

Further legs to growth story

Electronic Manufacturing Services ▶ Initiating Coverage ▶ January 14, 2025

TARGET PRICE (Rs): 20,000

We initiate coverage on Dixon Technologies (Dixon) with BUY and DCF-based TP of Rs20,000 (implied Dec-26E EV/EBITDA of ~41x). With management style centered around promoting entrepreneurship and strong execution within the organization, and by closely aligning itself with India's global manufacturing hub ambition in consumer electronics, Dixon has, over time, successfully gained leadership across verticals and continuously expanded into adjacencies. We believe there are multiple enduring mid-to-long term drivers yet to be baked-in, namely: a) further domination of the rising smartphone assembly opportunity (we expect ~70-75% incremental share for Dixon, taking overall share to ~44% by FY35E vs ~25% now; ~30-35% share priced-in); b) similar opportunity in IT hardware aided by PLI, with Dixon's component foray underpinning its 'right-to-win' in both; c) sharp margin improvement amid aggressive backward integration intent/actions (also opens up third-party sales, exports); d) optionality from Industrial PCBs/auto electronics (potential ~Rs4trn market by FY35E; not built-in). We build-in 20%/40% FY25E-35E sales/EPS CAGR (FY27E EPS ~17% above Consensus', amid accelerated share gains in smartphones, backward-integration benefits) with sustained high RoCE and cash flows; we believe robust prospects justify the premium valuation.

Dixon Technologies: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	121,920	176,909	380,050	564,668	706,728
EBITDA	5,128	6,976	14,220	22,333	32,068
Adj. PAT	2,555	3,677	7,463	11,768	17,762
Adj. EPS (Rs)	42.9	61.5	124.8	196.8	297.0
EBITDA margin (%)	4.2	3.9	3.7	4.0	4.5
EBITDA growth (%)	35.3	36.1	103.8	57.1	43.6
Adj. EPS growth (%)	34.0	43.2	159.9	23.1	50.9
RoE (%)	22.4	24.7	34.6	37.1	38.8
RoIC (%)	26.0	29.6	48.6	57.4	61.8
P/E (x)	379.0	264.6	130.4	82.7	54.8
EV/EBITDA (x)	189.3	140.0	68.5	43.7	30.2
P/B (x)	75.4	57.4	37.2	26.1	18.0
FCFF yield (%)	0.3	(0.3)	0.5	0.2	1.0

Source: Company, Emkay Research

Dixon's smartphone dominance to expand to ~44% market share; ~30-35% priced-in

We expect smartphone assembly outsourcing to accelerate amid frequent market-share flux among brands, brands' focus on core marketing activity, and greater cost-effectiveness. Dixon's i) scale advantage (has ~45-50% of industry capacity; gained revenue/profit pool share vs peers, and works with nearly all major Android brands after its recent tie-up with Vivo), ii) aggressive backward integration intent/actions (plans addressing 35% of mobile BOM cost in 2-3 years vs ~6% pre-recent foray into displays vs limited progress by competitors), iii) PLI success (as against struggles by some peers), and iv) constraints on Chinese manufacturing investments place it most favorably to capture ~70-75% incremental market share, taking overall smartphone market share to ~44% by FY35E vs ~25% now (CMP builds-in ~30-35% share), and translating into 15%/33% revenue/EBITDA CAGR over coming decade – this would render revenue/EBITDA share of ~47%/52%, respectively by FY35E.

Laptops/IT hardware, the next large growth lever, forming ~23% of revenue by FY35E

We believe IT hardware assembly represents a largely under-appreciated lever, amid a) a substantial import substitution play (~60% import dependence, as against near fully-indigenized smartphone production), b) regulatory support in the form of a Rs170bn PLI scheme, c) four (HP, Acer, Lenovo, Asus) of the top-5 brands, with ~58% of CY23 industry market-share, already on-boarded by Dixon, with ramp-up from Q4FY25E/H1FY26E, and d) backward integration play being available from the start of production, unlike in smartphones. These, along with Dixon's aggressive plans, are seen driving ~30% market share/~Rs537bn revenue by FY35E, ie ~23% of mix vs near-zero now.

Backward integration foray to reinforce Dixon's competitive advantages

Limited market presence/width at peers inhibits their ability to effectively backward integrate into mobile/IT hardware components. By contrast, Dixon's large-scale early-mover advantage (via recent JV with HKC for displays; HKC gaining market share globally, commands over 20% gross margin), and upcoming ~Rs250-400bn component PLI scheme would further reinforce its moat/'right-to-win' here, in our view, along with a) positive margin rub-off (double-digit in manufacturing vs ~3.5% in assembly), and b) opening-up of third-party sales (we expect ~Rs439bn revenue from component sales by FY35E). Separately, backward integration, aided by PLI, is likely to help bridge bulk of the current ~5% cost disability vs China, potentially leading to ~7-8% global smartphone market share for Dixon vs the low single-digit share now.

Robust growth trajectory to continue; initiate with BUY

We build in 36%/54% revenue/adjusted EPS CAGR over FY25E-27E (and 20%/40% over FY25E-35E), with sustained strong return ratios and cash flows. Our long-term estimates do not build-in potential optionalities that Dixon is targeting (like Industrial PCBs, Automotive Electronics; potential ~Rs4trn market by FY35E). At CMP, Dixon trades at ~34x Dec-26E EV/EBITDA.

Key risks to our investment thesis: Execution challenges, major shifts in Government policy.

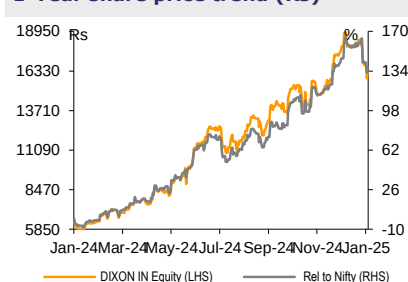
Target Price – 12M	Dec-25
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NR
Upside/(Downside) (%)	22.9
CMP (14-Jan-25) (Rs)	16,274.9

Stock Data	Ticker
52-week High (Rs)	19,150
52-week Low (Rs)	5,783
Shares outstanding (mn)	60.1
Market-cap (Rs bn)	978
Market-cap (USD mn)	11,283
Net-debt, FY25E (Rs mn)	1,005
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	9,069.9
ADTV-3M (USD mn)	104.7
Free float (%)	66.6
Nifty-50	23,176
INR/USD	86.6
Shareholding, Sep-24	
Promoters (%)	32.9
FPIs/MFs (%)	22.7/23.1

Price Performance

(%)	1M	3M	12M
Absolute	(9.4)	6.6	148.3
Rel. to Nifty	(3.1)	15.6	134.6

1-Year share price trend (Rs)



Chirag Jain

chirag.jain@emkayglobal.com
+91 22 6624 2428

Jaimin Desai

jaimin.desai@emkayglobal.com
+91 22 6612 1334

Nandan Pradhan

nandan.pradhan@emkayglobal.com
+91 22 6612 1238

Omkar Rane

omkar.rane@emkayglobal.com
+91 22 6624 2414

Marazbaan Dastur

marazbaan.dastur@emkayglobal.com
+91 22 6612 1281

Voices from the Industry

India has now reached self-sufficiency in mobile phone production; exports to drive strong growth ahead

"... today 99.2 percent of mobile phones used in India are made in India ... Mobile phone manufacturing has gone from miniscule to USD44 billion ... we have reached in last 9.5 years a level where we can have export led growth in electronics and products."

- Comments in Nov-23 by Ashwini Vaishnaw, Union Minister ([link](#))

Global giants like Apple have highlighted the need to manufacture in India, in order to be cost-competitive

"In terms of the operational side or supply chain side, we are producing there, from a pragmatic point of view, you need to produce there to be competitive"

- Comments in May-24 by Tim Cook, CEO, Apple Inc ([link](#))

Smartphone brands have looked to tie up with outsourced manufacturers who have qualified for PLI

"We see this as a fantastic opportunity for smartphone manufacturers... various companies are interested and have got their approvals, and we are talking to a few."

- Comments in Feb-21 by Muralikrishnan B, COO, Mi India ([link](#))

Vivo plans to meaningfully expand local component sourcing; Dixon's moves, if successful, would help capture such opportunities

"Our local procurement is growing, but procuring higher-value components will be key to creating a meaningful impact. Sourcing and assembling such components locally will drive greater value addition. This can be achieved through a shared vision and collaborative efforts. We are committed to expanding our supplier base in India to shape a world-class local manufacturing ecosystem."

- Commentary in Vivo's India Impact Report, 2023 ([link](#))

Samsung, which has partially outsourced smartphone production to Dixon, is also looking to strengthen the local component supply chain

"We are also working closely with component partners in the Indian market to strengthen infrastructure and supply chain. We have done so, and we will continue to do so going forward"

- Comments in Jul-24 by TM Roh, President and Head of Mobile eXperience (MX) Business, Samsung Electronics ([link](#))

Leading laptop brands are increasing domestic production levels; Dixon has tied up to manufacture products for several large laptop brands (HP, Lenovo, Acer, Asus)

"We will increase our manufacturing footprint in India to cater well to the domestic demand. Eventually we see India manufacturing to help us better serve the rest of the world"

- Comments in Mar-23 by Enrique Lores, CEO, HP ([Link](#))

"With the various initiatives launched by the government to promote 'Make in India', the industry is more encouraged to support the needs of local customers through local manufacturing. In line with our sincere commitment to manufacture locally, the expansion of our manufacturing capabilities in India will help us offer innovative devices of highest quality, produced here and rapidly brought to market."

- Comments in Aug-21 by Shailendra Katyal, MD, Lenovo India ([Link](#))

India is focusing on deepening the value chain in electronics; brands also looking at enhancing manufacturing presence in India

"The value chain has to be deepened, which is why we are working on the component scheme. It will be out shortly, and we are trying to move as quickly as possible. The PLI for IT hardware has already taken off. Unlike the mobile phone PLI, there is a clear requirement for domestic value addition here, and companies have assured us they will achieve it"

- Comments by S Krishnan, secretary, Ministry of Electronics and IT at the Global AI Conclave ([link](#))

Dixon manufactures nearly all of Motorola's India smartphones; Motorola has already been exporting to select markets for several years

"Motorola, a Lenovo group company, was one of the first companies to commit to the PLI (Production Linked Incentive) program launched by the Government of India. It has partnered with Dixon to manufacture nearly 100% of its smartphones for customers in India and has also begun exporting to selected nearby markets"

Commentary in Lenovo's press release in Aug-21 ([link](#))

What's in the price, and what's not?

Exhibit 1: We believe there are several medium-to-longer term avenues of growth still available for Dixon which are yet to be priced-in

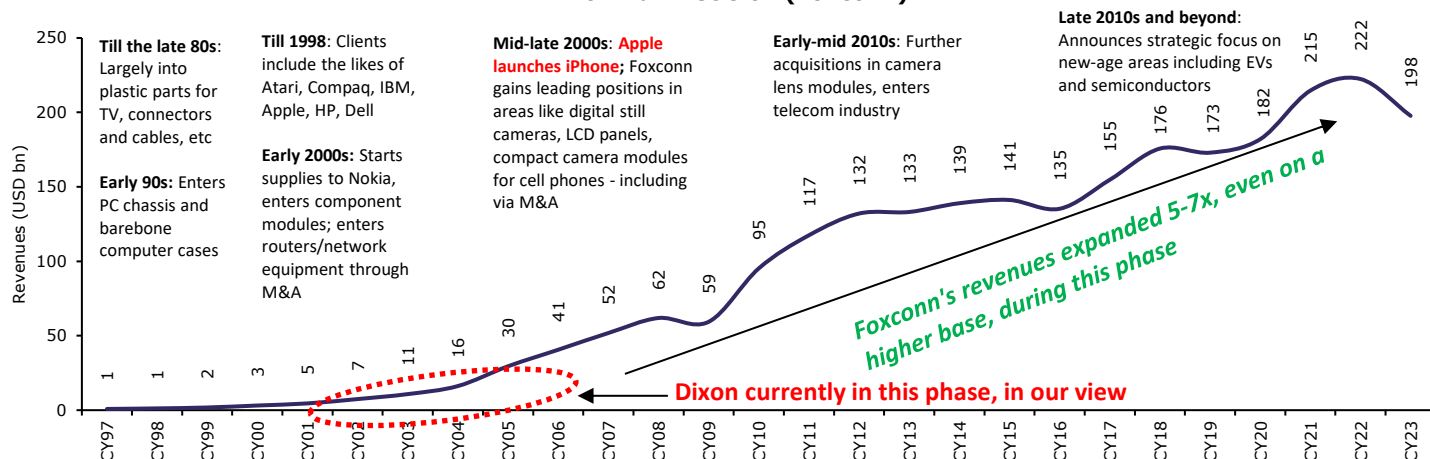
Sr no		Parameter	What is built in?	Emkay - Base case	Emkay - Bull case	Comments
I	Smartphones					
i		Industry volume CAGR	~1%			- Marginally higher than the flattish performance over the past 5Y - Smartphone penetration to touch ~36% by FY35E vs ~32%/70% now in India/China, respectively
ii		Industry ASP CAGR	~5%			- Higher than the last 5Y industry value growth of ~3% - Higher in initial years due to transition from 4G to 5G
iii		Dixon - domestic market share (by FY35E)	~30-35%	~44%	~50-55%	- Market share at ~25% as of FY25E, to approach ~30% following its recent JV with Vivo - We expect Dixon to capture ~70-75% of incremental industry market share going ahead, amid key competitors vacating mobile space, non-qualification for PLI at some other peers, and limited expansion among Chinese-owned vendors (due to Government restrictions)
iv		Dixon - mobile exports (by FY35E)	Only existing clients (Motorola, Nokia)	Only existing clients (Motorola, Nokia)	Also the likes of Oppo, Vivo, Transsion, Samsung	- Current major export client Motorola looking to double exports each year; 20-25% of Motorola India production is exported to USA (exports from India imply ~2-3% of US sourcing); others like Vivo, Oppo, and the Transsion Group have also indicated intent to increase exports from India to Africa and Middle East - In the past, Chinese firms like Huawei/ZTE have faced import restrictions in USA and European markets - Apple now sources ~15% of its global production in India vs nil 5 years ago; plans to take India sourcing to ~25-30% over coming 2-3 years
II	Laptops/IT hardware					
i		Industry volume CAGR	~8%			- Similar to the last 5Y industry volume growth; penetration levels to reach ~11% by FY35E vs ~6%/30% in India/China at present
ii		Industry ASP CAGR	~1%			- Flattish; similar to the last 5Y industry trend
iii		Dixon - laptops market share (by FY35E)	~18-20%	~30%	~45-50%	- Growth in laptops to be faster than in mobiles, amid a larger import substitution play, PLI support, 4 (HP, Lenovo, Acer, Asus) of the top-5 brands already on-boarded, and backward integration available from the start, unlike in mobiles
III	Backward integration into components					
i		Dixon - Extent of backward integration (% of BOM cost)	~15-18%	~35%	~35-40%	- Already tied up with HKC for displays (taking extent of backward integration to ~15-18% of BOM cost); actively looking for partners in camera modules and mechanicals, targeting ~35% of BOM cost - This would bring backward integration levels close to ~40% seen in China
ii		Dixon - Component margins	12% (in house), 14% (third parties)			- Dixon's JV partner for displays, HKC, has historically commanded >20% gross margin (vs ~8% for Dixon)
iii		Dixon - extent of sourcing by third parties (by FY35E)	10-15%	20-25%	35-40%	- We build in ~Rs380bn component revenue by FY35E in our base case
IV	Optionalities		Not built-in	Not built-in	~10-20% market share for Dixon	- Looking at areas like Industrial PCBs and Automotive Electronics; TAM of ~Rs4trn by FY25E - much higher than the ~Rs3trn opportunity in mobiles, IT hardware
		DCF-based fair value (Rs)	15,200	20,000	23,700	
		CMP (Rs)	16,275	16,275	16,275	
		Upside	-7%	23%	46%	

Source: Emkay Research

Story in Charts

Exhibit 2: Huge scale, customer diversification, branching out into multiple product segments, and aggressive backward integration – Foxconn provides a global parallel to the Dixon story; Foxconn's precedent suggests a robust runway still available for Dixon, in our view

Hon Hai Precision (Foxconn)



Source: Company website, Media articles, Emkay Research

Exhibit 3: Dixon has created impressive scale across all its business verticals, with capacities ~2-4x of the next largest competitor's

Category	Industry size (Rs bn)	Dixon Capacity (mn units)	Market size (mn units)	Implied Dixon market share (%)	Capacity rank (EMS)	Growth opportunity/strategy
TV	~1,052 (LED TVs)	6.5	13	~50	# 1	- ODM solutions and Interactive Flat Panel Display (IFPD) products - Client acquisition - Expand smart TVs, explore commercial display segment - Strengthen backward integration
Lighting	~264	200 (LED lamps)	250-320	~50	# 1	- Portfolio expansion (strip/rope lighting, professional lighting) - Lead smart lighting (Bluetooth mesh, Wi-Fi) - Exports & components (mechanicals)
Washing Machines	~139	2.4 (Semi), 0.6 (FATL)	9 (Semi), 3 (FATL)	~25 (Semi), ~20 (FATL)	# 1	- Fully Automatic Top Load (FATL) client acquisition and expansion - Injection molding - Other appliances
Mobiles	~3,000	50 (Smartphone), 40 (Feature phones)	145	~33 (Smart)	# 1	- Volume ramp up for likes of Oppo, Xiaomi, Transsion, Vivo - Backward integration and localization
Telecom	~75 (FY23)	8	10-12	~67	# 1	- Client acquisition in Fixed Wireless Access (FWA)
Hearables/Wearables		36	54-60	~60-65	# 1	- Smart watch - Client acquisition - IoT products
Refrigerators	~320	1.2	10	~12	# 4	- Range expansion - Category expansion - Frost Free (FF), Side By Side (SBS), Chest freezer
IT Hardware	~900	0.6, expanding to 1.2 (Phase 1)	10	~12	# 2	- Customer acquisition - Desktops & Servers expansion

Source: Company, LG Electronics India DRHP, PGEL QIP document, IKIO Lighting RHP, Emkay Research

Exhibit 4: Dixon has consistently added new clients in mobile phones over the years; recently also added Compal (Google) and Vivo (via JV)

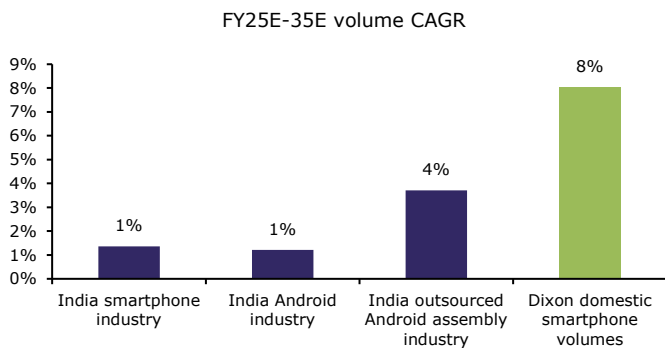
As of FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Panasonic, Gionee, Karbonn	Micromax, Blaupunkt, Tambo	LG	Samsung	Motorola, Nokia	Orbic	Jio, Tecno, Itel	Xiaomi, Realme	Compal (Google), Vivo (via JV)

Source: Company, Media articles, Emkay Research

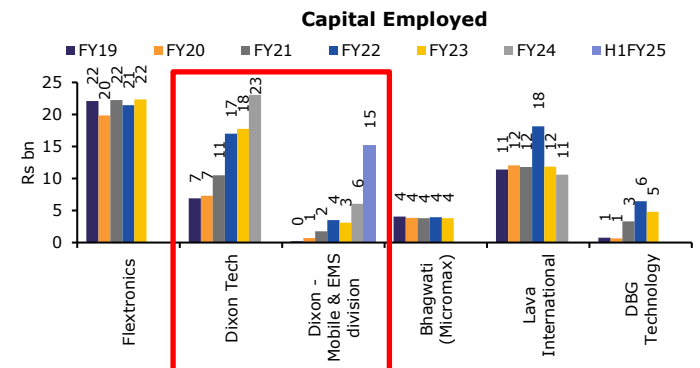
Exhibit 5: Smartphone brands in India follow a mix of insourced and outsourced manufacturing; among outsourced partners, Dixon has the widest range of customers in the Android ecosystem

	Dixon	Bharat FIH (Foxconn subsidiary)	Foxconn / Tata Electronics	DBG Technology	Flextronics	Optimus Infracom	Karbons	In-house by brands
Apple	N/A		Yes					
Samsung	Yes							Yes
Xiaomi	Yes	Yes		Yes	Yes			
Transsion (Itel, Infinix, Techno)	Yes							
Oppo	Yes			Yes		Yes		Yes
Oneplus	Not yet					Yes		Yes
Vivo	Yes							Yes
Iqoo	Not yet							Yes
Realme	Yes						Yes	Yes
Motorola	Yes							
Google Pixel	Yes	Yes	Yes					
Nokia	Yes	Yes						
Lava	N/A							Yes
Micromax	N/A					Yes		Yes

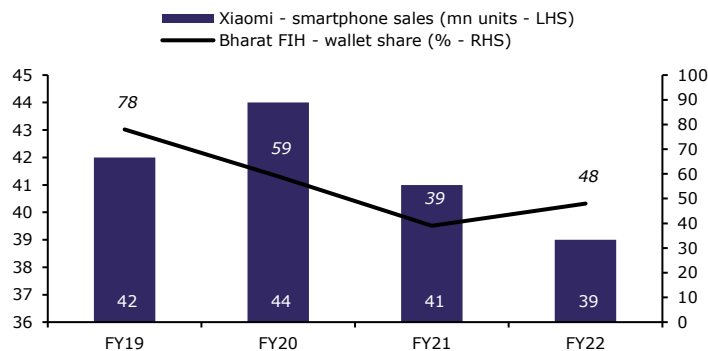
Source: Company, Bharat FIH DRHP document, Media articles, Emkay Research; Note: Blue indicates scope for wallet share gains for Dixon; Green indicates Dixon being the sole supplier

Exhibit 6: We expect outsourced smartphone assembly industry volume CAGR at 4% over FY25E-35E; Dixon's volume CAGR at 8%


Source: Company, Bharat FIH DRHP document, Media articles, Bloomberg, Emkay Research

Exhibit 7: Dixon has sharply expanded its scale amid rising opportunities in smartphone assembly


Source: Company, Capitaline, Emkay Research

Exhibit 8: Some peers have faced issues around non-qualification for PLI, client concentration


Source: Bharat FIH DRHP document, Emkay Research

Exhibit 9: Dixon's moat to get reinforced amid continuously weakening positioning of sub-scale/uncompetitive players

Industry - 2 Min Read

50% of handset mfg capacity in India lying idle

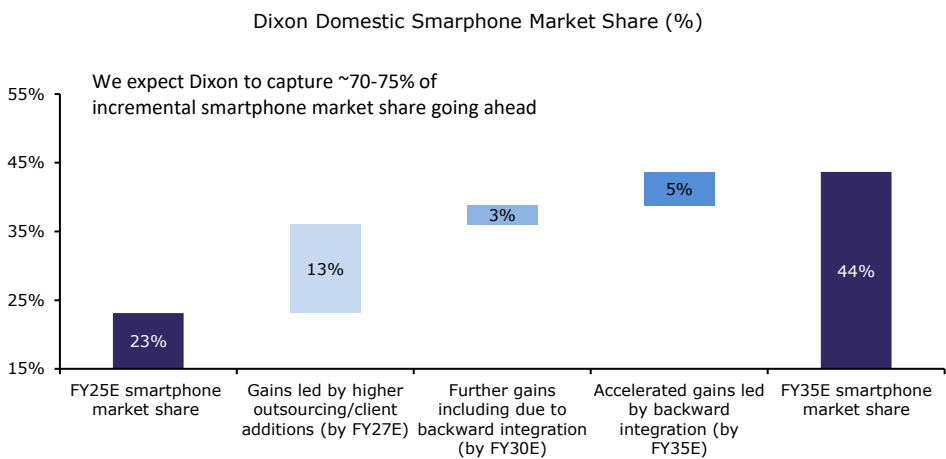
Utilisation rates are higher for manufacturers which are exporting in large numbers and are part of the PLI scheme, while smaller players producing mainly for the domestic market are repurposing a major proportion of their assembly lines to make products like telecom equipment and wearables, they said. Underutilisation has been high since 2022, when the post-Covid pent-up demand started disappearing, they said.



Updated On Jan 9, 2025 at 01:59 PM IST

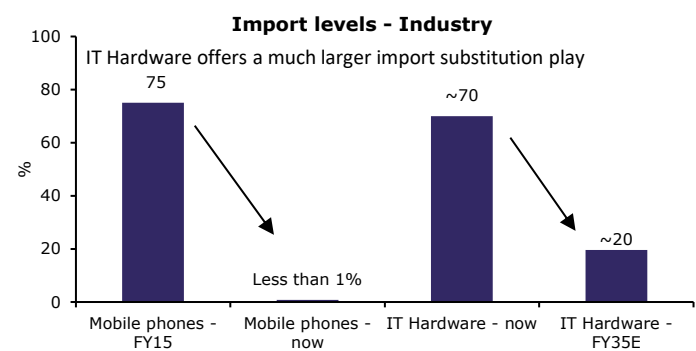
Source: Media articles ([link](#)), Emkay Research

Exhibit 10: Higher wallet share, backward integration, and PLI benefits to drive ~70-75% incremental market share in smartphones for Dixon



Source: Emkay Research

Exhibit 11: IT hardware offers much higher scope for import substitution-led growth



Source: Bloomberg, Ministry of Commerce & Industry data, Emkay Research

Exhibit 12: IT hardware imports to likely come under restrictions soon; government targets ~5% reduction in imports each year

Centre approves laptop and tablet imports for 2025 with mid-year review

The union government has approved the import of laptops and tablets for the year 2025, with a mid-year review to address supply-demand gaps and promote a gradual shift to local manufacturing

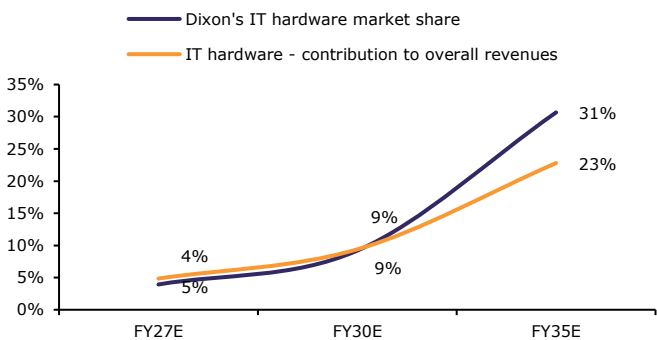
Source: Media articles ([link](#)), Emkay Research

Exhibit 13: Four of the top-5 IT hardware brands already on-boarded by Dixon, with SOP/ramp-up in coming quarters

Client (CY23 market share %)	Year of Addition	Commencement of Production
Acer (11%)	FY22	Already commenced
HP (24%)	FY25	Q3FY25E
Lenovo (16%)	FY24	Q4FY25E
Asus (6%)	FY25	Q4FY25E

Source: Company, Emkay Research

Exhibit 14: We expect Dixon to capture ~31% laptop market share by FY35E, with share of revenue at ~23% (vs near-zero now)

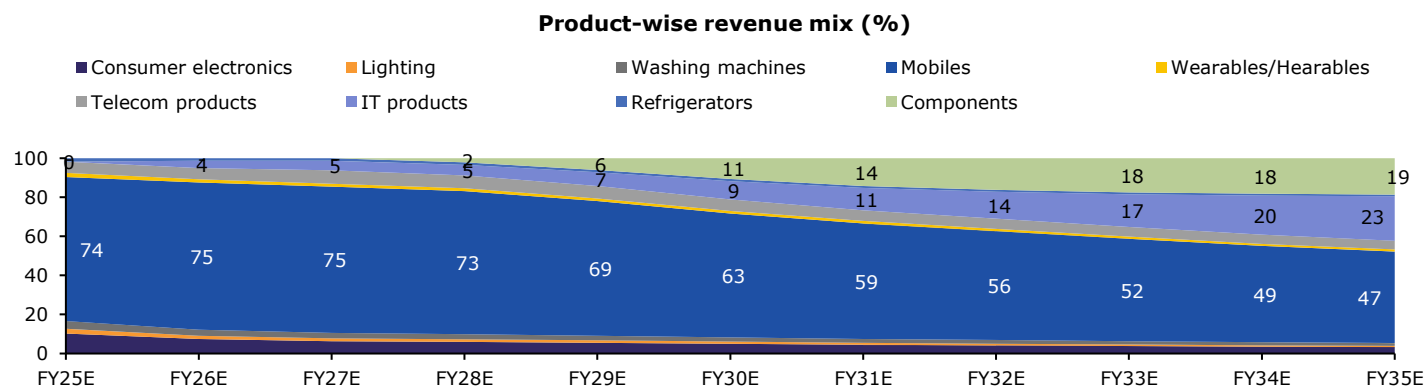


Source: Emkay Research

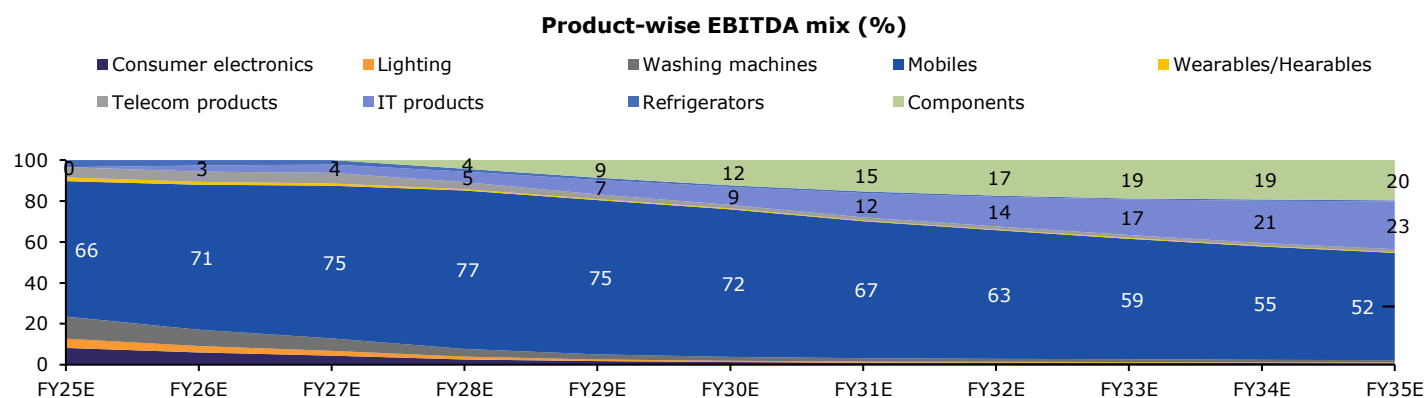
Exhibit 15: Dixon targets ~35% BOM contribution via its backward integration initiatives

Smartphone Components	BoM	Current Landscape	Outlook	Dixon present / planning to enter?	Revenue/EBITDA potential (FY35E)
PCB	7%	Indian players can manufacture up to 4-layer PCBs. However, most devices require >8 layer PCBs, which are dependent on imports.	Import dependence to continue, but will require tech transfer and equipment for high-quality PCBs (multilayer, HDI, flex PCBs).	No	N/A
Display (captive touch controller, display)	15%	Foreign players (eg Samsung, CSOT) started manufacturing LCD displays; premium smartphones use hi-tech OLED/AMOLED.	Samsung sub-assembling mobile displays in India (Noida). Vedanta - Twin Star - Innolux (ToT) to start manufacturing displays; Optiplus and Corning partnership for glass manufacturing	Already tied up with China's HKC; HKC has historically commanded over 20% gross margins	~Rs165bn/23bn (~7% share of total)
Processor, memory	25%	100% imported; no fabs/ATMP in India yet.	Global players (TSMC, MediaTek, Qualcomm, etc.) lead the market. 4 projects approved (Tata Electronics - PSMC. Tata Electronics for ATMP, Micron and Renesas	No	N/A
Camera Module	12%	Camera assembly with a few players operating in limited scale; heavily import-dependent for key components (lens, sensor, etc).	Apple-Sunny Optek, Syska-Biometric-Suyin partnerships. Holitech, Qtech engaged in camera module assembly in India; ODM-OEM-EMS partnerships to drive components manufacturing in India.	Yes; actively looking for partners	~Rs146bn/20bn (~6% share of total)
Battery Module	6%	Battery cells are mostly imported with minor domestic assembly in limited scale.	CATL in talks to expand in India; Exide entered an agreement with SVOLT Energy; Cells expect to be produced in India in the next 3-5 years.	No	N/A
Mechanical, Components & others	17%	High localization (>80%) Chargers, USB cable, gift box; medium localization in (~20%) in die cut parts, mechanics; 100% imports for vibration motor, mic, and receiver.	Salcomp (charger) and Luxshare (cables) to expand in India. Jabil and Tata Electronics to manufacture casings.	Yes; actively looking for partners (precision die cuts, etc)	~Rs127bn/18bn (~6% share of total)
Passives	18%	SMT-grade passives for smartphones are largely imported dependent with small presence of global players (eg TDK, Murata).	As Local assembly achieves scale, companies could be expected to backward integrate and manufacture these.	No	N/A

Source: Company, Niti Ayog, Emkay Research

Exhibit 16: Mobiles/IT products/Components to contribute 47%/23%/19%, respectively, to revenue by FY35E

Source: Emkay Research

Exhibit 17: Mobiles/IT products/Components to contribute 52%/23%/20% to EBITDA by FY35E

Source: Emkay Research

Exhibit 18: Peer comparison – Dixon vs other leading EMS players

Company	CMP (Rs)	EPS (Rs)				PER (x)			EV/EBITDA (X)			ROE (%)		
		FY25	FY26	FY27	FY25E-27E CAGR (%)	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Dixon Technologies	16,275	124.8	196.8	297.0	54%	130.4	82.7	54.8	68.5	43.7	30.2	34.6	37.1	38.8
Kaynes Technologies*	6,197	50.0	71.7	103.1	44%	123.9	86.4	60.1	89.0	59.1	40.8	11.6	14.4	18.2
Cyient DLM*	586	11.9	21.4	27.1	51%	49.4	27.4	21.6	30.2	18.8	15.3	9.8	15.4	16.5
Syrma SSG Technologies*	542	8.7	13.1	18.1	44%	62.4	41.2	29.9	33.5	23.7	17.7	9.0	12.3	15.1
Avalon Technologies*	838	8.2	14.2	20.1	57%	102.4	59.0	41.8	56.2	36.7	27.1	9.3	14.2	16.7
PG Electroplast*	852	8.6	12.1	38.6	112%	99.2	70.5	22.1	65.0	50.8	38.0	18.7	20.1	20.1
Amber Enterprises India*	6,898	75.7	113.2	160.4	46%	91.1	60.9	43.0	36.1	28.7	22.7	11.4	15.1	18.0

Source: Bloomberg, Emkay Research; Note: * indicates Bloomberg consensus estimates

Table of contents

Initiate with BUY, 23% upside	10
Dixon to dominate smartphone assembly with ~70-75% incremental market share	13
IT hardware, the next large growth lever with 23% revenue share by FY35E	31
Backward integration foray to reinforce Dixon's competitive advantages	37
Other Businesses	45
Optionalities: Dixon looking to expand into adjacencies (Industrial, Automotive)	55
Financials: We build in 36%/54% revenue/EPS CAGR over FY25E-27E	58
Risks and Concerns	63
Annexure 1: Smartphone industry	64
Annexure 2: PLI Schemes	66
Annexure 3: Company Background	70

We initiate coverage with BUY, 23% upside

Dixon to dominate smartphone assembly with ~70-75% incremental share

- We expect smartphone assembly outsourcing to accelerate amid frequent market share flux among brands, brands' focus on core marketing activity, and greater cost-effectiveness, given Dixon's i) scale advantage (has ~45-50% of industry capacity; gained revenue/profit pool share vs peers and works nearly all major Android brands after the recent tie-up with Vivo), ii) aggressive backward integration intent/actions (plans to address 35% of mobile BOM cost in 2-3 years vs ~6% before the recent foray into displays vs limited progress by competitors), iii) PLI success (as against struggles by some peers), and iv) constraints on Chinese manufacturing investments place it most favorably to capture ~70-75% incremental market share, taking the overall smartphone market share to ~44% by FY35E vs ~25% now (the CMP builds-in ~30-35% share), and translating into 15%/33% revenue/EBITDA CAGR over the coming decade – which in turn would render revenue/EBITDA contribution of ~47%/52%, respectively.
- **Laptops/IT hardware the next large growth lever, forming ~23% of revenue by FY26E:** We believe IT hardware assembly represents a largely-underappreciated lever, amid 1) a substantial import substitution play (~70% import dependence, as against near fully-indigenized smartphone production), 2) regulatory support in the form of a Rs170bn PLI scheme, 3) Four (HP, Acer, Lenovo, Asus) of the top-5 brands—entailing ~58% CY23 industry market share—already having been on-boarded by Dixon, with ramp-up from Q4FY25E/H1FY26E, and 4) backward integration play being available from the start, unlike in smartphones. These, along with Dixon's aggressive plans, are seen driving ~30% market share/~Rs537bn revenue by FY35E, ie ~23% of mix vs near-zero now.
- **Backward integration foray to reinforce Dixon's competitive advantages:** Limited market presence/width at peers inhibits players' ability to effectively backward integrate into mobile/IT hardware components; by contrast, Dixon's large scale, early mover advantage (via the recent JV with HKC for displays; HKC gaining market share globally; commands >20% gross margin), and the upcoming ~Rs250-400bn component PLI scheme would further reinforce its moat/'right-to-win' here, in our view. This would come along with a) positive margin rub-off (double-digit in manufacturing vs ~3.5% in assembly) and b) opening-up of third-party sales (we expect ~Rs439bn revenue from component sales by FY35E). Separately, backward integration, aided by PLI, is likely to help bridge bulk of the current ~5% cost disability vs China, potentially leading to ~7-8% global smartphone market share for Dixon vs low-single digit share now.
- **Robust growth trajectory to continue; initiate with BUY:** We build in 36%/54% revenue/adjusted EPS CAGR over FY25E-27E (and 20%/40% over FY25E-35E), with sustained strong return ratios and cash flows. Our long-term estimates do not build-in potential optionalities (like Industrial PCBs, Automotive Electronics; potential ~Rs4trn market by FY35E) that Dixon is targeting. At CMP, Dixon trades at ~34x Dec-26E EV/EBITDA.

