

IPO Details

Opening Date	June 06, 2023
Closing Date	June 08, 2023
Stock Exchange	NSE, BSE
Lot Size	52 Shares
Issue Price	₹ 270-285 per share
Issue Size	Aggregating up to 607 Cr.
Fresh Issue	Aggregating up to 350 Cr.
Application Amount	₹ 14,820

IPO Objective

Repayment/ prepayment, in full or part, of certain borrowings availed by the Company and its Subsidiaries on a consolidated basis.

Investment in the wholly owned Subsidiary, IKIO Solutions Private Limited, for setting up a new facility at Noida, Uttar Pradesh.

General Corporate Purpose.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	6,49,99,662	100%
Public	338	-

Promoter of the Company

- 1 Hardeep Singh
- 2 Surmeet Kaur

Competitive Strengths

- 1 Poised to capture growth of LED market.
- 2 Diverse product basket with focus on high-margin areas.
- 3 Long-term relationships with leading industry customers.
- 4 Strong focus on R&D.
- 5 Strong and consistent financial performance.
- 6 Experienced Promoters and Management Team.

Company Background

- Company was incorporated in the year 2016 having its registered office in Delhi.
- Company is primarily an Original Design Manufacturer (ODM) and designs, develops and manufactures & supply products to customers who then distribute them under their own branding.
- Company is also engaged in manufacturing products for its OEM Clients.
- The company's products are categorized as – (i) LED Lighting, (ii) Refrigeration Lights, (iii) ABS Piping and (iv) Other Products.
- As on February 28, 2023, company had 1,470 employees and 19 contract workers working in its manufacturing facilities/offices.

Financial Summary

For the Period Ended	(In Lacs)		
	Dec-22	Mar-22	Mar-21
Total Assets	33,350.20	26,486.50	17,455.00
Net Assets	14,082.80	10,887.00	6,285.80
Total Borrowings	13,632.70	10,656.30	6,935.80
Total Revenue	33,279.20	33,399.50	21,457.20
Profit After Tax	5,134.70	5,051.60	2,880.60

Tentative Timeline

Opening Date	June 06, 2023
Closing Date	June 08, 2023
Basis of Allotment	June 13, 2023
Initiation of Refunds	June 14, 2023
Credit of Shares to Demat	June 15, 2023
Listing Date	June 16, 2023

Company Background and Analysis

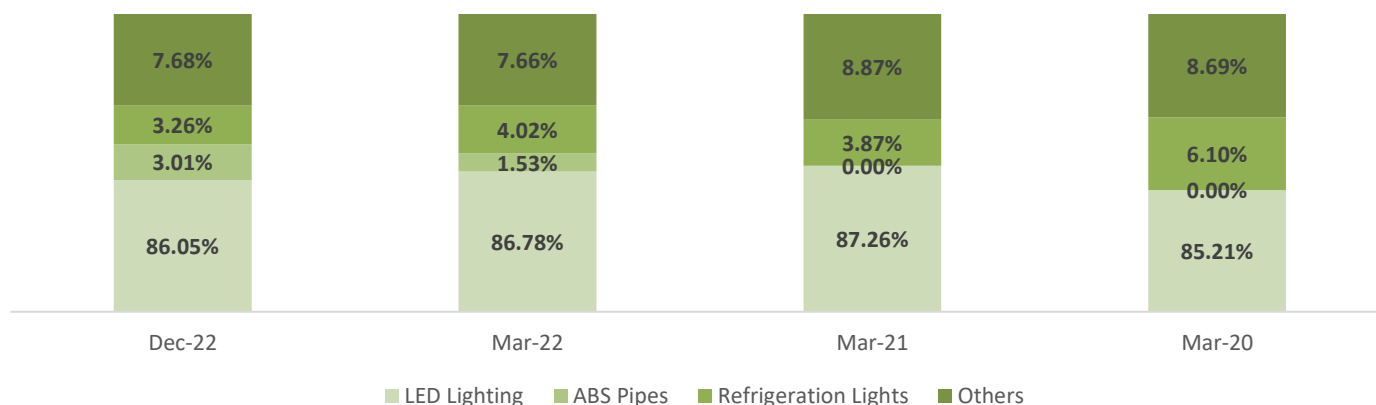
The company was established in the year 2016 showing a decent track record of existence. Within a short span of time the company has been able to generate good revenue and profitability. The company is engaged in to electronics equipment manufacturing and the product base of the company includes - (i) LED Lighting, (ii) Refrigeration Lights, (iii) ABS Piping and (iv) Other Products.

