clapjoy and Micro Wood. In contrast, the industry at large might continue to rely on external suppliers for various non-core/packaging items.

Given DOMS has sorted out backward integration through subsidiaries and associate companies, it shall not only benefit from superior cost efficiencies and quality control, but also better margins. Such high level of backward integration is a rather under-rated competitive moat in its line of business.

### Exhibit 3: A pointed approach: Backward integration driving efficiency

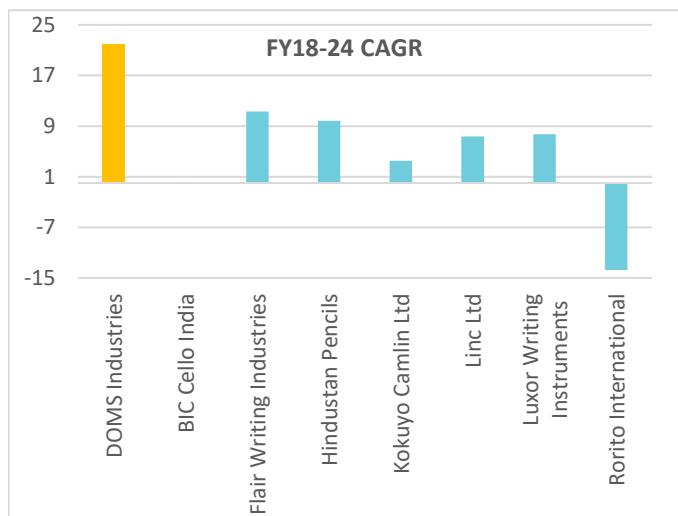


Source: Nuvama Research, Company

## Demand tepid, yet DOMS gaining market share

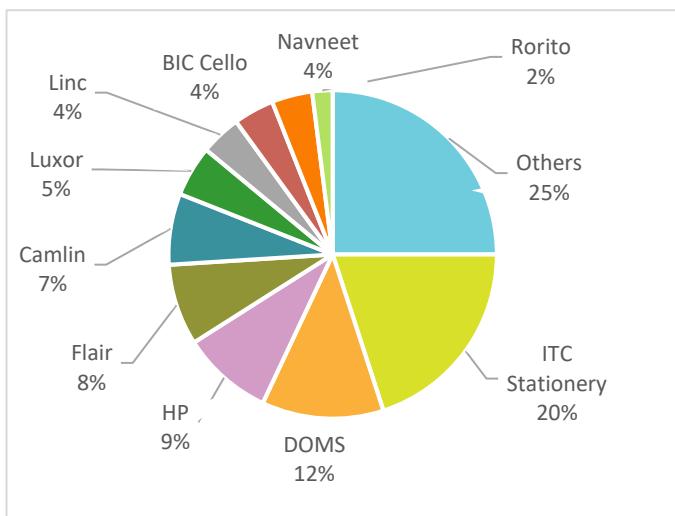
While demand has been slightly muted lately, DOMS has been outperforming its peers. Its plants are running at an optimum utilisation due to capacity constraints and the company is therefore not facing much issues with its growth target. Management remains confident of core revenue growth of 20% YoY. Furthermore, they expect consolidated revenue to increase 23–25% in FY25E.

