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

Innovations Only.

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Date: - 16th August, 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 Q1FY25 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 Q1 FY25 held on Monday, 12th August, 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: 2024.08.16 20:25:37 +05'30'

Sandeep Kumar Agarwal
Company Secretary & Compliance Officer

"IKIO Lighting Limited
Q1 FY '25 Earnings Conference Call"
August 12, 2024

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

MODERATOR: **MR. SUYASH SAMANT – STELLAR IR ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the IKIO Lighting Limited Q1 FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Suyash Samant: Thank you, Siddhant. Good afternoon, everyone, and thank you for joining us today. We have with us today the senior management team of IKIO Lighting Limited, Mr. Hardeep Singh, Chairman and Managing Director, Mr. Sanjeet Singh, Whole Time Director, and Mr. Atul Kumar Jain, Chief Financial Officer, who will represent IKIO Lighting Limited on the call.

The management will be sharing the key operating and financial highlights for the quarter ended June 30, 2024, followed by a question-and-answer session. Please note this call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

The company also undertakes no obligation to update any forward-looking statement to reflect developments that occur after a statement is made. I now hand over the conference to Mr. Hardeep Singh. Thank you and over to you, sir.

Hardeep Singh: Yes. Thank you, all of you, for joining us on our Q1 FY25 Earnings Call. Our presentation for the first quarter ended June 30, 2024, has been uploaded on the Stock Exchange, and I hope you all have a chance to look at it.

We are happy to start the call with significant development of the company. Block one of our new integrated facility, nearly 2 lakh square feet, is commercialized in May 2024. This facility will be used for the manufacturing of LED home lighting, solar panels, systems, and other new categories of products.

This facility is aimed at enhancing our export business and new product development in the domestic market. We are working towards optimizing our production lines and hopefully should benefit from our further improvement in operations from the second half of FY25. Let me begin by analyzing our financial performance as you have been following our progress.

We are currently at an expansion phase. As a result, we have several initiatives that are going on simultaneously. All of these are yielding results as they mature. The performance will improve. For instance, if you look at our revenues, Q1 FY25, it was up 17% year-on-year and 34% quarter-on-quarter. This was an account of all our three vertical business we are doing.

We had an arbitration in our gross margin this quarter on account of commencement of business of our US subsidiary. Since we have commenced operations, we are in the process of establishing supply chain between India and USA for the subsidiary. If you exclude our USA operation, our overall gross margin is broadly the same.

As the operations at USA subsidiary margins are likely to improve going forward because it is just the beginning. We are on the track to achieve FY25 guidance of consolidated revenue growth of 20%-25% year-on-year and EBITDA margin in the range of 20%-22%. This is all from my side.

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

Sanjeet Singh: Thank you, Hardeepji. Let me now take you through key business initiatives undertaken to boost growth further and give some more insights about how things are progressing. As Hardeepji mentioned and I am sure some of you who visited us earlier in the quarter have seen, we have successfully commercialized Block 1 of 2 lakh square feet in May 2024.

This is just one part of our overall green field expansion project of 5 lakh square feet. Block 2 of another 2 lakh square feet is expected to be completed by March 2025. As of now, we are undertaking the civil construction. I would like to highlight how each of the three segments performed. Starting with ODM lighting solutions, due to our consistent efforts on new product sales, our segment revenue posted growth in both Y-o-Y and Q-o-Q.

Coming to product display, it was a stable performance. The domestic market remained flat while our foray into the Gulf region aided export sales. In the segment of energy solution and others, we are witnessing continued pickup in inventory clearances quarter on quarter. Coming to the Hearables and Wearables segment, I am happy to inform you that our sales have commenced in quarter 1 and we have successfully on boarded few prestigious clients in this segment.

As a general rule, all of our new initiatives have been undertaken due to the huge potential that we see in each of these segments and markets. Geopolitical equations are constantly changing and we believe that it is imperative that we take these first steps in new markets to help us diversify our revenue streams both product-wise as well as geography-wise. With this, I conclude my remarks on the industry as well as our strategy for the way forward.

I now request Atulji to please go through the key financials.

Atul Kumar Jain: Thank you Sanjeetji. Let me now take you through our financial performance and the utilization of our IPO proceeds. As explained by Hardeepji and Sanjeetji, we have witnessed healthy top-line growth this quarter.