The LED Lighting focuses on premium segment and includes lighting, fittings, fixtures, accessories and components. Through refrigeration lighting, the company provides lighting solutions to commercial refrigeration equipment suppliers. Company manufactures ABS Piping which is an alternative to polyvinyl chloride ("PVC") piping and is used for plumbing applications in the Recreational Vehicles (RVs). Other products of the company include fan regulators, light strips, moulding and other components & spares.

The product wise revenue bifurcation of the company is given below –

(Amount in lakhs)

Products	Dec-22	Mar-22	Mar-21	Mar-20
LED Lighting	2,827.82	2,879.76	1,862.50	1,876.82
ABS Pipes	99.04	50.88	-	-
Refrigeration Lights	107.03	133.48	82.56	134.33
Others	252.37	254.28	189.40	191.32
Total Revenue from Operations	3,286.26	3,318.40	2,134.46	2,202.47



As can be seen from the above table and chart, the company has been generating highest revenue from LED lighting segment and is also currently focusing on the ABS Pipes segment slightly diverting the percentage of revenue from its other product categories.

In the nine months ended December 31, 2022 and in Fiscal 2022, Fiscal 2021 and Fiscal 2020, company provided its products to approximately 900 domestic customers and 16 international customers. The largest customer is Signify (Philips), which according to Frost & Sullivan 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). (Source: F&S Report, March 2023). Company has been increasing the number of SKUs that it manufactures for Signify (Philips) from 225 in Fiscal 2018 to 412 in Fiscal 2020 to

608 in Fiscal 2022 to 753 in the nine months ended December 31, 2022. The consolidated restated revenue from Signify (Philips) has increased from ₹1,345.08 million in Fiscal 2020 to ₹2,006.03 million in Fiscal 2022. The consolidated restated revenue from Signify (Philips) was ₹1,686.03 million in the nine months ended December 31, 2022. The proforma consolidated revenue from Signify (Philips) has increased from ₹1,345.08 million in Fiscal 2020 to ₹2,006.03 million in Fiscal 2022. The proforma consolidated revenue from Signify (Philips) was ₹1,686.03 million in the nine months ended December 31, 2022.

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

The company has done backward integration in recent times to ensure each item in its products are produced at the manufacturing facility of the company. Except for the diodes and resistors used in the LED lighting products, all mechanical components are manufactured by the company. The company has 4 manufacturing units. A table is given below –

Location/Description	Commissioning Date	Covered Area (square feet)	Headcount as of February 28, 2023	Product Lines	Capacity (1) Pieces in Million	Capacity Utilisation (1)
IKIO facility at SIDCUL Haridwar, Uttarakhand, India.	Fiscal 2016	42,517	749	LED Lights	18.00	54.33%
				Regulator & Switches	2.25	81.50%
FITP facility at Electronic City, Noida (Delhi/NCR)	Fiscal 1999	80,000	411	Regulator & Switches	19.50	76.44%
RLPL facility at Noida Delhi/NCR	Fiscal 2015	1,12,077	258	Refrigerator LED lighting and drivers	2.50	59.29%
REPL facility at Noida Special Economic Zone (NSEZ) Noida, Delhi/NCR	Fiscal 2019	57,171	71	LED light products and ABS pipes RVs	0.13	70.57%

To conclude, the company has been dealing in the electronics equipment manufacturing segment with good client base and products. The company is also gradually increasing its revenue from exports which constituted 15% up Dec 2022 from 4.12% in Mar-20.

