

Kuber Chauhan
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Issue Details

| Issue Details | |
|---|------------|
| Issue Size (Value in ₹ million, Upper Band) | 5,670 |
| Fresh Issue (No. of Shares in Lakhs) | 35.7 |
| Offer for Sale (No. of Shares in Lakhs) | 48.7 |
| Bid/Issue opens on | 26-June-23 |
| Bid/Issue closes on | 29-June-23 |
| Face Value | Rs. 10 |
| Price Band | 638-672 |
| Minimum Lot | 22 |

Objects of the Issue

- **Fresh issue: ₹ 2,400 million**
Repayment/prepayment of certain indebtedness availed by the Company.
Funding the working capital requirements of the Company.
Investment in product development
General corporate purposes.
- **Offer for sale: ₹3,272 million**

| Book Running Lead Managers | |
|-----------------------------------|--|
| JM Financial Limited | |
| IIFL Securities Limited | |
| Registrar to the Offer | |
| Link Intime India Private Limited | |

| Capital Structure (₹ million) | Aggregate Value |
|--|-----------------|
| Authorized share capital | 599 |
| Subscribed paid up capital (Pre-Offer) | 381 |
| Paid up capital (post-Offer) | 417 |

| Share Holding Pattern % | Pre-Issue | Post Issue |
|-------------------------------|------------|------------|
| Promoters & Promoter group | 33.96 | 30.19 |
| Public – Selling shareholders | 26.93 | 13.80 |
| Public – Others | 39.11 | 56.01 |
| Total | 100 | 100 |

Financials

| Particulars (₹ In million) | FY23 | FY22 | FY21 |
|--------------------------------|--------------|--------------|---------------|
| Revenue from operations | 1,860 | 1,594 | 347 |
| Operating expenses | 1,189 | 770 | 23 |
| EBITDA | 671 | 824 | 324 |
| Other Income | 104 | 20 | 16 |
| Depreciation | 119 | 73 | 36 |
| EBIT | 656 | 772 | 305 |
| Interest | 248 | 270 | 450 |
| PBT | 408 | 502 | (145) |
| Exceptional items | - | - | - |
| Tax | 88 | 62 | 1 |
| Consolidated PAT | 320 | 440 | (146) |
| EPS | 7.64 | 10.51 | (3.49) |
| Ratios | FY23 | FY22 | FY21 |
| EBITDAM | 36.08% | 51.71% | 93.37% |
| PATM | 17.20% | 27.60% | NM |
| Sales growth | 16.66% | 359.24% | |

Company Description

IdeaForge Technology Ltd (“ideaForge”) is the pioneer and the pre-eminent market leader in the Indian unmanned aircraft systems (“UAS”) market, with a market share of approximately 50% in Fiscal 2022. They had the largest operational deployment of indigenous UAVs across India, with an ideaForge manufactured drone taking off every 5 minutes on average for surveillance and mapping as of Fiscal 2023. Their customers have completed over 350,000 flights using company’s UAVs as of March 31, 2023

Their UAVs are equipped with industry leading specifications and capabilities, comparable to those of other established global players in the UAV industry. Their growth over the years is attributable to their indigenous design and technological capabilities, their ability to invent, design and deliver customer centric offerings (i.e., hardware, software, and solutions) and their vertically integrated operations.

Beyond the UAVs, they undertake a full integration of their payloads, communication system and packaging. ideaForge also build their own software stack required for flight safety, autopilot sub-system, battery, power, and communication in their UAVs. This integration of complex technologies while optimizing for performance, reliability, and autonomy, not only creates entry barriers for new entrants but also helps them to differentiate themselves from other players in the market. They cater to domestic and international customers across defence and civil sectors, primarily for applications in surveillance, mapping, and surveying.

ideaForge ranked 7th globally in the dual-use category (civil and defence) drone manufacturers as of December 2022. They have grown at a CAGR of 137.47% in terms of revenue from operations over the last 3 Fiscals, with a Return on Capital Employed of 12.51% in Fiscal 2023.

They have a broad range of products with feature-based differentiation such as weight class (approximately 2-7 kg), endurance class (25-120 minutes flying time), take-off altitude range (up to 6,000 meters), communication range (approximately 2-15 km), payload types, etc.

The company primarily cater to customers with applications for surveillance, mapping, and surveying. Though they do not enter long-term contracts with their customers, they have developed long-standing relationships with certain of them. As of May 31, 2023, they had about 100 channel partners and 3 national distributors. The company is one of the top vendors globally for dual use drones.

Valuation & Outlook

Idea forge technology is the pioneer and the pre-eminent market leader in the Indian unmanned aircraft system (“UAS”) market, with a market share of approximately 50% in FY22. The company manufactures Unmanned Aircraft Vehicles for Mapping, Security & Surveillance. These drones are capable of a wide range of mining area planning, and mapping applications. ideaForge ranked 7th globally in the dual-use category (civil and defense) drone manufacturers as of December 2022.

