



### On A Growth Trajectory; Maintain BUY

**Est. Vs. Actual for Q2FY25:** Revenue – **INLINE**; EBITDA – **INLINE** ; PAT – **MISS**

#### Changes in Estimates post Q2FY25

**FY25E/FY26E – Revenue:** 2%/2%; **EBITDA:** 4%/4%; **PAT:** 5%/6%

#### Recommendation Rationale

- **Strong Operating Performance:** DOMS delivered strong results despite a challenging environment. Revenue grew by 19.7% YoY, driven by a higher average selling price (ASP), scaling up of pens, increased sales from adhesives, kits, and combo packs, as well as distribution expansion and the integration of the Uniclun portfolio, which contributed Rs 14.3 Cr (3% of sales) over a 15-day period. The distribution reach expanded to 135,000 outlets, up from 125,000 outlets in Q1FY25, reflecting a sequential increase of 10,000 outlets.
- **Capacity expansion:** 1) The capacity of mathematical instrument boxes has been increased by 20%; 2) Capacity utilization of the third pen plant, which has a production capacity of 1 million pens per day, has been ramped up to 100%; 3) The installation of the third automatic book manufacturing plant has led to an overall 20% increase in the capacity of the book manufacturing plant. Additionally, the construction of a new 44-acre plant is progressing well, with the first phase expected to become operational by Q3FY26.
- **Guidance:** The company has maintained its FY25 revenue growth guidance at +20% for its core business, which includes a growth range of 23-25% when factoring in the Uniclun business. Additionally, it has upheld its EBITDA margin guidance of 17-17.5%, which is influenced by the increased salience of the lower-margin (5-7%) Uniclun portfolio.

#### Sector Outlook: **Positive**

**Company Outlook & Guidance:** We have increased our FY25/26E EPS estimates to account for strong growth visibility on account of increased distribution expansion, scaling up of pens and integration of the Uniclun portfolio.

**Current Valuation:** 60xDec-26 EPS (Earlier Valuation: 60xJune-26 EPS ).

**Current TP:** Rs 3,120 /share (Earlier TP: Rs 2,620/share).

**Recommendation:** We maintain our **BUY** rating on the stock.

**Financial Performance:** DOMS delivered strong results despite a challenging environment. Revenue increased 19.7% YoY, driven by higher ASP, scaling up of pen production, increased sales from adhesives, kits, and combo packs, along with expanded distribution and the integration of the Uniclun portfolio (Rs 14.3 Cr or 3% of sales for 15 days). EBITDA grew 32% YoY, with EBITDA margins improving by 171bps YoY to 18.8%, due to better-than-expected gross margin expansion and cost-efficiency measures. PAT was Rs 51 Cr, reflecting a 36% YoY increase. For FY25, management expects 20%+ revenue growth, with EBITDA margins anticipated to be around 17-17.5%. This is expected to be impacted by higher raw material costs (polymers, waxes), the integration of the lower-margin Uniclun acquisition, and increased ESOPs.

**New capacity:** Construction activity at the 44+ acres new plant is in full swing. We expect the first phase to be ready by Q3FY26.

#### Key Financials (Consolidated)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Est.	Variance (%)
Net Sales	458	2.9	19.7	455	0.6
EBITDA	86	(0.5)	31.7	85	0.7
EBITDA Margin (%)	18.8	-64 bps	171 bps	18.8	2 bps
Net Profit	51	(1.0)	36.4	53	(2.9)
EPS (Rs)	8	(1.0)	26.5	9	(2.9)

Source: Company, Axis Research

(CMP as of 11<sup>th</sup> November 2024)

CMP (Rs)	2786
Upside /Downside (%)	12%
High/Low (Rs)	3037/1224
Market cap (Cr)	16912
Avg. daily vol. (6m)Shrs'000.	149
No. of shares (Cr)	6

#### Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	75.0	75.0	75.0
FIIs	5.9	6.6	7.6
MFs / UTI	14.1	13.3	12.3
Banks / FIIs	0.0	0.0	0.0
Others	5.1	5.2	5.1

