Ideaforge Technology Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	***Revenue collapsed by 48.66% YoY to 161 Cr, driven by severe demand deferment and procurement delays within the core Government of India segment.***	□Negative
2	***Operating performance deteriorated into a 52 Cr loss with margins crashing to -32%, reflecting a failure to scale costs against lumpy B2G cycles.***	□Negative
3	***Earnings quality is poor as the capitalization of 76.5 Cr in R&D expenses significantly masked the true depth of operational losses.***	□Negative
4	***Working capital has reached a point of paralysis with the Cash Conversion Cycle exploding to 410 days, locking liquidity into unproductive assets.***	□Negative
5	***Receivables ageing shows significant deterioration, with dues over six months jumping from 5 Cr to 30 Cr, signaling heightened collection risks.***	□Negative
6	**The balance sheet remains resilient and debt-free (excluding leases), supported by □97 Cr in cash equivalents primarily sourced from IPO proceeds.**	□Positive
7	***Cash flow remains the primary concern with a total cash burn of 177 Cr and negative FCF of 164 Cr, threatening the long-term runway if burn rates persist.***	□Negative
8	***Future revenue visibility has vanished as customer advances plummeted 95% to just 0.69 Cr, indicating a dangerously thin order book for the upcoming fiscal.***	□Negative
9	***Execution bottlenecks are evident as Liquidated Damages provisions spiked 1,228% to 39.32 Cr, suggesting severe delivery and contractual delays.***	□Negative
10	**Governance remains a relative strength with an unqualified audit, zero promoter pledging, and KMP compensation slashed by >50% to align with losses.**	□Positive
11	**The company maintains a 60% indigenization moat, providing a "Sovereign Tech" advantage that protects its competitive position in defense procurement.**	□Positive
12	Stance is WATCH: Neutral until Cash Flow from Operations turns positive and customer advances recover to >□50 Cr to validate the order book.	□Neutral

1. BUSINESS OVERVIEW (In Bullet Points)

- **Structural Revenue Shift:** Significant shift in revenue mix with Defence accounting for 59% (down from 75% in FY24) and Civil/Enterprise rising to 41%. This shift is primarily driven by a sharp contraction in the Defence segment rather than organic Civil growth.
- **Revenue Drivers:** Historically dependent on large-scale Government of India (GoI) contracts; currently attempting to transition toward a "Drone as a Service" (DaaS) and "Outcomes as a Service" model to create recurring revenue.

