# Twitter Thread by The Tycoon Mindset



**The Tycoon Mindset**
@tycoonmindset05

**Dixon Technologies con call was today at 4:00 PM.**

**"Company will be focusing on expenditure in R&D and disciplined capital allocation for future growth"**

**Here are the key takeaways of the call. ■**

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Opening remarks

- Company had a good all around performance with highest sales.

- Growth of 120% in revenue

- EBITDA had a robust growth of 89%.

- Growth has been broad based.

- order book continues to be very strong.

- Growth is reflected across businesses.

## Segment Wise Performance : Q3, FY 20-21 vs Q3, FY 19-20

Dixon

| Particulars (INR Lacs) | Q3, FY 20-21 | Q3, FY 19-20 | % change | Q3, FY 20-21 | Q3, FY 19-20 | % change |
|---|---|---|---|---|---|---|
| | Revenues | | | % of Total Revenue | | |
| Consumer Electronics | 135,983 | 45,425 | 199% | 62% | 46% | 16% |
| Lighting Products | 34,861 | 27,668 | 26% | 16% | 28% | -12% |
| Home Appliances | 11,518 | 6,839 | 68% | 5% | 7% | -2% |
| Mobile & EMS Division | 29,917 | 13,954 | 114% | 14% | 14% | - |
| Security Systems (50%) | 5,553 | 5,032 | 10% | 3% | 5% | -2% |
| Reverse Logistics | 446 | 462 | -3% | 0.2% | 0.5% | -0.3% |
| **Total** | **218,278** | **99,381** | **120%** | **100%** | **100%** | **-** |
| | Operating Profit | | | Operating Profit Margin % | | |
| Consumer Electronics | 3,943 | 1,149 | 243% | 2.9% | 2.5% | 0.4% |
| Lighting Products | 3,315 | 2,385 | 39% | 9.5% | 8.6% | 0.9% |
| Home Appliances | 1,175 | 915 | 28% | 10.2% | 13.4% | -3.2% |
| Mobile & EMS Division | 1,377 | 322 | 328% | 4.6% | 2.3% | 2.3% |
| Security Systems (50%) | 195 | 223 | -13% | 3.5% | 4.4% | -0.9% |
| Reverse Logistics | 46 | 159 | -71% | 10.3% | 34.4% | -24.1% |
| **Total** | **10,050** | **5,153** | **95%** | **4.6%** | **5.2%** | **-0.6%** |

1. Consumer Electronics :- Includes AC PCB Revenue of Rs 2,676 Lacs as against a Revenue of Rs 2,662 Lacs in the same period last year, a growth of 1%
2. Mobile & EMS Division :- Includes Set top box & Medical electronics revenue of Rs 6,932 lacs & Rs 1,092 lacs respectively

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- Overall demand outlook remains positive

- Due to global trade mismatch in commodity prices resulted in higher input cost and disturbed supply chain

- It could disturb the ODM revenue a bit

## ODM Revenue (%)

Dixon

| Revenue (%) | Q3, FY 20-21 | Q3, FY 19-20 | % change | 9M, FY 20-21 | 9M, FY 19-20 | % change |
|---|---|---|---|---|---|---|
| Consumer Electronics | 6% | 3% | 3% | 5% | 6% | -1% |
| Lighting Products | 91% | 89% | 2% | 90% | 85% | 5% |
| Home Appliances | 100% | 100% | - | 100% | 100% | - |

## Segment Wise – 9M,FY 20-21 ROCE (%)

| Particulars (INR Lacs) | Capital Employed | | | ROCE * | | |
|---|---|---|---|---|---|---|
| | 9M,FY 20-21 | FY 19-20 | % change | 9M,FY 20-21 | FY 19-20 | % change |
| Consumer Electronics | 6,788 | 6,348 | 7% | 147% | 46% | 101% |
| Lighting Products | 23,566 | 26,796 | -12% | 33% | 37% | -4% |
| Home Appliances | 16,251 | 12,319 | 32% | 22% | 30% | -8% |
| Mobile & EMS Division | 12,513 | 7,185 | 74% | 28% | 31% | -3% |
| Security Systems (50%) | 1,926 | 1,630 | 18% | 20% | 36% | -16% |
| Reverse Logistics | 1,133 | 1,175 | -4% | 1% | 10% | -9% |
| **Total** | **62,178** | **55,454** | **12%** | | | |

*9M,FY20-21 **ROCE =** TTM EBIT/Average Net Capital Employed based on the Capital employed as on 31st Dec 20 & 31st Dec 19

- Company is well positioned with robust balance sheet with good cash position.

- Company is focusing towards investing in people and R&D

- Company is extremely focused towards disciplined capital allocation

LED

- govt regulation has helped in growth.

- Company did well in this segment because of backward integration, operating leverage & sales of larger size tv.

- 4.4 million capacity that is 30% of India's total requirement

- Company is expanding its capacity to 5.5 millions

- Lighting

- Within a short span of time company has recached back to pre-covid levels.

