

Dixon Technologies (India) (DIXTEC)

CMP: ₹ 2,745

Target: ₹ 3,055 (11%)

Target Period: 12 months

January 27, 2023

HOLD

Weak topline dents Q3 print...

About the stock: Dixon Technologies is India's leading electronic manufacturing (EMS) provider and one of the largest beneficiaries of the government's PLI scheme.

- Dixon operates in both original equipment manufacturing (OEM) and original design manufacturing (ODM)
- Strong RoE, RoCE at ~20%, ~24%, respectively (three year's average)

Q3FY23 Results: Revenue growth takes a hit, margins on track of recovery.

- Revenues declined ~22% YoY to ₹ 2404.7 crore as a result of a sharp decline by ~39% each in revenues of consumer electronics & lighting products. Mobile and EMS segment revenue also declined 2.6% YoY
- Gross margin improved 263 bps YoY owing to a better product mix and price hikes in some categories. As a result, EBITDA margin improved 127 bps YoY to 4.6% supported by better operating leverage and cost optimisation measures
- PAT grew ~12% YoY to ~₹ 52 crore on account of better EBITDA

What should investors do? Post the recent price correction, Dixon's share price has given a negative return of ~26% in the past five years (from ~₹ 3700 in January 2018 to ~₹ 2745 levels in January 2023).

- We maintain our **HOLD** rating

Target Price and Valuation: We introduce our FY25E estimates. We roll over our valuation on FY25E and value Dixon at 35x P/E FY25E EPS and revise our target price to ₹ 3055.

Key triggers for future price performance:

- The Indian EMS industry is valued at ~\$23.5 billion. Dixon currently has a market share of ~3-4%, which leaves an opportunity to expand and grow
- Domestic mobile production is set to grow 5x to ₹ 10.5 lakh crore by FY26 under the PLI scheme. Dixon is one of the main beneficiaries
- New segments like electronics/IT products, telecom products and LED lights & AC component to drive future revenue growth for Dixon

Alternate Stock Idea: We also like Polycab India in our coverage.

- Polycab is the market leader in the wire & cable business with organised market share of 22-24%. In the FMEG segment, it is growing through new product launches and dealer addition across India. Robust b/s with a three-year average RoE, RoCE of 18%, 22%, respectively
- BUY with a target price of ₹ 3380

Dixon

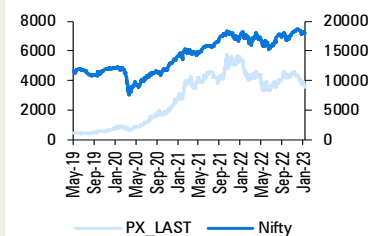
Particulars

| Particular | Amount |
|-----------------------------|------------|
| Market Cap (₹ Crore) | 16,291.6 |
| Total Debt (FY22) (₹ Crore) | 458.0 |
| Cash & Inv (FY22) (₹ Crore) | 182.3 |
| EV (₹ Crore) | 16,567.2 |
| 52 week H/L | 4830/ 2681 |
| Equity capital (₹ Crore) | 11.6 |
| Face value (₹) | 2.0 |

Shareholding pattern

| (in %) | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 34.5 | 34.3 | 34.3 | 34.3 | 34.1 |
| FII | 18.5 | 16.4 | 15.1 | 16.3 | 16.7 |
| DII | 7.6 | 8.0 | 8.1 | 18.6 | 18.9 |
| Others | 39.4 | 41.3 | 42.6 | 30.9 | 30.4 |

Price Chart



Recent event & key risks

- Key Risk:** (i) Robust revenue growth from consumer electronics segment (ii) Business exposed to rapid changes in technologies

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Key Financial Summary

| (₹ crore) | FY19 | FY20 | FY21 | FY22 | 5 Year CAGR (FY17-22) | FY23E | FY24E | FY25E | 3 Year CAGR (FY22-25E) |
|-------------------|--------|--------|--------|---------|-----------------------|---------|---------|---------|------------------------|
| Net Sales | 2984.5 | 4400.1 | 6448.2 | 10697.1 | 34% | 12241.0 | 17878.4 | 22151.5 | 27% |
| EBITDA | 134.9 | 223.1 | 286.5 | 379.1 | 33% | 485.5 | 724.3 | 917.8 | 34% |
| EBITDA Margin (%) | 4.5 | 5.1 | 4.4 | 3.5 | | 4.0 | 4.1 | 4.1 | |
| Net Profit | 63.3 | 120.5 | 159.7 | 190.3 | 32% | 240.1 | 404.3 | 525.2 | 40% |
| EPS (₹) | 11.2 | 20.6 | 27.3 | 32.1 | | 40.4 | 68.1 | 88.5 | |
| P/E (x) | 245.4 | 133.4 | 100.7 | 85.6 | | 67.9 | 40.3 | 31.0 | |
| RoE (%) | 16.7 | 22.3 | 21.7 | 19.1 | | 24.6 | 31.7 | 31.0 | |
| RoCE (%) | 22.4 | 26.3 | 23.5 | 17.7 | | 22.0 | 27.9 | 29.1 | |

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results: Weak topline performance drags overall growth...

