

DOMS Industries | BUY

Capacity expansion & innovation thrust to drive organic growth

DOMS' FY25 consol sales grew by c.25% with organic sales growth of c.17% (tad lower vs its guidance of 18-20%). However, this was predominantly driven by capacity constraints (no major capacity addition happened in scholastic stationary/art material in FY25 & some delay in construction activities) and demand has not been a challenge. With addition of lines (for pens, pencil processing, paper stationary, etc.) in existing infrastructure and new greenfield capacities coming up from end of FY26, the supply side challenges should ease. This apart, DOMS has been widening its portfolio (launch of back to school range, DOMS tots range, adhesives, fine arts, paper stationary), which we believe should enable it to achieve organic revenue growth guidance of c.18-20% p.a. over medium term. EBITDA margins are likely to be within guided range of 16.5-17.5%, as focus remains on increasing market share. Going ahead pace of commissioning of new capacities will be key for acceleration in writing instruments. Execution on Paper stationary & Uniclax business (distribution expansion) over medium term will be another key monitorable. We like DOMS brand strength, R&D capabilities, fully backward integrated manufacturing setup and promoter's ability to leverage these tools to create new growth engines and get product & pricing right. This we believe will enable it to continue outperforming industry growth. Sharp correction in the name should be used as an opportunity to add. Maintain BUY.

- **Widening portfolio & creating new growth engines leveraging its innovation/R&D expertise:** One of the key strengths of DOMS has been its innovation capabilities in the stationary segment and it continues to remain agile in this aspect – visible from launch of Tots range, widening of its Pens portfolio, launch of back to school range (bags), value added offerings in kits & combos, adhesives range, markers, mechanical pencils & fine art products. DOMS' R&D and backward integration strength to provide a value for money offering has been instrumental in creating newer growth opportunities, gaining market share in core categories & outperforming peers in stationary segment.
- **Capacity expansion to ease supply challenges and drive organic growth:** Core stationary segment growth saw some moderation in 4QFY25 vs historical trends – this in our view was primarily driven by capacity constraints (currently at c.90% utilization for core categories) and not any demand side issues. Historically too, capacity has been a challenge for DOMS & it has been investing behind adding lines across categories. Apart from expanding at the existing infrastructure (from 22 acres to 26-27 acres, added injection molding machines for pens), the construction of 44 acre greenfield capacity is also under progress (first building to commercialize in Mar/April'26). Overall capex for greenfield project is c.INR 10bn (INR 2.2-2.3bn p.a in FY26/27E) & in normalized scenario, the asset turn achievable in this business is c.3x. Phase wise capacity expansion is being undertaken in core categories in FY26 – Pencils (from 5.5mn pencils/day to 8 mn/day), Pens (from 2.2 mn pens/day to 3.2-3.5mn pens/day by Mar'26) and Paper stationary (new line added in Pioneer & acquisition of Super tread). This we believe should ease supply challenge which along with continued innovation intensity across categories should help achieve its organic sales growth guidance (c.18-20% p.a).

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	15,344	19,096	22,895	27,705	33,128
Sales Growth (%)	27.1	24.5	19.9	21.0	19.6
EBITDA	2,727	3,484	4,016	4,856	5,810
EBITDA Margin (%)	17.7	18.2	17.5	17.5	17.5
Adjusted Net Profit	1,531	2,023	2,268	2,724	3,290
Diluted EPS (INR)	25.2	33.3	37.4	44.9	54.2
Diluted EPS Growth (%)	38.0	32.1	12.1	20.1	20.8
ROIC (%)	31.0	25.1	21.3	22.0	23.7
ROE (%)	26.6	22.3	20.8	21.9	23.6
P/E (x)	96.6	73.1	65.2	54.3	45.0
P/B (x)	18.2	14.7	12.6	11.3	10.0
EV/EBITDA (x)	53.9	42.7	37.1	30.7	25.6
Dividend Yield (%)	0.1	0.1	0.4	0.9	1.1

Source: Company data, JM Financial. Note: Valuations as of 18/Jun/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,845
Upside/(Downside)	16.8%
Previous Price Target	2,845
Change	0.0%

