

**Mobile revenues dominate growth, while margin improvement seen across segments**
**Est. Vs. Actual for Q1FY24:** Revenue – **BEAT** ; EBITDA Margin – **MISS** ; PAT – **MISS**
**Change in Estimates post Q1FY24**
**FY24E/FY25E:** Revenue: -2%/-0.48%; EBITDA: -2.2%/+0.51%; PAT: -2.8%/+0.54%

**Recommendation Rationale**

- **Mobile segment dominates revenue growth:** The company witnessed 15% revenue growth mainly led by strong growth in Mobile & EMS segment (up 38% YoY) during the quarter. The EBITDA margins witnessed an improvement of 59 bps YoY to 4.1%. The margin improvement was seen across segments led by operating leverage, passing on higher RM prices, cost optimisation measures, and a higher share of ODM revenues ( especially in Lighting & Washing Machines).
- **Healthy growth prospects:** The Mobile segment is expected to contribute a significant part of revenue growth and the management is confident of healthy growth in the segment going forward. However, we expect moderate growth in Consumer Electronics and Lighting Segment for FY24. Furthermore, healthy growth in Washing Machines and new verticals including Refrigerators, Wearable & Hearables, IT hardware, Laptops, and Telecom Equipment is expected to aid the company in achieving profitable growth going forward.

**Sector Outlook: Optimistic**
**Company Outlook & Guidance:** The management refrained from issuing revenue guidance but is confident of healthy growth along with margins in the range of 4.2%- 4-5% going forward. The management remained optimistic about growth led by a) Increasing Mobile revenues, b) Increasing launches of products in the lighting segment, c) Contribution from new segments, d) Contribution from exports and e) New Customer additions across segments.

**Current Valuation:** 45X FY25E of Rs 92 (Earlier Valuation: 42X FY25E of Rs 91)

**Current TP:** Rs 4,140/share (Earlier TP: Rs 3,840/share)

**Recommendation:** We change our stance to **HOLD** from BUY earlier.

**Financial Performance**

Dixon Technologies revenues grew 15% YoY to Rs 3,274 Cr, which were better than our estimates of Rs 3,094 Cr. The Gross Margins improved 62 bps YoY due to lower RM costs. The EBITDA margins improved 60 bps YoY led by operating leverage, cost optimization measures across verticals and calibrated price hikes in ODM businesses i.e Washing Machines and Lighting. The company reported a PAT of Rs 67 Cr vs. estimates of Rs 87 Cr.

The Consumer Electronics segment's (FPD TV) revenues stood at Rs 882 Cr (down 5% YoY) with Operating Margins of 3.4% up 70 bps YoY. The margin improvement was led by operating leverage and increase in ODM share in the revenues. The company will rollout, Android based solutions from Google by Q2FY24 and the Tizen operating system in partnership with Samsung by Q3FY24.

Mobile Phone &amp; EMS segment Revenues for the segment stood at Rs 1,795 Cr (up 38% YoY) with Operating Margins of 2,9% up 40 bps YoY. The company has added Intel as new customer in the mobile segment for manufacture of Feature Phones as well as Smart Phones.

**Outlook**

The management remains confident of health growth going forward with a significant contribution under the different PLI schemes in the medium to long term. We have thus adjusted our estimates considering the modest performance during the previous and the current quarter.

**Valuation & Recommendation**

 We expect Revenue/PAT CAGR of 32%/46% CAGR with EBITDA margins being maintained at ~4.24%. **We value the company at 45x FY25E EPS of Rs 92 to arrive at a target price of Rs 4,140/share, which leaves a limited upside of 1% from the CMP.**
**Key Financials (Consolidated)**

(Rs Cr)	Q1FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	3,272	6.8	14.7	3,096	5.7%
EBITDA	135	-14.8	34	160.3	-16.0%
EBITDA Margin (%)	4.12	-104 bps	59 bps	5.18	-106 bps
Net Profit	67.0	-17.1	45.9	86.9	-22.9%
EPS (Rs)	10.8	-18.8	41.0	14.6	-26.0%

