

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	2,400
Offer for Sale	3,272
Total	5,672
Post issue mkt cap (Rs. bn)*	28
Lot size	22 shares

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	75%
NIB	15%
Retail	10%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	26 June, 2023
Bid/Offer Closing Date	29 June, 2023
Finalization of the Basis of Allotment	04 June, 2023
Credit of shares	06 June, 2023
Initiation of refunds	05 June, 2023
Listing Date	07 June, 2023

Use of Proceeds
Repayment of debt, funding of working capital
Investment in product development

Manager	JM Financial, IIFL Sec
Registrar	Link Intime India

Saral Seth

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Ready to take off... SUBSCRIBE

Company Overview:

- ideaForge Technology is a pioneer and pre-eminent market leader in the Indian unmanned aircraft systems (“UAS”) market, with a market share of approximately 50% in FY22. The company has 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.
- It has one of the industry’s leading product portfolios targeted at civil and defence applications (dual use). It 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.
- Its product portfolio consists of (a) hardware, which primarily includes UAVs, payloads, batteries, chargers and communication system, (b) software and embedded sub-systems, which includes the GCS software, which enables the controlling and management for its UAVs and autopilot sub-system, which enables remote control and autonomous completion of flights, and (c) solutions, which enables industry / application specific software that enhances the value of its UAVs to the end customer.
- Its customers have completed over ~350k flights using its UAVs as of March 31, 2023. The company is 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 has grown its revenue at a CAGR of 131% over FY21-23, with a RoCE of 12.51% in FY23.
- Its UAVs are equipped with industry leading specifications and capabilities, comparable to those of other established global players in the UAV industry. The growth can be attributed to its indigenous design and technological capabilities, its ability to invent, design and deliver customer centric offerings.

Valuation and Outlook:

At the upper price band of Rs. 672, the IPO is valued at an EV/Sales of 17.6x/15.5x on FY22/FY23 sales. ideaForge Technology is a pioneer and pre-eminent market leader in designing and manufacturing of UAV products. Company holds ~50% market share in the nascent Indian drone market. The company caters to civil and defense drone solution products and has an order book of Rs 1.92 bn in FY23 translating into book/bill ratio of 1.03x. The company enjoys strong ~70% gross margins which can be attributed to its robust in-house R&D and product development capabilities. In FY23, its reported EBITDA margin stood at 25.3% (vs 45.9% LY) due to one-time ESOP expenses. Adjusting for ESOP, the Adj. EBITDA margin stands at a healthy 34%. We see fairly strong growth in the nascent drone market over FY23-30E led by increased demand from defence, logistics and agriculture market. **We thus assign a SUBSCRIBE rating to the IPO.**

Ideaforge Technology Ltd.

Ideaforge's key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23
Revenue	347	1,594	1,860
Reported EBITDA	-109	731	471
Reported EBITDA margin (%)	-	45.9%	25.3%
PAT	-146	440	320
EPS (Rs.)	-3.5	10.6	7.7
P/E (x) (at upper band)	-	63.6x	87.5x

Note: FY23 EBITDA includes RS 277mn worth of ESOPs. Adj EBITDA stands at Rs 748mn implying an Adj. EBITDA margin of 40.7%.

Company strengths and business strategies

Competitive Strengths	Business strategy
Market leader in the Indian UAV industry with 50% mkt share	Focus on product innovation, engineering and design
Robust product portfolio with health track record of successful outcomes in critical use cases	Expand product portfolio and cater to new end-use applications and industries
Impeccable product development capabilities and product differentiator solutions	Expansion of business reach and software revenue through SAAS offerings
Strong management capabilities with knowledge to build new products	Pursue strategic investment and acquisition opportunities

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	34.0%	30.2%
Public	66.0%	69.8%
Total	100.0%	100.0%

* At upper price band

Key Risks:

- The company requires significant **working capital** in connection with its manufacturing of products, financing inventory and purchase of critical components which may be adversely affected in case there is any change in terms of credit or payment.
- High dependency on imports** - The company imported components worth Rs 477mn or 26% of revenue. The key components were It partially imports certain of its components such as carbon fibre tubes, landing gear, propellers, motors and antennas required for manufacturing UAVs.
- Complexity of product could have unknown defects/errors** - It is alleged that the battery of one of its UAVs exploded injuring four persons at a client's site. While the matter is under investigation, the company cannot assure us that the battery of its UAVs would not explode in future due to reasons such as handling and maintenance issues, storage issues or any other reasons including external factors which are beyond their control.

