

## Summary of the Issue

IKIO Lighting is a manufacturer of light emitting diode (“LED”) lighting solutions and was incorporated as ‘IKIO Lighting Private Limited’ on March 21, 2016. It was subsequently changed to ‘IKIO Lighting Limited’ upon conversion into a public company in 2022.

## Key Highlights

- **LED lighting solution provider:** The company is an Indian manufacturer of light emitting diode (LED) lighting solutions, focused on sustainability and providing low-energy LED products. 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.
- **Focus on the premium segment:** The Company focuses on the premium segment in LED lighting solutions. It provides lighting solutions (lights, drivers and controls) to commercial refrigeration equipment suppliers under its refrigeration light segment. The company also manufactures an alternative to polyvinyl chloride (“PVC”) piping called ABS piping which is primarily used by its US customers for plumbing applications in recreational vehicles.
- **Backward integrated manufacturing facilities:** IKIO has backwards integrated its major manufacturing processes with a focus to provide end-to-end product solutions, to develop better control of the supply chain, and improve the company’s margins.
- **Manufacturing locations:** IKIO Lighting has 4 manufacturing unit facilities with one located in the SIDCUL Haridwar industrial park in Uttarakhand and three in Noida in the National Capital Region. The 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.
- **Diverse product basket:** IKIO offers ODM products in four segments: (i) LED lighting; (ii) Refrigeration lights; (iii) ABS piping; and (iv) Other products. The company is able to capture a large wallet share of the customer by leveraging its wide range of products. It currently manufactures over 753 SKUs for its largest customer – Signify (Philips) in India.
- **Key customers:** Signify Innovations India is the company’s largest customer. Furthermore, the company has 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. IKIO provided its products to ~ 900 domestic customers and 16 international customers in the 9MFY23 and in FY22, FY21, and FY20.
- **Financial performance:** The Company’s revenue from operations increased at a CAGR of 25.04% from Rs 141 Cr FY20 to Rs 220 Cr in FY22. The EBITDA margin of the company has declined marginally to 18.3% in FY22 from 18.7% in FY20 and as of 9MFY23, the EBITDA margins stood at 20.7%. The PAT margins have improved to 12.8% in FY22 from 11.36% in FY20 and for 9MFY23, PAT margins stood at 14.4%.

## Objects of the issue

Purpose	Rs Cr
Repayment/prepayment, in full or part, of certain borrowings availed by its Company and its Subsidiaries on a consolidated basis	50
Investment in wholly owned Subsidiary, IKIO Solutions Private Limited, for setting up a new facility at Noida, Uttar Pradesh	212.31
General Corporate Purposes	-

Source: RHP

## Financial Summary

(Rs Cr)	FY20	FY21	FY22
Equity Share Capital	0.05	0.05	25.0
Reserves & Surplus	27.6	48.3	51.4
Net Worth as stated	27.7	48.3	76.4
Revenues from operations	140.7	159.7	219.9
EBITDA	26.3	30.3	40.2
EBITDA (%)	18.7	19.0	18.3
PBT	22.1	27.6	38.0
Net PAT	16.0	20.6	28.0
Net Profit Margin	11.4%	12.9%	12.7%
Net Asset Value (Rs)	4.3	7.4	11.8
ROCE (%) as stated	68.4%	53.0%	41.6%

Source: RHP, Restated Consolidated

## Issue highlights

**Issue size:** Rs 593 - 607 Cr  
**Fresh Issue:** upto Rs 350 Cr  
**Offer For Sale:** Rs 243 –Rs 256.6 Cr#  
**Min Lot:** 52 shares  
**Face Value:** Rs 10/-

## Issue summary

**Price band:** Rs 270 – Rs 285  
**Bid Lot:** 52 shares and in multiples thereafter  
**Issue opens:** June 06, 2023  
**Issue closes:** June 08, 2023  
**Tentative Listing:** June 16, 2023  
**BRLM:** Motilal Oswal Investment Advisors  
**Registrar:** KFin Technologies.

## Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	100	72.46
Public – Others	-	27.54
<b>Total</b>	<b>100</b>	<b>100</b>

	Pre issue	Post issue <sup>#</sup>
No. of shares (in Cr)	6.5	7.79/7.73

# - Lower Price Band/ Upper Price Band

## Issue break-up

Category	Shares (in Cr)	% of issue	Rs In Cr
QIB	1.09 / 1.06	50	297/303
Non-Institutional	0.32 / 0.31	15	89/91
Retail	0.20 / 0.19	35	86.5

# - Lower Price Band/ Upper Price Band

Fresh Issue up to	1.22 Cr Equity Shares
Offer for sale of up to	90 Lakh Equity Shares
Post Issue Implied Market Cap =	Rs 2,105 Cr- Rs 2,203 Cr

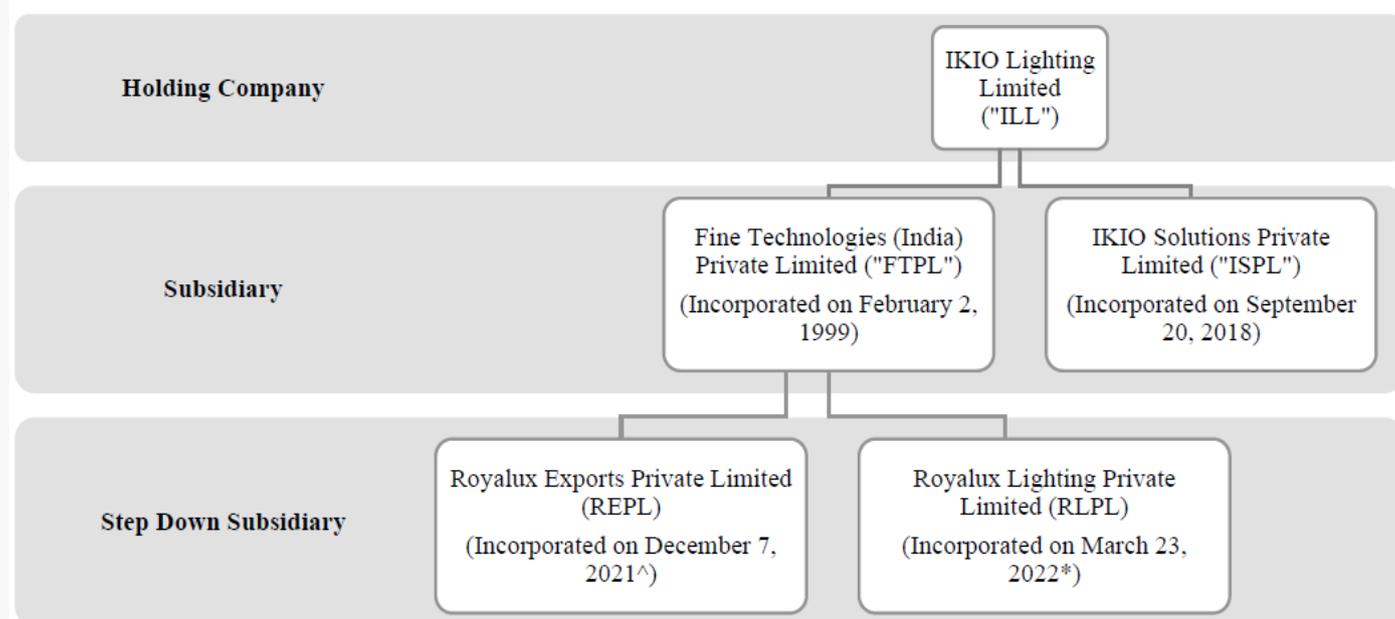
**Hiren Trivedi**  
 Research Associate

Call: 9819299815  
 email: hiren.trivedi@axissecurities.in

## Business Overview

The company was incorporated as 'IKIO Lighting Private Limited' on March 21, 2016, and commenced the business of Refrigerator Light. It commenced new business in the Noida Special Economic Zone area in 2019 to carry out 100% export activity. The company was subsequently changed to 'IKIO Lighting Limited' upon conversion into a public company in 2022.

## Organization Structure



Source: RHP

- Manufacturer of the light emitting diode ("LED") lighting solutions:** IKIO Lighting (IKIO) is primarily an original design manufacturer ('ODM') and designs, develops, manufactures, and supplies products to customers who then further distribute these products under their own brands. The company is an Indian manufacturer of light-emitting diode ("LED") lighting solutions, focused on sustainability and providing low-energy LED products. The company also works with the customers to develop, manufacture, and supply products that are designed by the customers.
- Product categories:** IKIO products are categorised as (i) LED lighting; (ii) Refrigeration lights; (iii) ABS (acrylonitrile butadiene styrene) piping; and (iv) Other products. The LED lighting offerings focus on the premium segment and include lighting, fittings, fixtures, accessories and components.
- Manufacturer of ABS piping, an alternative to PVS piping:** IKIO provides lighting solutions (lights, drivers and controls) to commercial refrigeration equipment suppliers under its refrigeration light segment. The company also manufactures an alternative to polyvinyl chloride ("PVC") piping called ABS piping which is primarily used by its US customers for plumbing applications in the recreational vehicles ("RVs") that they fit out.
- Other products:** Additionally, IKIO manufactures and assembles other products including fan regulators that are designed by its clients; light strips, moulding, and other components and spares. IKIO's equipment and systems are used in various industries and products, including residential, industrial, and commercial lighting.