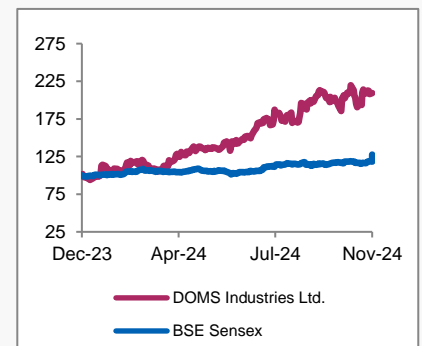
#### Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	1,906	2,402	3,002
EBITDA	335	428	537
Net Profit	205	263	333
EPS, Rs	33.7	43.3	54.8
PER, x	82.6	64.3	50.8
EV/EBITDA, x	49.8	38.9	30.8
ROE, %	20.1	20.5	20.6

#### Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	2%	2%
EBITDA	4%	4%
PAT	5%	6%

#### Relative Performance



Source: Ace Equity, Axis Securities

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## Outlook

- The company has been implementing strategic initiatives over the last couple of years, and these efforts are expected to bear fruit in the coming year. Key initiatives include: 1) End-to-End Operational Management: The company is focusing on driving operational efficiency while maintaining high-quality standards. The upcoming 44-acre greenfield facility is expected to further boost growth; 2) Product Expansion: DOMS continues to expand into the larger pens category, moving beyond its traditional focus on small pencils. This will diversify the product portfolio. Additionally, entering the fast-growing bags, toys, and diaper segments will further drive growth; 3) Distribution Expansion: DOMS has reached 135,000 outlets, with significant untapped potential in markets across the east and south of India, as well as smaller towns. The company sees the opportunity to expand its reach to approximately 300,000-350,000 outlets; 4) Strategic Partnership with FILA: The partnership with FILA will enable DOMS to expand its global reach and leverage FILA's R&D capabilities, providing a long-term competitive advantage. 5) These initiatives are expected to contribute significantly to the company's growth trajectory in the coming periods.

## Valuation & Recommendation

- Given the investment thesis outlined above, we expect the company to report robust Revenue/EBITDA/PAT growth of 25%/25%/29% CAGR over FY24-27E. Hence, **we maintain our BUY rating and value the company at 60x Dec-26 EPS to arrive at a TP of Rs 3,120 per share, implying an upside of 12% from the CMP.**

## Key Concall Highlights

- Writing pens:** In Q2FY25, DOMS' newly commercialized third pen production capacity of 1 Mn pens/day is running at 100% capacity utilization. As of Sep-24, the company has a total capacity of 3 Mn pens/day. The company has also expanded its distribution to a pan-India level and plans to introduce new SKUs in the pen category.
- SKIDO:** Recently acquired SKIDO (bags) reported revenue of Rs 1.4 Cr, of which Rs 40 Lc in sales were to DOMS, with EBITDA margins of 8.5% in Q1FY25. Currently, SKIDO is developing a new range of products ahead of the upcoming back-to-school season, which is expected to drive overall revenue growth.
- Unilcan Healthcare:** Announced in Q1FY25, the company completed the acquisition of a 51.8% stake in Jaipur-based Unilcan Healthcare Private Limited, which is engaged in the manufacturing and marketing of baby diapers and wet wipes under the key brand "Wowper," for Rs 55 Cr. The company has an annual installed capacity of 400 Mn pieces of diapers across two lines and plans to extend an additional third 250 Mn pieces line, which is likely to be commissioned by the end of CY24.
- Significant opportunity in terms of scale:** Management reiterated that it has a monthly revenue run-rate of Rs 15-17 Cr, and although overall margins (~5-7%) are lower than the overall DOMS portfolio, the business presents a significant opportunity in terms of scale, offering long-term potential. Key points include: 1) The total diaper market size stands at \$2 Bn and is expected to reach \$3 Bn in the coming years, 2) The current penetration rate of 10% presents a substantial opportunity, and 3) Leveraging DOMS' existing distribution network will enhance the brand's penetration across India, compared to its current reach in 12 states. In a recently conducted channel partner meeting, approximately 50 existing distributors of DOMS showed interest in becoming Unilcan distributors.
- Unilcan Healthcare Private Limited revenue breakup-**

Years	Sales (Cr)
FY24	144.25
FY23	155.35
FY22	104.55
FY21	65.83

### Key Risks to Our Estimates and TP

- Volatility in raw material prices.
- Increase in the competitive intensity.
- Higher valuation

