August 02, 2024

To,	To,
BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. **BSE Scrip Code: 543932**	**The National Stock Exchange of India Limited** “Exchange Plaza”, Bandra – Kurla Complex, Bandra (EAST), Mumbai – 400 051 **NSE SYMBOL: IDEAFORGE**

Sub: Transcript of Earnings Call for the quarter ended June 30, 2024.

Dear Sir/Ma'am,

This is further to our letter dated July 30, 2024, whereby the Company had submitted the link to the audio recording of the Earnings Call hosted by the Company on Tuesday, July 30, 2024 at 11.00 a.m. (IST) post announcement of Unaudited Financial Results (Standalone & Consolidated) for the quarter ended June 30, 2024.

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 Tuesday, July 30, 2024. The Transcript is also available on Company's website at below link:

https://ideaforgetech.com/investor-relations/news-and-announcements

Kindly take the same on your records.

Thanking you,

Yours faithfully
For ideaForge Technology Limited

SONAM DILIPKUMAR GUPTA

Digitally signed by SONAM DILIPKUMAR GUPTA
Date: 2024.08.02 15:12:40 +05'30'

Sonam Gupta
Company Secretary
Membership No. A53881

" ideaForge Technology Limited
Q1 FY '25 Earnings Conference Call"
July 30, 2024

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call of ideaForge Technology Limited. 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 touch-tone 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, sir.

Parth Patel: Thank you, Siddhant. On behalf of Orient Capital, I welcome you all to ideaForge Technology Limited Q1 FY25 Earnings Conference Call. From 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 release that we have uploaded on our exchange and 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, now I hand over the call to Mr. Ankit Mehta. Over to you, sir.

Ankit Mehta: Thank you, Parth. Good morning, everyone. Thank you for joining us today for our Q1 Earnings Conference Call. I have my colleague, Vipul, along with our IR advisor on the call with me. As we reflect on this past quarter, I want to provide an overview of our key achievements, initiatives, and strategic advancements and discuss how these elements are setting the stage for our future growth.

Firstly, we are thrilled to announce that we have crossed the mark of half a million flights cumulatively on our systems in the hands of our end customers. These are actual missions that have been carried out by our customers in some of the most challenging and difficult environments, both operationally and from a terrain standpoint. This not only boosts our confidence in the products we design and manufacture, but also indicates the potential of this technology to revolutionize operations and tasks across sectors.

As I mentioned in the previous call, we have successfully attained the AS 9100D certification, which is a prestigious standard for aerospace quality management systems, as well as the ISO 27001:2022 certification for information security management. These certifications not only affirm our dedication to maintaining rigorous quality standards, but also enhance our ability to meet the stringent requirements of our clients and regulatory bodies.

They reflect our commitment to ensuring that our products are reliable, safe, and secure, which is crucial to maintaining our competitive edge as we continue to expand our presence in the high-stakes market that the drone industry is. In the last quarter, we witnessed the fructification of many of our development and diversification initiatives.

In Q1, we launched the beta version of FLYGHT CLOUD, an automated workflows discovery platform centered around civil use cases. FLYGHT CLOUD is poised to be a game changer for the UAV industry. It is designed to simplify drone data management, eliminating the complexities of multiple vendors, regulations, and inefficient workflows, while providing customers with access to expert operators through a unified platform.

During the beta phase, we are onboarding domain experts for advanced automated workflows and anchor customers, while also gathering invaluable feedback from these early adopters to refine the platform and ensure that it meets the high expectations of our diverse user base. Another key highlight of the quarter is the advancement of our drone-as-a-service business. We have entered into paid PoCs with several prominent enterprise customers as well now for their manufacturing facilities and mines.

These engagements are not only validating the technical and operational business feasibility of our drone-as-a-service model, but are also providing us with critical insights into the evolving needs of our customers. By offering tailored yet scalable solutions and demonstrating the tangible benefits of our technology, we are able to build a strong foundation for this business model and driving the adoption of this technology across various industries.

On the international expansion front, we continued our product market fit activities and received a very positive response from potential customers in the U.S. We have launched a border security solution during the Border Security Expo there. We have completed our Early Adopter Program with a few customers, and we envisage that the successful completion of these programs is likely to result in confirmed orders from some of the customers there. With these orders, we expect to transition from an entrant phase to a building phase of our expansion in the U.S.

As we have maintained since the beginning, we are a technology company. Technology and product development through innovation remain at the core of ideaForge. Recent grant of five new patents underscores that commitment. With this, our total count of granted patents reaches 43, with 29 patents pending for granting.

