

Dixon Technologies

| | |
|-----------------|---|
| Estimate change | ↑ |
| TP change | ↑ |
| Rating change | ↔ |

| Bloomberg | DIXON IN |
|---------------------|---------------|
| Equity Shares (m) | 60 |
| M.Cap.(INRb)/(USDb) | 1054.8 / 12.2 |
| 52-Week Range (INR) | 19150 / 5783 |
| 1,6,12 Rel. Per (%) | -1/61/184 |
| 12M Avg Val (INR M) | 6189 |

Financials & Valuations (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Sales | 394.2 | 523.0 | 661.8 |
| EBITDA | 14.7 | 19.9 | 26.3 |
| EBITDA Margin (%) | 3.7 | 3.8 | 4.0 |
| PAT | 7.8 | 10.4 | 15.0 |
| EPS (INR) | 130.8 | 174.2 | 250.6 |
| EPS Growth (%) | 112.8 | 33.1 | 43.9 |
| BV/Share (INR) | 411.3 | 582.4 | 830.1 |

Ratios

| | | | |
|------------|------|------|------|
| Net D/E | -0.2 | -0.4 | -0.6 |
| RoE (%) | 37.7 | 35.1 | 35.5 |
| RoCE (%) | 42.5 | 39.8 | 39.7 |
| Payout (%) | 2.3 | 1.7 | 1.2 |

Valuations

| | | | |
|---------------|-------|-------|------|
| P/E (x) | 134.2 | 100.8 | 70.1 |
| P/BV (x) | 42.7 | 30.1 | 21.2 |
| EV/EBITDA (x) | 70.9 | 52.0 | 38.9 |
| Div Yield (%) | 0.0 | 0.0 | 0.0 |

Shareholding Pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 32.4 | 32.9 | 33.6 |
| DII | 22.6 | 23.1 | 26.4 |
| FII | 23.2 | 22.7 | 17.4 |
| Others | 21.7 | 21.3 | 22.6 |

FII includes depository receipts

CMP: INR17,559 TP: INR20,500 (+17%)

BUY

Looking to enter the component ecosystem

Dixon Technologies (Dixon) reported better-than-expected revenue and EBITDA, driven by strong performance of the mobile and EMS segment, while PAT stood lower than our estimates on higher depreciation, interest, and minority interest. The company's revenue/EBITDA jumped 117%/112% YoY for 3QFY25. The mobile and EMS segment continues to benefit from improved volumes from customers, while revenues of consumer electronics, lighting, and home appliances were impacted by weak demand during the quarter. The company is continuously focusing on increasing backward integration and expects display manufacturing to begin from 1Q/2QFY26. We expect incremental margin from the display facility to offset contraction in margins due to the PLI scheme ending by FY26. The company is also exploring entry into display fabs and is awaiting government guidelines from the expected component PLI scheme. We downgrade our earnings estimates for FY25/26 by -8%/-4%, while FY27 earnings estimates are upgraded by 7% to factor in higher mobile segment revenues and lower consumer electronics revenues. We increase our DCF-based TP to INR20,500 on March'27 estimates.. Reiterate **BUY**.

Revenue and EBITDA beat, while margin remain in-line with our estimates

Dixon's results were ahead of our estimates on revenue and EBITDA. EBITDA outperformance was driven by growth in revenues, with EBITDA margin coming at 3.7%. Higher interest, depreciation expenses, and lower other income than estimates resulted in a 13% miss in PBT. Consolidated revenue grew 117% YoY to INR104.5b, beating our estimates by 2%. Absolute EBITDA grew 112% YoY to INR3.90b, indicating a beat to our estimates by 3%, while margins contracted 10bp YoY to 3.7% but were in line with our estimate. The company's PAT missed our estimates by 24% at INR1.7b vs our estimate of INR2.25b. PAT margin was at 1.6%, 60bp lower than our estimates of 2.2%.

Mobile & EMS segment remains the key growth driver

Mobile and EMS will continue to remain the dominant segment for Dixon. The company is continuously benefitting from improved volumes across its key clients in the mobile segment. Feature phone volumes stood at 25m for 9MFY25. Smartphone volumes ex-Samsung stood at 21m for 9MFY25, including Ismartu's volumes. Within smartphones, Motorola and Xiaomi are witnessing a healthy ramp-up, while Compal's production commenced in Nov'24. Dixon has already entered into a JV with Vivo and expects to ramp up volumes from Vivo after receiving government clearances on the JV. We expect IT hardware revenue to start improving in the coming quarters. It is in discussions to add another global brand on the ODM side for IT hardware. The company is also expanding its capacity in the telecom segment due to increased volumes and expects to double its revenues in FY26 from the telecom segment. Volumes for consumer electronics and lighting were impacted by lower demand. In home appliances, Dixon is ramping up volumes for the fully automatic washing machine. It is also planning to enter into robotic vacuum cleaners, water purifiers, chimneys, etc in this segment.

Backward integration in displays to offset margin contraction once PLI ends

The company's display facility will commence manufacturing from 1Q/2QFY26. The company is also exploring entry into precision components, mechanicals, camera modules, battery packs, etc, which will further deepen its backward integration. As highlighted in our earlier update ([Report Link](#)), even after PLI incentives end in FY26, we do not expect a sharp contraction in margins as we believe that the adverse impact on margins will be offset by incremental contribution from backward integration towards components, particularly display manufacturing (refer to Exhibits 12 and 13). In 9MFY25, the company booked PLI incentives worth nearly INR2b in total across all segments. Display manufacturing would have a double-digit EBITDA margin, and hence, in the long run, the company would gain nearly 80-100bp in margin from backward integration towards displays.

Evaluating display fab manufacturing under the component PLI scheme

Dixon is also evaluating entering into display fab manufacturing facility with a global partner and is awaiting government guidelines under the component PLI scheme. Total capex targeted for display fab is expected to be around USD3b, which will be supported to an extent of 50% from the centre and 20% from the state government on a pari-passu basis, while the remaining will have to be invested by the company through a mix of internal accruals/debt/equity. With a larger portion of capex being supported by the government in this case, the company expects a faster payback period, double-digit margins, and similar RoCEs as the core business. We have currently not factored in this investment as the policy is yet awaited from the government.

Financial outlook

We raise our estimates to bake in improved performance for the mobile, telecom, and refrigeration segments, while we lower our estimates for consumer electronics, lighting, and home appliances. We expect a CAGR of 55%/56%/60% in revenue/EBITDA/PAT over FY24-FY27. The revenue growth would be mainly driven by EMS (including mobile and IT hardware) and new emerging segments such as refrigerators, wearables and hearables, and telecom networking products. We expect an EBITDA margin of 3.7%/3.8%/4.0% for FY25/FY26/FY27, led by an increased backward integration. This will result in a PAT CAGR of 60% over FY24-FY27.

Valuation and recommendation

The stock is currently trading at 70.1x P/E on FY27E earnings. We tweak by -8%/4%/7% for FY25/FY26/FY27 to factor in higher mobile segment revenues and lower consumer electronics revenues and increase our DCF-based TP to INR20,500 on March'27 estimates. Reiterate BUY.