Business Strategies

1. Expand into new product lines

The company has been majorly manufacturing the LED lights, but in the past 12-24 months, the company has designed, developed and commenced commercial production of –

- **ABS Pipes** that the company plans to exclusively manufacture for its US Clients.
- **Solar Energy Solutions** – The company is working on a solar energy solution for one of its customers and currently offer solar panels, that can be retrofitted to commercial and recreational trailers to provide electricity.
- **Accessories** – In order to facilitate its customers to source more of their requirements from a single place, the company plans to manufactures various accessories beneficial for its clients.
- **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

2. Expand Manufacturing Facilities

To expand the manufacturing capacity of LED Home Lighting, the company has identified a parcel of land in Noida to construct a manufacturing facility of approximately 5,00,000 square feet. The estimated project cost is ₹ 262.87 crores, which would be funded by the net proceeds.

3. Diversify customer base and expand across geographies

The company plans to expand its ODM business in the International Market. The company plans to expand in the North American Market followed by European and South East Asian Market. The company also intend to identify new partners to increase their local presence.

4. Continue to Invest in R&D

Company plans to hire more people in its R&D team to develop new ODM products which would cater the specific requirements of its customers and end users.

5. Continue to focus on sustainability

The company intends to continuously focus on sustainability by emphasizing quality, environment, health and safety.

Competitive Scenario and Peer Mapping

Competition

The company faces high competition from the existing players in the market such as Dixon, Amber, Elin, Centum etc. The bargaining power of the company is not that high and the threat of new entrant is also low. The company has to differentiate its products through regular R&D and improve margins through cost-effectiveness approaches.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -

Particulars	IKIO Lighting Limited	Dixon Technologies (India) Limited	Amber Enterprises India Limited	Syrma SGS Technology Limited	Elin Electronics Limited
	Mar-23	Mar-23	Mar-23	Mar-23	Mar-23
Net Profit Margin	16%	2%	2%	11%	3%
EBITDA Margin	22%	4%	6%	17%	6%
Return on Capital Employed	17%	23%	13%	-39%	9%
Return on Equity	13%	20%	10%	8%	6%
EPS (INR)	8.86	42.90	47.00	3.39	5.40

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

Particulars	IKIO Lighting Limited	Dixon Technologies (India) Limited	Amber Enterprises India Limited	Syrma SGS Technology Limited	Elin Electronics Limited
	Mar-22	Mar-22	Mar-22	Mar-22	Mar-22
Net Profit Margin	15%	2%	3%	12%	4%
EBITDA Margin	23%	4%	7%	12%	7%
Return on Capital Employed	46%	19%	12%	19%	19%
Return on Equity	46%	19%	6%	14%	13%
EPS (INR)	7.77	32.05	47.00	2.69	9.59

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -

Particulars	IKIO Lighting Limited	Dixon Technologies (India) Limited	Amber Enterprises India Limited	Syrma SGS Technology Limited	Elin Electronics Limited
	Mar-21	Mar-21	Mar-21	Mar-21	Mar-21
Net Profit Margin	13%	2%	3%	-	4%
EBITDA Margin	22%	5%	7%	-	8%
Return on Capital Employed	40%	25%	7%	-	18%
Return on Equity	46%	22%	5%	-	13%
EPS (INR)	4.43	27.28	24.96	-	8.53

Over the years, the company has performed better than its peers in terms of profitability margins. The ROE, ROCE and EPS as compared to its peers is also at par.

Note: The Mar-23 figures of IKIO Lighting Limited are annualised.

