

HOLD

TP: Rs 17,469 | ▼ 1%

DIXON TECHNOLOGIES

Consumer Durables

21 January 2025

Strong quarter; eyes continued growth

- Q3 beat with topline up 117% to Rs 105bn; and PAT 3% below our estimate at Rs 1.7bn
- Management upbeat on growth especially in Mobile segment comprising ~70% of the topline
- We raise FY25E/FY26E/FY27E EPS by 6-10% to bake in strong Q3, value DIXON at 70x P/E on strong return ratios. Raise TP to Rs 17,469. HOLD

Arshia Khosla

research@bobcaps.in

Strong revenue growth driven by mobile segment: DIXON's revenue in Q3FY25 surged by 117% YoY to Rs 105bn, with a substantial contribution of Rs 93bn from the Mobiles & EMS segment, reflecting 190% growth. This segment now accounts for 70% of the company's total revenue. Despite the robust topline growth, the EBITDA margin remained stable at 3.7%, indicating balanced scale and operational efficiency. Management remains optimistic about future growth, particularly in the Mobile segment, which continues to drive the company's revenue.

Favourable performance: In 9MFY25, DIXON reported considerable financial improvements, with ROE surging by 810bps YoY to 33.3%, and ROCE rising by 460bps to 42.6%. Management remains focused on sustaining these gains by driving profitability, optimising working capital, and enhancing asset turnover. With a clear strategy centered on the mobile and IT hardware sectors, DIXON is poised to maintain its growth momentum while reinforcing its financial strength and operational efficiency.

Strong order book; better margins anticipated: DIXON's strong order book, featuring major brands like Motorola, Xiaomi and Vivo, drives expected production volumes of 30mn units for FY25. With investments in automation and robotics, along with the PLI scheme, DIXON is positioning itself ahead of competitors. The JV with Vivo, coupled with strategic backward integration, will expand mobile business margins. Significant growth is anticipated across IT hardware, telecom, and refrigeration segments, as DIXON recruits top talent to enhance operations in precision components, mechanicals, and battery packs.

Maintain HOLD: Following DIXON's robust Q3FY25 performance and positive guidance, we have increased our EPS estimates by 10% for FY25, 8% for FY26, and 6% for FY27. We continue to value the stock at a 70x P/E, a 15% premium to its 5Y average. While DIXON maintains its leadership in the EMS space and we remain optimistic about its outlook, upon roll forward to Dec'26 we raise our TP to Rs 17,469 (from Rs 15,225). However, given the expensive valuations, we maintain a HOLD rating.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	DIXON IN/Rs 17,560
Market cap	US\$ 12.1bn
Free float	66%
3M ADV	US\$ 102.4mn
52wk high/low	Rs 19,149/Rs 5,783
Promoter/FPI/DII	34%/12%/24%

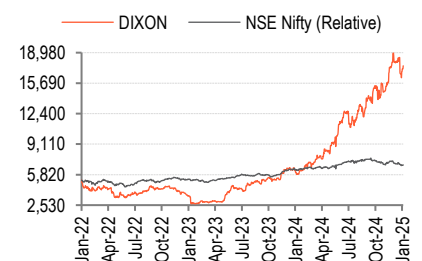
Source: NSE | Price as of 20 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	176,909	393,585	524,601
EBITDA (Rs mn)	6,976	14,700	19,522
Adj. net profit (Rs mn)	3,678	8,079	11,801
Adj. EPS (Rs)	61.8	135.7	198.2
Consensus EPS (Rs)	61.8	135.0	195.0
Adj. ROAE (%)	24.7	36.8	35.9
Adj. P/E (x)	284.3	129.4	88.6
EV/EBITDA (x)	149.9	71.1	53.6
Adj. EPS growth (%)	43.9	119.7	46.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Rs mn	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)	Q3FY25E	Variance (%)
Revenue	104,537	48,183	117.0	115,341	(9.4)	285,676	130,329	119.2	92,910	12.5
EBITDA	3,905	1,844	111.8	4,264	(8.4)	10,648	5,152	106.7	3,393	15.1
EBITDA Margin (%)	3.7	3.8	(10bps)	3.7	0bps	3.7	4.0	(20bps)	3.7	2.3
Depreciation	746	407		660		1,951	1,109			
Interest	409	222		379		1,081	533			
Other Income	65	23		(57)		90	59			
PBT	2,816	1,238	127.4	3,167	(11.1)	7,705	3,569	115.9		
Tax	689	287		1,172		2,261	867			
Adjusted PAT	1,712	964	77.5	1,803	(5.0)	4,852	2,693	80.2	1,768	(3.2)
Exceptional item	-	-		(2,096)		(2,096.1)	0.0			
Reported PAT	1,712	964	77.5	3,899	(56.1)	6,948	2,693	158.0		
Adj. PAT Margin (%)	1.6	2.0	(40bps)	1.6	10bps	1.7	2.1	(40bps)		
EPS (Rs)	35.7	16.0	123.5	33.5	6.6	91.4	45.4	101.5		

