

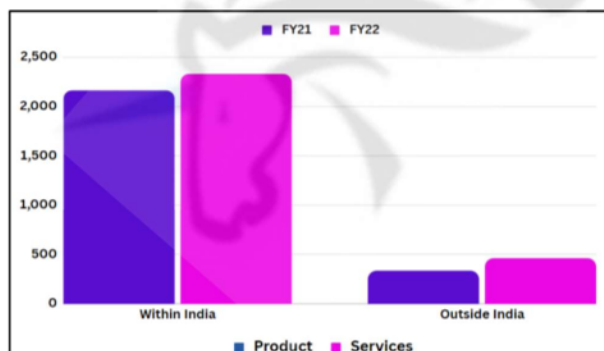
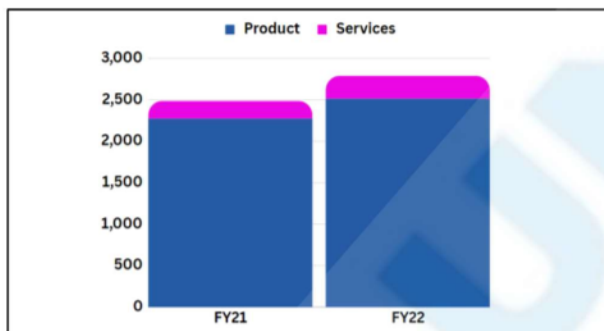
SIGNIFY INNOVATIONS INDIA LTD.

Company Data

Market Cap (in Cr)	10,382
Industry	Consumer Discretionary
Net Worth (in Cr)	592.7
LTP (on 16-05-2023)	1805
P/S	3.68x
Shares Outstanding	5.75
Dividend Yield	5.54%
ROCE	57.66%

About Company:

In 2015, Signify Innovations India Limited was established as a result of the company's strategy to separate the lighting business from the global company in order to establish two distinct entities – one for health-tech and one for lighting. SIIL is a 96.13% subsidiary of Signify Holding B.V. which further is completely owned by Signify N.V. SIIL offers professional lighting services, conventional lighting, LEDs, luminaires, and other lighting solutions. In the lighting sector, SIIL dominates the market. SIIL has displayed clear market strength across sections like home and business lighting, as well as professional lighting services, in spite of serious contest from players like Havells India Ltd. also, Bajaj Electricals Ltd. SIIL gets specialized, authoritative and administrative help from the parent. Because India is the fifth largest market for the global operations, the Indian operations continue to be essential to the parent company's global growth strategy. As a result, all new global products are simultaneously introduced in India. SIIL has the most elevated piece of the pie among coordinated players across all sections. It has been able to profit from the LEDs and professional market growth. Driven by a established brand, the organization has held its piece of the pie and is probably going to keep up with its leadership position in the lighting business going ahead.



Key Updates:

1. The Indian LED lighting market size reached \$1.35bn. in 2021. Going ahead, market is expected to reach \$2.68bn. by 2029, exhibiting a CAGR of 9%% during 2022-2029. SIIL is the no. 1 lighting company for IoT and holds a total of 17,750 patents.
2. SIIL aimed to grow at 18-20% during 2022 (Jan 2022 - Dec 2022). The company enjoys a market share of 25% in value terms in a lighting solution business.
3. The company paid an Interim Dividend of Rs.37.5 per share and a Final Dividend of Rs.62.5 per share for the year ended March 2022. The company's Dividend yield stands at 5.54%.
4. SIIL is a debt free company, financially the company delivered decent set of numbers and is expected to grow its revenues to the pre-covid levels and expand its margins.

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Industry Overview:

The size of the LED lighting market in India was \$1.35 billion. in 2021. The market is expected to reach \$2.68 billion in the future. by 2029, growing at a CAGR of 9% between 2022 and 2029.

Over the course of the past few years, LED lights have emerged as a potent lighting source. They quickly rose to prominence in the Indian lighting market due to their numerous advantages over conventional lighting technology. Despite the fact that the Indian LED lighting market is still in its infancy, there are numerous opportunities for expansion over the next few decades. It is a lucrative option for LED manufacturers to establish facilities in India, which is one of the largest lighting markets. A sustainable environment for the LED industry is provided by skilled labor, ease of doing business, and demographic advantages.

