

Dixon Technologies

Accelerated growth momentum to sustain

Dixon's mobile division continued to drive overall topline growth as it doubled in revenues both in Q4 and FY24. Post the acquisition of a controlling stake in Ismartu (Itel, Infinix, Techno) and partnership with Longcheer (BBK Group brands – Realme, Oppo, Vivo, etc), Dixon now caters to almost all the top 6 brands within the country. With Dixon having expanded its Smartphone/Feature phone capacity to 45mn/40mn units (50% of India's opportunity) coupled with a ramp of volumes with existing customers and new customer addition, we expect the momentum in the mobile division to sustain. We prefer Dixon within the EMS space, given its (1) deep understanding and expertise in electronics manufacturing; (2) ability to seed and scale new businesses; (3) deep backward integration to provide the lowest BOM costs; (4) new customer addition and increasing wallet share amongst existing ones; (5) best in class manufacturing set-up and R&D centres; and (6) institutionalized processes. We increase our FY25/26 earnings by 4% each and value the stock at 50x FY26 earnings to arrive at a target price of INR 8,000. Maintain ADD.

- Revenue grew by 52% led by the mobile & EMS division:** Revenue grew by 52% YoY to INR46.6bn (8% below HSIE/consensus, led by 119% growth in the mobile & EMS segment. Gross margin/EBITDAM contracted by 90bps/120bps YoY, largely on account of a higher mix of the mobile & EMS segment. EBITDAM at 3.9% was in line with HSIE. EBITDA grew by 17% YoY to INR 1.8bn (8/9% below HSIE/consensus). PBT grew by 15% to INR 1.3bn with a 7x increase in other income (forex gain and provisions write back), partially offsetting a 57/41% increase in depreciation and other income. PAT grew by 18% YoY to INR 952mn.
- Sustained momentum in mobile & EMS division: Mobile & EMS** revenue grew by 119% YoY to INR30.9bn while margins contracted by 80bps YoY to 3.4%. **Consumer Electronics/Lighting** revenue fell by 9/27% YoY to INR8.9bn/ INR1.9bn while margin fell by 40bps/240bps YoY to 3.3/7.2%. Falling lighting volumes and price erosion led to negative op-lev which impacted margins. **Home Appliances** revenue grew by 5% YoY to INR 2.9bn while margins fell 80bps YoY to 10.2%. **Security Systems** revenue grew by 44% YoY to INR 1.8bn while margins fell by 100bps YoY to 1.9%.
- Earnings call takeaways:** (1) Expanded smartphone/feature phone capacity to 45mn/40mn catering to 50% of the opportunity pool in India. (2) In order to vertically integrate in mobile phones, Dixon is close to finalizing a technical partner for display modules (c.10% BoM). (3) Exported mobiles worth INR 1.3bn (1.25mn units) in FY24. Exports are likely to grow by 60-70% in FY25. (4) Acquisition of a stake in Ismartu is awaiting CCI approval. Expect it to consolidate in Q2FY25. (5) Within IT Hardware, trial production has commenced for tablets. Expect laptop production to start by Sep'24. (6) In FY25, OCF stood at INR 5.8bn. Incurred capex of INR 5.7bn.

Financial summary

(INR mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	46,580	30,655	52.0	48,183	(3.3)	1,06,971	1,21,920	1,76,909	3,10,030	4,16,313
EBITDA	1,825	1,563	16.7	1,844	(1.1)	3,791	5,128	6,976	12,000	16,202
APAT	952	806	18.0	964	(1.3)	1,902	2,555	3,678	6,942	9,572
EPS (INR)	16.0	13.5	18.0	16.1	(0.9)	32.0	42.9	61.5	116.0	160.0
P/E (x)						252.7	188.7	131.7	69.8	50.6
EV / EBITDA (x)						127.1	93.9	69.4	40.3	29.3
RoE (%)						21.9	22.4	24.7	34.2	34.0

Source: Company, HSIE Research

ADD

CMP (as on 15May 2024) INR8,103

Target Price INR 8,000

NIFTY 22,201

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR7,700	INR 8,000
EPS %	FY25E +4%	FY26E +4%

