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IPO Report

23rd June'23

Snapshot

IdeaForge Technology 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 Fiscal 2022. 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. Company's customers have completed over 350,000 flights using company's UAVs as of March 31, 2023. 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.

VALUATION

Company is bringing the issue at price band of Rs 638-672 per share at p/e multiple of 87.54x on post issue FY23 PAT basis. Company being the pioneer and the pre-eminent market leader in the Indian UAS industry, with first-mover advantage has diversified product portfolio with a robust technology stack and track record of successful outcomes in critical use cases. Company's strong relationships with a diverse customer base along with significant product development capabilities powering its software and solutions and product differentiators. Also, company's in-house design to delivery capabilities and strong management capabilities with a demonstrated ability to deliver robust financial performance making issue an attractive destination to deploy funds in. Hence we recommend to "Subscribe" issue.

Price Band (Rs./Share)	638-672
Opening date of the issue	26 th June 2023
Closing Date of the issue	29 th June 2023
No of shares pre issue	38,098,559 Eq Shares
Issue Size(In Rs)	Rs 551-567 Cr
Issue Size (in No of Shares)	8632125-8441763 Eq Shares
Fresh issue	Rs 240 Cr
Offer For Sale	48,69,712 Eq Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	22

BIDDING DETAILS	
QIBs (Including Anchor)	75% of the offer (Approx 6,321,490 Eq Shares)
Non-Institutional	15% of the offer (Approx 1,264,297 Eq Shares)
Retail	10 % of the offer (Approx 842865 Eq Shares)
Employee Reservation	13112 Equity Shares
Employee Discount	Rs 32/ share
Pre Issue Promoter & Group Holding	30.96%
Post Issue Promoter & Group Holding	30.19%
Lead managers	JM Financial, IIFL Securities
Registrar to the issue	Link Intime India Pvt Ltd.

KEY HIGHLIGHTS

Pioneer and the pre-eminent market leader in the Indian UAS industry, with first-mover advantage

Company is the pioneer and the pre-eminent market leader in the Indian UAS market, with a market share of approximately 50% in Fiscal 2022. Company's Promoters built their first quadrotor drone in 2004. Company started its operations in 2007 and with a first-mover advantage, company is among the first few companies in India to enter the UAV market and the first organisation to indigenously develop and manufacture VTOL UAVs in India in 2009. In Fiscal 2012, company developed the NETRA UAVs in partnership with a Government of India entity. Company is also the first company to participate in the demonstration of 5G enabled UAVs at Indian Mobile Congress in 2018.

Strong relationships with a diverse customer base

Company's customers include Indian defence forces 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.

In-house design to delivery capabilities

With its integrated operations i.e., from design and development to manufacturing, assembly and testing and to providing software solutions, company strive to be able to meet all its customer needs under a single roof as well as control and maintain the quality of company's UAVs thereby maintaining the overall reliability and durability of its UAVs. Company's manufacturing facility is in compliance with ISO 9001:2015 requirements and has a testing centre equipped with an ESS chamber, through which company screen its products to rule out any non-conformities and a vibration table.



COMPANY BACKGROUND

Company's UAVs are equipped with industry leading specifications and capabilities, comparable to those of other established global players in the UAV industry (Source: 1Lattice Report). Company's growth over the years is attributable to its indigenous design and technological capabilities, its ability to invent, design and deliver customer centric offerings (i.e., hardware, software and solutions) and its vertically integrated operations. These capabilities allow company to design, develop, engineer and manufacture UAVs in-house with a control on performance, reliability and autonomy. Company's UAV platforms are architected with a 'mission first' approach i.e., to deliver UAVs which meet the requirements of its customers and which, can reliably sustain a large number of flights and are capable of being autonomously operated without special skills or training. In addition to being among the first few players in India to enter the UAV market, company also have the distinction of being the first company to indigenously develop and manufacture vertical take-off and landing ("VTOL") UAVs in India in 2009 (Source: 1Lattice Report). Company is also the first company to participate in the demonstration of 5G enabled UAVs at the Indian Mobile Congress in 2018 (Source: 1Lattice Report). An early prototype of its VTOL UAV (quadrotor helicopter) was also featured in a popular Bollywood movie in 2009. Company is one of the few original equipment manufacturers ("OEMs") globally to have its own proprietary autopilot sub-system and ground control software (Source: 1Lattice Report). As a result of its continuous product development and innovation efforts, company have filed 41 patent applications, which comprise of 20 applications filed internationally and 21 patent applications filed in India, as on June 17, 2023.

