Dixon Technologies (DIXTEC)

CMP: ₹10,446 | Target: ₹ 13,000 (24%) | Target Period: 12 months | BUY

February 1, 2026

Resetting expectations: Vivo, PLI tick marks to be key

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.

Q3FY26 performance: Dixon reported weak set of results as smartphone volumes came at mere ~0.7 cr units vs expectations of ~1 crore units. Management attributed this to weak industry demand esp. in low to mid-budget phones, post festive slowdown, higher memory prices, depreciating rupee and channel inventory. For FY26E, management has trimmed smart phone volume guidance at ~3.4 cr units (0.7-0.75 cr units in Q4) vs earlier guidance of 4-4.2 cr units. Refrigerator and TV volumes were impacted owing to similar reasons alongwith new energy efficiency norms. EBITDA margin was stable at 3.9%.

Investment Rationale

- **Within mobiles, Vivo PN3 approval and PLI extension are key factors:** Vivo JV is awaiting press note3 (PN3) approval which was expected around last Dec. Management suggests it is deeply engaged with the authorities for the same and is fairly close to the approval though exact timing cannot be ascertained. This JV is expected to add 1.7-2 cr volumes and play a major role in expanding Dixon's total volume from ~3.4 cr units in FY26 to ~6-6.5 cr units which was earlier targeted by management in FY27 but is now likely to slip to FY28E. Besides, there has been uncertainty whether mobile PLI scheme set to expire this 31st March will be extended or not and in which form. We believe both these issues are likely to have apt outcome considering government's backing for the sector as per the requirements with a vision to develop domestic manufacturing ecosystem.
- **Investments in components and non-mobile division to aid growth:** Within mobiles, Dixon is increasing value addition from ~18% to 35-37% through display module, camera module, alongwith other components. Beyond smartphones, IT hardware (laptop & PC assembly) which has recently started shall scale to ₹4000-5000 cr in next 2-3 years. Telecom segment is consistently growing at strong pace and shall reach ~₹5200 cr revenue while in consumer appliances segments, product launches esp. in premium categories are being planned to aid growth.

Rating and Target Price

- We believe major part of the negatives (Vivo approval, uncertainty over PLI scheme, memory card cost spike alongwith select macro factors) are likely to be a cause of delay in company's growth outlook and not necessarily denial. We thus cut our financial estimates for FY26E, FY27E and roll forward to FY28E. Sharp correction in stock price considerably factors these risks, making risk-reward favorable. We value the stock at 47x FY28E its adj. EPS with target price of ₹ 13,000. Maintain BUY rating.

Dixon

The brand behind brands

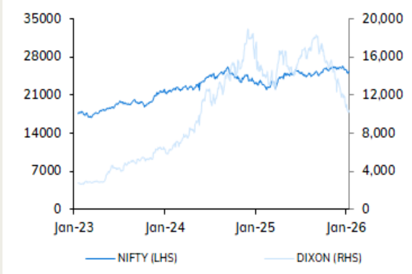
Particulars

Particular	Amount
Market Cap (₹ Crore)	63,326
9MFY26 Debt (₹ Crore)	851
9MFY26 Cash (₹ Crore)	605
EV (Rs Crore)	63,572
52 Week H/L (₹)	18,471/ 9.835
Equity Capital (₹ Crore)	12.0
Face Value	2

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	32.3	29.0	28.9	28.8
FII	21.8	20.6	20.7	18.7
DII	23.1	26.7	28.9	29.1
Public	22.9	23.8	21.5	23.4

Price Chart



Key risks

(i) Any restraint in domestic government support measures.

(ii) Execution delays owing to significant time lag in various approvals, macro slowdown, etc.

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	10,689	12,192	17,691	38,860	53.8	49,082	66,179	81,744	28.1
EBITDA	371	513	698	1,508	59.6	1,886	2,458	3,361	30.6
EBITDA margin (%)	3.5	4.2	3.9	3.9		3.8	3.7	4.1	
Net Profit	182	255	368	706	57.0	850	1,163	1,682	33.6
Diluted/Adjusted EPS (₹)	31.0	42.9	61.7	117.1		139.9	191.3	276.8	
P/E(x)	337.5	243.2	169.4	89.2		74.7	54.6	37.7	
RoCE (%)	17.2	22.9	24.2	29.6		22.9	23.8	26.0	
RoE (%)	18.3	19.9	22.1	27.7		22.8	24.0	26.0	

