Dixon Technologies (DIXTEC)

CMP: ₹13,900 | Target ₹ 16,300 (17%) | Target Period: 12 months | BUY

August 4, 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. EBIDTA 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.

Dixon
The brand behind brands

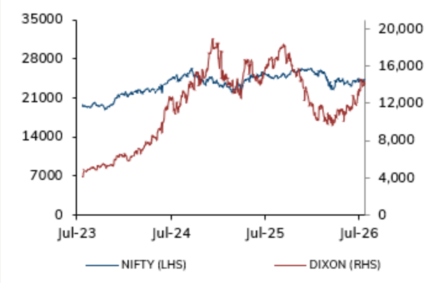
Particulars

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.

Research Analyst

Jaymin Trivedi
jaymin.trivedi@icicisecurities.com

Kirankumar Choudhary
kiran.choudhary@icicisecurities.com

Saksham Mathur
saksham.mathur@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 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 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 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 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

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Jaymin Trivedi, PGDBM, Kirankumar Choudhary, Chartered Accountant, Saksham Mathur, PGDM Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report