

“Dixon Technologies (India) Limited Q2 FY '26 Earnings Conference Call”

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MANAGEMENT: **MR. ATUL LALL – VICE CHAIRMAN & MANAGING
DIRECTOR, DIXON TECHNOLOGIES (INDIA) LIMITED
MR. SAURABH GUPTA - CHIEF FINANCIAL OFFICER,
DIXON TECHNOLOGIES (INDIA) LIMITED**

MODERATOR: **MS. BHOOMIKA NAIR - DAM CAPITAL ADVISORS
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Dixon Technologies Q2 FY '26 Earnings Call hosted by DAM Capital Advisors.

As a reminder, all the participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by using “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors. Thank you, and over to you, ma’am.

Bhoomika Nair: Thank you, and good evening to everyone. Welcome to the Dixon Technologies Q2 FY '26 Earnings Call.

The Management is being represented today by Mr. Atul Lall – Vice Chairman and Managing Director, and Mr. Saurabh Gupta – Chief Financial Officer.

At this point, I will hand over the floor to Mr. Lall for his “Initial Remarks,” post which we will open up the floor for “Q&A.” Thank you, and over to you, sir.

Atul Lall: Thanks very much, Bhoomika. Good evening, everyone. This is Atul Lall, and joining me today is our CFO – Saurabh Gupta.

Saurabh Gupta: Good evening, everybody.

Atul Lall: We thank you all for taking time to join us to discuss our performance for 2nd Quarter FY25-'26. Key highlights for the quarter as below:

Consolidated adjusted revenues for the quarter ended September 30, 2025, was INR 14,858 crores as against INR 11,528 crores in the same period last year, and that is a growth of 29%.

Consolidated adjusted EBITDA for the quarter was INR 564 crores against INR 420 crores in the same period last year, a growth of 34%.

Consolidated adjusted PAT for the quarter was INR 323 crores against INR 236 crores in the same period last year, growth of 27%.

As you would be aware, the announcement of the reduction in GST rates in mid-August led to a significant postponement of purchases across the trade and consumer channels. Between August mid and 21st September, most customers and retailers deferred buying decisions in anticipation of the lower post cut prices.

Although demand began to normalize after the new GST rate came into effect on September 22, the short window of 9 days before the quarter end was insufficient to fully recover the deferred

volumes. As a result, our Q2 top line reflects this time distortions specifically by the TVs, refrigerators and washing machines.

Upholding our focus on financial discipline, we efficiently manage our working capital cycle at negative 6 days, complemented by a strong balance sheet reflecting a net debt position of INR 203 crores. We continue to demonstrate consistent improvement in our return ratios with return on capital employed of 49.1% and return on equity at 34.3% as on September 30, 2025, reflecting the inherent strength and resilience of our business model.

In the first phase of a 74:26 JV with HKC for display modules, we are creating a capacity of 24 million per annum for smartphones and 2 million units per annum for notebooks, which would be for 76% of captive consumption.

In the second phase, we will enhance this capacity to 60 million units per annum for smartphones, which will account for almost 80% of the captive consumption. And we will also foray into display for LED TVs and automotive with a capacity of 2 million and 1 million units per annum, respectively. The margins in this segment will be in higher double digits.

We acquired 51% stake in Q Tech India for manufacturing and supply of camera and fingerprint modules for smartphones, IoT and automotive applications, and have started consolidating the financials from 26 September '25.

In the next 6 to 9 months, investments would be made to expand the capacities and deepen the level of manufacturing. And we feel confident that the volume of smartphone camera modules can increase from 40 million units and revenues by INR 2,000 crores in large financial years to 190 to 200 million units per annum with the revenue closer to INR 6,000 crores to INR 7,000 crores and sub-10% EBITDA margins in the next two to three years.

In line with our backward integration strategy for automotive components like display, we will also increasingly focus on automotive camera modules under this company. We have filed a components ECMS applications for display modules, camera module enclosures, lithium-ion batteries, optical transceiver - SFP and also mechanical enclosures with investment commitment of approximately INR 3,000 crores over the next three years.

So, this is going to be the next phase of growth, which will also lead to margin expansion in our business as we look ahead to remain optimistic about medium to long-term prospects for the Indian electronics manufacturing ecosystem.

Now I will share with you the “Business performance and insights” in each of the segments:

Mobile and EMS:

Revenue for the quarter for mobile business was INR 13,361 crores, with a growth of 41% year-on-year and operating profit of INR 472 crores, a growth of 53%. Out of this revenue, for

telecom, IT hardware, hearables and wearables was INR 1,635 crores, INR 331 crores and INR 207 crores respectively.

We witnessed a strong momentum in the quarter with healthy volume growth across the various smartphone brands. Dixon remains the largest domestic manufacturer of mobile phones with high volume capabilities and best-in-class infrastructure.

We have received the PN3 approval for 74:26 joint venture with Longcheer and have finalized a new 400,000 square feet facility for the JV, which is expected to be operational by April '26 and PN3 appraisal process for 51:49 JV with Vivo and 74:26 JV with HKC is progressing well, and we expect the approvals in the coming weeks.

Construction of a 1 Mn square feet of mobile manufacturing campus in Noida is on track for our anchor customer with much larger capacity and same is expected to be completed by March '26.

