



“Dixon Technologies (India) Limited  
Q4 FY26 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Dixon Technologies Q4 FY26 Earnings Call hosted by DAM Capital Advisors Limited. As a reminder, all 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 pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tanay Shah from DAM Capital. Thank you, and over to you, sir.

**Tanay Shah:** Thank you, Ikra. Good evening, everyone. Welcome to the Dixon Technologies Q4 and FY26 Earnings Call. Today, we have the management being represented by Mr. Atul Lall, Vice Chairman and Managing Director; and Mr. Saurabh Gupta, Director and Group CFO. At this point, I will hand over the floor to Mr. Lall for his initial remarks, post which we'll open up the floor for Q&A. Thank you, and over to you, sir.

**Atul Lall:** Thank you, Tanay. Good evening, everyone. This is Atul Lall, and joining me today is our Director and Group CFO, Saurabh Gupta.

**Saurabh Gupta:** Good evening, everybody.

**Atul Lall:** I would like to welcome warmly all our stakeholders to discuss our Q4 and 12 months performance for financial year '25, '26 and future growth outlook. And the key highlights for the quarter are as follows. The revenues for the quarter ended March 31, 2026 was INR10,520 crores EBITDA excluding exceptional gain for the quarter was INR418 crores. PAT after minority interest and excluding exceptional gain for the quarter was INR192 crores.

The key highlights for the whole year are as follows. Revenues for the year ended March 31, 2026, were INR48,893 crores against INR38,880 crores in the same period last year. That's a growth of 26%. EBITDA excluding exceptional gain for the year was INR1,887 crores against INR1,528 crores in the same period, which is a growth of 23%.

PAT after minority interest, excluding exceptional gain for the year was INR845 crores against INR706 crores in the same period last year, a growth of 20%. Starting March '26, global macroeconomic landscape, has undergone a dramatic transformation, including rising Middle East tensions and concerns around a potential U.S.-Iran escalation, leading to disruption across supply chains, freight, energy, forex and commodity prices.

Q4 revenues remained flat due to geopolitical concerns, softer consumer demand, inventory rationalization by brands, elevated input costs, majorly impacting the smartphone and IT hardware segment. Electronics industries continue to face inflationary pressure in key components such as memory chips and semiconductor linked inputs, driven by AI-led demand and supply constraints resulting in cautious procurement behavior towards brands.

Despite near-term headwinds, we continue to strengthen our customer partnerships and expand capacities across segments while accelerating our backward integration and localization strategy. Our priorities remain clear to sustain growth momentum, strengthening our competitive positioning and continue to invest in talent capability enhancement.

We will be expanding the capacities of camera module and a subsidiary Q Tech, which is an ECMS beneficiary for smartphones from 70 million units annually to around 180 million units to 190 million units annually over the next 15 to 18 months, largely catering to our captive smartphone volumes in addition to deepening the level of manufacturing, capturing more value add in India.

We have received PN3 and ECMS approval for 74:26 display module JV with HKC. Construction of our display facility is completed and installation of machineries are ongoing for mobiles, IT hardware products and automotive displays. The response from various brands is very encouraging. The trials will start from beginning of Q3 and mass production will commence from end of Q3, beginning of Q4 this fiscal.

We remain focused to strengthen capital efficiency and balance sheet quality, improved asset utilization, operating leverage and disciplined capital allocation supported healthy ROCE and ROE of 44.8% and 28.1%, respectively. Overall working capital efficiency led to stronger cash flow generation and working capital cycle of negative 8 days. We remain focused on sustaining profitable growth while maintaining strong return ratios and balance sheet discipline.

We remain confident in the long-term Indian EMS opportunity supported by supply chain diversification, increased localization, supportive government policies, PLI-led scale expansion and continue to create a strong multiyear growth runway for the industry.

Now I'll share with you the business performance and insights in each of the segments. Mobile and other EMS businesses. Revenue for the quarter for mobile and other EMS business was INR9,485 crores and operating profit of INR337 crores. Mobile industry has seen some headwinds from memory price inflation and demand moderation in the last 6 months.

Over the past few weeks, supply-demand dynamics are becoming more balanced, and we are beginning to see an improvement in customer ordering pattern, and we expect a high-double-digit growth quarter-on-quarter in the smartphones volume along with growth in selling prices by 12% to 15%. We strongly feel that the momentum will sustain for the balance part of the fiscal year.

We expect a strong growth in volume for our existing U.S. brand, and we expect a significant uptick in volumes for our subsidiary Ismartu on export for largely feature phones and also smartphones mainly for Africa market from mid-Q2 and will start manufacturing smartphones for HMD in Q1.

Our 400,000-square-foot facility for 74:26 Longcheer JV for manufacturing of smartphones and other electronic products is expected to start operations by Q3, which will meaningfully strengthen our execution capabilities. We are having robust order book for smartphones and also in advanced discussion with them for adding other product categories in the JV.

Construction of our 1 million square feet facility in Noida with higher capacities for our anchor customers is nearing completion, and we expect the operation to commence by Q2 this fiscal. Telecom and Networking products.

The segment continued its strong growth trajectory on the back of expanding customer relationships and higher execution across key product categories, driven by increasing network infrastructure investments, including capturing emerging opportunities and growing localization of telecom equipment manufacturing.