Industry Overview

Exhibit 1: Per capita Electronics consumption, value in INR, India, FY17-FY26E

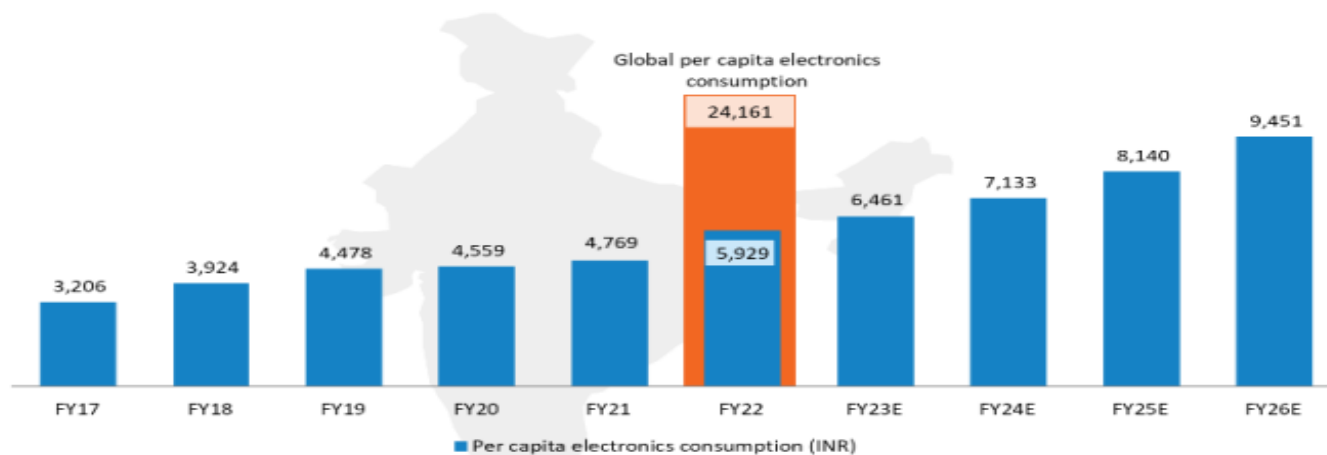


Exhibit 2: Indian electronics market – Domestic production vs. consumption vs. exports, value in INR billion, USD billion, India, FY22 and FY26E

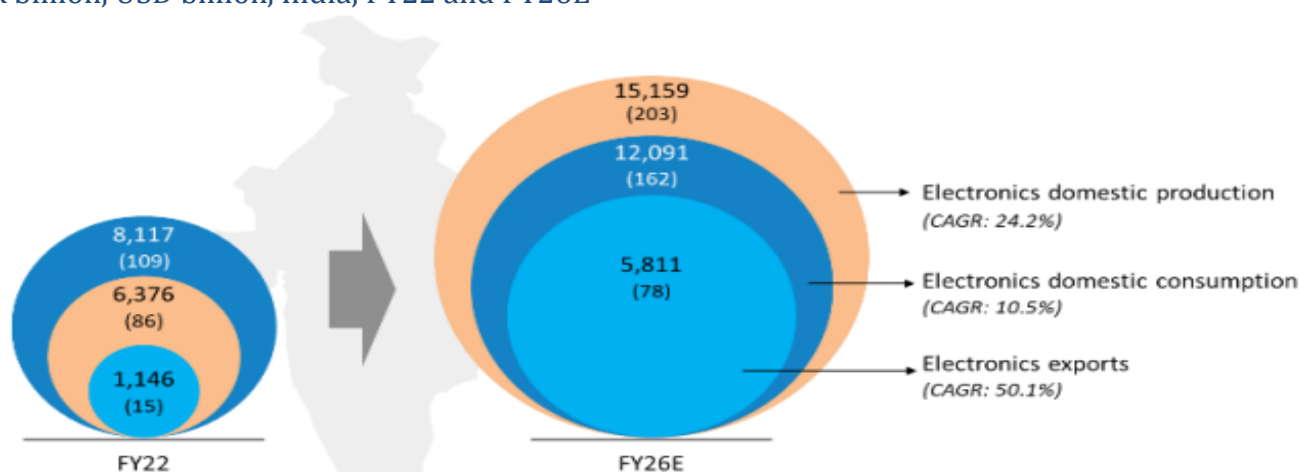
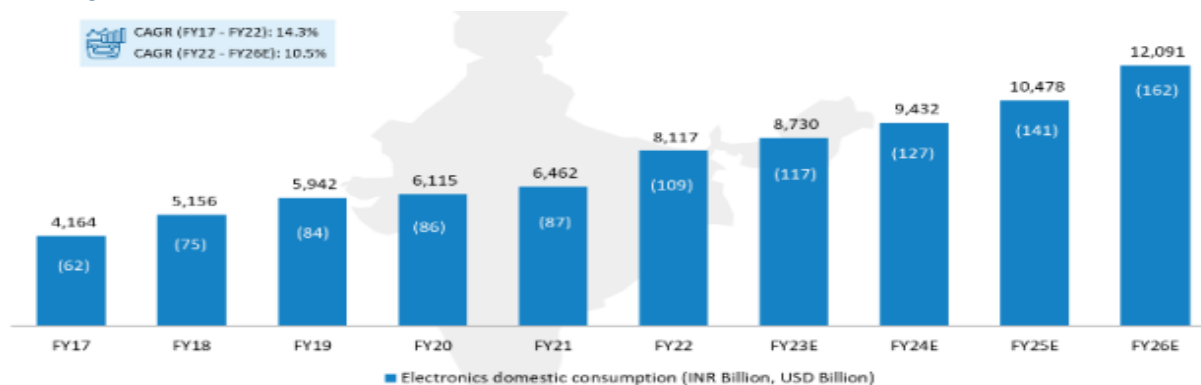


