

IKIO LIGHTING LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.361.25 (As on 15th Sep 2023)

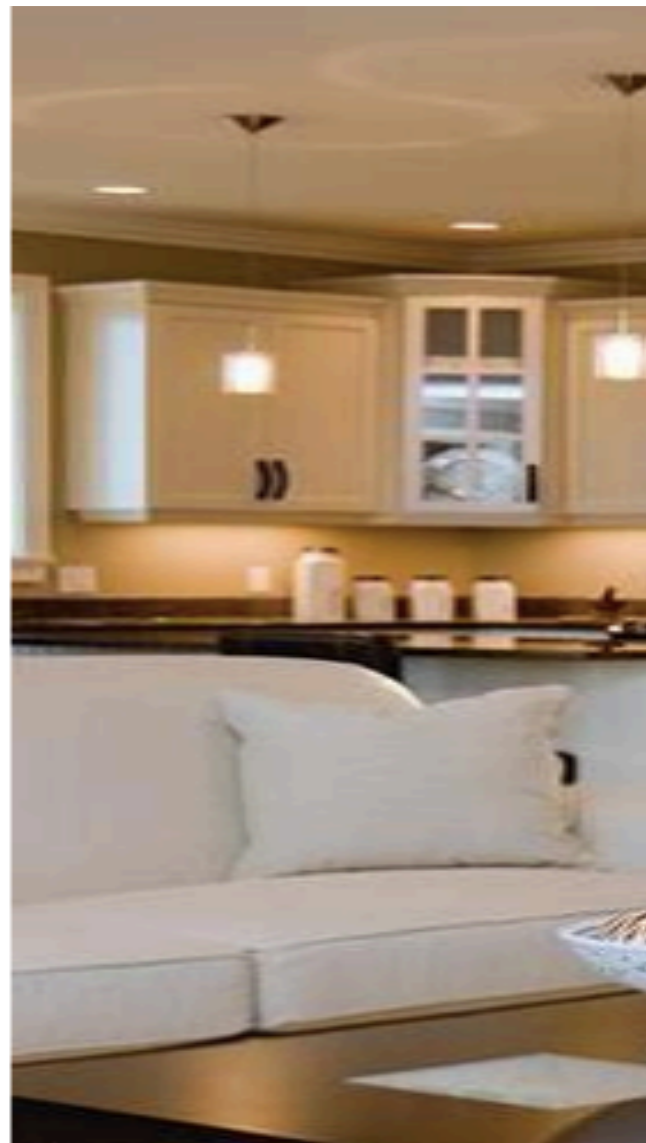
TARGET PRICE : Rs.452.00

FACE VALUE : Rs.10

BSE CODE : 543923

NSE CODE : IKIO



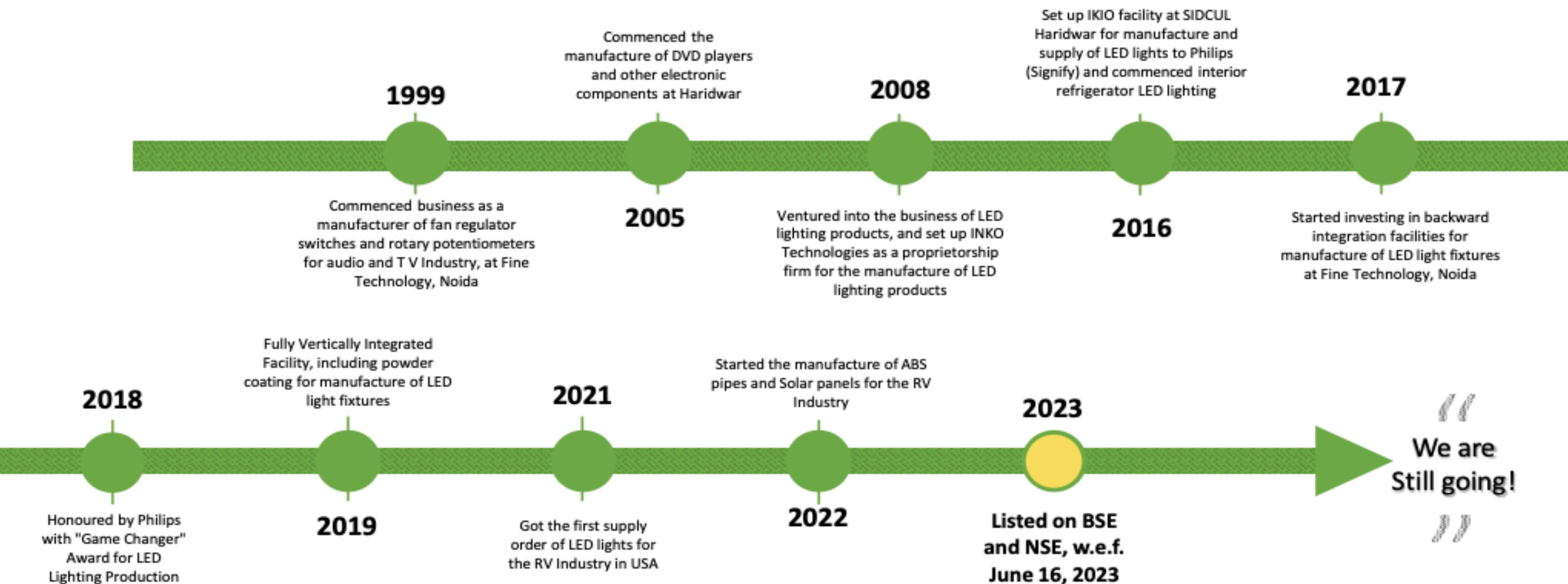


IKIO Lighting Ltd. is one of the leading ODM manufacturers and end-to-end solutions providers in India for LED lighting, switches, and RV components.

ABOUT THE COMPANY

The Company has a strong and diversified product offering of over 1,000 SKUs. It does manufacturing at four well-integrated facilities spread over ~3 lac sq. ft. Strong in-house R&D department that enables further integration through Process and Product Development.

Journey of the Company From Product Manufacturing To...



...One of India's Leading Manufacturer of High-End Lighting Solutions...

Company Overview

- One of **India's** leading ODM (Original Design Manufacturer) that designs, develops, manufactures and supplies products (mainly LED Lightings) that are sold under customer brand
- Strong and diversified product offering of **over 1,000 SKUs**
- Manufactured at four well-integrated facilities spread **over ~3 lac sq. ft.**
- Strong in-house R&D department that enables further integration through **Process and Product Development**
- **Experienced Management** with oversight by strong Board of Directors

LED Lighting solutions

- High-End Home Decorative LED Lights
- Indoor and Outdoor Lights as ODM

Commercial Refrigeration









- Interior LED Lights
- IPS Stabilisers

Other Products

- RV LED Lights
- RV Solar Panels
- RV ABS Pipes
- Rotary Switches
- Fan Regulators

