

April 18, 2024

Dixon Technologies (India) Limited: 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	75.00	75.00	[ICRA]AA- (Positive)
Short-term – Fund-based – Working capital facilities	710.00	710.00	[ICRA]A1+
Short-term – Non-fund based – Working capital facilities	1,785.00	1,785.00	[ICRA]A1+
Long-term /Short-term – Unallocated	55.00	55.00	[ICRA]AA- (Positive)/ [ICRA]A1+
Total	2,625.00	2,625.00	

*Instrument details are provided in Annexure-I

Rationale

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	The ratings are based on the consolidated financial statements of the issuer, which includes its subsidiaries and joint ventures (JVs) (refer Annexure II)

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 & 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.

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

S N	Instrument	Current Rating (FY2025)			Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstand- ing 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	Aug 30, 2023	Apr 06, 2023	Aug 26, 2022	Mar 29, 2022
1	Commercial Paper	Short Term	-	-	-	-	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Fund-based - Term loan	Long Term	75.00	58.4	[ICRA]AA- (Positive)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
3	Fund-based - Working capital facilities	Short Term	710.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Non-fund based - Working capital facilities	Short Term	1,785.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Unallocated bank facilities	Long term/ Short Term	55.00	-	[ICRA]AA- (Positive) / [ICRA]A1+	[ICRA]AA- (Positive)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	-	
6	Unallocated bank facilities	Short Term	-	-			-	-	-	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Term loan	Simple
Fund-based – Working capital facilities	Simple
Non-fund based – Working capital facilities	Very Simple
Unallocated bank facilities	Not Applicable

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 Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Working capital facilities	NA	NA	NA	710.00	[ICRA]A1+
NA	Non-fund based – Working capital facilities	NA	NA	NA	1,785.00	[ICRA]A1+
NA	Fund-based – Term Loan	FY2021	NA	FY2029	75.00	[ICRA]AA- (Positive)
NA	Unallocated bank facilities	NA	NA	NA	55.00	[ICRA]AA- (Positive) / [ICRA]A1+

Source: DTIL, ICRA Research

[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.

ANALYST CONTACTS

Rajeshwar Burla

+91 40 6939 6443

rajeshwar.burla@icraindia.com

Ashish Modani

+91 20 6606 9912

ashish.modani@icraindia.com

Ritu Goswami

+91 124 4545 826

ritu.goswami@icraindia.com

Mrinal Jain

+91 124 4545 863

mrinal.j@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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