

IPO Details	
Opening Date	July 07, 2023
Closing Date	July 11, 2023
Stock Exchange	NSE SME
Lot Size	2000 shares
Issue Price	₹62 - ₹65 per share
Issue Size	68,00,000 Equity Shares
Application Amount (@ Upper band for retail investors)	₹ 1,30,000
Amount Raised (Issue Type)	₹44.20 Cr (Fresh Issue)

IPO Objective	
1.	To meet out the expenses for purchase of new drones.
2.	To meet out the expenses for purchase of vehicle.
3.	To meet out the Capital Expenditure Requirement.
4.	To meet out the Working Capital requirements.
5.	To meet out the General Corporate Purposes.
6.	To meet out the Issue Expenses.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,48,99,500	85.14%
Public	26,00,498	14.86%

Promoter of the Company	
1.	Mr. Chirag Sharma
2.	Mrs. Shashi Bala

Competitive Strengths	
1.	Largest Drone Training Network in India along with Training Partner IGRUA, and the highest market share in DGCA-certified Drone Pilot Training.
2.	Key Partnerships in the Training & Drone Service Space.
3.	A fleet of Owned Drones and vehicles deployed for Drone Services & Training.
4.	Backed by Hubblefly Technologies with extensive Drone manufacturing capabilities.
5.	Experienced management team, backed by a strong board and marquee shareholders, along with strong culture of compliance.

Company Background	
○	Drone Destination Limited was incorporated in the year 2019 and is headquartered in Delhi.
○	The Company is a DGCA-authorized Remote Pilot Training Organisation (RPTO) offering certified training programs.
○	Company currently has three training bases of its own at Gurugram, Chandigarh and Phulpur. They have also entered into an agreement with Indira Gandhi Rashtriya Uran Akademi ("IGRUA") for providing DGCA-certified Drone Training and are currently present in Gurugram, Bangalore, Gwalior, Kangra, Coimbatore, Madurai and Bhopal.
○	Company has become the first Drone Training Partner of National Skill Development Corporation ("NSDC") and shall offer joint certification on various drone-related application courses through NSDC's Skill India Portal.
○	As on date of filing of Red Herring Prospectus, company have 74 employees on their payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 114	₹ 158

Financial Summary (INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	96.34	278.30	2,359.33
Net Assets	2.42	23.15	1,757.34
Total Borrowings	54.71	151.09	159.17
Total Revenue	39.33	257.16	1,207.73
Profit After Tax	-6.16	27.76	330.13

Tentative Timeline	
Opening Date	July 07, 2023
Closing Date	July 11, 2023
Basis of Allotment	July 14, 2023
Initiation of Refunds	July 17, 2023
Credit of Shares to Demat	July 18, 2023
Listing Date	July 19, 2023

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Company Overview

Drone Destination Limited was incorporated in the year 2019, headquartered in Delhi, and is a DGCA-authorized Remote Pilot Training Organisation (RPTO) offering certified training programs. Company currently has three training bases of its own at Gurugram, Chandigarh and Phulpur. They have also entered into an agreement with Indira Gandhi Rashtriya Uran Akademi (“IGRUA”) for providing DGCA-certified Drone Training and are currently present in Gurugram, Bangalore, Gwalior, Kangra, Coimbatore, Madurai and Bhopal. Company has become the first Drone Training Partner of National Skill Development Corporation (“NSDC”) and shall offer joint certification on various drone-related application courses through NSDC’s Skill India Portal.

Analysis

Being in operations since 2019, the company is relatively new to the business, whereas the promoters of the company have a decent experience in the aviation business. Since inception, company have entered into several key MOUs with large Government entities and Private Players to develop an integrated Drone training, education and service ecosystem. Company has signed MOU’s with IGRUA, Sanskardham, Chandigarh University GIS companies MatrixGeo, NeoGeo, GeoKno for Drone Services, IFFCO, IIT Patna, Gramaudyogik-Aurangabad and Satya Microcapital. Company generates its revenue from two different business verticals as given below:

1. Training and Education - As per the Drone (Amendment Rules), 2022, notified on 11th Feb 2022, a Remote Pilot Certificate by a DGCA-authorized Remote Pilot Training Organisation (RPTO), is required for all pilots to legally fly drones in the country. Drone Destination conducts Certified Drone Pilot Training through its own Training Bases as well as with its Training Partners, Indira Gandhi Rashtriya Uran Akademi (IGRUA) and Sanskardham.

