EMS

4QFY24 results review

- The EMS universe reported sales/EBITDA/PAT YoY growth of 31%/17%/22%, respectively, in 4Q led by strong revenue growth with a lower margin for Dixon.
- Management commentary was positive regarding the government incentives, including white goods, IT PLI scheme & the Semiconductor Mission.
- We expect EMS companies to report a healthy growth over the next few years. Our top picks include Cyient DLM and Dixon while our top REDUCE is PGEL.

EMS space likely to see further expansion

The electronic manufacturing services or EMS coverage universe reported heathy sales/EBITDA/PAT YoY growth of 31%/17%/22%, respectively, in 4QFY24 led by strong revenue growth with a lower margin of Dixon Technologies. Kaynes Technology reported the highest revenue growth at ~75% YoY followed by Syrma SGS Technology at 67% and Dixon Technologies at 64%. The margin of our coverage universe declined by 80bp YoY to 6.7% in 4QFY24, mainly due to the change in product mix. Most companies reported lower margin, with the highest decline seen in Avalon Technologies (down 719bp YoY), IKIO Lighting (down 412 bp YoY), and Syrma SGS Technology (down 222 bp YoY). On the profitability front, strong PAT growth was seen in Elin Electronics (119% YoY), Kaynes Technology (97% YoY) and Cyient DLM (81% YoY).

Management commentary

Management commentary was positive from the companies considering the government incentives, including the white goods and IT PLI schemes and the National Semiconductor Mission. However, the white goods PLI scheme had unintended consequences for room air-conditioner or RAC manufacturers, as major brands are establishing their own manufacturing facilities. **Dixon Technologies** posted a healthy performance, and the company achieved a significant milestone by producing 15bn smartphones and 38bn feature phones during the year. Management remains positive, and the company is looking at the opportunity in the PCB assembly EMS space, expecting turnover next year. For **Cyient DLM**, management expects a 30% revenue CAGR over a three-year period. It expects 25% RoCE in the next five years.

Outlook & valuation

We expect EMS companies to report a healthy growth over the next few years led by 1) government initiatives like the PLI scheme, 'Make in India' program, etc., 2) the China + 1 strategy, as many global players look towards shifting from China, and 3) higher electronic content across major end-user sectors like automobile (including EVs), consumer durables, industrials and defence. **Top Picks:** We like **Cyient DLM,** which offers electronics solutions for mission-critical applications with high entry barriers, **Dixon Technologies**, which is highly scalable and profitable, with high fungibility in its products line. Our **top REDUCE-rated stock** includes **PG Electroplast**, as a major portion of its growth is likely to come from RAC, as its coolers and washing machines are not ramping up fast enough.

Figure 1: Summary of our coverage universe

BBG	Rating	Mcap (Rs m)	CMP (Rs)	TP (Rs)	Target P/E (Rs)	Share (m)
DIXON IN	ADD	5,27,101	8,851	9,010	65	60
AMBER IN	HOLD	1,19,138	3,536	4,200	35	34
PGEL IN	REDUCE	64,195	2,467	1,755	22	26
KAYNES IN	HOLD	1,81,323	2,837	3,286	55	64
SYRMA IN	ADD	78,896	446	437	28	177
AVALON IN	HOLD	30,981	471	510	35	66
CYIENTDL IN	ADD	48,357	610	1,048	45	79
IKIO IN	REDUCE	19,092	247	260	19 (EV/EBITDA)	77
ELIN IN	ADD	7,510	151	198	15	50

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

Overweight *(no change)*

Highlighted Companies

Cyient DLM Ltd

ADD, TP Rs1049, Rs610 close

Cyient DLM's revenue is expected to continue its strong export-driven growth. Europe's increased defence spending due to the Russia-Ukraine war and NATO's 2% GDP defence spending target could be a medium-term trigger for growth, particularly for Cyient DLM's clients. This could lead to a significant order inflow for Cyient DLM, resulting in order book growth.

Dixon Technologies

ADD, TP Rs9010, Rs8851 close

Dixon Technologies' business model is highly scalable and profitable, with high fungibility in its product line. Technological upgradation in the 5G infrastructure is poised to open new possibilities for electronic devices, especially in the mobility & communication segments.

PG Electroplast

REDUCE, TP Rs1755, Rs2467 close

RAC sales are expected to drive PGEL's growth in FY25F while its coolers and washing machines are slow to ramp up. Going ahead, PLI incentives will be in the range of Rs0.55-0.60bn in FY25F and FY26F.