- **Company's largest customer – Signify Innovations India:** In LED Lighting, the company's largest customer is Signify Innovations India Limited, erstwhile Philips Electronics India Limited ('Signify (Philips)'). In FY22, as per the F&S report, Signify Innovations India 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).
- **A diversified customer base across product segments:** In addition to Signify (Philips), IKIO has a diversified customer base across all its other product segments across industry sectors and geographies which include Western Refrigeration Private Limited, Panasonic Life Solutions India Private Limited, and Novateur Electrical & Digital Systems Private Limited.
- IKIO has 4 manufacturing facilities with 3 units in Noida in the National Capital Region and 1 unit located in the SIDCUL Haridwar industrial park in Uttarakhand. IKIO has backwards integrated its major manufacturing processes with a focus to provide end-to-end product solutions, developing better control of the supply chain, and improving the company's margins.

## Products

IKIO's products are categorized as

1. LED lighting;
2. refrigeration lights;
3. ABS (acrylonitrile butadiene styrene) piping; and
4. Other products

Additionally, the company manufactures and assembles other products including fan regulators that are designed by its clients; light strips, moulding and other components and spares. The company's equipment and systems are used in various industries and products, including residential, industrial and commercial lighting. The company manufactures and supplies products under the ODM business model. IKIO has developed ODM capabilities with respect to LED products and others.

### Key Product Segments & Customers

Segment	Product Launch	Description	Key Clients
<b>LED lighting</b>	FY12	LED lights, fittings, fixtures, accessories, LED strip lights, individual LED rechargeable bulbs and RV lights	Signify (Philips), RLux RV LLC and Zenergy Inc
<b>ABS Piping</b>	FY22	An alternative to PVC piping, consisting of pipes made of a thermoplastic resin -has traditionally been used as drainpipes and water supply lines due to their shock resistance and strength, as well as their resistance to temperature fluctuations and decay	RLux RV LLC and Zenergy Inc., supply to Forest River Inc. (a subsidiary of Berkshire Hathaway).
<b>Refrigerator LED lighting</b>	FY16	IKIO produces refrigerator LED lighting for customers on an ODM basis	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. The products include Rotary Switches, Fan Regulators and MCB Switches, mouldings and fittings	Honeywell, Anchor Panasonic, Le-grand and Signify (Philips).

Source: RHP

## Key Customers

IKIO serves industrial customers with different product requirements. It usually does not enter into long-term supply contracts with any of its customers and typically relies on periodic purchase orders. Prices are negotiated with customers for each purchase order. In FY22, IKIO exported its products to the United States through its subsidiary – REPL.

On the domestic front, key clients include Signify (Philips), Western Refrigeration Private Limited, Panasonic Life Solutions India Private Limited and Novateur Electrical & Digital Systems Private Limited. On the International front, the clients include Everlast Lighting Inc and Znergy.

## Research & Development

IKIO's R&D department focuses on product designing, tools, and mould designing, electronic circuit designing, and prototype designing. The 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 trial products.

The R&D department has modern equipment and tools available including •Cathode rays oscilloscopes; surge generators; HV testers; Gonio photometer and integrating spheres; Humidity chamber; Salt spray chambers; Thermal chambers; IP testers; Drop testers; and Vibration testers.

## Financial performance

The company's revenue from operations increased at a CAGR of 25.04% from Rs 141 Cr FY20 to Rs 220 Cr in FY22. The EBITDA margin of the company has declined marginally to 18.3% in FY22 from 18.7% in FY20 and as of 9MFY23, the EBITDA margins stood at 20.7%. The PAT margins have improved to 12.8% in FY22 from 11.36% in FY20 and for 9MFY23, PAT margins stood at 14.4%. The company witnessed order bookings of Rs 86.2 Cr as at March 31, 2022, with major orders coming from Signify (Philips).

## Key Business Strategies

### Expand into new product lines

IKIO has been able to produce new products that have been well-accepted in the target markets. The company plans to use the net proceeds for the expansion of current manufacturing facilities and the construction of new manufacturing facilities. The expanded capacity will help the company to increase the output of current products and aid the penetration in new markets with additional product offerings.