- Revenues declined ~22% YoY to ₹ 2404.7 crore due to a sharp decline in revenues of consumer electronics, lighting products and mobile & EMS segments
- Consumer electronics (TVs) revenue declined ~39% YoY to ₹ 864 crore as a result of an early Diwali season in FY23 as well as lower realisation due to a significant reduction in open cell prices
- The mobile & EMS revenues declined 2.6% YoY to ₹ 915 crore as a result of subdued demand from the company's anchor customer, Motorola
- Home appliances revenues increased ~36% YoY to ₹ 244 crore led by healthy order book and new customer additions
- Lighting revenues declined ~39% YoY to ₹ 263 crore as a result of lower realisation due to a reduction in commodity prices and migration of technology
- Security system revenues grew 5.1% YoY to ₹ 118.4 crore in Q3FY23 led by increase in orders of set up boxes
- The overall EBITDA margin improved 127 bps YoY as a result of better gross margin, improved operating leverage and cost optimisation measures

| Dixon - ESG Disclosure Score* | | | |
|-------------------------------|-------------|-------------|-------------|
| Score | FY19 | FY20 | FY21 |
| Environmental | 0.9 | 1.6 | 2.4 |
| Social | 23.6 | 26.4 | 31.6 |
| Governance | 83.6 | 83.6 | 83.6 |
| Overall ESG Score | 36.1 | 37.3 | 39.2 |

Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

Q3FY23 Earnings Conference Call highlights

Business Outlook:

- The management has cut its FY23 revenue guidance by 20% to ~₹ 12,000 crore citing lower mobile revenues. However, FY24E revenue guidance has been maintained at ~ ₹ 19000 crore led by client additions and new product launches
- The management expects to close FY23 at ~4% EBITDA margin
- The company is aiming to reduce its debt by additional ₹ 50 crore before March 2023 and save ~₹ 22 crore interest annually. This would help in EBITDA margin recovery, going forward
- ODM accounted for 24% of sales in 9MFY23 and 48% of operating profits come from the ODM business
- According to the management, there is an opportunity of additional 1 million TV sets over the next one to one-and-a-half years as ~65% of the TVs sold in India are on the Google and Android platform
- Dixon has started construction at its 20-acre land in Noida where it is creating a capacity of 1.2 million DC refrigerators under various sizes of 190 litres to 235 litres. The management expects trial production of refrigerators to begin from Q2FY24

Consumer Electronics Segment:

- Volumes in this segment declined 17% YoY as a result of early Diwali in FY23 as well as significant correction in prices of open cell in the international market
- Dixon has received the ODM sublicensing rights from Google relating to Android and Google TV, which is likely to open up opportunities. The same will be rolled out from Q1FY24E. The company is also setting up an injection moulding plant in this category, which would be operational by Q4FY23
- According to the management, Dixon will achieve ~20% volume growth in this segment in FY23 against 2.9 million volume achieved in FY22. Volume growth in this year will be led by new customer acquisitions and a larger share of pie of some of its anchor customers

Lighting products segment:

- Revenue from this segment was impacted in Q3 as a result of reduction in commodity prices and freight rates as well as migration of technology

- Operating margin for the lighting segment came in at 9.1% supported by a combination of reductions in input prices, calibrated pricing actions and inventory planning
- The company is entering new product categories such as strips and rope lighting, which will be launched in March 2023
- Dixon has on boarded a new export customer in the UAE and has executed an order for this customer in Q3. The company has also received orders for lighting products in Q4
- Dixon has completed the technology acquisition of Bluetooth mesh technology and work-in-progress for Wi-Fi-based technology with a smart lighting from Ibahn Illumination, a smart lighting company. The new products will be launched in Q1FY24
- Dixon has started making investments under the PLI scheme for LED lighting components. The company's plant in Dehradun for LED lighting components will be operational in March 2023

Home Appliances Segment:

- The operating margin for home appliances segment came in at 10.3% led by passing on the impact of commodity cost and exchange rate fluctuations to customers, improved operating leverage and cost optimisation measures
- Dixon has ~160 SKUs in the semi-automatic category ranging from 6 kg to 14 kg with annual capacity of 2.4 million. In the fully automatic category, the company has a capacity of 6 lakhs with 96 variants across 6.5 to 11 kg with Bosch as its anchor customer. Apart from Bosch, Dixon also manufactures machines for Lloyd, Croma, TCL and Sharp. The management is targeting more than 100% growth in this business in FY24
- According to the management, the order book in this segment is healthy. The company will be introducing more designs with new features in both categories viz. semi and fully automatic washing machines

Mobile and EMS Segment:

- Revenue from this segment was impacted in Q3 as volume offtake for Motorola was lower
- The management expects to achieve ~₹ 4000 crore in this segment against ~₹ 5000 crore stated earlier
- Dixon has received large orders from Nokia for manufacturing phones
- The company is working on two large customer acquisitions in this vertical, both of which will be closed in Q4FY23. Both these customers are likely to add ~₹ 6,000 crore to revenues annually
- Dixon has hired a senior person as its R&D head for mobile phones from a branded mobile company

Security systems segment:

- According to the management, the order book in this segment is healthy and the company will be expanding its capacity from 10 million units per annum to 14 million units per annum
- Airtel is Dixon's anchor customer in this segment
- The company's new facility in Noida for hybrid set-top box and other telecom products became operational in December 2022. Dixon supplied ~600,000 ONT to Airtel since this facility became operational
- Dixon has received a large order of HD set-up boxes from Airtel. The production is expected to begin by Q2FY24
- The company has also received orders for android set-up boxes in partnership with a global ODM
- Through its joint-venture with Rexxam, Dixon will be manufacturing inverter controller boards for air conditioners for Daikin. The company has set up a new facility under the PLI scheme

Wearables & Hearables:

- Dixon's revenue from Boat was ₹ 85 crore in Q3FY23 and ₹ 130 crore in 9MFY23
- Dixon has started manufacturing neckbands and model watches at its facility in Noida

Capex:

- In FY23, the company's capex will be at ~₹ 360 – 380 crore, out of which ~₹ 90 crore will be spent in Q4 mainly on the refrigerator project
- The management expects capex to be at ~₹ 250 crore in FY24

Exhibit 1: Peer Comparison

| Company | Mcap ₹ cr | Revenue | | | | EBITDA margin | | | | PAT | | | | RoCE | | | | RoE | | | | PE | | | |
|---------|--------------|---------|-------|-------|-------|---------------|------|-------|-------|------|------|-------|-------|------|------|-------|-------|------|------|-------|-------|------|------|-------|-------|
| | | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E |
| Dixon | 16,292 | 6448 | 10697 | 12241 | 17878 | 4 | 4 | 4 | 4 | 160 | 190 | 240 | 404 | 24 | 18 | 22 | 28 | 22 | 19 | 25 | 32 | 101 | 86 | 68 | 40 |
| Amber | 6,567 | 3031 | 4206 | 6428 | 8134 | 7 | 7 | 6 | 6 | 83 | 111 | 149 | 234 | 8 | 7 | 10 | 13 | 5 | 6 | 8 | 12 | 79 | 59 | 44 | 28 |

Source: Company, ICICI Direct Research

Dixon posted a disappointing performance on the revenue front in Q3FY23 dragged by lower demand of consumer electronics, lightings and mobiles in the domestic and overseas markets. Considering the near term demand slowdown in mobile business, the management has cut its FY23 consolidated revenue guidance by 20% to ~₹ 12,000 - ₹ 12,500 crore. However, the management has guided for revenue in range of ~₹ 19,000 - ₹ 20,000 crore in FY24 led by 2 large customer additions in the mobile & EMS segment, 23% YoY growth in revenue of home appliances and ~15% YoY growth in consumer electronics segment. We have cut our revenue estimates by ~21% for FY23E and by ~8% for FY24E factoring in weak revenue growth on account of decline in revenue of mobile & EMS and consumer electronics segment. We build in consolidated revenue CAGR of 27% over FY22-25E supported by customer additions and launch of new products mainly in its 'Mobile' and 'Home appliances' segments. We believe ramp up of new categories (IT hardware/Telecom products/hearables & wearables) will aid overall revenue growth going forward. On the margin front, Dixon's Q3FY23 EBITDA margin at 4.6% (one of the highest in the last seven quarters) was supported by cost optimization measures and increased backward integration. Going forward the EBITDA margin is likely to remain elevated supported by improved sales mix and positive operating leverage. We model EBITDA margin of 4-4.1% for FY24E-25E respectively. On the balance sheet front, the company is likely to fund its capex (₹ 320 crore in FY23E) through internal accruals thereby maintaining a healthy debt/equity profile. We roll over our valuation on FY25E and value the stock at 35x FY25E EPS with revised target price of ₹ 3055/share.