Exhibit 19: We build in 36%/50%/54% revenue/EBITDA/PAT CAGR over FY25E-27E

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Consolidated Revenues	29,845	44,001	64,482	106,971	121,920	176,909	380,050	564,668	706,728
Growth (%)	5	47	47	66	14	45	115	49	25
EBITDA	1,349	2,231	2,866	3,791	5,128	6,976	14,220	22,333	32,068
EBITDA margin (%)	4.5	5.1	4.4	3.5	4.2	3.9	3.7	4.0	4.5
EBITDA growth (%)	20	65	28	32	35	36	104	57	44
Depreciation	217	365	437	840	1,146	1,619	2,535	3,080	4,280
EBIT	1,132	1,865	2,429	2,952	3,981	5,357	11,685	19,253	27,789
EBIT margin (%)	3.8	4.2	3.8	2.8	3.3	3.0	3.1	3.4	3.9
PBT	938	1,568	2,170	2,548	3,432	4,836	10,283	17,720	26,166
Tax	305	363	572	644	897	1,189	2,468	4,253	6,280
Tax Rate(%)	32	23	26	25	26	25	24	24	24
PAT	634	1,205	1,598	1,902	2,555	3,677	7,463	11,768	17,762
PAT margin (%)	2.1	2.7	2.5	1.8	2.1	2.1	2.0	2.1	2.5
EPS (Rs)	11.2	20.8	27.3	32.0	42.9	61.5	124.8	196.8	297.0
Capex	(790)	(1,081)	(1,680)	(4,174)	(4,502)	(5,686)	(6,331)	(15,673)	(15,000)
FCF	(820)	1,293	22	(1,446)	2,755	157	4,980	1,648	9,480
ROE (%)	18.3	26.2	25.0	21.9	22.4	24.7	34.6	37.1	38.8
ROCE (%) - Pre tax	25.2	31.7	28.7	21.6	23.1	26.8	42.3	48.4	49.0

Source: Company, Emkay Research

Exhibit 20: Contribution of mobiles/IT hardware/components seen at 47%/23%/19% by FY35E; contribution at EBITDA level to be even higher due to backward integration benefits

Revenues (Rs bn)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	FY25E-35E CAGR
Mobiles	280	426	530	587	641	697	767	840	917	1,005	1,104	15%
IT products	0	21	34	43	66	103	147	208	292	409	537	42%*
Components (third-party sales)	-	-	-	17	56	117	184	244	308	372	439	41%*
Others	99	118	142	155	168	182	198	215	234	254	277	11%

Revenue growth YoY (%)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Mobiles		52	25	11	9	9	10	10	9	10	10
IT products		4,950	62	26	52	58	42	41	41	40	31
Components (third-party sales)					235	109	57	33	26	21	18
Others		18	21	9	9	9	9	9	9	9	9

Revenue mix (%)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Mobiles	74	75	75	73	69	63	59	56	52	49	47
IT products	0	4	5	5	7	9	11	14	17	20	23
Components (third-party sales)	-	-	-	2	6	11	14	16	18	18	19
Others	26	21	20	19	18	17	15	14	13	12	12

EBITDA (Rs bn)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	FY25E-35E CAGR
Mobiles	9	16	24	43	68	96	112	124	136	149	164	33%
IT products	0	1	1	3	6	12	20	28	40	56	73	50%*
Components	-	-	-	2	8	16	26	34	43	52	61	41%*
Others	5	6	7	7	8	9	10	11	12	13	14	11%

EBITDA growth YoY (%)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Mobiles		68	51	81	58	40	17	11	9	10	10
IT products		4,950	89	128	121	81	71	42	41	40	31
Components (third-party sales)					235	109	57	33	26	21	18
Others		22	18	9	9	9	9	9	10	10	10

EBITDA mix (%)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Mobiles	66	71	75	77	75	72	67	63	59	55	52
IT products	0	3	4	5	7	9	12	14	17	21	23
Components	-	-	-	4	9	12	15	17	19	19	20
Others	34	26	21	13	9	7	6	5	5	5	5

Source: Emkay Research; Note: *pertains to FY29E-35E CAGR

Exhibit 21: Peer comparison – Dixon vs other leading EMS players

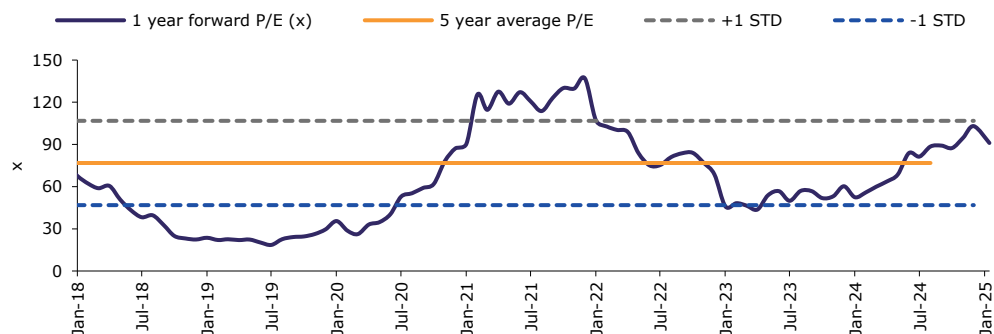
Company	CMP (Rs)	EPS (Rs)				PER (x)			EV/EBITDA (X)			ROE (%)		
		FY25	FY26	FY27	FY25E-27E CAGR	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Dixon Technologies	16,275	124.8	196.8	297.0	54%	130.4	82.7	54.8	68.5	43.7	30.2	34.6	37.1	38.8
Kaynes Technologies*	6,197	50.0	71.7	103.1	44%	123.9	86.4	60.1	89.0	59.1	40.8	11.6	14.4	18.2
Cyient DLM*	586	11.9	21.4	27.1	51%	49.4	27.4	21.6	30.2	18.8	15.3	9.8	15.4	16.5
Syrma SSG Technologies*	542	8.7	13.1	18.1	44%	62.4	41.2	29.9	33.5	23.7	17.7	9.0	12.3	15.1
Avalon Technologies*	838	8.2	14.2	20.1	57%	102.4	59.0	41.8	56.2	36.7	27.1	9.3	14.2	16.7
PG Electroplast*	852	8.6	12.1	38.6	112%	99.2	70.5	22.1	65.0	50.8	38.0	18.7	20.1	20.1
Amber Enterprises India*	6,898	75.7	113.2	160.4	46%	91.1	60.9	43.0	36.1	28.7	22.7	11.4	15.1	18.0

Source: Bloomberg, Emkay Research; Note: * indicates Bloomberg consensus estimates

Exhibit 22: Emkay vs Consensus

Dixon (Rs mn)	Emkay Estimates			Consensus Estimates			Difference (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenue	380,050	564,668	706,728	379,131	518,832	637,345	0.2	8.8	10.9
EBITDA	14,220	22,333	32,068	14,199	19,750	24,507	0.1	13.1	30.9
EBITDA margin (%)	3.7	4.0	4.5	3.7	3.8	3.8	(0) bps	15 bps	69 bps
Adj. PAT	7,463	11,768	17,762	8,313	11,473	13,955	-10.2	2.6	27.3
EPS (Rs)	125	197	297	136	191	253	-8.1	2.9	17.2

Source: Bloomberg, Emkay Research

Exhibit 23: Dixon trades above LTA on 1-year forward PER basis; robust growth prospects justify the premium valuations, in our view

Source: Bloomberg, Emkay Research

Dixon to dominate smartphone assembly with ~70-75% incremental market share

"...today, 99.2 percent of mobile phones used in India are made in India...Mobile phone manufacturing has gone from miniscule to USD44billion... we have reached in the last 9.5 years a level where we can have export led growth in electronics and products."

- **Comments in Nov-23 by Ashwini Vaishnaw, Union Minister**

"In terms of the operational side or supply chain side, we are producing there (India), from a pragmatic point of view, you need to produce there to be competitive"

- **Comments in May-24 by Tim Cook, CEO, Apple Inc**

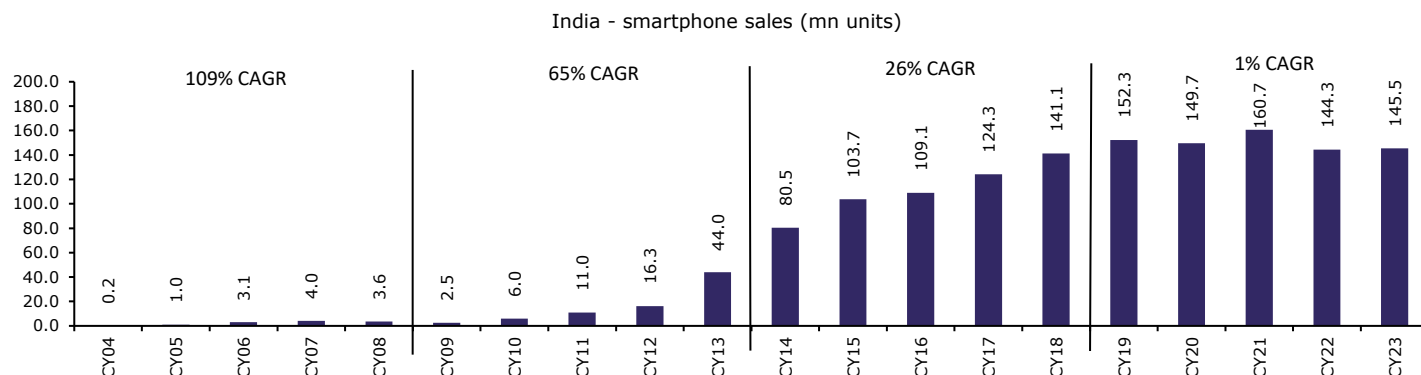
We expect Dixon's scale advantage, aggressive backward integration, PLI success, and constraints on Chinese manufacturing investments to help capture ~70-75% incremental market share in smartphones, taking overall market share to ~44% by FY35E vs ~25% now (CMP builds-in ~30-35% market share, as per our estimate)

- India's domestic smartphone sales volumes stood at ~145mn units in CY23 (28% CAGR since CY08 with flattish performance since CY18); in volume terms, industry size stood at ~USD36bn (3% CAGR since CY18). Historically, while bulk of the domestic demand has been served by imports, India is now self-sufficient in production (over 99% of demand now catered to by local production) – and has turned a net exporter since 2020. Going forward, we expect industry volume CAGR at ~1% till FY35E (taking penetration levels to ~35% vs ~33%/70% now in India/China), with pricing CAGR seen at ~5% during the same period (higher in the initial few years amid the ongoing 4G to 5G transition). Industry value CAGR is thus seen at ~6%.
- While the overall smartphone industry volumes have remained flattish across global markets over the past decade, there has been significant churn in market share among brands, on the back of the rise in number of Chinese players; excluding sales within China, the contribution of Chinese players to the top-10 global brands by sales volume stood at 47% in 2023 vs 5% in 2013 (Apple, Samsung – the only non-Chinese brands among the global top-10). Similar brand flux has played out in India too; with 4 of the top-5 selling brands in 2023 being Chinese, as against none in 2013.
- We believe this market share flux and the associated uncertainty about competitive dynamics/future standings are major drivers of the rising trend of outsourcing of smartphone assembly/production. Further, desire of brands to focus on 'core' customer end-activities (branding, distribution), and better cost-effectiveness through outsourcing (Make vs Buy decision), are also driving opportunities for EMS players.
- While in the last two decades China and Vietnam have been major beneficiaries of this trend, in recent years, the attractiveness of India as a hub for smartphone assembly has also improved, driven by factors like rising labor costs in China, India's large domestic market (second-largest globally), regulatory nudge (eg PLI), and geopolitical/supply chain factors.
- In India, outsourced smartphone volume stood at ~73mn as of FY24E, ie ~50% of the overall industry size. Chinese brands, which have earlier largely stuck to in-house manufacturing, have increased outsourcing in recent years amid issues like restrictions on investments and non-qualification for PLI for some brands. Going ahead, we expect the outsourced smartphone assembly industry CAGR at ~4% over FY25E-35E.
- We believe, Dixon's i) scale advantage (has ~45-50% of industry capacity; gained revenue/profit pool share vs peers, and works with nearly all major Android brands after the recent tie-up with Vivo), ii) aggressive backward integration intent/actions (plans to address 35% of mobile BOM cost in 2-3 years vs ~6% prior to the recent foray into displays vs limited progress by competitors), iii) PLI success (as against struggles by some peers), and iv) constraints on Chinese manufacturing investments place it most favorably to capture ~70-75% incremental market share, and thus taking overall smartphone market share to ~44% by FY35E vs ~25% now (CMP builds-in ~30-35% market share, as per our estimate).
- We expect mobile phone revenue CAGR at 15% over FY25E-35E, with contribution placed at ~47% vs 74% in FY25E. Backed by savings from backward integration into components, we expect mobile phone EBITDA CAGR at 33%, with contribution to consolidated EBITDA at 52% by FY35E.

[A] Smartphone industry: Strong historical growth, though seen moderating in recent years; India now self-sufficient in production

- The Indian smartphone industry has recorded robust growth over the past 2 decades, with industry volume CAGR at 28% over CY08-23; in CY23, industry domestic sales stood at ~145mn units. Bulk of the growth was recorded over CY04-18, with industry seeing flattish performance in the past 5 years.
- In sales value terms, domestic smartphone industry size stood at ~USD36bn in CY23 – at 51% CAGR over CY07-23. Value growth in the past 5 years has been slightly ahead of volume growth, at ~3%.

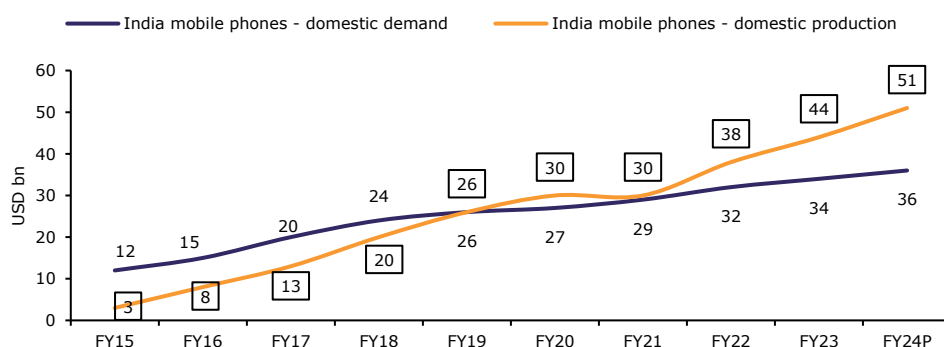
Exhibit 24: India's smartphone industry has seen flattish sales over the past 5 years



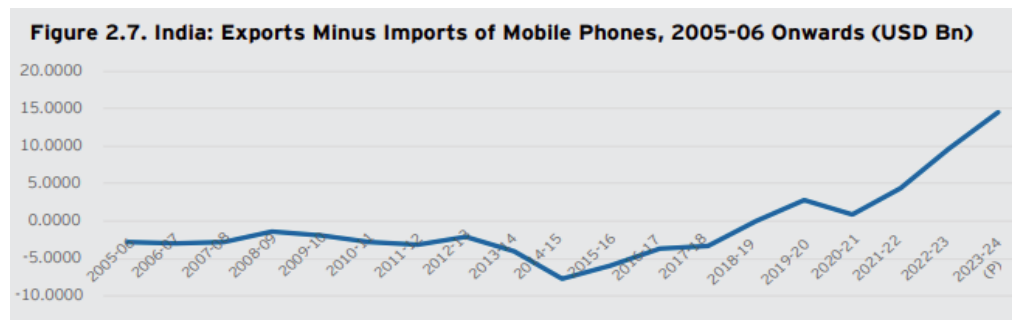
Source: Bloomberg, Emkay Research

- The Android ecosystem dominates in India, with ~93% volume share as of CY23 (~129mn units; iOS placed at ~9mn units). On overall basis, Chinese brands (including the BBK Group – Oppo/Oneplus/Vivo/Iqoo/Realme; the Transsion Group – Itel/Infinix/Tecno; and Xiaomi, as leading players) accounted for ~75% of volume market share; among non-Chinese players, Samsung (~18% share) and Apple (~7% share) are the largest brands.
- Historically, domestic mobile phone demand has been largely met via imports (domestic production at ~USD3bn in FY15 vs demand of ~USD12bn).
- Over the past decade, aided by GoI push (eg PLI) and by post-Covid tailwinds for global supply-chain diversification (China Plus One), domestic production of mobile phones has increased robustly. As of FY23, it stood at ~USD44bn (~15x growth vs FY15 levels) – now well above domestic demand (~USD34bn).
- Currently, over 99% of the domestic demand needs are met by domestic production.

Exhibit 25: Domestic production of mobile phones has now well surpassed domestic demand; ~99% of current domestic needs being met through local production



Source: ICEA, Emkay Research

Exhibit 26: Since 2020, the mobile phones trade balance is positive (ie exports higher than imports)

Source: ICEA, Emkay Research

India has now reached self-sufficiency in mobile phone production; exports to drive strong growth ahead

"...today, 99.2 percent of mobile phones used in India are made in India... Mobile phone manufacturing has gone from miniscule to USD44 billion... we have reached in last 9.5 years a level where we can have export led growth in electronics and products."

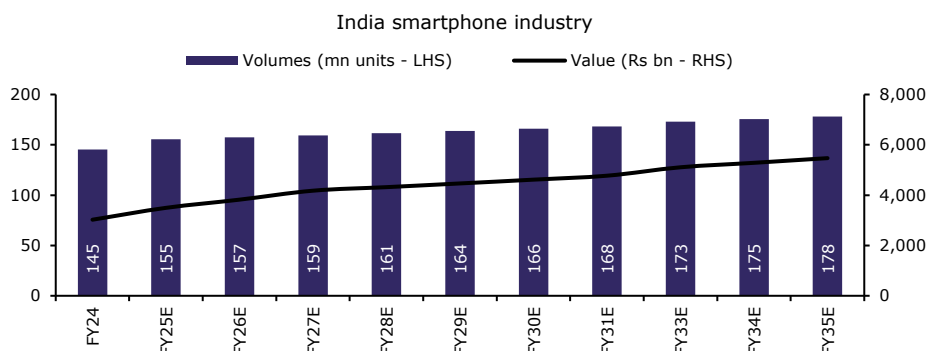
- Comments in Nov-23 by Ashwini Vaishnaw, Union Minister ([link](#))

- Going ahead, we expect smartphone industry volume CAGR at a modest ~1% till FY35E, taking penetration levels to ~34-35% vs ~33%/70% now in India/China, respectively.
- Due to a lower base and rising disposable incomes/discretionary spends in urban areas and strategic focus from Apple, iPhone growth is likely to outpace that of Androids. Within the Android ecosystem, brands like Xiaomi, Vivo, Realme, Motorola, and the Transsion group could grow faster (based on announcements and plans disclosed by brands).
- Pricing growth for the industry is expected to be higher, at ~5% CAGR, aided by rising premiumization, eg the ongoing transition from 4G to 5G phones.
- Thus, overall value CAGR for the smartphone industry is seen at ~6% over FY25E-35E.

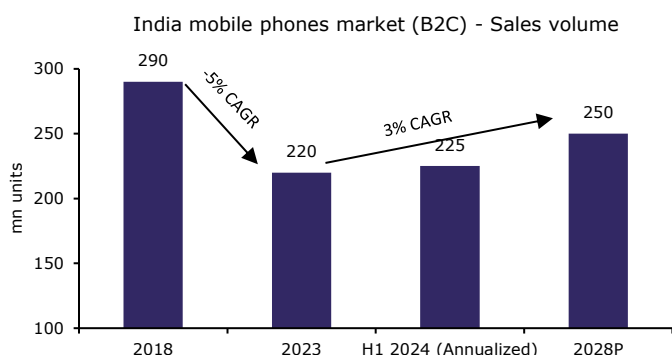
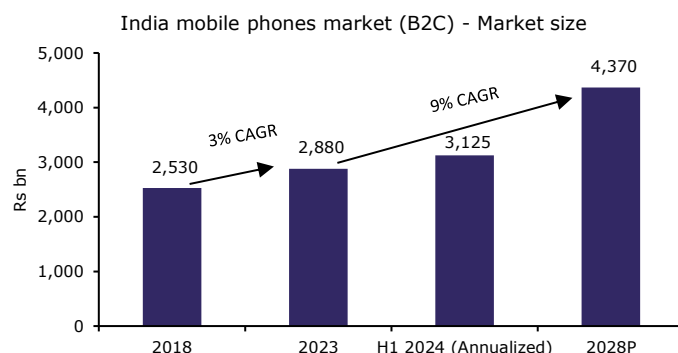
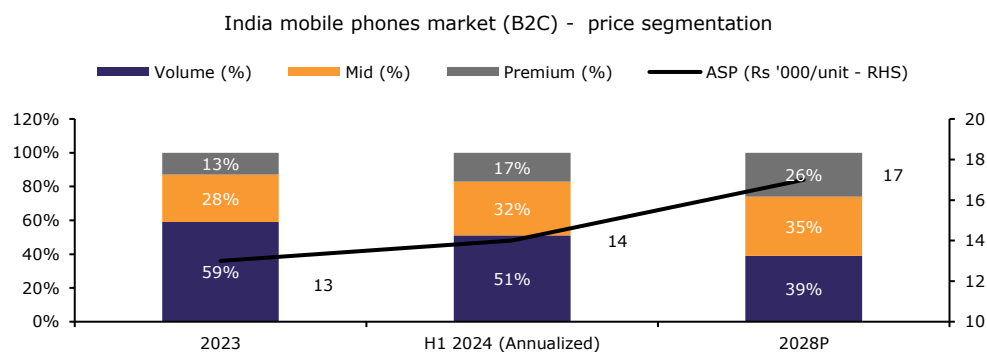
Exhibit 27: We expect India smartphone industry volume CAGR at ~1% over the coming decade

India smartphone industry (mn units)	FY24	FY25E	FY26E	FY27E	FY30E	FY35E	CAGR (FY25E-35E)	Comment/Assumptions
Brand wise volumes	145	155	157	159	166	178	1%	
Apple	9	13	13	13	15	17	3%	Aims for double-digit market share
Android	136	143	144	146	151	161	1%	
Oppo	15	18	18	18	19	20	1%	In line with industry growth
Vivo	22	25	26	26	28	31	2%	New facility from 2024; assumed slightly higher than industry growth as a result
One Plus	9	6	6	6	6	6	0%	Reluctant to pursue volume strategy; focusing on above Rs20K bracket; hence assumed flattish volumes
Realme	18	17	18	18	19	21	2%	Aims to be the top brand in India
Iqoo	3	6	6	6	6	6	0%	Positioned for 15-50K bracket; not aiming to be among leaders; hence assumed flattish growth
Nokia	1	1	1	1	1	1	0%	Assumed flattish growth
Transsion (Itel, Tecno, Infinix)	12	11	11	12	12	14	2%	Aims to break into top-5 vs 6th largest now
Motorola	4	8	8	8	9	9	2%	Aims to be in top-3 players in few years
Xiaomi	18	20	21	22	24	27	3%	Plans to triple electronics shipments over the coming decade, hence assumed higher than industry growth
Google	1	1	1	1	1	1	0%	Assumed flattish growth
Samsung	25	21	21	21	21	21	0%	Assumed flattish growth
Others	9	9	8	8	7	5	-5%	Assumed market share consolidation towards top brands
Non-Chinese players	35	35	35	35	37	39	1%	
Chinese players	110	121	122	124	129	139	1%	

Source: Bloomberg, Media articles, Emkay Research

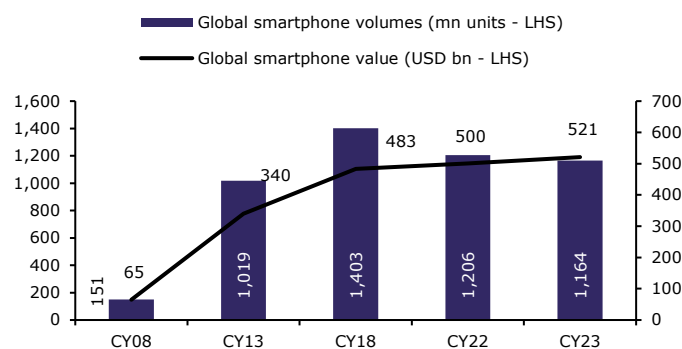
Exhibit 28: We expect ~1%/6% CAGR in smartphone industry volumes/value till FY35E

Source: Bloomberg, Media articles, Emkay Research

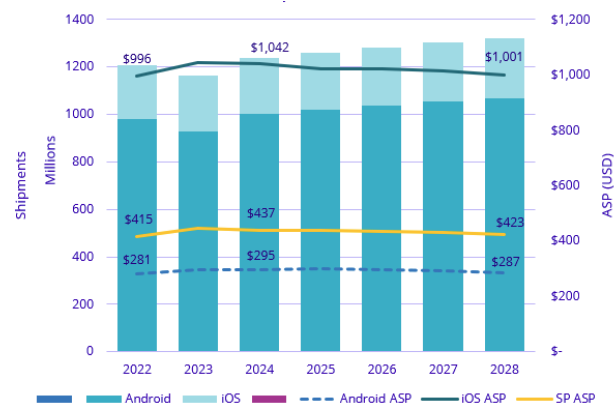
Exhibit 29: The industry estimates the overall India mobile phone market CAGR at ~3%, in volume terms, till 2028Source: Redseer research and analysis, LG Electronics India DRHP ([link](#)), Emkay Research**Exhibit 30: As per the industry, overall India mobile phones market size CAGR is expected at ~9% in value terms, till 2028**Source: Redseer research and analysis, LG Electronics India DRHP ([link](#)), Emkay Research**Exhibit 31: As per industry estimates, share of 'Mid' and 'Premium' mobile phones to rise to 61% by 2028 vs 41% in 2023; blended industry ASPs to rise to ~Rs17K in 2028 vs ~Rs13K in 2023**Source: Redseer research and analysis, LG Electronics India DRHP ([link](#)), Emkay Research

Note: 'Volume' includes mobiles priced under Rs15K, 'Mid' includes mobiles priced at Rs15K-45K, 'Premium' includes mobiles priced above Rs45K

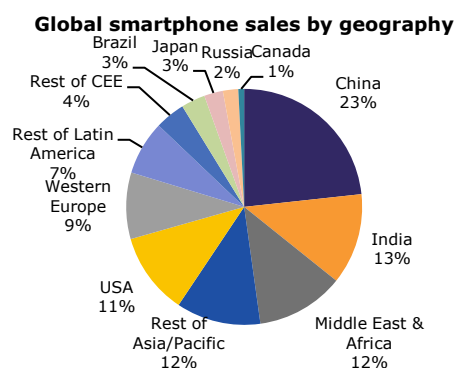
- Global smartphone industry growth trends have been broadly similar to India's; while volume CAGR stood at a robust 25% during CY08-18, it has declined thereafter (CY08-23 CAGR at 15%). Going ahead, industry estimates project single-digit growth over coming few years.

Exhibit 32: Global smartphone volume CAGR at 25% over CY08-18, though volumes declined post-CY18

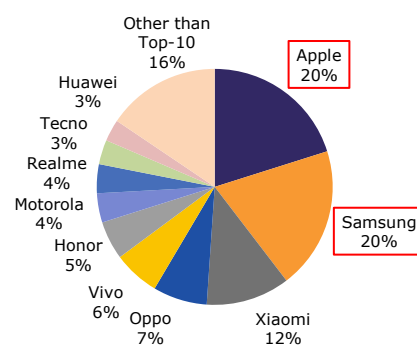
Source: Bloomberg, Emkay Research

Exhibit 33: Global smartphone volume expected to grow in a single digit going aheadSource: IDC Nov-24 forecast ([link](#)), Emkay Research**[B] Significant churn in the global smartphone industry**

- Interestingly, while overall industry growth has moderated sharply across markets over the past decade, there has been substantial movement in market share among various brands. This has primarily been on account of the rise of Chinese brands.
- China formed ~23% of the global smartphone market in 2023, with India (13%), Middle East & Africa (12%), Rest of Asia-Pacific (12%), USA (11%), and Western Europe (9%) being the other major markets.
- However, the contribution of Chinese brands stood much higher; of the top-10 global brands (forming ~84% of overall sales), 8 were Chinese – with Apple (~20% market share) and Samsung (~20% market share) the only non-Chinese brands.
- This differs significantly from earlier years. Back in 2013, the contribution of Chinese to top-10 brand-wise sales (outside of China) stood at only 5%; this rose to 47% in 2023, amid the rise of brands like Xiaomi, Oppo, Motorola (Lenovo), and Vivo.

Exhibit 34: China formed 23% of the global smartphone market in 2023...

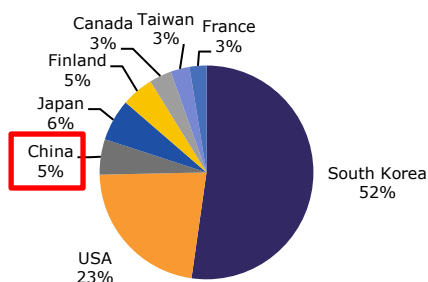
Source: Bloomberg, Emkay Research; Note: CEE = Central & Eastern Europe

Exhibit 35: ...however, the share of Chinese brands is much higher; only Apple and Samsung were the non-Chinese brands among the top-10 global smartphone brands**Global smartphone sales by brand - CY23**

Source: Bloomberg, Emkay Research

Exhibit 36: Excluding sales within China, contribution of Chinese to the top-10 global brands by sales volume stood at 5% in 2013...

