

August 3, 2026

Volume scale-up to outweigh margin pressure...

About the stock: Dixon technologies (Dixon) is the leading electronic manufacturing services (EMS) company of India offering comprehensive EMS solutions with specialized focus across product verticals including mobile, television, washing machine, refrigerators, laptop, lighting, telecom, wearables and hearables, AC printed circuit boards (PCBs), etc.

Q1FY27 performance: Dixon reported mixed set of results, as revenues rose on higher realisations while margins were under pressure as expected. Segmentally, mobile & other EMS division grew 22% YoY, 49% QoQ to ₹14179 crore, consumer and electronics segment grew 47% YoY, 42% QoQ to ₹987 crore and home appliances segment grew 22% YoY, 16% QoQ to ₹382 crore. EBITDA came in at ₹463 crore with EBITDA margins of 2.98%, down 78 bps YoY and 91 bps QoQ mainly owing to i) mobile PLI 1.0 expiry, and ii) higher realisation on back of input cost inflation (esp. memory prices) but optically resulting in lower margins given fixed fee business nature. Adjusted PAT came in at ₹218 crore down 3% YoY and 15% QoQ.

Investment Rationale:

- Q1 phone volumes in line, while set to scale with exports, Vivo JV and non-mobile segments:** In Q1, Dixon did volume of 7.5 mn with management guiding for 20-25% QoQ growth in Q2 to ~9-9.2 mn. The company is set to achieve its yearly guidance of ~3.2 crore+ ex-Vivo. Vivo JV shall start contributing from Q3 onwards and has annual potential of 2 crore+ smart phone volumes. Further, management indicated PLI 2.0 to be more favourable for exports and has the potential to scale from ₹5375 crore in FY26 to ₹18,000 – 20,000 crores in next 2-3 years with volumes of 1.5 – 2 cr phones. Along with volume growth, backward integration shall increase as display module assembly contributes around Q4 onwards. Camera module assembly, in partnership with Q Tech is expanding capacity from 7 crore modules to 18-19 crore modules over next 15-18 months. Separately, on non-mobile side, IT hardware i.e. laptop division has grown multi-fold with revenue of ₹1350 crore in Q1 and shall better ₹4000 crore+ guidance. Similarly, telecom remains strong with ₹2100 crore revenue in Q1 and poised for ~35% growth in FY27E.
- Margin improvement expected from FY28E:** EBITDA margin shall recoup some of the loss going ahead as PLI 2.0 gets implemented while its details are awaited. Higher realisation with spike in memory prices caused margin to be optically low while absolute EBITDA is well-managed. As components including display and camera assembly gain scale and aid backward integration, it shall support margin enhancement.

Rating and Target Price:

Dixon is key beneficiary of key recent developments including PLI 2.0 and Vivo JV which shall reflect in its financials going ahead. This coupled with backward integration and export opportunity increases Dixon's value addition, thereby strengthening its business model. We broadly maintain estimates and BUY rating on the stock with target price of ₹16,300/share.



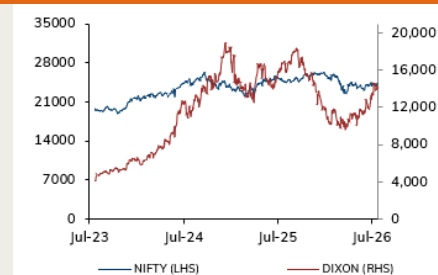
Particulars

Particular	Amount
Market Cap (₹ Crore)	84,987
Q1FY27 Debt (₹ Crore)	579
Q1FY27 Cash (₹ Crore)	805
EV (Rs Crore)	84,761
52 Week H/L (₹)	18,472/ 9,600
Equity Capital (₹ Crore)	12.0
Face Value	2

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	28.9	28.8	28.7	28.6
FII	20.7	18.7	18.3	17.9
DII	28.9	29.1	28.1	28.4
Public	21.5	23.4	24.9	25.2

Price Chart



Key risks

- (i) Any restraint in domestic government support measures.
- (ii) Execution delays owing to time lag in various approvals, macro slowdown, etc.