Source: Company, Axis Research

(CMP as of 25 July 2023)

CMP (Rs)	4,114
Upside /Downside (%)	1%
High/Low (Rs)	4,730 /2,555
Market cap (Cr)	24,336
Avg. daily vol. (6m) Shrs.	168
No. of shares (Cr)	5

**Shareholding (%)**

	Dec-22	Mar-23	Jun-23
Promoter	34.1	34.1	34.0
FIIs	16.7	12.0	15.0
MFs / UTI	7.6	12.0	13.7
Banks / FIs	0.0	0.0	0.0
Others	41.7	41.9	37.2

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY23	FY24E	FY25E
Net Sales	12,192	17,557	21,098
EBITDA	513	743	894
Net Profit	253	438	539
EPS (Rs.)	43.3	74.7	92.0
PER (x)	75.6	55.1	44.7
EV/EBITDA (x)	37.6	32.5	26.8
P/BV (x)	16.9	15.6	11.7
ROE (%)	23.5	32.3	29.6
Core ROCE (%)	29.8	38.7	36.2

**Change in Estimates (%)**

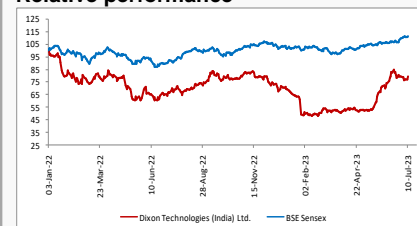
Y/E Mar	FY24E	FY25E
Sales	-2.1%	0.48%
EBITDA	-2.2%	0.51%
PAT	-2.8%	0.54%

**ESG disclosure Score\*\***

Environmental Disclosure	N.A.
Social Disclosure Score	N.A.
Governance Disclosure	N.A.
Total ESG Disclosure Score	N.A.
Sector Average Score	N.A.

Source: Bloomberg, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

**Relative performance**


Source: ACE Equity, Axis Securities

**Hiren Trivedi**  
 Research Analyst

 Email: [hiren.trivedi@axissecurities.in](mailto:hiren.trivedi@axissecurities.in)

## Other Key Highlights

- Consumer Electronics:** The company has started backward integration in Injection moulding and the commercial production has already started. The company expects to ,manufacture LED bars for internal consumption by Q3FY24. The company is further exploring Commercial Displays and Interactive boards which are expected to be rolled by Q4FY24.
- Lighting segment:** Revenues for the segment stood at Rs 222 Cr (down 5% YoY) with Operating Margins of 8.7% up 150 bps YoY. The margin improvement was led by reduction of RM prices and inventory planning along with value engineering. While the consumer demand has been sluggish, the subdued performance was due to reduction in prices due to decline in commodity prices and migration of LED bulb technology from Driver based to Driver on board (DoB) which are priced 25% lower. The company has maintained its aggressive momentum of introduction of new products like Strip & Rope lighting which has been launched in Q2 with some commercial orders on hand. The company plans to launch professional lighting by Q4FY24. The company will introduce Bluetooth based Smart Lighting products in Q3FY24. For exports of LED lighting the company is in discussion with customers in US and UK..
- Home Appliances (Washing Machines):** Revenues for the segment stood at Rs 259 Cr (up 1% YoY) with Operating Margins of 11% up 290 bps YoY. The margin improvement was due to increase in prices, impact of improved operating leverage and cost optimization measures. The new Semi-Automatic Washing Machine facility is expected to be operational in August 2023. Further in line with the backward integration strategy the company has set up tool room for in-house manufacturing of tools. The Company has added Voltas-Beko as anchor customer in addition to Bosch. The company has added customers including Lloyds, Reliance and Panasonic in the Fully Automatic Top Loading Washing Machines. The company is confident of strong growth in this segment going forward.