At the upper price band company is valuing at P/E of 87x with a market cap of ₹ 28,002 million post issue of equity shares and return on net worth of 9.85%.

The company reaps an advantage of being a pure play in Drone manufacturing division over its peers. The company is fairly valued at the current valuation. Thus, we recommend a “**Subscribe- Long term**” rating to the IPO considering its future growth prospects.

Company's Operations

ideaForge has one of the industry's leading product portfolios targeted at civil and defense applications (dual use). They have a broad range of products with feature-based differentiation such as weight class (approximately 2-7 kg), endurance class (25-120 minutes flying time), take-off altitude range (up to 6,000 meters), communication range (approximately 2-15 km), payload types, etc. Beyond the UAVs, they undertake a full integration of their payloads, communication system and packaging. ideaForge also built their own software stack required for flight safety, autopilot sub-system, battery, power, and communication in their UAVs. This integration of complex technologies while optimizing for performance, reliability, and autonomy, not only creates entry barriers for new entrants but also helps them to differentiate themselves from other players in the market. They cater to domestic and international customers across defense and civil sectors, primarily for applications in surveillance, mapping, and surveying.

Ideaforge was founded in 2007 by their Promoters, Ankit Mehta, Rahul Singh, and Ashish Bhat, along with Vipul Joshi, the Chief Financial Officer who later joined the company. Their Promoters designed their first quadrotor UAV in 2004 while studying at the IIT Bombay. While their Promoters are first generation entrepreneurs the company has raised funding from various investors including Infosys Ltd, Qualcomm Asia Pacific Pte. Ltd., Celesta Capital II Mauritius, Celesta Capital II-B Mauritius, Florin tree Enterprise LLP, Export Import Bank of India and Infima Finance Pvt Ltd over the years. The company was incubated by the Society for Innovation and Entrepreneurship ("SINE"), IIT Bombay and subsequently by CIIE Initiatives, IIM Ahmedabad.

Their UAVs have been used in extreme conditions, from very low temperatures at high altitudes such as in Ladakh to very high temperatures such as in the Thar desert, meaning that their UAVs have experienced some of the harshest environments in the world. Given the critical nature of the application of their products (such as for defense operations), the company aims to maintain a high standard for the performance and quality of their products. Some of their UAVs have flown more than 4,500 flights, as against the minimum requirement specified in RFPs for 500 flights under warranty.

Company's product portfolio consists of:

- **Hardware**, which primarily includes UAVs, payloads, batteries, chargers, and communication system (which enables communication between the ground control station and the UAVs),
- **Software and embedded sub-systems**, which includes the GCS software, which enables the controlling and management for their UAVs and autopilot sub-system, which enables remote control and autonomous completion of flights,
- **Solutions**, which enables industry/ application specific software that enhances the value of their UAVs to the end customer.

Product Portfolio and Sub-components

| Product Name | Description |
|---|---|
| Hardware | |
|  | NINJA UAV is the lightest UAV, built for security and surveillance. |
|  | RYNO UAV is the micro category survey-grade UAV and is equipped with an advanced mapping payload and a state-of-the-art post processed kinematic ("PPK") module. |
|  | Q4i is the small category VTOL UAV and is one of their most economical UAVs built with military grade standards. Q4i UAV can be used for anti-terrorism, border security, intelligence, surveillance, and reconnaissance ("ISR") operations, crime control and disaster management. |
|  | Q6 is the small category UAV and may be used for surveying and mapping. Its quadcopter design and high area coverage enable it to complete large-scale mapping projects quicker than their other UAVs. |
|  | NETRA V4+ UAV is an intelligent and portable VTOL UAV, which is built for use in a wide range of mission-critical applications. NETRA V4+ is mostly used for coastal patrol, anti - smuggling, search and rescue, disaster, and emergency analysis. |
|  | SWITCH UAV is a fixed wing and VTOL hybrid. SWITCH UAV features advanced flight time, higher safety, and simple operation with additional fail-safe redundancies. It is used for long range, high endurance, high altitude last mile surveillance and security operations. |
|  | NETRA V4 PRO UAV is the upgraded version of NETRA V4+ UAV and is built for use in a wide range of mission-critical applications. It is designed with a quick snap fit mechanism without the dependency on tools and built for repeated uses. |
| Software and embedded sub-systems | |
| Blue Fire Touch | Blue Fire Touch, the GCS software, is built to plan and command both mapping and surveillance missions with the ability to pre-plan missions based on operational area and target locations via waypoint-based navigation. |
| Autopilot | Enables remote control and autonomous completion of flights with pre-flight checks, intelligent failsafe features, such as return to home on low battery, high wind, communication loss and battery imbalance. It also has smart altitude management and global positioning system ("GPS") error handling features. |
| Solutions | |
| Blue Fire Map Assist | Software solution for simple and intuitive geo-tagging with flexibility for both PPK mapping as well as non-PPK mapping with optimized data capture and processing. |