As on May 12, 2023, there are 53 RPTO bases in the country, out of which 11 bases belong to Drone Destination and its Training Partners (IGRUA, Sanskardham). These locations are situated at Manesar (Haryana), Bangalore (Karnataka), Dharamshala (Himachal Pradesh), Mohali (Punjab), Gwalior (Madhya Pradesh), Phulpur (Uttar Pradesh), Ahmedabad (Gujarat), Coimbatore (Tamil Nadu), Madurai (Tamil Nadu) and Bhopal (Madhya Pradesh). They also have the highest (over 30%) market share in terms of Certified Drone Pilots in the country.

Training programs provided by the company are –

- (a) DGCA-Certified Drone Pilot Training
- (b) DGCA-Certified Drone Instructor Training
- (c) Application-Based Training Programs

2. Drone as a Service (DAAS) - The Company's currently DAAS offerings include:
- (a) Survey and Mapping - Drone Destination offers scalable and cost-effective, geo-spatial data solutions. Their drones and survey teams are already deployed for usage in Abadi-area mapping under the SVAMITVA scheme (a flagship project under the Ministry of Panchayati Raj for mapping 6,50,000 villages and creating Digital Property Cards for landowners) as well as large-scale mapping projects with their Industry partners pan India.
- (b) Surveillance & Monitoring – Company's drones are equipped with advanced zoom cameras and IR sensors which are capable of producing high-definition day and night-vision video footage. The company is assisting Excise Department of Government of Bihar to carry out surveillance of illegal liquor manufacturing along the Ganges within the state. They have a specialized team of pilots who can assist users in monitoring purpose for Periodic patrolling of assets/ Remote areas/POIs, Aerial Surveillance, Homeland Security Encroachment Detection., etc.

Drone Destination Ltd service-wise revenue bifurcation: -

(Rs. in lakhs)

Particulars	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amt.	(%)	Amt.	(%)	Amt.	(%)
Training	621.35	51.47	245.51	95.73	39.18	100.00
Survey & Mapping Services	572.42	47.42	-	-	-	-
Drone Surveillance Services	6.94	0.58	-	-	-	-
Drone Consultancy Services	6.00	0.50	5.00	1.95	-	-
Sale of Product	0.51	0.04	5.95	2.32	-	-
Total	1,207.22	100.00	256.46	100.00	39.18	100.00

To conclude, the business segment company operates in is unique and has good prospect, the company have signed various MOUs with different organizations which will help in revenue growth. Over the years company have expanded from just training and education to DAAS as well, and are planning to get three new business verticals namely, Rent a Drone, Agricultural Services and Asset Inspection.

