

IPO Note

Issue Detail	
Type	100% Book Building
Issue Size	Rs. 660 Crore
Offer Price	*Rs (1760 - 1766)/Equity Share
Min App Size	8 Shares
Issue Open	6-Sep-17
Issue Close	8-Sep-17
Shares Offer	0.33 Cr
Face Value	Rs 10
Lead Mgrs	IDFC Bank Limited, IIFL Holdings Ltd, Motilal Oswal Investments Advisors Pvt Ltd, Yes Securities (India) Ltd
Listing	BSE, NSE
Registrar	Karvy Computershare Pvt Ltd
Market Cap (Post Issue)	2000.0

No of shares (Post & Pre Issue)	
No of Shares (Pre Issue)	109,85,341
Offer for Sale	30,53,675
Fresh Issue made	339750
No of Shares (Post Issue)	11325091

Bid allocation pattern	
QIB	50%
Non-Institutional	15%
Retail	35%

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Company Overview

Dixon Technologies Ltd was incorporated in 1993. Dixon Technologies is engaged in manufacturing products in the consumer durables, lighting and mobile phones markets. The product portfolio of Dixon include: 1. Consumer electronics like LED TVs, 2. Home appliances like washing machines, 3. Lighting products like LED bulb, tube lights, CFL bulbs etc, 4. Mobile phones.

Company also provide repair and refurbishment services of set top boxes, mobile phones and LED TV panels. Dixon is leading manufacturer of lighting products of CFL, LED bulbs, LED TVs and semi-automatic washing machines in India. Dixon manufacture products for popular retail brands including Panasonic, Philips, Haier, Gionee, Surya Roshni, Reliance Retail, Intex Technologies, Mitashi and Dish.

Dixon is also a leading Original Design Manufacturer (ODM) in India. Company develop and design products in-house at its R&D facility. The ODM business contribute over 25% of its revenue. Company have six manufacturing facilities located in the states of Uttar Pradesh and Uttarakhand. Company has over 629 permanent employees and 4,030 contractors.

Company Strategies

>> Company is a leading player in most verticals company operate in. Company enjoyed market leadership in manufacturing of FPD TVs, washing machines, LED and CFL lights in India in Fiscal 2016.

>> Company plan to continue to increase offerings in current product verticals as well as diversify into new verticals by tapping into segments which in the view of management have attractive growth prospects and higher return ratios where company has distinctive competence and compelling value propositions.

>> Company seek to expand geographical footprint by enhancing current manufacturing capacities and setting up of new manufacturing facilities, especially in South India. Company is in the process of setting up a new manufacturing facility in Tirupati, Andhra Pradesh.

Objects of the Issue:

Repayment/pre-payment, in full or in part, of certain borrowings availed by the Company
Setting up a unit for manufacturing of LED TVs at the Tirupati Facility
Enhancement of our backward integration capabilities in the lighting products vertical at our Dehradun I Facility
Upgradation of the information technology infrastructure of the Company
General corporate purposes.

Recommendation

Dixon Technologies provides manufacturing services for products such as LED TVs, semi-automatic washing machines, lighting products and mobile phones. It also provides solutions in reverse logistics i.e. repair and refurbishment services for set top boxes, mobile phones and LED TV panel. Its Key customers include Panasonic, Philips, Haier, Gionee, Intex, Mitashi and Dish. For lighting products, LED TV and semi automatic washing machines, they are the leading original design manufacturer (ODM) in India. ODM has higher margin among Dixon manufacturing range. Part of the issue proceeds will go to further help its ODM capabilities. Also, policy initiatives like 'Make in India' augurs very well for Dixon. The company adopts asset light model and also manages its working capital very well. Though the issue has been priced bit aggressively its unique business proposition has seen strong interest by anchor institutional investors ahead of the IPO. We recommend Subscribe only for long term investment purpose.

Sales Volume of Key Product Portfolio

S. No.	Product/Vertical	Installed capacity p.a. (in units) ⁽¹⁾	Sales in Fiscal 2017 (in units)
1.	Consumer Electronics		
	<i>LED TVs</i>	1,200,000	747,383
2.	Lighting products	260,400,000	102,592,760
	<i>LED bulbs</i>	126,000,000	50,303,492
	<i>Downlighters</i>	1,200,000	439,912
	<i>Tubelights and battens</i>	3,600,000	676,834
	<i>LED drivers</i>	6,000,000	2,544,909
	<i>CFL lamps</i>	48,000,000	26,494,167
	<i>Electronic ballasts</i>	15,600,000	11,287,347
	<i>Others (CFL PCB, Deco lamp)</i>	60,000,000	10,846,099
3.	Home Appliances		
	<i>Washing machines</i>	550,000	376,842
4.	Mobile phones	10,080,000	3,476,423
5.	Reverse logistics	3,660,000	1,408,474
	<i>Set top boxes</i>	2,400,000	1,325,186

Competitive Risks

>> Company depend on certain customers who have contributed to a substantial portion of our total revenues . The top five customers accounted for 82.93%, 79.43%, 73.28%, 76.95% and 79.67% of our revenue from operations (net) for the years ending March 31, 2017, 2016, 2015, 2014 and 2013. Loss of relationship with any of these customers may have a material adverse effect on profitability and results of operations.

>> Company is a design-focused products and solutions company in India engaged in manufacturing products in the lighting, consumer electronics, home appliances, reverse logistics and mobile phones verticals. The markets in which our customers compete are characterized by consumers and their rapidly changing preferences, advancement in technology and other related factors including lower manufacturing costs and therefore as a result Company may be affected by any disruptions in the industry.