Key risks and concerns

The key risks to our estimates and recommendation would come from the lower-than-expected growth in the market opportunity, loss of relationship with key clients, increased competition, and limited bargaining power with clients.

| Consolidated - Quarterly Earning Model | | | | | | | | | | | (INR m) | | |
|--|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------|-----|
| Y/E March | FY24 | | | | FY25E | | | | FY24 | | FY25E | FY25E | Est |
| | INR m | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | 2QE | Var (%) | | |
| Gross Sales | 32,715 | 49,432 | 48,183 | 46,580 | 65,798 | 1,15,341 | 1,04,537 | 1,08,487 | 1,76,909 | 3,94,162 | 1,02,872 | 2 | |
| YoY Change (%) | 14.6 | 27.8 | 100.4 | 52.0 | 101.1 | 133.3 | 117.0 | 132.9 | 45.1 | 122.8 | 113.5 | | |
| Gross Profit | 3,158 | 4,741 | 4,265 | 4,356 | 5,629 | 8,736 | 7,736 | 14,706 | 16,519.5 | 36,806.3 | 9,361.4 | -17 | |
| Total Expenditure | 31,396 | 47,443 | 46,339 | 44,755 | 63,319 | 1,11,077 | 1,00,632 | 1,04,387 | 1,69,933 | 3,79,414 | 99,066 | 2 | |
| EBITDA | 1,319 | 1,989 | 1,844 | 1,825 | 2,479 | 4,264 | 3,905 | 4,100 | 6,976 | 14,748 | 3,806 | 3 | |
| Margins (%) | 4.0 | 4.0 | 3.8 | 3.9 | 3.8 | 3.7 | 3.7 | 3.8 | 3.9 | 3.7 | 3.7 | | |
| Depreciation | 337 | 364 | 407 | 510 | 545 | 660 | 746 | 708 | 1,619 | 2,659 | 527 | 42 | |
| Interest | 140 | 171 | 222 | 214 | 293 | 379 | 409 | 201 | 747 | 1,282 | 225 | 81 | |
| Other Income | 29 | 7 | 23 | 167 | 82 | -57 | 65 | 197 | 226 | 287 | 186 | NM | |
| PBT before EO expense | 870 | 1,461 | 1,238 | 1,267 | 1,723 | 3,167 | 2,816 | 3,387 | 4,836 | 11,093 | 3,240 | | |
| Extra-Ord expense | 0 | 0 | 0 | 0 | 0 | 2,096 | 0 | 0 | 0 | 2,096 | 0 | | |
| PBT | 870 | 1,461 | 1,238 | 1,267 | 1,723 | 5,263 | 2,816 | 3,387 | 4,836 | 13,189 | 3,240 | -13 | |
| Tax | 229 | 352 | 287 | 322 | 400 | 1,172 | 689 | 484 | 1,189 | 2,745 | 836 | -18 | |
| Rate (%) | 26.3 | 24.1 | 23.2 | 25.4 | 23.2 | 22.3 | 24.5 | 14.3 | 24.6 | 20.8 | 25.8 | | |
| MI & P/L of Asso. Cos. | -47 | 36 | -13 | -7 | -14 | 193 | 415 | 272 | -31 | 865 | 147 | 182 | |
| Reported PAT | 688 | 1,073 | 964 | 952 | 1,337 | 3,899 | 1,712 | 2,632 | 3,677 | 9,579 | 2,257 | -24 | |
| Adj PAT | 688 | 1,073 | 964 | 952 | 1,337 | 2,144 | 1,712 | 2,632 | 3,677 | 7,825 | 2,257 | -24 | |
| YoY Change (%) | 50.6 | 38.9 | 85.8 | 18.0 | 94.3 | 99.8 | 77.5 | 176.5 | 43.9 | 112.8 | 134.0 | | |
| Margins (%) | 2.1 | 2.2 | 2.0 | 2.0 | 2.0 | 1.9 | 1.6 | 2.4 | 2.1 | 2.0 | 2.2 | | |

| Y/E March | FY24 | | | | FY25E | | | | FY24 | | FY25 | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|------|--|
| | INR m | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | |
| Segmental revenue | | | | | | | | | | | | |
| Consumer Electronics | 8,820 | 14,400 | 9,290 | 8,970 | 8,550 | 14,130 | 6,330 | 12,424 | 41,480 | 41,434 | | |
| Lighting Products | 2,220 | 1,810 | 1,870 | 1,970 | 2,270 | 2,330 | 2,010 | 2,220 | 7,870 | 8,830 | | |
| Home Appliances | 2,590 | 3,640 | 2,880 | 2,940 | 3,050 | 4,440 | 3,150 | 4,228 | 12,050 | 14,868 | | |
| Mobile Phones | 17,950 | 28,190 | 32,140 | 30,910 | 51,920 | 94,440 | 93,050 | 89,620 | 1,09,190 | 3,29,030 | | |
| Security Systems | 1,140 | 1,400 | 2,000 | 1,790 | 8 | - | - | - | -8 | 6,330 | - | |
| Total Revenues | 32,715 | 49,432 | 48,183 | 46,580 | 65,798 | 1,15,339 | 1,04,543 | 1,08,482 | 1,76,909 | 3,94,162 | | |
| Segmental EBITDA | | | | | | | | | | | | |
| Consumer Electronics | 300 | 490 | 320 | 300 | 290 | 520 | 220 | 630 | 1,410 | 1,660 | | |
| Margin (%) | 3.4 | 3.4 | 3.4 | 3.3 | 3.4 | 3.7 | 3.5 | 5.1 | 3.4 | 4.0 | | |
| Lighting Products | 190 | 130 | 130 | 142 | 150 | 170 | 140 | 160 | 592 | 620 | | |
| Margin (%) | 8.6 | 7.2 | 7.0 | 7.2 | 6.6 | 7.3 | 7.0 | 7.2 | 7.5 | 7.0 | | |
| Home Appliances | 280 | 420 | 300 | 301 | 320 | 490 | 320 | 475 | 1,301 | 1,605 | | |
| Margin (%) | 10.8 | 11.5 | 10.4 | 10.2 | 10.5 | 11.0 | 10.2 | 11.2 | 10.8 | 10.8 | | |
| Mobile Phones | 530 | 930 | 1,040 | 1,050 | 1,710 | 3,080 | 3,220 | 2,852 | 3,550 | 10,862 | | |
| Margin (%) | 3.0 | 3.3 | 3.2 | 3.4 | 3.3 | 3.3 | 3.5 | 3.2 | 3.3 | 3.3 | | |
| Security Systems | 15 | 20 | 50 | 34 | 9 | 4 | 5 | -18 | 119 | - | | |
| Margin (%) | 1.3 | 1.4 | 2.5 | 1.9 | 113.7 | NM | NM | 225.0 | 1.9 | NM | | |
| Total EBITDA | 1,319 | 1,989 | 1,844 | 1,825 | 2,479 | 4,264 | 3,905 | 4,100 | 6,976 | 14,748 | | |
| Margin (%) | 4.0 | 4.0 | 3.8 | 3.9 | 3.8 | 3.7 | 3.7 | 3.8 | 3.9 | 3.7 | | |

Note: Refrigerator revenue and EBITDA are part of the Consumer Electronics Segment



Conference call highlights

Backward integration and entry into the components ecosystem to boost future growth