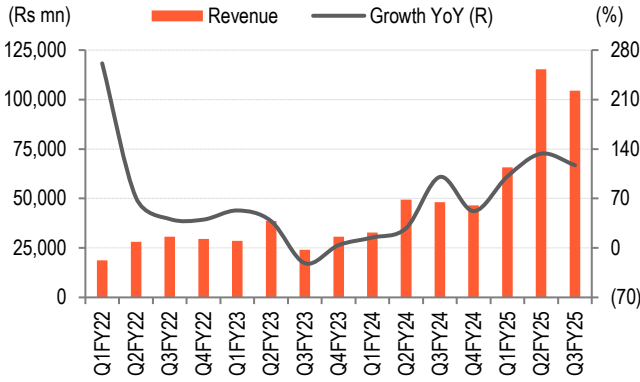
Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Rs mn	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Revenue													
Consumer electronics	14,104	10,104	9,322	15,007	8,640	9,810	8,820	14,400	9,290	8,970	8,550	14,130	6,330
Growth YoY (%)	3.4	(14.3)	(26.2)	1.0	(38.7)	(2.9)	(5.4)	(4.0)	7.5	(8.6)	(3.1)	(1.9)	(31.9)
Lighting products	4,304	3,046	2,312	2,904	2,630	2,700	2,220	1,810	1,870	1,970	2,270	2,330	2,010
Growth YoY (%)	23.5	(20.2)	50.6	(26.6)	(38.9)	(11.3)	(4.0)	(37.7)	(28.9)	(27.0)	2.3	28.7	7.5
Home appliances	1,801	2,341	2,556	3,629	2,440	2,810	2,590	3,640	2,880	2,940	3,050	4,440	3,150
Growth YoY (%)	56.4	59.8	262.3	62.0	35.5	20.0	1.3	0.3	18.0	4.6	17.8	22.0	9.4
Mobile & EMS	9,397	12,941	13,049	15,944	9,150	14,100	17,950	28,190	32,140	30,910	51,920	94,440	93,050
Growth YoY (%)	214.1	346.4	326.6	166.4	(2.6)	9.0	37.6	76.8	251.3	119.2	189.2	235.0	189.5
EBIT													
Consumer electronics	303	284	248	428	260	370	300	490	320	300	290	520	220
EBIT margin (%)	2.1	2.8	2.7	2.9	3.0	3.8	3.4	3.4	3.4	3.3	3.4	3.7	3.5
Lighting products	280	217	167	238	239	260	190	120	130	142	150	170	140
EBIT margin (%)	6.5	7.1	7.2	8.2	9.1	9.6	8.6	6.6	7.0	7.2	6.6	7.3	7.0
Home appliances	121	186	207	327	250	310	280	420	300	300	320	490	320
EBIT margin (%)	6.7	7.9	8.1	9.0	10.2	11.0	10.8	11.5	10.4	10.2	10.5	11.0	10.2
Mobile & EMS	303	457	328	423	330	590	530	930	1,040	1,050	1,710	3,080	3,220
EBIT margin (%)	3.2	3.5	2.5	2.7	3.6	4.2	3.0	3.3	3.2	3.4	3.3	3.3	3.5