KEY STOCK DATA

Bloomberg code	DIXON IN
No. of Shares (mn)	60
MCap (INR bn) / (\$ mn)	484/5,807
6m avg traded value (INR mn)	2,917
52 Week high / low	INR 8,657/2,858

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	27.4	54.2	175.8
Relative (%)	26.1	43.1	158.7

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	33.63	33.44
FIs & Local MFs	26.39	27.01
FPIs	17.41	17.85
Public & Others	22.57	21.70
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Exhibit 1: Quarterly Performance

Y/e March (INR mn)	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	Q4FY24E	Var	FY24	FY23	YoY
Revenue	46,580	30,655	52%	48,183	-3%	50,727	-8%	1,76,909	1,21,920	45%
Gross Profit	4,356	3,136	39%	4,265	2%	4,585	-5%	16,520	11,713	41%
GPM %	9.4%	10.2%	-90bps	8.9%	50bps	9.0%	30bps	9.3%	9.6%	-30bps
Employee Cost	822	630	30%	867	-5%	936	-12%	3,327	2,517	32%
% of sales	1.8%	2.1%	-30bps	1.8%	0bps	1.8%	-10bps	1.9%	2.1%	-20bps
Other Expenses	1,710	943	81%	1,554	10%	1,671	2%	6,217	4,069	53%
% of sales	3.7%	3.1%	60bps	3.2%	40bps	3.3%	40bps	3.5%	3.3%	20bps
EBITDA	1,825	1,563	17%	1,844	-1%	1,978	-8%	6,976	5,127	36%
EBITDAM %	3.9%	5.1%	-120bps	3.8%	10bps	3.9%	0bps	3.9%	4.2%	-30bps
Other income	167	18	816%	23	619%	28	501%	226	56	302%
Depreciation	510	325	57%	407	25%	434	18%	1,619	1,146	41%
EBIT	1,481	1,257	18%	1,460	1%	1,572	-6%	5,583	4,037	38%
EBIT Margin %	3.2%	4.1%	-90bps	3.0%	10bps	3.1%	10bps	3.2%	3.3%	-20bps
Interest	214	151	41%	222	-4%	192	11%	747	606	23%
PBT before exceptional item	1,267	1,105	15%	1,238	2%	1,380	-8%	4,836	3,431	41%
Tax Expense	322	315	2%	287	12%	337	-5%	1,189	897	33%
ETR (%)	25.4%	28.5%	-310bps	23.2%	230bps	24.5%	100bps	24.6%	26.1%	-150bps
Profit before JV/Associates/NCI	945	790	20%	951	-1%	1,042	-9%	3,647	2,534	44%
Share of JV/Associates	28	16	78%	19	46%	26	9%	102	16	536%
Non-controlling Interest	21	-0	na	6	238%	10	122%	72	-4	na
Exceptional item	-	-	na	-	na	-	na	-	-	na
PAT	952	806	18%	964	-1%	1,058	-10%	3,678	2,555	44%
Adj. PAT	952	806	18%	964	-1%	1,058	-10%	3,678	2,555	44%
Adj. EPS (INR)	16.0	13.5	18%	16.1	-1%	17.7	-10%	61.8	42.9	44%