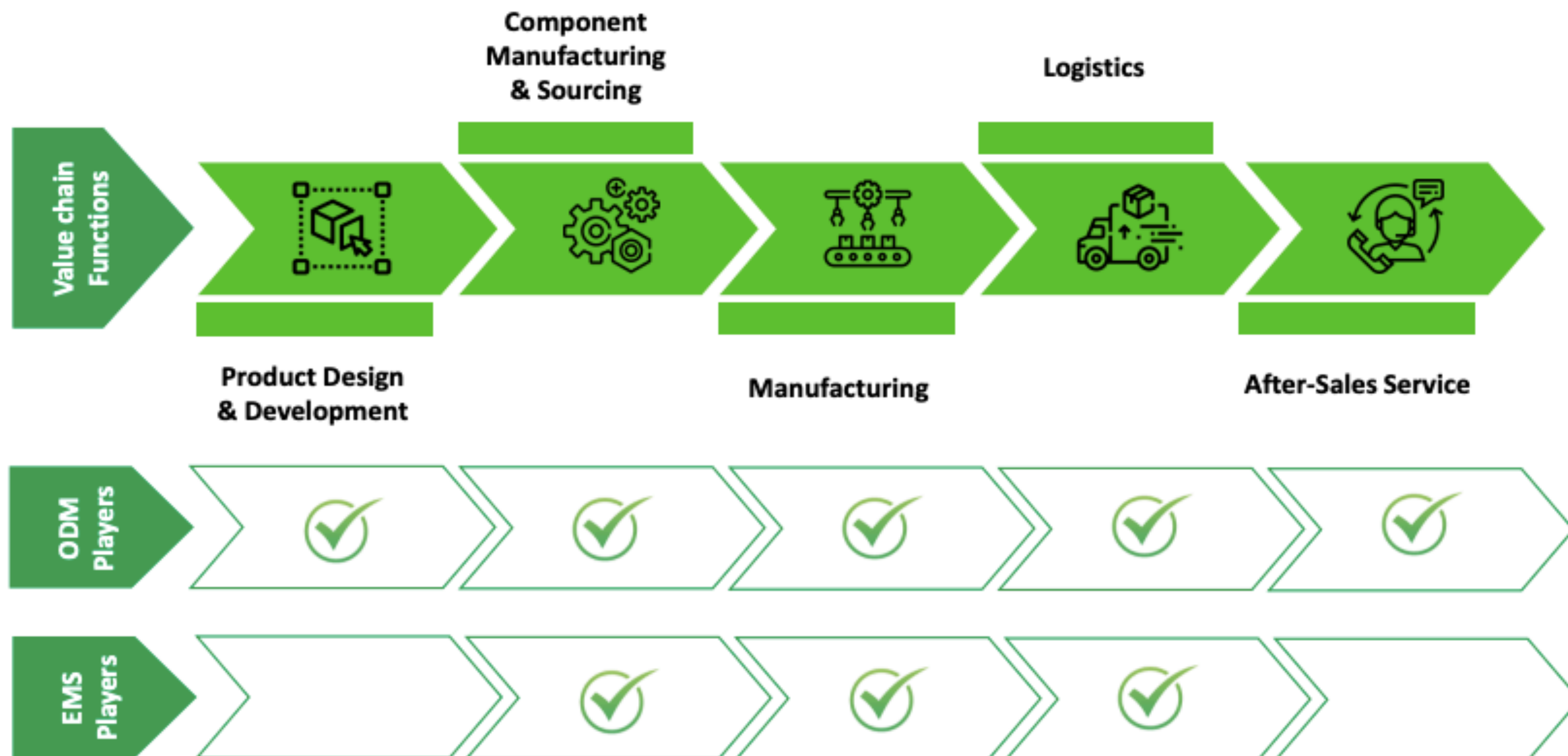
RV: Recreational Vehicles

...Offering Well-Diversified Product Basket of Over 1000 SKUs...

LED Lighting Solutions		Commercial Refrigeration	Other Products	
High-End Home Decorative LED Lights 		Interior LED Lights 	Recreational Vehicle LED Lights 	Rotary Switches 
		IPS Stabilisers 	Solar Panels 	Fan Regulators 
			ABS Pipes 	

...Developed Through a Fully Integrated Design & Manufacturing Process...

IKIO as an ODM has presence across the value chain which enables Quality Control, Consistent Supply and Healthy Margins



...At State-of-the-Art Manufacturing Facilities Spread Over ~3 Lac Sq.Ft.



- **Location:** SIDCUL, Haridwar
- **Area:** 42,517 Sq. Ft.
- **Key Products:**
 - ✓ LED lights
 - ✓ Regulator & switches



- **Location:** Noida
- **Area:** 80,000 Sq. Ft.
- **Key Products:**
 - ✓ Regulator
 - ✓ Switches
 - ✓ Backward integration processes like Tool Room, Injection Moulding, Powder Coating, CNC Machining, etc.