Summary Valuation Metrics

P/E (x)	Mar24-A	Mar25-F	Mar26-F
Cyient DLM Ltd	79.18	40.11	25.97
Dixon Technologies	139.99	88.17	63.86
PG Electroplast	46.81	34.69	32.39

P/BV (x)	Mar24-A	Mar25-F	Mar26-F
Cyient DLM Ltd	5.32	4.7	3.98
Dixon Technologies	31.23	23.32	17.22
PG Electroplast	6.18	5.23	4.47

Dividend Yield	Mar24-A	Mar25-F	Mar26-F
Cyient DLM Ltd	0%	0%	0%
Dixon Technologies	0.03%	0.05%	0.05%
PG Electroplast	0%	0%	0%

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Figure 2: Quarterly results review

	Revenue (Rs m)					EBITDA (Rs m)					PAT (Rs m)				
	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)
Dixon	50,166	30,655	63.7%	48,184	4.1%	1,825	1,563	16.7%	1,846	-1.1%	973	790	23.1%	980	-0.7%
Amber	28,054	30,026	-6.6%	12,948	116.7%	2,218	2,035	9.0%	785	182.6%	990	1,040	-4.8%	-5	NA
PG	10,766	8,282	30.0%	5,319	102.4%	1,165	757	53.8%	420	177.5%	716	402	78.1%	192	273.2%
Kaynes	6,373	3,646	74.8%	5,093	25.1%	952	594	60.5%	699	36.3%	813	413	96.8%	452	79.8%
Syrma	11,341	6,795	66.9%	7,067	60.5%	737	592	24.4%	388	89.9%	452	423	6.9%	203	122.9%
Avalon	2,168	2,718	-20.2%	2,143	1.2%	172	411	-58.2%	165	3.9%	71	227	-68.9%	66	7.4%
Cyient DLM	3,618	2,774	30.5%	3,210	12.7%	380	319	19.2%	293	29.7%	227	126	80.7%	183	24.2%
IKIO	948	1,180	-19.7%	1,168	-18.8%	170	260	-34.7%	262	-35.3%	95	140	-32.0%	189	-49.5%
Elin	2,778	2,687	3.4%	2,367	17.4%	124	89	39.9%	85	46.1%	35	16	118.6%	26	33.9%
Aggregate	**1,16,213**	**88,763**	**30.9%**	**87,499**	**32.8%**	**7,742**	**6,619**	**17.0%**	**4,943**	**56.6%**	**4,372**	**3,577**	**22.2%**	**2,286**	**91.2%**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Full-year (FY24) results review

	Revenue (Rs m)			EBITDA (Rs m)			PAT (Rs m)		
	FY24	FY23	YoY (%)	FY24	FY23	YoY (%)	FY24	FY23	YoY (%)
Dixon	1,76,911	1,21,920	45.1%	6,978	5,127	36.1%	3,729	2,534	47.1%
Amber	67,292	69,271	-2.9%	4,918	4,179	17.7%	1,373	1,572	-12.7%
PG	27,465	21,491	27.8%	2,618	1,652	58.4%	1,370	774	76.9%
Kaynes	18,046	11,261	60.3%	2,542	1,683	51.0%	1,834	952	92.7%
Syrma	31,538	20,484	54.0%	1,984	1,878	5.7%	1,257	1,231	2.1%
Avalon	8,672	9,446	-8.2%	626	1,127	-44.5%	280	524	-46.6%
Cyient DLM	11,918	8,320	43.2%	1,109	878	26.4%	611	317	92.5%
IKIO	4,379	3,588	22.0%	926	775	19.6%	605	500	20.9%
Elin	10,417	10,754	-3.1%	405	646	-37.2%	139	265	-47.7%
Aggregate	**3,56,638**	**2,76,536**	**29.0%**	**22,106**	**17,945**	**23.2%**	**11,196**	**8,671**	**29.1%**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Quarterly and full-year margin comparison

	Qtr EBITDA Margin (%)					FY EBITDA Margin (%)		
	Mar-24	Mar-23	YoY (bp)	Dec-23	QoQ (bp)	FY24	FY23	YoY (bp)
Dixon	3.6%	5.1%	-146	3.8%	-19	3.9%	4.2%	-26
Amber	7.9%	6.8%	113	6.1%	184	7.3%	6.0%	128
PG	10.8%	9.1%	167	7.9%	293	9.5%	7.7%	184
Kaynes	14.9%	16.3%	-134	13.7%	122	14.1%	14.9%	-86
Syrma	6.5%	8.7%	-222	5.5%	101	6.3%	9.2%	-288
Avalon	7.9%	15.1%	-719	7.7%	21	7.2%	11.9%	-472
Cyient DLM	10.5%	11.5%	-99	9.1%	137	9.3%	10.6%	-124
IKIO	17.9%	22.0%	-412	22.4%	-456	21.2%	21.6%	-44
Elin	4.5%	3.3%	117	3.6%	88	3.9%	6.0%	-211
Aggregate	**6.7%**	**7.5%**	**-80**	**5.6%**	**101**	**6.2%**	**6.5%**	**-29**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Quarterly aggregate performance

