BUY
TP: Rs 13,000 | ⮝ 18%

DIXON TECHNOLOGIES | EMS | 02 November 2026

Price-led growth; upgrade on valuation

- **Revenue grew 47% YoY to Rs 217.9bn, 16% ahead of our estimate. EBITDA rose 6% YoY, but margin narrowed 104bps to 2.7%**
- **Memory-led price pass-through, not volume, drove Mobile & EMS growth. Vivo consolidation has moved to Q4FY27 from Q3FY27**
- **Cut estimates and ascribe 40x to Sep'28E EPS to arrive at a Sep'27 TP of Rs 13,000. We upgrade to BUY**

Vineet Shanker
Research Analyst

Amey Tupe
Research Associate
research@bobcaps.in

Revenue ahead, margin lower: DIXON's revenue grew 47% YoY and 40% QoQ to Rs 217.9bn, 16% ahead of our estimate. EBITDA rose 6% YoY to Rs 6.0bn, 9% above our estimate. Margin narrowed 104bps YoY to 2.7% as raw material costs rose 202bps of sales. Other income included a Rs 570mn fair value gain on the Aditya Infotech stake, or about Rs 510mn after tax. The Q2FY26 base carried a Rs 4.65bn gain on the same stake and Rs 280mn gain on the lighting transfer. As a result, reported PAT after minority interest fell 49% YoY to Rs 3.4bn.

Mobile growth from pricing: Mobile & EMS revenue grew 50% YoY and 42% QoQ to Rs 200.9bn. Management said selling prices rose about 35–40% YoY on memory costs, while smartphone volumes were slightly lower YoY. H1FY27 volumes were about 17.2mn units, above the 16-16.5mn guided after Q1. Segment operating profit rose 8% YoY to Rs 5.1bn, but margin fell 100bps YoY and 10bps QoQ to 2.5%. IT hardware revenue rose 59% QoQ to Rs 21.6bn, while telecom fell 12% QoQ to Rs 18.4bn. QTech camera modules contributed Rs 5.2bn.

Input costs squeeze appliances: Home Appliances revenue grew 37% YoY to Rs 5.9bn, but margin fell 350bps YoY to 8.2%. Management cited polymer prices, freight, adverse currency and a lag in passing costs through under ODM contracts. CE&A revenue grew 17% YoY to Rs 11.2bn. Its margin fell 50bps YoY and 230bps QoQ to 3.6%, as input cost inflation weighed on LED TV and refrigerator demand. Dixon raises its capex commitment to Rs 5bn from Rs 2.5bn and brings higher revenue thresholds and incentive payouts. Management linked the move to its order book, with four of the top five global PC brands as customers.

Cut estimates, upgrade to BUY: We cut FY27E PAT by 21% and FY29E PAT by 7% and keep FY28E broadly unchanged. The cuts reflect PLI 1.0 expiry, margin dilution from memory pass-through, the cost lag in appliances and Vivo consolidation moving to Q4FY27. We lower our multiple to 40x from 45x, given uncertainty on PLI and Vivo JV and lower multiples across EMS stocks. Our Sep'27 TP of Rs 13,000 (from Rs 14,000) implies 18% upside, and we upgrade to BUY from HOLD.

Key changes

Target	Rating
▼	▲

Ticker/Price	DIXON IN/Rs 11,000
Market cap	US$ 6.9bn
Free float	66%
3M ADV	US$ 47.4mn
52wk high/low	Rs 15,775/Rs 9,600
Promoter/FPI/DII	34%/12%/24%

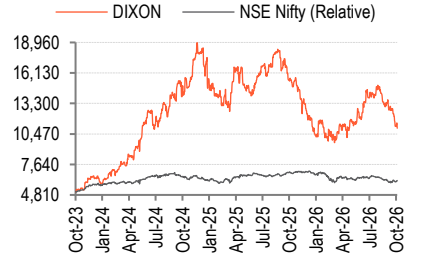
Source: NSE | Price as of 30 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	4,88,728	7,80,902	10,76,442
EBITDA (Rs mn)	18,665	23,044	36,905
Adj. net profit (Rs mn)	14,386	13,345	17,679
Adj. EPS (Rs)	241.6	224.1	296.9
Adj. ROAE (%)	37.4	25.0	25.7
Adj. P/E (x)	45.5	49.1	37.1
EV/EBITDA (x)	35.1	28.4	17.7
Adj. EPS growth (%)	126.4	(7.2)	32.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly & H1FY27 financial snapshot