Source: Company; HSIE Research

Exhibit 2: Quarterly Performance

Revenue (INR mn)	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	Q4FY24E	Var	FY24	FY23	YoY
Consumer Electronics	8,970	9,810	-9%	9,290	-3%	9,922	-10%	41,480	42,779	-3%
Lighting Products	1,970	2,700	-27%	1,870	5%	1,902	4%	7,870	10,546	-25%
Home Appliances	2,940	2,810	5%	2,880	2%	3,538	-17%	12,050	11,435	5%
Mobile & EMS Division	30,910	14,100	119%	32,140	-4%	33,047	-6%	1,09,190	52,243	109%
Security Systems (50%)	1,790	1,240	44%	2,003	-11%	2,319	-23%	6,319	4,918	28%
Total	46,580	30,660	52%	48,183	-3%	50,727	-8%	1,76,909	1,21,922	45%
EBITDA (INR mn)										
Consumer Electronics	300	370	-19%	320	-6%	337	-11%	1,410	1,306	8%
Lighting Products	142	260	-45%	130	9%	135	5%	592	904	-34%
Home Appliances	301	310	-3%	300	0%	391	-23%	1,301	1,094	19%
Mobile & EMS Division	1,050	590	78%	1,040	1%	1,062	-1%	3,550	1,671	112%
Security Systems (50%)	34	36	-6%	50	-32%	58	-42%	119	147	-19%
Total	1,827	1,566	17%	1,840	-1%	1,984	-8%	6,972	5,121	36%
EBITDAM %										
Consumer Electronics	3.3%	3.8%	-40bps	3.4%	-10bps	3.4%	-10bps	3.4%	3.1%	30bps
Lighting Products	7.2%	9.6%	-240bps	7.0%	30bps	7.1%	10bps	7.5%	8.6%	-100bps
Home Appliances	10.2%	11.0%	-80bps	10.4%	-20bps	11.1%	-80bps	10.8%	9.6%	120bps
Mobile & EMS Division	3.4%	4.2%	-80bps	3.2%	20bps	3.2%	20bps	3.3%	3.2%	10bps
Security Systems (50%)	1.9%	2.9%	-100bps	2.5%	-60bps	2.5%	-60bps	1.9%	3.0%	-110bps
Total	3.9%	5.1%	-120bps	3.8%	10bps	3.9%	0bps	3.9%	4.2%	-30bps

Source: Company; HSIE Research

Exhibit 3: Change in estimates

Year End (March) - INR mn	Old		New		Change %	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	2,81,772	3,77,498	3,10,030	4,16,313	10.0	10.0
EBITDA	11,291	15,114	12,000	16,202	6.0	7.0
EBITDAM %	4.0	4.0	3.9	3.9	-10bps	-10bps
APAT	6,618	9,172	6,942	9,572	5.0	4.0
EPS (INR)	111.1	154.0	116.0	160.0	4.0	4.0
Rating	ADD		ADD			
Target Price (INR)	7,700		8,000			
Target P/E (x)	50x (Mar'26)		50x (Mar'26)			

