



IPO Note- IdeaForge Technology Limited

26 June 2023

IdeaForge Technology Limited (ITL), incorporated in 2007 is the pioneer and the market leader in the Indian unmanned aircraft systems (UAS) market, with a market share of ~50% in FY22. They had the largest operational deployment of indigenous unmanned aircraft vehicles (UAV) across India, with an ITL manufactured drone taking off every 5 minutes on average for surveillance and mapping as of FY23. Their UAVs are equipped with industry leading specifications and capabilities, comparable to those of other established global players in the UAV industry. Their portfolio includes:- 1) **Hardware** (UAVs, payloads, batteries, chargers and communication system) 2) **Software** (GCS system enables the controlling and management of UAVs and autopilot sub-system enables remote control and autonomous completion of flights) 3) **Solutions** (enhances the value of the UAVs to the end Customer).

Market leadership position through a diversified product portfolio: -

ITL enjoys leadership position in the Indian UAS market with first mover advantage and a robust technology stack and track record of successful outcomes in critical use cases. Their ability to build a fully integrated system and having control over the full stack differentiates them from its peers. ITL offers products with feature-based differentiation such as weight class, endurance class, take-off altitude range, communication range, payload types, etc having varied use cases in both defence and civil sectors. On the civil front, agriculture, media and entertainment, energy and utilities, disaster management, geospatial mapping, forest and wildlife, and law enforcement are among the most prominent use cases.

Strong tailwinds for growth ahead: -

Global drone industry has witnessed significant growth at a CAGR of 19% over 2018-22 and is expected to grow at a CAGR of ~20% to \$ 51 bn in 2027 and further to \$ 91 bn by 2030. As of 2022, the market size for the Indian drone industry was ~\$2.7 bn with the government experimenting and exploring using drones for various use cases and has also stepped-up efforts to position India as the global drone hub since 2021. Indian government's ban on imports of drones from China for security purposes will also provide a significant boost to the domestic players.

Key Risks:- 1) Highly complex and technologically advanced products; may have unknown defects and errors. 2) Highly regulated industry. 3) Slower than expected acceptance of drones in the stated use cases.

Decent financials & valuation – SUBSCRIBE

At the upper price band, ITL is available at a PE of ~79x its FY23 EPS. We believe that in addition to the expected growth in the industry, ITL's market leadership, strong R&D capabilities, experienced management and plans to expand further into the international market, may provide a huge growth opportunity for the company. We have a **SUBSCRIBE** recommendation to this issue.

Key Financials (₹ Cr)	Mar-20	Mar-21	Mar-22	Mar-23
Revenue	14.0	34.7	159.4	186.0
EBITDA	-12.5	-10.9	73.1	47.1
EBITDA Margin (%)	-89.4%	-31.3%	45.9%	25.3%
PAT	-13.5	-14.6	44.0	32.0
PAT Margin (%)	-96.1%	-42.1%	27.6%	17.2%
Net Worth	68.0	59.8	163.3	324.7
ROCE (%)	-22.2%	-14.8%	37.6%	10.4%
ROE (%)	-19.7%	-24.5%	26.9%	9.9%
Cash Conversion Cycle	825	622	413	676
Net Debt to Equity	0.10	0.77	(0.09)	0.30

Source: ABML Research, RHP, company presentation

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Rating	SUBSCRIBE	
Issue Details		
Issue Opens	26-Jun-23	
Issue Closes	29-Jun-23	
Face Value (₹)	10	
Price Band (₹)	638-672	
Bid Lot	22	
Issue Size at higher price band (₹ Cr)	567	
Market cap @ upper price band (₹ cr)	2,800	
Listing	NSE/BSE	
BRLMs	JM Financial, IIFL Securities	
Registrar	Link Intime India Pvt. Ltd	
Shareholding Pattern (%)		
	Pre Issue	Post Issue
Promoter	33.9	30.2
Public	66.1	69.8
Issue Structure (In cr no. of shares)		
Issue size	0.84	
OFS	0.49	
Break-up of net issue to public (%):		
QIB's portion	75.0	
Non-Institutional portion	15.0	
Retail Portion	10.0	

Source: ABML Research, RHP

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