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# **IKIO LIGHTING LIMITED**

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## **IPO NOTE**

*June 2023*

## Issue highlights

- IKIO Lighting Limited (“IKIO”) was incorporated on March 21, 2016. IKIO is an Indian manufacturer of light emitting diode (“LED”) lighting solutions. They are focused on sustainability and providing low energy LED products to help India meet its sustainability goals. IKIO has a fully integrated manufacturing infrastructure, capable of producing ingenious LED lighting products.
- As an ODM, Ikio offers their products in 4 segments: (i) LED lighting; (ii) refrigeration lights; (iii) ABS piping; and (iv) other products.
- Company’s LED lighting offerings focus on the premium segment and include lighting, fittings, fixtures, accessories and components. The company provides lighting solutions (lights, drivers and controls) to commercial refrigeration equipment suppliers under the refrigeration light segment. IKIO also manufactures an alternative to polyvinyl chloride (“PVC”) piping called ABS piping that is primarily used by their US customers for plumbing applications in the recreational vehicles (“RVs”) that they fit out.
- IKIO has 4 manufacturing facilities with 1 located in the SIDCUL Haridwar industrial park in Uttarakhand and 3 in Noida in the National Capital Region.
- As on December 31,2022, the total annual installed capacity of LED Lights was 2.06 crore pieces and Fan and Switches was 2.18 crore pieces.
- Company’s largest customer is Signify Innovations India Ltd, erstwhile Philips Electronics India Ltd (“Signify (Philips)”). They have a diversified customer base across industry sectors and geographies which include Western Refrigeration Pvt Ltd, Panasonic Life Solutions India Pvt Ltd and Novateur Electrical & Digital Systems Pvt Ltd. In addition, they are building an international customer base, primarily in the United States.
- They have recorded higher order bookings of ₹86.21 crore as at March 31, 2022, with major orders coming from Signify (Philips).

## Brief Financial Details\*

(₹ In Cr)

	As at Dec’ 31,	As at Mar’ 31,		
	2022(09)	2022(12)	2021(12)	2020(12)
Share Capital	65.00	25.00	0.05	0.05
Reserves	61.62	51.44	48.27	27.60
Net worth as stated	126.62	76.44	48.32	27.65
Revenue from Operations	240.72	219.90	159.66	140.65
Revenue Growth (%)	-	37.73%	13.52%	-
EBITDA	49.84	40.15	30.28	26.34
EBITDA Margin (%)	20.71%	18.26%	18.97%	18.73%
Profit before Tax	46.51	37.99	27.64	22.09
Net Profit for the period	34.58	28.01	20.58	15.99
Net Profit Margin (%)	14.22%	12.69%	12.86%	11.36%
EPS – Basic & Diluted (₹)	5.32 <sup>^</sup>	4.31	3.17	2.46
RONW (%)	27.31% <sup>^</sup>	36.64%	42.60%	57.84%
Net Asset Value (₹)	19.48	11.76	7.43	4.25
ROCE (%)	18.10% <sup>^</sup>	41.63%	52.98%	68.44%

Source: RHP, \*Restated Consolidated, <sup>^</sup> not annualised; EPS and NAV on increased capital; PAT% on total revenue.

## Issue Details

**Fresh Issue of Equity shares aggregating upto ₹350 Cr and Offer for sale of 9,000,000 Equity shares**

**Issue size: ₹ 593 – 607 Cr**

**No. of shares: 21,962,962 – 21,280,701 Shares**

**Face value: ₹ 10/-**

**Price band: ₹ 270 – 285**

**Bid Lot: 52 Shares and in multiple thereof**

**Post Issue Implied Market Cap = ₹ 2,105 – 2,203Cr**

**BRLMs: Motilal Oswal Investment Advisors  
Registrar: KFin Technologies Ltd.**

**Issue opens on: Tuesday, 6<sup>th</sup> June,2023**

**Issue closes on: Thursday, 8<sup>th</sup> June,2023**

## Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	13-06-2023
Refunds/Unblocking ASBA Fund	14-06-2023
Credit of equity shares to DP A/c	15-06-2023
Trading commences	16-06-2023

## Issue break-up

	No. of Shares		₹ In Cr		% of Issue
	@Lower	@Upper	@Lower	@Upper	
QIB	10,981,480	10,640,349	296.50	303.25	50%
NIB	3,294,445	3,192,106	88.95	90.98	15%
-NIB1	1,098,149	1,064,036	29.65	30.33	-
-NIB2	2,196,296	2,128,071	59.30	60.65	-
RET	7,687,037	7,448,246	207.55	212.28	35%
<b>Total</b>	<b>21,962,962</b>	<b>21,280,701</b>	<b>593.00</b>	<b>606.50</b>	<b>100%</b>