Source: Company; HSIE Research

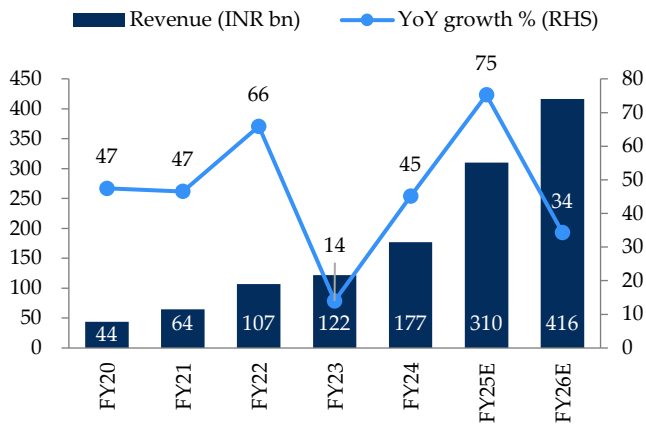
Exhibit 4: Key Assumptions

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue (INR mn)							
Consumer Electronics	20,952	38,560	51,695	42,780	41,480	49,902	56,265
Lighting Products	11,397	11,037	12,841	10,550	7,870	8,972	10,524
Home Appliances	3,963	4,312	7,088	11,430	12,050	14,042	16,255
Mobile & EMS	5,369	8,398	31,383	52,240	1,09,190	2,29,774	3,24,744
Security Systems	2,164	2,176	3,964	4,920	6,319	7,340	8,525
Total	44,001	64,482	1,06,971	1,21,920	1,76,909	3,10,030	4,16,313
Revenue Growth %							
Consumer Electronics	76	84	34	-17	-3	20	13
Lighting Products	24	-3	16	-18	-25	14	17
Home Appliances	6	9	64	61	5	17	16
Mobile & EMS	51	56	274	66	109	110	41
Security Systems	93	1	82	24	28	16	16
Total	47	47	66	14	45	75	34
EBITDA (INR mn)							
Consumer Electronics	504	1,038	1,246	1,310	1,410	1,871	2,251
Lighting Products	977	974	881	910	590	718	868
Home Appliances	461	397	541	1,090	1,310	1,545	1,829
Mobile & EMS	191	396	971	1,670	3,550	7,697	11,041
Security Systems	72	61	152	148	123	169	213
Total	2,231	2,866	3,791	5,128	6,983	12,000	16,202
EBITDAM %							
Consumer Electronics	2.4	2.7	2.4	3.1	3.4	3.8	4.0
Lighting Products	8.6	8.8	6.9	8.6	7.5	8.0	8.3
Home Appliances	11.6	9.2	7.6	9.5	10.9	11.0	11.3
Mobile & EMS	3.6	4.7	3.1	3.2	3.3	3.4	3.4
Security Systems	3.3	2.8	3.8	3.0	1.9	2.3	2.5
Total	5.1	4.4	3.5	4.2	3.9	3.9	3.9

