

To

June 03, 2024

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai 400051, India

NSE Symbol: **Drone**

Dear Sir/Madam

Sub: Transcript of the Earnings Conference Call held on 27th May, 2024.

This is further to our letter dated May 23, 2024 and pursuant to the **Regulation 30 read with Clause 15(a) of PART A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**, attached is the Transcript of the Earnings Conference Call held on Monday, May 27, 2024 at 11:00 a.m. (IST).

The transcript of recording can also be accessed on the Company's website.

This is for your information and record.

Thanking you.
Yours faithfully,

For and on behalf of
DRONE DESTINATION LIMITED
(Formerly Known as Drone Destination Private Limited)

CHIRAG SHARMA
Managing Director
DIN: 05271919



“Drone Destination Limited
Q4 FY '24 Earnings Conference Call”
May 27, 2024



MANAGEMENT: **MR. ALOK SHARMA - CHAIRMAN - DRONE DESTINATION LIMITED**
MR. CHIRAG SHARMA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER - DRONE DESTINATION LIMITED
MR. SHEKHAR JANGID - CHIEF FINANCIAL OFFICER - DRONE DESTINATION LIMITED
MR. ARUN KUMAR – GENERAL MANAGER, ACCOUNTS - DRONE DESTINATION LIMITED

MODERATOR: **MS. MAMTA SAMAT– PERFECT RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to Drone Destination Limited Q4-FY24 Earnings Conference Call hosted by Perfect Relations. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Mamta Samat from Perfect Relations. Thank you and over to you Ms. Samat.

Mamta Samat: Thank you, Neerav. Good morning, everyone and thank you for joining us on Drone Destination Limited's FY24 Earnings Conference Call. Today, we have with us the senior management represented by Mr. Alok Sharma, Chairman, Mr. Chirag Sharma, Managing Director and CEO, Mr. Shekhar Jangid, CFO and Mr. Arun Kumar, GM, Accounts.

Before we begin, I would like to say that some of the statements that will be made in today's discussion may be forward looking in nature and must be viewed therefore in conjunction with the risk that the company faces. It is subject to unforeseen risks and uncertainties and the actual results could materially differ. We will begin the call with the opening remarks from the management, after which we will have the forum open for the interactive Q&A session.

I will now request Mr. Chirag Sharma for the opening remarks. Thank you and over to you, sir.

Chirag Sharma: Thank you, Mamta. Good morning, everyone. I am Chirag Sharma, CEO at Drone Destination Limited. Today, I am present here on this call with our Chairman, Mr. Alok Sharma, our CFO, Mr. Shekhar and our GM, Accounts, Mr. Arun. So, on behalf of my team, I extend a warm welcome to you and thank you for your presence today at Drone Destination's first earnings call since listing last year. We would like to take this opportunity to thank all those who have reposted by investing in the company at various stages of our journey thus far and look forward to your continuous encouragement and support. We would also like to thank everyone who is present here today for sparing your valuable time for this call.

So, we hope that you have had the opportunity to review our results, including the press release, which is available on the Stock Exchange. To begin with, I will spend some time to give you a broad industry overview and walk you through our progression over the last five years. I will then invite, you know, Shekhar, our CFO, to shed light on the financials for FY23-24.

So, as we are all aware, drone sector is a sunrise sector in India with potential to significantly impact multiple, you know, spheres of our lives, including defense, surveillance, agriculture, mapping, mining, infra, disaster management, healthcare, photography, and many more such areas. I would like to mention that the government of India, with the help of a robust policy and launch of drone power schemes and initiatives, has played an anchor role in pushing for adoption of drones over the last few years. Some of these initiatives include the new liberalized drone rules that were revealed and launched on 25th of August 2021 that abolished the erstwhile lengthy regulatory process that was involved to do drone operations in the country.

With the new rules, ease of doing business has given an impetus to the drone sector. Another, you know, radical change that happened, which was a great positive for the industry, was the opening up of Indian skies for drone flying with the help of release of new airspace maps on government's digital sky platform. In this newly published map, almost 90% of the Indian airspace has been designated as a green zone, wherein local drone operators owning legal drones can fly drones freely without any other prior permissions.

This increases the adoption of the whole sector significantly. Then the government has also introduced PLI schemes for drone and drone component manufacturers. Since February of 2022, DGFT has banned import of drones to promote localization of drone manufacturing in India.