Aggregate	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)
Revenue (Rs m)	1,19,968	88,763	35.2%	87,499	37.1%
EBITDA (Rs m)	7,914	6,619	19.6%	4,943	60.1%
EBITDA margin (%)	6.6%	7.5%	-86 bps	5.6%	95 bps
PAT (Rs m)	4,292	3,577	20.0%	2,286	87.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly PCBA players' performance

EMS (PCBA)	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)
Revenue (Rs m)	20,772	15,933	30.4%	17,513	18.6%
EBITDA (Rs m)	2,031	1,916	6.0%	1,546	31.4%
EBITDA margin (%)	9.8%	12.0%	-225 bp	8.8%	95 bp
PAT (Rs m)	1,294	1,189	8.8%	904	43.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly consumer EMS players' performance

EMS (Consumer)	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)
Revenue (Rs m)	99,195	72,830	36.2%	69,986	41.7%
EBITDA (Rs m)	5,882	4,704	25.1%	3,397	73.2%
EBITDA margin (%)	5.9%	6.5%	-53 bp	4.9%	108 bp
PAT (Rs m)	2,998	2,388	25.5%	1,383	116.9%

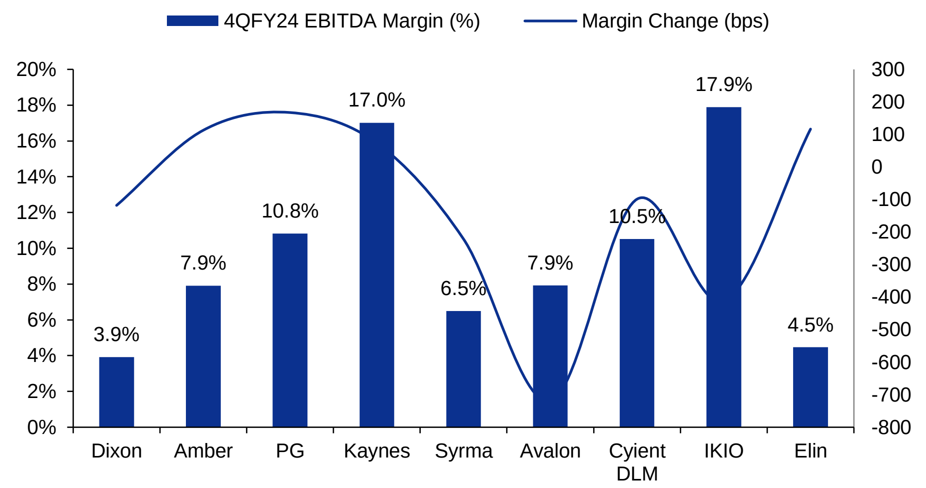
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: 4QFY24 revenue, EBITDA, PAT variation and revision

							Revenue Change (%)		EBITDA Change (%)		EPS Change (%)	
Company	**Revenue**	**EBITDA**	**PAT**	**Revenue Miss/Beat**	**EBITDA Miss/Beat**	**PAT Miss/Beat**	**FY25F**	**FY26F**	**FY25F**	**FY26F**	**FY25F**	**FY26F**
Dixon	50,166	1,825	973	-7.1%	-21.6%	-20.9%	15.7%	20.5%	4.7%	9.1%	2.7%	9.1%
Amber	28,054	2,218	990	-15.6%	-1.0%	-18.3%	-6.9%	-6.6%	6.2%	9.1%	5.0%	10.2%
PG	10,766	1,165	716	-5.4%	24.8%	30.2%	-3.1%	-7.8%	37.9%	25.0%	57.4%	33.8%
Kaynes	6,373	952	813	13.9%	21.3%	54.5%	9.6%	9.6%	3.7%	4.0%	6.3%	5.3%
Syrma	11,341	737	452	52.6%	40.7%	33.3%	2.4%	4.0%	-9.8%	-16.9%	-11.2%	-18.6%
Avalon	2,168	172	71	-16.3%	-28.1%	-42.2%	-22.1%	-15.2%	-18.9%	-7.7%	-30.4%	-16.4%
Cyient DLM	3,618	380	227	8.7%	22.3%	4.3%	-2.1%	-2.0%	5.1%	10.9%	7.2%	12.3%
IKIO	948	170	95	-20.0%	-35.8%	-45.6%			No Change			
Elin	2,778	124	35	1.8%	22.8%	-25.9%			No Change			

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: 4QFY24 EBITDA margin profile



SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QFY24 results highlights and commentary

Dixon Technologies

- Dixon Technologies achieved a significant milestone by producing 15bn smartphones and 38bn feature phones. Further growth is likely in Motorola smartphones via export orders. It expects a monthly output of 300,000 units of Xiaomi smartphones, starting from May 2024F. The company has started making display modules through its technology partner while the manufacture of precision components and mechanicals is also underway. Production of Airtel's 5G fixed wireless devices has begun, with the mass production scheduled in Jun/Jul 2024F. It also inked a deal with Nokia for 5G fixed wireless devices. Manufacturing partnership with Samsung for the Tizen operating system is on track for rollout. Dixon Technologies has set up a new campus for PCB assembly in Chennai. The company is looking at the opportunity in the PCB assembly EMS space and expects a turnover from next year.
- **Outlook**: Dixon Technologies posted healthy FY24 results, with revenue & PAT growth of 45% and 47%, respectively. Its business model is highly scalable and profitable, with high fungibility in its products line. The company has captured a large market share across categories in the consumer electronics outsourcing space, much above its peers. The technological upgradation in 5G infrastructure is poised to open new possibilities for electronic devices, especially in the mobility & communication segments. For FY25F/26F, we have increased our revenue estimates by 16%/21% and PAT estimates by 3%/9%, respectively, factoring in higher revenue in the mobile phone segment with a lower margin. We retain our ADD rating on the stock with a higher target price of Rs9,010 (Rs7,000 earlier), valuing it at 65x (55x earlier) FY26F EPS, in line with average P/E.

Cyient DLM

- Cyient DLM's revenue is expected to continue its strong export-driven growth, with exports accounting for 66% of revenue in FY24. This trend is likely to aid margin growth as export orders typically have higher margins than domestic orders. Additionally, the company aims to improve its working capital requirements from 105 days in FY24 to around 90 days in FY25F, which was already visible in the 4Q results. Furthermore, Europe's increased defence spending due to the Russia-Ukraine war and North Atlantic Treaty Organization or NATO's 2% GDP defence spending target could be a medium-term trigger for growth, particularly for Cyient DLM's clients Thales and Rafale, who are major manufacturers of air defence systems. This could lead to a significant order inflow for Cyient DLM, resulting in order book growth.

- **Outlook**: Management expects a 30% revenue CAGR over a three-year period. It expects a 25% RoCE in the next five years. The company is looking to address the defence offset opportunity due to the recent geopolitical challenges. Supply chain issues have stabilized over the last 12-15 months. We remain bullish on Cyient DLM's long-term prospects. Its exposure to the aerospace and defence sector, which is in a multi-year upcycle, will aid its order-book growth. We have an ADD rating and value Cyient DLM at 45x FY26F EPS to arrive at a target price of Rs1,049.

Syrma SGS Technology

- Syrma SGS Technology witnessed an increase in its net working capital or NWC days from 88 to 95 in FY24, primarily due to the high inventory level, leading to increased debt and higher interest costs, thereby dampening PAT growth. This indicates the focus on revenue growth over RoCE, potentially leading to subdued performance in the medium term, which could trigger a derating of the stock. Additionally, despite a marginal improvement in the EBITDA margin, the significant decline in gross margin suggests a potential price war among competitors in the EMS space, where differentiation primarily lies in pricing. Furthermore, the lack of barriers to entry in Syrma SGS Technology's assembly of bare PCB boards exposes it to risks of Chinese competitors engaging in price dumping, given their cost advantages due to a superior electronics ecosystem, posing a perpetual threat to the company's competitiveness.
- **Outlook**: The company expects ~40% revenue growth and ~7% EBITDA margin in FY25F. Exports to grow by 30% YoY. We believe there is a fundamental flaw with Syrma SGS Technology's business model as it tries to imitate both Dixon Technologies and Kaynes Technology. Manufacturing at scale is more important for the consumer segment whereas quality and precision matters more for the automotive and industrial segments. We maintain our revenue estimates but lower EBITDA/PAT by 10%/11% for FY25F and 17%/19%, respectively, for FY26F. We have an ADD rating and value the stock at 28x (from 37x) FY26F EPS to arrive at a lower target price of Rs437 (Rs660 earlier).

