

## Near-term headwinds, Vivo's approval key trigger...

**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.

**Q4FY26 performance:** Dixon reported modest set of results with revenues at ₹10,511 cr (+2% YoY, -2% QoQ). Mobile and EMS segment witnessed headwinds due to inflation in memory chip price resulting into subdued revenue of ₹9485 cr up 4% YoY, -3% QoQ. For FY26, smartphone volumes reported at 32-33 mn. Consumer electronics reported revenue of ₹697 crore marginally growing 1% YoY impacted by weak consumer demand and input cost inflation while Home appliances segment continued steady growth with revenue of ₹329 crore up 9% YoY.

### Investment Rationale

- Vivo approval, exports and component backward integration to drive next leg of mobile growth:** Dixon's mobile business witnessed headwinds in FY26 due to memory price inflation and softer demand; however, management expects stable domestic smartphone volumes excluding Vivo while exports shall witness healthy growth. Vivo approval remains a critical trigger and can potentially add ~20-22 mn annualized smartphone volumes. Incremental growth is also expected from exports through iSmartU and potential export-focused PLI-2 rollout. For FY27E, company guided revenue growth of ~15-17%, however if Vivo JV gets approval, there could provide meaningful upside as per timing of the same.
- Non-mobile businesses scaling up strongly:** Telecom, IT hardware and lighting businesses continue to scale strongly with telecom revenue guidance of ~₹7,500-8,000 cr (₹5,000 cr+ in FY26) and IT hardware revenue expected to cross ₹4,000 cr in FY27E aided by laptops, IT products and Inventec JV. The company is also evaluating server manufacturing opportunities aligned with India's data centre push. Further, Dixon has initiated a focused strategy to build a high-margin industrial EMS platform across aerospace, defence, medical and automotive segments, opening up a meaningful long-term growth avenue. Alongside, it continues to deepen backward integration via camera and display modules, which should aid value addition and support margin expansion over the medium term.

### Rating and Target Price

- We believe considerable part of the negatives (Vivo approval delay, uncertainty over PLI scheme, memory card cost spike) are known to markets and factored in stock price, making risk-reward favorable. These concerns are likely to be a cause of delay in company's growth outlook and not necessarily denial. Going ahead, Vivo JV approval and PLI 2.0 update to be key factors to watch out. We value the stock at 48x FY28E its adj. EPS with target price of ₹ 13,000 and maintain BUY rating.

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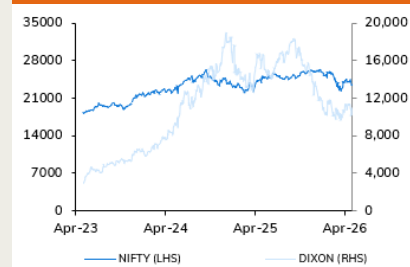
### Particulars

Particular	Amount
Market Cap (₹ Crore)	66,532
FY26 Debt (₹ Crore)	468
FY26 Cash (₹ Crore)	1,241
EV (Rs Crore)	65,759
52 Week H/L (₹)	18,471/ 9,600
Equity Capital (₹ Crore)	12.0
Face Value	2

### Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	29.0	28.9	28.8	28.7
FII	20.6	20.7	18.7	18.3
DII	26.7	28.9	29.1	28.1
Public	23.8	21.5	23.4	24.9

### Price Chart



### Key risks

- Any restraint in domestic government support measures.
- Execution delays owing to significant time lag in various approvals, macro slowdown, etc.