Our financial position continued to remain strong with a debt-free balance sheet, well-funded capex cycle and healthy return ratio. In quarter 1 FY25, our consolidated revenue was up by 17% Y-o-Y and 31% Q-on-Q at INR127 crores. The EBITDA margin was at 13%, which was impacted by the higher employee benefit cost, operational cost for the new facility and starting of our USA subsidiary.

As our revenue increases, the operational leverage will kick in and these numbers will stabilize by second half of this fiscal. On the IPO proceeds, the repayment of the debt was completed immediately after the IPO. Block 1 is now operational.

For Block 2, civil construction is ongoing and completion is expected by March 25. We have now deployed more than half of the IPO fund and are on course to complete, deploying the rest within the timeline we set for ourselves. That's all we have from company side.

I request the moderator to please open the forum for questions.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Vipraw Srivastava from InCred Research. Please go ahead.

Vipraw Srivastava: Yes. Just wanted to understand the company's entry into Hearables and Wearables segment. This is a segment which appears also later too, but this segment has very low gross and EBITDA margins. So do we expect the margin profile to further decline from here on?

Hardeep Singh: I will explain you because we always work towards the backward integration. We are entering it as an EMS, but our aim is to, we have already started the backward integration on that segment. So we want to be very strong in this segment after all the backward integrations have been done. So our margin because that is fundamental of our company, the margin we will look into the same what we are doing here after doing the indigenisation of those products.

Sanjeet Singh: And also if you look at the way we look at this particular business as Mr. Hardeep also mentioned that. We are not just looking at the EMS, we are also looking at design aspect and a lot of things. So a lot is happening in the background and on top of that we also look at the ROCE.

So if you look at the existing machinery or the kind of business that we are doing, so there is hardly any new - we are not trying to reinvent the wheel when it comes to establishing the lines or the factory. It is similar to what we've been doing. So in that case if you look at the ROCE going forward once this business is fully established our target is to stay in the range of 30% to 35% when it comes to the return on capital employed and that is what we are targeting with this particular business as well.

Vipraw Srivastava: So by the time this business is fully optimized, till then obviously we can expect some margin decline, right?

Sanjeet Singh: Yes. So it always happens when you are starting up something new. Initially, the costs are generally very high when it comes to establishing the team, development of the product, the sample, a lot of cost is involved and by the time you start reaping the benefits. And for us I think we feel that because the kind of business that we've been doing since a very long time which is into lighting and electronics. So we feel that time for us is going to be fairly short when it comes to development of products.

Otherwise, it's a very long turnaround time from designing the product to manufacturing, but for us because of the expertise that we have when it comes to designing and manufacturing a product from A to Z. So we feel that comparatively we'll have a much shorter timeline.

Vipraw Srivastava: Fair enough. Regarding the RV business, so the management has been saying for last two to three quarters that the numbers will improve, the exports will improve, but data is not suggesting that. So I mean what are your thoughts on the same? When do you see RV reviving or you expect year this to be flattish as well?

Sanjeet Singh: So this year, we see this year as probably the turnaround for this, this market as well. And things are back on track. I mean the way we see it, it's taking its own time, but the way we see it we've had some meetings also there in the US and the way it is progressing there is a lot of positivity around it and you'll start seeing those numbers and those figures probably by the second half of this year.

Vipraw Srivastava: Right. And are you anticipating any rate cuts for the same or are you seeing in this high interest rate environment also the sales will pick up?

Sanjeet Singh: Sorry?

Vipraw Srivastava: Are you anticipating any rate cuts by the Fed for the same or you are anticipating in this high interest rate environment also the sales will pick up?

Sanjeet Singh: I didn't understand your question. Your voice is getting a little muffled.

Vipraw Srivastava: It's fine I will get back in the queue.

Moderator: Thank you, sir. So, Mr. Vipraw's line got disconnected. So we'll get back in the queue. Can we move on to the next question. The next question is from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: Good evening to everbody. I had a couple of questions.

Moderator: Sorry to interrupt Shalini ma'am can you please get a bit closer to the mic.

Shalini Gupta: Okay. So you've been saying that LED industry is growing at a CAGR of 25%, but financial year 24 has been a decline. So my question here is what do you think will change for the industry that will ensure growth for the industry?