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Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	5 Year CAGR
Net Sales	12,192	17,691	38,860	48,873	58.9	72,499	98,990	42.3
EBITDA	513	698	1,508	1,867	53.8	2,528	3,758	41.9
EBITDA margin (%)	4.2	3.9	3.9	3.8		3.5	3.8	
Net Profit	255	368	706	845	49.0	1,187	1,803	46.1
Diluted/Adjusted EPS (₹)	42.9	61.7	117.1	139.0		195.3	296.6	
P/E(x)	323.7	225.4	118.7	100.0		71.2	46.9	
RoCE (%)	22.9	24.2	29.6	23.1		24.8	28.2	
RoE (%)	19.9	22.1	27.7	21.3		24.2	27.1	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

(i) Mobile and EMS segment

- Mobile & Other EMS business reported revenue of ₹14,179 crore (up 22% YoY) with operating profit of ₹373 crore (down 6% YoY). Revenue contribution increased to 91% from 82% in Q1FY26.
- **Margin Outlook:** Margins remained under pressure due to expiry of Mobile PLI 1.0, elevated memory/component prices and optical dilution from pass-through pricing. Management expects meaningful margin improvement from FY28 led by display modules, camera modules, localisation and PLI 2.0.
- **Outlook on Mobile phones:** Despite 10-12% industry volume decline, management retained FY27E smartphone volume guidance of ~32-33 mn units (excluding Vivo JV), reflecting market share gains. Q2FY27 smartphone production is expected at ~9.0-9.2 mn units, while H1FY27 volumes are expected at ~16-16.5 mn units with 20-25% QoQ revenue growth.
- **Update on Vivo JV:** Management reiterated that PN3 approval has been received and the transaction is expected to conclude within the next ~2 months, with the JV expected to commence operations and start reflecting in revenues from Q3FY27. Vivo JV remains a key long-term growth driver with potential to add ~2-2.2 cr annual smartphone volumes.
- **Exports & PLI 2.0:** Existing anchor customers alone provide an opportunity of 1.5-2.0 cr additional smartphone exports, translating into ₹18,000-20,000 crore incremental revenue potential. About 2.5-5% export incentive and ~1.5% component related incentive under the proposed PLI 2.0 scheme is expected.
- **Component localisation:** Dixon continues to strengthen backward integration through display and camera modules, while evaluating batteries, chargers and mechanical components after detailed PLI guidelines. Feature phone exports also remain on track, with Dixon continuing to manufacture nearly two-thirds of India's feature phones.
- **Q Tech & Display Module JV:** Camera module capacity is being expanded from ~7 cr units to ~18-19 cr units over the next 15-18 months. HKC Display JV has completed construction with trial production commencing from Q3FY27 and commercial production by end-Q3/early-Q4FY27, supporting future margin expansion.
- **IT Hardware:** Business reported revenue of ~₹1,350 crore, almost equal to the previous full year's revenue. Strong order book continues across laptops, desktops, tablets and gaming notebooks. Inventec JV will commence operations by end-Q3/early-Q4FY27, while SSD manufacturing starts in Q3FY27. Management is also evaluating enterprise servers, AI servers, power supplies and mechanical components through its JV partner to address the growing cloud, AI infrastructure and data centre hardware opportunity.
- **Telecom business:** Telecom & Networking reported revenue of ~₹2,100 crore with operating margins of ~5.1%. Management retained FY27 revenue guidance of ₹6,700-7,000 crore, supported by broadband, FWA, microwave radios, exports and localisation. Gemtek JV will manufacture

optical transceivers, SFPs and BOSA products while strengthening design-led capabilities.

- **Working capital & capital allocation:** Working capital increased due to strategic inventory build-up amid rising memory prices, temporary cash timing and ₹335 crore capex, which management expects to normalize over the coming quarters.

