

IPO Details

Opening Date	Dec 13, 2022
Closing Date	Dec 15, 2022
Stock Exchange	BSE SME
Lot Size	2000 Shares
Issue Price	₹ 52- ₹ 54 per share
Issue Size	62,90,000 Equity Shares
Application Amount	₹ 1,08,000

IPO Objective

Purchase of Drone and Other Accessories
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	67,66,800	38.23%
Public	1,09,31,800	61.77%

Promoter of the Company

- Mr. Prateek Srivastava
- Mrs. Nikita Srivastava

Competitive Strengths

- Well Equipped with Advance Technology.
- Experienced Promoters and Technically Sound Operations Team
- MOU between Rashtriya Raksha University and Droneacharya
- Partnering with TATA STRIVE
- First Training Organisation in Maharashtra
- Collaboration with Apollo Hospital
- DGCA Authorisation
- Marque Clientele

Company Background

- Company was incorporated in the year 2017 in Bengaluru, Karnataka. However, it is based out in Pune.
- The company is engaged in providing high-end ecosystem of drone solutions for multi-sensor Drone Surveys, Data Processing of Drone Data, Drone Pilot Training and Specialised GIS Training.
- The Company's offerings can be classified into 4 broad categories namely- Training, Services, Surveillance and others.
- Company has been authorised by the Directorate General of Civil Aviation (DGCA) as a Remote Pilot Training Organization (RPTO).
- Company provides consultancy services to Government as well as Private Organizations.
- As on the date of prospectus Company had 40 Employees.

Financial Summary

For the Period Ended	(In Lacs)		
	Jun-22	Mar-22	Mar-21
Total Assets	3,402.62	1,546.52	119.13
Net Assets	3,357.77	1,447.77	104.08
Total Borrowings	1.02	46.25	1.27
Total Revenue	308.96	358.74	1.00
Profit After Tax	72.06	40.65	(14.89)

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Company Overview

Being Incorporated in 2017, Droneacharya Aerial Innovations Limited is engaged in providing services related to drones. Its offerings can be classified into four broad categories namely, Training, Services, Surveillance and others. They provide high-end ecosystem of Drone solutions for multi-sensor Drone surveys, data processing of Drone data using robust high configuration workstations, Drone pilot training & specialized GIS training. Company's vision is to encourage multiple aspects of Drones, Drone-as-a Service (DaaS). Geographic Information System (GIS) is a system that creates, manages, analyses and maps all the types of data.

Analysis

The company is based in Pune and therefore majority of their revenue comes from Maharashtra followed by Tamil Nadu, Gujarat and Madhya Pradesh. They generate revenue from Trainings, Services, Surveillance and other related miscellaneous areas.

Trainings - The training courses are designed to create an individual with capabilities that can range right from data capturing upto data processing and finally conclude with their applications. The Company provides Drone training & Geospatial Training courses of various types.

The Company has been authorised by the Directorate General of Civil Aviation (DGCA) as a Remote Pilot Training Organisation (RPTO) to conduct drone training as per the DGCA guidelines. Since the authorisation, Droneacharya has trained more than 150 individuals in the domain of drones, data processing and python coding for GIS.

Services - Their Service vertical provides consultancy services to Govt. & private organizations, reality capture data processing software, anti-drone solution for rogue UAV, UTM air traffic management solution with help of software i.e. UGCS Mapper, UGCS Pro, Reality Capture and Aerial Cinematography & Aerial Making. The Company also resells and provide services through various categories of drones namely Blueye X3, Blueye Pro, Echo Sounder, GPR 1000A, GPR 500A, Magarrow, Magdrone R3, Magnetometer.

Surveillance - They also offer land surveying and underwater services. The Company aims to be leader in the data driven solutions for Power Lines and Utilities, Urban and Rural Planning, Oil and Gas Infrastructure, Roads and Highways, Mines and Quarries, Energy & Renewables, Roads & Highways, Urban & Rural Planning, Agriculture & Irrigation, Underwater Inspection and Underwater Bathymetry. Droneacharya's offerings also include drone surveying for mapping, 3D modelling, drone logistics, surveillance and drone data processing. Apart from this, they have been focusing majorly on talent building for the Drone industry, by providing training courses for all age groups.