We have commenced manufacturing of highly complex telecom and backhaul microwave radios and plan to initiate exports in this fiscal. We have commissioned a new manufacturing plant for capacity expansion and increased warehousing area to support the growth trajectory.

Our strategy in this vertical is to move up the value chain from pure EMS to design-led solution-centric partnership and have now entered into joint design and manufacturing model with a key customer, enabling greater backward integration, localizing a higher share of the BoM.

We expect this vertical to deliver high double-digit revenue growth in the current fiscal. IT hardware products. The segment delivered a healthy performance for the quarter under review, and we expect 3x growth in the revenues in the current fiscal against last year with a huge uptake in order books from all customers.

Our dedicated IT hardware products manufacturing unit in Chennai has successfully established stabilized mass production of laptops and all-in-ones and has secured orders for desktop from one of our customers. The execution was the same, should start in Q2 of this fiscal. We have also started manufacturing tablets in addition to laptops for our existing customer.

Our new facility adjacent to our existing facility under our 60:40 JV within Inventec, Taiwan is progressing well and expected to go into mass production in Q3 of the current fiscal. In line with our backward integration plans, we'll commence SSD manufacturing in Q2 and display modules with HKC from end of Q3, beginning Q4. And we're also exploring other critical components such as power supply and mechanicals, which will enhance value addition and margins.

We are also in discussion with a JV partner to participate in the fast-growing server opportunity and to move from end client IT hardware into data center and enterprise infrastructure hardware, which is supported by strong government policy tailwinds on server manufacturing and backward integration, including a clear push on localization and a tax

holiday framework for the same, which meaningfully improves the viability and return profile of India-based server and component manufacturing.

All the work taken together, these drivers give us strong visibility on robust growth in the vertical and potential to make it a meaningful pillar of Dixon's overall portfolio over the next few years.

Home appliances, revenue for the quarter was INR329 crores and operating profit was INR31 crores. Semi-automatic washing machines continue to deliver robust growth. We have started manufacturing semi-auto washing machines in 16 and 18 kg capacity, which is first across the industry. Fully automatic washing machine business is scaling well on the back of healthy demand and deeper engagements with key brands.

We have a healthy order book in emerging categories such as robotic vacuum cleaners, where we see strong potential for multiyear growth and also deeply working on introduction of other appliances like dishwashers, microwaves and kitchen chimneys, which would help us to offer a complete home appliances portfolio.

This segment continues to demonstrate strong ODM capability across design support, testing, manufacturing, product customization, value-added offering, increase in automation, which will enhance margins and improve customer stickiness.

Addition of a new manufacturing facility in Tirupati will expand our capacities from 0.6 million units per annum by another 0.3 million units, including fully automatic front-loading washing machine, which will be launched by end of Q2 this financial year. So this is the first Indian company launching the ODM solution.

Lighting, the JV with Signify continues to deliver strong revenue growth, and we expect the revenues to grow almost to 2x in the current fiscal. The growth is being driven by the strong operational synergies between Signify's technology leadership and Dixon's manufacturing scale, leading to enhanced productivity, improved operational efficiency and enhanced cost competitiveness with huge focus on automation and backward integration.

Further building on our share in B2B space on bulbs, battens and downlighters, we are significantly increasing our volumes on the other niche products like 2x2 panel lights, T-lights, mirror lights, positioning us firmly as the foremost player in the lighting industry, which is witnessing consolidation at a rapid scale.

Pursuing an active product mix improvement strategy, we are continuously adding premium indoor and professional lighting products and luminaires to our portfolio. We have received two export orders from one of the largest U.S. chain and a European retail chain for strip lights. It will start getting executed from Q2 and are also in discussion for other product categories.

Consumer electronics that is LED TV and refrigerators. Revenue for the quarter under review was INR697 crores with an operating profit of INR40 crores. The quarter under review saw a

temporary slowdown in industry demand due to geopolitical concerns and rising input costs, but we have actively procured advanced orders from customers with better price offerings for the upcoming quarters.

Our focus remains on large screen smart, connected and premium models where we can differentiate through manufacturing quality, platform capabilities, cost efficiency and technological upgradation. We have launched production of high-end mini LED TVs and we'll be shifting it to ODM model by Q2 and also introducing soundbar TVs, enabling our customers to tap into the fast-growing premium segments.

Refrigerators, Q4 marked the transition to revised PE norms and upgraded energy efficiency standards for compressors. This led to industry-wide price increase just over the peak summer demand season beginning in January.

As a result, several brands focused on liquidating existing inventory with older BE ratings and limited procurement under the new norms, we continue to see traction with healthy orders and improved visibility book and Direct Cool and mini-bars that's 50 liters and 100 liters. Our ODM capabilities are scaling well, allowing us to offer more differentiated value-added designs and support faster model refreshes.

To support future growth, we are expanding our current facility by another 375,000 square feet, which will also enable manufacturing of 2-door refrigerators, deep freezers, viscoolers and side-by-side refrigerators with meaningful opportunity to move up the value chain, expand wallet share with customers and build a broader appliance platform over the period.

