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Issue Details

Price Band (Rs)	Rs. 638-672 per share
Face Value (Rs)	10.00
Issue Size (Rs)	567 Cr.
Issue Type	Book Building
Minimum lot	22 Shares
Issue Opens	June 26, 2023
Issue Closes	June 29, 2023
Listing on	BSE, NSE

Indicative Timeline

On or before	
Finalization of Basis of Allotment	July 04, 2023
Unblocking of Funds	July 05, 2023
Credit of shares to Demat Account	July 06, 2023
Listing on exchange	July 07, 2023

Other Detail

Book Running Lead Managers	1. JM Financial Limited 2. IIFL Securities Ltd
Registrar	Link Intime India Private Limited

IPO Shareholding (%)

Category	Pre-Issue	Post-Issue
Promoters	60.89%	43.99%
Public	39.11%	56.01%
Total	100.00%	100.00%

Distribution Team

E: ipo@acm.co.in
D: +91 22 6132 5931

Associate

Jayesh Mestry
E: jayesh.mestry@acm.co.in
D: +91 22 2858 3221

IdeaForge Technology Limited

Company Background

IdeaForge Technology Limited ("ideaForge") was incorporated on February 8, 2007. The company manufactures Unmanned Aircraft Vehicles for Mapping, Security & Surveillance. These drones are capable of a wide range of mining area planning, and mapping applications. ideaForge UAVs help construction and real estate boost their operations. They also assist defense forces in conducting Intelligence, Surveillance, and Reconnaissance (ISR) operations along borders.

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. They had the largest operational deployment of indigenous UAVs across India, with an ideaForge manufactured drone taking off every 5 minutes on average for surveillance and mapping as of Fiscal 2023.

Issue Details

Fresh Issue of Equity Shares aggregating upto ₹ 240 Crore and Offer for Sale of 4,869,712 Equity Shares.

Issue Objectives

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

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs. 672	Value in Rs. Cr. at Upper Band
QIB (Institutional)	75%	63,21,490	424.80
Non Institutional	15%	12,64,297	84.96
Retail	10%	8,42,865	56.64
Employee		13,112	0.84
Total	-	84,41,764	567.24
*Note: Employee Discount 32 ₹			

Outlook and Valuations

ITL in-house capabilities to design, develop, engineer and manufacture have enabled them to develop better products basis evolving demands of their customers, thereby enhancing customer experience with their products. Their UAVs have also been tested in extreme conditions which are prevalent across India and high altitudes areas, deserts, and glaciers. Further, Company stand to benefit from the tailwinds of Aatmanirbhar Bharat and the Production Linked Incentive Scheme (PLI Scheme) across verticals, which would cater to internal security especially for Indian defense forces. ITL have grown at a CAGR of 137.47% in terms of revenue from operations over the last 3 Fiscals, with a Return on Capital Employed of 12.51% in Fiscal 2023.

The Company is currently available at PE Valuation of 82.75 for FY23 at diluted EPS of 8.12.

We recommend subscribing the issue from a long-term prospective.

Business Overview

- ITL 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.
- Company's product portfolio consists of Hardware, Software and embedded sub-systems and Solutions. Their growth over the years is attributable to their indigenous design and technological capabilities, ability to invent, design and deliver customer centric offerings (i.e., hardware, software, and solutions) and their vertically integrated operations.
- In addition to being among the 1st few players in India to enter the UAV market, ideaForge also has the distinction of being the 1st company to indigenously develop and manufacture vertical take-off and landing ("VTOL") UAVs in India in 2009. They are also the 1st company to participate in the demonstration of 5G enabled UAVs at the Indian Mobile Congress in 2018.
- 'SWITCH UAV' - company's product, won the largest mini-VTOL UAV contract in March 2022, against global competitors. Beyond the UAVs, ideaForge undertake a full integration of their payloads, communication system and packaging. ideaForge also build their own software stack required for flight safety, autopilot sub-system, battery, power, and communication in their UAVs.
- The company having its early prototype of their VTOL UAV (quadrotor helicopter) which was also featured in a popular Bollywood movie in 2009. ITL is one of the few original equipment manufacturers ("OEMs") globally to have its own proprietary autopilot sub-system and ground control software. As a result of their 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.
- ideaForge has raised funding from various investors including Infosys Ltd, 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 Pvt Ltd over the years.

Order Book

The Company has an order book of Rs. 1923 Mn. (FY23).

Customers

As of May 31, 2023, ideaForge has served approximately 265 customers. Their 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 Pvt Ltd, and C.E. Info Systems Ltd.

Manufacturing Facility

The company undertakes their manufacturing operations at their manufacturing facility, situated in Navi Mumbai, Maharashtra which has an area of approximately 21,000 sq. ft., and is equipped with advanced equipment, modern technology and automation systems to manufacture a wide range of products.

Product Development Centre

The company has their own in-house product development centre, which allows them to design, develop, engineer, and manufacture their UAVs in-house with a focus on performance, reliability, and autonomy. Their product development centre has 116 employees, as of May 31, 2023.








