



# “ideaForge Technology Limited Q3 FY-24 Earnings Conference Call”

**February 06, 2024**



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**MODERATOR: MR. PARTH PATEL - ORIENT CAPITAL.**



*ideaForge Technology Limited*  
*February 06, 2024*

**Moderator:** Ladies and gentlemen, good day and welcome to ideaForge Technology Limited Q3 and Nine Months FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Parth Patel from Orient Capital. Thank you and over to you Mr. Patel.

**Parth Patel:** Thank you, Michelle. On behalf of Orient Capital, I welcome you all to ideaForge Technology Limited Q3 and Nine Months FY24 Earnings Concall.

On the management side, we have Mr. Ankit Mehta – Chief Executive Officer, and Mr. Vipul Joshi – Chief Financial Officer.

I hope everyone had an opportunity to go through our “Investor Deck and Press Release” that we have uploaded on the exchanges and on the company’s website.

A short disclaimer, I would like to say before we begin the call, this call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I now hand over the call to Mr. Ankit Mehta. Over to you, sir.

**Ankit Mehta:** Good morning, everyone, and a warm welcome to all the participants. Thank you for joining us today to discuss the Q3 FY24 Results of ideaForge Technology Limited.

Let me first take the opportunity to wish everyone a very Happy New Year, although it’s a bit late, but this is the only opportunity we had.

On this call, I have my colleague, Vipul, as mentioned by Parth, who is our CFO and Orient Capital, our Investor Relationship Partner. And I hope that everyone has had the opportunity to go through the “Investor Deck and the Press Release” we have uploaded on the exchanges and the company website.

Presently, I’ll be providing you with an “Overview” of our “Strategic Initiatives” and the “Notable Milestones” we have achieved since our last Earnings Call.

At the outset, I want to share some good news with you:



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We have improved our global ranking as a dual use drone manufacturer from seventh position last year to the fifth position this year for the same ranking organization. Additionally, we have been officially certified as a Great Place to Work. Though this development happened recently. I believe this would be a great forum to share this with you all.

As we celebrate these milestones, it energizes us to redouble our continued endeavors to achieve excellence. Innovation remains at the core of everything we do at ideaForge and the grant of seven new patents is a testament to this.

On the development front, we have reached the prototyping stage for many of our technology and product initiatives. While initiatives like performance improvement on existing platforms, and the addition of new capabilities will result in tangible advantages in the shorter term. Initiatives for larger platforms like the middle mile logistics platform, will take a relatively longer development cycle. All these initiatives are on track, and we are confident about the progress we have made on them. We will keep updating you on new developments in the future.

As part of our endeavors to unlock the full potential of drone technology, we have conceived India's first drone innovation platform, which will help create a world class collaborative drone ecosystem in our country. At the heart of this ecosystem, will be ideaForge drone platforms, and control software, which ensure performance and reliability while delivering safety and autonomy in the field. On top of these two, industry players will be able to integrate innovative payloads to address a large number of use cases. They will also be able to leverage the application marketplace that is being developed by ideaForge to provide their software solutions and even cross-leverage solutions from other players and ideaForge itself to deliver automated outcomes to end users. This innovation platform approach coupled with serviceization of the drone technology will ultimately result in increased availability of drone solutions and will provide flexibility of consumption to the end customer, thereby accelerating the growth of the industry and all of the players involved.

In this quarter, we have also seen progress in our strategic diversification initiatives. We have shipped SWITCH and NETRA V4 Pro systems to the US and started product demonstrations and training with customers and Value Added Resellers there. These demonstrations are aimed towards educating customers about these platforms and their capabilities, and to start building a sales pipeline in the US. For the Drone as a Service business, we are seeing early billings from a few anchor customers. As the technology and market mature, I'm confident that drones will be an integral and ubiquitous part of our country's governance and security infrastructure. We are confident that these early encouraging signs will grow into meaningful business in the times to come.

As we delve into the "Operational and Financial Updates" for this period, I want to share that we have also delivered a large defense contract to a customer in full and well ahead of schedule.

This is a testament to our ability and commitment to deliver best-in-class products and solutions to our customers that act as force multipliers for carrying out critical missions in the field.

