Dixon Technologies (DIXTEC)

ICICI Direct

CMP: ₹ 16,700 | Target: ₹ 20,000 (20%) | Target Period: 12 months | BUY

July 24, 2025

Robust growth with strategic backward integration…

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.

Q1FY26 performance: Dixon technologies reported revenue of ₹12,836 crore up by 24.7% QoQ and 95.1% YoY wherein mobile & other EMS segment registered a robust growth of 28% QoQ and 125% YoY. About 9.6 mn smartphones and 5.5 mn feature phones were dispatched during the quarter with management guiding for ~11mn+ smart phones in Q2. EBITDA reported at ₹484 crore, with EBITDA margins flattish at 3.8% on YoY basis and decline of 50 bps QoQ on high base. Adjusted PAT came at ₹225 crores which increased by 68% YoY/21.6% QoQ.

Investment Rationale

- **Strong revenue growth to be led by mobile division:** Mobile phones continued to remain primary growth driver for Dixon, with Q1FY26 volumes coming in at ~9.6mn units. Full year (FY26) volumes expected at 42-43mn units, with a sharp ramp up to 60-65mn in FY27 backed by Vivo partnership. Backward integration in display, camera module and mechanicals shall support growth and margins while strengthening client stickiness. Additionally export opportunities are scaling with revenue of Rs 1600 cr in FY25 to increase to Rs 7000 cr+ in FY26E and Rs 11000+ cr in FY27E. Beyond smartphones, Dixon is witnessing strong traction in its Telecom and IT hardware division with Telecom revenue est. to reach to ~ reach to ~5,000 crore in FY26 and IT hardware ~Rs 3000 cr in FY27E.
- **Uptick in value addition-A structural margin lever:** Dixon's recent strategic developments in the component ecosystem including partnerships with Q-tech (camera and fingerprint), HKC (display), and Chongqing Yuhai (Precision components), underscore its strong ability to make right partnership and execution abilities. Currently, value addition in its smartphone vertical stands at ~18% which the company aims to increase to ~35% over next few years. We expect these new expansions to be margin accretive and with company's quasi-captive customer base shall strengthen its competitive presence. We expect EBITDA margin to improve from 3.9% in FY25 to 4.7% in FY27E.

Rating and Target Price

- Dixon with its aggressive and yet superior capital allocation strategy has been able to earn RoCE of 35%+. High asset turns and negative working capital enable it to earn better return ratios. With backward integration, its business model shall be further strengthened alongwith margin improvement. We value the stock at 63x FY27E its adjusted EPS with target price of Rs 20,000 and maintain BUY rating.

Dixon – The brand behind brands

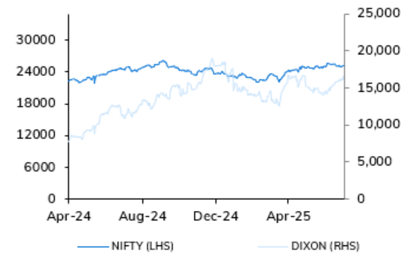
Particulars

Particular	Amount
Market Cap (₹ Crore)	1,00,154
Debt Q1FY26 (₹ Crore)	9
Cash Q1FY26 (₹ Crore)	223
EV (Rs Crore)	99,940
52 Week H/L (₹)	19149/ 10613
Equity Capital (₹ Crore)	12.0
Face Value	10

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	32.9	32.4	32.3	29.0
FII	22.7	23.2	21.8	20.6
DII	23.1	22.6	23.1	26.7
Public	21.3	21.7	22.9	23.8

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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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	10,689	12,192	17,691	38,860	53.8	56,394	77,264	41.0
EBITDA	371	513	698	1,508	59.6	2,191	3,617	54.9
EBITDA margin (%)	3.5	4.2	3.9	3.9		3.9	4.7	
Net Profit	182	255	368	706	57.0	1,038	1,947	66.1
Diluted/Adjusted EPS (₹)	31.0	42.9	61.7	117.1		170.8	317.9	
P/E(x)	539.5	388.9	270.9	142.6		97.7	52.5	
EV/EBITDA (x)	266.5	193.9	143.2	67.0		46.6	28.4	
RoCE (%)	18.4	25.2	25.7	30.3		35.4	40.9	
RoE (%)	18.3	19.9	21.7	23.4		25.6	31.8	