We are in active discussion with another large ODM of smartphones and the manufacturing for them should start by Q4 of FY 25-26.

Consumer electronics, that's LED TV and refrigerators:

The revenue for the quarter was INR 956 crores with an operating profit of INR 39 crores. Out of this, the revenue of the refrigerator business was INR 145 crores. We saw significant postponement of purchases across the trade and consumer channels for this product category.

LED TVs:

In this quarter, we have increased our ODM share up to 65% of the volumes and continue to acquire new customers. We are offering authorized Google TV solutions along with Tizen OS, Fire TV OS, webOS and Linux-based solutions to our customers, offering a complete basket of technological options and introduce unique features like karaoke inside a TV.

We have set up a state-of-art CKD robotic LCM line for large-size IFPD televisions and signages. We are actively working on increasing capacities and enhancing capabilities for manufacturers for industrial, institution and automotive displays.

Refrigerators:

Another reason to subdued growth in the quarter is the introduction of new and more stringent energy efficiency norms in India, leading to postponement of purchase in the route to enforcement deadline.

In addition to the large capacity in direct cool category, we have also now started new products in the cooling divisions like mini bars in 50L and 100L category and getting very encouraging response. We will also be foraying into deep freezer and vizi coolers along with two-door side-by-side refrigerators.

Home appliances:

Revenue for the quarter was INR 429 crores. Operating profit was INR 50 crores with an operating margin of 11.7%. Our construction for capacity expansion for FATL in Tirupati is ready for commencement of production by end of Q3 and are in the process of ordering additional production line, launch of SAWM, that is semi-automatic washing machine, in 16 kg and 18 kg capacity, which would be the first across the industry and expected to be launched by December '25. Production of robo vacuum cleaners to Eureka Forbes is to start by December '25.

We have appointed very senior expat to drive the project for front loading washing machines and foraying into various other home appliances. We are undertaking various initiatives to bring in more automation operations and strengthening the industrial engineering team for enhanced efficiency, productivity and cost optimization.

Lighting:

Operations in Lightanium Technologies, that is a 50:50 JV between Dixon and Signify, started in August '25. The order book looks robust with new categories of premium indoor and professional lighting products, and we are working to realize all the potential synergies in the business in the upcoming quarters with a new partner.

We have executed first pilot order from one of the top retail chains in US in October first week and aim to scale up this opportunity to sizable business in the coming quarters. Another pilot order from the biggest retail chain in Germany is expected to fructify this quarter. We continue to focus and invest in this automation to further boost operational excellence.

Telecom and Networking products:

This segment witnessed a strong growth with revenues of INR 1,635 crores as against INR 661 crores in the same period last year, growth of 148%. Home broadband penetration in India continues to grow at a very fast pace, and we have been continuously building up more capacity. And we also have a stable order book for our anchor customer on CPE devices, which will continue to be a major portion of business.

We are entering a new phase in our telecom manufacturing journey and have secured a significant order from a large leading U.S. Telecom customer to manufacture telecom backhaul microwave radios, an integral part of RAN, that's radio access network. These are highly complex, advanced network equipment and production will cater not only to the Indian market but also to the global demand from Q4 of this fiscal and we expect a significant contribution to our revenues from this category. We have already started localizing components like mechanicals, plastic moldings, and power supplies.

The telecom segments present a robust and long-term growth rate and can potentially be the second largest driver for growth after our mobile business.

Laptops, tablets and IT hardware product:

The segment saw a healthy uptick in revenues of INR 331 crores against INR 57 crores in the same period last year, which is a growth of 481%. Our dedicated IT hardware production and manufacturing unit in Chennai has successfully stabilized mass production of laptops and AIOs for HP and ASUS. Order book in this business looks strong for the upcoming quarters, and we are further expanding our capacity.

We have successfully shifted the Acer from our Noida facility to Chennai facility and started mass production from this quarter. We have finalized our manufacturing location for a 60:40 joint venture with Inventec Corporation of Taiwan. It is one of the world's top five IT products, ODM, for manufacture of notebook PC products, servers, desktop PC, including its components like SSDs, memory and mechanicals in India, and is expected to be operational by Q1 of next fiscal, which will have a positive impact on the margins. The backward integration play along with capitalizing on ECMS and IT hardware PLI scheme will lead to significant margin expansions.

Wearables and Hearables:

Revenue for this segment was INR 207 crores for the quarter with healthy operating margins and very good ROCE. We have a strong order book in this business.

Rexxam Dixon Electronics:

Revenue for the quarter for the JV with Rexam was INR 79 crores in business, a relatively weak quarter, primarily due to subdued demand in AC market. Our new facility in Chennai will be operational by Q4 of this fiscal.

I would like to stop here, and me and Saurabh are there to address your questions. Thank you.

Moderator: Thank you, sir. We will now begin the Q&A session. The first question is from the line of Aditya Bhartia from the Investec. Please go ahead.

Aditya Bhartia: My first question is on the ODM customer in the mobile phone side that you mentioned. It would help if you could share some more details how large the customer is, what kind of volumes one can expect from that or any other information that you can share around that?

