

Regd. Office:

411, Arunachal Building,
19 Barakhamba Road,
Cannaught Place New Delhi-110001

Corp. Office :

D-234, Sector-63
Noida 201301 (U.P.)

Works :

Plot no. 102, Sector-07, IIE,
Sidcul Haridwar, 249403
India

Date: - 09th November, 2023

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&H1FY24 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&H1FY24 held on Monday, 06th November, 2023 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
Company Secretary & Compliance Officer**



“IKIO Lighting Limited Q2 & H1 FY '24 Earnings Conference Call”

November 6, 2023



**MANAGEMENT: MR. HARDEEP SINGH - CHAIRMAN AND MANAGING
DIRECTOR
MR. SANJEET SINGH - WHOLE TIME DIRECTOR
MR. SUBHASH AGRAWAL - CHIEF FINANCIAL OFFICER**

Moderator: Ladies and gentlemen, good day and welcome to the IKIO Lighting Limited Q2 and H1 FY '24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star and then zero on your touchtone phone.

We have with us today the Senior Management Team of IKIO Lighting Limited, Mr. Hardeep Singh – Chairman and Managing Director, Mr. Sanjeet Singh – Whole Time Director, and Mr. Subhash Agrawal – Chief Financial Officer, who will represent 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, 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 Investor Section. Trust, you have been able to go through the same.

I will 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 the second Concall after listing. Our presentation for the quarter and half year ended September 30, 2023, has been uploaded on the Stock Exchanges, and I hope you all have had a chance to look at it.

Let me begin by saying that we are extremely positive about the business prospects of our sector in general and your Company in particular. Our performance in this quarter and half year is a testament of our strength which I will quickly reiterate.

We are an Indian manufacturer of high-end lighting solutions and operate primarily on ODM, that is original design manufacturers, that designs, develop, manufacture, and supply the products, mainly LED lighting to our customers. And we work with our customers to develop, manufacture, and supply our products that are designed by us over the years. We have successfully developed a strong diversified products range as well.

We operate largely in the niche high value and innovative product range. This has helped us create a strong and long-term relationship with our marquee customers and the time has helped us to strong competence and transferable skills that has allowed us to diversify our products range from LED lighting to LED solutions as well as energy solutions and others.

Over the years, we have placed strong importance on quality of the product and hence have created strong backward integration and inhouse R&D that help us to provide end-to-end product solution and develop better control on supply chain and improve margins. Today, we create all our products in-house and manufacture all mechanical components of our products at our manufacturing facility.

Let me take through the status of our expansion plan. Civil construction work in the Block 1 of 2 lakh square feet is nearly completion and is expected to operationalize by the end of Q4 2024. This will be used for manufacturing LED home lighting, solar panel system, refrigeration lighting and electronic supplies. And we are going to add some new product line as well. This facility is aimed at enhancing our export business for new product development in the domestic market. We expect to have a streamlined production line for all our product range once the facility comes online.

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

Sanjeet Singh:

Thank you, Hardeepji.

Let me now take you through some of the key operational highlights of the quarter gone by. In our existing ODM business, we are happy to report that our business is growing. Despite a challenging business environment for LED industry, we posted 4% year-on-year growth in the revenue in 2nd Quarter of FY '24 and a 13% growth in the first half year-on-year.

The fact that we are able to grow when other industry players saw their sales flat line is a testament to our strong relationship with our customers and our ability to deliver high quality products.

In our product display business too, despite the decline in the industry, we clocked double digit sales growth in first half of FY '24 year-on-year. However, in terms of our exports business, as you have been witnessing, the USA consumer market has been impacted to a certain extent by the inflationary pressures in developed economies. So, continued disruption to discretionary spending impacted inventory clearances for our RV products in the USA. 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 solution business, we are in the process of developing a few highly innovative products, which will be launched in the next three to four quarters.

Secondly, for our product display lighting segment, we have forayed into the GCC market, which we believe has tremendous potential.

The third key development is that we have started exporting some components of our commercial refrigeration segment to players outside India. In the quarter gone by, IKIO's global footprint has got a fillip. We opened a branch in the USA to help with the distribution of our products as well as act as a support for customer service.

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

Subhash Agrawal:

Thank you, Sanjeetji. Good afternoon to all of you.

Let me now take through the key financials for the quarter and half year ended September 30th, 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 Technologies Private Limited, Royalux Lighting Private Limited, Royalux Exports Private Limited, and IKIO Solutions Private Limited was effective from 12th September 2022. Accordingly, Q2 FY '24 and Q1 FY '24 includes full consolidation financials while Q2 FY '23 and H1 FY '23 includes only 19 days of consolidated financials from 12th September '22 to 30th September '22 of subsidiary consolidation.

