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

Innovations Only.

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Date: - 13th February, 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 Q3FY24 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 Q3FY24 held on Friday, 09th February, 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: 2024.02.13 12:52:03 +05'30'

Sandeep Kumar Agarwal
Company Secretary & Compliance Officer

“IKIO Lighting Limited
Q3 and 9M FY ’24 Earnings Conference Call”
February 09, 2024

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

Moderator: Ladies and gentlemen, good day and welcome to the IKIO Lighting Limited Q3 FY24 Earnings Conference call. The management will be sharing the key operating and financial highlights for the third quarter and nine months ended December 31, 2023, 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. 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 Agarwal, Chief Financial Officer, who will represent IKIO Lighting Limited on the call.

As a reminder, all participant lines will be in the listen-only mode and 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Hardeep Singh: Thank you all for joining us on our Q3 FY24 earnings call. Our presentation for the third quarter and nine months ended December 31, 2023 has been uploaded on Stock Exchanges and I hope you all have had a chance to look at it. At the outset, I would like to reiterate that we continue to remain extremely positive about the business prospects of our sector in general and IKIO in particular.

Yes, the previous quarter did face some muted business environment in line with general slowdown in discretionary consumption but long-term prospects remain intact. Also, we are pleased to highlight that despite these challenges, your company has maintained our performance which is a testament of our business model and has strength on the back of operating as an ODM, that is Original Design Manufacturer, that designs, develops, manufactures and supplies the products, mainly LED lighting, to our customers. Importantly, operating in the niche high-value innovative product range, today we have a well-diversified product range with over 1,000 SKUs.

And the backward integration and in-house R&D that help us to provide end-to-end product solutions and develop a better control of supply chain and improve margins. Today, we create all of our products in-house, manufacture all the chemical components of our products at our manufacturing facility. Over the last few years of over two decades, getting to long-standing customer relationships and lasting our strong financial position which helps us to support expansion and forces growth.

Speaking on financial position, over nine months, FY24 results are a testament of our strong positioning in the market. Wear in despite of industry headwinds, we have grown our top lines and maintained profits in nine months FY24. However, in Q3 FY24, at stand-alone level, the weakening demand of LED lighting and higher raw material prices impacted overall performance.

Further, if you recall, we also mentioned that developing new product lines and in line with that, we have started team expansions including our R&D teams, our developments which led to incremented increase in employee cost in Q3 FY24. And the revenue of these teams is likely to kick in the second half of FY25. So, this is an investment we are doing on part of our future work.,we are developing the products

. Lastly, let me take you through the status of our expansion plan. Civil construction work in Block 1 of 2 Lac Square feet has been completed.

And installation of machines, plant and machinery is in process. We expect the facility to be operationalized by the end of Q4 24. This will be used to manufacture LED home lighting, solar panels, refrigeration and other electronic products.

And these again will be a high-end production unit which is coming up. And we are going to add some new product lines as well that Mr. Sanjeet will touch upon later. This facility is aimed to enhance our export business for new product development, also in the domestic market as well.

We expect to have streamlined production line for all of our products range once the facility comes online. Further, the civil construction of Block 2 has also been started. The completion is expected by the end of Q4 25.

This is it from my side. Now I will request Mr. Sanjeet Singh to provide his thoughts on the quarter, over to Mr. Sanjeet. Thank you.

Sanjeet Singh: Thank you, Hardeep ji. Let me now take you through some of the segmental highlights of the quarter gone by. In our existing ODM business, despite a challenging business environment for LED industry, we have reported a revenue growth of 3% year-on-year in the first nine months of financial year 24, thereby outperforming the sector.

However, in quarter 3 FY24, our revenues were impacted by weakened demand in line with the industry trend. In our product display business, despite the decline in the industry, we continue to clock double-digit sales growth year-on-year, both in the first nine months of FY24 as well as in quarter 3 FY24. In terms of our export business, we witnessed very strong, very good growth in quarter 3 FY24 as inventory clearances in the RV segment gradually picked up and this quarter saw fresh deliveries happening from India.

Going forward, we are confident that the efforts put in by our teams to build competencies and relationships will yield significant benefits. 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. And as mentioned by Hardeepji, we have started onboarding new employees for the same.

Secondly, for our product display lighting segment, we have forayed into the GCC market, which we believe has tremendous potential. We have initiated talks with major customers in the GCC region in the past four to five months and the results of the same will be visible from quarter 2 FY25 onwards. The third key development is that we have started exporting some components of our commercial refrigeration segment to players outside of India.

In quarter 2 FY24, we opened a branch in the US to help with distribution of our products as well as act as a support for customer service and that has been going well. 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.

