



“Dixon Technologies India Limited
Q4 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY2021 Results Call of Dixon Technologies India Limited hosted by Emkay Global Financial Services. 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 end of today's presentation. 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 Mr. Naval Seth from Emkay Global Financial Services. Thank you, and over to you, Sir!

Naval Seth: Thank you, Faizon. Good evening everyone. I would like to welcome the management and thank them for this opportunity. We have with us today Mr. Atul Lall, Vice Chairman and Managing Director and Mr. Saurabh Gupta, Chief Financial Officer. I shall now hand over the call to Mr. Lall for his opening remarks. Over to you, Sir!

Atul Lall: Thank you very much, Naval. 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 earning call for the quarter ended March 2021. I hope that you and your family are safe and healthy. We as Dixon are dedicated to the health and safety of our team members as such we continue to invest in our policies and protocols to operate in the safest manner possible in the face of challenges currently. Coming to the numbers, consolidated revenues for the quarter ended March 31, 2021, was Rs.2111 Crores against 857 Crores in the corresponding quarter last year, which is the growth 146%.

Consolidated EBITDA for the quarter was 80.8 Crores against 55.9 Crores in the same period last year, which is the growth of 45%. Consolidated PAT for the quarter was 44.3 Crores against 27.6 Crores in the same period last year, which is the growth of 60%. Gross margins and EBITDA margins contraction on year-on-year was primarily driven with substantial change in segments, mix, with the higher increase in share of business due to the quarter from LED TVs, which is an OEM business with a lower margin and a steep input in the price increases on the commodity side, which had an impact on our ODM business.

EBITDA also factored in with the ease of expenses of around 8 Crores in Q4 on an account of new ESOP plan 2020, adjusted for that the EBITDA and EBITDA margins should have been higher. A rapid and large increase in commodity cost, which has started happening since November 2020, and continued throughout in Q4 has impacted our contribution in EBITDA margins In our ODM business that is primarily lighting and washing machine wherein we offer design solution there is lag in passing on the increase in commodity prices

so in short-term there has been a negative impact for sometime till the time we have passed on fully to customers.

So in lighting business, majority the cost increase was passed to the principles in the last quarter itself largely, but in case of home appliances, the same as we have already passed on in Q1 of the current fiscal. Our frugal cost structure on a large scale gives a competitive edge watch in the challenging situation. We are monitoring the situation very closely and are confident of addressing the margin pressure in our ODM business through a combination of calibrated price increases, inventory planning, and also value engineering. Overall, fiscal year 2021 had ended with a fairly strong growth in revenues and profitability as the teams have demonstrated their ability to resolve and to mitigate the challenges and complexities of COVID-19.

As you all know second wave unlike the first wave has turned out to be more ferocious, spreading wider and significantly impacted demand even in the rural areas. From second week of April, the growth has slowed with further deceleration in May. We are cautiously hopeful that by May end one should start seeing at least some of the states and districts starting to open the lockdowns or allow the markets to function and see an uptake in demand; however, we strongly believe that in Dixon, we have a platform to sustain strong revenue growth moving forward as and when the overall demand strengthens.

We are well positioned with the robust balance sheet. We have a cash balance of 164 Crores, and net debt of negative 8 Crores as on March 31, 2021. Balance sheet strength enabler to whether any future uncertainty and invest in the long term development of a business. It has enabled us to continue to invest in organization and people through this challenging period of COVID. We also continue to step up our investment in people in hiring and development of R&D and design capabilities, the benefits of which are already showing results in long-term results will continue to be realized over the years by the organization. In addition in the last fiscal at the end of March 31, 2021, we have delivered strong return ratios with ROE of 25% and ROCE of 31.4%.

Now, I will share with you the performance and the strategy in each of the verticals going forward. Revenues for the quarter that is with consumer electronics I am sharing under review was 1179 Crores against 393 Crores in the same period last year, which is a robust growth of 200% led by both volume and pricing growth. Operating profit also saw an extremely good growth of 189% against 28.2%, this is 28.2% in Q4 financial year 2021 against 9.8 Crores in the same period last year.

We presently have a capacity of 4.4 million TV sets including backward integration in both LCM and SMT, which is the largest capacity in India. We have also started production of large screen TVs like 75 inches and 85 inches for our anchor customers.

As we had shared with you earlier we are further expanding our capacity to 5.5 million in the next couple of months adding new automated 65 inches integrate line with a LCM and FA and also one more high speed SMT line to meet our customer's demand, so we will have the largest capacity, which is more than 35% to 37% of Indian requirement and similarly or PCBA capacity with new line of SMT is going to further increase 1.8 million to 2.8 million.

We have a total factory area of more than 0.5 million square feet, which is in the campus of Tirupati. We are further investing in backward integration by setting up an injection molding unit set to be one of the most backwardly integrated plants relatively in India.