On the product development front, we continued our efforts in enhancing the existing hybrid VTOL and quadcopter platforms to remain ahead in the market. Apart from features and performance enhancements on these platforms, we have also focused on developing payloads to provide better results to end users and software solutions that will help increase the autonomy of our platforms. We are also developing next-gen platforms in the same categories and will launch them later this year. On the larger platform development, we are implementing design improvements on the tactical UAV based on ground and flight test results and are on track as per our plan. For the middle mile logistics platform that we are building, we are making progress on the design and will soon come up with an exciting announcement of what we are likely to build. We will keep you posted on the progress of these initiatives.

Through our drone innovation platform, we are reimagining the future of this technology. Partnerships with domain experts who are focused on innovation, as we are, are crucial for faster technology development and go-to-market perspectives.

Our recent partnership with Inertial Labs for integration of their LiDAR payload with our UAV platform is a step in that direction. This partnership will open up a new use case for us and will bolster our confidence in the collaborative approach we have taken for building the UAV ecosystem.

We also made strategic investments in line with our philosophy to pursue innovation and belief to utilize existing domain expertise for technology and product development. These investments include GalaxEye for joint development of UAV-based fog and foliage penetration Synthetic Aperture Radar. We made another such investment in TechEagle, which is working on logistics use case through drones. There will be multiple avenues for collaboration with TechEagle, including cross-leveraging technology, use of their on-ground network for our drone as a service business, and utilization of our state-of-the-art manufacturing facilities for their logistics platforms. Along with them, leveraging our platforms for complimentary use cases in logistics as they build a full logistics chain using drones up to the last mile.

Now I look forward to discussing our financial performance for quarter one FY25. Our order book as of 30th June stood at approximately INR 54.2 crores. We are closely working on our L1 pipeline of INR 300 plus crores, which we highlighted in the previous earnings call as well. We also expect export orders in the near future based on the feedback we received during our demonstrations and customer interactions. We previously indicated that our business cannot be evaluated on a QoQ basis. We are a technology innovation company and hence, while revenues do not grow on a QoQ basis, we continue to invest in product development on an ongoing basis.

The consolidated revenues for the current quarter stood at INR 86 crores versus INR 97.1 crores in Q1 FY24. Gross profit stood at INR 28.7 crores with a gross profit margin of 33.3%. EBITDA for the quarter was INR 8.5 crores as compared to INR 32 crores in Q1 FY24. Our EBITDA margin for Q1 FY25 was 9.8%. PAT stood at INR 1.2 crores as compared to INR 18.9 crores in Q1 FY24. The PAT margin for the period was 1.4%. There are certain expenses that are fixed in nature. Hence, with the dip in revenues, operating leverage did not play out. We expect with the increase in revenues, the same will be absorbed leading to better margins in the future. These numbers are as per our expectations and as we demonstrated in FY24, we are confident of growth in FY25 as well, despite variations in quarterly performance.

I would like to reiterate that our business is built around technology and business innovation and should not be looked at just QoQ performance basis. A holistic approach would be to take into account the initiatives centred around new development and diversification which have potential to provide disproportionate results in the future.

As we look to the future, our strategy remains centred on innovation, strategic partnerships and market leadership. We are committed to leveraging our technology advancements, expand our service offerings and pursue new opportunities to drive values for our stakeholders. Our team is dedicated to executing our plans and continues to achieve meaningful growth in the future. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Dipen Vakil from Phillip Capital. Please go ahead.

Dipen Vakil: Thank you for the opportunity sir. My first question is in the line of, while I understand that economies of scale have impacted your EBITDA margin, but what led to the fall in the gross margin? Because that has also deteriorated quite significantly.

Ankit Mehta: Thanks, Dipen. Basically, our gross margin in terms of numbers as I had mentioned in our previous calls as well is largely determined by the opportunities we are billing in that period. Some of these opportunities were closed close to a year back. So, the gross margin when we won those deals was in a way broadly locked at that time itself. And therefore, it's not really a reflection of anything which is emergent from any recent activity, but it's a function of some of the large opportunities that we closed competitively in the previous years.

Dipen Vakil: So, largely likely because fixed price contracts happened a year back, gross margins have been slightly lower this time.

Ankit Mehta: Yes, and this was a comparatively bid program and therefore we obviously did the right thing to back the contract and execute it appropriately in the right time period.

Dipen Vakil: So, my next question is in the line of, while the L1 pipeline of INR 300 crores is encouraging, your current order book of INR 52.4 crores is very bleak. So, do you expect to execute the entire INR 52.4 crores in the coming quarter? And by when do you expect this L1 pipeline to be finalized? Because that seems to be very important to maintain execution under current scenarios.