**Exhibit 4: Fastest growing company among peers**



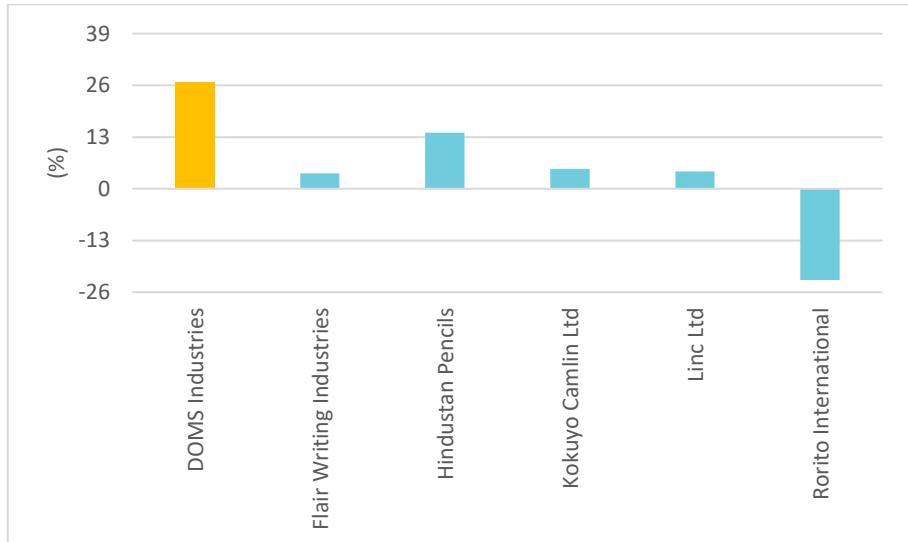
Source: Company, Nuvama research

**Exhibit 5: Market share among the highest**



Source: Company, Nuvama research

**Exhibit 6: A sharp edge: Best revenue growth among peers in FY24**



Source: Company, Nuvama Research

### Acquisition strategy remains strong

The company has a history of acquiring and successfully integrating companies. Through these acquisitions, DOMS either seeks to increase scale and market share or aims to achieve a greater degree of backward integration. For instance, the company undertook the acquisition of Micro Wood Private Limited as a strategic investment, which helped in achieving a greater degree of backward integration for manufacturing certain products.

In contrast, its acquisition of ClapJoy Innovations, which manufactures and sells toys, was to enter a complementary line of business to capitalise on its existing distribution and sales network.

The company intends to continue to actively pursue strategic investments and acquisitions in its focus area of kids, children and young adults, which are complementary to its business. Such efforts would be focused on: i) increasing the market share further; ii) deepening its presence in certain geographies; and iii) improving profitability.

Apart from this, as has been the case with its previous acquisitions, DOMS would want its potential acquisitions to be promoter-run companies wherein it can add value through its extensive brand reach and distribution.

### Exhibit 7: Acquisitions – A timeline

Name	FY	Percentage of holding	Business
Pioneer Stationary Pvt Ltd	2016	51%	Manufacturing, selling, marketing and distribution of paper stationery products
Clapjoy Innovations Pvt Ltd	2024	30%	Manufacturing and sale of toys
Microwoods Pvt Ltd	2024	75%	Manufacturing all kinds of packaging cases of tin, aluminium and other materials
Skido	2024	51%	Manufacturing of plastic bags and pouches
Uniclan	2025	52%	Manufacturing of baby diapers, wipes, and other baby hygiene products.

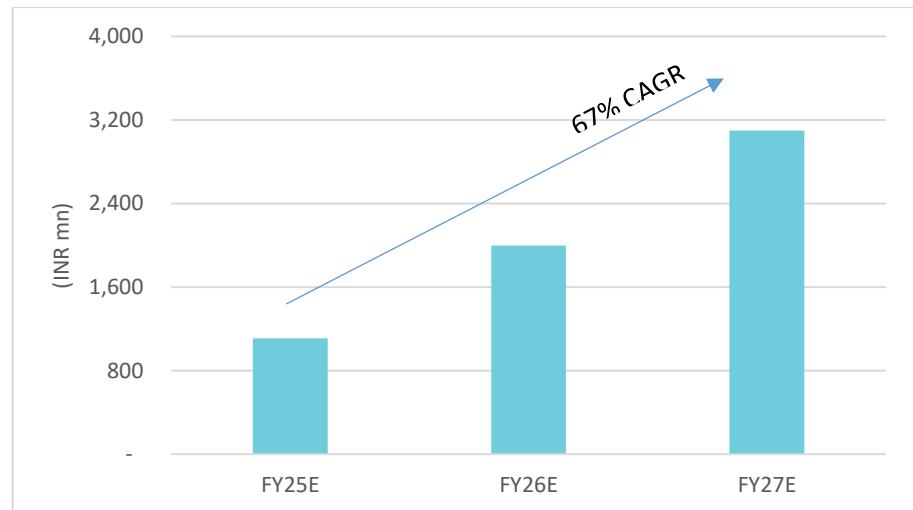
Source: Company, Nuvama Research

### Third line for Diapers launched; wet wipes too in the making

The company acquired a controlling stake in Uniclan Healthcare Private Limited during Q2FY25. Uniclan's first manufacturing facility, located in Jaipur, boasts an annual production capacity of 650mn diapers with two manufacturing lines. Production on a third line started in December while a manufacturing line for wet wipes is being installed.