Industry Charts

Exhibit 1: Global Drone Market Share Forecast

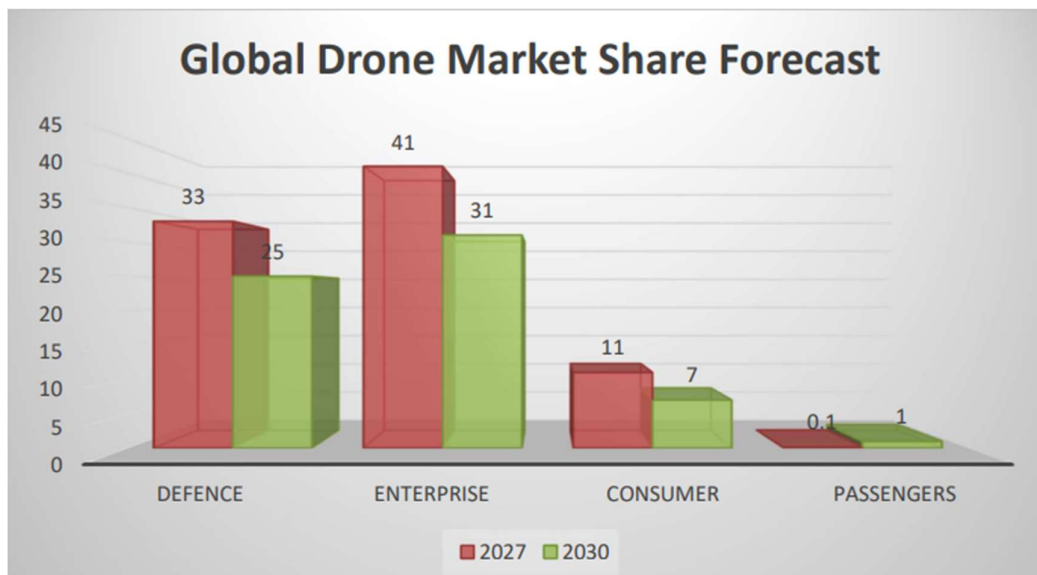
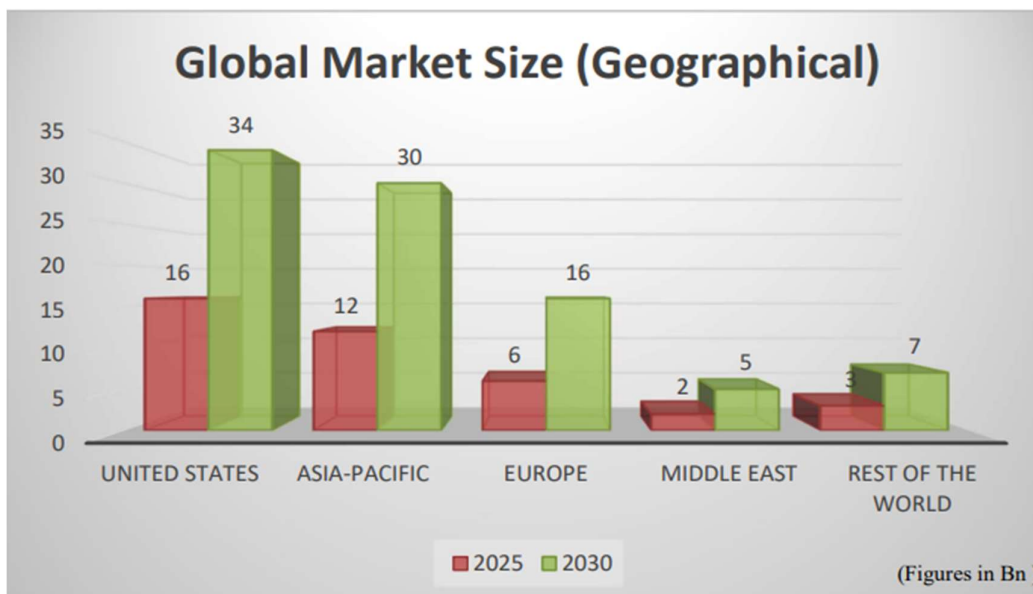


Exhibit 2: Global Market Size



(Source- Prospectus)

Investment Overview

Global Drone Industry

According to the latest research study, the demand of global Drone Market size & share in terms of revenue was valued at USD 30.21 billion in 2022 and it is expected to surpass around USD 260.5 billion mark by 2030, growing at a compound annual growth rate (CAGR) of approximately 38.75% during the forecast period 2023 to 2030.”

With the increased commercialisation, the global drone market forecast is estimated to be around 33% in Defence Industry and 41 % in Enterprise Industry for the year 2027. However, the enterprise drones’ segment is expected to be on a steady rise and is expected to account for about 31% in Enterprise Industry and 25% in Defence Industry, of the global drone market share by the year 2030.

Global Drone Defence Market

Drones have found an increased use by defence and security forces across the globe, in surveillance, combat support and electronic warfare. Factors of incorporation of LiDAR, global navigation satellite systems, thermal cameras & infrared imaging systems, and increased abilities to carry heavy payloads are expected to provide a consistent growth in the defence drone market.

Leading Geographical Market

The Northern American region accounted for the largest market share in 2021’s global defence drone market. In the race to gain air superiority, countries in the Asia-Pacific region are heavily investing in drone R&D, and are expected to fuel demand.

