

## Rating

**SUBSCRIBE**

(For High-risk investors)

## Issue Offer

Issue Opens on	June 26, 2023
Issue Close on	June 29, 2023
Total IPO size (cr)	567.00
Fresh issue(cr)	240.00
Offer For Sale (cr)	327.00
Price Band (INR)	638-672
Market Lot	22
Face Value (INR)	10
Retail Allocation	10%
Listing On	NSE, BSE

## Objects of the issue

- Payment of borrowings.
- Funding working capital.
- Investment in product development.

## Issue Break-up (%)

QIB Portion	75
NIB Portion	15
Retail Portion	10

## Shareholding (No. of Shares)

Pre Issue	38,098,559
Post Issue	41,670,611

## Indicative Timetable

Finalisation of Basis of Allotment	04-07-2023
Refunds/Unblocking ASBA Fund	05-07-2023
Credit of equity shares to DP A/c	06-07-2023
Trading commences	07-07-2023

**ideaForge Technology Limited** is engaged in the business of manufacturing Unmanned Aircraft Systems (UAS). 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 Fiscal 2023. The company primarily cater to customers with applications for surveillance, mapping and surveying. 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 the 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.

- The company 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.
- They have a broad range of products with feature-based differentiation such as weight class, endurance class, take-off altitude range, communication range, payload types, etc
- They have filed 41 patent applications, which comprise of 20 applications filed internationally and 21 patent applications filed in India, as on June 17, 2023.
- 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/ ondemand manner at a short notice.
- Its manufacturing facility, situated in Navi Mumbai, Maharashtra, has an area of approximately 21,000 sq. ft., and is equipped with advanced equipment, modern technology with automation systems and has the ability to manufacture a wide range of products

**Outlook & Valuation:** IdeaForge, with a 50% market share in the Indian unmanned aircraft systems (UAS) market, has demonstrated impressive growth and dominance in the industry. The company has experienced a remarkable revenue growth CAGR of 237.48% between FY 2020 and 2022. This growth has been supported by a favourable business environment, increased orders, and government initiatives like the PLI scheme for drones. However, there are risks to consider. IdeaForge heavily relies on government-aided projects, which poses a significant risk due to its dependence on a single source of revenue. The entry of other major players into the market, such as the Adani Group, through joint ventures with foreign drone companies, adds further competition. Moreover, IdeaForge's lack of long-term contracts and reliance on established relationships for securing deals is a potential vulnerability. There is no apple-to-apple comparison in the listed space. **Considering both the opportunities and risks, IdeaForge has been assigned a subscription rating for aggressive investors.**

## KEY MANAGERIAL PERSONNEL

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- Srikanth Velamakanni is the Chairman and Independent Director of the Company. He holds degree in bachelor of technology in electrical engineering from Indian Institute of Technology, Delhi and a post-graduate diploma in management from Indian Institute of Management, Ahmedabad.
- 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.
- 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.
- Vishal Saxena is the Vice President-Sales and Business 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.
- Sonam Gupta is the Company Secretary and Compliance Officer of the Company and has been associated with the Company since December 15, 2022. In this Company, she is responsible for ensuring managerial and secretarial compliances. She is an associate member of the Institute of Company Secretaries of India.

## COMPETITIVE STRENGTHS

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- 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.
- In-house design to delivery capabilities.
- Strong management capabilities with a demonstrated ability to deliver robust financial performance.

## KEY STRATEGIES

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- Continue to invest in product innovation, engineering and design.
- Expanding into international markets.
- Expand the product portfolio and cater to new end-use applications and industries.
- Focus on indigenisation.
- Pursue strategic investment and acquisition opportunities.

## KEY CONCERNS

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- The company is heavily reliant on sales to the Indian government including to the central and state government agencies and Majority of the sale of its products are dependent on winning bids.
- They have sustained negative cash flows from operating activities in the past.
- The company is highly dependent on global vendors for the supply of components.
- Their products are complex and technologically advanced and could have unknown defects or errors.
- The business is dependent on its single manufacturing facility, and they are subject to certain risks in its manufacturing process.
- They operate in an industry which is highly regulated and is subject to change.

**COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2022)**

Name of the Company	EPS (Basic)	NAV	P/E	Total Income (Mn)	RoNW (%)
ideaForge Technology Limited	8.55	86.81	-	1,860.07	9.85
<b>Peer Group</b>					
MTAR Technologies Limited	33.62	201.60	57.08	5,737.51	16.68
Data Patterns India Limited	23.80	224.00	72.83	4,534.50	6.3%
Astra Microwave Products	8.06	74.17	43.88	8,155.16	10.29%

**FINANCIALS (RESTATED CONSOLIDATED)**

Particulars (Rs. In Millions)	FY 2022	FY 2021	FY 2020
Equity Share Capital	213.37	0.89	0.89
Other Equity	3,033.17	1,631.76	596.21
<b>Net Worth</b>	<b>3,247.21</b>	<b>1,633.03</b>	<b>597.48</b>
Total Borrowings	-	-	377.81
<b>Revenue from Operations</b>	<b>1,860.07</b>	<b>1,594.39</b>	<b>347.18</b>
EBITDA	574.88	751.31	(92.51)
Profit Before Tax	407.95	501.77	(145.04)
<b>Net Profit for the year</b>	<b>319.88</b>	<b>440.06</b>	<b>(146.26)</b>

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