Ideaforge Technology Ltd.

Peer comparison

Drone company benchmarking	Idea Forge	Asteria	Sde	Aus	Tunga	DCM Shriram	Adani Defence	New Space	Tata	Raphe mPhibr	Dums
Year of establishment	2007	2011	2015	2013	2020	2021	2017	2017	2012	2017	2019
Defence	Y	Y	Y	X	Y	x	Y	Y	Y	Y	Y
Enterprise											
Agriculture	Y	Y	x	Y	X	Y	Y	x	x	x	Y
Energy and utilities	Y	Y	x	x	Y	x	x	x	x	x	Y
GIS, Construction & real estate	Y	Y	Y	Y	Y	Y	x	x	x	x	Y
Mining	Y	Y	X	Y	x	x	x	x	x	x	Y
Oil & Gas	Y	Y	Y	x	Y	x	x	x	x	x	x
Public Safety	Y	Y	Y	x	Y	Y	Y	x	Y	x	Y
Logistics	x	x	x	x	x	Y	x	x	x	Y	Y
Passenger	x	x	x	x	x	x	x	x	x	x	x
Financials											
Revenue (mn \$) (FY22)	21.8	2.6	1.0	0.8	NA	1.1 bn	9.3 bn	0.0	40.6 bn	0.1	0.6
EBITDA (%) (FY22)	44.8%	9.5%	14.8%	67.2%	NA	13.4%	6.8%	-6.3%	23.8%	-508.9%	20.8%
PAT (%) (FY22)	33.7%	-23.8%	8.6%	4.9%	NA	8.0%	0.7%	-8.7%	13.4%	-600.0%	0.5%

Ideaforge Technology Ltd.

Key products

Ninja | upto 2 kms | 20-25 mins



Ryno | upto 4 kms | >40 mins



Q4i | upto 4 kms | >40 mins



Q6 | upto 10 kms | >60 mins



Netra V4+ | upto 10 kms | > 60 mins



Switch | upto 15 kms | >120 mins



Netra V4 Pro | upto 15 kms | >90 mins

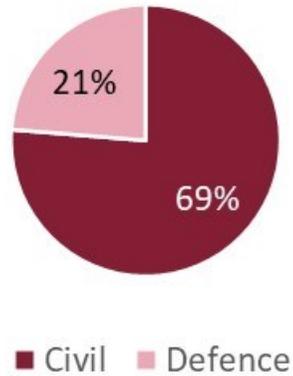


Installed capacity per day and capacity utilization

Products	Installed capacity per day	Utilization as on 31st March 2023	Utilization as on 31st March 2022	Utilization as on 31st March 2021
Quadcopter UAV	5	95.0%	93.0%	88.0%
Switch UAV	4	82.0%	75.0%	0.0%
Payload	15	95.0%	96.0%	79.0%
Battery	20	87.0%	84.0%	83.0%
Communication Box	15	90.0%	90.0%	88.0%

Ideaforge Technology Ltd.

Ideaforge - Revenue split



Ideaforge - order book size

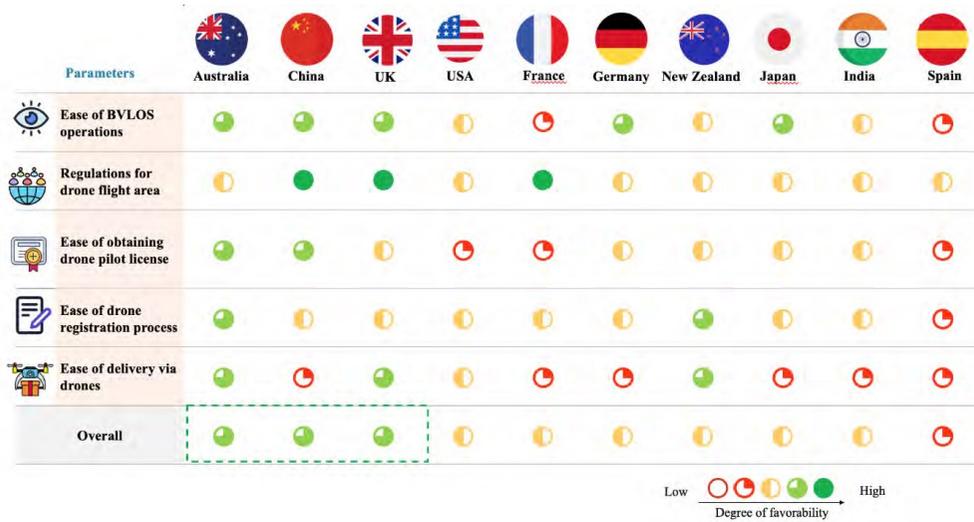
Order book (Rs in mn)	FY21	FY22	FY23
Defence	1,285	3,055	1,852
Civil	79	53	71
Total	1,364	3,109	1,923
Order book/Sales (x)	3.93	1.95	1.03