Key Data – DOMS IN

Current Market Price	INR2,437
Market cap (bn)	INR147.9/US\$1.7
Free Float	30%
Shares in issue (mn)	60.7
Diluted share (mn)	60.7
3-mon avg daily val (mn)	INR425.1/US\$4.9
52-week range	3,115/1,917
Sensex/Nifty	81,445/24,812
INR/US\$	86.5

Price Performance

%	1M	6M	12M
Absolute	-14.5	-20.3	23.2
Relative*	-13.8	-22.4	17.0

* To the BSE Sensex

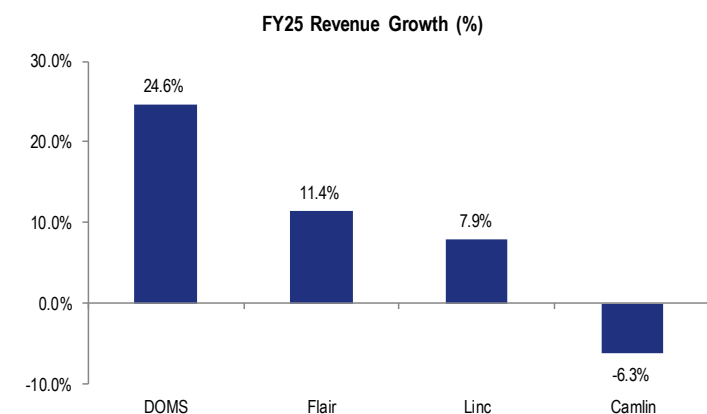
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- **Enough headroom to scale up in Pens; well placed to capitalize on opportunity with capacity & portfolio in place:** DOMS' has clear demonstrated its execution capabilities (sales up 3.5x over FY23-25, accounting for c.7% of gross stationary sales) in a competitive and large category (market size of INR 100bn) like Pens. Company had entered this category around two years back, when key industry players decided to exit INR 5 price point. DOMS saw this as an opportunity to enter a large category, leveraged its strong R&D capabilities and created superior product offering at a value for money price point (for e.g.: Gel pen at INR 5). The range has been well accepted, visible from its strong growth in this segment. Also, despite majority range being at INR 5, the profitability in this segment is similar to company level margins. Moreover, headroom for growth remains immense - DOMS' pens are still not launched pan-India (present only in c.50% of the market) and market share is still in low single digits. With capacities getting added (3.2-3.5mn pens/day by Mar'26 & aspiration to reach 10mn in another 2 years), we expect strong traction in this category to continue & it will remain one of the key revenue drivers for DOMS over medium term.
- **Paper stationary – Capacity additions to help tap large TAM:** Segment offers large growth opportunity (market size of INR 100 bn with DOMS' market share in low single digits). DOMS entered in this segment through acquisition of Pioneer stationary Ltd in FY16. Over the years, revenue has scaled significantly from INR 45 mn to INR 1.6bn (in FY24) – led by a combination of category expertise of existing promoters of Pioneer and DOMS' brand/distribution strength. While business margins are lower & entails higher working capital (higher credit period) vs conventional stationary products, the TAM is much larger to be ignored. Also, focus here is more on kids/back to school products where it has right to win and can leverage its brand & distribution strength. Capacities have been added in Pioneer (20% increase in Oct'24); recent acquisition of Super Treads (West Bengal based paper manufacturing entity) will further increase overall capacity by another 30% and also enable to widen geographic presence in a more cost efficient manner.
- **Strengthening distribution infrastructure:** Apart from working on portfolio and capacity expansion, DOMS has also been focusing on expanding & driving efficiencies in its distribution. Currently, it has total reach of 140k stationary outlets with direct reach to 125k outlets. It plans to reach at least 175-200k outlets directly over the medium term & balance universe (another 100-150k) will be served through wholesale channel. This apart, in order to increase thuput per store, DOMS has increased its sales team strength & created separate sales lines – existing sales team continuing with core stationary products and additional sales line for its new product segments which are Pens, Paper stationary, and Adhesives. Also, to ensure better visibility on secondary sales, it is onboarding c.30% of distributors (which account for large part of its sales) onto DMS system.
- **Uniclan - focus on getting the product right before accelerating distribution expansion in GT:** DOMS acquired Uniclan (Wowper diapers/wipes) with a strategy to create distribution reach in GT channel, outside of the stationary shop universe over next 3-5 years which can then be leveraged to scale up its stationary business. With capacity in place & given the large opportunity in diapers/wipes segment, the focus now is on a) creating differentiated product leveraging technology & existing promoter's expertise in the space and b) right sizing of distribution structure (reducing CFA from its 3 layered distribution structure). Once the right portfolio is in place, aggressive scale up/distribution expansion will be done across markets. Currently, Uniclan's reach is at 35k outlets (Wowper is largely tier 3 brand with presence in states like UP, Bihar, Rajasthan, etc.) & DOMS is onboarding some of its existing channel partners for distribution of Wowper portfolio. Uniclan's sales grew by c.15% yoy to INR 1.7bn (on full year FY25 basis) & management expects c.20% sales growth with EBITDA margins c.8-10% for this portfolio over the medium term.
- **Exports to see traction with dedicated facility coming up under greenfield expansion project:** While servicing & gaining share in domestic market remains a key focus area over the medium term, export of stationary products (account for 15% of its sales of which 60% is to FILA & balance is its own branded products) is also a large opportunity which can be tapped at later stages leveraging its manufacturing capabilities and its strategic