Exhibit 2: Variance Analysis

| | Q3FY23 | Q3FY22 | YoY (%) | Q2FY23 | QoQ (%) | Comments |
|-------------------|--------|--------|---------|--------|---------|--|
| Revenue | 2404.7 | 3073.3 | -21.8 | 3866.8 | -37.8 | Decline in revenue on account of lower revenue from consumer electronics, mobile & EMS and lighting segments |
| Other Income | 2.8 | 0.7 | 320.9 | 0.6 | 413 | |
| Raw Material Exp | 2139.1 | 2814.7 | -24.0 | 3534.6 | -39.5 | Better product mix and price hikes in some categories led to improvement in gross margin |
| Employee cost | 63.7 | 53.3 | 19.4 | 70.2 | -9.3 | |
| Other Expenditure | 90.8 | 102.3 | -11.2 | 116.8 | -22.3 | |
| Total Expenditure | 2293.6 | 2970.3 | -22.8 | 3721.6 | -38.4 | |
| EBITDA | 111.2 | 103.0 | 7.9 | 145.2 | -23.4 | |
| EBITDA Margin (%) | 4.6 | 3.4 | 127 bps | 3.8 | 87 bps | EBITDA margin improvement came in on the back of cost optimisation measures and better operating leverage |
| Depreciation | 29.0 | 28.2 | 2.9 | 29.1 | -0.3 | |
| Interest | 15.2 | 12.0 | 26.5 | 15.8 | -4.2 | |
| PBT | 69.8 | 63.5 | 9.9 | 100.8 | -30.8 | |
| Total Tax | 18.6 | 17.1 | 8.6 | 23.1 | -19.5 | |
| PAT | 51.9 | 46.4 | 11.9 | 77.1 | -32.7 | PAT growth on account of better EBITDA |

Key Metrics*

| | | | | | | |
|----------------------|-------|---------|-------|---------|-------|--|
| Consumer Electronics | 864.0 | 1,410.4 | -38.7 | 1,500.7 | -42.4 | Lower realisations on account of reduction in open cell prices dented segment revenue |
| Lighting Products | 263.0 | 430.4 | -38.9 | 290.4 | -9.4 | Softening of commodity prices and migration of technology led to lower realisations in the segment |
| Home appliances | 244.0 | 180.1 | 35.5 | 362.9 | -32.8 | Revenue growth of home appliances was on the back of healthy order book and new customer additions |
| Mobile & EMS | 915.0 | 939.7 | -2.6 | 1,594.4 | -42.6 | Decline in revenue as a result of weak demand from anchor customer |
| Security Systems | 118.4 | 112.7 | 5.1 | 118.3 | 0.1 | Strong demand for security products drives segment revenue |

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

| (₹ crore) | FY23E | | | FY24E | | | FY25E | Comments |
|-------------------|----------|----------|--------|----------|----------|--------|------------|--|
| | Old | New | % Chg | Old | New | % Chg | Introduced | |
| Revenue | 15,522.3 | 12,241.0 | (21.1) | 19,499.0 | 17,878.4 | (8.3) | 22,151.5 | We have cut our revenue estimate factoring in Q3FY23 revenue decline and lower export of mobiles due to demand slowdown. We believe demand recovery will start from FY24E led by customer additions and launch of new products. We introduced FY25E estimates with revenue CAGR of 27% over FY22-25E |
| EBITDA | 615.1 | 485.5 | (21.1) | 843.4 | 724.3 | (14.1) | 917.8 | |
| EBITDA Margin (%) | 4.0 | 4.0 | 0bps | 4.3 | 4.1 | -27bps | 4.1 | Increased backward integration along with positive operating leverage will help drive EBITDA margin |
| PAT | 343.7 | 240.1 | (30.2) | 506.6 | 404.3 | (20.2) | 525.2 | Lower PAT estimates is attributable to downward revision of revenues and higher depreciation cost |
| EPS (₹) | 57.9 | 40.4 | (30.2) | 85.4 | 68.1 | (20.2) | 88.5 | |

