IKIO LIGHTING LIMITED

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

IKIO® Innovations Only.

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Date: - 15th November, 2024

BSE Limited Dalal Street, Phiroze Jeejeebhoy Towers, Mumbai 400 001 **Scrip Code:** 543923	**The National Stock Exchange of India Limited** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051. **Symbol:** IKIO

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Q2 FY25 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 Q2 FY25 held on Monday, 11th November, 2024 is attached.

The same is also being hosted on the Company's website at www.ikio.in.

You are requested to take the same on record.

Thanking You,
FOR IKIO Lighting Limited

SANDEEP KUMAR AGARWAL
Digitally signed by SANDEEP KUMAR AGARWAL
Date: 2024.11.15 17:03:49 +05'30'

Sandeep Kumar Agarwal
Company Secretary & Compliance Officer

"IKIO Lighting Limited Q2 & H1 FY-25 Earnings Conference Call"

November 11, 2024

MANAGEMENT: MR. HARDEEP SINGH – CHAIRMAN AND MANAGING DIRECTOR, IKIO LIGHTING LIMITED.
MR. SANJEET SINGH – WHOLE TIME DIRECTOR, IKIO LIGHTING LIMITED.
MR. ATUL KUMAR JAIN – CHIEF FINANCIAL OFFICER, IKIO LIGHTING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the IKIO Lighting Limited Q2 & H1 FY25 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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suyash Samant from Stellar Investor Relation Advisors. Thank you and over to you, sir.

Suyash Samant: Thank you. Good evening, everyone and thank you for joining us today. 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. Atul Kumar Jain – Chief Financial Officer, who will represent IKIO Lighting Limited on the Call.

The Management will be sharing the key "Operating" and "Financial Highlights" for the quarter and half year ended September 30, 2024, followed by a question-and-answer session.

Please note this call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statement to reflect developments that occur after a statement is made.

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

Hardeep Singh: Thank you all of you for joining on the Q2 and H1 FY25 Earnings Call.

Our Presentation has been uploaded on Stock Exchange, and I hope you all have a chance to look at it. We are happy to mention that overall traction continues with revenue growth of 11% on year-on-year, to Rs.252 crores in H1 FY25, this was an account of all three business verticals we are doing.

Coming to Q2 FY25 Highlights:

The revenue was up 6% year-on-year and marginally down by 2% Q-on-Q. The Q-on-Q impact is on account of changes in product categories in ODM segment, as some of the old SKUs are being phased out and new SKUs are being introduced. We expect the sales to pick up in the coming quarters.

We continued growth Q-on-Q and Y-on-Y in product display segment. Also, we have started supplying to Gulf region where we have forayed in Q1 FY25. The energy solution and other segments we witness double digit growth Q-on-Q, Y-on-Y as inventory clearance continued gradually in our RV products in USA.

Coming to Profitability:

We are happy to report that in Q2 FY25 our gross margins improved to almost 43% due to favorable product mix and operation stabilizing at the USA subsidy.

Our EBITDA margin was at 18% improved Q-on-Q in line with expectations. As revenue generation from the new facility and product categories added operating leverage. Year-on-year negative impact is on account of front loading of expense like higher employees cost led by team expansion for new facilities and new product categories. PAT grew 4% Q-on-Q to Rs.13 crore in Q2 FY25. However, year on year growth is impacted due to higher depreciation on account of commercialization of new facility, block 1 of the greenfield project effective May 2024, and reason mentioned earlier for the EBITDA decline.

Now, I will request Mr. Sanjeet Singh to provide his thoughts on the quarter. Over to you Mr. Sanjeet.

Sanjeet Singh: Thank you. Let me now take you through key business initiatives undertaken to boost growth further and give some more insights about how things are progressing.

As you know, we have successfully commercialized block one of two lakh square feet in May 2024, this is just one part of our overall greenfield expansion project of five lakh square feet. Block two of another two lakh square feet is expected to be completed by March 2025, as of now, we are undertaking the civil construction. As we mentioned in the previous call we are expanding our product basket and have forayed into the hearables and wearables. I am happy to inform you that the company has got orders and on-boarded seven to eight top brands in the domestic market.