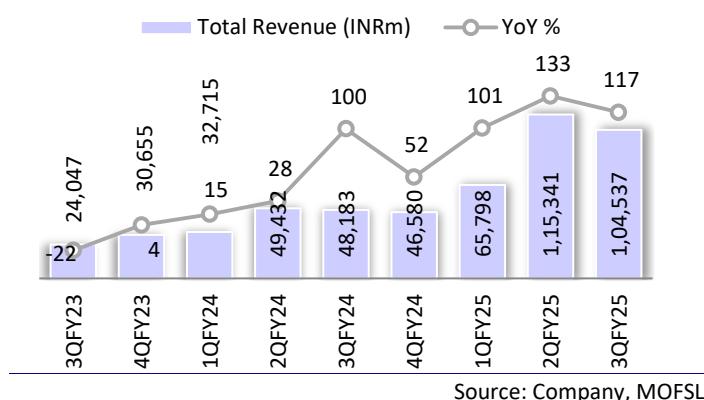
- **Backward integration:** Dixon has finalized the location for the manufacturing of displays in partnership with HKC, with plans to start production in 1HFY26. The company is also expanding into precision components, mechanical parts, camera modules, and battery packs. The company is awaiting component PLI from GoI under ISM 2.0 and will then decide on the further expansion of its components product portfolio.
- **Display Fab:** Electronics manufacturing has reached a level of maturity, and now, a component ecosystem is required on the non-semiconductor side, i.e. displays, mechanicals, etc. Management mentioned that Dixon is in active discussions with an existing global technology partner for setting up a world-class display fab, which is a critical component in Mobile, IT Hardware, and Consumer Electronics. The company is awaiting government guidelines on ISM2.0 for this fab. It expects a 50% capital subsidy from the central government and 20% from the state government for this fab. Hence, Dixon's share of capex will be much lower. This is a margin-accretive project with a fast payback period, and a large part will add value through captive consumption in mobile, notebook, etc. The expected capex is around USD3b – TV displays are 60%, mobile 12-15%, and notebook 12-15%.

Segment-wise

- **Consumer Electronics:** Consolidated revenue/EBITDA were weak for the quarter, decreasing 32%/31% YoY, reaching INR6.3b/0.22b. The contribution of refrigerators to the segment totaled INR1.7b. Within the first year of operations, Dixon was able to capture 8% of the market share in India in refrigerator manufacturing. The company also started exporting refrigerators to Nepal and is actively exploring the Sri Lanka and UAE markets. The LED TV market has faced poor growth due to subdued consumer demand. Management stated that the company is working closely with Amazon Fire TV and LG for webOS, where it already has some export queries and expects growth starting from 1QFY26. The company has also started manufacturing 65-100 inch digital signages, for which it has a decent order book.
- **Mobile Phones:** Consolidated Revenue/EBITDA from the mobile phones & EMS segment for the quarter increased 190%/210% YoY, reaching INR93b/3.2b. To strengthen its position as a trusted mobile manufacturing partner, the company has expanded its capabilities by adding a new facility in Noida, bringing the total to seven state-of-the-art manufacturing units with a combined capacity of over 60m smartphones annually. Dixon's subsidiary Ismartu has invested INR1.3b in acquiring land, plant, and machinery to scale up production for brands like Nothing, Techno, and Itel, including fulfilling 3m export volumes to Africa. The company expects to export 0.5m-0.6m units in February and March of this fiscal year. Management stated that orders remain strong for Motorola, Xiaomi's volumes are growing steadily, and OPPO's order book has been robust. The company successfully dispatched its first production for Compal in December'24. Further, Dixon has entered into a JV with Vivo, with Dixon holding 51%, where Vivo will transfer its production to this JV.
- **Lighting Products:** Management claimed that a further increase in the backward integration of lighting products is expected to materialize in 4QFY25, which will lead to a positive change and margin expansion.

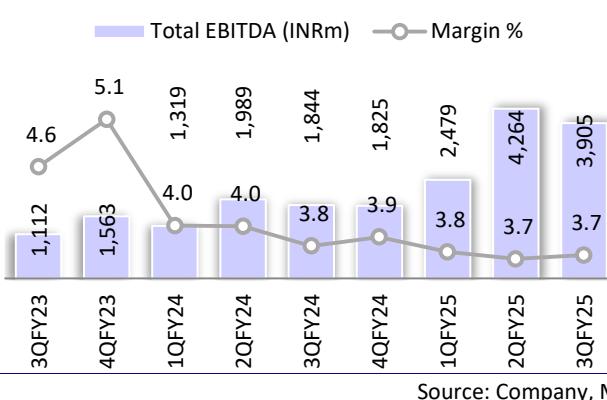
Home Appliances: Consolidated revenue stood at INR3.15b in 3QFY25, up 9% YoY. The segment's EBITDA stood at INR320m, increasing 7% YoY, while EBITDA margins contracted 20bp from 10.4% to 10.2%. In terms of volume sales, the company grew 100% YoY, reaching monthly sales of 25 thousand units. Management stated that it is exploring additional categories like robotic vacuum cleaners, water purifiers, chimneys, and other large kitchen appliances in this particular business.