Atul Lall: So, let's say, we are in discussions with a large ODM for the smartphone. And we are expecting that this business should start by end of Q4 of this fiscal or early Q1 of next fiscal. The expected volumes are in the range of around 0.5 million per month. That is the volume we are looking at. As far as more detailed, granular level details of ODM, it is not prudent at this time to share.

Aditya Bhartia: And sir, you mentioned about the telecom business possibly becoming the second largest growth avenue for the company behind mobile phones. What kind of growth should we anticipate over there? And how big could the export opportunity be on the telecom side?

Atul Lall:

So, Aditya, if you look at the numbers, we grew from INR 700 crores to and this year, we are going to be almost at INR 4,800 crores. Till now, largely, we are on the CPE products, the consumer premises end products, which comprises mainly of Wi-Fi routers, which comprises of fixed wireless access equipment, which is the largest growth area, and set top boxes, which is IPTV and hybrid set top boxes.

Now we have acquired the scale, we have acquired operational efficiency, and we have large partnership with large principal globally. What we wanted to and what we aspired for in this business was to get into the network equipment side, which is a much more complex business, much more complex execution.

So, we have been able to secure an order with a U.S.-based company, which is into radios. And the pilot is going to be done by December, and the commercial production should start by March. And by Q2 or Q3 of next fiscal, the exports are going to start. So, initially, this business, I feel is going to be around \$150 billion (Market size). That is the new category. On an overall basis, we feel that in couple of years, this business should be somewhere around close to \$1 billion.

So does it satisfy you, Aditya?

Moderator:

So, sir, the line for Mr. Aditya has disconnected. We will move ahead with the next question. So, the next question is from Sumit Sinha from Macquarie. Please go ahead.

Sumit Sinha:

Yes. Thank you very much. If you can talk about this ODM, is that can you give us more color around it? Did it emerge from maybe the Longcheer relationship? Whether it's closed or not, but you definitely get the benefit of that. Is that something that you brought over from outside of the country? Is it domestic?

And my second question is the interesting what you said about the telecom business and you are getting into more complex sort of products. Can you talk about your aspirations for kind of the enterprise products versus the consumer products that you are generally known for?

Atul Lall:

So, responding to the first part of question, this is a large global ODM. We will start with, this is going to be India focused relationship. This is going to be an additional volume that what we are presently doing for India market for a large brand in India. And our relationship with Longcheer is on a separate axis, which in any case is a robust relationship. And with the JV approval, it is going to reach a different level.

On the telecom side, we have been working towards raising a capability level beyond the CPE product. And this breakthrough for us with the U.S. partner is a very significant breakthrough. The capability, the talent acquisition, line setup, the test setup, the NPI systems, the digitization is all in the works. We are targeting the pilots to happen by December and the commercial production to happen in the Q4 of the current fiscal. We feel and we have been assured by our partner that India and Dixon will be the footprint for servicing a part of the global markets in this category. So, that is where we are.

Sumit Sinha: Can you just talk about your aspirations for other sort of enterprise products going beyond, obviously, this is a great deal for you. Where else could you head outside of CP?

Atul Lall: So, definitely, it is an aspiration for us, and I have been talking about in the earlier earning call. So, we have gotten a senior resource at Vice President level. We start strategizing and rolling out our non-CP category business. We will definitely be working on it, but it is slightly premature to share with you the granular level details of it. But as far as the ambition and aspiration is concerned, it is a focus area for us, for which the resource has already been hired.

Moderator: The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Sir, first question is on the mobile side. Now with another new customer and a good order book, possible to share some targets for this year and next year? I mean, we had expected 43 to 44 this year. Does that remain on track and do you see a scope to revise that and for next year as well?

Atul Lall: So, we feel that this year numbers are going to be similar, 40 million, 42 million. That is what we have been talking about. We feel that we are moving in the positive direction of our partnership with Vivo. There is going to be a major push up to the numbers. So, next year, we feel that we should be somewhere between 55 to 60 million.

Siddhartha Bera: So, that is including Vivo, you expect 55 million to 60 million?

Atul Lall: That's right.

Siddhartha Bera: Are we sort of slightly, because I think last time we discussed, we had targeted between 60 to 65. So, are we sort of slightly cautious in terms of ramp up? And are we seeing any impact from the exports markets as well in terms of demand?

Atul Lall: No. I am not seeing any cut or anything, but what I am just putting across to you is a particular rate. One still maintains somewhere between 60 to 65 something like that. Yes.

Siddhartha Bera: And on this new segment of front load washing machine as well, if you can share some insights about how will be the capacities and ramp up you are looking at this?

Atul Lall: Sorry, I didn't get your question.

Siddhartha Bera: On the front load washing machine as well, if you can share some color about the ramp up?

Atul Lall: So, front load is still in the conceptualization stage. A very senior resource and expert has been hired, and the project plan is being put together. The product categories and product portfolio is being designed. Initially, we feel the capacity is going to be somewhere between 150 to 200K. It is going to be an extension of our Tirupati plant.

Siddhartha Bera: I will come back in the queue.

Moderator: The next question is from the line of Vipraw Srivastava from PhillipCapital. Please go ahead.

Vipraw Srivastava: Sir, quickly on the mobile phone volume side, what is your outlook for Quarter 3 and Quarter 4 given that the festival is now over?

