

ideaForge Technology

Defence | India

IPO | 24 June 2023

Manufacturer of Unmanned Aircraft Vehicles

About the Company

ideaForge Technology Limited is a manufacturer of Unmanned Aircraft Systems (UAS). It is a market leader in the Indian UAS market with a share of ~ 50% in FY22. The Unmanned Aircraft Vehicles (UAV) are utilised in mapping applications, security and surveillance purposes, and in augmenting operations in the construction and real estate sector. In addition, the company also assists defense forces in conducting intelligence, surveillance, and reconnaissance (ISR) operations along borders. According to a report published by Drone Industry Insights in Dec'22, ideaForge ranks 7th globally in the dual-use drone category which includes civil and defense segments. The company has the largest operational deployment of indigenous UAVs across India, with an ideaForge-manufactured drone taking off every 5 minutes for surveillance and mapping on average. Moreover, ideaForge distinguishes itself by being the 1st company to indigenously develop and manufacture vertical take-off and landing (VTOL) UAVs in India in 2009. The company is coming out with an IPO comprising of Fresh Issue of ~3.6mn shares and OFS of ~4.9mn shares, aggregating to ~Rs5.7bn at the upper price band.

Extensive Product Portfolio

ideaForge has a well-diversified product portfolio which consists of hardware, software, and embedded sub-systems and solutions. Its indigenous design and technological capabilities, vertical integration and the ability to invent, design and deliver customer centric offerings, have propelled growth over the past few years. The company offers a broad range of products with feature-based differentiation such as weight class (~2-7kg), endurance class (25-120 min flying time), take-off altitude range (up to 6,000m), communication range (approximately 2-15Km), payload types, etc. As of Mar'23, customers have completed over 350,000 flights using company's UAVs.

Advanced In-House Software

IdeaForge utilises their in-house software stack required for flight safety, autopilot sub-system, battery, power, and communication in their UAVs. They are one of the few Original Equipment Manufacturers (OEMs) to have its own proprietary autopilot sub-system and ground control software. The company implements 2 main software systems namely BlueFire Live! and BlueFire Touch. BlueFire Live enables secure and live streaming of the UAV video feed and allows payload control from a remote command location. BlueFire Touch is a Ground Control Software (GCS). It 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.

Financials in Brief

During FY21-23, its revenue has grown at a CAGR of 131%. While the company incurred EBITDA and PAT loss of Rs109mn and Rs146mn respectively in FY21, it has gained its positive momentum starting FY22. For FY23, its revenue stood at Rs1,860mn while EBITDA stood at Rs471mn. EBITDA margin have however reduced to 25.3% in FY23 from 45.9% in FY22 mainly due to higher employee cost and other expenses. PAT during FY22 and FY23 stood at Rs502mn and Rs408mn respectively. Return ratios are strong with average RoE/RoCE of 18.4%/22.4% during FY22-23. Average Net Asset Turnover during FY22-23 was at 4.95x.

Our View

On FY23 annualized financials, the IPO is valued at 87.5x P/E, 61.2x EV/EBITDA and 15.5x EV/Sales, at the upper price band which is decent given the high teens margin profile and healthy return ratios. Moreover, Drone technology is poised for high growth opportunities in the coming years. The Indian drone market is projected to grow from \$43mn in FY22 to \$812mn by FY27, exhibiting a 80% CAGR over FY22-27E. This is likely to provide expansive growth opportunities to the company in the next few years. Their UAVs are equipped with industry leading specifications and capabilities, comparable to those of other established global players in the UAV industry.

Considering the healthy business prospects, indigenous design and technological capabilities, diversified product portfolio, ability to deliver customer centric offerings and huge potential for Drone industry itself, we recommend SUBSCRIBE to the issue.

