

Rating: Subscribe for Listing gain

Issue Offer

Fresh Issue of 37,38,318 equity shares upto INR 2,400Mn and OFS of 48,66,071 shares by Promoters group of INR 3,270Mn taking the total issue size at INR 5,670Mn

Issue Summary

Price Band (INR)	638-672
Face Value (INR)	10
Implied Market Cap (INR Mn)	28,110
Market Lot	22
Issue Opens on	June, 26, 2023
Issue Close on	June, 29, 2023
No. of share pre-issue	3,80,98,559
No. of share post issue	4,19,36,877
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≥ 75
NIB Portion	≤ 15
Retail Portion	≤ 10

Book Running Lead Managers

JM Financial Ltd

IIFL Securities Ltd

Registrar

Link Intime India Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	60.65%	43.6%
Public & Others	39.35%	56.4%

Objects of the issue

- Repayment/prepayment of certain indebtedness availed by the company
- Funding working capital requirements
- Investment in product development
- General corporate purposes

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Jill Gosrani

IdeaForge Ltd 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 FY22. The company have the largest operational deployment of indigenous UAVs across India, with an ideaForge-manufactured drone taking off every five minutes on average for surveillance and mapping as of FY23. They are ranked 7th globally in the dual-use category (civil and defense) drone manufacturers as per the report published by Drone Industry Insights in December 2022. Defence, Traffic Monitoring, Disaster management, Mining, Forest and Wildlife, and Agriculture are the major field of applications that requires surveillance which is fulfilled by the company.

Investment Rationale

Pioneer and the pre-eminent market leader in the Indian UAS industry, with first-mover advantage: The Promoters built their first quadrotor drone in 2004. They started the operations in 2007 and with a first-mover advantage, they are among the first few companies in India to enter the UAV market and the first organization to indigenously develop and manufacture VTOL UAVs in India in 2009. The company is the largest manufacturer of drones in India with approx. 50% of the market share. They are also the first one to introduce the Autopilot feature which increases efficiency and accuracy by using Proprietary technologies (Return to home location and land on low battery, smart altitude management, Redundant GPS, etc.) They are the first company to introduce Vertical Landing and take-off which becomes a great factor in taking into consideration of difficult terrains and geographies of India.

Comprehensive solution provider offering Hardware to Software with Embedded Sub-Systems:

The company primarily develops the software from scratch with backward integrations, hardware procurement as increasing vertical integrations which combined leads to a complete solution with healthy gross margins. Their technologies is not only around the drone, overall but also it is in the Embedded Subsystems of the drone as well. They also provide their 2 software “BlueFire Live” which provides a live feed of the camera through an encrypted over the internet to different parts of the world. “BlueFire Touch” is a completely integrated Mapping and Surveillance mission. They have also eliminated the middle person in the mapping process which reduces the cost of mapping any region.

Robust technology stack and track record of successful outcomes in critical use cases:

The company have a diversified 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 Flagship product is “NETRA V4+” and the prices range between INR 5 Lakhs to INR 70 Lakhs based on applications and variants. Their best-selling product is “SWITCH” which has the hybrid feature of Fixed wing and VTOL.

Long-standing relationships with Customers:

The company has established strong relationships with its customers through the ability to invent and deliver advanced customer-centric solutions, to help them operate more effectively and efficiently.

Valuation and View: IdeaForge has 50% market share in Indian drone industry and having first mover advantage compared to competitors, well placed to offer comprehensive solution such as software and hardware to customers, wide range of products portfolio across applications in various industries and long stand relationship with customers. The company is focused on product portfolio expansion, expanding services and software offerings, indigenization and strategic business opportunities will drive business growth going forward. At the upper band of INR 672, the issue is valued at a PE of 87.9x based on FY23 EPS. We are recommending “Subscribe for Listing gain” for this issue.

Management Meeting and Plant Visit Note

Indigenization

- The company is moving towards indigenization by not depending on import for too much besides the basic raw material which is currently not available in India, one example would be Batteries which are currently imported from China, which are all BIS Certified from the government, but they are actively looking for Indian alternative.
- In a product almost 90% is indigenized material and only 10% from import.

Backward Integration

- They get raw material in powder form and then the design of the mold to decide the percentage of the mixture of different chemicals with the raw material to test the finished product for high accuracy is all done at their manufacturing plant.
- Once the process flow is confirmed, they outsource the work.
- The company is moving fast towards full design development in-house which gives them full control over the production of drones.

