

Industry  
Bloomberg  
BSE CODE

Consumer Elect  
DIXON IN  
540699

## Strong Revenue growth with Improved Margin

RATING	BUY
CMP	4324
Price Target	4991
Potential Upside	15%
Rating Change	↔
Estimate Change	↔
Target Change	↑

STOCK INFO	
52wk Range H/L	4499/1830
Mkt Capital (Rs Cr)	5003
Free float (%)	37%
Avg. Vol 1M (,000)	41
No. of Shares (Crs)	1
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	2984	4683	5859
EBITDA	135	228	292
EBIT	113	191	259
PAT	63	126	177
EPS (Rs)	56	111	156
EPS Gr	0.0%	0.0%	0.0%
ROE (%)	16.7%	25.8%	27.4%
ROCE (%)	29.5%	37.1%	39.3%
BV	333.9	431.9	569.2
P/B (X)	7.1	10.2	7.7
P/E (x)	42.5	39.4	28.2

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### 3QFY20 Result Update

- Revenue grew by 25% YoY for the quarter being Rs 994 Cr with Consumer electronics and Security systems segments contributing strongly.
- Security systems segment grew by 98% followed by Consumer electronics segment growing by 58%, Lighting growing by 18%. Mobile & Home appliance segments de-grew by 8/26% each.
- EBITDA margin has improved by 30 bps to 5.2% on account of margin improvement across the segments (except mobile business). Margin improved in a range of 43-263 bps.
- PAT increased to Rs 26 Cr resulting growth of 49% YoY on account of the lower tax rate.
- Commercial production of Home Appliance for Voltas Beko has been started.
- Commenced production of the entire range of lighting products for HPL Electric & Power has started.
- Company got an order from Jio cable set-top boxes worth Rs 50 Cr.
- Added Havells as a customer for LED Lighting product in the Lighting Segment.

### Strong Revenue growth with Improved Margin

Company reported revenue growth of 25% YoY on account of growth in consumer durables and security systems segments. Revenue from consumer electronics grew by 58% led by the strong volume uptick by Xiaomi. Revenue from lighting business grew by 18% YoY. Home Appliances reported de-growth of 26% YoY on account of lower off take as the inventory was higher in the market. Mobile reported de-growth of 8% in revenue as the couple of brands are not performing well in the market. Revenue from Security system grew to Rs 50 Cr at a growth of 98% YoY. EBITDA margin of lighting business has improved by 50 bps to 8.6% on account of higher revenue share from ODM business (89% v/s 81%) and backward integration. Stable currency rate and lower commodity prices resulted into margin improvement of 260 bps to 13.4% in Home Appliance. Overall EBITDA margin improved to 5.2%.

### Client acquisition continue to remain strong

Company has added various new clients across the segments. Samsung has been growing its influence as a client in company as it is present in Mobile, Washing machine and now in TV. Company has received order from Reliance Jio worth Rs 50 Cr to supply set top boxes this will add a boon to its reverse logistics business. Havells have been added in lighting segment to supply emergency bulbs and HPL for all lighting products. Export of LED bulb is also expected to start from March and will scale up the business going ahead.

### View and Valuation:-

Company has reported a good set of number with improved margins. Consumer electronics and lighting segment saw good growth while the home appliance and mobile segment saw degrowth. With the increase in ODM share, lighting segment saw improvement in margin. During the quarter the company has added Voltas Beko as a client in the home appliance business and Management's continuous focus on client addition with a higher share of ODM revenue will provide revenue growth sustainability going ahead. Looking at the company's strong relationship with the client and the ability to acquire new clients will put Dixon in a strong position. Hence we increase our valuation multiple (P/E) to 32x (earlier 28x) and arrived at the target price of Rs 4991 per share. We maintain our BUY rating on the stock.