Ankit Mehta: So, let's try and understand what the L1 pipeline broadly indicates, right? It indicates opportunities where we are the only vendor under consideration and particularly in this past quarter as well, we've been able to make some additional bids as well, particularly in the international market, which have bolstered our confidence on, getting outcomes on this L1 pipeline.

Closure of this pipeline in that broad sense is expected in the present and the coming quarter. We have to continuously track with the end customers as soon as we can close them. And the moment they are closed, what we are doing is at our end, we are preparing our ability to execute it as soon as possible. Since there is a good visibility on what's been looked at, we are working towards creating a method and mechanism to execute them faster than usual. And that's what we are investing a lot of our time and energy presently in as well.

Dipen Vakil: And on the current order book that you have, so that will be executed by when?

Ankit Mehta: The current order book should get executed within this and the next quarter.

Dipen Vakil: Got it. And I completely understand that ideaForge is completely a technological driven company and it focuses highly on the new product development. But sir, it will be really helpful if you can also give us any market sizes, opportunity sizes for your product or something, which can help us evaluate the company's forecast or maybe the opportunity size that gathers around the product much better. So any thoughts on that?

Ankit Mehta: Yes, sure. So let's say, if we take the example of the efforts that we are putting with GalaxEye, for Synthetic Aperture Radar payloads, the opportunity in the short term is, revenue opportunity is looking to be close to about INR 250 odd crores. When I say short term, I mean the next two to three years. So that's one of the developments that we're doing. So whenever we do a new payload development, typically it opens up a revenue opportunity for us in the short and medium term and that's what we are looking at when we do these collaborations.

When we look at the LiDAR collaboration that we have done with Inertial Labs, typically the LiDAR market globally for UAVs is about 120 odd million dollars. And it is likely to expand to close to 400 million dollars in the next five years. And therefore, that's another market where we will look to gain some market share with this collaboration with Inertial Labs.

So similarly, when we are looking at our improved products in terms of enhancements that we do on our existing products as well as the new launches that we are doing on the existing categories, each of these categories that we have chosen to be in as product platforms is an opportunity that has a billion dollar market opportunity and revenue potential in the long term. And we continue to build new categories and new products in these so that we can continue to learn from what the customer's needs are, evolve based on the customer's needs, understand what is happening in the global environment in the war scenarios. And these developments will help us continue to go deep into these market opportunities and build a very large business.

So these categories are very large categories in terms of what we have chosen to be in. And our penetration in these categories is going to be contingent on us continuously evolving our product to meet the market needs and the changing user expectations and requirements.

Dipen Vakil: Got it, sir. Thank you so much for the detailed explanation. So my last question, considering it's a new financial year, any guidance that you would like to share on revenue or EBITDA margins?

Ankit Mehta: We had mentioned this in the previous earnings call as well that we plan to grow this year as well as an overall annual basis. And at this point in time, in terms of margins, I think we are looking to closely track similar margins as our last year's numbers. But we will continue to update our progress as we proceed along through the year.

Dipen Vakil: Got it, sir. I have a few more questions, but I'll get back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Hi, a very good morning and thank you very much for this opportunity. I just wanted to understand what was our R&D spend for this quarter?

Vipul Joshi: Hi Deepak, thanks for the question. So the addition in R&D is roughly about INR 16.5 crores. And now no new product launch has happened, so nothing has been capitalized for the quarter.

Deepak Poddar: So this entire 16.5 has been capitalized, right?

Vipul Joshi: So we have product under development. So it is in the intangible assets under development for now.

Deepak Poddar: So anything expensed out of it or the entire 16.5 is capitalized?

Vipul Joshi: No expense out for the quarter.

Deepak Poddar: Okay, understood. And when we say that we plan to grow this year as well, I mean, what's the range we are looking at in terms of growth? If you see, last year we grew about 68%-69%. So this year, what may be the range we may be looking at for the growth part?

Ankit Mehta: So I think a lot of that will come from the conversion of the L1 pipeline to revenue, to order book and then revenue. So we will keep updating on that, Deepak, as soon as we have, visibility on many of these aspects.

Deepak Poddar: Okay, understood. And the second quarter would be seasonally your weakest quarter, right?

Ankit Mehta: Typically, that was also the case last year as well. So yes, I think that is something which should be expected.

Vipul Joshi: So Deepak, typically because that's our execution phase as well, we get a clarity on our orders and we build our products for the supply and we expect the customer visits to conclude and all. So typically the Q2s is our building phase and is expected to be the same as well.

Deepak Poddar: Correct. So in light of that, I mean, you mentioned, I think, this year we are closely tracking the EBITDA margin similar to what we did last year. But given our first quarter EBITDA margin of 3% and second quarter ideally at a lower revenue scale with fixed cost there, you might have an EBITDA margin in the negative territory. So to maintain that similar kind of margin, your second half margin should be very good, I mean, ideally. So any sort of comment that you want to make on that?