There are several Drone Shakti initiatives which have been rolled out by the government of India. Some of these large-scale schemes include the Svamitva scheme for mapping of more than 650,000 villages in our country using drones and providing landowners with right of ownership via digital property cards. Another large scheme is the SMAM or Submission on Agricultural Mechanization scheme, which has earmarked a budget for providing 40% to 100% subsidy in purchase of agriculture drone and its associated training up to an amount of rupees 10 lakhs per drone to push for drone adoption in digital agriculture.

There are several other government PSUs like NHAI, Coal India, who have mandated use of drones to improve operational efficiency and security. On the Agri front, Ministry of Agriculture has also released SOPs for application and spray of agrochemicals and fertilizers using drones. More recently, the government of India has also launched the Namu Drone Didi scheme to empower 15,000 women from self-help groups and provide them with drones and drone training.

And lastly, the requirement of passport to become a legal and certified drone pilot has been abolished to include or create a more inclusive environment for drone training in the country. Now, anyone who is a class 10th pass and above 18 years of age with an Aadhaar card and a valid secondary ID proof, which could be a DL, voter ID, ration card or passport is now eligible to become a drone pilot. So speaking about the company, Drone Destination has been fortunate to be part of a growing startup ecosystem over the last few years.

After an incorporation in middle of 2019, we started out India's first and exclusive drone training center in February 2021 at our Gurgaon facility with our partner IGRUA, Indira Gandhi Rashtriya Uran Akademi, which is the largest and the only flight training organization under Ministry of Civil Aviation. Within the next 12 months, we expanded to five locations and many times opened the first drone training center in different states like Karnataka, Gujarat, HP and MP. Once the new drone rules came in, private players like us were also authorized to open our own drone training schools and Drone Destination received its first independent authorization to open an RPTO or remote pilot training organization in January of 2022 at our Gurgaon facility and later expanded to three new locations in Chandigarh, IFFCO, Phulpur and IIT, Patna.

We currently operate 12 DGCA certified training centers including those with our partners and have certified more than 4,000 drone pilots till date. For FY23-24, Drone Destination has maintained roughly 30% market share and a 35% rev share of the certified training market estimated to be about INR 45 crores to INR 50 crores. In 2022, Drone Destination also made its

foray into the drone services division and took active participation in a much-acclaimed PM Svamitva Yojana along with two GIS partners in the state of UP and Gujarat.

Later in the same year, we also started working with more GIS partners and undertook work for large-scale drone mapping in the state of Karnataka. So far, we have mapped close to 800,000 hectares of area. Our service division has also undertaken some other small-scale surveillance and monitoring projects for the government of Bihar and other state departments.

In November 2022, Drone Destination also became NSDC's first drone training partner. Now, speaking about the last year, it's been a pretty eventful year for us at the company as we officially listed ourselves in public market in July 2023. In comparison to FY22-23, our revenue has multiplied by 2.7 times, our EBITDA has almost tripled, and our PAT has also multiplied by 2.76 times. A few highlights from last year, we have trained more than 2,100 pilots with our partner IGRUA. We have been an active participant in the Namu Drone Didi scheme and trained more than 600 Namu Drone DDs nominated by our new client base, which includes certain new fertilizer and agrochemical companies such as IFFCO, KRIBHCO, Chambal, IPL, Indorama, etc.

Drone Destination also won and executed its first independent drone survey project from the Andhra Pradesh Land Record Department, mapping more than 1.4 lakh hectares in the state of AP. In November of 2023, we forayed into our agri-spray services business and quickly executed one of the largest drone spray demo projects, doing more than 28,000 drone demos for IFFCO within the span of about 60 days under the Viksit Bharat Sankalp Yatra. Beginning of 2024 this year, we also started our drone sales and service division. So, Drone Destination, as we speak today, stands on a high growth trajectory and aims to scale its integrated service and training network to India.

Going forward, we see good traction in all three broad divisions that we are working towards, which is training, services, and drone sales and repairs. I shall now hand over the forum to Shekhar, our CFO, who shall shed light on our financial performance for last year. Over to you, Shekhar.

Shekhar Jangid:

Good morning, everyone. Thank you, sir. We have had a fairly recent year last year. Our revenues grew from INR 12.07 crores to INR 32.62 crores, showing a year-on-year growth of 170%. Our EBITDA grew from INR 4.7 crores to INR 13.86 crores. We also achieved a growth in EBITDA as a percentage of our revenue from 39% to 44%, and also a year-on-year growth of 195%.

Our PAT grew from INR 2.56 crores to INR 7.08 crores. Here again, we achieved an increase in PAT as a percentage of revenue from 21% to 22%, and a year-on-year growth of 176%.

