

March 17, 2025

Visit Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	3,370		3,370	
Sales (Rs. m)	26,064	31,438	26,064	31,438
% Chng.	-	-	-	-
EBITDA (Rs. m)	4,603	5,524	4,603	5,524
% Chng.	-	-	-	-
EPS (Rs.)	45.8	56.2	45.8	56.2
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	15,371	19,354	26,064	31,438
EBITDA (Rs. m)	2,727	3,545	4,603	5,524
Margin (%)	17.7	18.3	17.7	17.6
PAT (Rs. m)	1,531	2,104	2,779	3,408
EPS (Rs.)	25.2	34.7	45.8	56.2
Gr. (%)	(99.0)	37.4	32.0	22.7
DPS (Rs.)	2.5	2.5	3.0	3.5
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	26.6	23.0	24.1	23.4
RoCE (%)	31.9	27.8	29.6	29.1
EV/Sales (x)	11.0	8.7	6.5	5.3
EV/EBITDA (x)	61.9	47.6	36.7	30.1
PE (x)	111.3	81.0	61.4	50.0
P/BV (x)	20.9	16.7	13.2	10.5

Key Data

DOMS.BO | DOMS IN

52-W High / Low	Rs.3,115 / Rs.1,366
Sensex / Nifty	74,030 / 22,471
Market Cap	Rs.171bn / \$ 1,960m
Shares Outstanding	178m
3M Avg. Daily Value	Rs.638.98m

Shareholding Pattern (%)

Promoter's	70.38
Foreign	9.96
Domestic Institution	15.71
Public & Others	3.95
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.3	(0.1)	100.7
Relative	(9.9)	0.9	(16.0)

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Backward integration prowess at display

Quick Pointers:

- Expansion plan at the new 44-acre land parcel is progressing as per schedule

We visited the production facility of DOMS at Umbergaon in Gujarat and interacted with the top management to get an update over ongoing expansion plan. Progress at the new 44-acre land parcel is satisfactory (check exhibit 1) and first building is expected to be ready by 3QFY26E. Onsite survey of the existing facility indicates true competitive edge of DOMS stems from full backward integration capabilities in core categories like pencils, sketch pens and mathematical instrument boxes. Further, a lot of new products like finger paints (check exhibit 2), floating markers (check exhibit 3) and water-based gum were at display on the shop floor indicating innovation continues to take center stage at DOMS. Led by product innovation, capacity expansion in categories like pencils & pens and strengthening of the distribution network we expect sales/PAT CAGR of 27% over FY25E-FY27E. We broadly maintain our estimates and retain BUY on the stock with a TP of Rs3,370 (60x FY27E EPS; no change in target multiple).

Progress at new site is on track: Progress over the new development plan on 44-acres land parcel in Umbergaon is on track and first building is expected to be ready by 3QFY26E. Construction work at adjoining buildings within the new land parcel was also evident. Further, there are plans to buy additional 2-acres of land at the new site. Overall, development of ~1.8-2mn sq ft of area is planned at the new site entailing a capex of ~Rs9-10bn.

Innovation and category expansion continues: A lot of new and innovative products were at display on the shop floor. For instance, DOMS has recently launched a new finger paints product, floating markers and water-based gum. In adhesives, ergonomically designed bottles priced at Rs5-10 have also been launched. In addition, DOMS has also entered into a distribution agreement with FILA to export branded stationery products in markets where FILA already has an established presence opening up a new avenue for growth. Further, there are plans to expand capacity of mechanical pencils while a new line for wet wipes is expected to begin operations soon. Product innovation and category expansion is likely to drive top-line at a CAGR of 27% over FY25E-FY27E.

Capacity expansion in pens and pencils to drive growth: Plans to expand manufacturing capacity of pencils by 2.5mn pieces per day is on track. After the recent capacity expansion in pens by 1mn pieces per day, launch of new SKUs and expansion of distribution network (pan-India reach now), we expect the category to be a key growth lever for DOMS.

Outlook & valuation: Led by ongoing expansion of product basket (SKU count has increased from 3,800 in 3QFY24 to 4,350 in 3QFY25) and distribution network (retail touch points have increased from 122,500 in 3QFY24 to 140,000 in 3QFY25), we expect sales and PAT CAGR of 27% over FY25E-FY27E. Retain BUY on the stock with a TP of Rs3,370 (60x FY27E EPS).