We would like to highlight that we are expanding our global footprint. In the USA, in addition to the RV business, we have started supplying our industrial and solar products to energy services companies. Also forayed into the Gulf market for the export of our products under the product display segment. As a result of an effort to diversify our revenue streams, the Outside India contribution stands at 20% in the first half of FY25. To conclude from my side, we believe it is imperative that we take these steps in new markets to help us diversify our revenue streams, both product wise as well as geography wise. We are looking forward to exciting times ahead as our new initiatives will start bearing fruits in the long run. With this, I conclude my remarks on our strategy for the way forward. I now request Mr. Atul to please go through the key financials.

Atul Kumar Jain: Thank you. Let me now take you through our financial performance and the utilization of our IPO proceeds. Our financial position continue to remain strong, with a net debt free balance sheet and well-funded CAPEX cycle, as mentioned earlier by Hardeep sir our growth trajectory continue in H1 Financial Year '25 we witness a revenue growth of 11% year-on-year to Rs.252 crore, and the gross margin remain largely stable at 39%. The EBITDA stood at Rs.39 crore in H1 Financial Year '25, versus 50 crore in H1 Financial Year '24 and PAT stood at 25 crore in H1 Financial Year '25 versus 32 crore in H1 Financial Year '24. In Q2 Financial Year '25 our consolidated revenue up by 6% year-on-year and down marginally by 2% quarter-on-quarter at Rs.125 crore. The EBITDA margin was at 18% improved by 460 basis point Q-on-Q in-line with expectations as revenue generation from the new facility and product categories added, operating leverages. It is down by 490 basis point year-on-year, as the impact is on account of front loading of growth expenses like higher employee cost led by team expansion for the new facility and new product categories.

PAT stood at 13 crore, up 4% quarter-on-quarter and down by 29% year-on-year. The growth was impacted due to high depreciation on account of commercialization of new facility block one, of the greenfield project effective May 24. And the reasons mentioned earlier for the EBITDA decline. On the IPO proceeds, the repayment of debt was completed immediately after the IPO, block one is now operational, for block two civil construction is ongoing, and completion is expected by March '25. We are now deployed around 60% of the IPO fund and are on the course to complete deploying the rest within the timeline we set for ourselves.

That's all we have from the company side. I request the moderator to please open the forum for questions.

Moderator: Thank you so much, sir. We will now begin the question-and-answer session. The first question is from the line of Mayuresh M who is an Individual Investor. Please go ahead.

Mayuresh M: Good afternoon, am I audible? First of all, congratulations for the opening of our new facility. It will certainly give us boost in the manufacturing process of the new products that we are going to look forward. For me, I am more interested in the energy solutions category that we have, for example the solar panels, the rotary switches, the lithium battery, I would like to know what is the current revenue share of this category of energy solutions, and what is the revenue share that we are looking forward in the coming two or three years. And also, I see the solar panels of RVs, are we also looking forward to create a production unit for solar panels, in general in a large amount?

Hardeep Singh: So, first of all, I will start from the backward, because as we said, solar panels right now we are making basically for recreational vehicles, RV and the market is growing, like, on month-on-month, it is giving good response, and next year because in USA, the year starts from Jan to December. So, this year we are doing good, and we understand the market very well over there, and we are getting the repeated orders as well as we are adding the new customers. So, that segment is going very well. Your second question about the going into the energy sector for solar. For domestic sector we are not looking at that at all. But we are looking at USA market, where the complete project is there, not only the solar where there are ESCO projects, which are only energy solutions it includes the solar, lighting, etc. So, we are, our company is getting the orders for them, and that revenue is also like quarter-on-quarter basis it is increasing. So, this is the thing for the energy section, any other question.

Mayuresh M: So, we are looking forward to manufacturing solar panels for creating big solar projects domestically or in the US, it's specialized solar panels used for lighting?

Hardeep Singh: No, actually we are not manufacturing the solar panels, we are getting it done from, with our specifications and all from other vendors and giving to the projects in USA.

Mayuresh M: All right, understood. And how about the lithium battery?

Hardeep Singh: Lithium battery we are using for ourselves, but lithium battery because of so many constraints, it is little down, but we are now, we have started the hearables and wearables. It also consumes lot of batteries, so we are planning to have those aligned, lithium batteries.

Mayuresh M: Yes, understood, thank you. And any projections on the revenue share from the energy solutions in the coming two or three years?

