Dixon Technologies (India) Limited

04th August, 2024

To Secretary Listing Department BSE Limited Department of Corporate Services Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	To Secretary Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Mumbai – 400 051
Scrip Code – 540699 **ISIN: INE935N01020**	**Scrip Code - DIXON** **ISIN: INE935N01020**

Dear Sir/Madam,

Sub: Transcript of the Q1 FY 25 Earnings Conference Call held on 30th July, 2024

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Para A of Part A of Schedule III thereto, please find enclosed herewith the transcript of the Q1 FY 25 Earnings Conference Call of the Company held on Tuesday, 30th July, 2024.

The said transcript has also been uploaded by the Company on its website and the same is available at https://www.dixoninfo.com/earning-call-transcript.php

We request you to kindly take this on your record and oblige.

Thanking You,

For **DIXON TECHNOLOGIES (INDIA) LIMITED**

ASHISH KUMAR

Digitally signed by ASHISH KUMAR
Date: 2024.08.04 19:48:46 +05'30'

Ashish Kumar
Chief Legal Counsel & Group Company Secretary

Encl: As above

"Dixon Technologies (India) Limited

Q1 FY'25 Earnings Conference Call"

July 30, 2024

MANAGEMENT: **MR. ATUL LALL – MANAGING DIRECTOR AND VICE CHAIRMAN – DIXON TECHNOLOGIES (INDIA) LIMITED**
MR. SAURABH GUPTA – CHIEF FINANCIAL OFFICER – DIXON TECHNOLOGIES (INDIA) LIMITED

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Dixon Technologies Q1 FY'25 Earnings Conference 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 and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you, and over to you, ma'am.

Bhoomika Nair: Yes. Good evening, everyone. A warm welcome to the Q1 FY'25 earnings call of Dixon Technologies. We have with us the management today being represented by Mr. Atul Lall, Managing Director, and Vice Chairman; and Mr. Saurabh Gupta, Chief Financial Officer.

I now hand over the floor to Mr. Atul Lall for his opening remarks post which we will open the floor for Q&A. Thank you, and over to you, sir.

Atul Lall: Thanks very much Bhoomika. Good evening, ladies, and gentlemen. This is Atul Lall, and we have on the call today our CFO, Saurabh.

Saurabh Gupta: Good evening, everyone.

Atul Lall: Thank you very much for joining these earnings call for the quarter ended June '24. We are pleased to have commenced the year on a strong note. We are first, coming to our overall performance for the first quarter. Consolidated revenues for the quarter ended June 30, 2024, was INR6,588 crores against INR3,274 crores in the same period last year which is a growth of 101%. Consolidated EBITDA for the quarter was INR256 crores against INR135 crores in the same period the previous year which is a growth of 90%. Consolidated PAT for the quarter was INR140 crores against INR67 crores in the same period last year which is a growth of 109%.

With earnings improvement and effective working capital management, we were able to expand the ROCE and ROE to 38.4% and 27% respectively as of 30th June, '24 with further strengthening of the balance sheet and gross debt-to-equity ratio of 0.1% and cash conversion cycle of negative 7 days. We continue to invest in our capacities and diversify into new product categories to support long-term growth opportunities with a huge focus on quality, manufacturing excellence and consistently meeting the needs of our principal customers and strengthening our position as a key player in the industry.

We are well poised to capture the upcoming opportunities and be a part of India's long-term growth story, as well as write the country's robust consumption narrative and make in India initiative to achieve industry-leading growth. Now I will share with you the performance and the strategy in each of the segments going forward.

Mobile and the EMS division, revenues for the quarter were INR5,192 crores, a growth of 189% year-on-year. Operating profit was INR171 crores which is a growth of 223% year-on-year with an operating profit margin of 3.3%. The ROCE in this business has expanded to 69% at the end of June '24 as against 32% a year ago. We are continuously meeting the incremental investments to meet the strong order book from other customers -- from our customers.

Now we have created a capacity of 45 million smartphones and another 10 million to 12 million is going to be added after Ismartu acquisition which is around 55% to 60% of the opportunity pool in this business. Further, we have a capacity of 40 million feature phones, which is again almost 65% to 70% of the capacity required for the feature phones in this country.

There is strong growth in volume for Motorola smartphones and a monthly order book of almost 9 lakhs to 10 lakhs per month, including a decent order book on exports. Xiaomi business has also now ramped up, and now we are clocking around 7 lakhs per month from July and higher volumes are expected in coming months of the festive season. Manufacturing for another global brand through Compal is expected by September '24.

With Longcheer as our ODM partner, we are already clocking around 4 lakhs to 4.5 lakhs volumes with a substantial uptick which I think will go up to almost 7 lakhs a month going forward. We are expecting to add one larger global brand in the coming months. On the Ismartu deal, we have received the approval of the Competition Commission of India this month, and we will start consolidating those financials, I think, in the next 4 to 7 days for the completion of CP's.

In line with our strategy and once we acquire at a large scale, the next phase is going to be the deepening of manufacturing, wherein we have finalized a technology partner for display modules in HDFC and we expect to start the manufacturing in the next fiscal. We are also looking at getting into precision components and mechanical and various other modules.

