

# Electronic Manufacturing Services

India

Sector View: **Cautious**

NIFTY-50: **22,399**

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## Component PLI: Healthy incentives offered across segments

The Indian government has notified the Electronics Component Manufacturing Scheme. Incremental details include the incentives offered to different categories (ranging from 10% for multi-layer PCBs in the 1st year to 1% on display module sub assembly in the 6th year and 25% capital subsidy). We see both Dixon and Amber as favorably placed to achieve the turnover and capex targets and revise Dixon's FV to Rs15,320 and Amber's FV to Rs7,900. Based on our analysis, even if we include only the display module and the camera module businesses in our estimates, Dixon will be able to more than offset the impact of Mobile PLI withdrawal and see a 60 bps EBITDA margin expansion.

## Component PLI: Developing non-semiconductor component ecosystem in India

The Indian government has notified the (link) Electronics Component Manufacturing Scheme, which was approved by the cabinet on March 28, 2025, with a total incentive outgo of Rs230 bn. Incremental details from the notification include the incentives offered to different segments (ranging from 10% for multi-layer PCBs in the 1st year to 1% on display module sub-assembly in the 6th year and 25% capital subsidy for certain segments) and the minimum capex requirement/employment generation to be undertaken in each segment.

## Dixon: Key beneficiary of the component PLI scheme

We expect Dixon to participate in the display modules, camera modules and electro-mechanical component segments. For Dixon, in the display module and camera module categories, the total capex required over six years is only Rs2.5 bn each. The implied asset turn in display modules in year 6 is 5X and for camera modules, it is 3.6X. Hence, both the targets for revenue and capex seem quite achievable in the first few years of the scheme, given the large captive volumes for mobiles. One of the biggest investor concerns has been the impact of Mobile PLI withdrawal. Based on our analysis, even if we include only the display module and the camera module businesses in our estimates, Dixon will be able to more than offset the impact of Mobile PLI withdrawal and see a 60 bps EBITDA margin expansion.

## Amber: Gaining a foothold in the mobile and consumer electronics PCB market

Amber's 70:30 JV with Korea Circuits will help it offer various grades of PCBs, such as multi-layer, flex PCBs, HDI and semiconductor substrates, which are used in the mobile and consumer electronics. Amber, through the component PLI, aims to invest Rs10 bn+ in this venture (a 25% central capital subsidy and 4% to 8% turnover incentive with additional state subsidy). The PCB business operates at an asset turn of 1.0-1.2X, and we expect margins in this business to be ~18%, in line with its existing Ascent Circuits business.

## We revise our Dixon FV to Rs15,320 and Amber FV to Rs7,900

We revise our estimates by -6% to 3% for Dixon and FV increases to Rs15,320 to account for the non-renewal of mobile PLI and entry into display modules. We are marginally cutting our value of Amber's stake in JV with Korea Circuits, factoring in the expected subsidy offered under the component PLI scheme.

## Related Research

→ Component PLI to aid backward integration

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### Component PLI: Developing non-semiconductor component ecosystem in India

The Indian government has notified the [link](#) Electronics Component Manufacturing Scheme, which was approved by the cabinet on March 28, 2025, with a total incentive outgo of Rs230 bn. Incremental details from the notification include the incentives offered against the various target segments and the minimum capex requirement and employment generation to be undertaken in each segment. We see both Dixon (display modules, camera modules, electro-mechanical target segments) and Amber (HDI/MSAP/Flexible PCB) as favorable placed to achieve the turnover and capex targets.

**Turnover incentive:** PLI incentives based on turnover range from 10% for multi-layer PCBs in the 1<sup>st</sup> year to a 1% incentive on display module sub-assembly in the 6<sup>th</sup> year. For Dixon, in the display module and camera module categories, the total capex required over six years is only Rs2.5 bn each. The implied asset turn in display modules in year 6 is 5X and for camera modules, it is 3.6X. Hence, both the targets for revenue and capex seem quite achievable in the first few years of the scheme for Dixon, given the large captive volumes for mobile/IT laptops and TVs.

**Capex incentive:** Unlike the semiconductor PLI scheme, where the capital subsidy disbursement was on a Pari-Passu basis, capex disbursements under the electronic component scheme are to be made only after the commencement of commercial production from the factory. Amber, which will participate in the manufacturing of HDI/MSAP/Flexible PCBs), will get a 25% capital subsidy and turnover incentive (8% in the 1<sup>st</sup> year to 4% in year 6), which should help the company generate a healthy RoCE on this investment.

**Employment targets:** The government has laid out guidelines for targeted employment generation for each target category. In case a company meets the cumulative investment and incremental sales target but is unable to meet the cumulative incremental employment threshold, the turnover-linked incentive shall be given by deducting equivalent to 1% of the turnover from the specified rate. For capex incentive, 5% of the capex incentive shall be disbursed only on meeting cumulative employment targets, and those unable to meet cumulative employment threshold targets, the capex incentive shall be given by deducting 5% of the capex from the specified rate.

**Tenure:** The scheme will be provided for six years, with a one-year gestation period on an optional basis, with the first year of sales being FY2026 or FY2027, based on a company's discretion. We expect Dixon's display module to start claiming incentives from FY2026 potentially.

Exhibit 1: PLI scheme for Electronic Component Manufacturing, March fiscal year-end, 2025, (Rs bn, %)

Target segments and incentive rates				
S.No.	Target segments	Cumulative investment (in Rs bn)	Turnover linked incentive (%)	Capex incentive (%)
<b>A</b>	<b>Sub-assemblies</b>			
1	Display module sub-assembly	2.5	4/4/3/2/2/1	NA
2	Camera module sub-assembly	2.5	5/4/4/3/2/2	NA
<b>B</b>	<b>Bare components</b>			
3	Non-SMD passive components	0.5	8/7/7/6/5/4	NA
4	Electro-mechanicals	0.5	8/7/7/6/5/4 ≤ 6 layers 6/6/5/5/4/4	NA
5	Multi-layer PCB#	0.5	≥ 8 layers 10/8/7/6/5/5	NA
6	Li-ion Cells for digital application (excluding storage and mobility)#	5	6/6/5/5/4/4	NA
7	Enclosures for Mobile, IT Hardware products and related devices	5	7/6/5/4/4/3	NA
<b>C</b>	<b>Selected bare components</b>			
8	HDI/MSAP/Flexible PCB	10	8/7/7/6/5/4	25%
9	SMD passive components	2.5	5/5/4/4/3/3	25%
<b>D</b>	<b>Supply chain ecosystem and Capital equipment</b>			
10	Supply chain of sub-assemblies (A) & bare components (B) & (C)	0.1	NA	25%
11	Capital goods used in electronics manufacturing including their subassemblies and components	0.1	NA	25%

