

August 16, 2023

<p>To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. BSE Scrip Code: 543932</p>	<p>To, The National Stock Exchange of India Limited “Exchange Plaza”, Bandra – Kurla Complex, Bandra (EAST), Mumbai – 400 051 NSE SYMBOL: IDEAForge</p>
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Sub: Transcript of Earnings Call for the quarter ended June 30, 2023.

Dear Sir/Ma’am,

This is further to our letter dated August 09, 2023, whereby the Company had submitted the link to the audio recording of the Earnings Call hosted by the Company on Wednesday, August 09, 2023 at 11.00 a.m. (IST) post announcement of Unaudited Financial Results (Standalone & Consolidated) for the quarter ended June 30, 2023.

Pursuant to the Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed the transcript of the Earnings Call held on Wednesday, August 09, 2023. The Transcript is also available on Company’s website at below link –

<https://ideaforgetech.com/investor-relations/transcript-of-earnings-calls>

Kindly take the same on your records.

Thanking you,

Yours faithfully

For ideaForge Technology Limited

Sonam Gupta

Company Secretary

Membership No. A53881

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“ideaForge Technology Limited
Q1 FY '24 Earnings Conference Call”
August 09, 2023



**MANAGEMENT: MR. ANKIT MEHTA – CHIEF EXECUTIVE OFFICER –
IDEAFORGE TECHNOLOGY LIMITED
MR. VIPUL JOSHI – CHIEF FINANCIAL OFFICER –
IDEAFORGE TECHNOLOGY LIMITED**

MODERATOR: MR. ASHISH SHAH – JM FINANCIAL

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY24 Earnings Conference Call of ideaForge Technology Limited hosted by JM Financial. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Shah from JM Financial. Thank you and over to you.

Ashish Shah: Yes, thanks Yashashree. On behalf of JM Financial, I welcome everybody to this first quarter FY24 earnings conference call of ideaForge Technology Limited. Today we have from the management Mr. Ankit Mehta, who is the CEO, and Mr. Vipul Joshi, the CFO of the company. So I will hand over the call to Ankit and Vipul to take it forward. Thank you.

Ankit Mehta: Thanks Ashish. Hi everyone. Good morning and on behalf of ideaForge Technology Limited I extend a very warm welcome to all the participants on our quarter one Financial Year '24 financial results discussion call. On this call I have with me Mr. Vipul Joshi, our CFO, Orient Capital, our Investor Relationship Partner and the call has been hosted by JM Financials.

I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on the exchanges and the company's website. I want to express my gratitude to the entire capital market fraternity with a special mention to our shareholders for their enthusiastic reception of our IPO.

Our IPO was subscribed 106 times. Your strong faith in our company's business model, management and industry is deeply appreciated. We are dedicated and focused on growing substantially in the coming years, and we remain steadfast in our mission to consistently generate value for all our stakeholders over the long term.

As you are well informed, this marks ideaForge's inaugural earnings conference call, subsequent to our IPO. It is valuable to spend some time delving into our company's story to provide an overview. I trust this will be helpful to all participants.

The company was founded in 2007 by Rahul Singh, Ashish Bhat and I, with Vipul Joshi our CFO who later joined the company in 2008. ideaForge is the pioneer and the preeminent market leader in the India UAV market. We have the largest operational deployment of indigenous UAVs across India with an ideaForge manufactured drone taking off on an average every 5 minutes for surveillance or mapping applications.

Being among the first few players in India to enter the UAV market, ideaForge has had the first mover advantage and has the distinction of being the first company to indigenously develop and manufacture vertical take-off and landing UAVs in 2009. ideaForge has a diversified portfolio of UAVs built for multiple use cases, targeted defense and civil applications, typically known as dual-use products. Each of the ideaForge UAV platforms is tailored for applications across various industries with varied performance characteristics on the platforms.

ideaForge's UAVs operate in extreme temperatures and challenging terrains to deliver the best possible solution to its customers. ideaForge also provides extensive after-sales support, including our first of its kind subscription based support package in the industry. These products and offerings are a testament to our commitment to performance, reliability and autonomy across the wide range of our products.

ideaForge has an in-house capability to design, develop, engineer, manufacture and support its products. Innovation is in our DNA and we have been pushing the boundaries of technology since the inception to deliver best-in-class and first-in-class products and technologies to the market. We distinguish ourselves as an intellectual property led business, unlike other businesses that rely on transfer of technology or built to print in many cases.

We have been granted 24 patents across various jurisdictions and 37 patents are pending, which will help us stay ahead of the curve. We continue to bolster our R&D capabilities and create products that can compete in the global markets. Drones are progressively finding applications across both defense and civil sectors. The civil sector encompasses a diverse range of industries including, but not limited to law enforcement, infrastructure development, land records, agriculture and logistics.

