

Dixon Technologies | ADD

Strategy set, execution delayed

We believe three key reasons have spooked the Street on Dixon: (1) Risk to volume and margin starting FY27E in the absence of requisite government approvals (PN3 approvals for JVs with Vivo and HKC expected in Nov'25 not yet received; now expected in Jan'26 as per management); (2) The massive surge in memory prices, driving up costs of budget smartphones, resulting in certain brands losing market share and ultimately posing a risk to smartphone volume; and (3) the anticipation of a weak 3Q. While Dixon has a strategy in place to mitigate risk to margin and volumes, execution has been delayed, which one could argue, is due to factors beyond Dixon's control. We cut our FY26-28E EPS estimates by 12-14%. Further, until concerns over growth are addressed through execution, we believe Dixon may continue trading at multiples < historical average. Hence, we value Dixon at 50x Dec'27E EPS (60x Sep'27E EPS earlier). That said, the stock has corrected ~12%/21% over the last 1M/6M respectively, leaving 14% upside to our target price. Hence, maintain ADD with a revised PT of INR 13,800.

- Regulatory and macro challenges driving growth concerns:** We believe three key reasons have spooked the Street on Dixon: (1) Risk to volume and margin in the absence of government approvals (PN3 approvals for joint ventures (JVs) with Vivo and HKC expected in Nov'25, but have not yet been received; and now expected in Jan'26); (2) Surge in memory prices, driving up costs of budget smartphones, resulting in budget brands losing market share and posing a risk to smartphone volume; and (3) anticipation of a weak 3Q.
- Outlook beyond FY26E hinges upon Vivo and backward integration:** Dixon's key strategies to drive volume growth and mitigate PLI-led risk to margins include: (1) JV with Vivo for smartphones (by 4QFY26E) and (2) JV with HKC for display sub-assembly (by Apr'26), both of which require PN3 approvals from the Indian government. These were previously expected by Nov-end (2Q concall) but have not been received so far, posing a risk to initially guided timelines. Key concerns are: (1) Most of Dixon's incremental FY27E smartphone volume hinges upon boarding Vivo as a customer (our estimates: ~19.5mn out of 24.5mn incremental smartphones Dixon could manufacture in FY27E; ~80% of incremental volume), and (2) Delay in receipt of government approvals for the HKC JV for display modules, which can pose a risk to margins. Management indicated that approvals, specifically for Vivo, could come by Jan/Feb'26.
- Rising memory prices could impact smartphone volume:** Global memory chip markets are experiencing a sharp surge in prices due to allocation of manufacturing capacities to AI infrastructure. Memory manufacturers Samsung, SK Hynix, and Micron (combined share >90%) prioritising production of server-grade memory for AI use cases has limited supply elsewhere. Smartphone brands in the low-end of the market are likely to suffer more as memory forms a larger portion of their BoM (~20% of budget and ~10% of premium smartphones). In India, leading brands have already implemented ~10% price hike on models priced <INR 50,000 and a second round of hikes is likely in Jan/Feb'26. Cumulatively, smartphone prices are expected to rise by as much as ~30% by Apr'26, implying affordability pressure and potential headwinds.
- 3Q to be weak, factor in cuts in FY26/27E smartphone volume:** We expect Dixon to post a flattish 3Q, driven by muted mobile revenue, given a slowdown in sourcing from brands. While gross margin could improve (superior product mix) operating deleverage could limit the benefit to EBITDA margin. Hence, we factor in flattish EBITDA margin (3.8% vs. 3.7% YoY), restricting absolute EBITDA growth to 2%. We further cut our smartphone volume estimate to ~36mn, vs. ~39mn earlier for FY26E to factor in (1) a delay in commencement of Vivo (~0.5mn vs. ~2mn earlier), and (2) a slowdown in volume from budget brands driving down volume estimates to ~60mn from ~63mn for FY27E.



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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	13,800
Upside/(Downside)	14.5%
Previous Price Target	18,000
Change	-23.3%

Key Data – DIXON IN

Current Market Price	INR12,051
Market cap (bn)	INR731.3/US\$8.1
Free Float	61%
Shares in issue (mn)	59.8
Diluted share (mn)	61.8
3-mon avg daily val (mn)	INR5,698.5/US\$63.1
52-week range	18,700/11,646
Sensex/Nifty	85,440/26,250
INR/US\$	90.3

Price Performance

%	1M	6M	12M
Absolute	-12.4	-20.7	-34.5
Relative*	-12.1	-22.6	-39.3

* To the BSE Sensex

Financial summary

	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,76,909	3,88,601	5,10,802	7,25,139	8,39,917
Sales Growth (%)	45.1	119.7	31.4	42.0	15.8
EBITDA	6,976	15,076	19,729	27,874	34,566
EBITDA Margin (%)	3.9	3.9	3.9	3.8	4.1
Adjusted Net Profit	3,678	6,356	9,231	14,269	18,219
Diluted EPS (INR)	61.5	106.2	149.3	230.7	294.6
Diluted EPS Growth (%)	43.3	72.8	40.5	54.6	27.7
ROIC (%)	28.4	37.5	34.5	36.3	34.5
ROE (%)	24.7	27.0	26.9	31.5	30.0
P/E (x)	196.1	113.5	80.7	52.2	40.9
P/B (x)	42.5	24.0	19.3	14.3	10.8
EV/EBITDA (x)	103.6	48.2	37.0	26.3	21.1
Dividend Yield (%)	0.0	0.1	0.1	0.1	0.1

