

### IDEAFORGE TECHNOLOGY LIMITED

26th June - 29th June, 2023

Industry: Defence and Civil

Price Band: ₹ 638 - 672

Recommendation: Subscribe for listing gains

Post Implied Market Cap: ₹ 2,671 - 2,800 Cr

#### Key Data

Issue Size (₹ Cr)	551 - 567
Fresh	240
OFS	311 - 327
No of shares offered	8,632,125 - 8,441,763
Face Value (₹ /share)	10
Bid Lot	22

#### About the Company

IdeaForge Technology Ltd (IdeaForge) is an Indian drone manufacturing company incorporated in 2007, promoted by entrepreneurs passed out from IIT Bombay and IIM's. Since beginning the company has been a pioneer and pre-eminent market leader in the Indian Unmanned Aircraft Systems (UAS) market, commanding an impressive market share of approximately 50% in FY22. By operational deployment of indigenous UAVs across India, it is the largest manufacturer of drones taking off every 5 minutes on average for surveillance and mapping as of Fiscal 2023 with customers completing more than 350,000 flights using the company's UAVs as of March 31, 2023. IdeaForge is catering to a diverse range of domestic and international clients, finding utility in Mining Area Planning and Mapping, Volumetric Estimation, Land Survey, Border and Coastal Security surveillance, Crime control, agriculture, and various other sectors. Offering a comprehensive product portfolio encompassing both hardware and software solutions, the company's commitment to innovation and excellence has earned it the 7th rank globally in the dual-use category (civil and defence) drone manufacturers, as of December 2022.

#### Indicative Timetable

Activity	On or about
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

#### Investment Rationale

**First Movers Advantage:** IdeaForge, started operations in 2007 and with a first-mover advantage and is leveraging this advantage in India with in-house capabilities to design, develop, engineer, and manufacture cutting-edge drones. Being among the 1st few companies in India to enter the UAV market with indigenously developed and manufactured VTOL UAVs in India and also participated in demonstrating 5G enabled UAVs in India.

#### Shareholding (No. of shares)

Pre-Issue	3,80,98,559
Pre-Issue	4,18,60,972
Post Issue (Higher price band)	4,16,70,611

**Diversified Products and strong Inhouse capabilities:** The company has a diversified product portfolio with a robust technology stack and a track record of successful outcomes in critical use cases. Each of the UAVs is designed with differentiations for addressing specific customer needs. Further, it is deployed in multiple use cases across defence and civil uses. The company has an In-House design to deliver capabilities to focus on performance, reliability, and autonomy. This comprehensive In-house manufacturing facility helps in increasing the productivity of the company.

#### Shareholding Pattern (in %)

<b>Promoters:</b>	
Pre Issue	28.39
Post Issue	25.58

**Focus on indigenisation:** The Government of India has launched the Production Linked Incentive (PLI) Scheme in 2021, which offers incentives to drone manufacturers to encourage local production and exportation, aiming to establish India as a global drone hub. IdeaForge has been shortlisted as a beneficiary of the PLI Scheme. Additionally, in line with the government's "Atmanirbhar Bharat Abhiyan" initiative, which focuses on self-reliance and indigenization, IdeaForge has partnered with a startup for the development of indigenous UAV propulsion systems.

<b>Promoters Group:</b>	
Pre Issue	5.57
Post Issue	4.61

**Entering into new sector:** The company aims to expand its product portfolio in response to the increasing potential of UAVs in sectors like infrastructure, retail, agriculture, and logistics. By leveraging their in-house technology and design capabilities, they plan to introduce innovative UAVs and capture a larger market share. They are actively exploring new use cases with growth potential and intend to expand into inspection and delivery applications, catering to asset inspection missions and middle mile logistics. Additionally, they have plans to offer tactical UAVs with vertical take-off and landing capabilities.

<b>Public - Other Selling S/h:</b>	
Pre Issue	26.93
Post Issue	13.8

<b>Public - Others:</b>	
Pre Issue	39.11
Post Issue	56.01

#### Risk

- Low promoter holding post listing
- Dependent on a single manufacturing facility
- Risk of regulators on govt orders

#### Issue Breakup

QIB	75%
NIB	15%
Retail	10%

#### MView

We believe IdeaForge IPO offer gives investors an opportunity to invest in one of the first pioneer and pre-eminent market leader in the Indian Unmanned Aircraft Systems (UAS) drone market. Its leadership position and first-mover advantage drive their growth through a self-propagating flywheel. With a diverse range of products offering feature-based differentiation. They stand out as one of the few vendors globally to provide a full stack UAV solution, including ground control software, firmware, and robust after-sales support. The Promoters' are technocrats with deep understanding and involvement in the drone industry, coupled with their cumulative work experience of more than 85 Years, further strengthen IdeaForge's strategic planning, operations, and design capabilities. The company has plans for expansion in Bangladesh, Vietnam, Nepal and USA as they offer promising growth opportunities. With their hardware and software capabilities, IdeaForge is well-positioned to explore business services revenue through 'drone as a service' (DaaS) offerings and capitalize on the vast logistics industry. The company's potential for strategic alliances with global and domestic players across different segments of the drone industry further adds to its growth prospects.

#### Other Details

**BRLMs:** JM Financial, IIFL Securities

**Registrar:** Link Intime India Pvt. Ltd.

**Listing:** BSE & NSE

#### Research Analyst

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On valuation parse at upper band of Rs. 672 the issue is asking a market cap of Rs 2800 Cr and based on FY23 earnings, P/E stands at 87 x which means the issue is priced bit expensive with no clear peers to compare in drone space. Based on the industry fancy demand and growth in the recent performance, the issue fetches the first mover listing advantage in the segment, hence we recommend investors may consider subscribing the issue for listing gain only.

## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

Particulars Rs (in Cr)	2021	2022	2023
Equity Share Capital	0.09	0.09	21.34
Reserves as stated	59.62	163.18	303.12
Net worth as stated	59.75	163.30	324.73
Revenue from Operations	34.72	159.44	186.01
Revenue Growth (%)	-	359.22%	16.66%
EBITDA as stated	-9.25	75.13	57.49
Profit Before Tax	-14.50	50.18	40.80
Net Profit for the period	-14.63	44.01	31.99
EPS (RS)	-5.03	13.84	8.55
RONW%	-24.48%	26.95%	9.85%
NAV (Rs)	20.57	51.36	86.81

### COMPARISON WITH LISTED INDUSTRY PEERS RS (IN CR)

Companies	Mcap (in Cr)	FV	Revenue from operation (as at march 2023)	EPS	NAV	P/E	P/Bv	RONW
IdeaForge Technology Ltd	2800	10	186	9	324	79	2	10
MTAR Technology	1924	10	574	34	620	57	10	17
Data Patterns India Ltd	1800	2	453	24	1167	82	9	11
Astra Microwave Products	3515	2	816	9	643	43	5	13

Source: RHP, Data as on 31st March 2023, Cline: Mcap, P/BV calculated as on 23rd June 2023.



# MSEARCH

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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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