We endeavour to deepen the value addition to be a part of a significant part of the non-semiconductor bomb of mobile and IT products which is going to be more margin accretive and create a moat around business. Please appreciate we will have the largest capacity in the country. We'll have all the brands that are the largest in the country in the Android ecosystem. The focus then is to deepen the value addition which we feel we now have the financial bandwidth and, we're in the process of acquiring technical bandwidth on our own and also through partnership route to create a huge moat for us in this business.

Next, the vertical of consumer electronics. Revenues for the quarter were INR855 crores with operating profit and margin of INR29 crores and 3.4%, respectively. Manufacturing under a partnership with Samsung for their Tizen operating system has already rolled out from Q1 of the current fiscal. Our first ODM-based Google TV solutions from 32 inches to 85 inches were rolled out in Q4 of last fiscal. It has met with an encouraging response from our customers.

In addition to our existing product portfolio, we have added interactive flat panel displays and digital signages to our TV product portfolio. These are the solution from 65 inches to 100 inches.

The order book in both these categories looks decent. We are also actively looking into exploring partnerships for the manufacturing of industrial, institutional, and automotive displays.

Home appliances, revenues for the quarter were INR305 crores a growth of 18% year-on-year, and operating profit of INR32 crores a growth of 14% year-on-year. In line with our backward integration strategy, our tool room is now fully operational, and most of the tools are being manufactured in-house. Our infrastructure footprint in Tirupati and Dehradun is now NABL compliant and accredited which is strengthening our competence and reliability for decent relationships with our customers. We have a healthy order book, and we are targeting a significant double-digit growth in this business.

Lighting revenue for the quarter was INR227 crores with an operating profit of INR15 crores. Both revenues and operating profits have grown quarter-on-quarter despite continued challenges with the pricing pressures and weak consumer demand we expect the momentum to continue in Q2. Post the launch of professional series last quarter we further increased the basket by extending into the DOB range of floodlights and streetlights which is expected to be rolled out by Q2.

We have started the backward integration process and the injection moulding for ceiling lights and extrusion for battens is planned in the coming quarters to achieve better cost optimization and acquire a larger competitive strength. We are working towards expanding our product basket by moving to high-value premium products that as high-voltage battens and COB Downlighters.

The next vertical is telecom and networking products, revenues in this segment for the quarter and the year-end review was INR418 crores with a steep growth. We're enhancing our capacities and have one more facility in Noida to meet the increased demand for our customers. We have started mass production of 5G fixed wireless access devices along with access point GPON, ONTs and Internet set-top boxes. We have started manufacturing 5G fixed wireless access devices both ODUs and IDUs for both domestic markets for Nokia, and we have a healthy order book.

Laptops and IT hardware products. We have already finalized contracts with Lenovo and Acer. We are already manufacturing for Acer. And we started the NPI process for Lenovo notebooks and the mass production for Lenovo will commence in Q3 of this fiscal.

We have also got two new customers which are the largest global brands for notebooks. We're in the process of signing the definitive agreements. We target to start production for these two global brands in Q1 of next fiscal. With this, four customers -- with us, we have the top four customers out of the top five global brands operating in the country. For this, a new campus is being planned in Chennai, the site has been identified. The resource has been acquired, and we target to start with the Chennai facility in the next 8 to 10 months.

So, this is also going to be a significant engine of our growth in the coming years. What we, as a team, have been successfully able to execute on the mobile front, we aspire to do the same in the IT products. Wearables and hearables revenue for the segment was INR143 crores for the quarter with healthy operating margins and high ROCE. We have a decent order book in this business.

Security surveillance system. We have sold our 50% stake in AIL Dixon to our JV partner Aditya Infotech. In return, we are taking a 6.5% stake in Aditya Infotech which will be going for IPO. Aditya Infotech is a highly profitable company, and we'll be going for an IPO by Q4 of this fiscal or Q1 of next fiscal. This entity will increasingly focus on more backward integration and designing, and we feel that this relationship is going to be huge value accretive for your company.

Rexxam Dixon Electronic Private Limited, it's a 40-60 JV with a Japanese company, Rexxam to manufacture inverter controller boards for air conditioners. This JV achieved revenue of INR114 crores in this quarter with healthy operating margins and extraordinarily strong ROCE. We have an extremely healthy order book in this business. We're exploring the possibility of accruing more investments under the recently announced revised scheme of PLI for white goods by DPIIT.

Refrigerators the team has done an amazing job. We have an extremely healthy order book. We are clocking production of almost 80,000 refrigerators a month, which is 80%, 85% of our capacity. So, the project has taken off very well. Now we are planning another capacity expansion because the order book is significantly increasing. Also, we are expanding our product portfolio by adding a 100-litre category to the product portfolio, and we are also exploring investment for frost-free. We have backwardly integrated many production processes and will be further investing in injection modelling.

So that's what I wanted to share. I would like to stop here and me and Saurabh are there to address your 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 Sanidhya from Unicorn Assets. Please go ahead.

Sanidhya: Hi sir. Good afternoon. Great set of numbers, many, many congratulations for that. Firstly, on the EMS side, so other EMS which you were saying in the Chennai plant is it related to the IT hardware I'm expecting? Is it the same?

Atul Lall: That's right.

Sanidhya: Okay. So, I heard in the TV interview you were -- around INR4,000 crores we are expecting revenue from it in the - I think next fiscal not this one. Just wanted to understand what's the total opportunity size and how much of that are we willing to grab? And how are we looking for the capacity size to build up in the next -- not this fiscal, but the next two fiscals FY'27?