Source: Company data, JM Financial. Note: Valuations as of 05/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Regulatory challenges a risk to volume and margin

Smartphone PLI end nearing – a risk to margin

- The biggest regulatory risk, as we have highlighted earlier, that Dixon is currently staring at is the end of the smartphone Production Linked Incentive (PLI) scheme w.e.f. Mar'26. PLI incentives have historically contributed to ~60bps of the margin in Dixon's mobiles business, which will be impacted once the scheme ends. To mitigate this, it has undertaken several steps, the most prominent being investing in backward integration, including display module sub-assembly (JV with HKC, Dixon's share at 74%), camera module sub-assembly, smartphone enclosures and, most recently, assembly of lithium-ion batteries.
- Secondly, sharing of PLI incentives played a key role in winning customers and volume, especially from manufacturers who were not beneficiaries of the PLI scheme, or failed to capitalise on the opportunity. To mitigate this challenge, Dixon entered into a JV with Vivo (Dixon's share at 51%), under which Vivo would transfer one of its facilities into the JV, which, in turn, would manufacture ~2/3rd of Vivo's India requirements (~20mn smartphones). This, as per our calculations, was expected to be an INR 180bn-200bn opportunity for Dixon and, equally importantly, its answer to volume growth challenges.

Regulatory approvals key to Vivo JV and display sub-assembly

- As highlighted above, Dixon's key strategies include a (1) JV with Vivo for smartphone manufacturing, which is expected to commence by 4QFY26E (Dixon's share at 51%) and mitigate the risk to smartphone volume, and (2) a JV with HKC, expected to commence by Apr'26 (Dixon's share at 74%) for display sub-assembly, which is a key component of its backward integration strategies and is likely to mitigate the impact on margin.
- Given that Vivo and HKC are Chinese entities, execution of the JV requires the PN3 (Press Note 3) approval from the Indian government, which has been delayed for some time now. They were previously expected by Nov-end (highlighted in 2Q concall) but have not been received yet; thus, Dixon runs a risk of delay in commencement of operations vs. initially guided timelines.
- The Street's key concern here is: (1) Most of Dixon's FY27E smartphone volume hinges heavily upon commencement of manufacturing for Vivo (as per our estimates, ~19.5mn out of 24.5mn incremental smartphones that Dixon targets to manufacture in FY27E are for Vivo, translating into ~80% of incremental volume), and (2) Delay in receipt of government approval for the HKC JV for sub-assembly of display modules, which can pose a risk to margins through FY27E.

A majority of FY27E smartphone volume is contingent on the government granting approval to Dixon's JV with Vivo, in the absence of which there is a risk to growth in FY27E. Our conversations with the management suggest that approvals could be in place by Jan'26.

Exhibit 1. Dixon – FY26E and FY27E volume estimates (JMFL estimates)

Customer	FY26		FY27	
	mn units	INR mn	mn units	INR mn
Motorola	14.5	1,66,750	15.3	1,75,950
Xiaomi	6.8	57,800	6.8	57,800
Realme (Longcheer)	6.0	58,676	6.2	60,436
Compal (Google Pixel)	0.2	6,400	0.2	6,720
Ismartu Smart Phone	8.0	48,000	8.0	48,000
Vivo	0.5	4,750	20.0	1,90,000
New ODM	-	-	4.0	36,000
Ismartu Feature Phone	18.0	11,880	5.0	3,300
Nokia and others	18.0	11,790	5.0	3,275
Smartphone (ex-Samsung)	36.0	3,42,376	60.5	5,74,906
Feature Phone	36.0	23,670	10.0	6,575
Total	72.0	3,66,046	70.5	5,81,481

Source: Company, JM Financial

Exhibit 2. Dixon – key contributors to FY27E volume (JMFL estimates)

FY27E parameters	mn units
Incremental Smartphones in FY27E	24.5
Of which, Vivo	19.5
% of Incremental	79.6%
Of which, New ODM	4.0
% of Incremental	16.3%
Hence, Growth from Existing Customers	1.0
% of Incremental	4.0%

Source: Company, Industry

SFIO investigation risk to Vivo JV? No, says management

- Several [press reports](#) in Dec'25 said that the Serious Fraud Investigation Office (SFIO) is likely to file its charge sheet against Chinese smartphone maker Vivo under section 447 of the Companies Act, 2013, in an alleged fund-diversion case involving >INR 20bn (in furtherance to the investigation that was launched in Aug'25). As per these reports, a wider probe into Vivo, Oppo and Xiaomi had uncovered suspected fraud of >INR 60bn, signalling compliance issues at the three Chinese smartphone brands. Here, it is pertinent to note that, till now, no such action has been taken.
- We note that Vivo sells ~30mn smartphones in India, making it the largest in terms of market share and, consequently, making the Indian market too big to ignore for the company. This, in our opinion, rules out any possibility of Vivo exiting the country. Further, our discussions with Dixon's management indicate no risk of the JV with Vivo being called off. Rather, the management is confident of receiving government approval for the venture by Jan'26.

