

**BUY**  
 TP: Rs 4,500 | ▲ 20%

**DIXON TECHNOLOGIES** | Consumer Durables | 04 August 2022

**Annual report analysis: Targeting higher EMS share**

- Key initiatives taken in FY22 to bolster business in electronic manufacturing services (EMS), including PLI initiatives
- Mobiles and consumer electronics represent primary growth drivers for the company
- FY22 return ratios (ROE at 22%) and balance sheet (net D/E at 0.1x) robust; retain BUY with unchanged TP of Rs 4,500

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DIXON's FY22 annual report outlines steps taken to build share in EMS. Key highlights:

**Mobiles business to lead growth:** The mobiles segment is a key driver for DIXON along with consumer electronics. Management expects business from marquee client Motorola to ramp up, driving growth in FY23. The company has guided for the mobiles segment (excluding set-top boxes and medical equipment) to generate revenue of Rs 65bn-70bn in FY23 as against Rs 27bn in FY22, with annual volumes from Motorola anticipated at 5mn-5.5mn.

**Planned foray into new segments with ODM focus:** In order to diversify its portfolio, DIXON plans to venture into OEM (original equipment manufacturing) of laptops, wearables, hearables and consumer-end telecom products, which would later shift towards ODM (original design manufacturing). In particular, the company aspires to increase the mix of ODM products while maintaining its stronghold in OEM products.

**Key PLI beneficiary:** DIXON is a key beneficiary of the government's production-linked incentive (PLI) scheme. It has applied for five PLI schemes (lighting, mobiles, IT hardware, air conditioners, wearables & hearables), and was the first company to meet the investment and ceiling revenue requirements for mobile phones. In laptops, it has met the investment and minimum revenue threshold

**Capex to boost capabilities:** DIXON has incurred capex of Rs 4.2bn in FY22 and has a planned outlay of Rs 3bn-3.2bn for FY23. This would be primarily incurred towards expansion of capacities across existing verticals as well as diversifying into new verticals linked to its core business of electronics, backward integration, PLI-related capex and development of state-of-the-art infrastructure.

**Maintain BUY:** We expect sustained product addition, customer acquisition and the PLI scheme to benefit the company. Further, return ratios are healthy (ROE of 22%) and its financial position remains strong with net cash of Rs 3.2bn and net D/E of 0.1x in FY22. We retain BUY with an unchanged TP of Rs 4,500, based on 55x FY24E EPS, a 20% premium to its 4Y average.

**Key changes**

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	DIXON IN/Rs 3,755
Market cap	US\$ 2.8bn
Free float	66%
3M ADV	US\$ 17.6mn
52wk high/low	Rs 6,244/Rs 3,181
Promoter/FPI/DII	34%/15%/8%

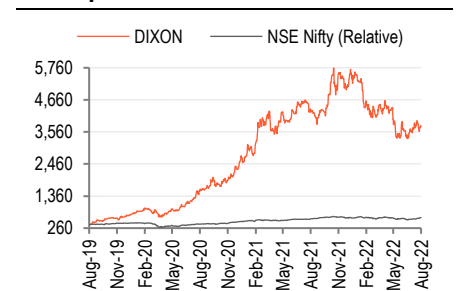
Source: NSE | Price as of 3 Aug 2022

**Key financials**

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	1,06,971	1,71,280	2,20,502
EBITDA (Rs mn)	3,791	6,507	8,473
Adj. net profit (Rs mn)	1,903	3,396	4,779
Adj. EPS (Rs)	32.1	57.2	80.5
Consensus EPS (Rs)	32.1	62.7	92.0
Adj. ROAE (%)	22.0	29.1	30.3
Adj. P/E (x)	117.1	65.6	46.6
EV/EBITDA (x)	58.8	34.2	26.3
Adj. EPS growth (%)	19.1	78.4	40.7