Our deployment of IPO proceeds continues to be on track. Out of three objects, we have already repaid outstanding debt of 630 million from the IPO proceeds. 500 million was marked from the debt repayment, and another 130 million from the GCP. Investment in the few new facilities stands at 139 million as of September 30th, 2023. Out of INR 3,257.5 million, we have deployed 842.54 million.

Let me take you through the key headline numbers on a consolidated basis for Q2 FY '24. Our revenue for Q2 FY '24 was 1,179 million, which translates into a growth of 9% on Q-o-Q basis. For H1 FY '24, our consolidated revenue stands at 2,263 million.

Profitability improved with the EBITDA margins growth of around 167 bps Q-o-Q to 22.7% in Q2 FY '24 vis-à-vis 21% in Q1 FY '24. Our EBITDA came in 267 million for Q2 FY '24 and 495 million for H1 '24.

Profit after tax stood at 182 million for Q2 FY '24 and INR 321 million for H1 FY '24 which saw an increase due to improvement in operational performance as well as the other income, which was mainly interest income on the undeployed IPO funds.

We had healthy return ratios with annualized return of equity at 23% and return on capital employment at 28% for H1 FY '24. This has been adjusted for the unutilized IPO funds. 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 will now begin the question-and-answer session. The first question is from the line of Vipraw Srivastava from InCred Capital. Please go ahead.

Vipraw Srivastava: Just wanted to know that the margins for standalone basis for lighting has been decreasing quarter-on-quarter. So, what levels do you expect it to stabilize? Because this quarter also the margins are at 15% only, which is very less, let's say, a year ago. So, where do you expect it?

Sanjeet Singh: So, broadly, if you look at the margins on the standalone basis, broadly the margins will remain the same. But if you look at the margins on the consolidated basis, they have been consistent. I mean, our performance has been consistent since if you look at the numbers from FY '23 as well the first quarter, the 2nd Quarter, in fact, in the 2nd Quarter, I believe they have gone up marginally. But on the standalone basis, yes, we believe that it will remain more or less what you are seeing right now.

Vipraw Srivastava: Right just one follow-up. So, just wanted to understand the Royalux Lighting is your com ref business, right? Commercial refrigeration?

Sanjeet Singh: Sorry?

Vipraw Srivastava: Royalux Lighting, your subsidiary, it is your commercial refrigeration business, right?

Sanjeet Singh: Commercial refrigeration.

Hardeep Singh: Yes.

Vipraw Srivastava: So, in FY '23 based on your annual report on the site, you did a revenue of 132 crores. That's the top line. So, in FY '24, how much do you expect from this subsidiary? I mean, roughly, roughly.

Sanjeet Singh: So, if you look at I mean I will talk of the entire business, which includes product display and commercial refrigeration. So, if you look at the first half of this year, revenue has actually gone up by around 10% Y-o-Y first half, and although we were expecting better growth in this particular vertical, but I am sure you must be aware the market trend right now that actually there is a decline in the market, but we were still able to register a growth of 10%. That is a double-digit growth. And going forward, in the second half of the year, we expect the numbers to be even better because this year even the festive season got slightly pushed off. So, we expect that by the end of the year, we should be able to maintain a positive revenue and a positive growth in this particular segment as well.

Vipraw Srivastava: cool and last question. So, in your last quarter's investor presentation, you also disclosed segment revenue, but this quarter, you haven't done that. Any reason for that?

Sanjeet Singh: Actually, we are going through a slight change. If you look at the presentation that we have posted this time to give ease to the investors and for the general public at large, instead of showing the numbers based on the particular units, what we are doing is we are dividing it into categories like lighting that includes all the LED lighting products, and then we have the product display lighting, and then we have energy solutions and others. So, this will give a very clear indication as to which product category is performing what numbers are going forward, and we intend to provide the numbers also basis on these broader categories probably by the end of next quarter.

So, this will give an ease of understanding to the investors and the public at large because pre-IPO we were operating in a different manner. We had different units catering to different particular markets, but now post IPO, we understand that it creates a lot of confusion for the general investor and public at large to understand the way we present the numbers. So, to bring everything to in a simple manner, in simplicity, so that is what we are now trying to do.

Vipraw Srivastava: Right and last question. So, your exports business, which is Royalux Exports, has relatively lower margins compared to, let's say, the consol margin. So, if, let's say, your export business grows, don't you expect there will be some margin dilution?

Sanjeet Singh: See, actually this year, the export business has seen a decline. And like I mentioned during the presentation also, these are due to some factors. And on top of that, now that you have asked this question, I would like to emphasize one more issue that is there in the export market, but now it's clearing up.

So, basically, I will give you an example of our Company, how we performed during COVID, and what was our situation? And similarly, it will become easy for you to understand what was the issue in the U.S. market.