- margins expanded to 9.5%

- Solutions for smart lighting segment and emergency lighting.

- Order book is very healthy thus company is expanding the capacity further more

- Decorative lamp capacity has been expanded.

- Company is setting up a new factory for lighting and will be operational by Q3 of next fiscal year.

- Company has started exporting to US & Indonesia.

- Company is in talks with very large retailer internationally.

- The team is developing household lighting solution

- Company is looking to venture into international markets

- Global market is 8 billion dollar. Company is globally no.2 or 3 manufacturer.

Washing machine Business

- Margins would be under some pressure this quarter

- Order book remains very high thus, company is going to expand the capacity of semi automatic in Dehradun.

- Tirupati plant is almost complete

Mobile Phones

- Revenue grew by 114%

- commercial production has started for Nokia

- commercial production for Motorola will start soon

- The new factory under PLI scheme is being constructed.

- The annual capacity for smartphone would be 20 million

- From this quarter company would start reporting the revenues of this vertical separately

- Company has the largest capacity for 2g phones which is used for domestic and export sales

- ROC will be robust and there will be quick payback on the project.

- Company is seriously considering backward integration in Chargers, batteries & mechanics

Medical electronics

- Healthy operating margin with very high level of ROCE

- Company has entered into wearables segments

- Reverse logistics segment: Mainly for set up boxes and LED TV

- Motorola business is going to be mainly for international market.

- 4-5 years is good enough time for government to support the manufacturing industry that is in nascent stage.

- Company will do business in segments that are not in PLI scheme as well

PLI scheme

- Nokia and Motorola are the first 2 customers that the company has finalized.

- The order made by Motorola is almost exceeding the govt ceiling.

- Motorola production is to cater the global markets

- Due to PLI there would be deepening of manufacturing in India

- Samsung has a good relationship with Dixon. The company is producing 2g smartphones

- Samsung is eligible for PLI scheme in smartphone business

Pli scheme

- Due to supply chain constraints the company will not be able to meet the thresholds

- Other competitors would also not be able to achieve the threshold

- Next year threshold will be met fairly faster.

- issue is not with order book. issue is with supply chain management.

- Market has shifted from 32 inches to 43 inches which has led to expansion in revenue and margins.

- Company has added smasung, flipkart's private label, Reliance's private label and tata croma for sales

- Almost 75% of revenue are coming from Xiaomi and Samsung in LED TV

- This revenue from top 2 customer will get lower to 65% with more customer acquisition

Motorola partnership

- By year 3 or year 4 the company would be catering the 30-40% of Motorola's demand. The China production is mainly being shifted to India

- Dixon has passed the the level 1 quality audit & the commercial production will start by next quarter.

- Lower Cost would be achieved by the company.

- Nokia production would be for domestic market.

- Company is in talks with another large mobile brand for smartphone manufacturing.

Backward integration

- Company is not looking for backward integration in terms of PCB

Capex

- Lighting side: Capacity would be coming in Uttarakhand

- PLI week of lighting would be announced by 2nd week of feb and the company would be applying for that.

- 104 crores Capex has been done till now for washing machine and Pli project

## Expenditure Analysis : Q3,FY 20-21 vs Q3,FY 19-20

Dixon

| Particulars (As a % of operating revenues) | Q3, FY 20-21 | Q3, FY 19-20 | % Change |
|---|---|---|---|
| Cost of Material Consumed | 90.4% | 87.2% | 3.2% |
| Employee benefit expenses | 1.7% | 2.7% | -1.0% |
| Finance Cost | 0.4% | 0.8% | -0.4% |
| Depreciation and Amortization Expense | 0.5% | 1.0% | -0.5% |
| Other expenses | 3.2% | 4.9% | -1.7% |

## Expenditure Analysis : 9M,FY 20-21 vs 9M,FY 19-20

| Particulars (As a % of operating revenues) | 9M, FY 20-21 | 9M, FY 19-20 | % Change |
|---|---|---|---|
| Cost of Material Consumed | 89.3% | 88.6% | 0.7% |
| Employee benefit expenses | 2.2% | 2.5% | -0.3% |
| Finance Cost | 0.5% | 0.8% | -0.3% |
| Depreciation and Amortization Expense | 0.7% | 0.7% | - |
| Other expenses | 3.8% | 4.2% | -0.4% |

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Volumes

Consumer electronics volume has been 200%

- Washing machine 2.4 lacs

- 75 lac for mobile phones

- Cctv 9lac

- Setup box 9 lac

- Medical equipment 450 units

- Talent acquisition

- Strengthen the HR department

- Strengthen middle management team in design, manufacturing, quality management system.

- Have tied up with global consultant in this talent management

- Company is strengthening the IT segment

New opportunity for PLI

- Company is looking for IT and wearables PLI.

- For IT the company has a good relationship with a very large brand.

- cost and productivity is better in India than in Vietnam.