Company have one of the industry's leading product portfolios targeted at civil and defence applications (dual use) (Source: 1Lattice Report). Company have 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. Beyond the UAVs, company undertake a full integration of its payloads, communication system and packaging. Company also build its own software stack required for flight safety, autopilot sub-system, battery, power and communication in its UAVs. Company's UAVs have been used in extreme conditions, from very low temperatures at high altitudes such as in Ladakh to very high temperatures such as in the Thar desert, meaning that company's UAVs have experienced some of the harshest environments in the world.

Company's product portfolio consists of (a) hardware, which primarily includes UAVs, payloads, batteries, chargers and communication system (which enables communication between the ground control station and the UAVs), (b) software and embedded sub-systems, which includes the GCS software, which enables the controlling and management for company's 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 company's UAVs to the end customer.

Company was founded in 2007 by its Promoters, Ankit Mehta, Rahul Singh and Ashish Bhat, along with Vipul Joshi, its Chief Financial Officer who later joined Company. Company's Promoters designed their first quadrotor UAV in 2004 while studying at the IIT Bombay. While company's Promoters are first generation entrepreneurs, Company has raised funding from various investors including Infosys Limited, Qualcomm Asia Pacific Pte. Ltd., Celesta Capital II Mauritius, Celesta Capital II-B Mauritius, Florintree Enterprise LLP, Export Import Bank of India and Infina Finance Private Limited over the years, who have also provided company with valuable management and organizational inputs. Company was incubated by the Society for Innovation and Entrepreneurship ("SINE"), IIT Bombay and subsequently by CIIE Initiatives, IIM Ahmedabad.

	FY21	FY22	FY23
Revenue from operations split by defence and civil			
Defence	48.29	1276.66	1286.20
Defence (as a % of total)	13.91	80.07	69.15
Civil	298.89	317.73	399.67
Civil (as a % of total)	86.09	19.93	21.49
Order book (in millions)	1363.96	3108.75	1922.72
Defence	1284.78	3055.34	1851.99
Civil	79.18	53.41	70.72
Number of flights launched	29951	63920	124417



INVESTMENT RATIONALE

<p><i>Diversified product portfolio with a robust technology stack and track record of successful outcomes in critical use cases</i></p>	<p>Company have a diversified product portfolio of UAVs built for multiple use cases and have one of the industry's leading product portfolios targeted at civil and defence applications (dual use) .Company have 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. Each of company's UAVs are designed with differentiations for addressing specific customer needs. Company's UAVs are deployed in multiple use cases across defence and civil sectors. Further, its UAVs can be modified to address construction, infrastructure, retail, agriculture and delivery applications. Company's diversified product portfolio, and its ability to customise its products for specific usage as per its customers' specifications have helped company grow and establish a track record. Some of company's UAVs have flown more than 4,500 flights as against the minimum requirement specified in RFPs for 500 flights under warranty .Company's UAVs have also been tested in extreme conditions which are prevalent across India and high altitudes areas, deserts and glaciers.Company is one of the few vendors globally to have a full stack UAV solution, along with a ground control software, firmware and solutions as well as robust after sales support .Company's support care plan, ideaForge Care, is one of the first-of-its-kind subscription based support package in the Indian UAV industry .Company's recently launched product ideaForge Care provides the customers with various support options that they can subscribe to for the maintenance of UAVs based on their requirement. Company's UAVs are equipped with AI based image intelligence, which helps in 'people detection' and 'target tracking'. Beyond the UAVs and GCS software, company have proprietary solutions such as BlueFire Live!, which enables encrypted live streaming of the UAV video feed and also allows payload control from a remote command location.</p>
<p><i>Significant product development capabilities powering company's software and solutions and product differentiators</i></p>	<p>Company is a vertically integrated company equipped with in-house product development centre, which allows to design, develop, engineer and manufacture UAVs. Company's focus on product development has been instrumental in the growth of its business and in improving its ability to customize solutions for its customers as well as in reducing its cost of products while maintaining its margins.Company's product development centre is located in Navi Mumbai, Maharashtra and consists of 116 employees as on May 31, 2023, which includes Ezhilan Nanmaran, Krishan Kumar, Dharendra Sarup and Vishal Nagpal. Company's product development team focuses on the development of new products, solutions, and understanding the expectations of its ustomers on to-be manufactured products, whilst simultaneously focusing on cost competitiveness and supply chain availability. IdeaForge is the first company to indigenously develop and manufacture VTOL UAVs in India in 2009.Company's product development capabilities led to the development of its autopilot sub-system with advanced fail-safe features that ensure high level of operational safety of company's UAVs. Company is one of the few OEMs globally to have its own proprietary autopilot sub-system and ground control software.</p>
<p><i>Strong management capabilities with a demonstrated ability to deliver robust financial performance</i></p>	<p>Company is led by a qualified and experienced management team, who are supported by a capable and motivated team of managers and other employees. Company's Promoters have knowledge and understanding of the drone industry in India. Its Promoters, Ankit Mehta, Rahul Singh, Ashish Bhat, Chief Financial Officer, Vipul Joshi and Vice President – Sales and Business Development, Vishal Saxena, are involved in the strategic planning, operations, design and production development, and have a cumulative work experience of more than 85 years. The experience and leadership of company's core team has played a key factor in its growth and development.</p>