We are vertically integrated, we have the largest capacity in LED TV and we also have a large R&D team. Our R&D team has developed new cost effective solutions and technologically advanced Android TV set with customer's features for our various customers. In this particular vertical now we are getting into a new product SKU, which is LED monitors. I am pleased to inform you that we have tied up with two largest global brands for manufacturing LED monitors and the production will commence from Q4 of current fiscal.

The lines in Q prints have already been ordered and we will be creating a capacity of one million LED monitors to start from Q3. The expected volumes in the year one will bring the range of 0.5 million LED monitors and we expect the order book to significantly increase from year two. The revenue and the profitability numbers is being worked out, but we expected to be in the similar range as LED TV.

Now coming to our next vertical lighting, revenues for the quarter again witnessed a strong growth of 50% year-on-year. We had a revenue of 382 Crores Q4 against 255 Crores in the same period last year and this is again a growth trajectory, which we have been able to demonstrate.

Operating profit also witnessed a good grow to 21% year-on-year. We had an operating profit of 31 Crores against 25 Crores in the same period last year. The margins in lighting business has contracted because of the impact of input cost, as there is always a lag and passing on the price increase; however, in the case of lighting most of the cost increases already been passed on. All the brands in lighting business are on ODM basis and also a

large percentage of our sales is being sourced from Dixon. We are India's largest ODM in lighting and have the largest capacity in various SKUs, so in LED bulbs we have a capacity of almost 300 million, which is between 45% and 50% of the requirement.

We have also developed solution for smart LED bulbs, battens, and downlighters as an emergency bulb for various customers. As I had shared with you last time we have expanded our capacity of battens to 3 million in a month and the Indian requirement is around 7 million a month, so we again have a large scale there and similarly in downlighters we have expanded our capacity from 600000 per month to 1.5 million, the Indian requirement is 3 million. In addition, we also have created a capacity of 5 million per month of 0.5v decorative lamps. We feel that the kind of volume the entire range of product portfolio we are now globally comparative among the top companies in the world as far as the volume is concerned.

We are working on certain export and global contracts, we are expecting a significant breakthrough because the final approval on the technical side is on and I expect some good results to come out of it within July-August. As I had shared with you last time, we are in the process of developing outdoor lighting solutions, mainly street lights and commercial lights and these will be launched in Q2 of the current fiscal. The Government of India on April 16, 2021, launched the PLI scheme for manufacturing of components of LED light. The detailed guidelines of the scheme have also been rolled out. This is a part of an effort to the government to create the competitive ecosystem.

We are closely studying it and in all probability we will be pursuing it particularly on the mechanical side for the LED lighting solutions because that is a part of backward integration and we have a deep understanding of that particular domain. Coming to home appliances, the revenues for the quarter again show a steady growth of 63% from 90 Crores Q4 of 2019-2020, it has grown to 146 Crores, but an operating profit margin side, there has been a significant pressure because of increase in prices on commodities and there has been a lag in passing on the increase in the commodity prices in last fiscal, but let me assure you that the same has now been passed onto our customers in Q1 of the current fiscal.

We presently have 140 odd models and have the largest product portfolio ranging from 6 kg to 12 kg across the semi-automatic category and now we are expanding our capacity to 1.5 million from 1.2 million, which will happen in August-September this fiscal. In the new facility for fully automatic top loading, which has been and plant that has been set up in Tirupati is now ready with all the machine installed, the trials have been completed and the samples have been submitted to our customer to our anchor customer, Bosch, which is under approval. We are expecting the commercial production to start by end August or early

September and this gave approximately 40 models again the largest range between 6 kg to 10 kg and this will have an annual capacity of 6 lakhs and we are the various agreements with our existing a new potential customers are in works.

Coming to mobile phone and EMS division, revenues for this division for the quarter grew to 290 Crores against 60 Crores for mobile revenues in the same period last year, which is a growth of almost 381%. In the current quarter the revenues for set-top-box and medical equipment business in this vertical was 46 Crores and 92 lakhs respectively out of 290 Crores. Operating profit was 7.4 Crores against 8.4 Crores, this is on account of increased fixed cost in terms of manpower and other overheads that has been built in setting up the new factory under the PLI scheme, which has already been set up and the commercial production has started, but you know that in our business, there is an initial ramp up cost, which has led to the pressure on operating profit.

So, we have already commenced production commercial production from Motorola in mid March and also the production for Nokia has started in February. We are confident of achieving the sealing revenue of this financial year under the mobile PLI. We are making further investment to meet the threshold levels and we will be targeting to take the capacity up to 15 million per annum in the next couple of years against a present capacity of 3.5 to 4 million give a strong order book from Motorola and out of this 60% to 65% will be for the export markets. We will start exporting for Motorola to SAARC countries next week and to US by first week of July. We are the first Indian mobile manufacturing company, which has an M&M infrastructure that is capable of building the 5G phone as per any global requirements.

