



# IKIO LIGHTING LIMITED

(Formerly known as IKIO LIGHTING Pvt. Ltd.)  
(CIN.:L31401DL2016PLC292884)

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**Date: - 29<sup>th</sup> May, 2024**

<b>BSE Limited</b> Dalal Street, Phiroze Jeejeebhoy Towers, Mumbai 400 001 <b>Scrip Code: 543923</b>	<b>The National Stock Exchange of India Limited</b> Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. <b>Symbol: IKIO</b>
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**Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Q4FY24 Results Conference Call**

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Results Conference Call for Q4 FY24 held on Monday, 27th May, 2024 is attached.

The same is also being hosted on the Company's website at [www.ikio.in](http://www.ikio.in).

You are requested to take the same on record.

**Thanking You,  
FOR IKIO Lighting Limited**

**Sandeep Kumar Agarwal  
Company Secretary & Compliance Officer**



**“IKIO Lighting Limited  
Q4 FY '24 Earnings Conference Call”**

**May 27, 2024**



**MANAGEMENT: MR. HARDEEP SINGH – CHAIRMAN AND MANAGING  
DIRECTOR – IKIO LIGHTING LIMITED  
MR. SANJEET SINGH – WHOLE TIME DIRECTOR –  
IKIO LIGHTING LIMITED  
MR. SUBHASH AGRAWAL – CHIEF FINANCIAL  
OFFICER – IKIO LIGHTING LIMITED**

**Moderator:**

Ladies and gentlemen, good day and welcome to the IKIO Lighting Limited Q4 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today the senior management team of IKIO Lighting Limited, Mr. Hardeep Singh, Chairman and Managing Director, Mr. Sanjeet Singh, Whole Time Director, and Mr. Subhash Agrawal, Chief Financial Officer, who will represent IKO Lighting Limited on the call. The management will be sharing the key operating and financial highlights for the quarter and full year ended March 31st, 2024, followed by a question-and-answer session.

Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance are available on the website of the Stock Exchange and the Company's Investors section. Trust, you have been able to go through the same.

I now hand the conference over to Mr. Hardeep Singh. Thank you and over to you, sir.

**Hardeep Singh:**

Thank you very much. First of all, I thank you all for joining us on our Q4 and full year FY '24 earnings call. Our presentation for the fourth quarter and the full year ended March 31, 2024, has been uploaded on the Stock Exchange and I hope you all have had a chance to look at it.

Let me begin by analysing our financial performance. Our overall performance in FY '24 remained largely flat despite a 24% dip in exports. Other segments like ODM Lighting, Solutions, Product Display outperformed the industry.

In Q4 FY '24 our gross margin saw a significant improvement of nearly 7 percentage points on a year-on-year basis. Our EBITDA margin contracted due to incremental costs of the expanded facilities, new employee additions, especially at the senior level, all of which will get streamlined as our operational leverage kicks in once the new facilities start generating revenue. The export demand dipped as a result of weakness in the global sectors of consumption, especially given geopolitical turmoil that continued to impact the US and EU economies, which had an impact on discretionary spending.

Despite these headwinds, we have continued to focus on our strength of building high quality products. We see this as a small dip and are already seeing the demand starting to pick up. On ground reports from our partners hint at improved camping season, which is likely to drive growth in the RV segment and is an indication of overall improvement in the customer sentiments. Mr. Sanjeev will take you through what the Indian market is looking like.

Coming to our expansion plans, our new integrated facility is now ready and with this we will see the further improvement in our operating efficiency as our new manufacturing lines come online. Block 1 of 2 Lac Square feet has been completed, and the installation of machines, plant, and machinery is now complete and trial production has started. This facility will be used for the manufacturing of LED Home Lighting, Solar Panel & Systems and other New Product Lines. This facility is aimed at enhancing our export business and for new product development in the

domestic market. The outlook for the financial year, we have definitely seen the green shoots of recovery. We expect momentum and results to pick up in the H2FY25.

Our guidance for the forthcoming year is that we expect our consolidated revenues to grow in the range of 20% to 25% Y-on-Y and EBITDA margins to remain in the range of 20% to 22%. We are happy to announce that we have recommended the final dividend of INR1 per equity share, which is 10% of the face value of Rs.10 for financial year ended 31st, March '24. This is all from my side.

Now I will request Mr. Sanjeet Singh to provide his thoughts on quarter and full year. Over to you Mr. Sanjeet. Thank you very much.

**Sanjeet Singh:**

Thank you Hardeepji and hope you all are doing well. Let me now take you through the segment wise performance. On the ODM segment, ODM lighting industry has been witnessing degrowth for the last three to four quarters with a sharp degrowth in the fourth quarter due to uncertainties related to elections.

However, at IKIO our revenues remained largely flat on a full year basis in FY '24. On the product display segment, the addressable market witnessed a slowdown in the previous fiscal and despite decline in the industry, we continue to clock double digit sales growth in FY '24. On the energy solution segment, in line with our commentary during our previous call, there was gradual clearance of inventory during Q3 and Q4 FY '24.

