

# Dixon Technologies (India) Ltd.

Sensex: 51544

CMP: INR 18675

Target Price: INR 16500



Consumer Durables - Electronic  
Manufacturing Services (EMS)

Revenue rose 120% YoY to INR 21828mn led by 200% increase in LED TV revenue. Gross margins dropped 320bps to 9.6% largely due to increase contribution from LED TVs in revenue mix to 62% from 46% a year ago. Despite steep fall in gross margins, EBITDA margin fall was softer as operating leverage played out. PAT witnessed 135% rise & stood at INR 615mn. EBITDA margins of LED TV rose 40bps to 2.9% & that of LED Lights 90bps to 9.5%. In case of Washing Machine SBU, EBITDAM dropped 330bps to 10.2% primarily on account of steep increase in input costs that couldn't be fully passed on to the customers. Again, this SBU works 100% on ODM basis. Hence, entire volatility in input costs has to be borne out by Dixon.

## Revenue rose 120% YoY to INR 21828mn led by 200% rise in LED TV SBU revenue

200% revenue growth registered by LED TV SBU primarily drove 120% YoY revenue growth for the company to INR 21828mn. Revenue of LED Lights rose 26% and Washing Machines rose 68% to INR 3486mn & 1152 mn respectively. In case of Mobile phones, revenue rose 115% YoY to INR 299mn & that of Security Systems 10% to INR 56mn.

## Gross profit rose 64% YoY to INR 2088mn

Gross margins dropped 320bps to 9.6% largely due to increase contribution from LED TVs in revenue mix to 62% from 46% a year ago. Despite steep fall in gross margins, EBITDA margin fall was softer as operating leverage played out. PAT witnessed 135% rise & stood at INR 615mn. EBITDA margins of LED TV rose 40bps to 2.9% & that of LED Lights 90bps to 9.5%. In case of Washing Machine SBU, EBITDAM dropped 330bps to 10.2% primarily on account of steep increase in input costs that couldn't be fully passed on to the customers.

## Outlook & Valuation

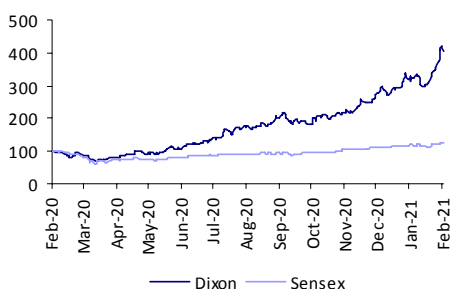
Management is very upbeat about growth prospects of Mobile business under recently introduced PLI scheme. It has already tied up with Nokia & Motorola for manufacturing mobile phones for their domestic as well as global requirements. We introduce FY23 financials & fine tune FY21 & 22 financials in the backdrop of aggressive growth in LED TV business. We estimate Revenue & PAT to compound annually at 53% & 55% respectively during FY20- 23. Dixon is a leading player in EMS segment across LED TVs, WMs & LED Lights with dominant market shares. Again, cash surplus BS as well as Free Cash Flow (FCF) generating nature of operations should enable it to grow inorganically as well as by adding new product categories (presently considering refrigerators). We maintain HOLD on the stock with revised PT of INR 16500 (50x average FY22E & 23E EPS) considering significant increase in revenue visibility across major SBUs.

## Key Risks

- Raw Material/Component supply chain is at risk with recent disruption due to India China trade tensions
- Steep increase in input costs

Shareholding (%)	Dec-20
Promoters	36.0
FII's	17.0
DII's	17.0
Others	30.0

## Relative Price Performance



Key Data	
BSE Code	541301
NSE Symbol	DIXON
Bloomberg Code	DIXON IN
Reuters Code	DIXO.BO
Shares Outstanding (mn)	11.6
Face Value	10
Mcap (INR bn)	216.1
52 Week H/L	19900/2990
2W Avg. Vol, NSE (000's)	91.9
Beta	0.76