Source: ICICI Direct Research

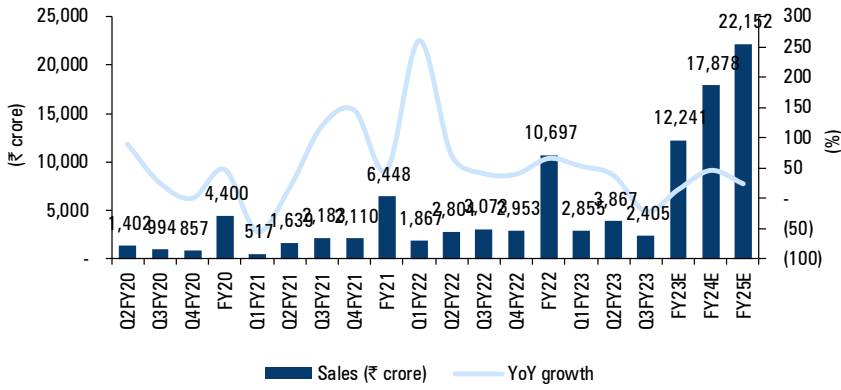
Exhibit 4: Assumptions

| | Current (%) | | | | | FY25E | Previous | | Comments | |
|----------------------|-------------|------|------|-------|-------|-------|------------|-------|----------|---|
| | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | Introduced | FY23E | | FY24E |
| Consumer Electronics | 11.2 | 75.5 | 83.4 | 34.5 | -9.1 | 23.6 | 16.3 | -7.8 | 15.1 | We have tweaked our segment revenue estimate upward factoring in current quarter performance. We believe customer additions and launch of new products (LED monitors, RAC PCB) will help drive segment volume growth over FY23E-25E |
| Lighting Products | 18.8 | 24.0 | -3.2 | 16.3 | -9.0 | 15.1 | 13.2 | 29.3 | 14.8 | We have revised our segment revenue estimate downward in FY23 considering delay in export orders and lower demand of lighting products |
| Home appliances | 49.6 | 5.9 | 8.8 | 64.4 | 63.8 | 22.6 | 13.2 | 55.1 | 15.6 | Entrance into fully automatic and new customer addition to drive revenue growth going forward |
| Mobile & EMS | -47.0 | 51.3 | 56.4 | 273.7 | 49.5 | 82.4 | 33.4 | 120.9 | 33.3 | Entrance into new product category, customer additions and export opportunities to drive future revenue growth of Mobile & EMS segments |
| Security Systems | NM | 93.1 | 0.5 | 82.2 | 24.3 | 10.0 | 10.2 | 31.8 | 8.4 | Strong order pipeline in the security system to drive revenue |

Source: ICICI Direct Research

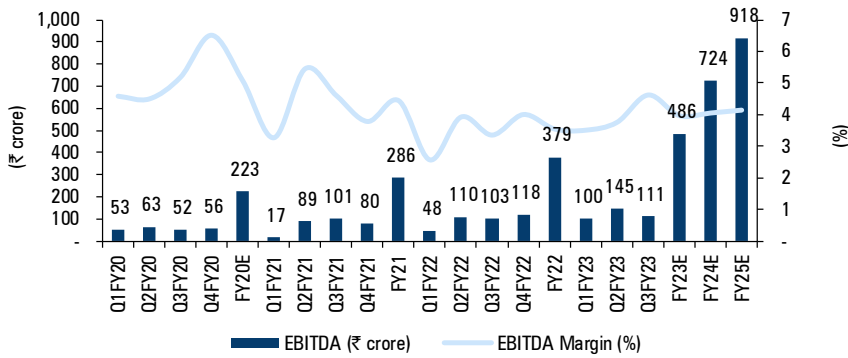
Financial story in charts

Exhibit 5: Revenue growth trend



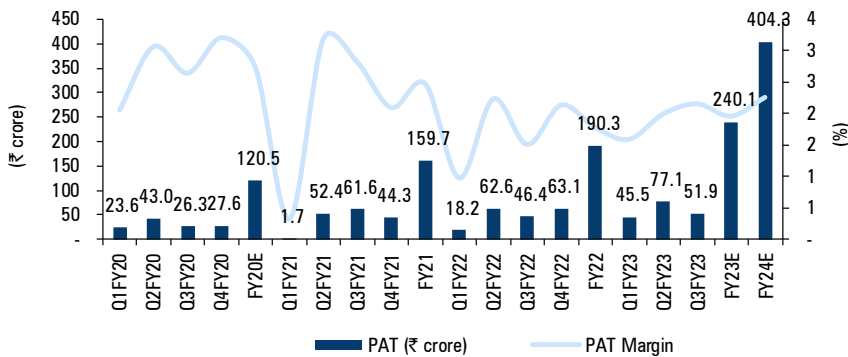
Source: Company, ICICI Direct Research

Exhibit 6: EBITDA margin movement



Source: Company, ICICI Direct Research

Exhibit 7: PAT growth trend



Source: Company, ICICI Direct Research

Financial Summary

| Exhibit 8: Profit and loss statement | | | | | ₹ crore |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|---------|
| (Year-end March) | FY22 | FY23E | FY24E | FY25E | |
| Revenue | 10,697.1 | 12,241.0 | 17,878.4 | 22,151.5 | |
| Growth (%) | 65.9 | 14.4 | 46.1 | 23.9 | |
| Raw material expense | 9,889.7 | 11,073.8 | 16,253.5 | 20,118.9 | |
| Employee expenses | 197.8 | 254.3 | 322.4 | 403.4 | |
| Other expenses | 340.9 | 440.9 | 578.2 | 711.3 | |
| Total Operating Exp | 10,318.0 | 11,755.5 | 17,154.1 | 21,233.7 | |
| EBITDA | 379.1 | 485.5 | 724.3 | 917.8 | |
| Growth (%) | 32.3 | 28.1 | 49.2 | 26.7 | |
| Depreciation | 84.0 | 112.6 | 152.0 | 181.6 | |
| Interest | 44.2 | 60.7 | 43.8 | 48.6 | |
| Other Income | 3.8 | 7.4 | 11.7 | 14.5 | |
| PBT | 254.8 | 319.6 | 540.2 | 702.1 | |
| Total Tax | 64.4 | 80.3 | 136.7 | 177.6 | |
| PAT | 190.3 | 240.1 | 404.3 | 525.2 | |
| Growth (%) | 19.2 | 26.1 | 68.4 | 29.9 | |
| EPS (₹) | 32.1 | 40.4 | 68.1 | 88.5 | |