Rexxam Dixon Electronics, our 60:40 JV with Rexxam Japan for AC PCBA continues to perform well, delivering healthy growth along with the strong cash flows and a strong ROCE with a stable and long-term relationship with our anchor customer. We also added a new facility in Chennai, strategically located closer to our anchor customer, which should expand our capacity and strengthen our partnership.

Hearables and Wearables is vertical operated through our JV. The Imagine Marketing continues to see broad-based growth with solid balance sheet and healthy cash flow. In addition, the business has scaled well with our existing product portfolio and has now entered the next phase of expansion by adding new product category, so that dash cams, power banks, smartwatches and other adjacent accessories, which will improve capacity utilization and operating leverage across JV's manufacturing footprint.

High-end specialty EMS business as a part of our next wave of transformational growth, we have partnered with a leading global management consulting firm for designing a comprehensive multiyear strategic road map to build scaled specialty high-margin EMS business, including M&A opportunities focused on aerospace, defense, automotive, medical and industrial verticals.

This initiative was focused on identifying the most attractive high-growth and high-value products in the above segments, defining a differentiated technology and capability road map and creating a robust execution framework spanning capital allocation, talent development, strategic partnerships and market expansion with the aim to accelerate Dixon's evolution into a complete competitive manufacturing platform.

With that, I'll conclude my remarks, and both me and Saurabh are happy to take any questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pankaj Tibrewal from Ikigai Asset Manager.

**Pankaj Tibrewal:** Just quickly two, three questions. One, first, congratulations on great cash flow conversion. Preliminary look suggest that the cash flow has been very strong in spite of earnings with a little sluggish, so continue doing that. On '27, just wanted to get your sense on two, three things. One on...

**Moderator:** I'm sorry to interrupt Pankaj. Can you please use the handset? Your voice is fluctuating.

**Pankaj Tibrewal:** I'm using the handset only.

**Moderator:** Okay. Then please speak a little louder. Thank you.

**Pankaj Tibrewal:** Yes. So on the mobile side, can you give us some color on how we are looking at the ramp-up on volumes in FY27? And what are the other areas of growth this year we are targeting. In terms of IT hardware, I remember last time you spoke about that INR3,500 crores, INR4,000 crores would be possible in this year, FY27 on the display JV, on the camera module.

Can you just take us through some of the growth drivers for this year? And also the Vivo JV, any thoughts on that? How should we think from that perspective? And whether your volume, which you will probably kind of talk about, does it include Vivo -- does it include Vivo? Just some color on that so that we are able to help understand on the growth side.

**Atul Lall:** Yes, sure, Pankaj Ji. So see, we have really focused on our balance sheet strength. And in spite of a sluggish business environment, we have generated after doing a capex of almost INR1,058 crores, a free cash of INR700-plus crores. The ROCE is 44.8% and working capital operating cycle is negative 8 days. So that way, the balance sheet is very strong for triggering any kind of growth.

**Pankaj Tibrewal:** Absolutely.

**Atul Lall:** As far as '27, business plan growth numbers are concerned, and here, I'm talking on mobile without Vivo. We have closed at almost 32-odd million in the current fiscal. We feel that the overall volumes without Vivo is going to be almost similar, okay? Because there is an overall decline due to increase in the memory prices and the ASP going up significantly.

**Pankaj Tibrewal:** Okay.

**Atul Lall:** As far as Vivo is concerned, we are deeply engaged with the government. We feel that we are very close to it. And that's where the status is. I reiterate that we feel that we are very, very close to it.

**Pankaj Tibrewal:** And if Vivo comes, what would be the volumes?

**Atul Lall:** So it depends on the time line. So on an annualized basis, 67% of what Vivo said and last year, Vivo sold almost 35 million units. Another 20 million, 22 million units can be added on an annualized basis. So that's the number.

Apart from that, on the feature phone side, there's a significant upside because we're going to be starting exports of feature phones under our subsidiary Ismartu to Africa. So that number will take us up to almost 50 million units.

Further, we are expecting PLI 2 for mobiles to be rolled out. Let's see what will be the structure and format of it. We understand the focus is going to be more for global markets. If that happens, then I see that beyond Vivo and beyond Ismartu, another 4 million to 5 million units can be added. So I'm giving you the overall picture and direction as far as the mobile is concerned.

**Pankaj Tibrewal:** Absolutely.

**Atul Lall:** IT products, the business looks very healthy. We have created more capacities. We have deep relationships with top 4 brands in the country, the global brands. And we feel that our revenue in this fiscal is going to be more than INR4,000 crores.

**Pankaj Tibrewal:** Okay. That's good to hear.

**Atul Lall:** In our camera module acquisition of Q Tech, we are expanding capacity from present 70 million units to 80 million units to almost 190 million units. Last year, on an annualized basis, we did a revenue of INR1,700 crores. We are targeting a revenue of almost INR2,500 crores in that business.

As far as the display is concerned, the building is ready, the machinery is getting installed. We plan to start the trials in Q3 of this fiscal. And Q4, the commercial production is going to start. I'm not putting in the numbers to that in the current fiscal.

The other triggers of growth, the telecom network business is doing extremely well. We have grown from INR3,600 crores to INR5,000 crores in the current fiscal. We are targeting almost INR7,500 crores, INR8,000 crores in '26, '27. That's another major trigger of growth. In lighting, which was a laggard for us, we did almost INR800 crores, INR850 crores.