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

- i) **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.
- ii) **Solar energy solutions:** Currently the company offers solar panels, that can be retrofitted to commercial and recreational trailers to provide electricity; while the company is also working on a solar energy solution for one of its customers.
- iii) **Accessories:** In order to increase the wallet share of existing customers, the company is increasing its offering of accessories that can be used in a variety of situations. For instance, the company is in the process of launching dog latches, switches and other small accessories for its US-based customers that fit out RVs.
- iv) **Other products:** The company 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

As per the Frost & Sullivan report, LED lighting space is considered an important and growing part of India's sustainability initiatives. LED lighting is an instantly available option for companies and individuals looking to decrease their environmental footprint. According to F&S, the Indian LED lighting market is expected to grow by a CAGR of 12.2% from an estimated market size of Rs 217 Bn in FY22 to a projected market size of Rs 338 Bn from FY23 to FY26.

To participate in this growth opportunity, the company is looking to expand its capacity for LED home lighting. Accordingly, the company has acquired a land parcel in Noida to set up a new manufacturing facility of ~500,000 sq. ft. The estimated total project cost for this new manufacturing facility is Rs 263 Cr, which is expected to be funded out of the Net Proceeds.

### Diversify the customer base and expand across geographies

IKIO plans to expand its ODM business to new international markets. The company intends to focus its 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. The company plans to achieve this expansion by employing dedicated sales and marketing teams whose primary focus will be on business development in international markets, particularly, in focus geographies. Moreover, IKIO will also leverage its relationships with marquee customers like Signify (Phillips), Honeywell, Frigoglass and Western Refrigeration to showcase the quality of product offerings and its ability to provide services globally.

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

IKIO will keep investing in R&D to develop new products for its ODM customers and to enhance production and cost efficiencies of the customer's product suites. Focusing on R&D and developing products with the customers, the company will be able to continually develop products that are in line with the demands of the customers as well as end-user preferences for better comfort, quality, performance, and aesthetics in the products.

**Continue focus on sustainability through ESG investments**

IKIO will continue to focus on sustainability by emphasizing quality, environment, health, and safety. Across its four manufacturing facilities, the company has put in place quality systems that cover all areas of its business processes from manufacturing and supply chain to product delivery to ensure consistent quality, efficacy and safety of the products. Various accreditation agencies have audited and approved the company's facility and manufacturing processes in the past. IKIO considers the potential impact of its activities on the local environment and has set stringent environmental standards, which meet regulatory requirements. The company has a growing commitment to environmental management systems, environmental due diligence and building disaster planning and response systems across its manufacturing facilities.

## **Competitive Strengths**

### **Poised to capture the growth of the LED market**

IKIO Lighting's comprehensive LED lighting products help it to offer its customers attractive manufacturing solutions for its products as well ODM solutions. Between FY20 to FY22, the number of LED lighting products manufactured has grown by 41.82% from 660 to 936. IKIO manufactured 1,189 LED lighting products in the 9MFY23. As on December 31, 2022, March 31, 2022, March 31, 2021, and March 31, 2020, the company had a total annual installed capacity of LED Lights of 21 Mn pieces, 20 Mn pieces, 17 Mn pieces and 11 Mn pieces, respectively. The company is well-positioned to capitalize on opportunities provided by the tailwinds in the LED lighting market driven in part by governmental policies.

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

IKIO offers ODM products in four segments: (i) LED lighting; (ii) Refrigeration lights; (iii) ABS piping; and (iv) Other products. The company is able to capture a large wallet share of the customer-led with a wide range of products. The company focuses on the premium segment in LED lighting. Its offerings include lighting, fittings, fixtures, accessories, and components.

IKIO also provides lighting solutions (lights, drivers, and controls) to commercial refrigeration equipment suppliers under its refrigeration lights segment. Furthermore, the company manufactures ABS piping which is an alternative to PVC piping.

The company currently manufacture more than 753 SKUs for its largest customer, Signify (Philips) in India. Moreover, the company is in negotiations with some of its existing customers to supply its LED home lighting products to its international supply chain.

The company is able to cater to the increasing requirements of its customers due to its diverse product offerings. The company can supply a larger portion of the products needed by its customers in their project engagements. For example, its 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.

Backed by a wide array of offerings, IKIO is 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 provided its products to ~900 domestic customers and 16 international customers in the 9MFY23 and in FY22, FY21 and FY20. The company's largest customer is Signify (Philips) and the promoter Mr. Hardeep Singh, has a 10-year-long relationship with Signify (Philips). The number of SKUs that IKIO manufactures for Signify (Philips) has increased from 225 in FY18 to 753 in the 9MFY23.

In addition to Signify (Philips), the company has a diversified customer base across all other product segments across industry sectors and geographies which include Western Refrigeration Private Limited Panasonic Life Solutions India Private Limited and Novateur Electrical & Digital Systems Private Limited.