Exhibit 3: Electronics domestic consumption market, value in INR billion, USD billion, India, FY17-FY26E



(Source: Prospectus)

Electronics Industry

Electronics is one of the fastest growing industries in the country. The total electronics market (which includes domestic electronics production and imports of electronic finished goods) in India is valued at INR 9263 billion (USD 124 billion) in Fiscal 2022 and is expected to grow at a CAGR of 17.9% to reach INR 17,902 billion (USD 240 billion) in Fiscal 2026. Domestic production accounted for approximately 69% of the total Indian electronics market in Fiscal 2022, valued at INR 6,376 billion (USD 86 billion), and is expected to grow at a CAGR of 24.2% to reach INR 15,159 billion (USD 203 billion) in Fiscal 2026, owing to various government initiatives to boost domestic electronics manufacturing industry. Also, the global landscape of electronic design and manufacturing is changing significantly, and revised cost structures have shifted the attention of multinational companies to India. At present, the Indian government is attempting to enhance manufacturing capabilities across multiple electronics sectors and to make the Indian electronics sector globally competitive. India is positioned as a destination for high-quality design work as well as a cost-competitive alternative. Many multinational corporations have established or expanded captive centres in India. Increasing penetration of consumer electronics in semi-urban and rural markets, a shift in lifestyle among the Gen Y population, and the adoption of smart devices are some of the key drivers that are fuelling the rapid expansion of this industry.

India's demand for electronic items has expanded significantly in recent years, owing mostly to the country's progress in the EMS sector. Low manufacturing costs, together with a skilled workforce and a vast geographical area, are some of the driving elements behind the development of India's electronics ecosystem. Also, the EMS companies are slowly shifting their focus on product mix from high volume low margin products to high margin low volume products.

India's per capita electronic usage is low compared to the worldwide average. Global per capita electronics consumption is 4.1 times that of India. While Indian government has initiated various measures to boost Indian domestic electronics manufacturing industry, the country has also witnessed 13.1% growth in electronics consumption between Fiscal 2017 and Fiscal 2022. Long term growth outlook for the industry is extremely positive, primarily because market penetration for many electronics products is still very low compared to global average. In addition, the growth of India's per capita electronic usage is expected to be driven by stable growth outlook for the economy, Digital India programme, rising disposable incomes (proportion of mid & high-income earners expected to increase from 64% in Fiscal 2021 to 85% in Fiscal 2030), changing lifestyles, emerging work from home culture, expansion of organized retails to tier 2 & tier 3 cities¹, improving electricity and internet infrastructure, and better logistics infrastructure. It is with these strong fundamentals, many global electronics brands along with their supply chain partners have invested in electronics manufacturing infrastructure in the recent years and India is ready to become an important electronics manufacturing hub in the coming years. At a global level, the per capita electronics consumption is increasing.

(Source: Prospectus)

Key Managerial Personnel

Mr. Hardeep Singh, aged 63, is the Chairman and Managing Director of the Company. He is the founder and one of the Promoters of the Company. He has completed his Higher Secondary Education and has more than two decades of experience in the manufacturing of television kits, electronic components, and LED lighting. He oversees the overall functions of the Company and the strategic growth initiatives and expansion plans.

Ms. Surmeet Kaur, aged 62, is the Whole-time Director on the Board and one of the Promoters of the Company. She holds a bachelor's degree in arts (Honours). She has been associated with the Company since inception and is responsible for management of Human Resources.

Mr. Sanjeet Singh, aged 36, is the Whole-time Director on the Board. He holds a bachelor's degree in commerce. He has been associated with the Company since February 1, 2019. He oversees the overall operations of the Company.