Ankit Mehta: So I think the opportunities that we are tracking do give us adequate confidence on the numbers spanning out. But like I said, the moment we have more visibility on some of these on ground, we'll be able to update. It won't be appropriate to do that right now.

Deepak Poddar: Fair enough. I think that would be it from my side. All the very best to you. Thank you.

Moderator: Thank you. The next question is from the line of Sanjeev Goswami from Fractal Capital Investments LLP. Please go ahead.

Sanjeev Goswami: Yes. Hi. Could you sort of give out some context or details on the U.S. Homeland Security work that we've done in terms of the size of the work that they are going to roll out? And is it a very competitive bid or what sort of outlook can we have there?

Ankit Mehta: So what has happened in the U.S. market for us, just to give a quick update, we've done close to a dozen demonstrations there to end customers. We have close to five early adopter programs operational over there. Two of them have reached their conclusion and we are awaiting the customer to get the adequate budgets that they need for getting our products in their hands. So that's the broad traction at this point in time. So we will see early revenues from the U.S. geography in this year itself.

And we are continuously pitching our product to various end customers. We are participating in events and opportunities there, to expand the opportunity base in the U.S. market. Broadly, the feedback as far as the product is concerned is positive and therefore we are investing in that market with good energy.

Sanjeev Goswami: Is the bid going to be with a partner or is it our own bid in the U.S. Homeland tenders?

Ankit Mehta: In U.S., we have partnered with close to three to four value-added resellers and Homeland Security bids are going to be via these reselling partners. And when I say more bids, what we implied in terms of international market was not just bids that we have placed in the U.S. market. I had indicated last time as well that interestingly U.S. opportunity and U.S. partners and other visibility has increased our inward and inbound from the African markets as well. And therefore, some of the opportunities that we have bid for are in the African markets. So it's not just opportunities that we have bid for in the U.S. in terms of Homeland Security customers, but customers in the African markets in both defense and Homeland Security are good opportunities we are tracking. We place some large bids there as well where our product is the key product as far as drones are concerned.

Sanjeev Goswami: Is there a rough sense of size of not the L1, you already called out the L1, but the size of bids that we would have submitted in the international markets as of date that you would like to call out?

Ankit Mehta: Presently, it's in surplus of the L1 number that we have suggested over here.

Sanjeev Goswami: So beyond the L1, there isn't any active bid that we are yet to hear about?

Ankit Mehta: So the L1, the way we have suggested the number, it has a lot of cover opportunities. So it's not merely a number that is based on specific opportunities we have bidded for. It has a lot of cover opportunities as well. So therefore, the opportunities where we are the only vendor under consideration for drones is actually a larger number than this. Within that, international itself is a larger opportunity base than the number we have indicated. So therefore, the expectation is to close this quite positively.

Sanjeev Goswami: Thanks. I'll be back in a bit. Thank you.

Moderator: Thank you. The next question is from the line of Gautam Trivedi from Nepean Capital LLP. Please go ahead.

Gautam Trivedi: Yes. Hi. The question I had was with respect to your break-up of revenues. Defense is still 70% and then civil is 30%. How do you see that in the next say, 3 to 5 years? Are you seeing defense and other governments becoming lower as a percentage of revenues?

Ankit Mehta: So, you know, what's happened, Gautam, is that, you know, we've just seen some green shoots in drone as a service around enterprise customers. But these are on the drone as a service side, which means that the impact on revenue there is not going to be as much in terms of value at this point in time in the short term. But in the next few years, we should expect the, you know, split to be similar to what you're seeing right now in the present quarter.

However, I think in the long term, as the opportunities on the services side become larger, use cases around inspection and logistics are the core use cases where pure enterprise users will have the potential of becoming larger than government opportunities. Apart from those two vectors, most other applications where drones can be used end up serving a very large customer, which is the government, because if we were to even look at mapping, the largest landmass in that one sense is with government customers across the world, as well as Homeland Security, again, is a vector that is related to government.

So therefore, when we see a lot of uptake and uptick on logistics and inspection opportunities is where private will become large. And we are seeing the early green shoots of that becoming an important vector. Apart from that, uses around industrial security is something that we are seeing a lot of green shoots in the short term. Okay

Gautam Trivedi: So that's one. And the second thing is, I guess, the numbers obviously did surprise most of us on this call. And as you said, this is a seasonal thing. Is there a huge impact on raw material costs also that ended up depressing your numbers?