Source: Ministry of Electronics and Information Technology

**Exhibit 2: Threshold criteria for target segments (Rs bn, #)**

Target Segments	Year	Cumulative incremental investment threshold (in Rs bn)	Incremental sales threshold (in Rs bn)	Cumulative incremental employment threshold (in No.)
Display module	Year 1	0.5	2	50
	Year 2	1	4	100
	Year 3	1.5	6	150
	Year 4	2	8	200
	Year 5	2.5	10	250
	Year 6		12	300
Camera module	Year 1	0.5	1.5	75
	Year 2	1	3	150
	Year 3	1.5	4.5	225
	Year 4	2	6	300
	Year 5	2.5	7.5	375
	Year 6		9	450
Non- Passive Electromechanical	Year 1	0.1	0.15	30
	Year 2	0.2	0.3	60
	Year 3	0.3	0.45	90
	Year 4	0.4	0.6	120
	Year 5	0.5	0.75	150
	Year 6		0.9	180
Multilayer PCB	Year 1	0.1	0.15	15
	Year 2	0.2	0.3	30
	Year 3	0.3	0.45	45
	Year 4	0.4	0.6	60
	Year 5	0.5	0.75	75
	Year 6		0.9	90
Li-ion cells for digital applications except storage and mobility)	Year 1	1	2	100
	Year 2	2	4	200
	Year 3	3	6	300
	Year 4	4	8	400
	Year 5	5	10	500
	Year 6		12	600
Enclosures for Mobile, IT Hardware products and related devices	Year 1	1	2	120
	Year 2	2	4	240
	Year 3	3	6	360
	Year 4	4	8	480
	Year 5	5	10	600
	Year 6		12	720
HDI/MSAP/ Flexible PCB	Year 1	2	2	200
	Year 2	4	4	400
	Year 3	6	6	600
	Year 4	8	8	800
	Year 5	10	10	1000
	Year 6		12	1200
SMD passive components	Year 1	0.5	0.75	100
	Year 2	1	1.5	200
	Year 3	1.5	2.25	300
	Year 4	2	3	400
	Year 5	2.5	3.75	500
	Year 6		4.5	600
Supply of subassemblies & bare components		0.1	Commencement of commercial production	10
Capital goods used in electronics manufacturing including their sub-assemblies and components		0.1	Commencement of commercial production	20

Source: Ministry of Electronics and Information Technology

### Dixon: Key beneficiary from component PLI

We expect Dixon to participate in the component PLI in display modules, camera modules and electro-mechanical component target segments. For Dixon, in the display module and camera module categories, the total capex required over six years is only Rs2.5 bn each. The implied asset turn for display modules in year 6 is 5X and for camera modules, it is 3.6X. Hence, both the targets for revenue and capex seem quite achievable in the first few years of the scheme for Dixon, given the large captive volumes for mobile/IT laptops and TVs.

One of the biggest investor concerns has been the impact of ending of Mobile PLI from FY2027 and its impact on Dixon's EBITDA margins. Based on our analysis, even if include only the display module and the camera module businesses in our estimates, Dixon will be able to more than offset the impact of Mobile PLI withdrawal, with a 60 bps margin expansion.

### Dixon display assembly venture with HKC to be margin-accretive

Dixon has tied up with HKC Corp in a 74/26 JV to set up a display module manufacturing business. As part of phase 1, Dixon will be investing about Rs2.5 bn for a capacity of 24 mn units p.a. Once commissioned, this facility will be further expanded to 48 mn units p.a. Additionally, as part of Phase 2, the company will further expand display assembly to cater to laptops, tablets and TVs. Dixon's management has guided that the display unit will commence production by Oct/Nov 2025 and generate revenues Rs5-6/30 bn in FY2026/27E with double-digit margins.

We expect the display venture to reach production capacity of 24 mn/48 mn/72 mn by FY2026/27/28E, factoring in that Dixon will aim to capture 100% of mobile captive demand, which will reach 60 mn+ by FY2028. We believe that display module margins to be in the range of 15-16%, factoring in the current import duty structure (open cell duty is 5% whereas duty for flat panel displays is 20%.) and management commentary. Since, display modules will be likely be used for captive consumption, we expect this business to primarily aid profitability and not topline. We have baked in display module business to generate Rs9.3 bn of EBITDA by FY2030. While we have factored in display module for mobile, we have not baked in the impact of the entry into displays for laptops and TVs, as we wait for more details on this potential expansion plan.

### Display module business to operate at 8X asset turns and 15%+ EBITDA Margins

Exhibit 3: Unit economics for display manufacturing, March fiscal year-end, 2025 (Rs mn, %, X)

Dixon partnership with HKC for display manufacturing		Comments
Capex for display manufacturing (Rs mn)	2,500	
Monthly capacity (mn units)	2.0	
Annual capacity(mn units)	24	
Revenue per display (Rs)	850	10-12% of bill of material (Dixon smartphone ASP is approx. Rs 8,500)
Total annual revenue (Rs mn)	20,400	
EBITDA margin (%)	16	
EBITDA (mn)	3,264	
Implied Asset turns (X)	8.2	

Source: Company, Kotak Institutional Equities estimate

### We expect Dixon's display module business to capture 90%+ of captive demand and generate Rs9 bn of EBITDA by FY2030E

Exhibit 4: Estimate for display module business of Dixon, March fiscal year-ends, 2026-30E (Rs mn, %)

	2026	2027	2028	2029	2030	Remark
Capex (Rs mn)	2,500	2,614	2,694	234	241	Includes plant & maintenance capex
Capacity (mn units)	24	48	72	72	72	
Utilization (%)	30	80	80	85	90	
Sales (mn units)	7.2	38	58	61	65	Capacity*utilization
Average realization (Rs)	850	876	902	929	957	10% of smartphone BOM (Dixon's ASP is approx. Rs 8,500),
Revenue (Rs mn)	6,120	33,619	51,942	56,844	61,993	Won't impact Dixon's topline as it is only for captive use
EBITDA (Rs mn)	918	5,043	7,791	8,527	9,299	
EBITDA Margin (%)	15	15	15	15	15	KIE estimate

Source: Kotak Institutional Equities estimates

### Camera module manufacturing – Key cog into Dixon's plan of backward integration

As part of Dixon's plan to increase domestic value addition in mobile from current 17-18% to 40-45%, it will be soon be foraying into camera module manufacturing, which makes up roughly 8-10% of a mobile's bill of materials. The company is currently in discussion with various global camera module manufacturers for a tie-up, an announcement regarding the same is likely to be made in next 3-4 months. Successful commissioning of both display and camera module manufacturing will take Dixon's value addition from 17-18% to nearly 40%, enabling it to create a significant moat around the business.