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

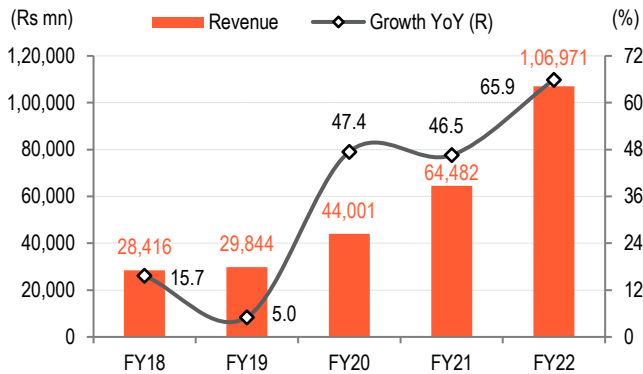


Source: NSE



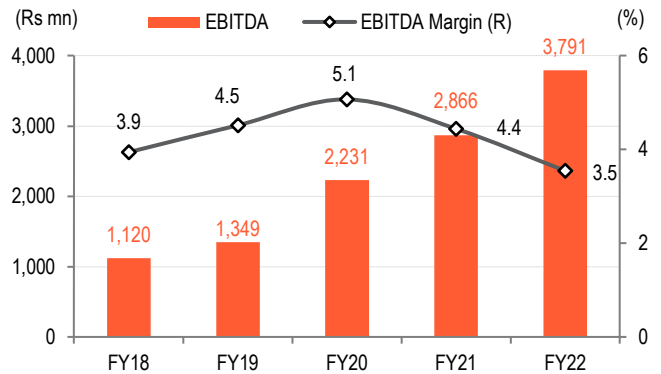
## FY22 performance

**Fig 1 – Revenue growth**



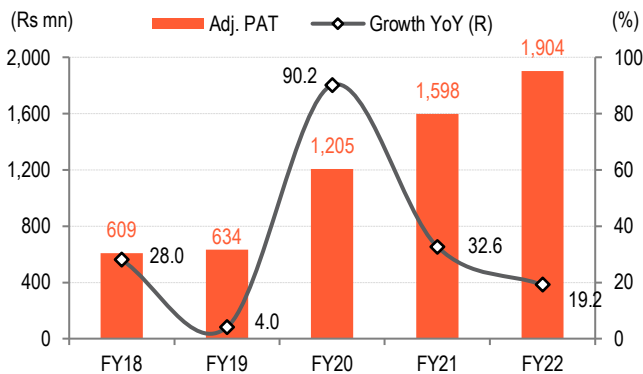
Source: Company, BOBCAPS Research

**Fig 2 – EBITDA growth**



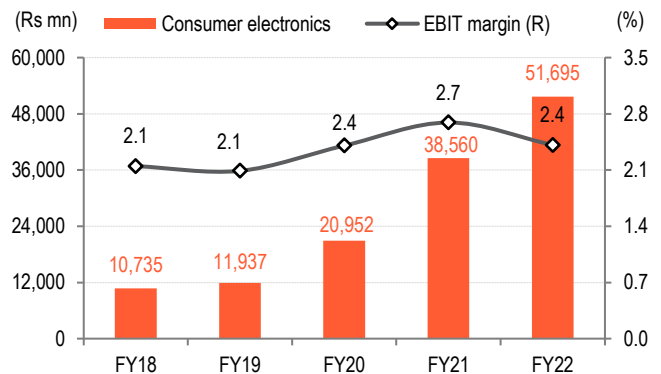
Source: Company, BOBCAPS Research

**Fig 3 – PAT growth**



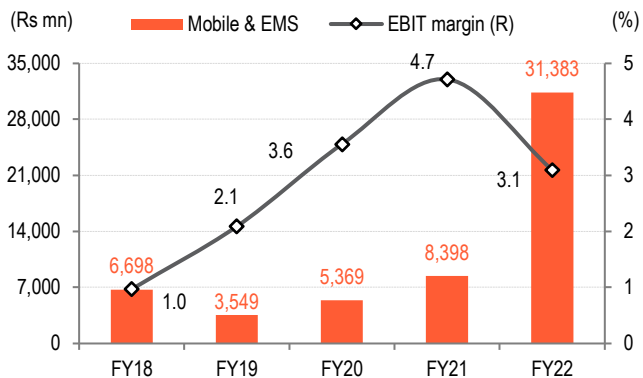
Source: Company, BOBCAPS Research

**Fig 4 – Consumer electronics: Growth trend**



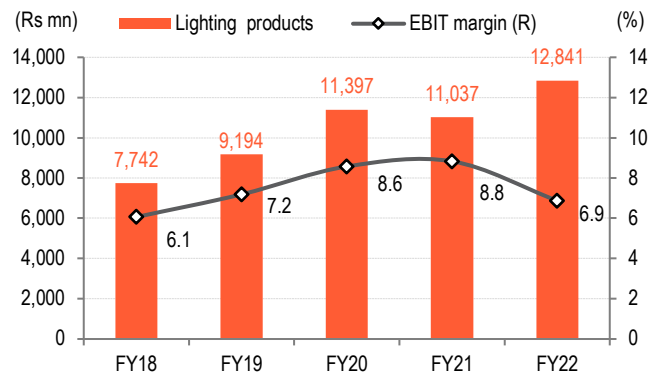
Source: Company, BOBCAPS Research

**Fig 5 – Mobile & EMS: Growth trend**



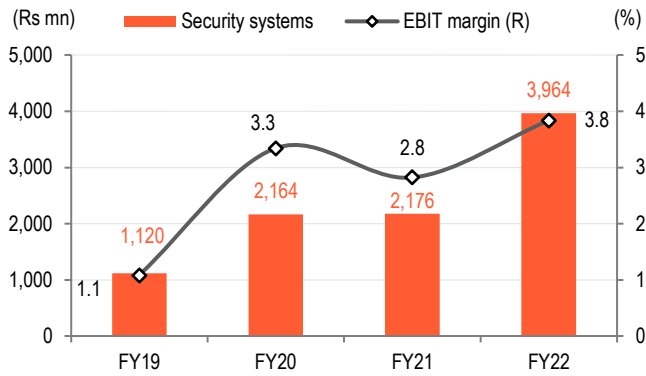
Source: Company, BOBCAPS Research

**Fig 6 – Lighting products: Growth trend**



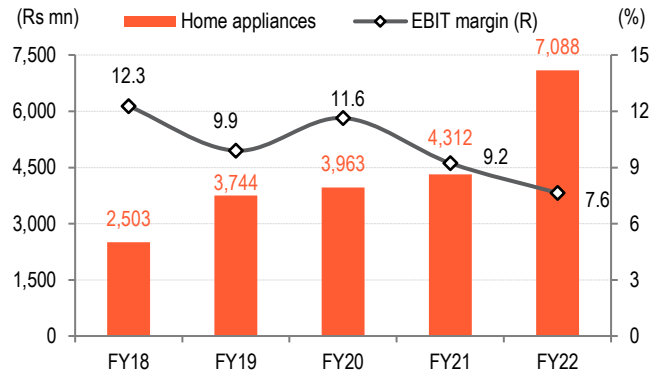
Source: Company, BOBCAPS Research