However, as economic growth is gaining momentum in the US markets, we should also see our exports to the RV segment increase going forward. While we expect some of the pain to continue in the first quarter of fiscal 2025, we are optimistic that second half of FY '25 onwards should be a period of strong performance for IKIO. Let me give you a breakdown of our segment wise strategy.

For the ODM lighting solutions business, we are in the process of developing a few highly innovative products which will be launched in the next three to four quarters. We have also introduced two new product categories, – Hearables like TWS Earphones, etc. and Wearables like Smart Watches, etc.

Secondly, we have also forayed into the GCC market for export of our products under the Product Display segment and believe that there is tremendous potential in the market. The operations have already been started from Q1 FY '25 onwards. In addition to the RV business in the US market, we have ventured into new category where we will be supplying our Industrial and Solar products to ESCO, that is, Energy Services Companies.

Please note that some part of the increased cost that you are seeing in the P&L for the last two quarters is due to the new team that we have onboarded that is working on these expanded product lines and geographies.

With this, I conclude my remarks on the industry as well as our strategy for the way forward. I now request Subhashji to please go through the key financials.

**Subhash Agrawal:**

Thank you Sanjeetji. Let me now take you through our financial performance and the utilization of our IPO proceeds. As explained by Hardeepji and Sanjeetji, despite headwinds, we saw flat performance in the full year.

However, our financial position continues to remain strong with an almost debt-free balance sheet, well-funded capex cycle and healthy return ratios. Our revenue remained flat on a standalone basis and saw a small contraction on a consolidated basis. Our gross margin improved by 683 bps year-on-year and 47 bps quarter-on-quarter to 42.4% in Q4 FY '24. The EBITDA remained in the 21% to 22% range in FY '24, which was slightly impacted by the higher employee benefit cost as well as the operational cost for the new facilities.

As our revenue increases, the operational leverage will kick in and these numbers will stabilize by second and third quarters of this fiscal. On the IPO proceeds, the repayment of the debts was completed immediately after the IPO.

Block 1 is now operational, for Block 2, civil construction is ongoing, and completion is expected by March 25. We have now deployed about half of the IPO funds and are on course to complete deploying the rest. We have also initiated the process of merging our subsidiaries and creating a clearer corporate structure that will help in reducing compliance costs and help in general efficiencies. That's all we have from the company side. I request the moderator to please open the forum for questions.

**Moderator:**

The first question is from the line of Rajesh Mangal Agrawal from Rajesh Mangalan Company. Please go ahead.

**Rajesh Mangal Agrawal:**

Good afternoon, sir. Thanks for the opportunity. I am audible?

**Sanjeet Singh:**

Yes, you are audible.

**Rajesh Mangal Agrawal:**

Yes, thanks. Sir, in slide number 6, we have already shown there is a breakup of Block one, Block two, Block three. And Block one is already 2,00,000 square feet already completed and you have spoken something about in your opening remarks also. So, what is the expected top-line growth in financial year '25, sir, as we completed Block one? What is the company's estimation for the revenue growth, top-line growth and EBITDA margin?

**Sanjeet Singh:**

So, actually you can refer to the guidance, you know, the outlook that we have given for FY '25 because this is a new setup. So, it will take, you know, some time for it to come to a level where, you know, the I would say, utilization will be at par with the existing plans. But the outlook that we have given, that takes a small part of, you know, the revenue that this setup will eventually give for this financial year '25.

So, if you look at slide 5 and even, you know, during the presentation, Mr. Hardeep also mentioned about the outlook. So, that will give you an idea of, you know, where we are headed in this current financial year.

**Rajesh Mangal Agrawal:** Okay. So, I haven't seen that 5 also. And what is the product we are, can you give some detail about this Block 2nd and Block 3rd? What product we will develop and effect like that? And what is our future growth we expect in financial year '27 onwards?

**Sanjeet Singh:** So, as we have already described, you know, the new product categories that we have recently ventured into and there are certain categories where we are, you know, in certain categories we are in the final stages, certain categories where we are evaluating. So, like in the previous two calls also, we did mention that each quarter we will sort of give you insights on the new things that we are doing. So, for example, in this call, we mentioned about the operations that have started for, you know, the GCC plus the new categories, the two new product categories, the hearables and wearables that we have recently started.

So, these are, you know, the steps that we have been taking since the past two to three quarters. And it takes a while for any new product category or a venture to, you know, to set up the product lines, to get the approvals, to manufacture the products. So, going forward also there is, there are a few more, I would say, you know, product categories which are, which we are, you know, right now in the design phase or setting up phase. So, eventually once they are ready, we will keep informing in the upcoming result calls of what is happening in the new plant.

**Rajesh Mangal Agrawal:** Okay. And, sir, the last question is, this, all the investment in the new facility, I think all that from, will be from the IPO process only? No further debt we will take, no further debt required for this new addition procedure?

**Hardeep Singh:** No. There is no debt on this and eventually when we started, we invested from the, before IPO we also invested in this company for the construction. And for plant and machinery we took the, used the most IPO money in this.