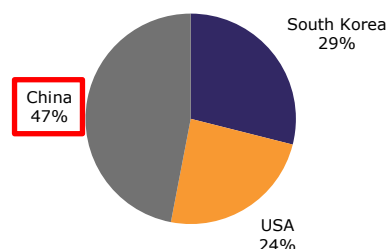
Contribution to top-10 smartphone brands by volume (ex-China) - 2013



Source: Bloomberg, Emkay Research; Note: These are global sales ex-China

Exhibit 37: ...and rose to 47% in 2023; Samsung and Apple were the only two non-Chinese players in the top-10

Contribution to top-10 smartphone brands by volume (ex-China) - 2023

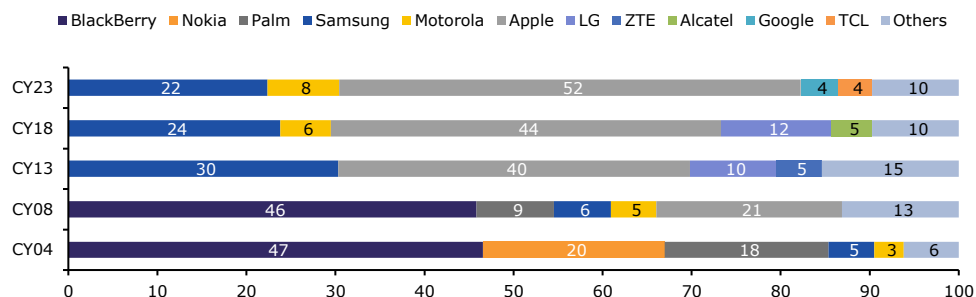


Source: Bloomberg, Emkay Research; Note: These are global sales ex-China

- There has been substantial flux in smartphone market-share among brands over the years across key global markets. For instance, in the US, 3 of the current top-3 brands (Motorola, Google, TCL) were not part of the leading brands in CY13. Similarly, in Western Europe, 3 of the current top-5 brands (Xiaomi, Motorola, Oppo) were not part of the corresponding list in CY13.
- In India as well, only Samsung features among the top-selling smartphone brands in both, CY13 as well as CY23.

Exhibit 38: Three of the current top-5 smartphone brands were not part of the list 10 years ago either, in the USA...

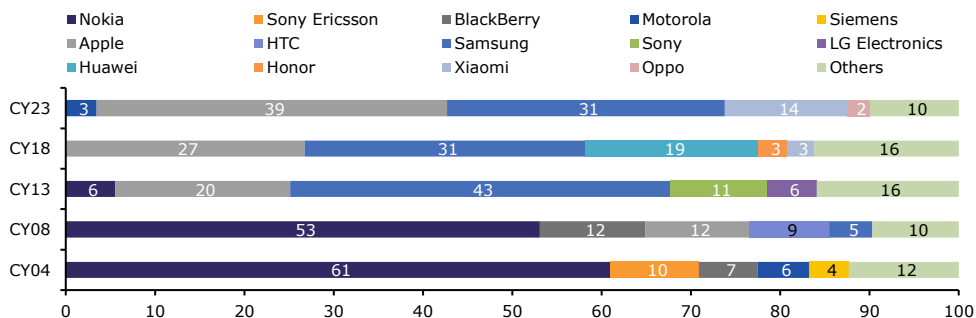
USA smartphone market share - Top 5 brands



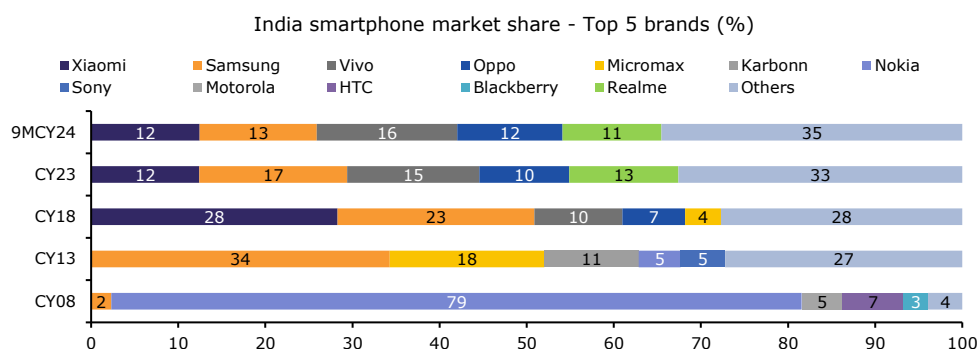
Source: Bloomberg, Emkay Research

Exhibit 39: ...or in western Europe

Western Europe smartphone market share - Top 5 brands



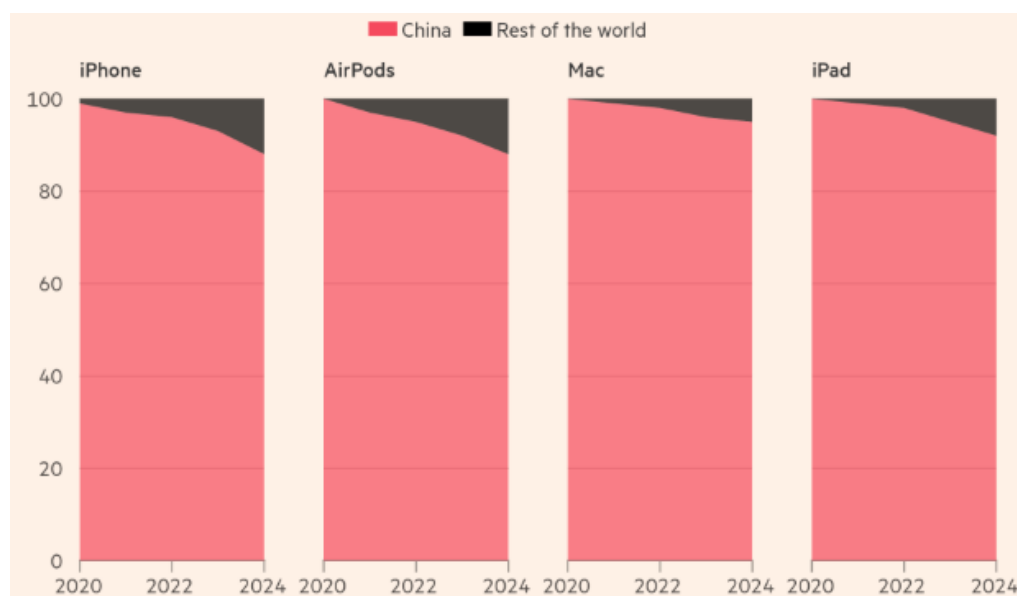
Source: Bloomberg, Emkay Research

Exhibit 40: In India, 4 of the current top-5 brands were not part of the top-5 list 10 years ago

Source: Bloomberg, IDC, Emkay Research

[C] Rising opportunities in outsourcing of smartphone assembly/production; Dixon best-placed to capitalize

- This market share flux in smartphones, and associated uncertainty over competitive dynamics/future standings, is a major driver for the rising trend of outsourcing of smartphone assembly/production, in our view.
- Separately, inclination of client brands to focus on 'core' customer-end activities (like branding and distribution) and better cost-effectiveness through procurement from large-scale manufacturers who benefit from scale advantages (make vs buy decision) is also contributing to the rising outsourcing opportunities for EMS players.
- Over the past ~10-15 years, manufacturers in China and Vietnam have been the major beneficiaries of this trend.
- In recent years though, attractiveness of India as a manufacturing destination in this space is also improving, amid a) declining cost-competitiveness of China (eg increasing labor costs), b) India's large demand pool (second largest market globally), c) geopolitical and supply-chain considerations (China Plus One), and d) supportive regulatory interventions (majorly PLI schemes).

Exhibit 41: Till 2020, nearly all of the global iPhone production took place in China; as per industry estimates; ~15% of it has now shifted to India

Source: Financial Times ([link](#)), Emkay Research; Note: 2023 onward are forecasts

Global giants like Apple have highlighted the need for their manufacturing presence in India in order to be cost-competitive

"In terms of the operational side or supply chain side, we are producing there, from a pragmatic point of view, you need to produce there to be competitive"

- Comments in May-24 by Tim Cook, CEO, Apple Inc ([link](#))

Exhibit 42: Samsung has also largely moved smartphone production out of China

Samsung ends mobile phone production in China

Source: Media article ([link](#)), Emkay Research

- In India, smartphone brands have followed a hybrid strategy (mix of own manufacturing and outsourcing). Per our estimates, as of FY24, outsourced smartphone volume stood at ~73mn, ie ~50% of overall industry size of 145mn, with almost all major brands having outsourced production to some extent.
- While large Chinese brands have so far largely stuck to in-house manufacturing, there have been instances of increasing outsourcing by them in recent years, amid 1) issues around direct investment in own manufacturing not being allowed (similar to discouragement to Chinese investments in other sectors as well), and 2) PLI handicap (eg Oppo, Vivo have not applied for PLI benefits, while competitor Samsung has been among its largest beneficiaries).
- We expect the outsourced smartphone production industry CAGR at ~4% over FY25E-35E (as against industry sales CAGR of ~1%).

Exhibit 43: Outsourced smartphone industry currently placed at ~97mn units/year (FY25E); to see ~4% CAGR amid rising share of outsourcing (vs ~2% overall smartphone industry growth)

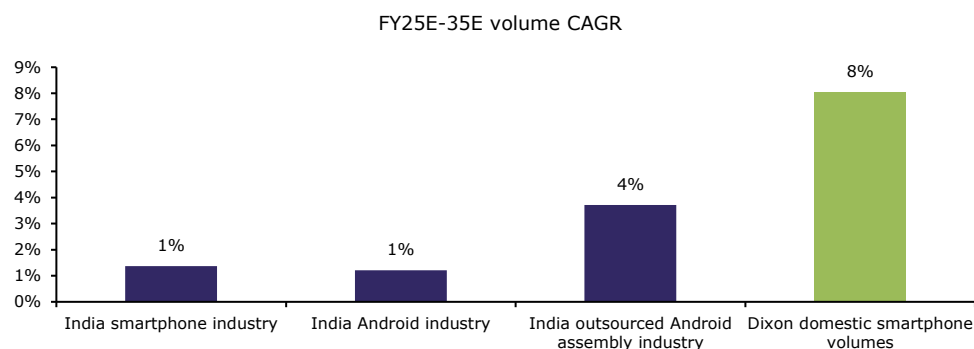
Outsourced industry by brand (mn units)	FY24	FY25E	FY26E	FY27E	FY30E	FY35E	Outsourcing status	Outsourcing partner(s)
Apple	9	13	13	13	15	17	Fully outsourced	Foxconn, Pegatron, Wistron
Oppo	7	9	9	10	11	14	Partly outsourced	Dixon, DBG, Optiemus
Vivo & Iqoo	8	12	13	14	17	22	Partly outsourced	Dixon, Bhagwati (Micromax)
One Plus	3	2	3	3	3	4	Partly outsourced	Optiemus
Realme	5	9	9	10	11	15	Partly outsourced	Dixon, Karbonn
Nokia	1	1	1	1	1	1	Fully outsourced	Dixon, Bharat FIH
Transsion (Itel, Tecno, Infinix)	12	11	11	12	12	14	Fully outsourced	Dixon
Motorola	4	8	8	8	9	9	Fully outsourced	Dixon
Xiaomi	18	20	21	22	24	27	Fully outsourced	Dixon, Bharat FIH, DBG, BYD, Flextronics
Google	1	1	1	1	1	1	Fully outsourced	Dixon, Bharat FIH, Foxconn
Samsung	6	11	11	12	13	15	Partly outsourced	Dixon
Industry total	73	97	101	104	116	138		
FY25E-35E CAGR						4%		

Source: Company, Bharat FIH DRHP document, Media articles, Emkay Research

Exhibit 44: Smartphone brands in India follow a mix of insourced and outsourced manufacturing; among outsourced partners, Dixon has the widest range of customers in the Android ecosystem

	Dixon	Bharat FIH (Foxconn subsidiary)	Foxconn / Tata Electronics	DBG Technology	Flextronics	Optimus Infracom	Karbons	In house by brands
Apple	N/A	Yes						
Samsung	Yes	Yes						
Xiaomi	Yes	Yes		Yes	Yes			
Transsion (Itel, Infinix, Techno)	Yes							
Oppo	Yes			Yes		Yes		Yes
Oneplus	Not yet						Yes	Yes
Vivo	Yes							Yes
Iqoo	Not yet							Yes
Realme	Yes						Yes	Yes
Motorola	Yes							
Google Pixel	Yes	Yes	Yes					
Nokia	Yes	Yes						
Lava	N/A							Yes
Micromax	N/A						Yes	Yes

Source: Company, Bharat FIH DRHP document, Media articles, Emkay Research; Note: Blue indicates scope for wallet share gains for Dixon; Green indicates Dixon being sole supplier

Exhibit 45: We expect the Indian outsourced smartphone assembly industry CAGR at 4%; Dixon volume CAGR expected at 8% , over FY25-35E


Source: Company, Bharat FIH DRHP document, Bloomberg, Emkay Research

- Notable players in the outsourcing space include Dixon, DBG Technologies, Flextronics, and Bharat FIH in the Android ecosystem, and Foxconn, Pegatron, and Wistron in the Apple ecosystem.
- Dixon has manufacturing presence across major smartphone brands (with the exception of Oneplus), and is the sole partner for brands like Motorola, Transsion Group (as part of acquisition of Ismartu this year), and Nokia, as well as being a large contract manufacturer for Samsung.
- Dixon enjoys the largest scale among competitors in the Android ecosystem, with smartphone production capacity of ~50mnpa units (~45-50% of industry capacity), and is present across most of large-volume brands.

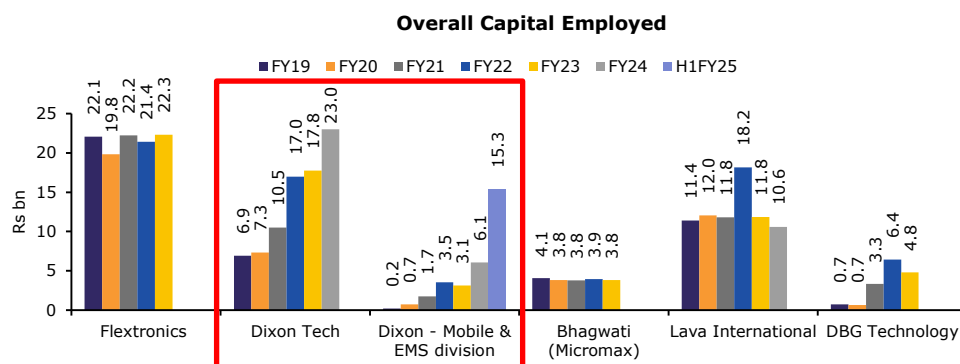
Exhibit 46: Dixon has consistently added new clients in mobile phones over the years; recently also added Compal (Google) and Vivo (via JV)

As of FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Panasonic, Gionee, Karbons	Micromax, Blaupunkt, Tambo	LG	Samsung	Motorola, Nokia	Orbic	Jio, Tecno, Itel	Xiaomi, Realme	Compal (Google), Vivo (via JV)

Source: Company, Media articles, Emkay Research

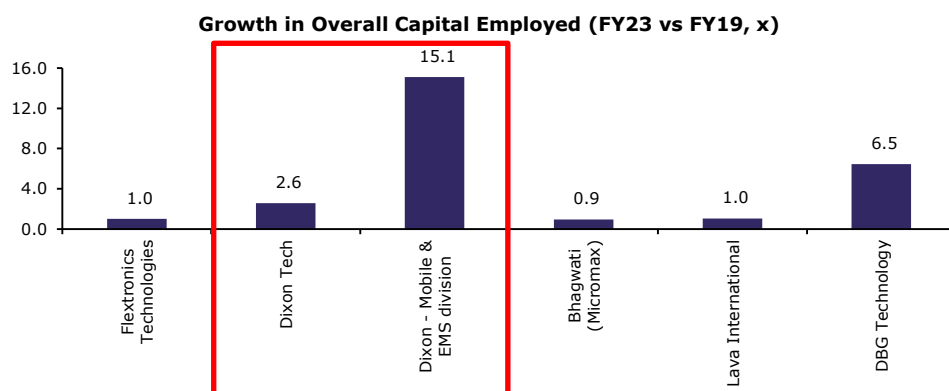
- Over FY19-23, the company has witnessed ~15x expansion in capital employed in the Mobile & EMS vertical – over 2x higher than the next-highest increase (at DBG Technologies). Dixon's asset base here has increased even more sharply post FY23, rising ~5x to ~Rs15.3bn as of H1FY25.
- Rising scale (accompanied by lack of meaningful corresponding increase at other players), and ongoing customer additions (recently entered JV with Vivo; also added Compal/Google; in talks with another large client), is set to further drive Dixon's competitive advantage, in our view.

Exhibit 47: Dixon has rapidly expanded scale in mobiles amid rising opportunities in smartphone assembly



Source: Company, Capitaline, Emkay Research

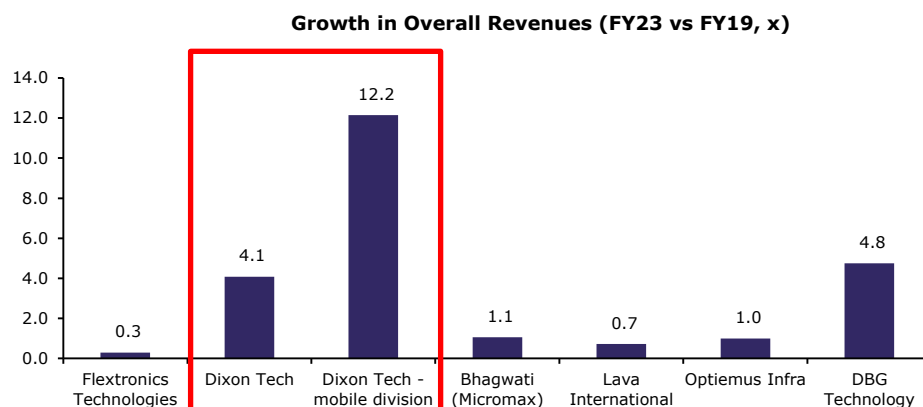
Exhibit 48: Dixon's capital employed in the Mobile & EMS division has expanded ~15x over FY19-23 – over 2x higher than the next highest competitor in the Android ecosystem



Source: Company, Capitaline, Emkay Research

- Expanding scale, accompanied by strong execution capabilities and aided by other advantages such as PLI benefits, has helped Dixon quickly scale the mobile division. Revenue here has grown 12x over FY19-23, and ~74x over FY19-25E (annualized H1 levels). By comparison, revenue at DBG Technology (next-best performance) grew ~5x over FY19-23, while other competitors in the Android space saw flattish performance or decline.

Exhibit 49: Dixon's mobile phone revenue has grown ~12x over FY19-23, more than 2.5x compared with the next best competitor (DBG Technology); revenue for other players in the Android ecosystem has declined or been flat over the same period



Source: Company, Capitaline, Emkay Research

Some of Dixon's competitors have felt the pinch of rising competition ...

"The company [Bhagwati Products] has shifted its focus on other segments like LED TVs, Tablets, Laptop and Air conditioners as **mobile phones were facing stiff competition from Chinese players and other mobile brands like Oppo, Vivo, Xiaomi etc.**"

- Snippet from Apr-23 credit rating report of Bhagwati Products (Micromax), competitor to Dixon ([link](#))

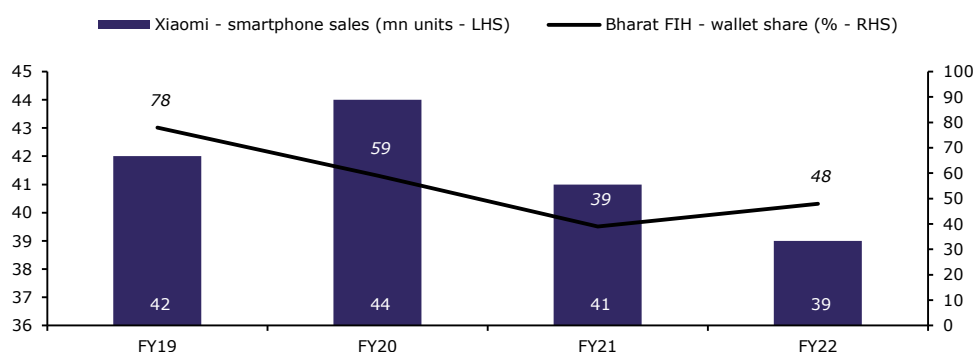
- Qualifying for, and successfully meeting, PLI eligibility criteria has acted as a significant competitive advantage for Dixon, even as some competitors have not been able to do so. Chinese brands in particular have looked to tie up with outsourcing partners who have received PLI approvals.
- In FY24, Dixon received Rs520mn as PLI incentive for its mobile division (pertains to production achieved during FY23); sharply rising scale post FY23 would further accelerate advantage for Dixon.

Smartphone brands look to tie up with outsourced manufacturers who have qualified for PLI

"We see this as a fantastic opportunity for smartphone manufacturers...various companies are interested and have got their approvals, and we are talking to a few."

- Comments in Feb-21 by Muralikrishnan B, COO, Mi India ([link](#))

Exhibit 50: Competitor Bharat FIH has lost wallet share within Xiaomi; Dixon's wallet share within Xiaomi has increased in recent years



Source: Bharat FIH DRHP ([link](#)) and addendum to DRHP ([link](#)), Emkay Research

- Dixon has recently acquired a 56% stake in Ismartu India during FY25 at Rs2.4bn. This strategic acquisition provides Dixon access to manufacturing facilities for feature phones and smartphones, including prominent brands from the Transsion group such as Itel, Infinix, and Tecno, positioning Dixon as the sole supplier for these brands.
- Transsion group's ambition to be among the Top 5 mobile phone brands would partly drive higher volumes for Dixon despite underlying market not growing much.
- The company demonstrates stronger financial metrics, with a superior EBITDA margin (3.5%) and higher return ratios, including a robust RoCE of ~45%, attributable to its leaner balance sheet. In Q2 FY25, Ismartu reported a revenue of ~Rs11bn, supported by a production volume of around 800K units.

Exhibit 51: Dixon has recently acquired 56% stake in Ismartu, becoming the sole supplier for the Transsion Group, which has strong ambitions of gaining market share

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24
Net Sales	12,281	19,198	47,307	71,488	62,349	82,672
RM Cost	10,969	17,225	43,953	66,830	58,042	77,243
Gross Profit	1,312	1,973	3,354	4,658	4,307	5,429
Gross Margin (%)	10.7	10.3	7.1	6.5	6.9	6.6
Employee Cost	730.9	849.1	1088.4	1251.9	1101.1	1256.4
Other Expenses	556.8	944.6	464.1	1895.1	708.5	1283.1
EBITDA	24	180	1,802	1,511	2,498	2,889
EBITDA Margin (%)	0.2	0.9	3.8	2.1	4.0	3.5
Depreciation	43	111	241	293	309	320
EBIT	-19	69	1,561	1,218	2,188	2,570
Other Income	19	12	69	116	33	830
Interest	8	50	151	149	114	103
EBT	-8	32	1,479	1,186	2,107	3,296
Tax	0	-8	373	321	545	844
PAT	-8	40	1,106	864	1,562	2,452
PAT Margin (%)	-0.1	0.2	2.3	1.2	2.5	3.0
RoE (%)	-3.8	16.5	84.5	37.7	46.5	46.2
ROCE (Pre-tax, %)	-3.8	7.0	75.8	41.0	53.8	44.7
Gross Asset T/o (x)	20.6	18.2	21.6	28.9	24.9	31.1
Net Asset T/o (x)	22.4	21.4	26.5	40.3	40.9	60.5

Source: Company, Emkay Research

Exhibit 52: Dixon's moat to get reinforced amid continuously weakening positioning of sub-scale/uncompetitive players

Industry · 2 Min Read

50% of handset mfg capacity in India lying idle

Utilisation rates are higher for manufacturers which are exporting in large numbers and are part of the PLI scheme, while smaller players producing mainly for the domestic market are repurposing a major proportion of their assembly lines to make products like telecom equipment and wearables, they said. Underutilisation has been high since 2022, when the post-Covid pent-up demand started disappearing, they said.



Updated On Jan 9, 2025 at 01:59 PM IST

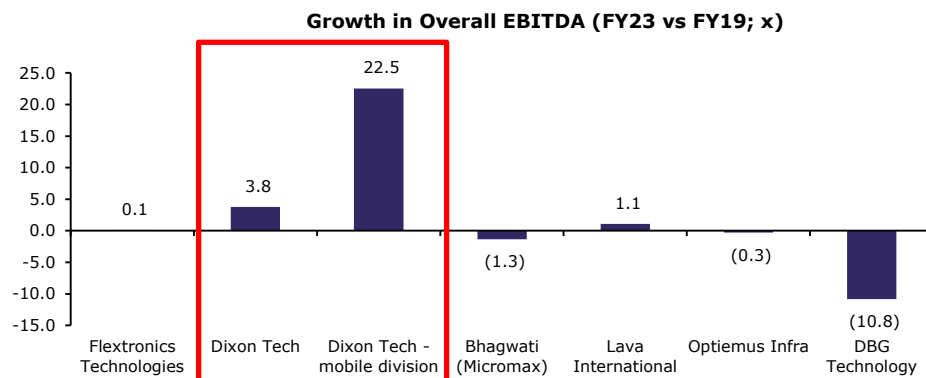
Source: Media articles ([link](#)), Emkay Research

Exhibit 53: Dixon is among a small set of competitors that are qualified for and have received PLI incentives; several peers have not met the necessary criteria for PLI

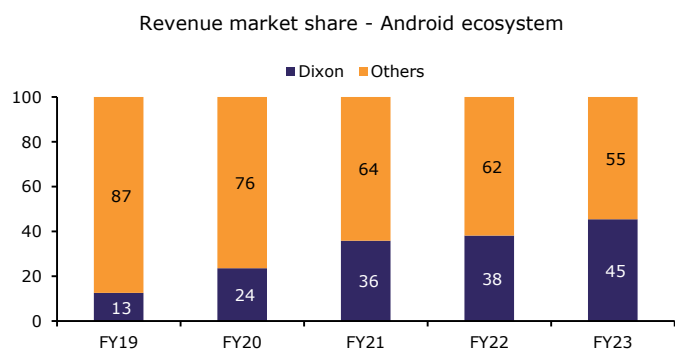
Company	Qualified for PLI (FY23)?	PLI Received?	PLI incentive (Rs bn)
Samsung	Yes	Yes	5.0
Dixon Technologies	Yes	Yes	0.5
Foxconn India	Yes	Yes	
Pegatron	Yes	Yes	16.5-19.5
Wistron	Yes	Yes	
Bharat FIH	No	No	-
Lava International	No	No	-
Optimus Electronics	No	No	-

Source: Company, Media articles, Emkay Research; Note: Combined incentive of Rs16.5-19.5bn across three Apple suppliers – Foxconn, Pegatron, Wistron

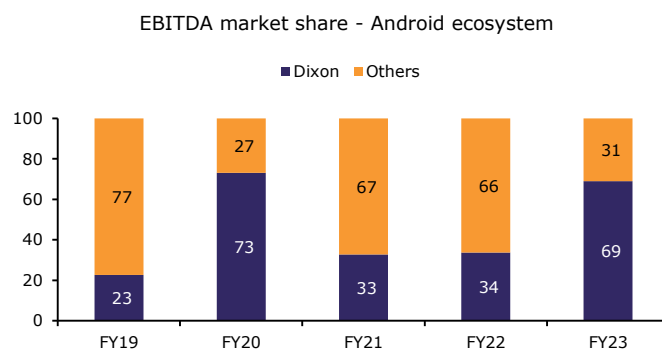
- Dixon's outperformance vs competition is even sharper on the profitability front – evident in its cost advantage/efficiencies and scale. EBITDA for the mobile division rose ~22x over FY19-23 compared with the flattish performance/decline seen at most peers in the Android space.
- The company has gained relative market share in the Android ecosystem over the years, and is among a handful of players to have consistently remained profitable, gaining profit pool share as well.

Exhibit 54: Dixon's mobile phone EBITDA has grown ~22x over FY19-23 compared with the decline/flattish performance across other players in the Android ecosystem

Source: Company, Capitaline, Emkay Research

Exhibit 55: Dixon has gained relative revenue market share over the years in the Android ecosystem...

Source: Company, Capitaline, Emkay Research; Note: Based on overall financials, not specifically for the mobiles division

Exhibit 56: ...while also consistently gaining profit pool share

Source: Company, Capitaline, Emkay Research; Note: Based on overall financials, not specifically for the mobiles division; we have not considered instances of negative EBITDA

Exhibit 57: Dixon has recorded market share gains in the Android ecosystem over the years; among a handful of players to have consistently remained profitable; has gained profit pool share as well

Overall Revenue pool - Android ecosystem (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	H1FY25
Flextronics Technologies	143,152	102,191	66,798	55,302	40,833	NA	NA
Dixon Tech	29,845	44,001	64,482	106,971	121,920	176,909	181,139
Dixon - Mobile division	3,549	5,369	6,707	27,864	43,123	92,620	131,460
Bhagwati (Micromax)	8,739	4,605	10,015	13,372	9,270	NA	NA
Lava International	30,663	19,277	16,167	18,222	22,057	23,296	NA
Optimus Infra	11,729	3,333	1,815	4,716	11,739	15,277	9,692
DBG Technologies	13,128	12,575	20,322	81,178	62,397	NA	NA
Total	237,256	185,981	179,599	279,761	268,215	NA	NA

Overall Revenue market share - Android ecosystem (%)	FY19	FY20	FY21	FY22	FY23	FY24	H1FY25
Flextronics Technologies	60.3	54.9	37.2	19.8	15.2	NA	NA
Dixon Tech	12.6	23.7	35.9	38.2	45.5	NA	NA
Bhagwati (Micromax)	3.7	2.5	5.6	4.8	3.5	NA	NA
Lava International	12.9	10.4	9.0	6.5	8.2	NA	NA
Optimus Infra	4.9	1.8	1.0	1.7	4.4	NA	NA
DBG Technologies	5.5	6.8	11.3	29.0	23.3	NA	NA

Overall EBITDA pool - Android ecosystem (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	H1FY25
Flextronics Technologies	3,870	*	4,597	3,986	391	NA	NA
Dixon Tech	1,362	2,276	2,919	3,843	5,128	6,976	6,743
Dixon - Mobile division	74	191	396	971	1,671	3,537	4,793
Bhagwati (Micromax)	29	*	156	295	*	NA	NA
Lava International	736	835	932	866	783	910	NA
Optimus Infra	*	*	*	*	182	788	515
DBG Technologies	*	*	316	2,410	942	NA	NA
Total	5,996	3,111	8,919	11,400	7,425	NA	NA

Overall EBITDA market share - Android ecosystem (%)	FY19	FY20	FY21	FY22	FY23	FY24	H1FY25
Flextronics Technologies	64.5	*	51.5	35.0	5.3	NA	NA
Dixon Tech	22.7	73.1	32.7	33.7	69.1	NA	NA
Bhagwati (Micromax)	0.5	*	1.7	2.6	*	NA	NA
Lava International	12.3	26.9	10.4	7.6	10.5	NA	NA
Optimus Infra	*	*	*	*	2.4	NA	NA
DBG Technologies	*	*	3.5	21.1	12.7	NA	NA

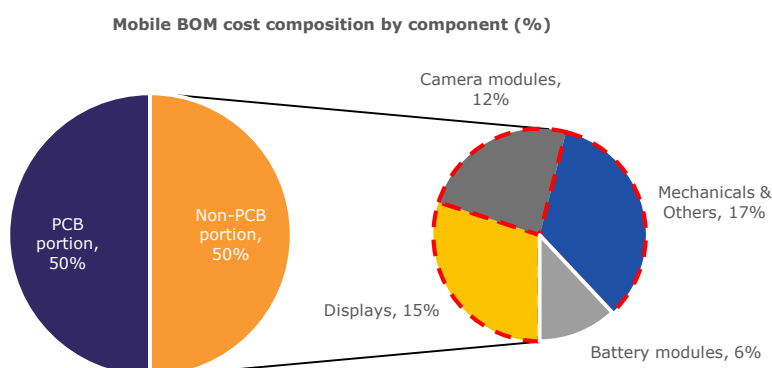
Overall EBITDA margin - Android ecosystem (%)	FY19	FY20	FY21	FY22	FY23	FY24	H1FY25
Flextronics Technologies	2.7	*	6.9	7.2	1.0	NA	NA
Dixon Tech	4.6	5.2	4.5	3.6	4.2	3.9	3.7
Dixon - Mobile division	2.1	3.6	5.9	3.5	3.9	3.8	3.6
Bhagwati (Micromax)	0.3	*	1.6	2.2	*	NA	NA
Lava International	2.4	4.3	5.8	4.8	3.5	3.9	NA
Optimus Infra	*	*	*	*	1.5	5.2	5.3
DBG Technologies	*	*	1.6	3.0	1.5	NA	NA

Source: Company, Capitaline, Emkay Research; Note: * Denotes instances of negative EBITDA; Revenue and EBITDA market share calculation is based on overall financials, not specifically for the mobiles division

[D] Backward integration, the next step to reinforce Dixon's competitive edge

- Historically, in other business divisions (consumer electronics, lighting, home appliances), Dixon's endeavor has been to first start with assembly and then gradually deepen manufacturing, through capabilities in areas like polymer processing, with eventual scale up into becoming a design partner for brands as well. With necessary scale now having been achieved in smartphones, the company is well placed to replicate its playbook in this division too.
- As part of this vision, Dixon has already signed an agreement with HKC for phone displays, with manufacturing set to begin in Q1 or Q2 FY26E. In the first phase, manufacturing capacity being set up is for 2mn displays a month, along with annual capacity of displays for 1mn notebooks. This would be followed by ramp-up to 4mn units a month for mobiles (for captive consumption). Capex for display capacity is pegged at Rs3.75bn; the company expects asset turns of 8-9x, with margin profile being far superior to that of the mobiles division.
- For mobile phones, PCBs form ~50% of cost of bill of materials (BOM); Dixon targets backward integration in the non-PCB portion – particularly displays, camera modules and mechanicals; these form 35-45% of BOM cost. Vertical integration into displays with the HKC JV would help Dixon enhance existing localization levels to ~17-18% of the mobile BOM cost vs ~6% now.