IKIO has a history of high customer retention. Their long-term relationships and ongoing active engagements with customers also allow the company to plan its capital expenditure and enhance its ability to benefit from increasing economies of scale with stronger purchasing power for raw

materials and a lower cost base. These long-standing customer relationships have also helped the company in expanding its product offerings.

Furthermore, the company is building an international customer base, primarily in the United States. Also, the company is in negotiations with some of the existing customers to supply their LED home lighting products to their international supply chain.

#### Established infrastructure with backward integration

IKIO has developed the proficiency to produce many of the components used in its manufacturing processes with in-house tool room capabilities that have modern machines, moulds, and tools. Except for the diodes and resistors used in the LED lighting products, all mechanical components are manufactured by the company.

Location/Description	Commissioning Date	Product Lines	Capacity (Mn pieces)	Capacity Utilisation <sup>^</sup>
<b>SIDCUL Haridwar, Uttarakhand, India</b>	FY 2016	LED Lights	18.0	54.3%
		Regulator & Switches	2.25	81.5%
<b>FITP facility Electronic City, Noida (Delhi/NCR)</b>	FY 1999	Regulator & Switches	19.5	76.4%
<b>RLPL facility at Noida Delhi/NCR</b>	FY 2015	Refrigerator LED lighting and drivers	2.5	59.3%
<b>REPL facility at Noida Special Economic Zone (NSEZ) Noida, Delhi/NCR</b>	FY 2019	LED light products and ABS pipes RVs	0.13	70.6%

Source: RHP, <sup>^</sup> Capacity and capacity utilisation for the 9 months ended December 31, 2022

IKIO has backwards-integrated its major manufacturing processes. The company has developed in-house capabilities so that it manufactures all mechanical components in-house (except diodes and resistors). The 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.

#### Strong focus on R&D

The company's R&D department focuses on product designing, tools and mould designing, electronic circuit designing and prototype designing. The 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 trial products. The R&D team also aims to provide solutions through automation to improve manufacturing efficiency on the existing products reduce production costs and assist the customers by providing design and engineering support.

### **Experienced Promoters and Management Team**

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

The company business is professionally managed with dedicated senior and mid-level management teams. Furthermore, IKIO has 1,484 employees which adds to its stability and helps to foster long-term growth. The management team support has vast experience in project execution, industrial sales, and marketing.

## Board of Directors

- **Hardeep Singh** is the Chairman and Managing Director of the company. He is the founder and one of the Promoters of the company and has been associated with the company since its inception. He oversees the overall functions of the company and is responsible for the strategic growth initiatives and expansion plans.
- **Surmeet Kaur** is the Whole-time Director on its Board and one of the Promoters of the company. She has been associated with the company since its inception and is responsible for the management of Human Resources.
- **Sanjeet Singh** is a Whole-time Director. He has been associated with the company since February 1, 2019. He oversees the overall operations of the company.
- **Chandra Shekhar Verma** is an Independent Director of the company. He has several years of experience in the Public Sector. He has previously served as Chairman and Managing Director of Steel Authority of India Limited.
- **Kishor Kumar Sansi** is an Independent Director of the company. Before joining the company, he was the Executive Director of Punjab & Sind Bank and the MD and CEO of Vijaya Bank and has years of experience in Public Sector Banks.
- **Rohit Singhal** is an Independent Director of the company. He has over 12 years of experience as a practising Chartered accountant.

## Key Managerial Personnel

- **Subhash Chand Agrawal** is the Chief Financial Officer of the company. Previously, he was working with Yamuna Insutech Private Limited, Seil Sugar Limited, FIL Industries Limited, Qippo Telecom Private Limited, Tower Vision India Private Limited, Essel Green Mobility Limited, Footwear (Klick) India Private Limited and Lars Medicare India Limited.
- **Sandeep Kumar Agarwal** is the Company Secretary and Compliance Officer of the company. He has over 15 years of experience. Previously, he was working with Geo Enpro Petroleum Limited, Orissa Stevedores Limited and HLS Asia Limited.
- **Ishween Kaur** is the Chief Marketing Officer of Royalux Lighting Private Limited. She has been associated with the company since March 6, 2018. She has 4+ years of experience in Business Administration
- **Karukathara Peethambaran Prakash** is the Plant Head of the Rotary & Fixture Division in Fine Technologies (India) Private Limited. He has over 23 years of experience in the field of Production. He is currently responsible for assisting in the overall plant operation of Fine Technologies (India) Private Limited.
- **Manoj Chetal** is the “Plant Head of the LED Lighting Division of the company. Previously he worked with Microtek International Private Limited.
- **Rajat Behal-** is the Business Head Export Division of Royalux Export Private Limited. He is currently responsible for the overall operations of the export division of Royalux Export Private Limited.
- **Surinder Pal Singh** is the Marketing Head-Refrigeration Lighting Division of Royalux Lighting Private Limited. He is currently responsible for marketing activities at Royalux Lighting Private Limited.
- **Kozhuppakalam Gopi Siju** is the Operation Head of –the LED Lighting Division. He has over 16 years of work experience and previously he was working with Inko Technologies. He is currently responsible for managing the manufacturing unit of SIDCUL Haridwar.
- **Praveen Kumar Saini** is the Research and Development Head of its company. He has over 12 years of experience in the field of Research and Development. Previously, he was working with NTL Electronics India Limited, Compact Lamps Private Limited, and Dixon Technologies India Limited.
- **Deepti Pokhriyal** is the Manager – Administration of the Subsidiary Fine Technologies (India) Private Limited. She has over 16 years of work experience and has been associated with Fine Technologies (India) Private Limited since 2006.