Atul Lall: So, the Chennai plant should be operational I think, by Q4 of the current fiscal or Q1 of the next fiscal. The first phase of acquiring large global brands with our customers has already been achieved. See the addressable market for IT products is almost 10 billion almost INR80,000 crores with a production value are around INR50,000 crores.

We aspire and that's what we submitted to the government almost INR47,000, INR48,000 crores of revenue in 6 years. So, it's going to take some time. But finally, I feel that on an annualized basis, to start with around INR3,500 crores, INR4,000 crores and then it will ramp up.

Sanidhya: Okay. Perfect. So, you didn't answer the capacity side we are trying to build and how much time will it take and what would the capex we are looking for that?

Atul Lall: So initially, the capacity is going to be almost 1.5 million units per year. And the capex the plant is going to be somewhere in the range of around INR150 crores.

Sanidhya: Okay. And what's the -- like total -- so you mentioned about INR45,000 crores addressable market, which we are looking to grab. What the capacity -- What's the number of units would be for that?

Atul Lall: So finally, you're starting with 1.5 million. It's going to be taken up to 3 million, 3.5 million. Let's see how the business pans out. The initial phase is going to be 1.5 million. But I think in a couple of days, that will double it.

Sanidhya: Okay. Great. And on the -- you mentioned in the starting statement that 55 million to 60 million units of the phones that is including Samsung or excluding Samsung?

Atul Lall: Excluding Samsung...

Saurabh Gupta: So, this is excluding Samsung, which is everything, including the new Ismartu acquisition that we did. So, 45 million, excluding Samsung and 10 million gets added on account of the Ismartu acquisition.

Sanidhya: Okay. So, 55 million for the non-Samsung and something about 10 million to 15 million would be Samsung in the smartphones space totally?

Atul Lall: Samsung is around 10 to 12.

Sanidhya: And lastly, on the...

Moderator: I am sorry to interrupt. Sir, could you please fall back in the question queue for further questions.

Sanidhya: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: Yes. Just wanted to understand if there is any PLI incentive or any amount booked in the mobile segment in this particular quarter and if there was a similar amount last year as well?

Saurabh Gupta: So last year it was -- yes for this quarter we had booked almost INR40-odd crores as PLI incentive for mobile business.

Deepak Krishnan: Sure. And same number last year?

Saurabh Gupta: You mean to say same number exactly in the same quarter last year.

Deepak Krishnan: Yes.

Saurabh Gupta: My sense is it could be a smaller number because clearly, Xiaomi, Oppo, and Realme have come in much later and Motorola numbers have also expanded, but probably it should be -- it would be something around INR4 crores, INR5 crores, maybe last year. I can separately tell you that number. I don't have that number right now with me.

Deepak Krishnan: Sure. That should be totally fine. Just I wanted to understand production numbers this particular quarter across brands in the mobile segment, if you can kind of highlight -- to whatever details you can kind of highlight. And do we get a potential that we will have to revise up our 25 million to 30 million number that we have for the full year?

Atul Lall: No, I think it's not possible and prudent just now to give the customer-wise and manufacture numbers...

Saurabh Gupta: What I can give you is the focused smartphone numbers.

Deepak Krishnan: Sure. That also works. Yes. Smartphone numbers, yes.

Saurabh Gupta: That should give you probably a run rate for what we are talking about for the entire year. Yes, so smartphones we did almost -- so between -- excluding Samsung, we did almost 41 lakhs, 4.1 million and Samsung was around 11-odd million -- sorry, 1.1 million.

Deepak Krishnan: And feature phones?

Saurabh Gupta: It was around 6.6 million.

Deepak Krishnan: Sure. Okay sir. Those were my questions I will get back in the queue.

Moderator: Thank you. The next question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Thank you for the opportunity and good evening, sir. Sir my first question is on the Home Appliance segment. We've registered a strong top line of approximately 18%. I understand this could be the primary order booking for the upcoming washing machine season. What I don't understand is why are we flat at the margin level? Is there a steep competition even here? Is there ASP compression happening? And if so, can you call out in which category is it? Is it in the front-load, top-load or semi-automatic? The first question is that.

Atul Lall: Natasha if you see the reduction in margin is 0.4%. It has gone down from 11% last year to 10.6% in the current quarter. And quarter-on-quarter if you see there's an expansion of 0.4%. Now the reason there has been this margin compression is because of the freight increases. The sea freight increased because of the Red Sea crisis.

And there is some time taken for passing on any increase to the customer. In any case, it's not very significant. This is a part of normal business. So, we are in the range of 10.5%, to 11%, and that's where we have been.

Natasha Jain: Understood sir. Sir, my second question is on the lighting segment. Now while I understand there's been value compression happening in this segment, we've been of the commentary that we've been making premium lights or lights more in terms of value accretive. So, I'm just wondering when is that expected to flow through in our margin for license?

Atul Lall: So, a lot of operational corrections and expansion of product mix has already happened. We have largely restructured the business. We have optimized our cost structures, and we have invested in backward integration. We are further going to invest in polymer processing both on the injection moulding side and extrusion side is going to be operative in a quarter or so.

Professional lighting products like floodlights have already been -- and panel lights have already been rolled out. The streetlights that are going to be rolled out very shortly. So, all that is happening. Now is it going to be usually margined accretive? No, it's going to be a correction on the positive side. So that's the way this business is going to pan out.