(INR mn)	FY20	FY21E	FY22E	FY23E
Net Sales	43999	65665	108602	157388
Growth (%)	47.4	49.2	65.4	44.9
EBITDAM (%)	5.1	5.0	4.8	4.4
Adj. PAT	1205.0	1986.9	3353.9	4503.0
Growth (%)	89.8	64.9	68.8	34.3
Adj. EPS (INR)	104.1	171.7	289.9	389.2
P/E(x)	179.3	108.7	64.4	48.0
EV/EBITDA	96.8	64.6	40.8	30.4
EV/Sales	49.1	32.9	19.9	13.7
ROACE (%)	29.7	36.2	42.2	38.8
ROAE (%)	26.2	31.2	37.7	35.6



**Quarterly performance**

INR mn	Q3FY21	Q3FY20	Q2FY21	% Chg (YoY)	% Chg (QoQ)
<b>Revenue</b>	<b>21828</b>	<b>9938</b>	<b>16387</b>	<b>119.6</b>	<b>33.2</b>
RM cost	19740	8666	14447	127.8	36.6
Employee Cost	377	272	359	38.6	5.0
<b>Other Expenses</b>	<b>706</b>	<b>486</b>	<b>688</b>	<b>45.3</b>	<b>2.6</b>
<b>Total Expenditure</b>	<b>20823</b>	<b>9424</b>	<b>15494</b>	<b>121.0</b>	<b>34.4</b>
<b>EBITDA</b>	<b>1005</b>	<b>514</b>	<b>893</b>	<b>95.5</b>	<b>12.5</b>
Depreciation	113	98.4	109	14.8	3.7
Other Income	1.4	18.3	2.5	-92.3	-44.0
<b>EBIT</b>	<b>893.4</b>	<b>433.9</b>	<b>786.5</b>	<b>105.9</b>	<b>13.6</b>
Interest	77	80.6	69.1	-4.5	11.4
<b>PBT</b>	<b>816.4</b>	<b>353.3</b>	<b>717.4</b>	<b>131.1</b>	<b>13.8</b>
Tax	201	91	194	120.9	3.6
<b>Profit After Tax</b>	<b>615.4</b>	<b>262.3</b>	<b>523.4</b>	<b>134.6</b>	<b>17.6</b>
Equity	117.1	115.7	115.7		
Face Value	10	10	10		
EPS	52.6	22.7	45.2	131.8	16.2
<b>% of Sales</b>				<b>bps</b>	<b>bps</b>
RM Cost	90.4%	87.2%	88.2%	323.4	227.3
Employee Expenses	1.7%	2.7%	2.2%	-101.0	-46.4
Other Expenses	3.2%	4.9%	4.2%	-165.6	-96.4
				0.0	0.0
EBITDAM Excl Other Income (%)	4.6%	5.2%	5.4%	-56.8	-84.5
PATM (%)	2.8%	2.6%	3.2%	18.0	-37.5



## Financials

### Income Statement

Y/E (INR mn)	FY20	FY21E	FY22E	FY23E
Net Sales	43999.0	65665.3	108602.1	157387.8
Net Sales Growth (%)	47.4	49.2	65.4	44.9
Cost of Goods Sold	38602.0	57774.3	95985.9	139917.7
Employee Cost	1179.0	1762.9	2861.3	3619.9
Other Optg. Exps.	1988.0	2818.2	4557.0	6970.4
Total Optg. Exps.	41769.0	62355.4	103404.3	150508.1
EBITDA (excl OI)	2230.0	3309.9	5197.9	6879.7
EBITDA Margin (%)	5.1	5.0	4.8	4.4
Dep./Amortisation	365.3	425.0	625.4	841.0
EBIT	1864.7	2884.8	4572.4	6038.7
EBIT Margin (%)	6.7	6.6	7.4	8.4
Interest Expense	349.7	266.9	178.7	148.0
Other Income	52.7	31.2	78.2	113.3
Exceptionals				
EBT	1567.7	2649.2	4471.9	6004.0
Tax Expenses	362.7	662.3	1118.0	1501.0
PAT	1205.0	1986.9	3353.9	4503.0
PAT Growth (%)	89.8	64.9	68.8	34.3
PAT Margins (%)	2.7	3.0	3.1	2.9