- **Location:** Noida
- **Area:** 1,12,077 Sq. Ft.
- **Key Products:**
 - ✓ Refrigeration LED Lightings & Controls
 - ✓ LED Module
 - ✓ Drivers
 - ✓ IPS Controller



- **Location:** Noida
- **Area:** 57,171 Sq. Ft.
- **Key Products:**
 - ✓ LED Lights (RV)
 - ✓ Solar Panels
 - ✓ ABS Pipes for RV

Long Term Relationship with Marquee Customers Act as a Business Moat

- IKIO's largest customer, Philips (Signify) has a 11-year long relationship with the company enabling it to grow consistently year after year. **IKIO commenced business with Signify with 2 SKUs and has crossed 800 SKUs in FY23**
- IKIO's constant focus on development of new SKU's ensures **Customer Stickiness**, helping garner a larger wallet share of its customers
- Besides increasing the domestic wallet share with its existing customers, IKIO has also managed to supply LED home **Lighting Products to their International Supply Chain**

Long Term Relationships with Key Players	LED Lighting Solutions	Commercial Refrigeration	Other Products	
	<ul style="list-style-type: none">■ Philips (Signify)	<ul style="list-style-type: none">■ Western Refrigeration Pvt Ltd■ Frigoglass India Pvt Ltd■ Voltas Limited	<ul style="list-style-type: none">■ Rlux RV LLC■ Zenergy Inc.	<ul style="list-style-type: none">■ Honeywell■ Anchor Panasonic■ Le-grand

Strong R&D and Backward Integration Driving Efficiencies and Cost Savings

**01**

Product Development

- Increased Offerings from **2 SKUs** of LED lights around 10 years ago, to a portfolio of over **1,000 SKUs developed in-house.**

- The total number of SKUs manufactured for Signify has increased from 225 in 2018 to **800+ SKUs in 2023**

**02**

Tooling & Moulds

- Expertise in tooling coupled with **consistent investments** helps us to produce many of the components.

- Except for certain parts, all mechanical components are manufactured by us.

**03**

Design Expertise

- IKIO's R&D team supports its customers with **concept sketching, design refinement and optional product features.**

- During the global semiconductor shortage, IKIO's R&D team **re-engineered solutions to adapt available raw materials and component** to ensure uninterrupted supply of products to customers.

**04**

Backward Integration

- Allows us to offer **end-to-end product solutions**

- Develop **control on our supply chain**

- Improve profit margins

**17 Member R&D Team**

Deployment Status of IPO Funds

*Successfully completed the IPO of INR 6,065 Mn, of which,
Fresh Issue consisted of INR 3,500 Mn and Offer For Sale by Promoters of INR 2,565 Mn.*

Listed on BSE and NSE with effect from June 16, 2023

Objects of the IPO	Available for Deployment	Actual Deployment*	Balance for Deployment	Status*
Repayment of Debt	500.00	500.00	-	Completed
Investment in New Facility	2,123.12	21.28	2,101.84	In Progress
General Corporate Purposes	634.38	135.25	499.13	In Progress
Total	3,257.50**	656.53	2,600.97	

* As on June 30, 2023; ** Net of IPO Expenses

Completion Status of the New Project – Adding ~5 lac Sq. Ft.

- New manufacturing facility at Plot No 10, Sector 156, Noida, Gautam Budh Nagar, Uttar Pradesh
- **Constructing 3 blocks totaling ~5 lac sq. ft.** (Block I of ~2 lac sq. ft., Block II of ~2 lac sq. ft. and Block III of ~1 lac sq. ft.) over the next **24 to 30 months**
- Civil construction work in Block I of ~2 lac sq. ft. is nearing completion and the orders for some of the Machinery have been placed. **Block I is expected to be operationalized by end of Q3FY24**
- Total proposed area of **~5 lac sq. ft. is in addition** to the ~3 lac sq. ft. of total area at the existing 4 units combined



Site Picture: Block I at Plot No 10, Sector 156, Noida, Gautam Budh Nagar, Uttar Pradesh