Particulars (Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)	Q2FY27E	Var (%)
Revenue	2,17,936	1,48,550	47	1,55,477	40	3,73,413	2,76,907	35	1,88,636	16
EBITDA	5,968	5,613	6	4,631	29	10,599	10,437	2	5,489	9
EBITDA Margin (%)	2.7	3.8	(100bps)	3.0	(20bps)	2.8	3.8	(90bps)	2.9	(17bps)
Depreciation	1,101	963		1,070		2,170	1,890		1,110	(1)
Other Income	687	0		5,283		5,970	17		240	186
PBT	5,295	4,267	24	8,603	(38)	13,899	7,855	77	4,219	26
Tax	1,215	1,779		1,512		2,726	2,634		1,062	14
Reported PAT	3,437	1,743	97	6,634	(48)	10,071	3,992	152	2,662	29
Exceptional item	-	(4,957)		4,454		4,454	(4,957)		0	
Adj PAT	3,437	6,700	(49)	2,180	58	5,617	8,949	(37)	2,662	29
Adj. PAT Margin (%)	1.6	1.2	40bps	4.3	(270bps)	2.7	1.4	130bps	1.4	17bps
EPS (Rs)	68.5	41.8	64	119.1	(42)	187.6	87.7	114	53	29

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Particulars (Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)
Segment revenue								
Consumer electronics & appliances	11,150	9,560	17	9,870	13	21,020	35,900	(41)
Home appliances	5,860	4,290	37	3,820	53	9,680	13,660	(29)
Mobile & EMS	2,00,930	1,33,610	50	1,41,790	42	3,42,720	3,30,430	4
EBIT								
Consumer electronics & appliances	400	390	3	580	(31)	980	1450	(32)
EBIT Margin (%)	*3.6*	*4.1*	*(49bps)*	*5.9*	*(229bps)*	*4.7*	*4.0*	*62bps*
Home appliances	480	500	(4)	320	50	800	1500	(47)
EBIT Margin (%)	*8.2*	*11.7*	*(346bps)*	*8.4*	*(19bps)*	*8.3*	*11.0*	*(272bps)*
Mobile & EMS	5090	4720	8	3730	36	8820	11500	(23)
EBIT Margin (%)	*2.5*	*3.5*	*(100bps)*	*2.6*	*(10bps)*	*2.6*	*3.5*	*(91bps)*

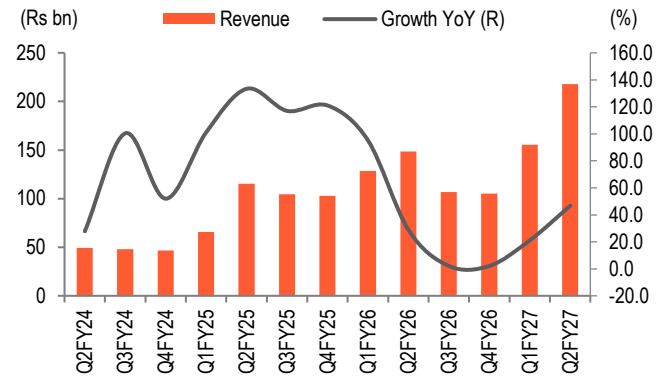
Source: Company, BOBCAPS Research

Earnings Call Highlights

- **FY27 volumes guided at 33–34mn units:** Management expects FY27 smartphone volumes of about 33–34mn units excluding Vivo; Q1 had guided close to FY26's 32–33mn. It guided Q3FY27 at about 7–7.5mn units and Q4FY27 at about 9.5mn, with the Noida facility starting operations in Q3FY27.
- **Vivo JV sized at 20–21mn units:** Management expects the Vivo JV to produce about 20–21mn units a year, with capex of Rs 3.0–3.5bn and commercial terms still being finalised. Including Vivo, it expects FY28 smartphone volumes of about 50–60mn units.
- **Exports to scale from Q4FY27:** Management targets FY27 smartphone exports of 3.5–4mn units, led by Motorola under the mobile phone manufacturing scheme (MPMS), at about 3.5mn units a quarter with 6–7mn a year for export. A second anchor customer begins feature-phone exports in FY28, and a newly added Indian brand, already in production, could add 6–10mn units in FY28.

