

Dixon technologies

Refer to important disclosures at the end of this report

Positives priced in; downgrade to Hold

- Despite Covid-related disruptions, TV revenues performed well in Q1, with an 11% qoq rise. Revenue and margin for Lighting and Washing machine categories were adversely impacted. EBITDA beat was driven by lower other opex/ employee expense.
- Gross margin contracted by 273bps qoq, which can be attributable to lower cost absorption and commodity headwinds in ODM-focused business segments, where entire impact of commodity inflation was not passed-on to the customers.
- With strong order book visibility across business segments, management was confident about revenue recovery from Q2, along with a rebound in margins. To avoid any production delays, it has accumulated inventory for select components.
- We cut FY22E revenue/EBITDA by 7%/12% due to the Q1 revenue loss. We believe that after multi-fold stock price returns and a 61% EPS CAGR over FY21-24E, current valuations limit upside. Downgrade to Hold with a TP of Rs4,500 (45x Sep'23E EPS).

In-line revenues; EBITDA surprises positively: Revenues rose significantly to Rs18.7bn, with all the segments registering growth on a yoy basis. EBITDA grew 184% yoy. Employee expenses and other opex were below our estimates by 30% and 32%, respectively. EBITDA margins contracted 70bps yoy to 2.6% due to unfavorable product mix and negative operating leverage. PAT of Rs182mn was supported by better-than-expected operating margins and a lower ETR. Consumer Electronics revenues grew 263% yoy, beating our estimates by 11%. Lighting revenues saw 98% growth yoy. The performance of the Mobile and EMS division was below expectation.

Outlook: The capacity expansion across key product segments, driven by a strong order book, provides healthy revenue visibility. Management continues to target ~Rs40bn of revenues under Mobile PLI, despite the change in the base year for incentive calculation by the government. Diversification, increasing scale and management's focus on deploying global best practices should benefit Dixon in the long term. With the majority of revenues coming from MNC brands, the company has already showcased its capabilities in product quality and execution. This, we believe, will help continue to attract new clients. Our estimates do not factor in significant revenue accretion from Lighting exports as Dixon is yet to announce any major customer wins. After multi-fold stock price returns in the last 12 months and a 61% FY21-24E EPS CAGR, valuations stand at 45x Sep'23E EPS, which we believe prices in lots of positives and provides limited upside. We are downgrading the stock to Hold from Buy but our target price remains unchanged. **Key risks:** adverse currency and continued commodity price inflation; customer losses and execution challenges; weak end consumer demand; and rise in competitive intensity in the contract manufacturing space.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Durables \(Page 11\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	44,001	64,482	1,15,582	1,84,126	2,38,354
EBITDA	2,231	2,866	4,655	7,733	10,104
EBITDA Margin (%)	5.1	4.4	4.0	4.2	4.2
APAT	1,205	1,599	2,729	4,947	6,638
EPS (Rs)	20.6	27.3	46.6	84.5	113.4
EPS (% chg)	90.2	32.7	70.7	81.3	34.2
ROE (%)	26.2	25.0	31.9	40.7	37.3
P/E (x)	219.5	165.5	96.9	53.5	39.9
EV/EBITDA (x)	118.6	92.3	57.0	34.3	25.9
P/BV (x)	48.9	35.9	27.2	18.2	12.6

Source: Company, Emkay Research

CMP Rs 4,518 as of (July 27, 2021)	Target Price Rs 4,500 (■) 12 months
Rating HOLD (▼)	Upside (0.4) %

Change in Estimates

EPS Chg FY22E/FY23E (%)	(15.2)/
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	46.6	84.5
Consensus	53.5	80.5
Mean Consensus TP (12M)	Rs 4,271	

Stock Details

Bloomberg Code	DIXON IN
Face Value (Rs)	2
Shares outstanding (mn)	59
52 Week H/L	4,735 / 1,402
M Cap (Rs bn/USD bn)	265 / 3.55
Daily Avg Volume (nos.)	2,35,660
Daily Avg Turnover (US\$ mn)	13.5