Mr. Chandra Shekhar Verma, aged 63, is an Independent Director of the Company. He holds a master's degree in commerce, bachelor's degree in law and master's in business administration. He is a qualified Cost and Management Accountant and Company Secretary. He has been associated with the Company since April 14, 2022, and has years of experience in the Public Sector.

Mr. Kishor Kumar Sansi, aged 65, is an Independent Director of the Company. He holds a bachelor's degree in science, master's degree in science and a master's degree in philosophy. He is associated with the Company since April 14, 2022. He has years of experience in Public Sector Banks.

Mr. Rohit Singha, aged 36, is an Independent Director of the Company. He holds a bachelors' degree in Bachelor of Commerce. He is a qualified Chartered Accountant. He has been associated with the Company since April 20, 2022, and has over 12 years of experience as practicing Chartered accountant.

To conclude, the company has two promoters. Mr. Hardeep Singh has vast experience in the industry and Ms. Surmeet Kaur has decent experience in the field of human resources. The whole time director of the company has been in the business since 4 years and has decent experience in handling the operations of the business.

Financial Snapshot

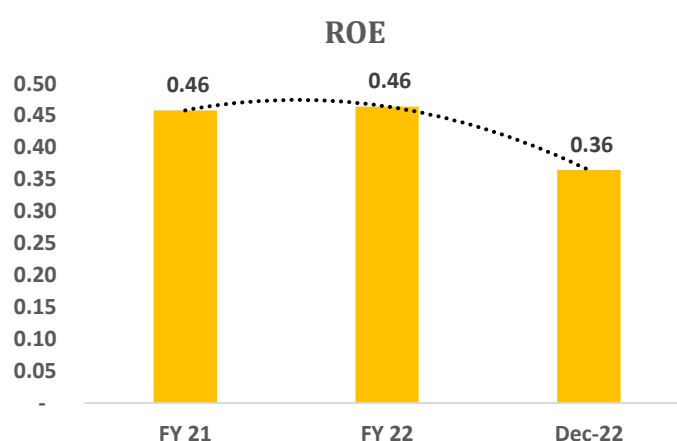
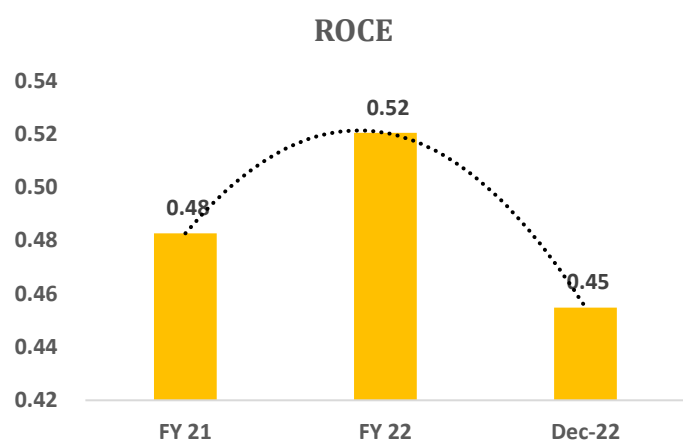
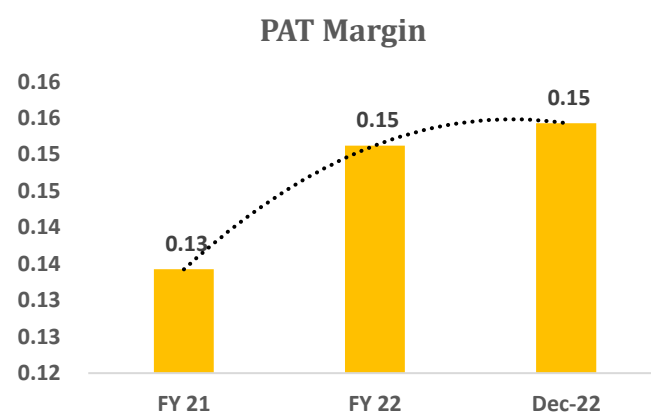
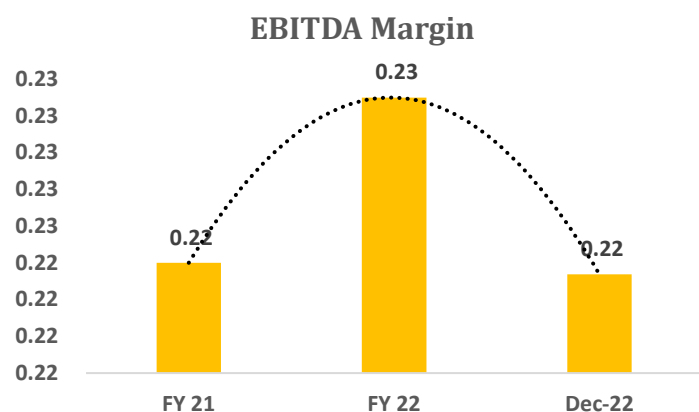
Profit and Loss Statement			(In Lacs)
Particulars	FY 21	FY 22	Dec-22
Revenue from Operations	21,344.60	33,184.00	32,862.70
Other Income	112.60	215.50	416.50
Total Income	21,457.20	33,399.50	33,279.20
Expenses	17,469.10	26,452.50	26,417.30
Cost of Materials consumed	12,138.30	20,963.40	20,915.30
Purchases of Stock-in-Trade	-	-	-
Changes in inventories of Finished goods, work-in- Progress and Stock-in-trade	-97.00	-1,742.30	-698.80
Employee benefits expense	2,939.40	4,228.40	2,915.80
Finance costs	437.00	491.80	467.00
Depreciation and Amortization expense	468.50	508.10	428.00
Other expenses	1,582.90	2,003.10	2,389.90
Total Expenses	17,469.10	26,452.50	26,417.20
Earnings Before Interest, Taxes, Depreciation & Amortization	4,781.00	7,731.40	7,340.50
Profit/(Loss) before exceptional items and tax	3,988.10	6,947.00	6,862.00
Less: Exceptional Items			
Profit/(Loss) before tax	3,988.10	6,947.00	6,862.00
Tax Expense	1,107.50	1,895.40	1,727.30
Profit/(Loss) for the year	2,880.60	5,051.60	5,134.70