**Rajesh Mangal Agrawal:** Okay. Thank you and all the best for the future.

**Moderator:** Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri:** So, sir, just wanted to know what is our current capacity utilization from the existing capacities? I think our existing capacity is around 3 lakh square feet, right, sir?

**Sanjeet Singh:** Correct.

**Darshil Jhaveri:** So what would be the existing capacity utilization that you would be working at, sir?

**Sanjeet Singh:** So actually I have taken up this question in the, you know, previous calls as well. And for the kind of business that we do, it is not, I would say, you know, a good measure to compare the kind of business that we do with our peers in the industry because you can imagine, you know, manufacturing more than 100, sorry, 1,000 SKUs within, you know, 30 days. So for us, if you talk of capacity utilization, we can say that it is in the range of 65% to 70%.

It depends from plant to plant. But handling so many SKUs within a span of 30 days, so I hope you are understanding where I am going with this. It is because there are so many changes that

happen constantly on everyday basis that we really do not look into the utilization of, you know, the plant in this way. It is more to do with the handling of the SKUs that we are doing in all these plants.

**Darshil Jhaveri:** Okay. Fair enough, sir. So just wanted to know, sir, with our new capacities, we would be gaining significantly new capacity. Why are we guiding for just a 20% growth in FY '25? Because we are seeing of similar utilization also. So can we grow faster or is the demand environment something that, you know, that is giving us a bit of resistance, sir?

**Hardeep Singh:** Because the facility what we are working with Philips Signify, that unit is, we are working only for them only. So in the new facility, we have the chances for the expansions and the new category of our products which we are entering into. So that is why we have to create this facility for our future growth.

**Sanjeet Singh:** And, you know, if you look at the product mix and the new categories also that we are developing and doing, it is something that we always say that, you know, we do customization at a scale and it isn't something that is, you know, we don't generally do commoditized products. So when you do customization at a scale, you know, so there are a lot of requirements that you have to fulfil. So it takes some time to develop these products, you know, do all the backward integration that is required and eventually you then start gaining, reaping the benefits of the products that we manufacture.

**Darshil Jhaveri:** Okay, fair enough, sir. So is it right to say, sir, that maybe the major benefit of the new facility will come in the next year, FY '26?

**Sanjeet Singh:** Absolutely.

**Darshil Jhaveri:** So if you have to go for maybe a better long-term guidance in the next three years, what kind of outlook would we be looking at, sir?

**Sanjeet Singh:** So we will probably share that in the upcoming calls. For now, what we have...

**Hardeep Singh:** Next year, we have already given the entire projection, but this is the projection for the next year, and we have already invited the investors to visit the facilities and so they can see themselves that where we are going. That visit we are going to offer very shortly and so that everybody have themselves can see that what are our plans and everything.

**Sanjeet Singh:** So that visit we are planning actually for the next month. We will formally give out the invites and once that visit is out and once you will visit the facility, I am sure you will appreciate what we have done and you yourself will be the best just to see what kind of products and categories we will be able to do once you will visit the new setup.

**Darshil Jhaveri:** Okay, fair enough, sir. And this is one more last question from my end, sir. The current demand scenario globally and domestically, how do you see it going, sir? That will it augment our growth or are we facing some tailwinds that can delay our growth a bit, not like stop it, but then some implication of demand, environment, currency in all our product lines, like some qualitative statement?

- Hardeep Singh:** Like FY '23-'24, we saw that during the year that the things were not up to the mark, like exports also and domestic sales also, but this year from Q1-Q2, we have good projections, and we feel that we will come out of what happened in '23-'24.
- Sanjeet Singh:** We believe that we have utilized the time well and we have done a lot in the back end, that is why these new product categories, new product lines which we've just started, that all is possible because of the time that we invested during that phase. So that was a period that nobody speculated that the growth is going to get muted and all of these factors, but I would say from all aspects, we are hearing positive news that the second half or from quarter 3 this year, things will start getting back on track and we are prepared, we are geared up because we are also pouring into newer product lines and categories.
- Darshil Jhaveri:** Fair enough, sir. That's it from my side, sir. All the best, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Kuber Chauhan from Anand Rathi. Please go ahead.
- Kuber Chauhan:** Thank you for giving me this opportunity. There are two questions from my end. First of all, how the demand share now is looking currently and moving forward from here? Because we are witnessing a consistent degrowth in terms of our performance. And secondly, for the Block 1 which we have recently completed, trial production has been started. So what can be the incremental revenue plus volume growth from here on?
- Sanjeet Singh:** So I'll take the second part of the question first. The Block 1 which is ready, once we reach -- because like I mentioned earlier as well, that it takes time for the plant to reach a certain level. So once it reaches the level of our existing plants, for example, 65% to 70% of utilization, then if you look at our Asset turns historically, which has been in the range of 5 to 6, so that will be the Asset turn for this Block as well going forward.
- So we'll keep you posted of all the various, I would say, developments that are happening with the new plant, because this is just set up now. And we are in the process of taking all the product approvals and all of these things. So we'll keep you posted on what is happening with the Block 1. And I would really appreciate if you can also come and visit and see for yourself what we have done.
- Hardeep Singh:** Like to start the new facility, you need a lot of government certifications and all that, and some quality like the ISO and others. So we are all in the process of getting those and machines are already installed. So once we get, and the customers are also visiting those facilities, so everybody's appreciating the facilities and everything. And it is time to time we will let you know that things are moving, actually, things are moving very, very positive way, the way we thought.
- Kuber Chauhan:** But how much time it will take to clock that peak utilization?
- Hardeep Singh:** Like this quarter, we will come up with all the certification and government approvals and all. And next quarter, we will start getting the orders and all for the new facility.