Key Business Updates

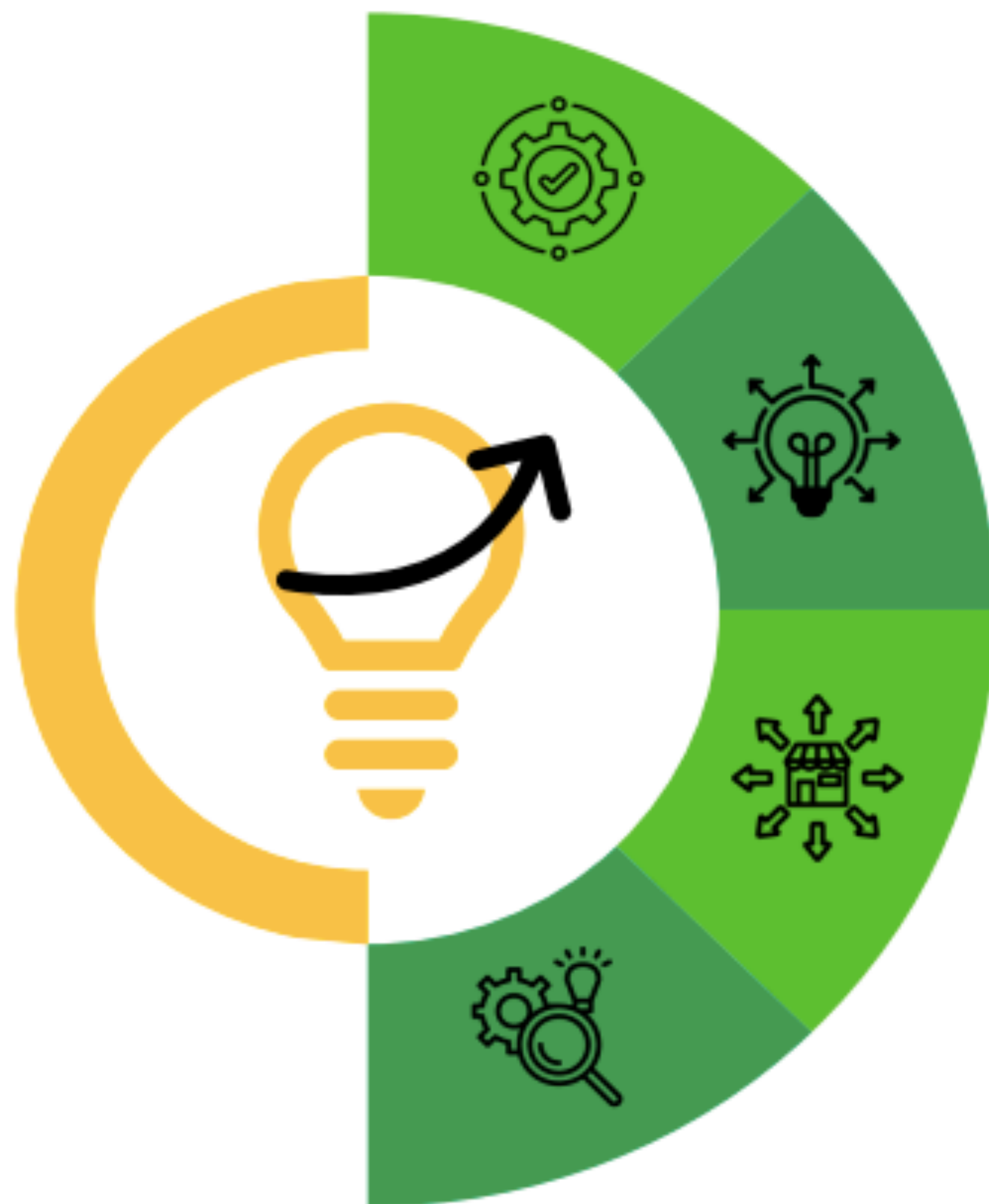
Financial Performance (Consolidated):

- Revenue from operations stood at **INR 1,084 Mn in Q1FY24 and INR 3,588 Mn in FY23***
- Profitability maintained with **EBITDA margin of 21.7% in Q1FY24 and 22.3% in FY23***
- Healthy Return Ratios with **RoE at 35.2% and RoCE of 28.3% for FY23***
- With the repayment of debt from the IPO Proceeds, the Company remains **Net Debt Negative**

Operational Updates:

- ODM Lighting Solutions: Grew in-line with our expectations
- Exports: The inventory clearances in the USA impacted deliveries in the month of May and June 2023. However, regular deliveries have commenced from Aug 2023 onwards