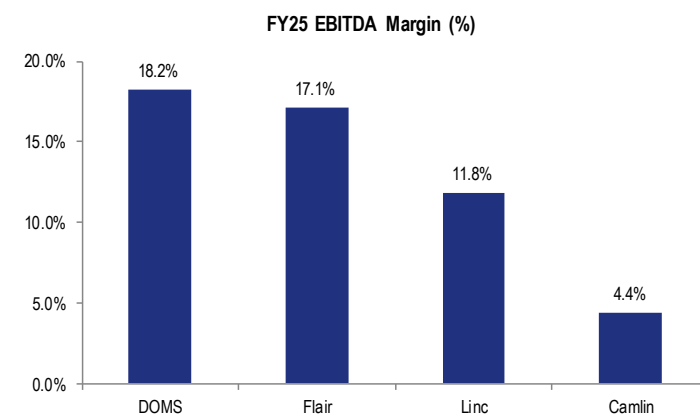
relationship with FILA. DOMS has entered into distribution agreements with FILA wherein later will distribute DOMS-branded stationery products across select international markets, leveraging its entrenched local infrastructure & regulatory familiarity. Also, with dedicated building for FILA coming up in 44 acre capacity expansion project, export sales could see uptick in FY27.

Exhibit 1. DOMS has outperformed peers on sales growth...



Source: Company, JM Financial

Exhibit 2. ...as well as EBITDA margins in FY25



Source: Company, JM Financial

Note: Calculation on revenue instead of net sales as annual reports of all companies are not yet released

Exhibit 3. Creating newer growth engines through launch of Bags, adhesives, Notebooks