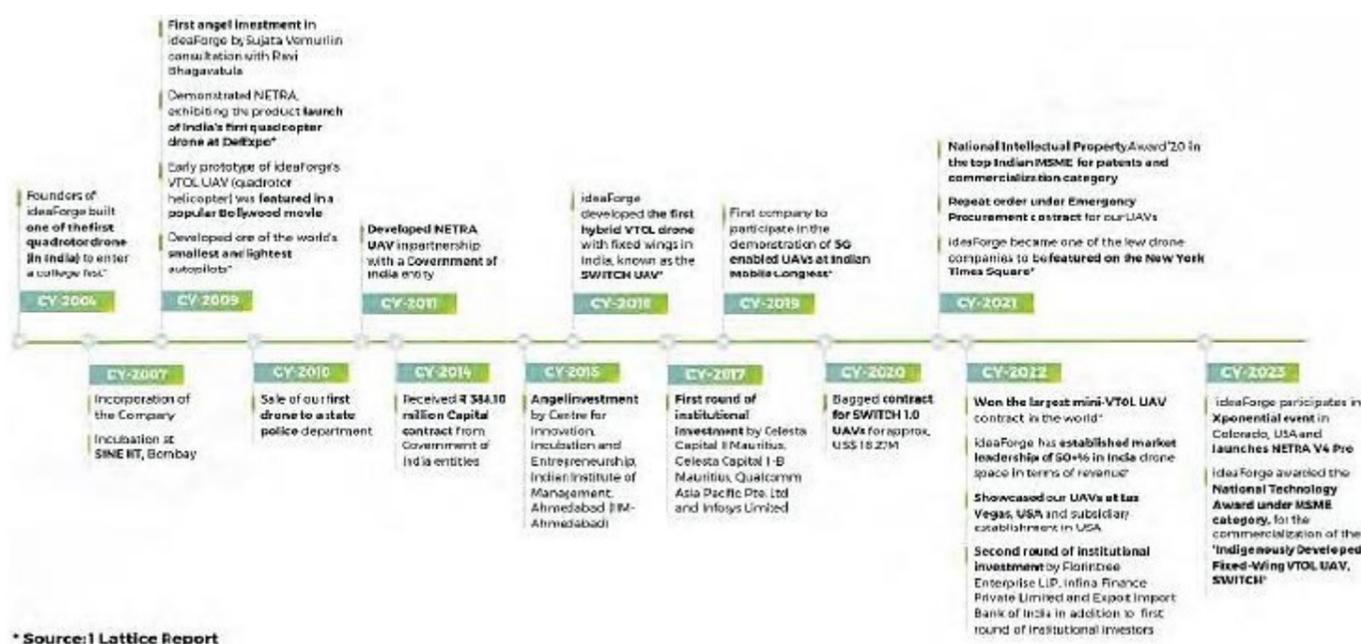
| | |
|---|---|
| Blue Fire Live! | Encrypted live streaming of the drone video feed and payload control for border management, emergency response, mapping, surveillance, disaster management and ISR operations. Integrates easily with CCTVs and command and control centers, operates in low bandwidth, and offers easy remote payload control. |
| Surveillance Pro | Enables anti-terrorism applications, border security and crime control measures, ISR operations, amongst others, through advanced image intelligence features such as target tracking and moving target indicator. It has support for remote video terminal ("RVT") with full UAV control and airborne data relay ("ADR") communication modes built-in to give maximum flexibility even for specialized missions. RVT enables a second operator on ground to receive the video stream, command the UAV and control the payload to ensure on-ground forces are working on the same set of information. ADR enables a full duplex between GCS software, ADR UAV, and payload/ data capture UAV. It also enables non-line of sight for ISR missions. |
| Geographic Information System ("GIS") Pro | Survey grade mapping via high resolution mapping with PPK. |

In addition to the above product offerings, they are in the process of developing UAVs as an on-demand service solution, which will mean their UAVs will be deployed to enable operations in a pre-scheduled or ad hoc/ on-demand manner at short notice.

In addition to the warranty services that ideaForge provides with their UAVs, they also provide after-sales maintenance services to their customers. The support care plan, ideaForge Care plan, is one of the first-of-its-kind subscription-based support package in the Indian UAV industry.

