

BUY

TP: Rs 19,100 | ▲ 15%

DIXON TECHNOLOGIES

Consumer Durables

21 May 2025

Steady Q4; growth momentum intact

- **Beat on revenue/EBITDA/ PAT; Q4 revenue grew 121%YoY, led by 194% YoY growth in Mobile & EMS**
- **Guides for ~45-50% YoY handset volume growth in Mobile Phones over FY26 and FY27**
- **Ascribe 70x to FY27E EPS to arrive at Mar'26TP of Rs 19,100; assume coverage with BUY**

Vineet Shanker

research@bobcaps.in

Performance beat on all fronts: DIXON Q4 performance beat on all fronts.

Revenue/EBITDA/PAT were 4%/18%/6% ahead of our estimates. Revenue grew 121% YoY/-2% QoQ, led by a strong growth in the Mobile & EMS division. EBITDA margin expanded 40bps YoY to 4.3% (50bps ahead of estimates), absolute EBITDA grew 143% YoY/13% QoQ. However, on account of higher depreciation and interest costs, adjusted PAT grew 58% YoY (6% above estimates). For FY25, revenue/EBITDA/PAT grew 120%/116%/107% YoY respectively.

Mobile Phones & EMS sustains YoY growth trajectory, albeit with QoQ

decline: The Mobile and EMS segment delivered 194% YoY revenue growth but declined 2% QoQ. Growth was led by client additions, strong hearables/wearables revenue (Rs 1.9bn vs Rs 720mn YoY), and a sharp rise in telecom revenue to Rs 12.9bn (vs Rs 2.3bn YoY). Ismartu contributed Rs 11bn (vs Rs 18bn QoQ). Segment EBIT margin expanded 40bps YoY to 3.8%. FY25 mobile volumes stood at ~28.3mn units. Management guides for Rs 40–43mn in FY26 and 60–65mn in FY27, aided by anchor clients and the Vivo JV starting Q4FY26.

CE and appliances declined on market share loss and structural challenges:

Consumer Electronics (CE) segment reported a revenue decline of 23% YoY (+9% QoQ). As per management, the decline was largely on account of market share (MS) loss in the LED TV segment and sustained structural challenges in the industry (demand deceleration globally). DIXON is working on various fronts to fix the market share loss such as expanding product portfolio, backwardly integrating to offer better pricing and looking for large strategic relationships. For FY25, TV volume fell from 3mn to 2.4mn units (in line with guidance).

Assume coverage with BUY: We believe DIXON is well-placed to benefit from the rising outsourcing of electronics manufacturing. Going ahead, growth will be driven by new client additions via JVs and expanded capabilities in electronic components. We model 35–40% revenue/EBITDA CAGR over FY25–27E and ascribe 70x on FY27E EPS and arrive at March FY26 TP of Rs 19,100 and we assume coverage with BUY.

Key changes

Target	Rating
▲	▲

Ticker/Price	DIXON IN/Rs 16,566
Market cap	US\$ 11.5bn
Free float	66%
3M ADV	US\$ 70.0mn
52wk high/low	Rs 19,149/Rs 8,453
Promoter/FPI/DII	34%/12%/24%

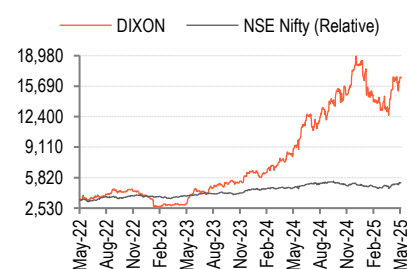
Source: NSE | Price as of 20 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	3,88,601	5,19,363	7,30,924
EBITDA (Rs mn)	15,076	19,720	29,994
Adj. net profit (Rs mn)	6,356	9,548	16,280
Adj. EPS (Rs)	106.7	160.3	273.4
Consensus EPS (Rs)	135.0	195.0	256.0
Adj. ROAE (%)	27.0	27.4	34.2
Adj. P/E (x)	155.2	103.3	60.6
EV/EBITDA (x)	65.4	50.0	32.9
Adj. EPS growth (%)	72.8	50.2	70.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	Q4FY25E	Var (%)
Revenue	1,02,925	46,580	121	1,04,537	(2)	3,88,601	1,76,909	120	99,231	3.7
EBITDA	4,428	1,825	143	3,905	13	15,076	6,976	116	3,769	17.5
EBITDA Margin (%)	4.3	3.9	40bps	3.7	60bps	3.9	3.9	(10bps)	3.8	50bps
Depreciation	859	510		746		2,810	1,619		864	(0.6)
Interest	463	214		409		1,544	747		471	(1.9)
Other Income	113	167		65		202	226		91	24.0
PBT	3,219	1,267	154	2,816	14	10,924	4,836	126	2,525	27.5
Tax	1,111	322		689		3,372	1,189		705	57.5
Adjusted PAT	1,504	952	58	1,712	(12)	7,552	3,647	107	1,418	6.1
Exceptional item	(2,504)	-		0		(4,600)	0.0		0	
Reported PAT	4,008	952	321	1,712	134	10,955	3,678	198	1,418	182.7
Adj. PAT Margin (%)	1.5	2.0	(60bps)	1.6	(20bps)	1.9	2.1	(10bps)	1	3bps
EPS (Rs)	35.4	15.9	123	35.7	(1)	106.7	61.8	73	31	15.9