Ankit Mehta: No. I don't think there was any material impact on raw material costs. They were as they were. Like I said, these are bids that we won competitively. These were large bids and we were executing those bids based on the customer timelines and we are making the expected deliveries on those.

Gautam Trivedi: **I see.** Thank you so much.

Moderator: Thank you. The next question is from the line of Amitosh Kumar from Mastertrust. Please go ahead.

Amitosh Kumar: Hello, sir. Could you please comment on the demand for high technology drones in logistics as well as the geopolitical scenarios, that is surveillance and warfare? And how do you see the demand in coming quarters in the industry?

Ankit Mehta: So from a demand standpoint, I think there is an impending induction of this technology at a much wider scale amongst our forces. That, induction of technology is something which we don't see any signs of pausing. I think the ordering cycles and the ordering avenues for them remain to be vectors that they also are very closely tracking along with us. And therefore, I think mostly we don't see a challenge in terms of the intent or the opportunity. We do continuously track their ability to be able to aggressively go in that direction. And that's where I think most of the effort is at this point in time.

Amitosh Kumar: Okay, sir. Thank you.

Moderator: Thank you. Next question is from the line of Sahil Sharma from FM Construction Agency. Please go ahead.

Sahil Sharma: Hi, sir. I was going through your annual report and there is a mention of middle-mile logistics and e-commerce use cases. Can you please clarify if this middle-mile logistics, the product will be co-designed with your new partner that you mentioned about TechEagle drones or is the plan for you to build out a product completely independently?

Ankit Mehta: So, the reason why we partnered with TechEagle is twofold, right? One is that we will definitely learn a lot more about the operational needs of logistics customers because they are not only building a specific drone platform for logistics, they are also building the drone logistics service layer. And therefore, our objective is to learn firsthand what does it take to build a logistics opportunity and what are the needs of the customers and what are the constraints on the ground that are critical for us to account for in our design and our operational design when we look at middle-mile logistics. So, that partnership in that one sense is going to feed into our developmental efforts. However, the efforts at this point in time are entirely being made by our own teams and we are designing that platform from ground up.

Sahil Sharma: And there is also this mention of, I think it's a logistics use case drone where you said 500 kgs, 100 kms range in your report again. Any idea of what the timeline is looking like to launch this product in the market?

Vipul Joshi: So, the all-up weight was mentioned as 500 kgs. The platform capacity to carry load will be close to about 100 kgs in terms of additional payload that it can carry, as well as the range of operation is expected to be close to about 100 plus kilometers. And in terms of developmental timeline, we will see us building prototypes starting this year but the development completion will take between two to three years. As far as this platform size is concerned, it is a much, much larger platform than what we've built previously and I think it is something that will take time. However, many prototypes will be built in the process and the path to get there and I think those will be leveraged across various opportunity creation vectors that we will need for business development there.

Sahil Sharma: Sure, sir. And my final question is any plans of last mile logistics either independently or are you planning to acquire another drone delivery company like a TechEagle or I think there is Skye Air and other companies? Are you planning to do it independently or acquire another company for your foray into last-mile logistics?

Ankit Mehta: I think last mile logistics is an area that we continue to keep a very close eye on. We are looking to partner with service providers who can leverage our existing platforms that have small but useful payload carrying capacity. So we will partner with last mile service providing operators and pitch our products for that use case as well as in when we sort of do the necessary software work for those opportunities but the plan to directly invest or to participate in that opportunity as an operator is something that we do not have at this point in time.

Sahil Sharma: Thank you, sir. Thank you for your responses.

Moderator: Thank you. The next question is from the line of Piyush Goel who is an individual investor. Please go ahead.

Piyush Goel: So I think apart from the results which are obviously a bit disappointing but I see that you are saying that we should not be treating this company as a quarter over quarter company. So I take that point. But I am looking at the quarterly numbers as well. So not only the numbers, in terms of quality of numbers is also quite deteriorating. After so much of expansion in R&D, your employee cost is continuously going down. Your other expenses continues to go up and the cost of material has seen a huge jump. So what is all leading it up to? So how come a growing company has less amount of employee benefit expenses? Are you losing employees? Are you losing talent? What is happening?

Vipul Joshi: So basically if you look at compared from the last quarter numbers there are certain provision that were also impacting the last quarter and having now exited those provisions, these are the actual payouts for the employee expenses plus these also have the non-cash provisions of the ESOPs, that is also there in this quarter which we continue to basically provide for every quarter.

Ankit Mehta: So we don't have any employee or attrition challenges at this point in time. So that way I don't think that number is reflective of that. It's mainly based on the provisions and numbers that came up as a part of last quarter.