Sanjeet Singh: So, for the energy solutions, basically right now, the way we have divided or we are presenting the businesses is through three categories. So, one of the category is energy solution and others. So, basically it comprises of the business that we are doing in the US. That comprises of the RV business, the energy solution business, and also the business that we are doing in the export market. So, as you might have noticed, that revenue share is also going up. Like last year it was somewhere close to 15% of the overall business that we did and this year in first half itself it has contributed to 20% of the overall revenue. So, that share is increasing and because we are very new in that energy services business, the business that we are doing with the, the ESCOs that we are doing there in the US market, it holds huge potential. And we are working on those lines and we are like what Mr. Hardeep also mentioned, it is not just the solar panel or just a lighting product, it's a package where we are supplying a mix of a lot of products, and that depends on project to project basis what the requirement is. So, that is why we have two streams of catering to that market. One is the direct export that we are doing from the Indian market, and the second is the subsidiary that we have created in the US. So, directly from that subsidiary also.

Mayuresh M: Thank you, thank you very much for that clarification, appreciate your answers and time. Thank you very much and good luck.

Moderator: Thank you very much. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, thank you for the opportunity, sir I have a question on our margin sustainability. Sir, when I look at our margins, I went through your previous concall, and sir I understand that we provide some R&D as well as we are backward integrated, that's why our margins are better. But when I look at branded lighting players, branded OEMs, so their margins are, most of the margins are in single digit. So, that's what I am trying to understand, can we face pressure from OEM going forward whereby it would lead to our margin compression. As well as the second question would be, sir you are increasing our scale in the lighting business, in the block one. So, will there be another instance of margin pressure or scale increases, because we are doing only niche products till now and going forward as we focus on filling up our capacity, there could be some kind of margin pressure going forward?

Sanjeet Singh: Hi, Mr. Madhur. Thank you for the couple of questions that you asked, the first one related to the margin compression, if you are closely following the results and the quarterly investor calls, then the margin compression right now is happening on account of basically the onboarding of, the front loading of expenses that we are doing for our new verticals and the new product lines. So, the new plant that has also come up, it is yet to give the desired results, or basically the production is yet to start in that scale. So, it will take some time. I, hope you understand that creating a facility and then bringing in business, it's a process that takes a lot of approvals from the customer end as well. So, we are in discussion with a lot of new customers, also. Some of them in very advance stages where we are talking of product approvals and all of that. So, the margin compression, like I said is largely due to the front loading of expenses that we are doing and on account of the depreciation as well, because of the new facilities that we have created. So, once all these new plants, machines they start generating the revenue. So, automatically the margins will start improving and if you compare the margins from Q1 to Q2 there is anyway there is an improvement in the EBITDA margin from Q1 to Q2. And going forward, the new verticals that we have started, like, in the US market, or if I talk of the hearable and wearable. So, to begin with, we are doing right now OEM business, but our plans is to go ODM, like I have been talking about this since past quarter or two. So, we are on that path, we are developing a lot of things in-house so, it will eventually take some time but another few quarters, and you will start seeing those results as well. And your second part of the question that was related to the block one, increasing the sale and again the doubt on margin for the block one. So, basically, in block one if you look at the presentation also, we will be doing the lighting products that we are already doing, but apart from lighting we are also diversifying in that unit, and that is very much I would say, evident from the type of infrastructure that we have created. So, the PSMT lines, the machinery that we have installed that is not only for the lighting industry, but it is capable of handling a lot of other electronics that we intend to manufacture in the near future for which we already are taking a lot of actions. So, going forward, we will keep updating our trajectory and also the performance that is happening. And right now, we are in line with what we have been talking of in terms of the revenue and the margins, and we will keep you posted on that.

Madhur Rathi: This possible on a longer term basis, so my question was basically, so when I look at branded lightning distribution companies or SMEG companies, their margins in the single digit or at much lower double digit, but whereas you are making 20 volume margin. So, I am trying to understand, is this margin sustainable and sir why would the OEM not like kind of pressure us to reduce our margins going forward, so those front and so why are our margins – Sir, can you explain it, can you clarify us regarding this?

Sanjeet Singh: So, basically, I think you are looking at the consolidated margins, but if you look at the standalone margins, our margins are in standalone figures our margins are on the lower side only. And that is again, because being an ODM business. But still because it is ODM and we are manufacturing everything in-house, the margins are still decent, but on the lower side. But if you look at the consolidated numbers, the margins are better because it involves a lot of other activities, other product lines that we are doing, where in certain verticals, the margins are slightly better. And in certain verticals, because we are doing everything in-house and the margin of the backward integration that we are doing are also getting added in the consolidated revenue. So, it is that effect that you are seeing in the consolidated numbers. And just because, although I have discussed this in the previous calls as well, but I will just reiterate, if you look at our numbers, if you look at our history maybe six years before, or around that time when we were not doing a lot of backward integration. So, our margins were on the lower side only. It is generally after the backward integration that we, sort of started doing from 2017, 18, that is when the margin started improving, and it is a result of that only.