## Industry Overview

### *Global Electronics Industry Overview*

**Electronics Manufacturing Services (EMS) Industry:** Traditionally, the global electronics manufacturing services market consisted of companies that manufacture electronic products, mainly assembling components on Printed Circuit Boards (PCBs) and box builds for major brands. In recent times, the EMS companies are adding value to the products which has led to involvement beyond manufacturing, to product design and development, testing, and after-sales services, such as repair, re-manufacturing, marketing, and product lifecycle management.

**Global EMS Outlook:** The global EMS market was estimated at \$880 Bn in 2021 and is expected to grow at a CAGR of 5.4% to reach \$1,145 Bn in CY26.

#### **Following are the main drivers for the growth of the global EMS industry**

- Technological advancements and acceptance of smart home devices
- Greater Emphasis on Vehicle Electrification
- Technological upgrade of facilities
- Product development activities
- COVID-19 induced pent-up demand

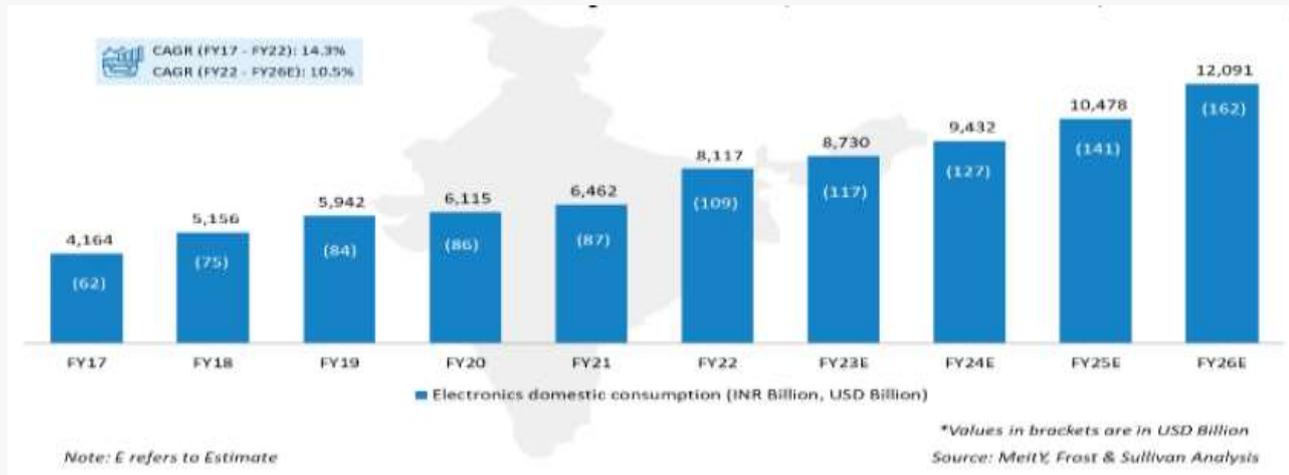
### **Electronics Manufacturing in India**

Electronics is one of the fastest-growing industries in the country. The total electronics market (including domestic & imported products) is expected to grow at a CAGR of 17.9% from Rs 9,263 Bn in FY22 to Rs 17,902 Bn in FY26. The domestic production of electronics which stood at Rs 6,736 Bn is expected to grow at a CAGR of 24.2% to reach Rs15,159 Bn during the same period.

Led by the government push under the National Policy on Electronics to improve the infrastructure of electronics manufacturing, incentives under the PLI scheme have led to impetus in increasing the revenue from the electronics industry. Changing landscape of electronic design and manufacturing and revised cost structures have shifted the attention of multinational companies to India. In addition as a low low-cost alternative, India is positioned favourably as a destination for high-quality design work with many MNCs expanding their captive centres in India.