Others - Partnering up with SPH Engineering from Latvia, Droneacharya is also able to provide integrated drones solutions for Bathymetry, drone haws, Hydrography, industrial and archaeological surveys, along with Environmental Monitoring. Droneacharya is also a premium reseller of underwater drone products from the Norwegian company Blueye Robotics.

The geographical revenue breakup from these segments is given in the table below -

Financial Year 2022-2023 (3 months ended up to June 2022)				
<i>State</i>	<i>Training</i>	<i>Services</i>	<i>Total</i>	<i>%</i>
Maharashtra	188.79	32.08	220.87	71.56%
Gujrat	1.98	17.70	19.68	6.38%
Karnataka	1.86	0.00	1.86	0.60%
West Bengal	3.65	0.00	3.65	1.18%
Telangana	0.00	5.90	5.90	1.91%
Tamil Nadu	0.00	35.96	35.96	11.65%
Rajasthan	0.58	0.00	0.58	0.19%
Madhya Pradesh	0.65	17.70	18.35	5.95%
Haryana	1.30	0.00	1.30	0.42%

Financial Year 2022-2023 (3 months ended up to June 2022)				
<i>State</i>	<i>Training</i>	<i>Services</i>	<i>Total</i>	<i>%</i>
Delhi	0.00	0.00	0.00	0.00%
Andhra Pradesh	0.51	0.00	0.51	0.17%
Total	199.32	109.34	308.65	100.00

Company's products/services include:

Underwater Inspection



Underwater Bathymetry



Blueye X3



Methane Detector



To conclude, the company seems to be in a good product segment. There are not a lot of players in the market at a bigger level and the market is still developing. There is a lot of support from the government with the ruling government's plan of making India the global hub for drones by 2030. If the company is able to establish itself and make use of the opportunities in its environment, the sky is the limit. However, the company will need to work on its core competencies because of threat of new entrants and particularly big players with lot of capital power.