Exhibit 58: For mobile phones, PCBs form ~50% of cost of bill of materials (BOM); Dixon targets backward integration in the non-PCB portion – particularly displays, camera modules, and mechanicals; these form 35-45% of BOM cost



Source: Company, Niti Ayog, Emkay Research; Note: Highlighted sections indicate areas that Dixon targets for backward integration

Expansion in scale in mobiles has now brought focus to backward integration in a major way; expects competitive advantages to be reinforced further

"So we are looking very seriously now at a vertical integration play in mobile and again in deep study with some of the largest players in this domain. **We feel now is the time for Dixon because we will be having a large mass of mobile, a large share in this business, to vertically integrate.**"

- Comments in Q3FY24 call by Atul Lall, Vice Chairman and MD, Dixon

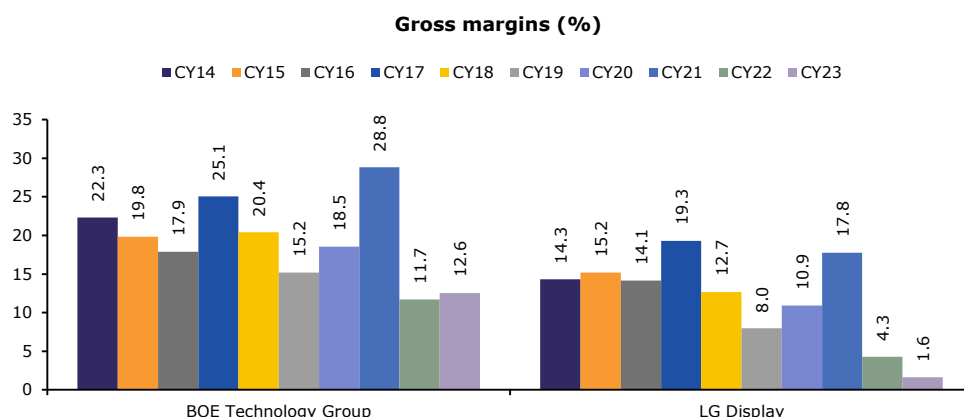
"In line with our strategy and once we acquire at a large scale, the next phase is going to be the deepening of manufacturing, wherein we have finalized a technology partner for display modules in HKC and we expect to start the manufacturing in the next fiscal. We are also looking at getting into precision components and mechanical and various other modules. We endeavor to deepen the value addition to be ... a significant part of the non-semiconductor BOM of mobile and IT products which is going to be more margin accretive and create a moat around business. Please appreciate we will have the largest capacity in the country. We'll have all the brands that are the largest in the country in the Android ecosystem. The focus then is to deepen the value addition which we feel we now have the financial bandwidth and, we're in the process of acquiring technical bandwidth on our own and also through partnership route to create a huge moat for us in this business."

- Comments in Q1FY25 call by Atul Lall, Vice Chairman and MD, Dixon

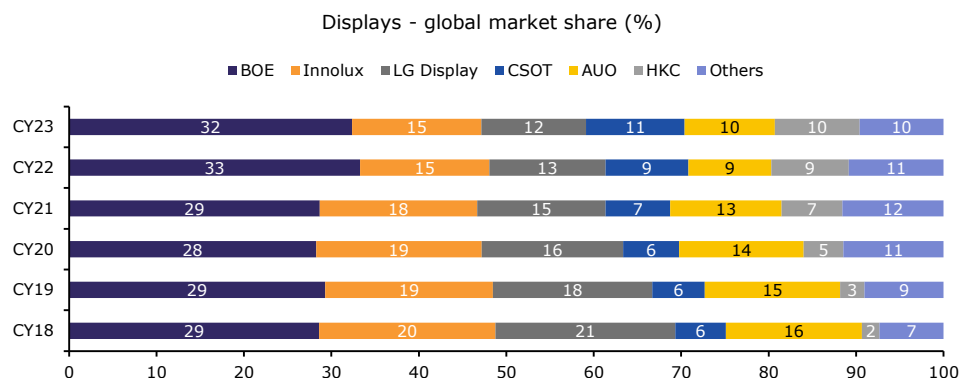
Exhibit 59: Mobile phone brands increasingly look to India as a manufacturing hub, with plans to also increase sourcing of components locally

Phone brand	Comment	Time	Source
Samsung	"Our Noida factory, the world's largest mobile factory, is a symbol of Samsung's strong commitment to India, and a shining example of the success of the Government's 'Make in India' programme. Samsung is a long-term partner of India. We 'Make in India', 'Make for India' and now, we will 'Make for the World'. We are aligned with Government policies and will continue to seek their support to achieve our dream of making India a global export hub for mobile phones" - HC Hong, CEO, Samsung India	Jul-18	Link
Oppo	"The Make in India story for us is super important, and getting the more premium devices assembled or made in India, is obviously an aspiration we have" - Damyant Singh Khanoria, Chief Marketing Officer, Oppo India	Feb-23	Link
Motorola	"Our strategy is to be number three in India, with a very clear mandate to be known more as a lifestyle tech ... We want to be differentiated on a few things ... third is India for India, which includes make in India, design for India, and make for India." - Prashanth Mani, Executive Director, Mobile Business Group Asia Pacific, Lenovo Asia Pacific	Apr-24	Link
Xiaomi	Plans to increase smartphone production and assembly in India; also aims to source 55% of non-semiconductor parts of smartphones locally	Jul-24	Link
Vivo	"Local manufacturing has been pivotal to our success in the Indian market. We foresee the next phase of growth in expanding our local supplier base and sourcing components locally. We have diligently developed our local supplier network over the past nine years. Our belief in the indigenisation of key components has led to significant progress in local sourcing." - Comments in India Impact Report 2023'	2023	Link
Google	"Today we see an even greater opportunity to make Pixel smartphones available to more people in India, and are very excited to announce our plan to manufacture Pixel smartphones in India. We intend to start with the Pixel 8, and will partner with international and domestic manufacturers to produce Pixel smartphones locally. We expect these devices to start to roll out in 2024, joining India's "Make in India" initiative ... India is a priority market for Pixel smartphones ... In recent years, India has established itself as a truly world-class hub for manufacturing, resulting in a thriving environment for businesses to flourish." - Rick Osterloh, Senior Vice President, Devices & Services	Oct-23	Link

Source: Company, Emkay Research

Exhibit 60: Display players globally have historically enjoyed mid-teen to ~20% gross margins (vs ~8% for Dixon)

Source: Bloomberg, Emkay Research

Exhibit 61: Dixon's display partner HKC is gaining share globally

Source: Bloomberg, Emkay Research

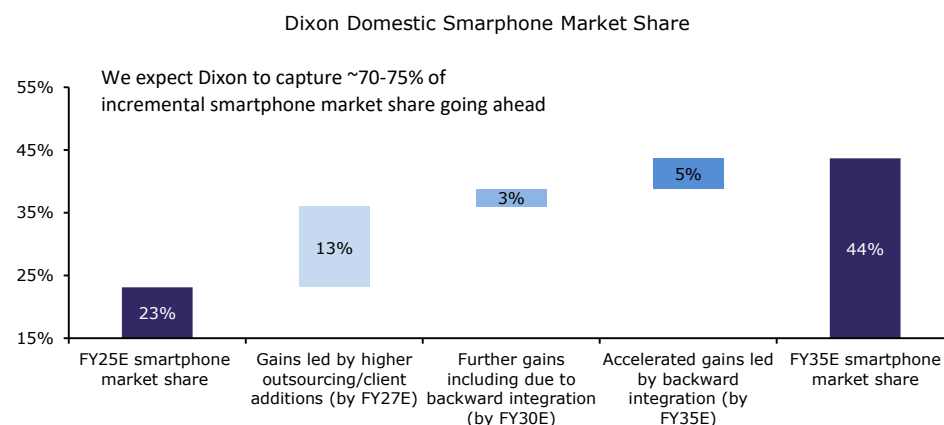
- Dixon is exploring partnerships for addressing backward integration into camera modules, mechanicals, and precision die cuts. If successful, such initiatives would help the company achieve similar component-level localization (ex-PCBs) to China's (~40%).

Exhibit 62: Dixon enjoys the largest scale in the Android ecosystem, with ~45-50% capacity market share; well placed to capture bulk of the increasing outsourcing opportunities

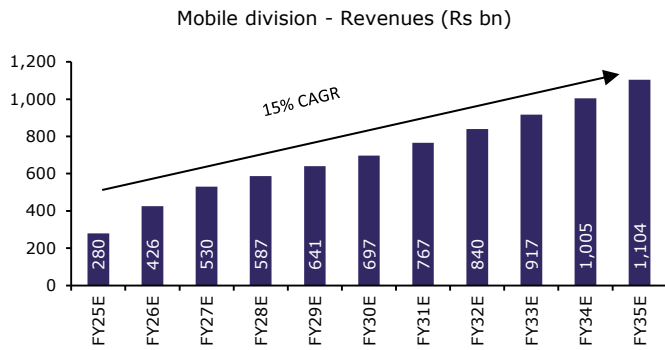
Android capacity (units mnpa)	FY24	FY25E	FY26E	FY27E	FY30E	FY35E	Comment
Dixon	45	51	55	59	72	101	45mn unit capacity pre-Ismartu, with addition of 10mn from Ismartu; we assume expansion to be in line with the opportunity thereafter
Bhagwati (Micromax)	12	12	12	12	12	12	Increasing focus on other segments due to rising competition in mobiles (link); assume flat capacities
Bharat FIH	15	15	14	14	13	12	Winding up Sri City final assembly operations, as per media reports (link); assume slight capacity reduction each year
DBG & Flextronics	20	21	22	23	27	34	Assume capacity increase in line with outsourced industry growth
Karbonn	12	13	13	14	16	21	Some manufacturing for the BBK Group; assume expansion in line with outsourced industry growth

Capacity market share (%)	FY24	FY25E	FY26E	FY27E	FY30E	FY35E
Dixon	43	46	47	48	52	56
Bhagwati (Micromax)	11	10	10	9	8	6
Bharat FIH	14	13	12	12	10	7
DBG & Flextronics	19	19	19	19	19	19
Karbonn	12	11	11	11	12	11

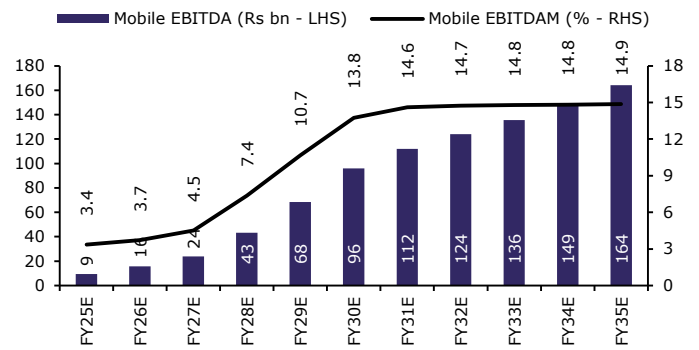
Source: Company, Media articles, Emkay Research

Exhibit 63: Higher wallet share, backward integration, and PLI benefits to drive ~70-75% incremental market share in smartphones for Dixon

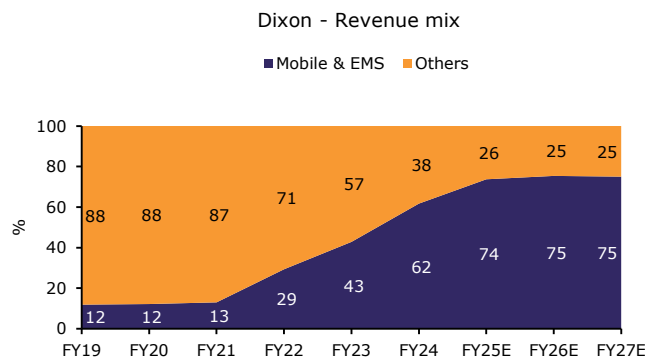
Source: Emkay Research

Exhibit 64: We expect mobile division revenue CAGR at 15% over FY25E-35E

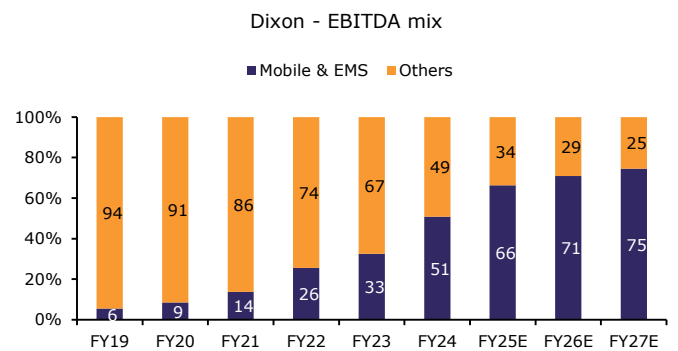
Source: Emkay Research

Exhibit 65: Mobile segment EBITDA CAGR seen at 33%, once backward integration starts to play out

Source: Emkay Research

Exhibit 66: Mobile segment to dominate the mix at Dixon, forming ~75% of revenue over FY25E-27E

Source: Company, Emkay Research; Note: Pertains to reported 'Mobile & EMS' division till FY24, and only mobiles over FY25E-27E

Exhibit 67: Contribution of the mobiles segment to consolidated EBITDA expected at over 70%

Source: Company, Emkay Research; Note: Pertains to reported 'Mobile & EMS' division till FY24, and only mobiles over FY25E-27E

IT hardware – The next large growth lever; ~23% of revenue by FY35E

"We are quite bullish that the ecosystem will develop over the next few years and that too pretty quickly ... We are going to further expand manufacturing. We are always assessing possible partnerships and possible relationships."

- Comments in Jul-24 by Ipsita Dasgupta, MD, HP India

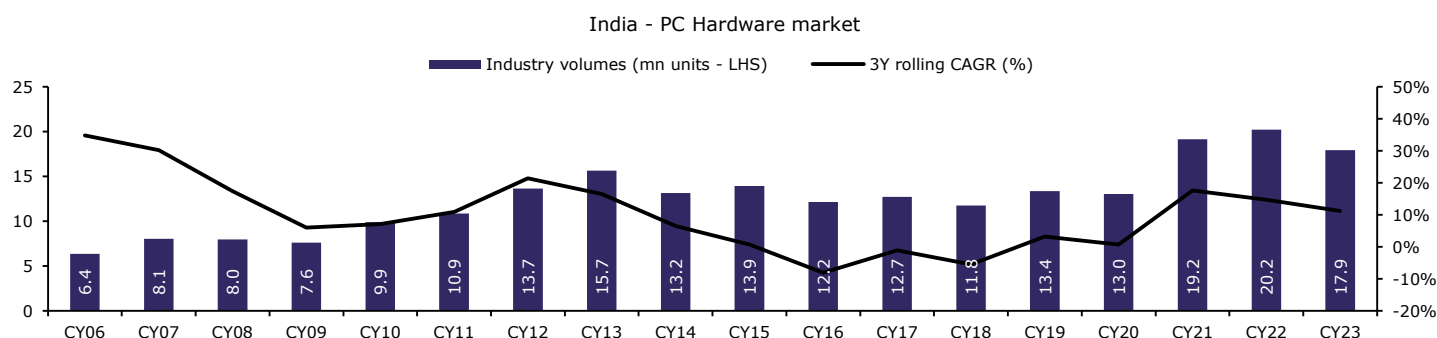
- The domestic IT hardware industry has seen ~8% CAGR over the past 5 years (~USD10.5bn), almost entirely driven by volume. Unlike mobile phones (~99% domestic production), imports dominate in the IT hardware space, with ~70% domestic demand being served by imports, largely from China and Hong Kong. Going ahead, we expect the industry to grow at a similar ~8% volume/~9% value CAGR over FY25E-35E amid the low penetration levels (~6%) and the growing student/working population.
- Apart from the large import substitution play available in IT hardware (~70% demand served by imports vs near-zero in mobiles), the rising outsourcing pie (driven in part by restrictions on Chinese investments) and regulatory support (~Rs170bn PLI scheme) also offer another strong growth opportunity for players like Dixon.
- Dixon has already on-boarded four (HP, Lenovo, Acer, Asus) of the top-5 players, which on a combined basis command ~58% of the CY23 industry market share. On collective basis, Dixon's clients in this space command ~58% of the IT hardware industry market share.
- These, along with Dixon's aggressive plans (with backward integration play available from the start of production, unlike in mobile phones), are seen driving ~31% market share/~Rs537bn sales by FY35E, ie ~23% of mix vs near-zero now.

[A] Healthy growth runway available in laptops

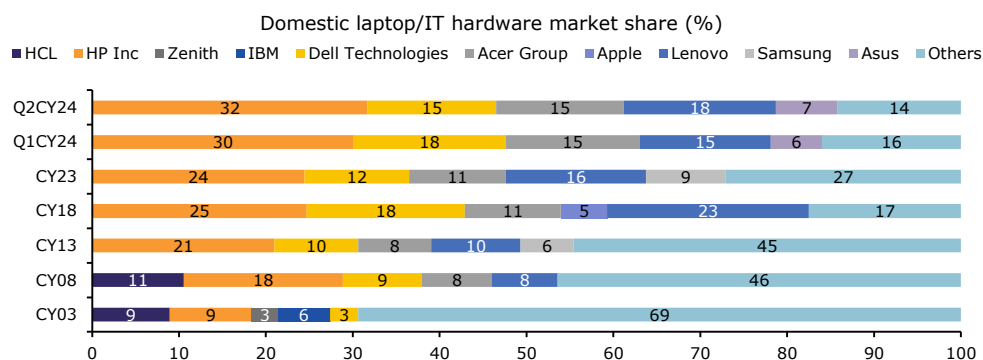
- As of last year, the domestic PC hardware market stood at ~18mn units, at ~9% CAGR over the past 5 years, on the back of the Covid-driven demand momentum. Industry growth in the past 5 years has been similar, at ~8% CAGR; industry size as of CY23 stands at ~USD10.5bn.
- Unlike mobiles, imports continue to dominate in case of IT hardware products like laptops, with ~70% domestic market requirement being met via imports mainly from China and Hong Kong. India intends to impose (non-tariff) import restrictions on the category; however, these have reportedly been pushed back to H2CY25 ([link](#)), amid concerns among brands around resultant supply-chain disruption. Once import restrictions are formalized, imports are seen declining 5% annually.
- In India, like in other major global markets, a few large brands dominate the industry; the top-5 players form ~70% of the domestic industry as of CY23.
- Based on i) low penetration levels (~6% in India now vs ~30% in China), ii) young and growing population of students and employees, and iii) announcements/plans disclosed by brands, we expect the domestic IT hardware industry to record ~8% volume CAGR over FY25E-35E (in line with the past 5-year performance).
- Industry participants expect India's PC market to double over coming 5-7 years. In contrast, industry agencies expect the global IT hardware sales space to remain largely stagnant in coming years.

Apart from the large import substitution play available in IT hardware (~70% demand served by imports), the rising outsourcing pie and regulatory support (~Rs170bn PLI scheme) also offer another strong growth opportunity. Dixon has already on-boarded four (HP, Lenovo, Acer, Asus) of the top-5 players. With backward integration play available from the start of production, unlike in mobile phones), we expect ~31% market share/~Rs537bn sales by FY35E, ie ~23% of mix vs near-zero now.

Exhibit 68: The Indian PC hardware market stands at ~18mn units, at ~9% CAGR over the past 5 years, aided by high demand during Covid years



Source: Bloomberg, Emkay Research

Exhibit 69: Indian industry dominated by a few brands; top-5 players accounted for ~78% of last year's sales

Source: IDC, Bloomberg, Emkay Research

Exhibit 70: We expect Indian IT hardware industry volume CAGR at ~8% over FY25E-35E

Brand-wise sales (mn units)	FY24	FY25E	FY26E	FY27E	FY30E	FY35E	CAGR (FY25E-35E)	Comment
Industry sales	17.9	21.2	22.8	24.4	30.5	45.3	8%	
HP	4.4	4.4	4.7	5.1	6.4	9.4	8%	
Acer	2.0	3.7	4.1	4.5	6.0	9.6	10%	Aims to become the second largest player with 18-20% market share going ahead
Lenovo	2.9	3.0	3.2	3.5	4.4	6.4	8%	
Dell	2.2	2.3	2.5	2.7	3.5	5.1	8%	Expects to outgrow the India GDP growth
Asus	1.1	1.0	1.1	1.2	1.5	2.5	10%	Plans adding 10% production capacity in India each year
Samsung	1.6	3.0	3.4	3.7	4.9	7.9	10%	Has gained market share
Apple	1.1	1.2	1.3	1.4	1.9	2.9	9%	Assumed higher than industry growth due to low base/premiumization
Others	2.7	2.6	2.5	2.4	2.0	1.6	-5%	Assumed consolidation in favor of leading brands
<i>Chinese</i>	<i>6.0</i>	<i>7.6</i>	<i>8.3</i>	<i>9.1</i>	<i>11.9</i>	<i>18.5</i>	<i>12%</i>	
<i>Non-Chinese</i>	<i>11.9</i>	<i>13.6</i>	<i>14.4</i>	<i>15.3</i>	<i>18.7</i>	<i>26.8</i>	<i>8%</i>	

Source: Bloomberg, Media articles, Emkay Research

[B] Brands increasingly looking at India for production

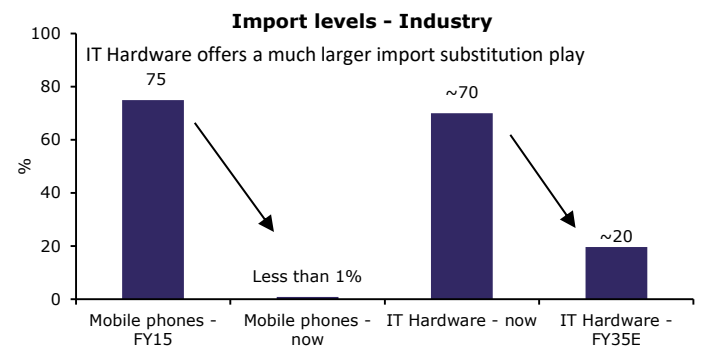
- Global brands have been accelerating efforts to gradually shift production in India, on the back of economic considerations (eg rising labor costs in China), need for greater supply chain resilience, supportive Indian government policies (IT PLI), and regulatory nudge (imposition of non-tariff based import restrictions).
- Apart from the large import substitution play available in IT hardware (~70% demand served by imports vs near-zero in mobiles), the rising outsourcing pie (driven in part by restrictions on Chinese investments) also offers another strong growth opportunity for players like Dixon.

Exhibit 71: Brands are following a hybrid production strategy; among outsourcing partners, Dixon has a wide clientele

Sourcing partner	Lenovo	Asus	Dell	Acer	HP	Samsung	Google
Dixon	Yes	Yes		Yes	Yes		
Flextronics	Yes	Yes			Yes		Yes
Bhagwati				Yes			

Source: Company, Emkay Research

Exhibit 72: IT hardware offers much higher scope for import substitution-led growth



Source: Ministry of Commerce & Industry data, Bloomberg, Emkay Research

Exhibit 73: IT hardware imports to likely come under restrictions soon; government targets ~5% reduction in imports each year

Centre approves laptop and tablet imports for 2025 with mid-year review

The union government has approved the import of laptops and tablets for the year 2025, with a mid-year review to address supply-demand gaps and promote a gradual shift to local manufacturing

Source: Media articles (link), Emkay Research

Exhibit 74: IT hardware brands are increasing focus on manufacturing in India, aided by PLI incentives

Home / Companies / News / Lenovo to expand manufacturing capacity, begin laptop exports in 2 years

Lenovo to expand manufacturing capacity, begin laptop exports in 2 years

Top Taiwanese laptop-maker Asus is moving its key supplier from China to India

Source: Industry, Media articles (link, link), Emkay Research

Two major PC makers plan to set up manufacturing facility in India: Report

Acer has identified India as its second-largest market, trailing only behind the United States in terms of shipments and revenue

Dixon to make laptops, computers for HP in India at a factory in Tamil Nadu

Exhibit 75: Leading laptop brands are increasing domestic production levels; Dixon has tied up to manufacture products for several large laptop brands (HP, Lenovo, Acer, Asus)

Laptop brand	Comment	Time	Source
HP	"We will increase our manufacturing footprint in India to cater well to the domestic demand. Eventually we see India manufacturing to help us better serve the rest of the world" - Enrique Lores, CEO, HP	Mar-23	Link
Samsung	"We will start manufacturing laptops this year at the Noida factory. Preparations are already underway ... Noida is a very important production base for Samsung. It is the second-largest base for Samsung. There may be some changes at the plant to optimise it as per the global demand, but what remains unchanged is the fact that it is an important base for us" - TM Roh, President, and Head of Mobile eXperience (MX) Business, Samsung Electronics	Jan-24	Link
Lenovo	"With the various initiatives launched by the government to promote 'Make in India', the industry is more encouraged to support the needs of local customers through local manufacturing. In line with our sincere commitment to manufacture locally, the expansion of our manufacturing capabilities in India will help us offer innovative devices of highest quality, produced here and rapidly brought to market." - Shailendra Katyal, MD, Lenovo India	Aug-21	Link
Acer	"Today, 100% of our all-in-one computers are made here (in India). Desktops we do 100%. Commercial notebooks, we have two series designed and made completely in India, with two more in the consumer space in the pipeline ... From an India point of view, and also from the capability built in India, they [Acer headquarters] feel extremely confident that we can do it in India." - Harish Kohli, MD, Acer India	May-24	Link

Source: Company, Emkay Research

Key Dixon clients in the IT hardware space are looking to expand their manufacturing presence in India

"The PLI scheme has been a great enabler. We are participating in it because it creates a bridge for development of the sector from a manufacturing perspective. **We are quite bullish that the ecosystem will develop over the next few years and that too pretty quickly ...** we started with Flex [Flextronics] in August 2020 as we began making laptops here ... **We are going to further expand manufacturing.** We are always assessing possible partnerships and possible relationships."

- Comments in Jul-24 by Ipsita Dasgupta, MD, HP India (link)

"Global technology company, **Lenovo is significantly expanding its local manufacturing portfolio in India**, with a range of initiatives that will help meet increasing customer demand. Lenovo's in-house PC manufacturing plant, in Puducherry, has been expanded to include a third manufacturing line ... **Lenovo is widely recognized for its global hybrid manufacturing model that includes a mix of both in-house and contract manufacturing. This is a key source of competitive advantage for the company** and provides greater efficiency and control over product development and supply chain operations, enabling customer needs to be responded to more effectively."

- Commentary in Lenovo's press release in Aug-21 ([link](#))

"We have also announced our intention to participate in the PLI (production-linked incentive scheme) 2.0 IT hardware scheme through local partners, reinforcing our dedication to India and our active involvement in government initiatives aimed at scaling production and supporting India's growth as a global electronics manufacturing hub"

- Commentary in Lenovo India's FY24 RoC filing by Shailendra Katyal ([link](#))

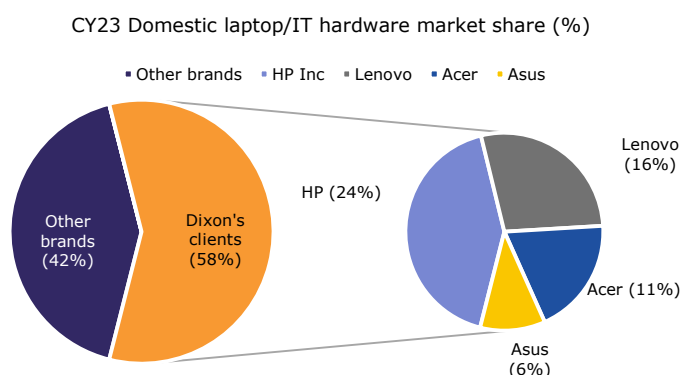
"Currently, all of our desktop PCs (personal computers) sold are made locally at plants operated by our ODM (original design manufacturer) partners. We've also sold 2.3 million tablets in the past year, all of which were made in India. **At this moment, about 40% of all our laptops are locally made—we aim to ramp this up to 60% of all laptops per year, by the end of 2024** ... We've brought along various inputs from the Taiwan headquarters in terms of improving production mechanisms and ramping up the local component supply chain. **Most of our local manufacturing partners, which include Dixon Technologies, Bhagwati Products and Plumage Technologies, have consistently upgraded and ramped up India's manufacturing plants, which has allowed us to localize more of our product lines**"

- Comments in Aug-24 by Harish Kohli, President and MD, Acer India ([link](#))

[C] Dixon well placed to capitalize on the IT hardware opportunity

- To build sufficient scale, it is crucial for EMS players to gain presence with top brands in the IT hardware space, given the fairly concentrated nature of the industry. Dixon has already on-boarded four (HP, Lenovo, Acer, Asus) of the top-5 players which, on a combined basis, commanded ~58% of CY23 industry market share.
- While manufacturing for Acer has already commenced, ramp up with other clients is expected from Q4FY25E/H1FY26E.

Exhibit 76: Dixon's clients in the IT hardware space collectively hold ~58% industry market share



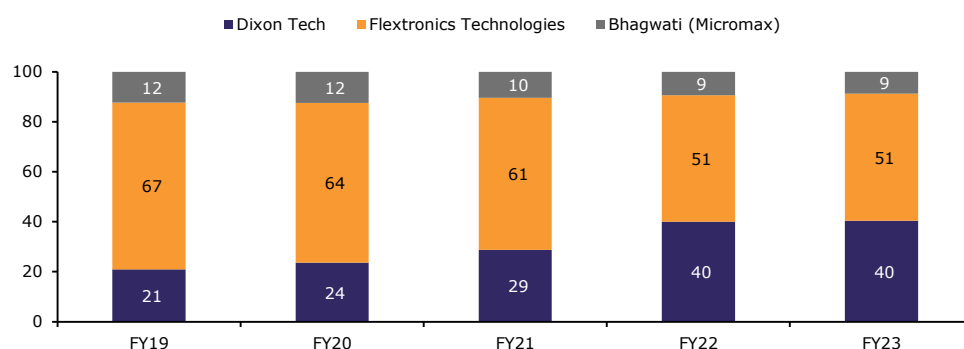
Source: Bloomberg, Emkay Research

- Over the years the company has built impressive scale as seen in the sharp reduction in gap in capital employed vs players like US-based Flextronics, a major competitor in this space. Dixon has made strong relative revenue market share gains vs Flextronics and Bhagwati (Micromax), while also consistently maintaining profitability levels, unlike volatility seen at peers.

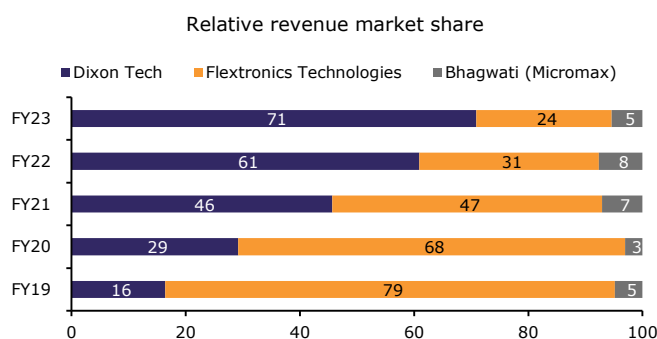
Exhibit 77: Dixon's financials are much healthier than the competition's

Capital employed (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24
Dixon Tech	6.9	7.3	10.5	17.0	17.8	23.0
Flextronics Technologies	22.1	19.8	22.2	21.4	22.3	NA
Bhagwati (Micromax)	4.1	3.8	3.8	3.9	3.8	NA
Revenues (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24
Dixon Tech	29.8	44.0	64.5	107.0	121.9	176.9
Flextronics Technologies	143.2	102.2	66.8	55.3	40.8	NA
Bhagwati (Micromax)	8.7	4.6	10.0	13.4	9.3	NA
EBITDA (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24
Dixon Tech	1.3	2.2	2.9	3.8	5.1	7.0
Flextronics Technologies	3.9	(0.4)	4.6	4.0	0.4	NA
Bhagwati (Micromax)	0.0	(0.1)	0.2	0.3	(0.0)	NA

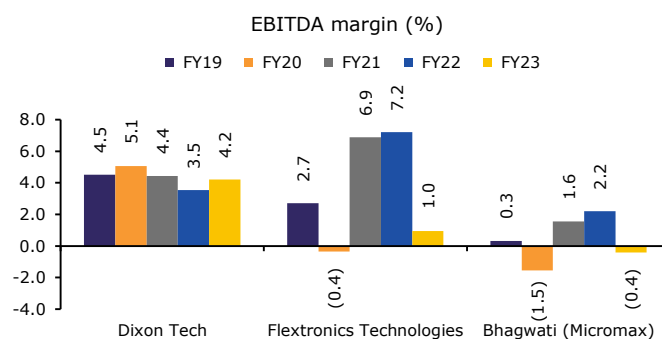
Source: Company, Capitaline, Emkay Research

Exhibit 78: Dixon has strongly scaled up capacities

Source: Company, Capitaline, Emkay Research; Note: Refers to overall financials, as IT hardware financials not available for competition

Exhibit 79: The company has gained relative revenue market share against peers...

Source: Company, Capitaline, Emkay Research; Note: Refers to overall financials as IT hardware financials not available for competition

Exhibit 80: ...while also ensuring consistency in margins, unlike volatility seen at peers like Flex and Bhagwati

Source: Company, Capitaline, Emkay Research; Note: Refers to overall financials as IT hardware financials not available for competition

- With presence across most leading brands now (similar to mobiles), we believe Dixon would be able to execute its playbook of building high scale to benefit from EMS opportunities in an outsized manner.
- The company has aggressive capacity expansion plans in IT hardware; it is looking at setting up an initial capacity of ~1.2mnpa units, which would then be ramped up to ~3.5mn units at short notice in Phase 2. This upcoming ~300K sqft facility in Chennai is expected to be operationalized soon – with production for clients like HP and Asus targeted to commence shortly thereafter.

