

DOMS Industries | BUY

Resilient performance in challenging environment

DOMS Q2FY25 performance was tad better than our forecasts both on revenue and profitability. Ex-Uniclan sales, LTL revenue growth was c.16% yoy which is moderation from c.19-20% yoy sales growth seen in past quarters. However, it is still a resilient performance, especially in a challenging environment and likely to be ahead of peers. Input costs remained benign which along with better product mix resulted in healthy operating performance. We like DOMS' strategy of increasing TAM and extending to additional categories (like toys, bags, baby care, children apparels, cosmetic pencils, sports gear, etc.) which are associated with growing years of kids and young adults is clear, as also evidenced by the recent acquisitions (Uniclan, Skiddo, Clapjoy). The recent acquisitions are not expensive, however, headroom for error is limited given the expensive valuations; hence, inorganic growth strategy, scale up in the new categories (Bags/Babycare) and sustaining growth in core business will be key monitorables in our view. We raise our FY25-27E by 3-4%, incorporating Uniclan acquisition & roll forward to Mar'27. Maintain BUY with revised TP of INR 3,000.

- LTL sales growth of c.16% yoy, resilient in challenging demand scenario:** Consol sales grew by 19.7% yoy to INR 4.6bn, while growth in EBITDA and PAT was higher at 31.7% and 42.5% to INR 859mn and INR 513mn respectively. Revenue growth was c.2% better than our expectations led by domestic sales (aided by kits/combos, office supplies, scholastic stationary) and consolidation of Uniclan acquisition (sales of c.INR 137 mn in the quarter). Ex of Uniclan, LTL sales growth for the quarter was c.16% yoy. While gross margins were ahead of our forecasts, benefit was partially offset by higher overhead costs resulting in c.2% beat on EBITDA.
- Domestic sales up 26% yoy while exports performance remains muted:** Domestic business grew by c.26% yoy while exports declined (c.-7% yoy) during the quarter, impacted by weak demand in international markets on the back of geopolitical tensions. On segmental basis, growth was led by Pens, Adhesives, and Kits & Combination packs. Scholastic stationary grew by 11% while Art material growth was flat on yoy basis. Paper stationary grew by 6% yoy while strong growth was seen in Kits & Combos (+20%) and Office supplies (+90%). On the distribution front, DOMS has expanded its retail touchpoints by 10,000 outlets to 1,35,000 outlets in the quarter.
- Delivery on operating profitability remains strong:** Gross margins improved 231bps yoy and 31bps qoq to 43.4% - a function of benign raw material environment and better sourcing (benefit of scale efficiencies). Staff costs grew 15.5% yoy, largely in line with our estimates. However, other expenses grew by 32.7% yoy at a faster pace vs revenue growth of 19.7%. Flowthrough of gross margin benefit was partially offset by sharp increase in other overheads during the quarter. Resultant EBITDA grew by 31.7% yoy to INR 859mn with a margin expansion of c.171bps yoy to 18.8% (inline with our estimate). Higher other income resulted in PAT growth of 42.5% yoy to INR 513 mn, 3% above our estimate.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,000
Upside/(Downside)	8.2%
Previous Price Target	2,750
Change	9.1%

Key Data – DOMS IN

Current Market Price	INR2,772
Market cap (bn)	INR168.2/US\$2.0
Free Float	25%
Shares in issue (mn)	60.7
Diluted share (mn)	60.7
3-mon avg daily val (mn)	INR409.0/US\$4.8
52-week range	3,039/1,224
Sensex/Nifty	79,486/24,148
INR/US\$	84.4