**Fig 7 – Security systems: Growth trend**



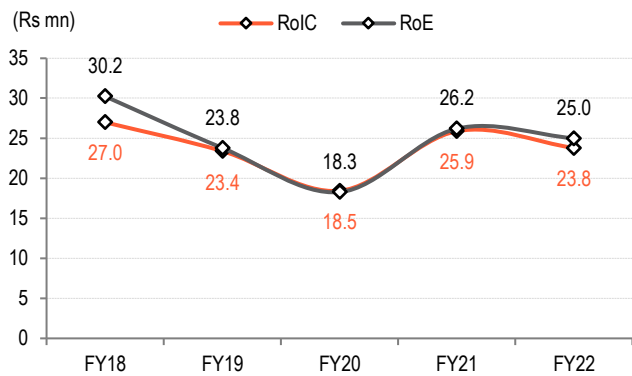
Source: Company, BOBCAPS Research

**Fig 8 – Home appliances: Growth trend**



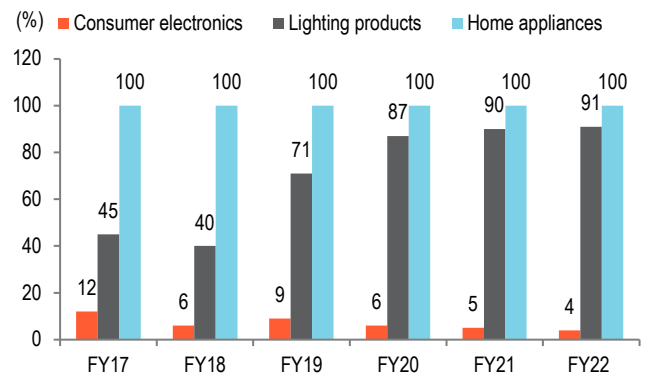
Source: Company, BOBCAPS Research

**Fig 9 – Return ratios**



Source: Company, BOBCAPS Research

**Fig 10 – ODM share in revenue**



Source: Company, BOBCAPS Research

## Annual report takeaways

Dixon has successfully carved a niche for itself in the EMS space. The company has scaled up significantly thanks to its broad range of offerings, besides managing to overcome challenges such as chip shortages due to its operational size and agility. It is currently working to increase its ODM business share, which would help boost margins. In our view, DIXON remains the best play to ride tailwinds from PLI scheme benefits and EMS category growth.