Company's Business & Products

The Company's wide range of products gives them the necessary flexibility to meet the evolving demands of diverse customers across industries. ideaForge has an established track record of designing products that have led to repeat business.

The company's innovation process allows them to evolve product features based on the evolving needs of their customers delivering a superior customer experience with advanced technology.

ITL's UAVs are capable of being autonomously operated without special skills or training. This combination of performance, reliability and autonomy leads to a lower TCO (Total Cost of Ownership) for their customers. The company primarily cater to customers with applications for surveillance, mapping, and surveying. As of May 31, 2023, ITL have about 100 channel partners and 3 national distributors. The company is one of the top vendors globally for dual-use drones.

The company's product portfolio consists of:

Product Name	Description
Hardware	
	NINJA UAV is the lightest UAV, built for security and surveillance
	RYNO UAV is the micro category survey-grade UAV and is equipped with an advanced mapping payload and a state-of-the-art post processed kinematic ("PPK") module.
	Q4i is the small category VTOL UAV and is one of their most economical UAVs built with military grade standards. Q4i UAV can be used for anti-terrorism, border security, intelligence, surveillance and reconnaissance ("ISR") operations, crime control and disaster management.
	Q6 is the small category UAV and may be used for surveying and mapping. Its quadcopter design and high area coverage enables it to complete large-scale mapping projects quicker than their other UAVs.
	NETRA V4+ UAV is an intelligent and portable VTOL UAV, which is built for use in a wide range of mission-critical applications. NETRA V4+ is mostly used for coastal patrol, anti - smuggling, search and rescue, disaster, and emergency analysis.
	SWITCH UAV is a fixed wing and VTOL hybrid. SWITCH UAV features advanced flight time, higher safety and simple operation with additional fail-safe redundancies. It is used for long range, high endurance, high altitude last mile surveillance and security operations.
	NETRA V4 PRO UAV is the upgraded version of NETRA V4+ UAV and is built for use in a wide range of mission-critical applications. It is designed with quick snap fit mechanism without the dependency on tools and built for repeated uses.
Software and embedded sub-systems	
BlueFire Touch	BlueFire Touch, the 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.
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, and communication loss and battery imbalance. It also has smart altitude management and global positioning system ("GPS") error Handling features.
Solutions	
BlueFire MapAssist	Software solution for simple and intuitive geo-tagging with flexibility for both PPK mapping as well as non-PPK mapping with optimized data capture and processing.
BlueFire Live!	Encrypted live streaming of the drone video feed and payload control for border management, emergency response, mapping, surveillance, disaster management and ISR operations. Integrates easily with CCTVs and command and control centers, operates in low bandwidth, and offers easy Remote payload control.
Surveillance Pro	Enables anti-terrorism applications, border security and crime control measures, ISR operations, amongst others, through advanced image intelligence features such as target tracking and moving target indicator. It has support for remote video terminal ("RVT") with full UAV control and airborne data relay ("ADR") communication modes built-in to give maximum flexibility even for specialized missions.
Geographic Information System ("GIS") Pro	Survey grade mapping via high resolution mapping with PPK.
Source: Company RHP, ACMIIL Research	

The revenue break up from civil and defence sectors:

Particulars	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Revenue (₹ Cr)	% to Revenue	Revenue (₹ Cr)	% to Revenue	Revenue (₹ Cr)	% to Revenue
Civil	39.97	21.49%	31.77	19.93%	29.89	86.09%
Defence	128.62	69.15%	127.67	80.07%	4.83	13.91%
Total	168.59	100.00%	159.44	100.00%	34.72	100.00%

Source: Company RHP, ACMIIL Research

Intellectual Property Rights

Particulars	Total	Approved	Pending	Remark
Trademarks	54	33	21	33 Registered trademarks in India
Patents	62	25	37	10 granted patents in India and 15 granted patents in other jurisdiction
Copyrights	9	7	2	7 Registered copyrights in India

Source: Company RHP, ACMIIL Research

Competitive Strengths

- 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 the software and solutions and product differentiators.
- In-house design to delivery capabilities.
- Strong management capabilities with a demonstrated track record of delivering robust financial performance.

Key Business Strategies

- 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 indigenization.
- Expand business services and software revenue through 'as a Service' offerings.
- Pursue strategic investment and acquisition opportunities.

Financial Snapshot (Consolidated):

Particulars (Rs. Cr.)	FY2021	FY2022	FY2023
Equity share capital	0.09	0.09	21.34
Net worth	59.75	163.30	324.72
Revenue from Operations	34.72	159.44	186.01
EBITDA	(9.25)	75.13	57.49
EBITDA Margin (%)	(26.65)%	47.12%	30.91%
Net Profit	(14.63)	44.01	31.99
Net Profit Margin (%)	(42.13)%	27.60%	17.20%
Diluted EPS (Rs)	(5.03)	13.84	8.12
ROE (%)	(22.88)%	39.46%	13.11%
ROCE (%)	(15.18)%	49.63%	12.51%