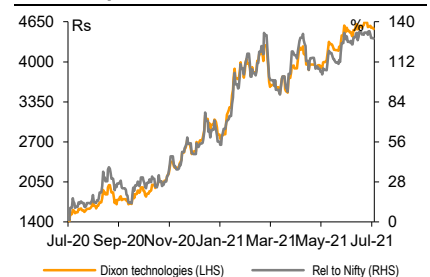
Shareholding Pattern Jun '21

Promoters	35.0%
FIIIs	19.9%
DIIIs	9.5%
Public and Others	35.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	12	62	206
Rel. to Nifty	1	4	43	117

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Naval Seth

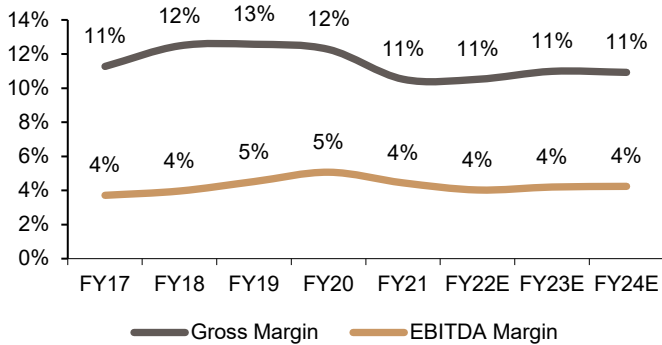
naval.seth@emkayglobal.com
+91 22 6624 2414