Price Performance

%	1M	6M
Absolute	1.3	52.6
Relative*	3.8	39.5

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	12,077	15,344	18,826	23,464	28,143
Sales Growth (%)	77.5	27.1	22.7	24.6	19.9
EBITDA	1,867	2,727	3,503	4,241	5,050
EBITDA Margin (%)	15.4	17.7	18.6	18.0	17.9
Adjusted Net Profit	958	1,531	2,059	2,476	3,017
Diluted EPS (INR)	18.3	25.2	33.9	40.8	49.7
Diluted EPS Growth (%)	499.7	38.0	34.5	20.2	21.9
ROIC (%)	29.3	31.0	27.6	26.0	29.2
ROE (%)	32.8	26.6	23.1	23.3	24.5
P/E (x)	151.6	109.8	81.7	67.9	55.8
P/B (x)	43.0	20.7	17.4	14.6	12.9
EV/EBITDA (x)	91.0	61.4	48.0	39.7	32.9
Dividend Yield (%)	0.1	0.1	0.3	0.4	0.9

Source: Company data, JM Financial. Note: Valuations as of 08/Nov/2024

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. 2Q & 1HFY25 consolidated result snapshot: Revenue tad above expectations; operating profits inline (INR mn)

	2QFY25	2QFY24	YoY chg	2QFY25E	% Var	1HFY25	1HFY24	YoY chg
Net Sales	4,578	3,824	19.7%	4,500	1.7%	9,028	7,618	18.5%
Gross Profit	1,987	1,571	26.5%	1,922	3.4%	3,904	3,029	28.9%
Gross Profit Margin %	43.4%	41.1%	231 bps	42.7%	70 bps	43.2%	39.8%	349 bps
Staff Cost	615	533	15.5%	617	-0.2%	1,226	1,025	19.6%
Other Expenses	512	386	32.7%	459	11.6%	955	729	30.9%
EBITDA	859	652	31.7%	846	1.6%	1,723	1,274	35.2%
EBITDA margin %	18.8%	17.1%	171 bps	18.8%	-3 bps	19.1%	16.7%	236 bps
Depreciation	161	118	36.2%	153	5.2%	309	228	35.6%
EBIT	698	534	30.7%	693	0.8%	1,414	1,047	35.1%
Interest Expense	38	41	-7.1%	40	-3.9%	78	78	-0.1%
Financial Other Income	61	12	409.7%	40	51.6%	116	24	381.0%
PBT	721	505	42.8%	693	4.0%	1,452	992	46.4%
Taxes	184	128	43.1%	175	5.2%	372	252	47.6%
Minority Interest	24	16	46.2%	20	17.5%	48	34	42.9%
Net Profit	513	360	42.5%	498	3.0%	1,032	706	46.1%

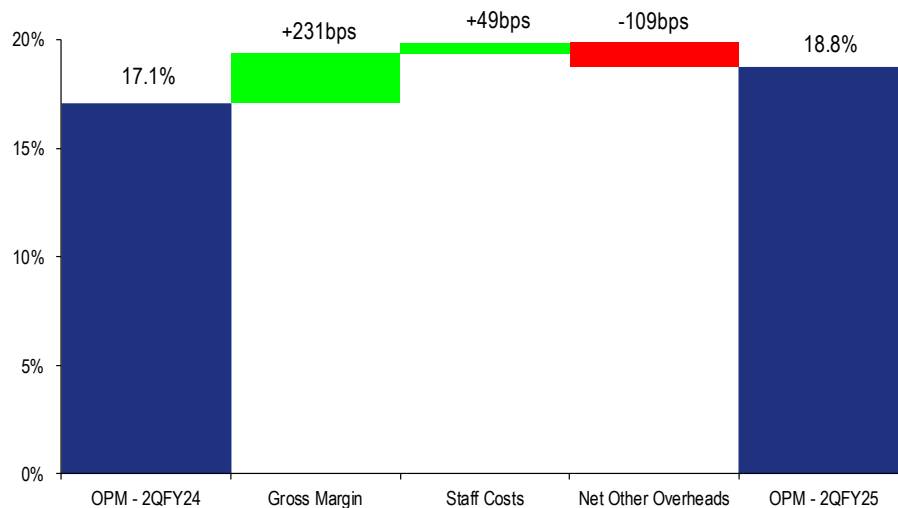
Source: Company, JM Financial

Exhibit 2. 2Q & 1HFY25 costs breakdown

% of revenue	2QFY25	2QFY24	2QFY25E	1HFY25	1HFY24
Cost of Goods Sold	56.6%	58.9%	57.3%	56.8%	60.2%
Staff Cost	13.4%	13.9%	13.7%	13.6%	13.5%
Other Expenses	11.2%	10.1%	10.2%	10.6%	9.6%
Depreciation	3.5%	3.1%	3.4%	3.4%	3.0%