Source: Company RHP, ACMIIL Research

Comparison with Listed Peers FY23

Name of the Company	Consolidated/ Standalone	Face Value	Revenue from operations (Rs in Cr.)	EPS		P/E	RoNW (%)
				Basic	Diluted		
IdeaForge Technology Ltd	Consolidated	10.00	186.01	8.55	8.12	82.75	9.85%
Hindustan Aeronautics Ltd.	Consolidated	10.00	26,927.46	174.00	174.00	21.70	27.20%
Bharat Electronics Ltd.	Consolidated	1.00	17,734.44	4.08	4.08	30.30	22.80%
MTAR Technologies Ltd.	Consolidated	10.00	573.75	33.62	33.62	58.90	18.20%
Astra Microwave Products	Consolidated	2.00	815.52	8.06	8.06	43.88	10.87%
Data Patterns Ltd.	Consolidated	2.00	453.45	23.80	23.80	72.83	10.62%

Source: Company RHP, ACMIIL Research

Note: There are no listed companies that exclusively undertake the manufacturing of drones. Hence, basis factors such as the scale of the business, exposure to the defence sector, manufacturing of electronics products (as ITL manufactures drones, which are electronics products), a proxy set of listed peers of MTAR Technologies Limited, Data Patterns (India) Limited and Astra Microwave Products Limited (the "Industry Peers") have been identified for the Company.

Industry Growth Drivers

- Drone technology is a sunrise sector, poised for exponential growth worldwide. Today, drones are used in a wide variety of defence and civil applications that are growing across industries. India finds itself to be at a critical juncture in the evolutionary timeline of drone technology and aims to position itself as a global drone hub by 2030. The global drone industry is estimated to be US\$ 21.1 billion in 2022.
- The industry has witnessed a significant growth at a CAGR of 19% over 2018-2022 and is expected to grow even faster at a CAGR of 20% to be approximately US\$ 51.4 billion in 2027 and further leap to approximately US\$ 91.3 billion by 2030.
- As of 2022, the potential market size for the Indian drone industry was approximately US\$ 2.71 billion. In 2022, defence industry has the highest potential of US\$ 1.28 billion out of the total drone market, followed by logistics at US\$ 0.76 billion and enterprise at US\$ 0.48 billion. The Indian drone market is projected to grow from US\$ 43 million by Fiscal 2022 to US\$ 812 million by Fiscal 2027, exhibiting a growth CAGR of 80% over Fiscals 2022-2027.
- By implementing drone indigenization initiatives in use cases such as defence, commercial, homeland security, and counter UAV sectors, India has the remarkable opportunity to target approximately 1.8 lakh crore of total domestic manufacturing potential.
- The rise of the drone manufacturing industry in India will result in significant trickle-down effects across the subcomponent value chain, right across motors/ propulsion systems, payloads, communication modules, batteries/ power systems, propellers, assembly, navigation systems, airframes, and software solutions.
- The data confidentiality issues and low reliability of Chinese drones, coupled with the global anti-China sentiments, are paving an opportunity for the Indian drone industry to provide an alternative option in the market.
- Indian UAVs can compete in this market given the favourable ecosystem created by the government's industry-friendly policies, significant investments, and increasing demand for drones globally. Through meticulous public and private investments, the Indian drone sector is looking to position itself as a global competitor in exports for both civil and military drones.
- The Directorate General of Foreign Trade ("DGFT") under the Ministry of Commerce and Industry, by way of notification in February 2022, modified the Indian Trade Classification (Harmonised System) 2022 Schedule-1 (Import Policy) and banned the import of drones in completely-built-up ("CBU"), semi-knocked-down ("SKD") or completely-knocked-down ("CKD") form, with the following exceptions:
 - (a) Import of drones by government entities, educational institutions recognized by central or state government, government-recognized R&D entities and drone manufacturers for R&D purpose are allowed in CBU, SKD or CKD form, subject to import authorization issued by DGFT in consultation with concerned line ministries.
 - (b) Import of drones for defense and security purposes is allowed in CBU, SKD or CKD form, subject to import authorization issued by DGFT in consultation with concerned line industries. However, the import of drone components is not banned and does not require any approval.

Risks and concerns

- ITL operates in an industry that is highly regulated and is subject to change. If it fails to comply with the applicable regulations and rules prescribed by the Government of India and the relevant statutory or regulatory bodies, the Company's business, financial condition, cash flows, and results of operations will be adversely affected.
- Company is a licensed manufacturer of Unmanned Aerial Vehicles under the Industries (Development and Regulation) Act, 1951, and any non-compliance of, or a failure to satisfy the terms and conditions under such license could lead to the cancellation of the license thereby creating a material adverse impact on the business, financial condition and results of operations.
- Delays in the payment of invoices by government payment offices.
- ITL is highly dependent on global vendors for the supply of components and may not be able to reduce its dependency on such imports. If critical components or raw materials become scarce or unavailable, then ITL may incur delays in manufacturing and delivery of their products and in completing their development programs, which could damage the business. Moreover, the supply and cost of components can be subject to significant variation due to factors beyond control.

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Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Email: retailresearch@acm.co.in

Research Analyst Registration Number:

INH000002483

CIN: U65990MH1993PLC075388

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