Market Size

The global defence drone market is estimated at around USD 17.1 billion in 2027, and is expected to grow to USD 23 billion at a CAGR of ~11% by 2030.

Global Drone Enterprise Market

Currently, the enterprise drone market is in its nascent stages with regulatory complications such as the Line-of Sight requirement, among others. Drones are expected to be employed on a massive scale in various industries, with construction and real estate and agriculture being the most significant segments of the enterprise drone market due to them being early adopters of the technology. Research and development into advanced drone technology and industry-specific software are expected to drive adoption and improved operational efficiencies. With increasing drone autonomy and an uptick in drone licenses and registrations, the cost of drone adoption will lower, further encouraging more use cases across various industries. With market friendly regulations and widespread adoption by multiple industries, including land surveying & progress monitoring for real estate & construction, crop and animal monitoring for agriculture, and monitoring & inspection for oil & gas, the enterprise drone market is set to record multi-fold growth.

It includes: Counter Drone, Agriculture, Public Safety, Utilities, Construction and Real Estate, Mining and Oil and Gas.

Market Size

The global enterprise drone market was estimated at USD ~20.8 billion in 2027 and at USD ~28.0 billion in 2030.

Indian Drone Industry

The Indian drone industry has witnessed a rapid growth in recent years, driven by the increasing demand for drones across a range of sectors, including agriculture, infrastructure, public safety, and defence. The GoI is actively promoting the growth of this industry by introducing policies and initiatives to encourage innovation and entrepreneurship in this field. The Civil Aviation Ministry estimates that the Indian drone market shall reach an estimated turnover of INR 120 to 150 billion by 2026.

The Indian drone industry has seen the emergence of several start-ups and companies offering a range of dronebased services, including aerial mapping, surveying, inspection, and delivery. Some of the key players in the industry include TechEagle, IdeaForge, Aarav Unmanned Systems, and Quidich Innovation Labs.

(Source- Prospectus)

Addressable market for Drone Destination

With the help of its collaborations by entered into MoU(s) and agreements with various entities, Company currently has the largest Training network in India in their segment. Company has already deployed 34 drone pilots & co-pilots for conducting village and large-scale mapping across Uttar Pradesh, Gujarat and Karnataka and is a Leading SVAMITVA Player engaging in survey and mapping in India and is reputed as the largest in Karnataka and Gujarat. By expanding its business in more domestic and also international markets, and in different business verticals company can increase its addressable market.

Competition

Company faces competition from very few domestic and international companies. The bargaining power of the company is not that high and the threat of new entrant is also low. The company has to differentiate its products through regular R&D and improve margins through cost effectiveness approaches.

PEER ANALYSIS

As mentioned in the prospectus they have only 1 listed peer company viz. Droneacharya Aerial Innovations Limited. An analysis of the same has been given below–

Particulars	Drone Destination Limited			Droneacharya Aerial Innovations Limited		
	Mar-23	Mar-22	Mar-21	Mar-23	Mar-22	Mar-21
Net Profit Margin	27%	11%	-16%	0.57%	0.07%	-0.04%
EBITDA Margin	39%	15%	-6%	0.84%	0.10%	-0.04%
Return on Capital Employed	19%	17%	-11%	6%	4%	-13%
Return on Equity	19%	120%	-254%	5%	3%	-14%
EPS (INR)	25.80	18.85	-4.14	1.43	0.35	-12.77

Based on the above analysis, The margins of the company have increased when compared to its peer. The ROE and RoCE is high when compared to its peer. The EPS of the company is also high when compared with the peer for all the three years.

Drone Destination Limited (Post-Issue Basis)

- P/E Ratio – 47.84 Times
- EPS – 1.36

Promoters' Profile and Management Analysis

Mr. Chirag Sharma



- Mr. Chirag Sharma, aged 34 years, is the co-founder and Managing Director of the company.
- He is an MBA from ISB Hyderabad, and a graduate in Computer Science & Mathematics from University of California.
- He has experience of more than a decade in the industry.