Further, we have created the land bank of 5 acres in Noida, which has been directly allotted to us in which will be setting up an integrated mobile phone facility. As far as set-top-box is concerned we manufactured 6 lakhs set-top-boxes in the last quarter and 21 lakhs in the whole year. In Q4, we had a revenue of 46 Crores and in the whole year we had a revenue of 156 Crores with approximately 3% operating margin and the order book in this vertical looks very healthy with almost 0.5 million set-top-boxes per month, but due to shortage of components we feel confident that we should be able to do approximately 0.35 million per month starting Q2 this fiscal.

Medical electronics, we had manufactured almost 550 odd units of RT/PCR machines. It generated for us revenue of 13 Crores with an operating margin of 28% and a strong ROCE because in this the investment in the form of working capital is very minimal. In security surveillance business, we have seen a strong growth of 100% year-on-year in this quarter. We got revenue of 109 Crores in Q4 versus 54.6 Crores in the same period last year.

Operating profit also increased from 1.9 Crores in Q4 last year to 3.1 Crores in the current fiscal is up by 66%. We are again because the order book in this as committed by our principal looks healthy so we are further expanding our capacity.

Now I will share with you and update you about the opportunities on which we are working. So we had shared with you that we are going ahead with the refrigerator product in a direct cool category, so we have already kicked off this project because the market study done, we have finalized on the technology partner. We have started building a team, we have got the project manager and R&D managers in place. The project design is under works so we will be initially creating a capacity of 0.6 million, which will be in phase 2 with some balancing equipment, we ramped up to one million. We appreciate the O&M requirement of DC/OC refrigerator around 10 million, so this will 10% of Indian market.

This will be in the category of 170 liters to 220 liters. We have applied for 10 acres of land back in Greater Noida and we are confident that we will be able to get it. The target for commencing commercial production in this particular product category is Q3 of next fiscal. The next opportunity that the company is pursuing is laptops, tablets and IT hardware, so we have authentication under the PLI scheme on April 29, 2021, and we are strong contender for the same. Approval is likely to come in a month or so from the government. We have already signed a MOU one of the largest global brand for a start manufacturing their laptops and we are in discussion with some other logic local branch to pursue this space.

The next is telecom and networking products so as we have already shared that we have entered into MOU with Bharti Enterprises to form a JV through wholly owned subsidiary of Dixon Electro Appliance Private Limited. This particular company will be submitting an application on the PLI scheme. The scheme has been announced, but we are still awaiting the guidelines and this will be basically IoT devices, modems, routers and various other telecom products. This JV Dixon will be owning 74% and 26% by Bharti Group. We will be filing our applications under this scheme. Also let me share with you that irrespective of this PLI scheme, we are and have finalized an agreement with a principal for manufacturing modems and routers for supplying to the telecom operators and this kick off is going to take place within Q3 of this fiscal.

Also next we are pursuing the PLI scheme for AC components, as you know that we are already a supplier and for more than 100 Crores business for us for PCB assembly for controllers for AC, so we are discussion with a Japanese partner for JV on this and the deeply embedded supply chains of this partner in China for servicing global markets is being worked upon to be shifted to Dixon to this JV for servicing not only the domestic

market, but also global markets, so this is what I wanted to share and now we look forward to the Q&A. Thanks very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Good evening, Sir. I am doing good Sir. On the mobile phone business just wanted to understand if we are having discussions with any additional customers also and it does appear that some of the other players who have filed for PLI applications may end up missing their target, so does that open up a much, much bigger opportunity for us vis-à-vis the numbers that we are seeing?

Atul Lall: You know at present the large tie-ups that we have with Motorola and Nokia. We are in works with again a player from the global markets for export to US market for the operators there. I am not in a position to share the finer details because it is in works, but we are targeting to start exporting the 5G phone to US for this particular brand from August-September, so that is also going to be a large business for us. Now, what you are stating is correct. I am keeping fingers closed and we are pursuing these relationships hoping that more and more benefits can accrue to us because I find the global market is still strong and I still feel that our anchor customers are absolutely committed and the numbers are going to be fine.

Aditya Bhartia: Sir and on the set-top-box business and the medical equipment business, how should be really look at the revenue potential of these two verticals?

Atul Lall: So, the business is on a strong footing, at present our major customers are Jio, Den and Hathway and also we are now supplying to Dish TV and also Sify cable, so the order book is extremely robust, the order book is almost 0.5 million a month, but at present there are challenges in the supply chain side particularly on availability of chips that is a reason in opening remarks I had shared a slightly conservative number of almost 0.35 million per month, so with that I think the revenue is going to be in the range of around 450 Crores-500 Crores. On the medical electronic side, the numbers have trickled down, so I feel that it is going to be somewhere around 50 to 60 pieces a month, this is a high value SKU, so I think somewhere in the range I feel of around 12 Crores to 13 Crores a year.

Aditya Bhartia: Lastly, I think we are looking to be participating in PLI schemes for lighting, IT hardware and telecom sectors along with now ACs as well, so these four PLI schemes, we are thinking of doing, right?

Atul Lall: That is right.