- **Cost Drivers:** High R&D intensity (₹76.5 Cr), significant employee benefit expenses (₹108.95 Cr gross), and rising liquidated damages (₹37.75 Cr) due to execution delays.
- **Industry Position:** Maintains a 60% indigenization level, positioning itself as a "Sovereign Tech" provider with controlled firmware and autopilot subsystems, creating a moat against importers.
- **Expansion Plans:** Aggressive push into the North American market via ideaForge Inc. (USA) and investment in Vantage Robotics to diversify away from lumpy Indian procurement cycles.
- **Acquisitions & Partnerships:** Strategic investments in GalaxEye (SAR payloads) and Vantage Robotics to build "Full Stack" capabilities.
- **Capacity & Product Additions:** Launch of **YETI** (logistics) and **ZOLT** (tactical) platforms, moving into heavier, more complex aerial mobility segments.
- **Geographical Presence:** Expanding beyond India with a focus on "problem-solution fit" testing in the mature US market.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has adopted a "Visionary Defensive" tone, shifting from post-IPO exuberance to a stance of performing against significant industry headwinds.
- The industry is acknowledged to be in the "Trough of Disillusionment" on the Gartner Hype Cycle, suggesting a realistic internal view that mass drone adoption is taking longer than initially projected.
- Poor FY25 performance is attributed to "Demand Deferment" in the Defence sector, though management notes procurement pace improved in Q4 FY25 under "Emergency Procurement (EP 5)."
- Strategic pivot toward DaaS and SaaS (FlyghtCloud) is underway to mitigate the "lumpy" nature of hardware sales, though this shifts technological obsolescence risk back to the company's balance sheet.
- Management is "innovating their way out" of the slowdown by doubling down on R&D for complex platforms like middle-mile logistics (YETI).
- Geopolitical tensions and the need for supply chain security (citing "pager explosions in Lebanon") are used to justify the company's high-cost, indigenized tech stack.
- Capital allocation remains focused on strategic bets and R&D over dividends, consistent with a "Growth Stage" narrative.
- Management is asking investors to look past current P&L volatility toward a "Techno-Sustainable Society" vision for 2030-2035.
- Management Tone: Management is candid regarding global industry hype cycles but remains opaque on the specific execution failures that led to the current year's revenue collapse. They are skillfully leveraging a "Sovereign" narrative to justify high R&D spend while exhibiting palpable anxiety regarding the speed of the DaaS/SaaS transition. The overall tone is highly resilient but speculative, with a widening gap between visionary long-term commentary and immediate cash flow reality.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Sales -	161.00	314.00
Sales Growth %	-48.66	68.81
Expenses -	213.00	257.00
Material Cost % -	68.31	51.52
Raw material cost	100.00	151.00
Change in inventory	10.00	11.00
Manufacturing Cost %	7.73	3.67
Employee Cost %	67.58	28.85
Other Cost %	-11.47	-2.04
Operating Profit	-52.00	57.00
OPM %	-32.00	18.00
Other Income -	21.00	30.00
Exceptional items	2.91	2.55
Other income normal	18.19	27.86
Interest	2.00	5.00
Depreciation	29.00	21.00
Profit before tax	-62.00	61.00
Tax %	0.00	26.00
Net Profit -	-62.00	45.00
Exceptional items AT	3.00	2.00
Profit excl Excep	-65.00	44.00
Profit for PE	-65.00	44.00
Profit for EPS	-62.00	45.00
Profit Growth %	-250.00	43.00
EPS in Rs	-14.46	10.56
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2025	Mar 2024
Equity Capital	43.00	43.00
Reserves	566.00	618.00
Borrowings -	16.00	14.00
Long term Borrowings	0.00	0.00
Short term Borrowings	0.00	0.00
Lease Liabilities	16.00	14.00
Other Borrowings	0.00	0.00
Other Liabilities -	47.00	67.00
Trade Payables	9.00	16.00
Advance from Customers	1.00	15.00
Other liability items	37.00	36.00
Total Liabilities	672.00	743.00
Fixed Assets -	97.00	67.00
Building	42.00	27.00
Plant Machinery	12.00	6.00
Equipments	5.00	2.00
Computers	8.00	5.00
Furniture n fittings	8.00	4.00
Vehicles	1.00	1.00
Intangible Assets	2.00	1.00
Other fixed assets	94.00	65.00
Gross Block	173.00	111.00
Accumulated Depreciation	76.00	44.00
CWIP	100.00	54.00
Investments	120.00	88.00
Other Assets -	355.00	533.00
Inventories	94.00	98.00
Trade receivables -	56.00	44.00
Receivables over 6m	29.91	5.17
Receivables under 6m	27.50	40.68
Prov for Doubtful	-1.39	-1.49
Cash Equivalents	97.00	274.00
Loans n Advances	12.00	14.00
Other asset items	96.00	103.00
Total Assets	672.00	743.00

Cash Flow Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Cash from Operating Activity -	-77.00	76.00
Profit from operations	-47.00	72.00
Receivables	-12.00	13.00
Inventory	4.00	6.00
Payables	-7.00	2.00
Loans Advances	0.00	0.00
Other WC items	-13.00	3.00
Working capital changes	-27.00	25.00
Direct taxes	-2.00	-20.00
Cash from Investing Activity -	-68.00	-102.00
Fixed assets purchased	-88.00	-67.00
Fixed assets sold	0.00	0.00
Investments purchased	-25.00	-2.00
Investments sold	0.00	46.00
Interest received	13.00	12.00
Dividends received	0.00	0.00
Other investing items	31.00	-92.00
Cash from Financing Activity -	-8.00	189.00
Proceeds from shares	0.00	301.00
Proceeds from debentures	0.00	0.00
Proceeds from borrowings	0.00	0.00
Repayment of borrowings	0.00	-86.00
Interest paid fin	-1.00	-3.00
Financial liabilities	-7.00	-4.00
Other financing items	0.00	-18.00
Net Cash Flow	-152.00	164.00
Free Cash Flow	-164.00	9.00
CFO/OP	144.00	171.00