Source: Company; HSIE Research

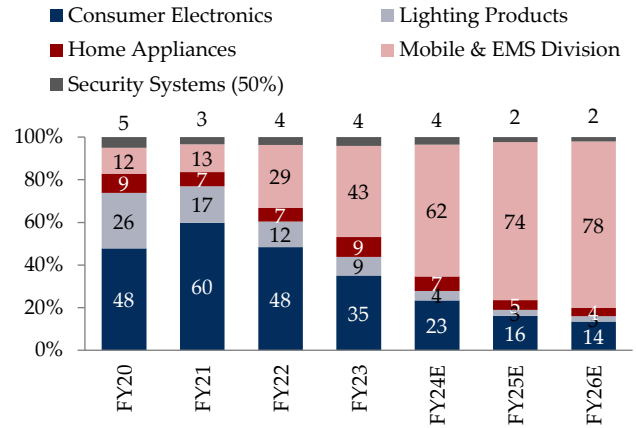
Story in Charts

Exhibit 5: Revenue to grow at 53% CAGR over FY24-26E



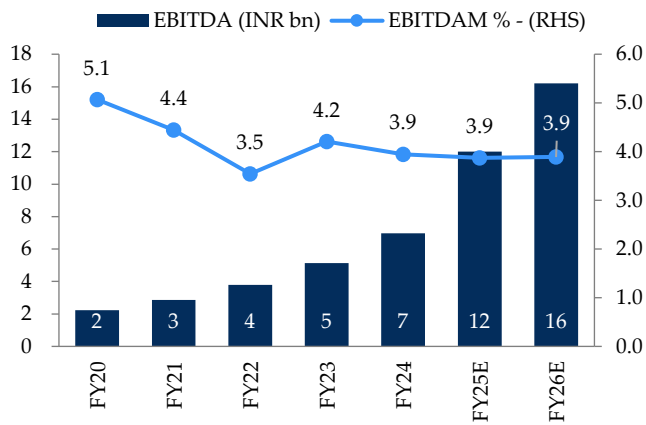
Source: Company, HSIE Research

Exhibit 6: Mobile & EMS to dominate revenue mix



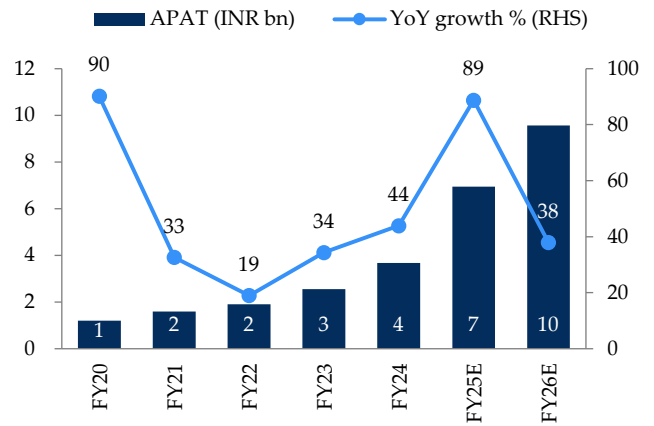
Source: Company, HSIE Research

Exhibit 7: EBITDA to grow at 52% CAGR over FY24-26E



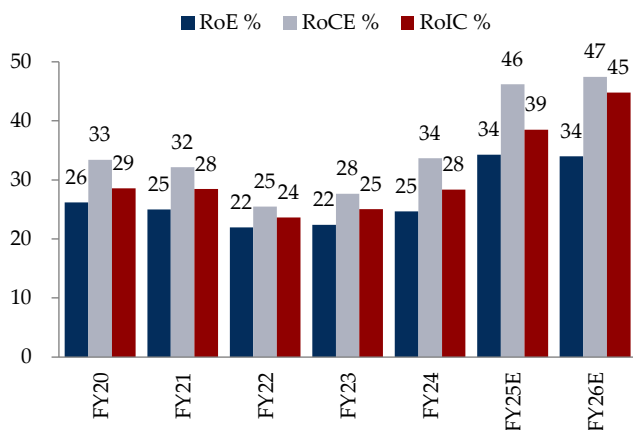
Source: Company, HSIE Research

Exhibit 8: PAT to grow at 61% CAGR FY24-26E



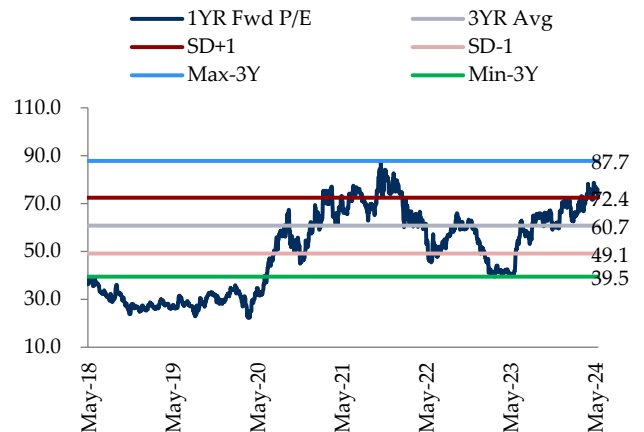
Source: Company, HSIE Research

Exhibit 9: Strong return ratios



Source: Company, HSIE Research

Exhibit 10: Trading at 73x 1-year forward P/E



Source: Bloomberg, HSIE Research

Financials

Consolidated P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	44,001	64,482	1,06,971	1,21,920	1,76,909	3,10,030	4,16,313
Growth (%)	47.4	46.5	65.9	14.0	45.1	75.2	34.3
Material Expenses	38,602	57,697	97,792	1,10,207	1,60,390	2,80,887	3,77,180
Employee Expense	1,180	1,371	1,978	2,517	3,327	5,891	7,910
Other Expenses	1,989	2,548	3,409	4,069	6,217	11,252	15,022
EBITDA	2,231	2,866	3,791	5,128	6,976	12,000	16,202
EBITDA Growth (%)	65.4	28.5	32.3	35.3	36.1	72.0	35.0
EBITDA Margin (%)	5.1	4.4	3.5	4.2	3.9	3.9	3.9
Depreciation	365	437	840	1,146	1,619	2,167	2,557
EBIT	1,865	2,429	2,952	3,981	5,358	9,833	13,645
Other Income (Including EO Items)	52	16	38	56	226	246	326
Interest	350	274	442	606	747	584	607
PBT	1,568	2,170	2,548	3,432	4,836	9,494	13,363
Total Tax	363	572	644	897	1,189	2,302	3,241
Profit before JV/Associates/NCI	1,205	1,598	1,904	2,535	3,647	7,192	10,123
Share of JV/Associates	-	-	-1	16	102	118	135
Non-controlling Interest	-	-	2	-4	72	367	686
RPAT	1,205	1,598	1,902	2,555	3,678	6,942	9,572
Adjusted PAT	1,205	1,598	1,902	2,555	3,678	6,942	9,572
APAT Growth (%)	90.2	32.6	19.0	34.4	43.9	88.8	37.9
EPS	20.8	27.3	32.0	42.9	61.5	116.0	160.0
EPS Growth (%)	86.2	31.0	17.5	33.9	43.3	88.8	37.9