Source: Company, ICICI Direct Research

| Exhibit 9: Cash flow statement | | | | | ₹ crore |
|-------------------------------------|---------------|---------------|---------------|---------------|---------|
| (Year-end March) | FY22 | FY23E | FY24E | FY25E | |
| Profit after Tax | 190.3 | 240.1 | 404.3 | 525.2 | |
| Add: Depreciation | 84.0 | 112.6 | 152.0 | 181.6 | |
| (Inc)/dec in Current Assets | -802.7 | -552.1 | -1606.2 | -1192.1 | |
| Inc/(dec) in CL and Provisions | 781.3 | 578.6 | 1310.7 | 1070.5 | |
| Others | 44.2 | 60.7 | 43.8 | 48.6 | |
| CF from operating activities | 297.1 | 439.9 | 304.6 | 633.9 | |
| (Inc)/dec in Investments | -39.8 | 50.0 | 0.0 | 0.0 | |
| (Inc)/dec in Fixed Assets | -464.8 | -225.0 | -250.0 | -250.0 | |
| Others | -10.7 | 33.1 | 5.0 | 5.0 | |
| CF from investing activities | -515.2 | -141.9 | -245.0 | -245.0 | |
| Issue/(Buy back) of Equity | 0.2 | 0.0 | 0.0 | 0.0 | |
| Inc/(dec) in loan funds | 306.7 | 60.0 | 60.0 | 60.0 | |
| Dividend paid & dividend tax | -14.2 | -106.8 | -106.8 | -106.8 | |
| Others | 39.0 | -214.2 | -43.8 | -48.6 | |
| CF from financing activities | 331.6 | -261.0 | -90.7 | -95.5 | |
| Net Cash flow | 113.5 | 37.0 | -31.1 | 293.5 | |
| Opening Cash | 68.8 | 182.3 | 219.3 | 188.3 | |
| Closing Cash | 182.3 | 219.3 | 188.3 | 481.7 | |

Source: Company, ICICI Direct Research

| Exhibit 10: Balance Sheet | | | | | ₹ crore |
|-------------------------------|----------------|----------------|----------------|----------------|---------|
| (Year-end March) | FY22 | FY23E | FY24E | FY25E | |
| Liabilities | | | | | |
| Equity Capital | 11.9 | 11.9 | 11.9 | 11.9 | |
| Reserve and Surplus | 984.9 | 964.7 | 1,262.1 | 1,680.5 | |
| Total Shareholders funds | 996.8 | 976.6 | 1,274.0 | 1,692.4 | |
| Total Debt | 458.0 | 518.0 | 578.0 | 638.0 | |
| Other non current liabilities | 232.9 | 237.8 | 242.9 | 247.9 | |
| Total Liabilities | 1,687.7 | 1,732.4 | 2,094.9 | 2,578.3 | |
| Assets | | | | | |
| Gross Block | 1,196.0 | 1,421.0 | 1,671.0 | 1,921.0 | |
| Less: Acc Depreciation | 210.2 | 322.8 | 474.7 | 656.4 | |
| Total Fixed Assets | 995.4 | 1,107.8 | 1,205.8 | 1,274.1 | |
| Investments | 135.0 | 85.0 | 85.0 | 85.0 | |
| Inventory | 1,155.7 | 1,509.2 | 2,253.2 | 2,791.7 | |
| Debtors | 1,356.4 | 1,509.2 | 2,204.2 | 2,731.0 | |
| Loans and Advances | 0.4 | 0.4 | 0.4 | 0.4 | |
| Other CA | 317.2 | 362.9 | 530.1 | 656.8 | |
| Cash | 182.3 | 219.3 | 188.3 | 481.7 | |
| Total Current Assets | 3,012.0 | 3,601.0 | 5,176.2 | 6,661.7 | |
| Creditors | 2,313.7 | 2,850.6 | 4,016.5 | 4,976.5 | |
| Provisions | 21.6 | 26.6 | 37.4 | 46.4 | |
| Other CL | 254.2 | 290.9 | 424.8 | 526.4 | |
| Total Current Liabilities | 2,589.5 | 3,168.1 | 4,478.8 | 5,549.3 | |
| Net current assets | 422.5 | 433.0 | 697.4 | 1,112.4 | |
| Other non current assets | 134.8 | 106.7 | 106.7 | 106.7 | |
| Total Assets | 1,687.7 | 1,732.4 | 2,094.9 | 2,578.3 | |

