Dixon Technologies (India) Limited

27th May, 2023

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 Q4 FY 23 Earnings Conference Call held on 23rd May, 2023

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 Q4 FY 23 Earnings Conference Call of the Company held on Tuesday, 23rd May, 2023.

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: 2023.05.27 21:38:32 +05'30'

Ashish Kumar
Chief Legal Counsel & Group Company Secretary

"Dixon Technologies India Limited Q4 FY2023 Earnings Conference Call"

May 23, 2023

ANALYST:	**MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED**
MANAGEMENT:	**MR. ATUL LALL - VICE CHAIRMAN AND MANAGING DIRECTOR - DIXON TECHNOLOGIES INDIA LIMITED** **MR. SAURABH GUPTA - CHIEF FINANCIAL OFFICER - DIXON TECHNOLOGIES INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Dixon Technologies 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors. Thank you, and over to you!

Bhoomika Nair: Warm good evening to everyone. Welcome to the Q4 FY2023 earnings call of Dixon Technologies India Limited. We have the management today being represented by Mr. Atul Lall, Managing Director and Vice Chairman and Mr. Saurabh Gupta, Chief Financial Officer. I will now hand over the floor to Mr. Lall for his opening remarks post which we will open up the floor for Q&A. Over to you Sir.

Atul Lall: Thanks very much, Bhoomika. Good evening, ladies and gentlemen. This is Atul Lall, and we also have on the call today our CFO, Saurabh Gupta. Thank you very much for joining this earnings call for the quarter ended March 2023.

Coming to our overall performance for the fourth quarter, consolidated revenues for the quarter ended March 31, 2023 was Rs.3070 Crores against Rs.2955 Crores in the same period last year, which is a growth of 4%. Consolidated EBITDA for the quarter was Rs.158 Crores against Rs.128 Crores in the same period last year, a growth of 32%, consolidated PAT for the quarter was 81 Crores against 63 Crores in the same period last year, that is a growth of 28%.

We are pleased to report a strong performance in the margins in the quarter with 110 BPS improvement and the margins have improved up to 5.2% in the last quarter. This has been led by change in sales mix, operating leverage, cost optimization and efficiency measures across all businesses and continued implementation of a strategic price hike across our various ODM business. Coming to our overall performance for 2022-2023, consolidated revenues for 2022-2023 was 12,198 Crores against 10,701 Crores in 2021-2022 that is a growth of 14%. Consolidated EBITDA for 2022-2023 was 518 Crores against 383 Crores in 2021-2022 that is a growth of 35%. Consolidated PAT for 2022-2023 was 256 Crores against 190 Crores in 2021-2022 which is a growth of 34%. Another highlight was a strong cash earned from the operations of 726 Crores in 2022-2023 which was used in funding the capex of almost 450 Crores and reduction in gross debt of 275 Crores resulting in further strengthening in our balance sheet with gross debt to equity of just 0.14. There has been huge focus of the team on cash conversion cycle and working capital management, Working capital days stood at negative two days at the end of March 2023. Our balance sheet strength and credit lines from banks enabled us to invest in long term development of our business. Our basic approach to capital policy always helped on return of invested capital and financial stability and we have successfully improved our ROC and ROE to 33.4% and 22.4% respectively as on March 31st, 2023, and we feel confident the same would keeping improving in the upcoming quarters and years on account of improved earning and working capital efficiency. We strongly believe that we have a platform to sustain strong revenue growth moving forward in the overall demand environment and acquisition of new customers, more specifically the large accounts in the mobile business.

Now I will share with you the performance and the strategy in each of the segments going forward. Consumer electronics, revenues for the quarter was 981 Crores with an operating profit of 37 Crores and 3.7% operating margin which is a significant improvement over the quarter last year. Operating profit margins have expanded have 90 basis points year on year on account of operating leverage and continuous focus on backward integration and offering our own design solution. Despite a year-on-year volume growth of 13% and 15% in Q4 and 12 months, 2022-2023 the revenues were lower by 3% and 17% in the same period year on year with significant downward correction in the prices of open cell in the international market. We have closed the ODM for **5:44 inaudible** with Google relating to Android and Google TV which will open up a lot of opportunities for us since 65% of the Indian market is on this operating system. We have also tied up with Samsung for Tizen operating system with a combined solutions roll out a large part of Indian market with Dixon orient solutions will be able to service. We will soon be starting injection moulding and have also infected in LED line in line with a continuous focus on backward integration strategy which will deepen the level of manufacturing in India. We are also exploring newer products which is commercial displays for which we have already received trial orders used in public advertisement and information display and interactive boards for use in educational institutions and office.