NIB-1=NII Bid between ₹ 2 to 10 Lakhs

NIB-2 =NII Bid Above ₹ 10 Lakhs

## Listing: BSE & NSE

## Shareholding (No. of Shares)

Pre issue	Post issue <sup>~</sup>	Post issue <sup>^</sup>
65,000,000	77,962,962	77,280,701

<sup>~</sup>@Lower price Band <sup>^</sup>@ Upper Price Band

## Shareholding (%)

	Pre-Issue*	Post-Issue
Promoters	100.00%	72.46%
Promoters Group	0.00%	0.00%
Public - Others	0.00%	27.54%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

(\*520 shares held by Promoter group and 338 shares held by public, having negligible %)

## OFFER DETAILS

The Offer	No. of Shares	
Fresh Issue (₹ 350 Cr)	Approx. upto 12,962,962~ - 12,280,701 Equity Shares	
Offer for Sale	Upto 9,000,000 Equity Shares	Weighted Average Cost of Acquisition (₹)
<b>The Promoter Selling Shareholder:</b>		
<i>Hardeep Singh</i>	<i>Upto 6,000,000 Equity Shares</i>	0.01
<i>Surmeet Kaur</i>	<i>Upto 3,000,000 Equity Shares</i>	0.01

(~ at lower price band and ^ upper price band)

## SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
<i>Promoter</i>	<b>64,999,142</b>	<b>100.00%</b>	<b>9,000,000</b>	<b>55,999,142</b>	<b>72.46%</b>
<i>Promoters Group</i>	520	0.00%		520	0.00%
<b>Total for Promoter and Promoter Group</b>	<b>64,999,662</b>	<b>100.00%</b>	<b>9,000,000</b>	<b>55,999,662</b>	<b>72.46%</b>
<i>Public</i>	338	0.00%		<b>21,281,039</b>	<b>27.54%</b>
<b>Total for Public Shareholder</b>	<b>338</b>	<b>0.00%</b>		<b>21,281,039</b>	<b>27.54%</b>
<b>Total Equity Share Capital</b>	<b>65,000,000</b>	<b>100.00%</b>	<b>9,000,000</b>	<b>77,280,701</b>	<b>100.00%</b>

## BUSINESS OVERVIEW

IKIO Lighting Limited (“IKIO”) is an Indian manufacturer of light emitting diode (“LED”) lighting solutions. They are focused on sustainability and providing low energy LED products to help India meet its sustainability goals. IKIO is primarily an original design manufacturer (“ODM”) and design, develop, manufacture and supply products to customers who then further distribute these products under their own brands. They also work with their customers to develop, manufacture and supply products that are designed by their customers. Company’s products are categorised as (i) LED lighting; (ii) refrigeration lights; (iii) ABS (acrylonitrile butadiene styrene) piping; and (iv) other products. Company’s LED lighting offerings focus on the premium segment and include lighting, fittings, fixtures, accessories and components. The company provides lighting solutions (lights, drivers and controls) to commercial refrigeration equipment suppliers under the refrigeration light segment. IKIO also manufactures an alternative to polyvinyl chloride (“PVC”) piping called ABS piping that is primarily used by their US customers for plumbing applications in the recreational vehicles (“RVs”) that they fit out. In addition, they manufacture and assemble other products including fan regulators that are designed by their clients; light strips, moulding, and other components and spares. Company’s equipment and systems are used in various industries and products, including residential, industrial and commercial lighting.

**Company’s largest customer is Signify Innovations India Ltd, erstwhile Philips Electronics India Ltd (“Signify (Philips)”)**, which in Fiscal 2022 had a 50% market share in India’s functional decorative lighting category (including LED spotlights, LED downlights and cove lights) and a 10% market share in India’s true-blue decorative lighting segment (including chandeliers, wall lights, pendants, outdoor lights). One of their Promoters, Hardeep Singh, has a 10 year long relationship with Signify (Philips). In addition to Signify (Philips), they have a diversified customer base across industry sectors and geographies which include **Western Refrigeration Pvt Ltd, Panasonic Life Solutions India Pvt Ltd and Novateur Electrical & Digital Systems Pvt Ltd**. They have a history of high customer retention. In Fiscal 2022, they derived approximately 93.56% of their consolidated restated revenues from operations from repeat customers. In the 9 months ended December 31, 2022 and in Fiscal 2022, their consolidated restated revenue from operations from the Top-10 customers were ₹206.89 crore and ₹217.26 crore, respectively, which represented 85.94% and 98.80%, respectively, of their consolidated restated revenues from operations. They enjoyed relationships of over 3 years with 7 out of these Top-10 customers. In addition, they are building an international customer base, primarily in the United States.