Thank you, Sanjeetji. Now let me take through the key financials for the third quarter and nine months ended 31st December, 2023. Before we commence, let me provide a few points to be considered in terms of our financials.

As consolidation of our four subsidiaries, namely Fine Technology Private Limited, Royalux Lighting Private Limited, and Royalux Export Private Limited, and IKIO Solutions Private Limited. was effective from 12th September, 2022.

Accordingly, nine months FY24 includes full consolidated financials while nine months FY23 includes only triple one days of consolidated financials from 12th September, 2022 to 31st December, 2022. Our deployment of IPO proceeds continue to be on track while repayment of the debts was done soon after the IPO proceeds in the first quarter itself. As mentioned earlier, work on new facilities is also going as per schedule.

Our investment in the capex stands at INR630 million as of 31st December, 2023, of which almost INR560 million is towards the completion of Block 1 and almost INR70 million is investment till date in the civil construction of Block 2 which is ongoing. Let me take you through the key highlights numbers on a consolidated basis for Q3 FY24 and nine months FY24. Revenue grew 2% year-on-year to INR1,169 million in Q3 FY24 and stood at INR3,432 million in nine months FY24.

Profitability maintained EBITDA margin at 22.5% in Q3 FY24 and 22.1% in nine months FY24. Our EBITDA came in INR263 million for Q3 FY24 and INR758 million in nine months FY24. Profit after tax grew 6% year-on-year basis to INR190 million for Q3 FY24 and stood at INR510 million in nine months FY24.

With the repayment of debt from the IPO proceeds, the company remains net debt negative. That concludes our opening remarks. I request the moderator to please open the floor for the questions.

Moderator: Thank you very much. We have our first question from the line of Rahul Kumar from Shefa Family Office. Please go ahead.

Rahul Kumar: Hope I'm audible?

Moderator: Yes.

Rahul Kumar: Yes, Mr. Rahul. Thanks for the opportunity. So my question is, India has been not deficit as a country so far the light is concerned.

And so we are usually using, you know, a low end of the lighting spectrum. So I'm talking in terms of now having lights range in, you know, Kelvin term from 1800 to 6000, then the lux term, you know, moving from 5000 to 10,000 and then the CRI and different indexes. So these are the high lighting spectrum of parameters which has been used by like peers like Delta and other European players.

So do you, are you planning to get into this segment of high end lighting and to be precise, therapeutic or human centric lighting? That's my first question.

Sanjeet Singh: Yes. Thank you, Mr. Rahul for asking the question. Absolutely. Actually, if you mentioned -- you mentioned about the Lux lumans and the lighting outputs that we get in countries outside of India, especially European countries and in the U.S. market. That trend we have been seeing in India also that it is growing. But you know that India is a price sensitive market.

So a straight jump from where we were a few years back to matching those standards that are available right now in Europe or U.S. for the general public in large, that price gap will not be feasible, but that trend is happening. Every year, we are seeing that the lumans for what the demand from the market is increasing. We are ready with the products which are capable of delivering 150 lumans per watt, 170 lumans per watt.

And in fact, we are doing certain products for the U.S. market, which where we have the efficacy in that area. But India, we are seeing that trend that people are moving towards the higher luman efficacy and the demand is getting stronger every year for that. And you mentioned about the CRI.

So, when the lighting business started in India and people started buying these products, so at that time people were not really concerned about what the CRI, what is the CRI and what are the benefits of higher CRI as opposed to the lower CRI. So, in general, the LED products were generally around 70 CRI, whereas in today's market trend, people now opt for 90 to 95 CRI in certain cases, in specialized lighting cases. So, they have specific requirements of 90 -- more than 90 CRI or 95 CRI.

So, that also trend -- that is the trend that we are seeing that now people are more concerned about how much lumans they can get out of the lower wattages because people's mindset is now gradually shifting towards sustainability, lowering the wattages, getting higher luman output and getting higher CRI. So this is the trend that we are seeing and these are the kind of products that we have been developing and constantly developing and evolving as per where the market is also growing.

Rahul Kumar: Got it. My second question is about the capex plan. So, are we going to -- are we a manufacturer OEM specifically into LEDs? Because I heard like it needs around INR20,000 crores in terms of investment to have a manufacturing, high-end manufacturing plant. Or we do fixture size and assembly and other stuff. So that's the question about our capacity in terms of manufacturing.

And the third question is about R&D and like you said, the trend is there. So, are we going to have some kind of joint venture or we will be doing it in-house, the high-end products for value-added ratings? Thanks.

Sanjeet Singh: So, I think from what -- correct me if I'm wrong, from what I've understood from the question is you mentioned something about having around INR20,000 crores for investment in terms of, you know, enable to do the manufacturing of LEDs. Is that what I heard right or…?