Source: Company, ICICI Direct Research

Concall highlights and outlook

i) **Mobile and EMS segment**

- Reported revenue of ₹11,663 crores (up by 28% QoQ/125% YoY). Of which Hearables and wearables contributed ₹175 crores, Telecom - ₹1410 crores and IT hardware - ₹247 crores. ISmartu stood at revenue of ₹1,996 crores up by 81.2% QoQ sequentially.
- **Volume expectations -** Strong volumes clocked at ~9.6mn for smartphones and ~5.7mn for feature phones. Management anticipates 15% growth in Q2FY26 backed by strong order book and festive season coming ahead. Remains on track with volume expectation of 42-43mn in FY26 and 60-65 mn in FY27E. Part of the growth should be led by export opportunity.
- Takeaways on Display manufacturing- Construction of display facility with HKC is underway for smartphones and notebooks aiming to commence operations from Q1FY27.
- **Display assembly module** - In 1st phase, aiming to set up facility for 2mn display per month primarily for mobile phones which shall be further expanded to 4mn units per month in 2nd phase. Also, fungible lines being set up with 1.8mn per month capacity for notebook and 2.5 mn automotive displays for 2-wheelers and 4-wheelers. Other industrial display shall also be included.
- **Back integration into Camera and fingerprint modules-** Q Tech India acquisition of 51% to foray in this segment. Currently clocking revenue of ~₹1,977 cr with ~40mn camera modules being sold. Dixon's management suggested its large customer base is expected to have in-house demand of 180mn – 190mn in next couple of years. Company aims to ramp up the business with additional capacities coming in and overall revenue reaching ~5,000 crore in next 4-5 years. EBITDA margin shall improve to 9-9.5% from current 7-7.5% levels.
- **Capex-** Strong capital outlay is planned for FY26 of ~₹1,100-1,150 crore. Of which ₹550 crore for camera modules (Q Tech) and ₹200-250 crore for display and rest for additional capacity expansion over existing segments.
- **Export uptick-** Export opportunities scaling up, guided revenue of ₹7,000 crore+ from export in FY26 (FY25: ₹1600 crores), largely backed by its anchor customer (Motorola). Further management clarified 80-85% of Motorola business to stay with Dixon despite competition.
- **PN3 update** - PN3 for new JV entered (Yuhai Chongquing) will be filled in next 30-45 days, approval expected by 6-7 months. Previously filled PN3 for Vivo and HKC are yet awaited but management sounded confident to get approval in forthcoming months.
- **IT Hardware**- JV with Inventec is expected to be operational around Q1FY27 leading to manufacturing of notebook PC products, servers and desktop PCs. Further exploring opportunity for SSD and memory modules in Inventec JV.

- **Huge Growth expected in Telecom division-** Telecom division reported robust growth of 250% YoY with revenues clocking at ₹1,410 crore supported by faster penetration in Home broadband aiming to clock ~₹5,000 crore in FY26. Order book remains strong from anchor customers on IPTV set-top boxes. Discussion on advanced stage for JV in telecom space for critical components which is expected to improve margin profile for the segment.

- **Overall Mobile & EMS Growth picture remains intact-** Company remained on track with its growth outlook to clock ~40-42mn/60-65mn smart phones volumes in FY26/FY27. With the recent business development, of acquisition of Q Tech for camera modules and JV with Chongqing Yuhai for precision components, its goal to deepen manufacturing and backward integration remains intact with mobile division margin expansion aimed at 120-130 bps by FY27. Overall mobile and EMS segment shall continue to form larger chunk of its revenue with improved profitability to back it.

ii) Consumer electronics & Appliances

- Consumer electronics segment (LED TVs and Refrigerators) reported revenue of ₹672 crore, de-growth of 2%QoQ/21%YoY. Overall de-growth was led by TV business, however refrigerator business reported healthy growth and caters to ~10% of the market.
- Refrigerator business expected to continue its growth trajectory while Q2 for LED business looks promising with strong order book of ~0.8mn+ units ahead of festive seasons.

iii) Home Appliances

- Home appliances segment reported revenue of ₹313 cr, up 4% QoQ/3%YoY. Partnered with Eureka Forbes for robo vacuum cleaners expanding its home appliances division.
- For washing machine (FATL), new facility at Tirupati expected to be operational by Aug'25 servicing the increased order book. Further with capacity expansion, it aims to expand its capacity to 3.8mn from current 3mn units.
- Launch of new higher capacities model of 16kgs and 18kgs in SAWM is completed and product expected to be launched in Q3FY26. Further product in Fully automatic front load (FAFL) in progress.

iv) Lighting solutions

- Lighting revenue for Q1 reported at ₹188 crore, de-growth of 6% QoQ/ 17% YoY due to constant deflation and commoditisation of product.
- Secured pilot order from one of the top retail chains in U.S. which is expected to be executed in Q2. Management aims to scale this opportunity to sizeable business in upcoming quarters.
- JV (50:50) with Signify to commence operations from Aug'26. Further Dixon has been shifting its focus towards premiumisation in this segment.

Exhibit 1: Variance Analysis

	Q1FY26	Q1FY25	YoY	Q4FY25	QoQ (%)	Comments
Revenue	12,835.7	6,579.0	95%	10,293.0	25%	Mobile and EMS divison continued its momentum with recording 125% YoY and 28% QoQ growth.
Other Income	1.68	8.18	-79%	11.28	-85%	
Total Income	12,837.3	6,587.2	95%	10,304.3	25%	
Gross profit	960.7	562.1	71%	817.7	17%	
Gross margin %	7.5	8.5	-106 bps	7.9	-46 bps	Decline largely due to product mix.
Operating Expenses	12,184.1	6,211.8	96%	9,706.4	26%	
Employee Expenses	169.2	120.1	41%	143.3	18%	
Total Expenses	12,353.3	6,331.9	95%	9,849.8	25%	
EBITDA	**482.4**	**247.1**	**95%**	**443.3**	**9%**	
EBIDTA %	**3.8**	**3.8**	**-**	**4.3**	**-55 bps**	YoY margins remained steady, QoQ decline largely associated with PLI and higher proprotion from non-mobile division.
Depreciation	92.7	54.5	70%	85.9	8%	
Finance cost	32.6	29.3	11%	46.3	-30%	
PBT	365.5	178.9	104%	576.5	-37%	
Tax	85.5	40.0	114%	111.1	-23%	
Adjusted PAT	225.0	134.0	68%	184.5	22%	

