

CMP: ₹ 15,250

Target: ₹ 20,000 (31%)

Target Period: 12 months

May 22, 2025

BUY

Strong Growth Runway Ahead...

About the stock: Dixon technologies (Dixon) is the leading electronic manufacturing services (EMS) company of India offering comprehensive EMS solutions with specialized focus across product verticals including mobile, television, washing machine, refrigerators, laptop, lighting, telecom, wearables and hearables, AC printed circuit boards (PCBs), etc.

Q4FY25 performance: Dixon reported broadly steady sequential revenue of ₹10,292 cr, surging 121% YoY. EBITDA margin witnessed noteworthy improvement at 4.3%, up by 57 bps QoQ and 39 bps YoY which was led by product mix and operating efficiencies. EBITDA came at ₹443 cr, soaring by 142.7% YoY, 13.4% QoQ. PAT reported at ₹465 cr, however adjusting fair value gain of ₹250 cr and minority interest, it came at ₹185 cr, which increased by 7.6% QoQ and 95% YoY.

Investment Rationale

- Strong revenue growth to continue: Dixon is well-positioned to capitalize on its leadership with wide client base across product categories. Consol. revenue expected to grow ~39% CAGR over FY25-27E. Mobile which forms ~75% of the mix did volumes of 28.3 mn smart phones in FY25 which as per management guidance shall increase to 43-44 mn in FY26E and 60-65 mn in FY27E. Exports should start contributing meaningfully as its proportion in total revenue increases from ~5% in FY25 to ~16% in FY26E. Considering the ongoing global tariff war, India's competitiveness at global stage has enhanced of which Dixon is a key beneficiary. Besides, IT hardware shall start contributing in FY26 while consumer products like refrigerator as well as telecom and lighting segment to grow exponentially.
- Margin expansion to be led by backward integration, scale and automation:** Backward integration shall drive margin improvement over medium term though execution has been delayed. Display module manufacturing will commence from FY27 vs earlier guidance of H2FY26. The company shall participate in recently announced component PLI scheme to benefit from incentives. Further, it is expected to venture into camera modules, mechanical enclosures and lithium-ion batteries which shall be margin accretive over medium to long term. Leveraging its quasi-captive customer base, Dixon aims to increase its value addition in the Bill of Materials (BoM) from current ~18% to 35-37% over next few years. We estimate EBITDA margin to improve from 3.9% to 4.6% over FY25-FY27E.

Rating and Target Price

- Dixon with its aggressive and yet superior capital allocation strategy has been able to earn RoCE of 35%+. With backward integration, its business model shall be further strengthened alongwith margin improvement. Execution delays owing to several reasons could be expected time to time while the longer-term picture stays intact. We value the stock at 63x FY27E its adjusted EPS with target price of Rs 20,000 and maintain BUY rating.



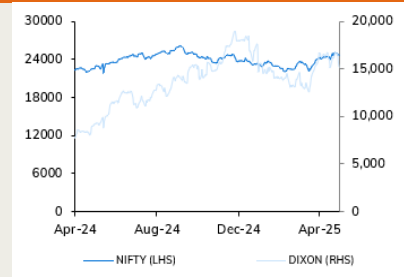
Particulars

Particular	Amount
Market Cap (₹ Crore)	91,937
H1FY25 Debt (₹ Crore)	671
H1FY25 Cash (₹ Crore)	264
EV (Rs Crore)	92,344
52 Week H/L (₹)	19149/ 8453
Equity Capital (₹ Crore)	120.5
Face Value	2

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	33.2	32.9	32.4	32.3
FII	19.3	22.7	23.2	21.8
DII	26.1	23.1	22.6	23.1
Public	21.3	21.3	21.7	22.9

Price Chart



Key risks

- Any restraint in domestic government support measures.
- Execution delays owing to time lag in various approvals, macro slowdown, etc.

