

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

IdeaForge Technology LIMITED

Jun 26, 2023





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Details of the Issue

Price Band	₹ 638 - ₹ 672
Issue Size	₹ 567 Cr
Face Value	₹ 10
Bid Lot	22
Listing on	BSE, NSE
Post Issue Mcap	₹ 2,800 Cr
Investment Range	₹ 14,036 - ₹ 14,784

Important Indicative Dates (2023)

Opening	26 - Jun
Closing	29 - Jun
Basis of Allotment	04 - July
Refund Initiation	05 - July
Credit to Demat	06 - July
Listing Date	07 - July

Lead Manager

JM Financial Limited
IIFL Securities Limited

Offer Details

Offer Size	₹ 567 Cr
Fresh Issue	₹ 240 Cr
OFS	₹ 327 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	425.25	6.32	6.46	75%
NIB	85.05	1.26	1.29	15%
Retail	56.7	0.84	0.86	10%
Empl.	-	0.013	0.013	-
Total	567	8.21	8.65	100

Invest Now**Company Profile**

Established in 2007, ideaForge Technology Limited specializes in the manufacturing of Unmanned Aircraft Systems (UAS), delivering advanced aerial solutions for various industries.

The company specializes in the production of advanced Unmanned Aircraft Vehicles (UAVs) designed for various industries such as mapping, security, and surveillance. These highly capable drones offer a wide range of applications, particularly in mining area planning and mapping, enabling enhanced operations for construction and real estate sectors. Additionally, they serve as invaluable assets to defense forces by facilitating Intelligence, Surveillance, and Reconnaissance (ISR) operations along border areas.

As the dominant player in the Indian Unmanned Aircraft Systems (UAS) market, the company holds a commanding market share of around 50% in fiscal 2022. With the largest operational fleet of indigenous UAVs in India, an ideaForge-manufactured drone is deployed for surveillance and mapping purposes every five minutes on average, showcasing their widespread adoption and impact. The company has been 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.

Business Highlights & Services

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 (Source: 1Lattice Report). Ideaforge 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 Fiscal 2023. Their customers have completed over 350,000 flights using UAVs as of March 31, 2023. They ranked 7th globally in the dual-use category (civil and defence) drone manufacturers as per the report published by Drone Industry Insights in December 2022. Ideaforge have grown at a CAGR of 131.47% in terms of revenue from operations over the last three Fiscals, with a Return on Capital Employed of 12.51% in Fiscal 2023.

Ideaforged is a leading UAV company known for its indigenous design and technological expertise. They have vertically integrated operations, controlling the entire process from design to manufacturing. Their UAV platforms are highly reliable and capable of autonomous operation without specialized training. Company achieved a significant milestone by developing and manufacturing VTOL UAVs in 2009. They have showcased innovation by demonstrating 5G-enabled UAVs and differentiate themselves with proprietary autopilot sub-system and ground control software. Their commitment to continuous product development and innovation is evident through their extensive portfolio of internationally recognized patents. Company's SWITCH UAV product secured the largest mini-VTOL UAV contract, outperforming competitors from various countries.

Ideaforged is the industry leader in civil and defense applications, offering a wide range of highly differentiated products. Their portfolio includes UAVs with features like weight class, endurance class, take-off altitude range, communication range, and diverse payload options. Ideaforged goes beyond UAVs by integrating payloads, communication systems, and packaging, and they develop their own software stack for flight safety, autopilot sub-systems, battery management, power systems, and communication.

Its integration of complex technologies allows Ideaforged to optimize performance, reliability, and autonomy, giving them a competitive edge and creating barriers for new entrants in the market.



It serve domestic and international customers in defense and civil sectors, primarily focusing on surveillance, mapping, and surveying applications. It UAVs have a proven track record of operating in extreme conditions, enduring harsh environments from high altitudes in Ladakh to scorching temperatures in the Thar desert. Given the critical nature of their products, especially for defence operations, Ideaforge maintains a high standard for performance and quality. Some of their UAVs have exceeded the minimum flight requirements specified in RFPs by flying over 4,500 flights while still under warranty.

ideaForge has an established track record of designing products that have led to repeat business. Their innovation process allows them to evolve product features based on the evolving needs of their customers delivering a superior customer experience with advanced technology. Their UAVs are capable of being autonomously operated without special skills or training. This combination of performance, reliability and autonomy leads to a lower TCO for their customers. The company primarily cater to customers with applications for surveillance, mapping, and surveying. Though they do not enter into 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.

Product portfolio

A. Hardware

1. NINJA UAV is the lightest UAV, operable during day and night and mainly used in security surveillance.



2. RYNO UAV is micro category survey-grade UAV and is equipped with an advanced mapping payload and a state-of-the-art post processed kinematic PPK module.