### Change in Estimates

	Old Est.		Revised Est.		% Revision	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,875	2,344	1,906	2,402	2%	2%
EBITDA	324	410	335	428	4%	4%
PAT	195	248	205	263	5%	6%
EPS	32	41	34	43	5%	6%

Source: Company, Axis Securities

### Results Review

(Rs Cr)	2QFY24	Q1FY25	Axis Est.	Q2FY25	% Change (YoY)	% Change (QoQ)	Axis Est. Var (%)
Net Sales	382	445	455	458	19.7	2.9	0.6
Gross Profit	157	192	196	199	26.5	3.6	1.5
Gross Margin (%)	41.1	43.1	43.0	43.4	231 bps	31 bps	40 bps
Employee Expenses	53	61	63	62	15.5	0.7	(2.1)
Other Expenses	39	44	47	51	32.7	15.7	7.9
EBITDA	65	86	85	86	31.7	(0.5)	0.7
EBITDA Margin (%)	17.1	19.4	18.8	18.8	171 bps	-64 bps	2 bps
Oth. Inc	1	6	6	6	409.7	9.0	3.8
Interest	4	4	4	4	(7.1)	(3.8)	(8.3)
Depreciation	12	15	16	16	36.2	8.7	3.6
EO items	-	-	-	-			
PBT	50	73	71	72	42.8	(1.5)	0.8
Tax	13	19	19	18	43.1	(2.6)	(1.1)
Minority interest	-	(2)	-	(2)			
Share of profit of associate	-	0	-	(0)			
PAT	38	52	53	51	36.4	(1.0)	(2.9)
EPS	7	9	9	8	26.5	(1.0)	(2.9)

Source: Company, Axis Securities, Bloomberg estimates

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>1,537</b>	<b>1,906</b>	<b>2,402</b>	<b>3,002</b>
Growth, %	26.8	24.0	26.0	25.0
Total income	1,537	1,906	2,402	3,002
Raw material expenses	(893)	(1,080)	(1,361)	(1,701)
Employee expenses	(213)	(268)	(336)	(419)
Other Operating expenses	(159)	(222)	(277)	(345)
<b>EBITDA (Core)</b>	<b>273</b>	<b>335</b>	<b>428</b>	<b>537</b>
Growth, %	46.1	23.0	27.7	25.3
Margin, %	17.7	17.6	17.8	17.9
Depreciation	(51)	(66)	(85)	(104)
<b>EBIT</b>	<b>221</b>	<b>269</b>	<b>343</b>	<b>432</b>
Growth, %	52	22	27	26
Margin, %	14	14	14	14
Interest paid	(17)	(15)	(12)	(11)
Other Income	10	20	22	25
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>214</b>	<b>275</b>	<b>353</b>	<b>446</b>
Tax provided	(55)	(70)	(90)	(114)
<b>Profit after tax</b>	<b>160</b>	<b>205</b>	<b>263</b>	<b>333</b>
Growth, %	59.9	33.7	28.4	26.5
<b>Net Profit (adjusted)</b>	<b>153</b>	<b>205</b>	<b>263</b>	<b>333</b>
Unadj. shares (Cr)	6	6	6	6
Wtd avg shares (Cr)	6	6	6	6

