

January 20, 2025

RESULT REPORT Q3 FY25 | Sector: Consumer Durables

# Dixon Technologies Ltd

## Positives priced in; downgrade to SELL

### Result Synopsis

Dixon has delivered strong performance with 13.2% and 4.9% revenue beat to ours and consensus estimates. Revenue beat was driven by strong performance of Mobile phones and EMS business has seen continued growth of 189% as existing customers have been increasing offtake and ramping up volumes from the new customers. The company's Smart phone volume in Q3 stood at 8.3mn units excluding Samsung. The company expects JV with Vivo to materialize from 2H of next fiscal as government approval would take 7-8months. Apart from mobile phones all other segments have been subdued, consumer electronics has registered 31.9% decline. Management is confident of strong showing in mobile phones and expect smart phones to register healthy volume growth of ~30mn units in FY25 and momentum is expected to continue in FY26 as well. Management is focusing on backward integration and value addition to drive growth in medium to long term. Dixon is looking to manufacture display fab which enable Dixon to enable significant value addition and move up the value chain. Capex estimates for Fab manufacturing would be USD3bn. Dixon will continue to deliver strong growth in the medium term as it has been 1) able to add new customers on consistent basis; 2) New product category like refrigerator has seen strong performance and management is looking to expand capacity and make further investments in frost-free refrigerators; 3) IT hardware like laptops and tablets will be next growth driver as company has already started trial production of laptops for large global brands. Company is confident of significant revenue from telecom vertical current fiscal as order-book is extremely healthy; and 4) Investing in backward integration to improve efficiency. On the margin front, company is looking to improve its margin by increasing scale, backward integration. Management expects margin improvement of ~100-125bps in next 24 months. We continue to value the company at 55x FY27 EPS as on strong growth continuing for next couple of years. We however downgrade the stock to SELL with revised PT of Rs 15,138 as risk reward is not favorable.

Dixon is expected to deliver strong revenue performance given the ramp up in its existing customer base and company is expected to on-board new customers in FY25. We now build-in FY24-27E Revenue/EBITDA/PAT CAGR of 53%/53%/64%, we value the stock at 55x FY27 EPS. We downgrade the stock to SELL as CMP captures most of the positives and will wait for correction to enter the stock.

### Result Highlights

- Quarter summary** – Dixon continues to drive strong growth in Mobile phones by 190% Lighting and Home Appliances has seen muted growth of 7% and 9% respectively while consumer electronics segment has registered decline of 32%
- Margin** – EBITDA margin have contracted 9bps on yoy basis, as business mix has been more towards on the mobile phones side which has lower margins. Backward integration across product categories is expected to revive the margins
- New Additions**–. The company is looking to setup display fabrication and is planning to soon enter camera module, precision components and battery packs which will significantly add value addition
- Investments** -Company will continue to invest in adding capacities across products verticals. FY25 capex is expected to be Rs8bn.

### Exhibit 1: Actual vs estimates

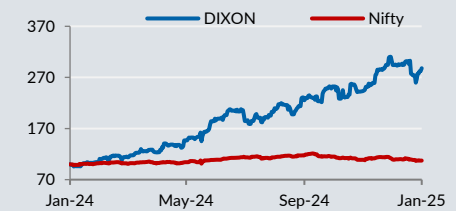
Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	104,537	92,381	99,689	13.2	4.9	Strong performance of Mobile phone and EMS division has resulted in revenue beat
EBITDA	3,905	3,589	3,644	8.8	7.2	
EBITDA Margin (%)	3.7	3.9	3.8	-14 bps	8 bps	
Adjusted PAT	2,162	1,880	1,993	15.0	8.5	

Reco	: SELL
CMP	: Rs 17,559
Target Price	: Rs 15,138
Potential Return	: -13.8%

### Stock data (as on Jan 20, 2025)

Nifty	23,345
52 Week h/l (Rs)	19149 / 5783
Market cap (Rs/USD mn)	1017541 / 11804
Outstanding Shares (mn)	60
6m Avg t/o (Rs mn):	7,191
Div yield (%)	0.0
Bloomberg code:	DIXON IN
NSE code:	DIXON