IKIO has 4 manufacturing facilities with 1 located in the SIDCUL Haridwar industrial park in Uttarakhand and 3 in Noida in the National Capital Region. In line with their focus to provide end-to-end product solutions and to develop better control on their supply chain and improve their margins, they have backward integrated their major manufacturing processes. They have developed in-house capabilities so that they manufacture all mechanical components inhouse.

Their facilities are ISO 9001:2015 (quality management system), ISO 14001: 2015 (environmental management system) and ISO 45001-2018 (occupational health and safety) certified.

They have recorded higher order bookings of ₹86.21 crore as at March 31, 2022, with major orders coming from Signify (Philips).

## PRODUCT DETAILS

The company's products are categorised as (i) LED lighting; (ii) refrigeration lights; (iii) ABS (acrylonitrile butadiene styrene) piping; and (iv) other products. In addition, they manufacture and assemble other products including fan regulators that are designed by their clients; light strips, moulding and other components and spares. Their equipment and systems are used in various industries and products, including residential, industrial and commercial lighting.

The company manufactures and supply products under ODM business models. In ODM model, in addition to manufacturing, they conceptualize and design the products which are then marketed to their customers' prospective customers under their brands. They have developed ODM capabilities with respect to LED products and others.

Product Category	Product Details
<b>LED lighting</b>	IKIO commenced their LED lighting business in Fiscal 2012. They produce LED lights, fittings, fixtures, accessories, LED strip lights, individual LED rechargeable bulbs and RV lights for customers in this segment as an ODM. <b>Key customers:</b> Signify (Philips), Rlux RV LLC and Zenergy Inc.
<b>ABS piping</b>	IKIO commenced their ABS piping business in Fiscal 2022. ABS piping is an alternative to PVC piping, which consists of pipes made of a thermoplastic resin that have traditionally been used as drainpipes and water supply line due to their shock resistance and strength, as well as their resistance to temperature fluctuations and decay. They produce ABS piping for customers in this segment as an ODM. <b>Key customers:</b> Rlux RV LLC and Zenergy Inc., who supply to Forest River Inc. (a subsidiary of Berkshire Hathaway).
<b>Refrigerator LED lighting</b>	IKIO commenced their refrigerator LED lighting business in Fiscal 2016. They produce refrigerator LED lighting for customers in this segment as an ODM. <b>Key customers:</b> Voltas Ltd, Frigoglass India Pvt Ltd and Western refrigeration Pvt Ltd.
<b>Other Products</b>	IKIO offers a suite of other products separately as well as in conjunction with their LED, refrigeration and ABS piping products such as the fan regulator and switch products. The company produces fan regulators and switches for customers in this segment under ODM and assembly business models. <b>Key customers:</b> Honeywell, Anchor Panasonic, Le-grand and Signify (Philips). Additionally, they manufacture and assemble light strips, mouldings and fittings, as well as other component parts that are utilized among their other product offerings.

### Details of Product Descriptions:

Product	Application	Year of Launch
<b>LED lighting</b>		
Rechargeable Bulbs	Home/Office Lighting	2019
Spotlights	Focus Lighting	2012*
LED Strip Lights	Strip Lighting	2018
Decorative Lights	Decorative Lighting	2014*
Rechargeable Lantern	Indoor / Outdoor Lighting	2013*
LED Driver	LED Function	2012*
Downlighter Lights	Home/office Lighting	2012*
Linear Lights	Gallery/Interior Lighting	2017
Track Lights	Gallery/Interior Lighting	2019
RV Lights	Recreational Vehicles	2019
<b>ABS piping</b>		
ABS Piping	Recreational Vehicles	2022
<b>Refrigerator LED lighting</b>		
Refrigerator Lights	Interior Refrigerator Lightings	2016
<b>Other Products</b>		
Fan Regulators and Switches	Consumer Fans	1999
LED Spare Parts & Others	Maintenance	NA

The split of the revenue from operations in ODM businesses and others:

(in ₹ Cr)

