CMP: ₹16,300 Target: ₹ 20,000 (23%) Target Period: 12 months

BUY

October 23, 2025

Component strategy execution to be key factor ahead

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.

Q2FY26 performance: Dixon reported revenue of ₹14,855 crore (up by (29% YoY/15% QoQ). Mobile and EMS division continued its healthy growth with revenue of ₹13,361 crore (up by 41% YoY/15% QoQ). Company is in-line to achieve 40-42 mn smart phone volume target with ~20 mn done so far. However other divisions reported subdued growth largely due to postponement of purchase on GST rate cut across trade and consumer channels wherein revenue from TV, Refrigerators and washing machines declined by 34% YoY, 23% YoY and 3% YoY respectively.

Investment Rationale

- **Investment in component ecosystem shall support margin expansion:** Dixon's move into 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. The company has participated under ECMS scheme with investment commitment of ~₹ 3000 cr.
- **Revenue growth expected to remain healthy:** Mobile phones continued to remain primary growth driver for Dixon. FY25 smartphone stood at 28 mn which is expected to increase to 40-42mn units in FY26 and further to 55-60mn in FY27 which shall be aided by Vivo partnership. Discussions are ongoing with a potential new large ODM client that could contribute 0.5mn capacity/month. Beyond smartphones, Dixon is witnessing strong traction in its Telecom and IT hardware division wherein the former witnessed 148% YoY growth to ₹ 1635 cr. IT hardware recorded revenue of ₹ 331 cr, a 481% jump in Q2 with management expecting the business to reach ₹4000-5000 cr in next 2-3 years. Growth rate in refrigerator, washing machine and lighting shall also pick pace with healthy festive season.

Rating and Target Price

- Dixon is investing in next phase of growth related to components esp. on the mobile side, while increasing scale in other products. Execution shall be key to watch out while short delays shall be absorbed by the markets. Dixon with its aggressive and yet superior capital allocation strategy has been able to consistently earn strong RoCE. We value the stock at 65x FY27E its adj. EPS with target price of ₹ 20,000 and maintain BUY rating.

Dixon
The brand behind brands

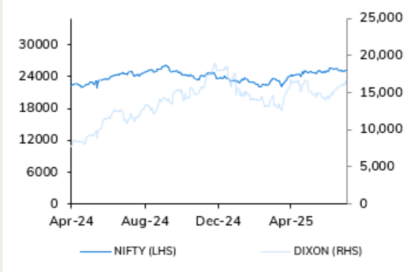
Particulars

Particular	Amount
Market Cap (₹ Crore)	98,637
H1FY26 Debt (₹ Crore)	846
H1FY26 Cash (₹ Crore)	643
EV (Rs Crore)	98,840
52 Week H/L (₹)	19,149/ 12,202
Equity Capital (₹ Crore)	12.0
Face Value	10

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	32.4	32.3	29.0	28.9
FII	23.2	21.8	20.6	20.7
DII	22.6	23.1	26.7	28.9
Public	21.7	22.9	23.8	21.5

Price Chart



Key risks

(i) Any restraint in domestic government support measures.

(ii) Execution delays owing to significant time lag in various approvals, macro slowdown, etc.

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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	55,032	76,840	40.6
EBITDA	371	513	698	1,508	59.6	2,248	3,471	51.7
EBITDA margin (%)	3.5	4.2	3.9	3.9		4.1	4.5	
Net Profit	182	255	368	706	57.0	1,107	1,878	63.1
Diluted/Adjusted EPS (₹)	31.0	42.9	61.7	117.1		182.1	306.5	
P/E(x)	526.6	379.5	264.4	139.2		89.5	53.2	
RoCE (%)	17.2	22.9	24.2	29.6		30.6	34.7	
RoE (%)	18.3	19.9	22.1	27.7		29.5	34.5	