### Stock performance



	1M	3M	1Y
Absolute return	-2.1%	14.2%	191.7%

### Shareholding pattern (As of Jun'24 end)

Promoter	32.9%
FII+DII	45.8%
Others	21.3%

### Δ in stance

(1-Yr)	New	Old
Rating	SELL	REDUCE
Target Price	15,138	13,837

### Δ in earnings estimates

	FY26e	FY27e
EPS (New)	220.1	275.2
EPS (Old)	186.7	251.6
% change	17.9%	9.4%

### Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	393,736	533,419	638,795
YoY Growth	123%	35%	20%
EBIDTA	14,435	20,551	25,021
YoY Growth	106.6	42.4	21.8
PAT	8,753	13,159	16,459
YoY Growth	133%	50%	25%
ROE	40.7	41.6	36.3
EPS	146.4	220.1	275.2
P/E	119.9	79.7	63.7
BV	422.9	625.5	878.9
EV/EBITDA	72.1	50.1	40.7

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## Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	y/y %	q/q %	9MFY25	9MFY24	y/y %
Sales	48,183	46,580	65,798	115,341	104,537	117.0	(9.4)	285,676	130,329	119.2
EBITDA	1844	1825	2479	4264	3905	111.8	(8.4)	10,648	5,152	106.7
EBITDA Margin %	3.8	3.9	3.8	3.7	3.7			3.7	4.0	
Depreciation	407.0	510.3	545.1	660.0	746.0	83.3	13.0	1,951	1,109	76.0
EBIT	1437	1314	1934	3604	3159	119.9	(12.3)	8,697	4,043	115.1
EBIT Margin %	3.0	2.8	2.9	3.1	3.0			3.0	3.1	
Interest charges	222	214	293	379	409	84.1	7.8	1,081	533	102.7
Other Income	23.2	166.8	81.8	-57.3	65.0	180.2	(213.4)	90	59	52.0
PBT	1238	1267	1723	3167	2816	127.4	(11.1)	7,705	3,569	115.9
Tax	287	322	400	1172	689	140.3	(41.2)	2,261	867	160.8
Effective Tax Rate (%)	23.2	25.4	23.2	37.0	24.5			22.8	24.1	
PAT	971	917	1397	4117	2162	122.8	(47.5)	7,676	2,727	181.5
PAT Margin %	2.0	2.0	2.1	3.6	2.1			2.7	2.1	
EPS (Rs)	16.4	15.4	23.5	69.4	36.4	122.8	(47.5)	129	46	181.5

Source: Company, YES Sec Note: PAT is higher as it includes Rs2.1bn of gains towards sale of security systems business