Kaynes Technology

- Syrma is nearing government approval for its OSAT business. Kaynes Technology is concentrating on advancing plastic and metal enclosures, moulds, tools, and textures, with notable progress in high-performance computing server manufacturing, aerospace, outer space, and medical electronics, securing contracts for both domestic and export markets. Additionally, in the industrial and EV sectors, Kaynes Technology has secured a significant contract with a smart meter company, diversifying its business portfolio. In railway electronics, alongside electronic interlocking projects, Kaynes Technology is involved in TCAS. Moreover, the acquisition of Digicon Electronics in the US aims to bolster its presence there, with a strategy emphasizing proximity to clients for prototyping and new product development while leveraging cost efficiency through production in India.
- **Outlook**: Management gave revenue growth guidance of 50-60% for FY25F, with the EBITDA margin at ~14.5-15%. NWC days are expected to decline to 70-72 days by the end of FY25F. The business model of Kaynes Technology has shifted from low-volume, high-mix in the automotive space to high-volume, low-mix in the industrial and EV segments. Currently, the share of high-volume products is ~60%. Eventually, Kaynes Technology aims to have a 50% share in high-volume products. The order book remains healthy at Rs41bn (2.3x FY24 revenue) while the EBITDA margin is likely to be ~14.5%. For FY25F/26F, we raise revenue estimates by ~10% each and PAT by ~6%/5%, factoring in higher order inflow at a lower margin. We retain HOLD rating on

Kaynes Technology with a higher target price of Rs3,286, (Rs3,120 earlier), valuing it at 55x FY26F EPS.

Amber Enterprises

- Amber Enterprises or AEL has diversified its product portfolio and strengthened its market position. The decline in room AC contribution from 72% in FY18 to 44% in FY24 showcases the company's adaptability to changing market dynamics. AEL secured a PLI grant for AC component manufacturing and initiated a JV with Resojet to produce fully automatic washing machines. The company is set to commence mass production from 2QFY25F, aiming to scale up to 125,000 units in the coming years. Furthermore, AEL's electronics division has evolved significantly, expanding into various sectors like aerospace, defence, and electric vehicle components, bolstered by the acquisition of a 60% stake in Ascent Circuits. Expansion plans include capacity enhancement at greenfield and brownfield facilities, focusing on energy-efficient ACs, railway components, and automobile parts. Strategic alliances with Titagarh and Sidwal have further fortified AEL's position, while government initiatives like anti-dumping duties on imported PCBs support domestic manufacturing growth.
- **Outlook**: AC brands, including Voltas, Blue Star and Lloyd, are increasing their insourcing capacity, a key negative for outsourcing companies like AEL, which is looking to diversify its product portfolio due to the structural shift in the manufacturing space with a lot of companies shifting to in-house manufacturing. For FY25F/26F, we cut our revenue estimates by 7% each to factor in the muted growth in the RAC business but increase PAT estimates by 5%/10%, respectively, due to higher margin in the mobility and electronics segments. We retain HOLD rating on AEL with a higher target price of Rs4,200 (Rs3,810 earlier), valuing it at 35x FY26F EPS.

Avalon Technologies

- Avalon Technologies' strategic focus entails capitalizing on India's manufacturing capabilities and seizing opportunities in the US market through a hybrid manufacturing model and emphasizing on high-growth sectors like clean energy and lucrative segments such as aerospace and defence. Despite challenging economic conditions in the US leading to a Rs300m loss in FY24, Avalon remains committed to improving its US operations, aiming at a recovery from FY26F. With 77% of the revenue coming from domestic manufacturing, it plans to optimize production shift to India and streamline costs at its US operations.
- **Outlook**: Despite lower sales in FY24, management gave guidance of a 14-16% revenue growth in FY25F. We expect Avalon Technologies to continue its underperformance till a strong recovery in the US market, which has been delayed further. On the positive side, the order book and long-term contracts have increased by 26% YoY to Rs13.7bn, the execution of which will take 12-14 months. Avalon Technologies is continuously expanding its technological expertise in manufacturing for diverse industries and integrating its services to serve multiple verticals, with high-mix, flexible-volume manufacturing. For FY25F/26F, we have cut our revenue estimates by 22%/15% and PAT estimates by 30%16%, respectively, factoring in weak performance and slowdown in in the US export business. We downgraded our rating on Avalon Technologies to HOLD (from ADD) with a lower target price of Rs510 (Rs610 earlier), valuing the stock at 35x FY26F EPS.

PG Electroplast

- PG Electroplast's EBITDA margin expansion of 167bp in 4QFY24 was aided by PLI and other incentives worth Rs200m. Excluding this, margins were flat. PGEL's joint venture with Jaina, Goodworth Ventures, was chosen for IT PLI 2.0, yet by the end of 4QFY24, no manufacturing partner had been selected. With market leaders in the laptop sector like HP, Dell, Lenovo, and Acer either self-manufacturing or partnering with Dixon Technologies, finding a suitable

OEM partner for PGEL becomes challenging, potentially hindering its ability to meet the steep sales targets required for IT PLI incentives. RAC sales are expected to drive PGEL's growth in FY25F, while its coolers and washing machines are slow to ramp up. With competition intensifying, particularly in washing machines with Dixon Technologies and Amber Enterprises' entry, PGEL's reliance on the RAC sector for growth poses a risk, especially considering the anticipated slowdown post FY25F, potentially resulting in the company missing its growth targets.