Considering the potential of drones, the Government of India has a vision to make India a drone hub by 2030 and is working with various stakeholders towards this goal. Liberalization of rules for civil drone operations was the first step in that direction. Subsequently, there was a ban on import of complete drone systems, which provided a push to the domestic industry along with the PLI scheme.

The recent liberalization of the export policy for drones by DGFT has made the international markets also more accessible to Indian players. The data security and reliability issues coupled with global concerns for certain geographies have opened up opportunities for the Indian drone industry. However, the nascent stage and nature of this sunrise sector needs to be accounted for. As we delve into the financial results for this period, it is important to emphasize that our revenue stream is intricately tied to order execution and depends on the terms of our orders.

Our business model often involves tender process with government entities. The execution timelines therefore have inherent characteristics which also differ from other industries and extend beyond our direct control. Also our revenues and profitability in a particular period depends on the product mix that is delivered during that period. This distinctive structure inherently lends itself to lumpiness in our financial performance.

We plan to grow meaningfully in the present financial year. However, the traditional way of quarter-on-quarter or year-on-year comparison is inadequate to provide a holistic view of our performance. Our business distinguishes itself uniquely in being an intellectual property-led business in our industry, vis-a-vis many businesses operating under transfer of technology or built to print models. Therefore, our effort on technology, products and diversification with respect to business models and geographies, holistically combined with our financial performance can help build an appropriate view. Our focus remains steadfast on our long-term objectives and sustainable growth, underpinned by the strategic execution of our plans.

Our order book, as of 30, June, stood at about INR103 crores however based on the announcement we have made this just this morning we have added about INR88 crores to the same bringing the overall order book to around INR190 crores. Also we have about INR50 crores-plus bids in what we can call as L1 stage with more additions to the L1 stage imminent.

Our order book is a cumulative indication of the revenues that we expect to recognize in the future periods with respect to our existing contracts. The gestation and execution period varies from a few months to a few quarters depending on the customer, the program and the type of business.

Coming to the financial performance, the consolidated revenues of the current quarter stood at INR97.1 crores, versus INR38.7 crores in quarter 4 FY '23, thus registering a growth of 150%-plus on a quarter-on-quarter basis. EBITDA stood at INR28.5 crores with an EBITDA margin of 29.4%. PAT stood at INR18.9 million, INR18.9 crores with a PAT margin of 19.4%. During the quarter we successfully delivered a large batch of SWITCH UAVs to a defense customer and launched a quad platform, the NETRA V4 PRO UAV with a flight time of 90-plus minutes.

We also appointed three value-added resellers for the North American geography to start building an opportunity base in the global markets. It also gives me immense pleasure to announce that IdeaForge has been awarded the prestigious National Technology Award under the MSME category for the development of our SWITCH UAV, and the India Business Leader Award under the Disruptors category by CNBC TV18.

With this, I would like to request to open the floor for questions-and-answers. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Renu Baid Pugalía from IIFL Securities. Please go ahead.

Renu Pugalía: Yes, hi. Good morning, team. And this is for the first conference call that you're hosting. My first question is if you can share some more input on the order flow, the Rs. 88 crore order that you've announced, from which customer is this, and what are the delivery timelines? And overall, can you share some more inputs in terms of other projects and pipeline which can be expected over the next 12 months to 15 months for us, where we are either putting in the bids or plan to submit the bids in the coming year?

Management: Sure, Renu. While we can't disclose all the details, but the order that we have just announced is for one of the defence forces under the Ministry of Defence and it is emanating from one of the orders that has concluded from the emergency procurement process that had been initiated by the Ministry of Defense last year, and it is for delivery within 12 months.

And the L1 pipeline, like I'd mentioned, which sort of is again expected to close very soon, is also going to be needed to be executed within this timeline in terms of delivery from the point of view of the order receiving and delivery timeline from that perspective.

Renu Pugalía: So essentially, both of these projects including L1 would be broadly executed in the current fiscal year itself?

