Written by Mike Buetow Monday, 29 April 2013 09:47 -

SHENZHEN -- Nam Tai Electronics's first-quarter revenue shot up 102% year-over-year as the contract assembler continued its hot streak. Despite the gains, however, the EMS firm warned of problems ahead.

Net income for the period ended March 31 rose to \$5 million, up from a loss of \$3.6 million, on net sales of \$177.5 million.

Gross profit margin was 4.1%, down from 5.3% last year. Operating income was \$1.1 million, compared to a loss of \$900,000 a year ago. or loss of \$0.08 per diluted share, in the first quarter of last year.

The EMS company attributed the improvement to production of high-resolution LCD modules for smartphones at its Shenzhen manufacturing facility, a program that began last September; \$3.4 million in other legal and interest income; and a lower headcount, offset in part by lower prices in its consumer end-market products.

The contract manufacturer also discontinued its money-losing flexible printed circuit business as of the end of March.

Nam Tai said LCM orders placed by its major customers were significantly lower than the customers' original forecasts, and there are indications that orders could be cancelled with short notice. As a result, the firm is halting capital investment into technology platforms that cannot produce steady income, and may cease LCM production in Shenzhen and Wuxi by the end of June in order to minimize losses and preserve cash.

The company said commercially viable alternatives to maintain its LCM operations are being explored.

Also, Nam Tai said weak demand for tablets, smartphones and ultrabooks will lead to volatilty and possibly lower unit prices, putting pressure on gross profits.