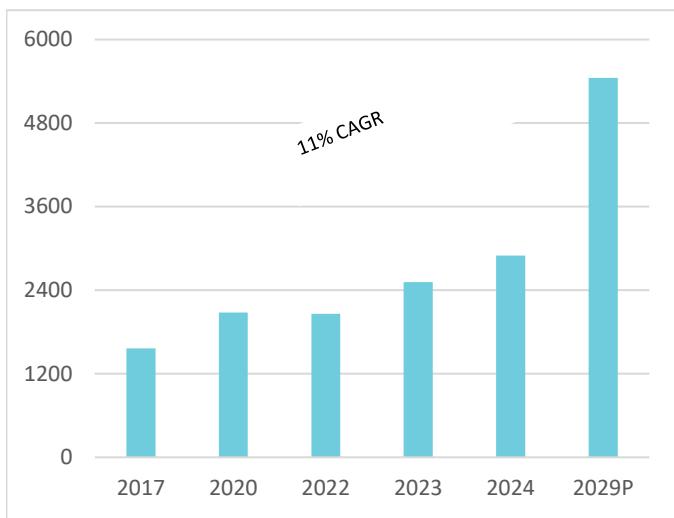
Margins in this segment may not be as high as those of DOMS's, management believes that Uniclan shall be a crucial lever in helping DOMS achieve its goal of doubling revenue every three years by expanding its market presence. Margins should be 7–8% initially, but can rise to double-digits with gradual improvements.

### Exhibit 8: Uniclan revenue to expand at 67% CAGR % over FY25–27E



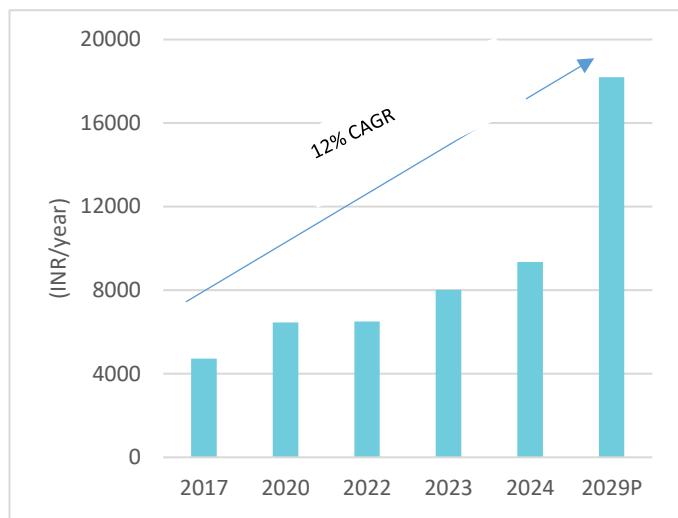
Source: Company, Nuvama Research

**Exhibit 9: Indian childcare market to expand at 11% CAGR**



Source: Brainbees solution DRHP, Nuvama Research

**Exhibit 10: Average spend/child to grow by 12%**



Source: Company, Nuvama Research

### Expanding geographical presence of DOMS brand

DOMS undertakes OEM manufacturing for FILA. Apart from supplying to FILA, DOMS exports under its own brand to more than 50 countries across the Asia Pacific, Africa, Europe and the Middle East.

Within short span of supplying in exports market, DOMS has become one of the leading brands in multiple geographies, particularly in India's neighbouring countries such as Nepal (No. 1), Bangladesh, Sri Lanka and Dubai. Furthermore, the company has strengthened its presence in European countries via FILA's distribution network.

### Multiple growth drivers in place

#### i) Capacity expansion to drive growth

DOMS recently commissioned a third pen manufacturing unit, thereby increasing its capacity from one million to three million pens.

Capacity addition in pencils too is in the offing and likely to come up in the end of FY26. The company's pencil manufacturing capacity is currently 5mn pieces/day, and the new plant would add 2.5mn pieces/day.

Although the company might need capacity additions in sketch pens and highlighters as well, management believes they would keep the decision for adding capacities very flexible across its product range until the facilities come in to properly address demand. As regards the concerns about demand softness, management remains confident of demand reviving by the time the new plant comes up.