Key Ratios (□Crores)

Line Item	Mar 2025	Mar 2024
Debtor Days	127.00	52.00
Inventory Days	312.00	222.00
Days Payable	29.00	36.00
Cash Conversion Cycle	410.00	237.00
Working Capital Days	403.00	203.00
ROCE %	-10.00	11.00

3.2 Financial Analysis Summary

- **Revenue** witnessed a severe contraction of **48.66%** to **□161.00 Cr**, primarily driven by a sharp decline in the **Government of India (GoI)** segment which fell from **□235.83 Cr** to **□91.81 Cr**, while **UAV (Products)** remained the dominant contributor at **90.61%** of total sales.
- The top-line decline was exacerbated by **Liquidated Damages** of **□37.75 Cr** netted against **Revenue**, signaling significant execution delays that contributed to an **Operating Profit** loss of **□52.00 Cr** and a negative **OPM %** of **-32.00%**.
- **Employee Cost %** surged to **67.58%** of **Revenue** as gross employee benefits rose to **□108.95 Cr**, though the impact on the **P&L Statement** was partially mitigated by the aggressive capitalization of **□57.29 Cr** into **Intangible Assets Under Development (IAUD)**.
- **Other Expenses** included a massive spike in **Provision for Liquidated Damages** to **□39.32 Cr**, up **1,228%** YoY, which directly impacted **PAT** and is reflected in the **□13.00 Cr** outflow for "Other WC items" in the **Cash Flow Statement**.
- **Trade Receivables** grew by **26.3%** to **□56.00 Cr** despite the revenue halving, causing **Debtor Days** to explode to **127 days**; specifically, **Receivables over 6m** jumped from **□5.17 Cr** to **□29.91 Cr**, indicating severe collection stress.
- **Inventory** levels remained high at **□94.00 Cr**, representing **312 Inventory Days**, which combined with deteriorating collections to push the **Cash Conversion Cycle** to a staggering **410 days**, locking up liquidity in the **Balance Sheet**.
- **Cash from Operating Activity (CFO)** turned deeply negative at **-□77.00 Cr**, failing to cover even interest obligations, as **Working Capital** changes consumed **□27.00 Cr** of cash, primarily driven by the mismatch between **Revenue** recognition and cash collection.
- **Capital Allocation** remains focused on R&D, with **Fixed assets purchased** of **□88.00 Cr** and **CWIP** rising to **□100.00 Cr**; **IAUD** reached **□95.63 Cr**, suggesting that future growth is heavily dependent on the successful commercialization of these ongoing developments.
- The company maintains a low **Debt/Equity** ratio of **0.03**, as **Total Debt** consists solely of **Lease Liabilities** of **□16.00 Cr**, but the sharp drop in **Cash Equivalents** from **□274.00 Cr** to **□97.00 Cr** highlights a rapid burn rate to fund operations and **Capex**.
- **Return Metrics** have turned negative, with **ROCE %** at **-10.00%** and **ROE %** at **-10.18%**, reflecting the transition from a profitable growth phase to a period of operational losses and heavy asset-building without commensurate **Revenue** generation.
- **Contract Liabilities (Advances from Customers)** plummeted from **□15.00 Cr** to **□1.00 Cr**, a major red flag indicating a thinning order book and reduced visibility for future **Revenue** growth in the coming fiscal year.

- **Free Cash Flow (FCF)** reached a deficit of **-₹164.00 Cr**, as the business is currently unable to self-fund its aggressive expansion and R&D agenda, relying instead on the cash reserves built during the previous year's equity issuance.
- **Other Assets** are heavily weighted toward **Intangible Assets Under Development** (₹956.25 Cr) and **Govt Balances** (₹512.93 Cr), which together exceed total annual revenue, indicating a business model currently focused on R&D and tax-linked cash traps rather than immediate operations.
- **Other Expenses** were driven by high **Legal and Professional** fees (₹112.16 Cr net) and **Travelling and Conveyance** (₹110.42 Cr), indicating high compliance and business development costs despite falling revenues.
- **Overall Synthesis:** Ideaforge is currently facing a perfect storm of a **48.66% Revenue** collapse due to government procurement delays, severe **Working Capital** bloat with a **410-day Cash Conversion Cycle**, and a transition to a loss-making profile (**PAT** of **-₹62.00 Cr**) while continuing aggressive **Capex** and R&D capitalization that strains its remaining **Cash Equivalents**.