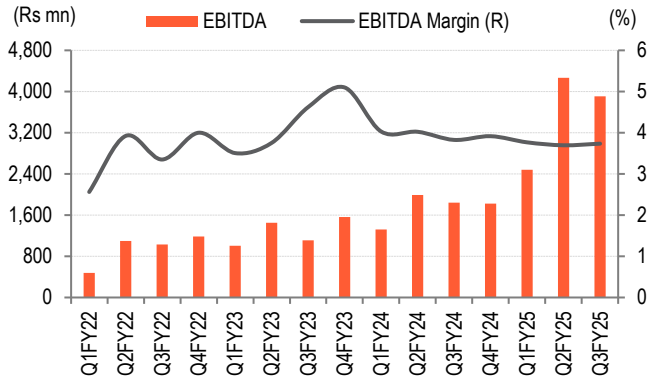
Source: Company, BOBCAPS Research

Fig 3 – Revenue growth



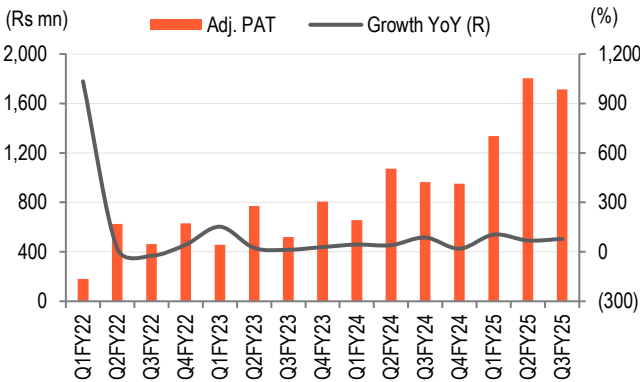
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