We expect that Dixon's camera module will be in similar lines to display modules, where the company will take production capacity to 24 mn/48 mn/72 mn by FY2027/28/29. There will likely be a one-year lag since Dixon will likely commission display module facility in Oct/Nov 25, while for camera it will take 1-1.5 years for plant to become operational, taking into account 3-4 months for partner finalization and about one year to set up the facility.

We believe that compared to display, camera will be a relatively lower asset turn business, with 4-5X asset turns, and will operate at ~10% EBITDA margins. We expect the camera module business to reach 58 mn units sales and Rs4.4 bn in EBITDA by FY2030. We have not baked in the impact of camera module in our Dixon numbers, as we await clarity regarding its partnership in this space.

### We believe that camera module business will reach 4X asset turn with 10%+ EBITDA margin at stable state

Exhibit 5: Unit economics for camera module business, March fiscal year-end, 2025 (Rs mn, %, X)

Analysis of Dixon's foray on camera module manufacturing		Comments
Capex for camera module (Rs mn)	4,000	
Monthly capacity (mn units)	2.0	
Annual capacity(mn units)	24	
Revenue per display (Rs)	700	8-10% of bill of material (Dixon smartphone ASP is approx. Rs 8,500)
Total annual revenue (Rs mn)	16,800	
EBITDA margin (%)	10	Basis management commentary of component being a double digit margin business
EBITDA (mn)	1,680	
Implied Asset turns (X)	4.2	

Source: Kotak Institutional Equities estimates

### We expect Dixon's camera module business to capture 90%+ of captive demand and generate Rs4 bn+ of EBITDA by FY2030E

Exhibit 6: Estimate for camera module business of Dixon, March fiscal year-ends, 2026-30E (Rs mn, %)

	2027	2028	2029	2030	Remark
Capex (Rs mn)	4,061	4,185	4,247	375	Includes plant & maintenance capex
Capacity (mn units)	24	48	72	72	
Utilization (%)	30	80	80	80	
Sales (mn units)	7.2	38	58	58	Capacity*utilization
Average realization (Rs)	700	721	743	765	8% of smartphone BOM (Dixon's current ASP is approx. Rs 8,500)
Revenue (Rs mn)	5,040	27,686	42,775	44,059	Won't impact Dixon's topline as it is only for captive use
EBITDA (Rs mn)	504	2,769	4,278	4,406	
EBITDA Margin (%)	10	10	10	10	KIE estimate

Source: Kotak Institutional Equities estimates

### Mobile PLI – Ending in FY2026

Mobile PLI, which is currently in its last year of its five-year term, is set to end in FY2026. The scheme offered incentive ranging from 4% to 6% and had a budget allocation of Rs450 bn. This scheme has proven to be transformational for Dixon, whose smartphone volumes have increased from 0.9 mn units in FY2021 to nearly 30 mn units in FY2025.

While Dixon, based on our estimates, has historically kept only 20% of PLI incentives and has passed on the rest 80% to its customers, we expect the impact of the non-renewal of mobile PLI to be significant for the company. Based on our estimates, Dixon's EBITDA margin will likely contract by 0.6% due to Mobile PLI withdrawal, reducing EBITDA to Rs26.9 bn from our earlier estimate of Rs31.5 bn.

### Dixon's FY2027 EBITDA margin to reduce by 0.6% on account of mobile PLI

Exhibit 7: Impact of non-renewal of mobile PLI on Dixon Technologies, March fiscal year-end, 2027 (Rs mn, %)

Impact of mobile PLI on FY2027 EBITDA Margin				Comments
<b>FY2027 financials with mobile PLI incentive</b>				
FY2027 revenue (Rs mn)		818,390		
EBITDA (Rs mn)		31,552		KIE estimate
EBITDA Margin (%)		3.9		
<b>Mobile PLI incentive calculation</b>				
Mobile revenue (Rs mn)		583,555		
PLI incentive (% of mobile turnover)		4.0		
Dixon share of PLI incentive (%)		20.0		Dixon passes on 80% of PLI to customers
Net PLI incentive (Rs mn)		4,668		Mobile revenue*4%*20%
<b>FY2027 financials without mobile PLI incentive</b>				
FY2027 revenue (Rs mn)		813,721		
EBITDA (Rs mn)		26,883		
EBITDA Margin (%)		3.3		
<b>Net change in EBITDA Margin (%)</b>		<b>0.6</b>		<b>EBITDA Margin to reduce by 0.6% on account of mobile PLI incentive</b>

Source: Kotak Institutional Equities estimates

### Entry into display module to more than offset impact of mobile PLI

We expect that while the non-renewal of mobile PLI will significantly impact Dixon's margins, the entry into display module will offset the impact on account of (1) rapid scale-up of the business (2) significantly higher margin than the core business (~15% versus ~4%). We estimate Dixon to witness a 7 bps improvement in FY2027 (first year of mobile PLI impact), going up to 20 bps+ improvement by FY2030 (4.4% versus 4.2%). The aforementioned scenario has been baked into our estimates since non-renewal of mobile PLI seems inevitable and Dixon has already commenced work on the display module business.

While we have not factored in Dixon's potentially foray into camera module manufacturing, we have built a scenario 2, taking into account the impact of camera module manufacturing. Based on our estimates, Dixon's possible foray into camera module manufacturing will further enhance the profitability of the company, improving the EBITDA margins to 4.8% by FY2030.

In addition to display and camera module manufacturing, Dixon also plans to enter enclosure manufacturing and other segments of the electronics manufacturing value chain, which could provide further upside to our estimates and remains an upside risk.