3.3 Contingent Liabilities & Commitments

- **Provision for Liquidated Damages:** ₹39.32 Cr (FY25) vs ₹2.96 Cr (FY24), reflecting estimated penalties for delayed deliveries on government contracts.
- **Provision for Warranty:** ₹60.66 Cr, maintained at an estimated 0.90% rate based on historical experience.
- **Capital Commitments (IAUD):** ₹956.25 Cr, with ₹949.02 Cr specifically related to "Product Development," representing a massive future commitment to commercialize ongoing R&D projects.
- **Litigation/Tax:** Balances with Government Authorities (GST/VAT/Income Tax) of ₹512.93 Cr represent significant liquidity locked in tax refunds.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □77 Cr operating cash outflow exceeds □62 Cr loss.	□	Net Profit: -□62 Cr; CFO: -□77 Cr.	CFO/OP ratio at 144% but absolute cash flow is negative due to working capital.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — channel stuffing risk; receivables rose 26% while revenue plummeted by 48.66%.	□	Receivables: □560.21 Cr; Revenue: □161.22 Cr.	Note 9: 6m-1y ageing bucket exploded from □20.55 Cr to □251.28 Cr.
3	Revenue timing (unbilled/ advances)	Revenue ↓ — future revenue risk; customer advances plummeted 95% indicating a thinning order book.	□	Advances: □6.91 Cr (FY25) vs □149.88 Cr (FY24).	Note 24(ii): Contract liabilities depleted without fresh inflows; revenue recognized at point-in-time.
4	Revenue from related parties %	Neutral — minimal impact; no significant revenue concentration from related parties reported in notes.	□	No specific RPT revenue quantum flagged in notes.	Note 12: No loans/advances to promoters; payables to employees decreased to □120.21 Cr.
5	Inventory vs revenue growth	Profit ↓ — obsolescence risk; inventory is 58% of revenue vs 31% in previous year.	□	Inventory: □942.25 Cr; Revenue: □1,612.16 Cr (Notes).	Note 8: High finished goods (□319 Cr) and raw materials (□582 Cr) amid falling sales.
6	Inventory valuation method change	Neutral — consistency maintained; FIFO basis used for valuation with no reported policy change.	□	Valued at lower of cost or NRV.	Note 2.2(g): Inventory valuation policy remains consistent on a FIFO basis.
7	Exceptional items in operating profit	Profit ↑ — non-recurring boost; □2.91 Cr exceptional gain included in pre-tax profit figures.	□	Exceptional items: □2.91 Cr (FY25) vs □2.55 Cr (FY24).	P&L Statement: Profit excluding exceptional items is lower at -□65 Cr.
8	Depreciation rate vs useful life policy	Profit ↑ — aggressive capitalization; □765 Cr expenses capitalized into IAUD defers depreciation to future.	□	Depreciation: □29 Cr; IAUD: □956.25 Cr.	Note 6A(iv): Salaries and finance costs capitalized; would have doubled loss if expensed.
9	Provision reversals boosting PAT	Profit ↑ — provision inadequacy; ECL allowance of □13.91 Cr vs □251 Cr overdue receivables.	□	ECL Provision: □13.91 Cr; 6m-1y Receivables: □251.28 Cr.	Note 2.2(c)(ii): Default considered at 180 days, but provision seems low relative to ageing.
10	Tax rate consistency	Profit ↓ — tax asset caution; 0% effective tax rate as company recognized no tax.	□	Tax %: 0.00; Direct Taxes Paid: -□2.00 Cr.	Note 14: Unrecognised deferred tax assets of □124.33 Cr on tax losses of □493.96 Cr.
11	CWIP age and stalling projects	Profit ↓ — impairment risk; IAUD reached □956 Cr, representing massive future commercialization commitment.	□	IAUD: □956.25 Cr (FY25) vs □473.15 Cr (FY24).	Note 6A: 99% of IAUD relates to "Product Development" projects yet to be commercialized.
12	Deferred tax asset recognition adequacy	Neutral — conservative stance; management opted not to recognize DTA on current year losses.	□	Unrecognised DTA: □124.33 Cr.	Note 14: Indicates caution regarding the timing and certainty of future taxable profits.
13	RPT quantum and trend	Neutral — low risk; related party transactions primarily limited to KMP remuneration and ESOPs.	□	Employee payables: □120.21 Cr.	Note 18/20: Outstanding payables to employees decreased from □175.61 Cr in FY24.
14			□		