Sonali Shah

sonali.shah@emkayglobal.com
+91 22 6624 2482

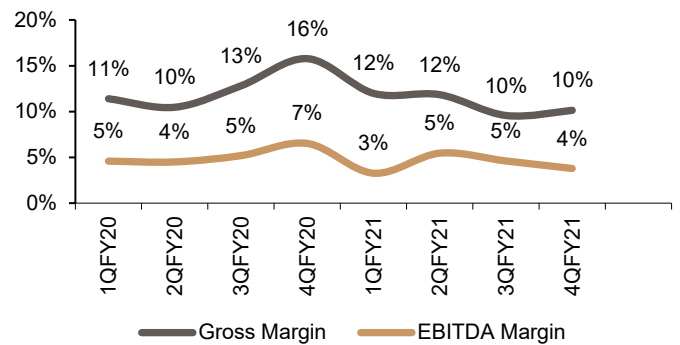
Story in Charts

Exhibit 1: EBITDA margins are projected to stay stable



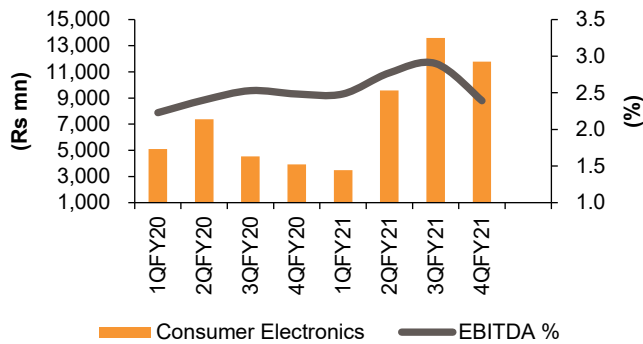
Source: Company, Emkay Research

Exhibit 2: Gross margin contraction was higher than estimates



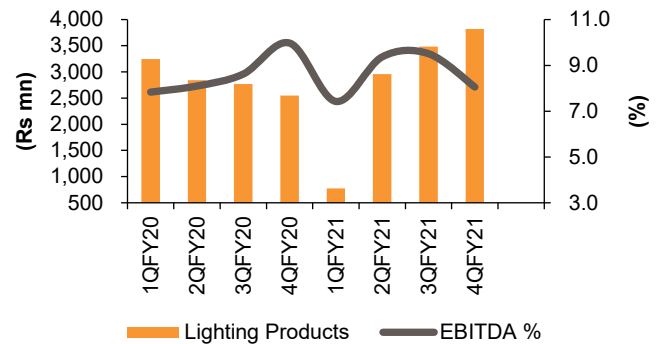
Source: Company, Emkay Research

Exhibit 3: Revenues for Consumer Electronics rose multifold



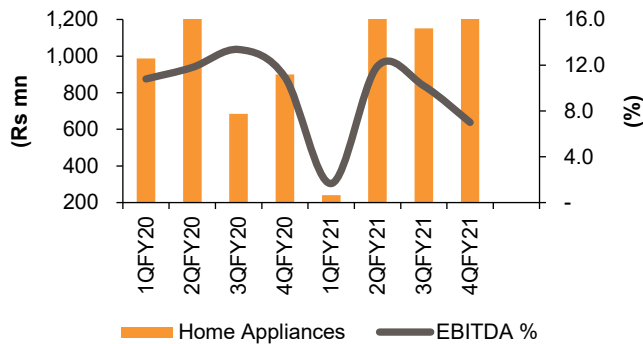
Source: Company, Emkay Research

Exhibit 4: Lighting revenues missed our projections by 27%



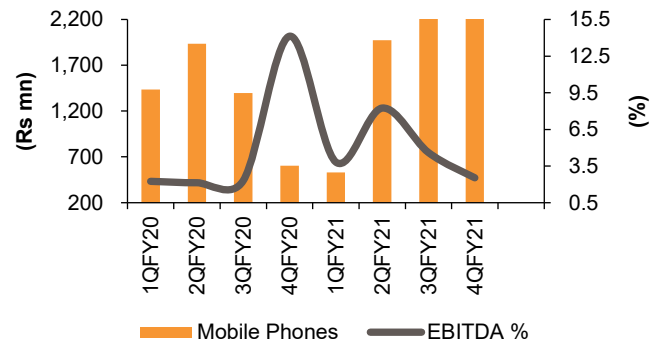
Source: Company, Emkay Research

Exhibit 5: Quarterly trend of Home Appliance revenue and EBITDA margins



Source: Company, Emkay Research

Exhibit 6: Mobile & EMS EBITDA was impacted by negative operating leverage



Source: Company, Emkay Research

Other highlights

- Revenue grew 261% yoy to Rs18.7bn, and all segments saw strong growth.
- EBITDA improved 183% yoy to Rs479mn, beating our estimates by 57%, while the EBITDA margin stood at 2.6% vs. 3.3% in Q1FY21.
 - Gross margins contracted by 458bps yoy, higher than our estimate.
 - Employee expenses and other operating expenses increased 83% and 114% yoy but were lower than estimates by 30% and 32%, respectively.
- PAT of Rs182mn was supported by better operating margins and a lower ETR.
 - ETR for Q1FY22 stood at 24.6% vs. 25.9% in Q1FY21.
 - Other income stood at Rs4mn vs. Rs2mn in Q1FY21.
 - Interest cost stood at Rs91mn vs. Rs57mn in Q1FY21 and Rs71mn in Q4FY21.

Segmental details

- **Consumer Electronics:** Revenue stood at Rs12.6bn (up 263% yoy). EBITDA margins stood at 2.4%, down 13bps yoy but relatively stable qoq.
- **Home Appliances:** Revenue grew 193% yoy to Rs706mn, with EBITDA of Rs44mn vs. Rs4mn in Q1FY21. **EBITDA margin stood at 6% vs. 2% in Q1FY21 and 7% in Q4FY21.**
- **Mobile and EMS division:** Revenue stood at Rs3bn, up 476% yoy. **EBITDA margin stood at 1.4% vs. 3.8% in Q1FY21 and 2.5% in Q4FY21.**
- **Lighting:** Lighting revenue rose 97% yoy to Rs1.5bn. **EBITDA margins contracted 295bps yoy and 358bps qoq.**
- **Security Systems:** Security systems revenue was Rs751mn vs. Rs134mn in Q1FY21. EBITDA margins stood at 3.5% - up 335bps yoy and 62bps qoq.

Balance sheet, working capital and other highlights

- Gross debt rose to Rs2.3bn, with net debt at Rs544mn at June-end vs. a net cash position of Rs80.4mn at FY21-end.
- FCF stood at negative Rs0.5bn due to lower EBITDA and higher capex.
- The cash conversion cycle stood at zero days, with higher inventory offsetting improved debtors and payable days.