I will now discuss our “Financial Performance”:

Consolidated revenue from operations for the current quarter stood at 90.9 crores. The gross profit for the quarter was 48.9 crores at 53.7% of revenue. EBITDA for the quarter was 26 crores at 28.8%. PAT stood at 14.8 crores with a PAT margin of 16.3%. For the nine month period in FY24 the revenue from operations was INR 211.7 crores as compared to 147.3 crores in the same period in FY23. Gross profit stood at INR 112.8 crores at 53.3% of the revenue. EBITDA for the nine month period in FY24 stood at 65.3 crores with the EBITDA margin of 30.8% as compared to INR 52.1 crores in FY23. PAT stood at INR 34.6 crores at a 16.3% margin. Our order book now stands at 175.8 crores as of December 31<sup>st</sup>.

We have surpassed our last financial years annual revenue in the first nine months of the year. This is in line with our projection of substantial growth of revenue in this FY, this further accentuates our belief that our business cannot be reviewed on a quarter-on-quarter or year-on-year basis and should be holistically looked at by including our efforts on diversification and product development.

Thank you for your attention, and I look forward to addressing any questions you may have.

**Moderator:** Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Renu Baid Pugalia from IIFL Securities. Please go ahead.

**Renu Baid Pugalia:** My first question is just to understand a bit more about how is the order pipeline and the order built up position looking for the next six months because that is where the visibility for next year will depend. So, if you can share some inputs in terms of projects where we have already submitted bids or certain receipt orders, where are they in terms of finalization and based on your internal assessment, what could be the likely order book at the end of the current fiscal or next year. That’s the first question. Thank you.

**Ankit Mehta:** Thanks Renu for the wishes and for the question as well.

Just wanted to highlight that one can also see from how this year has panned out for us, that the opening order book at the beginning of the year is not necessarily a full reflection of our performance potential in that year because in our case, many a times we get opportunities in between and we are able to build them as well given that we have adequate capacities and very good planning engine to be able to execute those.

Having said that, we are at any point in time tracking a fairly large opportunity pipeline which is in various stages of conversion including all the aspects that you mentioned which implies repeat opportunities, which implies opportunities which are in the pipeline and as you are also

aware of the MAKE II programs that we are working on. So, all of that continues to be actively being tracked. They are all in various stages of progress in forward motion. However, to talk about any specific opportunity may be a bit challenging at this point in time barring the fact that, we have already indicated that prototyping of our tactical system is in advanced stages. And we are getting closer to some of those developments, of course, it will take several iterations. But we are over some of the important phases of early design in those opportunities. So, we are constantly at work, we have done a lot of trials, demonstrations, and several opportunities are both under evaluation, and several of them are coming up for evaluation in the next few weeks. What is also there Renu is that we don't just have a pipeline that is centered around defense, we also have a very healthy civil opportunities pipeline. And that again, helps us quite a bit in terms of ensuring that we are able to bridge some of these gaps.

**Renu Baid Pugalia:**

Right. So, this is where I was coming to that irrespective of defense, non-defense, but materially we need to have, what is the visibility that you have, the projects which would be in advance prototyping stage for developmental orders, all the repeat orders are under discussion after deliveries. So, that order pipeline how would that look in value terms or potential orders where we could be L1, in your view depending on how the competitive intensity for those particular projects are? So, any color that you can give in terms of quantifying some of these values which may emerge in L1 pipeline or in repeat orders over the next six to eight months?

**Ankit Mehta:**

So, Renu, the way I would sort of broadly classify the way we track it internally, is in the form of tracking certain large deals, which can at times be upwards of triple digit numbers, and then look at a run rate pipeline as well. So, we typically track it in that fashion. And we have opportunities in both the buckets in a fairly healthy division. But, I am not at the liberty of saying anything more specific.

**Renu Baid Pugalia:**

No problem. Second question is, in line with the investment required for the MAKE II program. Can you share update in terms of status on team ramp up, and by when do we expect to, you mentioned multiple iterations which are underway, but you think some of these MAKE II programs could go in for, initial prototyping to display to customer by mid of the next calendar year, or it could be slipping towards the end of next fiscal year?