- Kuber Chauhan:** Okay, so I'm assuming at least it will take around 15 months.
- Hardeep Singh:** Many customers are connecting us for that facility. So once we start by end of this quarter, next quarter, when we come on the earnings call, we will describe the customer base as well what we are going to do.
- Kuber Chauhan:** Okay, fair enough. And what about first question, demand scenario?
- Hardeep Singh:** Demand scenario, I told you that before also that because last year was almost flat, but this year, we only saw the GCC, things are start moving. USA is now open up again. We started, we recovered the old amounts also and things are moving. And since in December, we opened our office in USA also. So that is also now supporting us for the phase. So this year, we will be, by the end of this year we will be almost on the track for the revenue and the growth.
- Kuber Chauhan:** And how the domestic demand is looking for?
- Hardeep Singh:** This year, we are just looking at about 50,000 to 60,000 -- \$5 million to \$6 million, roughly.
- Sanjeet Singh:** So for the domestic demand side, we expect the demand to pick up after the elections, because there is again, if there was a sharp decline in quarter 4 in the domestic demand that was due to the elections. So what we are getting to have from all our different verticals, the business heads that are heading these verticals is that the demand is going to pick up from quarter 2 to quarter 3 this year, and it should get back to where it was a couple of years back.
- Kuber Chauhan:** Okay. Thank you. Wish you all the best.
- Sanjeet Singh:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Vipraw Srivastava from Incred Research. Please go ahead.
- Vipraw Srivastava:** Just had a couple of questions. First of all, why is the firm paying dividends when the firm is cash from operations negative?
- Sanjeet Singh:** Sorry, can you repeat?
- Vipraw Srivastava:** So why is the firm paying dividends when you are CFO negative, cash from operations negative?
- Sanjeet Singh:** So actually, we are paying from the profits that we have generated. And this is something in line with what we had envisioned at the time of IPO that we, this was the vision of our CMD, Mr. Hardeep that we want to give out the dividends from the first year itself. So this is just following the vision that we had from day one and because the company is profitable, and we are paying the dividends from the profits.
- Vipraw Srivastava:** So when do you expect to be CFO positive?
- Sanjeet Singh:** Sorry?

- Vipraw Srivastava:** When do you expect to be CFO positive, cash from operations positive?
- Sanjeet Singh:** So maybe by quarter 3 of this year. A lot of money that is right now being invested into the new product lines, the new talent that we are hiring, setting up of the new lines for these products, which we briefly mentioned. So a lot of that work has been going on since the past, I would say, two to three quarters. So we've been investing money, and we expect that these particular product lines and new verticals that we are setting up will start reaping benefits from quarter 3 of this year.
- Vipraw Srivastava:** Okay. Noted. And one more question. So in the last con-call, I remember asking the management about the RV business and they're very confident that there'll be revival in Q4. But based on your export data and the results, that doesn't seem to happen. So what's the reason for that?
- Hardeep Singh:** Yes. What happened like, it is just started in this quarter, because we were looking at the fourth quarter, but it is started in this quarter. This month only we get the order of more than \$1 million and we get the old payments as well from them, because we have to complete the whole kitty what they want, because once we had opened our office there, we know more about that business. And in near future, we are going to see the growth in that segment as well. Basically, things are online now, and things are start moving.
- Vipraw Srivastava:** We're going through demand in RV because I tracked their sales data, the sales is not picking up. So what makes you so confident that you will see demand revival in coming quarters?
- Hardeep Singh:** So once you see the next quarters, you will definitely see the numbers of the RV sales and the export growth. Like our U.S. subsidy in this quarter, it is going to give very good numbers for the sales.
- Sanjeet Singh:** So that is all due to the help of setting up our subsidiary there, because we were not getting very clear insights on where the market is headed. And now that we have clear insights and a lot of inventory, like we were talking about the inventory holdup in the previous calls. So we realized that a lot of inventory was getting holdup because there were certain products, or I would say parts which were required to provide that complete solution or that complete kitty for that category. And once we started doing that recently, so all that inventory holdup that happened has started clearing and that is why things are looking positive going forward.
- Vipraw Srivastava:** And secondly you have Forest River as your client in RVs. So how many suppliers does Forest River have for the product you make? I mean, are there two supplier, three suppliers or are you the sole supplier?
- Hardeep Singh:** There are 600 plants of Forest River over there almost 600 plants. So because we cannot enter all the 500 or 600 plants at a month, so they are also looking at our performance, delivery performance, quality performance. So we are slowly every month our target is to increase by four or five plants every month and also except Forest River.
- Vipraw Srivastava:** For that there are other players also who we are competing against.
- Hardeep Singh:** Definitely, they were doing that business for years. We are new to that.