Lighting, revenues for the quarter was Rs.270 Crores with an operating profit of 26 Crores and operating margin of 9.7% with an expansion of 260 BPS year on year achieved through combination of reduction in input prices, calibrated pricing action, inventory planning, value engineering and significant initiatives in better sourcing. Apart from sluggish demand reasons for lower revenue is reduction in commodity prices, freight rates and migration of LED bulb technology from driver base to DOB which are approximately 25% lower price since LED bulb is India's largest category in lighting. It has a major impact in the revenue growth. We have very aggressive plans for new product introduction in Q3 and Q4 of FY2022-2023 and will continue the momentum with the launch of skip and rope lighting in Q1 of FY2023-2024 and professional adding production in the course of 2023-2024 besides the launch of new LED bulbs. After getting export orders from new customers in UAE in Q3 and Q4 we have received our first export order from Germany which will be included in Q2 of current fiscal. We are also in advanced stages of discussion with potential customers in US and UK. New modulating products based on blue tooth mesh technology that we acquired from Ibahn Illuminations will be launched in Q2 of current fiscal. The threshold of investment in FY2022-2023 under PLI for LED lighting components in line with a backward integration strategy that will make us even more cost competitive and the new plant for the LED lighting component in Dehradun has already started operations in the current month. The capital employment business has been significantly reduced by 175 Crores year on year on account of huge focus on current debt management which has resulted in improvement in ROC to 29% from 22% a year ago.

Home appliances, revenues for the quarter was 281 Crores which saw robust growth of 20% year on year and 15% quarter on quarter. Operating profit of 31 Crores also witnessed a strong growth of 67% year on year and 23% quarter on quarter with expansion of operating profit margins of 11% led by passing on the impact of commodity cost and exchange rate fluctuations to our customers, improved operating leverage and cost optimization measures. ROC in this business has improved 30% from 18% a year ago. Our new state of art facility for semi automatic machine in Dehradun will be operational by July 2023. In line with our backward integration strategy, we have set up our own tool room for in-house board manufacturing. The order book in this vertical for the upcoming quarters looks fair.

Mobiles and EMS business, revenues for the quarter was 1410 Crores with an operating profit of 59% and 4.1% operating margin which is an expansion of 50 to 60 BPS both on year on year and quarter on quarter. We have got large orders from Jio for which manufacturing already started and for Nokia our volumes have already increased significantly. Now in addition to this we are very, very close to finalizing two large relationship with the largest of global brand in India. These relationship with one of the brands is joint manufacturing. We are likely to start operations in next five to six months in the current fiscal for which a new facility of 320,000 square feet in Noida is in the process of being set up which will become operational in end of Q2.

Security surveillance system, Dixon's 50% share of revenue for the quarter was 124 Crores with an operating profit of 4 Crores. We have expanded the capacity from 10 million to 14 million per annum in a new 200,000 square feet facility in Kopparthi. It got operational on May 15th in the current month. Operating profit margins year on year mainly due to shifting of management of cost structure.

Telecom and networking products, in this segment for Q4 and FY2022-2023 was 126 Crores and 311 Crores respectively. Our separate facility in Noida got operational in December 2022 and we achieved a threshold of capex and minimum revenues in first year under PLI scheme.

We have bagged large order for set up boxes from Airtel and mass production should start by end of Q2 in the current fiscal. Also, we have another business of android set up boxes in partnership with Global Orient. The development work has started in March. Production will start from Q4 current fiscal. This has potential to grow even to other geographies outside India for exports. We are in active discussion with some large global brand for each and new product categories and building a joint team for R&D with our partners so today we have already emerged as one of the largest manufactures of OMD and Wi-Fi routers for Airtel in the country. Next vertical is laptop and tablets, IT hardware revenues for this segment was 92 Crores in Q4 and 155 Crores in whole of 2022-2023. This is for our major anchor customer Acer. The government has recently announced PLI scheme for IT hardware, products soon with a much higher pay out. We are studying the contour of scheme and will definitely be participating in this government initiative which is tremendous potential. In addition of Acer brand whose order is increasing monthly we are in discussion with some large global brands and for one of the brands the production should be starting next month. Rexxam Dixon Electronics Private Limited for our AC control board business. This is a 40:60 JV with Japanese company Rexxam to manufacture inverter control boards for air conditioning and is based out of new manufacturing facility in Noida. It has started operations in July 2022. The JV company achieved revenue of 79 Crores and 239 Crores in Q4 and FY2022-2023 respectively. Revenue potential in this business is huge with healthy margins and 100% ROC. The JV company is beneficiary under the PLI scheme, and we will make a total investment of 51 Crores over a period of five years. We have achieved the capex threshold under PLI scheme for 2022-2023 and will continue to invest to improve the operations. Wearables and hearables, revenue for this segment was 65 Crores and 300 Crores in Q4 and FY2022-2023 respectively. We have an extremely healthy order book in this vertical and we are targeting to almost double our 50% share in revenues in this current fiscal on account of increasing our quantity for existing SKUs of TWS and neck bands but also new SKUs like booth tooth speakers and smart watches and a new factory which has been setup in Nodia is 50:50 JV with Imagine Marketing and they are the brand owners of Boat. In line with our strategy with increasing level of manufacturing the PCB will also be invested for. In addition, we have started manufacturing TWL in smart watches for Samsung and a dedicated plant for mobile phone for Q4 of current fiscal. Refrigerators, the construction is under way on creating a facility in greater Noida. We are creating a capacity of 1.2 million direct cool refrigerator. This is in the capacity range of 190 liters, 235 liters with multiple features. We have already finalized and with some brands in the final stages of finalizing and the ties up with both global and national brands. The production is expected to start in the quarter of 2023-2024, so I will like to stop here now and me and Saurabh are there to respond to your questions. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: Hi, good evening, Sir and congratulations for good performance. I have a few questions first one mobile phone you did share quite a few development and two large brands coming on board in the next few months so can you help us how does the guidance on the mobile segment look for FY2024-2025 based on the timing of these clients coming on board and the new factory getting operational.