Exhibit 7: Actual vs. Estimates (Q1FY22)

(Rs mn)	Actual	Estimate		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	18,673	18,490	17,743	1%	5%	All segments registered strong growth
EBITDA	479	305	561	57%	-15%	On lower-than-estimated opex
<i>EBITDA, margin</i>	<i>2.6%</i>	<i>1.7%</i>	<i>3.2%</i>	<i>91 bps</i>	<i>-60 bps</i>	
PAT	182	70	228	161%	-20%	Aided by better operating margins and a lower ETR

Source: Company, Bloomberg, Emkay Research

Exhibit 8: Summary of quarterly financials

Rs mn	Q1FY20	Q4FY20	1QFY21	4QFY21	1QFY22	YoY (%)	QoQ (%)	2-year CAGR
Total Sales	11,469	8,574	5,169	21,097	18,673	261.2	(11.5)	28%
Raw Material	10162	7,222	4,550	18,960	17,291	280.0	(8.8)	30%
<i>as % of sales</i>	<i>88.6</i>	<i>84.2</i>	<i>88.0</i>	<i>89.9</i>	<i>92.6</i>			
Employee Cost	284.4	308	198	437	361	82.8	(17.4)	13%
<i>as % of sales</i>	<i>2.5</i>	<i>3.6</i>	<i>3.8</i>	<i>2.1</i>	<i>1.9</i>			
Other operating expenses	497	485	253	902	541	114.1	(40.0)	4%
<i>as % of sales</i>	<i>4.3</i>	<i>5.7</i>	<i>4.9</i>	<i>4.3</i>	<i>2.9</i>			
Total Expenditure	10943	8,015	5,001	20,299	18,194	263.8	(10.4)	29%
EBITDA	526	559	169	798	479	183.5	(40.0)	-5%
Depreciation	76.1	109	93	123	150	62.6	22.4	41%
EBIT	450	450	76	675	329	330.0	(51.3)	-15%
Other Income	6	-0	2	10	4	81.0	(61.2)	-18%
Interest	98.5	77	57	71	91	60.5	28.1	-4%
PBT	357	373	22	614	241	1,015.7	(60.7)	-18%
Tax	121.1	97	6	171	59	960.7	(65.2)	-30%
PAT	236	276	16	443	182	1,035.0	(59.0)	-12%
Margins (%)						(bps)	(bps)	
Gross Margin	11.4	15.8	12.0	10.1	7.4	(458)	(273)	
EBIDTA	4.6	6.5	3.3	3.8	2.6	(70)	(122)	
EBIT	3.9	5.2	1.5	3.2	1.8	28	(144)	
EBT	3.1	4.3	0.4	2.9	1.3	87	(162)	
PAT	2.1	3.2	0.3	2.1	1.0	66	(113)	
Effective Tax rate	33.9	26.0	25.9	27.8	24.6	(128)	(314)	

Source: Company, Emkay Research

Exhibit 9: Quarterly segmental financials

Rs mn	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	YoY (%)	QoQ (%)	2-year CAGR
Consumer Electronics	3,473	9,569	13,598	11,786	12,623	263.4	7.1	57%
Lighting Products	777	2,957	3,486	3,817	1,535	97.5	(59.8)	-31%
Home Appliances	241	1,454	1,152	1,465	706	193.0	(51.8)	-15%
Mobile Phones	531	1,974	2,992	2,899	3,059	476.3	5.5	46%
Reverse Logistics	14	36	45	38	12	(14.3)	(68.7)	-29%
Security Systems	134	397	555	1,092	751	461.6	(31.2)	5%
Total Sales	5,170	16,387	21,828	21,097	18,685	261.4	(11.4)	28%
EBITDA								
Consumer Electronics	86	265	394	282	298	245.0	5.6	62%
Lighting Products	58	277	332	307	69	19.1	(77.7)	-48%
Home Appliances	4	173	118	103	44	1,007.5	(56.8)	-36%
Mobile Phones	20	163	138	74	42	106.9	(42.9)	14%
Reverse Logistics	0	4	5	1	-	-	-	-
Security Systems	0	12	20	31	26	13,050.0	(16.2)	14%
Total EBITDA	169	894	1,005	798	479	183.6	(40.0)	-5%
EBITDA Margins (%)								
						(bps)	(bps)	
Consumer Electronics	2.5	2.8	2.9	2.4	2.4	(13)	(3)	
Lighting Products	7.4	9.4	9.5	8.1	4.5	(295)	(358)	
Home Appliances	1.7	11.9	10.2	7.0	6.3	462	(72)	
Mobile Phones	3.8	8.2	4.6	2.5	1.4	(245)	(117)	
Reverse Logistics	2.9	10.2	10.3	2.6	-	(286)	(261)	
Security Systems	0.1	2.9	3.5	2.9	3.5	335	62	
Total EBITDA	3.3	5.5	4.6	3.8	2.6	(70)	(122)	