The next year target is almost INR1,700 crores. We expect 2x after we have formed the JV with Signify. And then there are further additions our Inventec JV is going to start generating

numbers from Q3 of the current fiscal. In that, we're going to be setting up the SSD module line, which is going to further generate the numbers. So these are all triggers of growth, which have been planned and they are in the execution mode, Pankaj Ji.

**Pankaj Tibrewal:** Very nice. Just last question. On the mobile side, is it fair to say that because of the memory chip pricing going up and also your product realization going up, the top line growth could be much higher than the volume growth, which you will see?

**Atul Lall:** That's right. That's right.

**Saurabh Gupta:** So we expect Pankaj to -- that the revenue growth should be at least 12% to 15% higher, if not more.

**Pankaj Tibrewal:** And that was not the case for the last few years where volume was equal to your top line growth. Is that a fair understanding?

**Saurabh Gupta:** And once the Vivo thing comes into the system, then we are hoping that the selling prices would be better than our existing weighted average selling price of the current portfolio.

**Pankaj Tibrewal:** Okay. So that will be an aided one from an overall realization perspective?

**Saurabh Gupta:** So the margins may optically can be lower, but the revenue-wise, there will be upside on that.

**Moderator:** Next question is from the line of Aditya Bhartia from Investec.

**Aditya Bhartia:** So my first question is on the PLI scheme coming to an end on the mobile phone side. How are the conversations with customers? Is it only the element that we were retaining, which we'll start losing out in terms of profitability? Or can there be any other hit in terms of PLI scheme going away as well?

**Atul Lall:** So Aditya, we have 5 large relationships, Motorola, our relationship through Longcheer with Oppo and our other relationships. Please be rest assured that the relationships are extremely strategic, deepened anchor. And we expect volume growth and a larger share of business across all these relationships. So please be rest assured on that.

Obviously, there is a margin pressure because of the PLI going away. A part of it is getting compensated through the enhanced operational efficiency. And the balance part of it is going to start kicking in with the backward integration piece of camera modules and display. So that's the path we are pursuing, which we have shared with you earlier also. But please be rest assured, the anchor relationships are very deep and there is no hit on that.

**Aditya Bhartia:** Sure. So what we had earlier kind of discussed that 50 to 70 basis points of margin impact may be there. Add to that, maybe optically how the margins may look lower on account of higher realizations, but that should be the complete impact, nothing more?

**Saurabh Gupta:** That's right, Aditya.

- Atul Lall:** You have captured it absolutely.
- Aditya Bharti:** Perfect, sir. And sir, in the last conference call, you've spoken about industrial EMS wherein you had referred to hiring a senior resource. This time around, you have kind of hinted about exploring different opportunities within specialty EMS.
- If you could give us some more details about what are the kind of opportunities within, let's say, aerospace, defense, automotive that you spoke about, how large those opportunities could be? Is it likely to be organic, inorganic? So what's really the road map over there, if there's anything that you can disclose?
- Atul Lall:** So I think we have already taken a very senior resource at the level of President and CEO, who is going to build this business for us. We have partnered a very large consulting company. Five micro verticals have been identified. Their strategies are being prepared.
- Already on the table, there are a couple of serious inorganic opportunities across the verticals that I had mentioned in my opening remarks. So we have not budgeted any numbers out of these opportunities as of now in '26, '27, but we feel that something substantive, at least a couple of them is going to happen in the current fiscal.
- Aditya Bharti:** Okay. And any indication on size, sir, how large could these be?
- Atul Lall:** So these are going to be higher-margin businesses. We feel that each would be -- I mean, the combined opportunities which come in are going to be at least scalable to the size of INR3,000 crores to INR4,000 crores with a significantly higher operating margins, significantly higher operating margins.
- Aditya Bharti:** Understood, understood. Sir, my last question on exports of mobile phones. So of course, with Ismartu, we are starting with the feature phones. But is there a road map of moving that relationship to smartphone exports as well? And besides Motorola and Ismartu, which are the potential other customers that may get added, let's say, if PLI 2 scheme comes in and incentivizes export opportunities? Thank you.
- Atul Lall:** So Aditya, we are -- well, we have had deep discussions with our partner and starting with feature phones with Ismartu, the smartphone exports is also going to be initiated. Of course, the Motorola relationship for export is going to get a flip after the PLI 2. At present, these are the two relationships which are going to mature into exports.
- But beyond that, as I had shared in my opening remarks, we have already got two orders, one from large retail chain in U.S., another one from another large retail chain in Europe for lighting. That has already triggered. And also in our telecom business, wherein we have started manufacturing radios, microwave radios, we have got an export break. So step by step, we are building.
- Aditya Bharti:** Sure. And this is part of your indication on doubling up of lighting revenues or this could be over and above that?

