



IKIO Lighting Ltd. – Initial Public Offering

Issue Details:

Price band: INR 270 – 285

Issue Opening Date: 6th June 2023

Issue Closing Date: 8th June 2023

No. of share post-issue: 773 lakhs

Fresh issue size: INR 350 Cr

Offer for sale size: INR 257 Cr

Issue size: INR 607 Cr

Face Value: INR 10/share

Bid Lot: 52 Equity share & in multiple of 52 equity share thereafter

Recommendation:

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Book Building:

QIBs (Including Anchor): 50%

Non-Institutional: 15%

Retail: 35%

Company Business Model:

- IKIO is an Indian manufacturer of light emitting diode (“LED”) lighting solutions. The company is an original design manufacturer (“ODM”) and design, develop, manufacture and supply products to customers who then further distribute these products under their own brands.
- IKIO’s products are categorised as (i) LED lighting; (ii) refrigeration lights; (iii) ABS (acrylonitrile butadiene styrene) piping; and (iv) Other products.
- The company’s LED lighting offerings focus on the premium segment and include lighting, fittings, fixtures, accessories and components. IKIO provides lighting solutions (lights, drivers and controls) to commercial refrigeration equipment suppliers under its refrigeration light segment.

- The company also manufactures an alternative to polyvinyl chloride (“PVC”) piping called ABS piping that is primarily used by their US customers for plumbing applications in the recreational vehicles (“RVs”) that they fit out.
- In addition, IKIO manufactures and assemble other products including fan regulators that are designed by its clients; light strips, moulding, and other components and spares. The company’s equipment and systems are used in various industries and products, including residential, industrial and commercial lighting.

Investment Rationale:

- **Capacity expansion and ability to capture growth of LED market:** The company has acquired a land parcel, located in Noida and is looking to expand its capacity for LED home lighting. Accordingly, it is planning to construct a new manufacturing facility of approximately 500,000 square feet. The estimated total project cost for this new manufacturing facility is ~INR 263 Cr, which is expected to be funded out of the net proceeds. It is looking to tap on opportunities provided by the tailwinds in the LED lighting market driven in part by governmental policies for energy saving and environment protection and the increasing awareness and adoption of LED lighting versus incandescent lighting.
- **Diversified, high margin product portfolio with focus on new product lines:** The Company offers its products in four segments: (i) LED lighting; (ii) refrigeration lights; (iii) ABS piping; and (iv) other product. This wide range of products helps the company capture a larger wallet share of its customers. The company’s LED lighting offering focuses on the premium segment and includes lighting, fittings, fixtures, accessories, and components. IKIO also provides lighting solutions (lights, drivers and controls) to commercial refrigeration equipment suppliers under its refrigeration lights segment. In addition, IKIO manufactures ABS piping which is an alternative to PVC that is primarily used by its US customers for plumbing applications in the RVs that they fit out. The expanded capacity will help the company expand the output of its current portfolio of products, and more importantly, help them to break into new markets with additional product offerings.
- **Established state-of-the-art infrastructure with backward integration:** The company has developed the proficiency to produce many of the components used in their manufacturing processes with its in-house tool room capabilities that have modern machines, moulds and tools. Except for the diodes and resistors used in the company’s LED lighting products, all mechanical components are manufactured by IKIO. In line with its focus to provide end-to-end product solutions and to develop better control on its supply chain and improve its margins, the company has backward integrated its major manufacturing processes. IKIO has developed in-house capabilities so that it manufactures all mechanical components in-house (save diodes and resistors).
- **Expansion into new geographies:** IKIO plans to expand their business to new international markets. The company intends to focus their expansion on North American markets and gradually expand to the European and South East Asian markets. These markets offer them the ability to market its premium LED offerings. The company intends to achieve this expansion by employing dedicated sales and marketing teams whose primary focus will be on business development in international markets, particularly, in its focus geographies.



Risk Factors:

- IKIO imports a significant portion of its raw material from China. Disruption of raw materials supply chain can affect operations of the company.
- It depends on certain large customers for orders and therefore has a risk of client concentration.
- The orders of the company depends upon the demand in the end-user segment. Slowdown in the Consumer Durable segment can affect demand and revenue potential of the company.

Outlook:

The future growth of the company includes tailwind in the LED market, capacity expansion and diversified product portfolio. Considering the above factors, we recommend investors to **Subscribe to the Initial Public Offering for listing gains.**