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Segment revenue								
Consumer electronics	6,890	8,970	(23)	6,330	9	35,900	41,480	(13)
Lighting products	2,000	1,970	2	2,010	0	8,610	7,870	9
Home appliances	3,020	2,940	3	3,150	(4)	13,660	12,050	13
Mobile & EMS	91,020	30,910	194	93,050	(2)	3,30,430	1,09,190	203
EBIT								
Consumer electronics	420	300	40	220	91	1,440	1,410	2
EBIT Margin (%)	6.1	3.3	275bps	3.5	262bps	4.0	3.4	61bps
Lighting products	150	142	6	140	7	610	590	3
EBIT Margin (%)	7.5	7.2	29bps	7.0	53bps	7.1	7.5	(41bps)
Home appliances	370	300	23	320	16	1,500	1,310	15
EBIT Margin (%)	12.3	10.2	205bps	10.2	209bps	11.0	10.9	11bps
Mobile & EMS	3,490	1,050	232	3220	8	11,530	3,550	225
EBIT Margin (%)	3.8	3.4	44bps	3.5	37bps	3.5	3.3	24bps

Source: Company, BOBCAPS Research

Earnings Call Highlights

Mobile & EMS

Mobile Phones

Management outlined multiple factors expected to drive growth in the Mobile Phone segment over the near-to-medium term. Key drivers include:

- a) The company is undertaking a 50% expansion in manufacturing capacity to cater to increased demand from its anchor customers. A substantial part of this growth is attributed to rising export orders to North America.
- b) Strong volume growth from Longcheer with a healthy order pipeline from key clients like Xiaomi. As well as the Compal partnership is witnessing an uptick in volumes, particularly from large U.S.-based brands, further strengthening Dixon's export-oriented positioning.
- c) The recently acquired subsidiary- ISmartU continues to gain traction with a robust order book from brands like Intel, Infinix, Tecno, and Nothing.
- d) Export demand remains healthy, particularly in African markets, where Transsion Group (parent company of Intel, Infinix, and Tecno) holds an estimated 80% market share. The company is also pursuing deeper vertical integration via a JV with Transsion, to manufacture mobile components locally.
- e) Smartphone production has commenced for NXT Cell to supply devices for the French brand Alcatel, expanding Dixon's international client base.
- f) A new 1mn sq.ft. mobile manufacturing facility is under development in Noida. In parallel, a display module facility in partnership with HKC is under construction, with mass production set to begin at FY25-end, offering capacity of 2mn mobile displays/month (scalable to 4mn) and 2mn laptop displays/month.
- g) Management indicated ambitious volumes for the upcoming JV with Vivo, targeting 60–65mn smartphones over the next year. Of this, 15–16mn units are expected from the JV output in FY26–27, based on the binding term sheet in place.
- h) With Component PLI announced, the company is in active discussions with technology partners across: Camera modules, Lithium-ion batteries, Enclosures.

IT & Hardware

- Dixon's ramp-up in the PC/IT segment is gaining significant momentum with mass production already commenced for HP and Asus at the Chennai facility. This is complemented by a substantial scale-up in Lenovo notebook production to ~30,000 units/month, underpinned by a healthy order pipeline.
- Dixon's 60:40 JV with Inventec is underway to manufacture notebooks, desktops, servers, and components (SSDs, memory, power supply). The manufacturing facility is being set up adjacent to the current Chennai unit.