**Exhibit 8: Margin analysis for Dixon Technologies, March fiscal year-ends, 2026-30E (Rs mn, %)**

	2026	2027	2028	2029	2030	Remark
<b>Current KIE estimates</b>						
Revenue (Rs mn)	628,363	818,390	961,619	1,117,135	1,296,201	
EBITDA (Rs mn)	23,875	31,552	37,952	45,331	53,816	
EBITDA Margin (%)	3.8	3.9	3.9	4.1	4.2	
<b>Mobile PLI</b>						
Mobile revenue (Rs mn)	441,797	583,555	647,402	697,558	752,952	KIE estimate
PLI incentive	3,534	4,668	5,179	5,580	6,024	Mobile revenue*4%*20%
<b>Display assembly</b>						
Revenue (Rs mn)	6,120	33,619	51,942	56,844	61,993	KIE estimate
EBITDA (Rs mn)	918	5,043	7,791	8,527	9,299	15% margin
<b>Camera assembly</b>						
Revenue (Rs mn)		5,040	27,686	42,775	44,059	KIE estimate
EBITDA (Rs mn)		504	2,769	4,278	4,406	15% margin
<b>Revised estimates: Current estimates - Mobile PLI + Display assembly</b>						
Revenue (Rs mn)	628,363	813,721	956,440	1,111,555	1,290,177	Revenue - PLI incentive
EBITDA (Rs mn)	24,793	31,926	40,564	48,277	57,091	EBITDA - mobile PLI + DA's EBITDA
EBITDA Margin (%)	3.9	3.9	4.2	4.3	4.4	
<b>Scenario 2: Current estimates - Mobile PLI + Display assembly + Camera assembly</b>						
Revenue (Rs mn)	628,363	813,721	956,440	1,111,555	1,290,177	Revenue - PLI incentive
EBITDA (Rs mn)	24,793	32,430	43,332	52,555	61,497	EBITDA - mobile PLI + (DA+CA) EBITDA
EBITDA Margin (%)	3.9	4.0	4.5	4.7	4.8	

Source: Kotak Institutional Equities estimates

## We revise our estimates by (-)2%/(-)6% over FY2025-27E to account for non-renewal of mobile PLI, entry into display module manufacturing and higher minority interest

Exhibit 9: Change in estimates for Dixon, March fiscal year-ends, 2023-27E (Rs mn, %)

	New estimates					Old estimates			% change		
	2023	2024	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
<b>Revenues</b>	<b>121,920</b>	<b>176,909</b>	<b>393,632</b>	<b>628,363</b>	<b>813,721</b>	<b>393,632</b>	<b>628,363</b>	<b>818,390</b>	<b>—</b>	<b>—</b>	<b>(1)</b>
Consumer electronics	42,780	41,480	38,190	46,773	56,598	38,190	46,773	56,598	—	—	—
Lighting products	10,550	7,870	8,677	14,000	20,000	8,677	14,000	20,000	—	—	—
Home appliances	11,430	12,050	14,622	16,724	19,149	14,622	16,724	19,149	—	—	—
Mobile & EMS	52,240	109,190	332,144	546,601	705,142	332,144	546,601	709,810	—	—	(1)
Security systems	4,920	6,330	—	—	—	—	—	—	—	—	—
Auto & Industrial PCBA	—	—	—	4,264	12,832	—	4,264	12,832	—	—	—
<b>EBITDA</b>	<b>5,128</b>	<b>6,976</b>	<b>14,878</b>	<b>24,793</b>	<b>31,926</b>	<b>14,878</b>	<b>23,875</b>	<b>31,552</b>	<b>—</b>	<b>4</b>	<b>1</b>
<b>EBITDA margin (%)</b>	<b>4.2</b>	<b>3.9</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>0 bps</b>	<b>9 bps</b>	<b>7 bps</b>
Other income	56	226	320	352	387	320	352	387	—	—	—
Interest cost	(606)	(747)	(1,327)	(589)	(630)	(1,327)	(589)	(630)	—	—	—
PBT	3,432	4,836	11,330	20,695	26,367	11,330	19,896	26,354	—	4	0
Recurring PAT	2,551	3,749	7,805	13,317	15,480	7,951	12,914	16,519	(2)	3	(6)
<b>Recurring EPS (Rs)</b>	<b>59</b>	<b>63</b>	<b>131</b>	<b>223</b>	<b>259</b>	<b>133</b>	<b>216</b>	<b>276</b>	<b>(2)</b>	<b>3</b>	<b>(6)</b>

<b>Revenues</b>	<b>14</b>	<b>45</b>	<b>123</b>	<b>60</b>	<b>29</b>	<b>123</b>	<b>60</b>	<b>30</b>
Consumer electronics	(17)	(3)	(8)	22	21	(8)	22	21
Lighting products	(18)	(25)	10	61	43	10	61	43
Home appliances	61	5	21	14	14	21	14	14
Mobile & EMS	66	109	204	65	29	204	65	30
Security systems	24	29						
EBITDA	35	36	113	67	29	113	60	32
Recurring PAT	34	47	108	71	16	108	62	28

Source: Company, Kotak Institutional Equities

## We arrive at a valuation of Rs15,320/share for Dixon's consolidated business

Exhibit 10: DCF valuation of Dixon combined business (including display fab), March fiscal year-ends, 2024-45E (Rs bn, %)

KIE estimates														
(March fiscal year-ends, Rs bn)	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2040E	2045E
<b>Free cash flow calculation</b>														
Revenue	177	394	628	814	956	1,112	1,290	1,484	1,706	1,962	2,257	2,595	4,568	7,357
yoy growth (%)	45	123	60	29	18	16	16	15	15	15	15	15	10	10
EBIT (excl. other income)	5	12	21	27	34	42	50	58	67	77	89	102	180	289
EBIT margin (%)	3.0	3.1	3.3	3.3	3.6	3.7	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Effective tax rate (%)	25	26	26	26	26	26	26	26	26	26	26	26	26	26
NOPAT	4	9	16	20	26	31	37	43	50	57	66	76	134	215
Change in working capital (excl. cash)	(0)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Depreciation	2	3	4	5	6	7	7	8	9	11	12	14	23	36
Capex	(6)	(8)	(23)	(8)	(8)	(6)	(6)	(10)	(11)	(13)	(15)	(17)	(23)	(36)
OCF	6	11	19	25	32	38	44	52	59	68	78	90	157	251
<b>FCFF</b>	<b>(0)</b>	<b>3</b>	<b>(3)</b>	<b>17</b>	<b>24</b>	<b>32</b>	<b>39</b>	<b>42</b>	<b>48</b>	<b>55</b>	<b>64</b>	<b>73</b>	<b>134</b>	<b>215</b>