ideaForge software architecture

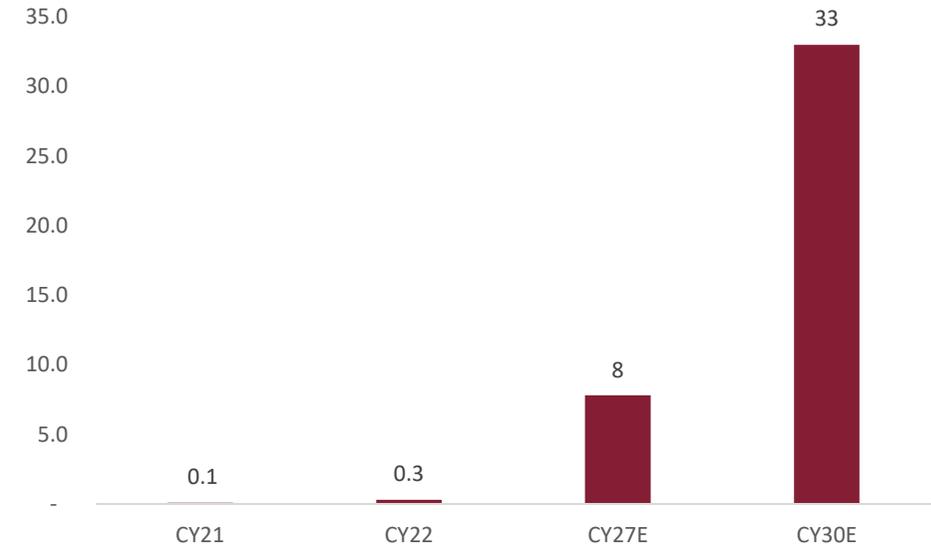


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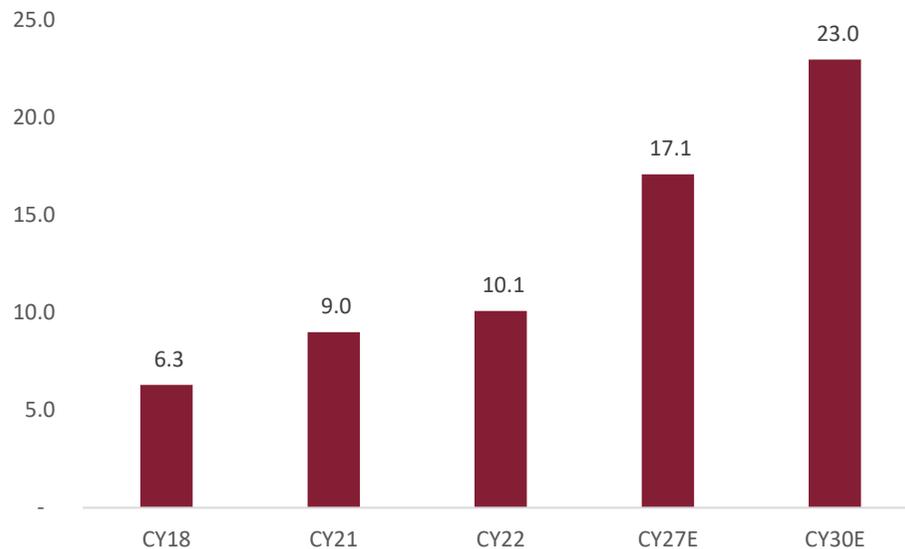
Regulatory policies for Drone globally vs India