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	306	304	363	502
Marketable securities at cost	-	-	-	-
Debtors	65	80	101	126
Inventory	225	279	352	440
Other current assets	20	20	20	20
Total current assets	616	684	837	1,089
Investments	1	1	1	1
Gross fixed assets	668	893	1,118	1,338
Less: Depreciation	(170)	(236)	(321)	(426)
Add: Capital WIP	25	25	25	25
Net fixed assets	524	682	822	937
Non-current assets	43	43	43	43
<b>Total assets</b>	<b>1,190</b>	<b>1,416</b>	<b>1,708</b>	<b>2,076</b>
Current liabilities	206	228	257	292
Provisions	15	15	15	15
Total current liabilities	221	243	272	307
Non-current liabilities	127	127	127	127
Total liabilities	348	369	399	434
Paid-up capital	61	61	61	61
Reserves & surplus	754	958	1,221	1,554
Shareholders' equity	842	1,047	1,310	1,642
<b>Total equity &amp; liabilities</b>	<b>1,190</b>	<b>1,416</b>	<b>1,708</b>	<b>2,076</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
<b>A Cash flow from operating activities</b>				
<b>Profit before tax</b>	214	275	353	446
<b>Adjustments to reconcile profit before tax to net cash flows:</b>				
Depreciation and amortization expense	51	66	85	104
finance Cost	17			
Interest Income	(7)			
Provision for doubtful debt	-			
Provisions no longer require written back	(0)			
Gain in Disposable of PPE	(0)			
Loss on sale of investments in subsidiary companies	-			
Impairment Loss	-			
Unrealised Foreign exchange loss/gain	(0)			
<b>Operating profit before working capital changes</b>	<b>276</b>	<b>341</b>	<b>438</b>	<b>551</b>
<b>Movements in Working Capital:</b>				
Decrease/(Increase) in trade & other receivables	(18)	(16)	(21)	(25)
Decrease /(Increase) in inventories	(34)	(54)	(73)	(88)
Increase/(Decrease) in trade Payables	1	22	29	35
Increase/(Decrease) in short term provisions	(0)			
Increase/(Decrease) in long term provisions	5			
Decrease/(Increase) in other current assets	(3)			
Decrease/(Increase) in other current financial assets				
Increase/(Decrease) in other current liabilities	2			
Increase/(Decrease) in other financial liabilities	22			
<b>Change in Working Capital</b>	<b>(25)</b>	<b>(48)</b>	<b>(64)</b>	<b>(78)</b>
<b>Changes in non-current assets and liabilities</b>				
Decrease/(Increase) in long term advances	0			
Increase/(Decrease) in Provisions				
Decrease/(Increase) in other non-current financial assets	(4)			
Decrease/(Increase) in other non-current assets	(0)			
Decrease/(Increase) in other financial assets	-			
<b>Changes in non-current assets and liabilities</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash generated from operations</b>	<b>247</b>	<b>293</b>	<b>374</b>	<b>473</b>
<b>Less: Taxes paid (net of tax refund)</b>	<b>(64)</b>	<b>(70)</b>	<b>(90)</b>	<b>(114)</b>
<b>Net cash flow from operating activities</b>	<b>182.6</b>	<b>223</b>	<b>284</b>	<b>359</b>
<b>Cash Flow from Investing Activities:</b>				
Purchase of Property, plant and equipment	(153)	(225)	(225)	(220)
Acquisition of sub. Net of cash	(71)			
Proceeds from the sale of Property, plant and equipment	0			
Investment in associates	(1)			
Investment in fixed assets	(235)			
Proceeds from the sale of investments in subsidiary companies	(1)			
Interest received (finance income)	2			
<b>Net Cash Flow Used in Investing Activities:</b>	<b>(458)</b>	<b>(225)</b>	<b>(225)</b>	<b>(220)</b>
<b>Net Cash Flow From Financing Activities:</b>				
Dividend paid to equity shareholders	(9)	-	-	-
Proceeds from fresh issue	350			
Share issue expenses	(15)			
Proceeds/Repayment of long-term borrowings	53			
Interest paid				
Repayment of lease liability	(15)			
Proceeds/Repayment of short-term borrowings	(55)			
Finance Cost paid	(12)			
(Decrease) in Working Capital Demand Loan & Cash Credit				
<b>Net Cash Used in Financing Activities:</b>	<b>297</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in cash &amp; cash equivalents</b>	<b>22</b>	<b>(2)</b>	<b>59</b>	<b>139</b>
<b>Cash &amp; cash equivalents as of the beginning of the year</b>	<b>34</b>	<b>56</b>	<b>55</b>	<b>114</b>
<b>Cash &amp; cash equivalents as of the end of the year</b>	<b>56.4</b>	<b>55</b>	<b>114</b>	<b>253</b>