Atul Lall: So, it is still in works. At this stage, to share the numbers would be slightly difficult.

Saurabh Gupta: But Vipraw, we just shared the numbers in the last, so we just shared the numbers.

Atul Lall: Overall, we are sharing with you. It is going to be 42-odd million in this particular festival. And we already done around 20 million till now.

Vipraw Srivastava: And sir, at the beginning of the year, the firm had given a guidance of 40%-45% revenue growth. Does the firm maintain the guidance in this quarter?

Saurabh Gupta: First of all, we never give any guidance.

Atul Lall: We don't give any guidance.

Vipraw Srivastava: No worries. And last question from my end. Given that Ismartu has been very well for the firm, what kind of ramp up do you expect to from Ismartu, you are expecting exports to Africa and other markets? Is that still on track?

Atul Lall: So, we are working on exports. The exports has already been initiated. We feel that is an extremely potential area, which our partners in Ismartu are absolutely open and committed to. The plans are being made. We like to expand our capacities. We are going to set up a new footprint for that. We have to do some value engineering for enhancing the value chains and deepening the manufacturing. All that exercise is done. We are very confident that in a couple of years, that is going to be a very large segment for us, servicing the export markets and the Transsion brand for the world.

Moderator: We have now the next question from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir, my first question is on the other non-operating income. There is a very sharp increase this quarter as compared to last quarter or even the last annualized year. So, may we understand what exactly is causing this jump, and is there any one off?

Saurabh Gupta: Hi, Sonali. So, Sonali, basically, there are mark-to-market income, over 6.5% stake in Aditya Infotech, which is now a listed company. So, the market cap as on 30th September into 6.5% stake is what we have valued that. So, we have initially valued at a particular value, but now the value is established because it is a listed company. So, for the last one year, we have been booking that mark-to-market. So, now a large part of that mark-to-market has come up in September 2, and we have to continuously now depending on how that, how the market cap of that company behaves, we have to do it every quarter.

- Sonali Salgaonkar:** So, essentially, if I understand, this is a one-off only for this quarter. This amount we will not sustain in the next few quarters. Is that right?
- Saurabh Gupta:** Yes. So, that is why we have reported the adjusted numbers as well as reported numbers. And the numbers have been shared in the opening remarks with all the adjusted numbers without any impact of this one-time gain.
- Sonali Salgaonkar:** And my second question is on the CAPEX. The CAPEX guidance, you stick to that for the one that we had put out in the earlier quarter?
- Saurabh Gupta:** Yes. So, Sonali, we have done a CAPEX of 550-odd crores in the first 6 months. Broadly, that should be the going run rate for the next 6 months as well.
- Sonali Salgaonkar:** Happy Diwali to both of you.
- Moderator:** The next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.
- Dhruv Jain:** My first question is on the Longcheer JV. So, if you could just provide an outlook with respect to what kind of volumes are you expecting through this JV? And is it included in the 55 million to 60 million volume guidance that you spoke about now?
- Atul Lall:** So, we feel, Dhruv, that the JV should become operational by first quarter of next fiscal. We feel that the volumes in this JV for the next fiscal should be somewhere around 8 to 10 million, and this is going to be a part of 60 million, 65 million that we are talking about for next fiscal.
- Dhruv Jain:** And sir, the second question is on the PLI. So, if you could just spell out what was the PLI contribution in your EBITDA in this quarter? And we note that there is a large Rs. 1,400 crores receivables from government on PLI. So, just want your any update on that? Because we have seen the annual report that the last received PLI was on 31st December 2023.
- Saurabh Gupta:** Yes. So, just to update you, Dhruv, on the PLI, so we have received that claim as far as the mobile business is concerned till September '24. And from October '24 till June '25, it is presently getting appraised, and it is almost on the last stages of appraisal.
- Telecom PLI for last Financial Year '24-'25, we have received. And now once we achieve the thresholds of CAPEXes for this year, we will file a claim, but that will most likely will happen in next year only for '25-'26.
- And also our PLI for telecom and lighting with, for lighting business and a DC inverter controller board for last financial year should come in the next few weeks, next couple of weeks. It is in the last stages. So, this is the status.
- So, yes, the numbers would be similar. My sense broadly what you had mentioned, Rs. 1,400 crore, Rs. 1,500 crore is the receivable. There is the correspondingly payable to that effect as well, and the difference is our share of income as well.

So, in this Quarter 2, we have booked an income of across all these four PLIs which I mentioned because IT PLI will only happen for next financial year. So, this four PLIs put together, we have an income which has been booked up closer to Rs. 150-odd crores.

Dhruv Jain: This is for the first half of the year?

Saurabh Gupta: No. First half is closer to Rs. 290-odd crores. All the four PLIs.

Moderator: The next question is from the line of Indrajit Agarwal, CLSA. Please go ahead.

Indrajit Agarwal: I have a follow-up on the mobile volumes. So, after doing 40, 42 million units this year, we have additional, let's say, 8, 10 million from the Longcheer JV, plus we have the entire Vivo volume next year. So, shouldn't it be much higher number than, like, for the 55, 60 million units that you are guiding for next year?