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Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY24-27E)
Net Sales	10,689	12,192	17,692	38,860	53.8	55,872	74,896	38.8
EBITDA	371	513	699	1,508	59.6	2,316	3,475	51.8
EBITDA margin (%)	3.5	4.2	3.9	3.9		4.1	4.6	
Adjusted Net Profit	182	255	369	706	57.0	1,178	1,929	65.3
Diluted/Adjusted EPS (₹)	31.0	42.9	61.8	117.2		194.0	315.0	
P/E(x)	492.7	355.1	246.7	130.2		78.6	48.4	
EV/EBITDA (x)	243.4	177.1	130.6	61.2		40.2	27.0	
RoCE (%)	18.4	25.2	25.7	29.8		35.4	38.2	
RoE (%)	18.3	19.9	21.8	23.4		28.3	31.1	

Source: Company, ICICI Direct Research

Concall highlights and outlook

- For FY25, consolidated revenue reported at ₹38,860 crore (up by 120% YoY). Operating profit reported at ₹1,508 crore (up by 116% YoY) translating operating margins at 3.9% which remained flattish over YoY.
- In Q4FY25, total revenue was recorded at ₹10,292 cr for Q4FY25, de-growth of 2% QoQ while it was up 121% YoY. Yearly volumes reported at ~28mn for mobiles phones (up by 338%), 2.4mn for LED TV (declined by 20%), volumes in semi-automatic remained flattish however fully automatic washing machine reported 2.9mn units (up by 81%). In TWS, it reported volumes of 23.7mn (up by 48.1%) and in hearables 13mn units (up by 30%). Set-top boxes and telecom products reported volumes of 4mn units (up by 100%) and 7mn units (up by 100%) respectively. Refrigerator being first year of operation reported volume of 0.86mn units.

Mobile and EMS segment

- This segment reported Q4 revenue de-growth of 2% QoQ to ₹9,102 crore, while surging 194% YoY. Operating margin improved ~30 bps QoQ to ~3.8% as growth was mainly led by non-mobile division. Telecom revenue grew 5.7x YoY, 32% QoQ to ₹1,288 cr while wearables & hearables revenue grew 172% YoY, 51.9% QoQ to ₹196 cr.
- For FY25, smart phone sales were recorded at ~28 mn (ex-Samsung). Management expects it to increase from current levels to ~43-44 mn in FY26 / ~60-65mn in FY27. In addition, realisation shall steadily improve backed by increase in premiumisation, shift from 4G phones to 5G phones and exports.
- Out of ~43-44 mn units expected to be sold in FY26, ~1-1.2 mn units likely to be exports, mainly in North American and African markets. The company is expanding capacity by 50% for its anchor customer (Motorola) to meet their increased order book including exports. With ongoing global tariff war, Dixon's export competitiveness at global stage has improved and management looks to crack this market.
- Current quarter volume run rate ranges in ~3.3 to 3.5 mn per month. Further Vivo's business to mainly support FY27E growth. The company is awaiting approvals which is expected in next 5-6 months.
- Construction underway for display module facilities in partnership with HKC, which shall conclude in Q3FY26 and commercial production expected to commence in FY27. In first phase, capacity of 2 mn displays per month (24 mn annualised) for mobile phones, which will be further enhanced to 4 mn display. Further, there shall also be capacity of 2 mn laptop displays.
- With the announcement of component PLI, Company is actively scouting prospective technology partners for camera modules, lithium-ion batteries and enclosures.

IT Hardware

- Company expects to generate ₹1,200 – 1,500 cr of revenue from its Chennai plant in FY26E vs near to nil revenue in FY25. JV with Inventec corporation (60:40) to be operational from Q4FY26.
- Management expects to generate revenue of ~₹4000 cr in total from IT hardware segment in next couple of years.

Consumer electronics

- Consumer electronics segment (LED TVs and Refrigerators) reported revenue of ₹689 crore, up 9% QoQ and de-growth of 23% YoY. LED TV segment reported revenue of ₹492 cr and Refrigerator: ₹197 cr. Operating margin for Q4 stood at ~6.1%, up 260 bps QoQ.
- TV volume declined from 3 mn to 2.4 mn YoY in FY25, owing to sluggish industry demand as customers shift to other mediums for entertainment.
- Refrigerators revenue grew by strong 19% QoQ to ₹197 cr and margins expanded driven by ramping up production and stabilization of operations. For FY26E, refrigerator division expected to grow by 50% and has margin profile in the range of ~9.5% to 10.5%.

Home Appliances

- Home appliances segment reported revenue of ₹302 cr, up 3% YoY and de-growth of 4% QoQ. Operating margin improved 200 bps QoQ to 12.2%, supported by scale-driven efficiencies, value engineering, cost optimization, focus on innovation and value-added offerings.
- Aims to expand its portfolio to Semi-automatic washing machines in 16 to 18kg capacity category, front-load washing machine, robotics vacuum cleaners, etc.