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## Improved Margins

### 3QFY20 Results

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	9MFY19	9MFY20	YoY %
Net Sales	794	859	1,147	1,402	994	25%	-29%	2,126	3,543	67%
Other Income	1	2	1	3	2	216%	-35%	4	5	35%
COGS	696	752	1,016	1,255	867	25%	-31%	1,845	3,138	70%
Employee Exp	19	27	28	32	27	41%	-14%	57	87	54%
Other Expenses	40	42	50	52	49	21%	-7%	126	150	19%
EBITDA	39	38	53	63	52	32%	-18%	98	167	71%
EBIT	33	31	45	55	42	26%	-24%	83	142	72%
Interest	7	9	10	9	8	24%	-14%	17	27	61%
PBT	27	24	36	48	35	30%	-27%	69	120	72%
Tax	10	8	12	5	9	-4%	73%	23	27	18%
Except. Items	-	-	-	-	-			-	-	
Net Profit	18	17	24	43	26	49%	-39%	47	93	98%

### Concall Highlights

- **Overview:**

- CapEx will be Rs 10-12 Cr in 4QFY20 and Rs 65-70 Cr in Fy21.
- Company had a volume of 4.5 lakhs for TV, 1.4 lakhs for Washing Machine, 11.6 Lakhs for Security Systems, 4.6 Cr for LED Bulb and 10.6 lakhs for Mobile.
- Company expects to generate Rs 30-35 Cr of FCF in 4QFY20.
- Company will be Net Debt free at the end of Fy20.

- **Consumer Electronics:**

- Current TV capacity is at 3.6 Mn and will expand it to 4.8 Mn by April/May 2021.
- Doubling capacity of PCBA from 1 Mn per annum to 2 Mn per annum.
- Company is in advance stage of discussion with 2 large MNC clients and expects production to start soon.

- **Home Appliance:**

- Margins are expected to be sustained at 11.5-12% going forward.
- One of the customers had large inventory which resulted in degrowth in 3QFY20.
- Company has acquired Voltas Beko as client for semi automatic washing machine and has started delivery. Company will be manufacturing 7.5-8.5 kg of washing machines at initial stage.
- Top load fully automatic washing machine will be manufactured at Tirupati with capacity of 600 k machines. Construction of facility will start and will be operational from October.

- **Lighting Vertical:**

- Revenue is expected to grow by 20-25% in Fy21.
- Company acquired clients i.e. Havells for emergency bulbs and HPL for all range of bulbs.
- Company has capacity in LED bulbs of 16-17 Mn per Month.
- Batten capacity will be expanded from 1 Mn per month to 1.5 Mn per month and then to 2 Mn per month in next 6 months.
- Down lighters capacity will be expanded from 200k per month to 1.2 Mn per month.
- Company will start exports for one of its clients to US from March 2020.

## • Mobile Vertical:

- Commercial production for Samsung feature phone has been started. Capex of Rs 25 Cr has been done for Samsung.
- Capacity of the older mobile plant is under-utilized and hence started set of box manufacturing for the Jio to achieve 100% capacity utilization.

## • Reverse logistic:

- Company has very large order book in panel repair and set top box business.
- Company has order book 0.5 Mn set top box worth Rs 50 Cr from Jio.

## • China Impact:

- Around 45-50% of material in Lighting & Washing machine is imported from China. 80% of TV material is imported from China. Company has procure raw material requirement upto March.
- Company is largely dependent on China in terms of Raw Material and factories in china are expected to remian shut down from 25th Jan to 10th Feb 2020 on account of Chinese Ne Year. If the plant remian shut down further than it will disrupt the supply chian of the company.

## Segmental Revenue

Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Consumer Electronics	222.8	359.7	287.9	323.3	509.8	738.2	454.3	57.76	-38.47
Lighting Products	189.9	190.4	234.1	304.9	324.3	283.9	276.7	18.17	-2.55
Home Appliances	85.7	103.8	92.3	92.6	98.8	139.1	68.4	-25.86	-50.84
Mobile Phones	73.2	63.7	151.1	66.9	143.7	193.4	139.5	-7.65	-27.85
Reverse Logistics	14.4	10.1	3.2	2.6	2.4	3.8	4.6	46.20	20.31
Security Systems	6.7	11.1	25.4	68.7	67.9	43.5	50.3	98.03	15.65