Source: Company, Emkay Research

Exhibit 10: Changes in estimates

Particulars	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	1,24,689	1,15,582	-7.3%	1,80,062	1,84,126	2.3%	2,33,516	2,38,354	2.1%
EBITDA	5,307	4,655	-12.3%	7,702	7,733	0.4%	10,039	10,104	0.6%
EBITDA Margin %	4.3	4.0	-23 bps	4.3	4.2	-8 bps	4.3	4.2	-6 bps
PAT	3217	2732	-15.1%	4954	4947	-0.1%	6622	6638	0.2%
EPS	55.6	47.2	-15.1%	85.6	85.5	-0.1%	114.5	114.7	0.2%

Revenue assumptions (Rs mn)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Lighting	13,535	13,162	-2.8%	15,673	15,572	-0.6%	17,647	17,536	-0.6%
Consumer Electronics	47,171	51,345	8.8%	63,305	67,434	6.5%	72,732	77,480	6.5%
Washing Machine	6,294	5,209	-17.2%	8,183	8,074	-1.3%	9,001	9,043	0.5%
Mobiles	9,894	9,894	0.0%	12,075	12,075	0.0%	13,251	13,251	0.0%
Mobile- PLI	40,000	30,000	-25.0%	60,000	60,000	0.0%	80,010	80,010	0.0%
Reverse Logistics	171	171	0.0%	191	191	0.0%	213	213	0.0%
Security Systems	3,257	3,378	3.7%	3,908	4,053	3.7%	4,299	4,459	3.7%
Others	4,366	2,422	-	16,726	16,726	-	36,362	36,362	-
Total	1,24,689	1,15,582	-7.3%	1,80,062	1,84,126	2.3%	2,33,516	2,38,354	2.1%

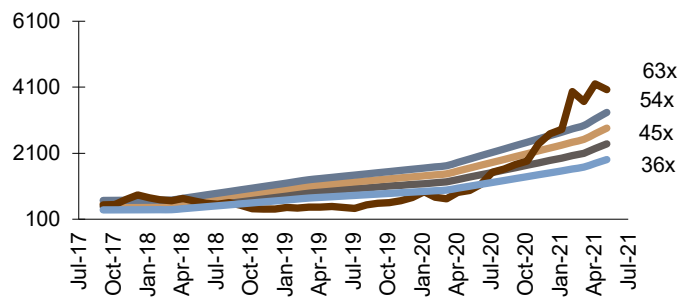
Source: Company, Emkay Research

Con-call highlights

- **Consumer Electronics:** The company has started manufacturing large-screen 70 inch TVs from Q2FY22. LED monitors production will start from Q3, with 0.5mn units expected to be produced in the first year with a scale-up to 1mn units from the second year.
 - The significant improvement in working capital has led to negative capital employed and it is expected to be sustained going forward.
 - The company is still pursuing with Google for TADA (Television App Distribution Agreement) license, which is delaying ODM solution launch for the customers.
- **Lighting:** The order book remains very strong. The cost increase has been partially passed on to the customers. This, along with better capacity utilization, should drive margins back to normal levels.
 - There is a shortage of driver ICs, but Dixon has accumulated enough IC inventories.
 - The company is awaiting safety approvals from countries for exports and is expected to receive them in August. Exports will be to the US and Europe.
 - The company has finalized some components for participating in the PLI scheme.
 - The capacity utilization should improve to 80-90% from August onward.
- **Home Appliances:** Margins are expected to normalize from Q2 as the order book is strong and cost inflation has been passed on to the customers. The company is further expanding capacity to 1.5mn units from 1.2mn, and the new capacity will be installed from August, with commercial production starting from September. The company has already signed a contract with an MNC brand.
- **Mobile + EMS:** The initial ramp-up cost for the PLI-dedicated facility and adverse operating leverage impacted performance in Q1. Exports for Motorola have already started and the order book is strong from Q2 onward. Dixon will export 5G handsets. The company is in talks with one of the brands in North America as well. The current order book stands at 1mn handsets from Q2.
 - Despite opting for the new revenue ceiling of Rs20bn under PLI, the management is aspiring to achieve Rs40bn of revenues in FY22.
 - **STB:** the company manufactured 0.6mn units in Q1. The order book is 0.5mn units per month, while there are supply-chain challenges as well. **The company has added Sun Direct as a new customer.**
- **Security Surveillance:** Capacity utilization is back to normal levels, and the company will be further expanding capacity.
- **Refrigerator:** Initially, the company will create 0.6mn capacity, which is expandable to 1mn for DC refrigerators. Dixon has narrowed on the technology partner, accelerated the hiring process and is looking for 10-acre of land for the plant in Noida. Given the ODM nature of the business, margins would be in the range of 8-10%. The revenue target is Rs6-8bn in ~2 years of operations.
- **IT Hardware PLI:** Dixon's factory has already been approved by one of its large customers and final agreements are at an advanced stage. The revenue target is Rs8-10bn in the next few years.
- **Telecom PLI:** Supply will start from Q3FY22. The target is to reach Rs200bn in the next couple of years.
- **RAC PLI:** Dixon will participate with Daikin under a JV for the manufacturing of PCBAs. The revenue target is around Rs4bn in the next few years.
- **Wearables:** Company has started TWS for 'boat' and the PLI scheme is keenly awaited.

