

November 12, 2024

## Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>3,337</b>		<b>3,349</b>	
Sales (Rs. m)	25,113	30,910	25,113	30,910
% Chng.	-	-	-	-
EBITDA (Rs. m)	4,430	5,422	4,421	5,438
% Chng.	0.2	(0.3)	-	-
EPS (Rs.)	44.1	55.6	43.9	55.8
% Chng.	0.3	(0.3)	-	-

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	15,371	18,917	25,113	30,910
EBITDA (Rs. m)	2,727	3,444	4,430	5,422
Margin (%)	17.7	18.2	17.6	17.5
PAT (Rs. m)	1,597	2,061	2,673	3,375
EPS (Rs.)	26.3	34.0	44.1	55.6
Gr. (%)	(99.0)	29.1	29.7	26.2
DPS (Rs.)	2.5	2.5	3.0	3.5
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	27.7	22.7	23.7	23.9
RoCE (%)	31.9	26.5	28.4	29.1
EV/Sales (x)	10.9	8.9	6.7	5.3
EV/EBITDA (x)	61.4	48.7	37.8	30.4
PE (x)	106.0	82.1	63.3	50.1
P/BV (x)	20.8	16.9	13.5	10.8

### Key Data

### DOMS.BO | DOMS IN

52-W High / Low	Rs.3,039 / Rs.1,224
Sensex / Nifty	79,496 / 24,141
Market Cap	Rs.169bn / \$ 2,006m
Shares Outstanding	61m
3M Avg. Daily Value	Rs.409m

### Shareholding Pattern (%)

Promoter's	74.96
Foreign	7.59
Domestic Institution	14.10
Public & Others	3.36
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.5	53.6	-
Relative	6.0	40.4	-

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## Distribution reach expands

### Quick Pointers:

- Aiming for a top-line growth of 23-25% (including Uniclan's acquisition impact) in FY25E.

**We increase our FY25E EPS estimates by 6% as we tweak our EBITDA margin assumptions in light of better performance in 2QFY25 but broadly maintain our FY26E/FY27E estimates, as Uniclan's consolidation is likely to be margin dilutive. DOMS reported strong operational performance in 2QFY25 with EBITDA margin of 18.8% (PLe 17.7%) due to increase in ASP's and accrual of operating leverage benefits arising from rising scale. During the quarter, DOMS 1) expanded capacity of mathematical instrument boxes and paper stationary by ~20%, 2) introduced 100 new SKUs, 3) increased the distribution reach by 10,000 touch points, and 4) successfully completed the acquisition of Uniclan. Expansion at the 44 acres land parcel is on track and the first building is expected to be ready by 3QFY26E. Led by the ongoing the expansion of product basket and distribution network, we expect sales and PAT CAGR of 28% over FY25E-FY27E. DOMS trades at 63x/50x our FY26E/FY27E EPS estimates and we believe earnings surprise will be key lever for re-rating given valuations leave little headroom for meaningful upside. Retain BUY with TP of Rs3,337 (60x FY27E EPS; no change in target multiple).**

**Revenue increased 19.7% YoY:** Revenue increased 19.7% YoY to Rs4,578mn (PLe Rs4,550mn) led by increase in production capacity, consolidation of Uniclan's business, introduction of new SKUs and expansion of distribution network.

**EBITDA up 31.7% YoY:** EBITDA increased 31.7% YoY to Rs859mn (PLe Rs805mn) with a margin of 18.8% (PLe 17.7%), due to increase in ASP's and accrual of operating leverage benefits arising from better scale.

**PAT up by 42.8% YoY:** PAT increased 42.8% YoY to Rs537mn with a margin of 11.7% (PLe 10.7%), led by an improved operating performance.

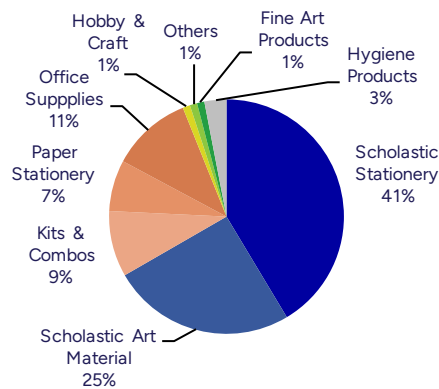
**Con-call highlights:** **1)** In 2QFY25, capacity for mathematical instrument boxes and paper stationery expanded by 20%. **2)** SKIDO's revenue (bags business) was Rs18mn in 2QFY25. Margin profile of the product category is akin to stationary business. Initially, the plan is to start with production capacity of 25,000 bags a month. **3)** Uniclan's revenue stood Rs143mn in 2QFY25. Initially, the monthly revenue run-rate is expected to be in the band of ~Rs150mn-170mn and the third production line is expected to begin commercial production by end of 3QFY25E. **4)** In FY26E, Uniclan's capacity utilization is expected to be in the band of ~85-90%. **5)** Uniclan has plans to install a separate unit for wet wipes with an annual capacity of 17.2mn packs. **6)** Capex of Rs570mn has been incurred in 1HFY25. **7)** ClapJoy's revenue for the quarter stood at Rs20mn. **8)** ~50 existing channel partners have expressed interest in selling Uniclan's products. **9)** Top-line growth of core stationary business is expected to be ~20% in FY25E. **10)** Export contribution is likely to remain in the band of ~15-20%.