SUBSCRIBE 

IPO Details

Price Band (Rs)	638-672
Face Value (Rs)	10
Issue Open/Closing Date	26-June-23/29-June-23
Fresh Issues (mn)	3.6
OFS (mn)	4.9
Total Issue (mn)	8.4
Minimum Bid Qty. (Nos)	22
Issue Size (Rs bn)*	5.67
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs bn)*	28.0

*At higher band

Object of the Issue

- ▶ Repayment of debt
- ▶ Funding capex
- ▶ Investment in product development
- ▶ General corporate purposes

Key Risk

- ▶ Inability to borrow or raise additional financing or furnish bank guarantees in future
- ▶ Sustained negative cash flows from operating activities in the past.
- ▶ Lengthy working capital cycle in the past.
- ▶ Highly dependent on global vendors for the supply of components.
- ▶ Products are complex and technologically advanced and could have unknown defects or errors.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	34.0	30.2
Others	66.0	69.8

Key Financials

(Rs mn)	FY21	FY22	FY23
Revenue	347	1,594	1,860
EBITDA	(109)	731	471
EBITDA Margin (%)	(31.3)	45.9	25.3
PAT	(146)	440	320
PAT Margin (%)	(42.1)	27.6	17.2
EPS (Rs)	(3.5)	10.6	7.7
P/E (x)	(191.5)	63.6	87.5
EV/EBITDA (x)	(261.0)	37.9	61.2
EV/Sales (x)	81.7	17.4	15.5
Net Worth	597	1,633	3,247
RoE (%)	(24.5)	26.9	9.9
Gross Debt	506	57	865
Net Block	130	262	487
Net Asset Turnover (x)	2.7	6.1	3.8

Source: RHP

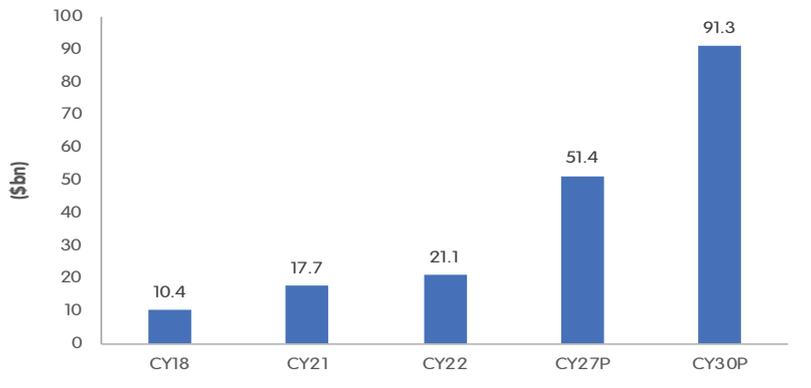
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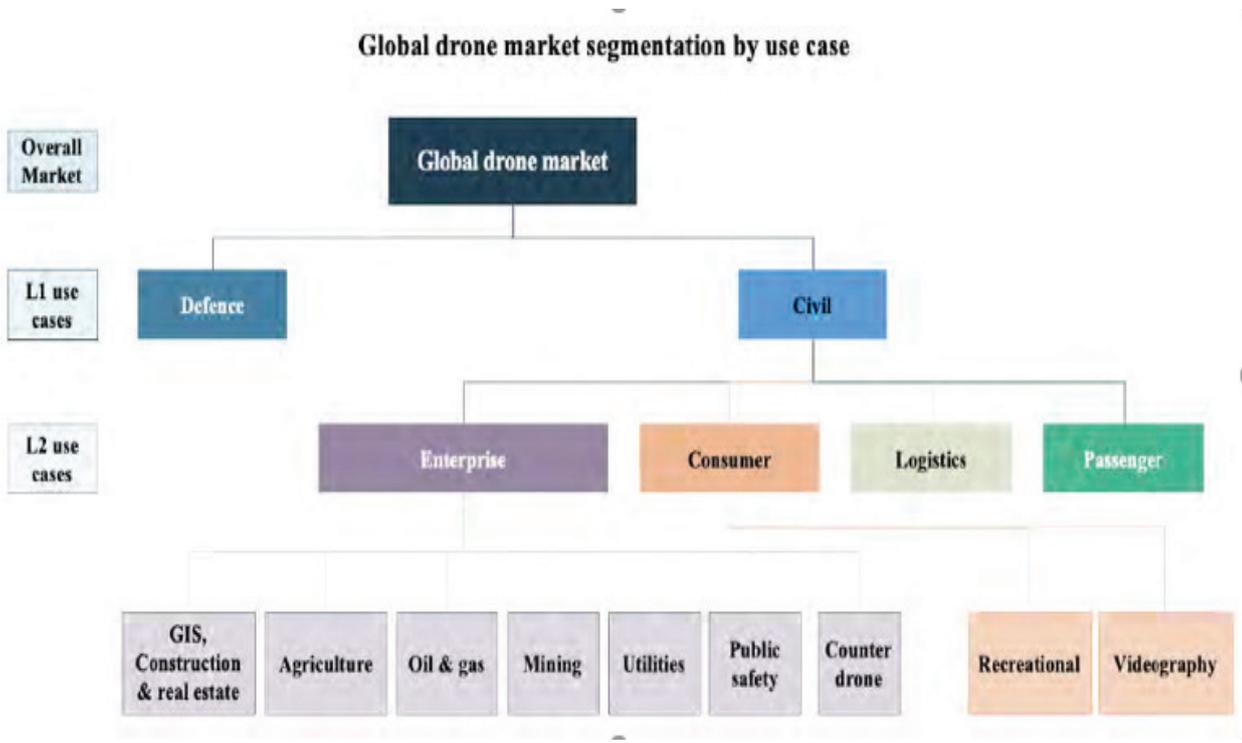
Industry Data