Industry Charts

Exhibit 1: Drone logistics and transportation market size

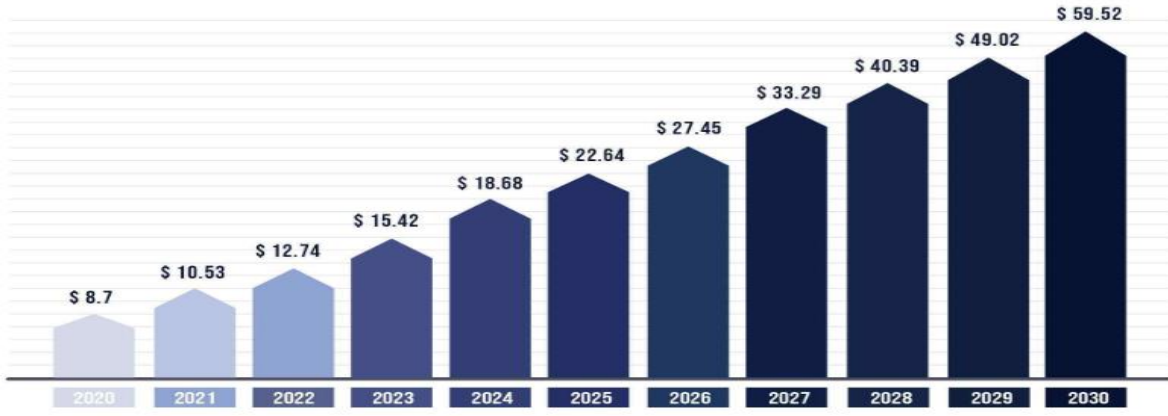


Exhibit 2: Addressable Market size for drone powered solutions

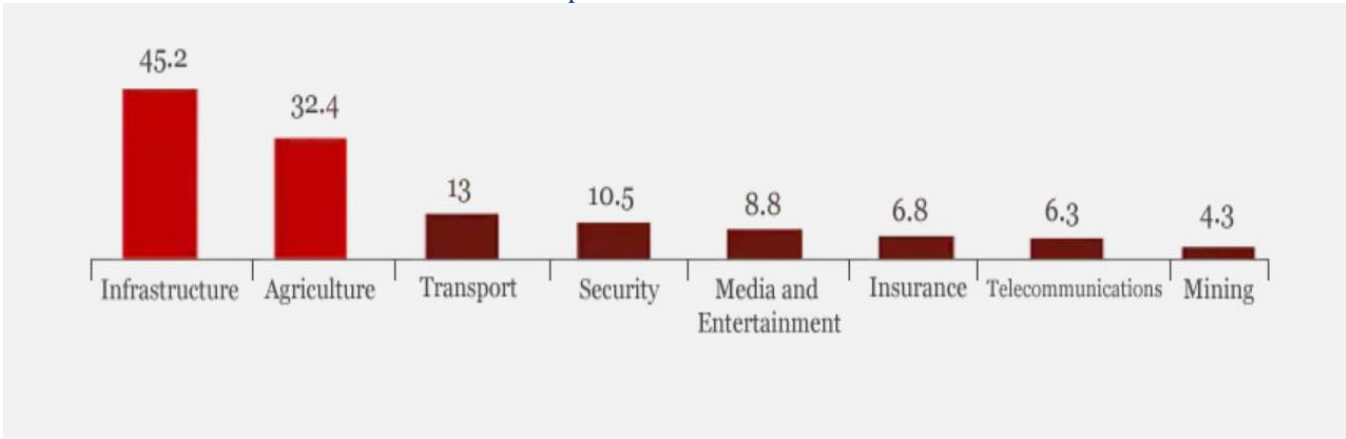
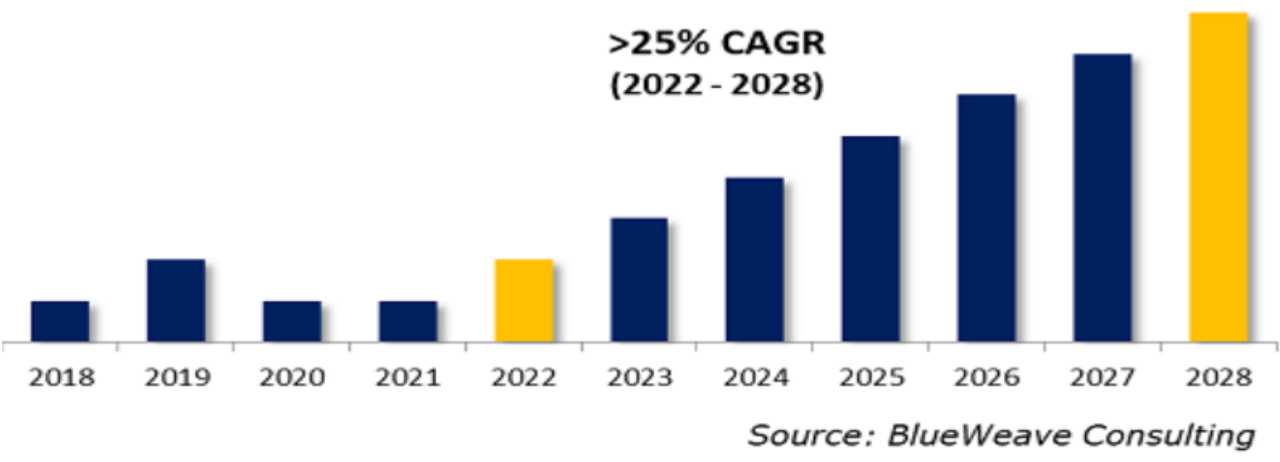


Exhibit 3: Indian Agriculture Drone Market Growth



(Source: Precedence Research, PWC, BlueWeave Consulting)

Investment Overview

Indian Drone Industry

The immense potential of drones has led to their increasing adoption in India, too. Though both the industry and the market in India are at a very nascent stage at the moment, there is immense growth potential for both. A major thrust will be given by the willingness of the present Indian government to use drones for a variety of purposes, including crop mapping and surveillance of infrastructure projects, pushing the projected value of the domestic industry to approximately US\$421 million in 2021. According to research, the Indian Unmanned Aircraft Vehicle market is projected to grow at a CAGR of 18% during 2017-23.