**Ankit Mehta:**

See, definitely there is a need for us to demonstrate some of these platforms within this year itself, this calendar year itself which we are currently in. So, those are the timelines that we will have to meet and we are aggressively tracking those timelines. And in terms of team augmentation, we have added almost 72% new team members on the development side, and of that, about 15% were added in the last quarter itself. And on top of that, we have gone ahead on a good hiring spree from tier one colleges, and have been able to augment talent from a lot of world class industries in our company over the last quarter or so. So, again, this is a very good talent pipeline that we are tracking. And we are hoping to make sure that we are able to build a world class team that can continuously deliver on innovative technologies.

**Renu Baid Pugalia:** Got it. And lastly, in terms of you did mention about getting early in terms of monetizing Drone as a Service opportunity. So, where do we see these revenues scaling up in the next two to three years and can you share examples in terms of the applications where you have started to monetize these probably on the civil side of the business? Thank you.

**Ankit Mehta:** So, in terms of revenue scale, overall, the way we track or the way we look at the Drone as a Service business is, in general, it to become a part of our overall Software as a Service, Drone as a Service and services revenue bucket. We are looking at it getting into over the period of next three to five years into double digit numbers cumulatively on that bucket. And therefore, that's a target that we are tracking hopefully it will be significantly higher. However, in terms of the kind of used cases for which they are being leveraged, law enforcement is going to continue to be a important use case there along with various GIS applications.

**Vipul Joshi:** Renu, just to add Vipul here. Basically, this is still our early green shoots of validating the model, we are still prototyping as to how this model will really work out. We are testing our background app, as to how it will work with our consumers on the field. And, the overall intent of moving to a franchise model is all work in progress at the moment. And all of that will fructify in the coming few quarters.

**Renu Baid Pugalia:** So, this will be based on a similar model that we had piloted in Dehradun, or are we looking at other cities as well in terms of exploring and penetrating with these kinds of services?

**Ankit Mehta:** Yes, absolutely.

**Moderator:** Thank you. The next question is from the line of Dipen Vakil from InCred Equities. Please go ahead.

**Dipen Vakil:** Sir my first question is, can you tell us about the order book split between say defense and civil Q3?

**Ankit Mehta:** Dipen thank you for your wishes. But we haven't actually looked at it from that perspective at this point in time. So, we don't speak about that at this moment.

**Dipen Vakil:** Okay. So, I just wanted to understand is there any difference in the execution timeline between say defense order or a civil and agri drone or everything is the same at around 12 to 15 months?

**Ankit Mehta:** So, Dipen, what happens is that, typically when it is a very large opportunity that comes from mostly defense opportunities, they come with significantly longer delivery timelines, for example we have opportunities that were expected to be delivered in two years, and some of them were expected to be delivered in a year or so. But typical run rate opportunities that we get from civil and several defense customers as well, they may not have that longer timeline, they will typically have a shorter timeline of three to six months. So, that split varies by the nature of the order, and the volume of the order, more than defense or civil.



- Vipul Joshi:** So, Dipen, ideaForge doesn't serve the agri market, our services typically distributed between mapping and surveillance use cases.
- Dipen Vakil:** Sir, and just wanted to understand little bit more on your order book. Sir your order book to trailing 12 month sales is now down to less than one time. So, are there any order pipeline say near term in Q4 and do you think you'll be able to close your order book to over one time by the end of FY24?
- Ankit Mehta:** So, obviously there are things that are expected to close in the present quarter as well. Having said that, whether it will be one time trailing revenue or more is something which I will not be able to comment at this stage. And like I said, any year's revenue is not necessarily reflective of the closing order book, because in our case a lot of times chunky opportunities close in between, and we are able to deliver them as well given our capacity.
- Dipen Vakil:** Got it. Sir last question, you told us about that ideaForge has been granted seven new patents. So, can you tell us a little bit more about the product development and the opportunity size around the same.
- Ankit Mehta:** So, we basically get patent grants on technologies that we have protected let say a few years back that's the way the process is, with respect to patent granting. Granting is a testament to everybody in the chain finding that and this is the first time something like this has been thought about in the world. In terms of the product development cycle, of course there are several ideas that we have been working on over the last year or more, and many of them are in advanced stages of prototypes, which means that we will have physical products that are going to prove the technology on ground.
- Moderator:** Thank you. The next question is from the line of Vinamra Hirawat from JM Financials. Please go ahead.
- Vinamra Hirawat:** My question was, could you give us some color on the two new drone categories that you are coming out with the tactical drone from MAKE II, and the middle mile logistics drone that can carry 100 kgs for 100 kilometers?
- Ankit Mehta:** So, essentially, the reason why we are building these two drone categories is to attack a slightly different set of use cases. Both of these categories are dual use categories for us. And they will both have applications in defense and civil market. The tactical drone category is meant to essentially offer best in class surveillance and payload carrying capability within a specific class of UAV, this class of UAV is almost 10 times heavier than the heaviest UAV that we build right now. So, it's a massive step jump from where we are. But it is a drone category that will enable significantly long range and long endurance performance for various use cases, which will involve carrying sensors that can do mapping for a really long period of time, or carrying surveillance and imagery payloads that can see at targets much further away from the object. Or, in many cases, it should also be able to carry a good amount of payload, which will allow us to