Due to rising urbanization rates and an increasing number of government initiatives that promote the use of LED lights, the North and South are currently experiencing the greatest demand for LED lighting systems. The government's support through various regulations that promote the investments in energy efficient lighting technologies have expanded the applications of LED lights across various industrial, commercial and residential sectors. A rapidly growing automotive industry also provides productive opportunities for the use of LEDs in head lamps, rear lamps, turn signal and brake lights. Other important factors such as increasing infrastructural investments, rapid growth of street lighting systems, decline in average prices of LEDs and various government and upcoming smart building projects are expected to drive the demand of LED lights in India.

Products & Services:

Signify Innovation India Limited generate revenue from a range of services as well as products. The company sells its products under a bouquet of brands which include, Philips (professional and consumer lighting), Interact (lighting software and system), Philips Dynalite (connected lighting control solutions), Philips Hue (personal smart home lighting), Color Kinetics (dynamic architectural lighting systems), Wiz (accessible connected lighting). Other specialty brands include Vari-Lite, UHP, Modular Lighting Instruments and Technology brands include Trulifi, Nature Connect, Bright Sites.

SIIL is the no. 1 lighting company for IoT and holds a total of 17,750 patents. The company stays on a constant innovation journey and the parent company invest at least ~4.8% of sales towards R&D.

SIIL product portfolio consists of electric lights and the IoT platform and connected systems aimed at consumers and professionals. The company offers a range of products like LEDs, fast moving electronic goods like trimmer, hair dryer, mixer grinder, air purifier, microwave ovens, dry iron, induction stove, earphones, headphones, blender, steamer, vacuum cleaner, toaster etc.

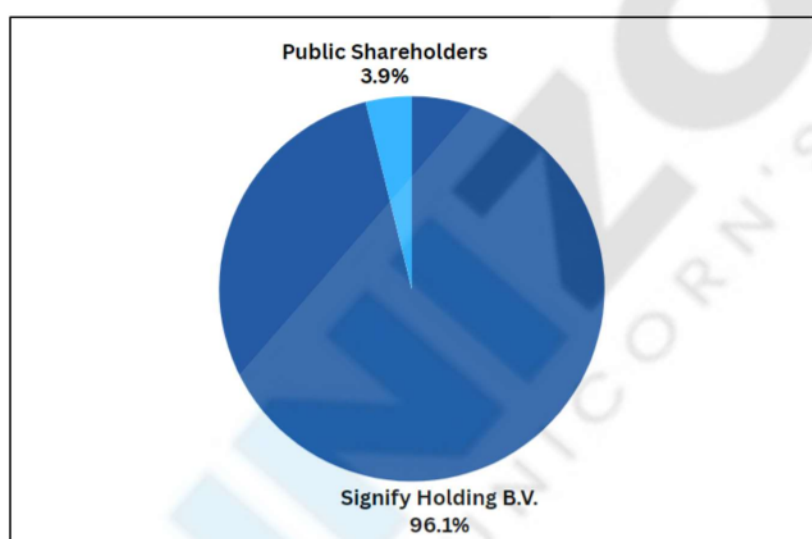
The company also generate revenues from a range of services like installation, repair and maintenance. Other sources of income include export incentives, scrap sales etc, these constitute a very minute portion of the total revenue.

In FY22, the company generated 90% of its revenues from sale of products, 9.8% from sale of services and the rest 0.2% from other sources like export incentives, scrap sales etc.

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Management & Shareholding Pattern:

Name	Title
Sumit Joshi	MD & Vice Chairman
Vinayak Deshpande	Chairman
Dibyendu Ray Chaudhury	Chief Financial Officer
Nitin Mittal	Head of Legal & Company Secretary



Financials:

P&L Statement

Year	2020	2021	2022
Net Sales	2,898.40	2,500.80	2,794.60
Other Income	21.10	14.80	29.80
Total Income	2,919.50	2,515.60	2,824.40
Total Expenditure	2,575.80	2,191.50	2,420.10
EBITDA	343.70	324.10	404.30
Depreciation	60.80	63.50	60.60
EBIT	282.90	260.60	343.70
Interest	6.30	6.40	8.80
PBT	276.60	254.20	334.90
Tax	94.30	75.00	83.10
PAT	181.70	267.50	231.90
EPS (Basic and Diluted)	31.59	46.51	40.32