Revenue attributable to Assembly & Others compared to ODM															
Proforma								Restated							
9 months ended Dec'31,2022		Fiscal 2022		Fiscal 2021		Fiscal 2020		9 months ended Dec'31,2022		Fiscal 2022		Fiscal 2021		Fiscal 2020	
Assembly & Others	ODM	Assembly & Others	ODM	Assembly & Others	ODM	Assembly & Others	ODM	Assembly & Others	ODM	Assembly & Others	ODM	Assembly & Others	ODM	Assembly & Others	ODM
23.39	305.23	25.43	306.41	18.94	194.51	19.13	201.12	224.81	15.91	5.83	134.82	9.18	150.48	207.74	12.16

## KEY PERFORMANCE INDICATORS

(in ₹ Cr)

Particulars	Proforma Condensed Consolidated Financial Information				Restated Financial Information			
	9 Months ended Dec'31, 2022	Fiscal 2022	Fiscal 2021	Fiscal 2020	9 Months ended Dec'31, 2022	Fiscal 2022	Fiscal 2021	Fiscal 2020
	Revenue from operations	328.63	331.84	213.45	220.25	240.72	219.90	159.66
Total Income	332.79	334.00	214.57	221.83	243.18	220.72	160.04	140.73
EBITDA	73.41	77.31	47.81	37.31	49.84	40.15	30.28	26.34
EBITDA margin	22.34%	23.30%	22.40%	16.94%	20.71%	18.26%	18.97%	18.73%
Profit/(loss) after tax	51.35	50.52	28.81	21.41	34.58	28.01	20.58	15.99
PAT margin	15.43%	15.12%	13.42%	9.65%	14.22%	12.69%	12.86%	11.36%
Capital expenditure	20.62	12.46	13.25	35.18	9.91	4.25	3.32	3.97
ROCE	25.62%	33.07%	31.13%	37.61%	18.10%	41.63%	52.98%	68.44%
ROE	36.46%	46.40%	45.83%	59.63%	27.31%	36.64%	42.59%	57.84%
Net debt/EBITDA ratio	1.94	1.47	1.58	1.30	2.86	0.39	0.16	0.04

The geographic split of the revenue from operations on a proforma consolidated basis:

Geography	9 Months ended Dec'31, 2022		Fiscal Year ended March 31,					
	2022		2022		2021		2020	
	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total
India (domestic sales)	279.32	85.00%	296.64	89.39%	204.75	95.93%	211.18	95.88%
International	49.31	15.00%	35.20	10.61%	8.70	4.07%	9.06	4.12%
<b>Total - Revenue from Operations</b>	<b>328.63</b>	<b>100.00%</b>	<b>331.84</b>	<b>100.00%</b>	<b>213.45</b>	<b>100.00%</b>	<b>220.25</b>	<b>100.00%</b>

## CUSTOMER BASE

The company provides their products to an array of industrial customers who experience varied needs. They usually do not enter into long-term supply contracts with any of their customers and typically rely on periodic purchase orders. In the 9 months ended December 31, 2022 and in Fiscal 2022, they exported their products to the United States through their subsidiary, REPL.

Some of their key customers are:

National	International
<ul style="list-style-type: none"> <li>Signify Innovations India Ltd (Philips Electronics India Ltd),</li> <li>Western Refrigeration Pvt Ltd.,</li> <li>Panasonic Life Solutions India Pvt Ltd.,</li> <li>Novateur Electrical &amp; Digital Systems Pvt Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Everlast Lighting Inc,</li> <li>Znergy Inc.</li> </ul>

## RESEARCH & DEVELOPMENT

Company's R&D department focuses on product designing, tools and mould designing, electronic circuit designing and prototype designing. Their R&D department independently develops ODM designs and verifies and develops OEM designs received from customers and converts such designs into deliverable products by improving the designs, recommending suitable raw materials, and testing of trial products. They focus on activities to support their customers including concept sketching, design refinement, generating optional features and testing. As of February 28, 2023, their R&D team consists of 27 members.

## MANUFACTURING FACILITIES

Currently, the company has 4 manufacturing facilities with 1 located in the SIDCUL Haridwar industrial park in Uttarakhand and 3 in Noida in the National Capital Region and the total annual installed capacity of LED Lights as on December 31, 2022, March 31, 2022 and March 31, 2021 and March 31, 2020 is 20.63 million pieces, 20.31 million pieces, 17.13 million pieces and 11.10 million pieces, respectively, and of fan regulators and switches is 21.75 million, 21.75 million pieces, 21.75 million pieces and 20.25 million pieces, respectively.