Exhibit 1: Q2FY25 Result Overview - Consolidated (Rs mn)

Y/e March	Q2FY25	Q2FY24	YoY gr (%)	Q1FY25	QoQ gr (%)	Q2FY25E	% Var	H1FY25	H1FY24	YoY gr (%)
<b>Net Sales</b>	<b>4,578</b>	<b>3,824</b>	<b>19.7</b>	<b>4,450</b>	<b>2.9</b>	<b>4,550</b>	<b>0.6</b>	<b>9,028</b>	<b>7,618</b>	<b>18.5</b>
<b>Expenditure</b>										
Raw Materials	2,591	2,253	15.0	2,533	2.3	2,644	(2.0)	5,124	4,589	11.6
% of Net sales	56.6	58.9		56.9		58.1		56.8	60.2	
Personnel	615	533	15.5	611	0.7	646	(4.8)	1,226	1,025	19.6
% of Net sales	13.4	13.9		13.7		14.2		13.6	13.5	
Other Expenses	512	386	32.7	443	15.7	455	12.6	955	729	30.9
% of Net sales	11.2	10.1		9.9		10.0		10.6	9.6	
Total Expenditure	3,718	3,172	17.2	3,586	3.7	3,745	(0.7)	7,305	6,344	15.1
<b>EBITDA</b>	<b>859</b>	<b>652</b>	<b>31.7</b>	<b>864</b>	<b>(0.5)</b>	<b>805</b>	<b>6.7</b>	<b>1,723</b>	<b>1,274</b>	<b>35.2</b>
Margin (%)	18.8	17.1		19.4		17.7		19.1	16.7	
Depreciation	161	118	36.2	148	8.7	164	(1.8)	309	228	35.6
<b>EBIT</b>	<b>698</b>	<b>534</b>	<b>30.7</b>	<b>716</b>	<b>(2.5)</b>	<b>642</b>	<b>8.8</b>	<b>1,414</b>	<b>1,047</b>	<b>35.1</b>
Interest	38	41	(7.1)	40	(3.8)	36	5.6	78	78	(0.1)
Other Income	61	12	409.7	56	9.0	46	33.3	116	24	381.0
<b>PBT</b>	<b>721</b>	<b>505</b>	<b>42.8</b>	<b>732</b>	<b>(1.5)</b>	<b>651</b>	<b>10.7</b>	<b>1,452</b>	<b>992</b>	<b>46.4</b>
Tax	184	128	43.1	189	(2.6)	163	13.0	372	252	47.6
Tax Rate (%)	25.5	25.5		25.8		25.0		25.6	25.4	
Share of profit/loss from associates	(0)	(0)	NM	0	NM	-	NM	(0)	(1)	NM
<b>Reported PAT</b>	<b>537</b>	<b>376</b>	<b>42.8</b>	<b>543</b>	<b>(1.2)</b>	<b>488</b>	<b>10.0</b>	<b>1,080</b>	<b>739</b>	<b>46.1</b>
OCI	(9)	(6)	NM	(1)	NM	-	NM	(10)	(11)	NM
<b>PAT inclusive of OCI</b>	<b>527</b>	<b>370</b>	<b>42.7</b>	<b>542</b>	<b>(2.7)</b>	<b>488</b>	<b>8.1</b>	<b>1,069</b>	<b>728</b>	<b>47.0</b>
<b>EPS</b>	<b>8.8</b>	<b>6.7</b>	<b>32.3</b>	<b>9.0</b>	<b>(1.2)</b>	<b>9.0</b>	<b>(1.2)</b>	<b>17.8</b>	<b>13.4</b>	<b>33.2</b>