Post tax cost of debt (%)	7.0
Risk free rate (%)	7.0
Risk premium (%)	4.9
Beta	1.4
Cost of equity	14.0
FY2024 debt	2,149
FY2024 equity	12,849
<b>WACC (%)</b>	<b>13.0</b>
Terminal growth rate (%)	5.5

<b>Existing business Fair value (Rs/share)</b>	<b>13,780</b>
<b>Display business option value (Rs/share)</b>	<b>1,540</b>
<b>Combined Fair value (Rs/share)</b>	<b>15,320</b>

Source: Company, Kotak Institutional Equities estimates



**Exhibit 11: Summary financials of Dixon Technologies (consolidated), March fiscal year-ends, 2021-30E (Rs mn, %)**

	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
<b>Income statement</b>										
<b>Net revenues</b>	<b>64,482</b>	<b>106,971</b>	<b>121,920</b>	<b>176,909</b>	<b>393,632</b>	<b>628,363</b>	<b>813,721</b>	<b>956,440</b>	<b>1,111,555</b>	<b>1,290,177</b>
Total operating expenses	(61,616)	(103,180)	(116,793)	(169,933)	(378,754)	(603,570)	(781,795)	(915,876)	(1,063,278)	(1,233,086)
<b>EBITDA</b>	<b>2,866</b>	<b>3,791</b>	<b>5,128</b>	<b>6,976</b>	<b>14,878</b>	<b>24,793</b>	<b>31,926</b>	<b>40,564</b>	<b>48,277</b>	<b>57,091</b>
Depreciation & Amortization	(437)	(840)	(1,146)	(1,619)	(2,540)	(3,862)	(5,316)	(6,090)	(6,752)	(7,297)
<b>EBIT</b>	<b>2,429</b>	<b>2,952</b>	<b>3,981</b>	<b>5,357</b>	<b>12,338</b>	<b>20,932</b>	<b>26,610</b>	<b>34,473</b>	<b>41,525</b>	<b>49,794</b>
Other income	16	38	56	226	320	352	387	426	469	515
Interest expense	(274)	(442)	(606)	(747)	(1,327)	(589)	(630)	(678)	(734)	(797)
<b>PBT</b>	<b>2,170</b>	<b>2,548</b>	<b>3,432</b>	<b>4,836</b>	<b>11,330</b>	<b>20,695</b>	<b>26,367</b>	<b>34,221</b>	<b>41,260</b>	<b>49,512</b>
Tax expense	(572)	(644)	(897)	(1,189)	(2,901)	(5,298)	(6,750)	(8,761)	(10,563)	(12,675)
<b>Net profit</b>	<b>1,598</b>	<b>1,904</b>	<b>2,535</b>	<b>3,647</b>	<b>8,430</b>	<b>15,397</b>	<b>19,617</b>	<b>25,460</b>	<b>30,697</b>	<b>36,837</b>
<b>Reported PAT</b>	<b>1,598</b>	<b>1,904</b>	<b>2,551</b>	<b>3,749</b>	<b>9,562</b>	<b>13,317</b>	<b>15,480</b>	<b>20,463</b>	<b>25,276</b>	<b>30,872</b>
<b>Recurring EPS</b>	<b>27</b>	<b>32</b>	<b>43</b>	<b>63</b>	<b>131</b>	<b>223</b>	<b>259</b>	<b>342</b>	<b>423</b>	<b>516</b>
<b>Balance sheet</b>										
<b>Shareholders' funds</b>	<b>7,373</b>	<b>9,968</b>	<b>12,849</b>	<b>16,949</b>	<b>27,611</b>	<b>43,213</b>	<b>63,068</b>	<b>88,807</b>	<b>119,829</b>	<b>157,047</b>
Share capital	117	119	119	120	120	120	120	120	120	120
Reserves & surplus	7,256	9,849	12,730	16,829	27,491	43,093	62,949	88,687	119,710	156,928
Debt	1,561	4,983	2,149	1,550	1,550	1,550	1,550	1,550	1,550	1,550
Deferred tax liabilities	184	201	224	240	240	240	240	240	240	240
Minority interest and other liabilities	9	155	158	4,051	4,051	4,051	4,051	4,051	4,051	4,051
<b>Total sources of funds</b>	<b>9,127</b>	<b>15,307</b>	<b>15,380</b>	<b>22,790</b>	<b>33,452</b>	<b>49,054</b>	<b>68,909</b>	<b>94,648</b>	<b>125,670</b>	<b>162,888</b>
Net fixed assets	6,144	9,953	13,330	20,343	25,803	44,441	47,240	49,343	48,325	46,770
Net working capital (ex-cash)	1,259	1,817	(987)	(143)	373	407	434	455	478	504
Investments	1,034	1,713	745	504	504	504	504	504	504	504
Cash and bank balances and current investments	689	1,823	2,292	2,087	4,540	1,264	18,056	41,392	73,085	111,452
<b>Total application of funds</b>	<b>9,127</b>	<b>15,307</b>	<b>15,380</b>	<b>22,790</b>	<b>31,218</b>	<b>46,617</b>	<b>66,234</b>	<b>91,694</b>	<b>122,391</b>	<b>159,228</b>
<b>Free cash flow</b>										
Operating profit before wcap. changes	2,993	3,908	5,314	7,149	15,198	25,145	32,313	40,990	48,746	57,606
Change in working capital / other adjustments	(743)	(640)	2,764	(88)	(516)	(34)	(27)	(21)	(23)	(26)
<b>Net cashflow from operating activities</b>	<b>1,701</b>	<b>2,728</b>	<b>7,258</b>	<b>5,843</b>	<b>11,781</b>	<b>19,813</b>	<b>25,536</b>	<b>32,208</b>	<b>38,160</b>	<b>44,905</b>
Capex	(1,680)	(4,173)	(4,502)	(5,686)	(8,000)	(22,500)	(8,114)	(8,194)	(5,734)	(5,741)
<b>Free cash flow (CFO + net capex)</b>	<b>22</b>	<b>(1,445)</b>	<b>2,755</b>	<b>157</b>	<b>3,781</b>	<b>(2,687)</b>	<b>17,422</b>	<b>24,015</b>	<b>32,426</b>	<b>39,164</b>
<b>Growth (%)</b>										
Revenue growth	46.5	65.9	14.0	45.1	122.5	59.6	29.5	17.5	16.2	16.1
EBITDA growth	28.5	32.3	35.2	36.1	113.3	66.6	28.8	27.1	19.0	18.3
Recurring PAT growth	32.6	19.2	33.1	43.9	131.2	82.6	27.4	29.8	20.6	20.0
<b>Key ratios</b>										
EBITDA margin (%)	4.4	3.5	4.2	3.9	3.8	3.9	3.9	4.2	4.3	4.4
Net debt/equity (X)	0.1	0.3	(0.0)	(0.0)	(0.1)	0.0	(0.3)	(0.4)	(0.6)	(0.7)
Net debt/EBITDA (X)	0.3	0.8	(0.0)	(0.1)	(0.2)	0.0	(0.5)	(1.0)	(1.5)	(1.9)
Book value per share (Rs)	126	168	216	283	462	723	1,055	1,485	2,004	2,626
RoAE (%)	25.0	22.0	22.3	24.6	35.0	37.2	28.8	26.7	24.0	22.1
RoACE (%)	23.6	18.5	19.6	24.1	38.5	42.1	36.2	33.1	29.2	26.5