PLI extension likely, but timelines uncertain

- Mobile Phone PLI remains India's most successful PLI programme and the government is assessing whether ending it early could jeopardise the country's position in global smartphone assembly chains. Further, as per MeitY (Ministry of Electronics and Information Technology) members, the mobile electronics ecosystem still faces structural cost disabilities, despite significant improvement. Basis this, the government is actively considering extending or redesigning the scheme, which is scheduled to expire in Mar'26.
- While no final decision has been taken on scheme contours or quantum of incentive, policymakers indicate that premature withdrawal could risk the progress made in manufacturing this far. Further, with massive progress made within the Apple ecosystem by leveraging this scheme, we believe it may be prudent for the government to extend the scheme, opening up opportunities for India to go deeper into Apple's global supply chain.
- However, it is also pertinent to note that the government may no longer incentivise sole manufacturing initiatives. Hence, it is very likely that the revised PLI may push for deeper backward integration.

Surge in memory prices could impact smartphone volumes

The very basics of memory in a smartphone

- Memory in a smartphone consists of DRAM (Dynamic Random-Access Memory), also called RAM, and NAND Flash, which is essentially the storage memory.
- The DRAM acts as a temporary workspace for the processor, which stores applications and data currently in use, so the phone can multitask and respond quickly to comments, while the storage memory is permanent storage for photos, applications, videos, files, etc.
- Higher RAM capacity ensures smoother performance, while higher storage enables higher capacity to store files and media. To put this into perspective, when smartphone brands sell a 128GB/6GB smartphone or a 256GB/8GB smartphone, the 128GB and 256GB refer to the storage memory, while the 6GB and 8GB refer to the DRAM.

Exhibit 3. Indicative standard BoM of a budget and flagship smartphone

Component	Mid-Range Smartphone (%)	Premium Smartphone (%)	Key Difference
Semiconductor Chip (processor + modem)	20–30%	30–35%	Flagships use cutting-edge silicon
Display	18–25%	15–25%	Premium uses LTPO, higher brightness, better calibration
Memory (RAM + storage)	15–25%	10–15%	Higher percentage in mid-range due to lower total BOM
Camera Modules	10–15%	15–20%	Premium adds larger sensors, telephoto/periscope
Battery & Charging	6–10%	7–10%	Similar share, premium has faster charging ICs
RF & Connectivity (5G, Wi-Fi, antennas)	5–8%	6–10%	Premium supports more bands & advanced RF
Mechanical Parts (frame, glass, housing)	5–8%	7–10%	Premium materials (metal, ceramic, glass)

Source: Industry, JM Financial

What is the issue?

- The global memory chip market is experiencing an unprecedented pricing crisis driven by a reallocation of manufacturing capacity toward artificial intelligence infrastructure.
- Unlike previous semiconductor shortages arising from pandemic-led disruptions, this crisis stems from deliberate manufacturer decisions to prioritise high-bandwidth memory (HBM) for AI accelerators over consumer-grade modules.
- The fundamental driver is not supply disruption but deliberate capacity reallocation. Memory manufacturers, primarily Samsung, SK Hynix, and Micron (with combined market share of >90%), are prioritising production of HBM and server-grade memory for data centre operators and cloud providers racing to build AI infrastructure.
- HBM commands 5x-6x the margin of mobile DRAM. Consequently, supply for LPDDR5X (used in premium phones) and LPDDR4X (used in budget phones) has tightened significantly. Distributor inventories have plummeted to 2-4 weeks (down from the typical 8-12 weeks), forcing original equipment manufacturers (OEMs) into a volatile spot market.

How have prices moved?

- There have been several stages in price hikes in **mobile DRAMs (LPDDR4/4X; budget smartphones)**:
 - LPDDR4 prices began to rise from 2HCY24; initial signs of tightening supply on mature nodes drove **low-to-mid double-digit percentage increases**.
 - The uptrend accelerated in early 2025, with cumulative price gains expanding into the **several-tens-of-percent** range as the broader DRAM market moved into shortage and suppliers increasingly prioritised higher-margin products.
 - By 2HCY25, LPDDR4 saw its sharpest relative increase of the cycle, with prices rising **several times** as compared to mid-2024 levels amid aggressive production phase-outs and panic buying in entry-level smartphone segments.

- Price hikes in **mobile DRAMs (LPDDR5/5X; premium smartphones)** have also gone through several stages:
 - Prices were hiked in LPDDR5 DRAMs, followed by a lag after being largely stable through most of 2024. Prices began to **rise meaningfully in late 2024**, supported by expanding adoption of LPDDR5X in high-performance computing platforms.
 - The pace of increases steepened in 1H25, reaching **high double-digit percentage** gains as supply tightened, before accelerating further in 2H25.
 - By late 2025, LPDDR5 prices had **climbed severalfold** from its 2H24 base, reflecting sustained demand from premium mobile and server applications alongside structurally constrained supply.
- **IT hardware:** As far as laptops/PCs are concerned, RAM prices have jumped dramatically in 2025. Industry data shows DDR5 module prices rising about 120-200% compared to early 2025, with some spot market prices spiking 3x-10x in a matter of a few months owing to limited supply. Major makers like Samsung have roughly doubled DDR5 prices, leading to much higher retail prices for desktop and server RAM; in some cases prices of gaming memory and larger kits have more than doubled or even tripled compared with last year. The shortage has also pushed some PC makers to raise overall system prices because memory now makes up a larger portion of manufacturing costs.