Their manufacturing facilities are equipped with machinery and equipment like assembly lines, automatic surface-mounted machines, automatic metal cutting and shaping machines and automatic powder coating for fixtures.

### The Installed Capacity and Capacity Utilization

(in Million Pieces)

Manufacturing Facilities and Goods	As of and for the 9 months ended Dec'31, 2022			As of/for year ended March 2022			As of/for year ended March 2021			As of/for year ended March 2020		
	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)	Installed Capacity	Actual Production	Capacity Utilization(%)
<b>ILL</b>												
SMT Section*	2,151.86	885.66	41.16%	2,869.15	1,728.00	60.23%	1,770.91	806.00	45.51%	1,153.15	576.00	49.95%
MI Section^	13.50	6.90	51.11%	18.00	8.64	48.00%	11.00	5.50	50.00%	7.60	5.00	65.79%
Final Assembly^	13.50	7.33	54.33%	18.00	9.25	51.39%	15.60	7.98	51.15%	9.60	6.81	70.94%
Regulator & Switches^	1.68	1.37	81.50%	2.25	1.69	75.23%	2.25	1.18	52.53%	0.75	0.44	58.76%
<b>RLPL</b>												
SMT Section*	422.14	104.12	24.67%	425.57	127.30	29.91%	274.56	79.87	29.09%	274.56	59.90	21.82%
MI Section^	1.87	0.79	42.20%	1.25	0.75	59.94%	1.25	0.49	39.26%	1.25	0.44	39.94%
Final Assembly^	1.87	1.11	59.29%	2.18	1.56	71.56%	1.50	1.20	80.00%	1.50	0.95	63.33%
<b>REPL</b>												
Final Assembly^	0.09	0.07	70.57%	0.13	0.07	58.40%	0.03	0.01	48.00%	Nil	Nil	Nil
<b>FTIPL</b>												
Regulator & Switches^	14.63	11.18	76.44%	19.50	14.70	75.38%	19.50	17.81	91.33%	19.50	19.31	99.03%

\* Installed Capacity is calculated based on working shifts of 22 hours a day; ^ Installed Capacity is calculated based on working shifts of 10 hours a day

The description of the manufacturing facilities as at February 28, 2023:

Location/Description	Commissioning Date	Covered Area (sq.ft)	Headcount as of Aug' 31, 2022	Product Lines	Capacity Pieces in Million	Capacity Utilisation
IKIO facility at SIDCUL Haridwar, Uttarakhand, India.	Fiscal 2016	42,517	762	LED Lights	18.00	54.33%
				Regulator & Switches	2.25	81.50%
FITP facility at Electronic City, Noida (Delhi/NCR)	Fiscal 1999	80,000	445	Regulator & Switches	19.50	76.44%
RLPL facility at Noida Delhi/NCR	Fiscal 2015	32,000	224	Refrigerator LED lighting and drivers	2.18	59.29%
REPL facility at Noida Special Economic Zone, Noida, Delhi/NCR	Fiscal 2019	57,171	53	LED light products and ABS pipes RVs	0.13	70.57%

## REVENUE FROM OPERATIONS

The breakdown of the revenue from operations on a restated basis, broken down by product category and as a percentage of revenue from operations

Category	9 months ended Dec' 31, 2022		Fiscal					
	2022		2022		2021		2020	
	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total	Amount (₹ Cr)	% to Total
LED Lighting	219.71	91.27%	201.40	91.59%	150.48	94.25%	134.82	95.85%
ABS Pipes	-	-	1.99	0.90%	-	-	-	-
Refrigerator Lights	4.73	1.96%	-	-	-	-	-	-

Others	16.28	6.76%	16.51	7.51%	9.18	5.75%	5.83	4.15%
<b>Total -Revenue from Operations</b>	<b>240.72</b>	<b>100.00%</b>	<b>219.90</b>	<b>100.00%</b>	<b>159.66</b>	<b>100.00%</b>	<b>140.65</b>	<b>100.00%</b>

## COMPETITIVE STRENGTHS

- **Poised to capture growth of LED market**

With a proven operational and financial track record, IKIO is well-positioned to capitalize on opportunities provided by the tailwinds in the LED lighting market driven in part by governmental policies for energy saving and environment protection and importantly, the increasing awareness and adoption of LED lighting versus incandescent lighting.