Source: Company, Kotak Institutional Equities estimates

### Amber: Gaining a foothold in the mobile and consumer electronics PCB market

Amber has gained a foothold in the Indian PCB market with the acquisition of Ascent Circuits. Furthermore, Amber's 70:30 JV with Korea Circuits will help it offer various grades of PCBs, such as single-layer, double-layer, multi-layer, flex PCBs, HDI and semiconductor substrates, which are used in the mobile and consumer electronics industry. Amber, through the component PLI, aims to invest Rs10 bn+ in this venture (25% central capital subsidy and 4% to 8% turnover incentive under the component PLI scheme with additional state subsidy).

The PCB business generally operates at an asset turn of 1.0-1.2X, and we expect Amber's steady-state margins in this business to be ~18%, in line with its existing Ascent Circuits business. Overall, we see the JV with Korea Circuits potentially contributing to earnings from FY2027, with Korea Circuits providing an interim buyback arrangement for two years, enabling production stabilization and time to sign on new customers.

We are marginally cutting our estimated value of Amber's stake in JV with Korea Circuits from Rs32.9 bn to Rs30.4 bn (a -7.5% change), factoring in the lower-than-expected subsidy offered under the component PLI scheme. Our earlier estimates had baked in ~40% capital subsidy; however, the new structure of 25% capital subsidy and turnover subsidy are marginally lower than our expectations.

#### No change in estimates since JV with Korea Circuits is valued separately

Exhibit 12: Changes in estimates for Amber (consolidated), March fiscal year-ends, 2020-27E (Rs mn)

	2020	2021	2022	2023	2024	New estimates			Old estimates			% revision		
						2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
<b>Income statement</b>														
Net revenue	39,628	30,305	42,064	69,271	67,293	95,694	#####	#####	95,694	#####	#####	—	—	—
YoY growth (%)	44.0	(23.5)	38.8	64.7	(2.9)	42.2	23.4	19.4	42.2	23.4	19.4			
EBITDA	3,093	2,203	2,754	4,179	4,919	7,560	9,681	11,563	7,560	9,681	11,563	—	—	—
EBITDA margin (%)	7.8	7.3	6.5	6.0	7.3	7.9	8.2	8.2	7.9	8.2	8.2	0 bps	0 bps	0 bps
Other income	82	331	332	527	553	808	851	1,012	808	851	1,012			
PBDIT	3,174	2,534	3,086	4,706	5,472	8,367	10,532	12,575	8,367	10,532	12,575	—	—	—
Interest & finance charges	(419)	(410)	(464)	(1,118)	(1,670)	(2,078)	(1,600)	(1,600)	(2,078)	(1,600)	(1,600)			
Depreciation	(848)	(923)	(1,079)	(1,391)	(1,865)	(2,301)	(2,404)	(2,804)	(2,301)	(2,404)	(2,804)			
PBT	1,907	1,201	1,543	2,197	1,937	3,989	6,528	8,171	3,989	6,528	8,171	—	—	—
Tax	(266)	(369)	(429)	(559)	(519)	(1,021)	(1,671)	(2,092)	(1,021)	(1,671)	(2,092)			
PAT	1,641	833	1,113	1,638	1,418	2,968	4,857	6,079	2,968	4,857	6,079	—	—	—
<b>Exceptional items</b>														
Minority interest & Share of JV	(57)	(17)	(21)	(66)	(89)	(321)	(173)	(163)	(321)	(173)	(163)			
Reported PAT	1,584	816	1,092	1,572	1,329	2,646	4,684	5,917	2,646	4,684	5,917	—	—	—
Consolidated EPS (Rs)	50	24	32	47	39	79	139	176	79	139	176	—	—	—