Source: Company, ICICI Direct Research

Concall highlights and outlook

i) **Mobile and EMS segment**

- Reported revenue of ₹10,678 crores (declined 28% QoQ & up 2% YoY). Mobile & other EMS division reported revenue of ₹9,750 crore which declined by 27% QoQ and was up by 5% YoY amid industry headwinds.
- **Mobile Volumes**– For 9MFY26, mobile volumes came in at ~27 mn & for Q4FY26 mobile volume is expected at ~7-7.5 mn units reducing overall volume guidance of 40-42 mn to ~34 mn for FY26. Also, for FY27E volume estimates might witness volatility due to inflation across memory prices and display prices and delay in receiving Vivo JV approval.
- **Margin Outlook-** Mobile phone EBITDA margins are expected to remain in the range of ~2.8–3.2%, even in absence of PLI extension. Management acknowledged a potential ~50–60 bps margin impact if PLI is not extended, which is expected to be offset over the medium term through backward integration. Further inflation across memory chip and display prices will be pass-through however this poses a demand threat from OEM over near term especially for low & mid end devices.
- **Backward integration & Component**- Management expects ~70-80% of mobile business will be component integrated by FY28. Company continues to deepen component manufacturing under Q Tech, with camera module revenues of ~₹400 crore in Q3. Dixon has also been selected as an ECMS beneficiary for camera modules and optical transceivers, while approvals for display modules and enclosures are awaited.
- **Q Tech business** – Revenue of Q Tech stood at ₹400 crore for Q3FY26 with annual run rate of ~₹2,000 crore. Company aims to expand capacities significantly from ~40mn currently to ~180-190mn in next 2-3 years. Management expects ~70-80% of mobile business will be component integrated by FY28.
- **Display Module JV (HKC)**- Construction of display module facility is nearing completion. Phase-1 capacity includes 24 mn units p.a. for smartphones and ~2 mn units p.a. for notebooks/automotive, largely for captive consumption. Trial production is expected by Q1FY27, with mass production starting from Q2FY27.
- **Capex-** Capex for 9MFY26 stood at ~₹720 crore; remaining on track to its full year plan of ~₹1,100-1,200 crore for FY26. Further, Construction of a 1 mn sq. ft. facility in Noida for anchor customers is progressing well, with completion expected by Q1FY27 and mass production starting from Q2FY27.
- **Exports -** Mobile exports remain healthy though lower than earlier projections. Management is guiding exports of ~₹5,500–6,000 crore in FY26E, supported by Motorola and other global OEMs. Additional export opportunities are under discussion, including new facilities planned in South India.
- **PN3 update** – PN3 approval for Vivo and HKC is expected soon.

- **IT Hardware**- In FY26, IT hardware is expected to contribute revenue of ~₹1500 crore in FY26E, scaling to ₹3,500-4,000 crore in FY27E. Manufacturing of laptops, All-in-One (AIO) PCs and desktop manufacturing stabilised while SSD and memory module production under Inventec JV is expected from Q2FY27.
- **Telecom division stays strong** – Telecom and networking business remains strong, with stable order book for CPE (Customer Premises Equipment) devices. Dixon has started manufacturing complex telecom backhaul microwave radios for a US telecom customer and has been selected as an ECMS beneficiary for optical transceivers.

ii) Consumer electronics & Appliances

- LED TV and refrigerator segment reported revenue of ₹567 crore in Q3FY26 (declined 10% YoY), impacted by post-festive seasonality, withdrawal of consumer offers and elevated channel inventories. Management expects demand recovery from Q1FY27 as inventories normalize.
- Dixon continues to focus on premiumisation, including large-screen, smart and connected TVs. Production of mini-LED and advanced smart TV models has commenced, strengthening differentiation and ODM capabilities.
- For refrigerators, Q3 remained weak, further impacted by transition to new energy efficiency norms effective Jan'26. Company introduced 50L and 100L minibar refrigerators, which have seen strong traction with full capacity booked. Expansion is underway to support 2-door, deep freezer, visi cooler and side-by-side refrigerators.

iii) Home Appliances

- Home appliances segment reported revenue of ₹355 crore, up 13% YoY.
- Dixon continues to strengthen its ODM capabilities across fully automatic and semi-automatic washing machines. Production of 16kg and 18kg semi-automatic models is expected to commence by Mar'26.
- New front-load washing machine facility at Tirupati is ready, with mass production expected from Q2FY27, having annual capacity of ~300,000 units.
- Production of robotic vacuum cleaners for Eureka Forbes has commenced with a healthy order book. Company is also evaluating entry into microwaves and kitchen chimneys.

iv) Lighting solutions

- Lighting JV with Signify (Philips) continues to deliver high double-digit revenue growth, supported by improved asset utilization and higher localization. Increasing focus on premium and professional lighting products is supporting better realizations and margin improvement over the medium term.

- Management highlighted strong potential to export lighting products to Europe, UK, UAE and the US, aided by manufacturing scale and quality capabilities.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY	Q2FY26	QoQ (%)	Comments
Revenue	10,671.6	10,454.0	2%	14,855.0	-28%	Growth mediocre as mobile division was sluggish with sharp volume decline.
Other Income	131.3	6.5	-	495.7	-74%	Fair value adjustment of Aditya Infotech stake
Total Income	10,802.9	10,460.5	3%	15,350.8	-30%	
Gross profit	785.8	773.9	2%	1,053.7	-25%	
Gross margin %	7.4	7.4	-4 bps	7.1	27 bps	Broadly stable
Operating Expenses	200.3	227.3	-12%	295.5	-32%	
Employee Expenses	171.1	155.8	10%	196.9	-13%	
Total Expenses	371.4	383.1	-3%	492.4	-25%	Overall expenses contained.
EBITDA	**414.5**	**390.8**	**6%**	**561.3**	**-26%**	
EBIDTA %	**3.9**	**3.7**	**14.5 bps**	**3.8**	**10.5 bps**	Margins firm
Depreciation	99.0	74.6	33%	96.3	3%	
Finance cost	42.9	40.9	5%	38.4	12%	
PBT	403.9	281.9	43%	922.4	-56%	
Tax	91.1	68.9	32%	177.9	-49%	
Adjusted PAT after MI	180.0	172.0	5%	247.0	-27%	Adj. for other income and minority interest