Natasha Jain: Understood, sir. And sir, just one last question, if I may. We recently heard the commentary that basic custom duty on mobile phones has been reduced. Sir, just want to understand how this impact you and other EMS players. And what would be the rationale for reducing the custom duty on fully assembled mobile phones? That's it.

Atul Lall: So, please appreciate the seasonal imports of mobile phones are minuscule. If my numbers are correct, the total imports in an INR3-lakh crores market are nearly INR7,000 crores to INR8,000 crores. So, I think the government wants to send a message globally because there have been some kind of observations from the context and the custom duty structures in India should be rationalized. So, it's in that direction.

Now is it going to impact anything on the manufacturing ecosystem, mobile phones in India, we have a huge conviction, no. There is already a significant arbitrage plus there is a PLI benefit. So, no brand, which is manufacturing in India. And I think 97%, 98% of the mobile sold in India are manufactured in India is going to take any decision which is a reverse of this local manufacturing. So, on the ground, there is no impact.

Natasha Jain: Understood sir. Thank you so much. All the best.

Atul Lall: Thank you.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from DAM Capital Advisors. Please go ahead.

Bhoomika Nair: Sir, just wanted to understand in terms of our backward integration on our display modules we were looking to commission the plant by the year-end of 25 million capacity. A is that on track and how do you expect for the first year of operation which is FY '26, how will it scale up? What kind of revenues and margins we can see on that and how do we expect further backward integration in this space?

Atul Lall: So, the project team, Bhoomika, are working on it. The project plans are being laid out. The talent acquisition is happening. Site hunting is still happening because it's a complex site plan. But we are still trying our best and sometime at the end of this fiscal or Q1 of the next fiscal, we should start rolling out the production.

In Phase 1, it's going to be 2 million units a month. We have found our customers, and they're open to it. They are extremely positive for this local manufacturing because it's saved for them the inventory cost. And there are certain cost advantages. The numbers are being done. Now what is going to be the first-year revenue, which is slightly difficult to state because the approvals are complex technical approvals by each brand, and they're going to take some time.

But from year 2, it's going to be a good, extremely good, margin accretive project let me assure you of that. So, this is on the display modules, Bhoomika. On the other side, we are working hard. We are in the advanced stages of discussions through collaborative partnerships, and we are exploring getting into the non-semiconductor side of the mobile components. And that's also going to encompass the IT products.

So here, we are exploring various components, and we're in an advanced stage of discussions or collaboration with partners who are large globally. This is on the mechanical components, this is on the die cuts, this is the precision components, this is also for flexible PCBs, connectors and cables and various modules.

So, this is a basket of products. Please appreciate the balance sheet is strong. And we feel that now we have the financial bandwidth to explore this project. The financial metrics of this project are different, but the margin profile is of a different order. So that's what we are working on.

Bhoomika Nair: Sure. So, sir with this what is our current value addition? And where do you see yourself with these various collaborations to broadly get to in a period of, say, 3 to 4 years?

Atul Lall: So, we feel that -- please appreciate mobile assembly mobile manufacturing, it's a low-margin business. But it's an extremely high ROCE business. It's an extremely high asset to turnover business. Whereas when you venture into the component space, it's much more margin accretive, but the asset turnover is relatively lower.

So, we want to get into the right kind of a blend. Please give us some time to come back to you exactly with the blueprint that how it's going to pan out. What I'm sharing with you is that statically, this is the direction in which we are moving. And we are moving at a fast pace.

Bhoomika Nair: Sure, sir. Sir, just one last thing on -- in terms of Xiaomi and Ismartu. You spoke about the volume scale up out here with Xiaomi at about 0.7 million per month right now. How do you see that scaling up over the next couple of quarters as also for Ismartu?

Atul Lall: So, I feel this 0.7 million should start getting 0.9 million or something like that. Let's see how the market pans out and post Diwali how it pans out, but we're going to have a very large share of their wallet. I'm referring to Xiaomi. And when we talk about Ismartu their current volumes are around 0.7 million of smartphones. Yes, that is going to get consolidated in our numbers once the acquisition is concluded which hopefully is going to happen in the next 7 to 10 days.

Bhoomika Nair: Sure sir. Thanks so much.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: My first question is on the Consumer Electronics segment. If we exclude the refrigerated revenues, TV revenues have fallen by 18%, 19% this quarter versus the same quarter last year. What would that be on account of and a related question on margins in the refrigerator business?

Given that it's an ODM business with significant growth -- significant capex, we were anticipating quite high margins in this product category. But it seems at least in the first quarter which may be because of teething issues those margins haven't come through. So, you could just explain how exactly we should be thinking on that front?

Atul Lall: So, Aditya, on the LED TV side the market has been extremely slow. And there is a decline in volume. There is a decline in volume by almost 17%. That's being reflected in the Q1 numbers. As far as the refrigerator is concerned, it's only in the ramp-up phase. The initial ramp-up cost has gone into these numbers. But finally, the numbers which have been earlier on the sharing, the operating margins are going to be in the range of around 8% to 9%.

Aditya Bhartia: Understood, sir. And as we are moving towards the peak season for TV, are you seeing order book looking a lot better?

Atul Lall: So, I'll say the current month, we want to close it around 250,000. August's order book looks particularly good. It would be around 400,000. And we feel that September also is going to be 400,000, 450,000. So, 1 million.