- Management:** So that is something that we are preparing for. And we will keep updating as and when some of these deliveries get started.
- Vipul Joshi:** Yes. Renu, Vipul here. Basically, the overall timeline is 12 months. There are certain lot sizes that are there as part of the order, which has its own gestation period. And certain lot might spill over in the subsequent financial year. But we are right now into the planning phase as to how the deliveries would happen on these lot sizes.
- Renu Pugalia:** Sure. Secondly, recently there was this China putting restriction on export of certain components required for UAVs. How do you think this will impact the supply chain of components for UAVs in India and for IdeaForge? And does this also benefit because we have significantly higher localization with its peers? So will that put IdeaForge in relative advantage versus the other peers?
- Management:** Yes Renu, so this restriction particularly emanates from a data security standpoint. And the IdeaForge, for a very long time has ensured that our data related subsystems do not emanate from the qualified geographies, which is also something which we planned for as it was a restriction that was emanating in the US market as well, where they have a very clear policy called National Defense Authorization Act, under which they do not allow drones that contain components which carry data from certain geographies to be inducted into their forces.
- So this is absolutely a welcome move and as such from our standpoint does not have any impact. From an industry standpoint, it is definitely something that may impact because we do see a lot of players using components which are related to data with Chinese origin. So that is something that will have to be worked on by the industry, because I think for national security, it's a very, very important move as well.
- Renu Pugalia:** Sure. And lastly, if you can also share some updates on how are the working capital situation being? Last year we had a blow down receivables and inventory both at the end of the year. So how is it looking at the end of 1Q now and broadly from an analyzed perspective what should be the targeted range of the networking capital cycle?
- Vipul Joshi:** So, see target range as we had disclosed earlier also would hover around 200 days networking capital cycle. Right now, we are hovering closer to that number. And even our receivables, we have done last part of our collection which was due from last year. And at today, our inventory cycles, that from what it was 205 days from March closing, has come down to 85 days for quarter numbers.
- Renu Pugalia:** Got it. And lastly, if I can ask one more, any specific guidance that you would like to give for fiscal '24 on revenues and operating margin side?
- Management:** So Renu, like I mentioned, we do plan to grow meaningfully in this year, but we are not giving any specific guidance at this point in time.
- Renu Pugalia:** Sure, thank you and all the best to you.
- Vipul Joshi:** Thank you, Renu.

- Management:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Bala Murli from Oman Investment Advisors. Please go ahead.
- Bala Murli:** Yes, good morning. I would like to know about the EBITDA margins, what could be the sustainable length because in the last quarter and Q1 of FY '23 and this quarter we have different set of margins. Could you please throw some light on the margins, how it will be in the upcoming quarter?
- Management:** So in terms of EBITDA margin, like I said, our performance in tracked quarter-on-quarter will have lumpiness in it because of the way our orders need to be shipped, not from the point of view of our ability to execute, but mainly from the point of view of the way the orders are structured as well. So from that perspective, we do expect that quarter-on-quarter there will be variability, but we expect to do better overall and on a yearly basis. Like I mentioned, we are expecting to grow meaningfully this year from that point of view.
- Bala Murli:** Okay and one more thing about the Oman business, so what is the strategy over there and which area you are referring?
- Management:** So you're talking specifically about the Oman business?
- Bala Murli:** Yes, it's Oman.
- Management:** Yes, sir. So we have made some deliveries in the Omani geography, but I cannot disclose the specifics due to the nature of our customers over there. And we are working on a pipeline in that geography as well.
- Bala Murli:** Okay, that's all. Thank you.
- Moderator:** Thank you. We have our next question from the line of Sagar Gandhi from Future General Life Insurance. Please go ahead.
- Sagar Gandhi:** Yes, good morning team, and thank you for the wonderful introduction and congratulations on great listing. My question is, because you cater mostly to defense arena, can you mention large programs that you believe are in the pipeline over the next three years to five years and what is your total addressable market opportunity there?
- Management:** So in terms of the overall market opportunity, if you look at the way the government has been procuring drones particularly under the emergency programs and last year we saw a large number of contracts, we do expect the momentum to continue in terms of the demand for drones from the MOD side. There are a large number of make programs also wherein make two, wherein the government has expressed the desire to induct certain specifications of UE systems. Some of them fall under the tactical grade development that we had mentioned as a part of our strategy overall. And those are some large programs where the indicated numbers can be substantial.

I cannot particularly estimate a specific value to it, but from all our simulations, it's definitely quite substantial in terms of those make two programs. Plus what we also understand is that overall the penetration of the technology has been very, very low in our forces historically. So the appetite to scale this to the full deployment scale of our armed forces is definitely something we are quite excited about. And all the emergency procurements and subsequent plans are pointing in that direction. That's basically how the overall market opportunity is playing out in front of us at this point in time.

Sagar Gandhi:

Thank you. And my next question is, can you also highlight on the civil side, what opportunities you are targeting and the opportunities that you are targeting on this side, are they as large, I mean, addressable opportunity because the competitive landscape there is different. So how are you going to approach this space?

Management:

Sure sir, so from a civil side, we are looking at law enforcement and various security forces as one large bucket of opportunities where we play quite a bit. The other bank of opportunities is for mapping applications particularly where land surveying is involved. That is also a very large and immediate opportunity where a lot of action is happening on ground.

As well as the opportunities in certain other segments with respect to mapping and inspections are growing increasingly from that point of view. And also the plan that we have with respect to looking at logistics as an opportunity, particularly for middle mile operations, as we disclosed as one of our strategies, is again an area we expect to be able to address a very large and sizable market opportunity.

Overall, if you look at the global trend, it is expected that civil use of drones will overtake defense use in about two years to three years' time frame. And therefore, if India were to follow suit, even if with a lag, we do expect that civil side of the opportunity will also be large. However, we may not be addressing all of the buckets in the civil side of opportunity.

Sagar Gandhi:

Thank you. Thank you so much for the answer.