Key Focus Areas For Growth



Capacity Expansion

- **New Manufacturing Facility of ~ 500,000 sq. ft.** at Noida, to manufacture LED home lighting, Solar Panel & Systems and ABS Pipes, and other new product lines
- **Block 1 which is of ~2 lac sq. ft.** is expected to be operationalized by Q3FY24
- Ample headroom for expansion

Product Expansion

- In the process of developing and launching **Rechargeable Appliances**
- Expanding **RV Offerings** to get larger wallet share
- Developing **more SKUs for Home Décor vertical**

Market Expansion

- Focus our expansion on **more ODM Products for India and International Markets**

Focus on R&D

- Develop **New Products** for ODM business
- Enhance **Production and Cost Efficiencies** for customer product suites
- **Drive Product Innovation** in-line with the demand of our customers and end-user preferences for better comfort, quality, performance and aesthetics

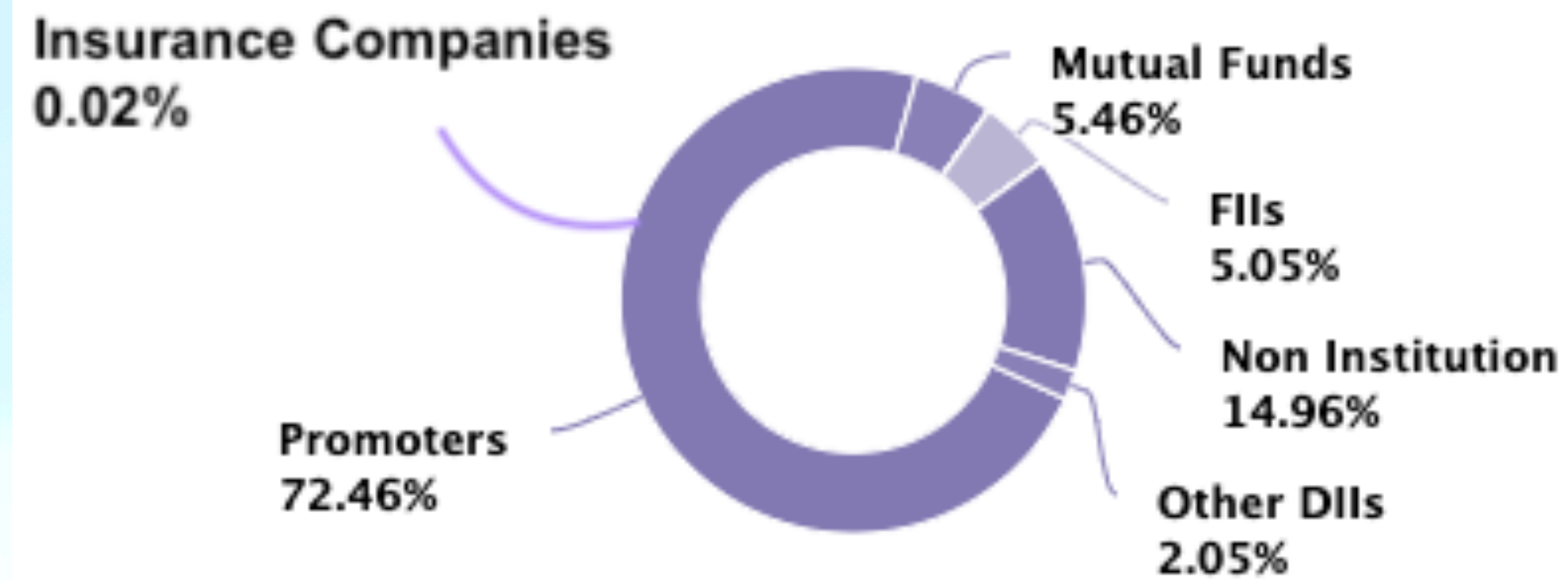
Yearly Results

YEARLY RESULTS OF IKIO LIGHTING (in Rs. Cr.)	MAR '23
Net Sales/Income from operations	358.77
Total Income From Operations	358.77
EXPENDITURE	
Consumption of Raw Materials	225.36
Increase/Decrease in Stocks	4.90
Employees Cost	30.82
Depreciation	5.79
Other Expenses	20.21
P/L Before Other Inc., Int., Excpt. Items & Tax	71.69
Other Income	3.17
P/L Before Int., Excpt. Items & Tax	74.86
Interest	9.04
P/L Before Exceptional Items & Tax	65.83
P/L Before Tax	65.83
Tax	15.79
P/L After Tax from Ordinary Activities	50.04
Net Profit/(Loss) For the Period	50.04
Net P/L After M.I & Associates	50.04
Equity Share Capital	65.00
Reserves Excluding Revaluation Reserves	77.16
EPS BEFORE EXTRA ORDINARY	
Basic EPS	7.70
Diluted EPS	7.70
EPS AFTER EXTRA ORDINARY	
Basic EPS.	7.70
Diluted EPS.	7.70

Key Financial Ratios

KEY FINANCIAL RATIOS OF IKIO LIGHTING (in Rs. Cr.)	MAR 23
PER SHARE RATIOS	
Basic EPS (Rs.)	7.70
Diluted EPS (Rs.)	7.70
Cash EPS (Rs.)	8.59
Book Value [ExclRevalReserve]/Share (Rs.)	21.87
Book Value [InclRevalReserve]/Share (Rs.)	21.87
Revenue from Operations/Share (Rs.)	55.19
PBDIT/Share (Rs.)	12.41
PBIT/Share (Rs.)	11.52
PBT/Share (Rs.)	10.13
Net Profit/Share (Rs.)	7.70
NP After MI And SOA / Share (Rs.)	7.70