Sanjeet Singh: So if you look at the verticals that we are into and from what we've also understood from this year there has been a slight improvement when it comes to, if you compare it from the last year to this year. Last year was relatively slow for the lighting industry and everyone is aware of that. But this year the first quarter has been positive and I think that is something that is industry wide.

And going forward if you look at our verticals, then what we are doing right now is it's all customization at a scale, whether it's the ODM business or whether it's the product display segment that we are doing. So whatever we are doing, it is all customization at scale and going forward, we are just expanding our horizons, not just product-wise, but as well as geography wise.

So we believe that the new product lines that we are coming up with and the efforts that we are putting in the back end when it comes to upgrading our backward integration and also the product segments that we are entering into. So I mean I've been talking about this since the past, I think a couple of calls that every few maybe every quarter or every couple of quarters we will come up with something new product line or maybe a geography.

And that is what we've been working very hard in the background. So I think the organic growth or the improvement that we are seeing in this the first quarter that we've seen and going forward in this year along with that the efforts that we are putting in to expand in terms of product and geography will help in this.

Shalini Gupta: No, sir actually I was asking something else. I was talking specifically about the LED industry, there's a large chunk of sales for you. So I'm saying what is going to change for the LED industry, that will ensure higher growth rates for you in the LED industry?

Hardeep Singh: Because we are doing a lot of innovative products and like human-centric lights and other automated lights and all. So we are diversifying into next level of lighting. So it will - that is how we are working right now on that, our R&D and everything is completely working on that and also, as Mr. Sanjeet told that by geography also we are expanding our arms. So we will have, we don't feel anything or any hurdles to achieving our goals.

Shalini Gupta: Okay, primarily driven by your innovation. Is that, have I understood you correctly?

Sanjeet Singh: Yes, absolutely.

Shalini Gupta: Okay, and so now my second question is what drives sales? Because when I see sales growth, sales are up 48% in one quarter, down 17% in another quarter. So sales are very volatile. So the question is, what drives sales?

Sanjeet Singh: So it's generally to do with the market also, there are a lot of factors in the market, which sort of brings in that factor, whether the sales are up or sales are down. But apart from that, what the way we look at it is, even if you look at last year, if you compare our peers to us, we've sort of much ahead of everyone. Yes, so that was only due to the fact that, we constantly bring in new products, we constantly, work on new product lines, not just the new products, but even product categories or product lines.

And that has always been a, growth plan. Because the kind of setup that we have created, a lot of you visited us a month back, and they have seen the kind of setup that we have created when it comes to backward integration. So that really helps us in, improving the products or bringing in new products and apparently, keeping us slightly ahead of the curve always.

Shalini Gupta: No, that's really well appreciated, sir. What I was really asking is, that, why is there so much volatility in sales? Is it because in one quarter, the new products that you've introduced do well, in the next quarter, they don't do well? How is it?

Hardeep Singh: Till last quarter, the overall market was not so good. Like our peers also, we were still better than all of our peers. But as of now, the market is almost stable. And we are looking very good like last quarter. Also, at the end of last quarter, we told that the other things are going better. And we proved that we are doing better. It is only because the other things, we are developing more and more. But that is why you can see that our numbers have become flat. Otherwise, our sales are still growing.

Shalini Gupta: Yes, but sir, you're in the B2B business, not B2C. So, why is the market so volatile for you? Because B2B is a much more steady business, rather than B2C, which will get impacted by interest rates and all that. So then?

Hardeep Singh: Yes, that's the last quarter. Our main customers, the Signify were a little slow. And the overall business, that was a degrowth. So similarly, in the inshore lighting, the main reliance and others were little, but they were revamping their things. So but now the things are almost improved at all the sectors. You will see that it will be all the time will be constant. Only the last year was bad for everyone, not for us, for everyone in the lighting industry. But we still maintain what we were doing.

Sanjeet Singh: And even if you look at the numbers from last year, the quarterly reserves that we have posted in last year, if you look at the revenue figures, they were largely the same throughout. So they, I mean, we didn't sort of see a major dip or something like that. We've been consistent throughout, it was just that the demand was sort of muted in the previous financial year.

And therefore, the kind of growth that we were hoping didn't really come along. And there were a lot of other factors too, but market played a big role in that. But if you look at the numbers in last year, I mean, there was no, alarming dip or anything like that. We were fairly consistent throughout the four quarters.