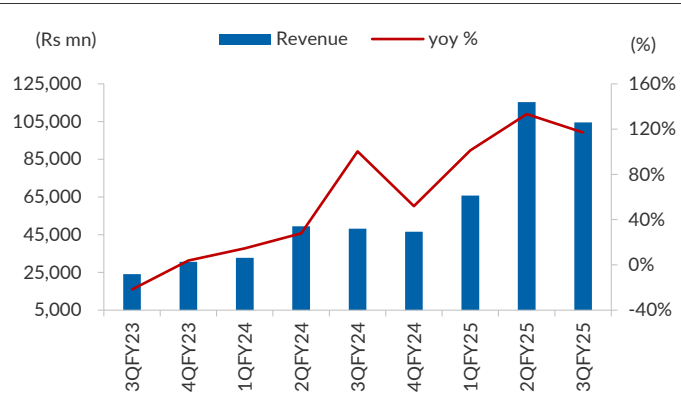
## Exhibit 3: Segmental Performance

Rs mn	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Consumer Electronics	9,290	8,970	8,550	14,130	6,330	(31.9)	(55.2)	29,010	32,510	(10.8)
Lighting Products	1,870	1,970	2,270	2,330	2,010	7.5	(13.7)	6,610	5,900	12.0
Home Appliances	2,880	2,940	3,050	4,440	3,150	9.4	(29.1)	10,640	9,110	16.8
Mobile Phones	32,140	30,910	51,920	94,440	93,050	189.5	(1.5)	239,410	78,280	205.8
Total Sales	48,180	46,580	65,790	115,340	104,540	117.0	(9.4)	285,670	130,340	119.2
EBITDA										
Consumer Electronics	320	300	290	520	220	(31.3)	(57.7)	1,030	1,110	(7.2)
EBITDA %	3.4	3.3	3.4	3.7	3.5			0.4	0.9	
Lighting Products	130	142	150	170	140	7.7	(17.6)	460	450	2.2
EBITDA %	7.0	7.2	6.6	7.3	7.0			0.2	0.3	
Home Appliances	300	301	320	490	320	6.7	(34.7)	1,130	1,000	13.0
EBITDA %	10.4	10.2	10.5	11.0	10.2			0.4	0.8	
Mobile Phones	1040	1050	1710	3080	3220	209.6	4.5	8,010	2,500	220.4
EBITDA %	3.2	3.4	3.3	3.3	3.5			2.8	1.9	
Security Systems	50	34	0	0	0	(100.0)	#DIV/0!	0	85	(100.0)
EBITDA %	2.5	1.9	NM	NM	NM			0.0	0.1	
Total EBITDA	1,840	1,827	2,470	4,260	3,900	112.0	(8.5)	10,630	5,145	106.6
EBITDA %	3.8	3.9	3.8	3.7	3.7			3.7	3.9	