Lighting solutions

- Lighting revenue for Q4 reported at ₹200 crore, up 2% YoY and de-growth of 0.5% QoQ. Operating margins reported at 7.3%, up 20 bps QoQ.
- Revenue from JV (50:50) with Signify expected to kick in from Q2FY26. This JV is expected to generate operating leverage through synergies expanding into new categories, including high-end lighting products, professional lighting alongwith exploring exports opportunities.

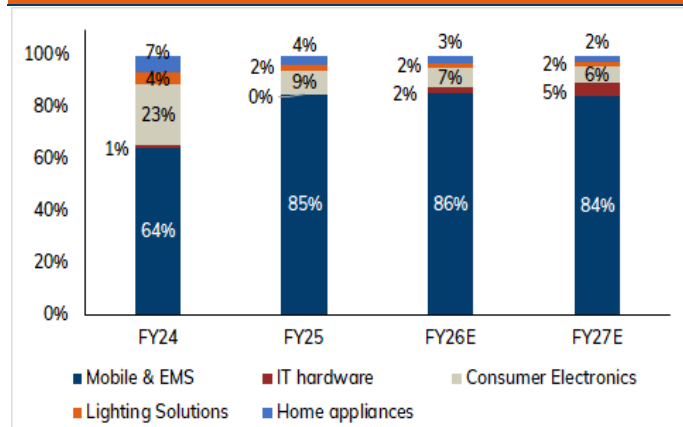
Balance sheet strengthening

- Expected to incur capex of ₹900 to ₹1,000 crore in FY26.
- Disciplined working capital cycle being maintained at negative 5 days. Balance sheet remained healthy being net debt free as on FY25.

Exhibit 1: Variance Analysis

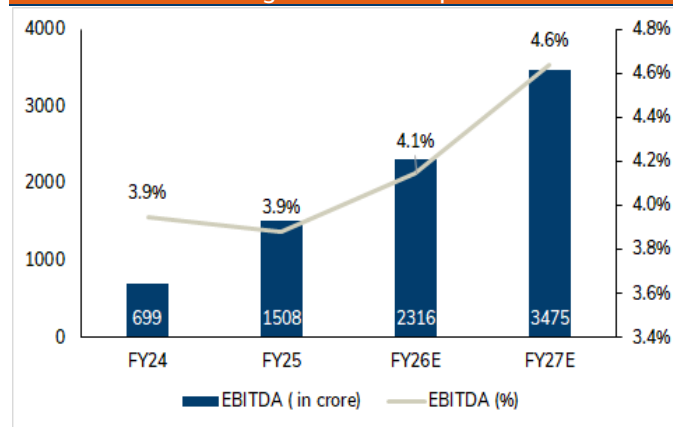
	Q4FY25	Q4FY24	YoY	Q3FY25	QoQ	Comments
Revenue	10,293	4,658	121.0%	10,454	-1.5%	Mobile and EMS segment contributed ~ 88% of total revenue (up by 194%YoY/ declined by 2% QoQ). During the quarter mobiles declined by 5% however strong growth reported in Telecom and hearables and wearables segment
Other Income	11	17	-32.4%	7	73.5%	
Total Income	10,304	4,675	120.4%	10,460	-1.5%	
Gross Profit	817	436	87.6%	774		
Gross Margin %	7.9	9.4	-141 bps	7.4	54 bps	
Operating Expenses	231	170.96	35.2%	227	1.7%	
Employee Expenses	143	82.22	74.3%	156	-8.0%	
Total Expenses	374	253	47.9%	383	-2.2%	
EBITDA	443	182	142.7%	391	13.4%	
EBITDA %	4.3	3.9	39 bps	3.7	57 bps	Improved EBITDA margins led by operational efficiency and product mix
Depreciation	85.9	51.03	68.4%	74.6	15.2%	
Finance Costs	46.3	21.4	116.2%	40.9	13.2%	
Exceptional Items	250.4	0.0	NM	0.0	NM	Pertains to fair value gain of Aditya Infotech (6.5% stake)
PBT	321.9	126.7	154.1%	281.6	14.3%	
Tax	111.1	32.21	244.9%	68.9	61.2%	
Adjusted PAT	184.5	97.3	89.6%	172.0	7.2%	