Aditya Bhartia: Could you also give some indication about what could be the capex requirement for all of this put together along with the normal capex requirement, capex need for refrigerator plant as well as the capacity expansion capex and how you are looking to kind of fund it? Specifically asking because I understand that there is a fund raising approval also which has been taken in the board meeting?

Saurabh Gupta: Aditya, this is Saurabh. I will update you about the capex plan. So this year our total capex that we have done in FY2020-FY2021 was around 167 Crores odd and you are absolutely right our capex intensity will go up with is more PLIs coming in and expansion of capacities in various verticals, so my sense is the final numbers has to be worked out, but it should be somewhere around 200 Crores plus kind of a capex number for next year that we are looking at. If you look at a balance sheet, I think so we have a very strong balance sheet with the cash value of 164 Crores and a net debt of 8 Crores. Our working capital intensity is also quite low right now and operating cycle is also in the range of 0 to 2, 3 days and also to on top of that I think we have in enough working capital facilities and undrawn long-term debt facilities to ensure that we will be able to fund the raise now through internal and some form of controlled debt, but having said that now we are taking this enabling provision just to create this corpus so in case tomorrow the situation really worsen or the demand does not normalize and because of this capex commitment that we already have and other opportunities that will come in then the idea is to take an enabling provision from the board and ultimately get it approved by the shareholders as well in the upcoming AGMs.

Atul Lall: Also Aditya taking forward what Saurabh has just shared, if you look at the PLIs in the case of IT products, the capex requirement as per the government is 5 Crores a year, in the case of lighting, I feel as per the various thresholds that given it should be around 10 Crores to 15 Crores a year and same is the case in AC component. In the case of telecom is 20 Crores a year so these four PLIs are not that huge, and what else are committed number is 50 Crores for telecom and then over a period of one and a half years it is going to be around 100 Crores for refrigerators.

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

Ankur Sharma: Sir, good evening. Three questions from my side; one if could just reiterate your FY2022, the sales and by segment what kind of in value terms numbers you are looking at for FY2022?

- Atul Lall:** FY2022 as of now because of the pandemic, well we have our internal budget, but as of now how the markets will open, how the demand is going to pick up, it is very difficult to say, so to share those numbers at this stage I think it will be premature, so in this fiscal we have a large share of the global revenues, which I am very sure we are going to meet the internal target. On the domestic front and I think one will have to wait and watch to both the final number crunching.
- Ankur Sharma:** Fair, and just a second question to Saurabh, if you could share the FY2021 volume numbers by segment wise?
- Atul Lall:** So, Saurabh, please do that?
- Saurabh Gupta:** Yes, I will do that. Basically Ankur you are looking for Q4 numbers or you are looking for the annual numbers?
- Ankur Sharma:** The annual numbers will do. We have the nine months you have ready, if you could share annual numbers?
- Saurabh Gupta:** Annual numbers for LED TV numbers for full FY2021 was 27.9 lakhs as against 21 lakhs 2019-2020, for ACPCV that we do with the Japanese partner the number there was around 11 lakhs, as far as the lighting is concerned in LED bulbs it was 18.5 Crores and pattern that has been a significant growth of 98% year-on-year, pattern that you manufactured in FY2021 was 1.4 Crores, downlighters was 34 lakhs, and then others, which included led drivers and ballasts was around 87 lakhs, washing machine was 8 to 9 lakhs as against 8 lakhs in 2019-2020, and then we manufactured 9 lakhs smartphones and 24 lakhs 2G phones and then the India as a separate business for Samsung 2G phones, there the volumes was almost 2.17 Crores and as far as security systems are concerned we did 33 lakhs of CCTVs and IT cameras and almost 8 lakhs of DVRs, set-top-box as mentioned by Mr. Lall we did around 22 lakhs of set-top-boxes in 2021, and almost 500 units of RT/PCR machines that is the medical electronic product.
- Moderator:** Thank you. The next question is from the line of Bhoomika from DAM Capital. Please go ahead.
- Bhoomika Nair:** Thank you very much, Sir and congratulations on a good set of numbers in a difficult environment. Sir, just wanted to understand in this quarter we have seen a margin slip in mobile revenues on a Q-o-Q basis, so has there been a shortage of some input material, which has impacted that and my second question is that you know we talked about several PLI schemes laptops, telecom, etc., so over a period of two, three years assuming we gets

the license for the same, what kind of incremental revenues we are expecting from these PLI scheme?

Atul Lall: Bhoomika responding to your first question, the shortage of chipsets and displays has definitely had an impact on the mobile business. The demand has been robust, the supply chain challenges have had an impact and they continue to have an impact. On the PLI revenue side, you know that we have already shared the numbers on the mobile side that how it could pan out over the next four years, because we are confident of meeting the upward ceiling as it is stipulated in the PLI scheme that is 4000, 6000, 8000 and 10000 Crores. On the other PLI schemes, it is still in works. We are still working out, but we feel confident with the tie ups that are in works that whatever is a threshold and upper ceiling stated by the government, we should be able to meet the numbers. It is slightly premature to share with you those numbers.