Atul Lall: Good evening, Renu. You know that mobile is going to be largest trigger of growth and we are in the processes of concluding with two of the largest brands present in India, global brand. Capacities are being created and I am hopeful in Q3 or in all probability by mid of Q3 the manufacturing for these brands will start and large revenue I do not want to put a number to it is going to come in from these two brands will be very very large.

Renu Baid: The guidance for FY2024 how should we look at the mobile PLI and the overall revenue to stack up is a bit close to 6000 Crores or does the number stack based on the pipeline of orders that you have from existing and new clients.

Atul Lall: So, in 2023-2024 the government guidelines is for 6000 Crores. We are confident of meeting, and we feel confident that there is going to be a significant overflow above 6000 Crores.

Renu Baid: Got it. Sir, secondly, given that PLI incentives and other programmes have been operational across segment can you share what was the incentive income booked in fiscal 2023 by Dixon across key different verticals and in total.

Saurabh Gupta: So, Renu we had only two incentives across two PLIs one is of course mobile where we are absolutely our incentive since December 2022, we have received so our share of revenues for FY2022-2023 would be somewhere around 9 to nine and half Crores apart from that we have also received a threshold for the telecom PLI with a JV with Bharti group. The JV revenue would be somewhere around 2 or 3 odd Crores.

Renu Baid: And this number should substantially ramp up next year given growth across all this entity coming from.

Saurabh Gupta: That is right so next year we will start getting the incentive of IT hardware which we will start booking also for Rexxam JV our inverter controller boards with Rexxam whereby whatever revenues we do we will get an incentive on that and also on the lighting components PLI we have done the capex. Capex has already begun under the inverter control JV with Rexxam. Index is already being done on the lighting components PLI. I think so incentives will start flowing in the current financial year.

Renu Baid: Sure, Sir thirdly and lastly in this case consumer electrical television if you see the margins are very strong this quarter 3.7 overall improving the margins for the year how should we look at the margin going forward in 2024 especially that now the ODM mix in revenue will substantially improve compared to fiscal 2023 so any input from this side will be appreciated.

Atul Lall: So, you are right Renu the large part of revenues in television segment is also coming from the ODM stream. The margins are going to be almost in similar range, in the range of 30 to 40 BPS plus minus for what we have achieved currently.

Renu Baid: Approximately 3.5% plus and minus range actually comes from that.

Saurabh Gupta: It is overall between 3.5 to 4 odd percent.

Renu Baid: Got it. I have a couple of more, but I will get back in the queue later. Thank you so much and all the best Sir.

Moderator: Thank you. The next question is from the line of Ankur from HDFC Life. Please go ahead.

Ankur: Hi Sir, good evening. Thanks for your time as always. Few questions one was on the overall end market demand itself for durables specifically TV, lighting, home appliances and we mostly see a slowdown and we keep on hearing the same from different companies but if you could help us understand what are your clients/customers telling you in some of these segments. How is your pipeline or order book when you look at say the next six months or so.

Atul Lall: So, Ankur it has been a mixed kind of bag. In certain businesses the order book is flattish, in certain businesses the order book is strong. In our case also please appreciate that being an outsourcing company also what makes a difference is that what is the share of wallet you are able to extract from existing customers and how is your customer acquisition initiative being pursued so coming to specifics first one and half months I find the demand in consumer electronics and lighting to be slightly flattish, but fortunately in last two weeks I am seeing an element of positivity and things turning around and in any case from next quarter we are heading towards the festive period so things are looking better. In case of mobile, the order book is very, very healthy. We have new customer acquisition and we have already started manufacturing for Jio. We have much larger share of wallet of our existing customers. In our existing anchor customer Motorola, we are assured of a larger order book including exports, so it is looking much much better. Similarly in telecom devices the order book from Airtel is really healthy. They are really pushing up their broad band. Also, in the case of hearables and wearable the order book is very very good. In fact, we have been pushed by our anchor customer to double our capacity from 1.2 odd million to 2.5 million in next one and half to two months, so it is mixed kind of bag, but I feel in the forthcoming quarters in a month or two things are going to look up significantly. This is what my sense is.