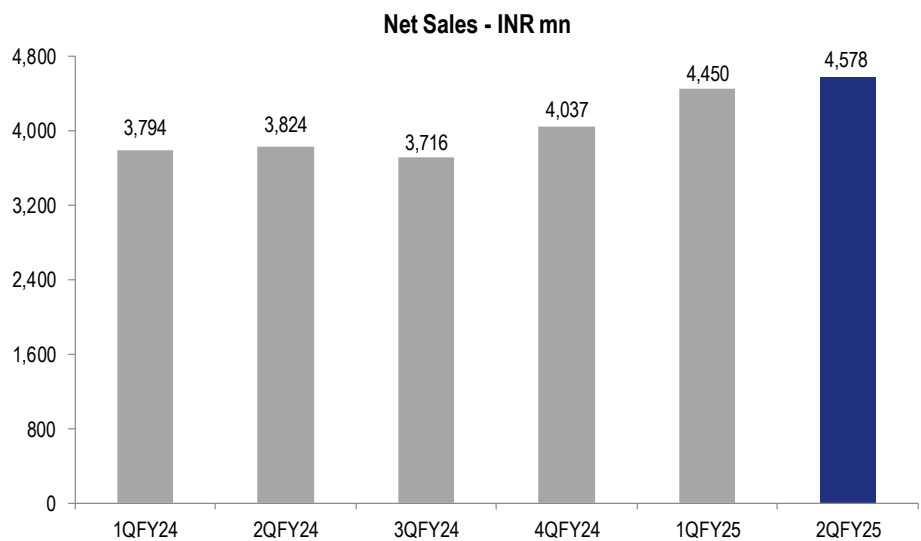
Source: Company, JM Financial

Exhibit 3. Strong GPM expansion was partially offset by higher other expenses



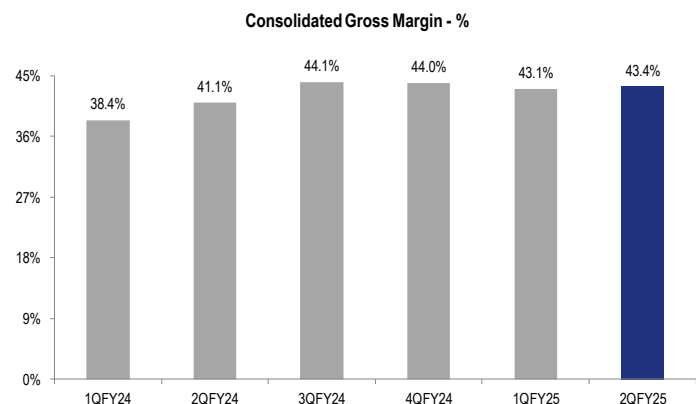
Source: Company, JM Financial

Exhibit 4. Net sales grew 19.7% yoy and 2.9% qoq



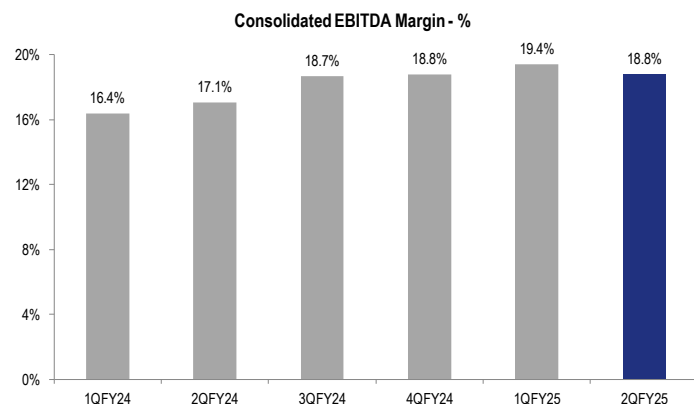
Source: Company, JM Financial

Exhibit 5. Consolidated gross margin expanded 231bps yoy



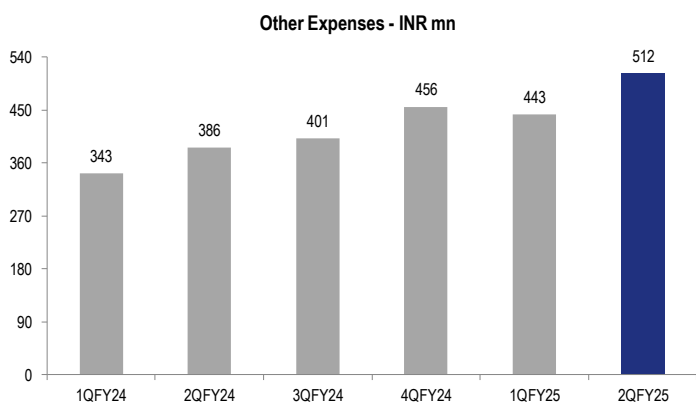
Source: Company, JM Financial

Exhibit 6. similarly, consolidated EBITDA margin up 171bps yoy



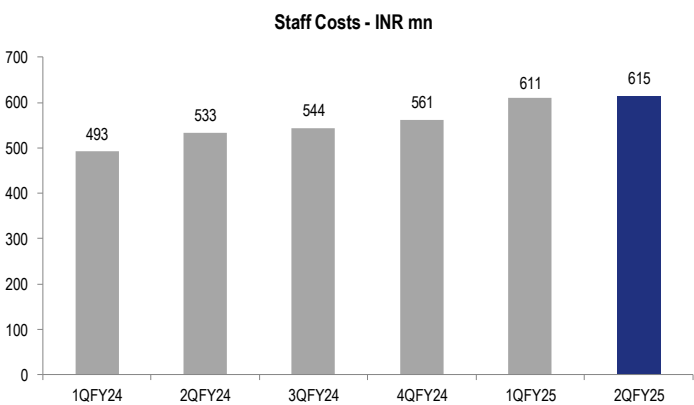
Source: Company, JM Financial

Exhibit 7. Sharp rise in other expenses, up 33% yoy



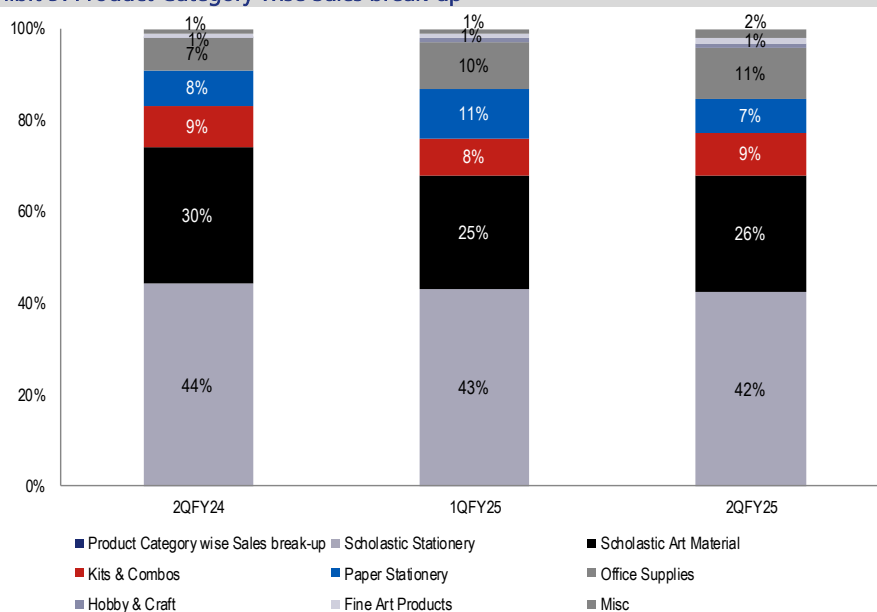
Source: Company, JM Financial

Exhibit 8. Staff costs were up 16% yoy



Source: Company, JM Financial

Exhibit 9. Product Category wise Sales break-up



Source: Company, JM Financial

Exhibit 10. Revision in estimates

INR mn	Revised			Earlier			% change		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Sales	18,856	23,495	28,180	18,660	22,498	26,746	1%	4%	5%
EBITDA	3,503	4,241	5,050	3,357	4,061	4,834	4%	4%	4%
PAT	2,059	2,476	3,017	1,972	2,407	2,891	4%	3%	4%
EPS	34	41	50	33	40	48	4%	3%	4%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	12,077	15,344	18,826	23,464	28,143	
Sales Growth	77.5%	27.1%	22.7%	24.6%	19.9%	
Other Operating Income	42	27	30	31	38	
Total Revenue	12,119	15,371	18,856	23,495	28,180	
Cost of Goods Sold/Op. Exp	7,634	8,928	10,655	13,351	16,069	
Personnel Cost	1,418	2,131	2,598	3,226	3,856	
Other Expenses	1,201	1,586	2,099	2,677	3,205	