>> Company manufacturing costs and therefore as a result Company may be affected by any disruptions in the industry. Such acquisitions may not contribute to profitability, and Company may be required to incur or assume debt, or additional expenses beyond our forecasts or assume contingent liabilities, as part of any acquisition. Any failure to manage the integration of the businesses or facilities post such acquisition or joint venture may cause our profitability to suffer

>> The production depends on obtaining adequate supplies of input components on a timely basis. Company procure the raw materials for business from local suppliers as well from overseas supplies. The Shortages in, or rises in the prices of, raw materials or components for products company manufacture, which account for majority of our costs, may adversely affect our business.

>> Company procure raw materials for short periods of manufacturing cycle, there can be shortages or oversupply (as the case maybe) of key components. Company is subject to fluctuations in the prices of raw material and component prices and this may result in a decline in the stated value of inventory thereby affecting inventory management which may adversely affect business.

Financials Snap Shot

Income Statement		Rs in Crores		
Y/E March	FY15	FY16	FY17	
Revenue (Net)	1,201.3	1,389.4	2,456.8	
Other Income	1.8	1.8	1.5	
Total Revenue	1,203.1	1,391.2	2,458.3	
Operational Expenses	1,095.3	1,228.4	2,205.6	
Change in Inventories of Finished Goods,	-10.9	-16.1	-25.6	
Employee Benefits Expense	36.9	55.0	64.0	
Other Expenses	47.9	63.5	121.9	
Total Expenses	1,169.1	1,330.7	2,366.0	
EBITDA	32.2	58.7	90.8	
Depreciation	6.9	8.4	10.6	
EBIT	25.3	50.2	80.1	
Finance Costs	9.8	13.1	12.8	
Profit before Tax	17.3	38.9	68.9	
Exceptional Items	0.0	11.7	0.0	
Total tax expense	4.2	8.0	18.5	
PROFIT AFTER TAX	13.0	42.6	50.4	
Share of Profit / (loss) in Associates	-1.2			
Profit For the Period/Year After Tax	11.9	42.6	50.4	

Balance Sheet		Rs in Crores		
Y/E March	FY15	FY16	FY17	
Share Capital	3	3	11	
Stock Option Outstanding	2	2	0	
Reserves	80	118	187	
Net Worth	85	123	198	
Minority Interest	3	0	0	
Long-term borrowings	41	52	10	
Short-term borrowings	39	25	33	
Deferred Tax Liabilities (Net)	6	7	10	
Long-term provisions	2	2	4	
Non - current liabilities	88	87	57	
Trade payables	136	186	505	
Other current liabilities	9	12	22	
Short Term Provisions	4	10	18	
Current liabilities	149	208	544	
Total Liabilities	324	417	799	
Fixed assets	97	124	139	
Trade Receivables	2	2	1	
Other Non Current Assets	6.03	0.00	0.03	
Long-Term Loans and Advances	15	20	22	
Non-current assets	120	146	162	
Inventories	113	136	282	
Trade receivables	54	88	279	
Cash and bank balances	7	7	15	
Short-term loans and advances	29	39	59	
Other Current Assets	1	1	1	
TOTAL Assets	324	417	799	

Key Ratios				
Y/E March	FY15	FY16	FY17	
EPS	10.49	37.67	44.61	
Book Value Per share	75.09	108.69	174.98	
Valuation(x)				
P/E (Upper Band)	168.3	46.9	39.6	
P/E (Lower Band)	167.7	46.7	39.5	
Price / Book Value	23.5	16.2	10.1	
EV	2073	2070	2028	
EV/Sales	1.73	1.49	0.83	
EV/EBITDA	64.36	35.27	22.34	
Profitability Ratios				
RoE	14%	35%	25%	
RoCE	30%	41%	41%	
Liquidity Ratios				
Interest Coverage Ratio	0.39	0.26	0.16	
Current Ratio	0.007	0.003	0.002	

Cash Flow Statement		Rs in Crores		
Y/E March	FY15	FY16	FY17	
Profit / (Loss) before tax	17.25	50.60	68.84	
Adjustments for:				
Depreciation and amortisation expense	6.90	8.44	10.64	
Excess Liabilities / Provisions Written back	-0.17	-0.11	-0.02	
Rent Received	0.00	-0.25	-0.27	
Loss/(Profit) on sale of property, plant & eq	0.26	-9.37	0.55	
Interest Income	-0.87	-0.89	-1.20	
Provision for doubtful debts / loans & Adva	0.13	-0.06	2.16	
Finance Cost	9.85	13.11	12.77	
Provision for Impairment (net)	0.95	0.06	0.07	
Operating Profit Before Working Capital Ch	34.29	61.53	93.54	
Trade and Other Receivables	-8.47	-33.60	-192.48	
Inventories	-19.71	-23.25	-145.92	
Loans & Advances and Other Assets	10.33	-8.74	-15.24	
Trade Payables	32.11	53.64	327.42	
Provisions	0.29	1.24	2.75	
Cash generated from Operating activities	48.84	50.83	70.07	
Tax (Paid) / Refund Received	4.10	8.66	15.46	
Net Cash Inflow from Operating Activities	44.74	42.18	54.61	
Cash Flow from Investing Activities	-22.27	-21.61	-43.15	
Cash Flow from Financing Activities	-22.27	-20.06	-10.42	
Net in Cash & Cash Equivalents (A+B+C)	0.20	0.51	1.04	
Opening Cash and Cash Equivalents	1.13	1.09	1.68	
Closing Cash and Cash Equivalents	1.33	1.60	2.71	