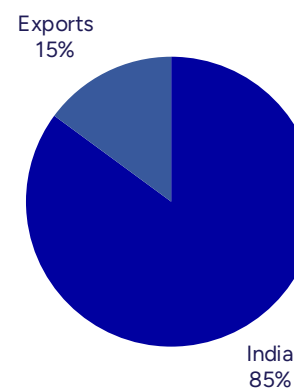
Source: Company, PL

Exhibit 2: Scholastic Stationery formed 41% of sales in 2QFY25



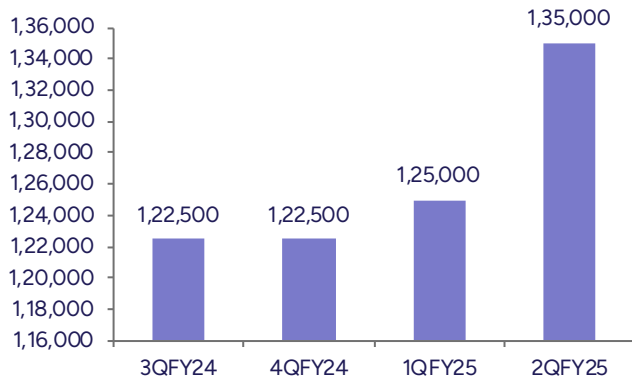
Source: Company, PL

Exhibit 3: Exports contribute 15% to revenue



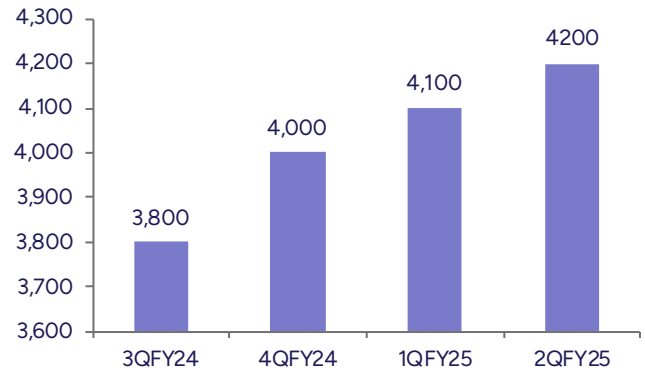
Source: Company, PL

**Exhibit 4: 10k retail outlets were added in 2QFY25**



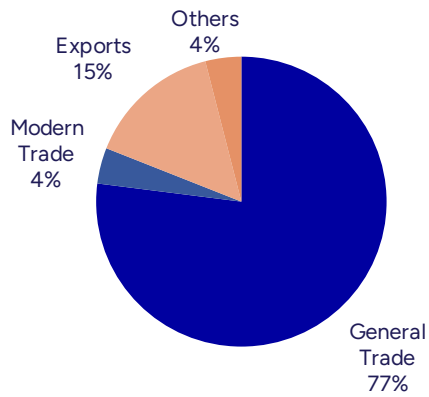
Source: Company, PL

**Exhibit 5: SKU count for 2QFY25 stood at 4,200+**



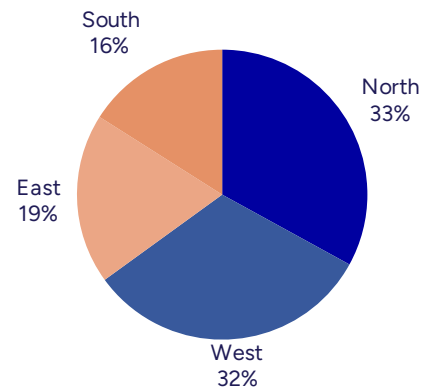
Source: Company, PL

**Exhibit 6: General trade forms 77% of the channel mix**



Source: Company, PL

**Exhibit 7: North & West forms 65% of revenue**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>15,371</b>	<b>18,917</b>	<b>25,113</b>	<b>30,910</b>
YoY gr. (%)	26.8	23.1	32.8	23.1
Cost of Goods Sold	8,928	10,877	14,766	18,175
Gross Profit	6,444	8,040	10,347	12,735
Margin (%)	41.9	42.5	41.2	41.2
Employee Cost	2,131	2,666	3,329	4,191
Other Expenses	1,586	1,930	2,587	3,122
<b>EBITDA</b>	<b>2,727</b>	<b>3,444</b>	<b>4,430</b>	<b>5,422</b>
YoY gr. (%)	46.1	26.3	28.7	22.4
Margin (%)	17.7	18.2	17.6	17.5
Depreciation and Amortization	512	718	927	1,036
<b>EBIT</b>	<b>2,215</b>	<b>2,726</b>	<b>3,504</b>	<b>4,386</b>
Margin (%)	14.4	14.4	14.0	14.2
Net Interest	171	149	116	103
Other Income	101	189	201	247
<b>Profit Before Tax</b>	<b>2,145</b>	<b>2,766</b>	<b>3,589</b>	<b>4,530</b>
Margin (%)	14.0	14.6	14.3	14.7
Total Tax	548	705	915	1,155
Effective tax rate (%)	25.6	25.5	25.5	25.5
<b>Profit after tax</b>	<b>1,597</b>	<b>2,061</b>	<b>2,673</b>	<b>3,375</b>
Minority interest	-	-	-	-
Share Profit from Associate	0	-	-	-
<b>Adjusted PAT</b>	<b>1,597</b>	<b>2,061</b>	<b>2,673</b>	<b>3,375</b>
YoY gr. (%)	55.2	29.1	29.7	26.2
Margin (%)	10.4	10.9	10.6	10.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,597</b>	<b>2,061</b>	<b>2,673</b>	<b>3,375</b>
YoY gr. (%)	55.2	29.1	29.7	26.2
Margin (%)	10.4	10.9	10.6	10.9
Other Comprehensive Income	(15)	(10)	(10)	(10)
Total Comprehensive Income	1,581	2,051	2,663	3,365
<b>Equity Shares O/s (m)</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b>61</b>
<b>EPS (Rs)</b>	<b>26.3</b>	<b>34.0</b>	<b>44.1</b>	<b>55.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>6,040</b>	<b>8,463</b>	<b>10,933</b>	<b>12,225</b>