## Segmental EBITDA Margin %

Fig in Rs Cr

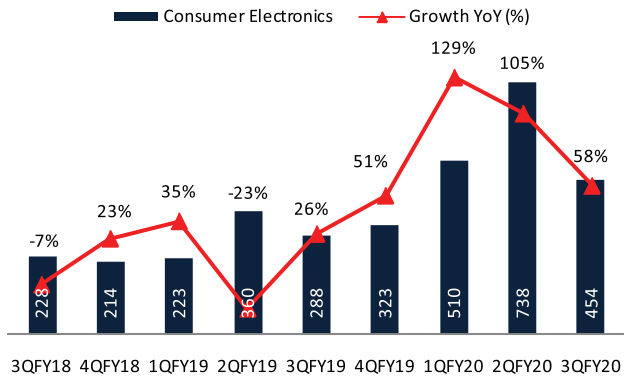
MARGIN %	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Consumer Electronics	1.2	3.5	2.1	1.3	2.2	2.4	2.5	0.43	0.13
Lighting Products	7.6	5.8	8.1	7.1	7.8	8.1	8.6	0.56	0.52
Home Appliances	10.7	8.1	10.8	10.2	10.8	11.8	13.4	2.63	1.57
Mobile Phones	1.1	0.9	2.9	2.5	2.2	2.1	2.3	-0.59	0.17
Reverse Logistics	(4.5)	1.2	(8.2)	(35.7)	(4.6)	18.8	34.4	42.64	15.67
Security Systems	(6.8)	(1.1)	0.3	2.3	3.0	2.4	4.4	4.12	2.00

## ODM Revenue Share %

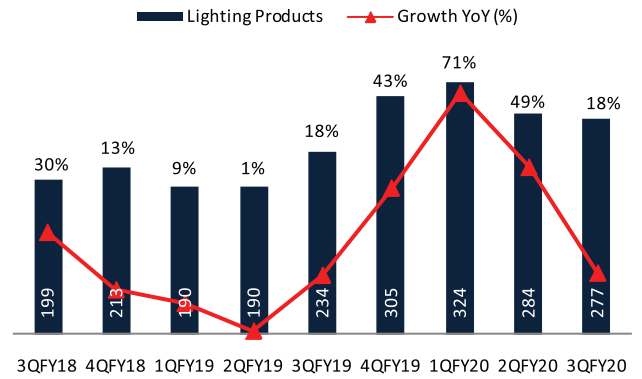
Fig in Rs Cr

MARGIN %	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Consumer Electronics	9.1	10.0	11.0	5.0	8.0	4.0	3.0	-8.00	-1.00
Lighting Products	34.1	65.0	81.0	89.0	83.0	84.0	89.0	8.00	5.00
Home Appliances	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0.00	0.00

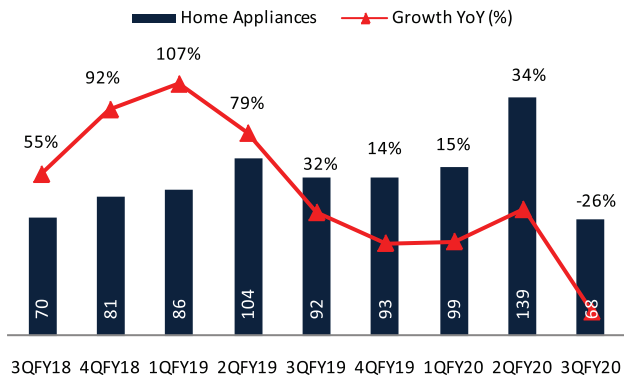
## Exhibit: Consumer Electronics Revenue & Growth