#	Check	Impact	Status	Evidence	Notes Detail
	Dividend paid vs FCF adequacy	Neutral — cash conservation; no dividends paid as free cash flow is deeply negative.		Dividend Payout: 0%; FCF: -₹164 Cr.	Cash Flow Statement: Negative FCF driven by heavy capex (₹88 Cr) and operating losses.
15	Expense Capitalization Magnitude	Profit ↑ — The company capitalized ₹765.09 Cr of revenue-nature expenses (Salaries, Stores, Finance).	□	IAUD: ₹956.25 Cr.	If expensed, pre-tax loss would have ballooned from ₹623.95 Cr to ~₹1,389.04 Cr.
16	Liquidated Damages Spike	Profit ↓ — 1,228% spike in LD provisions to ₹39.32 Cr.	□	Note 22: Provision for LD.	Signals severe operational bottlenecks or failure to meet government delivery timelines.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters - **Audit opinion type:** Unqualified. - **Key Audit Matters (KAMs):** - **Revenue Recognition:** Auditor focused on the timing of "point in time" recognition for UAVs and the complexity of multi-element contracts involving hardware, software, and services. - **Inventory Valuation and Obsolescence:** Flagged as a high-risk area due to high inventory-to-sales ratios (58%) and the risk of technological obsolescence in the fast-evolving drone sector. - **Capitalization of Intangible Assets (R&D):** Significant auditor judgment required to verify if ₹76.50 Cr of capitalized R&D met Ind AS 38 criteria, given it represents a massive deferral of expenses. - **Recognition of Deferred Tax Assets:** Auditor evaluated the probability of future taxable profits to support the recognition of deferred tax assets, especially given the current year's consolidated loss. - **Auditor's comments on going concern:** No material uncertainty identified; management maintains a debt-free balance sheet with sufficient cash reserves.

B. Related Party Transactions

Party	Relationship	Nature	Amount (₹Cr)	Concern
KMPs/Directors	Management	Outstanding Payables	12.02 Cr	**Neutral**
Promoters	Promoters	Loans/Advances	0.00 Cr	**Clean**

- **RPT Risk Checks:** No loans or advances have been granted to Promoters, Directors, or KMPs. Outstanding payables to employees (including KMPs) stood at ₹12.02 Cr, a 31.5% decrease YoY. Transactions are limited to standard remuneration; no evidence of tunneling.

C. Shareholding - **Promoters:** 30.36% (Mar 2025) - **FII:** 4.48% - **DII:** 5.85% - **Public:** 59.31% - **Pledged Shares:** 0.00%

D. Board Composition + KMP Compensation - **Total Directors:** 8 | **Independent %:** 37.50% | **Women Directors:** 1 (Sutapa Banerjee). - **KMP Compensation Analysis:** - **Ankit Mehta (CEO):** ₹1.50 Cr (-57.50% YoY) - **Ashish Bhat (WTD):** ₹1.49 Cr (-57.79% YoY) - **Vipul Joshi (CFO):** ₹1.49 Cr (-64.43% YoY) - **Alignment:** Aggregate KMP compensation fell by over 50%, aligning with the 48.6% revenue decline. This is a strong positive signal of management alignment during a loss-making year. No KMPs share the same family name.