Bhoomika Nair: Sure, Sir. I will get back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Good evening, Sir. My first question is, if you look at the washers, now that you mention that by third quarter you would be expecting volumes for Bosch to pick up, what kind of volume growth are we expecting here because in some of the media statements Bosch India itself mentioned that the launch of fully automatic washer is postponed to January 2022, so would it be a soft launch initially and then volumes will stack up towards the end of the year or how are you looking at this portfolio scale up?

Atul Lall: Specifically you are talking about fully automated top loading from the new plant rights?

Renu Baid: Yes.

Atul Lall: So, Bosch has a very complex and a very long duration approval process, which is over a period of seven to eight months, so those samples of first platform of 6 to 8 kg have already been submitted and they are going through reliability process, so it is not going to be a soft launch, but I feel that our deliveries to them would start sometime around October and they are going to formally launch in December-January. When I mentioned about the commercial production to start from August-September herein we are talking about different models, which are for other customers. So those tooling are awaited by June and early July and we plan to launch that by August-September. That is what I was referring to. BSH Wash is going to be in October-November deliveries for 6 to 8 kg first.

Renu Baid: How should we look at the revenue numbers from this category in the next two years as operations stabilize in an normalized environment?

Atul Lall: So the capacity here is around 6 lakhs, one is targeting the next two to two-and-a-half years when should be at 80% of the capacity, so this should be approximately 550 Crores to 600 Crores of revenue and lower double digit operating margins.

Renu Baid: Got it and on the lighting side last time you mention that irrespective with PLI, what are going ahead with the capex plan, so what are the updates there, and obviously if it comes under PLI we will have the benefits there, but the benefits of a components under PLI and obviously the plant is for the finished product so where are we in terms of that manufacturing facility and by when do we expect the facility to come up on stream?

Atul Lall: Renu, the PLI guidelines for LED lighting focuses mainly on creating the component ecosystem and there are six-month window for application. The application they are going to start welcoming from June 1 up to November 30, there is various categories there. On Dixon's case we are going to confine ourselves in the component displays only into the domain that we understand deeply and that domain is plastics. So it is going to be plastics, which will be backward integration piece for that extrusions, or mechanicals that is what we going to pursue and it is not going to be a huge capex, it is going to be a capex of 50 Crores to 70 Crores over a period of four, five years, but definitely this is going to increase by marginal to about 1.5% to 2%, in the categories in which we want to get into mechanicals.

Renu Baid: Got it and most of this capacity should be able to cater to our captive requirement itself or we might look at supplying to other vendors as well?

Atul Lall: Initially it is going to be for captive. In batons itself, first focus will be more candid use. It is going to be focusing on the extrusions of the batons, as I had shared in the opening remarks, the capacity for batons has been expanded to 3 million and we are going in for another round of expansion to almost 5 million, so the first focus is which is being evaluated as of now is going to be for investing in extrusions of batons.

Moderator: Thank you. The next question is from the line of Sonali Salgonkar from Jefferies India. Please go ahead.

Sonali Salgonkar: Thank you Sir, for the opportunity. My first question is regarding, the medium term growth outlook. Now I understand it is a bit premature to talk from the new PLI scheme perspective, but you know overall with so many new products that you have launched and so many new categories that you have entered, over a three to five year timeframe, what

would be the kind of revenue growth and the operating margin trajectory that you would foresee?

Atul Lall: Let me share with you a business concept. First of all, we might be looking to be getting into various categories; however, I emphatically state that we are sticking to what we know well and we have a deep understanding and across all the product categories that we are getting into it is all about electronics manufacturing and that is our domain knowledge and that is the core common factor across all the category, so we will go deep into it when we are talking about deepening, I am talking about backward integration whether through PLI or without PLI, we are going to be bold and we are going to go broad, so we are going to spread ourselves, so that is the reason we are getting into various categories, so that is what we are pursuing, now please appreciate that in the last three years, we have more than tripled our revenues and if things go fine it is going to be a huge growth in this fiscal also in spite of the pandemic, so it is difficult to put in the numbers, but I feel that within three to four years, we should be if not more at least 3x of where we are now.

Sonali Salgonkar: I understand, Sir, and my second question is, you know any further update on the variables category that we have entered into in terms of what is the kind of opportunity that we are pursuing over a year and how do we expect the ramp up. Thank you.

Atul Lall: So, in variables you know that we have a tie-up with Boat and in the commercial production for Boat for one of the SKU has already started. We are going to be deepening this relationship with Boat because both as recently a round of investment and this relationship I cannot share with you at present, the contours are the same, but I am very confident it is going to be deepen to a very different strategic level and we are also awaiting a PLI for variables so we are awaiting that that and that is how we are going to pursuing. At present that is what the status is, but it is a high growth category in India and we are going to be pursuing it aggressively.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Ocean Dial AMC. Please go ahead.