Automation

- They are investing more towards automation where the operator's work is needed as there occurs human error.
- They have their own Environment Stress Screening (ESS) like temperature variations, and pressure, where they stress test the drone for 36 hours under the varied condition
- The company has 3 axes Vibration machine, one of the high-pay investments brought from Tareng Kinetics from Uttarakhand, India.
- They have also invested in Vision Measuring System which accurately measures the components with high accuracy and eliminates human error, they are in the pipeline to buy one more in the upcoming time.

Components

- Currently they import the hardware components of communication for the drone, whereas the software is all in-house development.
- For cameras they are procuring from outside vendors like thermal cameras this is brought from Delopt which was recently acquired by JK Paper in Bangalore. And for day vision cameras they currently import from Korean company KTNC.
- They procure the components and assemble them in their plant where they test and add their software, which is the main USP (Unique Selling Point).
- They first design the entire component structure with the precise amount of raw material and once the process is confirmed the production of those is outsourced.

Digitalization and flexibility

- They have developed a robust hardware, software, and sub-embedded system integration.
- Few drones have a range of 15Km only but if they want to fly for 30Km then that's possible due to their software.
- So the first drone is connected with the base transmission and is set up high over the hill or mountain 15Km away then the second drone flies beyond 15km from the base by connecting itself with the first drone that acts as a base transmission for the second drone with that the military army, navy and air force achieved higher range.
- They provide hardware, software, and an entire image mapping system that can be deployed on any private network.
- Anyone from any part of the India who is authorized has access to those live feeds with the software called "BlueFire Live feeds".

Industry Overview

- India's military expenditure of US\$ 76.6 B in CY21 was the third highest in the world. India's spending was up by 0.9% from CY20 and by 33% from CY12.
- The use of drones is increasing for surveillance and security, combat and logistical support purposes for the Indian military.
- Drones have three main applications in defence:
 - Intelligence, surveillance, target acquisition, and reconnaissance (ISTAR)
 - Combat
 - Logistical support
- The ongoing Russia-Ukraine war, as well as the former Azerbaijan-Armenia conflict, have highlighted one feature of modern warfare. The utilization of drones for both surveillance and retaliatory action.
- UAVs can be segregated on the basis of range and operating altitude:
 - High-altitude long endurance (HALE): UAVs flying at an altitude of more than 9 km (environment with thin air and low temperature)
 - Medium-altitude long endurance (MALE): Flies at an altitude window of 3–9 km
 - Tactical
 - Mini, micro, and nano drones
 - High-Altitude Pseudo-Satellites (HAPS)
- Israel is a dominant player in UAV technology worldwide and has been using drones for over a decade for various military purposes.
- Indian Government banned drone imports from other countries (except for R&D and defense) combined with the Production Linked Incentive (PLI) scheme would help India become a global drone manufacturing hub.
- The agricultural sector was least impacted by the pandemic-related disruptions. Agriculture attributes to 19% of the GVA share.
- Agriculture is one of the major applications of the civil side of the drone field.
- Due to its varied use cases in both defense and civil, drone technology can be fully utilized by India with its homegrown technological potential post-ban on imports, few of the applications are as follows:
 - Drones may greatly assist governments in assessing the current state of infrastructure such as power systems, communication networks, ports, airports, railways, bridges, and so on.
 - Drones are utilized to automate time-consuming and dangerous activities.
 - Drones can be used by construction companies to monitor the structure of such projects to develop city plans.
 - Drones can provide useful analytical data for crowd and traffic management along with other actionable insights.
 - Above all, it can help engineers reduce the dangers associated with physical labor.
- The relaxed drone usage guidelines and ban on drone imports due to security reasons have resulted in a quick climb of the Indian drone industry in the last couple of years and aims to position itself as a global drone hub by CY30.
- Advanced technology and investment in Indian drone companies will lead to the massive potential for homegrown drone companies in India.
- The drone segment is also expected to open employment opportunities in manufacturing, software, and services due to various use cases across industries.
- India is experimenting, exploring, and using drones for various use cases in both defence and civil sectors. On the civil front, agriculture, media and entertainment, energy and utilities, disaster management, geospatial mapping, forest and wildlife, and law enforcement are among the most prominent.