OpenAI's deal with Samsung and SK Hynix

- In October, OpenAI signed a deal with Samsung and SK Hynix to occupy 40% of their RAM wafer production for 2026. This was done to secure RAM for their ChatGPT system and also to ensure competitors are denied significant RAM supply. OpenAI's deal with Samsung and SK Hynix is with respect to undiced silicon wafers, which are semi-finished, and give flexibility for different AI needs (like cutting for DDR5/stacking for HBM).
- On the other hand, OpenAI's competitors alongside data centres started purchasing DDR5 RAM, leading to price spikes. Prices have soared further after Samsung and SK Hynix announced they will not be expanding production for 2026. Even Samsung's other divisions are being undersupplied in chips and wafers as they'd make more money selling it for market value.

What is the future forecast for memory prices?

Elevated prices are expected to continue into 2026 because suppliers are intentionally prioritising HBM/server DRAM and are not rapidly expanding commodity DRAM bit-output. Industry forecasts indicate further increases in the next 2 quarters, unless demand takes an unprecedented hit or new capacities go live earlier than expected.

Capacity expansion planned; in the meanwhile, prices to remain high

- The three biggest memory chip makers – Micron, SK Hynix, and Samsung – are cumulatively anticipated to spend USD 54bn on capex, focused on improving the performance of HBM modules for AI chips. So, despite ~14% YoY growth in investments in the DRAM sector, capacities for the broader set of memory chips will not increase.
- **Samsung's comments on the crisis during its recent concall**
 - Samsung said that regarding capex in 2026, it plans to maintain a proactive stance toward investments in memory. In fact, it is considering a significant YoY increase vs. 2025.
 - For several years now, Samsung has made steady investments in infrastructure and is now looking to execute facility investments at a scale required to address rising demand.
 - For DRAM, to address the rise in AI demand, it plans to focus on capital investments to boost cutting-edge bit production. Also, to respond to mid-to-long-term future demand, it intends to carry out some new construction as well.
 - The share of DRAM in total investments will increase as compared to earlier years. For NAND, after confirming market demand, Samsung intends to gradually increase the share of advanced processes.
- **Demand-supply mismatch to persist; companies being cautious to avoid a possible bubble**
 - Basis this, we believe that this memory demand-supply mismatch is likely to continue into 2026 and, arguably, beyond. This is because supply is clearly a constraint, and it seems to have taken most manufacturers by surprise, due to which no extra capacities exist.
 - While manufacturers have recognised the need to put up new capacities, it will take an incubation period (usually 2-3 years post announcement) to go live.

- Even though AI companies have huge expansion plans, memory makers are waiting for more clarity as their senior managements are also being cautious about entering a probable AI bubble.
- To put this into perspective, mobile and laptop use cases have been here for several years and, although growing slowly, they have presented a rather predictable trajectory. On the other hand, AI use cases have seen an unprecedented surge, making it necessary for manufacturers to gain comfort over sustainability.

Impact on mobile prices

- The impact of the shortage is highly asymmetric. Manufacturers whose business is mainly in the low end of the market are likely to suffer significantly. Thus, business models of vendors such as Transsion Group, Realme, and Xiaomi will come under pressure. Other brands including Oppo and Vivo could also be impacted, but they are relatively better placed given a fair mix of budget and premium smartphones in their portfolio.
- This is also because memory forms a larger portion of the BoM of a budget smartphone (~20%) vs. that of a premium smartphone (~10%), given lower frills as compared to a premium product. Hence, this increase in costs can either (1) drive up prices and, consequently, hit demand given this audience is fairly more sensitive to these price increases or (2) hit margins of these smartphone brands substantially. Higher end brands, including Apple and Samsung face pressure, but are structurally hedged. Its cash reserves and long-term supply agreements allow it to secure memory supply 12-24 months in advance.
- **As per All India Mobile Retailers' Association (AIMRA): [Link to article](#)**
 - Smartphone ASPs have already increased by 4–15%, although varying across brands. Most leading brands including Samsung, Xiaomi, Vivo, Nothing, Realme, iQoo have undertaken price hikes.
 - Leading smartphone brands have implemented an initial ~10% price hike on models priced below <INR 50,000. And a second round of price increases is expected in Jan'26, indicating continued pass-through of cost pressure.
 - Cumulatively, smartphone prices are expected to rise by as much as ~30% by Apr'26, implying meaningful affordability pressure and potential volume headwinds in the mass and mid-premium segments.

As per All India Mobile Retailers' Association (AIMRA), leading smartphone brands have implemented an initial ~10% price hike on models priced below <INR 50,000. And, a second round of price increases is expected in Jan'26, indicating continued pass-through of cost pressure.

What are some of the biggest OEMs suggesting?