Balance Sheet			(In Lacs)
Particulars	FY 21	FY 22	Dec-22
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	2,247.80	2,546.80	3,033.80
Capital Work-in-progress	407.90	936.90	2,149.40
Goodwill	-	-	1,470.70
Intangible Assets	6.20	5.10	4.60
Right of use of assets	3,601.10	3,494.70	3,394.10
Financial Assets	34.60	54.90	101.10
Deferred Tax Assets	180.60	174.00	69.70
Non-current tax assets	22.50	22.90	7.70
Other Non-current Assets	99.90	406.20	223.40
Total Non-Current assets	6,600.60	7,641.50	10,454.50
Current Assets			
Inventories	5,785.30	10,977.40	12,536.40
Financial Assets			
(i) Trade receivables	3,275.50	5,588.70	7,319.30
(ii) Cash and cash equivalents	328.30	218.00	134.20
(iii) Other Bank balances	34.40	54.60	122.70
(iv) Loans	-	-	-
(v) Other financial assets	31.80	40.80	35.60
Current tax assets (Net)	-	-	-
Other Current assets	1,389.10	1,965.50	2,947.50
Total Current assets	10,844.40	18,845.00	23,095.70
Total Assets	17,445.00	26,486.50	33,550.20
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	5.00	2,500.00	6,500.00

Balance Sheet			(In Lacs)
Other Equity	6,280.80	8,387.00	7,582.80
Total Shareholders' Fund	6,285.80	10,887.00	14,082.80
Liabilities			
Non-current liabilities			
Financial Liabilities			
(i) Long-term borrowings	3,458.80	3,872.40	2,104.90
(ii) Other financial liabilities	922.30	862.90	768.00
Provisions	143.80	178.40	210.70
Deferred Tax liabilities (Net)	-	-	-
Other non-current liabilities	-	-	-
Total Non-current liabilities	4,524.90	4,913.70	3,083.60
Current liabilities			
Financial Liabilities			
(i) Short-term borrowings	3,477.00	6,783.90	11,527.80
(ii) Trade payables	78.60	92.40	126.70
- Total outstanding dues of micro and small enterprises	195.90	640.70	1,001.80
- Total outstanding dues of other creditors	2,114.40	1,680.50	2,079.30
(iii) Other financial liabilities	412.10	856.60	858.00
Other current liabilities	229.30	181.00	483.00
Provisions	21.00	54.50	29.80
Current tax liabilities (Net)	106.00	396.20	277.40
Total Current liabilities	6,634.30	10,685.80	16,383.80
Total Liabilities	11,159.20	15,599.50	19,467.40
Total Equity and Liabilities	17,445.00	26,486.50	33,550.20