do certain applications which were earlier not addressed by our portfolio. Then, when we look at the middle mile logistics platform, it is expected to be perhaps 10 times heavier than even our tactical drone platform. But the objective there is to build a platform that can carry heavier loads upwards of 100, kgs to 100 plus kilograms. So, broadly, trying to ensure that we are able to take very heavy loads in extreme environments as well if required to do logistics missions that were otherwise not possible. And a lot of parts of our country and other places are inaccessible, but can be really well served if we build a technology like this for those environments.

**Vinamra Hirawat:** Yes, definitely. Just as a follow-up, what is the rollout timeline you see for both of these drones?

**Ankit Mehta:** So, like we had mentioned in our presentation, we are in advance stages of prototyping the first platform on the tactical side. And, of course it will take multiple prototypes to get to an optimized product, but we have started to at least get there now physically which means a lot of the design stage is getting to a conclusion there. And then as far as the middle mile drone is concerned, we are in advance stages of designing itself. So, it will take some more time to get to prototyping phase there. However, it is expected to have a longer development time as compared to the tactical drone.

**Moderator:** Thank you. The next question is from the line of Jatin Jadhav from Sahasrar Capital. Please go ahead.

**Jatin Jadhav:** I have two questions. One, I wanted to understand the market share which is presented in the investor presentation, you said 50% market share in India in FY22. How was this calculated exactly, based on revenue or based on the number of drones that were produced?

**Ankit Mehta:** This was based on revenue itself. And this was based on the government data that had emanated from PLI inputs that they had received, then they had invited the first round of application. So, therefore, we have that vantage point only available with us at this point in time.

**Jatin Jadhav:** Okay. And second rank, you've been promoted to rank number five globally in dual use cases. What is that exactly?

**Ankit Mehta:** So, there is an entity in Europe that publishes a dual use and civil use drones ranking every year, where they look at all the drone companies in the world, I'm assuming they have fairly extensive coverage given their directory. And they look at performance of these businesses and come up with a ranking for these industries based on whether it's dual use or if it is purely civil use.

**Jatin Jadhav:** Got it. And since we are catering, I see a lot of other drone companies also getting orders from the defense side. So, wanted to understand currently our revenue, whatever is coming from the defense, what kind of drones do we provide to the defense sector of India?

**Ankit Mehta:** These are meant for surveillance operations. So, what happens is that, when we look at any operation that is happening in defense or any other space, one of the most important aspects of



that operation is getting intelligence in the first place, to do any action on top of right. So, these drones in a way become the backbone of any operation that is happening. On top of that, these kinds of drones are also used for assessing if, let's say for example an end effect has been taken or an end objective has been tried to be neutralized, then whether the effort was effective or not. So, they are used for damage assessment, they are used for whether whatever was delivered to the target has been delivered accurately or not. So, these kinds of drones remain a bedrock of any operation on the defense side and then all other kinds of drones, whether it be it for ones that are doing Kamikaze missions or otherwise, they are essentially augmented to these kinds of systems to do the end effect. But surveillance drones become the bedrock of what's happening.

**Jatin Jadhav:** So, are we, is it safe to assume you are the best in this particular class in India?

**Ankit Mehta:** Yes, in the two categories that we build in right now, we do offer best in class globally.

**Jatin Jadhav:** Okay. So, let's say tomorrow a need of your particular type of class of drones arises. So, is it safe to assume all orders will come to you?

