



# MSEARCH

## INITIAL PUBLIC OFFER (IPO)

### IKIO LIGHTING LTD

5th June, 2023

**Recommendation: Subscribe**  
**Industry: Consumer Electronics**

**Price Band: ₹ 270-285**  
**Post Implied Market Cap: ₹ 2,105 – 2,203Cr**

#### Key Data

Issue Size (₹ Cr)	593 - 607
Fresh (₹ Cr)	350
OFS (₹ Cr)	243 - 257
No of shares	7,72,80,701
Face Value (₹ /share)	10
Bid Lot	52

#### Indicative Timetable

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

#### Shareholding (No. of shares)

Pre-Issue	6,50,00,000
Post Issue (Lower price band)	7,79,62,962
Post Issue (Higher price band)	7,72,80,701

#### Shareholding Pattern

<b>Promoters:</b>	
Pre Issue	100
Post Issue	72.46
<b>Promoters Group:</b>	
Pre Issue	0
Post Issue	0
<b>Public – Other Selling S/h:</b>	
Pre Issue	0
Post Issue	0
<b>Public - Others:</b>	
Pre Issue	0
Post Issue	27.54

#### Issue Breakup

QIB	50%
NIB	15%
Retail	35%

#### Other Details:

**BRLMs:** Motilal Oswal Investment Advisors

**Registrar:** Kfin Technologies Ltd

**Listing:** BSE & NSE

#### Research Analyst

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#### Introduction

IKIO Lighting Ltd is a leading Indian manufacturer of light emitting diode ("LED") lighting solutions. 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. IKIO has a fully integrated manufacturing infrastructure, capable of producing ingenious LED lighting products. Company's products are categorised as (i) LED lighting; (ii) refrigeration lights; (iii) ABS (acrylonitrile butadiene styrene) piping; and (iv) other products. Company's LED lighting offerings focus on the premium segment and include lighting, fittings, fixtures, accessories and components. IKIO has 4 manufacturing facilities with 1 located in the SIDCUL Haridwar industrial park in Uttarakhand and 3 in Noida in the National Capital Region. As on date the company's largest customer is Signify Innovations India Ltd, erstwhile Philips Electronics India Ltd ("Signify (Philips)"). In addition to Signify (Philips), IKIO 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.

#### Investment Rationale

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

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

##### Strong focus on R&D

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

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

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

##### Established infrastructure with backward integration

Company have developed the proficiency to produce many of the components used in their manufacturing processes with their in-house tool room capabilities that have modern machines, moulds and tools. Except for the diodes and resistors used in their LED lighting products, all mechanical components are manufactured by them. Their manufacturing infrastructure is a key driver of their business. They have developed in-house capabilities so that they manufacture all mechanical components in house (save diodes and resistors). Their backward integration includes: Automatic surface mounted machines for placing diodes and other components on circuit boards

#### Risk

- High Competition and over-crowded players in LED segment.
- Company have a concentrated customer base.

#### MView

We believe IKIO IPO offer gives investors an opportunity to invest in one of the growing ODM EMS businesses, which is well-positioned to capitalize on opportunities provided by the tailwinds in the LED lighting market driven in part by governmental policies for energy saving and environment protection. We also like the way IKIO has diversified its product portfolio with focus on high-margin segments and maintaining long-term relationships. With a strong R&D team of 27 members which independently develops ODM designs received from clients and converts it into as per client's requirements to deliverable product. Due to fully integrated manufacturing infrastructure IKIO's is able to have a diversified customer base across industry sectors and geographies with a strong customer retention history. By looking at the financials, the company has performed well in FY 2022 in revenue terms with an EBITDA Margin/ PAT margin of about 20.71%/14.22% which is higher than its comparable peers. On Valuation parse at upper price band of Rs.285/-, the issue is asking for a Market Cap of Rs 2203 Cr. On annualized earnings and fully diluted post-IPO paid-up capital, IKIO is asking price a P/E of 32x on the basis of proforma consolidated basis and 47x based on consolidated restated numbers which seems the valuations are reasonably priced when compared to Industry average PE which is around ~55x. Hence considering companies and industrial growth rationales, we recommend investors "SUBSCRIBING" to IKIO Lighting IPO offer with a long term perspective. With market sentiments recovering if we get any listing gains over and above 25%, we recommend allotted investors to book profits.

### BASIC FINANCIAL DETAILS

Particulars ₹ (in Crs)	2020	2021	2022	31st Dec 2022 (09)
Equity Share Capital	0.05	0.05	25	65
Reserve as stated	27.6	48.27	51.44	61.62
Net worth as stated	27.65	48.32	76.44	126.62
Revenue from Operations	140.65	159.66	219.9	240.72
Revenue Growth (%)	0	13.52%	37.73%	0
EBITDA as stated	26.34	30.28	40.15	49.84
Profit Before Tax	22.09	27.64	37.99	46.51
Net Profit for the period	15.99	20.58	28.01	34.58
EPS (Rs.)	2.46	2.46	4.31	5.32
RONW %	57.84%	42.60%	36.64%	27.31%
NAV (Rs.)	4.25	7.43	11.76	19.48

Source : Company RHP

### COMPARISON WITH INDUSTRY LISTED PEERS RS.(IN CR)

Companies		Mcap (In Cr)	FV	Revenue from operation FY 2022 (in Cr)	EPS	NAV	P/E	RoNW
IKIO Lighting Limited	Consolidated	2203	10	240.72	4.31	11.76	0	36.64
IKIO Lighting Limited	Proforma Condensed	2203	10	334	7.77	16.75	0	46.4
Dixon Technologies Ltd	Consolidated	23,611.73	2	10,700.89	32.31	167.92	90.93	19.08
Amber Enterprises India Ltd	Consolidated	7,359.05	10	4,239.63	32.41	514.7	57.07	6.3
Syrma SGS Technology Ltd	Consolidated	6,836.00	10	1,032.41	4.97	39.21	63.28	10.29
Elin Electronics	Consolidated	695.48	5	1,093.75	9.59	74.22	13.91	12.93

Date As on 31st March 2022, Cline Mcap, PE, P/BV calculated as on 02-06-2023

### KEY PERFORMANCE INDICATORS WITH LISTED PEERS AS ON 31ST DEC 2022 RS.(IN CR)

Particulars	Consolidated IKIO	Dixon Technologies	Amber Enterprises India	Syrma SGA Technologies	Elin Electronics
Revenue from operations	240.72	9,126.56	3,924.48	1,368.86	806.71
Total Income	243.18	9,130.35	3,958.45	1,390.98	807.14
EBITDA	49.84	356.47	214.43	128.55	56.27
EBITDA Margin	20.71%	3.91%	5.46%	9.39%	6.98%
Profit/Loss after Tax	34.58	174.44	55.68	80.2	25.2
PAT Margin	14.22%	1.91%	1.41%	5.77%	3.12%



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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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