Moderator:

Thank you. We have our next question from the line of Santosh Yellapu from Asian Market Securities. Please go ahead.

Santosh Yellapu:

Thank you for the opportunity, sir. First, congratulations on the new order tender. I have a few questions. First, what is the competitive scenario for this new order that you have won?

Management:

So typically what happens in our tender procurement is that we have a large number of bidders and these bidders have to technically first qualify on paper and then once they are technically qualified on paper, we have to actually go and do demonstrations in the real world conditions and demonstrate compliance to each and every line item as far as the specifications is concerned. And only after qualification under those demonstrations and certain other tests and processes, a few bidders remain and then whoever is the remaining bidders is where the L1 opportunity comes up and then we are awarded the contract.

So it goes through the standard tendering process with special emphasis on field trials, because in particularly the kind of mission critical environments that our forces operate in, it is not a very

straightforward way to build technology that can survive in those environments, which is an area which where IdeaForge has over the years focused heavily on and is able to provide mission critical systems for even extreme temperature environments that exist in our operational conditions.

Santosh Yellapu: I understand. Sir, secondly, the bid pipeline, what will be the quantum of bids where we have participated in the tenders as of now versus a year back, approximately?

Management: I don't have that information ready and we typically do not go into the depths of our pipeline at this point in time. But as and when we are able to do that we will definitely use it.

Santosh Yellapu: If not the numbers sir, I am just trying to get a sense of the flare. Is it higher substantially or is it lower? How to read? I am just trying to get a sense of it.

Management: It is definitely growing. That part is definitely growing because the demand is growing quite a bit.

Santosh Yellapu: Okay, so lastly one small point, Daksha reported an order win last week. Being a late entrant, they are able to get an order in the logistic drone space without having the product ready, if my understanding is right. I would like to get a sense, where do we stand in terms of the opportunity of further logistics drones, how long do we need to wait or any views or comments on that please?

Management: So our focus as far as logistics is concerned has actually like we had mentioned as a part of our strategy is that is largely to look at middle mile drones that indicate a payload size of 100 plus kgs to 100 plus kilometers. So that's been our, that's our approach. So we will probably, like I mentioned, not be playing in each and every segment, and therefore it may not be a market opportunity that we are directly targeting at this point in time.

Santosh Yellapu: Okay, so one small clarification lastly. So you just mentioned that under the National Defense Authorization Act of US, certain components are not being allowed to be sourced from certain countries. At this moment, I think we are still importing some of the components, right?

So is it fair to say that at this moment, our product may also not qualify because of this strict law in the US, or we would like to wait for a change in the component sourcing strategy, have more localized content and then go aggressive into the market? How should I read into this particular statement of yours? Thank you.

Management: No, we actually qualify, that's what I'm saying. We are compliant to that. We already don't source it from the geography that are covered in that.

Moderator: Thank you. We have a next question from the line of Dipen Vakil from Incred Equities. Please go ahead.

Dipen Vakil: Thank you for the opportunity and hosting this call. So my first question is mainly on the opening commentary that you made that our revenue and profitability depends on the product mix. So is

it possible for you to show some light on what kind of product mix was there in the first quarter and maybe on FY '23 as well?

Management: So that is something in terms of quantity and mix is something that we are not disclosing at this point in time because based on the opportunities that we are delivering and the opportunities that we bag, we cannot really create a trend in that one sense at this point in time from that data. As we grow over a period of time, we should have more disclosures in that direction. But at this point in time, we are not disclosing those numbers.

Dipen Vakil: Sure. My next question is mainly on the import level. So what has been our import in the first quarter and how do you see the market scenario when it comes to import? Do you see any challenges in this front wherein the scenario will change in the near future?

Management: In terms of imports, I don't have a specific number for the first quarter, but if you look at the last financial year and the years before that, our imports were less than 25% of our revenue. So therefore, overall, we do not expect that to be a big shift in that sense.

Dipen Vakil: So all the components and sub-components we are either procuring it from domestic sources or developing it in-house. Is that correct?

Management: Yes, a large part is being either sourced in India or in-house.

Dipen Vakil: Okay, so my last question, you mentioned in the book that there was defense and civil, so how much would be the bifurcation between the government and private order?

Management: So at this point in time, I think defense and civil is what we have currently computed. We stand at about, as we have disclosed in the press release, I think 95% odd is defence and 4 odd percent is civil. So we can definitely get a sense that defence is all going to be government in that one sense.

Dipen Vakil: So on civil side, do we have any, so majorly our clients are from government or even from private sources?

Management: It's both government and private.

Moderator: Thank you. We have our next question from the line of Aman Dugar from Nuwama Wealth. Please go ahead.

Aman Dugar: Congratulations on your Q1 result. I wanted to understand, sir, like your revenue from the domestic and from the international. As you have like set three value-added resellers in USA also. So from when can we expect to make order inflows from like USA and Oman and what kind of size are we talking about?

