

RESEARCH**DIXON TECHNOLOGIES | TARGET: Rs 17,469 | -1% | HOLD**

Strong quarter; eyes continued growth

SUPREME INDUSTRIES | TARGET: Rs 5,150 | +28% | BUY

Weak Q3; aggressive capex to boost SI's market share in future

SUMMARY**DIXON TECHNOLOGIES**

- 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

[Click here](#) for the full report.

SUPREME INDUSTRIES

- Sharp miss on weak pipe volume (+3.7% YoY vs +20% guidance) as well as inferior pipe margin (12.2% vs 14-16% guidance)
- Guidance revised down for volume to +12% (vs +14-15%) and margin to 13.5-14.0% (vs 14.5-15.25%) for FY25 based on weak Q3 result
- SI to gain market share in plastic pipe sector on aggressive capex plan; maintain BUY with revised TP of Rs 5,150 per share

[Click here](#) for the full report.



HOLD
 TP: Rs 17,469 | ▼ 1%

DIXON TECHNOLOGIES | Consumer Durables | 21 January 2025

Strong quarter; eyes continued growth

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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% |

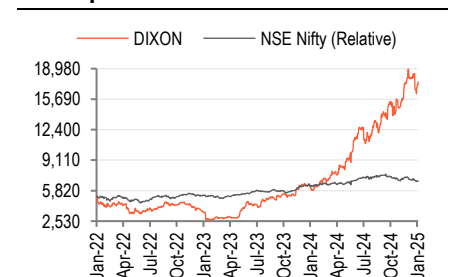
Source: NSE | Price as of 20 Jan 2025

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



BUY
 TP: Rs 5,150 | ▲ 28%

SUPREME INDUSTRIES

Building Materials

20 January 2025

Weak Q3; aggressive capex to boost SI's market share in future

- Sharp miss on weak pipe volume (+3.7% YoY vs +20% guidance) as well as inferior pipe margin (12.2% vs 14-16% guidance)
- Guidance revised down for volume to +12% (vs +14-15%) and margin to 13.5-14.0% (vs 14.5-15.25%) for FY25 based on weak Q3 result
- SI to gain market share in plastic pipe sector on aggressive capex plan; maintain BUY with revised TP of Rs 5,150 per share

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Weak Q3: SI missed our estimates (Revenue/EBITDA/APAT: -7%/-24%/-30%) on account of weak sales volume (+3.0% YoY vs +8.0% estimate) as well as lower EBITDA margin (-316bps YoY to 12.3% vs 15.0% estimate). Overall, SI's revenue grew by 2.5% YoY, but EBITDA/APAT de-grew by 18.5%/27.0% YoY in Q3FY25.

Key highlights: Pipe volume was up 3.7% YoY in Q3FY25 (vs +20% earlier guidance for H2FY25) due to destocking of inventories in the channel on account of low resin prices, weak infra demand and extended monsoon in South India and some Eastern states. Pipe margin was sharply down 388bps YoY/ 272bps QoQ to 12.2% in Q3FY25 (vs earlier guidance of 14-16%) due to procurement of PVC resin at a higher price in the domestic market. Non-pipe volume was relatively flat (+0.5% YoY) as increased packaging volume (+8.6%) more than offset the impact of weak sales volume of industrial (-4.7%) and consumer (-6.8%). Non-pipe EBITDA margin contracted by 160bps YoY to 13.5% in Q3FY25.

Concall KTAs: The company revised down its consolidated/pipe volume growth guidance to +12% YoY (+14-15% earlier)/ +15-16% YoY (+16-18% earlier) for FY25. EBITDA margin guidance has also been revised down from the earlier 14.5-15.25% to 13.5-14.0% for FY25. SI booked MTM inventory loss of Rs 1bn in 9MFY25, but management expects to see inventory gain in Q4FY25 due to higher crude oil prices and impact of weak rupee. SI plans to spend Rs 10bn for FY25 (spent Rs 7.2bn in 9MFY25) mainly to increase its pipe capacity (from 740 ktpa in Mar'24 to 900 ktpa by Mar'25). The company plans to put up three greenfield plastic pipe complexes in Jammu, Bihar and Madhya Pradesh in FY26.

Maintain BUY, cut TP to Rs 5,150: We maintain our BUY rating on the stock as we see its EPS growing at a healthy 13.5% CAGR with an average ROIC profile of 35.8% over FY24-FY27E. We have cut our TP to Rs 5,150 due to earnings downgrade (-16.9%/-14.3%/-9.9% for FY25E/FY26E/FY27E) based on a weak Q3FY25. At CMP, the stock trades at 41.0x on 1Y forward P/E vs. 5Y average of 34.7x. We value the stock at 45x on Dec'26 EPS estimate (Sep'26 earlier).

Key changes

| Target | Rating |
|--------|--------|
| ▼ | ◀ ▶ |

| | |
|------------------|-------------------|
| Ticker/Price | SI IN/Rs 4,022 |
| Market cap | US\$ 5.9bn |
| Free float | 51% |
| 3M ADV | US\$ 12.3mn |
| 52wk high/low | Rs 6,460/Rs 3,601 |
| Promoter/FPI/DII | 49%/25%/12% |

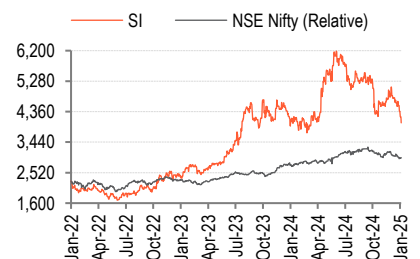
Source: NSE | Price as of 20 Jan 2025

Key financials

| Y/E 31 Mar | FY24A | FY25E | FY26E |
|-------------------------|---------|---------|---------|
| Total revenue (Rs mn) | 101,343 | 110,566 | 128,330 |
| EBITDA (Rs mn) | 15,473 | 15,649 | 19,472 |
| Adj. net profit (Rs mn) | 10,697 | 10,411 | 12,869 |
| Adj. EPS (Rs) | 84.2 | 81.9 | 101.3 |
| Consensus EPS (Rs) | 84.2 | 93.5 | 112.1 |
| Adj. ROAE (%) | 22.5 | 19.2 | 21.0 |
| Adj. P/E (x) | 47.8 | 49.1 | 39.7 |
| EV/EBITDA (x) | 33.4 | 33.3 | 26.8 |
| Adj. EPS growth (%) | 23.6 | (2.7) | 23.6 |

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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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

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