In the recent Interview (September 2021) of Chief of the Drone Federation of India, Mr. Smit Shah stated that on the back of the new policy, India's drone market is expected to reach Rs. 50,000 crores (US\$ 6.69 billion) in five years and Rs. 30,000 crores (US\$ 4.01 billion) in the next three years.

The UAV sector holds tremendous opportunities and if unleashed, has the potential to transform many of the sectors and could contribute 4-5% to India's GDP, due to multiplier effect. Since 2001, approximately 38 companies have applied for industrial license to manufacture UAVs in India. Furthermore, more than 50 start-ups have started providing services in this new industry. The global market is witnessing a boom despite several concerns relating to its potential use as a weapon, proprietary and privacy infringement. The future holds many new avenues for the use of UAVs as they are expected to replace 80% of operations presently carried out by manned aircraft. As per NITI Aayog estimates, the Indian market for UAV will be \$50 billion over the next 15 years

In India, On the basis of Sector there are six segments across which drone-based solutions are being explored:

- Agriculture
- Energy and Utilities
- Infrastructure
- Mining
- Media and Entertainment
- Insurance

Government's Role in Supporting the Drone Manufacturing Industry:

- The government published the Drone Airspace Map 2021, opening approximately 90% of the Indian airspace as a green zone (up to 400 feet), UAS Traffic Management (UTM) policy structure 2021.
- The government implemented the Drone Certification Scheme 2022 to help drone makers secure a type certificate and the Drone Import Policy 2022, banning the import of foreign-made drones.
- The government introduced the Drone (Amendment) Rules 2022, which would prevent the need to obtain a drone pilot license for drone companies.
- In May 2022, the Minister of Agriculture & Farmers Welfare, Mr. Narendra Singh Tomar, inaugurated the 'Promoting Kisan Drones: Issues, Challenges and the Way Ahead' conference. He stated that the government is promoting the use of drones for the convenience and benefit of farmers. A subsidy of 50% or a maximum of Rs. 5 lakhs (US\$ 6,311) would be provided to SC-ST farmers, women farmers, and farmers of north-eastern states, and up to 40% or a maximum of Rs. 4 lakhs (US\$ 5,049) for other farmers.
- In January 2022, the Ministry of Civil Aviation introduced a drone certification scheme to maintain minimum safety and quality standards to promote domestic manufacturing.
- The Directorate General of Foreign Trade, under the Ministry of Commerce, has banned the import of drones to promote indigenous manufacturing of drones. Drones shall be strictly imported for three reasons- R&D, defence and security purpose.
- The Ministry of Civil Aviation has scrapped the need for a pilot license to fly drones in India. To operate a drone in India, one needs only a Remote Pilot Certificate (RPC), issued by DGCA-approved drone schools; the certificate can be obtained through the single-window DigitalSky Platform

(Source: prospectus)

Addressable Market for Droneacharya Aerial Innovations Limited

Company's 70% of Revenue from operations come from Maharashtra. Company also has sales presence in other states such as Gujarat, Karnataka, West Bengal, Andhra Pradesh, Telangana, Tamil Nadu etc. Company intend to cater to the increasing demand of their existing customers and also to increase their existing customer base by enhancing geographical reach.

Competition

Company face intense competition from both Indian and foreign competitors, many of which are substantially larger and have greater financial resources than Company. Growth in Drone industry in recent years has attracted new industry participants and competitors. The entry of such competitors may change the Drone industry in ways that may not be in favour of the company. Domestic competitors of a scale similar to or greater than the Company may impact their ability to attract technical talent.

Peer Analysis

As Mentioned in the prospectus, the company has Genesys International Corporation Limited as its peer.

Company	Droneacharya Aerial Innovations Limited	Genesys International Corporation Limited
Net Profit (INR Cr)	0.41	13.41
EBITDA (INR Cr)	0.58	-14.13
Return on Capital Employed	3.74%	4.76%
Return on Equity	2.15%	6.54%
EPS (INR)	0.22	4.29
P/E* (Times)	237.89	133.14

Promoters' Profile and Management Analysis

Mr. Prateek Srivastava



- Mr. Prateek Srivastava, aged 38 years, is the Promoter and Managing Director of the company.
- He holds M. E. Degree in Remote Sensing and GIS from Asian Institute of Technology, Bangkok and B. E. Degree in IT from Saurashtra University, Gujarat.
- He has also been nominated as Asia One 40 Under 40 Most Influential Indians 2018-19.
- He is the Founder of Droneacharya Aerial Innovations.