Aditya Bhartia: Understood. And sir, my second question is on the Mobile phone PLI scheme, given that the current scheme is going to end in almost 2 years, how are you seeing the landscape changing post that? Are you anticipating another incentive scheme from the government side maybe to incentivize domestic manufacturing on the component side?

Atul Lall: So, Aditya mobile manufacturing has been extremely successful for the country and for the government. We feel that the government will keep supporting mobile manufacturing in the country. But the avatar, the scheme is going to change. Now this is my understanding. And they're going to incentivize more valuation addition, they're going to incentivize the component manufacturing because we have been interfacing with the government and industry association side. And that is what the talks have been. So, post '26 when this scheme goes away it’s going to be replaced by a scheme focusing on value addition and components. And strategically that's what we're trying to do in Dixon that we are strategizing, and we are deeply getting involved with the component ecosystem.

Aditya Bhartia: Perfect. That's great to hear. Thank you so much.

Atul Lall: Thank you.

Moderator: Thank you. The next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain: Sir, I have two questions. So, one question was on the mobile phone export side. So, if you could just tell us what was the contribution of exports in this quarter -- how do you see it panning out over the next 2 or 3 years? So domestic you've been fairly successful. So how are you thinking about mobile phone exports in the next 2 or 3 years apart from the Motorola any customers, any color that you can give there?

Atul Lall: So, at present, Dhruv, the mobile phone exports are largely for Motorola. We feel that almost 25% to 30% of Motorola's production is going to be for global markets. And that's a significant jump. For the other brands, as of now, it's for the domestic market. But for certain entities that we have acquired or are in the process of acquiring, we're working deeply with our partners to look at export opportunities. However, it's, I think, premature and I'm not able to share with you any tangible numbers. So as of now mobile exports are confined to Motorola.

Moderator: Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Hi, good evening, sir. Thank you for the opportunity. Two questions. First, on a mobile phone. As you mentioned you will be doing somewhere close to 25 million to 30 million assets this year and maybe that number will grow much faster next year. Post that, where do you see this number evolving? And what are the growth opportunities we have because we are already working with some of the top brands? Do you see this business saturating for us?

Atul Lall: So, we feel that some -- we should be in the next couple of years, reaching around 45 million to 50 million units. We also feel that there are going to be some breakthroughs for global markets, which is going to increase the volumes. Then the growth engine is going to come through participation in the component ecosystem. And then a significant driver of our revenues, we are working upon for the IT products as a segment. So, in this domain, these are the growth drivers.

Indrajit Agarwal: Sure. That is helpful. Secondly, on IT products, is there any delay that we are facing in having the products rolled out because if I recall earlier, our target was tablets by April and laptops by September. So, we are now hearing more like third quarter of this fiscal. I understand these are small [inaudible 34:31] issues. But are there any bigger concerns that is there in this business?

Atul Lall: So, Laptop Acer production is already in the trials and commercial production for Motorola tablet has already been done. And the NPI for Lenovo has started and we see that the commercial production will start by Q3. The two new accounts that we have acquired, targeting for one account in Q4 of this fiscal and another account will be productionized in Q1 of next fiscal. So, there might be some small delays here and there, but it's largely for the production plan.

Indrajit Agarwal: Sure. And one last question, if I may any progress on the industrial EMS front?

Atul Lall: So industrial EMS footprint is going to be again in the Chennai campus. We are in the advanced stages of discussions with a large semiconductor equipment brand, a global brand for servicing its requirements of PCBA and certain mechanical products. We hope it fructifies and we are also in advanced stages with one partner for automotive electronics. So, they are progressing well, but we are new to this domain. So, it's going to take time.

Indrajit Agarwal: Sure. Thank you so much. That's all from my side.

Moderator: Thank you. The next question is from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

Onkar Ghugardare: My question was in last year's AGM.

Atul Lall: I am not able to hear you. There is some echo in your voice.

Moderator: Sir, could you please use your handset Mr. Onkar.

Onkar Ghugardare: One second. Is it clear now sir?

Atul Lall: Yes better.

Onkar Ghugardare: In the last year, the AGM of the company made a statement to venture into several other categories, including EVs and other 3, and 4 categories. So, I mean, just now you mentioned that 2 years from now, other categories would be the growth drivers for the company. So where are we in terms of that?

Atul Lall: So, as I shared with you that we are making an attempt for both industrial electronics and automotive electronics. We are seeing traction. That's what we are working on. We also appreciate that in the last 2 years, the very many, many product clients. We have added hearables and wearables. We've added telecom devices. In telecom devices, we have got routers.

We got fixed wireless devices. We've got Android set-top boxes. We have made large investments in creating capacity for refrigerators. And now we are looking at IT products and incredibly significant investments are going to be made in the component sector for electronics in the non [inaudible 37:48]. So, there is already a lot on our plate. Does that answer your question?

Onkar Ghugardare: Yes, partially yes. But I mean, only the time will tell, right? I mean every quarter; it will be given on that. So that for the time being that is fine. Yes. The second question is on an overall scheme of things in the overall revenue of Dixon. I mean, in a couple of years of time, overall, the component ecosystem, how much it can contribute to the overall revenue of production? I mean, how big is the portion?

Atul Lall: It's too early to share this number.

Onkar Ghugardare: Okay. But I mean you can just give directionally how big the opportunity is that's it not any specific?

Atul Lall: It's too early to share those numbers, please.

Onkar Ghugardare: All right. Thank you, sir.