- Atul Lall:** So at present in our -- to be very candid, in our AOP, we have not considered these numbers. This is going to be over and above that.
- Moderator:** The next question is from the line of Siddhartha Bera from Nomura.
- Siddhartha Bera:** Sir, first one clarification. When you said that the revenue for the current quarter, you expect a 12% to 15% growth, is it volume? Or are we talking about the value here? And second is -- sorry?
- Atul Lall:** Yes, it's the volume growth you're talking about.
- Siddhartha Bera:** Volume growth. Okay.
- Saurabh Gupta:** And also -- Siddhartha, both the pricing growth will also happen and the volume growth will also happen.
- Siddhartha Bera:** Understood. And sir, second thing was on the exports. So how much was the exports in FY26? And I mean, when you say flat volume growth, that does not include exports, right? So the export of 4 million to 5 million will be over and on top of the number which we are planning for the next year?
- Atul Lall:** So that is subject to the policy framework of mobile PLI 2. In the present -- in the last fiscal, the exports was approximately INR5,375 crores.
- Siddhartha Bera:** Okay. And any color on which markets are you looking for these exports which we plan to do and in the IT segment also, I think we have seen some increases in the impact from the memory prices and also. Do you see a potential risk of ramp-up slower being there as well as we go into the next few years?
- Atul Lall:** So Siddhartha, the export market for mobile are largely going to be for our anchor customer to U.S. And for the other partner company, it's going to be to the African countries. As far as the impact of the price increase or cost increase due to commodity prices in IT hardware is concerned, we have large deep relationship. In any case, our base was very small. So we are confident of touching this revenue figure of INR4,000 crores in the current fiscal. And this business, particularly our other partnership with Inventec is in a significant ramp-up phase.
- Moderator:** We will take our next question from the line of Indrajit Agarwal from CLSA.
- Indrajit Agarwal:** I have two questions. Post HKC, sorry, post Vivo, you would have something around 55 million, 57-odd million smartphone. Let's say, we hit this run rate by FY28 -- at some point in FY28, and that would imply more than 50% market share of the outsourced market in India. How do we see the smartphone volumes growth post that?
- Atul Lall:** So we feel undoubtedly that there is a significant potential for exports. One is that. The second is we need to work upon getting a larger share of market of existing brand itself. A couple of relationships, we feel there is still a potential for increasing the share of the wallet.

And next is bringing in one more acquisition of a large customer. So definitely, the kind of ramp-up growth that Dixon has had in its mobile business is not going to be the same level. But yes, the growth will be there. That's what we are pursuing.

**Indrajit Agarwal:** So you can gain market share further in the domestic market as well?

**Atul Lall:** We will definitely strive for it.

**Indrajit Agarwal:** And second, the smartphone concerns that you talked about, the near-term issues, is it more a demand issue because of rise in ASP or availability of memory chips?

**Atul Lall:** So due to the kind of relationships that we have as far as the mobile phones customers and principles are concerned, we are able to ensure the supply chain smoothness. So I'm not seeing any shortage due to which the business is getting impacted. But definitely, there is a cost increase. But there is no impact on production.

**Indrajit Agarwal:** So the cost increase is impacting demand, not production.

**Atul Lall:** That's right. That's right.

**Saurabh Gupta:** These are large brands, they have global relationships with the memory suppliers and they're very deep relationships, long-contracts. So I think supply availability is not an issue, Indrajit.

**Indrajit Agarwal:** The reason I ask is we have seen Apple and Samsung gain market share in the Indian market while most of the Chinese brands losing. All right. That answers. Thank you so much.

**Moderator:** Next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Company Limited.

**Keyur Pandya:** Sir, on the mobile volume side, you mentioned demand, maybe pricing impacting the demand. So when we speak to industry people, so their point of view is that basically there is a shortage below \$200 kind of phones and their brands are also prioritizing premium phones because of the shortage. Now in that backdrop, what is giving us confidence of flat volumes? Are we getting higher wallet share?

And thereby, we are securing our volumes or as you mentioned, there is no impact on demand even with the same wallet share, you are confident of flat volumes. Since this part of commentary versus the industry player was slightly different, so just wanted to get more clarity on it?

**Atul Lall:** So in our case, what we are pursuing is a larger share of the customers' wallet that how many new project wins we are having. And with those project wins with us, we are fairly confident that we'll sustain the volumes. Am I able to answer your question?

- Keyur Pandya:** Yes, yes, clearly. And just one more clarification. So as you have highlighted earlier, the profitability is on the per unit basis. So optically on the percentage margin may look lower, but that is it, otherwise per unit absolute profit remains intact?
- Atul Lall:** That's right.
- Keyur Pandya:** X of PLI?
- Atul Lall:** That's right.
- Moderator:** Next question is from the line of Bharat Shah from BCS Capital Ideas Limited.
- Bharat Shah:** Atul ji, I'm just kind of reflecting on the past and kind of drawing the line ahead, for the longest period, we have done wonderfully well in terms of -- across many areas, but mobile phone has been one. And we're able to not only grow with it but throughout we maintained financial hygiene of the balance sheet and capital efficiency...
- Moderator:** I'm sorry to interrupt Mr. Shah, your voice is fluctuating.
- Bharat Shah:** Is this better now?
- Moderator:** Yes. Thank you. Please proceed.
- Bharat Shah:** Yes. So I was saying that over a period of time, we have taken hold of mobile opportunity in a big way and have grown. But somewhere along the line, do you think that strategically we have allowed ourselves to depend way too much on mobile phone where it has become very large part of the business and therefore, anything unfortunate happening is affecting our overall picture like it has happened in the last year where memory, other things, JV approvals not coming or have combined together and it has hurt us. Have we strategically kind of taken eyes off the ball?
- Atul Lall:** Bharat bhai, how do we strategize the business? We look at the opportunity pool. We look at the scalability of that opportunity. We look at derisking after the scalability that can we have multiple customers? Is there a possibility of entering the global markets? And also, is there a possibility of deepening the manufacturing.
- Now in EMS services sector, the biggest opportunity pool was and is mobile. And it was aligning with the government policy framework, which I think as a company, we have leveraged well. Now definitely, there have been some aberrations. There have been some delays, particularly in Vivo government approval.
- And also similar business model, we have tried and we have tried successfully deploying it across the other product categories. We have done it well in telecom products. Please appreciate in '23, '24, we were at INR700 crores, we have grown to INR3,600 crores and last year INR5,000 crores and this year to INR8,000 crores. It's absolutely a similar model.