Ankur: Okay and also in washing machine I think that is one segment.

Atul Lall: Washing machine if you see last year, we have grown from 1.1 million in semi automatic to almost 1.5 million with 29% growth and also in the case of FATL fully automatic top loading since the base was low, we are improving zone from practically nothing to 1.6 lakh. This year our internal plan is to grow from 1.5 to 1.75 and in the FATL to grow almost 250k so we have an aggressive growth plan there.

Ankur: And if you could just also remind us of your FY2024 overall sales and margin guidance if any you can share. I think on the last call I think the number was closer to 18,000 odd Crores for 2024 if I kind of remember correct for 2024 if you could just help us with that.

Atul Lall: So, Ankur I do not want to give any specific guidance however I want to assure the stakeholders that the growth is going to be aggressive. It is going to be much ahead of the industry.

Ankur: Okay fair and just last one would be if you could share the volume detail by segment for FY2023 please.

Saurabh Gupta: So, the volume numbers for TV, so you want for the quarter or for the year.

Ankur: Year would be greater.

Saurabh Gupta: So, on TVs we did a volume of almost 3.43 million as against 3 million last year so that is s growth of 15% odd. So broadly we did a volume almost LED bulbs baton, down lighters and other this year put together we did somewhere around 17 odd Crores and in semi automatic washing machines we did 1.5 million, fully automatic washing machine we did 1.6 lakh, smart phone outside Samsung was around 35.4 lakhs against 35.3 lakhs last year so there is a growth of 40% odd there. Feature phones we did around 55 lakhs as against 30 lakhs so there is a growth of 82% here. On Samsung smart phone we did a number almost 94 lakhs as against 84 lakhs last year it is a growth of 12%. Samsung feature phone we did 82 lakhs as against 109 lakhs, 1.09 Crores last year so there is a degrowth of 25% in Samsung feature phone and Samsung as you know has taken a call to exist out of the feature phone business. CCTVs and DVR put together we did somewhere around 74 lakhs as against almost similar number 74 lakhs last year so it is flattish kind of number and set up boxes will be around 14 odd lakhs and TWS and neckband put together we did almost 57 lakhs for hearables and wearables.

Ankur: Okay great that was very helpful. Thank you and all the best.

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

Aditya Bhartia: Hi Sir, good evening. Sir, my first question is on margins that you report on JV and contraction consumer electronic business are they meaningfully better than the EMS part.

Atul Lall: So, there are, there are definitely Aditya.

Aditya Bhartia: Could you share some range how much better they could be and how you are expecting the JD proportion to be moving in this business.

Saurabh Gupta: Basically if you look at Aditya our contribution of the ODM business in TV has significantly increased from Q4 if you look at our consumer electronics, the LED TVs the ODM share revenues have gone from 5% to 38% and at yearly level it has gone from 4% to 23% so this is one of the reasons why the margins have expanded because of higher shares of ODM on design solution revenues coming in which is of course at slightly better margins than the average margins for the portfolio and also if you look at continuously we are migrating more and more to backward integration and portion of backward integration so the portion of PCB is being done for customers like Samsung, Xiaomi is increasing. We are also now focusing more on backward integration like injection moulding plastic for TV apart from panel assembly as well as the mother boards for TV and in the second half of the year there will be order in the line we are also looking to do LED bars of TV so clearly the focus is to migrate more on more on backward integration focus more on designing and clearly we have got a large order for Samsung, once the Google solutions comes in from second half of this financial year those will also have a positive impact on the margin side as well so clearly more than the volume play in this business I think the margin profiles has been very positive and we will continue to make efforts to drive higher margins in this business.

Aditya Bhartia: Understood so H2 you mentioned what exactly you will start doing.

Saurabh Gupta: We will roll out a solution from the portal and android TV.

Atul Lall: As in ODM we are the only Indian Google agency and in the smart television segment…

Aditya Bhartia: We were discussing about the JDM part of the business and you kind of indicated about the margins just confirming from H2 you mentioned that you will start doing LED bulbs.

Atul Lall: Aditya as we were explaining the whole focus of television strategy is migration to more and more our own design solutions which we already launched for our anchor customer. Further the roll out of the Google TV for which we are the only ODM agency in India and also Samsung Tizen operating software solution is going to happen in H2 of the current fiscal year. In addition to this our backward integration strategy is being pursued vigorously. Our mechanical plant that is injection moulding plant is going to become operational any day now and also, we are committed to make investment in LED bar which will also be rolled out in the second half of the current fiscal, so the strategy is migration more and more to ODM solution and backward integration and generate operating business for those. Further we are also improving the product mix. We are in the process of launching our commercial display for which we have already received trial orders and the production is about to start and also interactive TVs for educational institutes so that is the strategy we pursue for consumer electronics.