Blue Fire Touch, the ground control software, is built to plan and command missions. Its mission planning capabilities include finding suitable areas for take-off, determining coverage area based on flight path and target location coverage check for off-site mission planning prior to deployment. Blue Fire Touch enhances flight safety with capabilities such as geo fencing, terrain hugging, terrain avoidance, etc. Blue Fire Touch also gives complete control of flight operations and post flight data retrieval to the professional UAV pilot onsite. Blue Fire Touch's split screen video/map view feature works by allowing the user to dynamically set a side-by-side view of the map of the flight operation and the actual live stream.

Blue Fire Live! the innovative software-as-a-service ("SaaS") offering, with a subscription-based business model, enables encrypted live streaming of the UAV video feed and payload control.



BlueFire MapAssist is a company's software solution that makes geotagging for survey grade PPK mapping simple and intuitive. This not only enables safe and autonomous mapping operations with their GCS software, but also optimizes the data captured and helps reduce the processing time. This makes their UAVs suitable for large area mapping operations and enabling the lower total cost of ownership ("TCO") which is an imperative for these projects.

Planned Products

ideaForge intends to introduce newer versions of their UAVs such as NETRA, SWITCH, and Q6, wherein their focus will be on improving performance, reliability, and autonomy of the UAVs. They intend to improve the performance by providing increased flight times, which can be achieved by better airframe designs, better battery technology and overall better integration of the different subsystems. Further, they shall focus on reliability by improving the life of the UAV and the quality to reduce mission failures. They intend to achieve autonomy through software capabilities. They also plan to have an integrated support portal that will be a web-based cloud platform which will provide real time support information and focus on improving the overall support experience for their customers.

Their focus shall also be on developing tactical UAVs which are larger platforms and offer longer flight times and larger payload carrying capabilities. They also intend to focus on developing middle mile logistics wherein they intend to build a platform with a payload carrying capacity of more than 100 kgs, capable of traveling for more than 100 kms.

The company primarily caters to customers with applications for surveillance, mapping, and surveying. Though they do not enter long-term contracts with their customers, they have developed long-standing relationships with certain of them. As of May 31, 2023, they had about 100 channel partners and 3 national distributors. The company is one of the top vendors globally for dual use drones.

Manufacturing facility

IdeaForge undertakes their manufacturing operations at their manufacturing facility, situated in Navi Mumbai, Maharashtra which has an area of approximately 21,000 sq. ft., and is equipped with advanced equipment, modern technology, and automation systems to manufacture a wide range of products.

The installed production capacity and the rate of capacity utilization of the manufacturing facility.

| Products | Installed capacity per day (Mar'31,2023) | Capacity utilization | | |
|-------------------|--|----------------------|------|------|
| | | 2023 | 2022 | 2021 |
| Quadcopter UAV | 5 | 95% | 93% | 88% |
| Switch UAV | 4 | 82% | 75% | 0% |
| Payload | 15 | 95% | 96% | 79% |
| Battery | 20 | 87% | 84% | 83% |
| Communication Box | 15 | 90% | 90% | 88% |

This facility is in compliance with ISO 9001:2015 requirements and is also equipped with a testing center. While they produce composite structures of their UAV airframes and small component machining is done inhouse, they source commercial-off-the-shelf ("COTS") and customized components required for manufacturing of UAVs such as carbon tubes, propellers and cameras from the domestic as well as the international market. Their product development center, situated in Navi Mumbai, Maharashtra, helps them design and develop their UAVs, and with continuous customer insights, improve the performance of their UAVs.

The company has their own in-house product development center, which allows them to design, develop, engineer, and manufacture their UAVs in-house with a focus on performance, reliability, and autonomy. Their product development center has 116 employees, as of May 31, 2023.

The company's growth in revenue and profitability can be credited to their robust product portfolio and technology differentiation. They have achieved revenue from operations of ₹159.44 crore in Fiscal 2022 and ₹186.01 crore in Fiscal 2023, which is an increase of over 1.17 times of revenue achieved in Fiscal 2022.

Strengths:

➤ Pioneer and the pre-eminent market leader in the Indian UAS industry, with first-mover advantage

IdeaForge is the pioneer and the pre-eminent market leader in the Indian UAS market, with a market share of approximately 50% in Fiscal 2022. Their promoters built their 1st quadrotor drone in 2004. They started their operations in 2007 and with a first-mover advantage, they are among the 1st few companies in India to enter the UAV market and the 1st organization to indigenously develop and manufacture VTOL UAVs in India in 2009. They are also the 1st company to participate in the demonstration of 5G enabled UAVs at Indian Mobile Congress in 2018.

Their in-house capabilities to design, develop, engineer and manufacture have enabled them to develop better products basis evolving demands of their customers, thereby enhancing customer experience with their products. Their ability to build a fully integrated system and have control over the full stack differentiates them from other players in the market. They are driven by a self-propagating flywheel, whereby because of their leadership position and their 1st mover advantage, they have been able to create a better user experience based on customers insights and with continuous technology improvements.