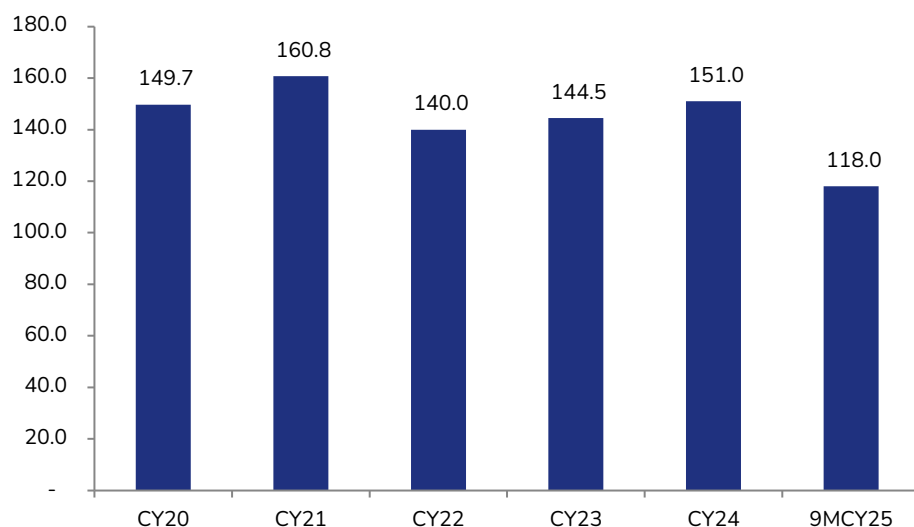
- **Xiaomi, in its 3QCY25 earnings call**
 - Xiaomi warned of "complexities" in the component market. It said "This time, cost increase is very big, and it is going to last longer. That would be bigger volatility. Cost digestion for each player will cause impact. The cycle is more or less the same for all, but if your ASP is relatively low, then you will be subject to more impact. For cost increase for memory in the past, usually it would be over in a few years, but now the situation will be different from in the past."
 - It further added that the change was because of HBM. Further, besides smartphones and notebooks/tablets, HBM is being added. As a result, there is bigger demand, and supply is insufficient to cater to it.
- Samsung, amongst the world's largest smartphone and memory chipmakers, appears to face a rift between its two most important divisions – smartphones and memory. This is due to Samsung's memory division declining a deal from its mobile devices division as the demand for DRAM and HBM memory chips has increased exponentially. Hence, Samsung's memory division wants to cash in on its chips while this AI boom lasts.

Xiaomi, in a recent concall – "This time, cost increase is very big, and it is going to last longer. Cost digestion for each player will cause impact. If your ASP is relatively low, then you will be subject to more impact."

This can impact an already slow domestic smartphone market

- India's smartphone shipment over the last 5 years has been range bound, hovering ~150mn. This, we believe, is owing to mobiles being a well-penetrated category, and most of the buying coming from replacement buyers.
- While 3QCY25 saw the highest smartphone demand in India over the last 5 years, growth was largely driven by mid-premium, premium and super-premium smartphones with 11%, 43% and 53% YoY growth respectively. Mass-budget smartphones saw a YoY decline of 9% respectively.
- Premiumisation is a noticeable trend across the years with consumer preferences shifting towards better quality and feature-rich smartphones. Brands like Vivo and Oppo, who increased focus on premium smartphones, and Apple in the super premium segment have consistently increased their volumes, while brands that stuck with mass-heavy categories are seeing volume contraction and losing market share.

Exhibit 4. India's smartphone units shipment (in mn)



Source: Industry, JM Financial

Exhibit 5. Historical mobile volume across brands (Indian smartphone market, 2QFY25 vs. 2QFY26, mn units)

Period (CY)	3QCY24	4QCY24	1QCY25	2QCY25	3QCY25
Period (FY)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Only premium range					
Apple	4.0	3.6	3.0	2.9	5.0
Mix of premium and budget					
Vivo	7.3	6.5	6.3	7.2	8.8
Oppo	6.4	4.2	3.8	5.1	6.7
Samsung	5.7	4.6	5.2	5.5	6.0
OnePlus	1.7	1.0	0.8	1.0	1.2
Motorola	2.6	2.6	2.4	3.0	4.0
Budget-heavy brands					
Realme	5.3	3.5	3.4	3.7	4.7
Xiaomi	5.2	3.8	2.5	3.6	4.4
POCCO	2.7	1.8	1.4	1.4	2.1
iQoo	1.9	1.2	0.7	1.6	1.6
Others	3.3	3.3	2.4	2.9	3.6
TOTAL	46.0	36.0	32.0	38.0	48.0

Source: Industry, Company, JM Financial

Exhibit 6. Historical volume growth (Indian smartphone market, 2QFY25 vs. 2QFY26, YoY %)