Exhibit 1: Global Drone Market Size CY18-30P, \$bn



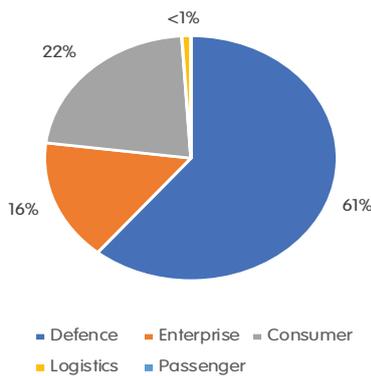
Source: 1Lattice Report, RHP

Exhibit 2: Global Drone Market Segmentation by Use Case



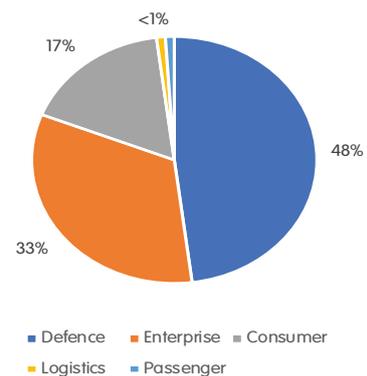
Source: 1Lattice Report, RHP

Exhibit 3: Global Drone Market by Segment: \$10.8bn (CY18)



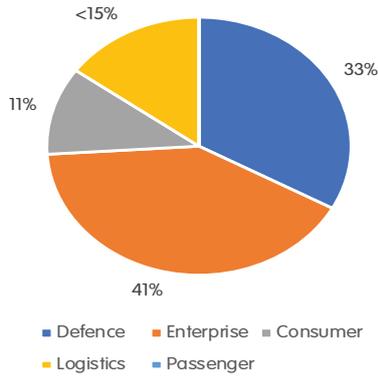
Source: 1Lattice Report, RHP

Exhibit 4: Global Drone Market by Segment: \$21.1bn (CY22)



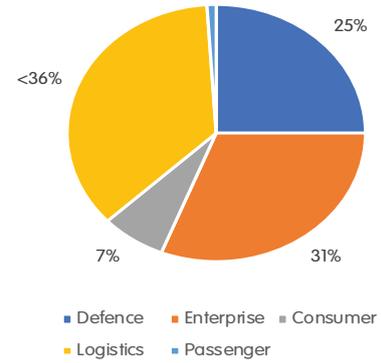
Source: 1Lattice Report, RHP

Exhibit 5: Global Drone Market by Segment: \$51.4bn (CY27P)