(ii) Consumer electronics & Appliances

- Consumer electronics business (LED TVs & Refrigerators) reported revenue of ~₹987 crore (up 47% YoY) with operating profit of ~₹58 crore (up 45% YoY). Performance remained impacted by elevated memory prices, commodity inflation, volatile summer season and inventory correction.
- **TV business:** Premiumisation remains the key focus with healthy demand for 50-inch+, QLED and OLED TVs. Production of Mini-LED TVs has commenced, while the company plans to transition towards an ODM model by Q2FY28 and expand into Soundbar TVs.
- **Refrigerator business:** Despite near-term demand weakness, management highlighted healthy traction in Direct Cool refrigerators, Mini Bars and ODM products. Capacity is being expanded from ~1.5 mn units to ~3.2 mn units, including two-door, side-by-side refrigerators, deep freezers and mini coolers, supported by increasing localisation and premiumisation.

(iii) Home Appliances

- Home Appliances business reported revenue of ~₹382 (up 22% YoY) crore with operating profit of ~₹32 crore (down 11% YoY), driven by capacity expansion, stronger ODM capabilities and increasing backward integration.
- Washing machine business continues to scale well with Tirupati capacity expanding from 0.6 mn units to 0.9 mn units annually. Production of front-load washing machines is expected from Q3FY27, while the company has also launched 16 kg & 18 kg semi-automatic washing machines, the first such ODM offering in India.
- Company continues to diversify into adjacent appliance categories with robotic vacuum cleaners already under production, while dishwashers and microwave ovens are expected to commence manufacturing in Q3FY27. Management remains focused on expanding its ODM portfolio and strengthening moulding and tooling capabilities to improve localisation and margins.

(iv) Lighting solutions

- **Signify JV** continues to witness robust growth supported by localisation, automation and premiumisation. Batten manufacturing capacity has been expanded to 5 mn units per month, while the company has launched 1,000+ premium indoor lighting SKUs over the last two quarters.

- Dixon has secured export orders from one of the largest retail chains in the US, Germany and other leading European retailers, with execution expected from Q2FY27/Q3FY27. Management also highlighted additional export opportunities across multiple lighting categories
- Management continues to expand its lighting portfolio across streetlights, outdoor lighting and professional lighting, while strengthening backward integration to improve operational efficiencies and margins.

(v) Other highlighting points

- Management reiterated its long-term strategy of evolving from a pure EMS player to a technology-led manufacturing company through higher localisation, component manufacturing, ODM capabilities, product design and engineering.
- Company continues to strengthen its technology ecosystem through partnerships with Inventec, Gemtek, Longcheer, HKC and Q Tech, while expanding into higher value-added products including AI servers, enterprise servers, optical products and display modules.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY	Q4FY26	QoQ (%)	Comments
Revenue	15,547.7	12,835.7	21%	10,510.5	48%	Topline growth improved backed by higher input cost led better realisation
Other Income	528.3	1.7	NM	84.3	527%	Fair value adjustment of Aditya Infotech stake
Total Income	16,076.0	12,837.3	25%	10,594.8	52%	
Gross profit	906.6	960.7	-6%	795.5	14%	
Gross margin %	5.8	7.5	-165 bps	7.6	-174 bps	Margins took hit owing to PLI 1.0 expiry and higher input cost led realisation given fixed-fee nature of business.
Operating Expenses	262.8	309.1	-15%	213.1	23%	
Employee Expenses	180.7	169.2	7%	174.0	4%	
Total Expenses	443.5	478.3	-7%	387.1	15%	
EBITDA	463.1	482.4	-4%	408.4	13%	EBITDA growth subdued but set to improve with Vivo JV and PLI 2.0
EBIDTA %	3.0	3.8	-78 bps	3.9	-91 bps	
Depreciation	107.0	92.7	15%	105.0	2%	
Finance cost	24.1	32.6	-26%	23.7	2%	
PBT	860.3	358.8	140%	364.0	136%	
Tax	151.2	85.5	77%	71.8	111%	
Adj. PAT	218.0	225.0	-3%	192.0	14%	Adj. for other income and minority interest