The inflationary issues are there, but apart from that, what happened is during COVID, like you know, certainly the lead times of the raw material, semiconductors they went as high as, one, one-and-a-half year where the general lead times was not more than three to four weeks.

Similar situation was there in the U.S. and U.S. primarily imports the finished product. There is no manufacturing there. So, for them, the level of inventories that they have to maintain and the time that it takes for them to order a product and deliver a product is even higher as compared to India, when we produce for the domestic market in India. So, like we had to keep a lot of inventories in India when the during COVID, the semiconductors and the other raw materials, we had to even stock raw materials for up to an year because that was the kind of pressure that we saw during COVID.

So, similar thing happened in the U.S. market and because they had placed too many orders during COVID in order to just make sure that the product line should not stop. Right now, they are in the process of just taking those deliveries and a lot of these inventory holdups are now clearing up. So, for a matter of fact, from this quarter onwards, we are very confident that the numbers are going to improve drastically.

That is because of the fact that, I mean, the month gone by, we have almost done 50% of the revenue that we did in the previous quarter. So, now that inventory hold up issue that was earlier there is now clearing up, and that is how the revenues will go up and because the revenues were down by almost around 30%, 35% in the export category, so that is why our profit margins due to the operational expenditure pressure, the profit margins were slightly lower, but they will improve from the third quarter onwards.

Hardeep Singh: And we are very sure about that. Things are very, very positive right now.

Vipraw Srivastava: Thank you, Thank you so much.

Sanjeet Singh: Thank you Mr. Shrivastava.

Moderator: Thank you. The next question is from the line of Atul Mehra from Motilal Oswal Asset Management. Please go ahead.

Atul Mehra: Hi, got it, got it, In terms of while you spoke about Block 1 commencement in Q4, can you give us the timelines for Block 2 and Block 3 commencement? When will it likely happen?

Hardeep Singh: The first phase is almost 95% finished. Because of this the Delhi pollution situation, the construction has been stopped by the authorities. So, I think once it is open, we can finish that in a month-and-a-half. So, the first phase will be over. The second phase, we have already started the construction, and the most important is that the time taking is coming out of the like foundations. So, 80% of the foundations of the buildings are already done, but because it is stopped, it is delayed by ourselves. So, our target before was to put that functional by, you can say, 2025 first quarter like that.

Sanjeet Singh: And Mr. Atul, we also would like to take this opportunity. We are already planning to invite the investors in the month of February. We would like to showcase the first tower, and the work that is going on in the second tower. So, I just wanted to take this opportunity. We will do a formal invitation later, but we will definitely invite all of you to come and have a look at what we have created and what we are about to do in the near future.

Hardeep Singh: And until that time some machines which we have already ordered they will be commissioned, and we can show you everything the way we are.

Atul Mehra: So, just to clarify again, so Block 1 Q4, Block 2 and Block 3, what is the internal timeline that we have today on these two commencements of Block 2 and Block 3?

Sanjeet Singh: So, like Mr. Hardeep mentioned that the construction has already started for Block 2, so the Block 2 timeline, I can say that it will take close to around 12 to 14 months for the construction to complete, and then we will have plans and ordering of the machinery and everything, so that will happen. But the construction will take close to around 12.

Hardeep Singh: March or mid of June next year.

Sanjeet Singh: Yes, next year. So, around 14 months.

Atul Mehra: Right and Block 3, how about Block 3?

Hardeep Singh: Once we finish with that because what we are doing, the block second and block third basement, we will make together. So, the most time consuming is coming out because it is near the Yamuna Bank. So, we have to control the water because the water level is very high. So, those small problems are coming up, but because we will do the construction simultaneously for the basement of Block 3 also, once we finish Block-2, immediately we will focus the Block 3. And it will not take much time because we are making the basement, we are doing together.

Atul Mehra: got it, got it, and so just to reconfirm, so basically our pre-IPO existing facility was about 3 lakh square feet, with the expansion will get to about 8 lakh square feet. So, it's almost like 2.7x, and if you were to assume are similar in terms of revenue potential, the combined revenue potential is about close to 1,200 crores. So, once everything, Block 1, 2, 3, everything is commenced 1,200 crores could be the revenue potential of these three units, like all the existing plus the new capacity?

Sanjeet Singh: So, yes, as per if you look at the FA turns that we generate right now and looking at those FA turns, and once we reach to at least 60% to 70% of the utilization of the plant, then what you are saying, we are in line with that.

Atul Mehra: right and then versus existing business where last year we did about close to 22% margin, 15% PAT margin, so once you are able to expand and deliver on this much larger capacity, do you think that your margin profile should further improve from here or it should be more as what we have today or if you expect any deterioration? How do you think about margin profile on once you expand your capacities?