Aditya Bhartia: Sir you spoke about Jio phones in the mobile division. If you can throw some light on how large the contract is, what exactly we are doing from that side.

Atul Lall: We already started manufacturing the 4G phones for Jio. The manufacturing has started in the current month and the order book is fairly healthy. At present the order book is almost half a million units a month.

Aditya Bhartia: Understood and lastly Sir did we see any margin benefit due to RM cost coming down in the ODM business give that specifically the pass through happens with a bit of lag.

Atul Lall: If you see in our ODM business there has been a margin improvement across all our ODM business that is the result of value engineering, generating operating leverage because of the scale, improving the productivity and having a control on the cost and a part of this is also passing on increase to our customers.

Aditya Bhartia: Understood. That is helpful, Sir. Thank you so much.

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

Abhishek Ghosh: Hi Sir. Thank you so much for the opportunity. Sir, just in terms of the television segment how should we look at the volume growth and what can be the share of ODM over the next 12 to 18 months how are you looking at it.

Atul Lall: So, Abhishek if you see our 2021-2022 numbers for television were around 2.9 million. In the last fiscal we have grown to 3.4 million which is 15% growth. Please appreciate this kind of volume growth has happened in spite of the industry not growing and internal budgets for the current fiscal are around 3.8 million which is a growth of around 10% that is what we are budgeting for the current fiscal.

Abhishek Ghosh: How should the share of ODM move from currently 35% in the current quarter? How should that look over the next 12 to 18 months.

Atul Lall: So, we feel that the ODM is going to be almost 45-50%.

Abhishek Ghosh: Okay Sir large part of the ODM led margin benefit has already got reflected in the current quarter is that a fair assumption.

Atul Lall: Well actually there is going to be a further trigger when the roll out for our own ODM Google Solutions are going to happen but for that to ramp up it will take some time.

Abhishek Ghosh: Got that great. Sir in terms of the lighting segment while you did allude to a point that because of the lower raw material and change in product mix and the change in technology as well revenues have been muted but just in terms of volume also and you have also spoken about the competitive intensity in the earlier quarters how has that been panning out and is that also a reason for a slightly sluggish top line just your comments here Sir, thanks.

Atul Lall: Yes, you are right. The market has been flattish **34:57 audio cut** happened and also the competitive intensity is there so in Dixon’s case our large revenue generator has been SKU like LED bulbs, wherein the growth is not happening so one of those lot of initiative has happened on expansion of the product portfolio, one more and more products goes out from the ceiling and down lighter is happening, second our new product category for ropes has been rolled out and the commercial production is just about to start which is again going to add to our revenues. Further our professional lighting solutions are also going to be rolled out in second half of the current financial also monetization of the smart lighting which we have acquired from Ibahn will also start happening in the current fiscal, so these are certain concrete steps being taken up by the team for the revenue growth.

Abhishek Ghosh: Okay Sir just one last thing in terms of you mentioned couple of large clients whom are you likely to sign up and factories are getting constructed so I just wanted to get some clarity around that you start doing the capex even before the final deal is signed and how does it work and how should we look at it.

Atul Lall: So please appreciate it we have been sharing the progress for couple of quarters and the large customer acquisition take their own time because the discussion happen both on the technical and commercial tangents. We are almost in the final stages of conclusion and the commercial production for one of them is about to start soon for another one I think it will take two to three months to start so we are at very very advanced stages of concluding that. We are almost there so that is what I am in a position to share at this stage.

Abhishek Ghosh: Sir my only point is you are committing the capex in anticipation is there a fair amount of visibility that is the reason you are going in and committing that.

Atul Lall: Yes, absolutely see otherwise no capex be.

Abhishek Ghosh: The arrangement with Teno that you have done sometime in February.

Atul Lall: Teno is an entirely different project which to start with is for exports to US market.

Abhishek Ghosh: Got that. Okay Sir thank you so much for answering my questions wish you all the best.

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

Dhruv Jain: Hi Sir. Thanks for the opportunity. Sir I have a question with respect to lighting so you mentioned with respect to the exports starting to Germany etc., and some of the technological that have happened in the space so how should we look at the growth in this vertical so in FY2024-2025 what is the internal target that you are setting yourself and also you had some issues internally in the team so have they been resolved.

Atul Lall: As I said the domestic market has been kind of flattish and sluggish. We are pursuing the product expansion, getting into new SKUs to get into new category and then lighting is a category in the current fiscal also.

Dhruv Jain: Yes, I had one more question if you could just indicate what would be the capex for 2024 and 2025 thanks.