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	38,860	48,873	72,499	98,990
% Growth	119.7	25.8	48.3	36.5
Other income	20.2	713.0	101.0	111.1
Total Revenue	38,880	49,586	72,600	99,102
Employee Expenses	567	711	855	1,089
Other expenses	36,785	46,295	69,116	94,143
Total Operating Expenditure	37,353	47,006	69,971	95,232
Operating Profit (EBITDA)	1,508	1,867	2,528	3,758
% Growth	116.1	23.8	35.4	48.7
Interest	154	137	137	149
PBDT	1,373	2,442	2,492	3,720
Depreciation	281	393	482	587
PBT before Exceptional Items	1,092	2,049	2,010	3,133
Exceptional items	460	-	-	-
Total Tax	337	426	509	792
Adjusted PAT after MI	706	845	1,187	1,803
% Growth	91.8	19.7	40.5	51.9
Adjusted EPS	117.1	139.0	195.3	296.6

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	12	12	12	12
Reserve and Surplus	2,998	4,665	5,951	8,257
Total Shareholders' funds	3,010	4,677	5,963	8,269
Minority Interest	459	710	1,051	1,625
Total Debt	671	994	1,243	1,357
Other liabilities	36	136	68	92
Total Liabilities	4,176	6,517	8,325	11,343
Gross Block	3,433	4,700	5,879	7,339
Acc: Depreciation	716	1,109	1,591	2,178
Net Block	2,718	3,592	4,289	5,161
Capital WIP	256	571	310	250
Total Fixed Assets	2,974	4,162	4,599	5,411
Non Current Assets	593	1,587	1,812	2,065
Inventory	3,992	3,837	7,306	9,993
Debtors	6,965	6,530	10,512	14,354
Other Current Assets	1,873	1,908	3,480	4,752
Cash	264	941	267	605
Total Current Assets	13,094	13,215	21,565	29,703
Current Liabilities	12,484	12,448	19,652	25,836
Total Assets	4,176	6,517	8,325	11,343

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	1,233	1,644	1,528	2,377
Depreciation	281	393	482	587
Interest	154	137	137	149
Cash Flow before WC changes	1,668	2,175	2,147	3,113
(Inc)/dec in Current Assets	-8,203	557	-9,025	-7,799
Inc/(dec) in CL and Provisions	7,839	154	7,122	6,273
Net CF from Operating activities	1,304	2,885	245	1,587
(Purchase)/Sale of Fixed Assets	-1,247	-2,105	-918	-1,400
Others	-544	-562	-212	-316
Net CF from Investing activities	-1,791	-2,666	-1,130	-1,716
Dividend	-42	-49	-46	-71
Others	584	508	257	538
Net CF from Financing Activities	542	459	211	467
Net Cashflow	55	678	-674	338
Opening Cash/Cash Equivalent	209	264	941	267
Closing Cash/Cash Equivalent	264	941	267	605

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
Adj. EPS	117.1	139.0	195.3	296.6
Cash per Share	43.7	154.8	43.9	99.5
BV	499.6	769.2	980.8	1,360.0
Dividend per share	7.0	8.1	7.5	11.7
Dividend payout ratio(%)	5.9	5.8	3.9	4.0
Operating Ratios(%)				
EBITDA Margin	3.9	3.8	3.5	3.8
PAT Margin	3.2	3.4	2.1	2.4
Return Ratios(%)				
RoE	27.7	21.3	24.2	27.1
RoCE	29.6	23.1	24.8	28.2
Valuation Ratios(x)				
EV/EBITDA	55.8	45.3	33.8	22.7
P/E	118.7	100.0	71.2	46.9
Market Cap/Sales	2.2	1.7	1.2	0.9
Price to Book Value	27.8	18.1	14.2	10.2
Working Capital Management Ratios				
Inventory Days	37.5	28.2	36.7	36.8
Debtors Days	65.4	48.1	52.9	52.9
Creditors Days	102.2	78.9	83.4	79.7
Asset turnover	11.3	10.5	12.3	13.5
Solvency Ratios(x)				
Debt/Equity	0.2	0.2	0.2	0.2
Current Ratio	1.0	1.0	1.1	1.1
Quick Ratio	0.7	0.7	0.7	0.7

Source: Company, ICICI Direct Research

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