Period (CY)	3QCY24	4QCY24	1QCY25	2QCY25	3QCY25
Period (FY)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Only premium range					
Apple	59.9%	-27.4%	37.7%	9.7%	26.1%
Mix of premium and budget					
Vivo	20.5%	23.3%	28.7%	12.9%	20.8%
Oppo	48.8%	140.9%	24.5%	14.2%	4.3%
Samsung	-19.5%	-27.1%	11.2%	10.2%	6.8%
OnePlus	-38.5%	-73.9%	-50.2%	-44.3%	-30.5%
Motorola	151.8%	NA	72.5%	26.5%	51.9%
Budget-heavy brands					
Realme	-19.3%	-23.1%	14.5%	-24.5%	-11.1%
Xiaomi	3.3%	-13.8%	-35.5%	-30.3%	-15.8%
POCCO	7.9%	-39.7%	-22.9%	-34.6%	-22.7%
iQoo	102.4%	NA	-13.1%	56.1%	-18.1%
Others	-30.6%	3.7%	-18.2%	3.4%	8.6%
TOTAL	6.0%	-2.9%	5.8%	-2.0%	4.3%

Source: Industry, Company, JM Financial

Exhibit 7. Historical market share brands (Indian smartphone market, 2QFY26 vs. 2QFY26, %)

Period (CY)	3QCY24	4QCY24	1QCY25	2QCY25	3QCY25
Period (FY)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Only premium range					
Apple	8.6%	10.1%	9.5%	7.5%	10.4%
Mix of premium and budget					
Vivo	15.8%	18.1%	19.7%	19.0%	18.3%
Oppo	13.9%	11.6%	12.0%	13.4%	13.9%
Samsung	12.3%	12.7%	16.4%	14.5%	12.6%
OnePlus	3.6%	2.7%	2.4%	2.5%	2.4%
Motorola	5.7%	7.3%	7.5%	8.0%	8.3%
Budget-heavy brands					
Realme	11.5%	9.6%	10.6%	9.7%	9.8%
Xiaomi	11.4%	10.5%	7.8%	9.6%	9.2%
POCCO	5.8%	5.0%	4.3%	3.8%	4.3%
iQoo	4.2%	3.2%	2.3%	4.3%	3.3%
Others	7.2%	9.2%	7.5%	7.7%	7.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Industry, Company, JM Financial

What are Indian IT hardware retailers saying?

- Memory prices have surged ~3.0x–3.5x QoQ over the past 1–2 months, based on discussions with multiple IT hardware retailers and desktop assemblers. Supplier commentary indicates further upward pressure, with elevated prices expected to persist for the next 6–9 months, suggesting a prolonged tight supply environment.
- Extreme price volatility has disrupted inventory availability wherein suppliers are cancelling confirmed orders at short notice, limiting visibility and reliability of supply; hence, sales volume has been materially impacted, as channel partners are unable to commit to pricing or fulfill customer orders amid frequent cost resets.
- Overall PC-build costs have increased by ~10–15% (conservative estimate), primarily driven by memory inflation, which is likely to weigh on near-term demand and margin structures across the value chain.

Muted 3QE drives cut in FY26/27E volume estimates

Dixon's 3QFY26E performance likely to be muted

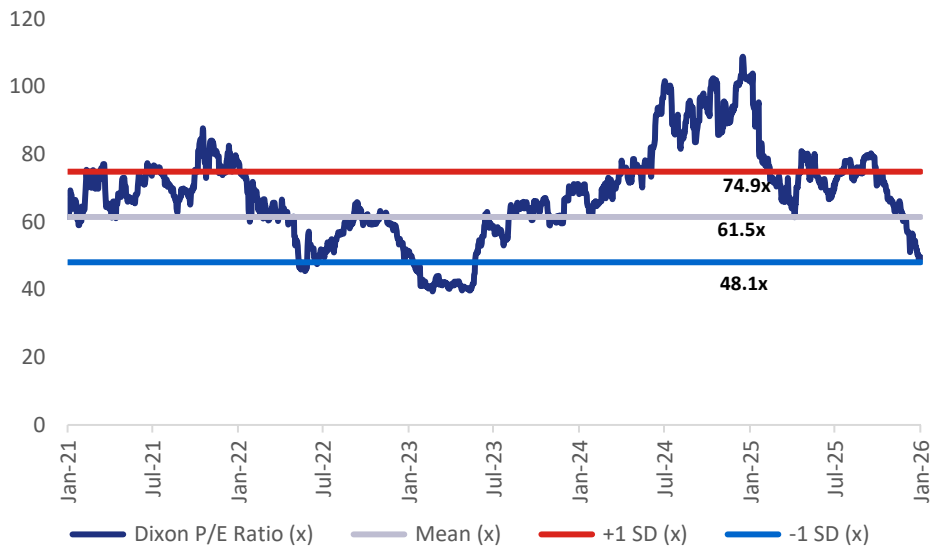
- Expect weak 3Q:** We expect Dixon to post a flattish 3Q, driven predominantly by muted revenue from mobiles, given a slowdown in sourcing from brands. That said, gross margin could improve, given a superior product mix (mobiles are a lower gross margin business), but negative operating leverage could limit the benefit to EBITDA margin. Hence, we factor in flattish EBITDA margin (3.8% vs. 3.7% YoY), restricting absolute EBITDA growth to 2%. Basis this, we expect Dixon to post 4% YoY growth in PAT.
- Cut FY26/27E volume and EPS estimates:** Basis this, we cut our full year smartphone volume estimate to ~36mn, vs. ~39 mn earlier to factor in a delay in the commencement of Vivo (~0.5mn vs. ~2mn earlier), and a slowdown in volume from budget brands. Further, we trim our FY27E smartphone volume estimate to ~60mn from ~63mn earlier. Here, it is pertinent to note that achieving FY27E numbers hinges upon business from Vivo and the new ODM coming in. As far as our EPS estimates are concerned, we cut our FY26-28E EPS estimates by 12-14%.
- Cut in target P/E multiple:** We value Dixon at 50x Dec'27E EPS (60x Sep'27E EPS earlier). We are of the opinion that Dixon enjoyed rich multiples vs. peers owing to it being (1) amongst the fastest growing within its peer set, and (2) the most sound financially, with industry leading RoE/RoCE and a sustained history of generating operating cash flows. However, with concerns over growth, we believe Dixon is likely to continue trading at multiples lower than its historical average until concerns over growth are addressed, hence, the cut in our target P/E multiple. That said, Dixon's stock has corrected ~12% and ~21% over the last 1M and 6M respectively, leaving 14% upside to our target price. Hence, we maintain ADD.