Shalini Gupta: Okay, and sir, last one or two questions.

Moderator: Sorry to interrupt Shalini ma'am. We request you to get back to the question queue for any follow up questions. The next question is from the line of Anant Mundra from Mytemple Capital. Please go ahead.

Anant Mundra: Hello, good afternoon, sir. Thank you for the opportunity. So I wanted to understand what is the reason for reduction in our standalone business margins, which is mainly catering to Signify?

Sanjeet Singh: So you're comparing from the Q1 FY '24 to Q1 FY '25, I believe. But if you compare…

Anant Mundra: Yes, on an average annually also, like if I look from March 20 to 24, I mean, that business has always been in about 16% EBITDA margins. This quarter it has fallen to around 11%.

Sanjeet Singh: So last year, we talked about it during the previous investor calls that last year there was a price correction that was happening. And but, if you compare from quarter four of last year to quarter one, there is no such decline. In fact, the numbers look healthy. And that is the track that we are on. But if you compare quarter one of last year to quarter one this year, in between, that entire year, there was some price correction due to the muted demand that was there in the industry that was happening.

And that played its part. But now things are looking positive and things are looking stable. And as you see the standalone numbers, the revenue has grown. And quarter-on-quarter, the margins have also been, steady and are growing.

Anant Mundra: Okay, so between March 20 and 23, this business used to do about 16% EBITDA margin, like I mentioned. So what I mean, are we getting, is that the normal margin range for this business?

Sanjeet Singh: So we believe that if you look at the standalone numbers, where we are today, this is the margin range for this business. Because last year due to that, muted supply, there was a lot of panic, I would say in the industry, because the demand certainly, was nose diving. And but still, at that time, we were able to sort of hold on to what we were doing and, beat what the industry was doing.

But due to the price corrections and everything, now what the numbers are, the figures that you look at, this is something that is normal for this sort of a business. If you look at the standalone figures.

Anant Mundra: Okay. So the revenue that is being booked in the U.S., subsidiary, is that the ESCO business and the solar product business that we started?

Sanjeet Singh: Yes, if you talk of the business that has come into the direct, I mean, into the subsidiary that is there in the U.S., which is new. So that is the category that we have started in this subsidiary.

Anant Mundra: And the Hearables and Wearables business? Where are we putting that? Are we putting that in the product display lighting business? Or is it going in the energy solutions and other business? Where are we categorizing this business?

Sanjeet Singh: So as of now, we are categorizing in the product display segment. And maybe a couple of quarters down the line, we might, introduce one more category just to give a clearer understanding to the investors of how the, different verticals are doing. But because we've been following these three categories as of now, and we are putting all the verticals in these three as of now. Once these verticals start growing and have substantial numbers, we might do a sort of rearrangement, maybe, by the another two or three quarters.

Anant Mundra: And in from Block I, have we started supplying any products from the facility? Have we started booking any revenues under IKIO Solution from Block I?

Sanjeet Singh: So Block I, we have commercialized the sales and most of it is captive. As of now, it is supplying to, the other verticals that we have and most of it is right now is captive. But direct sales will soon happen to other businesses. And that we are hoping in the second half of this year.

Anant Mundra: Okay. And, sir, one final question. Are we doing all the tooling and moulding in-house for both metal and plastic products like the backward integration for both metal and plastics is being done in-house?

Hardeep Singh: Yes. We are doing metal, plastic, even doing CNC, even doing our moulds. A month and a half before all that, all the investors they visited our facility, they have seen that everything is somewhere under installation, some machines are already installed, including the powder coating and all, everything we are doing in-house. Even the tool designing, tool making is also we are doing in-house.

Sanjeet Singh: So a lot of it we were already doing since many years. But with the new setup and the new money coming in, we are upgrading our existing processes as well and adding on to what we were earlier not doing.

Anant Mundra: Okay. And is there some kind of restructuring that we were doing in the business? Like I think merging from subsidiary or demerging from business is that, I mean, I remember something like that. So is there something like that happening?

Sanjeet Singh: Yes. So we've merged Fine Technologies into Royalux Lighting. So that is something that we've done recently.

Anant Mundra: Okay. So if I look at your subsidiary, Royalux Lighting has the product display business, right?