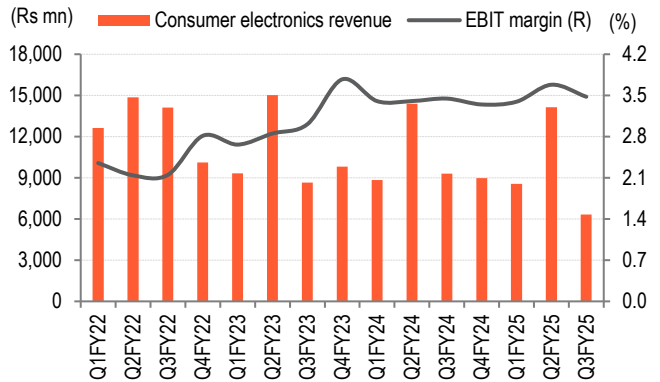
Source: Company, BOBCAPS Research

Fig 5 – PAT growth



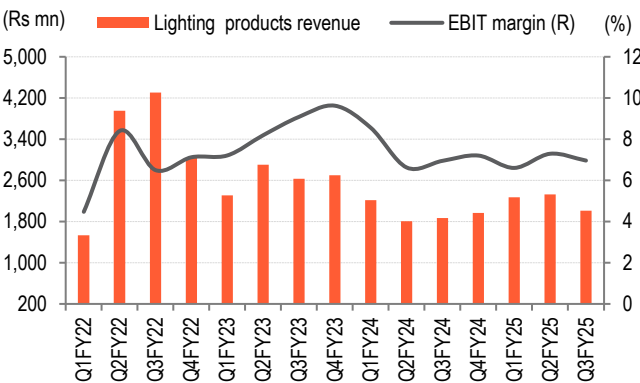
Source: Company, BOBCAPS Research

Fig 6 – Consumer Electronics business growth



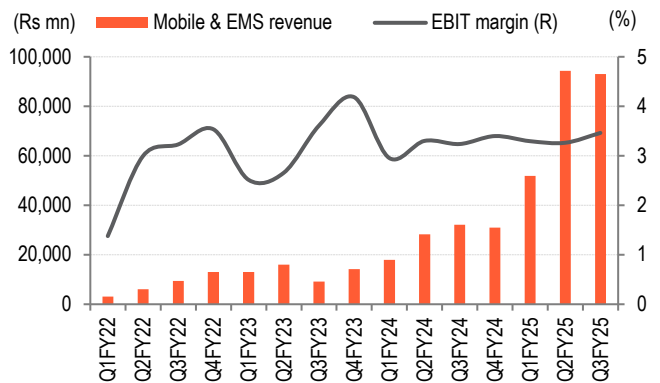
Source: Company, BOBCAPS Research

Fig 7 – Lighting business growth

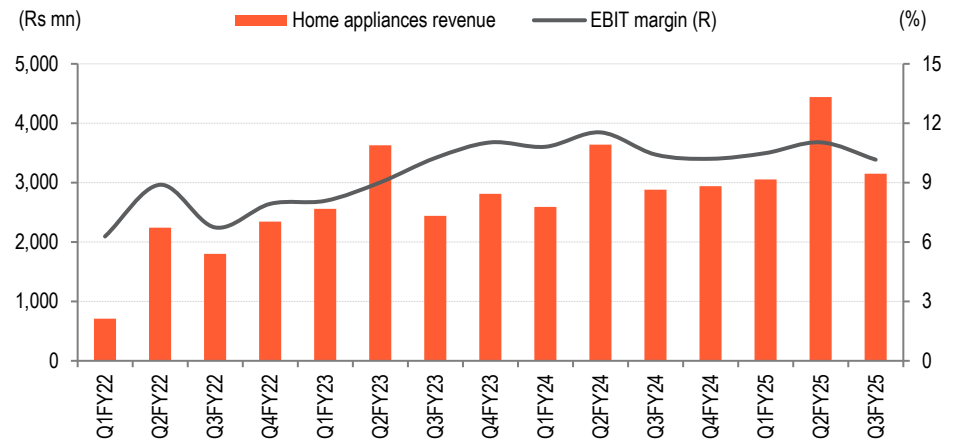


Source: Company, BOBCAPS Research

Fig 8 – Mobiles business growth



Source: Company, BOBCAPS Research

Fig 9 – Home appliances business growth

Source: Company, BOBCAPS Research

Earnings call highlights

Mobile and EMS

- Quarter gone by:** DIXON reported remarkable growth in its mobile phone segment, with revenue surging by 190% YoY to Rs 93bn in the quarter. This growth reinforces DIXON's position as a trusted manufacturing partner for global smartphone brands. The company added a new facility in Noida, bringing the total to six state-of-the-art plants with an annual capacity of over 60mn smartphones. To further support this expansion, Ismartu, a DIXON subsidiary, acquired land, buildings, and machinery for Rs 1.3bn, enabling it to scale up production for brands like Nothing, Infinix, Tecno, and Itel, including 3mn units of export volumes allocated to African markets. DIXON expects to export around 0.5mn-0.6mn units by February-March of the next financial year.
- Growth across key partnerships:** The company continues to see steady growth in partnerships with key players like Xiaomi and Oppo, with order books showing healthy momentum for upcoming quarters. For Motorola, DIXON has consistently delivered over 1mn units per month, with export orders adding further strength. In December, DIXON commenced production for a large global brand through COMPALL, and the pipeline for the coming months looks promising. Additionally, DIXON has entered into a binding agreement with Vivo to form a joint venture, where DIXON will hold a 51% stake and Vivo will transfer its manufacturing assets to the JV. The company expects this partnership to bolster DIXON's leadership in smartphone manufacturing once regulatory approvals are secured.
- Focus on backward integration and component manufacturing:** DIXON is actively deepening its manufacturing capabilities by entering the precision components and battery pack segments. A senior team has been recruited to execute these projects, which aim to strengthen backward integration. The company has also finalised plans to set up a display module manufacturing facility in partnership with HKC, expected to commence production by the end of Q1 or early Q2 of the next financial year. DIXON is in advanced discussions with a global technology partner to establish a world-class display fabrication facility (FAB), critical for mobile, IT hardware, and consumer electronics. This initiative is

expected to reduce India's reliance on imported displays, enhance supply chain control, and improve cost efficiencies

- **PLI:** DIXON eagerly awaits the rollout of the government's PLI and ISM 2 policy guidelines, which will facilitate investments in the component sector and display manufacturing. These developments align with DIXON's long-term goal of value addition and industry leadership. By localising production and leveraging government incentives, DIXON aims to create a competitive moat while meeting the growing demand in India's electronics manufacturing sector.