Madhur Rathi: Got it. Sir the standalone business is pure play the lightning ODM part and sir, what would be the consolidated numbers other than the RV business, where the margins are higher?

Sanjeet Singh: Sorry?

Madhur Rathi: So, on the standalone business, I would expect that it is pure play the lighting ODM or the lighting EMS part of that, but when I look at consolidated, so what all business would be added where the margins are higher?

Sanjeet Singh: So, like I said, right now we are presenting the business in three categories, although there are more verticals to that, but we are presenting in three categories, just to simplify for the investors. One is the ODM business, second is the product display, and third is the energy solution and others. So, basically, in the ODM, we talk of only the lighting that we are doing as in the ODM category, the high end home decorative lighting, and when I talk of the product display segment in that, there are three categories within the product display segment as of now, that is the store lighting that we are doing, And the refrigeration lighting and as well as the hearables and wearables that we have recently added. And energy saving and others, is basically referring to the business that we are doing in the US, and the business that we are doing in the Gulf and the product that are being exported to these markets. So, this is how we bifurcated the categories as of now. You were asking about bifurcation only right?

Madhur Rathi: Yes, sir. So, apart from the ODM business everything is under a consolidated entity, under our subsidies basically, is that understanding right?

Sanjeet Singh: Correct.

Madhur Rathi: Okay, this is a final question and then I will get back in the queue. Sir, we are in line for our 2025 revenue growth. I am just asking about the guidance that you had given, sir can we expect that guidance to follow through or there would be some pressure in following that guidance of 20% to 25% growth and the margin guidance?

Sanjeet Singh: So, right now we are in line with the guidance that we had provided. And because by this quarter and the next quarter, the quarter where we are right now, this and the next quarter we have planned to introduce certain new products, even the hearables and wearables will start kicking in the revenue, decent revenue in the revenue mix, so we are in-line with what we had projected. And if there will be any sort of maybe clarity that needs to be given, I think in the third quarter we will give you that clarity, if there will be any. But right now, we feel we are exactly on track to what we had projected for the financial year.

Madhur Rathi: Sir on the margin front as well, because I understand that the hearables and wearables would be a lower margin because of the OEM kind of starting in this business?

Sanjeet Singh: Yes, so right now like I said, it's the OEM strategy that we are following and the ODM strategy, because it's under development. We are developing the tools, molds, and all these for the products that we will be doing from scratch. So, they will probably start kicking in from the fourth quarter and then eventually from the next financial year. So, revenue wise, we are in line with what we had projected and in terms of margin guidance also, we had, maybe a lower close to around 20% figure is what we are expecting by the end of the financial year.

Moderator: Thank you very much. The next question is from the line of Karan Gupta from Rely Investments. Please go ahead.

Karan Gupta: I had a few questions, just to understand the company better, sir can you just probably share some of your unlisted space competitors who are maybe your peers in what you are trying to do, I remember you have told previously that there is no exact competitor, but could you just kind of throw some light on whom you feel would be your right competitors. Second question is, like you have a ODM relationship with Signify, and if I understand correct, Signify has mentioned, a 20% growth vis-à-vis 10% growth in the segment. So, given the fact that they are pretty much bullish on the India business, so how do you see that percolating to your business visibility because that I understand, is a more forecastable business based on your visibility provided by Signify. And one final question before I join further in the queue, could you just provide some thought on how you are able to kind of price. So, is it affected by any kind of China based dumping on LEDs or things like that so basically your ODM part which is your more growing part ODM and OEM, so these questions first and then I will follow.

Sanjeet Singh: Hi Mr. Karan. So, basically the first part of your question, was related to the unlisted competitors?

Karan Gupta: Listed or unlisted.