Management: So this year we will start seeing some entry in that bucket because it takes, like you recently saw that the government has just opened up the policy a little bit on the import side. We still have the process that one has to take care of. So as the export side, sorry. So as the capability to do demonstrations as the base in the US with respect to demos and other areas increases over the next few months, we will be able to give a more clearer picture, but this year we will start seeing

the buildup of revenue there at the early stages. But next year onwards, we should start seeing relatively more meaningful results on that side.

Dipen Vakil: And a second question, sir. So how does the management look at commercial usage of drones given the rule about line of sight limit?

Management: So many use cases, right? Around mapping, inspection, basically, which are the current large volume of users, even if you look at spraying in agriculture and mapping in agriculture, etcetera. These kind of users can be fairly well scaled even in visual line of sight operations. But logistics and some of the other applications in that direction will necessarily require beyond visual line of sight for the kind of operations they are.

Dipen Vakil: And very last question, so basically the company has been in its very high capacity utilization. So if we see an increase in the order book in the coming years, are you expecting any capex to do and like any numbers that you want to provide?

Management: So thank you for the question. Basically, right now what you see is the utilization is only a single shift utilization for the given capacity. In the same facility, we have still scope of going for further two shifts. So we are not envisaging any capex investment even if the order sizes changes.

Moderator: Thank you. We have our next question from the line of Ankit Pande from Quant Money Managers. Please go ahead.

Ankit Pande: Good morning. Thank you for taking my question. I suppose many congratulations on a fantastic listing and good prospects. I just wanted to hear a little bit more articulation from you, Ankit, on the kind of two areas that we're sort of venturing in, I mean, sort of in venture stage, of course, the drone as a service, and the second one is the U.S. I mean, briefly touched upon in the last question, but the U.S. reseller agreements as such are three value-added resellers. What exactly do you mean by value-added? I mean, are you going to be billing straight to them, for instance? That will clarify some of that. But if you could just break down the nature of those agreements, and of course, the drone as a service asset. Yes, thank you.

Ankit Mehta: Sure, so from the point of view of value-added resellers, typically what happens is that the value-added resellers are the ones who get the purchase order from the end customer and they place a back-to-back order onto us and we are basically then supplying to the value-added reseller to deliver to the end customer. So that's typically how the process works. And the value-added resellers add a few layers of their own with respect to support, with respect to training and other aspects, wherein they would be also sometimes system integrating other subsystems components to deliver the full solution to the end customer. So that's typically the nature of the relationship with these people that we have both in India and outside.

Ankit Pande: But any kind of liability or defect management would that fall onto you ultimately, or will that be handled by them always?

Ankit Mehta: So there is a certain level of support that they handle, and then beyond that level of support, we have to handle. Let's say L1, L2 support, they will handle an L3, L4, we will have to handle.

- Ankit Pande:** Right, right, perfect, perfect.
- Management:** And in terms of drone as a service, it's a model that we are actively pursuing at this point in time. It's again in a very early stage where we are trying to look at what are the services that can be delivered consistently with very high utilization of the platforms. And wherever we find a high asset utilization and how to increase the asset utilization is the area that we are exploring aggressively in that domain.
- And we are seeing some green shoots on ground in terms of what those areas could be. We are looking to get it to a minimum scale after which we can get to a lot more detail in conversation in that direction.
- Moderator:** Thank you. We'll take our next question from the line of Col Sarjeet Yadav from Mount Intra Finance. Please go ahead.
- Col Sarjeet Yadav:** Yes, I'm asking what is the percentage of digitization in your products, including the domestic procurements and the imports?
- Management:** See, the overall indigenization in our products has been above most of the thresholds that are required for deliveries to defense or to civil users, well above 60% in most cases. So that way we have done a lot of work over the last 16 years to either build the technology ourselves and which is where I was distinguishing IdeaForge from many other businesses where the intellectual property is on.
- For example, if one were to buy an autopilot from some other vendor, they would pay for the hardware as well as the software that goes along with the integration requirements. Whereas, at ideaForge, we build our own autopilot. So we just essentially pay for the components that go on to the board and the board itself but nothing else everything else is our own development.
- So our level of indigenization in most of the subsystems is of that nature and that allows us the overall luck you know you can say the flexibility to be able to do a better gross margins on the product as well as to have much higher indigenization in our setup.
- Col Sarjeet Yadav:** Okay nice so can you give us a percentage of split between the domestic and the export in the order book?
- Management:** Right now we do not have a substantial exports order book like I mentioned we are currently building towards that we have a subsidiary in the U.S. We've been working towards building the ability to get our systems in that geography because exports for our systems and drones in general falls under SCOMET category. So we need to take SCOMET licenses to be able to do demonstrations and to be able to ship systems to the global markets.
- With the recent opening up on the civil side for international use, we are expecting that that will accelerate the ability quite a lot and will allow us to build the opportunity more effectively going forward with greater velocity in the near time.