Saurabh Gupta: Capex would be in the range of 400 Crores.

Atul Lall: Sorry 2023-2024 I am hearing it is going to be around 400 Crores.

Dhruv Jain: Alright.

Moderator: Thank you. The next question is from the line of Dhananjai Bagrodia from ASK. Please go ahead Sir.

Dhananjai Bagrodia: Maybe I missed this for consumer electronic what would be the open sell prices and realization for the year.

Saurabh Gupta: So, Dhananjai if you look at the consumer electronics so our selling prices for that Q4 was around average it was around 11,700 and a similar to the last year average was around 14,000. This clearly it has come down and compared to the weighted average selling prices of the complete categories of TV put together. At a full year level in 2021-2022 the selling prices for us at a total level was around 16,400 which has now come down to around 11,500 for 2022-2023 so clearly there has been a pricing, the value being lower by 30% mainly on account of the open cell where the prices have corrected in the international market.

Dhananjai Bagrodia: The open cell the price decrease be exactly equal to this.

Atul Lall: Almost like that.

Dhananjai Bagrodia: Okay sure and Sir another question, your other expenses as percentage of sales has been declining would it be fair to assume that this would be steady state or just go for more improvement from here.

Saurabh Gupta: So basically, your observation is right all the expenses as a percentage of revenue whether it is employee expenses, other expenses depreciation of finance cost as a percentage of revenue will keep coming down. We have got some significant operating leverage benefit in some verticals and some verticals it has kick in this financial year and overall, it will start reflecting and so your observation is absolutely right it should coming down.

Dhananjai Bagrodia: Any guidance in terms of what could be the base case or anything of that sort.

Saurabh Gupta: So, if you look at the operating profit margin it has expanded by 50 to 60 BPS and gone up to almost 4.2%. My sense is clearly this year also there can be a possibly margin expansion of around 20-25 BPS but one as to wait and watch on the whole demand scenario which of course should pick up ahead of the festive season.

Dhananjai Bagrodia: I was asking this 5.1% OPM which we have this quarter. This would be little more on the higher side and you mentioned that 4.2, 4.3 is what you think will be sustainable for FY2024-2025 right.

Saurabh Gupta: So, the point I wanted to bring about that last year 2021-2022 our margins went up as 3.6% mainly because there was a big supply chain impact, commodity prices impact which has now been completely settled so we have clearly expanded the margins to 4.3. We think with benefits of operating leverage coming in migration to ODM that we are focusing on in most of the verticals and also more and more backward integration clearly, we see that some kind of margin expansion is possible in this 4.3% so broadly you should look at a range of almost 4.2 to 4.5% kind of range for this financial year.

Dhananjai Bagrodia: Okay and if I could squeeze in one question. I know guidance has been little tough to give apart from mobile phones and maybe somewhat in washing machines any other segment where you see double digit growth going ahead.

Atul Lall: I have shared with you the volume growth in television and now the value is also increasing because the open cell prices have already gone up by almost 15% so there will be a value growth. There would be definitely a significant growth in washing machine. I have shared with you our current plan which is almost 20% more than the last year. There will be of course large growth in mobile side. In lighting I have talked about a growth of 15% in the new category of the hearables and wearables where the base was low and the order book was extremely high, the growth is going to be extremely aggressive. The new vertical of telecom devices again the growth is going to be good because the base is low. In Rexxam JV the order book for Daikin is very healthy so the growth definitely is going to be much much ahead of the industry growth. We are fairly confident about it.

Dhananjai Bagrodia: Okay and Sir last question is bookkeeping question in our mobile phones ex mobiles the other businesses what margin would they be approximately.

Saurabh Gupta: Yes, the other businesses the margin profile would be better as compared to mobile so if on average we have done say a margin of 4.1 so broadly those margin profile will be upwards of 4.5% in other business.

Atul Lall: And other businesses and EMS is going to be around 30-40 BPS more than mobile.

Dhananjai Bagrodia: Okay sure. Thank you so much.

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

Onkar Ghugardare: In an interview you had given guidance of around 23,000 to 24,000 Crores of revenue for FY2027 so if we calculate that from current 12,000 odd levels to 23,000 to 24,000 Crores it is almost a double in say in say next four years from 2023 to 2027 so that is around say 15 to 17% kind of growth in the revenue front so which is much lesser than the growth which you were talking about earlier say one year back say growth of around 25-30% so what has exactly changed.

Atul Lall: That was my response to an overall number when the anchor asked me over four to five years time frame. Here I am very specific in responding to you that the growth is going to be much ahead of the industry growth. I do not want to put a number to it.

Onkar Ghugardare: Okay and what is the current industry growth.

Atul Lall: So across various businesses it is different.

Onkar Ghugardare: Correct but as you are saying it would be much larger than the industry growth you would be knowing right.