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	**17,691**	**38,860**	**56,394**	**77,264**
% Growth	45.1	119.7	45.1	37.0
Other income	22.6	20.2	56.9	77.8
Total Revenue	**17,714**	**38,880**	**56,451**	**77,342**
Employee Expenses	333	567	790	1,043
Other expenses	16,661	36,785	53,413	72,604
Total Operating Expenditure	16,993	37,353	54,203	73,647
Operating Profit (EBITDA)	**698**	**1,508**	**2,191**	**3,617**
% Growth	-86.4	116.1	45.3	65.1
Interest	75	154	198	198
PBDT	646	1,373	2,050	3,497
Depreciation	162	281	355	490
PBT before Exceptional Items	484	1,092	1,695	3,006
Exceptional items	-	460	-	-
Total Tax	119	337	424	752
Minority interest & JV income	3	-120	-233	-308
Reported PAT	368	706	1,038	1,947
Adjusted PAT	**368**	**706**	**1,038**	**1,947**
% Growth	-85.6	91.8	47.1	87.6
Adjusted EPS	**61.7**	**117.1**	**170.8**	**317.9**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	375	1,233	1,271	2,255
Depreciation	162	281	355	490
Interest	75	154	198	198
Cash Flow before WC changes	612	1,668	1,824	2,943
(Inc)/dec in Current Assets	-1,748	-8,203	-4,749	-6,444
Inc/(dec) in CL and Provisions	1,836	7,839	4,065	5,482
Net CF from Operating activities	**700**	**1,304**	**1,141**	**1,982**
(Purchase)/Sale of Fixed Assets	-863	-1,247	-1,150	-1,600
Others	118	-544	-33	-215
Net CF from Investing activities	**-745**	**-1,791**	**-1,183**	**-1,815**
Dividend	-30	-42	-102	-180
Others	54	584	100	240
Net CF from Financing Activities	**24**	**542**	**-2**	**59**
Net Cash flow	-21	55	-44	226
Opening Cash/Cash Equivalent	229	209	264	220
Closing Cash/ Cash Equivalent	**209**	**264**	**220**	**445**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	12	12	12	12
Reserve and Surplus	1,683	2,998	4,043	6,117
Total Shareholders funds	1,695	3,010	4,055	6,130
Minority Interest	28	459	692	1,000
Total Debt	489	671	860	990
Other liabilities	38	36	56	77
Total Liabilities	**2,249**	**4,176**	**5,664**	**8,197**
Gross Block	2,405	3,433	4,557	6,129
Acc: Depreciation	435	716	1,071	1,562
Net Block	1,970	2,718	3,486	4,568
Capital WIP	64	256	282	310
Total Fixed Assets	2,034	2,974	3,768	4,878
Non Current Assets	50	593	367	482
Inventory	1,695	3,992	7,203	9,807
Debtors	2,318	6,965	8,121	11,203
Other Current Assets	615	1,873	2,256	3,013
Cash	209	264	220	445
Total Current Assets	4,836	13,094	17,800	24,469
Current Liabilities	4,672	12,484	16,271	21,632
Total Assets	**2,249**	**4,176**	**5,664**	**8,197**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
EPS	61.7	117.1	170.8	317.9
Cash per Share	35.0	43.7	36.2	72.7
BV	284.1	499.6	667.4	1,000.6
Dividend per share	5.0	7.0	16.7	29.4
Dvidend payout ratio (%)	8.2	5.9	9.8	9.3
Operating Ratios (%)				
EBITDA Margin	3.9	3.9	3.9	4.7
PAT Margin	2.1	3.2	2.3	2.9
Return Ratios (%)				
RoE	21.7	23.4	25.6	31.8
RoCE	25.7	30.3	35.4	40.9
Valuation Ratios (x)				
EV / EBITDA	143.2	67.0	46.6	28.4
P/E	270.9	142.6	97.7	52.5
Market Cap / Sales	5.6	2.6	1.8	1.3
Price to Book Value	58.8	33.4	25.0	16.7
Working Capital Management Ratios				
Inventory Days	34.9	37.5	46.6	46.3
Debtors Days	47.8	65.4	52.5	52.9
Creditors Days	83.8	102.2	93.9	90.8
Asset turnover	7.4	11.3	12.4	12.6
Solvency Ratios				
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	1.0	1.0	1.1	1.1
Quick Ratio	0.6	0.7	0.6	0.6

Source: Company, ICICI Direct Research

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