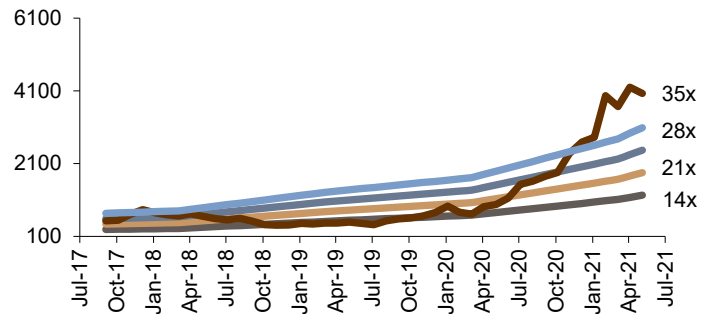
Valuation charts

Exhibit 11: 1-year forward P/E valuation band



Source: Company, Bloomberg, Emkay Research

Exhibit 12: 1-year forward EV/EBITDA valuation band



Source: Company, Bloomberg, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	44,001	64,482	1,15,582	1,84,126	2,38,354
Expenditure	41,771	61,616	1,10,927	1,76,393	2,28,250
EBITDA	2,231	2,866	4,655	7,733	10,104
Depreciation	365	437	680	866	990
EBIT	1,865	2,429	3,975	6,868	9,114
Other Income	52	16	115	76	67
Interest expenses	350	274	443	333	311
PBT	1,568	2,170	3,647	6,611	8,870
Tax	363	572	918	1,664	2,233
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,205	1,599	2,729	4,947	6,638
Adjusted PAT	1,205	1,599	2,729	4,947	6,638

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	116	117	116	116	116
Reserves & surplus	5,298	7,256	9,625	14,456	20,920
Net worth	5,413	7,373	9,741	14,572	21,036
Minority Interest	0	0	0	0	0
Loan Funds	867	1,513	2,013	1,513	1,413
Net deferred tax liability	148	184	181	181	181
Total Liabilities	6,428	9,070	11,935	16,266	22,630
Net block	3,239	4,181	5,653	6,842	7,227
Investment	0	953	0	0	0
Current Assets	13,635	22,600	33,054	51,192	69,136
Cash & bank balance	957	638	1,043	918	4,352
Other Current Assets	2,277	3,319	5,332	7,773	9,765
Current liabilities & Provision	10,542	19,387	26,868	41,863	53,828
Net current assets	3,093	3,213	6,187	9,329	15,308
Misc. exp	0	0	0	0	0
Total Assets	6,428	9,070	11,935	16,266	22,630