Tangibles	6,031	8,444	10,904	12,186
Intangibles	9	19	29	39
<b>Acc: Dep / Amortization</b>	<b>1,682</b>	<b>2,400</b>	<b>3,327</b>	<b>4,362</b>
Tangibles	1,673	2,384	3,302	4,327
Intangibles	9	16	25	35
<b>Net fixed assets</b>	<b>4,358</b>	<b>6,064</b>	<b>7,607</b>	<b>7,863</b>
Tangibles	4,357	6,060	7,603	7,859
Intangibles	1	4	4	4
Capital Work In Progress	254	284	301	155
Goodwill	624	624	624	624
Non-Current Investments	144	185	241	293
Net Deferred tax assets	54	49	65	74
Other Non-Current Assets	301	269	357	377
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	2,251	2,695	3,509	4,319
Trade receivables	646	726	894	1,016
Cash & Bank Balance	3,059	2,676	2,813	5,166
Other Current Assets	201	265	352	433
<b>Total Assets</b>	<b>11,900</b>	<b>13,849</b>	<b>16,781</b>	<b>20,341</b>
<b>Equity</b>				
Equity Share Capital	607	607	607	607
Other Equity	7,537	9,436	11,918	15,071
<b>Total Networth</b>	<b>8,144</b>	<b>10,043</b>	<b>12,525</b>	<b>15,678</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	837	737	637	637
Provisions	149	142	188	232
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	452	354	357	360
Trade payables	904	1,140	1,445	1,694
Other current liabilities	705	709	892	989
<b>Total Equity &amp; Liabilities</b>	<b>11,900</b>	<b>13,849</b>	<b>16,781</b>	<b>20,341</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,145	2,766	3,589	4,530
Add. Depreciation	512	718	927	1,036
Add. Interest	171	149	116	103
Less Financial Other Income	101	189	201	247
Add. Other	(70)	(189)	(201)	(247)
Op. profit before WC changes	2,758	3,444	4,430	5,422
Net Changes-WC	(289)	(366)	(568)	(647)
Direct tax	(643)	(705)	(915)	(1,155)
<b>Net cash from Op. activities</b>	<b>1,826</b>	<b>2,372</b>	<b>2,947</b>	<b>3,620</b>
Capital expenditures	(1,532)	(2,243)	(2,278)	(935)
Interest / Dividend Income	22	189	201	247
Others	(3,066)	(217)	(353)	(282)
<b>Net Cash from Invt. activities</b>	<b>(4,576)</b>	<b>(2,271)</b>	<b>(2,429)</b>	<b>(969)</b>
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
<b>Net cash from Fin. activities</b>	<b>2,972</b>	<b>(484)</b>	<b>(381)</b>	<b>(298)</b>
<b>Net change in cash</b>	<b>222</b>	<b>(383)</b>	<b>137</b>	<b>2,352</b>
Free Cash Flow	292	129	670	2,685