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	**38,860**	**49,082**	**66,179**	**81,744**
% Growth	119.7	26.3	34.8	23.5
Other income	20.2	651.9	101.0	111.1
Total Revenue	**38,880**	**49,734**	**66,280**	**81,855**
Employee Expenses	567	687	893	1,104
Other expenses	36,785	46,509	62,827	77,279
Total Operating Expenditure	37,353	47,196	63,720	78,383
Operating Profit (EBITDA)	**1,508**	**1,886**	**2,458**	**3,361**
% Growth	116.1	25.1	30.4	36.7
Interest	154	159	167	167
PBDT	1,373	2,378	2,392	3,305
Depreciation	281	387	482	587
PBT before Exceptional Items	1,092	1,991	1,910	2,718
Exceptional items	460	-	-	-
Total Tax	337	440	484	688
Minority interest & JV income	-120	-199	-263	-348
Adjusted PAT after MI	**706**	**850**	**1,163**	**1,682**
% Growth	91.8	20.4	36.8	44.7
Adjusted EPS	**117.1**	**139.9**	**191.3**	**276.8**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	1,233	1,069	1,452	2,064
Depreciation	281	387	482	587
Interest	154	159	167	167
Cash Flow before WC changes	1,668	1,616	2,101	2,818
(Inc)/dec in Current Assets	-8,203	-1,432	-5,583	-5,162
Inc/(dec) in CL and Provisions	7,839	1,247	4,671	3,738
Net CF from Operating activities	**1,304**	**1,432**	**1,189**	**1,394**
(Purchase)/Sale of Fixed Assets	**-1,247**	**-1,763**	**-1,300**	**-1,400**
Others	-544	-113	-37	-36
Net CF from Investing activities	**-1,791**	**-1,875**	**-1,337**	**-1,436**
Dividend	-42	-47	-44	-62
Others	584	713	192	215
Net CF from Financing Activities	**542**	**665**	**149**	**153**
Net Cash flow	**55**	**222**	**0**	**111**
Opening Cash/Cash Equivalent	209	264	485	485
Closing Cash/ Cash Equivalent	**264**	**485**	**485**	**597**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	12	12	12	12
Reserve and Surplus	2,998	4,397	5,806	7,808
Total Shareholders funds	3,010	4,409	5,818	7,820
Minority Interest	459	678	968	1,350
Total Debt	671	1,448	1,518	1,518
Other liabilities	36	46	62	76
Total Liabilities	**4,176**	**6,582**	**8,365**	**10,764**
Gross Block	3,433	4,607	5,879	7,339
Acc: Depreciation	716	1,103	1,585	2,172
Net Block	2,718	3,505	4,295	5,167
Capital WIP	256	282	310	250
Total Fixed Assets	2,974	3,787	4,605	5,417
Non Current Assets	593	1,749	1,745	1,744
Inventory	3,992	4,790	7,073	9,067
Debtors	6,965	7,117	9,596	12,016
Other Current Assets	1,873	2,356	3,177	3,924
Cash	264	485	485	597
Total Current Assets	13,094	14,747	20,331	25,604
Current Liabilities	12,484	13,701	18,315	22,001
Total Assets	**4,176**	**6,582**	**8,365**	**10,764**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per Share Data (₹)				
EPS	117.1	139.9	191.3	276.8
Cash per Share	43.7	79.8	79.9	98.2
BV	499.6	725.8	957.6	1,287.1
Dividend per share	7.0	7.8	7.2	10.2
Dvidend payout ratio (%)	5.9	5.5	3.7	3.7
Operating Ratios (%)				
EBITDA Margin	3.9	3.8	3.7	4.1
PAT Margin	3.2	3.2	2.2	2.5
Return Ratios (%)				
RoE	27.7	22.8	24.0	26.0
RoCE	29.6	22.9	23.8	26.0
Valuation Ratios (x)				
EV / EBITDA	42.0	34.2	26.2	19.2
P/E	89.2	74.7	54.6	37.7
Market Cap / Sales	1.6	1.3	1.0	0.8
Price to Book Value	20.9	14.4	10.9	8.1
Working Capital Management Ratios				
Inventory Days	37.5	35.2	39.0	40.4
Debtors Days	65.4	52.2	52.8	53.6
Creditors Days	102.2	85.3	85.5	82.7
Asset turnover	11.3	10.8	11.3	11.2
Solvency Ratios				
Debt / Equity	0.2	0.3	0.3	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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