Industry Overview

Defence

- After the clashes between Indian and Chinese forces, along with the Galwan Valley incident, India has been looking to purchase UAVs for surveillance and reconnaissance along the line of actual control (LAC).
- In 2020, the Indian Navy acquired two MQ-9B SeaGuardian drones from General Atomics Aeronautical Systems, Inc. (U.S.) for one year to surveil the Indian Ocean.
- Along the Indian-Pakistan border till May 2023, there were 53 drones noticed, even security forces shot down 9 drones. Hence this increases the necessity of strong reliable drones at our services.
- The Indian army has as part of its Make II program significant requirements for the purchase of drones and also has published requirements for the purchase of integrated surveillance and loitering munition systems, not just drones but also the services related to it with proper data analysis features.
- As of October 2022, the Indian government issued a request for proposal (RFP) for 80 mini Remotely Piloted Aerial Systems (RPAS) which can be used for military purposes such as tactical surveillance to locate adversary troops, equipment, and weapon systems in a particular sector.
- Additionally, the Army is looking for 1,000 surveillance drones to fly over the Himalayas and broadcast live video to the war rooms for planning attacks at the time of war.
- In July 2022, The Defense Ministry approved a budget of ~US\$ 88M to buy drones. The proposed budget would be used to procure autonomous surveillance and armed drone swarms.
- The armed forces already have and in the future will partner with multiple indigenous drone manufacturers for this plan.

Civil

Energy and Utilities

- Drones can ensure that electrical panels are accurately analyzed and in good functioning order.
- These drones can be used to detect flaws like cracking, deamination, discoloration, and issues such as dust collection.
- Drones are also very useful for vegetation management where any vegetation that comes in contact with the powerline has to be trimmed and managed.

Agriculture

- Agriculture drones enable farmers to gather information that can aid in crop health management, crop treatment, crop scouting, irrigation, field soil analysis, and crop damage assessments.
- Depending on national regulations, special permits are given to deploy drones for agricultural research purposes, which is likely to drive a wave of technology in the agriculture sector.

Media and Entertainment

- Film directors are using drones to capture aerial shots for specific scenarios that previously required helicopters, ultimately reducing operating costs.
- Aerial photography, which captures images from high elevations, has also grown in popularity.
- The Indian government held the 'Drone Olympics' during Asia's major air show, Aero India-2019, to allow drone pilots to demonstrate their ability to fly these machines.

GIS – Mapping and Surveying

- SVAMITVA, a Central Sector Scheme of the Ministry of Panchayati Raj was launched nationwide by the Hon'ble Prime Minister on National Panchayati Raj Day, 24th April 2021.
- The large opportunity in a mapping (SVAMITVA program) is being rolled out as services projects by different state land revenue departments and the Survey of India.
- Over six lakh villages are being mapped using geospatial technology and drones.
- 3D pan-Indian mapping of 100 Indian cities is also being developed.

Industry Overview

Civil

Mining

- Drones can help to achieve many benefits for effective mine planning - conducting an initial survey, carrying out exploration activity, physical terrain mapping for segregation of land use, contour mapping, 3D modeling, and terrain modeling.
- Indian states have started to incorporate drone practices and are leveraging drones as part of mining automation.
- For instance, the Andhra Pradesh government deployed drones for the monitoring of stockpile storage, 3D mapping, and volumetric analysis of limestone.
- Rajasthan government has deployed drones to prevent illegal mining in the state.

Public Safety

- A number of state police departments have adopted drones as first responders for (Dial 100/112) and also for other use cases such as crowd monitoring, traffic management, beat patrolling, etc.
- India is already using drone technology and trying to utilize its potential for safety.
- Recently, in Kolkata, police used a drone to patrol polling places where elections were being held.
- In CY16, Delhi Police piloted a squadron of drones to monitor temples and expressways on Republic Day.

Logistics / Delivery

- The pandemic provided an opportunity for a number of drone companies to do delivery trials with medicine and vaccine delivery.
- An increase in demand for faster and more efficient delivery at low cost is being witnessed especially in the e-commerce sector.
- This is likely to increase the usage and acceptance of drones in the logistics and transportation market in India.