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### Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	12,192	17,691	38,860	48,873	58.9	64,463	82,697	30.1
EBITDA	513	698	1,508	1,867	53.8	2,264	3,235	31.7
EBITDA margin (%)	4.2	3.9	3.9	3.8		3.5	3.9	
Net Profit	255	368	706	845	49.0	1,066	1,641	39.3
Diluted/Adjusted EPS (₹)	42.9	61.7	117.1	139.0		175.4	269.8	
P/E(x)	255.0	177.6	93.5	78.8		62.4	40.6	
RoCE (%)	22.9	24.2	29.6	23.1		22.5	25.9	
RoE (%)	19.9	22.1	27.7	21.3		22.2	25.7	

## Concall highlights and outlook

### i) Mobile and EMS segment

- Reported revenue of ₹10,511 crores (declined 2% QoQ & up 2% YoY). Mobile & other EMS division reported revenue of ₹9,485 crore which declined by 3% QoQ and was up by 4% YoY amid temporary demand moderation, inventory rationalisation by brands and elevated memory prices.
- **Outlook on Mobile phones:** Smartphone volumes for FY26 stood at ~32-33 mn units (including exports), lower than earlier expectations due to weak industry demand in low-mid tier devices, memory inflation and delayed Vivo JV approval. However, management expects higher double-digit QoQ volume growth in Q1FY27 along with 12-15% ASP increase aided by richer product mix and memory-led price hikes.
- **Update on Vivo JV:** Vivo JV approval under PN3 remains a key trigger. Management reiterated discussions with government are at an advanced stage and indicated approval is “very close”. Upon commencement, Vivo could potentially add ~20-22 mn annualised smartphone volumes (~67% share of Vivo India volumes).
- **Exports:** Export opportunity continues to strengthen. Mobile exports stood at ~₹5,375 crore in FY26 with ~4-4.5 mn handset exports. Incremental export growth is expected through Motorola and iSmartU partnerships, especially for African markets. Management also highlighted possibility of additional export-led opportunities under a potential PLI-2.0 scheme focused on global markets.
- **Margin Outlook-** Margins to remain slightly under pressure in FY27E due to expiry of mobile PLI benefits. Management indicated ~50-70 bps margin headwind because of PLI phase-out and higher ASP-led optical dilution. However, EBITDA per unit economics remain intact as cost increases are pass-through in EMS business.
- **Q Tech business** – Camera module subsidiary Q Tech capacity is being expanded from ~70-80 mn units to ~180-190 mn units over next 15-18 months. Q Tech revenue target for FY27 stands at ~₹2,500 crore vs ~₹1,700 crore annualised revenue in FY26.
- **Display Module JV (HKC)-** Construction is completed and machinery installation is underway. Trial production for IT hardware and automotive displays will commence from Q3FY27 and for mobile display from Q4FY27 while commercial production for both is expected from Q4FY27. Phase-1 capacity includes 24 mn smartphone display units and 2.4 mn notebook/automotive display units annually. Long-term revenue potential from display business is estimated at ~₹5,500-6,000 crore with mid-teen margins at optimal utilisation.
- **IT Hardware-** IT hardware business continues to scale rapidly. Management expects FY27 revenues of ₹4,000+ crore supported by strong order book across laptops, desktops and tablets. Inventec JV facility is

expected to commence mass production in Q3FY27 while SSD manufacturing will start from Q2FY27. Dixon is also evaluating server manufacturing opportunities aligned with data centre localisation policies.

- **Telecom business** – Telecom and networking business continues strong momentum with FY26 revenues reaching ~₹5,000 crore vs ~₹3,600 crore in FY25. Management targets ~₹7,500-8,000 crore revenue in FY27 aided by higher localisation, microwave radio manufacturing and exports. Company has also transitioned towards design-led partnerships in telecom.

## ii) Consumer electronics & Appliances

- Consumer electronics revenue (LED TVs & refrigerators) stood at ~₹697 crore in Q4FY26 (+1% YoY). Industry demand remained subdued due to geopolitical concerns, rising input costs and inventory liquidation ahead of revised energy efficiency norms.
- TV business continues to focus on premiumisation through large-screen smart TVs, mini-LED TVs and ODM offerings. Production of high-end mini-LED TVs has commenced and ODM transition is expected by Q2FY27.
- Refrigerator business was impacted by transition to revised BEE norms effective Jan'26 leading to channel inventory corrections. However, management highlighted healthy traction in mini-bars (50L & 100L) and improving order visibility.