Exhibit 1: Strong top-line growth momentum continues



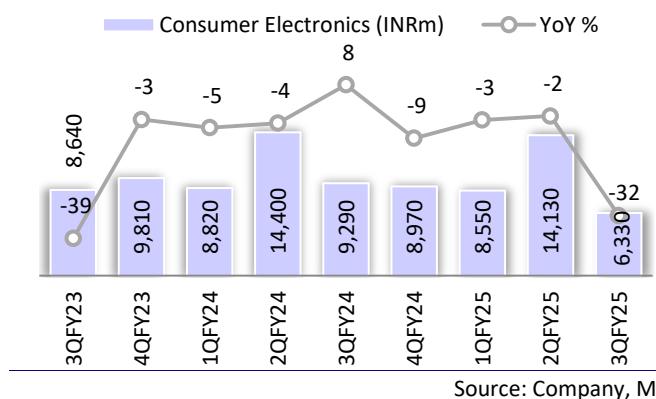
Source: Company, MOFSL

Exhibit 2: Group EBITDA margin stable QoQ at 3.7%



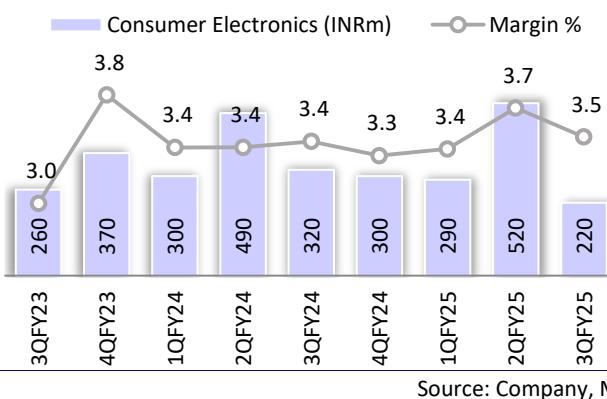
Source: Company, MOFSL

Exhibit 3: Consumer Electronics revenue down 32% YoY



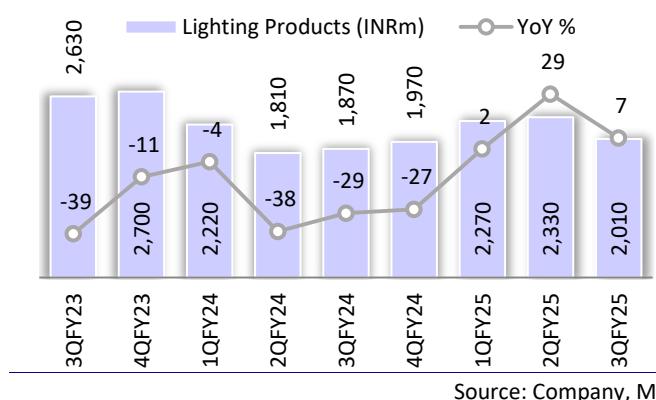
Source: Company, MOFSL

Exhibit 4: Consumer Electronics margins up 10bp YoY



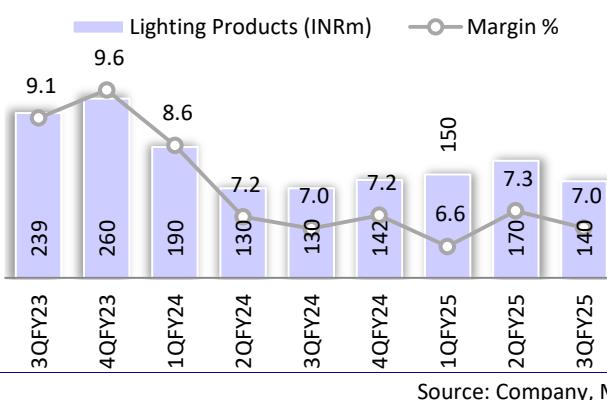
Source: Company, MOFSL

Exhibit 5: Lighting Products revenue up 7% YoY while down 14% QoQ



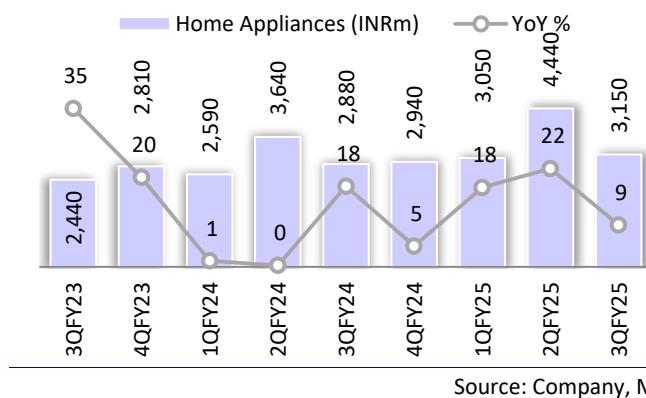
Source: Company, MOFSL

Exhibit 6: Lighting Products margins expected to expand 4QFY25 onwards



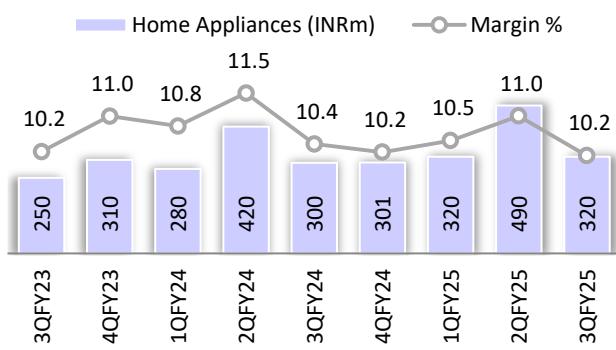
Source: Company, MOFSL

Exhibit 7: Home Appliances revenue up 9% YoY on increased capacity for washing machines



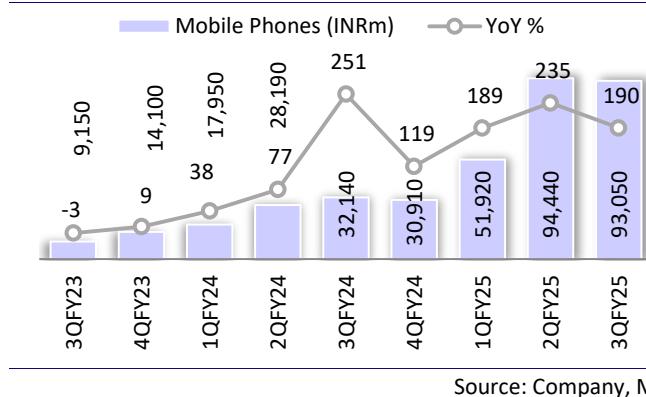
Source: Company, MOFSL

Exhibit 8: Home Appliances EBITDA margins down 20bp YoY



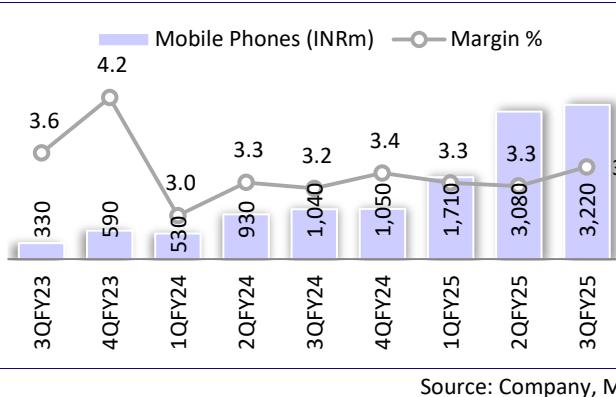
Source: Company, MOFSL

Exhibit 9: Mobile Phones revenue growth strong in the quarter on account of increased wallet share



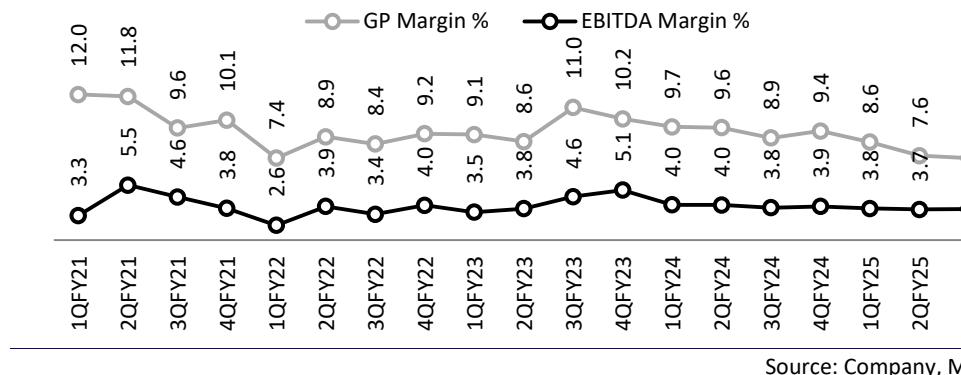
Source: Company, MOFSL

Exhibit 10: Mobile Phones EBITDA/EBITDA margins expanded 190%/30bp YoY



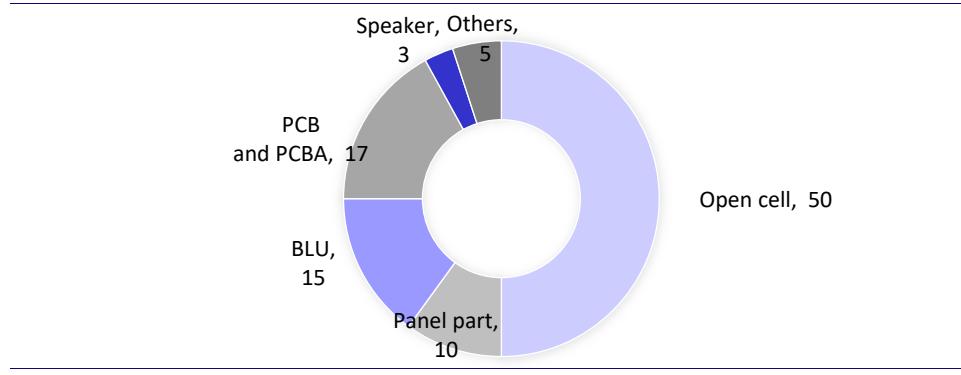
Source: Company, MOFSL

Exhibit 11: Gap between gross margin and EBITDA margin closing up, mainly due to increased share of revenue from the Mobile Phones segment