- The company is also evaluating opportunities for localising mechanical enclosures under the ECMS initiative, to further drive cost efficiency and margins.

Other segments within Mobile Phone & EMS

- Revenue for the Telecom & Networking products stood at Rs 12.8 bn, marking an almost 5x YoY growth, supported by superior operating margins and a strong balance sheet. The new Noida facility commissioned in Q3FY25 is now running at optimal levels to fulfill the expanded order book from a key anchor customer.
- Capacity for 5G fixed wireless access devices has been doubled to meet rising home broadband demand in India. The first model of IPTV boxes has ramped up; the second is scheduled for a launch in Q2FY26.
- The company is exploring expansion into non-customer premise equipment and low-volume, high-mix products, including Radio access networks, Ethernet switches & Network transport equipment.
- The Rexam Dixon Electronics Ltd has finalized a new manufacturing facility in Chennai, Tamil Nadu for expansion to meet growing order volumes from anchor customer.

Consumer Electronics & Appliances

Refrigerator

- Dixon captured ~8% of the OEM market and 48% share in the direct cool category within its first year, supported by the onboarding of 15+ customers.
- The company is increasing capacity from 1.2mn to 2mn units per annum and expanding into new cooling categories such as frost-free, side-by-side, mini-bars, deep freezers, and mini-coolers, with ~50% revenue growth expected in FY26.

LED

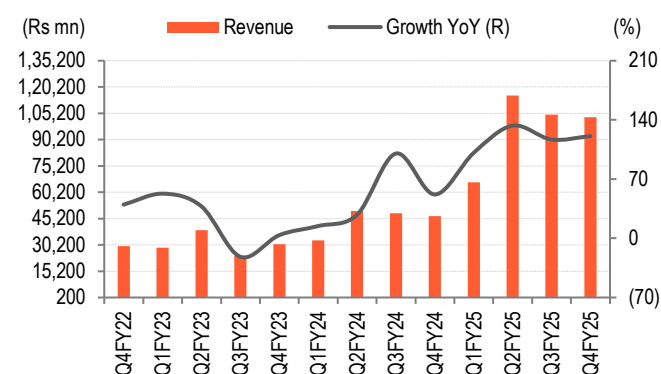
- TV volumes declined from 3mn to 2.4mn units YoY, with management attributing this to structural industry challenges and some market share loss.
- Dixon is broadening its TV portfolio with interactive displays, digital signage (65–100 inches), and customized solutions via partnerships with Amazon Fire TV and LG WebOS. Investments are planned in CKD assembly, robotics, and industrial/automotive display solutions to tap into B2B and institutional demand.

Home Appliances

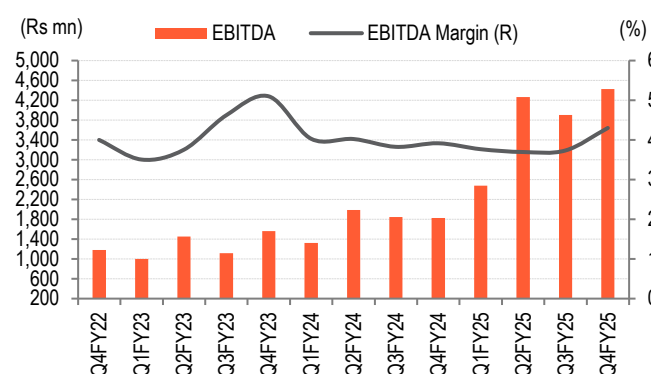
- Management highlighted that capacity at the Tirupati plant is being expanded to address a rising order pipeline in the Home Appliances segment.
- Upcoming launches include 16 kg and 18 kg semi-automatic washing machines (an industry first), with development underway for front-load models, robotic vacuum cleaners, and enhanced Rhodium series modules, all targeted for launch by Q2FY26.