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Balance Sheet

Year	2020	2021	2022
Equity Paid up	57.52	57.52	57.52
Reserves and Surplus	442.30	663.38	535.18
Net Worth	499.82	720.90	592.70
Long Term provisions	16.90	3.60	3.60
Other long-term liabilities	42.80	47.30	44.20
Total Non-Current Liabilities	59.70	50.90	47.80
Trade Payables	479.58	743.40	605.70
Other Current Liabilities	182.40	234.20	246.30
Provisions	110.20	115.90	98.70
Total Current Liabilities	772.18	1,093.50	950.70
Total (NCL+CL)	831.88	1,144.40	998.50
Total Liabilities	1,331.70	1,865.30	1,591.20
Tangible Assets	171.60	195.60	195.00
Intangible Assets	93.90	93.90	93.90
Capital Work in Progress	4.00	3.20	8.60
Deferred Tax Assets	43.70	32.60	20.80
Other Non-Current assets	28.40	5.60	9.50
Total Non-Current Assets	341.60	330.90	327.80
Trade Receivables	250.20	242.30	232.80
Inventories	297.90	263.70	255.60
Cash and Bank Balance	276.80	876.60	576.40
Other Current Assets	165.20	151.80	198.60
Total Current Assets	990.10	1,534.40	1,263.40
Total Assets	1,331.70	1,865.30	1,591.20

Cash Flow Statement

Year	2020	2021	2022
Cash Flow from Operations	41.80	576.10	100.50
Cash Flow from Investing	-100.70	100.00	-8.50
Cash Flow from Financing	-203.80	-77.00	-398.30

Key Ratio:

Year	2020	2021	2022
Debt To Equity	0.00	0.00	0.00
Current Ratio	1.28	1.40	1.33
ROCE (%)	0.24%	36.15%	57.99%
ROE (%)	36.35%	37.11%	39.13%
EBITDA Margin (%)	11.77%	12.88%	14.31%
PAT Margin (%)	6.22%	10.63%	8.21%

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Growth Levers:

1. The Indian LED lighting market size reached \$1.35bn. in 2021. Going ahead, market is expected to reach \$2.68bn. by 2029, exhibiting a CAGR of 9% during 2022-2029. SIIL is the no. 1 lighting company for IoT and holds a total of 17,750 patents. With a continuously move towards innovation and consistent leading market share, the company is looking forward to make good of the growing industry size. [1]
2. SIIL is a high dividend paying stock with a good history of dividend in the past, the company's dividend yield for FY22 at the current market price of Rs.1805, stands at 5.54%. [2]
3. The company presently has 2 R&D centre and IT centre in Pune and Bangalore which does application development for the world, and one office at Noida meant only for Indian operations. SIIL aimed to grow at 18-20% during 2022 (Jan 2022 - Dec 2022). SIIL enjoys a market share of ~25% in value terms in a lighting solution business. [3]
4. The company revenues are expected to reach pre-covid levels in FY23, however, the company's margins have improved over the years and the bottom of the company has grown substantially at a 6-year CAGR of 15.38%. Going ahead, with expected growth in top line and further improvement in margins, the company's EPS is expected to boost.

Outlook & Valuation:

SIIL is amongst the top global FMEG players and is known by its brand name Philips, which is known for its quality and value for money products. The company enjoys a position of market leader in its space and looks forward to maintain the same going ahead. The Indian LED lighting market is expected to grow at a CAGR of 9% during 2021-2029 to reach a valuation of \$2.68bn. The company has R&D and IT centres which manages the Indian operations as well as develop applications. SIIL enjoys a market share of ~25% in the lighting business.

SIIL aimed to grow at 18-20% during 2022 and looks forward to maintain its position as a market leader. With this, the company's revenues are expected to reach pre-covid levels in FY23 and with the consistent improvement in margins, SIIL expects its top line as well bottom line to grow at a decent pace. The company also paid Rs.100 per share of dividend for the year ended March 2022 and continues to maintain its track record of paying good dividends with the current dividend yield standing at 5.54%.

The current market capitalization of SIIL is Rs.10,382cr. and is presently trading at P/S multiple of 3.68x and a P/E multiple of 44.77x. This is lowest when compared to its peers like Havells India and Bajaj Electricals, also, SIILs profitability ratios are higher in comparison to its peers. Thus, the company is available at a reasonable valuation and considering the no debt along with high dividend yield, SIIL is fairly priced.

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