Sanjeet Singh: It's actually very difficult for me to name, any competitor as such because, like, we are in multiple verticals and multiple streams. So, honestly, I cannot think of a single name where I can give you any idea related to who is our unlisted competitor, because in each category, maybe we have someone as a regional player, or something of that sort. So, I am really sorry, we have never looked up that kind of information. So, I won't be able to give you any name as such and I think the second part of your question was related to the Signify business that we are doing. So, the growth that you had mentioned, so I am not sure, actually I have not gone through the numbers of what growth have they reported but, actually in lighting also there are multiple verticals within the lighting segment also, and we are behind home decorative space, which is also called the functional decorative lighting. So, I am not sure what is the number that they have reported in that category, but what I can tell you about our de-growth in this quarter for the ODM business, that is largely due to the fact of some of the existing products getting phased out. So, sometimes it takes a while for us to get that information related to the demand that is there in the market, and because it's a long cycle, so it takes maybe a couple of quarters for us to understand and adjust our products accordingly. So, this happens once in every two years that something like this because of the long list of SKUs that we have, and we have already started working on the new product categories to, sort of bring into the market to replace the existing ones. And we are also talking to some new customers. I cannot name them right now, but actually they have visited the facility, and with some of them, we are in the advance stages of discussion, so maybe a couple of quarters more, and we will be able to throw more light on this aspect as well. And I think the third part of your question was related to the pricing for the ODM segment, if I am correct?

Karan Gupta: Yes, sir the general LED based lighting and where you are more dependent on the market rather than your exclusivity.

Sanjeet Singh: So, actually, the pricing of the ODM segment, I would call them, it's not more dependent to the market it is just that, the products that we try and bring for the ODM segment, it's not the generic products that are there in the market, and that is why we are there in that niche, high end home decorative lighting space. And the pricing we do is, it differs from product to product but we do have a set costing method, that is approved by our customers and basis on that, basis on the raw material pricing and everything, we are constantly evolving the pricing of our products as well. So, it's a simple system where we have a set cost plus method which we follow for our ODM products.

Karan Gupta: Right. And sir, can you just throw some of the very strong tailwinds, because your other ODMs may be not of exactly your business, but maybe similar business in electronics and lighting manufacturing. So, they are kind of saying that five years back, they were not so bullish and right now, and you are already on your CAPEX mode. So, how do you kind of see the general bullishness including the US markets, so on a console basis, which segments do you per se see that you are seeing a lot of growth which was not seen historically. We have been in the same line for many, many years. So, could you just throw some light there?

Sanjeet Singh: So, actually our ODM business has generally been doing well, if you look at the past few years, and apart from that, it's growing at its own pace. But apart from that, the newer vertical, or the other segments like the product display category and the export market. This is where we see most of the growth coming in, in the near future and obviously the new the areas where we are working because it's very difficult to make you understand without naming a few things which I cannot do right now. But we are working on those directions, so the new categories especially the export market we are very bullish in the export market, the new avenue where we have started working for the ESCOs. So, that is one area, plus the geographical expansion that we are doing. So, there are a lot of things that are happening in the back end and along with that, the capacity expansion, the new plant. So, we are in that phase where we have created the facility, and we have initiated the discussions. It is just a matter of time where the capacities will start, filling in. So, these new verticals and even the existing ones, apart from let's say the ODM, we are expecting good growth in these categories.

Moderator: Thank you very much. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, if I look at our consolidated one and the standalone number. So, the margins for the past two years are in the 30%, 33% range. So, I am just trying to understand, as this business will grow, I think our margins will improve further going forward. So, what is that we do, that we own such high margin in this business and so just forward looking, where is this business how are we different from other players, because I think China would be another competitor provider to most of these countries in the export markets on that front?

Sanjeet Singh: So, I will try to answer your question, because I got your question in parts, so correct me if I am wrong somewhere. So, I think you were asking about the margins largely comparing to probably last year to this year and the second part of your question was related to China being our competition, and how we are unique in that matter, am I correct?

Madhur Rathi: Sir, so the second question, I will just repeat my first question, so the first question was, so if I just remove the standalone numbers from the consolidated numbers, our margins are in the 30%, 33% range for the past two years. So, I am trying to understand, what is that we do exactly that we are running such a high margin because, I don't have a fairly good understanding regarding the company, so that would help very much.

Sanjeet Singh: So, I heard you said, if we remove the standalone margin, then our margin in the range of 30% to 33%?

Madhur Rathi: Yes, sir that's right.

Sanjeet Singh: I will have to check I don't think that, so the difference is going to be probably 2% to 3% only because the ODM business is somewhere close to around 40%, 45% of the overall revenue share that we have. So, even if I remove that, I think the effect is going to be maybe 2% or 3% higher than the consolidated number.