Consolidated Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	116	117	119	119	120	120	120
Other Equity	5,298	7,256	9,849	12,730	16,829	23,472	32,566
Total Shareholders Funds	5,413	7,373	9,968	12,849	16,949	23,592	32,685
NCI	-	-	6	(3)	276	643	1,329
Long Term Debt	149	848	3,377	1,773	1,126	1,126	626
Short Term Debt	718	713	1,203	53	424	424	424
Total Debt	867	1,561	4,580	1,826	1,550	1,550	1,050
Net Deferred Taxes	148	184	201	224	240	264	297
Other Non Current Liabilities	959	1,393	2,265	2,862	3,989	4,463	5,444
TOTAL SOURCES OF FUNDS	7,386	10,510	17,019	17,758	23,003	30,512	40,806
APPLICATION OF FUNDS							
Net Block	3,114	4,059	7,583	9,425	16,368	18,829	20,308
Goodwill	82	82	303	303	303	303	303
CWIP	96	724	224	1,197	683	1,000	1,000
Intangible assets	44	40	188	224	307	323	322
Right of Use Assets	902	1,322	1,959	2,484	2,985	3,430	3,963
Non Current Investments	-	-	59	142	200	200	200
Other Non Current Assets	271	320	986	1,627	686	800	959
Total Non-current Assets	4,508	6,546	11,302	15,402	21,533	24,884	27,057
Current-Investments	-	953	1,350	300	-	-	-
Inventories	4,978	7,433	11,557	9,579	16,950	23,783	31,936
Debtors	5,151	10,891	13,564	17,155	23,179	35,675	46,764
Cash & Equivalents	1,002	689	1,823	2,292	2,087	2,877	9,837
Other Current Assets	1,331	1,946	3,176	2,068	6,147	7,650	9,013
Total Current Assets	12,462	21,911	31,470	31,393	48,363	69,984	97,549
Creditors	9,391	17,097	23,137	24,519	40,598	57,759	76,419
Other Current Liabilities & Provsns	193	850	2,615	4,517	6,294	6,597	7,381
Total Current Liabilities	9,583	17,946	25,752	29,036	46,892	64,356	83,800
Net Current Assets	2,878	3,964	5,718	2,357	1,471	5,628	13,749
TOTAL APPLICATION OF FUNDS	7,386	10,510	17,020	17,758	23,003	30,512	40,806