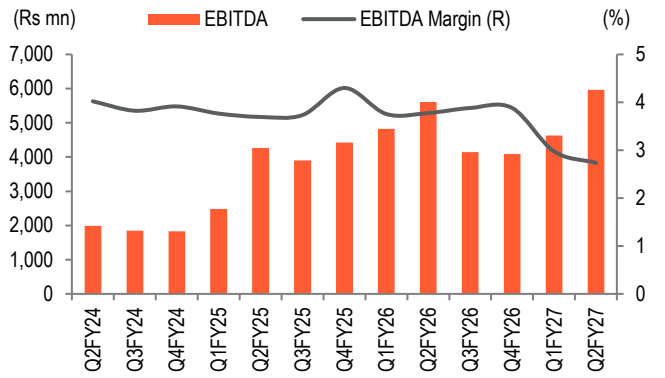
- **IT hardware guided at Rs 60bn:** Management expects FY27 IT hardware revenue of about Rs 60bn, rising to Rs 150–200bn in two years from laptops and tablets alone, excluding servers. It guided margins of about 2.0–2.3% and the Inventec JV operational by end-Q3 or Q4FY27, against the Q1 guide of end-Q3 or early-Q4FY27.
- **Mobile display production moves to FY28:** HKC JV notebook and automotive display lines finish installation by end-November, with trials in December and commercial production in Q4FY27. Mobile display trials are planned for March 2027 and commercial production for early FY28; Q1 had guided trials in Q3FY27 and mass production by end-Q3 or early Q4FY27.
- **Display capex of Rs 10bn planned:** Management plans about Rs 10bn of display capex over three years, including Rs 3.0–3.5bn in FY27, and sees Rs 60–70bn of revenue potential at full ramp, largely captive. It expects display and camera modules together to add 80–100bps to margins over two years.
- **QTech capacity raised to 120mn units:** QTech camera module capacity has risen to 120mn units from 80mn, with 180–190mn targeted over two years and FY28 revenue of Rs 25–30bn. Management expects margins to reach 6–7% now that customers have agreed to forex pass-through.
- **Telecom margins guided at 3–3.2%:** Management guided telecom margins at 3–3.2%, with microwave backhaul radio exports starting in FY27. The Gemtek optical transceiver JV, now approved under ECMS, plans trials in Q4FY27 and commercial production in FY28 on an initial investment of Rs 500–600mn.
- **Washing machine capacity at 3.9mn units:** Capacity is 3mn semi-automatic, 0.6mn fully automatic top-load and 0.3mn front-load units, with front-loaders launching in Q3FY27. Dishwashers and microwaves move to Q4FY27 from the Q1 guide of Q3FY27. Management put the H1 margin hit at about 3% for washing machines and lighting, where strip-light exports to a US retail chain have started.
- **Most of working capital to reverse:** H1FY27 operating cash flow was negative Rs 2.8bn after a Rs 12.7bn working capital build, and net debt was Rs 730mn against net cash of Rs 7.7bn in Mar'26. Management expects 80–85% of the build to release before Mar'27 and guided FY27 capex at Rs 12bn after Rs 7bn in H1.

Fig 3 – Revenue growth



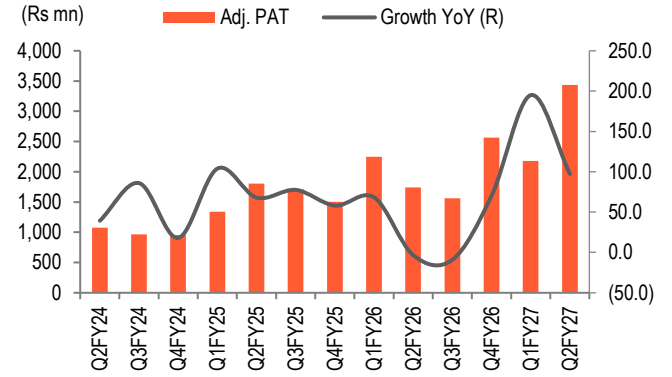
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