**Ankit Mehta:** See, that is something which we can only comment on when we get there on the field. But, we do believe that we have something that is very differentiated in this category. And it has been challenging to challenge the positioning there.

**Moderator:** Thank you. The next question is from the line of Venkat from 3Sigma Financials. Please go ahead.

**Venkat:** Sir the previous question was centered around the best in class. So, I just wanted to understand where does our strength lie, does our strength lie in software or hardware. Because when I look at the patents, the patents are more from process point of view. They are not product related, so where does our strengths lie?

**Ankit Mehta:** So, our patents are actually most of them on technologies, both on the software side and hardware side. And what we have done is, we have been able to create a domain expertise around very high-performance drones with a lot of reliable execution based on the software as well as the hardware features that we embed. And a lot of autonomy is also baked into our systems because it allows the systems to take a lot of decisions for their own safety, onboard by themselves. So, we have strength on both the sides. We make our own autopilot, that autopilot, including the embedded hardware is entirely our own software code. We make our own ground control software, we make our own communication stack. In terms of software, so many of the critical elements of this technology are all built in-house by us.

**Venkat:** Sir, my next question is, you were talking about third party software solutions we will provide rather, ideaForge is going to provide third party platforms they can use the software. So, is that the correct understanding and if that is a correct understanding. So, what kind of baseline would

you look, is there some kind of standardized operating system that the software solutions work on or you have to custom develop for each of them?

**Ankit Mehta:**

No. So, what will happen is that, we are coming up with a marketplace, that marketplace will allow a lot of industry software elements that can plug into the data processing chain that is required from the outcome of a UAV. For example, whenever a UAV does mapping application, for example what drones are doing in the SVAMITVA scheme right now, they are taking high-resolution, overlapping snapshots of abadi areas in the rural India. And that data is then imported into a processing software that converts it into a map. What happens is that then the data that is being collected by the drone is put into a processing software and that processing software comes up with the integrated map of that area and that map is then further needed to be divided into the actual footprint of the houses that need to be given the property cards. So, a lot of software technology can help automatedly cut those boundaries by looking at the footprint of the houses. And a lot of such technologies can be created and our platform will allow users to bake in those specific technologies that can be put into a workflow and can deliver the result to the customer without necessarily needing further human intervention. So, that kind of technology element is something that a lot of third party providers can build. And we can offer these to the end customers so that end customer can get the results in the most automated manner and at the right cost.

**Venkat:**

So, we are not decoupling hardware and software in that case, and you are talking about a platform, you are talking about both hardware as well as software?

**Ankit Mehta:**

Yes, for example there is an innovative payload needed for a specific application which we are not building at ideaForge, and we don't want to build at ideaForge for that matter, then other people can build those hardware payloads that are doing let's say for example a very specific gas sensing or they are doing some very specific monitoring that otherwise is not something we are trying to build for. And then they can also build a software piece that can deliver the reports to the end customer. Our system will make sure that the entire data pipe is available for them to do the processing on one to first mount their sensor, then to do the processing on and then in the end deliver the application to the end customer.

**Venkat:**

So, we are going to give all the APIs to them is my understanding correct?

**Ankit Mehta:**

Yes.

**Venkat:**

And that would be a revenue stream for us?

**Ankit Mehta:**

Yes, exactly.

**Venkat:**

So, my next question if I can squeeze, sir drone technology is continuously evolving. And so many people are developing, are we kind of like partnering with somebody where they can be

cost sharing, or there can be some like M&A activity that the people who are kind of growth stages we can let this technology and stuff like that, can you give some path around that?

**Ankit Mehta:** So, we are always looking for innovative businesses that are building something differentiated and can add a lot of value to our customer base. We do continue to evaluate partnering with such companies. One example that I can share is, if you look at our partnership with GalaxEye in building, radar-based payloads, including a radar that we are prototyping with them for fog penetration, and another radar that we are developing with them for foliage penetration. So, these kinds of innovative partnerships is something that we are extremely keen on. We have also in the past, integrated with Esri. So, we are constantly on the lookout of various partnerships and these partnerships can take any flavor going forward including like you mentioned the need for investments or M&A.

**Moderator:** Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri:** This is with regards to, I had one question regarding our revenue. So, as you were saying we can get a lot of orders that you can execute, which are not reflected in the order book. So, for all the current nine months how many such orders would we have reflected that were not maybe reflected in our March 23 order book?