Col Sarjeet Yadav: Okay, so the last question, any of the orders which has a repeat clause and or the AMC component attached to it?

Management: We do have such orders and we find, at times customers leaning onto the repeat clauses where we've had that success in the past.

Col Sarjeet Yadav: The second part of the question, do you have like a model of AMC attached in the orders or do you plan to have AMC for the products which are being delivered or you have delivered so far?

Management: Right, so we do have AMC on some of our orders which we are currently also servicing and billing. There are many orders where the upfront purchase of AMC does not happen, but towards the closure of warranty or after the closure of warranty, we do get into AMC contracts with our customers. And like I mentioned, we also offer a first of its kind in the industry support model, where we assure even greater availability for the user for their systems with active support from our side.

Moderator: Thank you. We have our next question from the line of Jatin Jadhav from Sahasrar Capital. Please go ahead.

Jatin Jadhav: I just wanted one clarification before I ask questions. The Q1 revenue mix is 96% civil or defense?

Management: 96% defense.

Jatin Jadhav: I think there's a mistake on the presentation, page six. But otherwise, I wanted to understand which are the highest, so the defense gives the highest margin, am I correct in assuming that?

Management: Not really, it is not like, one or the other gives us higher margins, it really depends on the nature of contract and the product we are, supplying under the same.

Jatin Jadhav: Okay, and second question was, since there's like pretty much every company there's so many smaller companies coming up in the drone segment I wanted to understand what is as you mentioned you have a lot of IP right so what is what is your USP exactly like it's a particular let's say for mapping you are providing one drone and another company is also providing a similar drone, what is the difference? Why would they choose ideaForge over the others is the question?

Management: So typically the performance of our drones and the reliability that our systems offer and the amount of support we give and the autonomy with which the system operates, they are typically the areas where we distinguish ourselves from many of our competition. To just give you a sense, for example, the flight time that the system offers, right? Typically, our flight times for the same weight would be, higher than what is usually available in the market.

When it comes to reliability, just to mention that, our customers have done over 3,75,000 plus operations on our drones. And all of that experience of having our customers operate and utilize our systems is where we excel. So that is something, which is built into the reliability of our systems. So and plus the systems also behave in a lot of autonomy to ensure that users when the

system is in the air, the system takes care of itself rather than the user needing to make manual judgments that may or may not pan out when the system is slightly far away from the user. So a lot of that is where we distinguish ourselves and that is all possible.

The performance delta that we offer, the reliability that we offer and the autonomy that we offer in terms of both safety and operational features that we have on the system is all because of a lot of in-house developed technology that we have filed patents on and we keep building more and more depth in the solution that, we offer to the end customer.

Jatin Jadhav: Okay, so the patents you are talking about, you have them on both hardware and software side?

Management: Yes. So we have features like, for example, where the user can plan their mission even before they step out from their operational location and their entire mission can be planned including the fact that, the user can know from where to look at the target from, even before they stepped out from their location. So that really eases the operational stress on the user, reduces the cycle that they may end up burning. And therefore, that is something which, again, helps us tremendously in giving a good user experience to the user.

Jatin Jadhav: All right, that's pretty much it. Thank you so much and all the best for the coming year.

Management: Thank you.

Moderator: Thank you. We have our next question from the line of Renu Baid Pugalia from IIFL Securities. Please go ahead.

Renu Pugalia: Yes, hi, just a follow up question from my side. Can you share some inputs and details in terms of where are we in terms of scaling up the R&D team and the investments towards these make-to programs, which we have planned?

Management: Right, Renu, so like we mentioned in the updates, we have initiated our development in that direction. Our R&D team from the March numbers has already grown to about 140 people. Plus from the last number, we have addition of about 20 to 20 odd people, 20, 25 people. So that means, we are continuously staffing ourselves to be able to build these areas and to be able to deliver on the Make to programs and other developmental initiatives that, we have on board as a part of our strategy.

Renu Pugalia: And internally, what timelines do you think we'll be able to come up with the probable solutions for tactical products in the Make-to program?

Management: So we are currently trying to track them based on the timelines that we have on the program themselves. Typically a Make to program, when the award happens, they give us about 12 months plus time to be able to come up with the prototype of the system that can deliver on the specifications.

Renu Pugalia: Sure. And indicatively, what is the kind of R&D spend that we are targeting for the current fiscal year, which would probably be capitalized in line with our policy?