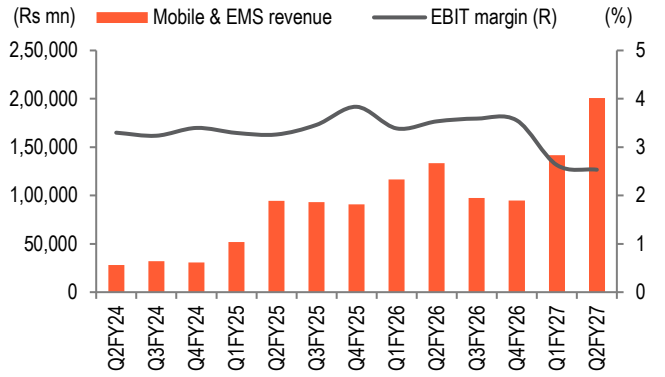
Source: Company, BOBCAPS Research

Fig 5 – PAT growth



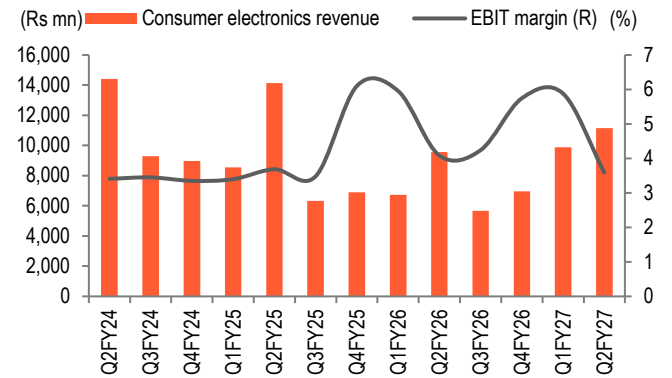
Source: Company, BOBCAPS Research

Fig 6 – Mobiles business growth



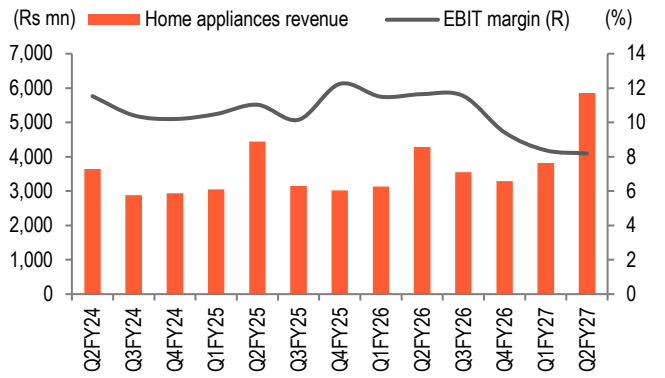
Source: Company, BOBCAPS Research

Fig 7 – CE business growth



Source: Company, BOBCAPS Research

Fig 8 – Home appliances business growth

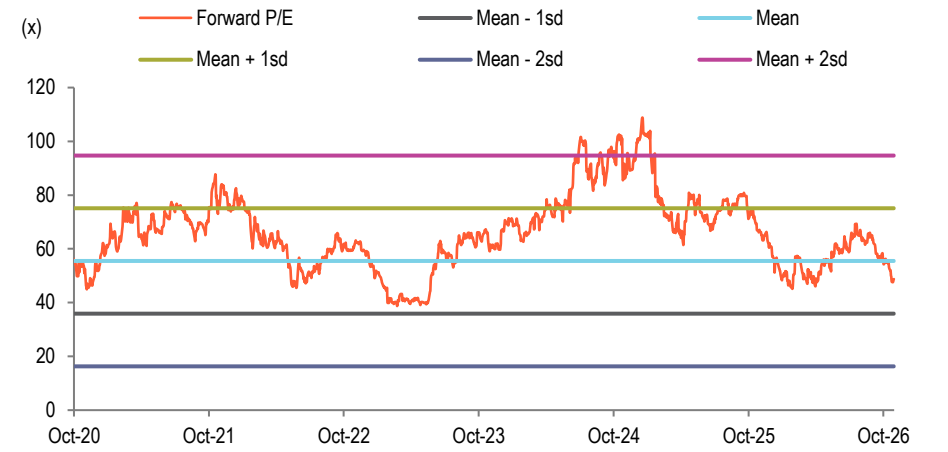


Source: Company, BOBCAPS Research

Valuation methodology

We cut FY27E/FY29E PAT by 21%/7% and keep FY28E broadly unchanged. EBITDA margin assumptions come down 28bps/12bps/30bps for FY27E/FY28E/FY29E. FY28E/FY29E revenue rises 4%/3% on Vivo consolidation from Q4FY27 and higher exports. We expect revenue/EBITDA CAGR of 35%/31% over FY26–29E. We value DIXON at 40x Sep'28E EPS, which excludes one-off gains, down from 45x. This gives a Sep'27 TP of Rs 13,000, and we upgrade to BUY.