Rahul Kumar: Right. The original LED itself, Yes.

Sanjeet Singh: Yes, So, that is something that we don't do. So, when you say LED, it is basically the light-emitting diode, I think what you are referring to and not the complete final product. So, if you talk of the light-emitting diode, which is the chip. So, I believe no one right now in India is manufacturing those chips and the infrastructure right now is not there.

And to be honest, we don't intend to get into that category as well because we are manufacturing the final product. And for the final product, whatever is required to do, we are doing almost all the processes in-house currently and we are expanding in these lines only. So, for now, we don't intend to -- I mean, that is the direct -- that is one direction that we are not looking at.

Rahul Kumar: Thank you. My second question is about R&D side. Like, even if we are planning to get into this high-end spectrum of the lighting, how we are going to do it? Like, through some JV, getting technology, paying them royalty or in-house will be the approach?

Sanjeet Singh: So, it has been in-house till now and we are actually catering to a lot of different verticals which have very different requirements in terms of the technical specifications that we -- that our products conform to. And we have our in-house R&D team and we are constantly evolving and expanding the team.

Like during the opening speech, Mr. Hardeep also mentioned that, you know, we are expanding the team because we are coming up with some new high-end products, some niche products, high-end products. So we have our in-house design capabilities and it is backed by the experience that we have in this field.

Because if you look at the history and the legacy, we have been not only in the LED lighting division, but if you look at the legacy, we have been into manufacturing and primarily electronics since more than 20 years now. So that has been our core strength and going forward, we believe that we have the in-house capabilities and strengths in order to manufacture world-class products.

The kind of product that you see globally, we already have the facilities and we are at the same time evolving. So the new plants that we are -- the new plant that we are coming up with, the plant and machinery that we have ordered and are installing. So they are more than capable of producing the kind of products that are available anywhere -- any part of the world right now.

Rahul Kumar: Sure. Thanks. I will get back into queue.

Sanjeet Singh: Thank you so much, Mr. Rahul.

Moderator: Thank you. The next question is from the line of Himanshu Dugar from SafeGainz. Please go ahead.

Himanshu Dugar: Yes, hi. Am I audible?

Moderator: Yes, Mr. Himanshu. Please go ahead.

Himanshu Dugar: Yes. So, could you firstly talk about the gross margin compression and how are you seeing the -- going ahead, how are you expecting the gross margin kind of coming back? And also on the opex side, the other opex, not excluding employee expenses, the other opex, like how is it going to stabilize from here on?

Sanjeet Singh: Mr. Himanshu, actually your voice is not clear. Can you repeat your question? And I think you're too close to the microphone, I guess. The voice is sort of, it's not clear.

Himanshu Dugar: This is better now?

Sanjeet Singh: Slightly better, yes.

Himanshu Dugar: Yes. So, I was asking about the gross margin compression in this quarter and how do you see the gross margin stabilize going ahead? Also, on the other operating expenses, given that you are expanding on the other block now. So, is it stabilized now or do you expect some more increase in the coming quarters?

Sanjeet Singh: So, the gross margins, you're asking about the gross margins, correct?

Himanshu Dugar: Yes.

Sanjeet Singh: Yes. So, actually in the previous quarter, the raw material prices have gone up slightly marginally. And if you look at historically, our gross margins have always been steady. But the slight increase in the raw material prices in the previous quarter is only because of the muted demand in the industry as of now.

And understanding where the market is as of now, we also at times take this decision to probably absorb whatever little we can. And because we work on, you know, the BOM plus system when it comes to -- BOM plus costing system when it comes to the pricing.

So, beyond a certain level or threshold, we always talk to our customers and our customers are also open to the fact that we give the BOM plus costing and everything is in open. And generally, it also takes a couple of months for that to reflect because obviously, buying is happening constantly and the costing happens once in a month.

So, there is always a delay or a lag in its effect when it comes to any price change, whether it is on the upside or the downside. So, quarter-to-quarter basis, you may see somewhere the raw material price is going up or down, vice versa. Whereas, if you look at on the annualized basis, there will hardly be any impact of that.

Himanshu Dugar: Got it. On the other operating expense also, like it was part of my first question?

Subhash Agrawal: So, other operating expenses, there are expenses which are constant. But as the sales grew in the percentage term, it will come down. There is an increase because we have hired new people and some kind of new expenses also that is associated with the new employees. So, that way, operating expenses are high, but it will be in the percentage term, it will come down as the sales grew.

Hardeep Singh: As the new facilities are like getting ready and we already hired teams and the development teams and the official teams. So, once those units started giving the results, it will be automatically come down heavily.