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Capex (Fixed Assets)	88.00 Cr	67.00 Cr	-114.28%	***Aggressive***
Intangible Assets (IAUD)	95.62 Cr	47.31 Cr	-124.18%	***Aggressive***
Equity Issuance	0.00 Cr	301.00 Cr	0.00%	**Neutral**
Working Capital Investment	27.00 Cr	-25.00 Cr	-35.06%	***Consumption***

- **CFO Coverage of Capex:** CFO (-□77.00 Cr) is unable to fund Capex (□88.00 Cr); gap bridged by IPO cash.
- **Nature of Capex:** Primarily growth-oriented, with **□95.62 Cr locked in Intangible Assets Under Development (IAUD)** for YETI and ZOLT platforms.
- **Deployment Efficiency: Revenue fell 48.6% despite a 31% increase in Capex**, indicating significant lead-time risk.
- **Key Takeaway:** The **capitalization of □76.50 Cr in R&D expenses** is the most critical forensic signal; had this been expensed, the pre-tax loss would have ballooned significantly.

H. Risks - **Customer Concentration (□High):** 56.9% of revenue from GoI; delays in defense budgets led to the 48% revenue drop. - **Liquidated Damages (□High):** 1,228% spike in LD provisions to □3.93 Cr; signals failure to meet delivery timelines. - **Order Book Depletion (□High):** 95% drop in customer advances to □0.69 Cr; indicates thinning order book for FY26. - **Receivables Divergence (□High):** Receivables rose 26% while revenue fell 48%; 52% of receivables are now >6 months old. - **R&D Obsolescence (□Medium):** □95.62 Cr capitalized in IAUD; risk of write-downs if new platforms fail to commercialize.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	2	↓	Revenue -48.6%, GoI concentration 56.9%	High customer concentration and lumpy B2G cycles offset technological moat.
Financial Health	2	↓	CFO -□77 Cr, FCF -□164 Cr, Cash burn □177 Cr	Rapid cash burn and negative operating cash flow despite being debt-free.
Earnings Quality	1	↓	□76.5 Cr R&D capitalized, Receivables +26% vs Rev -48%	Aggressive capitalization and deteriorating receivables ageing mask true losses.
Management & Governance	4	→	KMP pay -50%, 0% Pledge, Unqualified Audit	Management alignment is high (pay cuts), though transparency on order book is low.
Capital Allocation & Visibility	1	↓	Advances -95%, IAUD □956 Cr, ROCE -10%	Massive R&D bets with zero near-term revenue visibility and thinning order book.

BUSINESS POSITIVES (for this company this year) * □**Management Alignment:** Top 5 KMP compensation reduced by >50% YoY, aligning leadership with the loss-making performance. * □**Indigenization Moat:** Maintained 60% indigenization, providing a "Sovereign Tech" advantage in MoD/DoD procurement. * □**Debt-Free Balance Sheet:** Zero secured bank borrowings maintained, with a low Debt/Equity of 0.03x (primarily leases). * □**Strategic Diversification:** Civil/Enterprise revenue share increased to 41%, showing progress in the DaaS/SaaS pivot.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Revenue Collapse:** Total revenue fell 48.66% YoY due to "demand deferment" in the core Government segment. * □**Working Capital Stress:** Cash Conversion Cycle exploded to 410 days, with receivables >6 months jumping to □29.91 Cr. * □**Aggressive**

Accounting: Capitalization of □76.5 Cr in R&D expenses significantly understated the actual operational loss. * □**Order Book Depletion:** Customer advances plummeted 95% to □0.69 Cr, signaling a lack of fresh order inflows for FY26. * □**Execution Penalties:** Liquidated Damages provisions spiked 1,228% to □39.32 Cr, indicating severe delivery delays.

OVERALL SCORECARD SUMMARY IdeaForge is currently in a precarious transition phase, characterized by a "perfect storm" of collapsing hardware revenue and deteriorating working capital. While management has shown integrity through significant voluntary pay cuts and maintaining a debt-free balance sheet, the earnings quality is poor due to aggressive R&D capitalization and a 410-day cash conversion cycle. The business is on a deteriorating trajectory as the thinning order book (95% drop in advances) suggests that the "demand deferment" may persist into the next fiscal year.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.253)
2	Promoter pledge = 0?	□	0.00% pledged
3	KMP pay < 5% of PAT?	□	PAT is negative; KMP pay is □8.05 Cr
4	RPT quantum < 5% of revenue?	□	0.00% material revenue RPTs
5	Board > 50% independent?	□	37.50% (3 out of 8)
6	At least 1 woman director?	□	Sutapa Banerjee
7	No statutory dues outstanding?	□	No material defaults reported
8	No fraud reported?	□	None reported by auditor
9	Audit trail enabled?	□	Confirmed by auditor
10	Frequent Auditor change	□	No change in current year
Final line: "Total: 8/10 □— Governance Rating: 4"			

Part C: Investor Verdict

THESIS: A high-spec drone pioneer struggling to bridge the "chasm" between lumpy government contracts and recurring enterprise revenue, currently surviving on IPO cash.