Source: Company, MOFSL

Exhibit 12: Display forms nearly 10% of BoM for LED, and Dixon is in discussions with other players to enter into open cell manufacturing for LED TV (%)



Source: Industry, MOFSL

Exhibit 13: Assessment of potential margin expansion from Dixon's own manufacturing of components, such as displays, camera modules, and mechanicals for mobile. Similar improvement possible for TV displays (INR m)

| Incremental benefit from components | FY26E | FY27E | FY28E |
|---|----------|----------|----------|
| Mobile revenues of Dixon | 3,25,116 | 3,73,116 | 4,29,083 |
| BoM of overall mobile - 97% of mobile revenue (a) | 3,15,363 | 3,61,923 | 4,16,211 |
| BoM share that can be taken up by Dixon by display, camera mod, components (%) (b) | 10 | 20 | 20 |
| Value of cost that can be potentially covered by Dixon by new components (a)* (b) = © | 31,536 | 72,385 | 83,242 |
| Acceptance by customers of Dixon's displays and camera modules (%) (d) | 25 | 60 | 70 |
| Revenue made by Dixon from displays and camera modules © * (d) | 7,884 | 43,431 | 58,270 |
| Margin made by Dixon on components provided - @12% | 946 | 5,212 | 6,992 |
| EBITDA ex PLI | 16,920 | 20,315 | 23,043 |
| EBITDA margin ex PLI (%) | 3.6 | 3.6 | 3.5 |
| Incremental addition from components | 946 | 5,212 | 6,992 |
| Overall EBITDA ex PLI but with component margin | 17,867 | 25,526 | 30,035 |
| EBITDA margin (%) | 3.8 | 4.5 | 4.5 |
| Potential improvement in margin from components (bps) | 20 | 92 | 106 |

Source: Company, MOFSL

Exhibit 14: We tweak our estimates to factor in higher revenue from the mobile segment and higher capex and minority interest

| (INR m) | FY25E | | | FY26E | | | FY27E | | |
|------------|----------|----------|---------|----------|----------|---------|----------|----------|---------|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Net Sales | 3,94,162 | 3,86,550 | 2.0 | 5,23,045 | 4,84,051 | 8.1 | 6,61,782 | 5,73,531 | 15.4 |
| EBITDA | 14,748 | 14,806 | (0.4) | 19,932 | 19,049 | 4.6 | 26,253 | 23,178 | 13.3 |
| EBITDA (%) | 3.7 | 3.8 | -10 bp | 3.8 | 3.9 | -10 bp | 4.0 | 4.0 | 0 bp |
| Adj. PAT | 7,825 | 8,528 | (8.2) | 10,416 | 10,889 | (4.3) | 14,987 | 14,028 | 6.8 |
| EPS (INR) | 131 | 143 | (8.5) | 174 | 182 | (4.3) | 251 | 235 | 6.6 |

Source: MOFSL

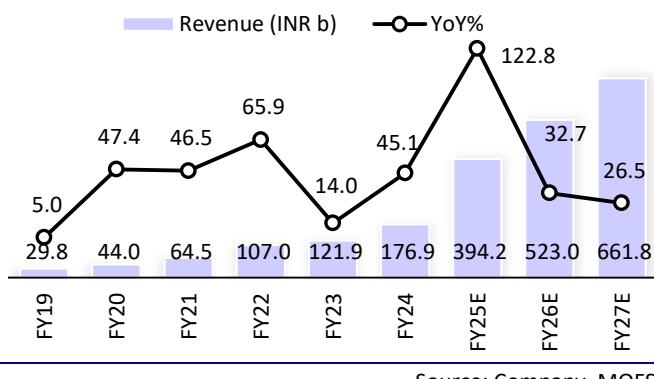
Financial outlook

Segmental financial outlook across segments for DIXON

| INR m | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|--------------------------------------|--------|--------|--------|--------|----------|----------|----------|----------|----------|----------|
| Consolidated | | | | | | | | | | |
| Revenue | 28,416 | 29,844 | 44,001 | 64,482 | 1,06,971 | 1,21,920 | 1,76,909 | 3,94,162 | 5,23,045 | 6,61,782 |
| Growth YoY (%) | 15.7 | 5.0 | 47.4 | 46.5 | 65.9 | 14.0 | 45.1 | 122.8 | 32.7 | 26.5 |
| EBITDA | 1,120 | 1,349 | 2,231 | 2,866 | 3,791 | 5,128 | 6,976 | 14,748 | 19,932 | 26,253 |
| EBITDA margin (%) | 3.9 | 4.5 | 5.1 | 4.4 | 3.5 | 4.2 | 3.9 | 3.7 | 3.8 | 4.0 |
| RoCE | 23.4 | 18.5 | 25.9 | 23.8 | 19.1 | 20.4 | 25.6 | 40.8 | 40.1 | 39.9 |
| Consumer Electronics | | | | | | | | | | |
| Revenue | 10,735 | 11,937 | 20,952 | 38,426 | 51,695 | 42,780 | 41,480 | 34,434 | 35,703 | 37,061 |
| Growth YoY (%) | 27.1 | 11.2 | 75.5 | 83.4 | 34.5 | -17.2 | -3.0 | -17.0 | 3.7 | 3.8 |
| EBITDA | 222 | 252 | 503 | 1,028 | 1,246 | 1,306 | 1,410 | 1,170 | 1,285 | 1,334 |
| EBITDA margin (%) | 2.1 | 2.1 | 2.4 | 2.7 | 2.4 | 3.1 | 3.4 | 3.4 | 3.6 | 3.6 |
| Lighting Products | | | | | | | | | | |
| Revenue | 7,742 | 9,194 | 11,397 | 11,037 | 12,841 | 10,546 | 7,870 | 8,830 | 9,727 | 10,716 |
| Growth YoY (%) | 40.6 | 18.8 | 24.0 | -3.2 | 16.3 | -17.9 | -25.4 | 12.2 | 10.2 | 10.2 |
| EBITDA | 473 | 660 | 977 | 974 | 881 | 904 | 592 | 620 | 722 | 817 |
| EBITDA margin (%) | 6.1 | 7.2 | 8.6 | 8.8 | 6.9 | 8.6 | 7.5 | 7.0 | 7.4 | 7.6 |
| Home Appliances | | | | | | | | | | |
| Revenue | 2,503 | 3,744 | 3,963 | 4,311 | 7,088 | 11,435 | 12,050 | 14,868 | 17,530 | 20,596 |
| Growth YoY (%) | 33.1 | 49.6 | 5.9 | 8.8 | 64.4 | 61.3 | 5.4 | 23.4 | 17.9 | 17.5 |
| EBITDA | 308 | 370 | 461 | 397 | 541 | 1,094 | 1,301 | 1,605 | 1,928 | 2,265 |
| EBITDA margin (%) | 12.3 | 9.9 | 11.6 | 9.2 | 7.6 | 9.6 | 10.8 | 10.8 | 11.0 | 11.0 |
| Mobile Phone and EMS | | | | | | | | | | |
| Revenue | 6,698 | 3,549 | 5,369 | 8,395 | 31,383 | 52,243 | 1,09,190 | 3,29,030 | 4,51,585 | 5,81,409 |
| Growth YoY (%) | -17.4 | -47.0 | 51.3 | 56.4 | 273.8 | 66.5 | 109.0 | 201.3 | 37.2 | 28.7 |
| EBITDA | 65 | 74 | 191 | 394 | 971 | 1,671 | 3,550 | 10,862 | 15,359 | 20,938 |
| EBITDA margin (%) | 1.0 | 2.1 | 3.6 | 4.7 | 3.1 | 3.2 | 3.3 | 3.3 | 3.4 | 3.6 |
| Security Surveillance Systems | | | | | | | | | | |
| Revenue | 5 | 963 | 2,164 | 2,178 | 3,964 | 4,918 | 6,330 | 0 | 0 | 0 |
| Growth YoY (%) | | | 124.7 | 0.7 | 82.0 | 24.1 | 28.7 | NA | NA | NA |
| EBITDA | | 8 | 72 | 63 | 151 | 144 | 119 | 0 | 0 | 0 |
| EBITDA margin (%) | | 0.8 | 3.3 | 2.9 | 3.8 | 2.9 | 1.9 | NA | NA | NA |
| Refrigerator | | | | | | | | | | |
| Revenue | | | | | | | | 7,000 | 8,500 | 12,000 |
| Growth YoY (%) | | | | | | | | | 21.4 | 41.2 |
| EBITDA | | | | | | | | 490 | 638 | 900 |
| EBITDA margin (%) | | | | | | | | 7.0 | 7.5 | 7.5 |