- **Outlook**: Going ahead, PLI incentives will be in the range of Rs0.55-0.60bn for FY25F and FY26F. We revised our revenue/ EBITDA/PAT estimates for FY25F and FY26F by -3%/ 38%/ 57% and -8%/25%/34%, respectively, to account for the PLI incentives of Rs650m in FY25F and FY26F. However, as these are seasonal incentives, we have our REDUCE rating and value PGEL at a lower multiple of 22x (25x earlier) to arrive at a new target price of Rs1,755.

IKIO Lighting

- We believe IKIO Lighting’s 24%+ EBITDA margin is not sustainable in the long run, and with the lighting industry facing headwinds the company’s 4QFY24 EBITDA margin of 17% could decline further in the coming quarters. Margin decline, coupled with rising net working capital days, is a recipe for disaster and hence, return ratios are also expected to come down in FY25F. The RV business in USA, where IKIO Lighting has Forrest River as its client, is also not showing revival post Covid-19 pandemic-led highs due to pent-up demand and hence, exports ramp-up also looks unlikely in the medium term.
- **Outlook**: IKIO Lighting has strong potential in RV lighting, with total market potential for the company in this segment at Rs5,000m, thus implying a 14% market share. However, YoY RV sales in the US are down significantly due to the prevailing macroeconomic slowdown. Hence, we do not expect much growth in this segment. We have a REDUCE rating on the stock with a target price of Rs260, valuing it at 19x EV/EBITDA multiple and we feel there are not many growth triggers in the medium term.

Elin Electronics

- Elin Electronics reported EBITDA margin expansion of 116 bp YoY. While the lighting industry is facing headwinds, the company has not shown any reduction in gross margin, which shows a level of pricing power with end-consumers. The current portfolio mainly consists of small appliances ranging from lighting solutions, shavers, trimmers and ceiling fans. However, the company is transitioning from the small appliances business to medium appliances like oil-filled radiators, which is an import substitution opportunity. Secondly, the company is also moving away from the exclusivity contract with Signify Lighting, which will also allow it to cater to other clients, thus diversifying the client base. The revoking of this exclusivity contract has not resulted in any opportunity loss for Elin Electronics.
- **Outlook**: Elin Electronics will likely post 16% and 19% YoY topline growth in FY25F and FY26F, respectively. We also believe the company will improve its margins from ~4% in FY24 to 6% in FY25F and to 7.3% in FY26F. As the topline growth starts, operating leverage will come into play, which will aid the margins. Capacity utilization is currently at 60%, and the company has the capacity to generate a potential revenue of Rs18,000m. We have an ADD rating on the stock with a target price of Rs198, valuing the stock at 15x FY26F EPS.

Peer comparison and valuation

Figure 2: Revenue comparison

Revenue (Rs m)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	44,001	64,482	1,06,971	1,21,920	1,76,911	2,45,031	3,14,317
Amber	39,628	30,305	42,064	69,271	67,292	79,478	94,496
PGEL	6,394	7,032	10,977	21,599	27,465	32,751	37,127
Kaynes	3,614	4,164	7,014	11,261	18,046	27,396	38,555
Syrma	8,657	8,874	10,197	20,484	31,538	45,032	63,025
Avalon	6,418	6,902	8,407	9,447	8,672	10,102	13,507
Cyient DLM	4,571	6,280	7,205	8,320	11,918	16,428	21,458
IKIO	2,202	2,134	3,318	3,588	4,379	5,163	6,376
Elin	7,856	8,624	10,938	10,754	10,418	12,057	14,338
Total	**1,15,485**	**1,30,173**	**1,96,154**	**2,65,891**	**3,46,221**	**4,61,381**	**5,88,862**
Revenue Growth (%)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25F**	**FY26F**
Dixon		46.5%	65.9%	14.0%	45.1%	38.5%	28.3%
Amber		-23.5%	38.8%	64.7%	-2.9%	18.1%	18.9%
PGEL		10.0%	56.1%	96.8%	27.2%	19.2%	13.4%
Kaynes		15.2%	68.5%	60.5%	60.3%	51.8%	40.7%
Syrma		2.5%	14.9%	100.9%	54.0%	42.8%	40.0%
Avalon		7.5%	21.8%	12.4%	-8.2%	16.5%	33.7%
Cyient DLM		37.4%	14.7%	15.5%	43.2%	37.8%	30.6%
IKIO		-3.1%	55.5%	8.1%	22.0%	17.9%	23.5%
Elin		9.8%	26.8%	-1.7%	-3.1%	15.7%	18.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: EBITDA comparison