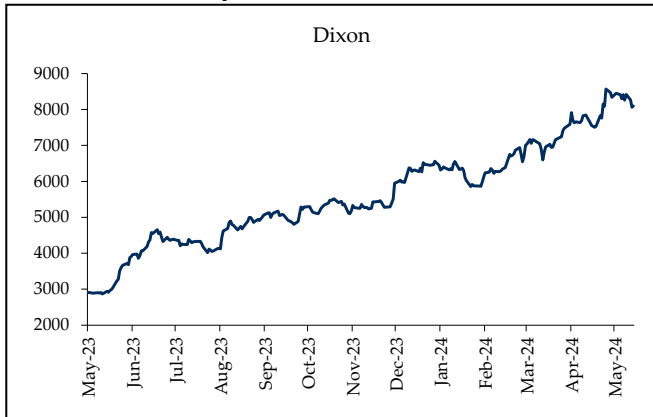
Consolidated Cash Flow

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	1,568	2,170	2,547	3,448	4,938	9,612	13,499
Non-operating & EO Items	97	111	80	114	(155)	368	836
Interest Expenses	350	274	442	606	747	584	607
Depreciation	365	437	840	1,146	1,619	2,167	2,557
Working Capital Change	423	(743)	(641)	2,764	(88)	(3,367)	(1,161)
Tax Paid	(429)	(549)	(540)	(820)	(1,218)	(2,302)	(3,241)
OPERATING CASH FLOW (a)	2,373	1,701	2,728	7,258	5,843	7,063	13,098
Capex	(1,081)	(1,680)	(4,174)	(4,502)	(5,686)	(5,406)	(4,570)
Free Cash Flow (FCF)	1,293	22	(1,446)	2,755	157	1,657	8,528
Investments	(118)	(954)	(498)	929	346	-	-
Non-operating Income	28	5	7	13	11	17	18
Others	178	(25)	21	4	20	-	-
INVESTING CASH FLOW (b)	(993)	(2,654)	(4,645)	(3,556)	(5,309)	(5,389)	(4,552)
Debt Issuance/(Repaid)	(570)	688	3,026	(2,776)	(276)	-	(500)
Interest Expenses	(377)	(322)	(567)	(737)	(494)	(584)	(607)
FCFE	1,100	1,032	2,147	717	376	2,242	8,635
Share Capital Issuance	457	269	642	336	469	-	-
Dividend	(83)	-	(59)	(119)	(179)	(299)	(479)
Others	-	-	-	-	(220)	-	-
FINANCING CASH FLOW (c)	(574)	635	3,043	(3,296)	(700)	(884)	(1,586)
NET CASH FLOW (a+b+c)	807	(318)	1,126	406	(166)	790	6,960
EO Items, Others	-	-	-	-	-	-	-
Closing Cash & Equivalents	957	638	1,765	2,170	2,005	2,795	9,755

Ratios

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)							
GPM	12.3	10.5	8.6	9.6	9.3	9.4	9.4
EBITDA Margin (%)	5.1	4.4	3.5	4.2	3.9	3.9	3.9
EBIT Margin	4.2	3.8	2.8	3.3	3.0	3.2	3.3
PBT Margin	3.6	3.4	2.4	2.8	2.7	3.1	3.2
APAT Margin	2.7	2.5	1.8	2.1	2.1	2.2	2.3
RoE	26.2	25.0	21.9	22.4	24.7	34.2	34.0
RoIC (or Core RoCE)	28.6	28.5	23.6	25.1	28.4	38.5	44.8
RoCE	33.4	32.1	25.5	27.6	33.7	46.2	47.5
EFFICIENCY							
Tax Rate (%)	23.1	26.4	25.3	26.1	24.6	24.2	24.3
Fixed Asset Turnover (x)	13.1	14.3	14.8	11.5	11.0	13.9	16.0
Inventory (days)	38	35	32	32	35	28	28
Debtors (days)	43	45	42	46	48	42	41
Other Current Assets (days)	10	9	9	8	13	9	8
Payables (days)	70	75	69	71	84	68	67
Other Current Liab & Provnns (days)	3	3	6	11	13	8	6
Cash Conversion Cycle (days)	17	12	8	3	(1)	3	3
Net D/E (x)	(0.0)	0.1	0.3	(0.0)	(0.0)	(0.1)	(0.3)
Interest Coverage (x)	5.3	8.9	6.7	6.6	7.2	16.8	22.5
PER SHARE DATA (Rs)							
EPS	20.8	27.3	32.0	42.9	61.5	116.0	160.0
CEPS	27.1	34.7	46.2	62.1	88.5	152.3	202.8
Dividend	0.8	1.0	2.0	3.0	5.0	8.0	11.0
Book Value	93.6	125.9	168.0	215.7	283.3	394.4	546.4
VALUATION							
P/E (x)	388.7	296.8	252.7	188.7	131.7	69.8	50.6
P/BV (x)	86.5	64.3	48.2	37.5	28.6	20.5	14.8
EV/EBITDA (x)	209.9	165.4	127.1	93.9	69.4	40.3	29.4
EV/Revenues (x)	10.6	7.4	4.5	3.9	2.7	1.6	1.1
OCF/EV (%)	0.5	0.4	0.6	1.5	1.2	1.5	2.8
FCF/EV (%)	0.3	0.0	(0.3)	0.6	0.0	0.3	1.8
FCFE/Mkt Cap (%)	0.2	0.2	0.4	0.1	0.1	0.5	1.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1	0.1	0.1

1 Yr Price history



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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