

FIRST LIGHT

21 May 2025

RESEARCH

DIXON TECHNOLOGIES | TARGET: Rs 19,100 | +15% | BUY

Steady Q4; growth momentum intact

ERIS LIFESCIENCES | TARGET: Rs 1,690 | +17% | BUY

Aims to capture ~50% of human insulin market

ZYDUS WELLNESS | TARGET: Rs 2,023 | +10% | HOLD

Broadly in line: Remaining margin focused

SUMMARY

DIXON TECHNOLOGIES

- 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

[Click here](#) for the full report.

ERIS LIFESCIENCES

- Sales/EBITDA/PAT reported -5.2%/-1.4%/8.2% above our estimates. PAT was higher due to lower tax rate of 20.6%
- EBITDA margin reported 134 bps above our estimates at 35.8% driven by SG&A cost rationalisation. Organic base business margin at 40%
- Due to 44% EPS CAGR from FY25-27E, we ascribe a PE of 31x on FY27E EPS to arrive at TP of Rs 1,690, implying 17%, thus maintain BUY

[Click here](#) for the full report.

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ZYDUS WELLNESS

- Sales were +17% YoY and 2% above consensus. EBITDA was +17%; 1% lower with margins at 20.8%, 80bps below consensus
- We see downside risk to Zydus' margin guidance due to likely negative leverage on reinvestment cuts and margin dilution from Naturell
- An overt focus on margins by the category leader can potentially slow industry and Zydus' own sales growth. HOLD

[Click here](#) for the full report.

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**

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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%

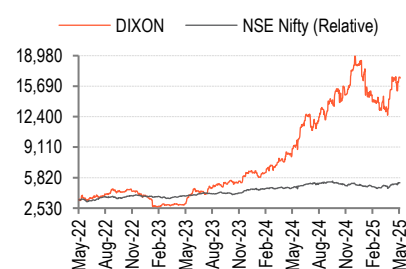
Source: NSE | Price as of 20 May 2025

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



BUY

TP: Rs 1,690 | ▲ 17%

ERIS LIFESCIENCES

Pharmaceuticals

20 May 2025

Aims to capture ~50% of human insulin market

- Sales/EBITDA/PAT reported -5.2%/-1.4%/8.2% above our estimates. PAT was higher due to lower tax rate of 20.6%
- EBITDA margin reported 134 bps above our estimates at 35.8% driven by SG&A cost rationalisation. Organic base business margin at 40%
- Due to 44% EPS CAGR from FY25-27E, we ascribe a PE of 31x on FY27E EPS to arrive at TP of Rs 1,690, implying 17%, thus maintain BUY

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Mixed 4Q – ERIS reported a mix set of numbers where sales/EBITDA/PAT grew by 28%/70%/32% respectively. Sales was driven by 25% growth in the domestic base business including Biocon1&2 and 22% growth in Swiss Parenterals. Sales growth was offset by 44% increase in RM cost, resulting in 269 bps decline in gross margin to 75.9%. However, lower SG&A cost of 11% (23% contribution in 4QFY25 vs 33% in 4QFY24) resulted in 884 bps rise in EBITDA margin to 35.8%. Higher EBITDA was offset by Other Income reducing by 48% YoY, depreciation and interest cost going up by 43% and 64%, resulting in 32% increase in PAT.

Expect to garner half the market of insulin space – ERIS expects human insulin cartridge worth Rs 4.5bn p.a., to go off the shelf, which would be vacated by the innovator. ERIS has two large human insulin brands (Xsulin and Insugen), which clocks monthly sales of Rs 230 mn. ERIS has a bulk supply agreement for these insulins from Biocon and expects to commission its own cartridge in the Bhopal facility by 4QFY26E, which gives them confidence of garnering market opportunity worth Rs 2-3bn pa from the vacated space. Hence, we expect sales to grow at 18% CAGR from FY25-27e.

Entering newer therapies in base business- ERIS's base business ex-Biocon, is focused on Diabetes therapy where its market share doubled from 3% to 6%. It has distinctive pipeline of 10 products with "first in market" in Oral Solid combinations gathering momentum in the Indian market. Going forward, it intends to launch gSaxenda in H2FY26 and gSemaglutide in FY27. ERIS has also ventured into newer therapies of Vitamins and Bioart (IVF therapy).