Key Strengths and Strategies

Key Strengths	Details
Largest manufacturer of Drone in India	The company is the largest manufacturer of Drone in India with approx. 50% of the market share. It is one of the leading players globally. They have a 21,000 square feet manufacturing facility in Navi Mumbai, Maharashtra in compliance with ISO 9001 2015 standards.
Pioneer and the pre-eminent market leader in the Indian UAS industry, with first-mover advantage	The company had the largest operational deployment of indigenous UAVs across India, with an IdeaForge manufactured drone taking off every five minutes on average for surveillance and mapping as of FY23. The company customers have completed over 350,000 flights using our UAVs as of FY23. More than 120,000 flights were launched in FY23. The in-house capabilities to design, develop, engineer and manufacture have enabled them to develop better products basis evolving demands of the customers, thereby enhancing customer experience with their products.
Significant product development capabilities powering their software and solutions and product differentiators	The company is a vertically integrated company equipped with in-house product development centre, which allows them to design, develop, engineer and manufacture our UAVs. They are one of the few OEMs globally to have its own proprietary autopilot sub-system and 197 ground control software. They have also developed the BlueFire Touch, ground control station software, which enables safe and autonomous surveillance/ mapping operations, and the 'BlueFire Live!' platform, which enables encrypted live streaming of the UAV video feed and allows for payload control over internet. Their UAVs are capable of AI features such as people detection and target tracking which may be used for applications such as surveillance, tree counting, powerline detection and mapping. As on June 17, 2023, they have 25 granted patents, out of which 10 patents are registered in India and 15 patents are registered in other jurisdictions. 13. They have 37 Patents applications pending (20 international and 17 in India) on Payloads, Software, Control side, Autopilot, Communication method and various other factors.
Expertise in Tooling, design development and automation	The company's expertise to design and develop advance tooling in-house enables it to manufacture precision products. The company's dedicated tool production facilities at Changodar have strengthened HEIL's ability to meet customer demands. Over past three years, the company product development and innovation centre has developed more than 1,200 products. Its in-house automation has helped to optimize O&M expenses, reduce production cycle time and minimize capex.

Source: Company reports, Arianth Capital Research

Key Strategies	Details
Expand the product portfolio and cater to new end-use applications and industries	The company is going to work on more category of the drones to make sure that they can service more user cases. They want to enter larger drone category as currently the heaviest one is 7kg in weight, they are looking to develop UAV with larger duration, with larger ranges and simultaneously carry some payload in different configurations. Hence they are looking forward three main types of UAVs – Tactical UAV's, Middle mile Logistics and Last mile Logistics, with 100+ kg payload and 100+km range.
Expand business services and software revenue through 'as a Service' offerings	The company is also looking for some annuity businesses, and of those business expand our business services revenue by providing 'drone as a service' ("DraaS"). Where they will deploy drone for services to take of the headache of owning, operating and maintaining drones away from the end user and give them the ability to consume it as a service. 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 our drones to be deployed in several locations and will be ready to fly and execute missions at the click of a button. They BlueFire MapAssist and BlueFire Live! solutions are offered as a SaaS model where customers can subscribe to the package as per their requirements. Their product "IdeaForge Care" provides the customers with various support options that they can subscribe to for the UAVs. With the maintenance packages that they provide to the customers, such as ideaForge Care packages, they have the capabilities to enhance their sale of maintenance services by offering services to their existing and future customers.
Focus on indigenisation	They were also shortlisted as one of the beneficiaries of the PLI Scheme and received an incentive of INR 174.20 mn from the Ministry of Civil Aviation, under the PLI Scheme. With the recent initiatives of the Government of India i.e., "Atmanirbhar Bharat Abhiyan", wherein focus has been on indigenisation, they are poised to take full benefit of such schemes and reduce their dependency on imports thereby reducing their import spend. They also have an arrangement with a start-up company for development of indigenous UAV propulsion systems.
Pursue strategic investment and acquisition opportunities	As the UAV industry presents significant growth opportunities, the company intend to utilize their capabilities and expand their business and operations by pursuing investment opportunities in future. The company may also form strategic alliances with global and domestic players in various segments of the drone industry that bring synergies to their business.

Source: Company reports, Arianth Capital Research

Key Risks

- The company's revenue has increased in FY21 and FY22 and the number of orders they have received in the past, their current order book and their growth rate may not be indicative of the number of orders they will receive in future.
- The company have significant working capital gap.
- The company 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.
- The company operate in an industry which is highly regulated and is subject to change.
- The company are heavily reliant on sales to the Indian government including to the central and state government agencies.
- The business is dependent on their single manufacturing facility, and they are subject to certain risks in the manufacturing process.
- If there is any technology issue or malfunction of system or hardware then it might affect the company's business.