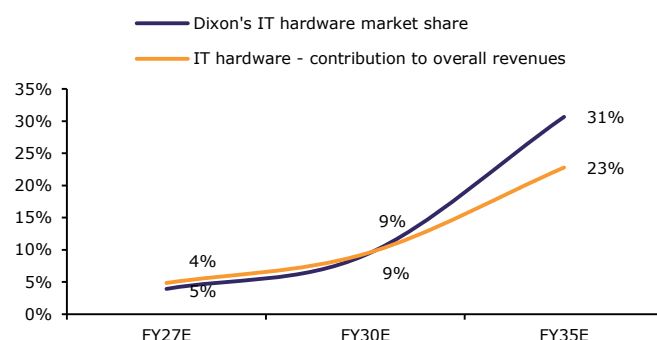
- Further, we believe efforts in backward integration/component manufacturing for smartphones can be effectively applied to laptops and IT hardware, enabling faster scalability. The tie up with HKC for displays would also include capacity of 1mnpa units for laptop displays in Phase 1; this could potentially lead to faster increase in the level of backward integration in laptops than in the case of smartphones (however, we expect overall backward integration levels in both businesses to be similar at ~30-35%). Apart from displays, Dixon is actively looking for partners in other areas like camera modules and mechanicals.
- Dixon has already qualified for the PLI scheme for IT products.
- Over the longer term, we believe Dixon's presence in leading brands, benefits from PLI and backward integration, and the large global presence of its clients leave it well placed to cater to exports opportunities as well (not built into our numbers).
- We build in ~31% IT hardware market share for Dixon by FY35E; we project revenue of ~Rs34bn/~537bn by FY27E/35E, respectively (implying ~43% CAGR over FY29E-35E), translating into ~23% of revenue mix vs near-zero now. Backed by backward integration benefits, we expect EBITDA CAGR of ~50% over FY29E-35E, translating into ~23% of mix.

Exhibit 81: Four of top-5 IT hardware brands already on-boarded by Dixon, with SOP/ramp-up in coming quarters

Client (CY23 market share)	Year of Addition	Commencement of Production
Acer (11%)	FY22	Already commenced
HP (24%)	FY25	Q3FY25E
Lenovo (16%)	FY24	Q4FY25E
Asus (6%)	FY25	Q4FY25E

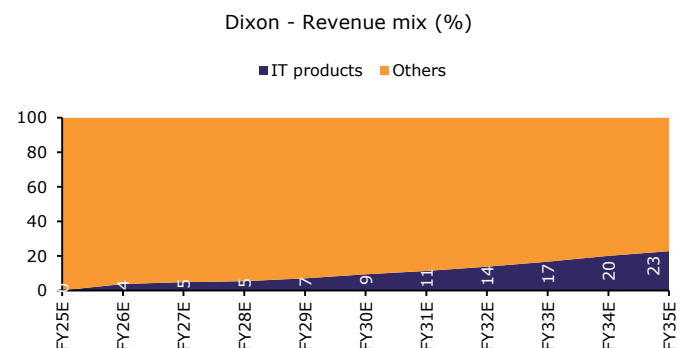
Source: Company, Emkay Research

Exhibit 82: We expect Dixon to capture ~31% laptop market share by FY35E, with share of revenue at ~23% (vs near-zero now)



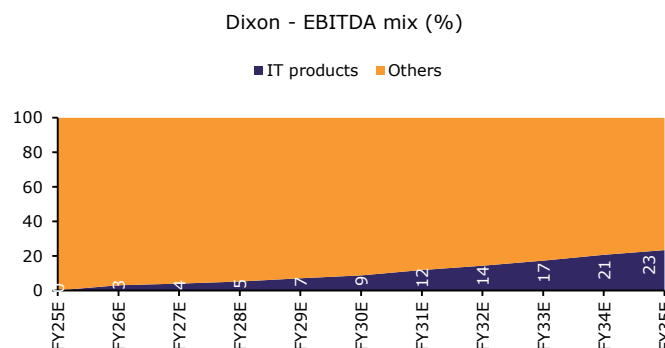
Source: Emkay Research

Exhibit 83: We expect IT products to form ~23% of overall revenue by FY35E



Source: Emkay Research

Exhibit 84: We expect IT products to form ~23% of overall EBITDA by FY35E



Source: Emkay Research

Backward integration foray to reinforce Dixon's competitive advantages

"Our local procurement is growing, but procuring higher-value components will be key to creating a meaningful impact. Sourcing and assembling such components locally will drive greater value addition. This can be achieved through a shared vision and collaborative efforts. We are committed to expanding our supplier base in India to shape a world-class local manufacturing ecosystem."

- **Commentary in Vivo's India Impact Report, 2023**

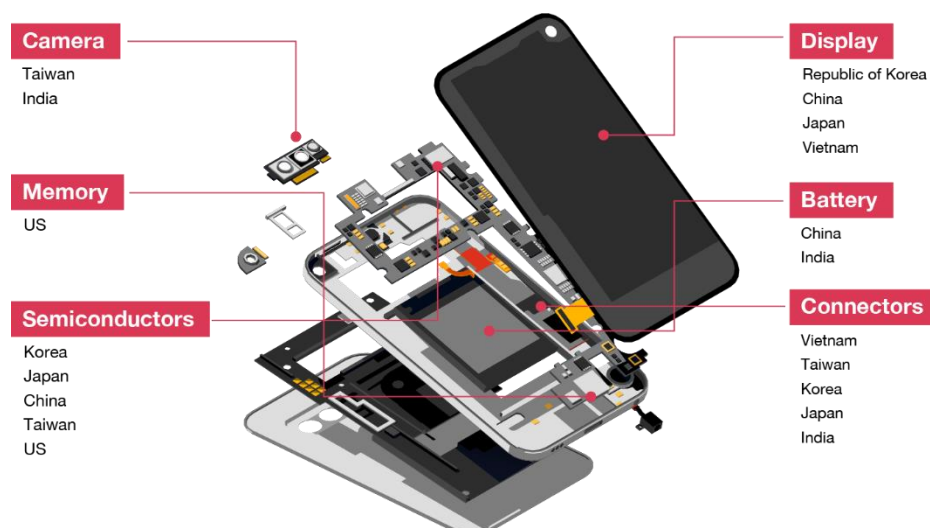
While limited market presence inhibits the ability of peers to backward integrate, Dixon's large scale and early mover advantage (recent JV with HKC for displays; actively looking for tie ups in camera modules and mechanicals; together targeting ~35% of BOM cost) are seen reinforcing its moat. We expect backward integration to drive major margin gains for Dixon (double-digit in manufacturing vs ~3.5% in assembly), apart from opening up third-party component sales and exports.

- **Currently, India's presence in the component manufacturing and designing space remains limited to final assembly/sub-assembly; policy efforts are underway to address India's low value addition, with the upcoming ~Rs250-400bn PLI Scheme for components set to incentivize necessary investments here.**
- **Limited market presence/width at peers inhibits their ability to effectively backward integrate into mobile/IT hardware components. By contrast, Dixon's large scale, early mover advantage (via recent JV with HKC for displays; HKC gaining market share globally, commands >20% gross margin), and the upcoming component PLI scheme would further reinforce its moat/'right-to-win' here, in our view. Apart from displays, the company is actively looking for tie ups in areas like camera modules and mechanicals/die cuts, in order to potentially address ~35-36% of mobile/IT hardware BOM cost, for itself as well as the entire industry.**
- **We also expect backward integration to drive major margin gains for Dixon (double-digit margins in manufacturing vs ~3.5% in assembly), apart from opening of third-party sales (we expect ~Rs439bn revenue from component sales by FY35E). Separately, backward integration, aided by PLI, is likely to help bridge bulk of the current ~5% cost disability vs China, potentially leading to ~7-8% global smartphone market share for Dixon vs low-single digit share now.**

[A] Policy efforts underway to address India's low value addition in electronics

- India's electronics sector remains highly dependent on imports, with component ecosystem in a stage of infancy; there is significant reliance on imports across all major product categories, ie Mobile phones, IT hardware, Consumer Electronics, Telecom, Hearables and Wearables, and Automotive.
- This restricts local players' scope largely to low-end final assembly/sub-assembly, with limited value addition/manufacturing.
- As per Niti Ayog, localization levels in critical components has not increased due to a) lack of relevant skills/expertise and technology, and b) lack of adequate scale in this sector so far which does not incentivize necessary investments in this domain.
- However, over the past few years, India has undertaken multiple policy initiatives to address challenges in the electronics and manufacturing ecosystem. This is expected to be further bolstered by the upcoming ~Rs400bn PLI Scheme for components ([link](#)), which would encourage growth of a robust local component ecosystem, with an eye on significantly enhancing India's export competitiveness as well.

Exhibit 85: India is a sub-scale player in components, with major reliance on imports as of now



Source: PWC ([link](#)), Emkay Research

Exhibit 86: Currently, the depth of India's presence is largely limited to final assemblies/sub-assemblies; component-level presence is moderate, with even lower design-level presence

Segment	Products	High: Final Assembly / Sub-Assembly	Medium: Component Manufacturing	Low: Design
Mobile	Smartphones	- Assembly for mobile has taken off (~2bn cumulative shipments during 2014–2022). - Sub-assembly: Battery pack, charger largely localized; camera module, display assembly ~25% localized.	- Production of mechanical and composites (casing, cable, and box content, etc). - Example: Tata Electronics for phone casing (10–15% BoM).	- Minimal to no presence.
Consumer Electronics	TV, Air Conditioners and Refrigerators	- Multiple EMS (eg Dixon, Amber) / OEMs (eg Samsung) do final product assembly/sub-assembly. - Display is the largest component, Sub-assembled in India for TVs.	- Open cells (~60% BoM) are primarily imported. - Through-hole components, electromechanical components are manufactured.	- Limited design capabilities with players like Dixon.
IT Hardware	Laptops and Servers	- Over 80% of laptops consumed domestically are imported	- Primarily import dependent	- Minimal presence (VVDN Technologies, CDAC)
Telecom	4G/5G RAN, Baseband Units (CU, DU), Antenna (RRU), xPON, FTTH, Others	- Over 40% of total imports are from China	- Primarily import dependent	- Ongoing design efforts by a consortium led by TCS.
Automotive	Powertrain, Body and Convenience, Connectivity	- Almost 65% import dependent, ie most OEMs import sub-assemblies.	- Low-tech components (eg wire harness, connectors) are manufactured (~10% BoM).	- Leading home-grown OEMs (eg Tata Motors, M&M) have established product design capabilities but limited electronics capabilities.
Wearables & Hearables	Smartwatches, headphones, wristbands, glasses, rings, etc.	- Largely box-assembly (no PCBA today), eg Dixon for boAt.	- Primarily import dependent.	- Minimal to no presence

Source: Niti Ayog ([link](#)), Emkay Research

Exhibit 87: India has made multiple attempts to address challenges in domestic electronics manufacturing; the upcoming component PLI scheme to be another step in this direction

Scheme	Mobile	Consumer Electronics	Telecom	IT Hardware	Auto electronics
Semicon India Program (Semicon, Display Fabs, Design-linked Incentives)	✓	✓	✓	✓	✓
PLI for Large scale electronics manufacturing ¹	✓	✓	✓	✓	✓
PLI for Automobile and auto components					✓
PLI for IT hardware 1.0 and 2.0				✓	
PLI for Telecom and Networking equipment			✓		
PLI for White Goods		✓			
FAME II					✓
Promotion of Manufacturing of Elec. Components & Semiconductors (SPECs)	✓	✓	✓	✓	✓
Electronic Cluster Manufacturing (EMC) Schemes I & II	✓	✓	✓	✓	✓
Electronics Development Fund (EDF)	✓	✓	✓	✓	✓

Source: Niti Ayog ([link](#)), Emkay Research

Exhibit 88: The upcoming PLI scheme for components entails incentivizing local manufacturing of non-semiconductor electronic components

Particulars	Comment
Potential outlay	Rs250-400bn
Likely announcement	Q4FY25E
Policy - Area of focus	Non-semiconductor electronics components
Objective of the scheme	To enhance domestic value addition from current 15-18% to 35-40% and then 50% over time
Likely nature of incentive	Operational subsidies, linked to specific production-linked incentives, like in other PLI schemes till date
Other points	Existing PLI Scheme for Mobiles may get subsumed in this scheme once it ends (scheduled to run till 2026; may get extended beyond that)

Source: Media articles, Emkay Research

[B] Dixon: aggressive intent (plans to address ~30% BOM cost for the entire industry) and action (tied up for displays, looking at other areas) on components

- As against limited client diversification/overall scale at peers, which inhibits their ability to effectively backward integrate into components, Dixon's large scale combined with its first mover advantage (already tied up for displays, actively looking for more partnerships) would act to further reinforce its competitive edge, in our view.
- Similar to its demonstrated capabilities in other verticals, Dixon has also outlined a roadmap for localizing components in mobiles and IT hardware. To this end, it has already entered a JV with China's HKC Corporation for manufacturing display modules in India, and is actively looking for other non-PCBA components (camera modules, mechanicals, die cuts, etc). Through these, Dixon aims to address ~30-35% of the BOM cost of these products (vs ~6%/18% now/post SOP of displays).
- For Phase 1 of the display tie-up, Dixon plans to invest Rs2.5bn, thereby creating capacity of ~2mn units per month/~25mn per year. In Phase 2, it plans to increase capacity to ~4.5mn units per month. Initially, this production would be utilized for internal consumption in mobiles as well as laptops; eventually, the company plans to sell overflow to third parties as well (TAM of ~150mn units/year; Dixon intends to address 25-30% of BOM cost for the entire market).
- Dixon anticipates the margin accretion from display manufacturing to become evident starting next year. Over the subsequent 24-28 months, the company expects current margin profile of approximately 3.3% in the Mobile & EMS segment to improve by 120 basis points

Exhibit 89: Dixon, through its plans in components and modules such as displays and mechanicals, plans to eventually address 25-30% of BOM cost for the entire market

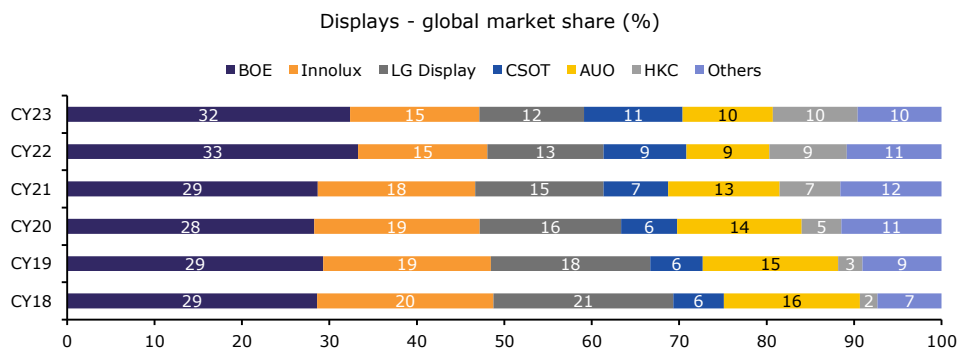
	Phase 1	Phase 2
Backward integration	15%	25-30%
TAM (mnpa units)	40	150

Source: Company, Emkay Research

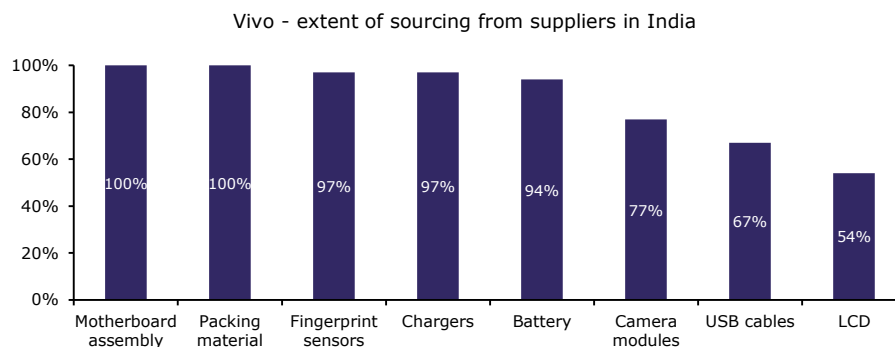
Exhibit 90: Dixon targets ~35% BOM contribution via its backward integration initiatives

Smartphone Components	BoM	Current Landscape	Outlook	Dixon present / planning to enter?	Revenue/EBITDA potential (FY35E)
PCB	7%	Indian players can manufacture up to 4-layer PCBs. However, most devices require >8 layer PCBs, which are dependent on imports.	Import dependence to continue, but will require tech transfer and equipment for high-quality PCBs (multilayer, HDI, flex PCBs).	No	N/A
Display (captive touch controller, display)	15%	Foreign players (eg Samsung, CSOT) started manufacturing LCD displays; premium smartphones use hi-tech OLED/AMOLED.	Samsung sub-assembling mobile displays in India (Noida). Vedanta - Twin Star - Innolux (ToT) to start manufacturing displays; Optiplus and Corning partnership for glass manufacturing	Already tied up with China's HKC; HKC has historically commanded over 20% gross margins	~Rs165bn/23bn (~7% share of total)
Processor, memory	25%	100% imported; no fabs/ATMP in India yet.	Global players (TSMC, MediaTek, Qualcomm, etc.) lead the market. 4 projects approved (Tata Electronics - PSMC. Tata Electronics for ATMP, Micron and Renesas	No	N/A
Camera Module	12%	Camera assembly with a few players operating in limited scale; heavily import-dependent for key components (lens, sensor, etc).	Apple-Sunny Optek, Syska-Biometric-Suyin partnerships. Holitech, Qtech engaged in camera module assembly in India; ODM-OEM-EMS partnerships to drive components manufacturing in India.	Yes; actively looking for partners	~Rs146bn/20bn (~6% share of total)
Battery Module	6%	Battery cells are mostly imported with minor domestic assembly in limited scale.	CATL in talks to expand in India; Exide entered an agreement with SVOLT Energy; Cells expect to be produced in India in the next 3-5 years.	No	N/A
Mechanical, Components & others	17%	High localization (>80%) Chargers, USB cable, gift box; medium localization in (~20%) in die cut parts, mechanics; 100% imports for vibration motor, mic, and receiver.	Salcomp (charger) and Luxshare (cables) to expand in India. Jabil and Tata Electronics to manufacture casings.	Yes; actively looking for partners (precision die cuts, etc)	~Rs127bn/18bn (~6% share of total)
Passives	18%	SMT-grade passives for smartphones are largely imported dependent with small presence of global players (eg TDK, Murata).	As Local assembly achieves scale, companies could be expected to backward integrate and manufacture these.	No	N/A

Source: Company, Niti Ayog, Emkay Research

Exhibit 91: Dixon's display partner HKC gaining share globally

Source: Bloomberg, Emkay Research

Exhibit 92: Vivo has high level of local sourcing for several components, but is looking to significantly enhance procurement of higher-value components


Source: Vivo – India Impact Report 2023 ([link](#)), Emkay Research

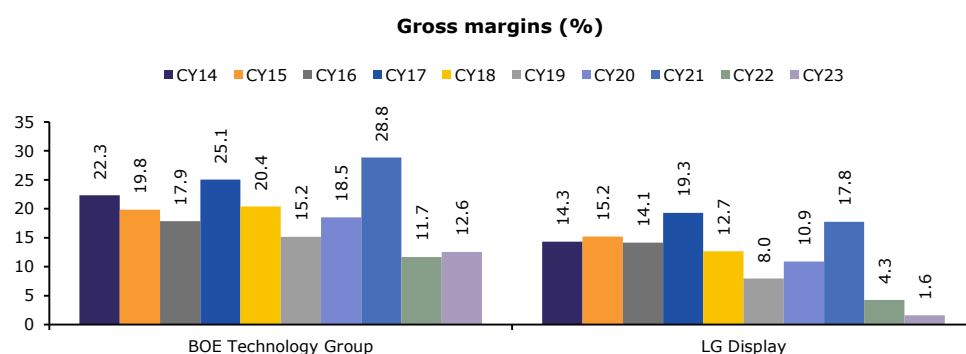
Key mobile clients like Vivo plan to meaningfully expand local component sourcing; Dixon's moves, if successful, would help capture such opportunities

"Our local procurement is growing, but procuring higher-value components will be key to creating a meaningful impact. Sourcing and assembling such components locally will drive greater value addition. This can be achieved through a shared vision and collaborative efforts. **We are committed to expanding our supplier base in India to shape a world-class local manufacturing ecosystem."**

Commentary in Vivo's India Impact Report, 2023 ([link](#))

[C] Backward integration to be highly margin-accretive and open up revenue streams (third-party component sales, exports)

- We expect Dixon's foray into backward integration to pay major dividend in the form of improved profitability, given the sharply higher margin profile (double-digit in manufacturing vs ~3.5% for Dixon's current assembly business). We note that Dixon's display partner HKC has historically enjoyed over ~20% gross margins (vs 8% for Dixon).
- As per ELCINA, India has ~5% cost disadvantage vs China. The upcoming PLI component scheme, along with greater competitiveness enabled by higher backward integration, would help bridge a large portion of the disability, in our view.

Exhibit 93: Display players globally have historically enjoyed mid-teen to ~20% gross margins (vs ~8% for Dixon)


Source: Bloomberg, Emkay Research

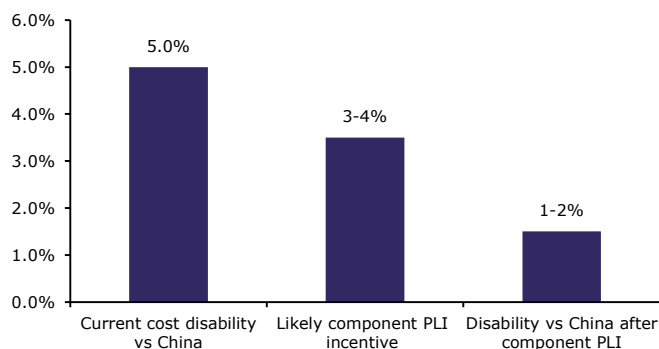
- While self-sufficiency in production to meet domestic demand, exports could be a large growth driver going ahead – with initial signs already visible. For instance, iPhone exports from India may cross the Rs1trn milestone in FY25E (vs ~Rs100bn in FY22); elsewhere, Samsung has also seen multifold increase in smartphone exports from India over the past few years.
- While exports of smartphones have already risen sharply (particularly driven by Apple and Samsung), further bridging of the disability gap vs competing nations (~5-6% currently) would be required to enable meaningful growth.
- Separately, backward integration aided by PLI is likely to help bridge bulk of the current ~5% cost disability vs China, potentially leading to ~7-8% global smartphone market share for Dixon vs low-single digit share now.

Exhibit 94: India currently faces ~5% cost disability vs China which is likely to be addressed by the upcoming component PLI scheme

Break-up of Components in Production		High Volume Low Mix (HVLN, %)	
Components	Subcomponents	China	India
A. Materials and Consumables Cost	Basic component costs	85.4	90.1
	Inventory costs	0.9	1.3
	Total cost of materials	86.3	91.3
	Disability	6%	
B. Manufacturing Cost	Wages (including labor costs and productivity)	6.4	3.5
	Power	0.1	0.2
	Other costs	0.9	1.8
	Total cost of manufacturing	7.4	5.4
	Disability	-27%	
C. Logistics Cost	Logistics	0.1	0.2
	Total cost of logistics	0.1	0.2
	Disability	100%	
D. Finance Cost	Cost of finance	1.7	3.0
	Total cost of finance	1.7	3.0
	Disability	81%	
	Total Cost of Production	95.5	100
Absolute Disability (Production)		5%	

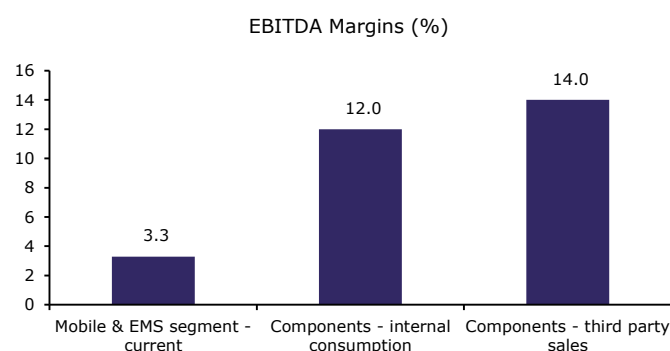
Source: ELCINA ([link](#)), Emkay Research

Exhibit 95: Current cost disability vs China stands at ~5%; the upcoming component PLI scheme and gains from backward integration expected to help considerably narrow the gap



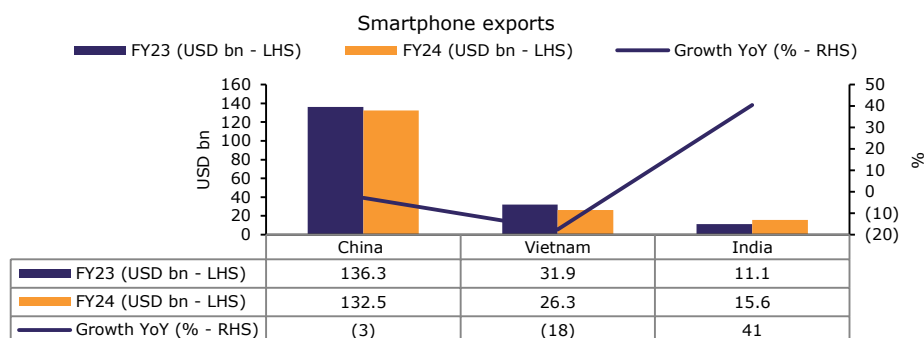
Source: ELCINA, Media articles, Emkay Research; Note: We have assumed 3-4% incentive in the component PLI scheme, in line with incentive levels seen in the earlier PLI scheme

Exhibit 96: We expect components to be highly margin-accretive, given double-digit margins here vs ~3.5% in assembly



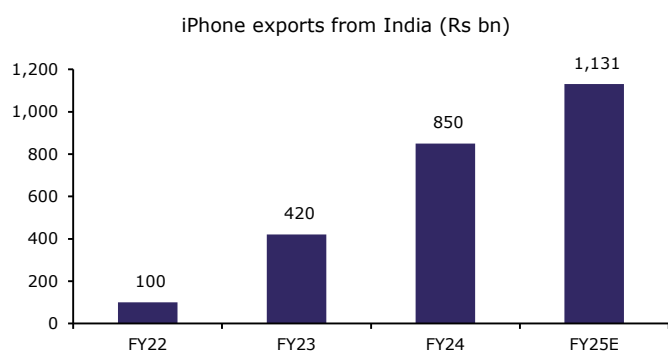
Source: Company, Emkay Research

Exhibit 97: Smartphone exports from India in FY24 stood at USD15.6bn, up 41% YoY; the increase captured ~50% of the decline in smartphone exports from China and Vietnam



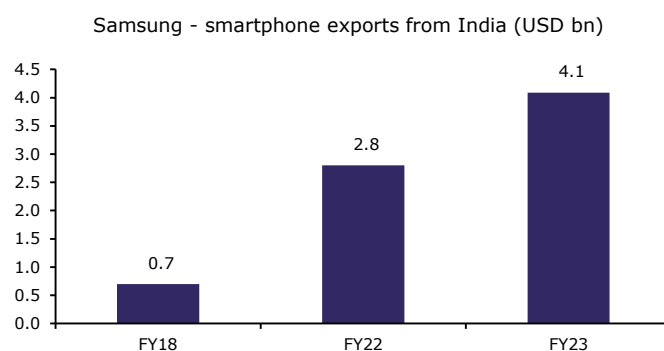
Source: ITC trade map, Ministry of Commerce & Industry data, Emkay Research

Exhibit 98: iPhone exports from India to almost triple in FY25E vs FY23



Source: Media articles, Emkay Research; Note: FY25E exports extrapolated based on H1FY25 data

Exhibit 99: Samsung smartphone exports from India have also grown multifold over the past few years



Source: Media articles, Emkay Research

Dixon manufactures nearly all of Motorola's India smartphone sales; Motorola has already been exporting to select markets for several years

"Motorola, a Lenovo group company, was one of the first companies to commit to the PLI (Production Linked Incentive) program launched by the Government of India. It has partnered with Dixon to manufacture nearly 100% of its smartphones for customers in India and has also begun exporting to selected nearby markets"

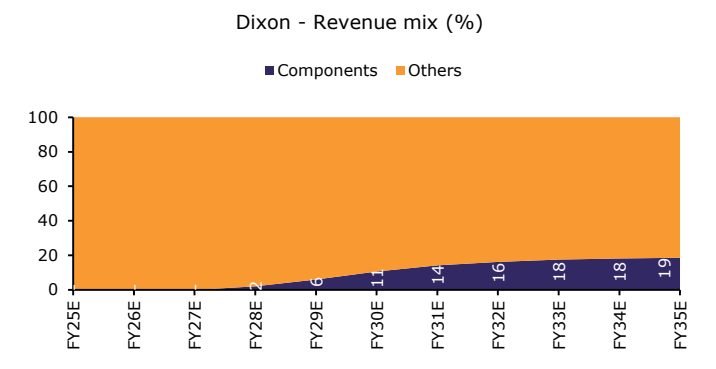
- Commentary in Lenovo's press release in Aug-21 ([link](#))

Samsung, which has partially outsourced smartphone production to Dixon, is also looking to strengthen the local component supply chain

"We are also working closely with component partners in the Indian market to strengthen infrastructure and supply chain. We have done so, and we will continue to do so going forward"

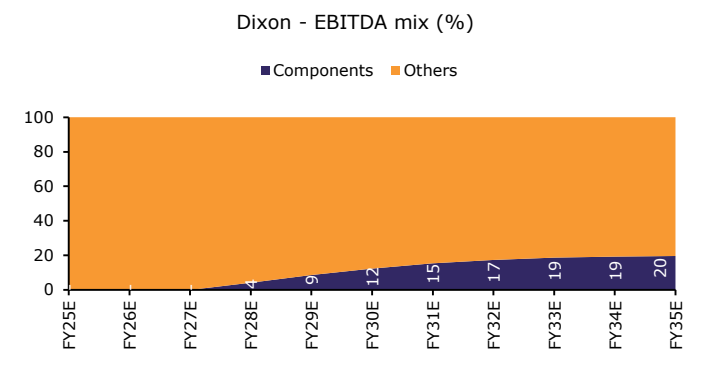
- Comments in Jul-24 by TM Roh, President and Head of Mobile eXperience (MX) Business, Samsung Electronics ([link](#))

Exhibit 100: We expect components to form ~19% of the overall revenue by FY35E



Source: Emkay Research

Exhibit 101: We expect components to form ~20% of the overall EBITDA by FY35E



Source: Emkay Research

Other businesses – [A] Consumer Electronics (LED TVs, Refrigerators and PCBA for ACs)

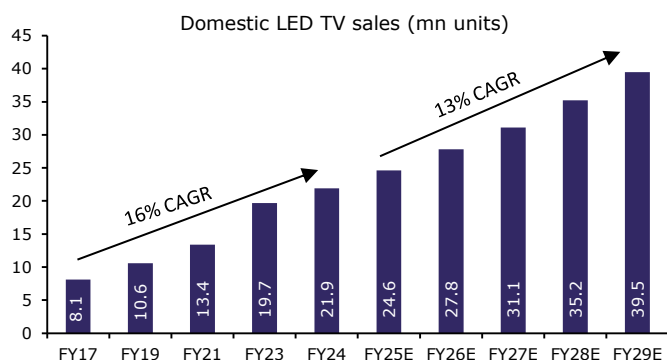
1) LED TVs

- **Domestic LED TV manufacturing—primarily assembly-focused due to panel import reliance, higher production costs, and a limited supporting ecosystem—is becoming increasingly lucrative. Driven by the 'Make-in-India' initiative and value-added local production, the domestic LED TV market reached Rs1trn in FY24 and, per industry estimates, is seen doubling by FY29 with a 13–14% CAGR. Notably, nearly all domestic sales in FY24 were locally assembled.**
- **Dixon, India's leading TV manufacturer, operates the most backward-integrated LED TV production facility, with an installed capacity of 6 million units, fulfilling 30% of domestic demand (~43% of the addressable outsourcing market). Expanding beyond LED TVs, Dixon has entered commercial display manufacturing and is exploring a partnership with a global player to establish an open-cell bonding facility, strengthening its presence in the TV component ecosystem.**

[A] Indian LED TV market to double over FY24-29 driven by increasing lucrativeness and aspirations of consumers

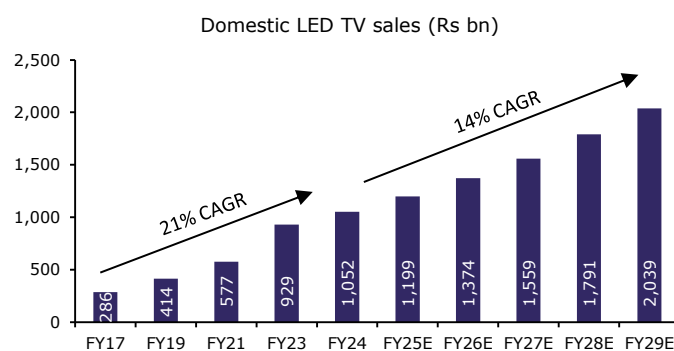
- Domestic TV manufacturing in India is largely assembly-focused (99.8% of LED TVs sold in FY24 were locally assembled) due to the reliance on imported panels, high panel production costs, and the technology-intensive panel manufacturing, coupled with a limited supporting ecosystem.
- Television manufacturing has become increasingly lucrative, driven by the "Make-in-India" initiative. Open-cell production, starting from the panel stage, is the industry's preferred method, with value additions like packaging, cabinets, and bezels. Domestic OEMs/EMS players cater to both local demand and exports to neighboring countries.
- The television and audio segments are witnessing expanding penetration into previously underserved rural markets, fuelled by improved connectivity and access to affordable technology. As distribution improves, consumers are gaining access to televisions and audio devices, leading to a projected increase in market penetration, particularly among budget-friendly and midrange models
- The domestic LED TV market stood at ~22mn units /Rs1trn FY24 and is expected to ~2x over FY24-29 (13-14% CAGR), per industry estimates.

Exhibit 102: Domestic LED TV industry is expected to see 13% CAGR over FY25-29E vs 16% CAGR over FY19-24...



Source: PGEL QIP Document ([link](#)), Emkay Research

Exhibit 103: ...with value CAGR expected to be higher at 14%, akin to the historical trend

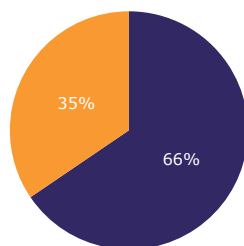


Source: PGEL QIP Document ([link](#)), Emkay Research

Exhibit 104: In FY24, the share of outsourcing in the domestic LED TV industry stood at a staggering 65%...