EBITDA	1,867	2,727	3,503	4,241	5,050	
EBITDA Margin	15.4%	17.7%	18.6%	18.0%	17.9%	
EBITDA Growth	167.8%	46.1%	28.5%	21.1%	19.1%	
Depn. & Amort.	407	512	672	845	989	
EBIT	1,460	2,215	2,831	3,395	4,060	
Other Income	46	101	220	237	308	
Finance Cost	119	171	167	178	177	
PBT before Excep. & Forex	1,388	2,145	2,884	3,454	4,192	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,388	2,145	2,884	3,454	4,192	
Taxes	359	548	727	870	1,056	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	71	65	98	108	119	
Reported Net Profit	958	1,531	2,059	2,476	3,017	
Adjusted Net Profit	958	1,531	2,059	2,476	3,017	
Net Margin	7.9%	10.0%	10.9%	10.5%	10.7%	
Diluted Share Cap. (mn)	52.4	60.7	60.7	60.7	60.7	
Diluted EPS (INR)	18.3	25.2	33.9	40.8	49.7	
Diluted EPS Growth	499.7%	38.0%	34.5%	20.2%	21.9%	
Total Dividend + Tax	93	152	515	619	1,509	
Dividend Per Share (INR)	1.8	2.5	8.5	10.2	24.9	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	1,388	2,145	2,884	3,454	4,192	
Depn. & Amort.	407	512	672	845	989	
Net Interest Exp. / Inc. (-)	72	70	-53	-58	-132	
Inc (-) / Dec in WCap.	154	-289	-571	-604	-626	
Others	57	31	0	0	0	
Taxes Paid	-345	-643	-648	-869	-1,047	
Operating Cash Flow	1,733	1,826	2,284	2,768	3,378	
Capex	-1,354	-1,532	-2,139	-2,077	306	
Free Cash Flow	378	294	145	691	3,683	
Inc (-) / Dec in Investments	-17	-2,356	-311	0	0	
Others	12	-689	220	237	308	
Investing Cash Flow	-1,359	-4,576	-2,231	-1,841	614	
Inc / Dec (-) in Capital	0	3,347	0	0	0	
Dividend + Tax thereon	-56	-93	-515	-619	-1,509	
Inc / Dec (-) in Loans	146	-13	281	-42	-49	