Key Managerial Personnel	Details
Ankit Mehta	Ankit Mehta is the Chief Executive Officer and Whole-Time Director of the Company. He is a Promoter of the Company. He has been associated with the Company since its incorporation and has experience in the drone industry. In the Company, he is responsible for driving business growth, strategy, global expansion, investor relations. He holds a degree in Bachelor of Technology in mechanical engineering under the dual degree programme and a degree in Master of Technology in mechanical engineering with specialization in computer aided design and automation under the dual degree programme from Indian Institute of Technology, Bombay.
Rahul Singh	Rahul Singh is the Vice President-Engineering and Whole-Time Director of the Company. He is a Promoter of the Company. In the Company, he is responsible for driving innovation and defining product and technology roadmap. He has been associated with the Company since its incorporation and has experience in the drone industry. He holds a degree in Bachelor of Technology in mechanical engineering from Indian Institute of Technology, Bombay
Ashish Bhat	Ashish Bhat is the Vice President-Research & Development and Whole-Time Director of the Company. He is a Promoter of the Company. In the Company, he is responsible for driving innovation and defining product and technology roadmap. He has been associated with the Company since its incorporation and has experience in the drone industry. He holds a degree in Bachelor of Technology in electrical engineering from Indian Institute of Technology, Bombay
Vipul Joshi	Vipul Joshi is the Chief Financial Officer of the Company. He has been associated with the Company since October 21, 2008. He is responsible for handling the financial operations of the Company. He holds a Bachelor of Commerce (honours) accounting degree from Jai Narain Vyas University, Jodhpur and a degree in Master of Business Administration in international management from University of Business & Finance, Switzerland. He has been the Chief Financial Officer of the Company since October 15, 2022, and has experience in finance and marketing. He was previously associated with Kebee Network Systems Private Limited and Arvin Meritor Commercial Vehicle Aftermarket AG.
Vishal Saxena	Vishal Saxena is the Vice President-Sales and Development of the Company and has been associated with the Company since February 3, 2020. In the Company, he is responsible for sales and development. He holds degree in Bachelor of Science and Bachelor of Technology from Jawaharlal Nehru University, New Delhi and post graduate programme in management from Indian School of Business, Hyderabad. He has experience in sales and development. He was previously associated with CISCO Systems (India) Private Limited and the Indian Army.
Sonam Gupta	Sonam Gupta is the Company Secretary and Compliance Officer of the Company and has been associated with the Company since December 15, 2022. In the Company, she is responsible for ensuring managerial and secretarial compliances. She is an associate member of the Institute of Company Secretaries of India. She was previously associated with Oriental Rail Infrastructure Limited and Bharat Wire Ropes Limited. She joined the Company in Fiscal 2023.

Source: Company reports, Arianth Capital Research

Benchmarking with Domestic Drone Company



Year of establishment	2007	2011	2015	2013	2020	2021	2017	2017	2012	2017	2019
Defence	✓	✓	✓	✗	✓	✗	✓	✓	✓	✓	✓
Enterprise											
Agriculture	✓	✓	✗	✓	✗	✓	✓	✗	✗	✗	✓
Energy and utilities	✓	✓	✗	✗	✓	✗	✗	✗	✗	✗	✓
GIS, construction & real estate	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✓
Mining	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✓
Oil & gas	✓	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗
Public safety	✓	✓	✓	✗	✓	✓	✓	✗	✓	✗	✓
Logistics	✗	✗	✗	✗	✗	✓	✗	✗	✗	✓	✓
Passenger	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Financials											
Revenue (US\$)	21.8M (FY22)	2.6M (FY22)	1.0M (FY22)	0.8M (FY21)	NA	1.1B (FY21)	9.3B (FY22)	0.03B (FY22)	40.6B (FY22)	0.1B (FY20)	0.6B (FY22)
EBITDA	44.8% (FY22)	9.5% (FY22)	14.8% (FY22)	67.2% (FY21)	NA	13.4% (FY21)	6.8% (FY22)	-6.3% (FY22)	23.8% (FY22)	-508.9% (FY20)	20.8% (FY22)
PAT	33.7% (FY22)	-23.8% (FY22)	8.6% (FY22)	4.9% (FY21)	NA	8.0% (FY21)	0.7% (FY22)	-8.7% (FY22)	13.4% (FY22)	-600.0% (FY20)	0.5% (FY22)