- Management:** I don't have the exact number off the head, Renu. We can subsequently talk about that. Is that okay?
- Renu Pugalia:** Sure, yes. Thank you and all the best.
- Moderator:** Thank you. We have our next question from the line of Rajesh V C from Arlanxeo India Private Limited. Please go ahead.
- Rajesh V C:** So, thank you for giving the opportunity. And also a very good to hear that, you're getting some good orders as well. So as a retail investor, so I just have one question. Based on the financial statement that was released yesterday, we can see the improvement in the profits from quarter to quarter, but year on year, it has gone down and the expenses also have increased in June for this quarter compared to quarter to quarter and also year on year. What do we look forward on this aspect? Thank you.
- Management:** Sir, thanks for the question. What is important to note is that, in our quest for growing, we will definitely have to improve, increase our expenses. So you will definitely see that increase because of our quest for growth. At the same time, like I mentioned, we do expect to grow meaningfully overall in this year. So, quarter on quarter, some of this tracking may not be very, very clear in terms of that trajectory at this point of time.
- Rajesh V C:** Okay, thank you.
- Moderator:** Thank you. We have our next question from the line of Sagar Gandhi from Future Generali Life Insurance. Please go ahead.
- Sagar Gandhi:** Yes, so sir, my question is on the competitive landscape. So if you can please try and highlight, who are your current competitors in the defence arena and how do you project or put yourself in that space and what are the opportunities that you see. There have been lot of small and mid-size defence companies, which do TOT from DRDO and other similar institutions and do lot of building. So is that an opportunity for you also, and how do you intend to capitalize on this entire growth in defence spend?
- Management:** Right, so from the point of view of the competitive landscape, like I mentioned, ultimately we have to compete on specific performance parameters, when it comes to opportunities. And particularly in terms of our ability to do high altitude operations is something that has really given a lot of leg up to our operations as a country in that area because of the capabilities, we have built for those kind of operations.
- In general, the performance on our platforms is something that, we distinguish ourselves with and that performance is available in fairly extreme temperature conditions. So that again creates a lot of distinguishing and differentiating factor on ground.
- Ultimately, more often than not, the ability to deliver in the real world during the trials and during operations is what is very, very critical in this space. So while a lot of competition is there, but the operational experience, like I mentioned previously that, we have genuinely gives us a leg up when we go out there in the field.

- Sagar Gandhi:** Okay, so if I have to put it this way, that if there is INR100 of ordering from the Indian defence side, what will be your market share currently?
- Management:** So I cannot specifically suggest that market share because the various license side, it also differs. For example, if there are areas, where we have not basically bid or it's not a product category that we are into, then the market size will be different versus in categories that we are into. The overall market size or market share will be different. But for areas that particularly pertain to high altitude operations or in general, operations around small UAVs, we do come up to be very, very significant contributor to that, pipeline which is there.
- Sagar Gandhi:** Okay, and on the TOT opportunity that may come up from let's say...
- Management:** Sir, anywhere there we find that technology or partnerships will help us improve the metrics of performance reliability and autonomy, we remain extremely open to collaborating and creating the opportunity for the end customer to experience a superior product. So our focus always is to better the areas that we specifically work towards in terms of technology growth from the customer's experience part of view.
- Sagar Gandhi:** So do you see any such opportunity coming over the next, let's say one years to two years?
- Management:** In terms of collaborating with other partners and other players in the industry, yes, we are definitely actively looking for such collaborations and even investments for that matter. From the point of view of DRDO and technology transfer, we haven't specifically come across an area that, we are actively looking at, but we remain open to the same as well. We have in fact worked with DRDO in the past, where we've had delivered products to them and have them, also work on certain programs with our technology.
- Participant:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Rohit Maheshwari from Tata AIG General Insurance. Please go ahead.
- Rohit Maheshwari:** Hi, hi Ankit. Thanks for the opportunity.
- Ankit Mehta:** Hi.
- Rohit Maheshwari:** Okay. Yes, my question is that if you see in FY'22 the market size was USD43 million. So, can you give a sense of what will be the market size in FY'23 end?
- Ankit Mehta:** So the FY'22 number was essentially derived from the PLI data that the government had released, so that we have a very accurate estimate. Similarly, we are awaiting sort of announcement of the numbers again from the government side on the PLI. So, we will probably have to wait for those more accurate numbers at this point in time.
- Rohit Maheshwari:** My second question is if you see, one of the competitors Dhaksha currently has gone to create a medium altitude of drones. So are we --we were the part of the contract or we had bid for it or it does not apply to us?

