

RESEARCH**CONSUMER DURABLES (EMS) | Q3FY26 REVIEW**

Healthy demand outlook; cost pressures remain a concern

SUMMARY**CONSUMER DURABLES (EMS): Q3FY26 REVIEW**

- Higher pre-season growth in RAC CMs reflects strong inventory build-ups by brands, despite higher channel inventory, reflects optimism
- Globally elevated memory (DRAMs/NANDs) weighed on smartphones; challenges to continue. Dixon's backward integration on track
- Roll-forward to Mar-28EPS, cut multiples modestly to reflect demand uncertainty amid cost pressures. maintain ratings

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Healthy demand outlook; cost pressures remain a concern

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RAC contract manufacturers reported strong growth, with improving utilisation driving profitable growth: During Q3, Amber, PGEL and Epack reported strong growth of 27%/81%/14% YoY, respectively. The growth was driven by higher outsourcing by brands, increased wallet shares and new client additions; while demand at the brand level was supported by channel stocking ahead of the BEE transition and cost inflation. Improving utilisation also supported profitable growth, following a weak Q2. This resulted in a sharp sequential margin expansion of ~3ppt for Amber and PGEL, although margins saw a marginal YoY compression.

Higher pre-season growth for RAC contract manufacturers reflects strong inventory build-up: We believe the strong growth across RAC contract manufacturers indicates improved demand expectations and proactive supply-chain readiness by brands, especially in the context of BEE transition and rising input costs. As per management commentary, industry inventory is estimated at ~4.0–4.5mn units, equivalent to ~25% of annual end-demand. This suggests brands are constructive on inventory normalisation in the upcoming season.

Elevated memory prices led to slowdown in smartphone volume: Dixon reported 5% YoY revenue growth in its Mobile division (-27% QoQ), with the sequential decline led by lower handset volumes, particularly in the mid segment, amid higher memory chip prices (DRAM/NAND). We expect memory prices to remain elevated due to global capacity constraints.

Backward integration, supported by policy tailwinds, remains on track: Syrma, Amber and Dixon are progressing on their backward integration plans through bare PCB capacity and mobile component manufacturing (including display and camera modules) under the ECMS scheme. Their planned capacity expansions also appear to be on track.

We roll forward our TP to Mar-28E EPS: We have modestly lowered multiples to reflect rising cost pressures in the industry, while maintaining our ratings across the coverage universe.

Recommendation snapshot

Ticker	Price	Target	Rating
AMBER IN	7,873	9,060	BUY
DIXON IN	10,029	14,200	BUY
EPACK IN	238	320	BUY
PGEL IN	609	610	HOLD
SYRMA IN	762	820	HOLD

Price & Target in Rupees | Price as of 6 Mar 2026



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