Ashutosh Garud: My question is maybe the earlier participant did touch upon it since we revenue getting into these many categories and I understand from a manufacturing point of view we do have the expertise from electronic perspective, but if you can give a broad idea of how you are managing this from the mid level management people perspective, from a relationship perspective and how would the marketing, because these are the companies which we engage in different segments, how do we mind these companies for those lines, if you can

give a broad strategic perspective if we are going to grow so far then we should have the middle level management can handle the long-term relationship?

Atul Lall: There is a very significant effort in building up the middle management team. We are in the process of hiring from a large global consulting company on building up and mapping our manpower requirements that excise is on the way and very shortly we should be able to finalize the consultant, but the middle management buildup is already happening, please appreciate just to give you ceratin examples in the new category that we had of let us say in the project for Samsung for mobile phones we were able to execute it within a short span of time of 6 to 7 months and nothing happens without creating the middle management robust team because the customers had a fraction of a highly demanding customer is an extremely important thing and the same thing has happened on the execution of a new mobile project and a new set-top-box project, so I am not in a position to share the final details, but please be rest assured that adequate resources and the organization build up at the middle management level across the various functions, which is engineering, manufacturing, quality, logistic, supply chain and manufacturing engineering systems, IT, is always on the way.

Ashutosh Garud: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Naval Seth from Emkay Global Financial Services. Please go ahead.

Naval Seth: Sir, I have two questions, first is on in earlier interactions you had stated that you are working with EY on blueprint on various aspects, so can you elaborate on that where are we and what is the progress their, second would be on what Saurabh has explained on fund raise, but apart from the growth opportunities, which are which are immense what you have spoken in your initial remarks, are there opportunities, which you do not want to comment, but are there opportunities specifically which are still on the table which you are pursuing beyond these and hence you know if at all potential fund rise will also come on if at all it is required?

Atul Lall: Naval, responding to your first question, the blue book has been finalized and the rollout is going to happen from July 1, 2021, and it covers various aspects of business, it covers HR, recruitment, manpower planning, it covers supply chaining, procurement, execution, customer interface, IT controls, finance and accounts, integration with SAP, so many things, so all that has been covered, it has been finalized, it is under the final stages of deliberation with the stakeholders and internally it is going to be rolled out on July 1 this

fiscal. That is what the status is. Now responding to the second question you ask me a very tricky question, yes, but I am not in a position to give the details.

Naval Seth: Thank you.

Moderator: Thank you. The next question is from the line of Chetan Gindodia from AlfAccurate Advisors. Please go ahead.

Chetan Gindodia: Sir, my question is with respect to the different PLI schemes that we are applying, so with respect to these schemes whether if you can please share what is the market size for these components in India, what is the domestic market size for telecom components, routers and modems and also for lighting PLI for ACPCV, so what is the market size that if you can share it?

Atul Lall: When we are looking at the telecom products we are primarily looking at routers, modems and IoT products, and the truncated market opportunity for Dixon is somewhere in the range of 1600 Crores to 1800 Crores a year, this is as per our estimate, when we are looking at the ACPCV current business is in the range of around 110 Crores to 120 Crores, but if one is able to shift the supply chains to India under this partnership for servicing the global markets I feel this opportunity can reach 400 Crores to 500 Crores, Now when we are looking at and there components for LED lighting that is primarily fall value, it is primarily for expanding the margins for captive consumption.

Chetan Gindodia: Sir, lastly on last time we had guided that the company will be able to do revenue size of roughly around 3000 Crores in a span of three to five years for LED exports, so where are we on this, we will be exporting now?

Atul Lall: On the LED lighting side, as I shared with you we were expecting a breakthrough shortly. The samples have been approved. The commercials have been finalized with a large client; however, LED lighting is a safety product and the safety approvals and the product approvals on the technical side have to be certified by certain international labs, so that is the exercise which is in works, I am expecting that to be over by July and the exports to start from the next quarter.

Moderator: Thank you. The next question is from the line of Keyur Haresh Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Haresh Pandya: Congratulations to the entire team for great results. First question is on TV, so based on the volume debt as Saurabh mentioned if I look at the realizations, they are already above 13000, so now are they sustainable realizations considering we doing higher size TV and

related question in the past we have seen that we get margins per unit basis and so when the price goes up for per content margin goes down that holds true right now and this margin drop is optically because of that we saw in Q4 and how do you see going forward?

Atul Lall: You are absolutely right, so the average size of the TV being sold now has gone up and that has in fact reflected in the revenues also increasing very shortly along with the volumes, but the per unit price has significantly gone up. Now on absolute terms, the gross contribution goes up significantly, but as a percentage there is a drop, which you have correctly caught in the last quarter revenues.

Keyur Haresh Pandya: Just last question that global contract plus demand there would not any issue with that while domestic demand will depend on how this unlock happens so if you can just bifurcate your product into where it goes just to clarify and how is it going currently? How the situation is currently for each product categories? It is short-term phenomenon, but just to get a trend?