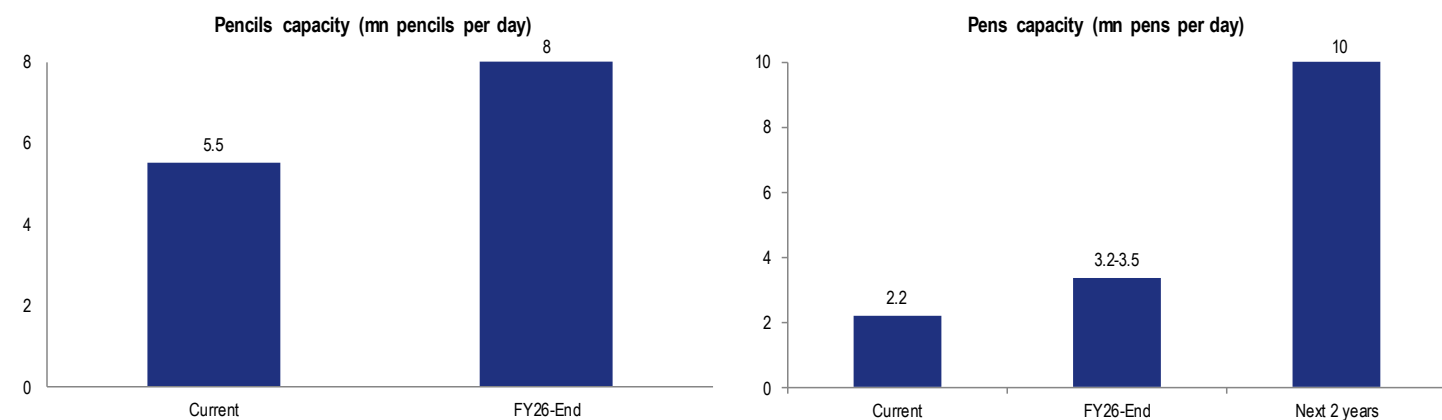


Source: Company, JM Financial

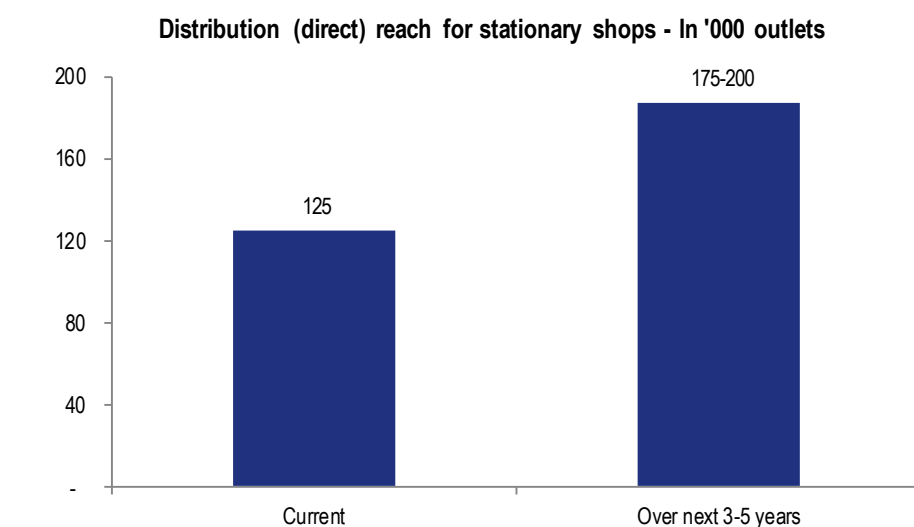
Exhibit 4. The company continues to broaden its writing instrument offerings



Source: Company, JM Financial

Exhibit 5. Capacity additions underway in core categories which should ease supply challenges

Source: Company, JM Financial

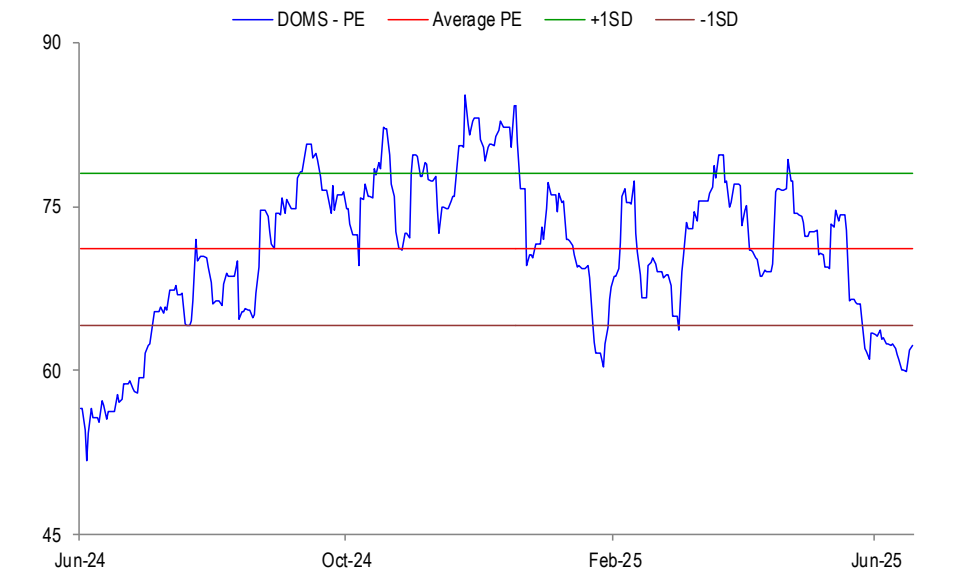
Exhibit 6. Company plans to directly reach 175-200k outlets in the medium term