Others	-213	-269	-222	-238	-186	
Financing Cash Flow	-124	2,972	-455	-899	-1,744	
Inc / Dec (-) in Cash	250	222	-402	29	2,248	
Opening Cash Balance	167	2,837	3,059	2,657	2,686	
Closing Cash Balance	417	3,059	2,657	2,686	4,934	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	3,374	8,144	9,688	11,545	13,054	
Share Capital	4	607	607	607	607	
Reserves & Surplus	3,371	7,537	9,082	10,938	12,447	
Preference Share Capital	0	0	0	0	0	
Minority Interest	179	278	376	484	603	
Total Loans	1,001	1,159	1,440	1,398	1,349	
Def. Tax Liab. / Assets (-)	-32	-54	-54	-54	-54	
Total - Equity & Liab.	4,522	9,527	11,450	13,373	14,951	
Net Fixed Assets	2,874	4,675	6,508	7,800	6,514	
Gross Fixed Assets	3,678	5,132	6,525	8,402	9,246	
Intangible Assets	20	624	935	935	935	
Less: Depn. & Amort.	877	1,317	1,988	2,834	3,823	
Capital WIP	53	237	1,037	1,297	156	
Investments	15	15	15	15	15	
Current Assets	3,080	6,595	7,001	8,121	11,478	
Inventories	1,846	2,251	2,579	3,214	3,855	
Sundry Debtors	356	646	1,032	1,286	1,542	
Cash & Bank Balances	417	3,059	2,657	2,686	4,934	
Loans & Advances	120	139	169	208	247	
Other Current Assets	340	499	565	727	901	
Current Liab. & Prov.	1,446	1,759	2,074	2,563	3,056	
Current Liabilities	1,245	1,541	1,767	2,216	2,662	
Provisions & Others	201	217	308	347	395	
Net Current Assets	1,634	4,836	4,927	5,558	8,422	
Total - Assets	4,522	9,527	11,450	13,373	14,951	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	7.9%	10.0%	10.9%	10.5%	10.7%	
Asset Turnover (x)	3.0	2.2	1.8	1.9	2.0	
Leverage Factor (x)	1.4	1.2	1.2	1.2	1.2	
RoE	32.8%	26.6%	23.1%	23.3%	24.5%	