➤ Diversified product portfolio with a robust technology stack and track record of successful outcomes in critical use cases

IdeaForge has a broad range of products with feature-based differentiation such as weight class (approximately 2-7 kg), endurance class (25-120 minutes flying time), take-off altitude range (up to 6,000 meters), communication range (approximately 2-15 km), payload types, etc. Their UAVs are deployed in multiple use cases across defence and civil sectors. Further, their UAVs can be modified to address construction, infrastructure, retail, agriculture, and delivery applications. Their UAVs have also been tested in extreme conditions which are prevalent across India and high altitudes areas, deserts, and glaciers. Their SWITCH UAVs have been designed to be able to handle all terrains and extreme temperature conditions and have been purchased by one of their customers for surveillance in high altitude regions. Their quality, durability, and ability to service tough and different terrains have made their UAVs as the preferred choice for many of their customers in defence and security sectors. They are one of the few vendors globally to have a full stack UAV solution, along with a ground control software, firmware, and solutions as well as robust after sales support. Their support care plan, ideaForge Care, is one of the first-of-its-kind subscription-based support package in the Indian UAV industry. Their UAVs are equipped with AI based image intelligence, which helps in 'people detection' and 'target tracking'. Beyond the UAVs and GCS software, they have proprietary solutions such as BlueFire Live! which enables encrypted live streaming of the UAV video feed and allows payload control from a remote command location.

➤ Significant product development capabilities powering the software and solutions and product differentiators.

IdeaForge is a vertically integrated company equipped with in-house product development centre, which allows them to design, develop, engineer, and manufacture their UAVs. Company's ability to drive technology and product innovation also led them to develop a custom in-house battery management system which ensures high cycle life of their batteries and are optimised to give customers high endurance for each flight. Some of the capabilities such as take-off area suitability check, coverage area check and target location coverage check for off-site mission planning prior to

deployment are unique in the industry and they have filed patent applications for these capabilities. These capabilities help them achieve their 'mission first' objective and align with their focus on delivering customer outcomes.

➤ **In-house design to delivery capabilities**

The company designs, develops, engineers, and manufactures their UAVs in-house with a focus on performance, reliability and autonomy. Their own in-house product development centre allows them to design, develop and engineer their UAVs in line with the needs of their customers, which includes the software stack required for their UAVs.

With their integrated operations i.e., from design and development to manufacturing, assembly and testing and to providing software solutions, they strive to be able to meet all their customer needs under a single roof as well as control and maintain the quality of their UAVs thereby maintaining the overall reliability and durability of their UAVs. Their manufacturing facility is in compliance with ISO 9001:2015 requirements. Company's products are easily portable as the packaging is designed in such a way that all the components can be carried as a backpack.

➤ **Strong management capabilities with a demonstrated track record of delivering robust financial performance.**

The company is led by a qualified and experienced management team, who are supported by a capable and motivated team of managers and other employees. Their Promoters have knowledge and understanding of the drone industry in India and involved in the strategic planning, operations, design and production development, and have a cumulative work experience of more than 85 years. Their qualified and experienced team enables them to identify new avenues of growth and helps them to implement their business strategies in an efficient manner.

Key Strategies

➤ **Expansion of product portfolio and catering to new end-use applications and industries.**

UAVs are increasingly finding potential to be employed in multiple applications across infrastructure, retail, agriculture, logistics, and many other sectors. The company will continue to expand their product portfolio and plan to provide differentiated offerings to their customers.

Drones are being explored extensively across various industries, including construction, real estate, e-commerce, agriculture, utilities and energy, financial services, and media and entertainment. The company intends to leverage their in-house technology and their design and development capabilities to innovate and introduce new UAVs to capture a higher wallet share from new and existing customers. They seek to leverage their extensive experience to strengthen their industry position, by developing new products to capitalize on emerging trends. They are continuously in the process of identifying new end-use cases which have significant growth potential and the economic viability to introduce new products.

Currently, they primarily cater to surveillance and mapping applications, and they plan to expand to inspection and delivery applications in the future.

The company intends to further develop their UAVs with a focus to cater to asset inspection missions, such as inspection of towers and other vertical assets. They also intend to develop UAVs with sufficient payload capacity to cater to the middle mile logistics industry. Their initial target segments may include delivery of frozen foods, perishables, and medicines, which require faster and on-time delivery in places where the ground infrastructure is not fully developed or challenging. They also plan to expand and offer tactical UAVs and middle mile logistics drones with vertical take-off and landing capabilities.

➤ **Continues to invest in product innovation, engineering, and design.**

Investment in product innovation, engineering and design is essential to company's business, growth opportunities for onboarding new customers and retention of existing customers by aligning their product and service offerings with their requirements. The drone industry is at a nascent stage and therefore the requirements are continuously evolving. As product and technology innovation is at the core of their growth, they emphasize constant innovation and enhancing their product and technology stack. Continuous product development by way of product and market research is integral for growth in the UAV industry and consequentially, many drone manufacturers are laying emphasis on product development and testing.