Mrs. Nikita Srivastava



- Mrs. Nikita Srivastava, aged about 35 years, is the Whole Time Director of the Company.
- She has an experience of 12 years as the Human Resource Department.
- She specializes in Recruitment, Compensation and benefits, HR records management, HR policies development, Employee orientation, Developing team building programs, Performance Reviews and Accounting.

Analysis on the Company's Promoter and Board of Directors

Mr. Prateek Srivastava, aged 38 years, is Promoter cum Managing Director of the Company. He is the Founder of Droneacharya Aerial Innovations. He has also been nominated as Asia One 40 Under 40 Most Influential Indians 2018-19, his business acumen and market potential are widely being noticed and applauded. He holds M. E. Degree in Remote Sensing and GIS from Asian Institute of Technology, Bangkok and B. E. Degree in IT from Saurashtra University, Gujarat.

Ms. Nikita Srivastava aged 35 years is Whole Time Director of the company. She has more than 12 years of experience in Human Resource Department. Specializing in Recruitment, Compensation and benefits, HR records management, HR policies development, Employee orientation, developing team building programs, Performance Reviews and Accounting. She is a strategic and Innovative HR Personnel.

To conclude, the management of the company looks decent. The company's promoters are well experienced in the business line. The business seems to be primarily run by its promoter that is Mr. Prateek Srivastava. The independent directors are well educated and experienced but the company needs directors in their line of business with relevant educational qualification and experience so that inputs regarding improving core competencies of the company can be given.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Jun, 2022
Profit and Loss			
Revenue from operations	1.00	358.96	308.96
Other income	-	0.01	-
Total Revenue	1.00	358.97	308.96
Expenses	15.88	301.23	205.66
Depreciation and Amortisation Cost	-	1.80	6.16
Finance Cost	0.01	0.15	0.07
Total Expenses	15.89	303.18	211.89
PBT	-14.89	55.79	97.07
PBT Margin	-1489.00%	15.54%	31.42%
EBITDA	-14.88	57.73	103.30
EBITDA Margin	-1488.00%	16.08%	33.43%
Net Profit	-14.89	40.65	72.06
Net Profit Margin	-1489.00%	11.32%	23.32%
Balance Sheet			
Total Borrowings	1.27	46.25	1.02
Net Worth	104.08	1,447.77	3,357.77
Fixed Assets	-	30.81	92.40
Net Working Capital	105.35	1445	2893.52
Financial Measures (Annualized)			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	1.96	2.88	4.08
Payables Turnover Ratio	-	4.05	0.02
Fixed Assets Turnover Ratio	-	11.65	18.24
Return on Capital Employed	-14.12%	3.74%	5.57%
Return on Equity	-14.31%	2.81%	4.13%
Debt-Equity Ratio	0.01	0.03	0.00

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs (14.89) lacs in 2021 to Rs 57.73 lacs in 2022 and Rs. 103.30 lacs up to June 2022 and if we annualise the same it would be around Rs. 413.20 lacs. The EBITDA margin in 2021 was (1488%), 16.08% in 2022 and 33.43% up to June 2022. EBITDA margin has seen double fold growth due decrease in expenses as compared to Sales.

Net Profit

The net profit of the company has grown from Rs. (14.89) lacs in 2021 to Rs. 40.65lacs in 2022 and Rs. 72.06 lacs up to June 2022 and if we annualise the same it would be around Rs. 288.24 lacs. The net profit margin in 2021 was (1489%), 11.32% in 2022 and 23.32% up to June 2022. However, talking about the net profit margin, it has shown good strength and is not extra-ordinary and the increase in margin can be again attributed to substantial increase in profit.

Finance Cost.

The company has incurred finance cost of Rs. 0.15 lacs in the financial year 2022 mainly due to unsecured loans from related party.