Atul Lall: If you see vertical by vertical, and in all the vertical, the main contribution is coming from the domestic revenues only, the main export revenues in this fiscal are going to come from exports in the case of smartphones, it is almost going to be 55% to 60% of the number that we have kept for ourselves, which is upward feeling under PLI and some starting of revenues for export under the LED lighting category, so that is the way so on the export said I feel fairly confident because the global demand is good. On the other domestic side in certain categories like LED televisions, we have done fine not that badly in April and May also, but I am just keeping my fingers crossed and I am conservatively optimistic and sanguine that how the demand is going to pan out because this COVID impact is slightly different, if not slightly, but quite different from what it was last fiscal. In the case of lighting if the markets open up because it is a low unit product, low value unit, I feel the demand is going to recover much faster, but in the case of higher value items, mainly the LED televisions and the washers, I feel the recovery might be slow and I am keeping the fingers crossed, how it is going to pan out it is very difficult to share.

Moderator: Thank you. The next question is from the line of Skanda Babu Naidu from ESI Investments. Please go ahead.

Skanda Babu Naidu: Congrats Sir, on great set of numbers, I just wanted to understand getting into FY2022, what kind of a margin profile can we expect across the board so what do you think would be sustainable?

Atul Lall: If you see the trend, in our case the major increase is happening because of the change in sale mix and that is getting more and more aligned towards a prescriptive business, which is

a lower operating margin business, so in absolute numbers the profitability is going to increase significantly, now as per the mix I feel the margins are going to be in the range of around 4.2% to 4.5% something like that.

Skanda Babu Naidu: Yes, that is right, so basically it should be in the range of 4% to 4.5%.

Atul Lall: Yes. That is right.

Skanda Babu Naidu: For the export business that you are working on right now, which probably should start later this year, is that a higher margin business and if that side of the business picks up a little more can we expect a little more market expansion?

Atul Lall: Initially, it is going to be similar or slightly even lower because we are to break onto the deeply embedded supply chains in our neighboring countries to getting the breakthrough, but I think over a period of time the margins they are going to climb into a battle zone, but initially there might be slightly lower impact.

Moderator: Thank you. The next question is from the line of Ankit from MRLR Capital. Please go ahead.

Ankit: Good evening, Sir and congratulations on a great set of numbers. My question is with regards to the relationship that has been established with the Motorola so especially if I look at the product mix, what is the product mix if we say feature phones and smartphones in this case and also what the countries that you grow and to serve through this relationship?

Atul Lall: So in case of Motorola everything is smart smartphones. In fact a large part of the product portfolio is going to be 5G phones and Dixon as I was sharing, is the first Indian phone manufacturing company, which has the 5G manufacturing infrastructure, which is called as MM Infrastructure and exports the main country target country for exports is going to be US.

Ankit: Right, thank you Sir and if I was to kind of look at the longevity of the smartphone business could you have any estimates with regard to customers that you are very could be speaking to with regard to smartphones and how does the perspective look like also for India and from what I notice, they have their own plants, but there would also be kind of demand for people to kind of obviously look at specialized manufacturing?

Atul Lall: Sorry, I did not get your question, can you please come again?

- Ankit:** With regard to the longevity of this smartphone business so do you kind of see the product mix or so shifting towards the smartphone business overall for your phone's business or do feature phones kind of continue to dominate the mix in the phone side?
- Atul Lall:** No, I see that more and accelerated shift toward the smartphone that is the way it is going to be towards the smartphones and that is the way it is going to pan out.
- Ankit:** Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Vikas Mistri from Moonshot Ventures. Please go ahead.
- Vikas Mistri:** Sir, I am having three questions; first question is on laptop, tablet and hardware, you had said in opening remarks that MoU with global brands, what is the size of opportunity and I want to understand the competitiveness at global scale, how much we are competitive now?
- Atul Lall:** If you see the PLI for IT products, the capital investment over a period of four years is 20 Crores and there is an upward ceiling on revenue and the value addition plan shared by the government that in the year one is going to be steady, and in the year two PCP assembly is going to be done there, subsequently the batteries and chargers and power supplies are going to be done in India, so that is the way it is going pan out, so one has to still work out the numbers, but this MoU had been signed with the large global brand, the factory has been audited and qualified by the technical people. Now the final details of the business opportunity are going to be discussed once the approval comes through, there are 19 applications in all, we are pursuing 10, we feel we are strong contender, let us keep our fingers crossed one does not know, so all this number crunching will happen once we have the approval from the government.
- Vikas Mistri:** Can you throw some light on competitiveness with respect to Chinese players?
- Atul Lall:** Well this is basically for servicing the domestic market...
- Vikas Mistri:** There is no point to say that you will not be exporting it?
- Atul Lall:** And we mean to say it is regular IT one, which is at zero percent duty, but once you import the inputs are also at zero percent duty, if you are able to have a frugal conversion charge and on top of it one gets the PLI that is an added advantage to the manufacturer as well as the brand owner in this highly competitive space. So you obviously become more competitive than Chinese player on an account of the PLI. Now when you go more and when you deepen the Indian manufacturing the business case becomes more robust, now let

me share with you in my opening remarks, I stated that in telecom products like routers and modems, we appreciate that these products are also covered in the IT one and there is no import duty on them. We are going ahead with the manufacturing of those products without any PLI benefit because of backward integration and deepened manufacturing. We have been able to make a business case without any direct support from the government or even the PLI, so the same thing is going to work on the IT products over a period of time.