**Fig 11 – Segment offerings**

Verticals	Products & offerings
Consumer Electronics	LED TVs, AC PCB
Home Appliances	Washing Machines
Lighting Products	LED Bulbs, Battens, Downlighters, etc.
Mobile Phones & EMS	Feature & Smart Phones, Medical Electronics, Set Top Boxes, IT Products, Telecom
Security Systems	CCTV Camera, Digital Video Recorders (DVR)

Source: Company, BOBCAPS Research

### Consumer electronics

- LED television sets and air conditioner printed circuit boards (PCB) are the two main products in DIXON's consumer electronics segment. The company is one of the largest LED TV manufacturers in India with an annual capacity of 5.5mn sets in FY22, which has since risen to 6mn. This includes backward integration into liquid crystal module (LCM) and smart TV lines, making it the largest capacity in India, catering to ~35% of the country's requirement. Capacity is spread over an area of over 450,000sq ft in Tirupati (Andhra Pradesh). The business is also setting up an injection moulding facility as part of its backward integration strategy.
- The commercial production of LED TVs under DIXON's ODM solutions began in early-FY23 thanks to a partnership with one of its major global customers. In addition, the company completed its LED monitor trials in FY22 and has received orders from prominent international brands, including Dell. Commercial production has begun and management expects to close the first year with US\$ 0.5mn in orders. Margins are anticipated to be in the same ballpark as LED TVs.
- Major customers in this segment include Xiaomi, Samsung, Hisense, VU, Nokia, Panasonic, TCL, Lloyd, Flipkart, Philips and Toshiba.

### Lighting products

- DIXON is India's largest ODM player in lighting with a capacity of 300mn LED bulbs, which is ~50% of the domestic requirement. The requirement for battens is 9mn units per month, of which the company caters to xx%. Its capacity for downlighters has been raised to 1.5mn units per month, or nearly 50% of the requirement.
- Next-generation lighting products are under development and currently undergoing final approval. Additionally, fully owned subsidiary, Dixon Technologies Solutions, has received approval under the government's PLI scheme to sell lighting products. The business will invest Rs 1bn over five years which will help raise margins.

- Major customers in this segment are Signify, Panasonic, Wipro, Bajaj, Syska, Orient, Polycab, Luminous and Crompton.

### Home appliances

- DIXON has the largest selection of semiautomatic washing machine models, with 160 or so options in weights ranging from 6kg to 14kg. In order to meet the increased demand, it is raising capacity in this category to 2.4mn units annually via additional infrastructure in Dehradun (Uttarakhand) to be ready during FY23.
- The company has a 0.6mn unit capacity in the fully automatic category, 96 variants ranging in weight from 6.5kg to 11kg, and Bosch as its anchor client. It has added new clients in this category for which production is anticipated to start in Q2FY23.
- Major customers in this segment are Samsung, Godrej, Voltas-Beko, Panasonic, Lloyd, Flipkart, Haier and Reliance.

### Mobile phones & EMS

- The Motorola mobiles business has now ramped up and stabilised, with monthly volumes reaching 400k and a robust order book for both domestic and international markets. DIXON has also begun producing Nokia's feature phones in addition to its smartphone line; once production has stabilised, management expects orders from Nokia for 0.5mn units per month.
- Samsung's order book with the company for 4G and 5G smartphones has grown from 1mn per month to 1.5mn per month and is anticipated to reach 1.7mn in FY23. The ceiling revenues for FY21 and FY22 under the government's PLI scheme were first attained by DIXON.
- DIXON and boAT have a joint venture agreement in place for production of the latter's TWS (true wireless stereo), neckband and smartwatch wearables. In addition, IT products have been added to the portfolio, with a major international brand as a new client. DIXON is notable as being the first and only domestic company to meet the PLI scheme's investment and sales requirements in FY21 and FY22.

### Set-top box

- DIXON has manufactured set-top boxes for Jio (Den & Hathway), Dish TV, Siti Cable and Sun TV in FY22 and reported revenues of Rs 2.8bn. The order book in this vertical looks stable.

### Security surveillance (camera & DVR)

- The segment's order book is robust and capacity will be increased from 10mn units per year to 14mn units per year over FY23. The business is moving from its current location in Tirupati to the Koppaathy Electronic Manufacturing Cluster (Andhra Pradesh), where it has leased a 200,000sq ft facility.

## Emerging opportunities

### Refrigerators

- DIXON has planned to initially create a capacity of 1.2mn units in the Direct Cool category, which will then be expanded to the Frost-Free category, under various product sizes of 170L-235L with multiple features and star ratings. The Indian market is estimated at 10mn units in Direct Cool and 4mn units in other segments. Product design has been completed, the technology partner is in place, and construction will soon begin on the 20 acres of Greater Noida land that has been purchased. Orders for machinery will be placed in FY22-FY23. Mass production is likely to start in FY23-FY24.