- Vipraw Srivastava:** So what's your USP, what's your right to win?
- Haredeep Singh:** Pardon.
- Vipraw Srivastava:** What is IKIO USP or right to win compared to other players?
- Sanjeet Singh:** So basically, compared to other players there are a lot of I would say advantages that these customers enjoy with us. First and foremost is the product mix that we provide to them because what they are currently doing is they are buying, for example, lighting from someone else then solar from somebody else, the solar charger from someone else, batteries from someone else.
- So what we are doing is we are providing them all of that as a product mix from one single source and compared to from where they were buying earlier, they were having a lot of I would say language barriers and all of those things plus the local presence was not there. And once because of our office that we have set up there, so all of these issues have been I would say rectified.
- So they are reaping benefits with this, but it's just that the market scenario was generally weak, last year if I talk of this particular category. Plus like I mentioned about the inventory holdup. So these were some of the issues which were stopping the growth from happening and all of these are now getting sorted, and things are getting back on track for this vertical as well.
- Vipraw Srivastava:** Okay. I mean the data is not showing that because obviously the rates are high in US, so people are not buying RVs. The sales data is not showing that. So, I mean, you are very confident regarding this?
- Sanjeet Singh:** Yes. We are absolutely confident and this year, I mean, maybe from quarter two of this year you will start seeing the numbers also.
- Vipraw Srivastava:** Okay cool. Thank you.
- Moderator:** Thank you. The next question is from the line of Jaspreet Arora from Equentis PMS. Please go ahead.
- Jaspreet Arora:** Yes. Hi. Good evening, gentlemen. Just wanted to recap. So I probably missed out at the start. What was the key reasons for the decline in revenue on a Y-o-Y basis for the quarter? I'm just talking about the quarter, fourth quarter.
- Sanjeet Singh:** So fourth quarter if you look at the reasons for the decline largely it was if you look at the ODM side, the domestic side of things it was largely due to the elections because there was a slow demand, weak demand in the market due to elections. That was one of the reasons in quarter four, but if you look at on a consol basis, we have been largely flat in terms of the revenue.
- And on the export side of things we just discussed in the previous question of what happened and where we are headed with the export unit and plus adding up of the one more category which even I mentioned during the opening lines where we are just now we've just started supplying the I would say the industrial and the solar products for ESCOs in the US that was also just started.

- Jaspreet Arora:** Okay, so slide 7, I believe, is consolidated data. So that says INR95 crores versus INR115 crores minus 18%, but you're saying on a console basis it's flat. So I didn't understand?
- Sanjeet Singh:** Quarter-on-quarter console.
- Jaspreet Arora:** Not quarter-on-quarter on a Y-o-Y basis the slide 7 gives consolidated data. It says minus 18% whereas you just said it's flat. So I got confused. What exactly is the situation?
- Sanjeet Singh:** So I was actually referring to the full year numbers and the first two columns that you're reading they are quarter-to-quarter comparison from last year to this year I was referring to the full year.
- Jaspreet Arora:** So again, I'm coming back. So fourth quarter the decline of 18% Y-o-Y on a consol basis. One reason I understand you gave was the election related lower, what are the other reasons?
- Sanjeet Singh:** So that, so one the ODM I just explained because of the and likewise for the product display also the similar thing happened because the domestic market, the lighting industry saw this decline due to the elections and also the export. As we have discussed that there was a 24% decline in the export on the entire year.
- Jaspreet Arora:** But that's for the entire year how much was it for the quarter fourth quarter versus fourth quarter last year, how much was the export decline?
- Sanjeet Singh:** Export decline, it was I think almost similar let me just it, was roughly around 45% to 50%.
- Jaspreet Arora:** Okay, that's huge. Does it also reflect on the sales? I'm sure it does in terms of the offtake or the struggle that Signify is having in the market and let's say fourth quarter or the fourth quarter or maybe the last financial year there has been a big decline in their sales as well for the fourth quarter as well, is it got a reflection of that as well?
- Sanjeet Singh:** So you're talking about...
- Jaspreet Arora:** The majority of our number one customer?
- Sanjeet Singh:** I am not sure I have their numbers with me right now, but from the industry point of view, I mean, what I can probably say is that there was a much higher decline in the industry. I'm talking about generic lighting industry, but whereas if you look at our numbers because quarter 4 was something that we were also talking internally because of the elections that there is going to be a slowdown.
- But what kind of a slowdown will be there nobody was having the exact figures with that. But like I mentioned on the consol basis it was for the year it was flat, but last quarter saw that decline. But if I talk of the first quarter things are getting back on track.
- Jaspreet Arora:** Understood. Great. And just moving to the next one. So deployment of IPO proceeds in terms of investment in new facility about INR150 odd crores is pending. Do we assume it will be done by the end of the current financial year?