Atul Lall: So Longcheer is also the existing volume that we are doing with long chair. That is going to be shifted to JV. There would be some incremental number to that. The additional number that we are aspiring for in the next fiscal is one of the Vivo and the second is the new ODM partnership that we are pursuing. So, these numbers are not static numbers. These are aspirational numbers. We feel that we are being conservative in sharing these numbers. The upside can be much more on that.

Indrajit Agarwal: And sir, taking a slightly medium-term view, at 60-odd million units, you would be probably 55%, 60% of the outsourced smartphone market in India. So, post that, where would our volume growth come from? Do you think we can gain market share even beyond that? Or would it be more on exports and market growth driven?

Atul Lall: So, in mobiles, we feel that there is still that there is some room, not very large, but some room for growth by getting a larger share of wallet of existing customers and also a couple of new acquisitions. What we are pursuing is our export opportunity with Transsion and Ismartu. We feel that can be a significant additional volume.

In any case, in mobile space, the huge focus is now going to be on execution of our display project because it is margin accretive, and it gives us more tenacity in business and also our camera module project. So, that is the mobile ecosystem that we are working upon. That 65, 70, 75 million numbers and display, camera module in house and a significant portion beyond the 65, 70 million goes in for exports. That is the path we are pursuing. Let's see where we reach.

Indrajit Agarwal: That is all from my side.

Moderator: The next question is from the line of Achal from Nuvama, IEE. Please go ahead.

Achal: Sir, just on the PLI thing, if you could highlight, just clarify the number what you gave INR 150 crore for 2Q and INR 290 crore for one-off. Is that gross? Or is that the net our share?

Saurabh Gupta: So, that is broadly our number only. It is our share.

Achal: That is our share. Okay. Secondly, sir, there have been some media murmurs about the extension of the PLI for mobile. If you have any comments to make, do we see there is a possibility? And by when can we have some more clarity on the same?

Atul Lall: So, there are some discussions which have started between the government and the stakeholders for giving additional support to mobile sector. However, it is at a very preliminary stage. But what you are saying is right, the discussions have been initiated.

Achal: And just a clarification, given, let's say, theoretically, if it was to expire on 31st March '26, do you see any margin pressure for any of the quarters of FY '27 before we see the integration benefits actually kicking in?

Atul Lall: So, there can be some pressure for a couple of quarters by the time the display and camera. So, camera model has already started happening because that is a running plant. And display, the plant is going to become operational only by March and April. So, yes, there can be some pressure for a couple of quarters in '27.

Achal: And just last question, if I may. With respect to data center opportunity, is there anything we can cater to in existing portfolio or in future, if you could kind of comment on the same?

Atul Lall: So, we feel, although it is at a very initial stage, that our relationship with Inventec is going to be leveraged for that.

Achal: And what kind of BOM can we cater to out of the entire data center CAPEX?

Atul Lall: We are basically talking about the servers.

Achal: Right. I mean, I was just trying to understand the quantum. Could that be 20%, 30%? Could that be 10%? Any approximation?

Atul Lall: No. That would be difficult to put in a number to this at this stage.

Saurabh Gupta: But it is part of our discussions and agreement with them.

Achal: I will fall back in the queue for follow-up.

Moderator: The next question is from the line of Madhav from Fidelity. Please go ahead.

Madhav: I just wanted to check the 8 to 10 million volumes for Longcheer JV, which we are speaking about. I mean, just want to clarify that currently, it was 100% Dixon-owned entity which will now shift to a JV. So, the profit that you made on that particular volume is now going to be lower once it shifts to the JV. Is that the right way to think about it?

- Atul Lall:** So, it is the 74:26 JV. That is the way it is going to split. But with the JV, we also bring in much more operational efficiency. The complete talent pool is going to be available to us for enhancing our efficiency. But, yes, the margins are going to be shared.
- Saurabh Gupta:** But there can be a possibility of additional volume to that business that is getting worked out. And, yes, so, yes, there is a possibility of getting additional volumes as compared to the work we are doing right now for them.
- Madhav:** So, this is a volume that we already do. It is not a new volume that we get with the Longcheer JV. Just wanted to clarify that.
- Atul Lall:** Madhav, we have been conservative. We see that these volumes are going to go up. But, yes, let's see because they are working on some other large contracts. So, on an overall basis, we feel that it is going to be a trigger for growth for us. But as of now, if I take it, it is a transfer of the LC volumes from Padget Dixon to JV.
- Madhav:** And just on the IT hardware, could you give us a sense in terms of the ramp up for the next one or two years, how that ramps up?
- Atul Lall:** So, this year, we are targeting revenues of almost INR 1,200 crores to Rs. 1,300 crores in this business. We have already started commercial production for HP, for ASUS. For Lenovo, the production is already happening in our Noida plant. And also now, Acer production has shifted. The ramp up is taking place, taking up well.
- And also our JV, which is in the same product categories with Inventec, is going to get implemented and the commercial production to start by Q2 of next fiscal. We feel that the IT business for us in next two years should be around Rs. 4,000 crores to Rs. 5,000 crores business.
- Moderator:** The next question is from the line of Pankaj Tibrewal from Ikigai Asset Management. Please go ahead.
- Pankaj Tibrewal:** Just taking off from a next few years' perspective, the way mobile became a big growth driver for us, and it is now roughly 75%, 80% of our revenue. If we take a crystal ball gazing over the next three to five years, which are the other segments which can be a big growth driver as you move ahead? I am not holding on to this. Just trying to understand, can exports of lighting, can export of mobile, IT hardware, battery energy storage, we saw a JV with you, which you have formed, which are the other big segments which can drive growth for us as you look forward in the next three, four years?
- Atul Lall:** Pankajji, as we have been sharing with you that the way we look at our business is that we look at a large opportunity pool. And once we have the large opportunity pool, we take a plunge into it if it is aligning with their technical capabilities and if the balance sheet part is okay.