### Laptops & Tablets/ IT Hardware Products

- The company began producing laptops for Acer in December and has a healthy order book in the segment. It is also working to finalise a deal to manufacture tablets for one of the biggest brands in the space; production here is anticipated to start in FY22-FY23. DIXON is one of the PLI beneficiaries for IT hardware products and has met the investment and revenue thresholds for FY21-FY22.

### Telecom & Networking Products

- DIXON has a 51:49 joint venture with Beetel for the production of telecom and networking products under the government's PLI programme. Currently, production of the ONTs (optical network terminals), modems and routers for Airtel has begun under this JV, and there is a substantial backlog of orders in the sector.

### Inverter controller boards for Air conditioners

- Inverter controller boards for air conditioners will be produced through a 40:60 JV with Rexxam. Daikin collaborates on design and technology with Rexxam, which has expertise in PCBA (printed circuit board assembly) design. Rexxam wants to have India as a manufacturing hub for clients in both domestic and export markets.
- Under the PLI scheme, the JV company will invest a total of Rs 510mn over a five-year period. The manufacturing facility in Noida has been chosen by the company, and the JV will start producing goods in FY22-FY23.

### Wearables & Hearables

- DIXON and Imagine Marketing have formed a 50:50 JV to manufacture products for boAt. The JV will start producing neckbands in addition to moving the manufacturing of boAT's TWS to a new facility in Noida. More product categories, such as Bluetooth speakers and smart watches, which are fast-growing markets, will be added as the partnership grows.

## Financial metrics

**Fig 12 – Trend in key expenses**

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22
Consumption of stores and spares	256	25	53	93	244
<i>as a % of Revenue</i>	0.9	0.1	0.1	0.1	0.2
Contractor wages and job work charges	637	726	1,086	1,313	1,708
<i>as a % of Revenue</i>	2.2	2.4	2.5	2.0	1.6
Service charge paid	213	76	0	20	40
<i>as a % of Revenue</i>	0.8	0.3	0.0	0.0	0.0
Power and fuel	145	184	222	264	404
<i>as a % of Revenue</i>	0.5	0.6	0.5	0.4	0.4
Rent	57	71	31	55	75
<i>as a % of Revenue</i>	0.2	0.2	0.1	0.1	0.1
Insurance	11	15	27	46	82
<i>as a % of Revenue</i>	0.0	0.0	0.1	0.1	0.1
Rates and taxes	9	10	20	20	22
<i>as a % of Revenue</i>	0.0	0.0	0.0	0.0	0.0
Selling and distribution expenses	105	149	149	244	270
<i>as a % of Revenue</i>	0.4	0.5	0.3	0.4	0.3
Payment to auditors (refer note below)	5	4	3	5	7
<i>as a % of Revenue</i>	0.0	0.0	0.0	0.0	0.0
Bad debts write off	2	24	39	0	1
<i>as a % of Revenue</i>	0.0	0.1	0.1	0.0	0.0
Bank charges	-	13	45	53	52
<i>as a % of Revenue</i>	-	0.0	0.1	0.1	0.0
Miscellaneous expenses	252	268	313	436	505
<i>as a % of Revenue</i>	0.9	0.9	0.7	0.7	0.5
<b>Total</b>	<b>1,692</b>	<b>1,564</b>	<b>1,989</b>	<b>2,548</b>	<b>3,409</b>

Source: Company, BOBCAPS Research

**Fig 13 – R&D expenditure**

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22
Capital	8.0	25.9	6.1	1.3	5.7
Recurring	35.3	43.2	40.6	39.0	54.5
<b>Total</b>	<b>43</b>	<b>69</b>	<b>47</b>	<b>40</b>	<b>60</b>

Source: Company, BOBCAPS Research

**Fig 14 – Capital management**

	FY19	FY20	FY21	FY22
<b>Borrowing</b>				
Non-current	113	149	800	2,973
Current	1,299	718	761	1,607
<b>Total</b>	<b>1,412</b>	<b>867</b>	<b>1,561</b>	<b>4,580</b>
Cash & Cash equivalent	144	957	638	1,765
Current investments	76	-	953	1,350
<b>Total</b>	<b>220</b>	<b>957</b>	<b>1,591</b>	<b>3,115</b>
Net Debt	1,192	(90)	(30)	1,465
Total equity	3,782	5,413	7,373	9,968
Net D/E	0.32	(0.02)	(0.00)	0.15