Moderator: Thank you. The next question is from the line of Madhav from Fidelity. Please go ahead.

Madhav: Hi, good evening. Thank you so much for your time. I had two questions. The first one was on the part where you spoke about the partnership that we can have with the automotive electronics side, is that for PCBA essentially or for any of the type of products today?

Atul Lall: Sorry, I'm not able to make out your question. Can you be clearer? So automotive is largely for automotive electronics, so PCB assembly, electronic modules.

Madhav: PCBA assembly. Okay. Got it. Understood. And the second question I had was that given that exports is like say medium-term growth driver for the company from a mobile phone's perspective. What kind of value addition is required to be done in India before we sort of as a company or as the country become competitive to export some of the smartphones in the export markets like is there any -- how do we kind of look at that entire construct, that would be helpful to understand?

Atul Lall: So, we feel that once the component ecosystem is being created in India. India is going to keep on acquiring competitive strength. And that would help in becoming globally competitive. So, I think that journey has already started. We are a couple of years away from where India is going to stand on its own feet to compete in the global market. And the Indian solutions -- Indian manufacturing of the smartphones would be servicing the global market.

Madhav: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Yes. Thanks for the opportunity. Sir, we have seen historically after Q1 results you also tend to give a guidance for the full year coming and with so many moving parts also so many new businesses which are expected to undergo changes or start, will you indicate any guidance for FY'25 in revenue as well as EBITDA?

Atul Lall: So, we have not been giving guidance now for almost 2 years.

Saurabh Gupta: So, Aniruddha we have not been giving any kind of guidance.

Aniruddha Joshi: There are too many moving parts. So how should we look at the overall growth rate etc?

Atul Lall: Sir, please appreciate the growth rate is going to be extremely aggressive, but we are resisting from giving any guidance.

Saurabh Gupta: Aniruddha you can make out certain numbers that last year, basically the largest opportunity of a larger growth driver for us is mobiles and then next few years it will be IT hardware. So, we have given you visibility on the kind of potential numbers we have done in Q1 and the kind of potential numbers that we will do for smartphones this year. You can look at those numbers and compare them with last year's numbers. So, you can have -- you can arrive at some kind of numbers for yourself.

Aniruddha Joshi: Okay, sure. And margin-wise, also or I mean somewhere around.

Saurabh Gupta: Margin it will be, of course – margin it will be somewhere around 4%-odd level.

Atul Lall: It's in the similar range.

Saurabh Gupta: In a similar range 3.9%, 4% kind of levels.

Aniruddha Joshi: Understood. And anything on the capex for this year?

Saurabh Gupta: Yes. So, capex, I think for last year we did almost INR550 crores. We expect a similar run rate of INR550 anywhere between INR500 crores to INR600 odd crores this year.

Aniruddha Joshi: Okay sure. Very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Vipraw Srivastava from InCred Research. Please go ahead.

Vipraw Srivastava: Yes. Just two questions. So, first on the telecom business. So, like the two major players, Nokia, and Ericsson what they are saying in their call is that they'll be focusing more of their energy on chip design and will be outsourcing the manufacturing part currently in India, a lot of 5G devices which Nokia itself is being imported from China. So how do you see this opportunity developing? I mean you already have a foot in the door with Nokia. So, do you see this becoming big in the coming years any thoughts on this??

Atul Lall: So, we have now a large relationship with Nokia for the telecom devices side. This is confined to starting with the CPE products. When I'm referring to CPE it's routers and fixed-wireless devices. The business is scaling up. This is the first level of relationship. However, the Nokia as of now, we don't have any relationship on the networking equipment side-- consumer product side.

Vipraw Srivastava: Right. Fair point. Sir, the second question on the part which you're discussing. So, if you look a bit into technicality a significant part of the component is the chip I mean the chip is the main cost of the BOM bill of material. And the fab in India is still coming. I mean, the government has given order to Tata, but that will still take some time. So, don't you think that the fab -- the foundries must come to India first before this ecosystem picks up for components or is my understanding incorrect?

Atul Lall: No. Please appreciate the semiconductor contribution to the BOM is 50% to 55% in mobile phones. The balance 50% is a non-semiconductor part, which considers some mechanical displays, modules, PCBs, and connectors. That's a very large portion. And that is more doable and that's where we want to participate. I am going to differentiate that that even in China the large contribution to the value addition is coming from the non-semiconductor side.

Vipraw Srivastava: Fair point. Noted. Just last question, sir. So, this mobile and the TV space -- durable space, I mean, the industry as a whole is not growing for the last 3 years. I mean, if you look at the TV volume and mobile volume, the industry is not growing. I mean although it is small -- relatively smaller market for the mobile space. So, do you see this -- how do see the industry evolving? I mean the volume level growth is not happening. So, do you see that will change in the coming years or does the extent we look for diversification in the coming years to counter that?

Atul Lall: So, in Dixon, because we are only a B2B company, in any category our growth comes in from 3 elements: One, of course, is the industry growth is buoyant and then we are a part of that growth story. The second growth is coming if you acquire more and more customers. And that is what we are trying to pursue, and that's what's leading to volatility in our mobile domain. The third is that if we can get a larger share of the customer's volatility.

So, across all our categories, and more in mobile because there's the largest opportunity pool for us. And that's what we are trying to pursue. I think we have been fine or successful on that front. So that's how our growth is coming. And that's what we'll keep on pursuing.