Source: Company, YES Sec

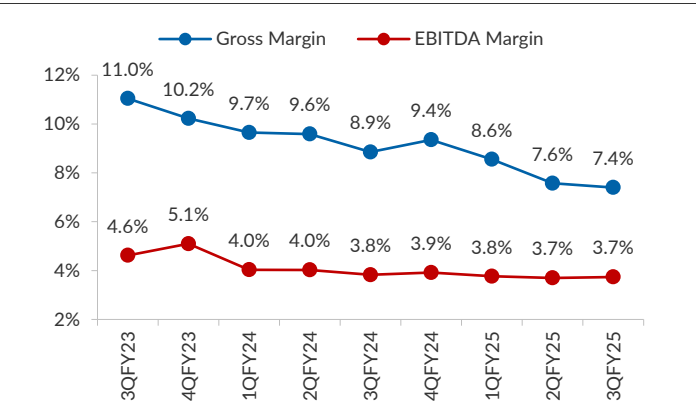
## CHARTS

**Exhibit 4: Strong performance in mobile phones continues to drive revenue growth**



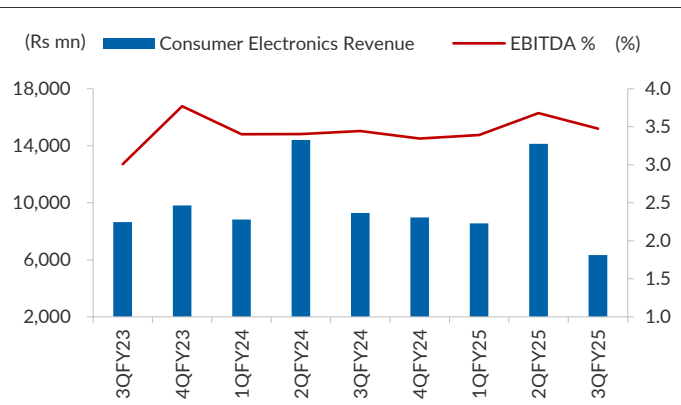
Source: Company, YES Sec

**Exhibit 5: Margins have been lower on change in revenue mix towards mobile phones**



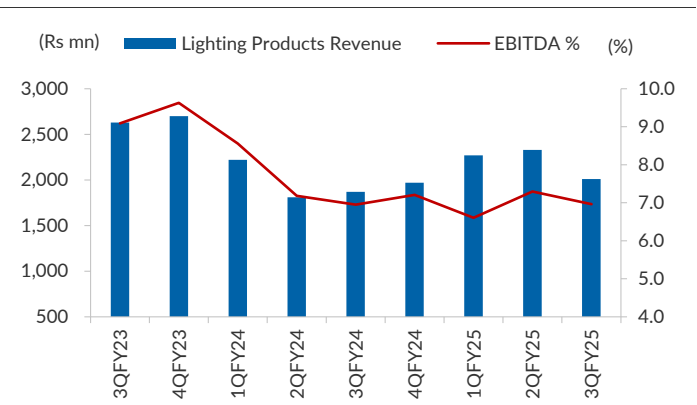
Source: Company, YES Sec

**Exhibit 6: Subdued consumer demand for television has results in a muted performance.**



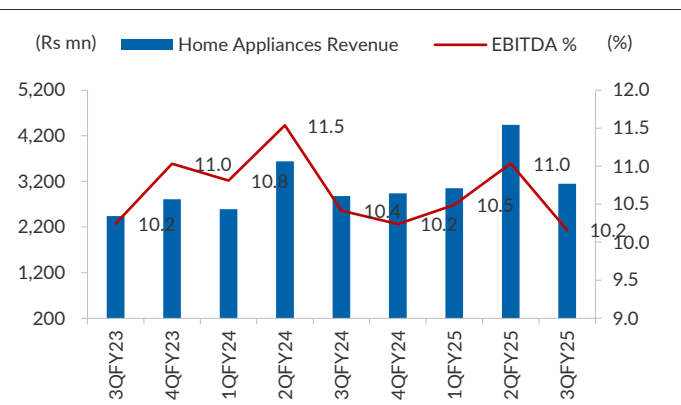
Source: Company, YES Sec

**Exhibit 7: Orders for floodlights and streetlight from large brands continues to drive revenue growth**



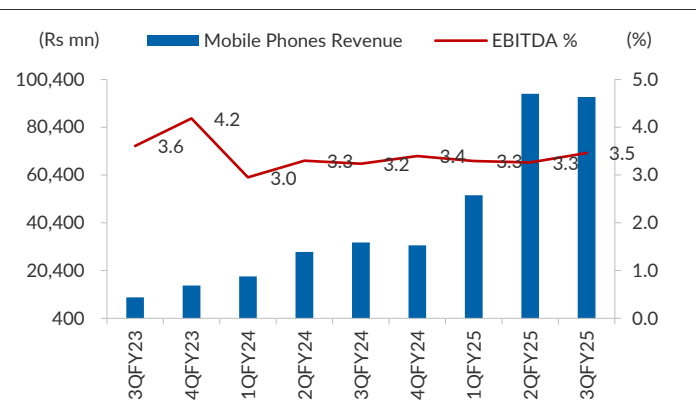
Source: Company, YES Sec

**Exhibit 8: Washing machine revenue has seen growth on back of ramping up of volumes in fully automatic top load category**



Source: Company, YES Sec

**Exhibit 9: Mobile phones business continues to see strong volume growth on back of new customer additions**



Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **Management commentary** – Higher share of wallet from existing customers, new customer addition has resulted in strong growth in subdued environment. Components expansion will result in strong growth continuing in ensuing quarters as well. Margins likely to expand by 100-125bps in next 24 months in mobile phones. Market is slightly subdued. January is better than Q3
- **Mobile phones** – The company has strengthened its partnership with customers and added one more facility in Noida to its existing 6 facility and now has capacity to manufacture 60mn smart phones. The company has formed MOU and would acquire assets worth Rs1.33bn. The company is expecting 3mn smart phone unit in next fiscal from itel, Tecno and Infinix. Volume of 0.5mn to 0.6mn will be start from Feb. The company is currently doing 1mn/month and order-book is expected to be strong. Xiaomi momentum is progressing well. Oppo order book is strong and company has started to manufacturing for Compal in Dec 24. The company has setup JV with Vivo and Vivo will transfer its assets to its JV where Dixon will hold 51%. Will start manufacturing for Vivo from Q1 next fiscal.
- **Vivo JV** – 67% of the Vivo sales would be manufactured in JV with Dixon as per the term sheet signed
- **Mobile phone Volume** – The Company has sold 8.3mn smartphone in Q3 (ex of Samsung) and for 9months its 20.5mn units. Featurephone volume stands at 9.3mn in Q3 and 25mn in 9MFY25. Samsung Volume for the quarter stood at 1.7mn units
- **Components ecosystem** – The company will start manufacturing display units from end of Q1 or early Q2 of FY26. This will be with the technology partner HKC. The company will further backward integrate into mechanical and other module. Dixon is looking to partner with global tech provider.
- **Display Fab** – The company is looking setup display fab which will significant add value addition. Capex requirement will be USD 3bn. The company is waiting of ism2 policy and guideline from the government. The display fab project will be spread across the 3 years.
- **Consumer Electronics** – LED TV market has subdued. The company has added MNC clients like Hisense in google TV platform. The company is working on amazon fire TV solutions and LG for its platform. Television volume stood at 3.8lakh units for the quarter and company has done 19.4 lakh for 9M. The company expects to end TV volume of 2.4mn for the FY25
- **Home Appliances** – The company is looking to expand its refrigerator capacity to 1.5mn units from existing 1.2mn units in DC refrigerator. The company is looking to expand in deep freezers, visi cooler, chillers. The company is looking to add frost free and side by side refrigerators. On the washing machine side the company is doing well in FATL and company is planning to add water-purifier, chimneys and water coolers etc. The company has started to export to nearby countries like Nepal
- **Lighting** – The company has added floodlights and streetlight.
- **Telecom/networking products** – Telecom revenue stood for Rs9.77bn. The business with anchor customer is ramping up well. The company is ramping up 5G devices both indoor and outdoor solutions and providing devices with access point. The company has localized adapter which is giving benefit
- **Lap-top** – Dedicated plant at Chennai for laptop has started trial production for HP and Asus. The company has started for mass production for Lenovo.
- **Rexxon** – The company has done revenue Rs1.5bn revenue from its plant in Noida and Sri-city
- **PLI** – The company has booked Rs2bn worth of PLI incentives while its receivables have been higher.
- **Capex**- Capex for FY25 will be around Rs8bn.