Madhur Rathi: Okay. And sir on the China front?

Sanjeet Singh: So, China front basically, China being our competitor and how we are different to them, right?

Madhur Rathi: Yes.

Sanjeet Singh: Yes. So, there are a number of factors which highlight the USPs that we carry, as compared to China being our competitor. First and foremost, I have spoken about this in previous calls as well, that if you go to China, and if you look at one of the... So, should we continue from where we left?

Moderator: Yes, sir please continue.

Sanjeet Singh: So, I was actually answering Mr. Madhur's question related to that comparison with China. So, I will continue with that, I hope he's on line.

Madhur Rathi: Yes, sir.

Moderator: Yes, sir we have them on line.

Sanjeet Singh: So, if you compare us to China, I was mentioning about the USPs that we carry as compared to China. Most importantly, the reason why we started doing backward integration and everything in-house was to bring in the quality control to the products that we are manufacturing. And if you compare to China, if you go to China and look at a factory doing similar kind of business like what we are doing, so basically they would be not doing the kind of backward integration that we are into. That is because of the already available infrastructure in China that they have. So, there are factories, if a factory is manufacturing drivers, so they will be manufacturing drivers only, and if there's a factory manufacturing fixtures, or is into powder coating, so they will be doing that only. So, it's because of the infrastructure that is already available, but that is not the case in India and because of that, we went into that direction, because of the necessity in order to control the quality and in order to grow the number of SKUs that we are doing. So, we are doing more than +1000 SKUs today, and that is not possible if we sort of import from China.

So, there are two aspects of this comparison, one is if we bring in the products from China, and one is if we are competing with the Chinese players. So, if we are competing with them, then we have a much better quality control, much better, I would say production control, because we are just buying plastic metal and electronic components and then converting them into the finished products. And in this way, we are able to better service our customers with better lead times and a much better control over the quality of the product. Plus we, starting from the designing phase of the product whether it is the aesthetic design or the electronics design, we don't really have to depend on a third party for that. So, these are very strong advantages that we carry and hence, these are the reasons why we are able to get into these new niche verticals which require a lot of development and planning.

Madhur Rathi: Okay. So, sir just a final question from my side. Sir why are you getting into the watches and audio equipment space, because lighting is such a big category, and we can grow much higher and faster in this space doing niche application that we are doing right now for the exports market. So, why are we moving into a new territory, all together when we can grow our main business only many folds from this stage?

Hardeep Singh: Because this field is also related to what we are doing, what we have created is not only lighting. So, here also because Indian market is dependent on China so, because we have quite a lot previous experience in this field, in audio. So, because we were making DVD players and home theater systems and all. So, this is a similar market, and the volumes are huge. So, because we are into electronics and hardware so this is a part of that, so that is why we are entered into this and it is completely new team and new vertical, but we know the product and the market that is why we entered into this. And it is, again in the drivers we are making for the lighting, it is the power supply for the amplifiers. So, it is same housing, injection molding maybe the extrusion So, there is nothing what we are doing for lighting, we have to create something new. We have all types of what is required for those products.

Madhur Rathi: Okay. But, I understand that the process is similar and the capabilities of manufacturing products are similar, but my question was why not scale the lighting so, where do we see the lighting business as a percentage of overall revenue over the next three to five years and where do we see these new businesses going forward over the next three to five years. So, that is my final question, thank you so much.

Hardeep Singh: Like we entered into solar. Solar is also not the lighting, but we entered into solar because it has charge controllers and also charge controller again is the injection molding, designing, electronics, same with the refrigeration, refrigeration electronics, it is same vertical, we have not added any new infrastructure for that market. Only the team leader is from the industry, so he's managing the team. And we are seeing very good growth in this segment. We can foresee very good growth in this.

Sanjeet Singh: So, actually just a question of, we better utilizing our capabilities, we have that capability and if you look at, our company historically last 20, 30 years of what we have been doing, lighting is something that we started 14, 15 years back, but previously to that we were into electronics only. So, that is our core strength, understanding of the electronics is our core strength. And we have been doing electronics, injection molding, sheet metal work and all these things for many, many years now. So, obviously we are expanding our lighting business that is why, geographically, also we are going beyond our boundaries. Now, Gulf being one example for the lighting products and US for lighting and other products, but at the same time understanding our capabilities, and better utilizing those capabilities and to diversify the business further to bring in more revenues, that is the whole idea and we are not trying to reinvent the wheel or do something completely out of our knowledge base or understanding it is just a better utilization of our knowledge, our capabilities and the infrastructure that we have created.