Secondly, cost of material went up like I explained earlier. This is because of merely the opportunity that we had bagged, that we executed and the gross margin was lower on that opportunity given the competitive nature of the bids that we had done and therefore the increase in the cost of material is mainly reflective of the gross margin of that opportunity and that's what we are seeing over here. So on both these cases it is not anything of a surprise in that one sense and it continues to remain quite stable as far as the business is concerned.

Piyush Goel: And also if I look at the order book, it has drilled down from INR 200 crores plus to now almost like INR 50 crores which is like one-fourth. So what's happening? Is it that orders have dried up or there is more competition in the market, other people are catching up? Are you losing ground in terms of competition? Why such a drastic drop in order book in such a sunrise industry where you claim to be the number one producer in the country but you still continue to lose order.

Ankit Mehta: So basically if you look at the opportunity and the way the opportunities are built and scaled as far as this industry is concerned, the ordering cycles are dependent on basically how the government looks at large opportunities and their ordering cycles. So therefore, we do not have any evidence of losing ground in so far as the market opportunity is concerned in favor of ideaForge. And we also do not see any evidence of losing competitiveness as far as the market is concerned.

It's only a factor of how large opportunities close. The run rate business continues to be there. The base of the run rate business is lower as compared to the chunky large opportunities and as soon as we close the chunky large opportunity, the order book will again balloon up disproportionately. So I think it's a vector of how much a large opportunity impacts our order book overall. And therefore, the moment we close some of these chunky opportunities, we will see that filling up quite quickly.

So it's just a function of time and the ordering cycles for our end customers rather than being a vector of anything particular on ground that's causing us losing our competitiveness or advantages.

Piyush Goel: And two questions, what is the other income of INR 6 crores? Like if we didn't have this INR 6 crores other income, we would have been in losses. So what is this INR 6 crores other income is?

Vipul Joshi: Basically, these are mixed in terms of our interest incomes on FDs and also our other investments that have matured in this period.

Piyush Goel: Okay, so if we didn't have these surplus money lying in FD, we would have been in losses because our net profit is less than the other income. And the last question is from my side, the US market. Sorry to interrupt Mr. Piyush, I request you to join the question queue for any follow-up questions.

Moderator: The next question is from the line of Anil Kataria from Frontline Capital Services Ltd. Please go ahead.

Anil Kataria: I want to thank you so much for giving an opportunity. I want to ask you two questions. The first is, you have revenue visibility only for one quarter. So is there any worry ongoing concern of the company? And the second question is, if you will not get any new order, what will be the revenue visibility for third quarter? If revenue will be zero, how much fixed cost you will incur? Last question is, is there any clear-cut vision of company in terms of top line and bottom for next three years?

Ankit Mehta: So Anilji, in terms of visibility of revenue, like you have mentioned that we have an order book presently which we will continue to execute. We do expect orders to come in as well, particularly from our run rate business. And those orders will also add up to this order book. And of course, as soon as we close some of the large opportunities we are tracking, we will have that also filtering in through the year. In terms of our numbers from the standpoint of results, I think broadly the expenses are visible. They are visible at this point in time and we will continue to track in a similar way at this point in time.

Moderator: The next question is a follow-up question from the line of Dipen Vakil from PhillipCapital.

Dipen Vakil: Thank you for the follow-up opportunity. Sir, I want to understand about your capex plan and also the new product that you are developing around Tactical UAVs and Middle-Mile Logistics. Where are we developing them currently?

Ankit Mehta: So the Tactical UAV is being developed from our Mumbai Product Development Centre and the Middle-Mile Logistics platform is physically going to be developed in our Bangalore Product Development Centre.

Dipen Vakil: And production also will continue to happen there?

Ankit Mehta: Production is something that we do believe that it will continue to be centred around Mumbai in the short term. But as we expand into these opportunities, we will take a call based on the demand and the requirements and the cost base in terms of what it will take to, where it will be the most ideal to build production facilities for these platforms. So we are evaluating those as we speak. While the development is on, we have an opportunity to take our time to plan those activities well.

Dipen Vakil: So this Bangalore Product Development Centre that you mentioned, was it an existing centre of yours for a while or it's a new centre that opened up recently?

Ankit Mehta: It is a relatively new centre which has been operational since about a year in Bangalore. And there is a new facility we have taken up for prototyping the platform and building it initially over there. And that is another facility that we are operationalising presently in Bangalore.

Dipen Vakil: Got it. Lastly you mentioned that you are looking at an L1 pipeline of INR 300 crores which can come in this quarter or next quarter. So how fast can we ramp up execution of the new course? What is the lead time that is there from contract finalisation to you commencing delivery?

Ankit Mehta: That's the area where we are aggressively making our plans and closely tracking these opportunities. So we will continue to work in that direction and come back.