### Key Ratios

Y/E	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (INR)</b>				
Adj.EPS	104.1	171.7	289.9	389.2
CEPS	135.7	208.5	343.9	461.9
DPS	4.8	9.6	16.2	21.8
BVPS	467.9	631.6	908.1	1279.2
<b>Return Ratios(%)</b>				
RoACE	22.8	27.2	31.7	29.1
RoANW	26.2	31.2	37.7	35.6
<b>Liquidity Ratios</b>				
Net Debt/Equity	0.0	-0.3	-0.4	-0.5
Interest Coverage Ratio	5.3	10.8	25.6	40.8
Current Ratio	1.3	1.2	1.2	1.3
Quick Ratio	0.8	0.8	0.8	0.9
<b>Efficiency Ratios</b>				
Asset Turnover Ratio	6.1	7.5	8.4	8.6
Inventory Days	47	37	37	37
Debtor Days	43	38	38	38
Creditor Days	89	84	84	83
<b>Valuation Ratios</b>				
P/E(x)	179.3	108.7	64.4	48.0
P/BV(x)	39.9	29.6	20.6	14.6
P/CEPS(x)	137.6	89.6	54.3	40.4
Dividend Yield(%)	0.0	0.1	0.1	0.1
EV/Net Sales(x)	4.9	3.3	2.0	0.0
EV/EBIDTA(x)	96.8	64.6	40.8	0.0

### Balance Sheet

Y/E (INR mn)	FY20	FY21E	FY22E	FY23E
<b>Source of Funds</b>				
Share Capital	115.7	115.7	115.7	115.7
Reserves & Surplus	5297.6	7192.4	10390.8	14685.1
Total Networth	5413.3	7308.1	10506.5	14800.8
Total Debt	828.2	61.4	61.4	61.4
Other Non current Liab	958.6	1430.6	2366.1	3429.0
Deferred tax liab (net)	147.7	147.7	147.7	147.7
<b>Total Liab</b>	<b>7347.8</b>	<b>8947.8</b>	<b>13081.7</b>	<b>18438.9</b>
<b>Application of Funds</b>				
Net Block	3113.7	4188.7	6063.2	7722.2
CWIP	95.5	95.5	95.5	95.5
Goodwill/Intangible Assets	1027.1	1027.1	1027.1	1027.1
Investments	91.2	91.2	91.2	91.2
Other non-current assets	180.3	180.3	180.3	180.3
Current Assets	12461.8	17055.3	28266.4	42135.7
Current Liabilities	9621.9	13690.3	22642.0	32813.2
Net Current Assets	2839.9	3365.0	5624.4	9322.5
<b>Total Assets</b>	<b>7347.7</b>	<b>8947.8</b>	<b>13081.7</b>	<b>18438.9</b>

### Cash Flow

Y/E	FY20	FY21E	FY22E	FY23E
EBT	1568	2649	4472	6004
Less: Other Income/Exceptionals	53	31	78	113
Add: Depreciation	365	425	625	841
Add: Interest Paid	350	267	179	148
Direct Tax Paid	-363	-662	-1118	-1501
Change in Working Capital	717	805	-676	-768
Others	-95	0	0	0
<b>Cash Flow from Operations (a)</b>	<b>2489</b>	<b>3453</b>	<b>3404</b>	<b>4611</b>
Change in Fixed Assets	-1980	-1500	-2500	-2500
Change in Investments	1445	0	0	0
Other	-24	0	0	0
<b>Cash Flow from Investing (b)</b>	<b>-559</b>	<b>-1500</b>	<b>-2500</b>	<b>-2500</b>
Change in Equity	482	19	32	43
Debt Raised/(Repaid)	-1424	-295	935	1063
Dividend Paid	-56	-111	-188	-252
Interest Paid	-350	-267	-179	-148
Others Paid	53	31	78	113
<b>Cash Flow from Financing (c)</b>	<b>-1295</b>	<b>-623</b>	<b>679</b>	<b>819</b>
<b>Net Change in Cash (a+b+c)</b>	<b>635</b>	<b>1330</b>	<b>1584</b>	<b>2930</b>
Opening Cash	367	1002	2332	3915
Closing Cash	1002	2332	3915	6846



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