Mrs. Shashi Bala



- Mrs. Shashi Bala, aged 58 years, is the co-founder and Executive Director of the company.
- She holds a degree in Masters of Science (M. Sc) and is Gold Medalist in Microbiology from Punjab Agricultural University, Ludhiana.
- She has over 12 years of experience in industry.

Analysis on the Company's Promoter and Board of Directors

Mr. Chirag Sharma, aged 34 years, is the co-founder and Managing Director of the company w.e.f., May 15, 2023. He is an MBA from ISB Hyderabad, and a graduate in Computer Science & Mathematics from University of California. He has worked across eclectic business environments within the Education, Digital Commerce & Aviation space. He has 10 + years of professional and entrepreneurial experience spanning across North America, UAE and India, and developed and led a few successful Aviation business verticals offering Air Charter, Ground Handling, Training and Charter Brokerage Marketplace services etc.

Mrs. Shashi Bala, aged 58 years, is the co-founder and Executive Director of the company w.e.f., September 28, 2022. She holds a degree in Master of Science (M. Sc) and is Gold Medalist in Microbiology from Punjab Agricultural University, Ludhiana. Ms. Shashi Bala has vast experience of being a promoter of an integrated Aviation Group with business interests in Private Airline, MRO, Aviation Academy, and Flight Support Services. She is currently engaged with the company's foray in agricultural services and plays an active role in Human Resource Management and staff welfare.

Mr. Raminder Kumar Verma, aged 56 Years, is a Non-Executive and Non-Independent Director of the company. He was appointed as a Non-Executive and Non-Independent Director w.e.f., April 29th, 2023. He has completed his Bachelor of Arts (Hons) in English Literature from University of Delhi. He has over 30 years' experience in FMCG Industry, Airlines Industry and Media Industry.

Mr. Satendra Singh, aged 77 years, is an independent director of the company. He was appointed as an independent director w.e.f. from April 29th, 2023, for a term of three (3) years. He has completed his B. Tech in Aeronautical Engineering from IIT Kanpur and bachelor's in law (LLB) from Delhi University. He is also Fellow of Aeronautical Society of India.

Mr. Rajiv Ahuja, aged 58 Years, is an independent director of the company. He was appointed as an independent director w.e.f. April 29th, 2023, for a term of three (3) years. He has completed his B.SC (Hons) and MBA. He participated in several executives and business management programs across the world.

To conclude, there are two promoters for the company and both the promoters have good knowledge and experience in the industry which the company operates in. And, remaining all the directors of the company have good experience in the industry which helps in the growth of the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, March 2023
Profit and Loss			
Revenue from operations	39.18	256.46	1,207.22
Other income	0.15	0.70	0.51
Total Revenue	39.33	257.16	1,207.73
Expenses	41.72	217.20	737.48
Depreciation and Amortisation Cost	3.61	10.60	123.27
Finance Cost	0.15	1.60	16.86
Total Expenses	45.48	229.40	877.60
PBT	-6.16	27.76	330.13
PBT Margin	-15.71%	10.82%	27.35%
EBITDA	-2.54	39.26	469.75
EBITDA Margin	-6.50%	15.31%	38.91%
Net Profit	-6.16	27.76	330.13
Net Profit Margin	-15.71%	10.82%	27.35%
Balance Sheet			
Total Borrowings	54.71	151.09	159.17
Net Worth	2.42	23.15	1,757.34
Fixed Assets	26.65	71.90	532.66
Net Working Capital	24.69	94.92	1,328.80
Financial Measures			
Inventory Turnover Ratio	1.70	8.31	41.72
Receivables Turnover Ratio	7.05	10.04	1.81
Payables Turnover Ratio	0.51	0.15	0.09
Fixed Assets Turnover Ratio	1.47	3.57	2.27
Return on Capital Employed	-11.11%	16.59%	18.56%
Return on Equity	-254.46%	119.89%	18.79%
Debt-Equity Ratio	22.62	6.53	0.09
Interest Coverage Ratio	-41.07	17.86	20.56

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

Earnings Before Interest, Taxes, Depreciation, and Amortization

The EBITDA have increased from Rs. -2.54 lacs in FY-21 to Rs. 39.26 lacs in FY-22, and Rs. 469.75 lacs in FY-23 and the EBITDA margin in FY-21 was -6.50%, 15.31% in FY-22 and 38.91% in FY-23. There is an exponential increase in EBITDA due to an increase in the revenue. The increase in EBITDA margin from FY-22 to FY-23 is due to a decrease in the percentage contribution of Employee benefits expenses towards EBITDA.