➤ **Expanding business services and software revenue through 'as a Service' offerings**

IdeaForge has the hardware and software capabilities to expand their business services revenue by providing 'drone as a service' ("DraaS") offerings. DraaS is a ready-to-fly network of drones which allows users to schedule or request on-demand flights, without the hassle of owning hardware, software, or trained manpower. The customers can avail DraaS service on 'pay per use', which will help reduce their initial investment and increase adoption rate. They are in the process of developing a DraaS model which will allow their drones to be deployed in several locations and will be ready to fly and execute missions at the click of a button. They are presently experimenting DraaS model with one of their customers to create viable technology and business outcomes. Their BlueFire MapAssist and BlueFire Live! solutions are offered as a software-as-a-service ("SaaS") model where customers can subscribe to the package as per their requirements. Similarly, they will continue to look for opportunities to offer their software and solutions as SaaS offers in the future.

➤ **Extension into international markets**

The company currently primarily cater to the requirements of the Indian market. The industry has witnessed a significant growth at a CAGR of 19% over 2018-2022 and is expected to grow even faster at a CAGR of 20% to be approximately US\$ 51.4 billion in 2027 and further leap to approximately US\$ 91.3 billion by 2030. Through their extensive experience, established product portfolio and proven track record, they are strongly positioned for providing products and solutions to international customers. They are currently present in Oman and USA, and they are evaluating the expansion in Bangladesh, Vietnam, and Nepal and will be able to further expand their presence in the United States, which is expected to be the biggest market for drones and estimated to be US\$ 10.2 billion with approximately 49% market share in 2022 and predicted to

grow to US\$ 20.2 billion in the year 2027. As on May 31, 2023, ideaForge has onboarded around 100 channel partners and 3 national distributors. Some of these channel partners help them expand their presence in the international market.

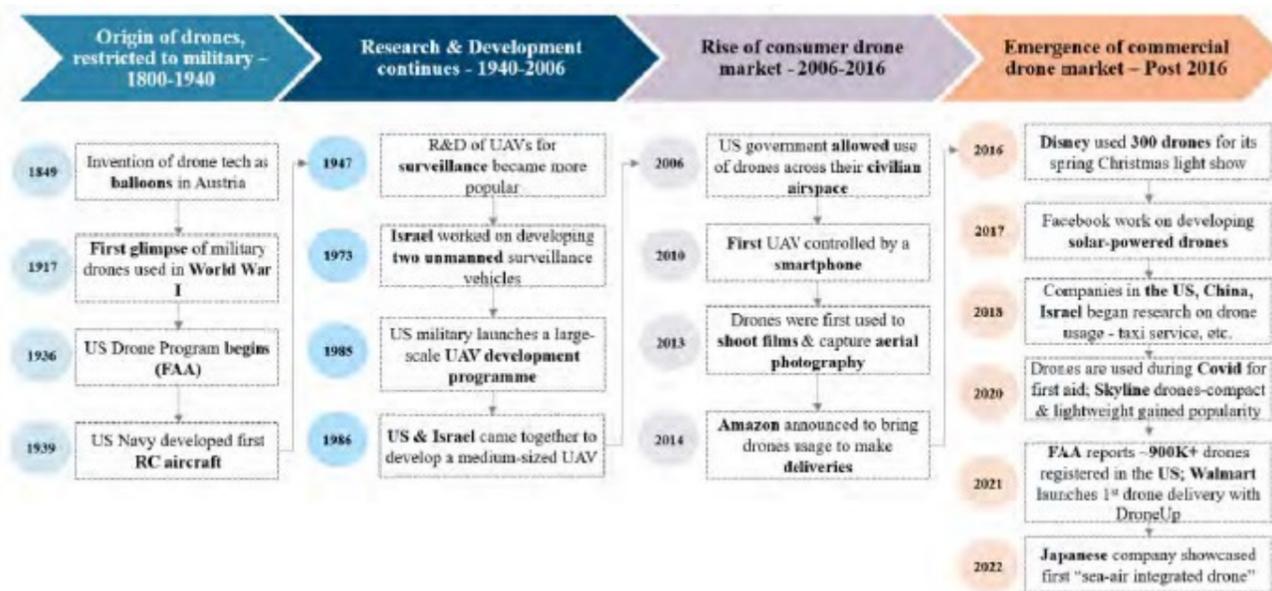
➤ **Focus on indigenization.**

The company partially imports certain of their components such as carbon fibre tubes, landing gear, propellers, motors and antennas, required for manufacturing UAVs. In line with the market growth potential of UAVs, with increased manufacturing of their UAVs, their expenditure on components required for manufacturing of UAVs will also increase. With the production linked incentive scheme (“PLI Scheme”) launched in 2021, the Government of India (“GoI”) will offer incentives for drone makers, to encourage and boost manufacturers to develop their products in India and export them to the world and achieve the Government’s aim to make India ‘The global drone hub of the world’. ideaForge has also been shortlisted as one of the beneficiaries of PLI Scheme by the GoI. With the recent initiatives of the GoI i.e., “Atmanirbhar Bharat Abhiyan”, wherein focus has been on indigenisation. They also have an arrangement with a start-up company for development of indigenous UAV propulsion systems.