## Key Risks to our Estimates and TP

- Slower demand recovery across key segments
- A slower ramp-up in capacities

## Change in Estimates

	Revised		Old		Change %	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY24E
Sales	17,557	21,098	17,933	20,998	-2.1%	0.48%
EBITDA	743	894	759	889	-2.2%	0.51%
PAT	438	539	450	536	-2.8%	0.54%

Source: Company, Axis Securities

**Results Review**

<b>Rs Cr</b>	<b>Q1FY24</b>	<b>Q1FY23</b>	<b>% Change (YoY)</b>	<b>Q4FY23</b>	<b>% Change (QoQ)</b>
Sales	3,272	2,855	14.6	3,065	6.7
Other Inc	2.9	0.4	579	1.8	57
<b>Total Revenue</b>	<b>3274</b>	<b>2855</b>	<b>14.7</b>	<b>3067</b>	<b>7</b>
<b>Expenditure</b>					
Net Raw Material	2956	2595	14	2752	7
Personnel	68	55	25	63	9
Other Exp	115	105	10	94	22
<b>Total Expenditure</b>	<b>3140</b>	<b>2755</b>	<b>14</b>	<b>2909</b>	<b>8</b>
EBIDTA	135	101	34	158	-15
Margins (%)	4.11	3.52	0.59	5.2	-1.04
Interest /Fin. Charges	14	14	-3	15	-8
Depreciation	34	24	40	32	4
PBT	90	62	44	112	-20
Tax	23	17		31	
<b>PAT</b>	<b>67.0</b>	<b>46</b>	<b>46</b>	<b>81</b>	<b>-17</b>
Oth. Comprehensive Income (net of taxes)	3	0	-2736	0	
<b>Total Comprehensive Income</b>	<b>69.9</b>	<b>46</b>		<b>81</b>	
<b>EPS (Rs.)</b>	<b>10.8</b>	<b>7.7</b>	<b>41.0</b>	<b>13.3</b>	<b>-19</b>

Source: Company, Axis Securities

## Financials (consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY22E	FY23	FY24E	FY25E
<b>Total income</b>	10,697	12,192	17,557	21,098
Cost of goods sold	10,318	11,679	16,814	20,205
Contribution (%)	3.54%	4.21%	4.23%	4.24%
<b>Operating Profit</b>	<b>379</b>	513	743	894
Other income	4	6	6	6
<b>PBIDT</b>	<b>383</b>	518	748	900
Depreciation	84	115	127	127
Interest & Fin Chg.	44	61	37	52
E/o income / (Expense)	0	0	0	0
<b>Pre-tax profit</b>	<b>255</b>	343	585	720
Tax provision	64	90	147	182
PAT before Comprehensive Income	190	253	438	539
(-) Minority Interests	0	0	0	0
Associates	-0	2	0	0
Other Comprehensive Income	0.6	(1.3)	0.0	0.0
<b>Adjusted PAT</b>	<b>191</b>	254	438	539

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY22	FY23E	FY24E	FY25E
<b>Total assets</b>	1,702	1,776	2,317	2,833
Net Block	777	965	1,146	1,019
CWIP	28	134	31	336
Investments	63	127	128	128
Wkg. cap. (excl cash)	425	41	463	605
Cash / Bank balance	182	229	270	466
Misc. Assets	226	278	277	277
<b>Capital employed</b>				
Equity capital	11.9	11.9	11.9	11.9
Reserves	985	1,126	1,537	2,048
Pref. Share Capital	0.0	0.0	0.0	0.0
Minority Interests	0.6	0.6	0.6	0.6
Long Term Borrowings	685	566	680	685
Def Tax Liabilities	20	71	88	88

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E March	FY22	FY23E	FY24E	FY25E
<b>Sources</b>	<b>650</b>	<b>397</b>	<b>575</b>	<b>659</b>
Cash profit	319	429	601	718
(-) Dividends	0	27	27	27
Retained earnings	319	401	574	691
Issue of equity	0.2	0.0	0.0	0.0
Change in Oth. Reserves	69.5	0.0	0.0	0.0
Borrowings	217	5	20	20
Others	45	-10	-19	-52
<b>Applications</b>	<b>650</b>	<b>397</b>	<b>575</b>	<b>659</b>
Capital expenditure	452.1	407.6	205.2	305.0
Investments	83.5	(40.5)	0.0	0.0
Net current assets	(62.4)	(154.7)	328.2	157.6
Change in cash	177.2	184.2	41.2	196.1