Consumer Electronics

- **Steady performance in LED, TVs and refrigerators:** DIXON reported quarterly revenue of Rs 6.3bn from its LED, TV and refrigerator segments, with an operating profit of Rs 220mn and a margin of 3.5%. The refrigerator business contributed Rs 1.66bn to the revenue. While the LED TV market experienced slower growth due to subdued consumer demand, DIXON onboarded multinational brands like Hisense and AcerPure for its TV ODM solutions on Google TV and Linux platforms. Partnerships with Amazon for Fire TV Solutions and LG for WebOS are progressing, with rollouts expected by Q1 of the next fiscal year. DIXON has also received export inquiries, further diversifying its growth avenues.
- **Diversifying product offerings in display solutions:** DIXON has begun manufacturing digital signage solutions ranging from 65 to 100 inches, complementing its interactive flat-panel display offerings. With a robust order book for these products, the company plans to invest in CKD (completely knocked down) kits and set up a robotic panel assembly line. Additionally, DIXON is exploring partnerships for manufacturing industrial, institutional, and automotive displays, aiming to expand its footprint in high-potential sectors.
- **Expanding refrigerator business and exports:** In its first year of operations, DIXON captured an 8% share of the Indian market in the direct cool refrigerator category, supported by strong brand partnerships and a focus on quality execution. The company has started exporting refrigerators to Nepal and is actively exploring markets in Sri Lanka and the UAE. To meet rising demand, DIXON plans to expand its annual refrigerator production capacity from 1.2mn to 1.5mn units.
- **Future roadmap and product line expansion:** DIXON is focused on backward integration and expanding its product portfolio. The company plans to introduce new offerings such as deep freezers, wizzy coolers, wine chillers, two-door frost-free refrigerators, and side-by-side models. With a healthy order book for FY25 and FY26, DIXON is well-positioned to strengthen its presence in the consumer electronics and appliances markets.

Home appliances

- **Steady growth in home appliances:** The home appliances segment, primarily driven by washing machines, reported revenue of Rs 3.15bn for the quarter and reflecting 9% YoY growth. The company has achieved a significant milestone with monthly event volumes in FATL doubling YoY to 25,000 units, supported by a robust pipeline of customer additions.

- **Expanding product portfolio:** Looking ahead, the company is actively exploring the addition of new product categories, including robotic vacuum cleaners, water purifiers, chimneys, and other large kitchen appliances. Additionally, several new designs are under development and are expected to be launched by Q4FY25, further strengthening its presence in the home appliances market.

Lighting

- **Segmental performance:** The lighting segment reported quarterly revenue of Rs 2.01bn. The outdoor lighting range saw strong traction, with significant orders for floodlights and streetlights secured from a major brand. The planned backward integration of Baton, expected to commence operations in Q4FY25, is anticipated to enhance cost efficiency and drive margin improvement in the coming quarters.

Telecom and networking products

- **Segmental performance:** The telecom and networking products segment reported revenue of Rs 9.77bn for the quarter, marking significant sequential growth of 48%. This vertical is expected to grow more than fourfold compared to the previous fiscal year. Production at the newly established Noida facility commenced in late November, addressing the increased order book for the anchor customer. Capacity for 5G FWA (Fixed Wireless Access) products, including outdoor and indoor units, is being doubled to meet demand in the domestic market. Also, the company successfully completed the development of NPF IPTV set-top boxes, with mass production underway. Backward integration initiatives, such as localising components like mechanical parts and adapters, are enhancing cost efficiency and margins.
- **Expansion in IT hardware manufacturing:** In the laptops, tablets, and IT hardware segment, a dedicated manufacturing unit in Chennai is nearing completion, with production trials set to begin by February FY25 and mass production slated for Q1FY26. The Noida unit has already commenced mass production for Lenovo and Acer, while discussions are underway to establish a joint venture with a leading global ODM. This JV aims to expand the product portfolio to include notebooks, servers, and other IT products, strengthening the company's position in the IT hardware market.
- **Wearables:** Revenue from the wearables and IT peripherals segment stood at Rs 1.29bn for the quarter, supported by healthy operating margins and strong ROCE. The segment has a robust order book and continues to deliver promising results. The Rexam Dixon JV, specialising in air conditioning components, generated Rs 1.03bn in revenue. The company is evaluating the feasibility of establishing an additional manufacturing facility in Andhra Pradesh to meet growing demand from anchor customers.