And what has worked pretty well for us till now is this kind of foray, and definitely the trigger of our growth in last two, three years has been mobile. In mobile, we already we feel we are going to get 65%, 70% of the Internet addressable market.

Now we want to leverage our relationship with Ismartu, Transsion, which is already the fourth largest brand globally for getting into global markets. And what we are aspiring to do as far as the cost structures are concerned that without the PLI benefit of the Government of India, be become as competitive as any other country. Once we are able to do it, we feel that the global opportunities are going to open up.

The next thing which we feel is going to be extremely important and we are extremely focused on us is our foray into the component side. Now the component side, as of now, the unit economics looks extremely good. We feel that we can generate a much higher operating margin. And also a positive part of this business that in spite of having a lower asset to turnover ratio, the ROCE in this business is also going to be high. So, my balance sheet is just not getting disturbed.

So, component focus is going to be an important area. And component focus is not only going to be for a captive consumption for mobiles and IT hardware. It is also going to lead us into automotive. We see that that is going to be an important chunk because our JV partners there are already major players in automotive sector globally, and they are, in fact, already supplying to the Indian automotive players. So, that is one area.

The second area which I am talking about is our JV with Airtel, which is our telecom products. The telecom product growth has already seen very high growth. And now we are fortunate, we are lucky, we are blessed that we have had this breakthrough into the non-CPE radio network category, which is a large category. Now obviously, we have to acquire a lot of capabilities in that, and it requires different set of capabilities and execution. If we are able to do it, then that is largely for the global market. So, that can be a large play.

And then, of course, we are excited about the JV with Philips, with Signify for lighting. That takes us into more premium category and hopefully opens up for us the global market, just like they have done with their partnership in China.

So, these are all triggers of growth. And similarly, the IT products, which we feel that in the next two, three years, it can be Rs. 5,000 crore business. And again, backwardly integrated in-house display, in-house mechanicals, in-house SSD modules, in-house memory modules and also the power supply units. So, these are all triggers of growth, Pankajji.

Pankaj Tibrewal:

And when I look at the IT hardware, notebook, laptops, globally, it is about \$180 billion, \$200 billion TAM. And few of the Chinese players we were seeing, they are about \$30 billion, \$40 billion individual companies. Do you think at some point, the way mobile became so large, India became an export destination in various companies? Can IT laptops, notebooks, others could also be a potential large TAM which Indian companies like us can cater to?

Atul Lall: I think the Indian market for IT products is approximately \$12 billion to \$13 billion. And an IT product, India is signatory to ITA-1. So, government is not able to create a duty arbitrage for promoting domestic manufacturing. In the policy framework, what they have rolled out is the PLI, IT PLI, and which is, I will be very candid.

At present, when I see the disability, that when we are reporting a 0% duty product, with what is made in India, there is a 4% to 5% disability. That 4% to 5% disability in Dixon we are trying to cover up through our component play, that is namely display, mechanicals, power supply, SSD. Once we are able to do it in next 7 to 8 months, we feel that our cost structure is going to be as good as China. And then this whole market opens up.

When I am talking about \$10 billion, \$12 billion of addressable market, the production value is around \$7 billion to \$8 billion. So, if one is able to cater to that, then I think for Dixon, it can be \$1.5 billion to \$2 billion business, domestic market.

Saurabh Gupta: Domestic.

Atul Lall: Yes. But it is a journey. You see, please appreciate that mobile also. It has taken four, five years for India to become a hub for mobile phones exports. I feel with slightly longer term, four, five years, India can become the hub for exports of IT products also. Definitely, it can. And because in any case, a normal laptop is getting commoditized, and it cannot be produced in Taiwan. And at some point, possibly even China is going to exit. So, it is going to be almost a similar journey and trajectory which we have seen in mobile.

Pankaj Tibrewal: Wow. That is fantastic. And last, when you guys raised capital in 2017, I clearly remember our revenue used to be Rs. 2,400 crores. You have almost multiplied 20x from the time you raised capital, and after that, you haven't raised any capital. And this has been an amazing journey.

But when you expand yourself for the next five, seven years, do you think this capital discipline which you have kind of displayed till now, the same capital base and the cash flows can take us for the next leg of growth also? Or do you think that external capital will be required for the next leg of growth as you move ahead?

Atul Lall: So, Pankajji, we are committed to the same trajectory. That is what our DNA is, and that is what we are going to pursue. We feel as per the plans, the tangible plan that we have in front of us, we have adequate internal cash flows to support it. So, as of now, we are not looking at it. However, if some large opportunity comes, right, and we feel that it is a fit for our growth, then we might look at it. But as of now, we have adequate cash flows to support the growth that we are sharing with the Street.