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	1,516	2,154	3,532	6,535	8,803
Other Non-Cash items	0	0	0	0	0
Chg in working cap	388	(402)	(2,572)	(3,267)	(2,545)
Operating Cashflow	2,373	559	2,986	3,137	5,653
Capital expenditure	(1,103)	(2,007)	(1,524)	(2,055)	(1,375)
Free Cash Flow	1,271	(1,448)	1,463	1,082	4,278
Investments	76	(953)	953	0	0
Other Investing Cash Flow	(18)	1,302	(1,302)	0	0
Investing Cashflow	(993)	(1,642)	(1,758)	(1,979)	(1,308)
Equity Capital Raised	2	1	(1)	0	0
Loans Taken / (Repaid)	(546)	646	500	(500)	(100)
Dividend paid (incl tax)	(83)	0	0	(116)	(174)
Other Financing Cash Flow	552	1,348	(241)	708	591
Financing Cashflow	(424)	1,721	(185)	(240)	7
Net chg in cash	957	638	1,043	918	4,352
Opening cash position	144	957	638	1,043	918
Closing cash position	957	638	1,043	918	4,352

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	5.1	4.4	4.0	4.2	4.2
EBIT Margin	4.2	3.8	3.4	3.7	3.8
Effective Tax Rate	23.1	26.3	25.2	25.2	25.2
Net Margin	2.7	2.5	2.4	2.7	2.8
ROCE	32.6	31.5	38.9	49.2	47.2
ROE	26.2	25.0	31.9	40.7	37.3
RoIC	36.2	40.0	45.3	52.7	54.5

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	20.6	27.3	46.6	84.5	113.4
CEPS	26.8	34.8	58.2	99.3	130.3
BVPS	92.5	125.9	166.4	248.9	359.3
DPS	1.2	0.0	0.0	2.0	3.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	219.5	165.5	96.9	53.5	39.9
P/CEPS	168.5	130.0	77.6	45.5	34.7
P/BV	48.9	35.9	27.2	18.2	12.6
EV / Sales	6.0	4.1	2.3	1.4	1.1
EV / EBITDA	118.6	92.3	57.0	34.3	25.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	0.0	0.0	0.1	0.0	(0.1)
Net Debt/EBIDTA	0.0	0.0	0.2	0.1	(0.3)
Working Cap Cycle (days)	17.7	14.6	16.2	16.7	16.8

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	47.4	46.5	79.2	59.3	29.5
EBITDA	65.4	28.5	62.4	66.1	30.7
EBIT	64.8	30.2	63.7	72.8	32.7
PAT	90.2	32.7	70.7	81.3	34.2

Quarterly (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue	5,169	16,387	21,828	21,097	18,673
EBITDA	169	894	1,005	798	905
EBITDA Margin (%)	3.3	5.5	4.6	3.8	4.8
PAT	16	524	616	443	607
EPS (Rs)	0.3	8.9	10.5	7.6	10.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-20	Dec-20	Mar-21	Mar-21	Jun-21
Promoters	36.0	35.1	35.0	35.0	35.0
FIIIs	16.2	20.3	19.8	20.6	19.9
DIIIs	17.5	15.2	11.0	11.9	9.5
Public and Others	30.2	29.4	34.1	32.5	35.6

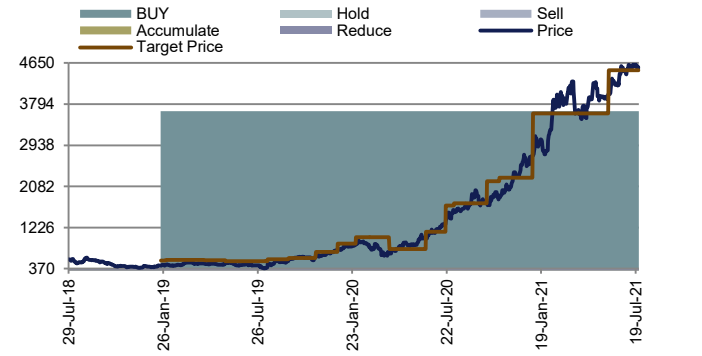
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-May-21	3,997	4,500	12m	Buy	Naval Seth
03-Jan-21	2,724	3,600	12m	Buy	Naval Seth
31-Oct-20	1,860	2,262	12m	Buy	Naval Seth
07-Oct-20	1,743	2,187	12m	Buy	Naval Seth
05-Aug-20	1,574	1,733	12m	Buy	Naval Seth
20-Jul-20	1,366	1,684	12m	Buy	Naval Seth
12-Jun-20	995	1,141	12m	Buy	Naval Seth
07-Apr-20	751	782	12m	Buy	Naval Seth
03-Apr-20	686	782	12m	Buy	Naval Seth
16-Mar-20	777	1,022	12m	Buy	Naval Seth
05-Mar-20	820	1,022	12m	Buy	Naval Seth
13-Feb-20	939	1,022	12m	Buy	Naval Seth
30-Jan-20	900	1,022	12m	Buy	Naval Seth
26-Dec-19	782	895	12m	Buy	Naval Seth
28-Nov-19	668	721	12m	Buy	Naval Seth
19-Nov-19	646	721	12m	Buy	Naval Seth
14-Nov-19	653	721	12m	Buy	Naval Seth
23-Sep-19	575	593	12m	Buy	Naval Seth
11-Sep-19	521	567	12m	Buy	Naval Seth
14-Aug-19	470	567	12m	Buy	Naval Seth
13-Jun-19	452	527	12m	Buy	Naval Seth
25-May-19	485	527	12m	Buy	Naval Seth
20-May-19	469	544	12m	Buy	Naval Seth
23-Apr-19	464	544	12m	Buy	Naval Seth
15-Apr-19	471	544	12m	Buy	Naval Seth
08-Apr-19	477	555	12m	Buy	Naval Seth
14-Mar-19	507	555	12m	Buy	Naval Seth
31-Jan-19	454	555	12m	Buy	Naval Seth
21-Jan-19	436	537	12m	Buy	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Durables