**Ankit Mehta:** So, let's say for example, if you look at our March 23 opening order book, it was at close to about 190 crores. And if you see in between, in quarter one, we were at about 100 crores of order book and that again short up to 253 crores in order book, which is presently at about 175 crores. So, you can see what I mean, that there are a lot of orders that come in, in between they get billed also. And then we get more orders as well. So, that cycle continues all the time.

**Darshil Jhaveri:** Okay. I understand how difficult it would be to comment on the order book but then, for us, like analysts, could we just have some kind of a benchmark or indication that how could we help predicting the future flows or something that helps because the variability in terms of revenue is somewhere a bit difficult to model, will maybe help us with any integrator that you find appropriate but can help us a bit?

**Ankit Mehta:** Honestly, because I am not tuned to that kind of thinking, I'm not really able to think about any specific idea at this point in time, but maybe we can discuss this at some point in time.

**Darshil Jhaveri:** Okay. All your guidance in terms of maybe broad based guidance nothing very specific two years, three years down the line what kind of revenue can be maybe foresee because it's a new product coming in, is it fair to assume that we may touch 500 crore?

**Ankit Mehta:** So, it is not very straightforward for me to give any number. However, what I can share is that, from all that we have seen in the industry over the last few quarters, and from our time in the industry so far, we have just started to scratch the surface of the market potential of this

opportunity. And with the use cases that we are unlocking with every new development for example, if you read our presentation we had also indicated that we have started to see early usability of our products in inspection use cases as well, which is up to four important use cases which include surveillance, mapping, inspection and delivery, we were only doing surveillance and mapping so far, with unlocking of certain new use cases, the market potential keeps expanding, and a lot of this market potential is realizable in the short term as well. And some of it, like for example when we build a new platform particularly of a larger size will get realized over the next three to five years horizon. So, depending on the nature of the platform, and the type of unlocking we are able to do, in fact the whole platform approach that we have come up with, is essentially to unlock the full potential of what our products can do in the market even today, because it is not possible for one company to build every payload possible in the industry. Nor is it possible for any company to build every possible software application that the end customers require. But by making and taking that platform approach, we are trying to accelerate our own entry into various industrial segments that our partners are willing to help us, jointly address because we provide that stable base platform. We provide a mature software stack that allows them to accelerate and focus on areas that can create a lot of value as well as allows us to address the overall market chain that otherwise was not accessible to us, till we would have decided to enter that space. So, a lot of this is an effort to unlock both short-term as well as continue to prepare for the long-term advantages. And of course, we are also looking at the international market. For our existing products, existing platforms and their capabilities wherever relevant in the rest of the world is another strategy we are pursuing.

**Darshil Jhaveri:**

Thank you so much for the detailed answer. Sir just one final question, in terms of our cost, currently as you may be hiring new employees and everything. So, how do we just see our cost started going, our employee benefits and other expenses would be fixed in nature right sir? They would not have an amount of variability. So, we would be probably for every quarter spending around 30 crores, is that the fair assumption?

**Vipul Joshi:**

So, Darshil, the variability will also be there because the company is in the growth phase, as Ankit mentioned that we would be expanding our base as well across multiple geographies. While as you would understand that, for our product development, expenses we capitalize them. So, the hit won't be visible on the P&L. Only what gets amortized over quarter-to-quarter is the numbers that will be visible. While , so to say overall expenditures in terms of our rental cost and all have steady, they are no envisaged additional expenses that we see in the next coming quarters.

**Darshil Jhaveri:**

What I meant operating expense, would not be reduced, it would be at least currently stable or higher?

**Vipul Joshi:**

They would stay stable, obviously whatever we need to produce, and those expenses would be depending on the order book that we are trying to service for that quarter.