We are trying to do the same thing with the IT product, where we see that a similar trajectory of growth will happen. Now with the new -- with the balance sheet strength and also the new foray into components is being replicating through the similar strategy. Now I humbly admit where possibly we have missed out is on the high-margin category of industrial EMS.

**Saurabh Gupta:**

Correct.

**Atul Lall:**

So yes, that I accept. So yes, possibly, I should have tried it 2 years back. So that's where we are, Bharat bhai.

**Bharat Shah:**

Sure. And therefore, if we sum it up all that it is there in various other initiatives which we have taken and probably more we will take from the current year INR47,000 crores, INR48,000 crores turnover that we have achieved, what kind of -- because there are too many moving parts, so what kind of turnover one should believe would be there for the current year? And with what kind of margin similar, better or lower?

**Atul Lall:**

So Bharat bhai, usually, I don't give guidance, but then, let me just share with you. Without the Vivo numbers, this year, we closed at almost INR48,000 crores -- INR48,800-odd crores. Next year, we are targeting almost INR56,000 crores without the Vivo numbers, and mobile volume being flat. If Vivo comes in, then it's a very major trigger. We feel that without the Vivo also, the company will keep growing at almost 15% to 17%.

**Bharat Shah:**

And with a better, same or lower margin in the current year compared to last year?

**Atul Lall:**

So the margin profile will be slightly under pressure this year because the PLI has gone off, and there is a lag in the margin accretion happening due to component foray. But finally, when the component play is completely deployed, there will be a margin expansion from last year's number by almost 40 bps, 50 bps.

**Bharat Shah:**

So overall profitability rise rather than margin. Overall profit for the company in the current year will rise compared to last year?

**Atul Lall:**

Yes, absolute profitability will rise.

**Saurabh Gupta:**

Yes, absolute profitability will rise. And once the component play comes in, sir, there will be a significant margin expansion, which will largely get played out in '27, '28. Camera modules will start to be -- will happen in H2, where we happen -- we are deepening the level of manufacturing. But your display part, which is a larger part of the backward-integration strategy will start playing out in '27, '28.

**Bharat Shah:**

Sure. Not a question, but just a point...

**Moderator:**

I am sorry to interrupt Bharat sir.

**Bharat Shah:**

I am putting just a point, not a question. Don't worry. You see, I mean, our capability, core capability is the hardcore manufacturing at efficient cost. And we have done a wonderful,

wonderful job in that cash flow, balance sheet, ROCE, ROE, everything. I think manufacturing, industry, automobile, defense relating, there are multiple opportunities, I think, which once we widen the horizon, I think opportunity can widen materially. That is all that I wanted to put in. Thank you.

**Atul Lall:** We are absolutely aligned with you. And just to respond to you, there are significant adjacencies in our existing forays also. For example, the display one is getting such positive traction from the automotive industry. So there are many, many adjacencies and also what I had mentioned responding to the question by Aditya that our foray into industrial EMS, please be rest assured will be a reality.

**Moderator:** Next question is from the line of Achal Lohade from Nuvama Institutional Equities.

**Achal Lohade:** First question, just a clarification, the 32 million included the exports of 5.5 million, right?

**Atul Lall:** No. This is not including exports.

**Achal Lohade:** Would you be able to quantify for FY26, what is the export number, sir?

**Saurabh Gupta:** No. 33 million, yes, is what we did...

**Atul Lall:** '26, '27 number -- 32 million.

**Saurabh Gupta:** Achal, your question is on '26, '27 number?

**Achal Lohade:** For FY26?

**Saurabh Gupta:** 33 million smartphones, and that includes a smartphone -- that includes export.

**Achal Lohade:** Including exports. And when you're guiding for flat volume, that also in a similar context, total basis or that was just for the domestic?

**Saurabh Gupta:** Export volumes can be over and above this 33 million.

**Atul Lall:** Yes, so that is largely domestic.

**Achal Lohade:** And what was the quantum for export in FY26, sir, if you could call out that?

**Atul Lall:** Around 4 million.

**Saurabh Gupta:** 4.5 million, something.

**Achal Lohade:** Understood. The second question I had was with respect to PLI. If you could clarify what is the PLI income we booked on a gross and net basis for FY26? And how much did we receive? And how much is outstanding as of 31st March 2026?