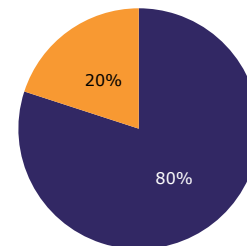
Domestic LED TV Industry

■ Outsourcing ■ In-house manufacturing

Source: PGEL QIP Document ([link](#)), Emkay Research**Exhibit 105: ...of which 20% was attributable to contract manufacturing operations; ODM share remains low at 20%**

Domestic LED TV Industry

■ Contract Manufacturing ■ Original Design Manufacturing (ODM)

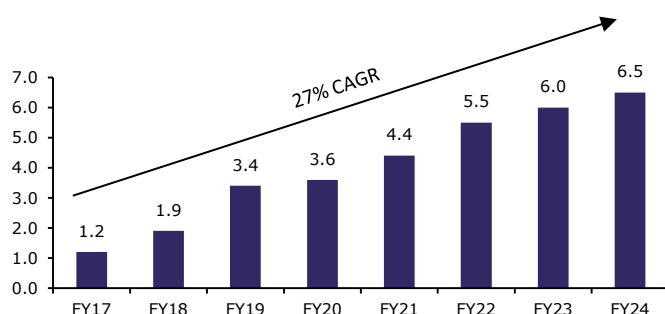
Source: PGEL QIP Document ([link](#)), Emkay Research

[B] Dixon (largest domestic LED TV manufacturer) boasts of the most vertically integrated manufacturing

- Dixon's consumer electronics segment is the second-largest revenue contributor, accounting for 23%/12.5% of FY24/H1FY25 revenues. Initially focused on FPD TVs, Dixon has expanded its offerings to include models ranging from 19 to 98 inches, spanning categories such as ATV, 2K, 4K, UHD, smart, semi-smart, and Android TVs.
- As India's top TV manufacturer, Dixon boasts the most vertically integrated LED TV manufacturing capabilities (injection molding and plastic processing for the mechanicals) and has a total installed capacity of 6mn units, meeting 30% of the country's domestic demand (translating to ~43% of the addressable domestic outsourcing market).
- Operating primarily on a prescriptive (B2P) model, Dixon's ODM revenue share remains limited. However, it achieved a milestone in September 2022 by becoming the first Indian brand to secure sub-licensing rights for Android and Google TV, which dominate over 65% of the TV market.

Exhibit 106: Dixon's capacity has expanded ~5.5x over FY17-24

Dixon's LED TV assembly capacity (mn units p.a)

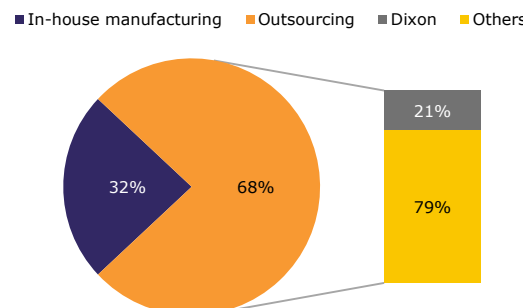


Source: Company, Emkay Research

Exhibit 107: ...with its FY24 market share at 21% of the addressable domestic LED TV outsourcing opportunity

Domestic LED TV Industry (%)

■ In-house manufacturing ■ Outsourcing ■ Dixon ■ Others

Source: Company, PGEL QIP Document([link](#)), Emkay Research**Exhibit 108: Dixon has consistently on-boarded marquee clients, diversifying its customer base over the last 6 years**

As of FY17	FY18	FY19	FY20	FY21	FY23	FY24
Panasonic, Haier, Intex, Reliance Retail, Vijay Sales, Mitashi, Akai	Skyworth, TCL	Xiaomi, Lloyd	Samsung, Toshiba, Nokia, Flipkart	VU, OnePlus, Huawei	Google	Hisense, Acerpure

Source: Company, Emkay Research

[C] Dixon has forayed into commercial displays and is actively exploring partnership in open cell bonding to deepen its value addition in the LED TV manufacturing.

- To further diversify from LED TVs, Dixon has also ventured into manufacturing commercial displays for applications like public advertisements, information kiosks, and interactive boards for educational and office use.
- A state of art R&D center for display devices has been set up in Noida for superior product development in TVs, IFPDs and signage.
- Additionally, Dixon has also acquired the TIZEN license (Samsung's operating system for OLED and QLED TVs) and is also working closely with Amazon Fire TV solutions in NG for Web OS, which is expected to be rolled out in Q4FYF25.
- Manufacturers are shying away from making open cell displays in India due to a lack of ecosystem and talented manpower, and the country continues to rely on China.
- Dixon is actively exploring a partnership with a global player for an open-cell bonding facility (open cells account for ~60% of the TV - [link](#)) to deepen its TV component ecosystem base.

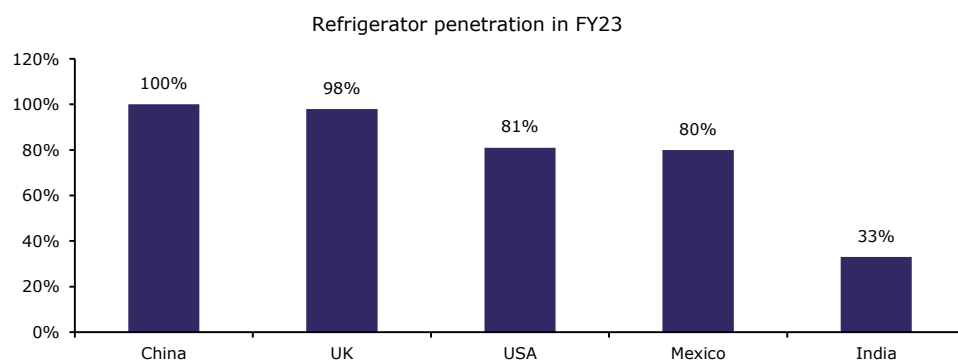
2) Refrigerators

- **The domestic Refrigerator segment is poised for a healthy 13% CAGR during CY23-28, per industry estimates, with penetration levels improving to 41% by CY28 vs 34% in CY24, driven by growing demand across volume, mid and premium segments, and increasingly aspirational positioning of home appliances.**
- **Dixon has recently forayed into the direct-cool refrigerator segment, with Voltas as its anchor customer. It has also on-boarded other marquee clients. Dixon operates a highly integrated automated plant with a 1.2mnpa refrigerator capacity, meeting over 10% of the domestic demand.**

A] Domestic refrigerator market is relatively underpenetrated, offering significant head room for growth, driven by premiumization and aspirational positioning

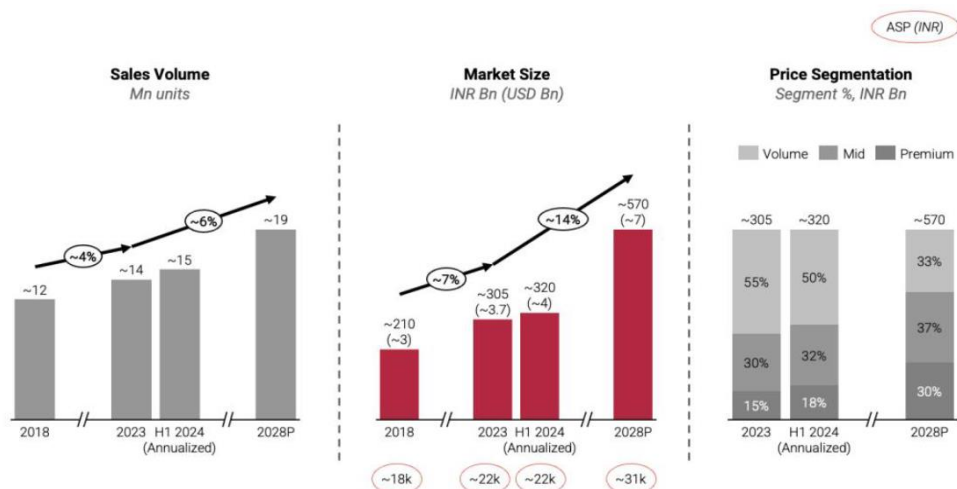
- Per industry estimates, the refrigerator segment in India is poised for substantial growth currently valued at ~Rs320bn in H1CY24 (annualised), with projections indicating a robust CAGR of ~13% that will elevate the market to ~Rs570bn by CY28, and with penetration levels improving to 41% by CY28 vs ~34% in CY24.
- There is growing demand for refrigerators across volume, and the mid and premium segments, with a) penetration driving the volume and mid segments including direct cool and frost-free models and b) premiumization driving side-by-side and French-door models. Rising incomes, aspirational buying, and the need for space optimization are fuelling this trend, with consumers valuing design and functionality.

Exhibit 109: Domestic penetration in the refrigerator segment is significantly lower than that in other countries, implying sufficient headroom for growth.



Source: Company, LG Electronics DRHP ([link](#)), Emkay Research

Exhibit 110: With increasing affordability, domestic refrigerator sales volume/value CAGR expected at 6%/14% over CY23-28E, indicating increasing premiumization



Source: Company, LG Electronics DRHP ([link](#)), Emkay Research

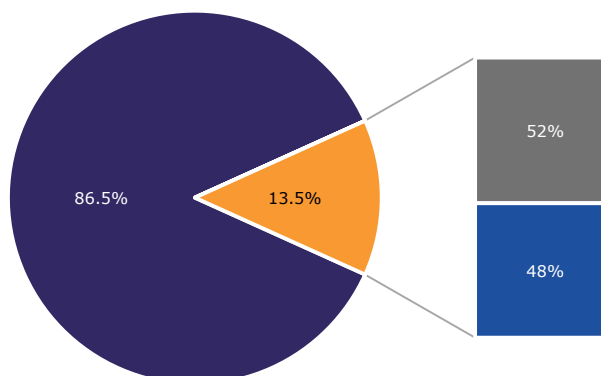
B] Dixon's foray into the underpenetrated refrigerator segment with strong backward integration capabilities enables further revenue diversification.

- Dixon has recently forayed into the underpenetrated refrigerator market (~33% in India as of FY18) with Voltas as its anchor customer. The company plans to focus on DC refrigerators, which account for 55% of the total refrigerator market by volume.
- The refrigerator market currently leans heavily toward in-house assembly, offering limited opportunities for ODM. However, with the scope for ODM expected to expand in the future, Dixon would benefit from strategic advantage of already having on boarded marquee brands like Voltas (anchor client), Kelvinator, Lloyd, BPL, Acer etc.
- Dixon has backward integrated multiple production processes and is further exploring investment in deep freezers, mini coolers, wine chillers, etc. along with two door frost free and side by side refrigerators.
- Dixon operates a highly integrated automated plant with a 1.2 million annual refrigerator capacity, meeting over 10% of domestic demand. Running at 80-85% capacity, its revenue in this segment is entirely from ODM services.

Exhibit 111: With capacity at ~1.2mn, Dixon currently addresses ~52% of the 2.3mn-unit outsourcing opportunity in India

Domestic Refrigerator Mix in FY24

■ In-house manufacturing ■ Outsourcing ■ Dixon ■ Others



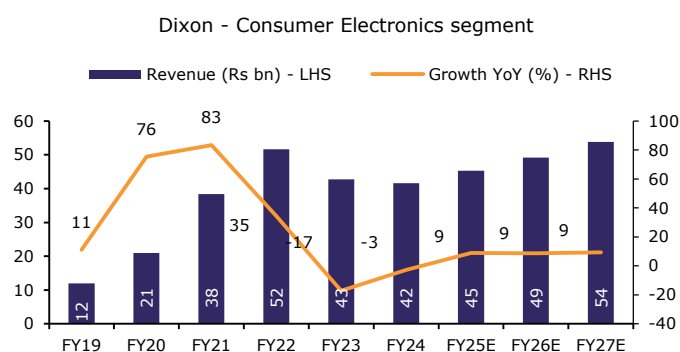
Source: Company, LG Electronics DRHP ([link](#)), Emkay Research

3) Printed Circuit Board Assembly (PCBA)

- In the air conditioner segment, DIXON's involvement is limited to PCB assembly via its 40:60 JV with Japan-based Rexxam Co Ltd for inverter boards, with Daikin as its primary customer, as it does not manufacture complete indoor and outdoor units.
- Dixon is currently in the advanced stages of discussions with a large global semiconductor equipment brand for servicing its requirements of PCBA and certain mechanical products and also aims to enter the automotive PCBA space soon.

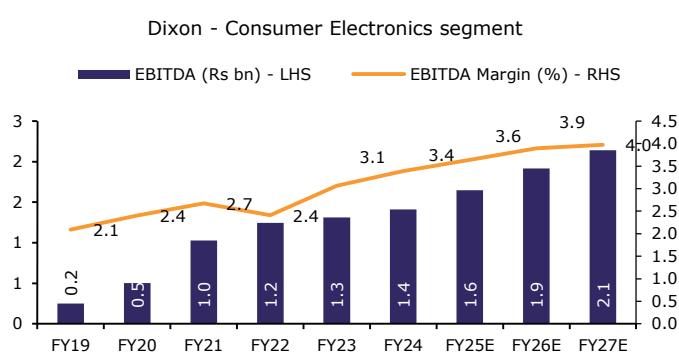
For Consumer Electronics (comprises TVs and refrigerators), we build in 9%/14% revenue/EBITDA CAGR over FY25E-FY27E, indicating healthy growth for Dixon in this segment, akin to its feat in other major electronic products and driven by increasing premiumization, strong efforts toward diversification of product offerings from the legacy TV business, and additional growth triggers from the recent foray into refrigerators, coupled with product expansion in refrigerators as well.

Exhibit 112: We build in 9% revenue CAGR over FY25E-27E, driven by new product additions and growing clientele...



Source: Company, Emkay Research

Exhibit 113: ...with EBITDA margin expanding steadily, on increasing scale and better realizations



Source: Company, Emkay Research

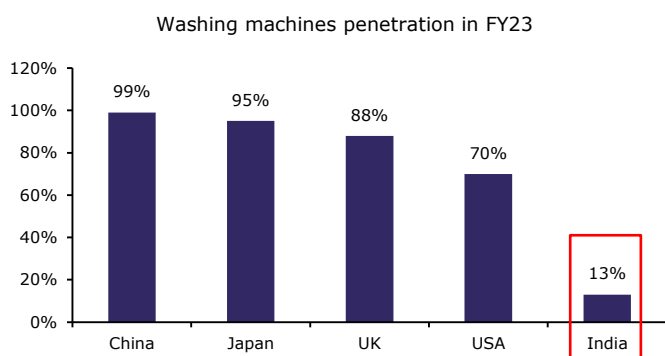
Other businesses – [B] Home Appliances: Washing Machines (WMs)

- India's washing machine market is growing steadily, driven by dual-income households, rising incomes, and low penetration (~13–14%). The sector, with strong local manufacturing and minimal imports, is projected to grow at 8% CAGR (FY25–FY28), per industry estimates. The market is highly competitive, with brands dominating fully automatic and semi-automatic segments.
- Dixon is the largest domestic washing machine manufacturer and holds 28%/4% market share in semi-automatic (SAWM)/fully automatic (FATL) categories, respectively. In line with its backward integration strategy, Dixon has enhanced its in-house production capabilities (injection molding, tool room capabilities) to reduce import dependence while onboarding marquee clients to drive growth in FATL offerings.
- Owing to Dixon's strong presence in the segment, coupled with lower penetration levels and Dixon's aggressive expansion plans, we build in 18%/11% revenue/EBITDA CAGR over FY25–27E.

[1] The domestic WM industry holds significant growth potential; domestic sales volume CAGR expected at 8% over FY24–28E, owing to benign penetration levels.

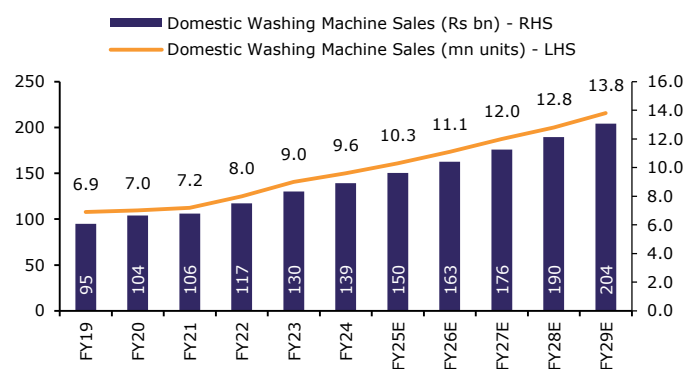
- India's washing machine industry has seen steady growth, driven by dual-income households, rising disposable incomes, and time constraints. With a penetration rate of just 13–14%, the sector holds significant growth potential and volumes are expected to at 8% CAGR over FY25–FY28.
- The domestic WM industry boasts robust manufacturing capabilities with minimal reliance on imports (~10% of domestic sales in FY24). Semi-automatic washing machines, largely made in India, have high local value addition due to their low electronic component content.
- Indian WM market is highly competitive with different brands leading in fully automatic and semi-automatic (SAWM) segment. LG and Samsung have a combined market share of 50.7% in FY24. Other prominent companies are Whirlpool, Voltas Beko, Godrej, IFB, Panasonic, Videocon, Haier, Lloyd, Hitachi, etc.

Exhibit 114: Penetration levels are significantly low in India, offering major opportunity for growth



Source: PGEL QIP document ([link](#)), Emkay Research

Exhibit 115: Domestic WM volumes/value CAGR expected at 9%/10 over FY24–28E

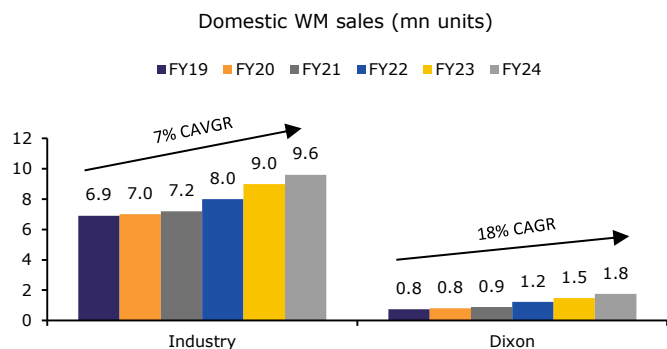
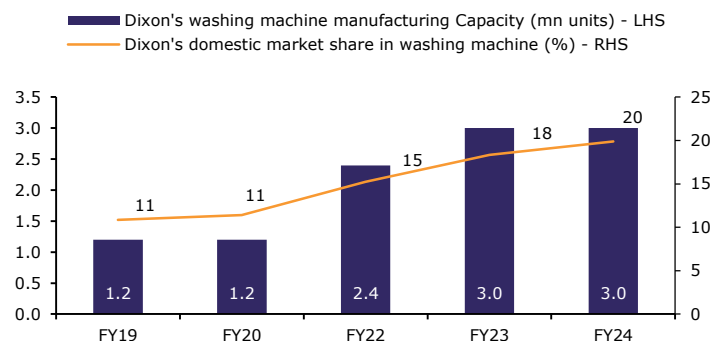


Source: PGEL QIP document ([link](#)), Emkay Research

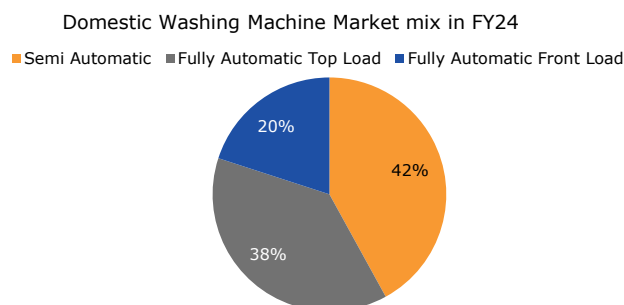
[2] Strong backward integration capabilities, coupled with diverse product offerings and a healthy order book, form a wide customer base for driving growth for Dixon in this segment

- Dixon is the largest domestic WM manufacturer and with 100% ODM solutions and a diverse portfolio of >160/>100 models in the SAWM/fully automatic category (FATL) categories. Over FY19–24 Dixon has grown ahead of the domestic industry (18% volume CAGR; 2.5x capacity expansion) amid consistent addition of marquee clients.
- Dixon currently addresses ~80% of the washing machines categories in India and commands 28%/4% domestic market share in the SAWM/FATL respectively.

- In line with its backward integration strategy, Dixon's tool room is now fully operational, and most of the tools are being manufactured in-house; Dixon has also added multiple injection molding machines for its SAWM and FATL products thereby reducing import dependence.
- Dixon has already on boarded new customers (Panasonic, Lloyd, Volt beko, Godrej and Reliance) for its newer FATL offerings and is targeting expansion of the category via further client acquisition.

Exhibit 116: Dixon has grown ahead of the industry over FY19-24...Source: Company, PGEL QIP document ([link](#)), Emkay Research**Exhibit 117: ...with 2.5X capacity expansion and rise in market share**

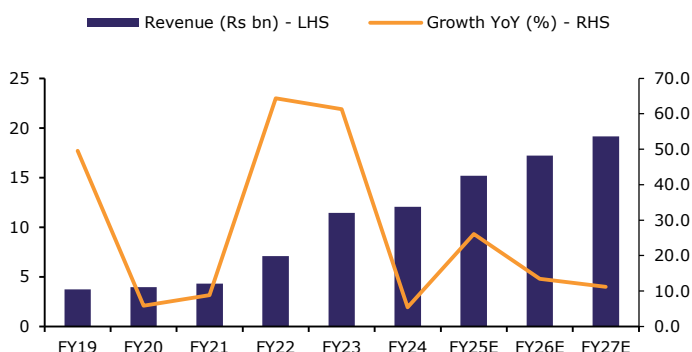
Source: Company, Emkay Research

Exhibit 118: Dixon already addresses ~80% of the WM categoriesSource: PGEL QIP document ([link](#)), Emkay Research**Exhibit 119: Dixon has consistently expanded its customer base in the washing machine segment over the last 6 years**

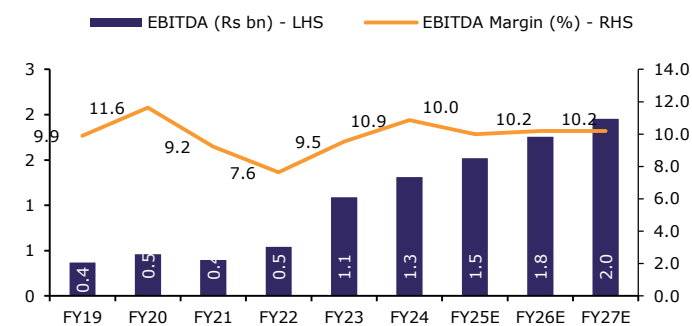
Year of Addition	Clients
As of FY17	Panasonic, Haier, Intex
FY18	Flipkart
FY19	Samsung
FY20	Croma, Voltas Beko
FY21	Thompson, Bosch
FY22	Godrej, TCL, Onida, Akai, Sharp
FY24	Lloyds, Reliance

Source: Company, Emkay Research

- Dixon's strong presence in the segment, coupled with benign penetration levels, provides a smaller base for significant growth, thus driving 12%/13% revenue/EBITDA CAGR over FY25E-27E, in our view.

Exhibit 120: We expect the home appliances segment CAGR at 18% over FY24-27E

Source: Company, Emkay Research

Exhibit 121: EBITDA margin to sustain at 11.1% levels over FY24-27E

Source: Company, Emkay Research

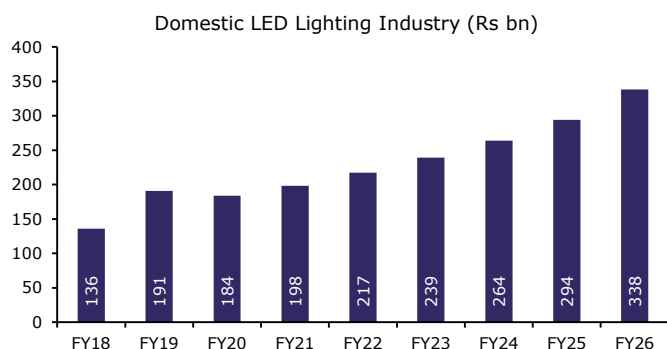
Other businesses – [C] Lighting Products

- The Indian LED lighting industry has grown significantly due to the government's energy efficiency initiatives and rising consumer awareness of sustainable solutions. Both consumer and professional LED segments are expanding rapidly. With ongoing market growth and technological advancements, LED lighting is set to play a key role in promoting energy efficiency across various sectors in India. The domestic LED industry is expected to see 11% CAGR over FY22-26E.
- Dixon, a leading ODM player in India's lighting solutions, offers a wide range of LED products, including bulbs, battens, and downlighters. In FY23-24, it introduced professional lighting, rope, and strip lights and plans to expand into floodlights, streetlights, and premium products in FY24-25. The company is also enhancing production capabilities, such as injection molding for ceiling lights and extrusion for battens, to optimize costs and strengthen its competitive edge.
- We build in FY25E-27E revenue/EBITDA CAGR of 6%/8%.

[1] The domestic LED lighting industry is set for growth and plays a pivotal role in promoting energy efficiency, akin to its transformation over the past decade

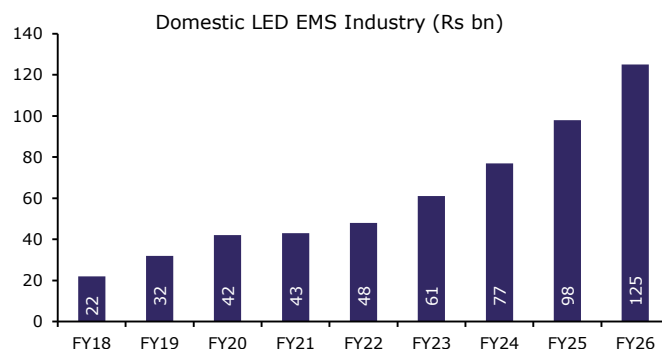
- The Indian LED lighting industry has grown significantly due to the government's energy efficiency initiatives and rising consumer awareness about sustainable solutions. Both, consumer and professional LED segments, are expanding rapidly.
- Over the last few years, the lighting segment has been hit by sectorial headwinds like commoditization, increasing wallet share of smaller players, and stiff competition among unorganized players. As a result, segment revenue/EBITDA have spiraled down over FY21-FY24, with EBITDA margin also slipping, by ~130bps.
- Given the ongoing market growth and technological advancements, LED lighting is set to play a key role in promoting energy efficiency across various sectors in India. The domestic LED industry is expected to see 11% CAGR over FY22-26E, per industry estimates.

Exhibit 122: LED lighting industry CAGR expected at 11% over FY22-26 to ~Rs338bn...



Source: IKIO Lighting RHP, Emkay Research

Exhibit 123: ...with the domestic LED EMS industry CAGR expected at 27% over FY22-26 to Rs125bn

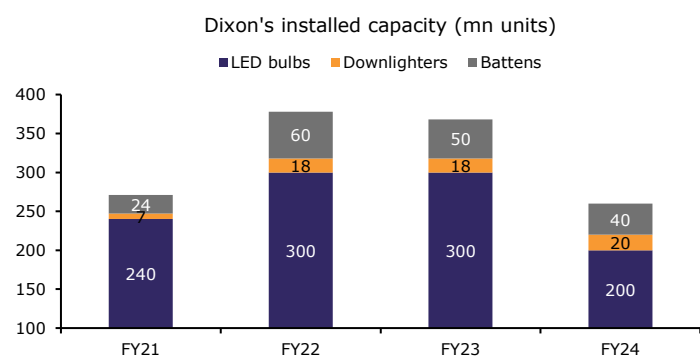


Source: IKIO Lighting RHP, Emkay Research

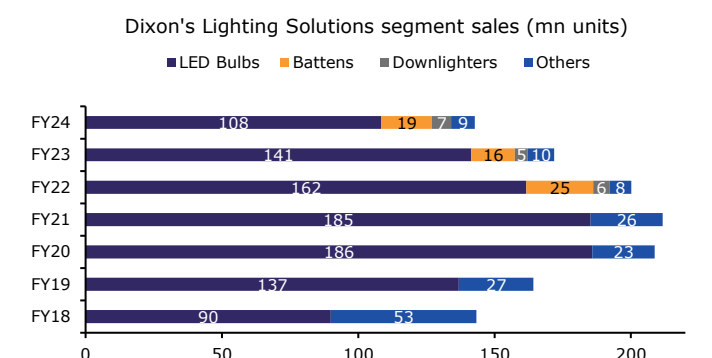
[2] The domestic LED lighting industry is set for growth and play a pivotal role in promoting energy efficiency, akin to its transformation over the past decade

- Competition from contract manufacturers has intensified and a larger market share is slowly moving towards companies operating specifically in lighting solutions. To mitigate this, Dixon has recently launched a rope and strip lighting range and plans to launch a range in industrial and street lighting solutions.
- Dixon ranks among the top 10 global lighting manufacturers, with an annual capacity of 200mn LED lamps, 40mn LED battens, and 20mn LED downlighters, which accounts for ~50% of domestic demand.
- Recently, the company entered the commercial lighting segment to broaden its offerings. As one of India's largest ODM players, Dixon provides over 2,000 LED variants (0.5W to 100W), with its ODM share rising from ~70% in FY19 to ~92% in FY24.

- Also, to cater to the smart lighting segment, the company had entered into a binding term sheet with Ibahn Illumination (Ibahn), whereby Ibahn has agreed to transfer its cutting edge technologies. The technology transferred by Ibahn includes that pertaining to BLE Mesh Smart Lighting and wi-fi based technology solutions for its lighting products.

Exhibit 124: Dixon is the largest ODM player in lighting solutions

Source: Company, Emkay Research

Exhibit 125: LED price erosion has impacted Dixon's revenue over FY21-24

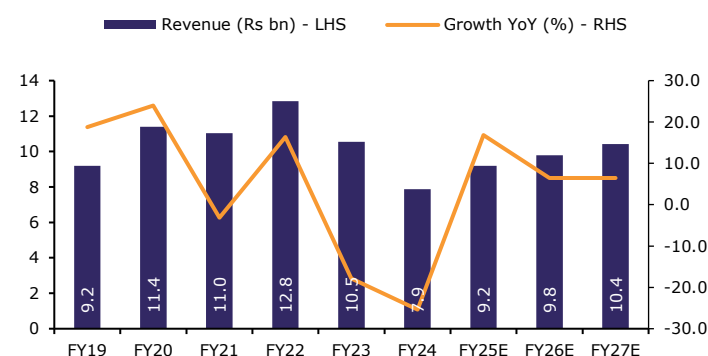
Source: Company, Emkay Research

Exhibit 126: Product additions over the years to diversify the product portfolio

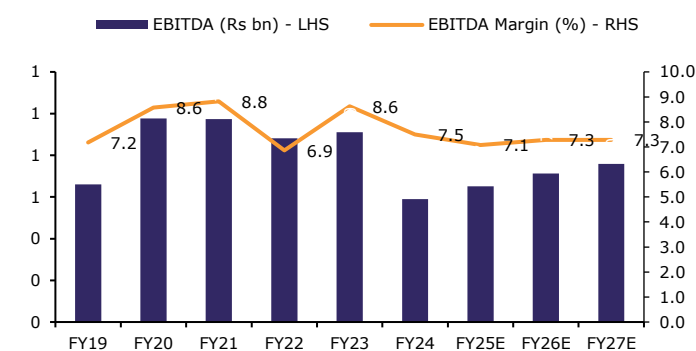
FY19	FY20	FY21	FY23	FY24	FY25YTD
high beam LED Bulb	smart LED bulb, backend LED emergency bulbs	outdoor (street) lighting	strips & rope lighting	professional product floodlight, Bluetooth mesh technology based products	ceiling lights, extension of professional lighting

Source: Company, Emkay Research

- We build in 6%/8% revenue/EBITDA CAGR over FY25E-27E, to factor in the multiple initiatives undertaken by Dixon to further diversify from its legacy LED bulbs business for increasing footprint in the LED lighting space.

Exhibit 127: We build in 6% revenue CAGR over FY24-27E

Source: Company, Emkay Research

Exhibit 128: We expect EBITDA margin to improve to 7.3% by FY27E

Source: Company, Emkay Research

Other businesses – [D] Within the Mobile and EMS segment

1) Telecom and set-top boxes

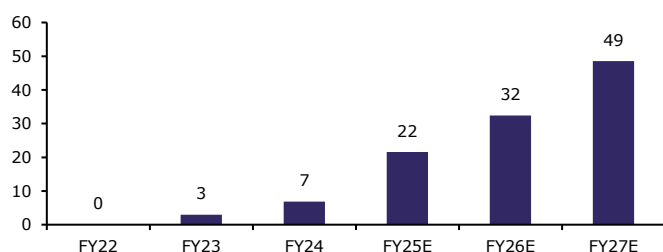
- The Indian telecom market size was Rs75bn in FY23, and is expected to reach Rs 180bn by FY26, per industry estimates, implying a ~19% CAGR over this period, India is one of the largest exporters of telecom equipment ([link](#)).
- Dixon, through its JV with Bharti Group (Dixon Electro Appliances), manufactures GPON for Airtel and assembles IoT devices and modems. The JV has received approval under the PLI scheme, meeting capex and revenue thresholds. Additionally, Dixon has established a facility for set-top box production, catering to major Indian brands. It has secured significant orders for HD Zapper and Android set-top boxes in partnership with a global ODM. In FY24, it produced 2 million set-top boxes and 1.8 million GPON ONT units.
- The company is expanding into 5G technology, with pilot production of fixed wireless devices for Airtel already underway and mass production expected by Jun-25. It has also partnered with Nokia to manufacture 5G fixed wireless devices and maintains a strong order pipeline. Dixon's key customers in this segment include Airtel, Jio, Dish TV, Siti Networks, and Sun TV. Additionally, Dixon has set up a tool room and has started captive manufacturing of chargers and adapters in its facility.
- We build-in 50% revenue CAGR over FY25E-27E, to factor in Dixon's aggressive expansion and diversification journey, coupled with its deepening presence in the telecom and networking space.

2) Hearables and Wearables

- The Hearables and Wearables (H&W) EMS market was ~100mn units in FY22. Dixon has entered this segment through a 50:50 joint venture with Imagine Marketing (boAt) to design and manufacture products such as TWS, neckbands, smartwatches, and Bluetooth speakers. It has also added Samsung as a client in this category; Dixon's JV partner commands a 26%/34% market share in the wearables/True Wireless (TWS – hearables) segment as of CY23. ([link](#))
- To support growth, Dixon plans has expanded its manufacturing facilities for backward integration by setting up an SMT line for PCB production. The company's H&W volume for FY24 stood at approximately 14.6 million units.
- We build-in 12% revenue CAGR over FY25E-27E to reflect Dixon's strong positioning in one of India's leading Wearable and Hearables company.

