

Dixon Technologies (India) Ltd : Good Issue IPO Note : Good Top line and bottom line Growth : Ranking***



Issue details

Price band (Rs)	Rs.1760-1766
IPO Opening Date	06/09/17
IPO Closing Date	08/09/17
Issue Size	Rs. 600 Cr.

Recommendation

Total revenue grew at a CAGR of 33.76% from Rs.768.04 Cr for the FY 2013 to Rs.2458.26 Cr for FY 2017 and Net Profit grew at a CAGR of 78.33% in the same period. Thus it has posted growing performance. Net Profit grew from Rs.4.98 crore in FY 13 to Rs.50.37 crore in FY17. If we attribute latest earnings on fully diluted equity post issue, then asking price is at a P/E of 39.0 plus. As per RHP, as there are no listed entities similar to its line of business and comparable to its scale of operations. The Company has low PAT margin in range of 2%. Being the first mover of its segment and looking to its top line and bottmeline growth, investors may consider investment for the medium to long term in this maiden IPO.

Highlights

- Leading market position in key verticals (Manufacturing of TVs, washing machines, LED and CFL lights)
- Strong relationships with a diverse top-tier customer base (Global & National Brands and Domestic retail private labels)
- End to end solutions provider with dedicated research and development capabilities (R&D, Global sourcing, Backward integration, Reverse Logistics)
- Flexible and cost-effective manufacturing capabilities

Company Introduction

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.

Dixon

www.dixoninfo.com

Financial Summary (Rs. In Crore)

Particulars	FY 2017	FY2016	FY2015	FY2014
Total Income	2458.26	1391.17	1203.12	1097.09
Net Profit	50.37	42.56	11.85	13.51
EPS (Rs)	44.49	37.59	10.46	11.93

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Company Promoters:

Sunil Vachani, 48, is the promoter of the Company. He has 43.97% pre-offer holding in the company. He is the Executive Chairman of Dixon.

The object of the issue

Company proposes to utilise the Net Proceeds towards funding the following objects:

- 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.

IPO Issue Proceed

To 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, Upgradation of the information technology infrastructure of the Company and general corporate purposes, the company is coming out with a maiden IPO of fresh equity issue as well as offer for sale to mobilize Rs.599.28 crore (at the upper price band). Fresh issue will be for Rs. 60.00 crore and the rest will be the offer for sale. For fresh issue, company is issuing 3.39 lakh equity shares and it will offer 30.53 lakh shares in the offer for sale. This issue is via book building route and the price band is Rs. 1760-1766. Issue opens for subscription on 06.09.17 and will close on 08.09.17. Minimum application is to be made for 8 shares and in multiples thereon, thereafter. After the IPO the shares will be listet on NSE and BSE stock exchange.

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