Atul Lall: I do not want to get into specific answering that question please.

Onkar Ghugardare: Okay so the internal target is at least to double the revenue in next three, four years.

Atul Lall: That is right.

Moderator: Thank you. We will move to the next question that is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir thank you for taking my question. Sir just wanted to understand from the landscape of mobile EMS right now in India. There was news flow around Vistron possibly exiting India how are we looking at the whole Apple business is there something that you can share on that account. How are the Chinese companies doing in terms of own manufacturing are any of them planning to do more in terms of outsourcing where we could benefit just to understand the broader landscape on mobile EMS and where we are.

Atul Lall: It is an extremely pertinent question. I would like to respond it at two levels so undoubtedly Apple is the flag bearer of mobile manufacturing store in India and that is on a high growth path and I would compare it to the Maruti Suzuki story which gave a flip to the auto industry back in 80s and 90 and that component eco system, the devices is on a very very high growth path now whether the opportunity exists for the Indian player we are of the firm conviction yes but it is going to take some time. It is going to happen through partnership routes and definitely there will be a large opportunity for mobile, Apple eco system for Indian manufacturers definitely. Second is the EMS story one of those is dominated by the global players are kind of focused on Apple and Samsung. Second is the Chinese brands and please be rest assured more and more Chinese brands are looking at outsourcing the base model and it is not only going to be device manufacturing, it is also going to be the creation of the component ecosystem it is also going to be deepening on manufacturing and hopefully at some point of time apart from Apple, India will possibly will emerge as an exporter that is at the broader level. I was trying to respond to your question on the landscape mobile manufacturing in India.

Pulkit Patni: Sure, Sir that is useful maybe I will slip in more. Sir I know you are not giving any guidance but mobile is a very large part and any there delta there could be significant, since you are putting in capex for the two new customers you would have some visibility on their contribution for FY2024 so if you could just talk about how much could those two new customers be in terms of contribution because that will help us understand the revenue trajectory there.

Atul Lall: So, you see any new customer acquisition, ramping the production, stabilizing the production takes some time and to give some kind of firm number is slightly difficult because stabilizing of operations takes time however, I feel that these two new accounts on a combined basis can generate 4 to 5000 Crores of revenue in this current fiscal itself.

Pulkit Patni: That is useful. Thank you.

Moderator: Thank you. The next question is from the line of Nikhil Agrawal from VT Capital. Please go ahead Sir.

Nikhil Agrawal: Good evening, Sir and thank you for the opportunity. Sir, I had a question on the mobile phone division last quarter you had guided for 8000 Crores of revenue if I am not wrong and now you are guiding for 6000 Crores of revenue for 2024 so any reason for this cut.

Atul Lall: So, I have not cut anything. I have not given any guidance for this year. What I had responded to Renu was that upwards ceiling for our PLI and also there is an overflow provision in the PLI scheme is 6000 Crores we are assured of that, but we are confident of surpassing that significantly.

Saurabh Gupta: If you listen to the answer which was given in the previous question clearly and what was given in the last call, I think those numbers are almost similar.

Nikhil Agrawal: Okay got it and Sir one more question like in the last quarter you had mentioned that you would be acquiring a large customer in March so like any update on that in the mobile segment.

Atul Lall: So this is what I have shared in responding to last three, four questions and that we are at a very very final stage of closing down on a couple of customers and the manufacturing for these customers should start in the next three, four months. A new factory is being set up of 320,000 square feet which will be operational by July, August.

Nikhil Agrawal: Okay got it. Thank you so much. That is it from me.

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

Aditya Bhartia: Sir my question was on the capex number wherein I have seen that you have done roughly 170 Crores of capex in Q4 given that you had indicated capex stood at 280 Crores for nine months is it mainly on the mobile phone facility that we are speaking about or there is something more to it.

Saurabh Gupta: So, Aditya one of course we have done some part of capex for mobiles but that large part of the capex will happen in Q1 is currently happening both on the new plants as well as the machinery or the lines required for those potential customers. I think so the Q4 capex that you are talking about 170 Crores a significant portion has gone into our refrigerator plant which is now will be live in that plant by November so lot of advances, machinery, construction for the 20 acres facility is happening at a very fast pace now, so significant portion of that 170 Crores has gone to refrigerator. Mobiles is also part of it and also semi automatic washing machine we have taken a new plant which will be operational by July so construction on that machinery all put together.

Aditya Bhartia: Understood and just one clarification for Jio phone you had mentioned 0.5 million order book per month did I hear that correctly.

Atul Lall: This is not a continuous business. The Jio order come in project forms, so the current order book is of this kind.

Aditya Bhartia: Understood and overall, we have the order book for two to three months.

Atul Lall: Something like that.

Aditya Bhartia: Understood Sir. That is very helpful. Thank you so much. Wish you good luck.