Exhibit 8. Dixon – EPS change table

Year End Mar (INR mn)	FY26E	FY27E	FY28E
Revenues			
Old	5,62,511	7,52,571	8,88,026
New	5,10,802	7,25,139	8,39,917
Change	-9.2%	-3.6%	-5.4%
EBITDA			
Old	21,629	30,340	38,031
New	19,729	27,874	34,566
Change	-8.8%	-8.1%	-9.1%
EBITDA margins			
Old	3.8%	4.0%	4.3%
New	3.9%	3.8%	4.1%
Change	2	-19	-17
Recurring PAT			
Old	10,722	16,138	20,876
New	9,231	14,269	18,219
Change	-13.9%	-11.6%	-12.7%
EPS			
Old	173.4	260.9	337.5
New	149.3	230.7	294.6
Change	-13.9%	-11.6%	-12.7%

Source: Company, JM Financial

Exhibit 9. Dixon – 1-yr forward P/E chart (last 5 years)



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	1,76,909	3,88,601	5,10,802	7,25,139	8,39,917	
Sales Growth	45.1%	119.7%	31.4%	42.0%	15.8%	
Other Operating Income	0	0	0	0	0	
Total Revenue	1,76,909	3,88,601	5,10,802	7,25,139	8,39,917	
Cost of Goods Sold/Op. Exp	1,60,390	3,58,328	4,71,623	6,67,708	7,71,296	
Personnel Cost	0	0	0	0	0	
Other Expenses	9,543	15,197	19,449	29,557	34,056	
EBITDA	6,976	15,076	19,729	27,874	34,566	
EBITDA Margin	3.9%	3.9%	3.9%	3.8%	4.1%	
EBITDA Growth	36.1%	116.1%	30.9%	41.3%	24.0%	
Deprn. & Amort.	1,619	2,810	3,846	4,319	4,969	
EBIT	5,357	12,266	15,883	23,554	29,597	
Other Income	226	202	176	190	191	
Finance Cost	747	1,544	1,371	1,087	968	
PBT before Excep. & Forex	4,836	10,924	14,689	22,657	28,819	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	4,836	10,924	14,689	22,657	28,819	
Taxes	1,189	3,372	3,685	5,687	7,234	
Extraordinary Inc./Loss(-)	0	4,600	0	0	0	
Assoc. Profit/Min. Int.(-)	-31	1,197	1,772	2,701	3,367	
Reported Net Profit	3,678	10,955	9,231	14,269	18,219	
Adjusted Net Profit	3,678	6,356	9,231	14,269	18,219	
Net Margin	2.1%	1.6%	1.8%	2.0%	2.2%	
Diluted Share Cap. (mn)	59.8	59.8	61.8	61.8	61.8	
Diluted EPS (INR)	61.5	106.2	149.3	230.7	294.6	
Diluted EPS Growth	43.3%	72.8%	40.5%	54.6%	27.7%	
Total Dividend + Tax	299	479	680	928	928	
Dividend Per Share (INR)	5.0	8.0	11.0	15.0	15.0	