Source: Company reports, Arihant Capital Research

Benchmarking with Global Drone Company



Year of establishment	2007	2006	2014	2014	1995	1978	1971	2014	2016	2009	2007
HQ	India	China	China	USA	USA	USA	USA	Germany	Switzerland	Switzerland	Israel
Defence	✓	✗	✓	✓	✓	✓	✓	✓	✗	✗	✓
Enterprise											
Agriculture	✓	✓	✗	✗	✗	✗	✗	✓	✓	✓	✓
Energy and utilities	✓	✓	✓	✓	✗	✗	✗	✗	✗	✗	✓
GIS, construction & real estate	✓	✓	✓	✓	✗	✓	✗	✓	✓	✓	✓
Mining	✓	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓
Oil & gas	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗
Public safety	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓
Counter Drones	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗
Logistics	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗
Passenger	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Financials											
Revenue from Operations (US\$)	21.8M (FY22)	NA	NA	NA	66.0B (CY22)	5.5B (CY22)	445.7M (FY22)	NA	NA	12.5M (CY20)	NA
EBITDA Margin (%)	44.8% (FY22)	NA	NA	NA	11.2% (CY22)	18.3% (CY22)	-3.1% (FY22)	NA	NA	NA	NA
PAT Margin (%)	33.7% (FY22)	NA	NA	NA	8.7% (CY22)	14.4% (CY22)	-0.9% (FY22)	NA	NA	NA	NA

Source: Company reports, Arihant Capital Research

Comparison of Netra V4+ with other Global Products



Parameters	ideaForge Netra V4 Pro	Tunga Drishya Pro	Asteria A410	FLIR SkyRaider	Lockheed Martin Indago	DJI Matrice 300 RTK
Company	ideaForge	Tunga Aerospace	Asteria Aerospace	Teledyne FLIR	Lockheed Martin	DJI
Headquarters	India	India	India	USA	USA	China
Application	<ul style="list-style-type: none"> Defence Public safety Emergency response Mapping 	<ul style="list-style-type: none"> Rescue and damage assessment Crowd control, management Target monitoring Vegetation and wildlife survey 	<ul style="list-style-type: none"> Military ISR Homeland security Law enforcement Surveillance and security 	<ul style="list-style-type: none"> Immediate ISR clandestine operations payload delivery situational awareness Beyond line-of-sight reconnaissance Force protection Target recognition Manned/unmanned air strikes 	<ul style="list-style-type: none"> Expeditionary intelligence, surveillance Reconnaissance (ISR) applications 	<ul style="list-style-type: none"> Firefighting, search and rescue Law enforcement Powerline inspection Oil and gas Geomatics
Weight (Kg)	< 6 Kg	6 Kg	< 5 Kg	5 Kg	2 Kg	6.3 Kg
Endurance	Over 90 minutes	Over 60 minutes	Up to 45 minutes	Over 40 minutes	50 - 70 minutes	Up to 55 minutes
Range of transmission	15 Km	6+ Km	5 Km	NA	10 - 12 Km	15 Km
Maximum launch altitude (AMSL)	4,000 m	1,500 m	4,000 m	NA	5,500 m	7,000 m
Dust and Drizzle Resistance	IP54 rating	Data not available	Data not available	Tested to IP-54 and military standards	IP 54 (pursuing IP 67)	IP45 rating