Source: Company, ICICI Direct Research

| Exhibit 11: Key ratios | | | | |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March) | FY22 | FY23E | FY24E | FY25E |
| Per share data (₹) | | | | |
| EPS | 32.1 | 40.4 | 68.1 | 88.5 |
| Cash EPS | 46.2 | 59.4 | 93.7 | 119.1 |
| BV | 167.9 | 164.5 | 214.7 | 285.2 |
| DPS | 2.4 | 18.0 | 18.0 | 18.0 |
| Operating Ratios (%) | | | | |
| EBITDA Margin | 3.5 | 4.0 | 4.1 | 4.1 |
| PAT Margin | 1.8 | 2.0 | 2.3 | 2.4 |
| Asset Turnover | 8.9 | 8.6 | 10.7 | 11.5 |
| Inventory Days | 39.4 | 45.0 | 46.0 | 46.0 |
| Debtor Days | 46.3 | 45.0 | 45.0 | 45.0 |
| Creditor Days | 78.9 | 85.0 | 82.0 | 82.0 |
| Return Ratios (%) | | | | |
| RoE | 19.1 | 24.6 | 31.7 | 31.0 |
| RoCE | 17.7 | 22.0 | 27.9 | 29.1 |
| RoIC | 19.9 | 23.3 | 26.9 | 30.4 |
| Valuation Ratios (x) | | | | |
| P/E | 85.6 | 67.9 | 40.3 | 31.0 |
| EV / EBITDA | 43.3 | 34.0 | 22.9 | 17.8 |
| EV / Net Sales | 1.5 | 1.3 | 0.9 | 0.7 |
| Market Cap / Sales | 1.5 | 1.3 | 0.9 | 0.7 |
| Price to Book Value | 16.3 | 16.7 | 12.8 | 9.6 |
| Solvency Ratios | | | | |
| Debt / Equity | 0.5 | 0.5 | 0.5 | 0.4 |
| Current Ratio | 1.2 | 1.2 | 1.2 | 1.2 |
| Quick Ratio | 0.7 | 0.7 | 0.7 | 0.7 |

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct universe (Consumer Discretionary)