Source: Company, BOBCAPS Research

**Fig 15 – Working capital management**

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22
Receivables	2,985	5,167	5,151	10,891	13,564
Days	38	63	43	62	46
Inventories	3,223	4,084	4,978	7,432	11,557
Days	41	50	41	42	39
Payables	5,147	7,397	9,391	17,097	23,137
Days	66	90	78	97	79
<b>Cash conversion days</b>	<b>14</b>	<b>23</b>	<b>6</b>	<b>7</b>	<b>7</b>

Source: Company, BOBCAPS Research

**Fig 16 – Forex outgo & earnings**

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22
CIF value of import goods	6,200	10,170	11,668	21,520	38,057	44,348
Exp in foreign currency	19	21	52	23	23	20
<b>Total</b>	<b>6,219</b>	<b>10,191</b>	<b>11,720</b>	<b>21,542</b>	<b>38,080</b>	<b>44,368</b>

**Forex earnings**

Exports (FOB basis)	590	733	257	36	55	58
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Source: Company, BOBCAPS Research

**Fig 17 – Contingent liabilities**

Particulars (Rs mn)	FY21	FY22
1 <b>Letters of Credit (outstanding)</b>	10,406	5,823
2 Guarantees issued by bankers on behalf of the Group	206	3,356
3 Corporate guarantees given to Banks on behalf of subsidiary for purpose of financial assistance.	3,230	15,630
4 Bill discounting with banks	712	2,832
5 a) Bond given to custom department by the group	535	384
c) Bond given to custom department under AEO	617	3,635
6 Claims against the Group not acknowledged as debt		
I Income tax	235	235
ii Sales tax	22	44
iii Goods and service tax	5	3
iv Excise custom duty and service tax	173	237
v Other disputes	2	4
7 Summary of amount paid under protest		
I Sales tax	4	14
ii Excise custom duty and service tax*	16	86
iii Goods and service tax	3	3

Source: Company, BOBCAPS Research | Note No red flag was issued by auditor pertaining to increased guarantees



**Fig 18 – Maturities of financial liabilities**

Particulars (Rs mn)	<12 months	>12 months	Total
<b>As on 31 Mar 2022</b>			
<b>Non-Derivative</b>			
Long term borrowings	-	2,973	<b>2,973</b>
Short term borrowings	1,607	-	<b>1,607</b>
Trade Payables	23,137	-	<b>23,137</b>
Lease liability			
- Current	116	-	<b>116</b>
- Non-Current	-	1,973	<b>1,973</b>
Other financial liabilities			
- Current	549	-	<b>549</b>
<b>Total</b>	-	-	<b>30,356</b>
<b>As on 31 Mar 2021</b>			
<b>Non-Derivative</b>			
Long term borrowings	-	800	<b>800</b>
Short term borrowings	761	-	<b>761</b>
Trade Payables	17,097	-	<b>17,097</b>
Lease liability			
- Current	88.7	1,296	<b>1,384</b>
- Non-Current			
Other financial liabilities			
- Current	346	-	<b>346</b>
<b>Total</b>			<b>20,388</b>

Source: Company, BOBCAPS Research

**Fig 19 – Maturities of financial assets**

Particulars (Rs mn)	< 12 months	> 12 months	Total
<b>As on 31 Mar 2022</b>			
Non derivative			
Other financial assets			
Non-Current	-	356	356
Current	1,562	-	1,562
Investments			
Non-Current	-	59	59
Current	1,350	-	1,350
Trade receivables	13,564	-	13,564
Cash and cash equivalents	1,765	-	1,765
Bank balances other than cash and cash equivalent	59	-	59
Loans	4	-	4
<b>Total</b>	-	-	<b>18,718</b>
<b>As on 31 Mar 2021</b>			
Non derivative			
Other financial assets			
- Non-Current	-	123	123
- Current	120	-	120
Investments			
- Non-Current			
- Current	953	-	953
Trade receivables	10,891	-	10,891
Cash and cash equivalents	638	-	638
Bank balances other than cash and cash equivalent	50	-	50
Loans	25	-	25
<b>Total</b>	-	-	<b>12,801</b>

Source: Company, BOBCAPS Research

## Valuation methodology

DIXON is a major player in contract manufacturing for consumer electronics and durables. We expect sustained product addition, customer acquisition and the PLI scheme to spur growth. Return ratios are healthy (ROE of 22%) and its financial position remains strong with net cash of Rs 3.2bn and net D/E of 0.1x in FY22. We retain BUY with an unchanged TP of Rs 4,500, based on 55x FY24E EPS, a 20% premium to its four-year average