Sanjeet Singh: So, it is just a short-term impact because what we are spending today will give the results in a couple of quarters down the line. So, it is just a small term effect.

Himanshu Dugar: Understood. So to conclude, can we expect that going where the margins should kind of expand a bit to recover the last two-three quarters there? And because of that, sequentially, your EBITDA margins should also be expanding in the coming quarter?

Sanjeet Singh: So, our EBITDA margins, if you look at on a consol basis, have been predominantly constant. So that is because of the fact that we have multiple verticals. So, if in one vertical there is some plus or minus, then the other verticals are there to take care of the overall business.

So that is the only reason that irrespective of what is happening in each vertical, on the overall consol basis, the EBITDA margins and the PAT number, the percentages, they don't really see that type of effect.

And that has been happening since the past, I would say, couple of years because sometimes one vertical is not performing well, then the other verticals are doing good. And that is the USP that we have. First and foremost is that we are doing everything in-house, being an ODM. And secondly, having that variety of verticals really helps during -- especially during periods like these.

Himanshu Dugar: Got it. The second question from me was, could you just talk about the timeline of how the revenue will start flowing from the new block? I mean, I understand the machining will start this quarter, but for FY'25 and FY'26, how do you expect the timeline to go?

Sanjeet Singh: So, like we have spoken about and mentioned in the presentation also that it will be operationalized by the end of the fourth quarter. So, that we are talking of the plant getting operationalized. And then, I mean, obviously we have planned the kind of products that we are planning to do there.

It takes some time to set up the products, the lines and everything. And we believe that from the third quarter of next financial year, second to third quarter for that matter, you will start seeing, the results coming out. Plus, not just this plant, there are other product categories and avenues where we have been working sincerely since the past, I would say, six to eight months.

And we are in advanced talks right now with some of our clients for, the new product lines. And so, that also, I think by another two quarters, you will hear some good announcements from us in that aspect as well.

Hardeep Singh: So, already the sampling and infrastructure, everything is ready. So, we have already crossed the sampling stage and also things are progressing more than the speed what we need.

Himanshu Dugar: So, what is the peak revenue expected from this? Like you say from Q2, Q3, maybe the revenues will start. But what will be the peak revenue expected from this capex incrementally? Can you maintain that turnover ratio that you are already maintaining or will it be higher on the work?

Subhash Agrawal: So, towards the end of last quarter, we will give some kind of guidance that where we see that revenue going forward.

Hardeep Singh: And we are seeing that what we have, we are doing pretty good. And as the market is not so good and we are performing in that scenario also very well. So, we don't see anything. It will, all the revenues where we are working will give the fruit from second to third quarters. As Mr. Sanjeet also said.

Himanshu Dugar: The last question...

Moderator: Mr. Himanshu, I am sorry to interrupt. May I request that you return to the question queue for follow-up question?

Himanshu Dugar: Yes.

Moderator: The next question is from the line of Vipraw Srivastava from Incred Capital. Please go ahead.

Vipraw Srivastava: So, just to clarify, IKIO is increasing its gross block by around 6x, right? I mean, your previous gross block was around 43 million. It will be around increased by 6x. So, my question is that if the down cycle continues and let's say you are not able to run your capacity, then in that case, its fixed cost will come in which will further depress your margin. That could be a possibility, right?

Sanjeet Singh: So, that could have been a possibility if we would have been complacent and sitting in our office and waiting for the market to get better. But that is actually not the case. We have been quite actively working on new products and product lines in the past few months. And like I mentioned in the previous question as well, the results of that because we are in the advanced stages.

So, I can confidently tell you that the results of that will start coming in a couple of quarters. And the reason that we are now evolving and diversifying even further is because, I mean, this year what happened with the LED lighting industry was not anticipated. Nobody knew and I think it got the industry off guard.

And because of that, immediately we had a few top level meetings internally and we have a lot of strength in-house capabilities and we can do a lot more than what we are doing right now. Because, like I always mention that our USP is our capability of having all the facilities in-house that we don't have to really depend on the third party suppliers for most of the things that we do.

So, having confidence on that, so we are working on a lot of new product lines. So, I think another couple of quarters and you will definitely hear some good announcements from us going forward. So, whether the market remains slightly sluggish or not, we are prepared and we are gearing up for the next financial year.

Hardeep Singh: Like Mr. Sanjeet already told, we are working on GCC market and the USA market very aggressively and you will see the results very soon for those.

Vipraw Srivastava: Right. And secondly, how is the US [RV] sales shaping up? I mean, I dragged the sales data monthly, the numbers doesn't look too good. So, how do you see this shaping up, the RV sales for US market?