Sanjeet Singh: Actually, we are confident about sustaining these profit margins. I cannot talk of whether we will be able to improve them, but from what we can foresee and the product lines that we have and the type of machinery that we have ordered, we are pretty confident that even with the competition stepping in, we should be able to sustain the profit margin that we currently have.

Atul Mehra: got it, got it and sir, secondly, on the more near term, so last year we did 450 crores of revenues. First half we are at about 226. So, what is your expectation for the current year given obviously there has been some slowdown in some segments? But as you see things today, what is your expectation for the full-year revenues and profitability?

Sanjeet Singh: Actually, if looking at the current scenario in the market, we believe that we still have been able to perform better than the market conditions were, and going forward, like I mentioned, second half of the year is generally always better than the first half, and that seems to be the trend, and already a month has passed. And we can see that impact going on that the revenues will increase in the second half and to be honest like I mentioned, we are in that restructuring of the way we present our numbers for a better understanding of the investors.

So, once we are ready with the numbers, with that what we have planned is by the end of 4th Quarter, we will start giving out the yearly revenue idea, yearly revenue guidance. So, that we will start doing by the end of the 4th Quarter basis on the new distinction that we have done based on the product size.

Atul Mehra: So, restructuring and all that is fine, but basically what I am trying to ask is for the financial year, what is the internal expectation versus 450 crores pro-forma revenues last year? For this financial year, when you do your budgeting, what is the expectation that you have internally for the current financial year on a total basis? I am not asking for any segmental numbers, which I understand is subject to restructuring and so on. I am looking at the total number. That is the number that I am trying to look for.

Sanjeet Singh: So, we are also like I mentioned, the first half has been a little different than what the expectation was. So, we are also running those numbers right now, and I have already noted this point, and we will definitely come back to you once we have substantial number which we believe is going to be very close to the actual number that we will achieve. So, we will come back to you on that definitely.

Atul Mehra: All right ok thank you.

Sanjeet Singh: But at the same time, if you have seen the first half and even the quarter-on-quarter growth has been there. So, that growth momentum is there, and definitely, we will be ending this year no matter where the market is, but we are pretty confident that we will be ending this financial year on a very positive note plus this year I would also like to mention is the year where we are laying foundations which will give the fruits in the longer run. So, that also once we have that invitation when we will share for the February meeting, so we will share the plans also what we are planning to do in the near future to give you a better perspective in the near future plus the revenue guidance as well.

Atul Mehra: Thank you, Thank you so much.

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

Ashish Rawat: My question is about that new branch in the U.S. What kind of branch? Is these sales plus service plus assembly? And how much revenue you are looking for in the export market particular for this year?

Sanjeet Singh: So, actually, firstly, I would like to correct myself. During the presentation, I mentioned branch, but it's actually a subsidiary that we have opened up in the U.S. So, I wanted to anyways correct myself. So, thank you for asking this question. So, it's a subsidiary that we have opened up in the U.S.

So, till now, I mean, whatever business that we have been doing in the U.S., we were doing directly from India. So, the plan from the beginning was always to have a subsidiary, a Company there, and a warehouse as well. So, this is the first step that we have taken in that direction by opening a subsidiary so that we can have direct access to the market. We will be in a better state to understand where the market is going and the current situation from the past 6 months, the situation that was there.

So, if something like this is happening or even on the positive side if the market is growing at a very good rate, so we want to have that presence over there in the local market with our own sales team so that they can give us proper guidance of where the market is and what are the, like right now the products that we have, they can be catered to a lot of different markets there within the U.S. So, we want to capture those areas, those avenues where our products are more than capable of being supplied. So, that is the only reason we have set up this office with a very experienced sales team which we have sent from India, and they are positioned there, and they are working since the past already I think a month or so. So, that is what the intention is to have a subsidiary there in the U.S.

Hardeep Singh: So, we can have the like firsthand information that what is going on and the customer also, like once we are a US-based Company because it is registered in USA, so they feel that they are working with the local Company rather than they are importing the product. So, this will definitely boost our sales overall.

Ashish Rawat: And sir, how much revenue you think this year is coming from the export market?

Sanjeet Singh: So, like we mentioned about the revenue guidance, we will definitely come back on that by the end of the 4th Quarter. We will start giving out the revenue guidance yearly basis, but for now, I mean, I can definitely say that if we have direct access to the market and if we have a sales team which can go to a lot of places from, apparently we were doing calls or mails from India,

but now, instead of that, if the person can go and visit the customer, that will definitely have a much bigger impact to the sales, but just because we have recently just set up the office, we have certain plans going on right now, discussions going on at very nascent stages, but we will definitely come back to you by the end of Quarter 4 for the revenue guidance.

Ashish Rawat:

Sir, as you said, one more question, please. As you said that you are opening the new product line in the next three to four quarters, can you throw some light on what are the new products you are going to launch?