Exhibit 129: We expect 50% revenue CAGR over FY25E-27E, driven by Dixon's aggressive and continuous product expansion, coupled with new client addition

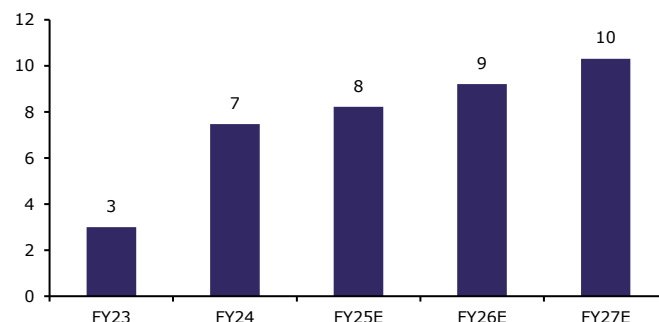
Telecom and Networking Revenue (Rs bn)



Source: Company, Emkay Research

Exhibit 130: We build in 12% FY25E-27E revenue CAGR in the hearables and wearables segment

Hearables and Wearables Revenue (Rs bn)



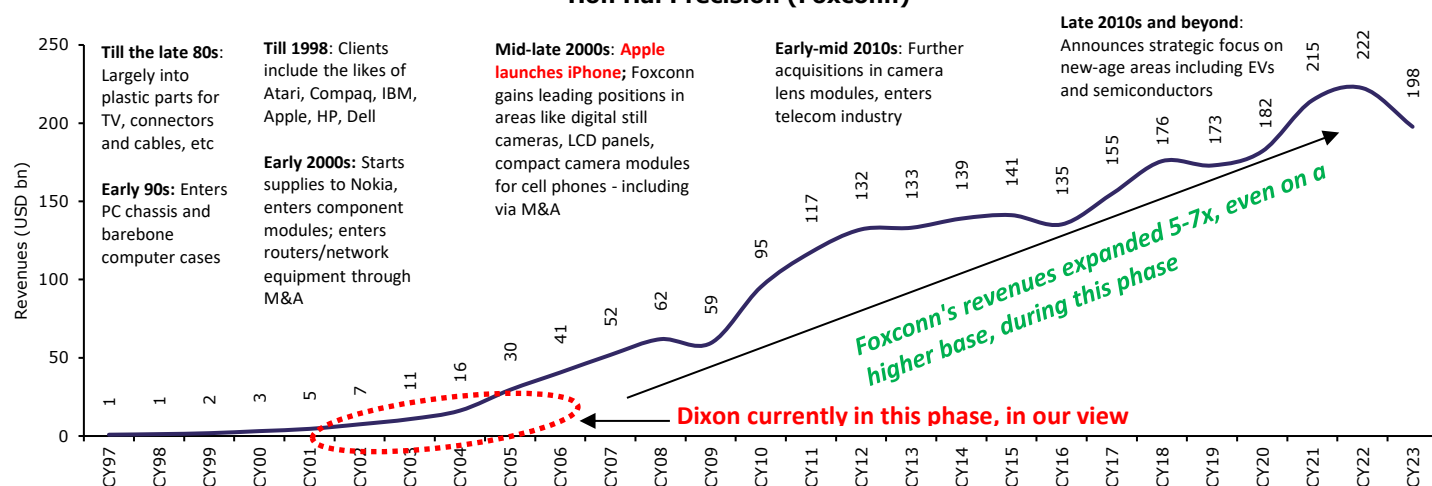
Source: Company, Emkay Research

Optionalities: Dixon looking to expand into adjacencies (Industrial, Automotive)

- With its management style centered around promoting entrepreneurship and strong execution within the organization, and by closely aligning itself with India's global manufacturing hub ambition in consumer electronics, Dixon has over time successfully gained leadership across verticals and continuously expanded into adjacencies.
- We believe its journey has global parallels, particularly with Foxconn, which has followed a similar playbook of creating large scale (via multiple customer acquisitions) followed by both, horizontal expansion (new product segments) and vertical expansion (backward integration).

Exhibit 131: Huge scale, customer diversification, branching out into multiple product segments, and aggressive backward integration – Foxconn provides a global parallel to the Dixon story; Foxconn's precedent suggests a robust runway still available for Dixon, in our view

Hon Hai Precision (Foxconn)



Source: Company website, media articles, Emkay Research

Exhibit 132: Key Milestones for Xiaomi

Year	Particulars
2010	Founded
2010	Launched first Android-based firmware, MIUI
2011	First phone launch
2013	Launched Android-based smart TV
2014	Unveil of first tablet
2014	Entered wearables category
2014	Announced expansion outside China
2016	Launch of first laptop, Mi Notebook Air
2018	Introduced air conditioners and washing machines
2018	Launch of mid-range phone brand Poco
2019	Introduced refrigerators
2021	Announced entry into electric vehicles
2022	Established company for integrated circuit manufacturing, integrated circuit chip design, etc
2024	Launched first EV, Xiaomi SU7 sedan

Source: Media articles, Emkay Research

- Dixon, on its part, apart from its existing presence in the AC PCBA segment, is now also exploring opportunities in printed circuit board (PCB) assembly, for Industrial and Automotive sectors.
- Dixon is currently in the final stage of discussions with a large industrial electronics PCB customer, and is also in advanced discussions with a potential customer for automotive electronics; commercial production is, however, some time away.
- The company expects these areas (along with others like Defence electronics and automotive displays being explored) to be avenues of strong growth in future.

- We estimate that the Industrial & Automotive electronics space can grow into a ~Rs4trn market by FY35E (vs ~Rs8trn for mobile phones and IT hardware combined).
- Even assuming ~10% market share for Dixon here, driven by a) its experience in PCBAs for ACs, b) demonstrated ability to expand into and execute well in several adjacencies in the past, and b) its experience in PCBAs for ACs, this could potentially translate into ~Rs454bn revenue opportunity for Dixon by that time, ie. ~20% potential addition to our current estimates (not built-in for our base case estimates).

Exhibit 133: Comparison of presence of key ESDM companies in domestic Application segments in India (as of FY21); Industrial and Automotive electronics represent a white space for Dixon compared with several other players

Name of the ESDM Company	Mobile Phones	CEA*	Automotive	Industrial	Telecom	A&D**	IT	Medical	Railway	Others [#]
Kaynes Technology India Ltd		✓	✓	✓	✓	✓	✓	✓	✓	✓
Bharat FIH Ltd	✓	✓	✓		✓	✓	✓			✓
Dixon Technologies India Ltd	✓	✓						✓		✓
Amber Enterprises India Ltd		✓							✓	✓
SFO Technologies Pvt Ltd			✓	✓	✓	✓		✓		✓
Syrma SGS Technology Ltd		✓	✓	✓	✓			✓		✓
Elin Electronics Ltd		✓								✓
Avalon Technologies Pvt Ltd			✓	✓	✓	✓		✓	✓	✓
VVDN Technologies Pvt Ltd			✓	✓	✓		✓			✓
Sanmina-SCI Technology India Pvt Ltd			✓	✓	✓	✓	✓	✓		✓

Source: Frost & Sullivan report ([link](#)), Emkay Research; Note: CEA is Consumer Electronics and Appliances; A&D is Aerospace and Defence

Dixon is looking into industrial electronics, automotive electronics, and automotive displays as future areas of growth

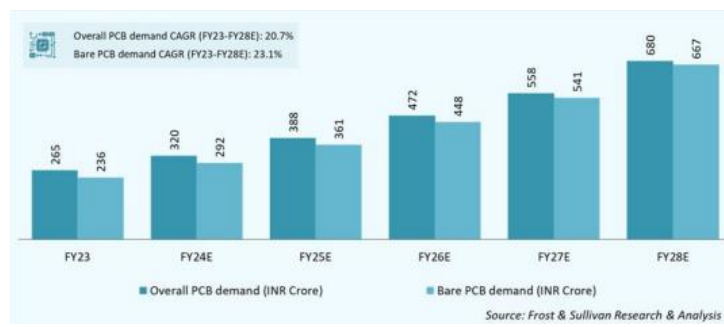
"So industrial EMS footprint is going to be again in the Chennai campus. **We are in the advanced stages of discussions with a large semiconductor equipment brand, a global brand for servicing its requirements of PCBA and certain mechanical products. We hope it fructifies and we are also in advanced stages with one partner for automotive electronics.** So, they are progressing well, but we are new to this domain. So, it's going to take time."

"We are also actively looking into exploring partnerships for the manufacturing of industrial, institutional, and automotive displays."

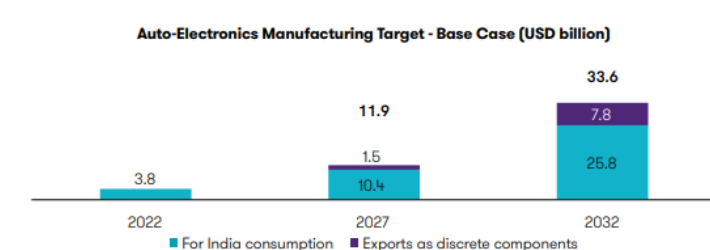
- Comments in Q1FY25 by Atul Lall, MD and Vice Chairman, Dixon

"And both in automotive and defense electronics some discussions at initial stages have already started with our potential partners."

- Comments in Q2FY24 by Atul Lall, MD and Vice Chairman, Dixon

Exhibit 134: Bare PCB demand is expected to touch ~Rs6.7bn by FY28E

Source: *Kaynes QIP document (link), Emkay Research*

Exhibit 135: The automotive electronics market could be worth USD33.6bn by 2032

Source: *ACMA (link), Emkay Research*

Exhibit 136: Optionalities can potentially lead to ~20% higher revenue for Dixon by FY35E vs our current estimates, assuming ~10-15% market share for Dixon in those categories by then

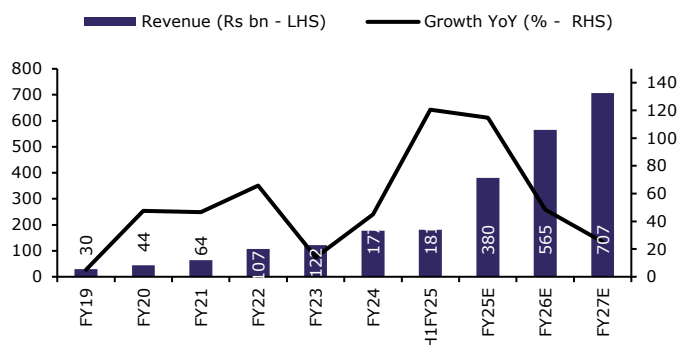
Dixon (Rs bn)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Existing revenue projections	380	565	707	802	930	1,100	1,296	1,507	1,751	2,040	2,357
Optionalities (Not built-in)	-	-	-	-	84	126	177	236	304	374	454
Revenues including optionalities	380	565	707	802	1,014	1,226	1,473	1,744	2,055	2,414	2,811
Incremental revenue potential (not built-in)	0%	0%	0%	0%	9%	11%	14%	16%	17%	18%	19%

Source: *Emkay Research*

Financials: We build in 36% / 54% revenue / adjusted EPS CAGR over FY25E-27E

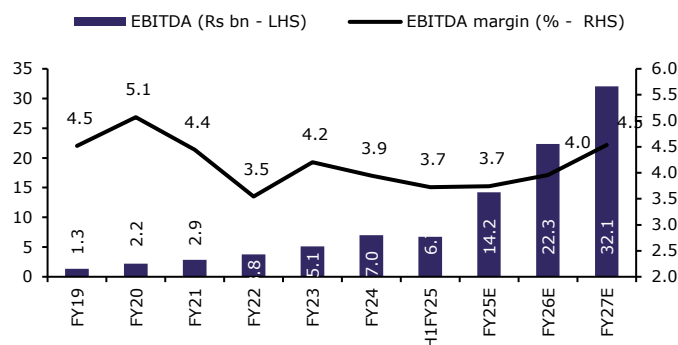
- We believe there remain multiple enduring mid-long term drivers for Dixon, namely: a) further domination of the rising smartphone assembly opportunity (we expect ~70-75% incremental share for Dixon, taking the overall share to ~44% by FY35E vs ~25% now), b) similar opportunity in IT hardware aided by PLI, with Dixon's component foray underpinning its 'right-to-win' in both, and c) sharp margin improvement amid aggressive backward integration intent/actions (opens up third party sales, exports).
- This leads us to build in ~20% revenue CAGR over FY25E-35E; FY25E-27E CAGR is placed at ~36%. Mobiles are expected to remain the largest segment, though contribution to revenue is expected to decline over time (beyond FY27E), amid pick up in laptops/IT hardware and third-party component sales.
- Mobile phone revenue/EBITDA CAGR is expected at 15%/33% over the coming decade, translating into revenue/EBITDA contribution of ~47%/52%, respectively. For laptops, we build in ~Rs537bn revenue by FY35E, ie ~23% of mix vs near-zero now. We expect ~Rs439bn revenue from component sales by FY35E (19% of mix).
- We expect ~36% EBITDA CAGR over FY25E-35E – with significant expansion in margins likely to be witnessed after FY27E (we build in ~80bps margin expansion over FY25E-27E to 4.5%), largely driven by ramp-up of the component business (double-digit margins in manufacturing vs ~3.5% in assembly operations).
- Adjusted EPS CAGR over FY25E-27E is seen at ~54%.
- Sharp jump in revenues, along with relatively limited capex requirements (historical consolidated asset turns placed at ~8-9x), are seen leading to strong cash-flow generation – with return ratios over FY25E-27E seen being robust at >40%.

Exhibit 137: We build in 36% revenue CAGR over FY25E-27E



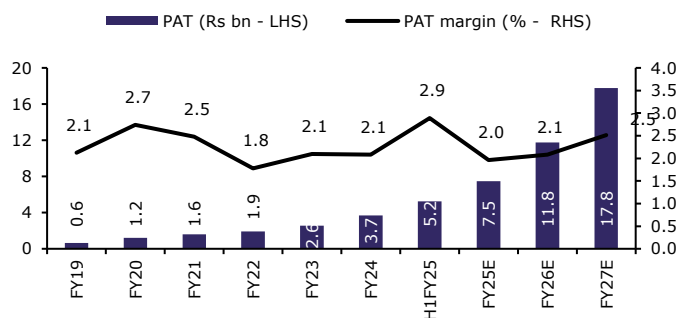
Source: Company, Emkay Research

Exhibit 138: Margins to expand by ~80bps to 4.5% by FY27E



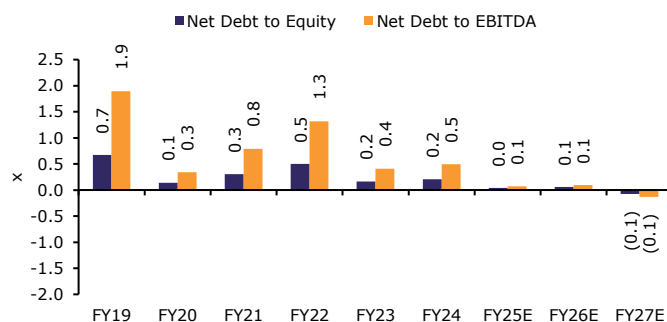
Source: Company, Emkay Research

Exhibit 139: Adjusted PAT CAGR is seen at 54% over FY25E-27E

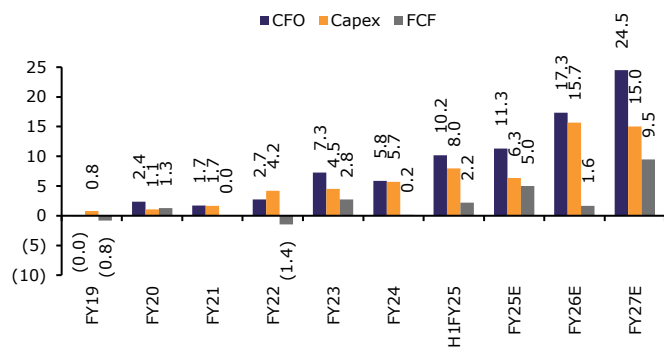


Source: Company, Emkay Research

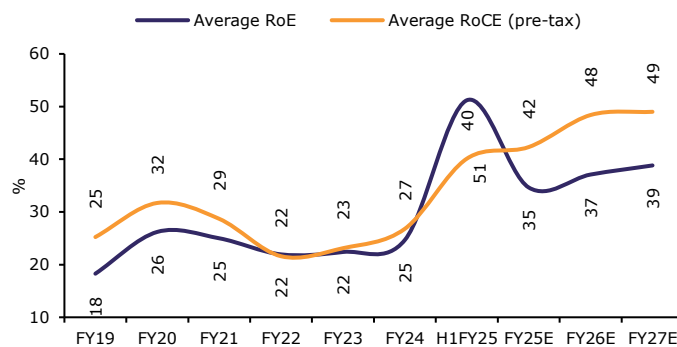
Exhibit 140: Debt levels to remain under control



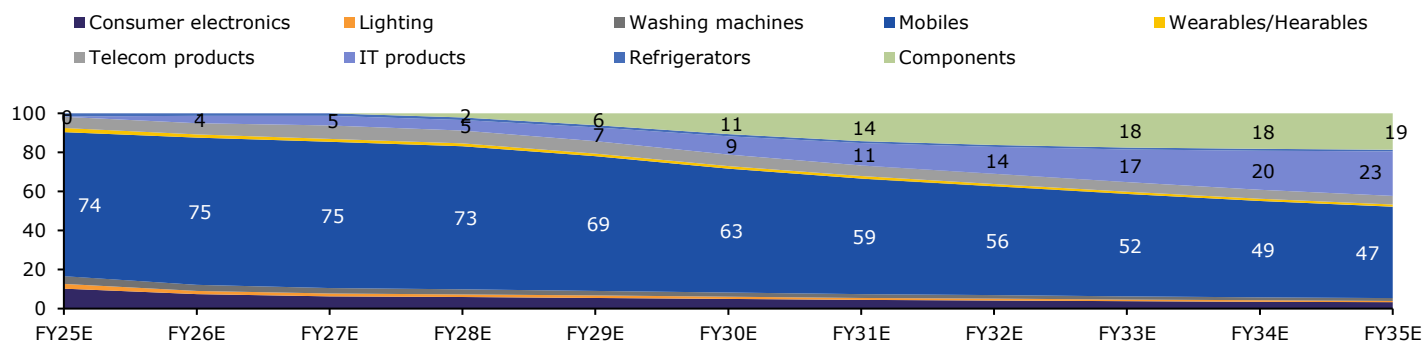
Source: Company, Emkay Research

Exhibit 141: Cash flow generation to accelerate going ahead

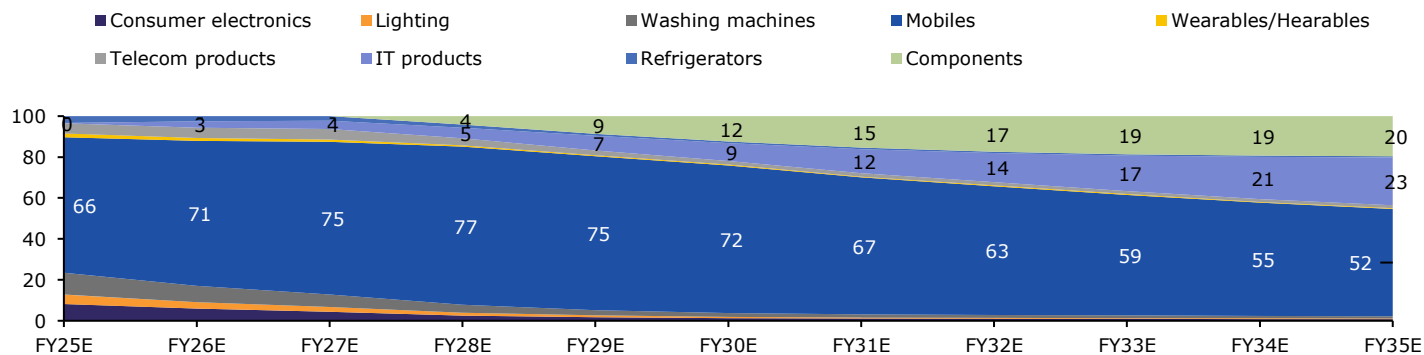
Source: Company, Emkay Research; Note: H1FY25 is on annualized basis

Exhibit 142: Return ratios to remain robust at over 40%

Source: Company, Emkay Research; Note: H1FY25 is on annualized basis

Exhibit 143: Mobiles/IT products/Components to contribute 47%/23%/19%, respectively, to revenue by FY35E**Product-wise revenue mix (%)**

Source: Emkay Research

Exhibit 144: Mobiles/IT products/Components to contribute 52%/23%/20% to EBITDA by FY35E**Product-wise EBITDA mix (%)**

Source: Emkay Research

Exhibit 145: We build in 36%/50%/54% revenue/EBITDA/PAT CAGR over FY25E-27E

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Consolidated Revenues	29,845	44,001	64,482	106,971	121,920	176,909	380,050	564,668	706,728
Growth (%)	5	47	47	66	14	45	115	49	25
EBITDA	1,349	2,231	2,866	3,791	5,128	6,976	14,220	22,333	32,068
EBITDA margin (%)	4.5	5.1	4.4	3.5	4.2	3.9	3.7	4.0	4.5
EBITDA growth (%)	20	65	28	32	35	36	104	57	44
Depreciation	217	365	437	840	1,146	1,619	2,535	3,080	4,280
EBIT	1,132	1,865	2,429	2,952	3,981	5,357	11,685	19,253	27,789
EBIT margin (%)	3.8	4.2	3.8	2.8	3.3	3.0	3.1	3.4	3.9
PBT	938	1,568	2,170	2,548	3,432	4,836	10,283	17,720	26,166
Tax	305	363	572	644	897	1,189	2,468	4,253	6,280
Tax Rate(%)	32	23	26	25	26	25	24	24	24
PAT	634	1,205	1,598	1,902	2,555	3,677	7,463	11,768	17,762
PAT margin (%)	2.1	2.7	2.5	1.8	2.1	2.1	2.0	2.1	2.5
EPS (Rs)	11.2	20.8	27.3	32.0	42.9	61.5	124.8	196.8	297.0
Capex	(790)	(1,081)	(1,680)	(4,174)	(4,502)	(5,686)	(6,331)	(15,673)	(15,000)
FCF	(820)	1,293	22	(1,446)	2,755	157	4,980	1,648	9,480
ROE (%)	18.3	26.2	25.0	21.9	22.4	24.7	34.6	37.1	38.8
ROCE - Pre tax (%)	25.2	31.7	28.7	21.6	23.1	26.8	42.3	48.4	49.0

Source: Company, Emkay Research

Exhibit 146: Contribution of mobiles/IT hardware/components seen at 47%/23%/19% by FY35E; contribution at EBITDA level to be even higher due to backward integration benefits

Revenues (Rs bn)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	FY25E-35E CAGR
Mobiles	280	426	530	587	641	697	767	840	917	1,005	1,104	15%
IT products	0	21	34	43	66	103	147	208	292	409	537	42%*
Components (third-party sales)	-	-	-	17	56	117	184	244	308	372	439	41%*
Others	99	118	142	155	168	182	198	215	234	254	277	11%

Revenue growth YoY (%)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Mobiles		52	25	11	9	9	10	10	9	10	10
IT products		4,950	62	26	52	58	42	41	41	40	31
Components (third-party sales)					235	109	57	33	26	21	18
Others		18	21	9	9	9	9	9	9	9	9

Revenue mix (%)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Mobiles	74	75	75	73	69	63	59	56	52	49	47
IT products	0	4	5	5	7	9	11	14	17	20	23
Components (third-party sales)	-	-	-	2	6	11	14	16	18	18	19
Others	26	21	20	19	18	17	15	14	13	12	12

EBITDA (Rs bn)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	FY25E-35E CAGR
Mobiles	9	16	24	43	68	96	112	124	136	149	164	33%
IT products	0	1	1	3	6	12	20	28	40	56	73	50%*
Components	-	-	-	2	8	16	26	34	43	52	61	41%*
Others	5	6	7	7	8	9	10	11	12	13	14	11%

EBITDA growth YoY (%)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Mobiles		68	51	81	58	40	17	11	9	10	10
IT products		4,950	89	128	121	81	71	42	41	40	31
Components (third-party sales)					235	109	57	33	26	21	18
Others		22	18	9	9	9	9	9	10	10	10

EBITDA mix (%)	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Mobiles	66	71	75	77	75	72	67	63	59	55	52
IT products	0	3	4	5	7	9	12	14	17	21	23
Components	-	-	-	4	9	12	15	17	19	19	20
Others	34	26	21	13	9	7	6	5	5	5	5

Source: Emkay Research; Note: *pertains to FY29E-35E CAGR

Exhibit 147: Peer comparison – Dixon vs other leading EMS players

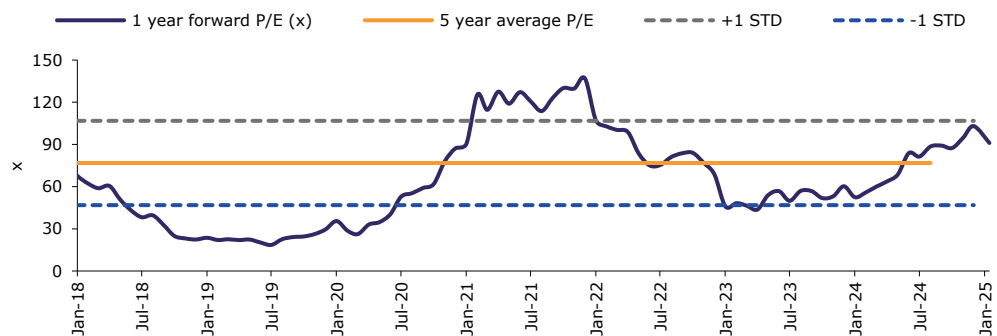
Company	CMP (Rs)	EPS (Rs)				PER (x)			EV/EBITDA (X)			ROE (%)		
		FY25	FY26	FY27	FY25E-27E CAGR	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Dixon Technologies	16,275	124.8	196.8	297.0	54%	130.4	82.7	54.8	68.5	43.7	30.2	34.6	37.1	38.8
Kaynes Technologies*	6,197	50.0	71.7	103.1	44%	123.9	86.4	60.1	89.0	59.1	40.8	11.6	14.4	18.2
Cyient DLM*	586	11.9	21.4	27.1	51%	49.4	27.4	21.6	30.2	18.8	15.3	9.8	15.4	16.5
Syrma SSG Technologies*	542	8.7	13.1	18.1	44%	62.4	41.2	29.9	33.5	23.7	17.7	9.0	12.3	15.1
Avalon Technologies*	838	8.2	14.2	20.1	57%	102.4	59.0	41.8	56.2	36.7	27.1	9.3	14.2	16.7
PG Electroplast*	852	8.6	12.1	38.6	112%	99.2	70.5	22.1	65.0	50.8	38.0	18.7	20.1	20.1
Amber Enterprises India*	6,898	75.7	113.2	160.4	46%	91.1	60.9	43.0	36.1	28.7	22.7	11.4	15.1	18.0

Source: Bloomberg, Emkay Research; Note: * indicates Bloomberg consensus estimates

Exhibit 148: Emkay vs Consensus

Dixon (Rs mn)	Emkay Estimates			Consensus Estimates			Difference (%)		
	FY25E	FY26E	FY27E	FY25	FY26	FY27	FY25	FY26	FY27
Net revenue	380,050	564,668	706,728	379,131	518,832	637,345	0.2	8.8	10.9
EBITDA	14,220	22,333	32,068	14,199	19,750	24,507	0.1	13.1	30.9
EBITDA margin (%)	3.7	4.0	4.5	3.7	3.8	3.8	(0) bps	15 bps	69 bps
Adj PAT	7,463	11,768	17,762	8,313	11,473	13,955	-10.2	2.6	27.3
EPS (Rs)	125	197	297	136	191	253	-8.1	2.9	17.2

Source: Bloomberg, Emkay Research

Exhibit 149: Dixon trades above LTA on 1-year forward PER basis; robust growth prospects justify the premium valuations, in our view

Source: Bloomberg, Emkay Research

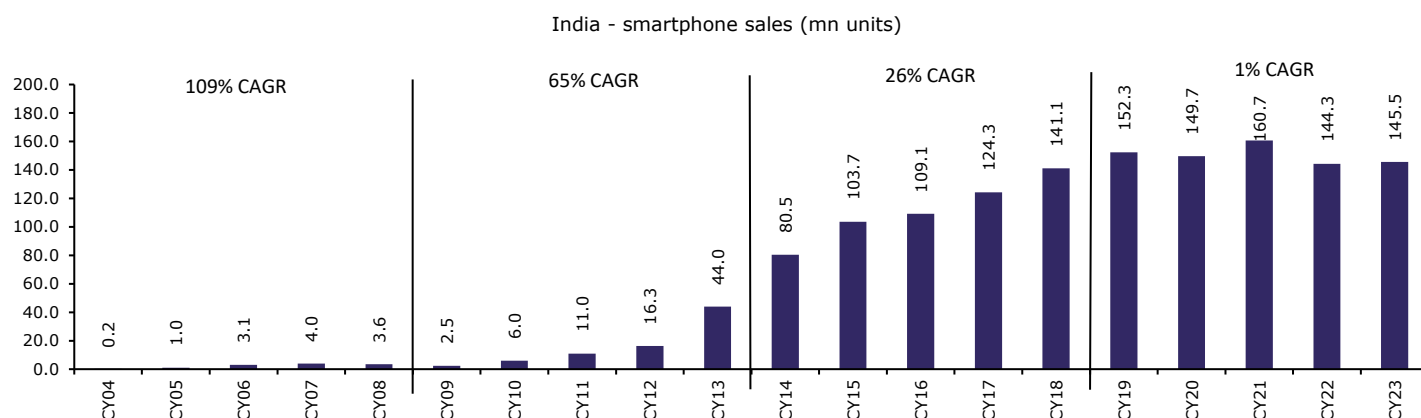
Risks and Concerns

- **Execution risk:** Dixon has a demonstrated history of strong execution skills, having successfully expanded both horizontally (new segments) and vertically (backward integration in businesses like Consumer Electronics, Home Appliances). While this provides comfort around its ability to replicate the same in areas like mobile phones and IT hardware, any slip up in execution (eg new customer addition, or ramp-up in recently-acquired customers), would be a point of concern, and act as a risk to our investment thesis, as we build in ~70-75% incremental market share in smartphones, and ~30% overall IT hardware market share by FY35E.
- **Major change in government policies:** Over the years, Dixon has closely aligned itself with India's ambition of becoming a global electronics manufacturing hub – which has played out via discouragement of imports (largely from China), and also restrictions on expansion of Chinese manufacturing within India. Recently, there appears to have been a softening of the Government stance in relation to China; while direct investments are still restricted, formation of JVs/TLAs between Chinese and Indian firms is being allowed on selective basis (Dixon's tie up for displays with HKC has been one of the beneficiaries). Any major departure in the regulatory stance (eg withdrawal of restrictions on Chinese manufacturing presence) could pose a major risk to the outsourcing opportunity available to Dixon, and thus our assumptions around its market share gains in both, mobiles and laptops.
- **Sluggishness in underlying industry demand:** While we factor in only modest mobile industry growth assumptions (~1% CAGR over FY25E-35E), we expect the IT hardware industry to see a healthy ~8% CAGR backed by low penetration levels and rising student population/workforce. Any prolonged sluggishness in the underlying industry would constitute a risk to our estimates.
- **Rising competition:** We expect Dixon's scale advantage, foray into backward integration, and PLI compliance to drive strong market share gains in both, smartphones and laptops, apart from opening up smartphone exports and third party component sales. Emergence of competitive pressures (eg tie ups for components by peers) would pose a risk to our estimates.

Annexure 1: Smartphone industry

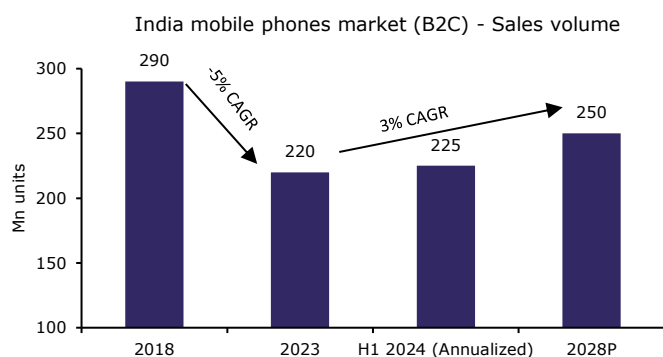
- The Indian smartphone industry has recorded robust growth over the past 2 decades, with industry volume CAGR at 28% over CY08-23; in CY23, industry domestic sales stood at ~145mn units. Bulk of the growth was recorded over CY04-18, with industry seeing flattish performance in the past 5 years.
- In sales value terms, domestic smartphone industry size stood at ~USD36bn in CY23, with 51% CAGR over CY07-23. Value growth in the past 5 years has been slightly ahead of volume growth, at ~3%.
- Going ahead, industry estimates project ~3%/9% CAGR in the domestic mobile phone market over 2023-28, amid rising premiumization.
- Global smartphone industry growth trends have been broadly similar to India's; while volume CAGR is at a robust 25% over CY08-18, it have declined thereafter (CY08-23 CAGR at 15%). Going ahead, industry estimates project single-digit growth over the coming few years.