EBITDA (Rs m)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	1,699	3,029	2,687	5,183	6,978	10,305	13,607
Amber	3,093	2,203	2,754	4,179	4,918	6,629	8,262
PGEL	399	498	751	1,760	2,618	3,376	3,572
Kaynes	345	367	889	1,683	2,542	3,924	5,586
Syrma	1,366	999	944	1,878	2,095	3,154	4,149
Avalon	644	659	975	1,128	626	1,054	1,581
Cyient DLM	137	459	840	878	1,109	1,797	2,600
IKIO	373	478	773	775	926	959	1,154
Elin	555	665	790	651	406	723	1,047
EBITDA Margin (%)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25F**	**FY26F**
Dixon	3.9%	4.7%	2.5%	4.3%	3.9%	4.2%	4.3%
Amber	7.8%	7.3%	6.5%	6.0%	7.3%	8.3%	8.7%
PGEL	6.2%	7.1%	6.8%	8.2%	9.5%	10.3%	9.6%
Kaynes	9.5%	8.8%	12.7%	14.9%	14.1%	14.3%	14.5%
Syrma	15.8%	11.3%	9.3%	9.2%	6.6%	7.0%	6.6%
Avalon	10.0%	9.5%	11.6%	11.9%	7.2%	10.4%	11.7%
Cyient DLM	3.0%	7.3%	11.7%	10.6%	9.3%	10.9%	12.1%
IKIO	16.9%	22.4%	23.3%	21.6%	21.2%	18.6%	18.1%
Elin	7.1%	7.7%	7.2%	6.1%	3.9%	6.0%	7.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: PAT comparison

PAT	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	1,205	1,598	1,903	2,547	3,781	6,003	8,289
Amber	1,584	816	1,092	1,572	1,373	2,859	4,042
PGEL	22	121	385	775	1,370	1,897	2,076
Kaynes	26	51	369	952	1,834	2,741	3,819
Syrma	914	652	567	1,231	1,257	1,943	2,760
Avalon	123	231	475	525	280	578	952
Cyient DLM	-67	118	398	317	611	1,207	1,867
IKIO	214	288	505	500	605	560	700
Elin	275	349	391	268	140	413	657
PAT Growth (%)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25F**	**FY26F**
Dixon		32.6%	19.1%	33.8%	48.4%	58.8%	38.1%
Amber		-48.5%	33.8%	44.0%	-12.7%	108.2%	41.4%
PGEL		450.5%	217.5%	101.2%	76.8%	38.4%	9.4%
Kaynes		99.6%	617.3%	158.3%	92.7%	49.4%	39.3%
Syrma		-28.7%	-13.1%	117.3%	2.1%	54.6%	42.1%
Avalon		87.3%	105.7%	10.7%	-46.7%	106.6%	64.6%
Cyient DLM		-275.8%	237.2%	-20.3%	92.5%	97.6%	54.7%
IKIO		34.6%	75.4%	-1.0%	20.9%	-7.4%	25.0%
Elin		26.8%	12.3%	-31.5%	-47.9%	196.0%	59.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: RoE and RoCE comparison

RoCE	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	28.0%	24.8%	19.2%	22.9%	23.7%	27.3%	27.2%
Amber	16.4%	7.3%	7.0%	9.3%	9.1%	13.3%	16.3%
PGEL	6.8%	8.1%	9.2%	15.8%	16.7%	17.0%	16.4%
Kaynes	16.9%	14.1%	29.1%	14.9%	5.0%	7.2%	9.3%
Syrma	38.0%	38.8%	15.6%	14.5%	9.6%	12.4%	15.8%
Avalon	21.4%	17.7%	23.9%	16.6%	6.6%	11.9%	16.6%
Cyient DLM	4%	13%	20%	15%	10%	16%	21%
IKIO	71.7%	36.7%	39.3%	29.3%	18.2%	11.7%	12.1%
Elin		11.9%	12.3%	7.2%	2.4%	7.8%	11.3%
ROE	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25F**	**FY26F**
Dixon	22.3%	21.7%	19.1%	19.8%	22.3%	26.4%	27.0%
Amber	15.0%	6.0%	6.5%	8.6%	7.0%	13.0%	15.8%
PGEL	2.7%	6.7%	14.7%	21.9%	19.1%	16.7%	15.6%
Kaynes	2.5%	4.6%	21.6%	16.4%	6.7%	5.9%	7.7%
Syrma	44.7%	38.2%	13.1%	11.6%	7.8%	11.0%	13.7%
Avalon	26.8%	42.8%	63.8%	16.8%	5.2%	10.0%	14.6%
Cyient DLM	-26%	31%	52%	16%	7%	12%	15%
IKIO	119.3%	58.3%	58.8%	39.9%	17.4%	9.8%	11.3%
Elin		14.2%	13.8%	6.7%	2.8%	7.9%	11.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: P/E comparison