- Sanjeet Singh:** Not by the current financial year because by the end of the current financial year the second unit will be, the construction will be ready for the second unit, but for the third unit it will go into the next financial year.
- Jaspreet Arora:** So by next financial year it will be all over?
- Sanjeet Singh:** Yes.
- Jaspreet Arora:** And all these units put together the one which is coming this year and maybe the block 3 which is coming next year what is the potential revenue of all of these? How much more revenue potential do they hold? Ballpark I understood you said the facilities are fungible and you can do much more, but on a broad basis.
- Sanjeet Singh:** So, like I mentioned earlier, so basically, we talk in Asset Turn. So if 5 times to 6 times is what we've been doing, and this is what is expected out of these plans once they are completely rolling.
- Jaspreet Arora:** So you said 5 times Asset turn on this additional INR200 crores is possible?
- Sanjeet Singh:** Correct.
- Jaspreet Arora:** So another INR1,000 crores could be added to the current number which is about INR400 to INR500 CR annual?
- Sanjeet Singh:** Correct. You can put it.
- Jaspreet Arora:** Yes, sure. Thanks. That really helps. And lastly, in terms of this new product additions so maybe it's relatively new, but still wanted to get your sense. So, we've added new product categories like hearables and wearables. Now, I was reading somewhere that there's a big price erosion that has happened because of intense competition in this space off late whatever is happening domestically as well as in export. Would it be right to say that incrementally the margins and the return capital may not be as juicy as we enjoy in our core product currently?
- Sanjeet Singh:** So, basically what we are doing in the long run is now that these verticals are very new. So it is a little too early for me to comment on them, but what we are doing with these verticals the idea behind getting into these verticals is the vision is same what we have done with the lighting business that we will not just do what others are doing in the market. We will add value to the product and add value to the processes that we do and that is where we will take out the margins from.
- So, right now it is too early for me to comment on this once the ball is rolling because the billing has just started this month only for these verticals so once we gain momentum there are plans to do a lot more with these categories.
- Jaspreet Arora:** We also think that the current partners are not doing as much so-called R&D processes innovation etc. and that is something which is a gap.
- Sanjeet Singh:** So, we see there are a few areas where we can add value utilizing our current strengths and the plant and machinery that we have invested, and we have been utilizing these strengths for

lighting since many years. Just to put it I would say anything to do with plastic, metal, and electronics so we have gained good knowledge and understanding of how to develop products around these areas, and this is something that we plan to bring to this category as well.

**Jaspreet Arora:** Thank you so much for clarifying all that and all the best for the current financial year.

**Sanjeet Singh:** Thank you so much Mr. Jaspi. Thank you.

**Moderator:** The next question is from the line of Abhishek Shah from Welcore Capital. Please go ahead.

**Abhishek Shah:** Thank you for the opportunity. I just have one question in terms of the margins, and it might be a little repetitive but just trying to understand this quarter the margins we saw a sharp fall both on standalone and consol primarily. On standalone we won't expecting margins to fall so sharply, so maybe if you can give us some clarity we are already mid-way to the next quarter, how are you seeing next quarter or even the first half coming up in terms of margins, obviously it will be a derivative of volumes, but yes maybe if you can explain us both?

**Sanjeet Singh:** If I talk on the margins on a consolidated basis the EBITDA is largely in the range of where it used to be. But the drop is basically due to the new talent we have been hiring, the investment and the new facility and the products. The purchase of the raw material that we have been doing for these categories. And also the depreciation on the new plant and machinery.

So all of these costs that we have incurred they are basically done for the business that is yet to come. So once the business starts coming from these new verticals or new product categories and the revenues start coming in. You will see that the margins will start going up again where it used to be. But I think the silver lining, or I would say the important part where you can feel rest assured is that the gross margin went up during this phase. But the expenses also went up so the expenses I have explained the reason for them. So going forward were pretty confident that we will be able to maintain what we have been doing in the past.

**Abhishek Shah:** Right, historically. We've been talking about 22% to 25% margins once we reach scale. So what is scale according to you? I mean, what sort of the volume growth or value growth? That you're looking from this point will actually get you to the margins that we are talking about? Will it be a 40%, 50% rise from current turnovers or what will that number be?

**Sanjeet Singh:** Actually the intent in the previous calls. Also, we have clearly stated that the intent has always been to stay in the range of 20% to 22% of EBITDA, and this is where we currently are, and this is where we envision and see ourselves with even the new product categories that we are doing.

**Abhishek Shah:** Right, sorry. 20% to 22%. Got it. But do you expect the first half also to be giving you similar margins?

**Sanjeet Singh:** Yes. The margins are going to remain in this category only even in the first half, it is just that the expenses that we've made, the EBITDA is going to be in that range. It is just that the expenses that we've made for the new product categories. Some of them have the production has already started, so I think by the second and third quarter, the effect of that will start showing in the numbers in the balance sheet.