Fig 9 – DIXON 1YF PE band chart



Source: Company, BOBCAPS Research

Fig 10 – Revised estimates

Particulars (Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	7,80,902	10,76,442	12,06,228	8,11,125	10,35,479	11,65,940	(4)	4	3
EBITDA	23,044	36,905	41,942	26,207	36,758	44,076	(12)	0	(5)
EBITDA Margin (%)	3.0	3.4	3.5	3.2	3.5	3.8	(28bps)	(12bps)	(30bps)
PAT	8,891	17,679	19,822	11,205	17,569	21,419	(21)	1	(7)

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**3,88,601**	**4,88,728**	**7,80,902**	**10,76,442**	**12,06,228**
EBITDA	15,076	18,665	23,044	36,905	41,942
Depreciation	2,810	3,930	4,352	5,538	6,652
EBIT	12,266	14,735	18,692	31,367	35,289
Net interest inc./(exp.)	(1,544)	(1,375)	(2,517)	(2,508)	(2,819)
Other inc./(exp.)	202	867	6,000	1,000	1,250
Exceptional items	0	6,263	0	0	0
EBT	10,924	12,493	22,175	29,859	33,720
Income taxes	3,372	4,263	5,588	7,524	8,497
Extraordinary items	(4,600)	0	0	0	0
Min. int./Inc. from assoc.	174	215	437	538	553
Reported net profit	**10,955**	**14,386**	**13,345**	**17,679**	**19,822**
Adjustments	(4,600)	0	0	0	0
Adjusted net profit	**6,356**	**14,386**	**13,345**	**17,679**	**19,822**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	1,08,837	1,07,222	2,13,946	2,80,170	3,13,950
Other current liabilities	15,395	18,023	29,952	41,288	46,266
Provisions	0	0	0	0	0
Debt funds	6,710	9,942	10,942	11,942	10,442
Other liabilities	6,626	9,663	13,341	18,535	24,489
Equity capital	121	122	122	122	122
Reserves & surplus	29,982	46,645	59,871	77,431	97,134
Shareholders' fund	30,102	46,767	59,993	77,553	97,256
Total liab. and equities	**1,67,669**	**1,91,616**	**3,28,175**	**4,29,488**	**4,92,403**
Cash and cash eq.	2,635	9,411	6,829	3,517	891
Accounts receivables	69,655	65,299	1,41,204	1,97,593	2,28,027
Inventories	39,924	38,365	87,718	1,20,915	1,48,713
Other current assets	18,730	22,079	27,813	35,390	36,352
Investments	0	0	0	0	0
Net fixed assets	21,091	27,199	39,556	47,518	53,865
CWIP	2,561	5,708	1,500	1,000	1,000
Intangible assets	6,655	14,518	14,518	14,518	14,518
Deferred tax assets, net	0	0	0	0	0
Other assets	6,418	9,038	9,038	9,038	9,038
Total assets	**1,67,669**	**1,91,616**	**3,28,175**	**4,29,488**	**4,92,403**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**11,498**	**17,823**	**5,359**	**3,613**	**6,040**
Capital expenditures	(8,956)	(10,579)	(12,500)	(13,000)	(13,000)
Change in investments	(3,210)	(620)	0	0	0
Other investing cash flows	(123)	(1,306)	0	0	0
Cash flow from investing	**(12,289)**	**(12,505)**	**(12,500)**	**(13,000)**	**(13,000)**
Equities issued/Others	1,399	2,632	0	0	0
Debt raised/repaid	583	(1,506)	1,000	1,000	(1,500)
Interest expenses	0	0	0	0	0
Dividends paid	(2,248)	(2,208)	3,560	5,075	5,835
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(266)**	**(1,082)**	**4,560**	**6,075**	**4,335**
Chg in cash & cash eq.	**(1,057)**	**4,236**	**(2,582)**	**(3,312)**	**(2,626)**
Closing cash & cash eq.	**2,635**	**9,411**	**6,829**	**3,517**	**891**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	184.0	241.6	224.1	296.9	332.9
Adjusted EPS	106.7	241.6	224.1	296.9	332.9
Dividend per share	8.0	10.0	2.0	2.0	2.0
Book value per share	505.5	785.3	1,007.4	1,302.3	1,633.2