Sanjeet Singh: So, the RV business, like we mentioned in the previous call, I think exactly three months back that the market is looking much better and it's opening up and the normal deliveries have begun and that is exactly the case what has happened in this quarter and deliveries are picking up and that is why there is a very strong double digit growth in that sector as well and we expect that it will continue to follow in the coming quarters.

Vipraw Srivastava: Double digit growth is on a very small base, right? I mean, the base was very small last year, same quarter, right?

Hardeep Singh: Yes. Actually, what happened last year was pretty down as we explained to you before also because of China and other material stuff. Now, the things are, the kitties improved and month on month our sales is improving and so on, we are putting more pressure on the marketing and other things. So, that is why we have opened our own office in USA and we are going to have our own staff to do the marketing because the product range is there, certification is there, we have the products there.

So only the marketing we are putting more efforts on the market and because of last quarter, the USA market starts from after that your, what you call, your Christmas and New Year holidays and so many holidays. Now, after January, it starts picking up.

Vipraw Srivastava: Okay, so we can expect something good in this quarter, right?

Hardeep Singh: This quarter will be better than the last quarter.

Vipraw Srivastava: Sure, sure. Thank you, thank you. Thanks a lot.

Sanjeet Singh: And even the last quarter was, I mean, if we compare the last quarter to the previous quarter, the growth that we saw was, very high double digit growth. So, that was a good and a positive sign.

Moderator: Thank you. The next question is from the line of Kuber Chauhan from Anand Rathi. Please go ahead.

Kuber Chauhan: Yes, thank you for the opportunity. Can you give me some break up regarding your sales mix for this quarter?

Hardeep Singh: Sorry, come again please.

Kuber Chauhan: I am asking about the sales mix for this quarter and what was it and how much of the revenue are we generating from RVs?

Hardeep Singh: Are we particular exports, we can tell you, total revenue from exports?

Sanjeet Singh: I think business segment wise revenue, we will be sharing in the next quarter. So, right now what we can, we can give you an idea of the top line and maybe a percentage idea of, in the verticals where we are today.

Kuber Chauhan: Yes, I mean, if you can just say those things.

Sanjeet Singh: So, yes, if I talk of the ODM division, then the total revenue generated from the ODM segment was around 50%, the business that we are doing for Signify. And if I talk of the display lighting, display lighting division was somewhere between 32% to 35%. And if I talk of exports, exports was somewhere around 17% to 18%.

Kuber Chauhan: For this quarter, right?

Sanjeet Singh: Yes, yes.

Kuber Chauhan: And second question is on the block side. So, how much of revenue we are expecting post the operation of this block? Can you just throw some ballpark number?

Sanjeet Singh: Yes, so, actually if you look at the FA, the FA returns historically, they have always been in the tune of 5x to 6x. And that is when, the plant hits the optimum utilization. So, now that we are just, the plant will get operationalized and we will start manufacturing. So, it will take some, some time for us to hit that level of around 60 to 70% of utilization of the plant.

So, once we are there with at around 60% to 70% of the utilization, then you can expect the similar, FA returns what we have been generating till now. And like I mentioned, it will take a while, but definitely -- Our aim is that only.

Kuber Chauhan: And when can we expect this 60% to 70%?

Sanjeet Singh: So, for the first block which is ready right now, we can expect around maybe two years, two years from now to hit that level of around 60% to 70% of utilization.

Kuber Chauhan: Okay.

Sanjeet Singh: And we always talk of utilization in this, I mean in this range, that is because of the fact that whatever verticals we are into and if you look at any of our factories, we are handling a large number of SKUs and that too, each SKU would have a different quantity requirements for each one. So, therefore, you have to look at us differently as compared to any of our peers in the industry because we are not doing volume products.

We are actually doing customization at a scale. So, for us, when we reach a level of 60% to 70% utilization, that is pretty, I would say, high for the kind of products that we do.

Kuber Chauhan: Okay. And in terms of value, how much we can generate at this utilization?

Sanjeet Singh: So, at this utilization, we can expect anywhere close to, I am talking of only the first tower as of now. So, we can expect somewhere between INR300 to INR350 crores.

Moderator: Thank you. The next question is from the line of Prerit Chaudhary from Green Portfolio. Please go ahead.

Prerit Chaudhary: Hello, sir. I have a question. What exactly has been the reason for the subdued demand in the LED segment? Because if you see in the Indian market, at least, that the infrastructure has been going pretty fast and there has been large demand for cement and steel. What exactly, I mean, why the LED has not seen a good demand growth?

Sanjeet Singh: So, this is something that we are also trying to figure out. What is the reason? Because like I mentioned earlier also that the industry was sort of caught off guard. Nobody was anticipating that something like this will happen. And I think these are the reasons why we believe that it is going to bounce back. It is just a matter of time.