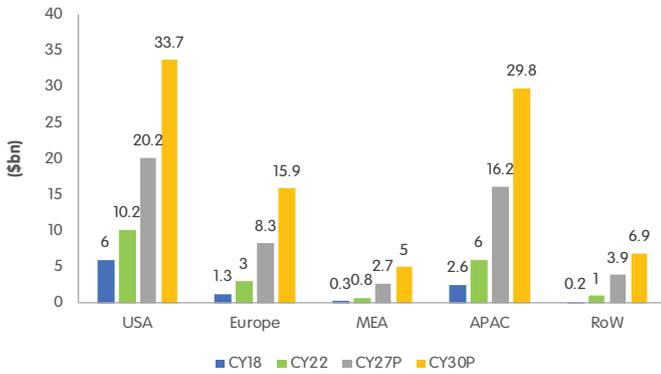
Source: 1Lattice Report, RHP

Exhibit 6: Global Drone Market by Segment: \$91.3bn (CY30P)



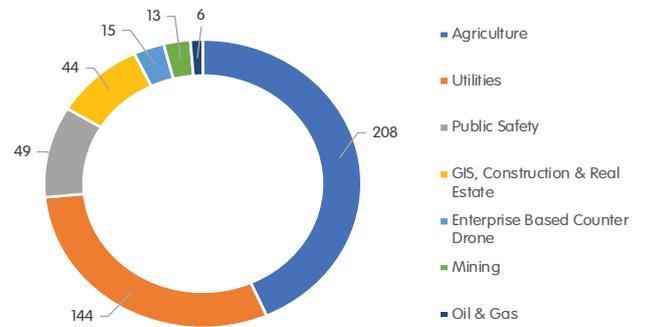
Source: 1Lattice Report, RHP

Exhibit 7: Global Drone Market by Geography (\$bn)



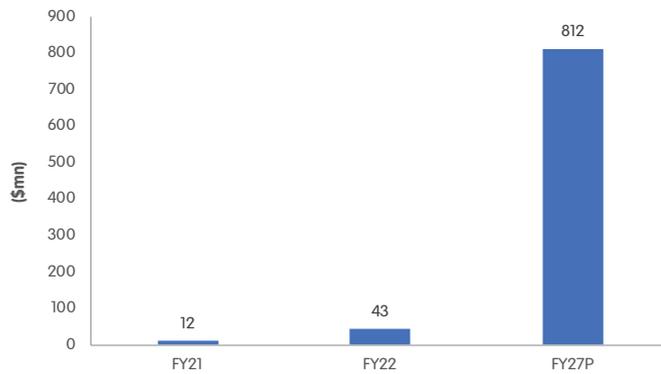
Source: 1Lattice Report, RHP

Exhibit 8: Indian Enterprise Drone Market CY22 (\$479mn)



Source: 1Lattice Report, RHP

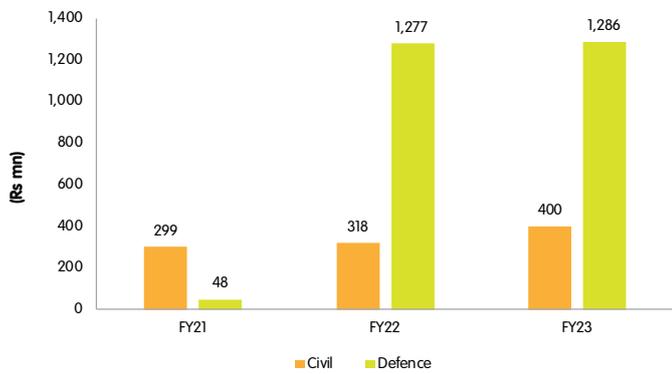
Exhibit 9: Indian Drone Market, Hardware & Software (\$mn)