| Sector / Company | CMP (₹) | TP(₹) | Rating | M Cap | | EPS (₹) | | | | P/E (x) | | | | EV/EBITDA (x) | | | | RoCE (%) | | | | RoE (%) | | | |
|------------------------------|---------|-------|--------|----------|------|---------|-------|-------|-------|---------|-------|-------|------|---------------|-------|-------|------|----------|-------|-------|------|---------|-------|-------|--|
| | | | | (₹ Cr) | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | FY21 | FY22 | FY23E | FY24E | |
| Asian Paints (ASIPAI) | 2,703 | 3,180 | Hold | 2,59,218 | 33.4 | 32.2 | 41.3 | 49.5 | 80.8 | 84.0 | 65.4 | 54.6 | 52.5 | 53.4 | 43.7 | 36.4 | 29.6 | 27.1 | 32.6 | 33.7 | 25.0 | 23.0 | 27.5 | 27.7 | |
| Berger Paints (BERPAI) | 540 | 670 | Hold | 52,450 | 7.4 | 8.6 | 10.2 | 12.1 | 72.9 | 63.0 | 52.9 | 44.6 | 43.9 | 39.6 | 33.3 | 28.7 | 24.9 | 23.3 | 28.7 | 30.8 | 21.3 | 21.2 | 25.8 | 27.2 | |
| Kansai Nerolac (KANNER) | 405 | 515 | Hold | 21,826 | 9.8 | 6.9 | 10.4 | 13.1 | 41.1 | 58.3 | 39.1 | 31.0 | 25.9 | 33.6 | 23.9 | 19.2 | 17.2 | 12.1 | 17.3 | 20.0 | 13.2 | 9.2 | 13.4 | 15.2 | |
| Pidilite Industries (PIDIND) | 2,278 | 2,535 | Hold | 1,15,677 | 22.2 | 23.8 | 26.2 | 35.4 | 102.7 | 95.9 | 87.1 | 64.4 | 68.5 | 62.4 | 56.7 | 43.3 | 23.3 | 21.7 | 22.5 | 27.3 | 19.6 | 18.4 | 18.8 | 22.6 | |
| Sheela Foam (SHEFOA) | 1,215 | 1,659 | Buy | 11,854 | 24.4 | 22.3 | 25.4 | 32.9 | 49.9 | 54.5 | 47.8 | 36.9 | 32.8 | 38.3 | 33.0 | 25.3 | 24.3 | 18.0 | 19.8 | 23.5 | 20.1 | 15.6 | 16.2 | 18.8 | |
| Bajaj Electricals (BAJELE) | 1,100 | 1,275 | Hold | 12,634 | 16.5 | 10.8 | 23.5 | 33.1 | 66.7 | 101.5 | 46.8 | 33.2 | 42.5 | 50.1 | 30.6 | 23.0 | 15.1 | 13.5 | 22.4 | 25.3 | 10.7 | 7.8 | 15.8 | 18.7 | |
| Crompton Greaves(CROGR) | 319 | 415 | Hold | 19,995 | 9.8 | 9.2 | 8.9 | 11.1 | 32.4 | 34.6 | 35.8 | 28.7 | 26.3 | 26.1 | 23.2 | 19.2 | 34.4 | 16.2 | 16.6 | 20.5 | 31.9 | 24.0 | 21.7 | 23.4 | |
| Havells India (HAVIND) | 1,164 | 1,420 | Buy | 72,901 | 16.7 | 19.1 | 18.2 | 26.1 | 69.9 | 61.0 | 63.9 | 44.5 | 45.8 | 40.3 | 42.5 | 30.2 | 24.9 | 23.7 | 23.6 | 30.2 | 20.1 | 20.0 | 19.9 | 25.3 | |
| Polycab India (POLI) | 2,758 | 3,380 | Buy | 41,216 | 59.3 | 61.4 | 80.7 | 90.1 | 46.5 | 44.9 | 34.2 | 30.6 | 36.3 | 31.7 | 22.0 | 19.8 | 20.6 | 20.2 | 25.8 | 24.3 | 17.9 | 15.6 | 19.2 | 18.4 | |
| Symphony (SYMLIM) | 931 | 1,215 | Hold | 6,513 | 15.3 | 17.3 | 26.1 | 34.8 | 60.9 | 53.8 | 35.6 | 26.8 | 45.6 | 39.3 | 27.4 | 20.7 | 15.2 | 15.9 | 24.5 | 29.0 | 14.9 | 14.4 | 23.6 | 27.4 | |
| V-Guard Ind (VGUARD) | 244 | 310 | Buy | 10,450 | 4.7 | 5.3 | 5.4 | 7.9 | 51.8 | 45.7 | 45.5 | 31.1 | 32.6 | 30.8 | 29.3 | 19.1 | 23.9 | 21.2 | 23.7 | 25.4 | 16.7 | 16.2 | 17.8 | 22.9 | |
| Voltas Ltd (VOLTAS) | 741 | 1,005 | Hold | 24,507 | 16.0 | 15.3 | 16.1 | 23.3 | 46.3 | 48.4 | 46.0 | 31.8 | 37.5 | 35.0 | 34.0 | 24.2 | 15.0 | 14.0 | 16.5 | 20.3 | 10.6 | 9.2 | 10.9 | 14.2 | |
| Amber Enterprises (AMBEN) | 1,949 | 2,150 | Hold | 6,567 | 24.7 | 33.0 | 44.1 | 69.4 | 78.9 | 59.0 | 44.2 | 28.1 | 29.6 | 25.1 | 19.0 | 14.2 | 7.7 | 6.8 | 9.8 | 13.0 | 5.2 | 6.4 | 8.4 | 11.6 | |
| Dixon Technologies (DIXTEC) | 2,745 | 3,055 | Hold | 16,292 | 27.3 | 32.1 | 40.4 | 68.1 | 100.7 | 85.6 | 67.9 | 40.3 | 56.8 | 43.3 | 34.0 | 22.9 | 23.5 | 17.7 | 22.0 | 27.9 | 21.7 | 19.1 | 24.6 | 31.7 | |
| Supreme Indus (SUPIND) | 2,506 | 2,880 | Buy | 31,833 | 77.0 | 76.2 | 63.9 | 84.6 | 32.5 | 32.9 | 39.2 | 29.6 | 24.2 | 25.2 | 27.6 | 20.5 | 33.1 | 25.9 | 22.5 | 28.0 | 30.9 | 25.2 | 20.7 | 24.5 | |
| Astral Ltd (ASTPOL) | 1,950 | 2,275 | Buy | 39,172 | 20.3 | 24.4 | 22.1 | 32.7 | 96.0 | 79.9 | 88.2 | 59.7 | 60.1 | 51.1 | 50.5 | 38.5 | 27.5 | 26.6 | 23.3 | 27.7 | 21.5 | 21.0 | 17.3 | 22.0 | |
| EPL (ESSPRO) | 154 | 175 | Hold | 4,866 | 7.7 | 7.0 | 8.6 | 10.6 | 19.9 | 22.0 | 17.9 | 14.6 | 8.3 | 9.3 | 7.7 | 6.6 | 16.2 | 12.6 | 15.9 | 18.5 | 14.8 | 12.1 | 14.7 | 17.1 | |
| Time Techno (TIMTEC) | 83 | 125 | BUY | 1,877 | 4.8 | 8.5 | 9.8 | 13.2 | 17.4 | 9.8 | 8.4 | 6.3 | 6.4 | 5.2 | 4.5 | 3.8 | 8.7 | 11.3 | 12.5 | 14.7 | 5.7 | 9.3 | 10.4 | 12.6 | |
| Moldtek Packaging (MOLPLA) | 1,009 | 1,045 | Hold | 3,356 | 17.2 | 20.4 | 26.7 | 34.4 | 58.7 | 49.5 | 37.9 | 29.3 | 36.5 | 28.1 | 22.5 | 17.8 | 20.1 | 18.6 | 27.6 | 27.9 | 18.7 | 13.9 | 24.3 | 24.3 | |

Source: Bloomberg, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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