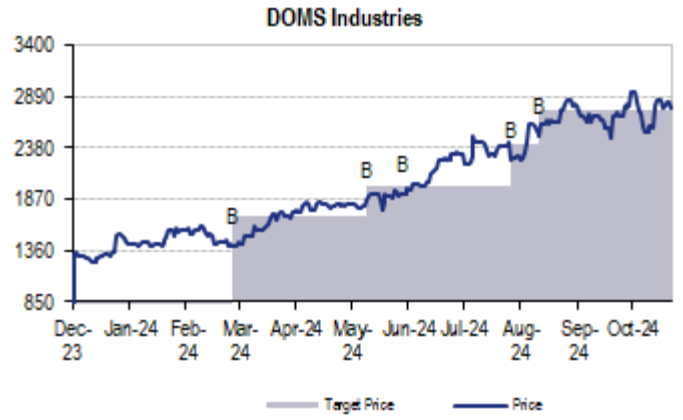
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	64.4	134.2	159.7	190.3	215.1	
ROIC	29.3%	31.0%	27.6%	26.0%	29.2%	
ROE	32.8%	26.6%	23.1%	23.3%	24.5%	
Net Debt/Equity (x)	0.2	-0.2	-0.1	-0.1	-0.3	
P/E (x)	151.6	109.8	81.7	67.9	55.8	
P/B (x)	43.0	20.7	17.4	14.6	12.9	
EV/EBITDA (x)	91.0	61.4	48.0	39.7	32.9	
EV/Sales (x)	14.0	10.9	8.9	7.2	5.9	
Debtor days	11	15	20	20	20	
Inventory days	56	53	50	50	50	
Creditor days	44	44	42	42	42	

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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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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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