## iii) Home Appliances

- Home appliances segment reported revenue of ~₹329 crore, up 9% YoY.
- Fully automatic washing machine business is scaling well supported by deeper customer engagements. New Tirupati facility will add ~0.3 mn units capacity and front-load washing machine production is expected by end-Q2FY27. Semi-automatic washing machine business continues to witness strong growth.
- Company continues to strengthen ODM capabilities and diversify into adjacent categories such as robotic vacuum cleaners, microwaves, dishwashers and kitchen chimneys.

## iv) Lighting solutions

- Signify JV continues to witness robust traction with management expecting revenues to nearly double in FY27 to ~₹1,700 crore. Growth is being driven by higher localisation, automation, premiumisation and operational synergies with Signify.
- Dixon has secured export orders from a large US retail chain and a European retailer for strip lights, execution of which will commence from Q2FY27. Incremental export opportunities across additional lighting categories are also under discussion

v) **Other highlighting points**

- Management hinted towards entry into high-margin industrial EMS categories and has initiated dedicated strategy for aerospace, defence, automotive, medical and industrial verticals.
- Dixon has onboarded a senior CEO-level executive and partnered with a global consulting firm to build a specialised EMS roadmap. Company is evaluating inorganic opportunities across these verticals and indicated potential scalable revenue opportunity of ~₹3,000-4,000 crore with significantly higher margins over the medium term.

**Exhibit 1: Variance Analysis**

	Q4FY26	Q4FY25	YoY	Q3FY26	QoQ (%)	Comments
Revenue	10,510.5	10,293.0	2%	10,671.6	-2%	Mobile and EMS segment witnessed headwinds amid inflation in memory chips, while home appliances and consumer electronics segment remained impacted due to weak consumer demand & higher input cost.
Other Income	84.3	11.3	647%	131.3	-36%	Fair value adjustment of Aditya Infotech
Total Income	10,594.8	10,304.3	3%	10,802.9	-2%	
Gross profit	795.5	817.7	-3%	785.8	1%	
Gross margin %	7.6	7.9	-38 bps	7.4	20 bps	Higher input cost impacted gross margins
Operating Expenses	213.1	231.1	-8%	200.3	6%	
Employee Expenses	174.0	143.3	21%	171.1	2%	
Total Expenses	387.1	374.5	3%	371.4	4%	Overall expenses contained.
<b>EBITDA</b>	<b>408.4</b>	<b>443.3</b>	<b>-8%</b>	<b>414.5</b>	<b>-1%</b>	
<b>EBIDTA %</b>	<b>3.9</b>	<b>4.3</b>	<b>-42 bps</b>	<b>3.9</b>	-	Margins impacted owing to product mix and operating leverage
Depreciation	105.0	85.9	22%	99.0	6%	
Finance cost	23.7	46.3	-49%	42.9	-45%	
PBT	364.0	322.4	13%	403.9	-10%	
Tax	71.8	111.1	-35%	91.1	-21%	
Adjusted PAT after MI	192.0	185.0	4%	180.0	7%	Adjusted for minority interest & fair value gain on Aditya infotech

## Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	38,860	48,873	64,463	82,697
% Growth	119.7	25.8	31.9	28.3
Other income	20.2	713.0	101.0	111.1
<b>Total Revenue</b>	<b>38,880</b>	<b>49,586</b>	<b>64,564</b>	<b>82,808</b>
Employee Expenses	567	711	870	1,116
Other expenses	36,785	46,295	61,328	78,345
Total Operating Expenditure	37,353	47,006	62,199	79,462
<b>Operating Profit (EBITDA)</b>	<b>1,508</b>	<b>1,867</b>	<b>2,264</b>	<b>3,235</b>
% Growth	116.1	23.8	21.3	42.9
Interest	154	137	127	130
PBDT	1,373	2,442	2,238	3,216
Depreciation	281	393	482	587
PBT before Exceptional Items	1,092	2,049	1,756	2,629
Exceptional items	460	-	-	-
Total Tax	337	426	446	666
<b>Adjusted PAT after MI</b>	<b>706</b>	<b>845</b>	<b>1,066</b>	<b>1,641</b>
% Growth	91.8	19.7	26.2	53.8
<b>Adjusted EPS</b>	<b>117.1</b>	<b>139.0</b>	<b>175.4</b>	<b>269.8</b>