Source: Company, JM Financial

Exhibit 7. Uniclan – Launch of Wowper portfolio cobranded with DOMS

Source: Company, JM Financial

Exhibit 8. DOMS' one-yr avg. PE Band



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	15,344	19,096	22,895	27,705	33,128
Sales Growth	27.1%	24.5%	19.9%	21.0%	19.6%
Other Operating Income	27	30	31	38	45
Total Revenue	15,371	19,126	22,926	27,743	33,173
Cost of Goods Sold/Op. Exp	8,928	10,806	12,936	15,681	18,783
Personnel Cost	2,131	2,652	3,173	3,831	4,571
Other Expenses	1,586	2,183	2,802	3,374	4,008
EBITDA	2,727	3,484	4,016	4,856	5,810
EBITDA Margin	17.7%	18.2%	17.5%	17.5%	17.5%
EBITDA Growth	46.1%	27.8%	15.2%	20.9%	19.6%
Depn. & Amort.	512	692	888	1,101	1,293
EBIT	2,215	2,793	3,128	3,755	4,517
Other Income	101	226	209	177	173
Finance Cost	171	150	145	120	103
PBT before Excep. & Forex	2,145	2,868	3,192	3,813	4,587
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,145	2,868	3,192	3,813	4,587
Taxes	548	733	804	961	1,156
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	65	112	120	128	141
Reported Net Profit	1,531	2,023	2,268	2,724	3,290
Adjusted Net Profit	1,531	2,023	2,268	2,724	3,290
Net Margin	10.0%	10.6%	9.9%	9.8%	9.9%
Diluted Share Cap. (mn)	60.7	60.7	60.7	60.7	60.7
Diluted EPS (INR)	25.2	33.3	37.4	44.9	54.2
Diluted EPS Growth	38.0%	32.1%	12.1%	20.1%	20.8%
Total Dividend + Tax	152	191	567	1,362	1,645
Dividend Per Share (INR)	2.5	3.2	9.3	22.4	27.1

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	2,145	2,868	3,192	3,813	4,587
Depn. & Amort.	512	692	888	1,101	1,293
Net Interest Exp. / Inc. (-)	70	-76	-64	-57	-70
Inc (-) / Dec in WCap.	-289	-968	-328	-555	-575
Others	31	74	0	0	0
Taxes Paid	-643	-757	-801	-955	-1,148
Operating Cash Flow	1,826	1,833	2,887	3,347	4,087
Capex	-1,532	-2,130	-2,289	-2,272	-1,988
Free Cash Flow	294	-297	598	1,075	2,099
Inc (-) / Dec in Investments	-2,356	843	0	0	0
Others	-689	-108	209	177	173
Investing Cash Flow	-4,576	-1,396	-2,080	-2,094	-1,815
Inc / Dec (-) in Capital	3,347	0	0	0	0
Dividend + Tax thereon	-93	-152	-567	-1,362	-1,645
Inc / Dec (-) in Loans	-13	35	-364	-355	-223
Others	-269	-281	-222	-146	-85
Financing Cash Flow	2,972	-398	-1,153	-1,863	-1,953
Inc / Dec (-) in Cash	222	40	-346	-610	319
Opening Cash Balance	2,837	2,214	2,254	1,908	1,297
Closing Cash Balance	3,059	2,254	1,908	1,297	1,616