Source: Company, Axis Securities

**Ratio Analysis**

(%)

Y/E March	FY22E	FY23E	FY24E	FY25E
<b>Sales growth</b>	65.9	14.0	44.0	20.2
<b>OPM</b>	3.5	4.2	4.2	4.2
Oper. profit growth	32.3	35.3	44.8	20.3
COGS / Net sales	96.5	95.8	95.8	95.8
Overheads/Net sales	0.0	0.0	0.0	0.0
Depreciation / G. block	8.6	9.0	8.0	8.0
Effective interest rate	14.5	15.2	9.2	11.5
Net wkg.cap / Net sales	0.05	0.03	0.03	0.04
Net sales / Gr block (x)	10.9	9.5	11.0	13.3
<b>Core RoCE</b>	26.6	29.8	38.7	36.2
Debt / equity (x)	0.46	0.30	0.29	0.22
Effective tax rate	25.3	26.1	25.2	25.2
<b>RoE</b>	22.0	23.5	32.3	29.6
Payout ratio (Div/NP)	0.0	10.8	6.2	5.1
<b>EPS (Rs.)</b>	32.5	43.3	74.7	92.0
EPS Growth	19.1	33.1	72.7	23.1
CEPS (Rs.)	46.9	62.9	96.4	113.7
DPS (Rs.)	0	4	4	4

Source: Company, Axis Securities

## Dixon Technologies Price Chart and Recommendation History



Date	Reco	TP	Research
06-Feb-20	BUY	5,116	Result Update
07-Apr-20	BUY	3,949	Result Update
15-Jun-20	HOLD	5,400	Result Update
13-Aug-20	HOLD	8,279	Result Update
05-Nov-20	BUY	11,214	Result Update
04-Jan-21	BUY	15,636	Company Update
05-Feb-21	BUY	17,430	Result Update
02-Jun-21	BUY	4,500	Result Update
28-Jul-21	HOLD	4,510	Result Update
31-May-22	BUY	4,450	Result Update
29-Jul-22	BUY	4,285	Result Update
27-Jan-23	BUY	3,860	Result Update
23-May-23	BUY	3,860	Result Update
26-Jul-23	HOLD	4,140	Result Update

Source: Axis Securities

**About the analyst**

Analyst: Hiren Trivedi

---

Email: hiren.trivedi@axissecurities.in

---

Sector: Consumer Durables

---

Analyst Bio:

---

**Disclosures:**

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on [www.axisbank.com](http://www.axisbank.com).

ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.

ASL has no material adverse disciplinary history as on the date of publication of this report.

I/We, Hiren Trivedi, MBA Finance, author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period. Any holding in stock – No

5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.

In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or; Managed or co-managed public offering of the securities from the subject company of this research report and / or; Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report; ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

**Term& Conditions:**

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
<b>BUY</b>	More than 10%
<b>HOLD</b>	Between 10% and -10%
<b>SELL</b>	Less than -10%
<b>NOT RATED</b>	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation
<b>UNDER REVIEW</b>	We will revisit our recommendation, valuation and estimates on the stock following recent events
<b>NO STANCE</b>	We do not have any forward looking estimates, valuation or recommendation for the stock

**Disclaimer:**

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed 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, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

**Copyright in this document vests with Axis Securities Limited.**

Axis Securities Limited, SEBI Single Reg. No.- NSE, BSE & MSEI – INZ000161633, ARN No. 64610, CDSL-IN-DP-CDSL-693-2013, SEBI-Research Analyst Reg. No. INH 00000297, SEBI Portfolio Manager Reg. No.- INP000000654, Main/Dealing off.- 1st Floor, I-Rise Building, Q Parc, Loma Park, Thane, Ghansoli, Navi Mumbai-400701, Regd. off.- Axis House,8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-49212706