Source: Company, Axis Securities

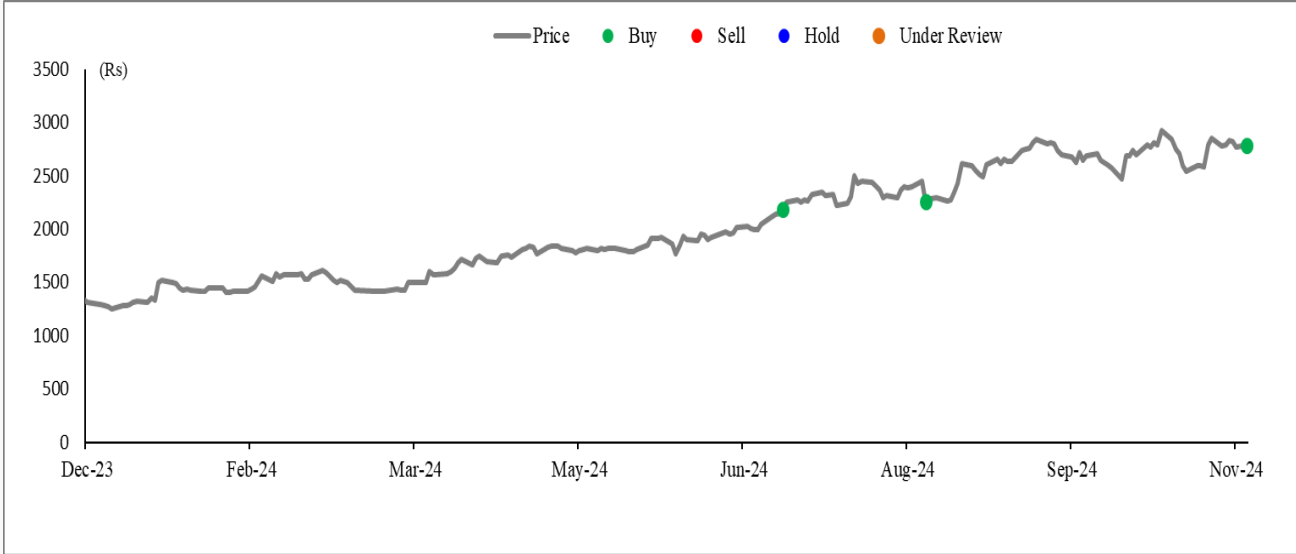
**Ratio Analysis**

(%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share data</b>				
EPS (INR)	25.2	33.7	43.3	54.8
Growth, %	59.9	33.7	28.4	26.5
Book NAV/share (INR)	134.2	167.9	211.3	266.0
FDEPS (INR)	25.2	33.7	43.3	54.8
CEPS (INR)	33.7	44.7	57.4	72.0
CFPS (INR)	28.5	33.4	43.1	55.1
<b>Return ratios</b>				
Return on assets (%)	19.3	16.8	17.6	18.1
Return on equity (%)	18.8	20.1	20.5	20.6
Return on capital employed (%)	22.5	22.6	23.6	24.2
<b>Turnover ratios</b>				
Asset turnover (x)	3.1	2.6	2.6	2.7
Sales/Total assets (x)	1.7	1.5	1.5	1.6
Sales/Net FA (x)	3.6	3.2	3.2	3.4
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	15.4	15.4	15.4	15.4
Inventory days	53.5	53.5	53.5	53.5
Payable days	26.1	26.1	26.1	26.1
Working capital days	24.8	29.2	32.9	35.8
<b>Liquidity ratios</b>				
Current ratio (x)	3.0	3.0	3.3	3.7
Quick ratio (x)	1.9	1.8	1.9	2.2
Total debt/Equity (%)	0.3	0.1	0.1	0.1
<b>Valuation</b>				
PER (x)	110.4	82.6	64.3	50.8
PEG (x) - y-o-y growth	1.8	2.4	2.3	1.9
Price/Book (x)	20.8	16.6	13.2	10.5
EV/Net sales (x)	10.9	8.8	6.9	5.5
EV/EBITDA (x)	61.3	49.8	38.9	30.8
EV/EBIT (x)	75.5	62.1	48.6	38.2

Source: Company, Axis Securities

## DOMS Industries Price Chart and Recommendation History



Date	Reco	TP	Research
04-Jul-24	BUY	2,670	Initiating Coverage
13-Aug-24	BUY	2,620	Result Update
12-Nov-24	BUY	3,120	Result Update

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.