Ratio Sheet			
Particulars	FY 21	FY 22	Dec-22
Per Share Data			
Diluted EPS	4.43	7.77	7.9
BV per share	8.13	14.09	18.22
Operating Ratios			
EBITDA Margins	0.22	0.23	0.22
PAT Margins	0.13	0.15	0.15
Inventory days	98.93	120.74	139.24
Debtor days	56.01	61.47	81.29
Creditor days	60.16	34.60	51.76
Return Ratios			
RoCE	0.48	0.52	0.45
ROE	0.46	0.46	0.36
Valuation Ratios (x)			
EV/EBITDA	2.69	2.75	3.74
Market Cap / Sales	10.32	6.64	6.70
P/E	64.33	36.68	36.08
Price to Book Value	35.04	20.23	15.64
Solvency Ratios			
Debt / Equity	1.10	0.98	0.97
Current Ratio	1.63	1.76	1.41
Quick Ratio	0.76	0.74	0.64
Asset Turnover	1.22	1.25	0.98

Financial Charts



Key Risk Factors

1. Company is involved in certain litigations including tax related litigations amounting to Rs. 285.30 lacs and 16 unascertainable litigations as well, which if determined against the company, can affect financial conditions of the company.
2. Company has a contingent liability amounting to Rs. 251 lacs.
3. Company is dependent on a few customers. In the nine months ended December 31, 2022 and in Fiscal 2022, Fiscal 2021 and Fiscal 2020, the top ten customers accounted for 85.94%, 98.80%, 99.76% and 99.91%, respectively
4. Company is mainly dependent on LED Lighting as it contributes to more than 85% of their revenue from operations.
5. More than 50% of its raw materials are sourced from China, Singapore, Hong Kong and Taiwan and any geo-political situations may adversely affect the cost effectiveness of the company.
6. Company has experienced negative cash flow from operations in the past.

Track Record of Lead Manager

The lead manager to the issue is Motilal Oswal Investment Advisors Pvt Ltd. A table has been set below highlighting the details of the IPO of the last 7 companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Radiant Cash Management Services Limited	256.64	94.00	January 04, 2023	92.7
2.	Tamilnadu Mercantile Bank Limited	807.84	510.00	September 15, 2022	415
3.	Dreamfolks Services Limited	562.10	326.00	September 06, 2022	580
4.	Metro Brands Limited	1,367.51	500.00	December 22, 2021	969
5.	Aditya Birla Sun Life AMC Ltd	2,768.26	712.00	October 11, 2021	371
6.	Devyani International Limited	1,838.00	90.00	August 16, 2021	181
7.	G R Infraprojects Limited	963.28	837.00	July 19, 2021	1,246

*CMP is taken as on 6th June 2023

As per the offer document Motilal Oswal Investment Advisors Pvt Ltd have had 6 mandates in the last three fiscals (including the ongoing one). For Motilal Oswal Investment Advisors Pvt Ltd out of the last 7 that are mentioned above, 1 opened at par, 1 at discount, and remaining all opened at a premium ranging from 0.042% to 103.10% on the listing date.

Recommendation

The company has a decent experience considering the year of establishment being 2016. However, the company has been able to show a good growth in its revenue and profitability. The profit margins over the years have been better than its peers.

The management outlook of the company is also good with the main personnel for decision making being Mr. Hardeep who has more than 20 years of experience in the relevant field.

The PE on an annualised and Post IPO basis is around 32.17 times which compared to the peers given in the prospectus is low.

The product base of the company has good prospect, but the company is heavily dependent on one product segment and one customer. However, the company has good business strategies which it plans to implement in the coming times. So, one should **apply** with a long-term view.

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