Industry Snapshot

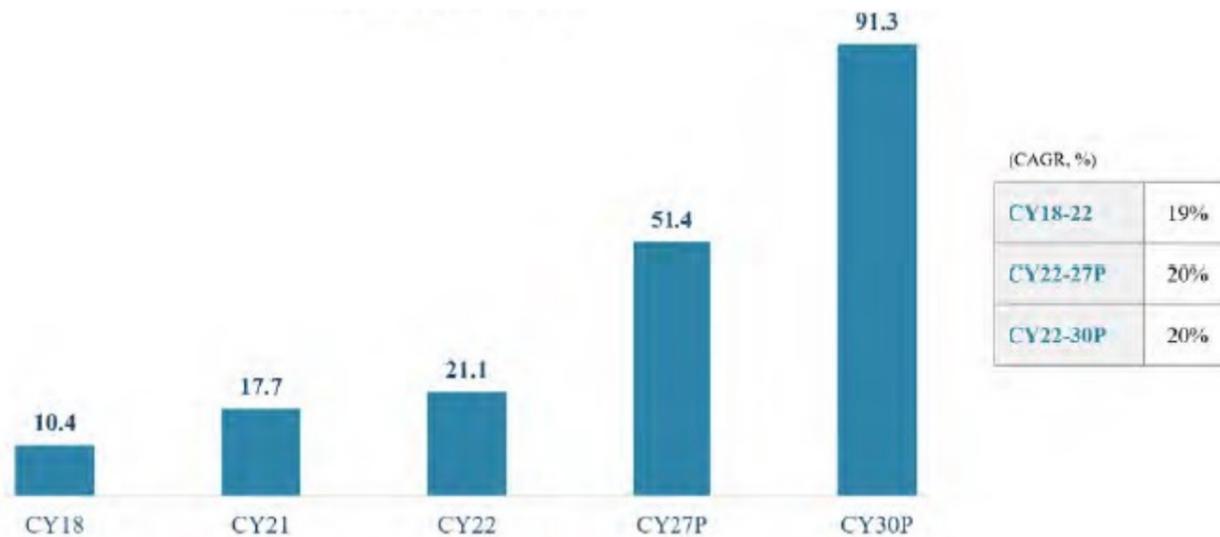
Evolution of Drone Industry

The first usage of drones dates back to the 1850s. Drones have been used by armies all around the world for training, defence, surveillance operations and strikes on targets since the 1800s. Commercial drone permits weren't issued for almost 150 years after the first military usage of drones, despite the advancement of drone technologies. Today, drones are used in a wide variety of defence and civil applications that are growing across industries. Drone technology is a sunrise sector, poised for exponential growth worldwide. Its recent exponential expansion has been fueled by the rise of multiple use cases across varied industries.



Drones have been used for various tasks in a wide range of sectors and applications for the past several years. Drones are proven to be quite helpful in places where humans cannot access or are unable to undertake tasks in a fast and effective manner, from battling in combat missions to express shipping and delivery

Global Drone Market size



Global drone market segmentation by use case**Drone segments by application**

Drone applications can be majorly clarified into 4 broad categories, Surveillance, Mapping, Inspection and Delivery.



Surveillance: Drones provide high-performance aerial vision providing a real-time video feed, in daytime as well as night via advanced payloads. Drones provide an easy way to get a bird's eye view of large areas. These days drone are also equipped with advanced analytics capabilities such as, target detection, target tracking and moving target indicator.

Mapping: Drone technology showcases a huge potential for surveyors and GIS services where aerial photographs taken from drones using different types of sensors can provide accurate mapping information. It greatly cuts the cost and work hours of data capture. Further, drones can survey otherwise unreachable areas and deliver high-resolution aerial maps that would be otherwise impossible to produce in a safe or cost-effective way. Drones can help to achieve many benefits for effective mine planning - conducting initial survey, carrying out exploration activity, physical terrain mapping for segregation of land use, contour mapping, 3D modelling, terrain modelling and stockpile management. In agriculture, multispectral mapping can be used for crop health monitoring and yield estimation. There are a number of new sensors such as LiDAR, which enable the ability to create 3D maps and point clouds.