Sanjeet Singh:

So, in the presentation, the new innovative products that we mentioned were for the ODM business that we are into. So, that is one space that we are in, but I cannot really comment on the type of product because we have just started the development on that, and once we are through with that, the approvals are there, we will definitely, probably by the end of 4th Quarter, we will be able to throw more light on the type of products that we are doing.

But there are definitely very high-end, highly innovative products that we have just started development on. And not just the ODM business. As I mentioned during the presentation, we have set up our footprint in GCC as well for the product display lighting. So, a lot of development is going on in that category as well. A lot of products are right now under certification for that particular region because every region requires a set of certificates for that particular country or region. So, those products, that development is happening as we speak.

And from day one, we have been constantly talking about the constant R&D that is happening, the number of products that are always in the pipeline. So, we generally have around 30 to 40 products which are always in the pipeline, under development for all different verticals. So, that is something that is consistently happening, and this is within the vertical that we are already doing. And likewise for the export region also, export vertical as well, the RVs in the U.S. We have recently started the lithium-ion battery supply too. Earlier we were doing lighting for indoor, outdoor, then solar panels and charge controllers.

Now we have recently started the lithium and battery supply too. So, that is going to even further boost our sales in that particular segment. We are just waiting for the inventory clearance issue to sort, which is now on the verge of clearing. There is an upfront trend from October itself. So, I mean, these are the developments that are happening all across the verticals. Not just one vertical.

Ashish Rawat:

One more question regarding the total capacity. As you mentioned, including the new blocks 2.7 lakh square feet plus existing capacity you have, you are able to do 1200 Cr plus. Am I right?

Sanjeet Singh:

No, that was actually for the new facility that is being set up. So, that question was related to the new facility that is being set up and what are the revenues expected from the new facility. So, to answer that, I mentioned about the FA turns of our existing facilities, and basis on that the new

facility will have that level of revenue generation. So, our FA turns have always been historically in the range of 5, 5.5 to 6. So, that will continue to happen going forward as well.

- Ashish Rawat:** Ok, Ok, Thank you so much sir.
- Moderator:** Thank you. The next question is from the line of Darshil from Crown Capital. Please go ahead.
- Darshil:** Thank you, I hope I am audible?
- Sanjeet Singh:** If you could speak little louder that will be great.
- Darshil:** So, just wanted to understand, sir, Block 4, what kind of CAPEX is put in into the Block 1, which is going to get commercialized in FY '25?
- Subhash Agrawal :** So, Block 1 is almost complete, and Block 2 and Block 3 is under construction. That is started. The spent-on block, total spent was that we did for civil construction is 44 million in last quarter from the IPO money that the 44 million we already spent on the civil construction.
- Sanjeet Singh:** A lot of plant and machinery has been ordered which will come by the end of the third quarter or beginning of the 4th Quarter. So, as and when these machines arrive, a lot of CAPEX is going to be utilized on those plant and machineries as well. So, that will happen during the time of just before the deliveries around that time. So, orders have been placed but these machines have a long lead time. So, that is the only reason Quarter 4 is what we are looking at the completion of Block-1.
- Darshil:** So, just wanted to ask total in terms of our investment in civil and plant, Block 1 would be around the range of around 60 Cr or how much would it be, like, say, how much have we invested?
- Sanjeet Singh:** So, Block 1 in total the building plus the plant and machinery, like building would be close to around 45 Cr, and the plant and machinery will be close to around 25. So, in total, Block 1 will be close to around 70 Cr in terms of value.
- Darshil:** Correct ok sir, so, sir, as you said our asset turn can be around 5, 5.5. So, even if I take on a lower end, can we expect around 350 Cr revenue from just Block 1? Would that be a fair assumption? And what kind of a buildup can we see from Block 1 in terms of capacity utilizations? How would it pan out for the next year?
- Sanjeet Singh:** So, we have already laid out plans, but because it is such an early stage right now operationalized it will be by the end of the 4th Quarter, and we will be adding the machineries which we have ordered in the next four to five months. And like you mentioned, the FA turns have been always in the range of 5 to 6. They will remain in that range, but it will take some time in order for us because it's a new setup and we are talking about our matured facilities where we have been

working since a few years now. So, it will take probably a couple of years for us to reach to that level where the other factories are, but definitely down the line the FA turn, what we are looking at right now, we will be able to do the numbers based on the same.

Darshil: And so, sir, I just wanted to know in terms of our H1, H2, would it be fair that around 45% would be H1, then 55% because of our seasonality in terms of lighting? Would that be a fair as your past estimate, what would you think that could be?

Sanjeet Singh: Absolutely, absolutely, that is bang on, and generally the ratio is around 45 to 55, give or take a couple of percentage here or there. But generally, that is the scenario.