**Indian Electronics Consumption:** Electronics consumption market in India is estimated at Rs 8,117 Bn in FY22 and is expected to grow at the rate of 10.5% to reach Rs 12,091 Bn by FY26. An increasing electronics penetration in semi-urban and rural markets, a shift in lifestyle among the Gen Y population and the adoption of smart gadgets are some key drivers supporting domestic consumption.

## Indian Electronics Consumption



Source: RHP

## EMS Industry India



Source: RHP

There are nearly 700 EMS companies in the market, ranging from large, and medium-sized, to small players. Major global companies include Bharat FIH, Flex, Wistron, Pegatron, and Jabil; large Indian companies include Dixon, Amber, SFO, Syrma, Elin, and Centum among others. In the Indian context, IKIO Lighting Private Limited is one of the fastest-growing providers of ODM services for global & domestic companies in the category of less than Rs 5,000 Mn annualized revenue.

## Indian EMS market



Source: RHP

The EMS market in India was valued at Rs 1,469 Bn (\$20 Bn) in FY22 and is expected to grow at a CAGR of 32.3% to reach a value of Rs 4,502 Bn (\$60 Bn) in FY26.

## Competition

IKIO competes to provide its LED lighting solutions and its ABS piping systems to ODMs. The competition includes full-service lighting and piping solutions to customers domestically as well as globally. IKIO believes that its integrated end-to-end lighting solutions provide the company with a competitive advantage.

Major global companies include Bharat FIH, Flex, Wistron, Pegatron, and Jabil; large Indian companies include Dixon, Amber, SFO, Syrma, Elin, and Centum among others. (Source: F&S Report, Mar'23). IKIO competes primarily on the basis of product and services offering, quality of the products, systems and spares, quality of 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.

## Comparison with Listed peers

Year End Mar-22	Revenue (Rs Cr)	EBITDA (%)	PAT (Rs Cr)	PAT Margin (%)	P/E (x)	EPS (Rs )	RoNW (%)	NAV (Rs)
<b>IKIO Lighting (consol)</b>	221	18.26	28	12.7	[ • ]	4.31	36.6	11.76
Amber Enterprises India	4,240	6.55	111	2.6	57.1	32.4	6.3	514.7
Dixon Technologies	10,701	3.54	190	1.8	90.9	32.3	19.1	167.92
ELIN Electronics	1,095	7.22	39	3.6	13.9	9.6	12.9	74.22
SYRMA SGS Technology	1,032	9.26	57	5.5	63.3	5.0	10.3	39.21

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

## Financials

### Profit & Loss

(Rs Cr)

Particulars	FY20	FY21	FY22	9MFY23
<b>Revenue from Operations</b>	<b>140.6</b>	<b>159.7</b>	<b>219.9</b>	<b>240.7</b>
<b>Expenses</b>				
Cost of materials	95.4	105.2	152.4	158.7
Changes in inventories	-1.0	0.7	-6.8	-0.9
Employee Benefit Expenses	16.2	19.4	26.4	20.6
Other Expenses	3.7	4.0	7.8	12.5
<b>EBITDA</b>	<b>26.3</b>	<b>30.3</b>	<b>40.2</b>	<b>49.8</b>
<i>EBITDA Margin (%)</i>	<i>18.7</i>	<i>19.0</i>	<i>18.3</i>	<i>20.7</i>
Other Income	0.1	0.4	0.8	2.5
<b>EBIT</b>	<b>26.4</b>	<b>30.7</b>	<b>41.0</b>	<b>52.3</b>
Finance Cost	2.1	0.6	0.5	2.7
Depreciation	2.2	2.5	2.4	3.1
<b>Profit Before Tax</b>	<b>22.085</b>	<b>27.637</b>	<b>37.993</b>	<b>46.514</b>
Tax Expenses	6.1	7.1	10.0	11.9
<b>Profit After Taxes</b>	<b>15.993</b>	<b>20.580</b>	<b>28.010</b>	<b>34.582</b>
Exceptional items	0.0	0.0	0.0	0.0
Other Comprehensive Income	0.0	0.1	0.1	0.1
<b>Total Comprehensive Income</b>	<b>16.0</b>	<b>20.7</b>	<b>28.1</b>	<b>34.7</b>