3. Q4i is small category VTOL UAV and is one of most economical UAVs built with military grade standards.



B. Software and embedded Sub-system

1. **BlueFire Touch:** BlueFire Touch, its 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.
2. **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 GPS error handling features

C. Solution

1. **BlueFire MapAssit:** Software solution for simple and intuitive geotagging with flexibility for both PPK mapping as well as non-PPK mapping with optimized data capture and processing.
2. **Blue FireLive:** Real time live streaming of the drone video feed and payload control. Integrates easily with CCTVs and command and control centres, operates in low bandwidth and offers easy remote payload control.
3. **GIS Pro:** High resolution mapping with PPK and optimized workflows.



Manufacturing Facilities

The company conducts its manufacturing operations in a state-of-the-art facility located in Navi Mumbai, Maharashtra. The facility spans approximately 21,000 square feet and is equipped with advanced machinery, modern technology, and automated systems to produce a diverse range of products.

The following table sets forth the installed production capacity and the rate of capacity utilization of manufacturing facility.

Product	Installed capacity per day as of Mar 31, 2023.	capacity utilization as on Mar31		
		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%

Customer

As of May 31, 2023, Ideaforge have served a diverse base of 265 customers. Customers include Indian defence customers and civil customers comprising certain of the central armed police forces, state police departments, disaster management forces, forest departments, private contractors in connection with smart cities, Pioneer Foundation Engineers Private Limited, and C.E. Info Systems Limited.

Competition

Ideaforge face competition from companies such as Asteria Aerospace Private Limited, DCM Shriram Limited, Adani Defence and Aerospace (Adani Enterprises Limited), as well as other international companies such as Lockheed Martin Corporation and Autel Robotics Corp. Limited, which either operate in the same line of business and offer similar products.

Intellectual Property Right

Particulars	Total	Approved	Prending	Remarks
Trademarks	54	33	21	33 Registered Trademarks in India
Patents	62	25	37	10 granted patens in India and 15 granted patents in other jurisdiction
Copyrights	9	7	2	7 registered copyrights in India

Order Book

Particular (Cr)	FY 2020	FY 2021	FY 2022	6 Mth ended 30 SEP 2021	6 Mth ended 30 SEP 2022
ORDER BOOK	2.31	136.4	310.88	3.56	184.18
DEFENCE	1.39	128.48	305.53	3.38	181.25
CIVIL	0.98	7.92	5.34	0.18	2.93

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

- Repayment/prepayment of certain indebtedness availed by Company of ₹ 50 Cr.
- Funding working capital gap of ₹ 135 Cr.
- Investment in product development of ₹ 40 Cr.



Industry Outlook & Market Opportunities

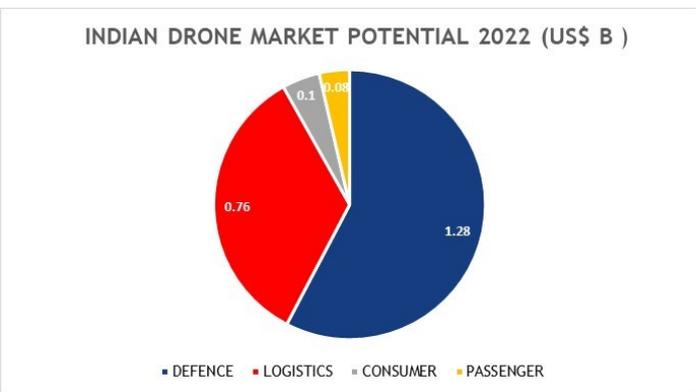
The drone industry is experiencing rapid global growth, and India aims to establish itself as a global drone hub by 2030. The global drone market was valued at approximately \$21.1 billion in 2022, with a CAGR of 19% between 2018 and 2022. It is projected to reach around \$51.4 billion in 2027 and further expand to approximately \$91.3 billion by 2030, growing at a CAGR of 20%. In India, the drone market size was estimated to be around \$2.71 billion in 2022. Among various sectors, the defense industry holds the highest potential at \$1.28 billion, followed by logistics at \$0.76 billion and enterprise at \$0.48 billion. Over the fiscal years 2022-2027, the Indian drone market is expected to grow at an impressive CAGR of 80%, reaching \$812 million by fiscal 2027 from \$43 million in fiscal 2022.

Factors driving drone industry growth: policies, demand for monitoring/surveying, cost-effective data collection, new use cases. India aims to tap into INR 1.8 lakh crore domestic manufacturing potential through indigenization initiatives in defense, commercial, security, and counter-UAV sectors. Drone manufacturing development benefits subcomponent value chain: motors, payloads, communication modules, batteries, propellers, assembly, navigation systems, airframes, and software solutions.