P/E (x)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	488.6	368.4	309.3	231.1	155.7	98.1	71.0
Amber	79.2	153.7	114.9	79.8	91.4	43.9	31.0
PGEL	3,228.7	586.5	184.7	91.8	51.9	37.5	34.3
Kaynes	8,731.5	4,375.4	610.0	236.2	122.6	82.0	58.9
Syrma	95.9	134.4	154.6	71.2	69.7	45.1	31.7
Avalon	260.9	139.3	67.8	61.2	114.9	55.6	33.8
Cyient DLM	-785.4	446.8	132.5	166.2	86.3	43.7	28.2
IKIO	95.0	70.6	40.3	40.7	33.6	36.3	29.0
Elin	29.4	23.2	20.6	30.1	57.8	19.5	12.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: EV/EBITDA multiple trend

EV/EBITDA (x)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	346.4	194.6	220.1	113.5	84.5	57.0	43.1
Amber	41.4	57.4	47.2	31.9	27.0	19.8	15.8
PGEL	181.5	145.2	98.1	42.5	28.1	21.7	20.5
Kaynes	655.3	616.4	254.8	131.5	83.7	54.9	39.1
Syrma	64.5	87.9	94.5	48.2	44.2	28.5	21.7
Avalon	53.4	52.8	35.9	27.5	52.3	31.1	20.8
Cyient DLM	398.2	119.1	64.8	61.7	44.6	27.8	18.8
IKIO	55.5	43.8	27.5	27.7	20.4	21.7	17.7
Elin	15.6	13.8	11.5	12.1	19.3	10.5	6.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Net debt comparison

Net Debt	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	-135	872	2,757	-466	688	-1,205	-2,610
Amber	2,472	944	4,692	7,843	7,419	6,104	5,042
PGEL	1,276	1,109	2,520	3,681	2,416	2,150	2,051
Kaynes	1,101	1,109	1,531	-3,501	-12,195	-9,273	-6,331
Syrma	422	185	1,573	2,924	4,907	2,310	2,375
Avalon	2,219	2,618	2,839	-1,160	576	562	719
Cyient DLM	1,952	1,996	1,714	1,469	-3,228	-2,803	-3,786
IKIO	360	600	938	1,124	-1,458	481	54
Elin	596	1,084	974	-218	-222	-450	-914

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Working capital days comparison

NWC Days	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	-4	-5	7	7	7	-2	6
Amber	17	24	11	7	-5	-22	-20
PGEL	61	80	90	66	86	56	57
Kaynes	169	160	126	146	125	104	105
Syrma	21	29	106	88	95	62	58
Avalon	67	96	113	111	150	153	151
Cyient DLM	36	45	56	41	113	74	64
IKIO	57	115	157	172	176	125	119
Elin	50	66	68	69	70	63	61

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Price/book value per share comparison

P/BV (x)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	108.8	79.8	59.1	45.8	34.7	25.9	19.2
Amber	10.8	7.6	7.1	6.4	5.9	5.2	4.5
PGEL	45.4	41.2	24.4	19.1	7.0	5.9	5.0
Kaynes	217.8	161.1	110.4	23.4	9.0	8.1	7.2
Syrma	86.1	36.3	15.0	5.7	5.2	4.7	4.1
Avalon	933.2	113.4	36.3	6.0	5.9	5.3	4.6
Cyient DLM	205.1	140.0	68.4	26.6	5.8	5.1	4.3
IKIO	56.6	32.4	18.7	14.3	3.7	3.4	3.2
Elin	3.5	3.1	2.7	1.6	1.6	1.5	1.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: EPS trend

EPS	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F
Dixon	20.2	26.8	32.0	42.8	63.5	100.8	139.2
Amber	47.0	24.2	32.4	46.7	40.7	84.9	120.0
PGEL	0.8	4.7	14.8	29.8	52.6	72.9	79.8
Kaynes	0.4	0.8	5.8	14.9	28.7	42.9	59.7
Syrma	5.2	3.7	3.2	7.0	7.1	11.0	15.6
Avalon	1.9	3.5	7.2	8.0	4.3	8.8	14.5
Cyient DLM	-0.8	1.5	5.0	4.0	7.7	15.2	23.5
IKIO	2.8	3.7	6.5	6.5	7.8	7.2	9.1
Elin	5.5	7.0	7.9	5.4	2.8	8.3	13.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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