Source: 1Lattice Report, RHP

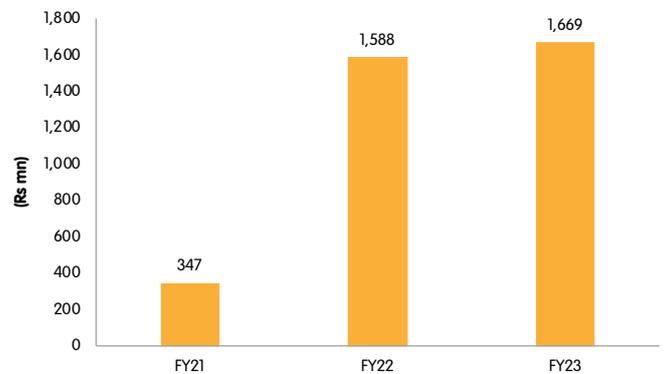
Company Data

Exhibit 10: ideaForge Revenue Breakup (Rs mn)



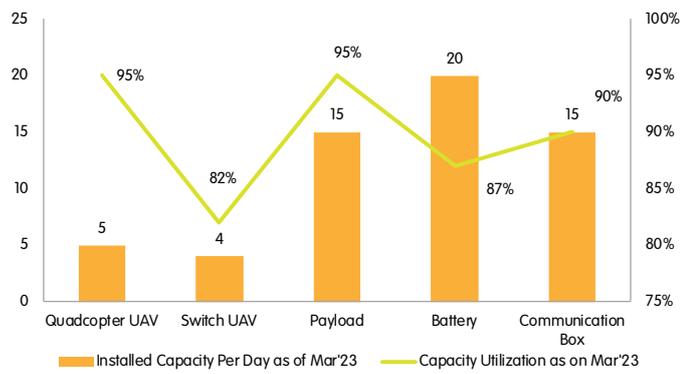
Source: RHP

Exhibit 11: ideaForge Domestic Revenue (Rs mn)