Maybe a few more quarters like these and we are pretty confident because looking at the Indian subcontinent for that matter, a lot of urbanization is yet to happen and it is still happening. But that slowdown, we will have to dig a little deeper to understand why is this happening. But we believe that this is going to bounce back in a few quarters.

Hardeep Singh: And also because we are not going to depend only on the Indian market. So, that is why we are focusing very much on the international markets and expanding our wings abroad, like the GCC , then USA, we are looking at working with multiple clients and multiple products. So, we will be able to manage. We have the roadmap for that.

Prerit Chaudhary: Okay. All right, sir. And another thing, so we do designing as well for our customers and in the LED segments, changes come up after a few months or something like that. So, how do we actually manage that? Like a completely new design comes up. Like how we play it with our customers, with the new designs? And I just wanted to understand your business, how we do it.

Sanjeet Singh: So, you're talking of the product design, right?

Prerit Chaudhary: Yes, Yes, exactly.

Sanjeet Singh: So, that is something that is an ongoing activity, you know, that is constantly on. So, it is not that for the first few months of the year, we decide that these are the new products that we are going to bring in. It's more like a perpetual cycle that is always constantly happening.

And it is based on a lot of factors. I mean, the market research that we do and the kind of inputs also that we get from our customers. So, based on a lot of factors and where the industry is moving, where we see the kind of products that the customers would prefer compared to what the products that are there in the market.

So, there are a lot of factors. And at any given point of time, we always have around 40 to 60 products under development. So, like I mentioned, it's like a perpetual cycle. So, whatever changes are happening in the market, so we try and stay ahead of that curve always. And that has always been the intent.

Prerit Chaudhary: Okay. And usually, how much time does it take for us to develop a new product?

Sanjeet Singh: So, it depends from product-to-product and, to be honest, from vertical-to-vertical as well. So, for a generic high-end home lighting product, it could take anywhere between maybe three to five months, depending on the complexity of the product. And then different verticals have different timelines.

But because of our in-house capabilities, whether it is aesthetic designing or whether it is electronics, so we have our teams. So, that is why usually the time that it takes in our case is generally lesser.

Hardeep Singh: So, like we are developing some high-efficacy products because we have in-house teams. So, we design and develop generally sometimes two to three months. And like you said, it depends from product-to-product. So, we are managing that.

Prerit Chaudhary: Okay. And just one more question.

Hardeep Singh: So, we always foresee that what is called like the connected lighting. We have already started working on that. So, connected lighting and other things. So, we know that after six months, what are the things which are coming in the market. So, we plan them and do it before anybody else comes up with that.

Prerit Chaudhary: Okay. All right. Thank you for the answer. And just one other request. So, we have been trying for a factory visit for your company. And your block one has been ready now. So, can we expect a factory visit during this quarter?

Sanjeet Singh: So, we are planning. Actually, I mentioned briefly about the same in the previous call that we are planning to invite some guests and investors. That will happen probably in March. We are yet to finalize a day for that. But we will definitely do that and get back. And we also, we are more eager to show, what we have developed and the capabilities that we are bringing to Indian manufacturing.

So, we are more than eager to showcase that. So, I think we are planning. Right now, it is, we are planning in the month of March. So, we'll let you know about the exact date very soon.

Prerit Chaudhary: Okay. Thank you, sir. That's it from us.

Sanjeet Singh: Thank you so much.

Moderator: Thank you. The next question is from the line of Niraj Kamtekar from Prospero Tree. Please go ahead.

Niraj Kamtekar: Thanks for the opportunity, sir. Sir, I am attending the con-call for the first time. So, my question may be a silly or a very common question. So, forgive me for that. So, my first question is whether the company's growth is anywhere linked to the housing sector growth or it's an independent growth?

Hardeep Singh: So, sir, as we mentioned that we are in different categories of products, not dependent only on the home lighting or only on the industrial or any of the segments. We have four or five verticals, different verticals. So, everywhere we like to have now this refrigeration lighting, we can see the bigger, very big growth and those and new things are coming, new designs are coming.

So, we are developing those. The home lighting is a little bit stagnant, but we hope that we have that for next quarter. We have very good plans for that and the new products are coming up. So, simultaneously, all together, we are doing good.

Sanjeet Singh: It is because of the current mix that we have that if you look at the numbers also, in the first nine months of this year, we have actually grown by 4%, which is, we've been outperforming the industry since we set out on this journey and that is because of the right mix of products and the different verticals that we have.

Niraj Kamtekar: Because I'm asking the question because the housing sector is growing all over India and we are growing by 4% only. That's why I'm asking that question, whether our demand or our product's demand is related to the housing sector growth or we are in a totally different segment or how it is?