According to Frost & Sullivan growth in demand for LED lighting solutions in India will be driven by:

- The rise in smart city projects and overall infrastructure development;
- Increasing demand for energy-efficient lighting;
- The decreasing total cost of ownership of advanced lights (including LED lights);
- The pronounced increase in real estate; and
- The increasing use of smart and automation lighting.

Company's comprehensive LED lighting offering allows them to offer their customers attractive manufacturing solutions for their products as well as their own product designs as part of their ODM business model. Their number of LED lighting products manufactured has grown by 41.82% from 660 in Fiscal 2020 to 936 in Fiscal 2022, and they are continuously expanding their portfolio. They manufactured 1,189 LED lighting products in the 9 months ended December 31, 2022. As on December 31, 2022, March 31, 2022 and March 31, 2021 and March 31, 2020, they had total annual installed capacity of LED Lights of 2.06 crore pieces, 2.03 crore pieces, 1.71 crore pieces and 1.11 crore pieces, respectively. Their large LED manufacturing capacity along with their R&D has positioned them to meet the further demand for LED lighting in India.

- **Diverse product basket with focus on high-margin areas**

Company's diverse product offering allows them to cater to the increasing requirements of their customers, and, more importantly, they are able to supply a larger portion of the products needed by their customers in their project engagements. For instance, their customers, **Rlux RV LLC** and **Znergy Inc**, supply components to **Forest River RV** which is a division of Forest River, Inc., a Berkshire Hathaway company, that produces RVs, pontoons, park models, buses, cargo trailers and commercial trucks. With their wide array of offerings, they are able to supply these customers with a number of products such as ABS piping, LED interior and exterior lights, switches, change controllers and solar energy solutions.

- **Long-term relationships with leading industry customers**

The company has a history of high customer retention. Their long-term relationships and ongoing active engagements with customers also allow them to plan their capital expenditures and enhance their ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower cost base. These enduring customer relationships have also helped them expand their product offerings. In addition, they are building an international customer base, primarily in the United States. Also, they are in negotiations with some of their existing customers to supply their LED home lighting products to their international supply chain.

- **Strong focus on R&D**

Company's R&D department focuses on product designing, tools and mould designing, electronic circuit designing and prototype designing. In response to the global semiconductor shortage in Fiscal 2021 and Fiscal 2022, company's R&D team designed re-engineered solutions to adapt available raw materials and components for use in certain products in order to ensure an uninterrupted supply of products to customers. They are generally able to pass the higher costs of these solutions to their customers.

- **Established infrastructure with backward integration**

IKIO has developed the proficiency to produce many of the components used in their manufacturing processes with their in-house tool room capabilities that have modern machines, moulds and tools. Except for the diodes and resistors used in their LED lighting products, all mechanical components are manufactured by them. Their manufacturing infrastructure is a key driver of their business. They have developed in-house capabilities so that they manufacture all mechanical components inhouse (save diodes and resistors).

Their backward integration includes:

- Automatic surface mounted machines for placing diodes and other components on circuit boards;
- Automatic metal cutting and shaping machines;

- Automatic powder coating on fixtures;
  - Injection moulding including machines, moulds and tools; and
  - LED light assembly lines, manual insertion, checking and final packing.
- **Strong and consistent financial performance**

IKIO has built their business organically and have demonstrated consistent growth in terms of revenues and profitability. Their restated revenue from operations have increased at a CAGR of 25.04% from ₹140.65 crore in Fiscal 2020 to ₹219.90 crore in Fiscal 2022. The consolidated restated revenue from operations was ₹240.72 crore in the 9 months ended December 31, 2022.

The consolidated restated profit after tax has increased at a CAGR of 32.34% from ₹15.99 crore in Fiscal 2020 to ₹28.01 crore in Fiscal 2022. In Fiscal 2022, Fiscal 2021 and Fiscal 2020, the PAT margins on a consolidated restated basis was 12.69%, 12.86% and 11.36%, respectively.

In the 9 months ended December 31, 2022, on a consolidated restated basis, the EBITDA was ₹49.84 crore, the EBITDA margins were 20.71%, PAT was ₹34.58 crore and PAT margins were 14.22%. They have “BBB-” (with positive outlook) long term debt credit rating from CRISIL Ratings (S&P Global).

In Fiscal 2022, Fiscal 2021 and Fiscal 2020, the ROCE on a consolidated restated basis was 41.63%, 52.98% and 68.44%, respectively; the ROE on a consolidated restated basis was 36.64%, 42.59% and 57.84%, respectively; and the net debt/EBITDA ratio on a consolidated restated basis was 0.39, 0.16 and 0.04, respectively. In the 9 months ended December 31, 2022, on a consolidated restated basis, the ROCE was 18.10%, and the ROE was 27.31% and the net debt/EBITDA ratio was 2.86.