## FINANCIALS

### Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	119	120	120	120	120
Reserves	12,312	17,116	25,173	37,286	52,436
Net worth	12,431	17,236	25,292	37,405	52,555
Debt	6,080	1,550	1,550	1,550	1,550
Deferred tax liab (net)	201	259	259	259	259
Other non current liabilities	2,325	3,989	4,358	4,623	4,823
Total liabilities	21,037	23,034	31,459	43,838	59,188
Fixed Asset	10,567	17,661	20,446	22,639	24,952
Investments	1,350	200	200	200	200
Other Non-current Assets	3,747	3,690	4,926	5,827	6,561
Net Working Capital	3,622	(534)	(3,969)	(5,121)	(6,028)
Inventories	14,296	16,950	37,722	51,105	61,201
Sundry debtors	16,835	23,179	51,584	69,885	83,690
Loans and Advances	0	0	0	0	0
Sundry creditors	28,217	40,598	93,124	125,903	150,668
Other current liabilities	2,885	6,231	13,737	18,572	22,220
Cash & equivalents	1,751	2,016	9,856	20,292	33,502
Total Assets	21,037	23,034	31,459	43,838	59,188

Source: Company, YES Sec

### Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	121,920	176,920	393,736	533,419	638,795
Operating profit	5,128	6,987	14,435	20,551	25,021
Depreciation	1,146	1,619	1,980	2,322	2,702
Interest expense	606	747	1,054	1,054	1,054
Other income	56	226	189	298	611
Profit before tax	3,432	4,847	11,589	17,473	21,876
Taxes	897	1,189	2,944	4,426	5,536
Minorities and other	-	-	-	-	-
Adj. profit	2,535	3,658	8,645	13,046	16,340
Exceptional items	(16)	(102)	(108)	(113)	(119)
Net profit	2,551	3,760	8,753	13,159	16,459

Source: Company, YES Sec

## Exhibit 12: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	4,037	5,594	12,644	18,527	22,931
Depreciation	1,146	1,619	1,980	2,322	2,702
Tax paid	(897)	(1,189)	(2,944)	(4,426)	(5,536)
Working capital Δ	(1,019)	5,506	3,435	1,152	906
Other operating items					
Operating cashflow	3,267	11,530	15,115	17,575	21,003
Capital expenditure	(3,415)	(8,713)	(4,765)	(4,515)	(5,015)
Free cash flow	(148)	2,817	10,350	13,060	15,988
Equity raised	(0)	1,344	(0)	0	(0)
Investments	-	(200)	-	-	-
Debt financing/disposal	1,500	(4,530)	-	-	-
Interest paid	(606)	(747)	(1,054)	(1,054)	(1,054)
Dividends paid	(93)	(299)	(696)	(1,046)	(1,309)
Net Δ in cash	(14)	265	7,840	10,436	13,210