**Fig 20 – Key assumptions**

Particulars (Rs mn)	FY23E	FY24E
Sales	1,71,280	2,20,502
EBITDA	6,507	8,473
PAT	3,396	4,779
EPS	57.2	80.5
EBITDA margin (%)	3.8	3.8

Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- slower growth, and
- inability to meet PLI targets.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Amber Enterprises	AMBER IN	1.0	2,462	3,500	HOLD
Blue Star	BLSTR IN	1.2	969	1,200	HOLD
Crompton Greaves	CROMPTON IN	3.1	391	500	BUY
Dixon Technologies	DIXON IN	2.8	3,755	4,500	BUY
Havells India	HAVL IN	10.1	1,279	1,500	BUY
Orient Electric	ORIENTEL IN	0.7	258	310	HOLD
Polycab India	POLYCAB IN	4.5	2,356	3,000	BUY
V-Guard Industries	VGRD IN	1.3	236	250	HOLD
Voltas	VOLT IN	4.1	982	1,250	BUY
Whirlpool India	WHIRL IN	2.9	1,786	2,901	BUY

Source: BOBCAPS Research, NSE | Price as of 3 Aug 2022

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Total revenue</b>	<b>44,001</b>	<b>64,482</b>	<b>1,06,971</b>	<b>1,71,280</b>	<b>2,20,502</b>
EBITDA	2,231	2,866	3,791	6,507	8,473
Depreciation	365	437	840	1,527	1,577
EBIT	1,865	2,429	2,952	4,980	6,895
Net interest inc./(exp.)	(350)	(274)	(442)	(482)	(552)
Other inc./(exp.)	52	16	38	42	46
Exceptional items	0	0	0	0	0
EBT	1,568	2,170	2,548	4,540	6,389
Income taxes	363	572	644	1,144	1,610
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>1,205</b>	<b>1,598</b>	<b>1,903</b>	<b>3,396</b>	<b>4,779</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,205</b>	<b>1,598</b>	<b>1,903</b>	<b>3,396</b>	<b>4,779</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Accounts payables	9,391	17,097	23,137	37,072	47,725
Other current liabilities	231	898	2,615	4,187	5,390
Provisions	0	0	0	0	0
Debt funds	828	1,513	4,580	5,073	5,812
Other liabilities	1,109	1,576	2,472	3,955	5,089
Equity capital	116	117	119	119	119
Reserves & surplus	5,298	7,256	9,849	13,243	18,020
Shareholders' fund	5,413	7,373	9,968	13,362	18,139
<b>Total liab. and equities</b>	<b>16,972</b>	<b>28,457</b>	<b>42,772</b>	<b>63,647</b>	<b>82,155</b>
Cash and cash eq.	1,002	1,641	3,174	3,293	7,992
Accounts receivables	5,151	10,891	13,564	23,463	29,082
Inventories	4,978	7,432	11,557	18,770	23,994
Other current assets	1,331	1,946	3,176	5,085	6,547
Investments	0	0	0	0	0
Net fixed assets	4,040	5,403	9,542	10,516	11,438
CWIP	96	724	220	352	454
Intangible assets	125	122	494	494	494
Deferred tax assets, net	0	0	0	0	0
Other assets	249	297	1,045	1,673	2,154
<b>Total assets</b>	<b>16,972</b>	<b>28,457</b>	<b>42,772</b>	<b>63,647</b>	<b>82,155</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Cash flow from operations</b>	<b>2,373</b>	<b>1,701</b>	<b>2,728</b>	<b>1,406</b>	<b>5,909</b>
Capital expenditures	(1,081)	(1,680)	(4,174)	(2,500)	(2,500)
Change in investments	(118)	(949)	(452)	0	0
Other investing cash flows	211	(26)	(19)	722	553
<b>Cash flow from investing</b>	<b>(988)</b>	<b>(2,654)</b>	<b>(4,645)</b>	<b>(1,778)</b>	<b>(1,947)</b>
Equities issued/Others	457	269	642	0	0
Debt raised/repaid	(570)	688	2,174	493	739
Interest expenses	0	0	0	0	0
Dividends paid	(461)	(322)	228	(2)	(2)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(574)</b>	<b>635</b>	<b>3,043</b>	<b>491</b>	<b>737</b>
<b>Chg in cash &amp; cash eq.</b>	<b>812</b>	<b>(318)</b>	<b>1,126</b>	<b>119</b>	<b>4,699</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,002</b>	<b>1,641</b>	<b>3,174</b>	<b>3,293</b>	<b>7,992</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22A	FY23E	FY24E
Reported EPS	20.3	26.9	32.1	57.2	80.5
Adjusted EPS	20.3	26.9	32.1	57.2	80.5
Dividend per share	46.3	58.6	59.3	118.7	118.7
Book value per share	91.2	124.2	168.0	225.2	305.7