## Exhibit: Lighting Products Revenue & Growth



## Exhibit: Home Appliances Revenue & Growth



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Share Capital</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
Reserves	69	80	111	186	304	367	478	633
Networth	76	88	114	197	315	378	489	645
Debt	87	80	74	43	41	136	183	159
<b>Other Non Current Liab</b>	<b>18</b>	<b>9</b>	<b>6</b>	<b>13</b>	<b>68</b>	<b>28</b>	<b>44</b>	<b>55</b>
Total Capital Employed	163	168	188	240	356	514	672	804
Net Fixed Assets (incl CWIP)	84	97	112	139	195	260	289	322
Non Current Investments	6.3	6.0	-	-	-	-	-	-
Other Non Current Assets	0	-	9	12	14	8	8	8
Non Current Assets	107	120	125	151	211	423	304	338
<b>Inventory</b>	<b>93</b>	<b>113</b>	<b>136</b>	<b>282</b>	<b>322</b>	<b>408</b>	<b>539</b>	<b>674</b>
Debtors	46	54	89	280	299	517	513	722
Cash & Bank	5	7	7	15	44	37	174	173
Other Current Assets	2	1	21	30	62	79	117	146
Current Assets	184	205	274	638	754	1,069	1,370	1,781
Creditors	99	136	184	503	515	740	898	1,204
Provisions	5	4	1	3	4	3	5	7
Other Current Liabilities	18	9	6	13	68	28	44	55
<b>Curr Liabilities</b>	<b>121</b>	<b>149</b>	<b>208</b>	<b>545</b>	<b>602</b>	<b>799</b>	<b>975</b>	<b>1,294</b>
<b>Net Current Assets</b>	<b>63</b>	<b>56</b>	<b>66</b>	<b>92</b>	<b>152</b>	<b>270</b>	<b>394</b>	<b>488</b>
<b>Total Assets</b>	<b>291</b>	<b>324</b>	<b>398</b>	<b>789</b>	<b>966</b>	<b>1,492</b>	<b>1,674</b>	<b>2,119</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue from Operation</b>	<b>1,094</b>	<b>1,201</b>	<b>1,389</b>	<b>2,499</b>	<b>2,853</b>	<b>2,984</b>	<b>4,683</b>	<b>5,859</b>
Change (%)	43%	10%	16%	77%	16%	5%	57%	25%
Other Income	3	2	2	1	4	6	6	6
EBITDA	26	32	59	91	113	135	228	292
Change (%)	29%	24%	82%	55%	24%	20%	69%	28%
Margin (%)	2%	3%	4%	4%	4%	5%	5%	5%
Depr & Amor.	5	7	8	11	15	22	37	33
EBIT	21	25	50	81	98	113	191	259
Int. & other fin. Cost	11	10	13	16	13	25	33	29
EBT	13	17	39	66	88	94	164	236
Exp Item	5	-	12	-	-	-	-	-
Tax	9	5	11	19	27	30	38	60
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	9	12	39	48	61	63	126	177
Adjusted PAT	9	12	39	48	61	63	126	177
Change (%)	606%	38%	220%	20%	28%	4%	99%	40%
Margin(%)	1%	1%	3%	2%	2%	2%	3%	3%

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18*	FY19	FY20E	FY21E
ROE	0.1	0.1	0.3	0.2	0.2	0.2	0.3	0.3
ROCE	0.2	0.2	0.3	0.4	0.3	0.3	0.4	0.4
Asset Turnover	13.0	12.4	12.4	17.7	14.6	11.5	16.2	18.2
Debtor Days	15.5	16.5	23.3	41.6	38.3	63.2	40.0	45.0
Inv Days	34.2	38.0	41.0	47.2	47.3	57.1	42.0	42.0
Payable Days	33.1	41.3	48.5	74.7	66.1	90.5	70.0	75.0
Int Coverage	2	3	4	5	7	5	6	9
P/E	-	-	-	-	61	42	39	28
Price / Book Value	-	-	-	-	12	7	10	8
EV/EBITDA	3.2	2.3	1.1	0.3	32.9	20.7	21.9	17.0
FCF per Share	60.8	214.5	223.3	83.7	126.9	68.5	247.3	196.3
Div Yield					-	0.0	0.0	0.0

\* Listing year

### Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	18	17	51	66	88	94	164	236
(inc)/Dec in Working Capital	(20)	15	(11)	(24)	(27)	(128)	18	(81)
Non Cash Op Exp	5	7	8	11	15	22	37	33
Int Paid (+)	11	10	13	15	13	25	33	29
Tax Paid	3	(4)	(9)	(15)	(20)	(18)	(38)	(60)
others	(7)	0	(11)	(1)	(2)	(3)	-	-
CF from Op. Activities	10	45	42	53	68	(3)	214	156
(inc)/Dec in FA & CWIP	(8)	(22)	(27)	(39)	(76)	(81)	(66)	(66)
Free Cashflow	19	67	69	92	144	78	280	222
(Pur)/Sale of Inv	0	(2)	4	(7)	(11)	11	(4)	(13)
others	-	0	0	-	-	-	-	-
CF from Inv. Activities	1	(22)	(22)	(43)	(100)	(64)	(71)	(79)
inc/(dec) in NW	-	-	-	6	57	-	-	-
inc/(dec) in Debt	(1)	(11)	(3)	8	(2)	(1)	47	(24)
Int. Paid	(1)	(1)	(4)	(15)	(13)	(25)	(33)	(29)
Div Paid (inc tax)	(11)	(10)	(13)	(8)	-	(3)	(15)	(21)
others	-	-	-	1	(1)	97	-	-
CF from Fin. Activities	(13)	(22)	(20)	(8)	42	69	(1)	(74)
Inc(Dec) in Cash	(1)	(0)	1	1	10	2	142	4
Add: Opening Balance	2	1	1	3	3	13	37	174
Closing Balance	1	1	2	4	13	14	179	178

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