Sanjeet Singh: Correct.

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

Kuber Chauhan: Yes, thank you for the opportunity. I just wanted to know about your exports. Could you throw some light on your exports business from all your verticals? How is it going and how much the growth was in this quarter?

Sanjeet Singh: Yes. Hi, Mr. Kuber. Thank you for joining in again today, because I remember you being a part of some previous call as well. So yes, if I put the export business into perspective, things are on track, things are looking very positive. And the subsidiary that we have started up with for the energy solutions products, we have already started the sales. But now that you asked this question, I would like to bring to the notice of everybody that the EBITDA that you're seeing has gone down during this quarter has to do with the business that we have recently started in that particular subsidiary.

So basically, there are two reasons for this. One is I'm indirectly answering this as well, which is sort of related to the question that you've asked. So one is the expenses that we've incurred because of the new verticals that we are adding. So the expenses have increased for which the results will come in the subsequent quarter, and eventually the EBITDA margins are going to come back to track. But if you remove the business that we have done in that subsidiary, then our EBITDA margins are largely in the range where it used to be.

But talking about the subsidiary, the reason for that is to start a new business, we got some good orders. But due to the time constraint, we had to mostly buy out the items. It was mostly bought out items. So that sort of reduced the margin. But going forward, the margins right now, we're in single digits. But going forward, we are very confident with the kind of products that we have. And with ample timelines, for the coming orders, we will be able to bring it to the double digits. And we are very confident and working very closely with our partners, or I would say, the people whom we are working with, we are working very closely with them. And we are very confident of the impact that this is going to bring to our business in the near future.

Hardeep Singh: Also, because we have started the UAE exports also. So that is also because there were some expenses to establish everything and what's going on. But now we are very positive that market will also be released and Saudi market will create a good market over there.

Kuber Chauhan: Can you give me some number of how much was the exports for this quarter and how much was the growth as well on Y-o-Y and Q-on-Q?

Sanjeet Singh: Just one moment, please. So revenue for this quarter, if you compare it from the previous quarter, we've seen a good jump in the revenue for the exports. And I'm just looking for the number right now, it's somewhere close to around INR12 crores to INR13 crores that we posted in that, the export business from India. And the number that came in from the subsidiary is different. This is I'm talking about the export that happened from India.

Kuber Chauhan: Okay. And I have seen a substantial move on Y-o-Y basis for your other income. So what will be the reason for that? Because there has been an increase over quarter-on-quarter.

Sanjeet Singh: You're talking about the substantial increase in the other income, Y-o-Y?

Kuber Chauhan: Yes.

Atul Kumar Jain: So other income is, one is our normal income from FDs of the unutilized proceeds from the IPO. And then there is some forex capital gain also, currency, there is something that also we got. So mainly these are the things which constitute other income.

Moderator: The next question is a follow-up question from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: So I wanted to understand in ROCE has been on a downward trajectory. And in financial year '24, it just fell off the cliff. So why such, why is ROCE falling? And why did it just fall off the cliff in financial year '24?

Sanjeet Singh: So if you look at the numbers from FY'24, like I said, the revenue has been consistent in the first three quarters. There was a slight dip in the fourth quarter and that had to do a lot with the elections that were happening. And the ROCE that you are referring to, the reason for that is because of the expenditure that we are doing on the capital side. So that was the main reason why the ROCE has been lower than where it used to be.

But if you look at pre-IPO proceeds before we started making all these investments, our ROCE has always been consistent in the line of 30% to 35%. And going forward, once the expenditure that we have made in the new factories and the expenses that we are currently doing, it is going to give the returns in the near future. So, once these factories, the new setup, the new investments that we are making, they start giving out the results, automatically the ROCE will be back on its the generic range where it used to be.

And this is just a temporary effect due to the investments that we are making. Because it takes a while before you start making an investment into a new business, you set up a team there is a lot of expenditure that is involved to set up a new vertical or a new product line.

And by the time it starts giving out the results and then that is when the ROCE will start coming up. Because the kind of products that we do a lot of development, a lot of R&D all of these things are involved and it takes time to develop these products.

Shalini Gupta: Fair enough, sir. And I just wanted to understand what is your capex vis-a-vis capex of peers? Like, how are you placed vis-a-vis peers?