Source: Company, ICICI Direct Research

Concall highlights and outlook

i) Mobile and EMS segment

- Reported revenue of ₹13,361 crores (up by 15% QoQ/41% YoY). Major part was mobile division while hearables and wearables contributed ₹207 crores, Telecom: ₹1,635 crores and IT hardware - ₹331 crores.
- **Mobile Volumes**– Clocked volume of ~20 mn so far, with yearly volume estimates of 40-42 mn for FY26 and 55-60 mn in FY27 broadly on track. Volumes from Longcheer JV are expected to be in range of 8-10 mn which largely are expected to get shifted from Dixon Padget to the JV with some incremental volumes. Active discussions with new ODM which is expected to add volumes of 0.5 mn units per month from Q4FY26 or early Q1FY27.
- Overview on display module - First phase in display modules assembly with HKC shall create capacity of 24 mn p.a. for smartphones and additional 2 mn p.a. for notebooks of which ~76% is expected to be consumed captively. Further in phase two, capacity is expected to be enhanced to 60 mn p.a. for smartphones with ~80% expected to be consumed captively and LED and automotive display of 2 mn and 1 mn p.a. respectively which shall create an overall opportunity of ~$800-900 mn with expected margins in mid to high double digit.
- **Update on Q Tech business** – In next 6-9 months, company aims to expand capacities and deepen manufacturing. Company intends to generate revenue of ~₹6,000 crores with volumes going up to ~190-200 mn in next 2-3 years with sub ~10% margins. This compares with current revenue of ~₹2,000 crore and volumes of ~40 mn.
- **Capex-** Capital outlay planned at~₹1,100-1,150 crore for FY26 remained on track with ~₹550 crore incurred in H1FY26 and balance expected to be incurred in H2FY26. Further, construction for 1 bn sq. feet manufacturing campus in Noida for anchor customer is progressing well with completion expected in Mar'26.
- **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 received for Longcheer and finalized new 4,00,000 sq. feet facility which is expected to get operational by April'26. Further approval for PN3 for Vivo and HKC is expected in coming weeks.
- **IT Hardware**- In FY26, IT hardware is expected to contribute revenue of ₹1200-1300 crore wherein company has started commercial production of HP, ASUS, Lenovo and Acer. Manufacturing location for JV with Inventec is finalised which is expected to be operational by Q1/Q2 of FY27. Company expects total revenue to reach ~₹4,000-5,000 crore from IT hardware segment in next 2-3 years.
- **Telecom division expected to be next growth driver** – Likely to be among the major growth driver after mobiles. It is marking a shift from consumer

premises end (CPE) products like wifi routers to more complex network equipment side. Company secured large order from leading U.S. telecom company for manufacturing backhaul microwave radios, thereby opening doors to global markets. Commercial production of this order is expected to commence from Mar'26 with exports commencing from Q2-Q3 of FY27. Overall, this business is expected to clock revenue of ~$1 bn in next couple of years. In FY25, this segment earned revenue of ~₹ 3349 cr which is expected to increase to ₹ 4800 cr+ in FY26E.

- **Overall Mobile & EMS Growth picture remains intact-** Company broadly remains on track with its growth outlook to clock ~40-42mn/55-60mn smart phones volumes in FY26/FY27. Vivo approval remains the key which shall be keenly watched by markets. In terms of margin, medium to long term outlook stays positive with backward integration while there could be some adverse margin impact for couple of quarters with PLI scheme ending in March 2026. Overall, we are factoring margin to expand by ~60 bps over FY25-27E.

ii) **Consumer electronics & Appliances**

- Consumer electronics segment (LED TVs and Refrigerators) reported revenue of ₹956 crore, de-growing by 32% YoY while sequentially increasing by 42%. Both television and washing machine businesses witnessed de-growth of 34% YoY and 23% YoY respectively. This de-growth was largely associated to postponement of purchase across trade and consumer channels with anticipation of GST rate cut.
- In T.V. business, company has grown its ODM share up to 60% of the volumes and continue to acquire new customers. Also, it has set-up capabilities for large sized IFPD (Interactive flat panel display) and signages.
- Refrigerator volumes remain subdued due to introduction of new energy efficiency norms leading to postponing purchases. The company is expanding capacity from 12 lakhs to 17 lakhs units and in next phase shall increase to 25 lakh units. The company had seen strong growth in its first full year of FY25. Further, it has introduced new products in coolant divisions such as 50 ltrs and 100 ltrs minibars and also plans to foray into deep freezers, visi coolers alongside two door side-by-side refrigerators.

iii) **Home Appliances**

- Home appliances segment reported revenue of ₹429 crore, up 37% QoQ however declined marginally by 3% YoY.
- For washing machine (FATL i.e. fully automatic top load), new facility at Tirupati is expected to commence operations by end of Q3FY26. The company is also in the process of launching SAWM i.e. semi-automatic washing machine in 16kg and 18kg capacity by Dec'25.

- FAFL i.e. fully automatic front load is at conceptualisation phase, wherein the company has hired experienced senior personnel to drive the project with initial capacities expected between 1,50,000 to 2,00,000 units and further foraying into other home appliances products such as dishwashers and microwaves.
- Production for robotic vacuum cleaners for Eureka forbes is expected to start by Dec'25.

iv) **Lighting solutions**

- Lighting business has been shifted to its JV (Lightanium Technologies) with Signify. Order book in lighting business remains robust with new categories of premium indoor and professional lighting products coming in.
- Executed the first pilot order from one of the top retail chains in U.S. and further aims to scale this opportunity to sizeable business in upcoming quarters.
- Another pilot order from biggest retail chain from Germany is expected to fructify this quarter.