Exhibit 2: Business mix



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA margin to witness uptick



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	17,692	38,860	55,872	74,896
% Growth	45	120	44	34
Other income	23	20	55	76
Total Revenue	17,715	38,880	55,927	74,973
Employee Expenses	333	567	782	974
Other expenses	16,661	36,785	52,774	70,447
Total Operating Expenditure	16,993	37,353	53,556	71,421
Operating Profit (EBITDA)	699	1,508	2,316	3,475
% Growth	36.2	115.8	53.6	50.1
Interest	75	154	194	207
PBDT	624	1,353	2,121	3,269
Depreciation	162	281	351	441
PBT before Exceptional Items	462	1,072	1,770	2,828
Tax	119	337	449	715
PAT before MI	376	1,233	1,377	2,190
Adjusted PAT	369	706	1,178	1,929
% Growth	44.5	91.4	67.0	63.7
EPS	61.8	117.2	194.0	315.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	354	1,233	1,346	2,145
Depreciation	162	281	351	441
Interest	75	154	194	207
Cash Flow before WC changes	591	1,668	1,891	2,792
(Inc)/dec in Current Assets	-1,748	-8,203	-4,733	-6,066
Changes in creditors	1,613	6,818	3,365	4,560
Other current liabilities	223	1,021	718	699
Inc/(dec) in CL and Provisions	1,836	7,839	4,083	5,259
Net CF from Operating activities	680	1,304	1,241	1,986
(Purchase)/Sale of Fixed Assets	-863	-1,247	-950	-1,600
Others	118	-544	-189	-137
Net CF from Investing activities	-745	-1,791	-1,139	-1,737
Dividend	-28	-48	-67	-107
Others	-39	28	-20	-67
Net CF from Financing Activities	-67	-20	-88	-175
Net Cash flow	-132	-507	15	74
Opening Cash/Cash Equivalent	229	209	264	346
Closing Cash/ Cash Equivalent	209	264	346	680

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	12	12	12	12
Reserve and Surplus	1,683	2,998	4,146	6,184
Total Shareholders funds	1,695	3,010	4,158	6,196
Minority Interest	28	459	658	918
Total Debt	489	671	845	984
Other liabilities	38	96	112	75
Total Liabilities	2,249	4,237	5,773	8,173
Gross Block	2,405	3,460	4,384	5,956
Acc: Depreciation	435	742	1,093	1,534
Net Block	1,970	2,718	3,291	4,422
Capital WIP	64	256	282	310
Total Fixed Assets	2,034	2,974	3,573	4,732
Non Current Assets	50	593	755	881
Inventory	1,695	3,992	7,227	9,773
Debtors	2,318	6,965	8,101	10,935
Other Current Assets	615	1,873	2,235	2,921
Cash	209	264	346	680
Total Current Assets	4,836	13,094	17,910	24,309
Current Liabilities	4,672	12,424	16,466	21,750
Net Current Assets (Ex Cash)	37	93	179	324
Total Assets	2,249	4,237	5,773	8,173

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
EPS	61.8	117.2	194.0	315.0
Cash per Share	35.0	43.7	57.0	111.0
BV	284.1	499.7	684.6	1,011.6
Dividend per share	4.8	8.0	11.1	17.5
Dividend payout ratio (%)	7.7	6.8	5.7	5.6
Operating Ratios (%)				
EBITDA Margin	3.9	3.9	4.1	4.6
PAT Margin	2.1	3.2	2.5	2.9
Return Ratios (%)				
RoE	21.8	23.4	28.3	31.1
RoCE	25.7	29.8	35.4	38.2
Valuation Ratios (x)				
EV / EBITDA	130.6	61.2	40.2	27.0
P/E	246.7	130.2	78.6	48.4
Market Cap / Sales	5.1	2.4	1.7	1.2
Price to Book Value	53.7	30.5	22.3	15.1
Working Capital Management Ratios				
Inventory Days	34.9	37.5	47.2	47.6
Debtors Days	47.8	65.4	52.9	53.2
Creditors Days	83.8	102.2	93.0	91.6
Asset turnover	7.4	11.2	12.8	12.6
Solvency Ratios				
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	1.0	1.0	1.1	1.1
Quick Ratio	0.6	0.7	0.6	0.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

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