

April 18, 2024

Padget Electronics Pvt. Ltd.: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Long-term – Fund-based – Term loan	65.00	65.00	[ICRA]AA- (Positive)
Short-term – Non-fund based – Others	2675.00	2675.00	[ICRA]A1+
Short-term – Fund-based – Others	740.00	740.00	[ICRA]A1+
Long-term/ Short-term – Unallocated	20.00	20.00	[ICRA]AA- (Positive)/ [ICRA]A1+
Total	3,500.00	3,500.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has taken a consolidated view of Dixon Technologies (India) Limited (DTIL) along with Padget Electronics Pvt. Ltd (PEPL) with PEPL being a 100% subsidiary of DTIL and the close business, financial and management linkages between both the entities.

On April 08, 2024, Dixon Technologies (India) Limited (DTIL) entered into a share purchase agreement (SPA) with Ismartu In Pte. Limited, Transsion Technology Limited, 5A Advisors LLP, and Ismartu India Private Limited to acquire majority stake in Ismartu India Private Limited. The acquisition will be in two tranches - 50.10% in Tranche 1 in FY2025 and 1.6%-5.9% in Tranche 2 in FY2027. The expected date of completion of Tranche 1 of the sale is on or before July 7, 2024 (90 days from SPA).

The consideration for tranche 1 (estimated at around Rs. 238.36 crore) will be funded by mix of debt and internal accruals. The balance consideration shall be discharged using internal accruals, as and when due. Notwithstanding additional borrowings, the net adjusted TOL/TNW of DTIL is expected to remain below 2.25 times. The completion of the transaction will be subject to satisfaction of conditions precedent identified under the share purchase agreement.

On completion Tranche- 1 payment, Ismartu India will become a subsidiary of DTIL. The acquisition is expected to increase scale and strengthen DTIL's market position in the mobile handset manufacturing industry. ICRA will continue to monitor the developments in this regard and take appropriate rating action, if required.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: Click [here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of DTIL (which includes subsidiaries like PEPL, among others).

About the company

DTIL, incorporated in 1993 by Mr. Sunil Vachani, is a diversified Electronic Manufacturing Services (EMS) company with operations in the electronic products vertical such as consumer electronics, lighting, home appliance, closed-circuit television cameras (CCTVs) and mobile phones. It also undertakes reverse logistics operations. Besides, it manufactures security surveillance equipment, wearables and hearables, AC-PCBs. Recently, it has entered a JV with Imagine Marketing Private Limited for designing and manufacturing wireless audio solutions in India.

Headquartered in Noida, DTIL has around 22 manufacturing facilities (at a consolidated level) across Noida (Uttar Pradesh), Dehradun (Uttarakhand), Ludhiana (Punjab), and Chittoor (Andhra Pradesh). In the last few years, the company and its subsidiaries/JVs have received approvals under the production-linked incentive (PLI) scheme for five segments - mobile phones, lightning, telecom and networking products, inverter controller boards for air conditioners and IT hardware.

Padget Electronics Private Limited (PEPL) is a 100% subsidiary of DTIL that manufactures/assembles mobile handsets and STBs. Its manufacturing facility is located in Noida, and it started production of mobiles in November 2015.

An application made by PEPL for license as a domestic manufacturer of mobile phones, under the India's Government's PLI scheme, was accepted in October 2020. It is one of the few companies to achieve the eligibility criteria and receive the incentive for the first two years. The company has entered into the manufacturing agreement with global brands like Motorola, Xiaomi, ITEL and Nokia for production of mobile phones for sales in both domestic as well as export markets.

Key financial indicators (audited)

DTIL Consolidated	FY2022	FY2023	9M FY2024
Operating income	10,697.1	12,192.0	13,032.9
PAT	190.4	253.5	270.2
OPBDIT/OI	3.6%	4.2%	4.0%
PAT/OI	1.8%	2.1%	2.1%
Total outside liabilities/Tangible net worth (times)	3.6	2.8	-
Total debt/OPBDIT (times)	2.5	1.2	-
Interest coverage (times)	7.8	8.1	9.7

Source: Company data, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				Apr 18, 2024	Nov 29, 2023	Jan 17, 2023	Jun 30, 2022	-
1 Fund-based – Others	Long term	-	-	-	-	[ICRA]AA- (Stable)	-	-
2 Fund-based – Term loan	Long term	65.00	54.3	[ICRA]AA- (Positive)	[ICRA]AA- (Positive)	[ICRA] AA- (CE) (Stable) withdrawn and [ICRA]AA- (Stable) assigned simultaneously	[ICRA]AA- (CE) (Stable)	-
3 Non-fund based – Others	short term	2675.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+ (CE) withdrawn and [ICRA]A1+ assigned simultaneously	[ICRA]A1+ (CE)	-
4 Fund-based – Others	short term	740.00	-	[ICRA]A1+	[ICRA]A1+	-	-	-
5 Unallocated	Long term/ short term	20.00	-	[ICRA]AA- (Positive)/ [ICRA]A1+	[ICRA]AA- (Positive)/ [ICRA]A1+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Short-term – Non-fund based – Others	Very Simple
Short-term – Fund-based – Others	Simple
Long-term/ Short-term – Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Term loan	Feb 14, 2020	NA	Feb 28, 2025	65.00	[ICRA]AA- (Positive)
NA	Non-fund based – Working capital facilities	NA	NA	NA	2675.00	[ICRA]A1+
NA	Fund-based – Others	NA	NA	NA	740.00	[ICRA]A1+
NA	Unallocated	NA	NA	NA	20.00	[ICRA]AA- (Positive)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Dixon Global Private Limited	100%	Full Consolidation
Padget Electronics Pvt. Ltd.	100%	Full Consolidation
Dixon Electro Manufacturing Private Limited	100%	Full Consolidation
Dixon Technologies Solutions Private Limited	100%	Full Consolidation
Dixtel Communications Private Limited	100%	Full Consolidation
Dixtel Infocom Private Limited	100%	Full Consolidation
Dixon Infotech Private Limited	100%	Full Consolidation
Dixon Electro Appliances Private Limited	51%	Full Consolidation
AIL Dixon Technologies Private Limited	50%	Equity Method
Califonix Tech and Manufacturing Private Limited	50%	Equity Method
Rexxam Dixon Electronics Private Limited (formerly known as Dixon Devices Private Limited)	40%	Equity Method

Source: Company, ICRA Research

Note: ICRA has taken a consolidated view of the parent (DTIL), its subsidiaries and associates while assigning the ratings.

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