Source: Company, JM Financial

Cash Flow Statement						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	2,488	7,583	5,546	8,582	10,985	
Deprn. & Amort.	1,619	2,810	3,846	4,319	4,969	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	379	-4,501	-2,997	-8,734	-8,948	
Others	16	741	0	0	0	
Taxes Paid	1,189	3,372	3,685	5,687	7,234	
Operating Cash Flow	5,691	10,005	10,080	9,854	14,239	
Capex	-8,631	-12,205	-12,384	-12,400	-10,400	
Free Cash Flow	-2,940	-2,199	-2,303	-2,546	3,839	
Inc (-) / Dec in Investments	241	-5,156	0	0	0	
Others	1,434	-430	0	0	0	
Investing Cash Flow	-6,956	-17,790	-12,384	-12,400	-10,400	
Inc / Dec (-) in Capital	999	11,592	2,097	3,145	3,931	
Dividend + Tax thereon	-299	-479	-680	-928	-928	
Inc / Dec (-) in Loans	359	1,820	286	-1,200	-200	
Others	0	0	0	0	0	
Financing Cash Flow	1,059	12,933	1,702	1,017	2,804	
Inc / Dec (-) in Cash	-205	5,149	-601	-1,529	6,643	
Opening Cash Balance	2,292	2,087	2,635	2,034	505	
Closing Cash Balance	2,087	7,235	2,034	505	7,149	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders' Fund	16,948	30,102	38,653	51,994	69,285	
Share Capital	119	121	121	121	121	
Reserves & Surplus	16,829	29,982	38,533	51,874	69,165	
Preference Share Capital	0	0	0	0	0	
Minority Interest	276	4,591	6,688	9,833	13,764	
Total Loans	1,550	2,023	2,309	1,109	909	
Def. Tax Liab. / Assets (-)	240	980	980	980	980	
Total - Equity & Liab.	19,014	37,696	48,630	63,917	84,939	
Net Fixed Assets	17,358	24,045	32,583	40,664	46,095	
Gross Fixed Assets	20,527	28,109	40,109	52,109	62,109	
Intangible Assets	0	0	0	0	0	
Less: Deprn. & Amort.	3,852	6,633	10,095	14,015	18,583	
Capital WIP	683	2,570	2,570	2,570	2,570	
Investments	200	5,356	5,356	5,356	5,356	
Current Assets	52,337	1,38,176	1,74,984	2,41,747	2,88,802	
Inventories	16,950	39,924	53,598	77,400	91,196	
Sundry Debtors	23,179	69,655	93,389	1,37,880	1,64,495	
Cash & Bank Balances	2,087	2,635	2,034	505	7,149	
Loans & Advances	20	0	0	0	0	
Other Current Assets	10,102	25,962	25,962	25,962	25,962	
Current Liab. & Prov.	50,881	1,29,881	1,64,293	2,23,850	2,55,314	
Current Liabilities	44,372	1,13,791	1,48,202	2,07,760	2,39,223	
Provisions & Others	6,509	16,091	16,091	16,091	16,091	
Net Current Assets	1,456	8,295	10,691	17,897	33,488	
Total - Assets	19,014	37,696	48,630	63,917	84,939	

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	2.1%	1.6%	1.8%	2.0%	2.2%
Asset Turnover (x)	8.7	11.8	10.6	11.8	10.5
Leverage Factor (x)	1.4	1.4	1.4	1.4	1.3
RoE	24.7%	27.0%	26.9%	31.5%	30.0%

Key Ratios

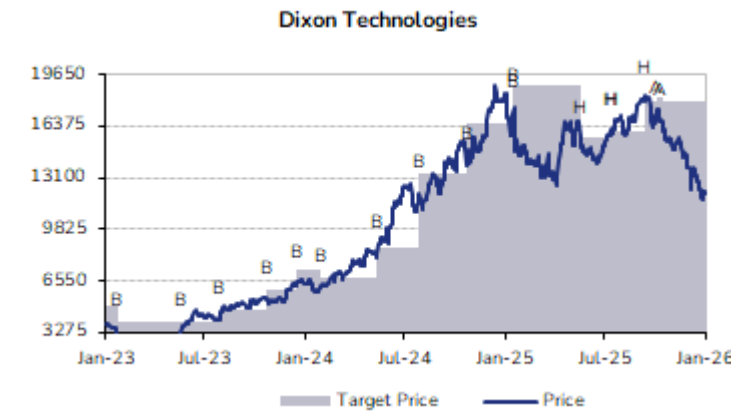
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	283.2	503.1	625.0	840.7	1,120.3
ROIC	28.4%	37.5%	34.5%	36.3%	34.5%
ROE	24.7%	27.0%	26.9%	31.5%	30.0%
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	-0.1
P/E (x)	196.1	113.5	80.7	52.2	40.9
P/B (x)	42.5	24.0	19.3	14.3	10.8
EV/EBITDA (x)	103.6	48.2	37.0	26.3	21.1
EV/Sales (x)	4.1	1.9	1.4	1.0	0.9
Debtor days	48	65	67	69	71
Inventory days	35	37	38	39	40
Creditor days	87	106	106	106	106

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-May-22	Buy	4,600	
28-Jul-22	Buy	4,500	-2.2
20-Oct-22	Buy	5,000	11.1
26-Jan-23	Buy	4,000	-20.0
23-May-23	Buy	4,000	0.0
30-Jul-23	Buy	4,700	17.5
27-Oct-23	Buy	5,975	27.1
19-Dec-23	Buy	7,215	20.8
1-Feb-24	Buy	6,740	-6.6
16-May-24	Buy	8,620	27.9
31-Jul-24	Buy	13,420	55.7
25-Oct-24	Buy	16,570	23.5
17-Jan-25	Buy	19,000	14.7
20-Jan-25	Buy	19,000	0.0
21-May-25	Hold	15,650	-17.6
16-Jul-25	Hold	16,000	2.2
22-Jul-25	Hold	16,100	0.6
16-Sep-25	Hold	18,000	11.8
8-Oct-25	Add	18,150	0.8
18-Oct-25	Add	18,000	-0.8

Recommendation History



APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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