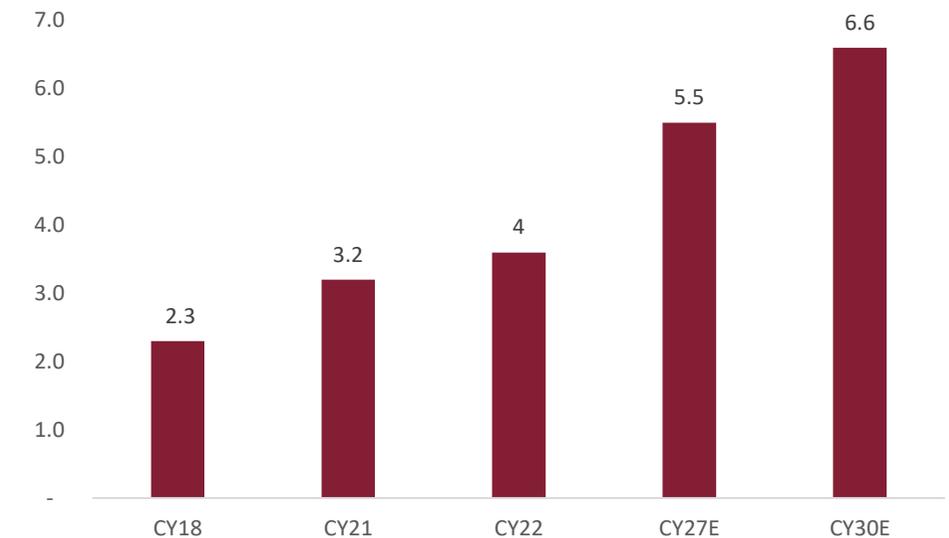
Global Logistics drone market size (in bn \$)



Global Defence Drone market size (in bn \$)

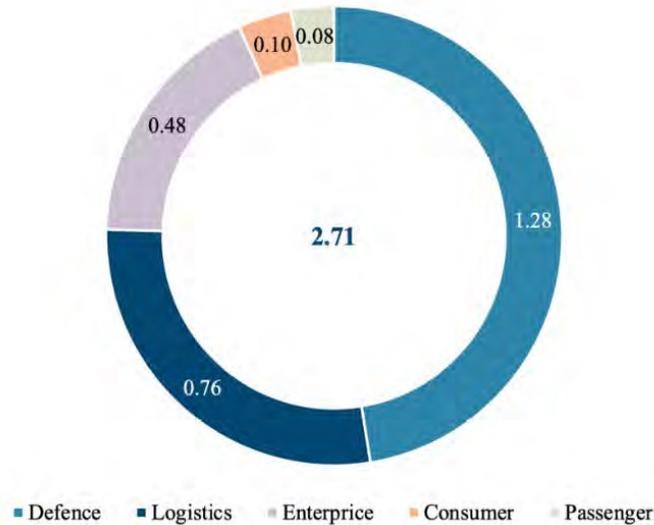


Global Consumer Drone market size (in bn \$)