Darshil: And sir, just wanted to clarify, so the 1,200 crores that we are speaking about the Block 1, 2, 3, not our existing. Correct, sir, has I understood correctly?

Sanjeet Singh: The top line that we have mentioned.

Darshil: Yes. So, that's for Block 1, 2, 3, not our existing.

Sanjeet Singh: Yes. That is for a total of 5 lakh square feet.

Darshil: That helps me a lot, sir. And so just wanted to know in terms of market scenario as we seeing inventory destocking is happening, but any other risk that we see maybe geopolitical risk that's there coming up, so anything that you feel can be a speed bump to our growth in maybe in the near term, anything that you could feel that's not going our way potentially in the macro or micro, whatever you could, see?

Sanjeet Singh: Not really. The only issue was there in the export, as I mentioned extensively during the questions before as well, but that also seems to be clearing out now. So, that is a very positive sign for us, because that was the only vertical, which was sort of holding us right now, and looking at the current market scenario, we have performed quite well to where the market is right now, and we are pretty confident that we should be able to perform this way.

That is only because of the reason that the kind of product mix that we have and the kind of customers that we have. They are basically not at the lower end of the market spectrum. They are from the mid to high end. So, there we don't see that much of a risk as compared to products which are primarily catering to the lower end spectrum of the market.

Darshil: So, one final question. What would have been in H1, what would be our export revenue? And what would be that have been in FY '23 for the full year?

Sanjeet Singh: So, the H1 export revenue was close to around INR 252 million. And what was the second part of your question? Sorry, I missed it.

Darshil: How much have we done? Like vis-à-vis, like last year H1, how much was it and last year full year, how much did we do export revenue?

Sanjeet Singh: So, export vis-à-vis if you compare from last year, there is a decline in the first half compared to the first half of last year. The decline is close to I think around 32%, 33%. That is the overall decline, but like I mentioned, there is an upper trend from October, and we are very confident that the market holds a lot of prospects, and I think it is just a glitch that happened because of COVID. The circumstances were such that the market was not performing as per the expectations, but it holds a lot of promise and we are very, very confident that whatever apprehensions that you might or the investors might be having in terms of the export market, but we as management, we are pretty sure and confident that there will be a very good turnaround that you will see in the second half and even the next financial year for the export.

Darshil: So, that's great to hear. So, just wanted to ask, what would be your capacity utilization currently? Because we are growing at such a high rate, will we have a shortage in like FY '24 or how would our capacities be for currently?

Sanjeet Singh: So, currently, our capacity is close to around 65% to 68%. That includes all the different units that we have. So, capacity is not going to be a problem, but I always tell all the investors that if you are looking at us at IKIO, then capacity utilization is not the correct measure because we are not manufacturing products which are going into millions of pieces every month.

So, what we are doing is customization at a scale. So, imagine manufacturing more than 800 SKUs in one single factory within 30 days. So, that is where our USP is, and that is where we are different from the industry. So, it is not a correct measure because otherwise you would say that 65% you still have a lot of capacity open or vice versa as well, but it is just that how we manage so many SKUs within the same unit, within those 30 days is where the USP lies.

Darshil: Oh, so that's great to know, sir. I think most of my questions have been answered thank you.

Moderator: Thank you. The next question is from the line of Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: So, sir, my question is related to the EBITDA margins. FY '22, we have done around 23.2% EBITDA margins, and in H1 this year, we have done 21 point something. So, when we read these kinds of margins, we can attain these margins?

So, we have done around 23 point something margin in the FY '22. And in the first half, we did around 21.9% margins. So, when we can again, we can do these kinds of margins like 23.3% we have done in the FY '22?

- Sanjeet Singh:** So, this from the beginning only, we have been telling all the investors that our EBITDA margin range is always going to be in this range around from maybe 21 to 20, between 21% to 23%, and this will continue to happen. It is just that sometimes like this time the operational cost for the export unit was slightly higher because of the lower revenue, but sometimes some verticals, they outperform the expectations. Some verticals underperform due to whatever reasons are there in the market. So, that is why broadly talking, this range, we should be able to sustain going forward in the long run with the current verticals that we have.
- Jagvir Singh:** The next question is related to the export. So, we have made around 30 crores in the first half exports.
- Sanjeet Singh:** Yes, around 25 points, something to be precise. Yes, please continue.
- Jagvir Singh:** So, what is the potential in the say next two, three years in the export, mainly, specifically in the US or overall, in the export side, what kind of potential is there?
- Hardeep Singh:** I will reply you for that because that is why we have opened our office over there. We are going to have the team. We have already started appointing the team there. And from the beginning, I was very like I have studied the USA markets as you, and that is how now we are putting all of our efforts to boost the sales. So, very soon we will have GCC presence also, then the Saudi and so on. There are big plans for the exports we have at the product category which we have.
- Jagvir Singh:** And then the last question to the domestic market. So, how much percentage of revenue we are getting from Philips?
- Sanjeet Singh:** So, the percentage of revenue from Philips currently stands at close to around 50% of the overall revenue.
- Moderator:** Thank you. The next question is from the line of Ashish Rawat from M S Klebstoffe. Please go ahead.
- Ashish Rawat:** Sanjeet, my question is very specific about RV products. How much big is the market in USA for RV? And at what percentage do you think it is growing. And do you have any peer competition from India who is supplying the same product to USA?
- Sanjeet Singh:** So, to answer the second part of your question, there is no one in India manufacturing and supplying products related to the RV industry for the U.S. market. And if you ask about the market potential over there, so just to give you a small number that is there in the presentation as well, in the year 2021, around 600,000 RVs were sold in the US, and out of that, there are actually multiple categories of RVs. So, we primarily work in the two to three categories of RVs, and they constitute around 75% to 80% of the overall demand in the RV industry in the U.S. So,