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	26.3	34.0	44.1	55.6
CEPS	34.8	45.8	59.3	72.7
BVPS	134.2	165.5	206.4	258.3
FCF	4.8	2.1	11.0	44.2
DPS	2.5	2.5	3.0	3.5
<b>Return Ratio(%)</b>				
RoCE	31.9	26.5	28.4	29.1
ROIC	22.9	24.9	26.4	26.7
RoE	27.7	22.7	23.7	23.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.1)	(0.3)
Net Working Capital (Days)	47	44	43	43
<b>Valuation(x)</b>				
PER	106.0	82.1	63.3	50.1
P/B	20.8	16.9	13.5	10.8
P/CEPS	80.3	60.9	47.0	38.4
EV/EBITDA	61.4	48.7	37.8	30.4
EV/Sales	10.9	8.9	6.7	5.3
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

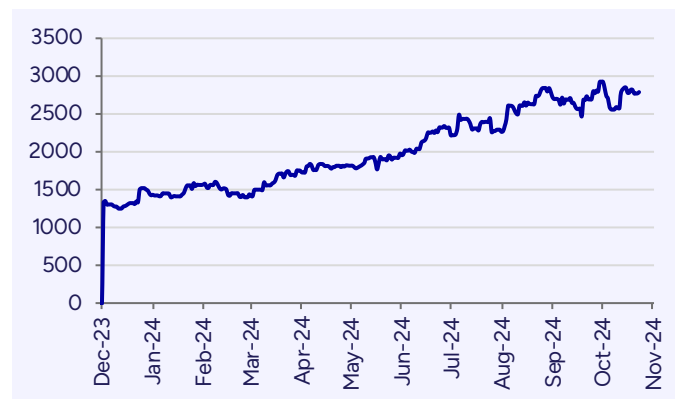
**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Net Revenue</b>	<b>3,716</b>	<b>4,037</b>	<b>4,450</b>	<b>4,578</b>
YoY gr. (%)	22.3	20.0	17.3	19.7
Raw Material Expenses	2,077	2,261	2,533	2,591
Gross Profit	1,639	1,776	1,918	1,987
Margin (%)	44.1	44.0	43.1	43.4
<b>EBITDA</b>	<b>693</b>	<b>759</b>	<b>864</b>	<b>859</b>
YoY gr. (%)	42.7	22.6	38.9	31.7
Margin (%)	18.7	18.8	19.4	18.8
Depreciation / Depletion	140	144	148	161
<b>EBIT</b>	<b>553</b>	<b>615</b>	<b>716</b>	<b>698</b>
Margin (%)	14.9	15.2	16.1	15.3
Net Interest	50	43	40	38
Other Income	20	57	56	61
<b>Profit before Tax</b>	<b>524</b>	<b>629</b>	<b>732</b>	<b>721</b>
Margin (%)	14.1	15.6	16.4	15.7
Total Tax	136	160	189	184
Effective tax rate (%)	25.9	25.5	25.8	25.5
<b>Profit after Tax</b>	<b>388</b>	<b>469</b>	<b>543</b>	<b>537</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	1	-	-
<b>Adjusted PAT</b>	<b>388</b>	<b>469</b>	<b>543</b>	<b>537</b>
YoY gr. (%)	43.4	29.6	49.5	42.8
Margin (%)	10.4	11.6	12.2	11.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>388</b>	<b>469</b>	<b>543</b>	<b>537</b>
YoY gr. (%)	43.4	29.6	49.5	42.8
Margin (%)	10.4	11.6	12.2	11.7
Other Comprehensive Income	(4)	1	(1)	(9)
<b>Total Comprehensive Income</b>	<b>384</b>	<b>470</b>	<b>542</b>	<b>527</b>
Avg. Shares O/s (m)	61	61	61	61
<b>EPS (Rs)</b>	<b>6.9</b>	<b>8.2</b>	<b>9.0</b>	<b>8.8</b>

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	18-Oct-24	BUY	3,349	2,924

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	921	845
2	Delhivery	Accumulate	430	417
3	DOMS Industries	BUY	3,349	2,924
4	Imagicaaworld Entertainment	BUY	110	74
5	Indian Railway Catering and Tourism Corporation	Hold	833	829
6	InterGlobe Aviation	Accumulate	4,919	4,366
7	Lemon Tree Hotels	BUY	159	121
8	Mahindra Logistics	Hold	496	444
9	Navneet Education	Hold	164	143
10	Nazara Technologies	BUY	1,185	953
11	PVR Inox	Hold	1,598	1,621
12	S Chand and Company	BUY	312	211
13	Safari Industries (India)	BUY	2,989	2,235
14	TCI Express	Accumulate	1,119	977
15	V.I.P. Industries	Hold	494	472
16	Zee Entertainment Enterprises	Hold	145	132

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

We/I, Mr. Jinesh Joshi- MS(Finance) and CFA, Ms. Stuti Beria- MBA Finance, Mr. Dhvanit Shah- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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