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22A	FY23E	FY24E
EV/Sales	5.1	3.5	2.1	1.3	1.0
EV/EBITDA	99.9	77.8	58.8	34.2	26.3
Adjusted P/E	184.9	139.5	117.1	65.6	46.6
P/BV	41.2	30.2	22.4	16.7	12.3

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22A	FY23E	FY24E
Tax burden (Net profit/PBT)	76.9	73.6	74.7	74.8	74.8
Interest burden (PBT/EBIT)	84.0	89.4	86.3	91.2	92.7
EBIT margin (EBIT/Revenue)	4.2	3.8	2.8	2.9	3.1
Asset turnover (Rev./Avg TA)	10.9	11.9	11.2	16.3	19.3
Leverage (Avg TA/Avg Equity)	0.9	0.8	1.1	0.9	0.7
<b>Adjusted ROAE</b>	<b>26.2</b>	<b>25.0</b>	<b>22.0</b>	<b>29.1</b>	<b>30.3</b>

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22A	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	47.4	46.5	65.9	60.1	28.7
EBITDA	65.4	28.5	32.3	71.6	30.2
Adjusted EPS	90.2	32.6	19.1	78.4	40.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	5.1	4.4	3.5	3.8	3.8
EBIT margin	4.2	3.8	2.8	2.9	3.1
Adjusted profit margin	2.7	2.5	1.8	2.0	2.2
Adjusted ROAE	26.2	25.0	22.0	29.1	30.3
ROCE	25.9	23.8	19.1	22.8	24.5
<b>Working capital days (days)</b>					
Receivables	43	62	46	50	48
Inventory	41	42	39	40	40
Payables	78	97	79	79	79
<b>Ratios (x)</b>					
Gross asset turnover	9.5	11.3	11.8	13.4	14.4
Current ratio	1.2	1.2	1.2	1.2	1.2
Net interest coverage ratio	5.3	8.9	6.7	10.3	12.5
<b>Adjusted debt/equity</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>0.4</b>	<b>0.3</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Disclaimer

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

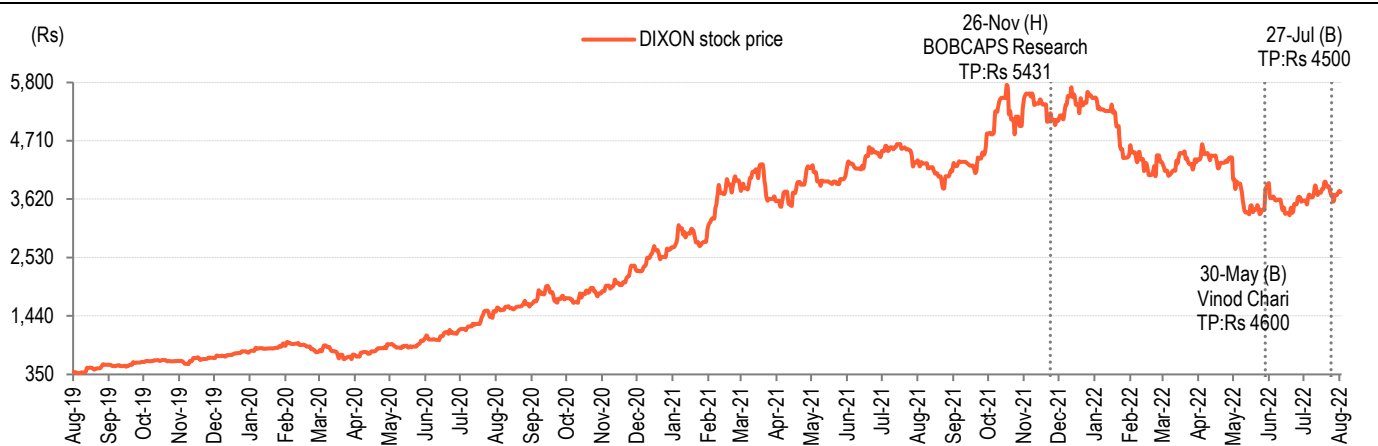
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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### Ratings and Target Price (3-year history): DIXON TECHNOLOGIES (DIXON IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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