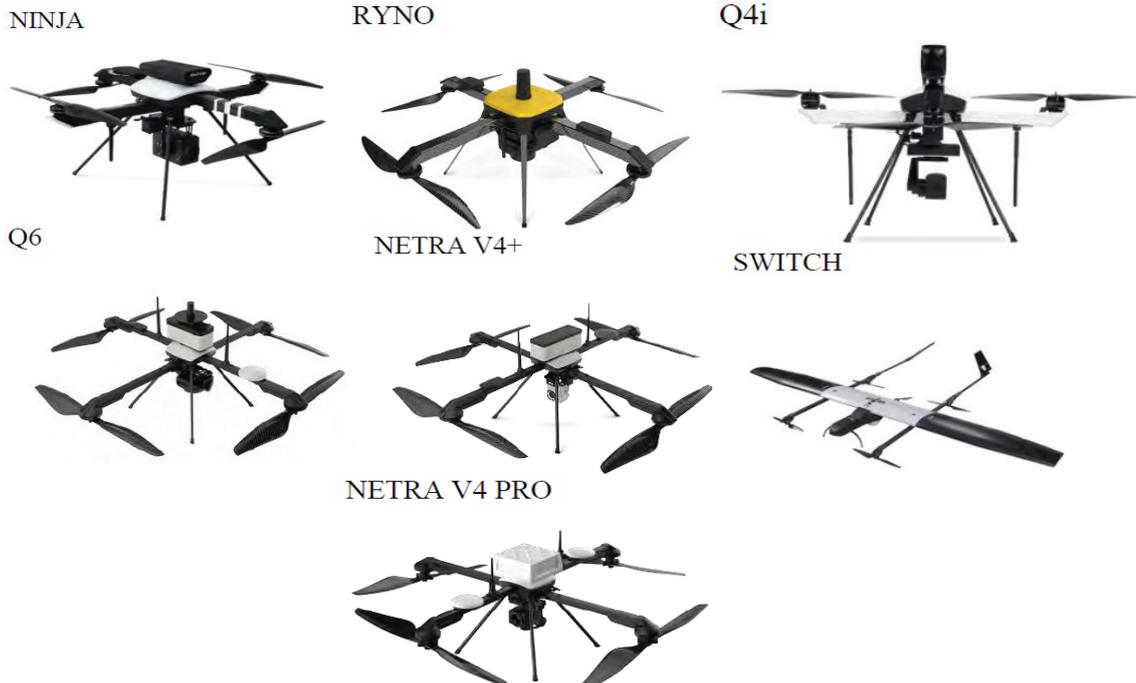
Source: RHP

Exhibit 12: Manufacturing Facility Capacity



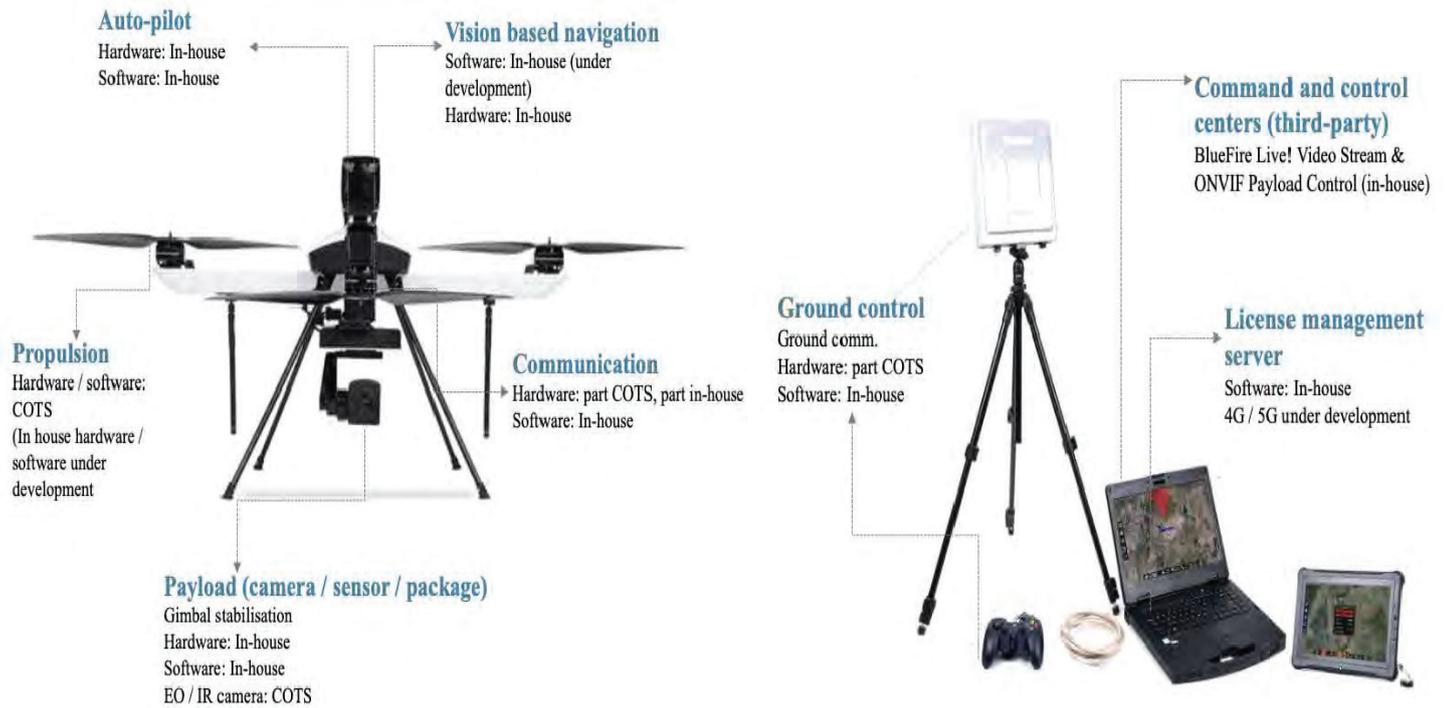
Source: RHP

Exhibit 13: Hardware Products



Source: RHP

Exhibit 14: ideaForge Software Architecture



Source: RHP

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