Pankaj Tibrewal: No, I think the company is a classic example of what a disciplined capital allocation can do. 20x with revenues with zero external capital or IPO is amazing. Congratulations to the entire team, and wish you all the best, and Happy Diwali.

Saurabh Gupta: Happy Diwali.

- Atul Lall:** Happy Diwali.
- Moderator:** The next question is from the line of Omkar from Shree Investments. Please go ahead.
- Omkar:** Continuing with the earlier participant's question, just wanted to know whatever you just shared, I mean, whatever the expansion could be in terms of the new categories which you mentioned. I mean, what kind of growth rate that you can target? Because now the base has become so large and even the high growing category, which is mobile, now you are virtually more than 60% of that category. So, like, how can we model Dixon from here on?
- Atul Lall:** So, as we shared with you, the focus is to take, we feel there is still some room for growth within mobile. We feel that our backward integration category is going to be extremely important for us for deepening our moat in this business, for taking our new businesses of telecom and IT products and replicating what we have been able to do in mobile in these categories. Also, our traditional category, we feel there is a room of growth. In lighting, our JV with Signify.
- In the refrigerator, we have expanded the capacity from 1.2 to 1.7. And in next phase, are taking it to 2.5, expansion of the product portfolio from DC, 190, 210 liters, to 50 liters, 100 liters, to new models, to deep freezers, to visi coolers, to yes, side by side. Expansion of our appliances category, there is a washing machine into new category of front loaders. And also, we are exploring the possibility of getting into dishwashers and microwaves. So, these are all expansion things.
- As far as the numbers is concerned, it will be very difficult to put it into numbers form as of now. Or if you want a better insight, you can have a separate one-to-one with Saurabh. He will give you a better insight on this.
- Omkar:** But all these categories that you mentioned in the context of overall revenues which you are currently having or which you will be having in a year or two, they are so small that even if they grow very fast, there won't be any large impact on the overall revenue front.
- Saurabh Gupta:** But we continue to grow in mobiles. We continue to grow telecom. We mentioned the opportunities that are there for the non-CP products, and CP market also continues to grow with our anchor customer. Then we mentioned about refrigerator. Yes. So, all of them, yes, the larger revenue growth opportunities will be mobile, IT, hardware, telecom. But other businesses will also be growing at a decent pace. So, combination apart all put together, I think so that should be a very strong growth for the next couple of years. At least we have that kind of visibility.
- Omkar:** So, I mean, you haven't given any formal guidance, but to an interview to CNBC, you had mentioned that you will be targeting around 1 lakh crore of sales in next three to four years. I mean, is it possible to do that?
- Atul Lall:** We feel confident about it.
- Saurabh Gupta:** Yes. We feel confident about it. So, you can...

- Omkar:** Backward integration that you mentioned, so, with that 1 lakh of sales, I mean, what kind of margins we can see till that level of sales is achieved?
- Saurabh Gupta:** That's a bit more backward integration, operating leverage, and some bit of OEM business largely in refrigerator. And also yes, so, my sense is it should be very difficult to say, but, yes, the range can be somewhere around 4%, 4.5%.
- Omkar:** So, from current around 3.7%, 3.8% to 4.5% you are expecting?
- Saurabh Gupta:** I said I gave a range to you. 4%, 4.5%.
- Atul Lall:** So, around 70, 80 bps uptick.
- Saurabh Gupta:** Yes, 70, 80 bps.
- Moderator:** The next question is from the line of Rahul Agarwal from Ikigai Assets. Please go ahead.
- Rahul Agarwal:** Just a couple of questions. Firstly, on the promoter holding, I see when I look at last almost 12 quarters now, every quarter, we have seen some bit of selling by the promoter family. Maybe there are legitimate reasons for it, but just wanted to know, the stake is now down to 29%. Almost 5% of the company has been sold over the last three years. Is the intent of the family now done with in terms of whatever personal needs they have? Or could we see more liquidation?
- Atul Lall:** So, if you see the combined shareholding of promoter and the family and myself is more than 42%. Second, we don't see any more dilutions happening, and that is it.
- Rahul Agarwal:** And secondly, you haven't spoken about battery energy storage systems. Just your thoughts, Atulji, will really help on battery piece.
- Saurabh Gupta:** So, we are looking at a lithium-ion product, lithium-ion battery product, mainly focused on mobiles because we have a large captive. We are in advanced stages of discussions with our technology partner. The project plans are getting fructified. So, that is the stage we are. We have already submitted our application with ECMS. So, that is where we are. Yes.
- Rahul Agarwal:** In terms of scale and size, could you comment, please? How much could that be?
- Atul Lall:** In this case, the lead will be taken by our JV company, Ismartu, which is a Transsion brand company. They will be taking the lead in this product.
- Moderator:** The next question is from the line of Vaishnavi Gurung from Craving Alpha Wealth Fund. Please go ahead.
- Vaishnavi Gurung:** My first question is a follow-up question. As you mentioned that you are expanding to different segments like laptop, telecoms, so, if you can put a number to this, like, what can we expect the diversification in terms of revenue by FY '30?