OVERALL STANCE: WATCH

RATIONALE: While the technology and management alignment are strong, the 410-day cash conversion cycle and 95% drop in customer advances make the near-term recovery highly uncertain. RE-EVALUATE WHEN: Customer advances exceed □50 Cr OR Receivables >6 months reduce by 50%. BULL CASE: Rapid conversion of "Emergency Procurement" (EP 5) orders leading to a □300 Cr+ revenue year in FY26. BEAR CASE: Massive impairment of the □956 Cr IAUD if YETI/ZOLT platforms fail to find market fit, leading to a total wipeout of reserves. KEY MONITORABLE: Customer Advances: □0.69 Cr → Watch for >□50 Cr.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Revenue Trajectory	Robust growth (+68.8%) driven by GoI contracts.	Severe contraction (-48.7%) due to demand deferment.	The business has shifted from a high-growth momentum phase to a volatile, contract-dependent survival phase.
Margin Trajectory	Positive OPM of 18% with □57 Cr profit.	Negative OPM of -32% with □52 Cr loss.	Operating leverage has reversed violently as fixed costs and execution penalties overwhelmed shrinking revenues.
Working Capital Efficiency	CCC at 237 days; Debtor days improved to 52.	CCC exploded to 410 days; Debtor days at 127.	Liquidity is increasingly trapped in aging receivables and stagnant inventory, signaling severe collection and demand stress.
Order Book Visibility	Customer advances at □15 Cr (declining).	Customer advances at □1 Cr (near-depletion).	The near-total collapse of customer advances indicates a critical lack of revenue visibility for the upcoming fiscal year.
Management Tone	Post-IPO deleveraging and growth focus.	"Visionary Defensive" acknowledging industry disillusionment.	Management is pivoting the narrative toward long-term "Sovereign Tech" to distract from immediate execution failures.
KMP Compensation	Pay grew 37%, outstripping EBITDA growth.	Pay slashed by >50% for top founders.	Management has demonstrated high alignment by voluntarily reducing personal compensation during the operational downturn.
Execution Risk (LDs)	Settlement/utilization of past penalties.	1,228% spike in new provisions for damages.	Massive new provisions for liquidated damages suggest significant internal bottlenecks in meeting government delivery timelines.
Capital Allocation	Deleveraging and initial R&D scaling.	Rapid cash burn (□177 Cr) to fund IAUD.	The company is depleting its IPO cash reserves to sustain an R&D-heavy model that is not yet generating cash.

7.2 Persistent Patterns

- **Aggressive R&D Capitalization:** In both years, the company capitalized massive R&D expenses (FY24: □51.4 Cr; FY25: □76.5 Cr) that exceeded or significantly masked the scale of net losses, representing a **sustained risk to earnings quality**.
- **High Customer Concentration:** The business remains structurally dependent on Government of India procurement, making **revenue highly susceptible to lumpy and unpredictable defense budget cycles**.
- **Liquidity Traps in Statutory Balances:** A consistent amount of capital (approx. □50 Cr) remains locked in GST/government credits, acting as a **permanent interest-free loan to the state that strains operational liquidity**.
- **Pristine Debt Profile:** The company has consistently maintained a debt-free balance sheet (excluding leases) post-IPO, **relying entirely on equity cushions to fund its high-burn transition**.
- **Strong Governance Hygiene:** Across both periods, the company maintained an 8/10 governance rating with **zero promoter pledging and unqualified audit reports**, suggesting a professionalized management structure.
- **Technological Moat Building:** A persistent focus on maintaining 60%+ indigenization and patent growth reinforces the **"Sovereign Tech" moat which remains the primary anchor for the investment thesis**.

- **Negative Free Cash Flow Trend:** Despite a brief positive FCF in FY24, the structural trend remains one of **heavy capital consumption where operating cash flows fail to sustainably cover aggressive R&D and Capex requirements**.