**Abhishek Shah:** Got it. So just one more question. We are guiding for 20%, 25% growth this year. Just want to delve further on this. We've already said that a lot of issues that we had with Philips last year are all behind us, and industry also went for a toss last year, and so as it is, the base is so low. So one is that just from a smaller base, growth should be much more significant. That's number 1. Second is we are saying that orders from GCC has also started. And third is we've got new capacity coming up, so if I just add up all three. The growth guidance of 20-25% seems very conservative, so just wanted some more clarity on that.

**Sanjeet Singh:** So actually, the intent was to give out. The guidance basis on what is happening today, and we'll definitely update on the same by probably October by the end of the second quarter we'll update you.

On the guidance going forward as well, but we wanted to be as realistic as possible as on today basis, but definitely there are a lot of things that are planned and to be honest, the new plant that we have set up, there is a lot that we are planning to do with that, so eventually once things get underway and they are rolling, then I think will be the right time to come and talk about those things also.

**Hardeep Singh:** So we are very optimistic about facilities and the customers have already visited them and the categories which we want to add on, and everything is there. So definitely with quarter-on-quarter basis, we will let the people know that what are the directions we are going.

**Abhishek Shah:** Got it. So this is very helpful. Thank you so much.

**Hardeep Singh:** And again, I am requesting every investor to just visit the facility so you can have more idea that what we are going to do over here.

**Abhishek Shah:** Absolutely. Thank you so much, sir.

**Moderator:** Thank you. We have the next question from the line of Pranay Gandhi from Green Portfolio. Please go ahead.

**Pranay Gandhi:** Hi. Good evening, sir. So I basically wanted to understand that IKIO Lighting operates as an EMS player. And while the peers in the industry are operating or have a margin in single digits, IKIO has been consistently delivering in EBITDA margins in 20s. So and most of these competitors are also backward integrated and some are also functioning as ODM partners. So what makes IKIO deliver such commendable numbers quarter after quarter? And I mean if you could throw some light on that.

**Sanjeet Singh:** So I think for that, I mean, the best way to answer your question would be you, you know, visiting the plant, seeing the setup yourself and the kind of products that we do. Because the product mix becomes very important when it comes to the margins that we are currently doing and the kind of the level of backward integration that we have.

I mentioned earlier in the call, anything to do with plastic, metal, and electronics, we are capable of handling everything in-house. So these are some of the strengths that we have. And on top of

that, the product mix that we do, we don't do any, commodity product where, the R&D is not required, or any value addition is not required on the product.

So if you look at the product mix, the kind of SKUs that we handle, so I think once you come visit and see the product and the setup for yourself, you will be, you will really appreciate what we have, what we are doing, what we have done in the past and what we are going to do in the near future.

**Pranay Gandhi:** So we are actually waiting for a long time to visit the plant. Hopefully, next month we would be able to do that?

**Sanjeet Singh:** Definitely it is happening next month. Sorry for the delay but it is happening next month for sure. So we are sending out, I think a formal invite probably today only.

**Pranay Gandhi:** Looking forward to that. So, and my next and final question would be in regard to, I mean, whenever the management speaks of the future and the products that it is going to launch and the kind of revenue it can generate, there's a lot of enthusiasm. So I just wanted to understand that there would be a trigger point for the company to look at GCC region as well to enter that market. What was that and what kind of products would be leading the penetration or the growth in that area?

**Sanjeet Singh:** Sorry if you could repeat the last part of your question.

**Pranay Gandhi:** I was actually asking what would be the product that would be leading the growth and the penetration in the GCC area?

**Sanjeet Singh:** So in the GCC market, we are actually going ahead with the product display lighting segment that we already have here. Although we are already doing that category in India but the demand there is quite different to, the kind of products that we are doing here. So a lot of development is still required. It is not that we are just picking up the product from the Indian market and supplying it to the GCC region. We are developing completely new products and because these are new customers we are tending to. So, their demands and the product types, like I mentioned, they are completely different.

But I am happy to say that we are getting a very good response and feedback and the kind of development that we have done in the past, I would say one quarter, it generally takes, if I look at our company also, when we started in this category almost 8 years, 10 years back, to reach to that level where we have reached in one quarter, I think it took us more than a year and a half.

So the response that we are getting and plus I would say the China plus one strategy really helps because they are also now, the world is open to accepting products apart from, made in China. So they understand the value and on top of that these things take a lot of time, and the factory visits and everything. So we are getting really good feedback on the, not just the product, but the setup also that we have created.

**Hardeep Singh:** So like from USA, very major fans of like for their electronic products like the USB chargers and all, they are visiting the plant we have. The validation of the plant is very important. Once



you are ready with the validation, for the validation, all the compliances, government compliances, then your ISO certificate, then your sustainability, those things.

It takes time. So these are the things which we are passing through that process while installing our equipment. So we will be ready for like, to produce, means we are on the verge of that. Almost all the things are on the verge of completion.

**Sanjeet Singh:** Like for GCC, it requires separate set of certificates, for the products to be able to be exported. So the entire range of making that to that level where it can be exported plus getting all the certificates. A lot of work was happening in the back end, but I mean, since April, the billing has started and the feedback that we are getting is very promising.