Sanjeet Singh: But if you look closely, the lighting segment has been, the lighting segment for, I think, the housing segment has been in its degrowth phase since the past few quarters and if you look at our peers also, so there have been very sharp decline in the past few quarters, whereas because of the different mix of verticals and the products, we are still on that path of growth and we believe that, the effort that we are putting in today for, the new product lines, the new verticals that we are working on, we will continue on that trajectory.

Niraj Kamtekar: So what could be the, what will be our demand driver? Suppose the housing sector is not the sole demand driver, then what are the other demand driver sectors?

Hardeep Singh: If this is there, then we ensure that…

Sanjeet Singh: The display lighting that we are doing, the refrigeration…

Hardeep Singh: We are expanding that to the middle east -- we said all and India also, we are working on that. So that is also going. Then the RV, we are pushing very much. And another, like the solar and the batteries, that also we are putting. So it is, we are not depending only on the home lighting. So our other verticals are also, we are working very hard on those.

Niraj Kamtekar: And sir, what is our business model? Whether it is B2B or B2C, how it is working?

Sanjeet Singh: So it is all B2B. So if you look at all the verticals that we are into, each and every vertical we are doing all B2B. And we don't intend to enter into the B2C segment as well.

Niraj Kamtekar: Okay, sir. And once, I think the quarter four may be the better quarter than quarter three because of the higher demand and starting of the first block. Is it my correct understanding?

Sanjeet Singh: So the first block, the effects of the first block, because it is yet to operationalize. It will be operationalized by the end of March. But the effect of that will start coming from the second half of next financial year.

But yes, we are also looking forward to this quarter. And we are confident of the effort that we are putting in that next financial year, we will be more than prepared. And that has been the strategy to diversify even further so that any disruption or any decline in any of the verticals, the other verticals are able to catch up and negate that effect for that matter.

Niraj Kamtekar: It means the product from the first block will be different than the current product basket.

Hardeep Singh: No, they will be definitely, they are all different. And the quality and the improvement on those will be because it will be all the new infrastructure and everything we are putting. So definitely the quality and products are very different. So we are talking to our customers also and making the samples and everything. Our R&D has already started doing those products.

Niraj Kamtekar: And last question from my side. Who can be our competitor in India? Or who are the competitors?

Hardeep Singh: Because we are B2B, we are working with OEMs only. So we don't feel that we have any. Because frankly speaking, our strength is like multiple strengths. Not only making the product, we are into development, designing, manufacturing and everything almost in-house. So this is our strength. So what in last six months after our IPO, means once we started developing those things, you will definitely see the results in coming two to three quarters. What we have done in last six months.

Niraj Kamtekar: Okay, sir. Wishing you all the best, sir. Thank you for the opportunity, sir.

Hardeep Singh: Thank you.

Moderator: Thank you. The next question is from the line of Ashish Rawat. Please go ahead.

Ashish Rawat: Sir, my question is, how much we are dependent in terms of the raw material from China? And how much percentage of raw material we are managing from India? And what was the reason of this price increase? Because of that, that price has decreased. Please.

Sanjeet Singh: So Yes, the dependency of raw material is close to, it's between 40% to 45% of the raw material that we require for a product to be made. Again, it differentiates from vertical to vertical, product to product. But on a baseline, it is anywhere between 40% to 45%.

And that too is because majority of the components that we import are all electronic components, like the semiconductor, the light-emitting diodes, which are not actually made in India. So we have to rely on imports. And I think the government is taking a few steps in this direction also.

And we believe that maybe a few years down the line, the dependency will continue to drop because a lot of these kinds of products will eventually get manufactured in India. I mean, this is for the import. Apart from that, whatever we do, we do most of the stuff in-house.

So we have all the capabilities when it comes to the aesthetics and even the manufacturing of electronics. So we do all of that in-house. And the second part of your question was related to the increase in the raw material price.

Ashish Rawat: Yes.

Sanjeet Singh: Is that right?

Ashish Rawat: Yes.

Sanjeet Singh: So Yes, we actually saw a gradual increase in the raw material price. And at the same time, like I mentioned, because of the market being, the demand being a little muted, so we also did a marginal, I would say, adjustment of the prices so as to make sure that the flow of the products continue. And we will likely make adjustments in the coming quarters to make sure that whatever is the pricing is getting affected, we will try and negate those effects in the coming quarters.

And like I mentioned previously, there is always a delay in this, but it eventually happens.

Ashish Rawat: And so there is some,decrease in revenue, particularly for this quarter, if you compare, as you said, that the H1 is 45% and H2 is 55%. Even we have like the Christmas or the Diwali this quarter, then why don't we have that much of revenue?