our products can cater to the 75% to 80% of the demand of the RVs in the U.S. And like you are aware; we have a whole bouquet of products for the RVs.

It is just that this year has not been that favorable due to the pressures like I mentioned earlier, inflationary plus due to COVID. But now things are settling down, and the potential is really very, very good, and that is the only reason even having seen this decline in the past 6 months, we are still very, very confident that the market holds a lot of potential and plus there are other products also that we have in our kitty which can cater to a lot of other verticals, not just the RVs.

So, that is why this sales team there we have established so that they can work on those areas as well plus try and penetrate more in the RV segment now that it is clearing up. So, it holds a lot of value in terms of our overall revenue. And you know, we are also pretty confident that I would not be able to put a timeline for it, but maybe in the next two years, out of the total revenue that we would be generating, we believe that almost 30% is going to come from exports. It could be higher, but that is what we are speculating in terms of the growth that we see in the export market.

Ashish Rawat: It's fantastic. Sanjeet, just one to just to understand. If just to take one cost of RV, how much percentage is proposition into that cost?

Hardeep Singh: This is a question you ask, like, if you ask the car, there is from Maruti car to Mercedes car, then Rolls-Royce car. It is the same categories they have in those. So, they have the basic model. There are luxury models. There are super-luxury models, and there are some niche models also. So, we are developing two or three products for the upper two or three products things also. So, I think it will take us about 6 months to develop those products. So, we are online with that, and we know what the market demand is and what, how they will move.

Sanjeet Singh: But our wallet share has been constantly increasing if you look at the products. So, not just indoor, outdoor lighting, solar panel, charge controllers, now lithium and batteries, and there are some other electronics also that we are doing, which we were already doing in India for certain companies. So, those electronics also we have already started doing for those RVs. So, our wallet share is constantly increasing.

Ashish Rawat: So, for Lithium-ion batteries you are as of not specifically doing for the RV, but as you said in near future, it will be spread wide, right?

Sanjeet Singh: Absolutely.

Moderator: Thank you. The next question is from the line of Marsal, an individual investor. Please go ahead.

Marsal: My question is first regarding this, like, for example, in the last quarter, our export was down, and so overall in this quarter, how do you see our like revenue growth and EBITDA margin growth and the next quarter?

Sanjeet Singh: You are particularly asking for the export?

Marsal: No, no, yes, export as well as domestic, like as compared to September quarter, like how are you going to fare better in terms of December quarter and the March quarter?

So, my question is that, like, since we had some setback in the September quarter for exports, our overall revenue was also down. So, how do we see our revenue going forward in the December quarter and the March quarter? How much percentage do you think that we will be more as compared to September?

Sanjeet Singh: So, this I think we had already taken up in the previous questions. We are already seeing an upward trend in the export, as I mentioned earlier that October month itself, we have done close to around 50% of the overall revenue that we did in the previous quarter in the export unit. So, that was the only segment that was lagging behind, and now it has started catching up. So, that's a very big positive sign, and the other verticals are also doing very well and now looking at the festivities around. So, we believe, I mean, the kind of projections and plannings that we have, the third quarter is going to be a promising one.

Marsal: And sir, like regarding this, you said that you like also to open the GCC market. So, as we all know that GCC market is quite lucrative, and prices are very high. So, are we opening all the six markets, all the six countries, or only particular one, two countries we are going?

Sanjeet Singh: So, like I mentioned the products are under certification. So, it is not just one country for which we have applied for the certification. But you have to understand that to enter any particular country, you have to have a lot of certifications. The product needs certain changes. So, it takes some time. So, we have strategized everything. We are starting with the two countries to begin with in the first phase, but we are definitely adding more and more countries, and we will not limit ourselves to just the GCC region.