Inspection: Inspection drones are redefining manual inspection procedures by enabling inspectors to collect inspection data rapidly while eliminating risky, labor-intensive human stages. There are a number of inspection use cases such as property inspection, railway inspection, bridge, pipeline inspection.

Delivery: Drone delivery services can be used to distribute prescription drugs, packages, groceries, food, and other home healthcare supplies. Another specific application of delivery is spraying drones which can make a big difference in agriculture with more precise delivery of fertilizer and pesticides

- Accounting ratios**

| Particulars | FY 2023 | FY 2022 | FY 2021 |
|---------------------------------------|----------|----------|----------|
| Revenue from Operations | 1,860.07 | 1,594.39 | 347.18 |
| Growth in revenue from operations (%) | 16.66 | 359.24 | 148.0 |
| Gross Profit | 1,271.49 | 1,182.18 | 164.15 |
| Gross Profit Margin (%) | 68.36 | 74.15 | 47.28 |
| EBITDA | 574.88 | 751.31 | (92.51) |
| EBITDA Margin (%) | 30.91 | 47.12 | (26.65) |
| Adjusted EBITDA | 851.87 | 814.09 | (33.63) |
| Adjusted EBITDA Margin (%) | 45.80 | 51.06 | (9.69) |
| PAT | 319.87 | 440.06 | (146.26) |
| PAT Margin (%) | 17.20 | 27.60 | (42.13) |
| ROE (%) | 13.11 | 39.46 | (22.88) |
| ROCE (%) | 12.51 | 49.63 | (15.18) |

Comparison with listed entity

| Name of the company | Latest FY | Face value | P/E | EPS (Basic) (₹) | EPS (Diluted) (₹) | RONW (%) | NAV per equity share (₹) |
|------------------------------|--------------|------------|-------|-----------------|-------------------|----------|--------------------------|
| IdeaForge Technology Ltd | Consolidated | 10 | 87.9* | 8.55 | 8.12 | 9.85 | 86.81 |
| Listed peers | | | | | | | |
| MTR Technology Limited | Consolidated | 10 | 56.7 | 33.62 | 33.62 | 16.68 | 201.60 |
| Data Patterns India Limited | Consolidated | 2 | 81.3 | 23.80 | 23.80 | 10.62 | 224.0 |
| Astra Microwave Products Ltd | Consolidated | 2 | 50.1 | 8.06 | 8.06 | 10.87 | 74.17 |

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on June 23, 2023.

2) * P/E of company is calculated on EPS of FY23 and post issue no. of equity shares issued.

Key Risks

- They have sustained negative cash flows from operating activities in the past and may experience earnings declines or operating losses or negative cash flows from operating activities in the future.
- Their business is dependent on single manufacturing facility and are subject to certain risks in manufacturing process. Any slowdown or shutdown in manufacturing operations could have an adverse effect on business, financial condition, and results of operations.
- Their products are complex and technologically advanced and could have unknown defects or errors.
- Lengthy working capital cycle in the past. If they continue to experience lengthy working capital cycle in the future, it could have an adverse effect on their financial condition.
- Most of their customer agreements generally contain a liquidated damage clause for delay or non-delivery of the Unmanned Aerial Vehicle. Any contractual default on their part may result in claims and payment of liquidated damages, which could adversely affect our business, financial condition, and cash flow.
- The company is subject to various laws and regulations, including environmental and health and safety laws and regulations.
- Hacking of their software and solution or any other kind of cyber-attack could have a material adverse effect on business, results of operation.
- The company is heavily reliant on sales to the Indian government including to the central and state government agencies. A decline in government budget, reduction in orders, termination of existing contracts, delay of existing contracts or any kind of adverse change in the Government of India policies for the sector would have a material adverse impact on business, financial condition, and results of operations.

Valuation

Idea forge technology is the pioneer and the pre-eminent market leader in the Indian unmanned aircraft system ("UAS") market, with a market share of approximately 50% in FY22. The company manufactures Unmanned Aircraft Vehicles for Mapping, Security & Surveillance. These drones are capable of a wide range of mining area planning and mapping applications. ideaForge ranked 7th globally in the dual-use category (civil and defence) drone manufacturers as of December 2022.

At the upper price band company is valuing at P/E of 87x with a market cap of ₹ 28,002 million post issue of equity shares and return on net worth of 9.85%.

We believe that company is fairly priced and recommend a "**Subscribe- Long term**" rating to the IPO.

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| Ratings Guide (12 months) | Buy | Hold | Sell |
|----------------------------|-----|---------|-----------|
| Large Caps (>₹300Bn.) | 15% | 5%-10% | Below 5% |
| Mid/Small Caps (<₹300 Bn.) | 20% | 10%-15% | Below 10% |

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