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	1.7	1.3	0.8	0.6	0.5
EV/EBITDA	43.5	35.1	28.4	17.7	15.6
Adjusted P/E	103.1	45.5	49.1	37.1	33.0
P/BV	21.8	14.0	10.9	8.4	6.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	58.2	70.2	60.2	59.2	58.8
Interest burden (PBT/EBIT)	89.1	139.1	118.6	95.2	95.6
EBIT margin (EBIT/Revenue)	3.2	3.0	2.4	2.9	2.9
Asset turnover (Rev./Avg TA)	18.4	18.0	19.7	22.7	22.4
Leverage (Avg TA/Avg Equity)	0.9	0.7	0.7	0.7	0.6
Adjusted ROAE	27.0	37.4	25.0	25.7	22.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	119.7	25.8	59.8	37.8	12.1
EBITDA	116.1	23.8	23.5	60.2	13.6
Adjusted EPS	72.8	126.4	(7.2)	32.5	12.1
Profitability & Return ratios (%)					
EBITDA margin	3.9	3.8	3.0	3.4	3.5
EBIT margin	3.2	3.0	2.4	2.9	2.9
Adjusted profit margin	1.6	2.9	1.7	1.6	1.6
Adjusted ROAE	27.0	37.4	25.0	25.7	22.7
ROCE	23.4	29.4	20.9	20.9	18.7
Working capital days (days)					
Receivables	65	49	66	67	69
Inventory	37	29	41	41	45
Payables	102	80	100	95	95
Ratios (x)					
Gross asset turnover	15.6	14.5	16.6	17.3	16.0
Current ratio	1.0	1.1	1.1	1.1	1.1
Net interest coverage ratio	7.9	10.7	7.4	12.5	12.5
Adjusted debt/equity	0.2	0.2	0.2	0.2	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

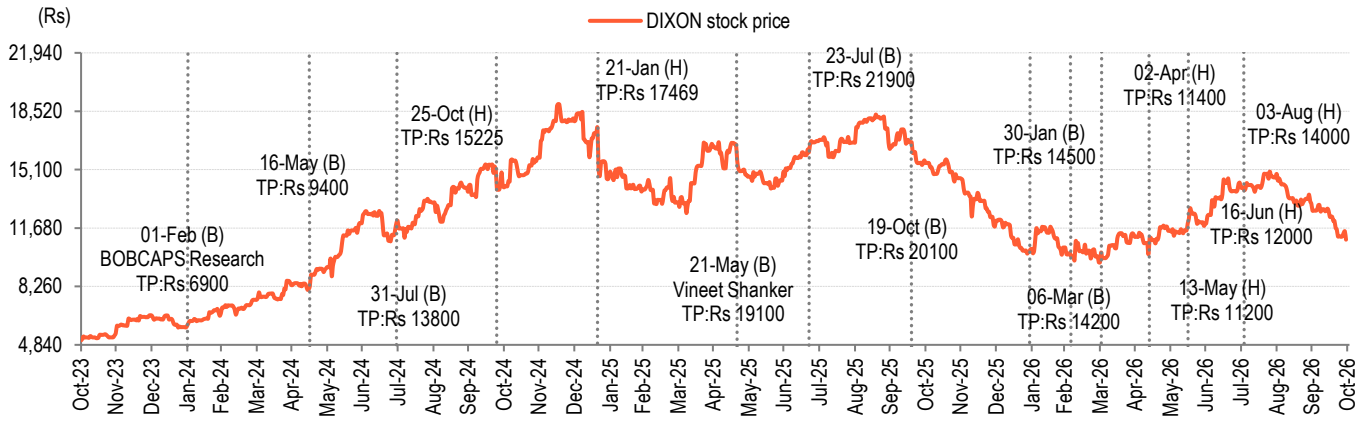
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): DIXON TECHNOLOGIES (DIXON IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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