#### ii) Widening addressable market

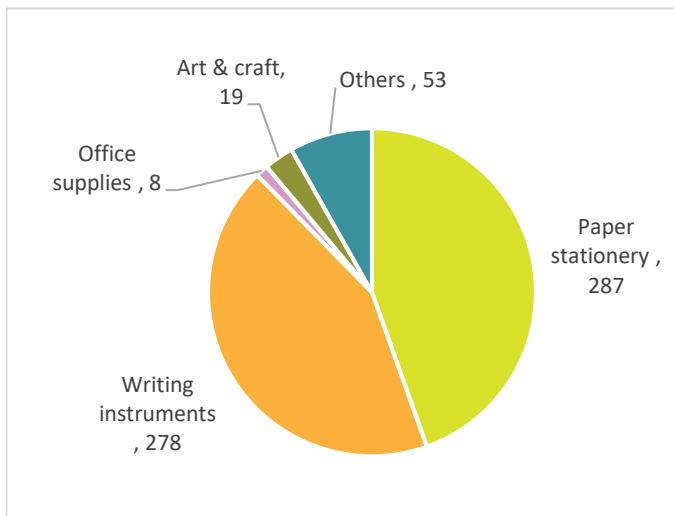
DOMS has strategically diversified its offerings in various segments within the kids' category, positioning itself as a well-rounded go-to player in the market. Its product range spans from writing instruments and paper stationery to art materials and fine arts products, allowing the company to cater to the diverse needs of children at different stages and for various age groups.

It has four subsidiaries namely:

- i) **Pioneer Stationery**—manufactures and sells paper stationery products;
- ii) **Micro Wood**—business of tin and paper-based packaging materials;
- iii) **Skido**—school bags; and
- iv) **Uniclan**—manufactures and sells baby care hygiene products.

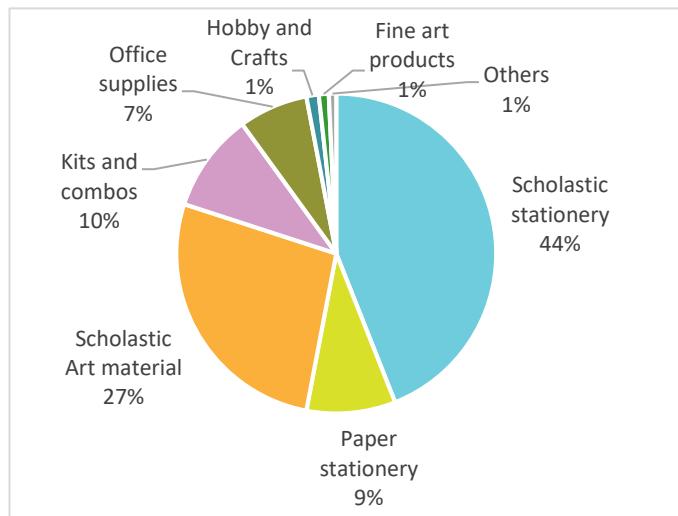
With a widening reach across categories and goals for further diversification, we argue DOMS is poised to grow along with the market and even capture incremental market share in the process.

**Exhibit 11: Sizing up Indian stationery market (INR bn; FY28E)**



Source: Company, Nuvama Research

**Exhibit 12: DOMS's FY24 product mix (INR bn)**



Source: Company, Nuvama Research

## Company Description

DOMS designs, develops, manufactures, and sell a wide range of stationery and art products, primarily under the flagship brand DOMS. Its products are marketed under its flagship brand 'DOMS' along with other brand/sub-brands including 'C3', 'Amariz', and 'Fixyfix'. The company has a wide distribution network comprising over 125+ super-stockists and over 4,750 distributors covering more than 1,35,000 retail outlets. The company's products are exported to 50-plus countries, covering the Americas, Africa, Asia Pacific, Europe, and the Middle East. The company has 16 manufacturing units in India including 13 at Umbergaon, Gujarat and one at Bari Brahma, Jammu and Kashmir where it produces wooden slats from locally sourced wood. This helps the company backward integrate its manufacturing process. DOMS has four subsidiaries: i) Pioneer Stationery Private Limited—engaged in manufacturing and selling of paper-related stationery products; ii) Micro Wood Private Limited—engaged in business of tin and paper-based packaging materials; iii) Skido—engaged in business of school bags; and iv) Uniclan – engaged in diapers business.