Vipul Joshi: **Dipen,** Most of the details emerge once the contract gets finalised and then the delivery timelines get negotiated and discussed with the customers and these are specific to contracts, whether domestic or international. Since the pipeline also has a distribution between domestic and international, some of the clarities will emerge once we sign the agreement as well. While we are doing our planning to have the execution in place as and when the orders get signed.

Dipen Vakil: Got it. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath: Hi. I was just looking at your numbers, Over the last few years, your margins were significantly higher in FY22 and they have gone down in 23 and 24. So I just wanted to understand is that because of, the cost of materials obviously have gone up quite significantly from FY22 to FY24. And even this quarter you've seen deterioration in margins. So I just wanted to understand, you may be L1 in these INR 300 crores of fresh orders, what is the sustainable sort of margins you're seeing in this business, as there are more competitors now? or is this going for marketing efforts? What is actually causing this sort of deterioration?

Ankit Mehta: So, Mithun, what happens is that when we bid for opportunities, right, depending on the opportunity, we have different, different upfront gross margins. So it is not that the cost of material has post-facto increased. The cost of material itself is not something that fluctuates as much, as the large opportunities themselves have specific margins that we bid for based on, our estimation of where the market is.

So therefore it is not really a function of increase in costs. It is a function of the large opportunities and the way we bid, where we believe we can win those opportunities in a compatetive manner. And broadly, the reflection in the margins that you see is basically the mix of the opportunities we execute. So therefore it is not specifically margin-reducing. It is just a mix of opportunities that we have delivered in that quarter that changes our margin vector. However, on a blended basis, we continue to expect to track numbers very similar to our previous year's annual result. So that way, on a blended basis, we should be relatively tracking the last year's number is what our current plan is.

Mithun Aswath: Right, so is it safe to say the larger the orders, the lower the margin?

Ankit Mehta: Not necessary. That's where it becomes a little bit tricky. And therefore, we tend to sort of look at it a little bit en bloc.

Mithun Aswath: And if you could just kind of give us a little bit of a larger outlook in terms of how large are these opportunities in the US? You talk about Homeland Security. Could this take us to a different dimension in terms of size and scale? And are we prepared to even execute those type of large orders if we were to get them?

Ankit Mehta: So execution is actually something that we are very well prepared for. We can already do cumulatively up to maybe 10,000 drones a year or more. So that's not a challenge in terms of execution capacity.

In terms of the opportunity in the US, the market estimate that we had while we were preparing to look at the US market opportunity, was at least a 200 million dollar public safety market in the US from an opportunity standpoint. So it's a fairly sizable market. And as we establish our presence there, any portion of that market opportunity, any substantial portion that we can grab over the next couple of years, is going to be substantial for ideaForge .

Mithun Aswath: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Trivedi from Nepean Capital. Please go ahead.

Aditya Trivedi: So is the revenue model for the drone as a service model going to be subscription, transactional or hybrid? And what would you estimate to be the size of the addresibleopportunities for the drone as a service segment?

Ankit Mehta: So the opportunity is going to be hybrid but mostly the baseline revenue will come from subscription-based models. And as we add more used cases which have, you can say, piecemeal need for flying, those will be the ones that will be on a per-flight basis.

However, in terms of the opportunity itself, drone as a service opportunity from a service standpoint itself, is, from our estimates, several thousand crores of opportunity at full penetration. But market penetration will take some more time as far as that opportunity is concerned. In fact, it's at its very early days of getting seeded in the market as an opportunity with our specific flavor to it.

And of course, like I said, it's not just looking at drone as a service for urban areas, but also looking at industrial safety, industrial security elements, etc. Some of our efforts are useful there as well.

Aditya Trivedi: Got it. And I think, again, something you've answered already, but since the raw material cost has gone from 26% in FY22 as a percentage of revenue, now it's 67%. And like you said, it's largely due to the competitive bidding that's taking place. So if you could shed some light in terms of who are the key competitors who, I guess, compete within the same segments, that being defense, surveillance, and inspection.

Ankit Mehta: So I think the competitors continue to pretty much remain similar to the people we had indicated in our DRHP as well. So, broadly, that same list would be appropriate to track at this point in time.

Aditya Trivedi: Got it. And none of the key commodities that, I guess, are inputs in your manufacturing have seen any kind of price appreciation? I just wanted to bifurcate what is the contribution in terms of commodity prices appreciating as opposed to the competitive intensity?

Ankit Mehta: Yes, I would say that commodity price changes would be broadly within engineering error, if I may, as a technology company. So it's mainly the nature of the bids that we make that makes it a little bit different. But prices on the commodity side haven't really impacted us significantly in that process.