Analyst: Naval Seth

Contact Details

naval.seth@emkayglobal.com
+91 22 66242414

Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 13 years of experience in equity research. His team currently covers 19 stocks spread across three different sectors.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Consumer Durables	0.93	0.93	0%	0	100.00
Amber Enterprises	0.00	0.00	NA	0	0.00
Blue Star	0.00	0.00	NA	0	0.00
Crompton Greaves CE	0.24	0.24	2%	0	26.06
Dixon Technologies	0.00	0.01	NA	1	1.14
Havells India	0.32	0.32	-1%	0	34.00
KEI Industries	0.00	0.00	NA	0	0.00
Polycab India	0.04	0.04	7%	0	4.20
V-Guard Industries	0.00	0.00	NA	0	0.00
Voltas	0.26	0.26	0%	0	27.80
Whirlpool Of India	0.08	0.06	-18%	-1	6.80
Cash	0.00	0.00	NA	0	0.01

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	27-Jul-20	25-Jan-21	26-Apr-21	25-Jun-21	26-Jul-21
EAP - Consumer Durables	100.0	99.3	165.5	154.5	162.6	176.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	92.3	152.2	141.2	150.0	162.6

*Performance measurement base date 1st April 2019

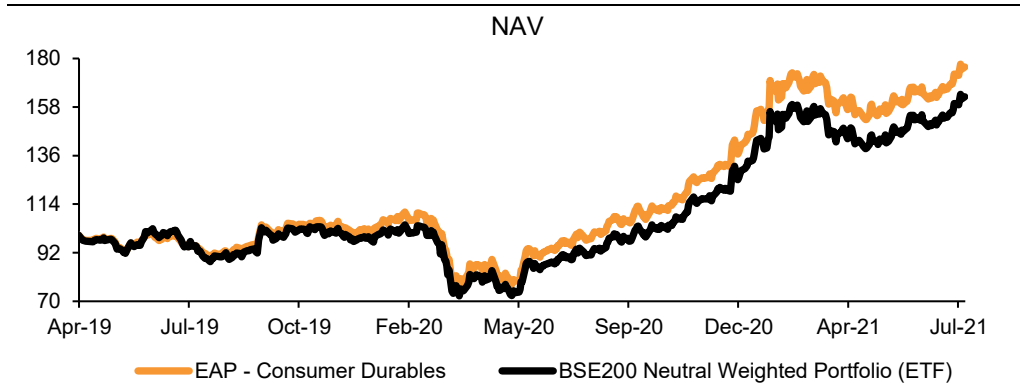
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Durables	8.3%	14.0%	6.4%	77.4%
BSE200 Neutral Weighted Portfolio (ETF)	8.4%	15.2%	6.9%	76.3%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 28 Jul 2021 02:42:35 (SGT)

Dissemination Date: 28 Jul 2021 02:43:35 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of July 28, 2021
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of July 28, 2021.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the July 28, 2021
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the July 28, 2021

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com