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. ■

@sonalbhutra @drprashantmish6 @varinder_bansal @Milind4profits @gvkreddi

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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

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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

- 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 (%)

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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.