Hardeep Singh: And also in the lighting also, we are not like we are very high developing very high end lighting with all the smart controls and all lighting is our core area so we are focusing lighting as well. It is not we are defocus or we are doing, lighting is the separate thing that this is vertical we can see that we can develop this vertical along with the lighting.

Moderator: Thank you very much. The next question is from the line of Sanjay Sood, who is an Individual Investor. Please go ahead.

Sanjay Sood: Thank you for giving me this opportunity. I have a couple of questions. My first question is, I was browsing through and I could come across a website ikioworld.com in US. Does this company belong to you, because website is similar, is it same?

Hardeep Singh: It is not same, that is a different company altogether, nothing to do with us, they are one of our customers.

Sanjay Sood: They are your customers, because websites and color combination, everything looks to be same.

Hardeep Singh: Maybe they liked our idea.

Sanjay Sood: Okay. And the second question is, which brands you are supplying in smart watches and hearables and wearables?

Hardeep Singh: Four, five brands we are in touch with them all, four, five tops brands and we have NDA with them so we cannot disclose the name.

Sanjay Sood: Okay. And my last question is, what will be your portfolio, product portfolio approximately estimated portfolio, finished goods portfolio after one year or so, we will be adding some new products definitely. So, how would it look like**?**

Hardeep Singh: They are working on because if you get a chance to come to our facility, it's not our facility it's yours, you are the investor of our company, and you are a partner of us. You must see that what we are doing and what is our core strength. So, I appreciate if any of the investors or anyone want to visit the facility, we are happy to show that.

Moderator: Thank you very much. The next question is from the line of Bhavesh, who is an Individual Investor. Please go ahead.

Bhavesh: Good evening sir, congratulations on a big set of numbers. My first question is with respect to capacity utilization, what is the current capacity utilization, if you can tell us?

Sanjeet Singh: So, basically capacity utilization for us is slightly different as compared to our peers in the industry because this question comes up in every earnings call. So, how we look at capacity utilization is, you have to understand that one single factory taking care of let's say, 700, 800 SKUs. So, it is not just about the capacity utilization. It is about the number of SKUs that are being handled. So, this way, if you look at the product mix that we have, and the revenue that a particular plant can generate. So, we look at the number of SKUs that the plant can handle. So, that ways the new facilities that have come up, that is there for future expansion, but if you talk of the product display segment, so that is a plant that is relatively new also because we sort of shifted the manufacturing facilities a couple of years back only to that facility. So, there we still are if I talk of percentage which is not a true presentation of what I am trying to explain. But just to make things a little simple, maybe let's say for us it is the peak is at around 70, 75 so in that unit, we are maybe at 50, 55 so there is still a lot of scope left in that plant because like I said it's relatively new, and the ODM division, we are like I said, we are handling more than 700, 800 odd SKUs. So, manufacturing those products in 30 days, these many number of SKUs in itself is an achievement, I would say. And so that is why for us, if you visit the facility, if you understand what we are doing, because we are not manufacturing products in millions like maybe a bulb or tube light which are being manufactured in millions of pieces. So, there we can talk of capacity utilization, and it's very clear in terms of how much of it is being utilized, whereas in our case, it's a little tricky to understand that, and it's some something that is sort of evolving as we are growing. So, once you come, visit and understand what we are doing, so you will understand in a much better way what I am trying to explain right now.

Bhavesh: Okay, understood got it sir. So, coming to your TWS segment, your hearables and wearables, so what is the time taken to onboard a customer like one month, three months, six months, and your solar panels also.

Sanjeet Singh: So, in that hearables and wearables segment, I would say that we have been fortunate enough that we are currently working with the seven to eight I would say the top brands in India, the good brands in India, who are selling their products in large volumes, and we have been able to onboard them. We started this activity almost 10 months, the operation started two quarters back and before that we started some groundwork to laying the foundation of this particular vertical and all of that. So, we have been fortunate that and the setup that we have created and the kind of business that we are doing, so that is really helping. So, once the customer visits, he understands our capability, he understands how we are different to our competition in this category. So, these are some of the advantages that we have and they see what they can do with us in the future. So, we are trying to shift this product category to ODM now, which I think wasn't really thought of up until now. So, people were relying on the kits from China and just doing the repackaging. So, that is the first phase, how we have also started the business but going forward like I said, we are doing a lot more than that and probably from the first quarter of the next year, we will be rolling out products which will be manufactured completely in-house in that sense, the way we are doing in lighting.