Sanjeet Singh: So that is something that is happening industry-wide. And this isn't, in fact, if you look at our numbers, the decline, or I mean, we are still growing. But if you look at the industry and if you look at where we are right now, we are still outperforming the industry.

And coming back to your question, this is something that, nobody was anticipating why this decline is happening and why the market is slightly sluggish as of now. So I think going forward, we'll understand more why there is a decline. But definitely from what we are seeing, maybe, in the coming few quarters, the market will definitely bounce back.

Hardeep Singh: And also we are working on new products, so those will be also rolled out. And as for primary customers, they have year-ending in December. So generally this comes a little slow.

The last quarter means for them it was the last quarter, so they were reluctant to take more stocks on that. But we are now from January onward, we are making the growth.

Ashish Rawat: So this year, can we expect that we will close around 450 or 500? We are close to.

Subhash Agrawal: This will be, we cannot tell the numbers what will be coming, but we are growing as you see that despite of the decline in the market, at least we sustained. And we are expecting that the last quarter should be better. But in terms of the numbers, we will be giving guidance in the last quarter, end of the last quarter for next year.

Moderator: Mr. Ashish, I am sorry to interrupt. May I request that you return to the question queue for follow-up? Thank you. The next question is from the line of Kuber Chauhan from Anand Rathi. Please go ahead.

Kuber Chauhan: Thank you for taking my question again. Just two questions from my side. How is the demand looking right now for the next six months?

And secondly, post completion of this block, what we are looking at are EBITDA margins. Is it going to increase or we are planning to stick to that only?

Sanjeet Singh: So, answering your second part of the question first, the EBITDA margin range, I mean, we have always said in all the calls whenever this question arises that we will be in that range because going forward, even if people expect that the business will grow, the margins will grow. But at the same time, we believe that if you are able to maintain the current margins, even when the business is growing, so that is something that is what we strive for. And that has been possible again because of the capabilities and the economies that we drive out of the products that we manufacture.

So, to answer your question, we will be able to sustain the margins. That is something that we are always working for. And the first part of your question was related to, I am sorry if you could repeat.

Kuber Chauhan: Demand, sir. How it is looking from now onwards?

Sanjeet Singh: Now, because as you must be aware that the market is slightly sluggish as of now, going forward for at least the next couple of quarters, we do not expect something out of the box in terms of the demand. The demand is going to, we believe that it is going to remain something of the same trend what we are seeing right now. But definitely, we will be countering that sluggish demand by, I mean, whatever we have discussed during the call today, by the new products and the new product lines that we have been extensively working on and going for the GCC region, the US market.

So, these are some of the key areas where we are working to negate the decline in the demand that has been seen in the Indian market as of now.

Hardeep Singh: But we are very sure that the products which we are working and the areas we are working will definitely show the results in Q2 and Q3 of next year.

Sanjeet Singh: And one last thing I would like to add to this is that when we talk of demand and a decline from quarter-to-quarter numbers, that is happening in just one vertical. If you look at the other verticals, like I mentioned during the opening remarks as well, in the display lighting and in the export, we have seen double digit growth and we are confident that we will be able to maintain that going forward. And that is the only reason, because of that mix that we have, we are still positive when you look at the numbers of the first 9 months of the year.

Kuber Chauhan: Sir, but ideally your margin should increase, right? After 2 years of capacity utilization which you said. So ideally, if the top line is also increasing, then your margins should also increase. Is that my understanding correct?

Sanjeet Singh: The top line will increase, the margins will increase on an absolute basis, but if you look at the percentages, the margins will more or less remain in the range where we have been working.

Because what we are doing going forward, we are expanding the backward integration, we are expanding what we have been doing till now. So it is just the expansion of what we are doing with better machinery, better lines, better equipment, but we have been doing the same up until now.

And that is the reason we believe that we will be able to maintain the margins going forward and in absolute numbers definitely when the revenues will increase, the margins will also increase.

Kuber Chauhan: It would be in the range of 20% to 25%?

Sanjeet Singh: It has been in the region of 21% to 23% if we talk of the EBITDA margins and we expect the margins to remain in that particular range.

Kuber Chauhan: Okay, 21% to 23%, right?

Sanjeet Singh: Yes.

Kuber Chauhan: Okay, thank you.

Moderator: Thank you. That was the last question for today. I would now like to hand the conference over to Mr. Hardeep Singh for closing comments. Thank you and over to you, sir.

Hardeep Singh: Yes, thank you very much again to everyone on the call and we again assure everyone that we are on the right track and you will see our results in Q2 and Q3 of next year, what we are expanding and whatever we are developing and quarter to quarter you can see the incremental margins and the verticals. Thank you very much.

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