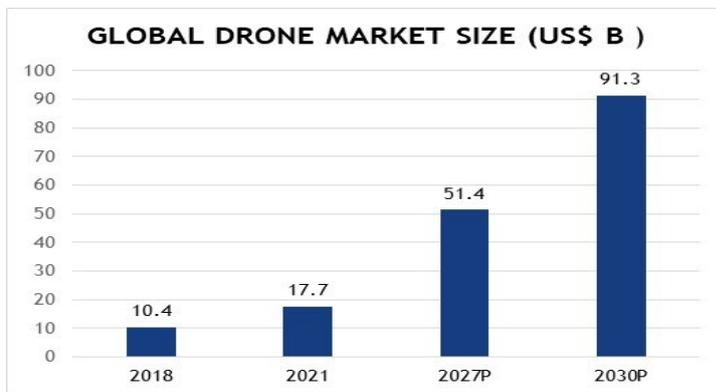
Rapid Chinese drone production led to reliability issues. Data confidentiality concerns and anti-China sentiments open opportunities for Indian drones. Government policies and investments support India's UAV sector. India aims to compete in civil and military drone exports. Meticulous public-private investments position India as a global drone market player.

International drone regulations vary. Australia, China, and the UK have advanced frameworks. In India, regulatory bodies adopt a liberalized approach, acknowledging drones' economic potential. The Drone Rules 2021 reduce paperwork, expand "free to fly" green zones, and simplify permission granting. India's laws and policies support both demand and supply sides, with initiatives like PLI and import bans fostering indigenous drone production.

The DGFT, under the Ministry of Commerce and Industry, issued a notification in February 2022 amending the Indian Trade Classification (Harmonized System) 2022 Schedule-1 (Import Policy). The import of drones in completely-built-up (CBU), semi-knocked-down (SKD), or completely-knocked-down (CKD) form has been banned, with exceptions. Government entities, recognized educational institutions, government-recognized R&D entities, and drone manufacturers for R&D purposes are allowed to import drones in CBU, SKD, or CKD form with import authorization from DGFT and consultation with relevant line ministries. Import of drones for defense and security purposes is permitted with import authorization from DGFT and consultation with concerned line industries. However, the import of drone components is not banned and does not require any approval.



Source: Company Data, Gepl Research



Source: Company Data, Gepl Research

Peer Comparison

Name Of The Company	Face Value	Revenue From Operations	EPS	P/E [x]	RONW (%)	NAV
IDEAFORGE TECHNOLOGY Ltd	10	159.44	13.13	N/A	26.95	163.3
LISTED PEERS						
MTR TECHNOLOGIES Ltd	10	322	19.79	82.73	11.71	519.74
DATA PATTERNS INDIA Ltd	2	310.85	19.48	66.32	16.36	574.51
ASTRA MICROWAVE PRODUCTS	2	750.46	4.37	59.02	6.47	585.59

Source: Company Data RHP, Gepl Research



Companies Competitive Strength :

- Pioneer and the pre-eminent market leader in the Indian UAS industry, with first-mover advantage.
- Diversified product portfolio with a robust technology stack and track record of successful outcomes in critical use cases.
- Strong relationships with a diverse customer base.
- Significant product development capabilities powering software and solutions and product differentiators.
- In-house design to delivery capabilities.
- Strong management capabilities with a demonstrated ability to deliver robust financial performance.

Key Strategies Implemented by Company

- Continue to invest in product innovation, engineering and design.
- Expanding into international markets.
- Expanding product portfolio and cater to new end-use applications and industries.
- Expand business services and software revenue through 'as a Service' offerings.
- Pursue strategic investment and acquisition opportunities.

Particulars (Rs Cr)	2023	2022	2021
Equity Share Capital	21.34	0.09	0.09
Reserves	303	163	59.75
Net worth as stated	324.72	163.30	59.75
Revenue from Operation	186	159	35
Revenue Growth (%)	17%	354%	-
EBITDA as Stated	57.49	75.13	(9.25)
EBITDA margin (%)	30.91%	47.12%	(26.65)%
Profit Before Tax	40.80	50	(14.50)
Net Profit for the period	31.99	44.01	(14.63)
Net Profit (%) as Stated	17%	27.60%	(42.13)%
EPS (₹)	8.12	13.13	(5.03)
RoNW (%)	10%	27%	(24.48)%
ROCE(%)	26.98%	77.25%	(12.06)%

Valuations and Recommendation:

- IdeaForge Tech earning arrives at ₹ 31.99 Cr for FY23. At upper price band of ₹ 672, Company is looking for post issue market cap of ₹ 2,800 Cr, Which implies a earning multiple (P/E) of 87.53(x).
- IdeaForge excels in maintaining long-term business relationships and achieving healthy margins by leveraging its high customer retention rate (90% revenue from repeat customers). With a first mover advantage in the drone industry, a diversified product portfolio, and a broad customer base, the company is well-positioned for sustained long-term success. Additionally, the recent ban on drone imports creates a significant growth opportunity. The Indian drone industry is projected to grow at an impressive 80% CAGR from FY22 to FY27, with a potential market size of USD 2.7 billion in 2022, reaching USD 812 million. . Hence, We recommend “ Subscribe ” rating to the Issue for listing gains.



Notes

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