## Investment Rationale

DOMS offers the widest breadth of product categories among its peers in India with presence across seven distinct product categories: i) scholastic stationery; ii) scholastic art material; iii) paper stationery; iv) kits and combos; v) office supplies; vi) hobby and craft; vii) fine art products and viii) baby hygiene products. The company has more than 3,800 SKUs which makes it the company offering widest range of product offerings. The company has a widespread multi-channel distribution network: i) super stockists; ii) modern trade, i.e. supermarkets, cash-and-carry stores; and iii) ecommerce platforms and others. The company designs, develops, conceptualises and manufactures all products inhouse. Apart from manufacturing products, the Company also takes care of printing and packaging in-house. DOMS manufactures all key components of majority of its products. The fully integrated operations in Umbergaon built for large-scale operations are also strategically located to achieve shorter lead-time to market and bring about cost competitiveness, allowing it to cater to domestic and international markets more effectively

## Key Risks

- Consistent digitalisation
- Dependence on FILA
- Product concentration risk
- Raw material price volatility
- Threat from unorganised sector

## Additional Data

### Management

Chairman	Gianmatteo Terruzzi
MD	Santosh Raveschia
Whole-time director	Sanjay Rajani
Whole-time director	Ketan Rajani
CFO	Rahul Shah

### Holdings – Top 10\*

	% Holding		% Holding
SBI Funds	6.40	Goldman Sachs	0.98
Axis AMC	2.27	Canara Robeco A	0.49
Invesco Ltd	1.60	Union Mutual Fu	0.48
Nippon Life Ind	1.10	Ashoka India Eq	0.47
TATA AMC	1.04	Oversea-Chinese	0.37

\*Latest public data

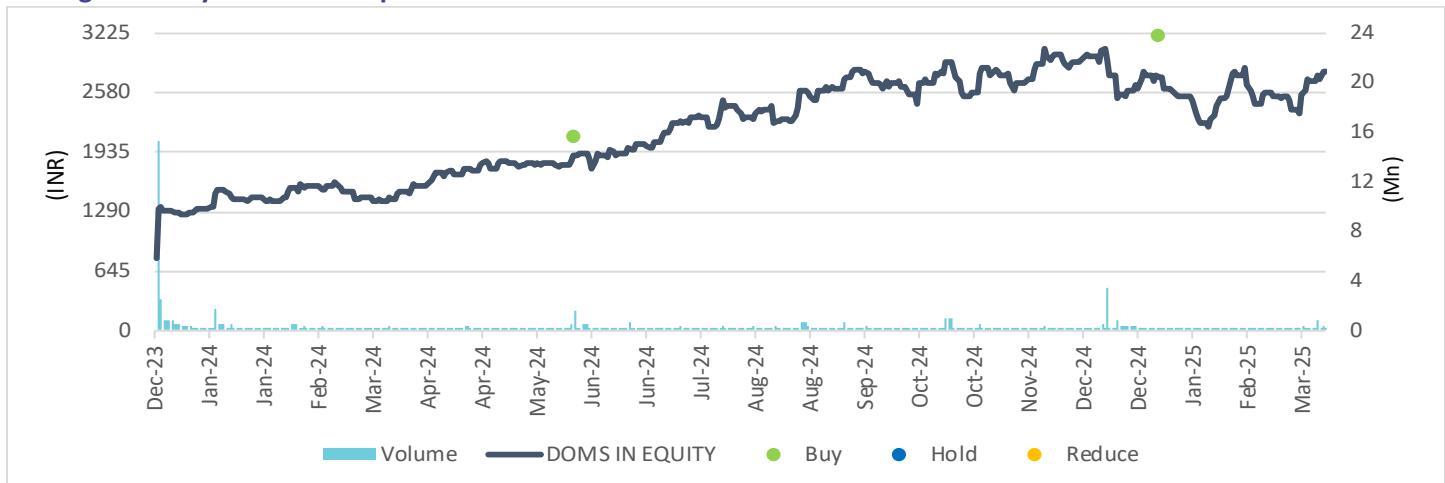
### Recent Company Research

Date	Title	Price	Reco
04-Feb-25	Consistent outperformer streaking ahead; <i>Result Update</i>	2,637	Buy
07-Jan-25	Demand recovering; capacities awaited; <i>Visit Note</i>	2,781	Buy
11-Nov-24	DOMS Industries (DOMS IN, INR 2,787, BUY; <i>Result Update</i>	2,787	Buy

### Recent Sector Research

Date	Name of Co./Sector	Title
03-Mar-25	Balkrishna Industries	Outlook muted; share gains to endure; <i>Visit Note</i>
28-Feb-25	Schaeffler India	Good quarter; exports picking up; <i>Result Update</i>
13-Feb-25	RHI Magnesita India	Margin recovery delayed; <i>Result Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	234
Hold	<15% and >-5%	61
Reduce	<-5%	23

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