Valuation methodology

Following DIXON's robust Q3FY25 performance and positive guidance, we have increased our EPS estimates by 10% for FY25, 8% for FY26 and 6% for FY27. We continue to value the stock at a 70x P/E, a 15% premium to its five-year average. While DIXON maintains its leadership in the EMS space and we remain optimistic about the outlook, upon roll forward to Dec'26 we raise our TP to Rs 17,469 (from Rs 15,225). However, given the expensive valuations, we maintain a HOLD rating.

Fig 10 – Revised estimates

Particulars (Rs mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	393,585	524,601	693,290	338,444	479,639	629,158	16.3	9.4	10.2
EBITDA	14,700	19,522	26,035	12,731	17,543	23,021	15.5	11.3	13.1
PAT	8,079	11,801	15,881	7,334	10,930	14,973	10.2	8.0	6.1
EPS (Rs)	135.7	198.2	266.7	123.1	183.5	251.4	10.2	8.0	6.1
EBITDA Margin (%)	3.7	3.7	3.8	3.8	3.7	3.7	0bps	10bps	10bps

Source: Company, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- above-anticipated customer acquisitions, and
- faster volume ramp up in the Mobiles segment.

Key downside risks to our estimates are;

- volatility in Mobiles business revenue, and
- margins reverting to lower levels on reduced Original Design Manufacturing contribution.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	121,920	176,909	393,585	524,601	693,290
EBITDA	5,128	6,976	14,700	19,522	26,035
Depreciation	1,146	1,619	2,946	2,763	3,718
EBIT	3,981	5,358	11,754	16,758	22,317
Net interest inc./(exp.)	(606)	(747)	(1,394)	(1,477)	(1,631)
Other inc./(exp.)	56	226	248	285	314
Exceptional items	0	0	0	0	0
EBT	3,432	4,836	10,609	15,566	21,000
Income taxes	897	1,189	2,673	3,923	5,292
Extraordinary items	0	0	(2,096)	0	0
Min. int./Inc. from assoc.	16	102	143	158	173
Reported net profit	2,555	3,678	10,175	11,801	15,881
Adjustments	0	0	(2,096)	0	0
Adjusted net profit	2,555	3,678	8,079	11,801	15,881

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	24,519	40,598	85,187	113,544	150,055
Other current liabilities	4,341	6,074	13,513	18,011	23,803
Provisions	0	0	0	0	0
Debt funds	4,531	4,890	5,576	5,909	6,523
Other liabilities	555	1,404	2,785	3,620	4,696
Equity capital	119	120	120	120	120
Reserves & surplus	12,730	16,829	26,884	38,567	54,329
Shareholders' fund	12,849	16,949	27,004	38,686	54,449
Total liab. and equities	46,794	69,914	134,065	179,771	239,525
Cash and cash eq.	2,592	2,087	6,954	14,351	28,022
Accounts receivables	17,155	23,179	53,473	70,003	93,353
Inventories	9,579	16,950	34,316	48,001	61,942
Other current assets	2,068	6,147	13,677	18,229	24,091
Investments	0	0	0	0	0
Net fixed assets	9,425	16,367	18,421	20,658	21,940
CWIP	1,197	643	1,430	1,906	2,519
Intangible assets	3,012	3,635	3,778	3,936	4,109
Deferred tax assets, net	0	0	0	0	0
Other assets	1,768	906	2,015	2,686	3,550
Total assets	46,794	69,914	134,065	179,771	239,525

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	7,258	7,061	9,816	12,494	18,577
Capital expenditures	(4,502)	(5,686)	(5,000)	(5,000)	(5,000)
Change in investments	984	344	0	0	0
Other investing cash flows	(38)	33	(515)	(312)	(401)
Cash flow from investing	(3,556)	(5,309)	(5,515)	(5,312)	(5,401)
Equities issued/Others	336	469	0	0	0
Debt raised/repaid	(2,776)	(276)	686	334	614
Interest expenses	0	0	0	0	0
Dividends paid	(856)	(893)	(119)	(119)	(119)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(3,296)	(700)	567	215	495
Chg in cash & cash eq.	406	1,052	4,867	7,397	13,671
Closing cash & cash eq.	2,592	2,087	6,954	14,351	28,022