- **Experienced Promoters and Management Team**

IKIO is led by a qualified and experienced management team that has the expertise and vision to manage and grow their business and promote their sustainability goals. Their Promoter, Hardeep Singh, is their Managing Director and Chairperson and has been involved in the business since starting a proprietorship firm in 2012. Hardeep Singh has overall experience of more than 2 decades in manufacturing of television kits, electronic components and LED lighting. He has been honoured by Philips with "Game Changer" Award for LED Lighting Production. Hardeep Singh is supported by members of their management team, their R&D team, and their board of directors, which comprises a mix of homegrown talent and lateral talent from multinational companies and firms, possess complementary skills and have extensive experience and knowledge of their business.

IKIO run their business professionally with dedicated senior and mid-level management teams. Further, they have 1,484 employees which adds to their stability and helps foster long-term growth. Their management team support has vast experience in project execution, industrial sales and marketing.

## KEY BUSINESS STRATEGIES

- **Expand into new product lines**

The company proposes to utilise the Net Proceeds towards the expansion and growth of their current manufacturing facilities, as well as through the construction of their new manufacturing facility by their subsidiary, ISPL. This expanded capacity will help them expand the output of their current portfolio of products, and more importantly, help them to break into new markets with additional product offerings.

In the past 12-24 months, IKIO has designed, developed and commenced commercial production and sale of:

- **ABS pipes:** ABS pipe offerings that comply with the requirements of the U.S. Occupational Safety and Hazard Administration (OSHA), a key requirement for their use in the United States.
  - **Solar energy solutions:** IKIO is working on a solar energy solution for one of their customers and currently offers solar panels, that can be retrofitted to commercial and recreational trailers to provide electricity.
  - **Accessories:** IKIO is increasing their offering of accessories that can be used in a variety of situations. They are in the process of launching dog latches, switches and other small accessories for their US based customers that fit out RVs.
  - **Other products:** IKIO is in the process of developing, and in some cases in the process of launching, small rechargeable appliances such as rechargeable fans, rechargeable LED lamps as well as rechargeable lithium-ion batteries for use in consumer durables.
- **Expand the manufacturing capacities for the existing and new product lines**

LED lighting is considered an important and growing part of India's sustainability initiatives. LED lighting solutions are an immediately accessible option for companies and individuals looking to decrease their environmental footprint. According to

Frost & Sullivan, the Indian LED lighting market is expected to grow by a CAGR of 12.2% from an estimated market size of ₹21,702 crore in Fiscal 2022 to a projected market size of ₹33,800 crore from Fiscal 2023 to Fiscal 2026.

To capture this projected market growth, IKIO is looking to expand their capacity for LED home lighting. Accordingly, they have acquired a parcel of land located in Noida, where they intend to construct a new manufacturing facility of approximately 500,000 square feet. The estimated total project cost for this new manufacturing facility is ₹262.88 crore, which is expected to be funded out of the Net Proceeds.

- **Diversify the customer base and expand across geographies**

IKIO intends to focus their expansion on North American markets and gradually expand to the European and South-East Asian markets. In their opinion, these markets offer them the ability to market their premium LED offerings. They intend to achieve this expansion by employing dedicated sales and marketing teams. They will also look for new partners in their focus markets to establish a local presence, and, in certain markets, they may establish subsidiaries or local offices. Further, they will also leverage their relationships with marquee customers like **Signify (Phillips), Honeywell, Frigoglass and Western Refrigeration** to showcase the quality of their product offerings and their ability to provide their services globally.

- **Continue to invest in R&D and expand the ODM business**

The company aims to continue to invest in their R&D initiatives to develop new products for their ODM customers and to enhance production and cost efficiencies of their customer's product suites. Through their focus on R&D and developing products with their customers, they will be able to continually innovate their products in line with the demands of their customers as well as end-user preferences for better comfort, quality, performance and aesthetics in their products.