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	1,338	1,999
Depreciation	281	393	482	587
Interest	154	137	127	130
Cash Flow before WC changes	1,668	2,175	1,947	2,716
(Inc)/dec in Current Assets	-8,203	557	-7,072	-5,973
Inc/(dec) in CL and Provisions	7,839	154	5,316	4,486
<b>Net CF from Operating activities</b>	<b>1,304</b>	<b>2,885</b>	<b>192</b>	<b>1,229</b>
<b>(Purchase)/Sale of Fixed Assets</b>	<b>-1,247</b>	<b>-2,105</b>	<b>-918</b>	<b>-1,400</b>
Others	-544	-562	-56	-85
<b>Net CF from Investing activities</b>	<b>-1,791</b>	<b>-2,666</b>	<b>-974</b>	<b>-1,485</b>
Dividend	-42	-49	-40	-60
Others	584	508	111	256
<b>Net CF from Financing Activities</b>	<b>542</b>	<b>459</b>	<b>71</b>	<b>196</b>
<b>Net Cash flow</b>	<b>55</b>	<b>678</b>	<b>-712</b>	<b>-59</b>
Opening Cash/Cash Equivalent	209	264	941	229
<b>Closing Cash/ Cash Equivalent</b>	<b>264</b>	<b>941</b>	<b>229</b>	<b>170</b>

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	5,766	7,705
Total Shareholders funds	3,010	4,677	5,778	7,717
Minority Interest	459	710	981	1,340
Total Debt	671	994	1,157	1,186
Other liabilities	36	136	60	77
<b>Total Liabilities</b>	<b>4,176</b>	<b>6,517</b>	<b>7,977</b>	<b>10,320</b>
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	1,676	1,717
Inventory	3,992	3,837	6,904	9,193
Debtors	6,965	6,530	9,347	12,156
Other Current Assets	1,873	1,908	3,094	3,969
Cash	264	941	229	170
Total Current Assets	13,094	13,215	19,575	25,489
Current Liabilities	12,484	12,448	17,872	22,298
<b>Total Assets</b>	<b>4,176</b>	<b>6,517</b>	<b>7,977</b>	<b>10,320</b>

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Per Share Data (₹)</b>				
EPS	117.1	139.0	175.4	269.8
Cash per Share	43.7	154.8	37.7	28.0
BV	499.6	769.2	950.4	1,269.3
Dividend per share	7.0	8.1	6.6	9.9
Dividend payout ratio (%)	5.9	5.8	3.8	3.7
<b>Operating Ratios (%)</b>				
EBITDA Margin	3.9	3.8	3.5	3.9
PAT Margin	3.2	3.4	2.1	2.4
<b>Return Ratios (%)</b>				
RoE	27.7	21.3	22.2	25.7
RoCE	29.6	23.1	22.5	25.9
<b>Valuation Ratios (x)</b>				
EV / EBITDA	44.0	35.7	29.8	20.9
P/E	93.5	78.8	62.4	40.6
Market Cap / Sales	1.7	1.3	1.0	0.8
Price to Book Value	21.9	14.2	11.5	8.6
<b>Working Capital Management Ratios</b>				
Inventory Days	37.5	28.2	39.0	40.5
Debtors Days	65.4	48.1	52.8	53.6
Creditors Days	102.2	78.9	85.6	82.9
Asset turnover	11.3	10.5	11.0	11.3
<b>Solvency Ratios</b>				
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

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Sell: <-15%

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