PROFITABILITY RATIOS	
PBDIT Margin (%)	22.47
PBIT Margin (%)	20.86
PBT Margin (%)	18.34
Net Profit Margin (%)	13.94
NP After MI And SOA Margin (%)	13.94
Return on Networth/Equity (%)	35.19
Return on Capital Employed (%)	48.77
Return on Assets (%)	16.09
Total Debt/Equity (X)	0.81
Asset Turnover Ratio (%)	1.84
LIQUIDITY RATIOS	
Current Ratio (X)	1.36
Quick Ratio (X)	0.59
Inventory Turnover Ratio (X)	3.37
Dividend Payout Ratio (NP) (%)	0.00
Dividend Payout Ratio (CP) (%)	0.00
Earnings Retention Ratio (%)	0.00
Cash Earnings Retention Ratio (%)	0.00
COVERAGE RATIOS	
Interest Coverage Ratios (%)	8.93
Interest Coverage Ratios (Post Tax) (%)	8.93
VALUATION RATIOS	
Enterprise Value (Cr.)	0.00
EV/Net Operating Revenue (X)	0.00
EV/EBITDA (X)	0.00
MarketCap/Net Operating Revenue (X)	0.00
Retention Ratios (%)	0.00
Price/BV (X)	0.00
Price/Net Operating Revenue	0.00
Earnings Yield	0.00

Shareholding Pattern an on Jun'23



Summary

- ❖ With deliverance of phenomenal performance in Q1 of FY'24, the Company's Net Sales jumped by 119.97% i.e. Rs.108.36 crs in Jun'23 as compared to Rs.49.26 crs in Jun'22. However, the Net Profits proliferated by 148.65% i.e. Rs.13.85 crs in Jun'23 versus Rs.5.57 crs in Jun'22. In addition to this, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.77.28 crs in Jun'23 juxtapose to Rs.25.00 crs in Jun'22.
- ❖ Viewing fine financials and fair fundamentals, the Company is available at a good price of Rs.361.25 with its 52 week low of Rs.285.00 and 52 week high of Rs.477.00.
- ❖ Since the Promoters stood with majority stake around 72.46% as well as its robust valuations, it is fair to assume that the Management is committed to growth of the Company.
- ❖ In Public Shareholding as on Jun'23, the FIIs and the Other DIIs collectively stood with 7.10% stake. Whilst, the Mutual Fund Houses own 5.46% holdings in the Company.
- ❖ It is reassuring to see that IKIO Lighting Ltd. is held by QUANT MF, HDFC MF & ICICI PRU MF.
- ❖ On consolidated basis, Return on Equity (ROE) and Return on Capital Employed (ROCE) were registered around 35.19% & 48.77% respectively as on Mar'23.

Disclosure

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