Net Profit

The Net Profit of the company in FY-21 was at Rs. -6.16 lacs and 27.76 lacs in FY-22 and Rs. 330.13 lacs in FY-23. The Net Profit margin in FY-21 was at -15.71%, 10.82% in FY-22, and in FY-23 it was 27.35%. The exponential increase in the net profit margin is due to an exponential increase in the revenue from operations and decrease in other expenses (Ex. Expenses relating to day-to-day activity of the business).

Finance Cost

Finance Cost Includes interest on Bank Loan, Interest on Car Loan, Loan Processing Charges, Interest on late payment of statutory dues, Credit Card & Bank Charges.

Financial Measures/Ratio

The RoCE of the company in FY-23 was at 18.56%, 16.59% in FY-22 and -11.11% in FY-21. The increase in the RoCE during FY-23 is due to EBIT when compared with capital employed. Whereas, with the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis will come down to 5.51%.

The ROE of the company in FY-21 was -254.46%, 119.89% in FY-22 and 18.79% in FY-23. The ROE of the company has decreased in FY-23 from FY-22 due to an increase in equity base (reserves and surplus). The ROE on post IPO basis will also come down to 5.34%.

Inventory Turnover ratio of the company in FY-21 was at 1.70 times and 8.31 times as on FY-22 and 41.72 times as on FY-23. The increase in inventory ratio from FY-21 to FY-22 indicates the decrease in inventory in hand, which shows effective management of inventories.

Receivables turnover ratio has increased from FY-21 to FY-22, i.e., from 7.05 times to 10.04 times and has decreased in the FY-23 to 1.81 times. Payables turnover ratio has decreased from 0.51 times in FY-21 to 0.15 times in 2022 and to 0.09 times in FY-23, showing not so effective working capital management of the company.

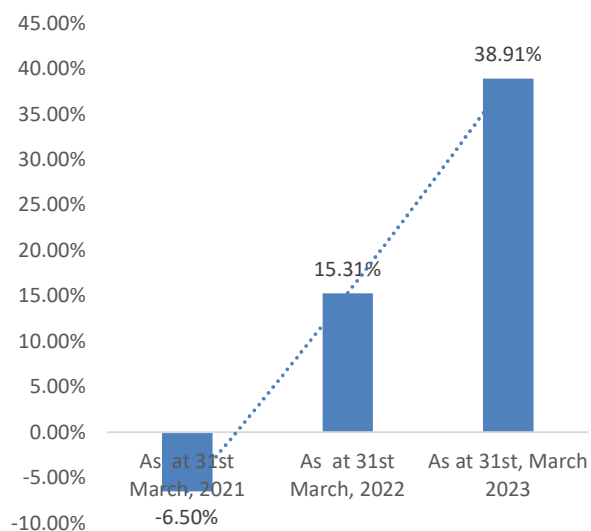
Fixed Assets turnover ratio have increased in FY-22 to 3.57 times from 1.47 times in FY-21 and have decreased to 2.27 times in FY-23. There has been no proper trend to come to a conclusion.

The debt-equity ratio as on 31st March 2023 is at 0.09 times when compared to in FY-22 was at 6.53 times and at 22.62 times in FY-21. The company has been successful in reducing its debt when compared to its equity base over the years.