Exhibit 1: Visuals of under construction site at Umbergaon



Source: Company, PL

Exhibit 2: TOTS, a finger paint product of DOMS



Source: Company, PL

Exhibit 3: Floating marker set of DOMS



Source: Company, PL

Exhibit 4: Snapshot of rubber manufacturing process



Source: Company, PL

Exhibit 5: Snippet of pen manufacturing process



Source: Company, PL

Exhibit 6: Slate showcasing finished pencil product



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	15,371	19,354	26,064	31,438
YoY gr. (%)	26.8	25.9	34.7	20.6
Cost of Goods Sold	8,928	10,945	15,078	18,187
Gross Profit	6,444	8,409	10,986	13,251
Margin (%)	41.9	43.5	42.2	42.2
Employee Cost	2,131	2,658	3,359	4,143
Other Expenses	1,586	2,206	3,023	3,584
EBITDA	2,727	3,545	4,603	5,524
YoY gr. (%)	46.1	30.0	29.9	20.0
Margin (%)	17.7	18.3	17.7	17.6
Depreciation and Amortization	512	670	884	1,005
EBIT	2,215	2,875	3,720	4,520
Margin (%)	14.4	14.9	14.3	14.4
Net Interest	171	149	116	103
Other Income	101	232	287	346
Profit Before Tax	2,145	2,959	3,891	4,763
Margin (%)	14.0	15.3	14.9	15.1
Total Tax	548	755	992	1,214
Effective tax rate (%)	25.6	25.5	25.5	25.5
Profit after tax	1,597	2,204	2,899	3,548
Minority interest	65	100	120	140
Share Profit from Associate	0	-	-	-
Adjusted PAT	1,531	2,104	2,779	3,408
YoY gr. (%)	59.8	37.4	32.0	22.7
Margin (%)	10.0	10.9	10.7	10.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,531	2,104	2,779	3,408
YoY gr. (%)	59.8	37.4	32.0	22.7
Margin (%)	10.0	10.9	10.7	10.8
Other Comprehensive Income	(15)	(10)	(10)	(10)
Total Comprehensive Income	1,516	2,094	2,769	3,398
Equity Shares O/s (m)	61	61	61	61
EPS (Rs)	25.2	34.7	45.8	56.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	6,040	7,992	10,548	11,858
Tangibles	6,031	7,973	10,518	11,819
Intangibles	9	19	29	39
Acc: Dep / Amortization	1,682	2,352	3,235	4,240
Tangibles	1,673	2,336	3,211	4,206
Intangibles	9	15	24	34
Net fixed assets	4,358	5,640	7,312	7,618
Tangibles	4,357	5,636	7,307	7,613
Intangibles	1	4	5	5
Capital Work In Progress	254	290	313	157
Goodwill	624	624	624	624
Non-Current Investments	144	189	249	298
Net Deferred tax assets	54	50	68	75
Other Non-Current Assets	301	275	370	384
Current Assets				
Investments	-	-	-	-
Inventories	2,251	2,757	3,642	4,393
Trade receivables	646	1,167	1,571	1,895
Cash & Bank Balance	3,059	2,762	2,713	5,026
Other Current Assets	201	271	365	440
Total Assets	11,900	14,038	17,245	20,932
Equity				
Equity Share Capital	607	607	607	607
Other Equity	7,537	9,580	12,286	15,612
Total Networth	8,144	10,187	12,893	16,219
Non-Current Liabilities				
Long Term borrowings	837	737	637	637
Provisions	149	145	195	236
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	452	354	357	360
Trade payables	904	1,167	1,500	1,723
Other current liabilities	705	726	925	1,006
Total Equity & Liabilities	11,900	14,038	17,245	20,932

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,145	2,959	3,891	4,763
Add. Depreciation	512	670	884	1,005
Add. Interest	171	149	116	103
Less Financial Other Income	101	232	287	346
Add. Other	(70)	(232)	(287)	(346)
Op. profit before WC changes	2,758	3,545	4,603	5,524
Net Changes-WC	(289)	(831)	(834)	(828)
Direct tax	(643)	(755)	(992)	(1,214)
Net cash from Op. activities	1,826	1,959	2,778	3,481
Capital expenditures	(1,532)	(1,778)	(2,368)	(945)
Interest / Dividend Income	22	232	287	346
Others	(3,066)	(227)	(364)	(271)
Net Cash from Invst. activities	(4,576)	(1,773)	(2,446)	(870)
Issue of share cap. / premium	3,500	-	-	-
Debt changes	(792)	-	-	-
Dividend paid	(93)	(152)	(182)	(212)
Interest paid	(158)	(149)	(116)	(103)
Others	515	(183)	(83)	17
Net cash from Fin. activities	2,972	(484)	(381)	(298)
Net change in cash	222	(297)	(49)	2,314
Free Cash Flow	292	181	410	2,537