Exhibit 1: Variance Analysis

	Q2FY26	Q2FY25	YoY	Q1FY26	QoQ (%)	Comments
Revenue	14,855.0	11,534.0	29%	12,835.7	16%	Mobile and EMS divison continued its momentum, recording 41% YoY and 15% QoQ growth to ₹13,361 cr.
Other Income	495.7	-5.7	-	1.7	29408%	One off item: MTM of Aditya Infotech (6.5% stake) valued at market price
Total Income	15,350.8	11,528.3	33%	12,837.3	20%	
Gross profit	1,053.7	873.5	21%	960.7	10%	
Gross margin %	7.1	7.6	-48 bps	7.5	-39 bps	Decline partly due to product mix.
Operating Expenses	295.5	298.9	-1%	309.1	-4%	
Employee Expenses	196.9	148.3	33%	169.2	16%	
Total Expenses	492.4	447.2	10%	478.3	3%	Overall expenses contained.
EBITDA	**561.3**	**426.3**	**32%**	**482.4**	**16%**	
EBIDTA %	**3.8**	**3.7**	**8 bps**	**3.8**	**2 bps**	Margins remained steady
Depreciation	96.3	66.0	46%	92.7	4%	
Finance cost	38.4	37.9	1%	32.6	18%	
PBT	922.4	316.6	191%	358.8	157%	
Tax	177.9	117.2	52%	85.5	108%	
Adjusted PAT after MI	247.0	214.0	15%	225.0	10%	Adj. for other income and minority interest

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	17,691	38,860	55,032	76,840
% Growth	45.1	119.7	41.6	39.6
Other income	22.6	20.2	516.9	77.8
Total Revenue	17,714	38,880	55,549	76,918
Employee Expenses	333	567	770	1,037
Other expenses	16,661	36,785	52,014	72,331
Total Operating Expenditure	16,993	37,353	52,784	73,369
Operating Profit (EBITDA)	698	1,508	2,248	3,471
% Growth	-86.4	116.1	49.1	54.4
Interest	75	154	158	153
PBDT	646	1,373	2,606	3,396
Depreciation	162	281	355	482
PBT before Exceptional Items	484	1,092	2,251	2,914
Exceptional items	-	460	-	-
Total Tax	119	337	563	728
Minority interest & JV income	3	-120	-233	-308
Adjusted PAT after MI	368	706	1,107	1,878
% Growth	-85.6	91.8	56.8	69.7
Adjusted EPS	61.7	117.1	182.1	306.5

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	375	1,233	1,339	2,185
Depreciation	162	281	355	482
Interest	75	154	158	153
Cash Flow before WC changes	612	1,668	1,853	2,821
(Inc)/dec in Current Assets	-1,748	-8,203	-2,321	-7,021
Inc/(dec) in CL and Provisions	1,836	7,839	2,488	5,887
Net CF from Operating activities	700	1,304	2,020	1,686
(Purchase)/Sale of Fixed Assets	-863	-1,247	-1,673	-1,500
Others	118	-544	-411	-214
Net CF from Investing activities	-745	-1,791	-2,084	-1,714
Dividend	-30	-42	-135	-175
Others	54	584	335	276
Net CF from Financing Activities	24	542	200	101
Net Cash flow	-21	55	136	74
Opening Cash/Cash Equivalent	229	209	264	399
Closing Cash/ Cash Equivalent	209	264	399	473

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	4,427	6,437
Total Shareholders funds	1,695	3,010	4,439	6,450
Minority Interest	28	459	692	1,000
Total Debt	489	671	1,055	1,177
Other liabilities	38	36	55	77
Total Liabilities	2,249	4,176	6,241	8,703
Gross Block	2,405	3,433	4,557	6,029
Acc: Depreciation	435	716	1,071	1,554
Net Block	1,970	2,718	3,486	4,476
Capital WIP	64	256	282	310
Total Fixed Assets	2,034	2,974	3,768	4,786
Non Current Assets	50	593	1,626	1,733
Inventory	1,695	3,992	5,356	8,496
Debtors	2,318	6,965	7,980	11,142
Other Current Assets	615	1,873	1,816	2,536
Cash	209	264	399	473
Total Current Assets	4,836	13,094	15,551	22,647
Current Liabilities	4,672	12,484	14,704	20,462
Total Assets	2,249	4,176	6,241	8,703

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
EPS	61.7	117.1	182.1	306.5
Cash per Share	35.0	43.7	65.7	77.2
BV	284.1	499.6	730.6	1,052.8
Dividend per share	5.0	7.0	22.2	28.5
Dvidend payout ratio (%)	8.2	5.9	12.2	9.3
Operating Ratios (%)				
EBITDA Margin	3.9	3.9	4.1	4.5
PAT Margin	2.1	3.2	3.1	2.8
Return Ratios (%)				
RoE	22.1	27.7	29.5	34.5
RoCE	24.2	29.6	30.6	34.7
Valuation Ratios (x)				
EV / EBITDA	139.8	65.4	44.3	29.0
P/E	264.4	139.2	89.5	53.2
Market Cap / Sales	5.5	2.5	1.8	1.3
Price to Book Value	57.4	32.6	22.3	15.5
Working Capital Management Ratios				
Inventory Days	34.9	37.5	35.2	40.3
Debtors Days	47.8	65.4	52.4	52.9
Creditors Days	83.8	102.2	85.4	85.8
Asset turnover	7.4	11.3	12.2	12.8
Solvency Ratios				
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	1.0	1.0	1.0	1.1
Quick Ratio	0.6	0.7	0.7	0.7

Source: Company, ICICI Direct Research

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