Atul Lall: That is slightly early. Please be rest assured, these are both going to be high growth verticals for us. It's going to be growing many fold, but putting a number to it at this stage is premature.

Vaishnavi Gurung: Sir, my second question is having Vivo as our client. Considering Vivo's market share in India is the highest currently. So, do you see the shift from our top three clients current will shift, like, one of them will be Vivo moving ahead?

Atul Lall: Yes. It is going to be a large customer. You are absolutely right.

Saurabh Gupta: So, you are absolutely right. They are doing very well, and they have the largest market share today in the Indian market.

Vaishnavi Gurung: So, you think Vivo will replace our anchor client Motorola in this case?

Atul Lall: Well, let's see. We aspire that both of them become our anchor customers. So, yes. But Vivo is going to be a large, large customer for us when this goes through.

Vaishnavi Gurung: Sir, by any chance, you can share the percentage of revenue by our anchor clients currently?

Saurabh Gupta: That we generally don't, yes, we don't share.

Atul Lall: You see, that's a confidential information.

Saurabh Gupta: That's confidential information, and we don't share that.

Vaishnavi Gurung: Sir, my last question is in terms of revenue growth for this quarter. If we see the last three, four quarters, we have averaged out to a growth of 100% year-on-year. But this time, I think it was approximately 28%.

Saurabh Gupta: Yes. Absolutely right. On a large base we can't.

Vaishnavi Gurung: Yes, sir. If you can put some light on that.

Atul Lall: Please appreciate on a large base, we can't grow on 100%. The base has become fairly large, but the growth is going to be aggressive. Please be rest assured on that.

Vaishnavi Gurung: That's it from my side.

Moderator: The next question is from the line of Madhav from Fidelity. Please go ahead.

Madhav: My question is answered, sir.

Moderator: The next question is from the line of Sumit Sinha from Macquarie. Please go ahead.

- Sumit Sinha:** Thank you for taking my question again. I guess, I just wanted to understand, the domestic opportunity is what you discussed and many people have mentioned, and you are kind of reaching the limits of the domestic smartphone opportunity. You have emphasized taking share from other parts of the world and bringing in that manufacturing. Can you give us more insight into where could that growth come from as in where the volumes come here to be manufactured and then, of course, talk about where could they be exported to? I mean, we know about Africa, but what other parts of the world are open to the sort of volumes that you can generate?
- Atul Lall:** So, the global market in our Transsion partnership is going to be mainly Africa and possibly Latin America. Our other anchor customer relationship is exposed to U.S.
- Sumit Sinha:** And where could we increment? As you capture more volume from rest of the world, where could that come from? Is that China? Is it which parts of the world?
- Atul Lall:** So, shifting you are talking about, is it?
- Sumit Sinha:** Yes. Shifting.
- Atul Lall:** So, I don't want to name any country, but our exports is going to be mainly focused in our partnership to Africa and Latin America with one relationship and with another relationship to U.S.
- Moderator:** The next question is from the line of Bhavika Mehta from JP Morgan. Please go ahead.
- Bhavika Mehta:** A couple of questions. Firstly, on the HKC JV, I understand it will be largely for captive consumption, but in terms of EBITDA uplift, what kind of levels we can target in FY '27-'28%?
- Atul Lall:** So, as a margin, we feel that is going to be in mid to high teens. Finally, we feel that this can be once we reach peak levels, which is almost 60-odd million of mobile phones. Within 60-odd million, it is going to generate revenue for us of almost \$600 million. We are talking about 2 million, 2.5 million of laptop displays which is going to be another \$100 million. And then we are talking about the TV display which is going to be almost 1.2 to 1.5 million. It is going to be another \$60 million. And the automotive display, which is going to be around 20 million units. So, overall, we are talking about \$800 million to \$900 million of business. That is what we are aspiring for in next two to three years.
- Bhavika Mehta:** That's helpful. The second question is on Q Tech India for this year, FY '26, what kind of revenues and EBITDA we can assume? It was Rs. 2,000 crore last year, but this year, are you ramping up the capacity which can drive incremental revenues as well?
- Saurabh Gupta:** Yes. So, the capacities will take some more time. We have put some money in the company. That would happen over a period of time and also the deepening the level of manufacturing there. But in the first 6 months' numbers, definitely, there is an uptake of those numbers as compared to the same period last year. So, definitely, Rs. 2,000 crores should grow, but very difficult to put a number. But my sense is it should be a double-digit kind of growth this year.

And on an annual basis, and as we continue to deepen, as we expand more capacity because the land back is there, we just need to expand those capacities. And we have already gave you guidance that this 14 million units and the kind of order book that we have on mobile phones, we can take it to 190 million, 200 million in the next 2.5, 3 years. So, every year, that numbers of 40 million will continue to grow with more backward and more deepening of manufacturing.

Moderator:

Thank you. As there are no further questions, we would now like to hand over the conference over to management for the closing remarks.

Atul Lall:

So, thank you very much for being on the call with us and sharing your insights and giving us suggestions. We wish you all a very, very Happy Diwali. All the best. Thanks very much.

Saurabh Gupta:

Thank you, everybody. Happy Diwali to all of you. Thank you so much.

Moderator:

On behalf of DAM Capital Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.