Moderator: Thank you. The next question is from the line of Alok Deshpande from Nuvama Institutional Equities. Please go ahead.

Alok Deshpande: Yes, good evening, everyone and thank you very much for taking my questions. My question was little bit long term if you look at the next maybe three to four years or five years are there any categories within electronics which are completely untapped in the sense that which you are not at all entered any colour you can give on that.

Atul Lall: You see in Dixon's case our growth journey has been of course growth in the existing businesses. In existing businesses getting the large share of existing customers and also acquiring new customers apart from that building on core competence of electronic manufacturing every year practically we have been venturing into new business. We started only with television, lighting, washing machine, air conditioning components, refrigerator, mobile, telecom devices, set up boxes, TWS, smart watches. We feel this is current opportunity pool particularly after the PLI version 2 has been rolled out by the government, a large opportunity can be IT products, so the team is studying the new PLI scheme. We feel there is large opportunity for us so that is what I see as of now, but everything is electronics many, many things will come in the way of the industry and in Dixon we will not loose any kind of opportunity so as of now what I see in front of us apart from existing business is the IT products.

Alok Deshpande: Sure, understood and just one clarification on this two new potential customers that will come in the mobile division. Sir last time when you have given the guidance of mobile revenue going up from 4000 Crores to 8000 Crores, I presume you were assuming that the commercial production there would start probably in Q1 of FY2024 now that getting pushed out to Q3 do you still see that kind of quantum of revenue coming in FY2024 or you are largely indicating the quantum that can potentially come on annual basis.

Atul Lall: So, any start of a new large account has its own challenges, so I am not commenting on any number. However, at the same time we as a team at Dixon are fairly confident of generating that number.

Saurabh Gupta: Also, there has been a small change. Last time we were talking about two customers including Teno which we have already announced now including Teno we are talking about three customers.

Atul Lall: And also, we are talking about Jio which is already operational.

Saurabh Gupta: And Nokia increased quantity so that has given us more confidence and despite this new customers only running for six months of operation we can still achieve those kind of numbers that we have guided for earlier.

Alok Deshpande: Understood very clear. Just one very small question the margin improvement that we have seen in Q4 sequentially as well as year on year now a lot of the drivers that were mentioned at the start of the call seemed very structural to me in terms of strategic price hike, cost efficiencies etc., now is it fair to assume that not at overall level but across segments this margin level become the new normal for this year coming year.

Atul Lall: So please appreciate in Q4 the margins have expanded by 110 BPS to 5.2% now are they sustainable I think we should be conservative. On a annual basis the margins are around 4.2% which increased from 3.6% on analyzed basis. We feel that from 4.2% there is a possibility of improvement by 30-40 BPS but let us see.

Alok Deshpande: Thank you. It is very helpful.

Moderator: We will take the last question from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead Sir.

Keyur: Thank you and congrats for good set of results. Sir the question is on lighting and washing machine so despite all the initiatives in lighting it is about new category addition of say commercial lighting, rope lighting and one more drive of export and on the other hand washing machine we are adding full automatic and earlier we have talked about export opportunity as well so despite that overall growth number are in line with what industry is growing or slightly higher than that so what has happened is it because of the industry slowdown because earlier we were talking about new customer addition as well in washing machine so just to get an idea on what is happening on the exports side because that was considered a big opportunity in lighting and more customer addition in fully automatic washing machine so just your thoughts on despite all this drivers why slightly not muted but moderate growth guidance.

Atul Lall: So, responding to your question on washing machine we started with our anchor customer and more and more new customers are being added please be rest assured. This customer acquisition is being pursued very aggressively and it is also maturing, and we are the only large ODM FATL player in the country, so the growth is going to be good but launch of any new solutions in the new customer only a complex product like fully automatic top loading it takes its own time and that is the reason the indicative numbers is slightly conservative. On the lighting side whatever undoubtedly the domestic market has been flattish and also the unit price in certain SKUs like led bulbs and baton have been significantly declining. We are trying to build the volumes there but the main growth is going to coming two addition of new category like expanding the product portfolio of ceiling light and down lighters launching the strip light and rope light for which the commercial production is just about to take off, launch of professional lighting for which our R&D team has been strengthened significantly and roll out is on the way and then exports so I have guided for around 12-15% growth in lighting which I feel and that with unit price decline is an aggressive target.

Keyur: Okay understood. Thanks a lot, and all the very best.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference back to Ms. Bhoomika Nair for closing comments. Thank you and over to you Mam.

Bhoomika Nair: On behalf of DAM Capital, I would like to thank everyone for being on the call and especially the management for giving us an opportunity to host the call. Thank you very much and wishing you the very best.

Atul Lall: Thank you everyone and thanks Bhoomika. Thanks very much.

Saurabh Gupta: Thank you everyone. Thank you Bhoomika.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.