**Pranay Gandhi:** And I just want to recheck with you if I heard it correctly. There are certain certifications that are specifically required to supply the products in GCC region, right?

**Sanjeet Singh:** Correct.

**Pranay Gandhi:** Okay. And any inquiries which have converted to meaningful orders?

**Sanjeet Singh:** Yes. Like I mentioned, from April, we have already started the billing. So the shipments are moving, and we have already got approval in a lot of brands. So where we are supplying these goods.

**Pranay Gandhi:** So are these test orders or are these orders to hit the market itself? What I want to basically understand is that definitely since it's just a beginning, so the quantum of the order would increase substantially but have our, how do I say it? The products which probably would be tested initially in their laboratories or with them, are these final product orders which are supposed to hit the market? Or would these be testing orders for now?

**Sanjeet Singh:** So I don't...

**Hardeep Singh:** I don't think I need to clarify the products, their requirements.

**Sanjeet Singh:** No. So from what I have understood from your question, these are not test orders that we have given out. These are actually, some of the orders are actually repeat orders. So in a span of just, I would say 30 days, 40 days, we've got repeat orders also. And actually the reason why we didn't really talk about this in the previous call, we just mentioned that we are pouring into this, category in the GCC.

The reason why we did not mention was because at that time they were under testing, evaluation, and all of these things. But now things are rolling. Earlier the samples were with, these companies, they were testing, site visits were happening. I mean the factory visits were happening. But now everything is there. The certificates are there. We are moving out shipments. So these are not trial orders.

**Pranay Gandhi:** And is it fair to assume that the GCC region would be as big of a market as US?

- Sanjeet Singh:** It is too early to, comment on that because in US also we are constantly expanding like a new category which, we just spoke of. That is the product that we are now doing for the ESCO. So that holds a lot of potential. So all these verticals are going to race against each other. So it is too early for me to comment on which one is going to come out as a big money, I would say.
- Pranay Gandhi:** Okay. Fair enough. Looking forward to visiting the plant soon and in the meanwhile, all the best.
- Sanjeet Singh:** Absolutely. Thank you, Mr. Pranay.
- Moderator:** Thank you. The next question is from the line of Kuber Chauhan from Anand Rathi. Please go ahead.
- Kuber Chauhan:** I missed out one question. What was the capex for the Block 1 and what would be the capex for Block 2 as well? As you are quoting 4-5 times of turnover, we just wanted to get a sense of that.
- Subhash Agarwal:** So, capex on the building, on Tower 1, we have spent around INR32 crores.
- Kuber Chauhan:** Block 1, right?
- Subhash Agarwal:** Yes. Block 1. And we have put some machineries also. INR 16 crores worth of machineries also has been installed there.
- Kuber Chauhan:** So 32 plus 16. I assume.
- Sanjeet Singh:** So currently it is around INR50 CR, but I mean the plant is not yet complete. This is just the beginning. So like for example, the first line that we have put, there is scope to expand that to 3 lines. So, right now we have put one major assembly line, so we can expand that to 3. So that is how we have designed that particular area. So likewise, it is a continuous, I would say, investment that will continue to happen for probably the next 1 year, just the way the business will start moving in that plant. Block 1 roughly stands at, I think, around, INR48-INR50 CR.
- Kuber Chauhan:** And including - and what would be for 2? As you said that it will be completed by March 25.
- Subhash Agarwal:** So civil cost will be in the range of around INR35 crores. And plant and machinery will be deputed there.
- Kuber Chauhan:** For Block 2, you are saying, right?
- Subhash Agarwal:** Yes, Block 2 also.
- Kuber Chauhan:** Okay. So INR50 crores for Block 1 and INR35 crores for Block 2. Correct?
- Sanjeet Singh:** Correct. INR50 crores we will also expand with time.
- Kuber Chauhan:** Okay. And how much would be a ballpark figures?
- Sanjeet Singh:** So that will happen according to the plans. Once the plant is rolling, we are right now, what we have set up is to start the manufacturing in the plant. So as and when the utilization moves to a

certain level, then we will keep on adding to that existing plant. I think, if I talk of the scope, like right now, if it is 48-50, it can easily go up to maybe 75.

**Kuber Chauhan:** Okay. Thank you.

**Sanjeet Singh:** Thank you. Thank you so much, Mr. Kuber.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that would be our last question for today. I would now like to hand the conference over to Mr. Hardeep Singh for closing comments. Over to you, sir.

**Hardeep Singh:** So, thank you everyone for the call. And I invite everyone on the 18th of June, next month, so you can visit the plant, see the facilities, and see the work we have done, your company, has done so far, for the future. Like what we have done, it is not, you will see that what are the minds behind that, because we have created a world-class facility to get the world-class customers.

And hopefully, once you see that, you will see our vision and long-term perspectives on that. We are not looking at short terms at all. So, once you see the facility, you will feel yourself that way forward, what is our mission. Thank you very much. Thank you.

**Moderator:** Thank you. On behalf of IKIO Lighting Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.