Source: RHP

**Balance Sheet**
**(Rs Cr)**

Particulars ( Rs Cr)	FY2020	FY2021	FY2022	9MFY23
<b>Non-Current Assets</b>				
Property, plant and equipment	15.0	15.4	16.8	30.3
Right-of-use assets	0.0	0.0	0.3	33.9
Capital work-in-progress	0.0	0.0	0.0	21.5
Intangible assets	0.1	0.1	0.0	0.0
Goodwill				0.5
- Other Financial assets	0.1	0.1	0.2	1.0
- Tax assets (Net)	0.2	0.6	0.6	0.8
Other non-current assets	0.0	0.1	0.9	2.2
	<b>15.4</b>	<b>16.3</b>	<b>18.9</b>	<b>90.3</b>
<b>Current assets</b>				
Inventories	16.9	31.6	56.2	125.4
Financial assets				
- Trade receivables	4.6	15.6	26.0	73.2
- Cash and cash equivalents	6.7	0.2	0.7	2.6
- Others	0.1	0.1	0.1	0.4
Other current assets	7.3	10.3	10.8	29.5
Total current assets	35.6	57.8	93.7	231.0
<b>Total Assets</b>	<b>51.0</b>	<b>74.1</b>	<b>112.6</b>	<b>321.3</b>
<b>Equity &amp; Liabilities</b>				
Equity share capital	0.1	0.1	25.0	65.0
Other equity	27.6	48.3	51.4	61.6
<b>Non Current Liabilities</b>				
Financial liabilities				
- Borrowings	2.7	2.1	1.1	21.0
- Lease liabilities	0.0	0.0	0.2	7.7
Provisions	0.4	0.5	0.8	2.1
Other non current liabilities				
<b>Current Liabilities</b>				
- Borrowings	5.1	2.9	14.7	115.3
- Lease liabilities	0.0	0.0	0.1	1.3
- Trade payables	13.9	17.5	14.0	30.8
- Other current financial liabilities	1.1	1.6	3.1	8.6
Other current liabilities & provisions	0.3	1.1	0.9	5.1
Current tax liabilities	0.0	0.0	1.3	2.8
<b>Total equity and liabilities</b>	<b>51.0</b>	<b>74.1</b>	<b>112.6</b>	<b>321.3</b>

**Cash Flow**
**(Rs Crs)**

Particulars	FY20	FY21	FY22	9MFY23
Pre Tax Profit	22.1	27.6	38.0	46.5
Add: Depreciation	2.2	2.5	2.4	3.1
Add: Finance Cost	2.1	0.6	0.5	2.7
Change in other assets & liabilities	0.0	0.2	0.0	-0.3
<b>Op Profit Before W Cap/Other Changes</b>	<b>26.4</b>	<b>30.8</b>	<b>41.0</b>	<b>52.0</b>
Adj. for (inc)/decrease in operating asset	-9.1	-28.7	-35.5	-14.1
Adj. for (inc)/decrease in operating liabilities	4.2	5.4	-2.0	-1.8
Cash (used in) / generated from operations	<b>21.5</b>	<b>7.5</b>	<b>3.5</b>	<b>36.2</b>
Less: Tax Paid	-8.3	-7.6	-8.7	-16.6
<b>Cash Flow from Operations (A)</b>	<b>13.2</b>	<b>0.0</b>	<b>-5.3</b>	<b>19.5</b>
(Acquisition)/ Proceeds from Sale of Property, Plant &	-3.88	-3.08	-4.56	-9.42
Movement in Bank Deposits	-0.01	0.05	0.00	0.16
Interest received	0.01	0.05	0.00	0.13
Proceeds from sale/(purchase) of Non-Current Investments	0.00	0.00	0.00	-31.93
<b>Cash Flow from Investing (B)</b>	<b>-3.88</b>	<b>-2.99</b>	<b>-4.56</b>	<b>-41.07</b>
Net (decrease)/increase in long term borrowings from banks	-6.4	-0.6	-1.0	-0.7
Net increase/(decrease) in short term borrowings from banks	3.8	-2.2	11.9	18.4
Payment of lease liabilities	0.0	0.0	-0.1	5.3
Net increase/(decrease) in short term borrowings from Directors	0.0	0.0	0.0	-0.7
Finance cost	-2.1	-0.6	-0.5	-2.6
<b>Cash Flow from Financing (C)</b>	<b>-4.6</b>	<b>-3.4</b>	<b>10.3</b>	<b>19.8</b>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	4.7	-6.4	0.5	-1.7
<b>Cash and cash equivalents</b>				
-at beginning of the year	1.9	6.6	0.2	3.1
-at end of the year	6.6	0.2	0.7	1.3

Source: RHP

**About the analyst**

Analyst: Hiren Trivedi

Email: [hiren.trivedi@axissecurities.in](mailto:hiren.trivedi@axissecurities.in)

Sector: Consumer Durables

Analyst Bio:

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