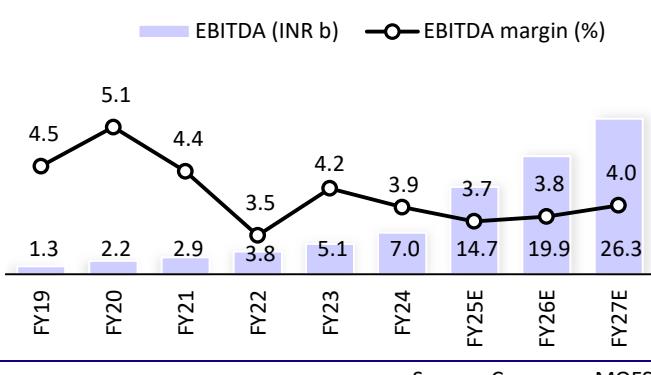
Source: Company, MOFSL

Exhibit 15: We expect revenue to clock a CAGR of 55% over FY24-27 led by the mobile and EMS segment



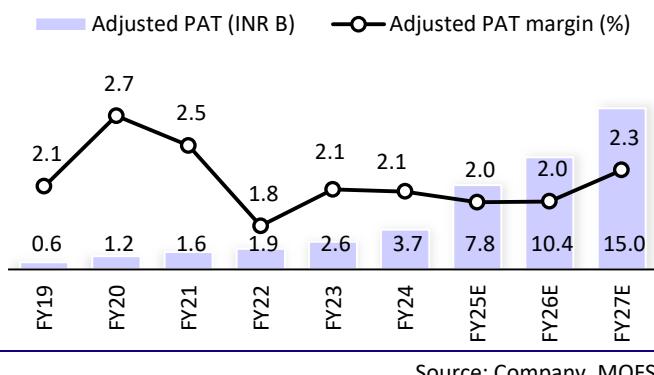
Source: Company, MOFSL

Exhibit 16: We expect EBITDA CAGR of 56% over FY24-27 while margins ranging from 3.7% to 4.0%



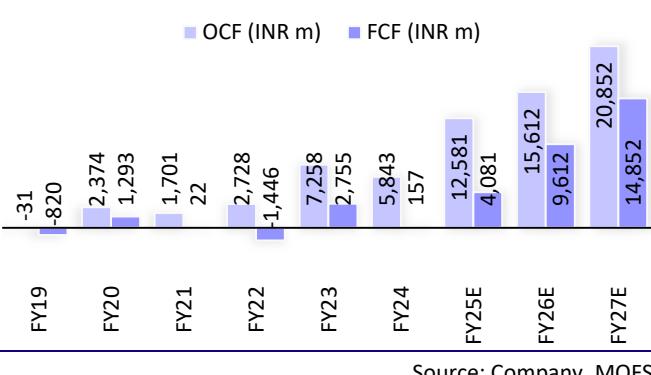
Source: Company, MOFSL

Exhibit 17: We expect PAT CAGR of 56% over FY24-27 led by expansion into margin accretive segments



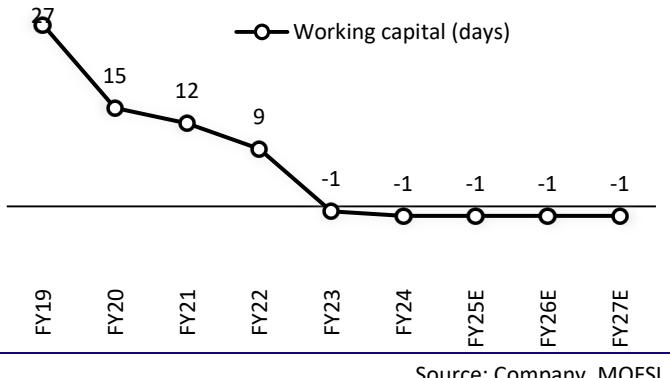
Source: Company, MOFSL

Exhibit 18: We expect OCF and FCF to remain strong as the working capital cycle is lean for Dixon



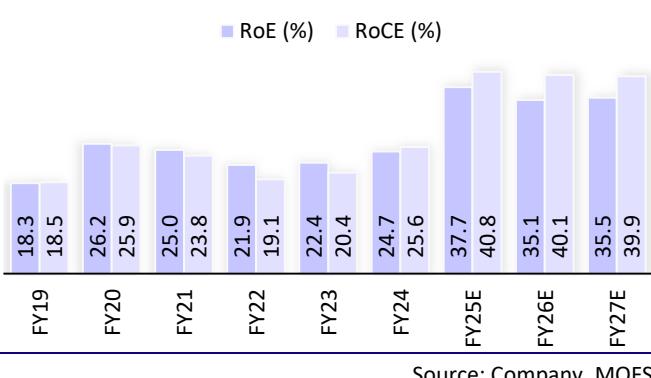
Source: Company, MOFSL

Exhibit 19: We expect the NWC cycle to remain lean for Dixon in the coming years



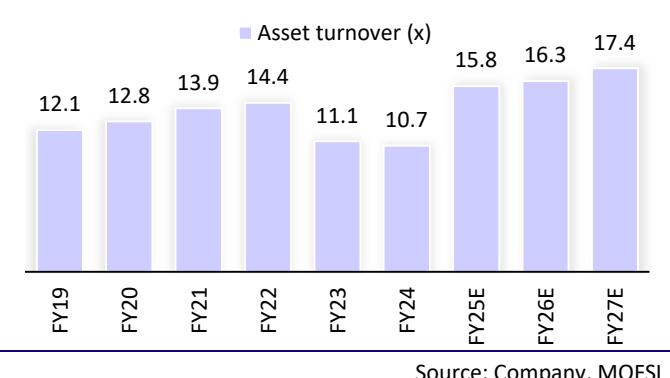
Source: Company, MOFSL

Exhibit 20: We expect RoE/RoCE to improve on continued focus on capital allocation and improved asset turnover