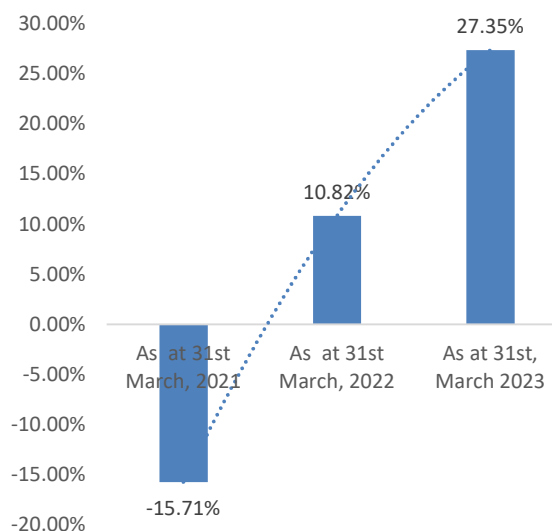
The interest coverage ratio in FY-21 was at -41.07 times, and improved to 17.86 times in FY-22, and 20.56 times in FY-23. This indicates increase in the ability of the company to pay its financing expenses with its own profits.

Financial Charts

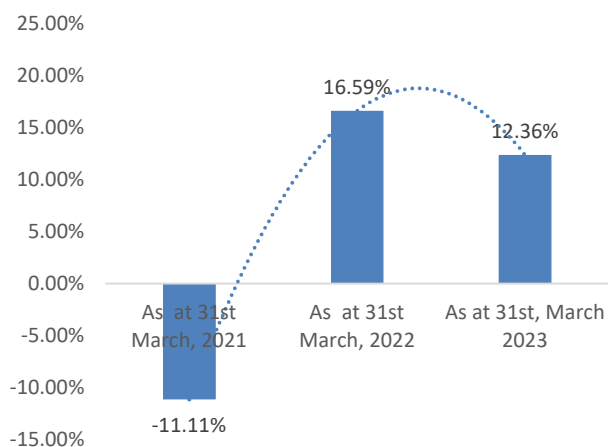
EBITDA Margin



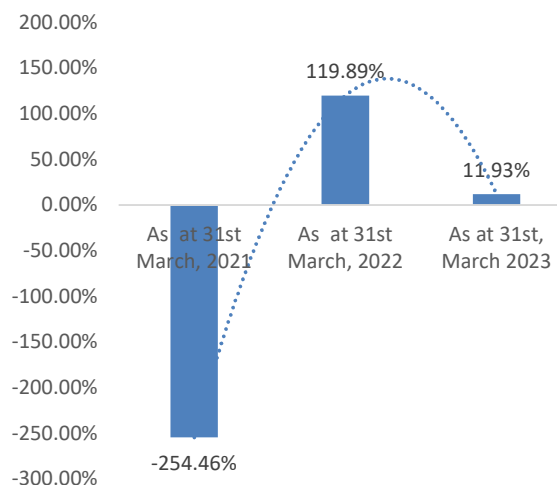
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. There are 3 outstanding legal proceedings involving Company, its Promoters, Directors and Group Companies. Any adverse decision in such proceeding may have a material adverse effect on the business, results of operations and financial condition. Currently, these legal proceedings amounted to Rs. 2,090.64 lacs.
2. The company have had a negative cash flow from operating activity for the period FY-22 and FY-21 amounting to Rs. (7.55) lacs and Rs. (13.02) lacs respectively.
3. Drone industry is highly regulated any changes in policies will adversely affect the business of the company.

Track Record of Lead Manager

As per the offer document Narnolia Financial Services Limited have no mandates in the past and this will be their first mandate.

Recommendation

The company has been into this industry since 2019 and is relatively new in the business. The company has only been profitable since last two fiscals and has shown an exponential growth in EBITDA & Net Profits and their margins.

The company has been in an industry with comparatively less competition.

The management outlook of the company is good, as they have almost all the personnel in the top management with good work experience relating to the company operates in. The roles and responsibilities of the management has been delegated accordingly.

The company is getting listed with a P/E of around 47.84 times which makes the stock highly priced, looking at the performance of the company over the past years.

In conclusion, the business segment in which this company operates is unique and faces less competition. They have the largest Training network in India in their segment and are also planning to increase their presence different business verticals. Whereas, company has only been profitable since last two years and has shown exponential growth in revenue, EBITDA and NP and their margins, which will be difficult to sustain going forward. And also, at the given P/E level it is highly priced and therefore **Risk Averse Investors should wait and Risk Seekers should apply.**

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.