- Ankit Mehta:** No sir it did not apply to us because we are not present in that category of drones at this point in time.
- Rohit Maheshwari:** But in FY'21, we had in FY'22 I guess we had a decent order book of -- in FY22, we had a decent book. In FY'23 we had a dip. So, can you give us a sense of what is the total current budget of defense, what they're procuring drones in a year and how it is moving in the last two years, three years and how you see in the next two years, three years?
- Ankit Mehta:** So, what is happening is that a lot of procurement on the government side right now is on routed for drones particularly on the emergency procurement side which is where some of these opportunities and orders are coming from and that has seen a massive leg up in the last financial year.
- The closure of contracts is actually happening actively at this point in time, in this financial year. Ideally, it was supposed to happen towards the end of last financial year, but because there was a very large number of such programs I think there was a spill over. So, therefore, a very, very distinctive increase in adoption is indicated by the procurement and the opportunities that came up last year.
- This year again, we expect that there may be more rounds of such activity happening because like I mentioned, the depth at which the technology is penetrated right now is very, very early stages for our forces. So, there is adequate headroom in terms of growth as far as the technology penetration and technology area is concerned.
- Rohit Maheshwari:** But Ankit, can you give a sense that what was the total bid that you have placed in FY'21, 22, and 23, any numbers specific?
- Ankit Mehta:** So there was one, so it was also part of our report, the one-latest report in our RHP, where the government had cleared a budget of about USD88 million from a procurement standpoint for various drone programs and we saw tenders for hundreds and even one opportunity was for 1000 drones as well which was released last year. So, fairly large procurement was in place last year itself. So these are some of the indicators in terms of the size of what those opportunities would have entailed.
- Rohit Maheshwari:** Okay. And which will be the year where ideaForge will be making a decent contribution or some small contribution from export market?
- Ankit Mehta:** So this year we will see the beginnings of the same, but next year onwards we will start seeing meaningful contributions.
- Rohit Maheshwari:** Okay, the last question from my side, is it possible to give some in this INR94 crores of revenue which you have done for the current quarter, what was the capacity utilization and how many number of drones you would have sold?
- Ankit Mehta:** So, we are currently capacity utilization listed in one of the previous questions as well remains high as we build inventory.

Moderator: I am sorry to interrupt we cannot hear you clearly.

Rohit Maheshwari: Your voice is not audible.

Ankit Mehta: My voice is not audible is it?

Rohit Maheshwari: Yes.

Ankit Mehta: Is it audible now?

Moderator: Yes, yes.

Ankit Mehta: Sure. So, like I said the capacity utilization remains high as we build inventories for subsequent deliveries. In terms of number of drones it's a guidance we are not currently providing.

Rohit Maheshwari: Okay. Thanks. Thank you Ankit. All the best.

Ankit Mehta: Thank you.

Moderator: Thank you. We have a next question from the line of Gaurav Uttrani from JM Financial. Please go ahead.

Gaurav Uttrani: Hi, Ankit, Hi Vipul, so just wanted to ask couple of questions.

Moderator: Sorry Gaurav, there is some disturbance coming from your phone. Can you use your handset mode please?

Gaurav Uttrani: Is it fine now?

Moderator: Yes.

Gaurav Uttrani: Yes, just wanted to check like what is the spill over revenue in 1Q we have booked from FY'23. If you can just highlight the number for that on the defence side?

Ankit Mehta: Come again please.

Gaurav Uttrani: What is the spill over revenue we have booked in 1Q from FY'23? So just if you can highlight the number on the defense side, is there any spill over revenue we have booked in 1Q from FY'23?

Ankit Mehta: Yes, so because the delivery timelines for some of the opportunity, the particular opportunity for the switch maybe that we delivered was basically timed in the quarter 1 of this year. We were building inventory for the same last year and we got all the inspections done, cleared and we eventually delivered it in the first quarter. So, that's one of the spill over opportunities in that one sense.

Gaurav Uttrani: Okay, so any quantum like number you can highlight like about 10 million or number of drones?

Ankit Mehta: Currently we are not giving that specific guidance Gaurav.

- Gaurav Uttrani:** Okay no worries and second question is on the like what is the amount we have capitalized during the quarter, if we combine both say for employee expenses or other expenses from this, what is the capitalization we have done in 1Q?
- Ankit Mehta:** Yes, so about okay capitalization.
- Management:** Balance sheet numbers obviously we are not disclosing at this moment we can subsequently probably talk about it.
- Gaurav Uttrani:** Okay thank you that's all from my side.
- Moderator:** Thank you I now handle and the conference over to Mr. Ashish Shah from JM Financial for closing comments.
- Ashish Shah:** Yes, thank you. So, on behalf of JM Financial, I'd like to thank all the participants for attending this call. Also, big thank you to the management for letting us host the call. Any closing comments from you, Ankit and Vipul, before we end the call.
- Ankit Mehta:** Sure, thanks a lot for hosting this call to JM Financials. And the drone industry in India is considered a sunshine industry because of the tremendous growth potential and the potential for transformation, both in India and globally. The Indian drone sector has witnessed a fairly increased adoption across sectors and with the expected growth rate of more than 18% over the next five years.
- I think it's a very, very promising opportunity that we are tracking. And the government's regulatory framework and policies have been evolving to facilitate that integration of drones into the economy. Being the market leader we would continue to play a significant role in shaping the industry's growth through our innovative solutions, technology expertise and commitment to addressing the unique challenges of this dynamic field.
- With a proven track record and strong presence in the defense and security sectors, as well as the civil sector, we are a trusted partner in this rapidly evolving drone industry and would continue with the hard work going forward. Thanks, Ashish, for that.
- Ashish Shah:** Thank you.
- Moderator:** Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.