Coming on the cost side, we have been able to manage our expenses well. Whilst the revenue has increased by 170%, the expenses, except depreciation, have grown only by 153% year-on-year. The employee expenses as a percentage of total expenses has reduced from 32% to 28%, showing some improved productivity of the employee. As we are expanding, our successes have

grown up from INR 5.32 crores to INR 15.35 crores. Due to increase in our successes, our depreciation has gone up from INR 1.23 crores to INR 4 crores.

During the year, our drone fleet has grown by 4.4 times. Our stock in trade is now increasing as we have started stocking for our drone sales and service activity. In terms of activity-wise performance, the service revenue has grown from about INR 5.85 crores to INR 15.78 crores, with a multiplier of 2.7x. Contribution of drone services to the revenue mix continues to be above 50%, as in the last year, with an operating margin of over 50%. Our training revenue has also grown 2.26x, from INR 6.21 crores to INR 14.04 crores. Contribution of training revenue to total revenue is marginally down on account of faster growth in other activities.

The operating margin from training activity is just around -- below 50%. We now have about INR 2 crores revenue from drone sales also this year, contributing to about 6% of our total revenue. The operating margins from these activities are likely to stay around 15%-18%. In terms of some key financial parameters, we continue to be an almost zero-debt company. Our trade receivable cycle is also reducing. Our trade receivable turnover ratio has improved from 3.49 to 2.48.

Our return on capital employed is 15%, which is a very healthy sign. Our EPS during current year was 3.42. Overall, the company's financial performance for the year ended March 31st is very strong, with a substantial growth in both revenue and profit, indicating effective business strategies and operational efficiency. Thank you for your continued support and trust in the company. Together we look forward to a future of sustained growth and success.

Without taking much time, we would like to open the floor.

Moderator: Thank you very much. We now begin the question and session. The first question is from Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Namaskar Chirag Ji. Firstly, if you could outline to us what are your growth targets and going ahead and how is this revenue split likely to be going ahead for at least two-three years down the line. The revenue contribution from the sale of drones, the services and training part, and the sale of spare. And the entire ecosystem, if you could give us what is the current target market. Just to give some more color on the segment.

Alok Sharma: Saket Ji, I will take this question. This is Alok Sharma. The market this year is actually going to -- I would say, get into a very high growth trajectory. The reason is that if you have been watching the developments of the last few months in particular, you may have seen some announcements being made, including by us, of large Agri-Spray activities. So this year is going to be a very defining year for the industry. If the agri-sector picks up the momentum the way as of now it is envisaged, there is a likelihood of an order, this is what we learned recently, of at least INR 9 crores acres of Agri-Spray activity itself coming to the fold or into the market.

If that is the kind of -- requirement that comes from the market, this is what we got an indication from IFFCO as well, then that alone would require about 22,000 to 25,000 drones to be deployed. This is a very massive deployment, which necessarily means you would need to train maybe

twice those kinds of numbers to get to -- to achieve those kinds of very, very large numbers, which has never been done or even thought about so far.

So this is going to be a defining year from that perspective that Agri-Spray, which was practically, I would say, just in nascent stage last year, is going to be one of the major activities in the coming year, which will propel everything. It will propel drone sales, it will propel drone agri-services, it will propel training. So one sector alone is likely to lift the whole drone industry from a very small level to a very high level. So that is what is going to happen.

So in terms of the pie that we have been having so far, which has largely been about 50%-50% between training and services, that is likely to take a shift in all likelihood. We think that it will start going in favor of services, more like 65% around that number it will go towards in services side. And the training would probably be around 30%-35%. And the drone sales is a new subject for us as well.

We still think that it will add about 10%-15% of our overall revenue, including the after-sales service, which we have to do on the drone sales, because this is going to be warranty year for drone sales and service. But if we do decide to pick up drones after-sales service for other OEMs as well, then it will start changing the color of it. But we still think that we will go a little slow on that side.

We will concentrate on services, training, and some bit of drone sales as we have just mentioned.

Saket Kapoor:

If we take the drone space as the entire ecosystem, how many -- what are the prototypes? How many specifications are there? And currently for this spraying agri part of the story which you are narrating from the IFFCO side, how many of these drones will be catered? And what is the capacity of our drone as per the specifications?