Source: Company reports, Arihant Capital Research

Comparison of SWITCH with other Global Products



Parameters	Switch	Asteria AT-15	Paras Defence FIXAR 007	Tata Rakshak	Autel Dragonfish - Standard	Lockheed Martin Stalker XE
Company	ideaForge	Asteria Aerospace	FIXAR tie-up with Paras Aerospace	Tata Advanced Systems	Autel Robotics	Lockheed Martin
Headquarters	India	India	India	India	China	USA
Application	<ul style="list-style-type: none"> Security and surveillance Anti-terror Border security Crime control 	<ul style="list-style-type: none"> Security and surveillance Power asset inspections and renewable energy Logistics 	<ul style="list-style-type: none"> Aerial photography Laser scanning Real-time video monitoring Multispectral imaging Delivery 	<ul style="list-style-type: none"> Security and surveillance 	<ul style="list-style-type: none"> Public Safety, forest fire prevention Powerline inspection Traffic law enforcement Coastal patrol and security Agriculture monitoring 	<ul style="list-style-type: none"> Defence and security
Weight	< 7 Kg	<10 Kg	7 Kg	Not available	9 Kg	-11 Kg
Endurance	Over 120 minutes	Up to 120 minutes	Up to 60 minutes	80 to 120+ minutes	126 minutes	Up to 120 minutes
Range of transmission	15 Km	20 Km	40 Km	15-50 Km	-30 Km	NA
Maximum launch altitude (AMSL)	4,500 m	3,000 m	6,000 m	1,000 - 4,000 m	6,000 m	6,000 m
Dust & Drizzle Resistance	IP 53	NA	IP 54	NA	IP 43	NA

Source: Company reports, Arihant Capital Research

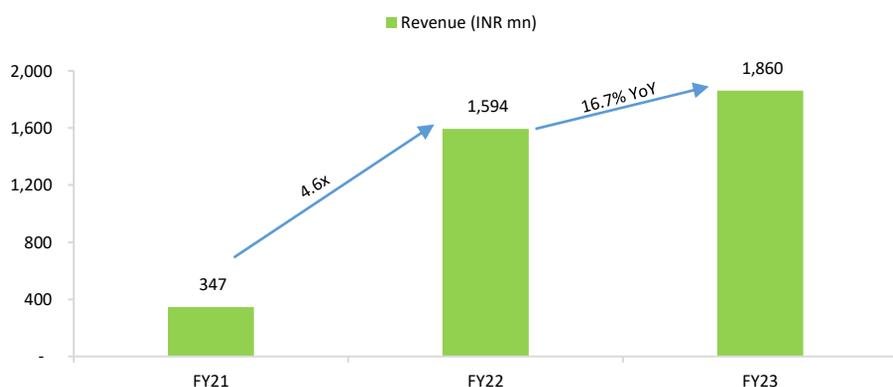
Financial Statements

Income Statement Summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Total Revenue	347.2	1,594.4	1,860.1
Cost of materials	183.0	412.2	588.6
Employee cost	192.5	268.5	509.1
Other expenses	80.3	182.4	291.4
EBITDA	-108.7	731.2	470.9
EBITDA Margin (%)	-31.3%	45.9%	25.3%
Depreciation	35.8	72.8	118.6
EBIT	-144.5	658.4	352.4
Other income	16.2	20.1	104.0
Interest expense	16.7	176.7	48.4
Exceptional items			
Profit before tax	-145.0	501.8	408.0
Taxes	1.2	61.7	88.1
PAT	-146.3	440.1	319.9
PAT Margin %	-42.1%	27.6%	17.2%
Other comprehensive income	0.5	0.3	-0.1
Net profit	-145.8	440.4	319.8
Basic EPS	-3.84	11.55	8.40

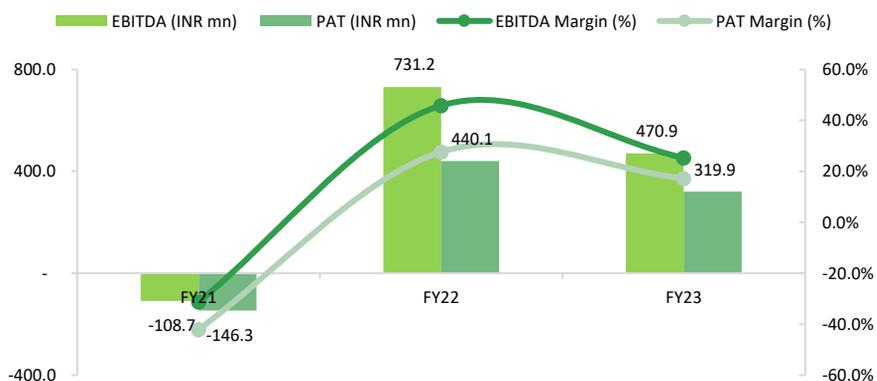
Source: Company reports, Aриhant Capital Research

Revenue witnessed double digit growth in FY23.



Source: Company reports, Aриhant Capital Research

Profitability achieved in FY22 and FY23.



Source: Company reports, Aриhant Capital Research

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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