Hardeep Singh: Again, in this segment also, to this question we just add up with our Honeywell, we got their first approval for their security products. So, there are also electronics and hardware, and we have already started getting purchase orders from them for fire alarm system sensors, etcetera. So, it is not lighting, but it is related to all electronics and hardware. So, our core strength is electronics and hardware, and that is why the lighting is also one of the part.

Bhavesh: Understood, sir. So, you will be manufacturing with solar panels and hearables and wearables in this new facility, right?

Hardeep Singh: No, new facility we are going to dedicate for lighting products, as well as Honeywell security products, like their fire alarm systems, etc.

Sanjeet Singh: And there are other non-lighting categories also, so including lighting and non-lighting which we plan to do in the new facility. So, we will continue informing you about these new developments as and when we are in that position to speak about them publicly. Like I said, we started talking about hearables and wearables, just maybe a quarterback or a couple of quarters back. But whereas the work had started almost a year back, so once we are in a state to talk about the new developments also. So, every quarter we will keep on adding and updating our investors of the developments that we are doing.

Bhavesh: Okay, but your presentation says that you will be manufacturing solar panel systems in your, apart from your lighting and any other new product line you will be manufacturing solar panel system. So, what is the capacity allocated for this solar panel?

Hardeep Singh: Okay. So, solar panels, we have seen the solution like it has a charge cut over, it has assembly feet for recreation vehicles, then it has all the other systems to install those solar panels. So, we are selling the complete system, not only the solar panel, and it is specific for recreation vehicles.

Bhavesh: You manufacture, you don't assemble but you get the cells, and then you.

Hardeep Singh: We are not doing the manufacture, we are doing..

Sanjeet Singh: So, basically we are doing the assembly of the solar panels, the solar cells we don't manufacture. So, we are buying those solar cells and creating the product around it, whatever is required, then in-house and then assembling the product. So, this is what we are doing in solar panels. And we believe that, as the ESCO, RV is one category where we are supplying, but we believe that this category, the ESCO category, once it starts gaining traction it is already doing well for the time that we have started this vertical, it's very, very new but it's already doing well and we believe that going forward in this category there will be more and more requirement of these kind of products as well. So, the new facility will be required for the expansion that we will do in the lighting and non-lighting products both. So, this is being set up in that way.

Moderator: Thank you very much. The next question is from the line of Dhiren Khatri who is an Individual Investor. Please go ahead.

Dhiren Khatri: Sir good afternoon. In the last quarter, you said that you will be growing at a rate of 20% in respect to last year right? In half yearly results, we are growing at 11% so, are you sure that you will be able to achieve your guidance of 20% in respect of revenue, as well as PAT and margins?

Sanjeet Singh: So, in respect to revenue, because a lot of the new product categories are yet to kick in. So, they are eventually like this particular quarter, the third quarter where we are right now. So, the hearables and wearables, I would say mass production has started in the third quarter now. So, second quarter, it was just a few initial maybe trial lots, sample lots, approvals and all those things were happening. So, that is why these new verticals are, every quarter new and new products will be getting added. And the newer segments which we are talking of like Mr. Hardeep mentioned about the Honeywell business, the hearables and wearables coming in, kicking in in the third quarter. So, these are the things that will add up to the revenue that we are doing till now, in the third and the fourth quarter. So, that is why, initially also in the call we did mention that we are in-line with the projections in terms of the revenue and if there is any deviation then probably in the third quarter we will update. But we are in-line to what we had projected and in terms of the revenue, the EBITDA margins, like I said, and in one of the previous questions also, close to around 20% or in that lower band of what we had projected is what we are targeting.

Moderator: Thank you very much. In the interest of time, we will take that as a last question. I now hand the conference over to Mr. Sanjeet Singh.

Sanjeet Singh: So, I thank you all who took out the time and being a part of the call and asking the questions. So, I am actually looking forward to the times ahead, the quarters ahead, because we are making a lot of efforts for some new categories and product lines, and we are working towards achieving our goals and targets. And I thank you all for taking out the time and see you all in the next quarterly call.

Moderator: Thank you very much, sir. On behalf of IKIO Lighting Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.