Sanjeet Singh: Can you repeat your question again regarding you asking something about the capex, right?

Shalini Gupta: I'm saying that, I mean if this industry is something which everybody finds so interesting, probably we will be seeing a lot of capex. So, I mean in your sense, where do you stand vis-a-vis peers when it comes to capital expenditure? Like, are the others also doing it or somehow you have found a niche or what is it?

Sanjeet Singh: Actually, we see a lot of growth in the existing and the new verticals that we are venturing into and that and hence the capital expenditure that we are doing for these product lines. I mean, I really don't have those numbers to compare to our peers as of now but I can talk of ourselves and we are pretty confident and hence, we are making these investments for the new products and categories.

Shalini Gupta: Okay. I'm still a bit confused as to why if this industry is so interesting, which I'm sure it is, so why was there a decline in the last year in financial year '24? Because I mean and you are in the B2C side of the business, so why should there have been any decline? That's what I'm a bit apprehensive about.

Sanjeet Singh: So, if you look at the numbers there was a decline in just the last quarter from last year in the last year but all three quarters, we've been consistent where, whereas the industry saw a big decline. And to answer your question, why there was a decline in the industry, I think that is something that the industry experts even they were sort of…

Hardeep Singh: They were also saying that why it is happening because I think so because of election year or something like that it has happened.

Sanjeet Singh: Even the industry experts were sort of taken off guard and so that is something that we were also trying to understand. But we've learned a lot of things from the last year and that is why we are focusing on a lot of new product lines and geographies going forward, so that if something like this ever comes again in the domestic market, we should have other areas geography-wise and product-wise to factor in.

Shalini Gupta: Okay. And so, my last question. So, the gross margin varies from 36% to 46%, which is a lot of, which is very highly volatile. So, what is it that is driving this sort of volatility in the gross margins? Because gross margin figure unless you're giving a lot of discounts and all the gross margin figure is feasibly steady. So, why are you seeing this kind of volatility in your gross margins?

Hardeep Singh: What happened is actually, in the last quarter, the government suddenly increased the minimum wages also but because of that also gross margin.

Sanjeet Singh: So, basically to answer your question, if I compare our results to the last year as a whole last year all the quarters the gross margin was largely in similar lines. So, like you mentioned that we were steady at around 45% throughout the last year. This year, first quarter the only reason for this sort of decline is the kind of business that we did in the first quarter in the US subsidiary. Like I told in the previous question also that because of the constraint in time and we wanted to establish that relationship with the client.

So, instead of saying no, what we did is we completed the order, which was mostly with bought out items and that was done to establish the relationship. And going forward we are very confident that we are going to bring this again in this particular business. I'm talking about just the US subsidiary into double digits. So, once it is back on its track then the gross margins again, like they were consistent throughout the year last year and this year also the gross margins will come back to around that figure only. So, this is just a temporary phase.

This was just done to establish that connect with the customer and the market. And going forward, once we streamline the processes and the raw material supply and everything the numbers are going to definitely improve.

Shalini Gupta: So, just, I mean, why are you getting into hearables and wearables, when you're into lighting? So, that's such a huge diversion from your main business.

Sanjeet Singh: To answer your question if you look at our history, we've I mean, we've been into the manufacturing field since the past more than 25 odd years. Lighting is something that we started 12, 13 years back and if, even if you look at the current portfolio of products that we have, lighting it's not just the lighting that we are doing, we are also doing all the electronics around it inhouse.

So, we are designing the electronics, we are manufacturing the electronics and that is our specialty. So, I can understand this confusion because at the outset, we do look like a lighting company. And we are obviously one, but our core has always been electronics. And that is where we are expanding. So, anything to do with plastic, metal, electronics and obviously, lighting, we do everything inhouse.

Shalini Gupta: Very interesting. Okay, sir. Thank you.

Sanjeet Singh: Thank you so much. Thank you.

Moderator: Thank you. As there are no further questions I now hand the conference over to Mr. Hardeep Singh for closing comments.

Hardeep Singh: Yes. Thank you very much, everyone, for joining us and I again, I'm giving you the, again from our company and our policy that we will be on the path, what we have determined. And quarter on quarter basis, you will see the improvement in times to come. So, thank you very much, everyone. Thank you. Thank you.

Sanjeet Singh: Thank you so much.

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