Our plans is to even go beyond GCC. But to begin with, definitely GCC, and already the samples and everything are under testing. We have formalized the team also there. We have the person who would be heading this division who has vast experience of over 18 years in a similar industry. So, that is again a big plus for us. So, also, we are having very good expectations from the revenue that we will generate eventually from the export in GCC as well.

Marsal: We also have a common certification for the entire GCC country. So, our product fall in that category that like once if you take common certificate from GCC Council, it will be applicable for all six countries. Is it like this? Or do you have to take the certificate from each country?

Sanjeet Singh: Actually, from what I know, that is something that will happen in the near future, but as of now, like UAE has a different certification requirement. Saudi has a different certification requirement. But what you said, I have heard somewhere I have read somewhere that there is a possibility that they are also going ahead with that type of certification.

Marsal: Like EU, like Europe.

Sanjeet Singh: Yes, yes, but right now it is not there.

Marsal: So, sir, I am sure you have entered Saudi market because in Saudi, NEOM (the new era of model) living is coming a big way. They are spending hundreds of billions of dollars. So, I think our Company can have a very big market if you focus on the NEOM in Saudi Arabia.

Sanjeet Singh: I think it is too early to comment on a particular project, and we are right now focused on the product display lighting, but we have very good plans in this particular category. We are already in the midst of having the marketing meetings and everything, and we are seeing very good response.

Marsal: In Saudi?

Hardeep Singh: As our products are really niche products, everyone liked our products, and they are like upscale product. So, we are getting very-very positive response, which you will see in near future in our numbers as well.

Marsal: Sir, we are really thrilled to hear your comment during this conference. That's what I am adding some emphasis here, that Saudi market is a very high margin market, and in the NEOM, they are throwing money like anything. They are spending huge money like hundreds of billions of dollars they are spending money. Entire city like a new city is being developed or this, for example, like you can say environment friendly city they are establishing. I am sure you know. So, what I am asking, are you entering Saudi or not currently? And whether are you focusing on NEOM sector also, like NEOM city or not?

Sanjeet Singh: So, we are definitely entering the Saudi market, but for that particular project that you mentioned, I am aware of that project, the NEOM project and the kind of money that they are spending on it. But to understand it deeply, because this is, I mean, the expansion that we are doing in the GCC market, this is at a very, very nascent stage. We have just recently started all the development, the certification, and to understand the requirement of every project and the kind of products that are required and the kind of certifications that are required. I am sure if you have this much knowledge, you would be aware that Saudi in terms of the certification is also very, very expensive.

Marsal: Tough.

Sanjeet Singh: So, yes, that is very, very expensive in order to get the certificate for each product. So, we would definitely look at all the projects that are coming up, and we will see where our products can fit in and where we are able to give that value addition that we can provide. Like, for the product display lighting, we are very confident that we will be able to give a very good benefit to customers because we have seen what the Italian products and all these high value products, the kind of quality that they are doing, and we are in a state to compete with them and deliver actually more than what they are already doing. So, this is a very big plus that we are providing, and this is the feedback that we have sort of got through our very few first meetings that we have done for the UAE market.

Marsal: No, very good, sir, like this is my last statement. Since you have said that you have hired this like the person who will be heading, he had 18-year experience, whether he had 18 experience in UAE Market or in Saudi market? Because generally it's a trend because what we understand from our colleague that, for example, in Saudi market, if somebody who has worked in Saudi, he will be like, for example, more they say able to move around and to make some lead.

Sanjeet Singh: So, he has experience of the entire GCC region. That is why we are going ahead with the entire GCC region and not just confined to the UAE market, because although he was working from the UAE market, but like what we will be doing in the entire GCC region, I mean, the companies where he has worked before, he has also worked for the entire GCC region.

Marsal: My only suggestion here that kindly focus more on Saudi because UAE is already saturated market, but in Saudi, it is a huge economy about, you can say, 10 times bigger economic than UAE plus the new city which they are developing NEOM, kindly don't miss yourself. That's my humble suggestion to you, sir.

Sanjeet Singh: Thank you so much for your suggestion, sir. We are definitely looking at the entire region, and we will focus more on the Saudi market like you mentioned. Thank you for your suggestion.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Sanjeet Singh: So, thank you. Thank you so much everyone for taking the time out and putting these questions to us. This really motivates us to work even harder. So, I would like to thank everyone who have joined the call and have taken out the time. And again, I would like to reiterate that I would like to take this opportunity to invite everyone. We will confirm the date at a slightly later date, but it will be in around February where we will have this event where we will invite everyone for to showcase what we have done with the first hour and what we are planning to do in the coming financial year. Thank you. Thank you so much everyone.

Hardeep Singh: Thank you everyone. Thank you very much.



*IKIO Lighting Limited
November 6, 2023*

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