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	42.9	61.8	170.9	198.2	266.7
Adjusted EPS	42.9	61.8	135.7	198.2	266.7
Dividend per share	3.0	2.0	2.0	2.0	2.0
Book value per share	215.8	284.6	453.5	649.6	914.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	8.6	5.9	2.7	2.0	1.5
EV/EBITDA	203.9	149.9	71.1	53.6	40.2
Adjusted P/E	409.2	284.3	129.4	88.6	65.8
P/BV	81.4	61.7	38.7	27.0	19.2

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.5	76.0	76.2	75.8	75.6
Interest burden (PBT/EBIT)	86.2	90.3	90.3	92.9	94.1
EBIT margin (EBIT/Revenue)	3.3	3.0	3.0	3.2	3.2
Asset turnover (Rev./Avg TA)	12.9	10.8	21.4	25.4	31.6
Leverage (Avg TA/Avg Equity)	0.8	1.1	0.8	0.6	0.5
Adjusted ROAE	22.4	24.7	36.8	35.9	34.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	14.0	45.1	122.5	33.3	32.2
EBITDA	35.3	36.1	110.7	32.8	33.4
Adjusted EPS	34.3	43.9	119.7	46.1	34.6
Profitability & Return ratios (%)					
EBITDA margin	4.2	3.9	3.7	3.7	3.8
EBIT margin	3.3	3.0	3.0	3.2	3.2
Adjusted profit margin	2.1	2.1	2.1	2.2	2.3
Adjusted ROAE	22.4	24.7	36.8	35.9	34.1
ROCE	18.8	21.5	33.2	33.2	32.2
Working capital days (days)					
Receivables	51	48	50	49	49
Inventory	29	35	32	33	33
Payables	73	84	79	79	79
Ratios (x)					
Gross asset turnover	10.1	10.5	16.6	18.3	20.6
Current ratio	1.1	1.0	1.1	1.1	1.2
Net interest coverage ratio	6.6	7.2	8.4	11.3	13.7
Adjusted debt/equity	0.4	0.3	0.2	0.2	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

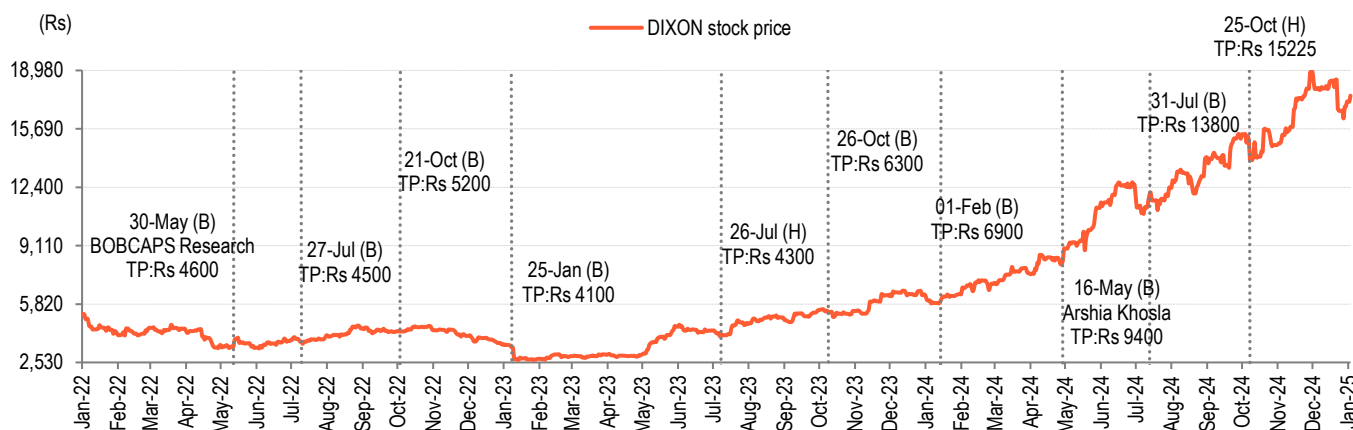
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): DIXON TECHNOLOGIES (DIXON IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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