Valuations - Healthy product mix and backward integration (80% in-house production), to result in EBITDA Margin increasing to 36-37% in FY26. Factoring in the human insulin market opportunity from H2FY26, our EPS goes up by 7% to 40.8 in FY26 and 1.8% in FY27E to Rs 53.7, resulting in earnings CAGR of 44% from FY25-27E. Due to its high earnings growth trajectory, we ascribe a PE of 31x on FY27E EPS to arrive at TP of Rs 1,690, implying 17%, thus maintain BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ERIS IN/Rs 1,444
Market cap	US\$ 2.3bn
Free float	29%
3M ADV	US\$ 2.7mn
52wk high/low	Rs 1,594/Rs 816
Promoter/FPI/DII	55%/13%/16%

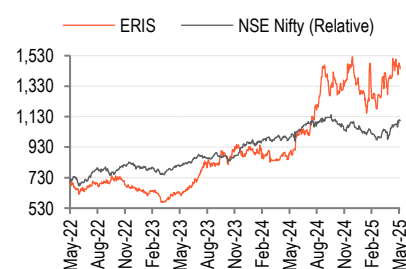
Source: NSE | Price as of 19 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	28,936	35,054	40,331
EBITDA (Rs mn)	10,172	12,619	15,138
Adj. net profit (Rs mn)	3,519	5,548	7,308
Adj. EPS (Rs)	25.9	40.9	53.8
Consensus EPS (Rs)	25.9	40.3	54.3
Adj. ROAE (%)	11.9	17.1	20.0
Adj. P/E (x)	55.7	35.3	26.8
EV/EBITDA (x)	20.4	17.0	14.3
Adj. EPS growth (%)	(10.2)	57.7	31.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



HOLD

TP: Rs 2,023 | ▲ 10%

ZYDUS WELLNESS

| Consumer Staples

| 20 May 2025

Broadly in line: Remaining margin focused

- Sales were +17% YoY and 2% above consensus. EBITDA was +17%; 1% lower with margins at 20.8%, 80bps below consensus
- We see downside risk to Zydus' margin guidance due to likely negative leverage on reinvestment cuts and margin dilution from Naturell
- An overt focus on margins by the category leader can potentially slow industry and Zydus' own sales growth. **HOLD**

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4QFY25 result summary: Zydus Wellness reported 4QFY25 sales of Rs9.1bn, +17% YoY, with EBITDA also +17% as margins marginally expanded 8bps to 20.8%. Sales came in 2% above consensus (6% above our estimate), while EBITDA was 1% lower vs both consensus and our estimates. Cost trends remained relatively unchanged vs 3Q, as pressure continued on edible oils and Dextrose while Sucralose and Stevia remained favourable. Milk turned favourable in 4Q. Pricing, strategic hedges and efficiencies helped offset inflation.

4QFY25 sales trends YoY: Food & Nutrition sales increased 15%. Personal Care sales +23%. MAT to December market share of Complian was down 21bps while Glucon D was down 81bps. Personal Care did better with market shares up 6bps to 320bps in the *everyuth* portfolio.

Flexible approach to margins: Zydus is focused on improving EBITDA margins to 17%-18%. We see downside risk on margin guidance as the company is being pragmatic on A&P spend. Adverse impact of A&P cuts on sales won't be immediate but can start to show towards FY26E end along with negative operating leverage.

Our view: Zydus Wellness continues to focus on margin gains and adjust business reinvestments to meet targets. Such an approach by the category leader can potentially slow the pace of category growth and Zydus' own sales growth. This also translates into negative operating leverage to ultimately hurt margins. While Naturell is faster growth vs average, it operates in mid-single digit margins. We value Zydus at 30x, in line with its 5Y historical average P/E on 12M to Mar'27 EPS. Our TP changes to Rs2,023 from Rs 1,987. Share price return of 10% – **HOLD**

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ZYWL IN/Rs 1,833
Market cap	US\$ 1.4bn
Free float	21%
3M ADV	US\$ 0.7mn
52wk high/low	Rs 2,484/Rs 1,493
Promoter/FPI/DII	69%/3%/28%

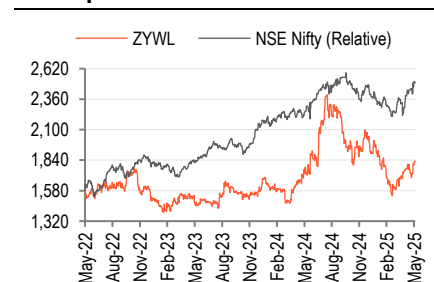
Source: NSE | Price as of 19 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	27,089	30,395	32,522
EBITDA (Rs mn)	3,797	4,360	4,788
Adj. net profit (Rs mn)	3,410	3,823	3,922
Adj. EPS (Rs)	53.6	62.0	68.0
Consensus EPS (Rs)	53.6	72.6	72.8
Adj. ROAE (%)	6.2	6.5	6.3
Adj. P/E (x)	34.2	29.5	27.0
EV/EBITDA (x)	31.4	27.1	24.0
Adj. EPS growth (%)	21.3	12.1	2.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Zydus 4QFY25 summary (Rs mn)	Actual			Reported vs (%)	
	4Q24	4Q25	YoY (%)	BoB	Cons.
Sales	7,826	9,131	16.7	5.9	2.4
EBITDA	1,622	1,900	17.1	(0.6)	(1.3)
EBITDA margin (%)	20.7	20.8	8bps	(136bps)	(78bps)

Source: Company, Bloomberg, BOBCAPS Research



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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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