Source: Company, YES Sec

## Exhibit 13: Du-pont analysis

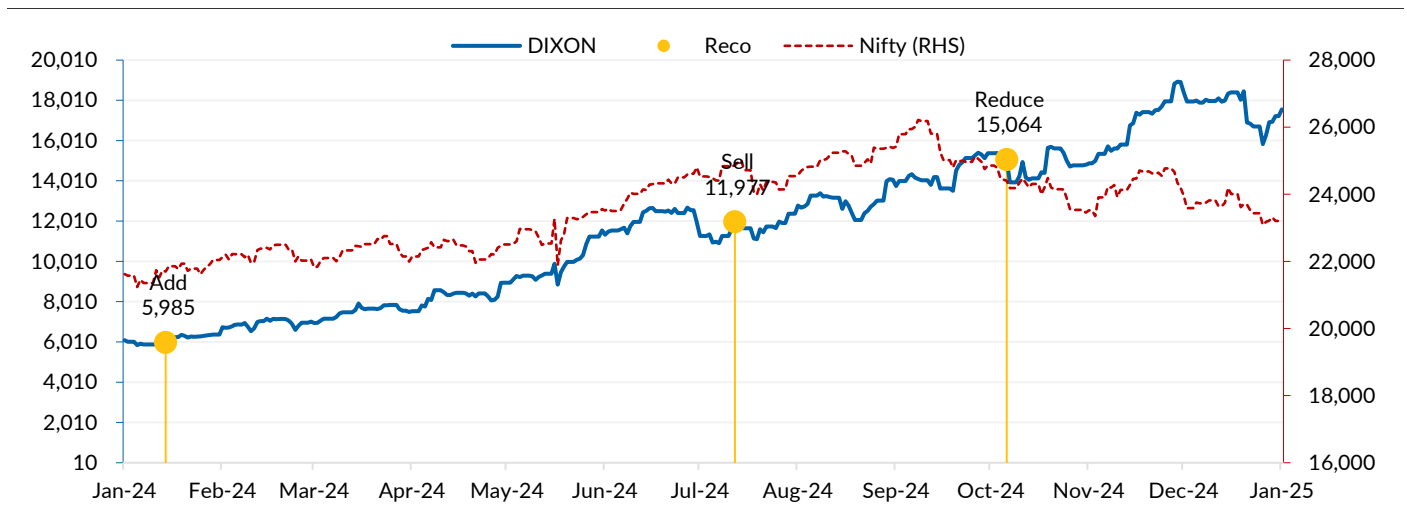
Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.74	0.75	0.75	0.75	0.75
Interest burden (x)	0.85	0.87	0.92	0.94	0.95
EBIT margin (x)	0.03	0.03	0.03	0.03	0.04
Asset turnover (x)	2.57	2.90	3.78	3.26	3.04
Financial leverage (x)	4.24	4.12	4.90	5.21	4.68
RoE (%)	22.6	24.7	40.7	41.6	36.3

## Exhibit 14: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>					
Revenue growth	14.0	45.1	122.6	35.5	19.8
Op profit growth	35.3	36.3	106.6	42.4	21.8
EBIT growth	35.0	38.6	126.0	46.5	23.8
Net profit growth	33.1	44.3	136.4	50.9	25.2
<b>Profitability ratios (%)</b>					
OPM	4.2	3.9	3.7	3.9	3.9
EBIT margin	3.3	3.2	3.2	3.5	3.6
Net profit margin	2.1	2.1	2.2	2.4	2.6
RoCE	24.4	30.0	55.4	56.3	49.3
RoNW	22.6	24.7	40.7	41.6	36.3

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
RoA	5.3	6.0	8.3	8.0	7.8
<b>Per share ratios</b>					
EPS	43.0	62.9	146.4	220.1	275.2
Dividend per share	1.6	5.0	11.6	17.5	21.9
Cash EPS	62.0	88.2	177.7	257.0	318.4
Book value per share	209.4	288.2	422.9	625.5	878.9
<b>Valuation ratios</b>					
P/E	408.2	279.0	119.9	79.7	63.7
P/CEPS	281.8	195.2	97.8	67.8	54.8
P/B	83.8	61.9	42.0	28.3	20.1
EV/EBIDTA	203.9	150.1	72.1	50.1	40.7
<b>Payout (%)</b>					
Dividend payout	3.7	8.2	8.1	8.0	8.0
Tax payout	26.1	24.5	25.4	25.3	25.3
<b>Liquidity ratios</b>					
Debtor days	50.4	47.8	47.8	47.8	47.8
Inventory days	42.8	35.0	35.0	35.0	35.0
Creditor days	84.5	83.8	86.3	86.2	86.1

## Recommendation Tracker



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Analyst signature

Analyst signature

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