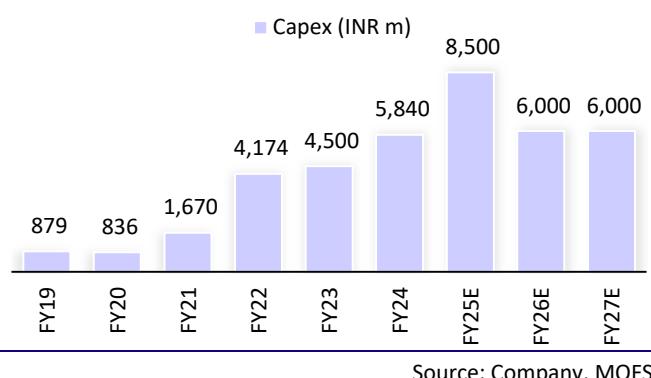
Source: Company, MOFSL

Exhibit 21: Asset turnover to improve on higher share of revenues from the mobile and EMS segment



Source: Company, MOFSL

Exhibit 22: We expect capex to peak in FY25 on extended capacity and addition of manufacturing units



Source: Company, MOFSL

Financials and Valuation

| Consolidated - Income statement | | | | | | | | |
|-------------------------------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E Mar | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | (INR m) FY27E |
| Total Income from Operations | 44,001 | 64,482 | 1,06,971 | 1,21,920 | 1,76,909 | 3,94,162 | 5,23,045 | 6,61,782 |
| Change (%) | 47.4 | 46.5 | 65.9 | 14.0 | 45.1 | 122.8 | 32.7 | 26.5 |
| Raw Materials | 38,602 | 57,697 | 97,792 | 1,10,207 | 1,60,390 | 3,57,356 | 4,74,204 | 5,99,986 |
| Gross Profit | 5,399 | 6,785 | 9,178 | 11,713 | 16,520 | 36,806 | 48,841 | 61,796 |
| Employee Cost | 1,180 | 1,371 | 1,978 | 2,517 | 3,327 | 8,136 | 10,797 | 13,661 |
| Other Expenses | 1,989 | 2,548 | 3,409 | 4,069 | 6,217 | 13,922 | 18,113 | 21,882 |
| Total Expenditure | 41,771 | 61,616 | 1,03,180 | 1,16,793 | 1,69,933 | 3,79,414 | 5,03,113 | 6,35,529 |
| % of Sales | 94.9 | 95.6 | 96.5 | 95.8 | 96.1 | 96.3 | 96.2 | 96.0 |
| EBITDA | 2,231 | 2,866 | 3,791 | 5,128 | 6,976 | 14,748 | 19,932 | 26,253 |
| Margin (%) | 5.1 | 4.4 | 3.5 | 4.2 | 3.9 | 3.7 | 3.8 | 4.0 |
| Depreciation | 365 | 437 | 840 | 1,146 | 1,619 | 2,659 | 3,378 | 3,980 |
| EBIT | 1,865 | 2,429 | 2,952 | 3,981 | 5,357 | 12,088 | 16,554 | 22,273 |
| Int. and Finance Charges | 350 | 274 | 442 | 606 | 747 | 1,282 | 1,335 | 1,363 |
| Other Income | 52 | 16 | 38 | 56 | 226 | 287 | 729 | 1,480 |
| PBT bef. EO Exp. | 1,568 | 2,170 | 2,548 | 3,432 | 4,836 | 11,093 | 15,948 | 22,390 |
| EO Items | 0 | 0 | 0 | 0 | 0 | -2096 | 0 | 0 |
| PBT after EO Exp. | 1,568 | 2,170 | 2,548 | 3,432 | 4,836 | 13,189 | 15,948 | 22,390 |
| Total Tax | 363 | 572 | 644 | 897 | 1,189 | 2,745 | 3,922 | 5,481 |
| Tax Rate (%) | 23.1 | 26.4 | 25.3 | 26.1 | 24.6 | 20.8 | 24.6 | 24.5 |
| Profit Share of Associates/JV | 0.0 | 0.0 | -0.6 | 16.2 | 102.4 | 307.2 | 337.9 | 371.7 |
| Minority Interest | 0 | 0 | 2 | -4 | 72 | 1,172 | 1,949 | 2,294 |
| Reported PAT | 1,205 | 1,598 | 1,902 | 2,555 | 3,677 | 9,579 | 10,416 | 14,987 |
| Adjusted PAT | 1,205 | 1,598 | 1,902 | 2,555 | 3,677 | 7,825 | 10,416 | 14,987 |
| Change (%) | 90.2 | 32.6 | 19.0 | 34.4 | 43.9 | 112.8 | 33.1 | 43.9 |
| Margin (%) | 2.7 | 2.5 | 1.8 | 2.1 | 2.1 | 2.0 | 2.0 | 2.3 |

| Consolidated - Balance Sheet | | | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|
| Y/E Mar | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | (INR m) FY27E |
| Equity Share Capital | 116 | 117 | 119 | 119 | 120 | 120 | 120 | 120 |
| Total Reserves | 5,298 | 7,256 | 9,849 | 12,730 | 16,829 | 24,474 | 34,710 | 49,518 |
| Net Worth | 5,413 | 7,373 | 9,968 | 12,849 | 16,949 | 24,594 | 34,830 | 49,638 |
| Minority Interest | 0 | 0 | 6 | -3 | 276 | 1,448 | 3,397 | 5,691 |
| Total Loans | 828 | 1,513 | 4,580 | 1,826 | 1,550 | 3,005 | 3,005 | 3,005 |
| Deferred Tax Liabilities | 148 | 184 | 201 | 224 | 240 | 240 | 240 | 240 |
| Capital Employed | 6,389 | 9,070 | 14,754 | 14,897 | 19,015 | 29,287 | 41,472 | 58,574 |
| Gross Block | 3,982 | 5,269 | 9,586 | 12,291 | 20,633 | 29,133 | 35,133 | 41,133 |
| Less: Accum. Deprn. | 825 | 1,170 | 1,815 | 2,641 | 3,958 | 6,322 | 9,374 | 12,997 |
| Net Fixed Assets | 3,157 | 4,099 | 7,771 | 9,649 | 16,675 | 22,811 | 25,758 | 28,135 |
| Goodwill on Consolidation | 82 | 82 | 303 | 303 | 303 | 303 | 303 | 303 |
| Capital WIP | 96 | 724 | 224 | 1,197 | 683 | 683 | 683 | 683 |
| Total Investments | 0 | 953 | 1,410 | 442 | 200 | 200 | 200 | 200 |
| Curr. Assets, Loans & Adv. | 13,635 | 22,600 | 33,064 | 35,203 | 52,034 | 1,14,179 | 1,58,013 | 2,09,987 |
| Inventory | 4,978 | 7,433 | 11,557 | 9,579 | 16,950 | 37,766 | 50,114 | 63,407 |
| Account Receivables | 5,151 | 10,891 | 13,564 | 17,155 | 23,179 | 51,644 | 68,530 | 86,707 |
| Cash and Bank Balance | 1,002 | 689 | 1,823 | 2,292 | 2,087 | 7,069 | 16,826 | 32,109 |
| Loans and Advances | 0 | 25 | 4 | 0 | 20 | 45 | 59 | 75 |
| Other Current Asset | 2,504 | 3,563 | 6,116 | 6,178 | 9,799 | 17,656 | 22,484 | 27,689 |
| Curr. Liability & Prov. | 10,580 | 19,387 | 28,017 | 31,898 | 50,881 | 1,08,890 | 1,43,487 | 1,80,736 |
| Account Payables | 9,391 | 17,097 | 23,137 | 24,519 | 40,652 | 90,575 | 1,20,191 | 1,52,072 |
| Other Current Liabilities | 1,081 | 2,146 | 4,664 | 7,121 | 9,952 | 17,698 | 22,476 | 27,628 |
| Provisions | 109 | 144 | 216 | 258 | 277 | 617 | 819 | 1,036 |
| Net Current Assets | 3,054 | 3,213 | 5,047 | 3,306 | 1,153 | 5,289 | 14,527 | 29,251 |
| Appl. of Funds | 6,389 | 9,070 | 14,754 | 14,897 | 19,015 | 29,287 | 41,472 | 58,574 |