Exhibit 150: India's smartphone industry has seen flattish sales over the past 5 years



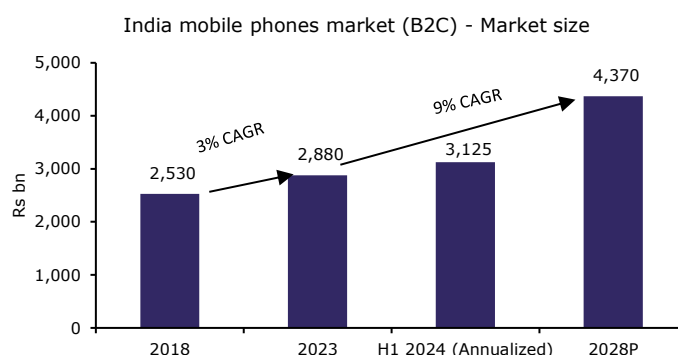
Source: Bloomberg, Emkay Research

Exhibit 151: Per industry estimates, overall India mobile phones market CAGR is at ~3%, in volume terms, till 2028



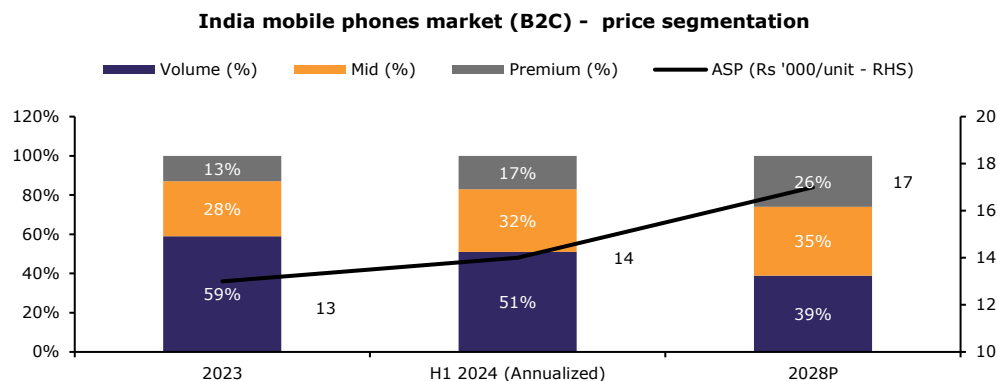
Source: Redseer's research and analysis, LG Electronics India DRHP ([link](#)), Emkay Research

Exhibit 152: Per industry estimates, overall India mobile phones market size CAGR is at ~9%, in value terms, till 2028



Source: Redseer's research and analysis, LG Electronics India DRHP ([link](#)), Emkay Research

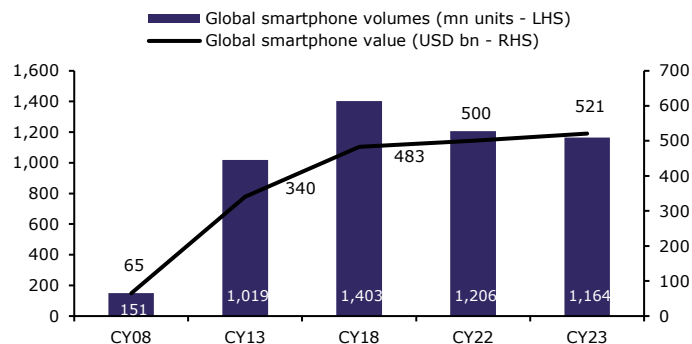
Exhibit 153: Per industry estimates, share of 'Mid' and 'Premium' mobile phones to rise to 61% by 2028 vs 41% in 2023; blended industry ASPs to rise to ~Rs17K in 2028 vs ~Rs13K in 2023



Source: Redseer's research and analysis, LG Electronics India DRHP ([link](#)), Emkay Research

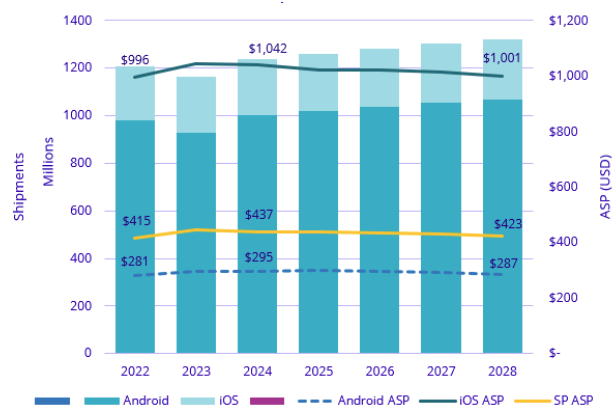
Note: 'Volume' includes mobiles priced under Rs15K, 'Mid' includes mobiles priced between Rs15K-45K, 'Premium' includes mobiles priced above Rs45K

Exhibit 154: Global smartphone volume CAGR at 25% over CY08-18, though volumes have declined post CY18



Source: Bloomberg, Emkay Research

Exhibit 155: Global smartphone volumes are expected to grow in a single digit going ahead



Source: IDC Nov-24 forecast ([link](#)), Emkay Research

Annexure 2: PLI Schemes

- Dixon, being a diversified EMS player, has applied under several PLI categories and successfully achieved the capex and revenue thresholds under these schemes.

Exhibit 156: Dixon has achieved the annual threshold across all PLI schemes (as of FY24), for which it has applied and remains committed to achieve the revenue and capex targets during the remainder of the PLI tenure

PLI Applicant	Products to be Manufactured	As of	Total Committed Investment (Rs mn)
Padget Electronics	Mobile phones (under Rs15,000 per unit)	FY23	2,000
Dixon Technologies (India) Ltd	Laptop, Tablets, PCs, Server	FY23	200
Dixon Devices Private Limited	Control Assemblies for IDU or ODU or Remotes	FY23	510
Dixon Technologies Solution Private Limited	LED Driver, LED engine, LED module, Mechanical housing, Wire wound inductors, LED light management system	FY23	1,000
Padget Electronics	Laptop, tablets and IT hardware products - under PLI 2.0	FY24	1500

Source: Company, MeitY, Emkay Research

A] For Mobiles – The key growth prospect for Dixon

- In the mobile PLI scheme, Dixon is one of the few companies to have achieved revenue and capex threshold targets. It had already tied up with global players for mobile production, and had set up additional facilities in Noida (capacity of ~400K units pm) to cater to increased manufacturing requirement and meet PLI targets.
- Dixon has received ~Rs520mn/400mn in FY24/Q1FY25 from Mobile PLI, with cumulative PLI receipts at ~Rs2bn over FY23-H1FY25.

Exhibit 157: Per media reports, Dixon is the only Android contract manufacturer to have received the PLI benefit (for FY23), as of FY24; other recipients of the mobile PLI were Foxconn, Pegatron, Wistron, and Samsung

Segment	Incentive	Incremental Investment	Incremental Sales	Approved Companies	Proposed Production
Mobile Phones (Invoice Value >Rs15,000)	Year 1: 6%	Rs 10 bn (cumulative minimum)	Year 1: Rs40bn	FoxConn Hon Hai, Pegatron, Rising Star (Bharat FIH), Samsung, Wistron	Rs9trn
	Year 2: 6%	Year 1: Rs2.5bn	Year 2: Rs80bn		
	Year 3: 5%	Year 2: Rs5.0bn	Year 3: Rs150bn		
	Year 4: 5%	Year 3: Rs7.5bn	Year 4: Rs200bn		
	Year 5: 4%	Year 4: Rs10bn	Year 5: Rs250bn		
Mobile Phones (Domestic Companies)	Year 1: 6%	Rs2bn (cumulative minimum)	Year 1: Rs5bn	Bhagwati (Micromax), Lava, Optiemus Electronics, Padget Electronics (Dixon), UTL Neolyncs	Rs1.25trn
	Year 2: 6%	Year 1: Rs0.5bn	Year 2: Rs10bn		
	Year 3: 5%	Year 2: Rs1.0bn	Year 3: Rs20bn		
	Year 4: 5%	Year 3: Rs1.5bn	Year 4: Rs35bn		
	Year 5: 4%	Year 4: Rs2.0bn	Year 5: Rs50bn		

Source: MeitY ([link](#)), Company, Emkay Research

B] Component PLI is imminent; HVLM players to be key beneficiaries

- High Volume Low Margin (HVLM) players work on wafer thin margins. Any disruption or change in manufacturing norms affect their operations severely. Today Dixon competes with global players who have resourceful advantages, considering their scale. India has the highest number of benefits when it comes to wages.
- Component manufacturing has not shown the same growth as it requires an upfront initial capex and has lower asset turnover ratios with a gestation period of 1-2 from investment to production. Hence, industry is seeking more initiatives from the GoI to boost component manufacturing in India.
- Upon implementation, the proposed component PLI scheme (~Rs400bn scheme) would encourage value addition, enhancing India's competitiveness.
- This is due to focus on sourcing locally produced components rather than relying on costly imports, which are affected by tariffs and other factors. Additionally, it would increase the share of production revenues earned by India and reduce the country's exposure to high trade dependencies.

India is focusing on deepening the value chain in electronics; brands also looking at enhancing manufacturing presence in India

"The value chain has to be deepened, which is why we are working on the component scheme. It will be out shortly, and we are trying to move as quickly as possible. The PLI for IT hardware has already taken off. Unlike the mobile phone PLI, there is a clear requirement for domestic value addition here, and companies have assured us they will achieve it"

- Comments by S Krishnan, secretary, Ministry of Electronics and IT at the Global AI Conclave ([link](#))

"When we look at our data centre business that is about a \$10-billion business, and the growth rates that we have for this business is to really show how do we double that in the next five years. **And so as part of that, India becomes a very important partner for us from a manufacturing standpoint**"

- Comments in Feb-24 by Vlad Rozanovich, President, Infrastructure Solution Group, Lenovo ([link](#))

CJ PLI on IT Hardware

- Dixon is one of the beneficiaries under the PLI for IT hardware products and has achieved the thresholds for investment and revenue for FY22.

Exhibit 158: IT hardware PLI – Investments and Incremental sales targets to be met

Segment	Proposed Incentive rate	Incremental Investment Over Base Year	Incremental sales of Manufactured goods over Base year	List of companies approved under the scheme
IT Hardware companies		Rs10bn over 4 years		
Laptops Tablets (Invoice value of Rs15,000 & above) All-in-one PCs Servers	Year 1: 4% Year 2: 3% Year 3: 2% Year 4: 2%/1%	Year 1: Rs2.5bn Year 2: Rs5bn Year 3: Rs7.5bn Year 4: Rs10bn	Year 1 Rs5bn Year 2: Rs10bn Year 3: Rs20bn Year 4: Rs35bn	Dell International Services India Pvt, ICT Service Management Solutions (India) Pvt, Rising Stars Hi-Tech Pvt, Flextronics Technologies (India) Pvt
Domestic companies		Rs0.2bn over 4 years		
Laptops Tablets All-in-one PCs Servers	Year 1: 4% Year 2: 3% Year 3: 2% Year 4: 2%/1%	Year 1: Rs0.04bn Year 2: Rs0.08bn Year 3: Rs0.14bn Year 4: Rs0.2bn	Year 1 Rs0.5bn Year 2: Rs1bn Year 3: Rs2bn Year 4: Rs3bn	Lava International, Dixon Technologies (India), Infopower Technologies Pvt., Panache Digilife, Bhagwati Products, Neolync Telecommunication, Optiemus Electronics. VVDN Technologies, Netweb Technologies India Pvt, Smile Electronics

Source: Company, MeitY ([link](#)), Emkay Research

- The contours of IT PLI 2.0 (announced in Nov-23 with revised guidelines) encompass a broader range of hardware with higher invoice value mandated for certain existing products (eg laptops) and enhanced outlay over the tenure of the PLI (Rs169.4bn vs Rs73.3bn earlier). The investment and incremental sales thresholds were increased and extended for over six years, instead of four.
- Additionally, the maximum incentive for this six-year period was raised, with a significant portion of the incentive linked to achieving higher value addition beyond merely assembling IT hardware products.
- Dixon has also applied under the hybrid category for IT PLI 2.0, has committed Rs1.5bn in Phase 1 of its capex plan, and targets Rs480bn in revenue over the next six years.

Exhibit 159: Outlay under IT PLI 2.0 is ~Rs169.4bn

Year	Total incentive (Rs mn)
FY24	3,210
FY25	7,540
FY26	14,310
FY27	35,550
FY28	47,590
FY29	61,180
Total	169,380
Total (earlier)	73,250

Source: MeitY ([link](#)), Emkay Research**Exhibit 160: IT PLI 2.0 has mandated a floor invoice price for Laptops and now includes USFF as well**

Invoice Value (Rs)	IT PLI	IT PLI 2.0
Laptops	-	≥Rs30,000
Tablets	≥Rs15,000	≥Rs15,000
Ultra-Small Form Factor (USFF)	Not included	Now included

Source: MeitY ([link](#)), Emkay Research**Exhibit 161: Investment threshold and cap on sales for the revised PLI 2.0 scheme for IT hardware with base year as FY23**

Cumulative Investment (Rs mn)	Global Companies (Rs5,000mn over 6 years)	Hybrid Companies (Rs2,500mn over 6 years)	Domestic Companies (Rs200mn over 6 years)
Year 1	500	250	40
Year 2	1,500	750	80
Year 3	2,500	1,250	120
Year 4	3,500	1,750	150
Year 5	4,500	2,250	180
Year 6	5,000	2,500	200

Incremental Sales (Rs mn)	No of Global Companies	No of Hybrid Companies	No of Domestic Companies
Year 1	10,000	5,000	500
Year 2	25,000	12,500	1,000
Year 3	50,000	25,000	2,000
Year 4	100,000	50,000	3,000
Year 5	120,000	60,000	4,000
Year 6	150,000	75,000	5,000

Source: MeitY ([link](#)), Emkay Research**Exhibit 162: IT hardware PLI – Incentives structure**

S. No.	Components/Sub-assemblies	% Incentive
1.	Assembly of IT Hardware – Laptop / Tablets/ AIOs (Year-1/Year-2/Year-3/ Year 4/Year 5/Year 6)	3/2/1/1/0
2.	Assembly of IT Hardware – Server / USFF (Year-1/Year-2/Year-3/Year 4/Year 5/Year 6)	3/2/2/1/0
3.	PCBA of IT Hardware (Target Segment)	1.20
4.	Add on Controllers assembled in India – (For Servers)	0.41
5.	Bare PCB	0.57
6.	Memory Modules assembled in India	0.95
7.	Memory Modules assembled in India – (For Servers)	1.89
8.	Solid State Drive (SSD) assembled in India	0.95
9.	Display panel – Assembled in India (Not for Servers/USFF)	1.49
10.	Power Adapter / SMPS	0.41
11.	Power Adapter / SMPS – (For Servers)	0.54
12.	Battery	0.41
13.	Cabinets / Chassis / Enclosures	1.49
14.	Memory Modules additional incentive for ATMP in India (over and above incentive for item 6)	+0.25
15.	Memory Modules additional incentive for ICs manufactured in India (over and above incentive for item 6)	+0.25
16.	Memory Modules additional incentive for ATMP in India (over and above incentive for item 7) (For Servers)	+0.50
17.	Memory Modules additional incentive for ICs manufactured in India (over and above incentive for item 7) – (For Servers)	+0.50
18.	Solid State Drive (SSD) additional incentive for ATMP in India (over and above incentive for item 8)	+0.25
19.	Solid State Drive (SSD) additional incentive for ICs manufactured in India (over and above incentive for item 8)	+0.25
20.	Display Panel – Additional incentive for ICs manufactured in India (over and above incentive for item 9)	+0.60
21.	System on Chip (SoC) Processors designed in India (IP ownership/Co-ownership in India) including but not limited to SHAKTI and VEGA (IC manufactured outside India) for Laptop, Tablet, AIO and Server/USFF)	+3.24/3.78
22.	System on Chip (SoC) Processors designed in India - Additional incentive for ATMP/ICs manufactured in India (over and above incentive for item 21) for Laptop, Tablet, AIO and Server/USFF)	+1.49/1.62

Note: Battery localization is not part of localization schedule for All-in-One PCs, USSF and Servers.

Source: MeitY ([link](#)), Emkay Research

D] PLI on LED Lighting Components and PCBA

Exhibit 163: Dixon has committed to an investment of ~Rs1bn under the PLI scheme for LED products, as of FY23

Applicant	Products to be manufactured	Committed investment (Rs mn)
Uniglobus Electricals & Electronics Pvt	LED Chip Packaging, LED Drivers, LED Modules, Wire Wound Inductors	1,250
Radhika Opto Electronics Pvt	LED Drivers, LED Engines, PCB including Metal Clad PCBs, Mechanicals – Housing, Drum Cores, Heat Sinks, Diffusers, Drum Cores	1,065
Dixon Technologies Solutions Pvt	LED Drivers LED Drivers, LED Engines, Mechanicals – Housing, LED Light Management Systems, Wire Wound Inductors	1,000
Stovekraft	LED Chips, PCB including Metal Clad PCBs, Mechanicals Housing, Wire Wound Inductors, Diffusers	360
Cosmo Ferrities	Ferrite Cores, LED Transformers	333
Epitome Components Pvt	Laminate for Printed Circuit Boards (PCBs) and Metal Clad PCBs	310
Surya Roshni	LED Drivers, LED Engines, LED Modules, PCB including Metal Clad PCBs, Mechanicals – Housing, Drum Cores, Heat Sinks, Diffusers, LED Light Management Systems, LED Transformers	254
Syska Led Lights Pvt	LED Drivers, PCB including Metal Clad PCBs, Mechanicals – Housing, Wire Wound Inductors, Heat Sinks, Diffusers, LED Light Management Systems	1,500
Cosmo Films	Metallized film for capacitors	320
Sorin Tech Pvt	LED Drivers, LED Engines, LED Modules, Mechanicals – Housing, Drum Cores, Heat Sinks, Diffusers, LED Light Management Systems, LED Transformers	131
Skyquad Electronics And Appliances Pvt	LED Drivers, LED Modules, Mechanicals – Housing	120
R K Lighting Pvt	LED Drivers, ED Engines, Mechanicals – Housing Wire Wound Inductors, Heat Sinks, LED Transformers	116
Luker Electric Technologies Pvt	LED Drivers, Mechanicals – Housing, Wire Wound Inductor, Drum Cores, Diffusers	101
Calcom Vision	LED Drivers, LED Engines	100
Orient Electric	LED Drivers	100
Signify Innovations India	LED Drivers, Mechanicals – Housing, Diffusers	100

Source: Meity ([link](#)), Emkay Research

- Dixon has also established a 40:60 joint venture with Rexxam to manufacture inverter controller boards for air conditioners. Rexxam, a design and technology partner for Daikin with expertise in PCBA design, aims to position India as a manufacturing hub for both—domestic and export markets.
- The joint venture will invest Rs510million over five years.

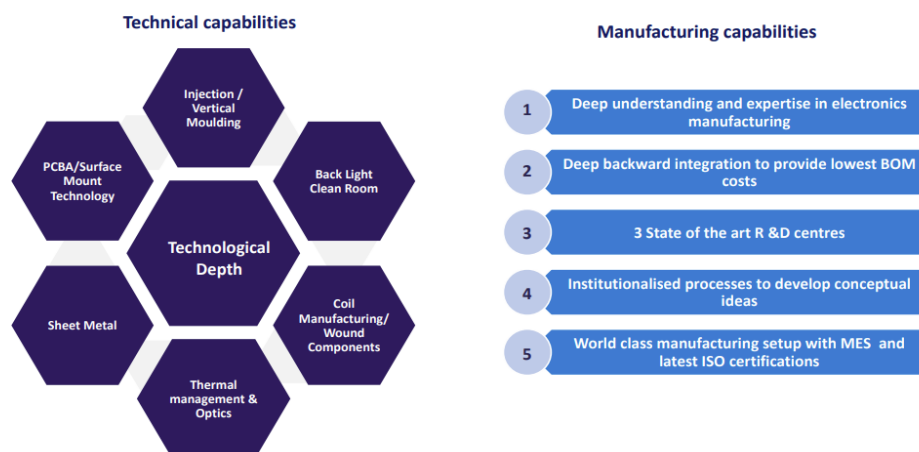
Annexure 3: Company Background

- Dixon Technologies was founded in 1993 and commenced manufacturing color televisions in 1994. It has now expanded its operations to various sub-segments of electronics, such as consumer durables, home appliances, lighting, mobile phones, security devices, set top boxes, wearables, and medical equipment to customers across the globe, along with repairing and refurbishment services of LED TV panels. It serves nearly >100 global and domestic brands.
- Headquartered in Noida, Dixon has around 22 manufacturing facilities (at a consolidated level) across Noida (Uttar Pradesh), Dehradun (Uttarakhand), Ludhiana (Punjab), and Chittoor (Andhra Pradesh). In the last few years, the company and its subsidiaries/JVs have received approvals under the production-linked incentive PLI scheme for five segments-mobile phones, lightning, telecom, and networking products, inverter controller boards for air conditioners and IT hardware.
- The company serves as both, an Original Equipment Manufacturer (OEM) and an Original Design Manufacturer (ODM), for leading global and domestic brands. Leveraging its technical expertise, along with advanced design and manufacturing capabilities, Dixon has established itself as one of the leaders in the EMS sector.

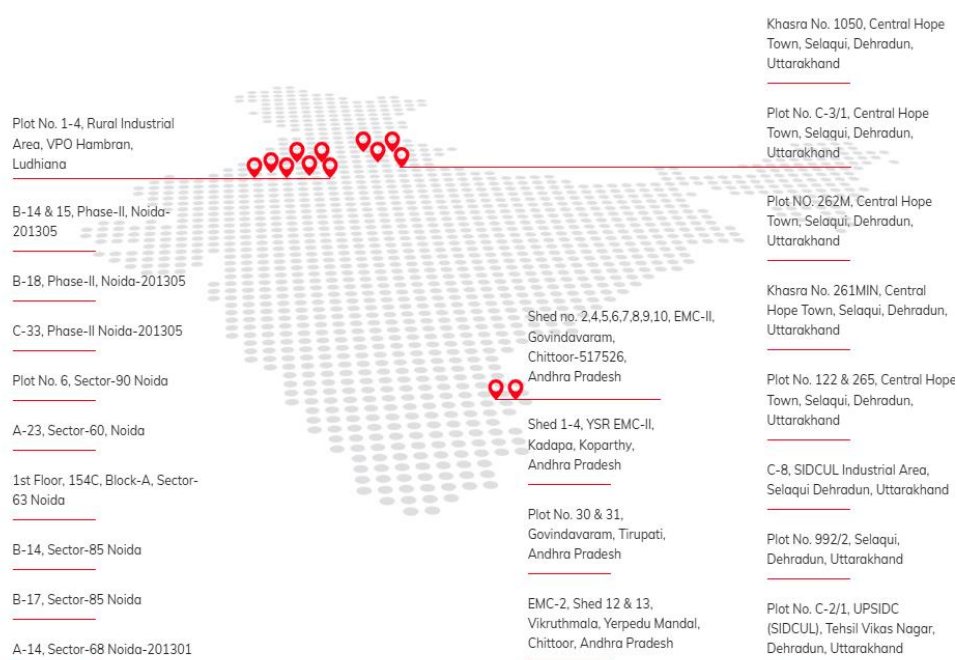
Exhibit 164: Dixon boasts of a plethora of product offerings, making it a key player in the India EMS ecosystem

Product Profile	FY07	FY08	FY10	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
LCD TV	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CFL Lighting		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Reverse logistics			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
LED TV			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Washing machine			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
LED Lighting				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mobile phones				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CCTV and DVR					✓	✓	✓	✓	✓	✓	✓			
AC PCBA						✓	✓	✓	✓	✓	✓	✓	✓	✓
Laptops								✓	✓	✓	✓	✓	✓	✓
Set top box									✓	✓	✓	✓	✓	✓
Hearables and Wearables									✓	✓	✓	✓	✓	✓
FATL washing machine										✓	✓	✓	✓	✓
Smart TV										✓	✓	✓	✓	✓
Telecom										✓	✓	✓	✓	✓
Refrigerator											✓	✓	✓	✓
Wi-Fi Routers												✓	✓	✓
5G CPE devices												✓	✓	✓
Tablets													✓	✓
Commercial Displays													✓	✓
Mobile and IT Hardware Components														✓

Source: Company, Emkay Research

Exhibit 165: Dixon has developed strong technical and manufacturing capabilities, making it a formidable player in the evolving EMS space


Source: Company, Emkay Research

Exhibit 166: Dixon has 24 manufacturing plants in India


Source: Company, Emkay Research

Exhibit 167: Key Events and Milestones

Year	Milestones
1994	Started with color TV assembly; in 2007 expanded to LCD TV assembly
2008	Extended operations to CFL products and commenced reverse logistics operations; in 2010 commenced assembly of washing machines and LED TVs
2010	Commencement of manufacturing of Washing Machines
2016	JV with Padget Electronics for assembly of mobile phones; in 2017 entered into a JV with Aditya Infotech Limited to manufacture security systems (CCTVs and DVRs)
2018	Commenced manufacturing of security systems, including CCTVs and Digital Video Recorders (DVRs) via JV with Aditya Infotech Started production of Liquid Crystal Module (LCM) line for backward integration in LED TVs
2019	Padget Electronics became a wholly owned subsidiary; in 2020 commenced assembly of medical electronics
2020	Dixon started manufacturing medical equipment in 2020
2021	Entry into FATL Washing Machines, hearables & wearables, telecom, and IT Hardware
2022	Entered into telecom (MoU with Bharati), wearables (MoU with Boat), and RACs (JV with Rexxam for Daikin)
2023	Strategic partnership with Compal (for Google) and Longcheer (for Realme), started feature phone assembly for Jio; Commenced manufacturing refrigerators
2024	Acquisition of majority stake in Ismartu India (Transsion group); JV with HKC Corporation for manufacturing displays; JV with Vivo for manufacturing smartphones

Source: Company, Emkay Research

Exhibit 168: Brief background of key management personnel

Name	Designation	Background
Sunil Vachani	Executive Chairman	Sunil Vachani is the Executive Chairman and Promoter of the company. He has been associated with Dixon since inception. He is responsible for the company's growth and business development. He holds an Associate of Applied Arts in Business Administrations degree from the American College in London and has over 30 years of experience in the EMS industry
Atul B Lall	MD and Vice Chairman	Atul B Lall is the Managing Director and Vice Chairman of Dixon Technologies (India). He holds a Master's Degree in Management Studies from the Birla Institute of Technology and Science, Pilani. He has been leading Dixon Technologies since foundation and built it to its current leadership position in the EMS Industry. He is responsible for Dixon's overall strategy and business operations. With over 30 years of experience in the EMS industry, his forte is in the introduction of new segment lines and rolling out expansion strategies
Saurabh Gupta	CFO	Saurabh Gupta is the Chief Financial Officer of the company. He holds a Bachelor's Degree in Commerce from Delhi University. He is an associate of the Institute of Chartered Accountants of India and an MBA (Executive Program) from MDI, Gurgaon. He has worked with reputed companies like Unitech and Mckinsey, and has an experience of over 15 years in finance and strategy.

Source: Company, Emkay Research

Dixon Technologies: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	121,920	176,909	380,050	564,668	706,728
Revenue growth (%)	14.0	45.1	114.8	48.6	25.2
EBITDA	5,128	6,976	14,220	22,333	32,068
EBITDA growth (%)	35.3	36.1	103.8	57.1	43.6
Depreciation & Amortization	1,146	1,619	2,535	3,080	4,280
EBIT	3,981	5,357	11,685	19,253	27,789
EBIT growth (%)	34.9	34.6	118.1	64.8	44.3
Other operating income	0	0	0	0	0
Other income	56	226	45	47	50
Financial expense	606	747	1,446	1,581	1,673
PBT	3,432	4,836	10,283	17,720	26,166
Extraordinary items	0	0	2,096	0	0
Taxes	897	1,189	2,468	4,253	6,280
Minority interest	4	(72)	(557)	(2,000)	(2,600)
Income from JV/Associates	16	102	205	301	475
Reported PAT	2,555	3,677	9,559	11,768	17,762
PAT growth (%)	34.3	43.9	159.9	23.1	50.9
Adjusted PAT	2,555	3,677	7,463	11,768	17,762
Diluted EPS (Rs)	42.9	61.5	124.8	196.8	297.0
Diluted EPS growth (%)	34.0	43.2	159.9	23.1	50.9
DPS (Rs)	2.0	3.0	6.2	9.8	14.9
Dividend payout (%)	4.6	4.9	3.9	5.0	5.0
EBITDA margin (%)	4.2	3.9	3.7	4.0	4.5
EBIT margin (%)	3.3	3.0	3.1	3.4	3.9
Effective tax rate (%)	26.1	24.6	24.0	24.0	24.0
NOPLAT (pre-IndAS)	2,941	4,040	8,880	14,633	21,120
Shares outstanding (mn)	59.5	59.8	59.8	59.8	59.8

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	3,432	4,836	10,283	17,720	26,166
Others (non-cash items)	0	0	0	0	0
Taxes paid	(820)	(1,218)	(2,468)	(4,253)	(6,280)
Change in NWC	2,046	1,336	(3,935)	(2,144)	(2,618)
Operating cash flow	7,258	5,843	11,311	17,321	24,480
Capital expenditure	(4,523)	(8,631)	(6,331)	(15,673)	(15,000)
Acquisition of business	1,268	(59)	0	0	0
Interest & dividend income	13	11	45	47	50
Investing cash flow	(3,556)	(5,309)	(6,286)	(15,626)	(14,950)
Equity raised/(repaid)	336	469	0	0	0
Debt raised/(repaid)	(3,082)	(496)	739	672	517
Payment of lease liabilities	(306)	(428)	0	0	0
Interest paid	(432)	(494)	(1,446)	(1,581)	(1,673)
Dividend paid (incl tax)	(119)	(179)	(373)	(588)	(888)
Others	0	0	0	0	0
Financing cash flow	(3,296)	(700)	(1,080)	(1,497)	(2,044)
Net chg in Cash	406	(166)	3,945	198	7,486
OCF	7,258	5,843	11,311	17,321	24,480
Adj. OCF (w/o NWC chg)	5,211	4,507	15,246	19,465	27,098
FCFF	2,735	(2,788)	4,980	1,648	9,480
FCFE	2,142	(3,524)	3,579	115	7,857
OCF/EBITDA (%)	141.5	83.8	79.5	77.6	76.3
FCFE/PAT (%)	83.8	(95.8)	37.4	1.0	44.2
FCFF/NOPLAT (%)	93.0	(69.0)	56.1	11.3	44.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	119	120	120	120	120
Reserves & Surplus	12,730	16,829	26,015	37,195	54,068
Net worth	12,849	16,949	26,134	37,314	54,188
Minority interests	(3)	276	834	2,834	5,434
Deferred tax liability (net)	224	259	259	259	259
Total debt	4,692	5,545	7,036	8,392	9,435
Total liabilities & equity	17,762	23,028	34,263	48,799	69,315
Net tangible fixed assets	9,425	16,368	20,333	32,253	42,974
Net intangible assets	224	307	307	307	307
Net ROU assets	2,484	2,985	2,985	2,985	2,985
Capital WIP	1,197	683	515	1,188	1,188
Goodwill	303	303	303	303	303
Investments [JV/Associates]	142	200	200	200	200
Cash & equivalents	2,592	2,087	6,031	6,230	13,716
Current assets (ex-cash)	30,428	46,982	104,574	155,373	195,431
Current Liab. & Prov.	29,032	46,886	100,985	150,040	187,788
NWC (ex-cash)	1,395	96	3,589	5,333	7,643
Total assets	17,762	23,028	34,263	48,799	69,315
Net debt	2,100	3,458	1,005	2,162	(4,281)
Capital employed	17,762	23,028	34,263	48,799	69,315
Invested capital	15,473	20,666	27,398	39,735	50,166
BVPS (Rs)	215.9	283.4	437.0	624.0	906.1
Net Debt/Equity (x)	0.2	0.2	0.0	0.1	(0.1)
Net Debt/EBITDA (x)	0.4	0.5	0.1	0.1	(0.1)
Interest coverage (x)	0.2	0.1	0.1	0.1	0.1
RoCE (%)	23.1	26.8	42.3	48.4	49.0

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	379.0	264.6	130.4	82.7	54.8
P/CE(x)	261.6	183.8	97.3	65.5	44.2
P/B (x)	75.4	57.4	37.2	26.1	18.0
EV/Sales (x)	8.0	5.5	2.6	1.7	1.4
EV/EBITDA (x)	189.3	140.0	68.5	43.7	30.2
EV/EBIT(x)	243.8	182.3	83.4	50.7	34.9
EV/IC (x)	62.7	47.3	35.6	24.5	19.3
FCFF yield (%)	0.3	(0.3)	0.5	0.2	1.0
FCFE yield (%)	0.2	(0.4)	0.4	0.0	0.8
Dividend yield (%)	0.0	0.0	0.0	0.1	0.1
DuPont-RoE split					
Net profit margin (%)	2.1	2.1	2.0	2.1	2.5
Total asset turnover (x)	7.0	8.7	13.3	13.6	12.0
Assets/Equity (x)	1.5	1.4	1.3	1.3	1.3
RoE (%)	22.4	24.7	34.6	37.1	38.8
DuPont-RoIC					
NOPLAT margin (%)	2.4	2.3	2.3	2.6	3.0
IC turnover (x)	7.9	8.6	13.9	14.2	14.1
RoIC (%)	26.0	29.6	48.6	57.4	61.8
Operating metrics					
Core NWC days	4.2	0.2	3.4	3.4	3.9
Total NWC days	4.2	0.2	3.4	3.4	3.9
Fixed asset turnover	8.8	8.8	13.6	14.6	13.2
Opex-to-revenue (%)	5.4	5.4	5.6	5.4	5.1

Source: Company, Emkay Research

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 BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] 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 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 the Securities and Exchange Board of India ("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. However, SEBI and Stock Exchanges had conducted their 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 its existing 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.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed 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.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are 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. 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 affiliates. 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 report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, 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. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

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. Except 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. 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 distributed in Canada or used by private customers in United Kingdom.

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 associated persons¹ may have served 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 may 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 associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) 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:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of January 14, 2025
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report
Disclosure of previous investment recommendation produced:
- 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.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of January 14, 2025
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the January 14, 2025
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received 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.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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

OTHER DISCLAIMERS AND DISCLOSURES:**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) -:**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.

**SESHADRI
KUMAR SEN**

Digitally signed by SESHADRI KUMAR SEN
DN: c=IN, o=Personal,
pseudonym=133422712594461905DSVUy8kk9un4
ET,
2.5.4.20=1217a0ac22644d6a490a50ef35978ca2cbcf
94c39548b678baf129f6e1ced7,
postalCode=400011, st=Maharashtra,
serialNumber=07837cb61a11364e9d2229a78d0af5
5d5d599551e83b808ee76a10dbb491f06e,
cn=SESHADRI KUMAR SEN
Date: 2025.01.14 21:20:09 +05'30'