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	25.2	34.7	45.8	56.2
CEPS	33.7	45.7	60.3	72.7
BVPS	134.2	167.9	212.5	267.3
FCF	4.8	3.0	6.7	41.8
DPS	2.5	2.5	3.0	3.5
Return Ratio(%)				
RoCE	31.9	27.8	29.6	29.1
ROIC	22.9	25.3	26.7	26.4
RoE	26.6	23.0	24.1	23.4
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.1)	(0.2)
Net Working Capital (Days)	47	52	52	53
Valuation(x)				
PER	111.3	81.0	61.4	50.0
P/B	20.9	16.7	13.2	10.5
P/CEPS	83.4	61.5	46.6	38.6
EV/EBITDA	61.9	47.6	36.7	30.1
EV/Sales	11.0	8.7	6.5	5.3
Dividend Yield (%)	0.1	0.1	0.1	0.1

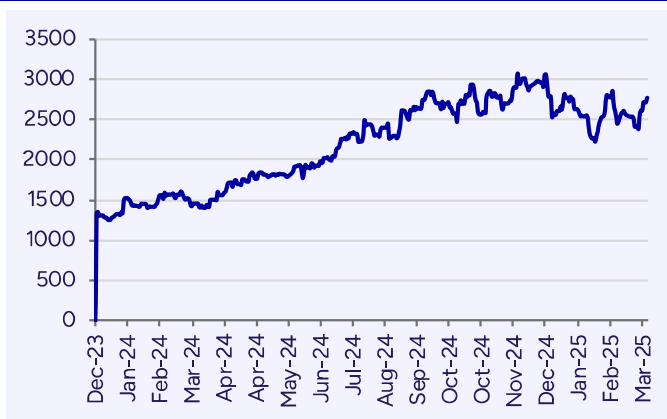
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	4,037	4,450	4,578	5,011
YoY gr. (%)	20.0	17.3	19.7	34.9
Raw Material Expenses	2,261	2,533	2,591	2,829
Gross Profit	1,776	1,918	1,987	2,182
Margin (%)	44.0	43.1	43.4	43.5
EBITDA	759	864	859	879
YoY gr. (%)	22.6	38.9	31.7	26.7
Margin (%)	18.8	19.4	18.8	17.5
Depreciation / Depletion	144	148	161	175
EBIT	615	716	698	703
Margin (%)	15.2	16.1	15.3	14.0
Net Interest	43	40	38	36
Other Income	57	56	61	62
Profit before Tax	629	732	721	730
Margin (%)	15.6	16.4	15.7	14.6
Total Tax	160	189	184	187
Effective tax rate (%)	25.5	25.8	25.5	25.6
Profit after Tax	469	543	537	543
Minority interest	18	25	23	35
Share Profit from Associates	1	-	-	-
Adjusted PAT	452	518	513	507
YoY gr. (%)	32.9	49.8	42.5	35.8
Margin (%)	11.2	11.6	11.2	10.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	452	518	513	507
YoY gr. (%)	32.9	49.8	42.5	35.8
Margin (%)	11.2	11.6	11.2	10.1
Other Comprehensive Income	1	(1)	(9)	(2)
Total Comprehensive Income	452	517	504	506
Avg. Shares O/s (m)	61	61	61	61
EPS (Rs)	8.2	9.0	8.8	8.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Feb-25	BUY	3,370	2,637
2	09-Jan-25	BUY	3,337	2,740
3	12-Nov-24	BUY	3,337	2,789
4	18-Oct-24	BUY	3,349	2,924

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	1,064	767
2	Delhivery	Hold	340	315
3	DOMS Industries	BUY	3,370	2,637
4	Imagicaaworld Entertainment	BUY	97	71
5	Indian Railway Catering and Tourism Corporation	Hold	809	751
6	InterGlobe Aviation	BUY	5,246	4,162
7	Lemon Tree Hotels	BUY	175	145
8	Mahindra Logistics	Hold	399	354
9	Navneet Education	Hold	150	140
10	Nazara Technologies	BUY	1,117	921
11	PVR Inox	Hold	1,215	1,090
12	S Chand and Company	BUY	305	189
13	Safari Industries (India)	BUY	2,783	2,383
14	TCI Express	BUY	1,021	791
15	V.I.P. Industries	BUY	463	374
16	Zee Entertainment Enterprises	Hold	137	121

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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March 17, 2025

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