- Moderator:** Thank you. The next question is from the line of Mudit Kabra from Elara Capital. Please go ahead.
- Mudit Kabra:** Firstly, I would be asking, can you give us any numbers on the capacity utilization, maybe on quadcopters and fixed wing, not on specific an overall number maybe?
- Vipul Joshi:** So, right now we would be at about 80% of our capacity utilization for a single shift. Again, that peaks and reduces depending on the size of orders that we are servicing month-on-month.
- Mudit Kabra:** Okay. And secondly, number of flights taken till December in the current fiscal year 24?
- Ankit Mehta:** So, about 60,000 flights is what we had reported in the presentation as well, is for the financial year, and cumulatively that number has gone up to 420,000+ flights with the end customers.
- Mudit Kabra:** Okay. And if I'm not wrong, it is fair to assume that till next one or two years we are targeting up to one million this number?
- Ankit Mehta:** We have to set ambitious targets and we are aggressively working towards making sure that the adoption of the platform is happening at the highest pace possible because we firmly believe that, the more the platform gets used, the more will the market expand, because most of our platforms are delivered for either a security use case or they are delivered for a productivity use case. And in both cases, as long as you are continuously being used, you are giving somebody disproportionate value, and that allows them do want to use it to their entire scale.
- Vipul Joshi:** And Mudit, we are also seeing that our deployment base also is changing and that also should help us get them more adoption in terms of total number of flights.
- Mudit Kabra:** Got it. And lastly sir, on the ESOP cost. On the ESOP cost lower in the previous years, and it short up in FY23. We are expecting to normalize this ESOP cost as you are taking the picture of the good number of hiring which is coming. This number would remain at elevated levels in the coming years, right?
- Vipul Joshi:** So, basically the last call also we had highlighted that all large quantum of ESOP exercising, has already hit our books. We don't see any large numbers coming in the subsequent time period. It will normalize around about 40-50 lakhs quarter-on-quarter.
- Mudit Kabra:** 40%, 50%. Okay.
- Vipul Joshi:** 40-50 lakh per quarter.
- Ankit Mehta:** It may be higher, but the way it gets delivered is going to be direct.

**Moderator:** Thank you sir. The next question is from the line of Dipen Vakil from InCred Equities. Please go ahead.

**Dipen Vakil:** Sir, I wanted to understand a little bit more about your North America operation which you have entered recently, how has been the feedback from your prospective clients and when do you see these geographies or the out of India geographies to start forming significant second part of your revenues?

**Ankit Mehta:** See, I do not foresee them to become significant very, very quickly given our revenue base. But, it will actually start becoming meaningful in the coming year itself. And progressively they will start climbing to being significant, but at least in the short term, we are aiming to have them give us meaningful outcomes. But in terms of how the reception has been, our class of products or the performance that we deliver is quite unique vis-à-vis what's available in those markets. And therefore, we are seeing a lot of positive response at this point in time.

**Dipen Vakil:** So, if we look at drone as a service then North America operations do you see from a percentage point of view do you see it contributing in a meaningful way, say more than, say close to around 10% or something?

**Ankit Mehta:** No, not at least in the coming year.

**Dipen Vakil:** Got it. And taking a follow-up question on capacity utilization. In your DRHP you had given the installed capacity per day for your quadcopters and Switch UAVs. So, is it possible to give an updated installed capacity per day for your products?

**Vipul Joshi:** So, Dipen, no significant changes happened in the capacity right now, we still hover around five in terms of our quadcopters and about four in the Switch on a per day capacity for single shift. Since we have not really gone ahead and done any capital investments or capacity enhancements.

**Dipen Vakil:** Got it and you are functioning on a single shift. So, you will just increase your shift from?

**Vipul Joshi:** We would look at maximizing our current infrastructure before we venture into any CAPEX investments.

**Moderator:** Thank you. The next question is from the line of Pratir Adhikari from Ratnabali. Please go ahead.

**Pratir Adhikari:** My understanding is that, that there are different categories of drones, and different companies are targeting different companies, different types of drones to develop. And you said that you are you are making some drones which are differentiated than others, to meet your category of drones. How many people are there, how many companies are there who are trying to develop this?

**Ankit Mehta:** So, what happens is that, Pratir is that in general any category that has been around in the market for a few years, you will find a number of people trying to compete in that category, what we try to do is, we try to make products that are differentiated and better performing even in the same category. So, you will have a lot of people who are building products in the same category. But probably it is challenging to meet our best in class in terms of performance and certain other factors. So, that is how you continue to retain the edge in each category, because each category as it gets established, does have several people wanting to build for that category. Similarly, for the new platforms that we are building, some of them we may be entering categories that do exist, but we will build in our capabilities so that we can be differentiated within the category.