Source: Company, Kotak Institutional Equities estimates

## We arrive at a valuation of Rs7,900/share for Amber Enterprises

### Exhibit 13: Amber Enterprises' DCF model, March fiscal year-ends, 2024-45E, (Rs mn)

	2024	2025E	2026E	2027E	2028E	2029E	2030E	2035E	2040E	2045E
India volumes (mn units)	9.1	11.8	13.4	15.2	17.1	19.0	21.0	31.4	42.6	53.6
YoY %	8	30	14	13	12	11	11	7	6	4.0
RAC industry size at market prices (Rs mn)	272,160	362,778	424,136	492,238	574,821	666,136	766,018	1,284,395	1,745,920	2,193,029
RAC Industry size at OEM/ODM level (Rs mn)	190,512	257,572	305,378	359,333	419,619	486,279	559,193	937,608	1,274,522	1,600,911
Realization per unit (Rs)	21,000	21,840	22,714	23,622	24,567	25,550	26,572	29,890	29,890	29,890
Proportion at OEM/ODM level (%)	70.0	71.0	72.0	73.0	73.0	73.0	73.0	73.0	73.0	73.0
Amber's market share in volumes (%)	22.4	24.4	23.9	22.9	22.4	22.4	22.4	22.4	22.4	22.4
Amber's market share at OEM/ODM market prices (%)	25.4	27.1	27.6	27.3	26.9	27.1	27.4	29.5	31.7	33.6
Amber's AC volumes (mn units)	4.1	5.8	6.4	7.0	7.6	8.5	9.4	14.0	19.1	24.0
YoY (%)	3.4	41.6	11.7	8.4	9.8	11.4	10.6	7.3	5.7	4.0
RAC realization per unit (Rs)	6,822	6,959	7,237	7,526	7,677	7,831	7,987	8,476	8,476	8,476
YoY (%)										
<b>Amber total RAC revenues</b>	<b>49,390</b>	<b>57,286</b>	<b>65,848</b>	<b>76,308</b>	<b>113,054</b>	<b>131,951</b>	<b>152,945</b>	<b>276,770</b>	<b>403,702</b>	<b>537,241</b>
Amber AC revenues (Rs mn)	26,917	40,032	46,489	52,413	58,718	66,737	75,268	119,061	161,844	203,290
YoY (%)	(10)	49	16	13	12	14	13	7	6	4
Amber's AC component revenues (Rs mn)	21,540	29,790	37,684	45,711	54,337	65,213	77,677	157,709	241,858	333,951
YoY (%)	(3)	38	26	21	19	20	19	11	8	6
<b>Amber's non-AC revenues (Rs mn)</b>	<b>23,636</b>	<b>30,208</b>	<b>40,955</b>	<b>52,567</b>	<b>65,760</b>	<b>80,828</b>	<b>97,800</b>	<b>212,039</b>	<b>362,425</b>	<b>472,544</b>
YoY (%)	36	28	36	28	25	23	21	14	9	4
<b>Amber's total revenues (Rs mn)</b>	<b>73,026</b>	<b>87,494</b>	<b>106,803</b>	<b>128,876</b>	<b>178,814</b>	<b>212,778</b>	<b>250,744</b>	<b>488,810</b>	<b>766,127</b>	<b>1,009,786</b>
YoY (%)	5.4	19.8	22.1	20.7	38.7	19.0	17.8	11.6	8.0	4.7
AC and component revenue share (%)	67.6	65.5	61.7	59.2	63.2	62.0	61.0	56.6	52.7	53.2
Non-AC revenue share (%)	32.4	34.5	38.3	40.8	36.8	38.0	39.0	43.4	47.3	46.8
<b>Consolidated revenue</b>	<b>67,293</b>	<b>95,694</b>	<b>118,064</b>	<b>141,016</b>	<b>178,814</b>	<b>212,778</b>	<b>250,744</b>	<b>488,810</b>	<b>766,127</b>	<b>1,009,786</b>
YoY (%)	(2.9)	42.2	23.4	19.4	26.8	19.0	17.8	11.6	8.0	4.7
EBITDA (Rs mn)	4,919	7,560	9,681	11,563	14,663	17,448	20,561	40,082	62,822	82,802
EBITDA %	7.3	7.9	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
<b>Consolidated EBIT (Rs mn)</b>	<b>3,054</b>	<b>5,259</b>	<b>7,277</b>	<b>8,759</b>	<b>11,589</b>	<b>14,082</b>	<b>16,896</b>	<b>34,565</b>	<b>55,751</b>	<b>72,794</b>
<b>EBIT margin (%)</b>	<b>4.5</b>	<b>5.5</b>	<b>6.2</b>	<b>6.2</b>	<b>6.5</b>	<b>6.6</b>	<b>6.7</b>	<b>7.1</b>	<b>7.3</b>	<b>7.2</b>
EBIT*(1-Tax) (Rs mn)	2,272	3,904	5,414	6,539	8,676	10,551	12,671	26,064	42,179	55,146
Depreciation (Rs mn)	1,865	2,301	2,404	2,804	3,074	3,366	3,665	5,517	7,071	10,009
Inc/Dec in Working Capital (Rs mn)	5,032	(616)	(485)	(498)	(12,499)	(2,955)	(3,303)	(4,436)	(4,919)	(3,906)
Capex (Rs mn)	(3,977)	(4,000)	(8,000)	(3,800)	(4,282)	(4,457)	(4,500)	(6,329)	(8,387)	(11,054)
<b>FCF (Rs mn)</b>	<b>5,192</b>	<b>1,589</b>	<b>(667)</b>	<b>5,045</b>	<b>(5,031)</b>	<b>6,505</b>	<b>8,533</b>	<b>20,817</b>	<b>35,944</b>	<b>50,194</b>
Post tax cost of debt (%)	7.1									
Risk free rate (%)	7.0									
Risk premium (%)	4.9									
Beta	1.3									
Cost of equity (%)	13.6									
FY2024 debt	14,332									
FY2024 equity	20,644									
<b>WACC (%)</b>	<b>11</b>									
Terminal growth rate (%)	4.0									
Sum of discounted free cash flow	128,585									
Terminal cash flow	7,399									
Terminal value	111,471									
Enterprise value	240,056									
Net debt/(cash) - March 2024	7,843									
Valuation of investments	1,319									
Equity value of JV with Korea Circuits	30,344									
<b>Equity value (Rs mn)</b>	<b>263,876</b>									
<b>Equity value per share (Rs)</b>	<b>7,900</b>									
<b>Fair value</b>	<b>7,900</b>									