Financials and Valuation

| Ratios | | | | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Y/E Mar | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
| Basic (INR) | | | | | | | | |
| EPS | 20.6 | 27.3 | 32.0 | 42.9 | 61.5 | 130.8 | 174.2 | 250.6 |
| Cash EPS | 26.8 | 34.7 | 46.2 | 62.1 | 88.6 | 175.3 | 230.7 | 317.2 |
| BV/Share | 92.4 | 125.9 | 168.0 | 215.7 | 283.4 | 411.3 | 582.4 | 830.1 |
| DPS | 1.2 | 1.0 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Payout (%) | 5.7 | 3.7 | 6.3 | 7.0 | 4.9 | 2.3 | 1.7 | 1.2 |
| Valuation (x) | | | | | | | | |
| P/E | 853.5 | 643.5 | 547.9 | 409.3 | 285.5 | 134.2 | 100.8 | 70.1 |
| Cash P/E | 654.9 | 505.3 | 380.1 | 282.5 | 198.3 | 100.2 | 76.1 | 55.4 |
| P/BV | 190.0 | 139.5 | 104.5 | 81.4 | 62.0 | 42.7 | 30.1 | 21.2 |
| EV/Sales | 23.4 | 16.0 | 9.8 | 8.6 | 5.9 | 2.7 | 2.0 | 1.5 |
| EV/EBITDA | 461.0 | 359.1 | 275.6 | 203.9 | 150.4 | 70.9 | 52.0 | 38.9 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FCF per share | 22.1 | 0.4 | -24.4 | 46.3 | 2.6 | 68.2 | 160.7 | 248.4 |
| Return Ratios (%) | | | | | | | | |
| RoE | 26.2 | 25.0 | 21.9 | 22.4 | 24.7 | 37.7 | 35.1 | 35.5 |
| RoCE | 25.9 | 23.8 | 19.1 | 20.4 | 25.4 | 42.5 | 39.8 | 39.7 |
| RoIC | 28.8 | 29.8 | 24.5 | 26.4 | 29.9 | 51.2 | 55.4 | 68.2 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 11.0 | 12.2 | 11.2 | 9.9 | 8.6 | 13.5 | 14.9 | 16.1 |
| Asset Turnover (x) | 6.9 | 7.1 | 7.3 | 8.2 | 9.3 | 13.5 | 12.6 | 11.3 |
| Inventory (Days) | 41 | 42 | 39 | 29 | 35 | 35 | 35 | 35 |
| Debtor (Days) | 43 | 62 | 46 | 51 | 48 | 48 | 48 | 48 |
| Creditor (Days) | 78 | 97 | 79 | 73 | 84 | 84 | 84 | 84 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 1.3 | 1.2 | 1.2 | 1.1 | 1.0 | 1.0 | 1.1 | 1.2 |
| Interest Cover Ratio | 5.3 | 8.9 | 6.7 | 6.6 | 7.2 | 9.4 | 12.4 | 16.3 |
| Net Debt/Equity | 0.0 | 0.0 | 0.1 | -0.1 | 0.0 | -0.2 | -0.4 | -0.6 |

| Consolidated - Cashflow Statement (INR m) | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E Mar | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
| OP/(Loss) before Tax | 1,568 | 2,170 | 2,546 | 3,452 | 4,867 | 10,228 | 14,337 | 20,468 |
| Depreciation | 365 | 437 | 840 | 1,146 | 1,619 | 2,659 | 3,378 | 3,980 |
| Interest & Finance Charges | 350 | 274 | 442 | 606 | 747 | 1,282 | 1,335 | 1,363 |
| Direct Taxes Paid | -429 | -549 | -540 | -820 | -1,218 | -2,404 | -3,922 | -5,481 |
| (Inc)/Dec in WC | 423 | -743 | -641 | 2,764 | -88 | 816 | 484 | 521 |
| CF from Operations | 2,277 | 1,590 | 2,646 | 7,148 | 5,927 | 12,581 | 15,612 | 20,852 |
| Others | 97 | 111 | 81 | 109 | -83 | 0 | 0 | 0 |
| CF from Operating incl EO | 2,374 | 1,701 | 2,728 | 7,258 | 5,843 | 12,581 | 15,612 | 20,852 |
| (Inc)/Dec in FA | -1,081 | -1,680 | -4,174 | -4,502 | -5,686 | -8,500 | -6,000 | -6,000 |
| Free Cash Flow | 1,293 | 22 | -1,446 | 2,755 | 157 | 4,081 | 9,612 | 14,852 |
| (Pur)/Sale of Investments | -118 | -978 | -446 | 992 | 346 | 0 | 0 | 0 |
| Others | 28 | 8 | -25 | -45 | 31 | -50 | -55 | -61 |
| CF from Investments | -1,171 | -2,649 | -4,645 | -3,556 | -5,309 | -8,550 | -6,055 | -6,061 |
| Issue of Shares | 457 | 269 | 642 | 336 | 469 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -570 | 688 | 3,026 | -2,776 | -276 | 1,455 | 0 | 0 |
| Interest Paid | -378 | -322 | -567 | -737 | -494 | -1,282 | -1,335 | -1,363 |
| Dividend Paid | -83 | 0 | -59 | -119 | -179 | -179 | -179 | -179 |
| Others | 6 | 0 | 0 | 0 | -220 | 1,172 | 1,949 | 2,294 |
| CF from Fin. Activity | -568 | 635 | 3,043 | -3,296 | -700 | 1,166 | 435 | 751 |
| Inc/Dec of Cash | 634 | -313 | 1,126 | 406 | -166 | 5,197 | 9,991 | 15,542 |
| Opening Balance | 367 | 1,002 | 689 | 1,823 | 2,292 | 2,086 | 7,069 | 16,826 |
| Other Bank Balances | 0 | 0 | 8 | 63 | -40 | -214 | -235 | -259 |
| Closing Balance | 1,002 | 689 | 1,823 | 2,292 | 2,086 | 7,069 | 16,826 | 32,109 |

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|----------------------------------|--|
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| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | > - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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|----------------------------------|--------------------|
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