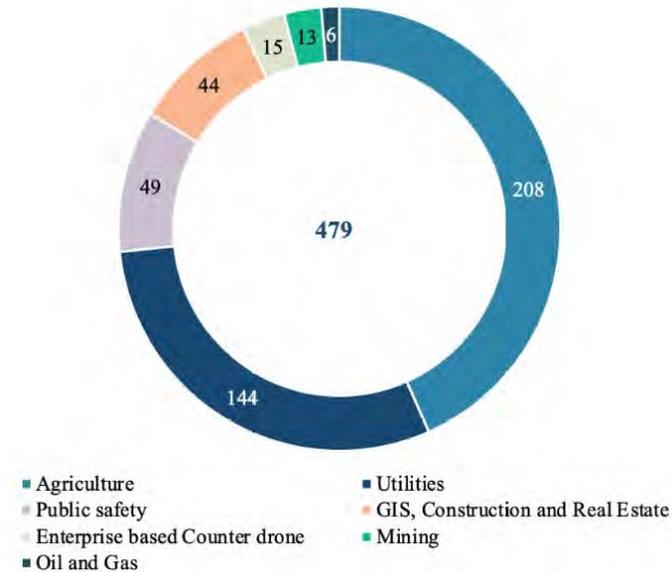


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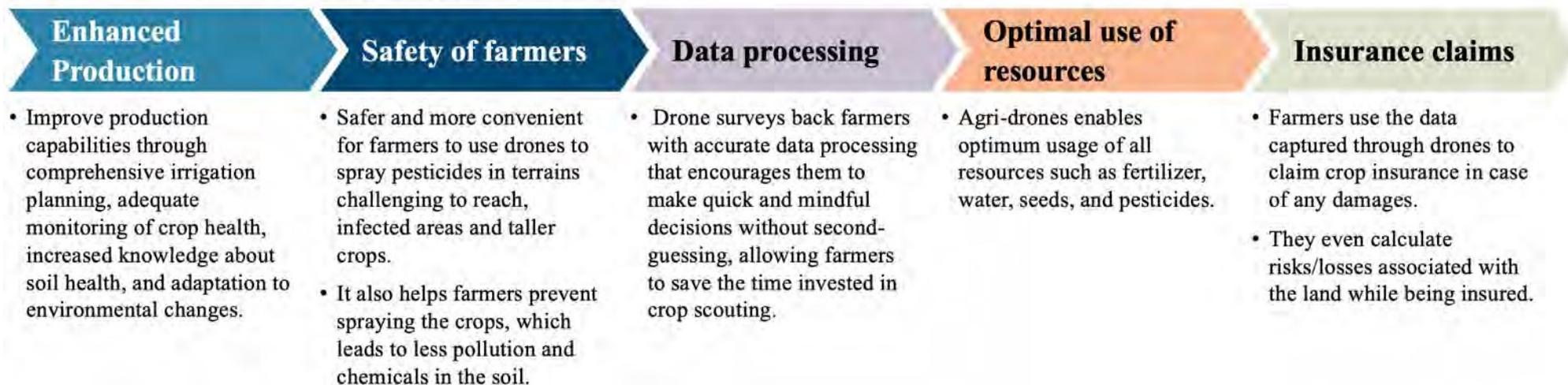
India Drone market potential (USD bn) CY22