Source: Company, Kotak Institutional Equities estimates

**Exhibit 14: Summary financials of Amber (consolidated), March fiscal year-ends, 2020-27E (Rs mn)**

	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Income statement</b>								
<b>Net revenues</b>	<b>39,628</b>	<b>30,305</b>	<b>42,064</b>	<b>69,271</b>	<b>67,293</b>	<b>95,694</b>	<b>118,064</b>	<b>141,016</b>
Total operating expenses	(36,535)	(28,102)	(39,310)	(65,092)	(62,374)	(88,134)	(108,383)	(129,452)
EBITDA	3,093	2,203	2,754	4,179	4,919	7,560	9,681	11,563
Depreciation & Amortization	(848)	(923)	(1,079)	(1,391)	(1,865)	(2,301)	(2,404)	(2,804)
<b>EBIT</b>	<b>2,245</b>	<b>1,280</b>	<b>1,675</b>	<b>2,788</b>	<b>3,054</b>	<b>5,259</b>	<b>7,277</b>	<b>8,759</b>
Other income	82	331	332	527	553	808	851	1,012
Interest expense	(419)	(410)	(464)	(1,118)	(1,670)	(2,078)	(1,600)	(1,600)
PBT	1,907	1,201	1,543	2,197	1,937	3,989	6,528	8,171
Tax expense	(266)	(369)	(429)	(559)	(519)	(1,021)	(1,671)	(2,092)
<b>Net profit</b>	<b>1,641</b>	<b>833</b>	<b>1,113</b>	<b>1,638</b>	<b>1,418</b>	<b>2,968</b>	<b>4,857</b>	<b>6,079</b>
Minority interest	(57)	(17)	(21)	(66)	(89)	(114)	(173)	(207)
<b>PAT</b>	<b>1,584</b>	<b>816</b>	<b>1,092</b>	<b>1,572</b>	<b>1,329</b>	<b>2,646</b>	<b>4,684</b>	<b>5,917</b>
Reported PAT	1,584	816	1,092	1,572	1,329	2,646	4,684	5,917
<b>Recurring EPS</b>	<b>50</b>	<b>24</b>	<b>32</b>	<b>47</b>	<b>39</b>	<b>79</b>	<b>139</b>	<b>176</b>
<b>Balance sheet</b>								
Shareholders' funds	11,284	16,041	17,342	19,088	20,644	23,404	28,261	34,385
Debt	3,829	3,987	10,318	13,437	14,332	13,332	13,332	13,332
Deferred tax liabilities	1,225	1,253	983	2,639	5,242	5,242	5,242	5,242
Minority interest	348	365	387	452	518	518	518	518
<b>Total sources of funds</b>	<b>16,686</b>	<b>21,647</b>	<b>29,030</b>	<b>35,617</b>	<b>40,736</b>	<b>42,497</b>	<b>47,354</b>	<b>53,477</b>
Net fixed assets	11,176	11,873	14,882	18,021	21,163	22,862	28,458	29,454
Net working capital (ex-cash)	3,760	5,310	4,783	5,949	1,446	1,176	953	724
Investments	547	1,565	2,282	1,354	3,217	3,217	3,217	3,217
Goodwill	—	—	1,457	4,698	7,997	7,997	7,997	7,997
Cash and bank balances and current investments	1,203	2,899	5,626	5,594	6,913	7,451	6,935	12,248
<b>Total application of funds</b>	<b>16,686</b>	<b>21,647</b>	<b>29,030</b>	<b>35,617</b>	<b>40,736</b>	<b>42,704</b>	<b>47,561</b>	<b>53,640</b>
<b>Free cash flow</b>								
Operating profit before wcap. changes	3,326	2,369	3,008	4,327	5,077	8,367	10,532	12,575
Change in working capital / other adjustments	44	(80)	26	(582)	5,032	270	223	229
<b>Net cashflow from operating activities</b>	<b>2,882</b>	<b>2,210</b>	<b>2,496</b>	<b>3,206</b>	<b>9,648</b>	<b>7,617</b>	<b>9,084</b>	<b>10,712</b>
Capex	(1,411)	(1,711)	(4,077)	(6,535)	(3,977)	(4,000)	(8,000)	(3,800)
<b>Free cash flow (CFO + net capex)</b>	<b>1,471</b>	<b>499</b>	<b>(1,582)</b>	<b>(3,329)</b>	<b>5,671</b>	<b>3,617</b>	<b>1,084</b>	<b>6,912</b>
<b>Growth (%)</b>								
Revenue growth	44.0	(23.5)	38.8	64.7	(2.9)	42.2	23.4	19.4
EBITDA growth	45.3	(28.8)	25.0	51.8	17.7	53.7	28.1	19.4
Recurring PAT growth	73.2	(49.3)	33.7	47.1	(13.4)	109.3	63.7	25.2
<b>Key ratios</b>								
EBITDA margin (%)	7.8	7.3	6.5	6.0	7.3	7.9	8.2	8.2
Net debt/equity (X)	0.2	0.1	0.3	0.4	0.4	0.3	0.2	0.0
Net debt/EBITDA (X)	0.8	0.5	1.7	1.9	1.5	0.8	0.7	0.1
Book value per share (Rs)	359	476	515	566	612	694	838	1,020
RoAE (%)	15.0	6.0	6.5	8.6	6.7	12.0	18.1	18.9
RoACE (%)	14.1	5.0	5.1	6.9	6.6	10.9	13.8	14.6

Source: Company, Kotak Institutional Equities estimates

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**ADD.** We expect this stock to deliver 5-15% returns over the next 12 months.

**REDUCE.** We expect this stock to deliver -5+5% returns over the next 12 months.

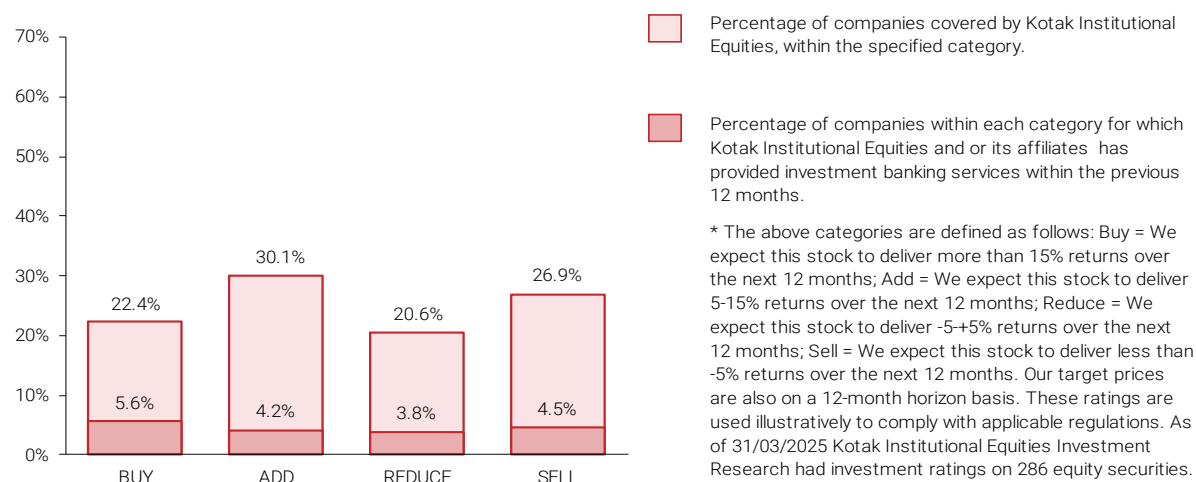
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Our Fair Value estimates are also on a 12-month horizon basis.

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Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of March 31, 2025

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