Financial Measures/Ratios

RoCE of the company in 2021 was (14.12%) vs 3.74% in 2022 and 2.89% up to June 2022. The RoCE has Increased due to substantial increase in profits and decrease in borrowings of the company. If we annualise the EBIT and take into consideration the new capital coming in, the RoCE is estimated to be around 5.57%

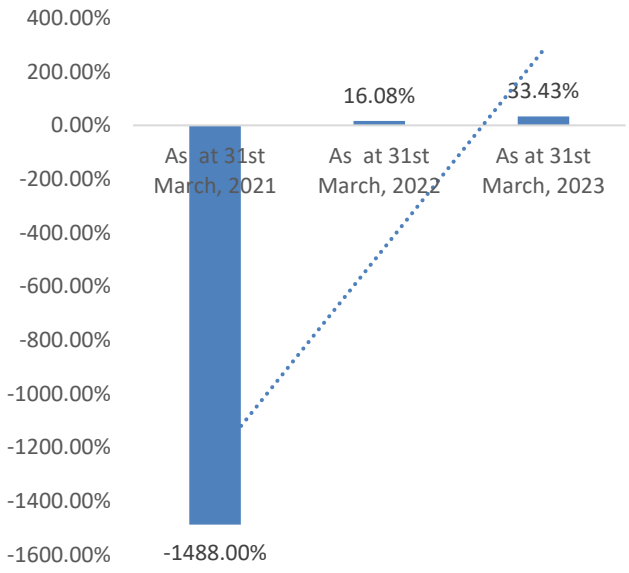
ROE of the company in 2021 was (14.31%), 2.81% in 2022 and 2.15% up to June 2022. The analysis and prediction of the same can be set forth as that of RoCE with estimated annualised ROE to be around 4.13%.

The company has been able to effectively maintain its Receivables and payables.

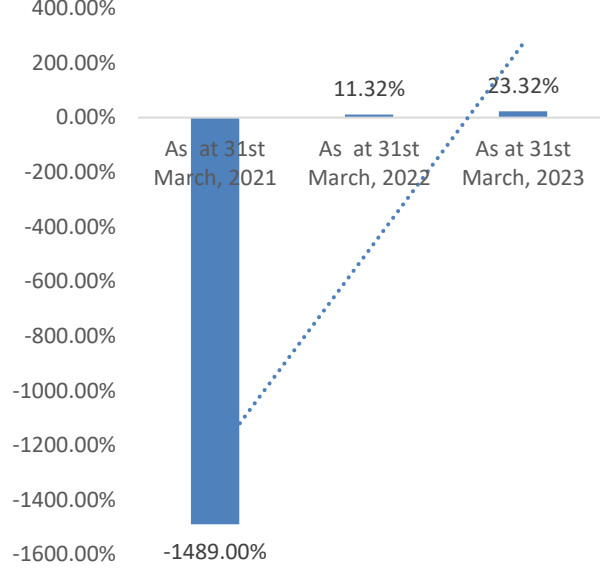
The company has a debt-equity ratio of almost 0 times as on June 30th 2022.