India Enterprise drone potential (mn USD) CY22

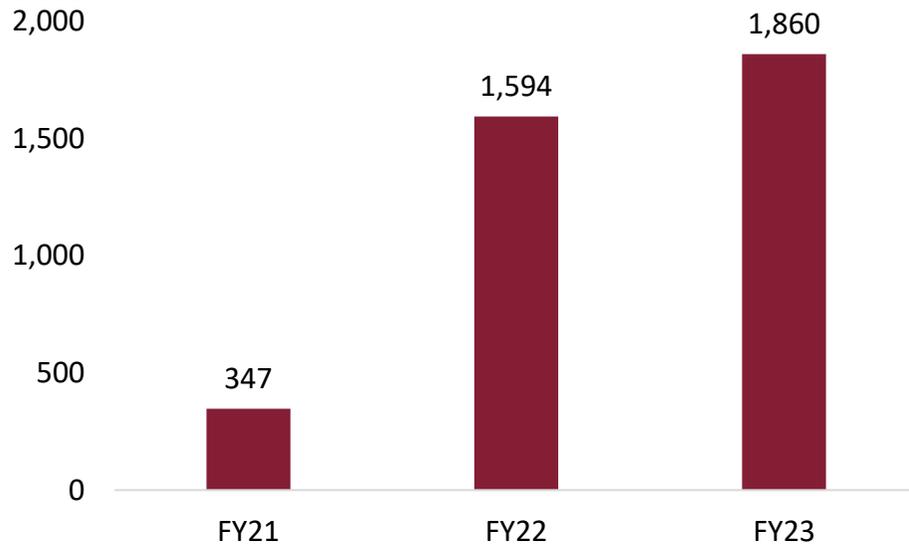


Benefits of drone technology in agriculture sector

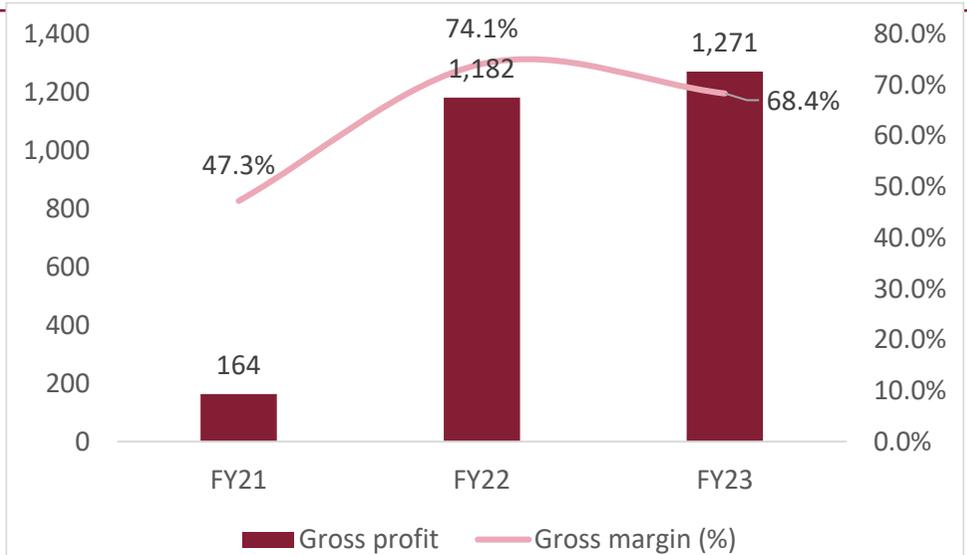


Financial Story

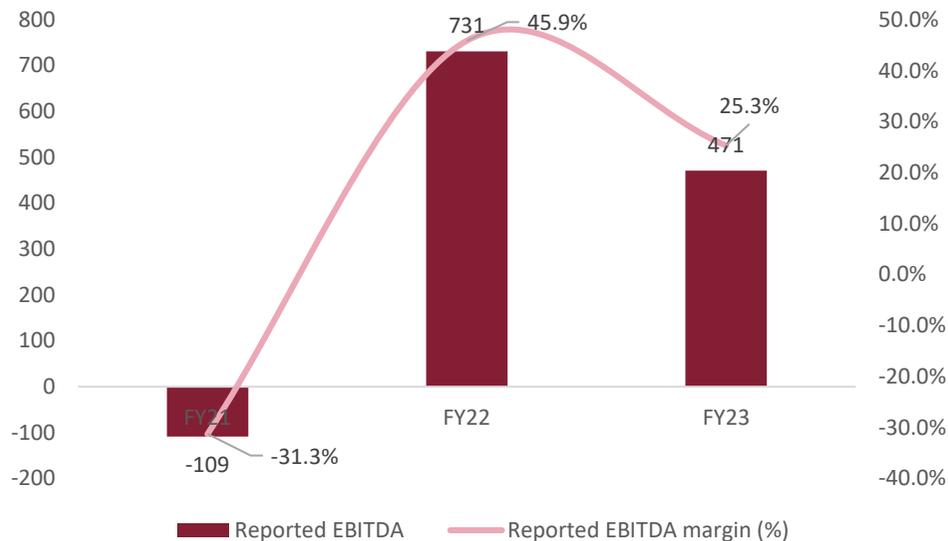
Revenue (Rs. mn) trend



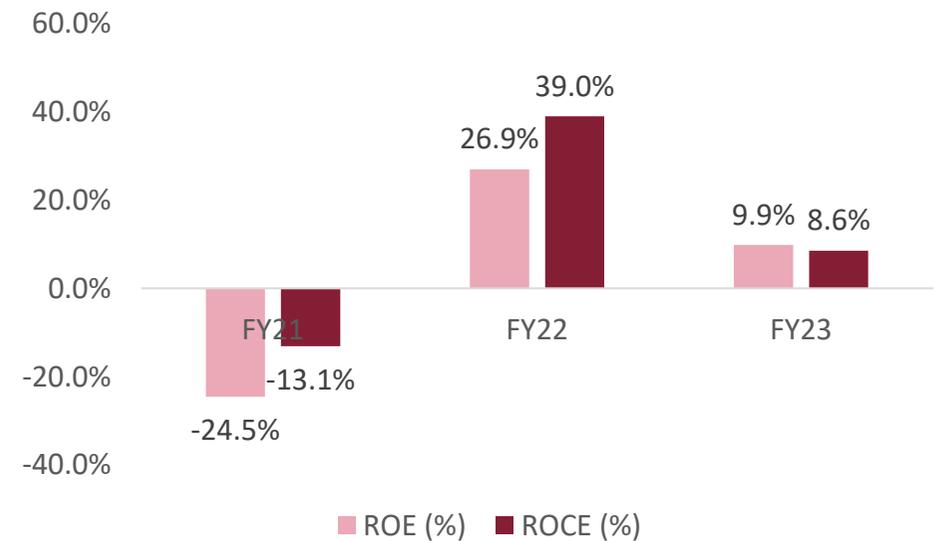
Gross profit (Rs. mn) & Gross Margins (%)



ROE (%) and ROCE (%) trend



ROE (%) and ROCE (%) trend



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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