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	8,144	10,028	11,729	13,091	14,736
Share Capital	607	607	607	607	607
Reserves & Surplus	7,537	9,421	11,122	12,484	14,129
Preference Share Capital	0	0	0	0	0
Minority Interest	278	797	917	1,045	1,186
Total Loans	1,159	1,531	1,167	811	588
Def. Tax Liab. / Assets (-)	-54	30	30	30	30
Total - Equity & Liab.	9,527	12,386	13,843	14,977	16,540
Net Fixed Assets	4,675	6,920	8,398	9,595	10,271
Gross Fixed Assets	5,132	7,402	9,691	11,963	13,951
Intangible Assets	624	746	746	746	746
Less: Depn. & Amort.	1,317	2,008	2,897	3,997	5,291
Capital WIP	237	781	858	883	865
Investments	15	15	15	15	15
Current Assets	6,595	7,592	8,059	8,548	10,056
Inventories	2,251	2,940	3,387	4,061	4,810
Sundry Debtors	646	1,343	1,505	1,670	1,815
Cash & Bank Balances	3,059	2,254	1,908	1,297	1,616
Loans & Advances	139	288	343	412	489
Other Current Assets	499	767	916	1,108	1,325
Current Liab. & Prov.	1,759	2,141	2,629	3,181	3,802
Current Liabilities	1,541	1,835	2,280	2,759	3,298
Provisions & Others	217	306	349	422	503
Net Current Assets	4,836	5,451	5,430	5,368	6,254
Total - Assets	9,527	12,386	13,843	14,977	16,540

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	10.0%	10.6%	9.9%	9.8%	9.9%
Asset Turnover (x)	2.2	1.7	1.7	1.9	2.1
Leverage Factor (x)	1.2	1.2	1.2	1.2	1.1
RoE	26.6%	22.3%	20.8%	21.9%	23.6%

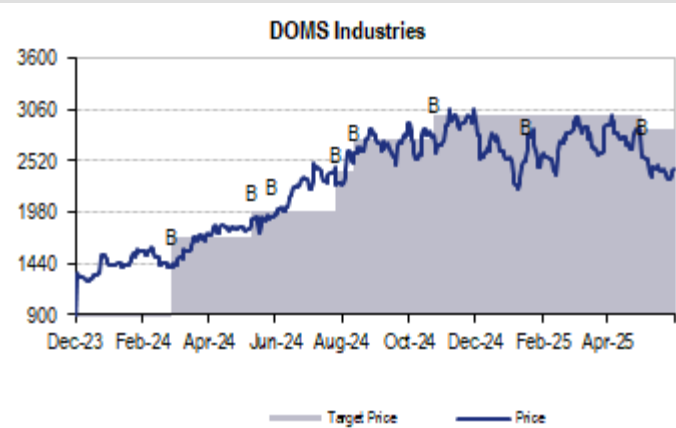
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	134.2	165.3	193.3	215.7	242.8
ROIC	31.0%	25.1%	21.3%	22.0%	23.7%
ROE	26.6%	22.3%	20.8%	21.9%	23.6%
Net Debt/Equity (x)	-0.2	-0.1	-0.1	0.0	-0.1
P/E (x)	96.6	73.1	65.2	54.3	45.0
P/B (x)	18.2	14.7	12.6	11.3	10.0
EV/EBITDA (x)	53.9	42.7	37.1	30.7	25.6
EV/Sales (x)	9.6	7.8	6.5	5.4	4.5
Debtor days	15	26	24	22	20
Inventory days	53	56	54	53	53
Creditor days	44	43	44	44	44

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
15-Mar-24	Buy	1,710	
27-May-24	Buy	2,000	17.0
15-Jun-24	Buy	2,000	0.0
13-Aug-24	Buy	2,415	20.8
29-Aug-24	Buy	2,750	13.9
11-Nov-24	Buy	3,000	9.1
3-Feb-25	Buy	3,000	0.0
20-May-25	Buy	2,845	-5.2

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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