Lighting

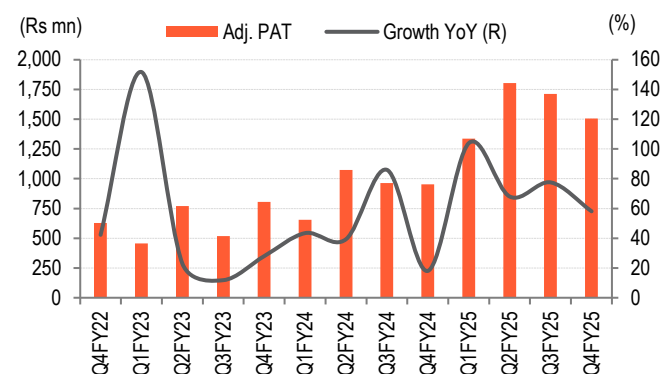
- A 50:50 JV with Signify (formerly Philips Lighting) is set to commence operations from Q2FY26, with definitive agreements expected by the end of May'25. The JV aims to drive operating leverage through expansion into high-end decorative and professional lighting categories, along with tapping export opportunities.
- Backward integration for extrusions has been operationalized and is expected to enhance the cost efficiency and support margin expansion.

Fig 3 – Revenue growth

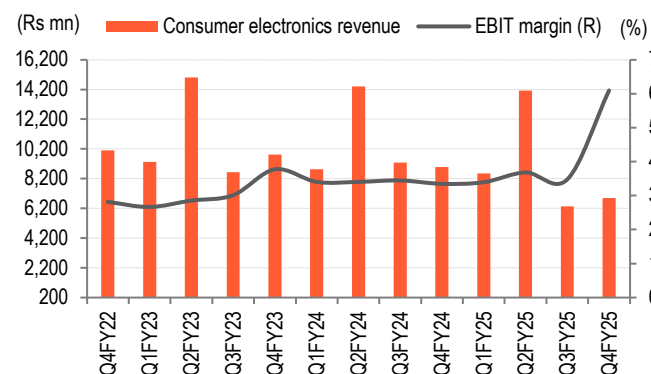
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth

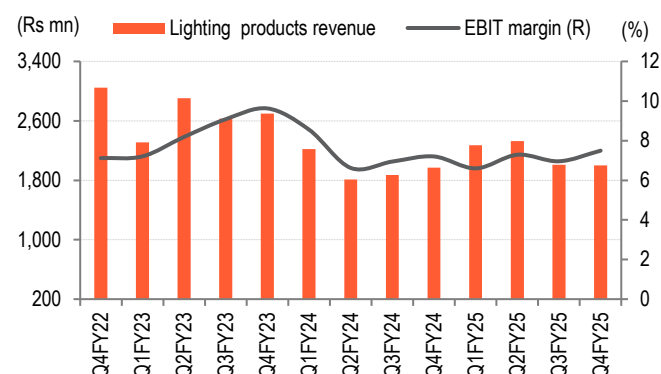
Source: Company, BOBCAPS Research

Fig 5 – PAT growth

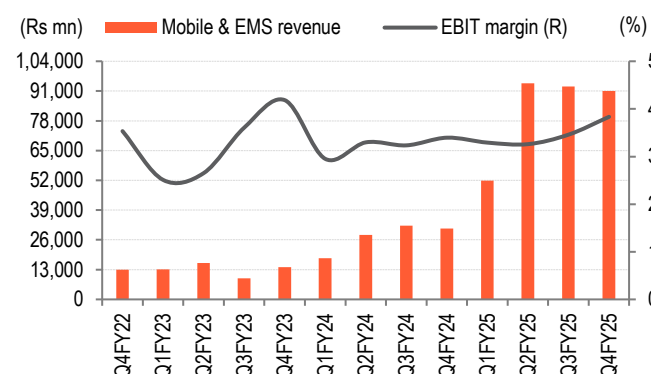
Source: Company, BOBCAPS Research

Fig 6 – Consumer Electronics business growth

Source: Company, BOBCAPS Research

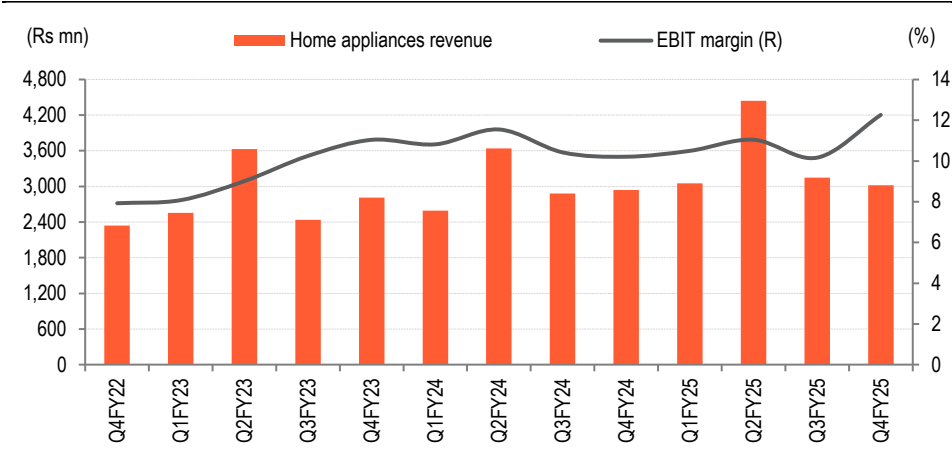
Fig 7 – Lighting business growth

Source: Company, BOBCAPS Research

Fig 8 – Mobiles business growth

Source: Company, BOBCAPS Research

Fig 9 – Home appliances business growth



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	1,21,920	1,76,909	3,88,601	5,19,363	7,30,924
EBITDA	5,128	6,976	15,076	19,720	29,994
Depreciation	1,146	1,619	2,810	3,164	4,398
EBIT	3,981	5,358	12,266	16,557	25,596
Net interest inc./(exp.)	(606)	(747)	(1,544)	(1,812)	(1,069)
Other inc./(exp.)	56	226	202	237	296
Exceptional items	0	0	0	0	0
EBT	3,432	4,836	10,924	14,982	24,822
Income taxes	897	1,189	3,372	3,775	6,255
Extraordinary items	0	0	(4,600)	0	0
Min. int./Inc. from assoc.	16	102	174	191	210
Reported net profit	2,555	3,678	10,955	9,548	16,280
Adjustments	0	0	(4,600)	0	0
Adjusted net profit	2,555	3,678	6,356	9,548	16,280

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	24,519	40,598	1,08,837	1,45,137	2,00,253
Other current liabilities	4,341	6,074	15,395	20,575	28,957
Provisions	0	0	0	0	0
Debt funds	4,531	4,890	6,710	6,710	3,960
Other liabilities	555	1,404	6,626	8,476	10,973
Equity capital	119	120	121	121	121
Reserves & surplus	12,730	16,829	29,982	39,410	55,571
Shareholders' fund	12,849	16,949	30,102	39,530	55,691
Total liab. and equities	46,794	69,914	1,67,669	2,20,428	2,99,834
Cash and cash eq.	2,592	2,087	2,635	7,540	12,370
Accounts receivables	17,155	23,179	69,655	93,912	1,32,167
Inventories	9,579	16,950	39,924	56,917	80,101
Other current assets	2,068	6,147	18,730	18,498	26,033
Investments	0	0	0	0	0
Net fixed assets	9,425	16,367	21,091	27,488	33,090
CWIP	1,197	643	2,561	3,000	3,000
Intangible assets	3,012	3,635	6,655	6,655	6,655
Deferred tax assets, net	0	0	0	0	0
Other assets	1,768	906	6,418	6,418	6,418
Total assets	46,794	69,914	1,67,669	2,20,428	2,99,834

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	7,258	5,843	11,498	13,174	15,201
Capital expenditures	(4,502)	(5,686)	(8,956)	(10,000)	(10,000)
Change in investments	984	344	(3,210)	0	0
Other investing cash flows	(38)	33	(123)	0	0
Cash flow from investing	(3,556)	(5,309)	(12,289)	(10,000)	(10,000)
Equities issued/Others	336	469	1,399	0	0
Debt raised/repaid	(2,776)	(276)	583	0	(2,750)
Interest expenses	0	0	0	0	0
Dividends paid	(856)	(893)	(2,248)	1,731	2,378
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(3,296)	(700)	(266)	1,731	(372)
Chg in cash & cash eq.	406	(166)	(1,057)	4,905	4,829
Closing cash & cash eq.	2,592	2,087	2,635	7,540	12,370