Aditya Trivedi: And what are some of the key commodities that you'll use in the manufacturing of the drone itself?

Ankit Mehta: So, we obviously buy a lot of electronics. So, of course, during the pandemic and the period that followed up, there was an escalation in the cost of electronic components itself. So that is one element that definitely saw a lot of variation due to the pandemic and the related supply chain challenges.

So we don't really buy commodity-commodity in that one sense because we are largely looking at composites, carbon fiber, and some of these advanced composites are what we use for our products. We use certain kinds of foams for our product. We use a lot of, aluminum and magnesium components. So there are a lot of these structural subsystems that we leverage, but those are not used in any meaningful volume to sort of be affected by the commodity pricing as far as those elements are concerned.

Aditya Trivedi: Thank you so much.

Moderator: Thank you. The next question is from the line of Hemant Patel from Alder Capital. Please go ahead.

Hemant Patel: Hi. I'm sorry if this question has been asked before, but I just have one question regarding the employee cost. I wanted to understand that what is the proportion of capitalization that you've done in the employee cost in this quarter and what is typically the accounting policy for amortization of the capitalized expense of employee cost?

Ankit Mehta: So I think like Vipul had mentioned earlier in the call that I think, we have accounted for about INR 16 crores of intangible assets under development as far as product development is concerned. And typically when the development finishes for a specific project, we presently amortize it over a period of three years based on the project that we have finished and released to the market.

Vipul Joshi: So Hemant, roughly about INR 10 crores of employee cost would have got capitalized in this quarter. Okay.

Hemant Patel: All right. That's it from my end. Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Arunabh Bhattacharjee who is an individual investor. Please go ahead.

Arunabh Bhattacharjee: So I just wanted to ask two questions. The first question is the partnership with Skylark Labs. As mentioned in the presentation, has mentioned some Border Management Solutions. So I wanted to know whether we are just a drone provider or do we have any other capability building happening as part of the partnership? And the other question I had was with regard to GalaxEye solutions. In the recent presentation that you had shared, you had sort of talked about an opportunity in the target company. But here we have also mentioned that there is a series A funding.

Ankit Mehta: Yes, so as far as the Border Management Solution is concerned, what will happen is that we are partnering with Skylark Labs to help us provide capabilities around people detection and some of the other specific features that form a small part of the overall product suit that goes to make a Border Management Solution. For example, features such as motion detection, features such as people detection in the night, features such as doing line of interest following or area search operations. Many of these features are native to our platforms that we build ourselves. So as a bouquet of these features, a solution gets built for that specific application that makes it very seamless for the customer to get their result. So any partnership that we do, the value addition to the solution is a mix of the features that we have built, in the product and features that we will host from our partners or our partners will host from us that will complete the solution for the end customer.

So therefore there is adequate amount of value addition from both the partners as far as that opportunity is concerned. And then in terms of GalaxEye, GalaxEye is a business where we wanted to ensure that we are able to develop and feed a long standing need of our customers where in several previous occasions they have highlighted to us that they need the ability to look and penetrate fog and foggy environments because a lot of nefarious activities happen under the garb of these bad visual conditions.

And of course, as you can guess, it is a similar situation when it comes to foliage. If there is dense foliage, then people get a lot of cover to do a lot of untoward activities under. And therefore, both of these capabilities are something which is what we have invested in and we hope to build it together with GalaxEye and take it to the market as an opportunity that can solve some of their long standing needs as far as intelligence, surveillance and reconnaissance missions are concerned.

Arunabh Bhattacharjee: Just one question. Skylark Labs the AI, whatever they are claiming. Is it possible for them to do a follow command? I was going through that section basically. Just wanted to know, motion detection is fine, but is it possible to do a follow action?

Ankit Mehta: Yes, target tracking is a native capability of our platform. So we are able to provide that capability where if you click on a target, the target will get tracked by the drone both by the drone controlling its camera as well as the drone moving along with the target to make sure that the target remains in the frame and is continuously pursued. So these are autonomous capabilities that are native to our platform, which are our own developments.

Arunabh Bhattacharjee: Okay, so this has nothing to do with Skylark Labs. This is native to our platform.

Ankit Mehta: Yes, target tracking is something which is native to our platform.

Arunabh Bhattacharjee: All the best for your future performances.

Moderator: Ladies and gentlemen, in the interest of time, that was our last question. I would now like to hand the conference over to Mr. Ankit Mehta, Chief Executive Officer, for closing comments.

Ankit Mehta: So thank you everyone for attending the call and your very useful questions as well. I hope we were able to provide you with relevant updates and resolve your queries. We will keep you updated on the progress as we move forward in the year. Wish you all a very fruitful Q2 and FY25. Thank you.

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