Moderator: Thank you. The next question is from the line of Keyur Haresh Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Haresh Pandya: Sir, you mentioned our entry into or application to a lot of PLI schemes, just you can broadly tell us the timelines either for the applications or by when if selected can start manufacturing?

Atul Lall: The application that has been already submitted as for IT product. We are awaiting the approval in next month or a couple of months. If the approval comes let us say by August, I think we should be able to rollout by Q3 end of this fiscal year as per IT product is concerned. In the case of LED lighting and also the AC components, the guidelines have been rolled out, the starting date for filing for applications is June 1, 2021 up to November 30, 2021, so they have given a larger window so it has been pursued, number crunching is being done, their strengths and the weaknesses and the challenges is being analyzed, so I feel that in Dixon's case that rollout when we pursue, it is going to happen only in the next fiscal for both lighting as well as AC component, as far as telecom is concerned, the guidelines are still awaited, they have launched the scheme, but they still have to rollout the guidelines so we waiting for it, so it is difficult to say that how soon it is going to happen, but without the PLI or telecom products role out it is going to happen in Q3.

Keyur Haresh Pandya: Understood and just last question on the LED monitor you mentioned, if you can throw some light on a realizations or profitability or market size and how fast you can ramp up, that is the last question? Thank you.

Atul Lall: As I shared in my opening remarks if we have already concluded a tie-up two large global brands. The equipment in the lines have been ordered, I expect the lines to be installed by August-September and the manufacturing to start in Q3. The capacity for this line is a million sets a year, but I feel that in this fiscal itself, we should be able to churn out almost 0.4 to 0.5 million of the LED monitors and the operating margin I feel it is going to be in the range of 2.7% to 2.9%.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, thanks for taking my question. I have two questions, my first question is, I mean if you look at some of our products like lighting, etc., which is fairly fungible, I mean the same bulb that we make for one company, we can sell it to ten other domestic brands, but as we move into some of these JVs, MoUs with specific hardware companies to what extent will our capacities be fungible value and the reason I am asking this is that our MoUs longer term that tomorrow in the possibility of any business sentiment change in for any of these large global players does our capacity become more like a liability for us, so how is the new business that you are targeting different from some of these generic products that we were doing so far? That is my first question.

Atul Lall: Responding to this question, the main thing when we are creating an asset base is one looking into fungibility, and please be rest assured all the new investments that are coming up, they are primarily fungible so the lines of telecom products, mobile phones, we do a set-top-boxes, we do medical electronics, we will be doing our IT products and all the dedicated equipment for the anchor customer, the commitment that we recover in investments are well entrenched into the definitive agreement, so please be rest assured that all these investments to a very large extent are fungible. Again I state, the core is electronics and the main gross block comes in the form is the SMD lines.

Pulkit Patni: Sure, that is helpful. Sir my second question is more broadly on the PLI scheme, I mean given the fact that we are making investments, other companies are making investment, are this PLI schemes in compliance with WTO like my only concern is, it should not happen after a couple of years you know you have some issues raised by WTO on these schemes so any view that you have there given that these are some of the key investments that we are going to be making?

Atul Lall: WTO primarily comes into play if you are subsidizing your exports. Now the PLI initiative started by the government as a replacement first to the MEIS scheme of the Government of India, which was to incentivise export and in which they were challenges on the WTO compliances. So the MEIS scheme was withdrawn and PLI scheme has been launched. Now PLI scheme is primarily to promote the manufacturing industry, electronics and other ones in India and what our understanding is that has been well thought out so that it is absolutely compliant the WTO requirements.

- Pulkit Patni:** Sure, Sir, I mean the only reason I ask that question is because some part of this also is going to be exported and that is where maybe you know there is sort of that grey area. Anyways, thank you so much for your answer.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I now had the conference over to the management for closing comments.
- Atul Lall:** Thanks very much. Thanks for being with us. Our teams are always endeavoring to deliver what we commit and we are working on it. Presently, there are challenging times, the first and foremost is to look after the Dixon family members and extended family members, but in medium term and even in short term we have a strong conviction on our business model and in our industry in which we feel we are sitting in an inflection point. So again I am going to thank you for all your support at all times. Thank you.
- Saurabh Gupta:** Thank everybody. In case anybody has a followup question, you can call me and I will be more than happy to answer that. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.