**Saurabh Gupta:** Yes. So the first part of the question, the total PLI income which has been booked across the 5 -- the 4 PLI schemes that we are a beneficiary of. The total income is around INR360-odd

crores. And overall across these 4 PLI, the overall receivable balance will be closer to INR1,380-odd crores.

**Achal Lohade:** Just a clarification. I'm not asking any new question. Just a clarification. Is this net PLI number Saurabh ji?

**Saurabh Gupta:** What is net?

**Achal Lohade:** INR360 crores as in there is gross and there is pass-through, right? And so there is a net PLI recognized in the period.

**Saurabh Gupta:** Of course, and INR960 crores would be the net. INR960 crores is the pass on, so difference is the net number.

**Moderator:** Next question is from the line of Ashutosh Kumar Jha from Balyasny Asset Management.

**Ashutosh Kumar Jha:** Just two questions. One is a bookkeeping question. On the mobile and EMS division, can you just break out the Hearables, Wearables, Telecom and Q Tech part of it possibly?

**Atul Lall:** We don't split these numbers, please, if you don't mind.

**Ashutosh Kumar Jha:** Understood. No worries. The second was around your earlier comment on the ASP increases that are happening in the industry. As far as Dixon is concerned, can you just clarify the accounting on what happens when the ASP goes up due to memory issues? Then how does it impact our revenue? And how does it exactly impact our EBITDA? Does EBITDA per unit remains same or EBITDA profitability remains that same?

**Saurabh Gupta:** Yes. So basically, it's the bill of -- so basically, the revenue is a function of the bill of material, the cost of goods sold plus our conversion charge. So if the bill of material, the cost of goods sold goes up because of increase in the memory prices. So accordingly, the revenue will go up. What our understanding with the customer is that we get an EBITDA per unit depending on the complexity, which goes into the smartphone with various models of smartphones. So yes, if the revenue goes up, the margin will optically look lower. So we get a per unit conversion charge.

**Moderator:** Next question is from the line of Santhosh Seshadri from Avendus Spark.

**Santhosh Seshadri:** My first question is on the volume guidance for the full year. Correct me if I'm wrong, sir, based on the FY26 volumes of 32 million to 33 million units, our run rate for 4Q '26 implies 5 million units approximately.

And if we factor in the guided volume growth of 12 to 15 percentage sequentially and extrapolate that to second quarter of FY27 as well, we are arriving at roughly 12 million units to 13 million units for first half and 20 million units for second half. So could you explain -- is this largely driven by the steep recovery in the second half? Is it driven by any customer ramps or any market share gains? Or is it just a broader demand recovery?

**Saurabh Gupta:** Look first of all, your quarter 4 numbers are closer to 5.6 million. So it's not 5 million. And then we are saying on this, we expect a higher double-digit teen growth in terms of volumes. And we have that numbers in mind, but we don't want to share the specific number. So high double-digit teen growth I'm talking about. And then on top of it, we are talking about a 12% to 15% pricing growth.

So there will be a significant growth in terms of mobile revenues overall on account of both pricing and volume. Then of course, you can't just multiply the quarter 1 numbers into 4 because there's always a quarter 2 generally is the best quarter for us. And also the exports, which we mentioned also will start happening from Q2, which we mentioned in our opening remarks.

So we feel confident that excluding Vivo, we will be looking at a similar volumes. Exports can potentially add some more volumes to it. And then the Vivo volumes as and when the approval comes in, it will have a proportionate impact for the balance part of the year.

**Santhosh Seshadri:** Thank you. And my second question is on the display business. Could you provide some more color on the ramp-up schedule? And how should we think about the margins and the utilization for FY26 and -- sorry, FY27 and FY28?

**Atul Lall:** So in the Phase 1, we are setting up a capacity of 24 million mobile displays annually and 2.4 million of automotive and IT product display. The first line we installed is for IT products and automotive display for which the trial is going to start in Q3 of current fiscal and the commercial production is going to start in Q4 of the current fiscal. Mobile display, the trial and the commercial production is going to start in Q4 of the current fiscal.

As I've shared, finally, the capacity buildup for mobile over the next 2 years is going to be from 24 million to almost 50 million, 55 million. In the final picture of this business, the revenue target, once we start achieving 80% to 90% of the capacity utilization, the revenue generation is going to be almost INR5,500 crores to INR6,000 crores with a double-digit margin.

**Moderator:** Next question is from the line of Keshav Lahoti from HDFC Securities.

**Keshav Lahoti:** Just a follow-up on the last question. Once the display business will ramp up, so fair to assume the margin could be mid- to high teens?

**Atul Lall:** Sorry, the question is not clear. You're not very -- I'm not able to understand -- we're not able to understand, please. Can you repeat?

**Saurabh Gupta:** Please, can you repeat the question, Keshav?

**Keshav Lahoti:** Hello. Am I audible?

**Saurabh Gupta:** Yes, you are audible, but we could not understand your question. Can you repeat it?

**Keshav Lahoti:** Yes. So my question is once the display business will ramp up, is it fair to assume the margin will be mid- to high teens?