OBJECTS OF OFFER

Offer for Sale

The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale after deducting their proportion of the Offer related expenses and relevant taxes thereon.

Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Repayment/prepayment of certain indebtedness availed by company;
2. Funding working capital gap;
3. Investment in product development; and
4. General corporate purposes.

RISKS

- 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.
- Company have incurred losses in Fiscal 2021. In the event it incur net loss in the future, company's business and financial condition may be adversely affected.

Source:RHP

INDUSTRY OVERVIEW

The global drone industry is expected to increase in a fast pace at a CAGR of ~20% from CY22-30, reaching US\$ ~91.3B by CY30

The global drone industry is estimated to be US\$ 21.1B in CY22. The industry has witnessed a significant growth at a CAGR of 19% over CY18-22 and is expected to grow even faster at a CAGR of 20% to be ~US\$ 51.4B in CY27 and further leap to ~US\$ 91.3B by CY30.

With global drone market poised to become US\$ 51.4B market in CY27, drones are expected to be the disrupters of the future. They are revolutionizing a number of spaces - notably military, and on the civil front emergency services, aerospace, and potentially even the taxi industry

Key reasons for increase in drone adoption

- Low operation cost of drones: Drones can significantly reduce fuel and labor costs compared to conventional methods. conventional methods. Drones can be proved useful if high volume of deliveries are to be fulfilled across a larger geography compared to traditional methods, helping save resources and reduce costs for enterprises.
- Environment-friendly: Due to use of battery-based technology make drones operate on renewable energy making them environment friendly.
- Time efficiency: Drones facilitate faster, reliable delivery services by providing a predictable delivery time. In France during a cost assessment analysis of drones, drone delivery of biomedical samples took about 15 minutes on average, compared to 42 minutes estimated for road delivery.
- Advancement in technology: Due to technological advancement, drones can conduct large-scale operations. Mapping and surveillance applications are widely used in mining, construction, traffic management, earth sciences etc.
- Authentic data collection: Any innovation that might improve and facilitate data collection is highly desired. Thus, drones gained value for authentic data collection thus providing higher return on their investment.
- Favorable regulations: Despite initial opposition to defining clear drone regulations, the last decade has seen a shift in policy and regulatory approach. The laws governing drone operations are currently being liberalized to unleash the full potential of drones


Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23
Total Revenue (A)	347.18	1594.39	1860.07
Total Expenditure (B)	455.86	863.17	1389.14
EBIDTA	-108.68	731.22	470.93
EBIDTA Margin	-31.30	45.86	25.32
Other Income	16.17	20.09	103.95
Depreciation	35.81	72.84	118.58
EBIT	-128.32	678.47	456.30
Interest	165.72	176.70	48.35
PBT	-145.04	501.77	407.95
Extraordinary item	0.00	0.00	0.00
PBT	-145.04	501.77	407.95
Share of Profit in Associates	0.00	0.00	0.00
PBT	-145.04	501.77	407.95
Tax	1.22	61.71	88.07
PAT	-146.26	440.06	319.88
NPM%	-42.13	27.60	17.20
Eq Cap	0.89	0.89	213.37
Net Worth	597.48	1633.03	3247.21
EPS	-5.03	13.84	8.55
ROE %	-22.88	39.46	13.11
ROCE%	-15.18	49.63	12.51

(Source: RHP)

Peer Comparison

Company Name	Total Income (Rs in million)	EPS	PE	RONW%	NAV (in Rs)
IdeaForge Technology Ltd	1860.07	8.55		9.85	86.81
Peers Group					
MTAR Technologies	5737.51	33.62	57.08	16.68	201.60
Data Patterns	4534.50	23.80	72.83	10.62	224.00
Astra Microwave	8155.16	8.06	43.88	10.87	74.17



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