- **Continue focus on sustainability through ESG investments**

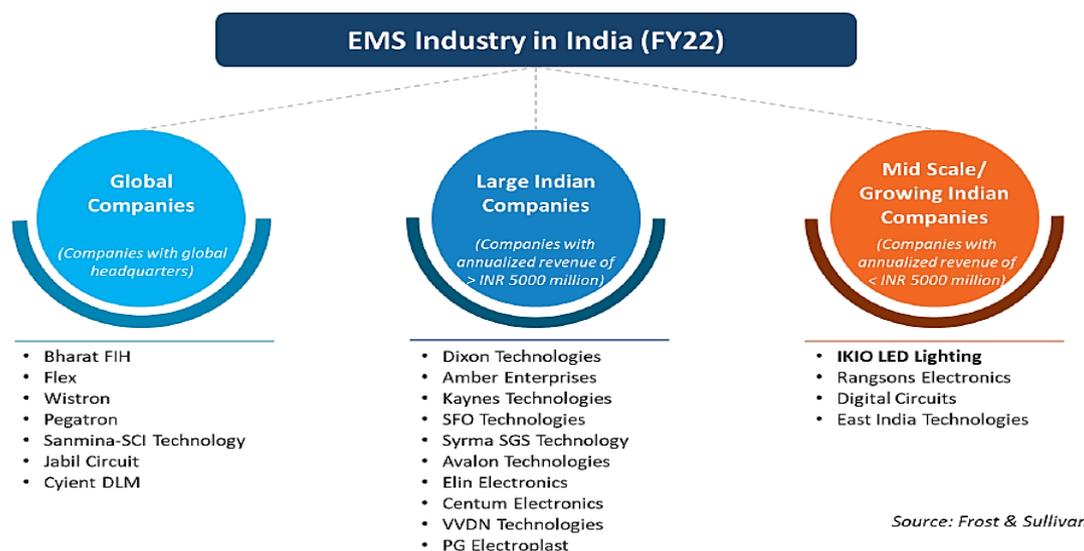
IKIO will continue to focus on sustainability by emphasizing quality, environment, health and safety. Across their 4 manufacturing facilities, they have put in place quality systems that cover all areas of their business processes from manufacturing and supply chain to product delivery to ensure consistent quality, efficacy and safety of their products. Also, they consider the potential impact of their activities on the local environment and have set stringent environmental standards, which meet regulatory requirements.

## COMPETITION

IKIO competes to provide their LED lighting solutions and their ABS piping systems to ODMs. Their competition includes full-service lighting and piping solutions to customers around India and around the world. There are nearly 700 EMS companies in the market, ranging from large, medium-sized, to small players. Major global companies include **Bharat FIH, Flex, Wistron, Pegatron, Jabil**; large Indian companies include **Dixon, Amber, SFO, Syrma, Elin, Centum** among others. The company competes primarily on the basis of product and services offering, quality of their products, systems and spares, quality of their installation, operation and maintenance services (on-time delivery, customer service), security of supply (quality, regulatory compliance and financial stability), and cost-effective manufacturing and services.

## INDUSTRY OVERVIEW

### Industry structure of EMS market in India



## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2022)

Name of the Company	Consolidated/ Standalone	Face Value	Total Income for fiscal 2022 (₹ Cr)	EPS (Basic & Diluted)	NAV	P/E	RoNW (%)
IKIO Lighting Limited	Consolidated	10	220.72	4.31	11.76	[ • ]	36.64
IKIO Lighting Limited	Proforma Condensed	10	334.00	7.77	16.75	[ • ]	46.40
<b>Peer Group</b>							
Dixon Technologies Ltd	Consolidated	2	10,700.89	32.31	167.92	90.93	19.08
Amber Enterprises India Ltd	Consolidated	10	4,239.63	32.41	514.70	57.07	6.30
Syrma SGS Technology Ltd	Consolidated	10	1,032.41	4.97	39.21	63.28	10.29
Elin Electronics	Consolidated	5	1,093.75	9.59	74.22	13.91	12.93

Source:RHP; P/E Ratio has been computed based on the closing market price of the equity shares (Source: NSE) on May 15, 2023.

### The comparison of key performance of indicators with the listed industry peers as on December 31, 2022:

Particulars	IKIO	Dixon Technologies	Amber Enterprises India	Syrma SGA Technologies	Elin Electronics
Revenue from Operations	240.72	9,126.56	3,924.48	1,368.86	806.71
Total Income	243.18	9,130.35	3,958.45	1,390.98	807.14
EBITDA	49.84	356.47	214.43	128.55	56.27
EBITDA Margin	20.71%	3.91%	5.46%	9.39%	6.98%
Profit/Loss after Tax	34.58	174.44	55.68	80.20	25.20
PAT Margin	14.22%	1.91%	1.41%	5.77%	3.12%

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