**Atul Lall:** We feel that it should be double-digit margin. Yes, it should be in mid-teens.

**Saurabh Gupta:** So that your understanding is right.

**Keshav Lahoti:** Understood. Got it. So -- but let's say, what about if we expect FY28 will be a full year of revision, so initially it would start with lower and possibly will ramp up to mid- to high teens in the next 2 years. That is how we should look at the business, right?

**Atul Lall:** That's right.

**Moderator:** Next question is from the line of Rahul Agarwal from Ikigai Asset.

**Rahul Agarwal:** Just two questions. Two questions are on capex. Clearly, we are going ahead with most of the capacity expansions. Even fiscal '26, you ended at INR1,000 crores. Sir, next year, fiscal '27, how do we look at the capex budget and which segments take the largest share? That is question one.

And question two, just from a top-down perspective for Dixon, both from an input cost inflation perspective and the forex rate, which is INR-U.S. dollar, how does it impact Dixon, positive or negative? Is there a time lag between what we should actually anticipate once it's a 100% pass-through business is what I understand. Could you just put some thoughts around these three points, which will really help to understand further. Thank you so much.

**Atul Lall:** So Rahul, on the capex side, we feel that the capex number, where a lot of capex in our existing business has already been front-ended. The capex allocation is largely going to be on three things. One, our display capacity. Second, our expansion of the IT business, and third is expansion of our camera module capacity and deepening of manufacturing.

As far as the absolute number is concerned, it will be in the similar range. And the balance sheet and the cash accruals are adequate to support this expansion. As far as the commodity price increase and the currency fluctuation is concerned, and our EMS business is an absolute pass-through. So there is no currency risk and there is no time lag.

As far as our ODM business is concerned, which is the business of our appliances that is washing machine, refrigerator, LED television and lighting, that's wherein we do a product sale, and we have to pass on that cost increase to the customer. Yes, we are pushing that cost increase to the customer. Sometimes there can be a lag of a couple of months. But largely, we are able to pass it on to the customer. So that's where it is.

**Moderator:** Next question is from the line of Saumil Mehta from Kotak AMC.

**Saumil Mehta:** So one question from my side. In terms of the industrial EMS opportunity, is it fair to assume that in terms of the opportunity size, it is maybe as big or bigger than the IT hardware. And

also from a margin perspective, it will be better margins with less dependency on government PLIs, etcetera. Would that be a fair assumption?

**Atul Lall:** Yes, you are absolutely right.

**Saurabh Gupta:** Not so -- Saumil, in terms of revenues, IT hardware can be a bigger opportunity. But margin profiles definitely in an EMS, high-margin EMS business, specialty EMS business will be much, much higher. And definitely, yes, there is no PLI there in that particular segment.

**Saumil Mehta:** And my second, just a bookkeeping question of the INR360 crores of net PLI what you have booked across 5 entities, would it be possible to give just for the mobile and EMS division?

**Saurabh Gupta:** Yes. So that would be just -- so that is closer to almost INR250-odd crores.

**Saumil Mehta:** INR250 crores. And last question, now with various things on the plate, is it fair to assume that our earlier thoughts of putting up a display fab unit is much in the less priority versus some of the other businesses what we are talking about?

**Atul Lall:** Yes, that's right.

**Saurabh Gupta:** That's right.

**Moderator:** Next question is from the line of Pulkit Patni from Goldman Sachs.

**Pulkit Patni:** I have a couple of them. One is you spoke about server opportunity that looking at data center servers. Could you highlight like what stage of discussion are we in? What is the kind of work that we could get over the next, say, 12 months, 18 months here? Or is it very, very initial stage?

**Atul Lall:** Well, we are mapping this opportunity and dialogue with our partner has already started. We feel that the government policy framework for local manufacturing of servers for serving the Indian Data Center requirement is going to get at a significant flip. So the contours are being worked out. Exact numbers and opportunity in terms of numbers, I'm not in a position to share. I think it's early for that.

**Pulkit Patni:** Sure sir. This is clear. Sir, my second question is I'm referring to notes to accounts 11, which talks about INR1100-odd crores, which is receivable from PLI and INR730-odd crores that is payable. Could you highlight the reason why this is like mentioned in the note? Is it something where government has not given approval? Like if you could just highlight what's the status there in terms of both our receivable and our payout to the customer?

**Saurabh Gupta:** Yes. So basically, as part of the PLI scheme, there was a provision under the guideline that -- and there was a budget allocated to it for domestic companies, five domestic companies and five foreign companies.

Now -- and there was a provision under the guideline that if some company underperforms, those five domestic companies underperform, there -- to the extent that there is an overperformance by a company and in this case, of course, is Dixon, the incentive will be given to the extent of underperformance by other companies.

So we have been given all the incentives by the government till the ceiling revenues, which is ceiling, which is defined per applicant or per company. Now the overflow money is still pending, which we are in discussions with the government.

And so there will be a -- and similar cases would be there for foreign companies as well, the vendors of large global brands. So that thing is being pursued with the government. So the auditors felt right that there should be a note to it, and that's the reason it has been mentioned.

**Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference back to the management for closing comments.

**Atul Lall:** So thank you so much, everyone, for being with us today evening, and thanks a lot. Have a great day.

**Saurabh Gupta:** Thank you so much. Thank you.

**Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.