Vipraw Srivastava: Fair point. Thanks a lot. Thank you.

Moderator: Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: I just wanted to know what was the consolidated profit number for Ismartu in FY'24?

Saurabh Gupta: Yes. So, as did almost INR8,200 crores of revenues at -- and INR320 crores, INR325 crores of EBITDA. And a PAT of probably -- a PBT of INR280-odd crores and a PAT of around INR240-odd crores.

Arpit Shah: Okay. And what kind of growth are you expecting from Ismartu in FY'25 and '26?

Saurabh Gupta: So, I think the first objective for us is to close the transaction which we should be able to do in the next 7 days. The launch is how the CPGs need to be concluded. And then both of us will sit together and plan for this financial year. So, we will have better visibility. But probably, we can assume that they typically sell almost on an average of around 1.2 million feature phones a month and 0.7 million kinds of smartphones per month. So that should be the run rate for the balance part of the financial year as well.

Arpit Shah: Got it. And you will be consolidating about 8 months of numbers for the company for FY'25?

Saurabh Gupta: That's right.

Atul Lall: Let me That will happen in August.

Saurabh Gupta: Yes, depending on what period it closes in August, yes, but probably anywhere 7.5 months to 8 months.

Arpit Shah: Got it. Thank you, sir.

Moderator: Thank you. The next question is from the line of Girish, an Individual Investor. Please go ahead.

Girish: Sir Girish from Morgan Stanley. I have a few questions on the mobile component business that you are exploring. So obviously, it's an exploratory stage right now. Just wanted to understand what the typical asset could be turns that you could have in that part because I would imagine that it may not be the 10x number that you see right now in the EMS part because we see PCBA probably being below 2x. So, if you probably clarify that. And typically, I know it blended number may not be possible, but what is the range of EBITDA margins also here that is possible??

Atul Lall: So, Girish, one venture on the component side, we have already -- we have already leaped and that's the display module. So, in that case, the EBITDA margins are significantly higher, and they are in double digits, mid-double digits and the asset turns are higher. When we are looking at the mechanical component side, asset turnover is going to be somewhere in the range of 1:3 to 1:4. And EBITDA margins are going to be closer to almost double digits, and that's the financial metrics. The other components that I mentioned, the financial metrics are still being studied.

Girish: Okay. And then in terms of just one clarification, if I may ask, the mobile scheme obviously will end in the next couple of years. So, are you likely to see that the mobile component scheme gets introduced just before this scheme ends? Or is it like in the next few months because there are a lot of media articles which suggest that the component scheme on mobile might be announced in the immediate distant future?

So, any colour that you can -- based on your feedback that you've had in the industry? Can you share what would be the typical timeline and effectiveness of that scheme? Would it be effective next year, or will it be after 2 years when it might be introduced just before the mobile scheme is completed?

Atul Lall: It's very difficult to say when the scheme is going to be rolled out and when it's going to be effective. But from the industry side, we are deeply interfacing with the government. And they are extremely receptive to rolling out the package for the component industry. What timeline is difficult to say, but I think it should happen in 9 to 12 months, something like -- I feel it should happen if it is rolled out difficult to confirm. But if it is rolled out it's going to happen before the culmination of the PLI scheme for mobile which happens in March '26.

Girish: And last clarification if I may ask the display module part? You have a JV partner. For the other components would the same method be applied in terms of getting into a JV or there could be some technology fee arrangement also or a mix of both like if you can directionally say what could be the possibilities here?

Atul Lall: At present we are looking at equity participation.

Saurabh Gupta: Yes, it will be a JV partnership kind of a concept only.

Girish: Okay. Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Kunjal Kunamia an Individual Investor. Please go ahead.

Kunjal Kunamia: Good evening, sir. Congratulations for a great set of numbers. So, my question is if you compare the Indian manufacturing -- Indian mobile manufacturing sector and if you compare it with China, what is the percentage cost difference if I may ask?

Atul Lall: See, you must declutter this question into different layers. When you look at the cost of manufacturing, the cost of manufacturing in India will be -- I feel more efficient. But when you look at it on a holistic basis because of the lack of component ecosystem those are the disabilities which come into the picture. So, I reiterate that per se manufacturing cost in India with the kind of the efficiency…

Kunjal Kunamia: So, on the component side like what would be the different like 2% or lesser?

Atul Lall: That is difficult to place a number where I think it is going to be 4% to 5%.

Kunjal Kunamia: Got it. That answers my question. Thank you very much and all the best.

Atul Lall: Thank you.

Moderator: Thank you. The next question is from the line of Sanidhya from Unicorn assets. Please go ahead.

Sanidhya: Sir, just a follow-up. So, one on the Motorola side. So, you said that almost 30% would be going to the U.S. market of the total Motorola production that we are doing. Is there any risk of new import restrictions or anything if there is any kind of government change in the U.S. or anything. I just want you to understand the kind of agreement we have with Motorola that.

Atul Lall: So, Motorola is pushing for exports from India to North America, for the U.S. As of now, it looks good because we have optimized various execution capabilities for into cost structure, which has made it more attractive for them. Now is there going to be any change because of the evolving geopolitical situation, I assume you are referring to the presidential elections and all. I do not think so. I think the day it is emerging, evolving, it is going to be only better.

Saurabh Gupta: Yes. We feel it will be only better for India and for the mobile industry.