Financial Charts

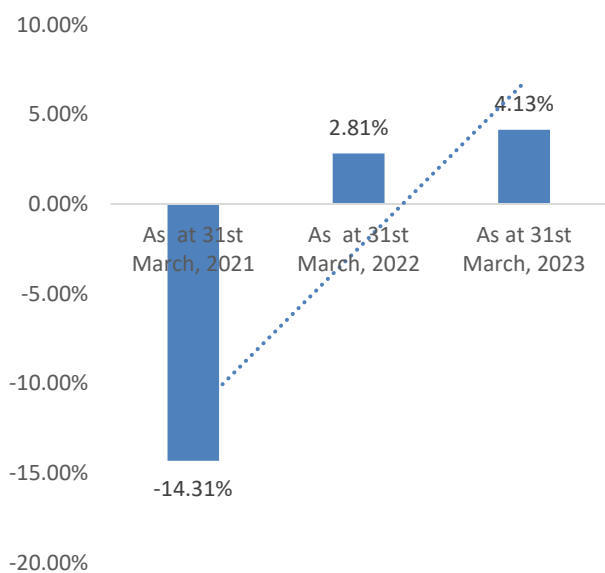
EBITDA Margin



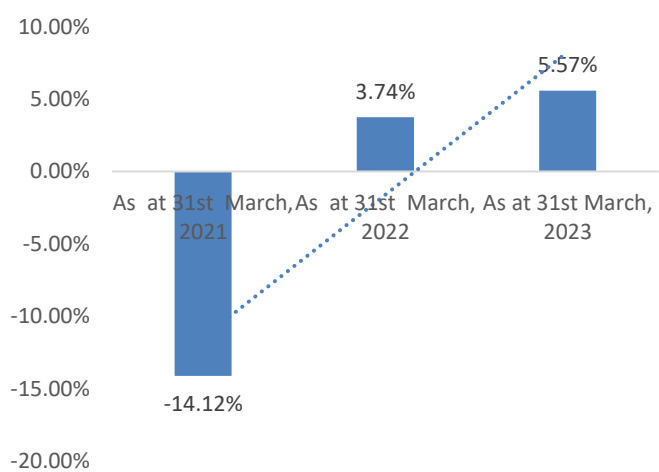
Net Profit Margin



Return on Equity



Return on Capital Employed



Key Risk Factors

1. Post Issue, promoters holding will account for only 28.21% of the post issue equity share capital. This is a relatively lower % of holding and can lead to problems in the future.
2. Company is significantly dependent on its top 10 customers which account for 87.99% of its revenue.
3. Company is exposed to risks associated with rapid technological changes related to drones.
4. The Company had negative cash flow from operating activity.

Track Record of Lead Manager

The lead manager to the issue is Corporate CapitalVentures. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	Shish Industries	4.06	30/-	05/09/2017	151.65
2.	Ratnabhumi Developers Limited	23.31	63/-	14/12/2017	79.85
3.	Touchwood Entertainment Limited	4.21	40/-	21/12/2017	111.60
4.	SMVD Poly Pack Limited	9.02	55/-	26/12/2017	17.10
5.	Narmada Agrobases Limited	7.48	32/-	19/04/2018	24.10
6.	Rudrabhishek Enterprises Limited	18.73	41/-	13/07/2018	144.00
7.	Rajnandini Metal Limited	4.27	26/-	08/10/2018	28.90
8.	Nupur Recyclers Limited	34.20	60/-	23/12/2021	295.10
9.	Uma Exports Limited	60.00	68/-	07/04/2022	50.00
10.	Annapurna Swadisht Limited	30.25	70/-	27/09/2022	141.55
11.	Swastik Pipe Limited	65.52	100/-	12/10/2022	80.00
12.	Phantom Digital Effects Limited	29.10	95/-	21/10/2022	236.15

#CMP is taken as on 9th December 2022

This is the 13th mandate from Corporate CapitalVentures in the last six fiscals (including the ongoing one). Out of the last 10 listings, 3 opened at discount, and the rest opened with premiums ranging from 0.61% to 231.63% on the day of listing.

Recommendation

The company has less experience in Drone Industry but also is well equipped with all the advance equipments as available in the Industry. Company is also one of the first Remote Pilot Training Organizations in Maharashtra. If the company is able to establish itself and make use of the opportunities in its environment, the sky is the limit.

The Revenue of the company has shown some good strength in recent years and has been growing at a CAGR of around 3415.45% and with the increment in the new Drone accessories, the Revenue of the company is estimated to increase more. The company has however seen extra ordinary growth which may not be sustainable in future.

The management outlook of the company is also good, and the promoters have good amount of experience in the field of business operations.

The company is getting listed at a PE of around 237.89 times on Post IPO basis making it a highly priced IPO. The company could have listed for a lower price looking at its size as compared to peers.

To conclude, with immense growth potential in Indian drone Industry, and having collaborations with Apollo Hospital, partnering with TATA Strive and increased opportunity for UAV in agriculture, mining, cargo handling and defence company have good opportunity, which may increase company's profitability. As company aims to be a niche player in Drone elated activities/services it has a bright future ahead. Taking every possibility into consideration it seems to be a good bet to take upon and so one with excess capital **may apply** in the IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.