**Pratir Adhikari:** Okay. So, whenever you are developing a drone, I guess optoelectronics is a major part of it. So, my question is how much you are dependent on foreign equipment, and does this kind of thing like optoelectronic we procure from outside or domestically established?

**Ankit Mehta:** So, we do currently procure optoelectronics, and certain other sensors from outside. However, we also continue to seek opportunities to build them in India or get them built in India. That is also something that we parallelly keep exploring. And that's an effort we do for every subsystem that we have in general. But, yes even for optoelectronics we do that. We ensure that we are always on the lookout for localization as well.

**Pratir Adhikari:** Okay, Sir what is your sustainable EBITDA margin which is right now hovering around 20%, 30% it's fluctuating, what is the sustainable margin for the year when you will have orders placed and you will execute?

**Ankit Mehta:** So, our view is that we should hover anywhere between 25% to 30% as is visible, that's what is our expectation at this time.

**Moderator:** Thank you. The next question is from the line of Rajat from InCred AMC. Please go ahead.

**Rajat:** So, just one question. On your core operating margins, you were reporting only 21%, 22% kind of margin. If I include other income obviously that shoots up to 28%. I just want to understand what has changed over the last two years, because at a lower sales profile at 160 crores in FY'22, and 190 crores in FY'23 you were doing a much higher margin, the 47% and 26%. And now over the last four quarters that margin profile has come down to 17%, 18%. So, just want to understand what exactly has happened?

**Ankit Mehta:** So, mainly what happens is that, a lot of it depends on the contracts that we have closed, and the nature of those contracts. So, for example, the contracts that we had executed in the previous year, they were slightly higher margin contracts, the contracts that we are executing and delivering on in this year maybe of the performance is basically reflective of those contracts that we had back. Now, depending on the nature of the opportunity, and the type of UAV that our customer needs, and the competitive environment, we have to ensure that we balance all of these

three things together, when we are doing our bidding, some of these bids may be really old as well.

**Vipul Joshi:** So, Rajat the product mix that we are trying to distribute between customers. And the complexity of the user requirements is where the pricing differentials are also their contract to contract. And that's the reason why there's a certain shift that you see.

**Rajat:** Right. So, is it fair to assume that the competitive intensity has definitely increased over the last two years?

**Ankit Mehta:** Yes, competitive intensity has gone up, which is fair given the buzz around the industry. Having said that, whenever we are looking to pitch something at the cutting edge, we still find that there isn't as much competitive pressure, but wherever our category has been established at moderate performance levels, it is bound to be competitive there.

**Rajat:** Got it. And on the other expenses front can you tell me what is the breakup in terms of R&D, how much is R&D spend right now?

**Ankit Mehta:** So, our other expenses presently do not include R&D expenses. R&D expenses, actually product development expenses in our case, they are typically capitalized and the other expenses are all of the other expenses in the company.

**Vipul Joshi:** So, if there is a mix of, provisions for warranty expenses, ECL, your manpower recruitment cost is a mix of what you see in the other expenses.

**Rajat:** Okay. So, there's no R&D cost in the other expense?

**Vipul Joshi:** R&D is what we capitalize under intangible assets under development.

**Rajat:** And how much would that be in terms?

**Vipul Joshi:** So, right now the balance sheet numbers are not audited and not published.

**Moderator:** Thank you. The next question is from the line of Vinamra Hirawat from JM Financials. Please go ahead.

**Vinamra Hirawat:** I was just wondering if you could give export to the percentage of your total sales?

**Ankit Mehta:** Vinamra, it's not meaningful at this point in time. Probably in the next year, we will start looking at a meaningful division over there.

**Vinamra Hirawat:** Okay. So, I can just assume like under 2% or 3%?





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**Ankit Mehta:** No, much lower than that also.

**Vipul Joshi:** We just started seeding the market Vinamra there so.

**Moderator:** Thank you. Ladies and gentlemen in the interest of time that was the last question for today. I would now like to hand the conference over to Mr. Ankit Mehta for closing comments. Over to you sir.

**Ankit Mehta:** Thank you so much everyone for being on the call and patiently listening to our Q&A as well. And, I wish everyone a very, very good day and a great next quarter as well for everyone. Thank you.

**Moderator:** Thank you members of the management. On behalf of ideaForge Technology Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.