Sanidhya: Okay. And lastly, on the inventor control board for air conditioners. So, what is the revenue for this quarter, I mean profitability, some kind of number you want to give for the entire year, maybe if not that. And since we are looking for manufacturing for ICBs for Daikin, are you also looking to get into some kind of partnership to manufacture the AC completely or maybe some other components and anything else on AC front ODM or AC?

Atul Lall: So, this is a joint venture between Dixon and Rexxam. We have 40%, they have 60% and a completely Daikin-centric business. In this quarter, we have done around INR140-odd crores. This is INR350 crores, INR400 crores in business, profitable, highly and an extremely high ROCE. We are exploring the possibility of starting exports of inverter controller boards from India to Daikin where it's a global entity. Let's see how it pans out. We're also working with the JV partner to make more investments and capacity expansion under the extended PLI scheme for white goods. So that's it. Now are we planning to enter some other AC components? No, not as of now.

Sanidhya: And AC manufacturing as a whole?

Atul Lall: No, we're not looking at it.

Sanidhya: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Abhishek from DSP Mutual Funds. Please go ahead.

Abhishek: Could you share the volume.

Moderator: I'm sorry to interrupt, sir. Mr. Abhishek, your volume is very low.

Abhishek: Is it better now?

Moderator: Yes, sir, better.

Abhishek: Yes. Sir, if you can help us with the volumes for washing machine, lighting, and the television part of it for the quarter?

Saurabh Gupta: Yes, Abhishek. So LED TV, we sold about 5.9 lakhs; washing machine semi-automatic was around INR4.3 lakhs; fully automatic was INR0.5 lakh. And on the lighting side we sold INR3 crores LED bulbs and 60 lakh battens and INR29 lakh downlighters.

Abhishek: Okay. So, your growth in washing machine is fairly decent from that perspective?

Saurabh Gupta: Yes, it has grown by 10% in volumes on semi-automatic and fully automatic. Of course, we have tripled our numbers.

Abhishek: Okay. And is this volume growth what you have seen in non mobile part of the business, that is likely to be a trend going forward as far as volumes are concerned?

Saurabh Gupta: So, washing machine as a category because a large part of the growth will come from fully automated. So as a category, we expect double-digit growth in that category. So semi-automatic will grow at low double digit, but the fully automatic will grow at a much faster pace. Combined both put together it will be a high double-digit kind of a growth.

Abhishek: Okay. And just one last question on the competitive landscape. Any change that you see in the lighting competitive landscape? I know you have introduced many new products and other things, but from a core lighting perspective, any change in the competitive landscape?

Atul Lall: So, we feel that the competitive intensity which has become a bit too intense is stabilizing and the prices are also stabilizing. So, is there a significant upturn in the business? I would say we are moving step by step together. So, the business is going through a consolidation thing, and we as a company have completely restructured the business. We have restructured our product portfolio and our cost structures. And we are also seeing some kind of stabilization on the pricing front. So that's where we are.

Saurabh Gupta: In Q-on-Q, you see, Abhishek the numbers have grown by 15%. So clearly, we see that the worst is behind us as far as the pricing is concerned, the component intensity is concerned. So, it can only get better from here. If not better, at least, we should maintain this kind of a run rate.

Abhishek: Great sir. Thank you so much and wish you all the best.

Atul Lall: Thank you.

Moderator: Thank you. The next question is from the line of Nirransh Jain from BNP Paribas. Please go ahead.

Nirransh Jain: Yes hi. Good evening, sir. Congrats on a good set of numbers. Sir, I just have one question about Nokia, on the mobile phone side. So as far as my understanding is we are currently -- Dixon is manufacturing feature phones for them, but recently HMD has also announced that they are looking to double their exports from India and like Dixon being the key partner of them. So, I was just wondering, do we have any export opportunity immediately from the Nokia front since you mentioned that currently, you have visibility only from Motorola but not from the other brands? I just wanted to check on that.

Atul Lall: So, we are doing 100% of -- not 100% we are doing almost 95%, 96% of what Nokia sells in India both on feature phones and smartphones. 100% of their smartphone both on the Nokia brand and HMD are done by us. We're already manufacturing for exports for them. Exports have already started under the Nokia brand. And we have had deliberations and discussions with Nokia. And we'll be expanding the capacity for Nokia for doing their exports from India.

Nirransh Jain: Okay. Sir, just a follow-up on that, how much of the volume of smartphones are we doing right now for Nokia?

Atul Lall: It's a relatively a small number.

Saurabh Gupta: Yes. So, it's a small number. In the first quarter, it was only 10,000, 11,000 kinds of quantity. But on the feature phone side yes, we did almost 2.6 million which includes exports as well.

Nirransh Jain: Got it. That is, it from my side and all the best. Thank you.

Moderator: Thank you. Ladies and gentlemen, which was the last question for today's conference call. I would now like to hand the conference over to Ms. Bhoomika Nair for the closing comments.

Bhoomika Nair: Yes. Thank you very much, sir, for giving us an opportunity to host the call. Wish you all best and thanks to all the participants for being on the call. Thank you very much. And any closing remarks from your side sir.

Atul Lall: No, thanks very much, Bhoomika. And I really want to thank all the participants and our stakeholders we from Dixon are absolutely committed to create value for you. Thanks so much for having faith us, really appreciated. Thanks so much.

Saurabh Gupta: Thank you so much. Thank you.

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