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	42.9	61.8	184.0	160.3	273.4
Adjusted EPS	42.9	61.8	106.7	160.3	273.4
Dividend per share	3.0	2.0	8.0	2.0	2.0
Book value per share	215.8	284.6	505.5	663.8	935.2

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	8.1	5.6	2.5	1.9	1.3
EV/EBITDA	192.4	141.4	65.4	50.0	32.9
Adjusted P/E	386.1	268.3	155.2	103.3	60.6
P/BV	76.8	58.2	32.8	25.0	17.7

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	74.5	76.0	58.2	63.7	65.6
Interest burden (PBT/EBIT)	86.2	90.3	89.1	90.5	97.0
EBIT margin (EBIT/Revenue)	3.3	3.0	3.2	3.2	3.5
Asset turnover (Rev./Avg TA)	12.9	10.8	18.4	18.9	22.1
Leverage (Avg TA/Avg Equity)	0.8	1.1	0.9	0.8	0.7
Adjusted ROAE	22.4	24.7	27.0	27.4	34.2

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	14.0	45.1	119.7	33.6	40.7
EBITDA	35.3	36.1	116.1	30.8	52.1
Adjusted EPS	34.3	43.9	72.8	50.2	70.5

Profitability & Return ratios (%)

EBITDA margin	4.2	3.9	3.9	3.8	4.1
EBIT margin	3.3	3.0	3.2	3.2	3.5
Adjusted profit margin	2.1	2.1	1.6	1.8	2.2
Adjusted ROAE	22.4	24.7	27.0	27.4	34.2
ROCE	18.8	21.5	23.4	23.2	28.2

Working capital days (days)

Receivables	51	48	65	66	66
Inventory	29	35	37	40	40
Payables	73	84	102	102	100

Ratios (x)

Gross asset turnover	10.1	10.5	15.6	15.5	16.9
Current ratio	1.1	1.0	1.0	1.1	1.1
Net interest coverage ratio	6.6	7.2	7.9	9.1	23.9
Adjusted debt/equity	0.4	0.3	0.2	0.2	0.1

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

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

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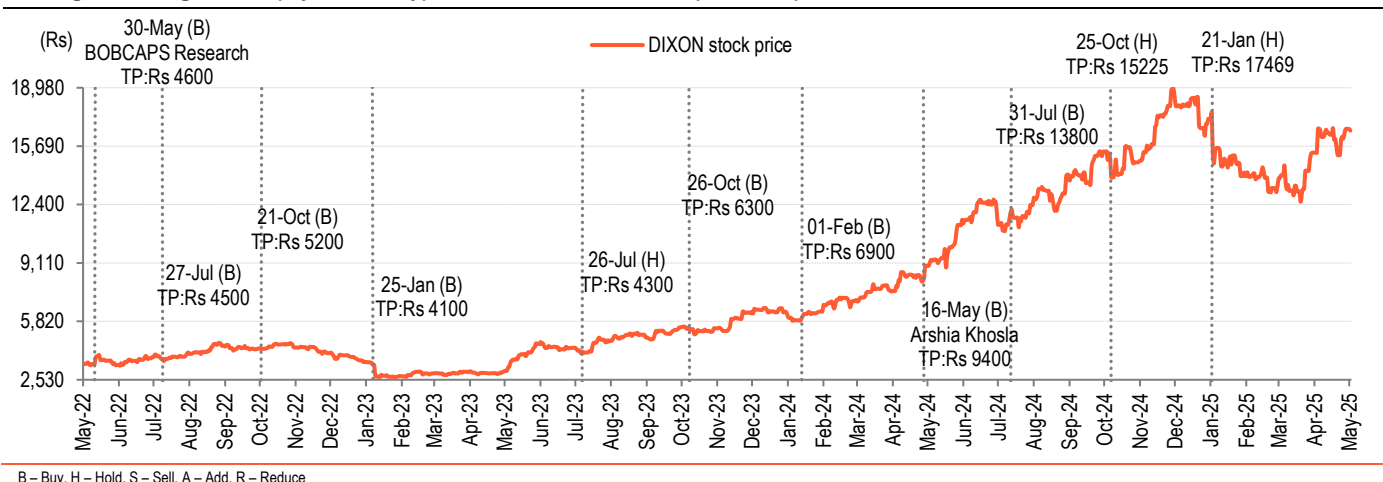
HOLD – Expected return from -6% to +15%

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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)



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