Alok Sharma:

The question you asked is not about capacity. The Drone Destination is a service provider. Drone Destination is not a manufacturer of drones. So let us first get clear on that side. So Drone Destination can buy from whosoever. So Drone Destination is open to buying drones and giving service. So we don't have any problem. If there is a requirement of 25,000 drones from the market, then we can buy whatever numbers are available and whatever we can execute on our own.

That is it that we intend to do. Since we are not a manufacturer, we don't have manufacturing capacity constraints.

Saket Kapoor:

Okay. And sir, who is our dependence on? Whom are we dependent on this sourcing of drones?

Alok Sharma:

We have the market to buy. Even last year, when we bought our capacity, almost 30% of it we bought from the market. And Hubblefly Technologies is a company with whom we have a strategic partnership. Even for IFFCO's new spray order given to us, we have placed our next order to execute this project to Hubblefly Technologies. And Hubblefly Technologies has a lot of capacity. They have developed an annual capacity of about 15,000 drones.

Saket Kapoor:

You said Urban Flight.

- Alok Sharma:** Hubblefly Technologies.
- Saket Kapoor:** And sir, you said that there will be a requirement of 25,000 drones for deployment. You have given a specific number for so many acres of land. So how will the revenue be calculated in that? Can you tell us a modeling of this, sir? What is the expectation?
- Alok Sharma:** See, in the case of Agri-Spray, if this order, the way the market is talking, if we are talking, one second. Let's say in English. Okay, fine. So as I said, we need to be very clear that if there is a requirement of doing that kind of an Agri spray. So first, there will be a requirement of drone sales. So if there is a requirement of 9 crores, 10 crores acres of agri spray it will require at least or about 25,000 drones to execute that kind of a project.
- That will be the number just in terms of what you need to buy as drone sales along with the batteries and other infrastructure. If there is a rough cut number of that they say that the whole infrastructure that is required is about INR 10 lakhs just on the drone and accessory side. So 25,000 drones into INR 10 lakhs is about 2,500 Crores drones business of drone sales alone.
- Then it is a matter of the training business that comes with it. If we calculate the training revenue at our numbers, our numbers have been higher than the market. But even if you calculate about INR 50,000 for a trainee and then you need to do training of 25,000 into probably two people 50,000 people. So that is into INR 50,000. That's another number of about INR 1250 CR.
- So then we are talking of if what is the per acre revenue that you can likely to get that could be about even if we take a mean average of INR 400 per acre to INR 500 so that alone is about INR 4,000 crores of business. So if you look at the whole thing that it can generate, just this kind of an activity that it can generate, we are talking about INR 7,000 crores of potential business that is coming in.
- And this is keeping the defense side out, survey and mapping side out. So if we are really looking at we are quite bullish that if the market demand is now there in the market. It is now the matter of how much supply and how fast can this be executed because if the orders are coming now, if the industry responds slowly at what pace does the industry respond to it will actually determine as to how much of this about INR 10,000 crores business will get delivered in this year.
- But of course, if it doesn't get delivered this year, but this is now a concurrent, it is a repetitive business.
- Moderator:** Thank you very much. Saket Kapoor, sorry to interrupt you. I request to come back for a follow-up question. Thank you. Next question is from the land of Vinay Agarwal from Pro First Global Assets. Please go ahead.
- Vinay Agarwal:** Hello, sir. This is Vinay Agarwal from Pro First. Hello.
- Chirag Sharma:** Yes Vinay how are you.

- Vinay Agarwal:** All good. Sir, my question is I have heard from sources that IFFCO want to give you an order of 1 crores square yards of land, but you took a small piece of 30 lakh square yard. Why did you do that?
- Alok Sharma:** So, as I just mentioned, it is going to be a very large. In terms of platform we are only looking at the capacity that we have and what we can put on the ground in this time. So, that is why we have kept our interest in this to only 30 lakh acre.
- Vinay Agarwal:** Sir, my second question is as the drone industry is booming and drone industry is in very starting stage till now and the company is looking for any merger and acquisition for near future?
- Chirag Sharma:** Yes. Currently based on the current ecosystem since Drone Destination has had a fairly integrated play. We are, of course, in housing some technology to automate our own processes. So, if need be in that specific scenario we may look at some technical acquisition to just fasten up the scale of growth.
- But at present, the company is pretty self-sufficient in terms of managing the current scale. And that is the reason why when Alok sir also mentioned about 30 lakh acres. So, this is well within the range of the company's current scheme of operation and so we will continue to persist with that. But if need be, then we may look at some alternate acquisition to just fasten up our pace of growth.
- Vinay Agarwal:** Sir, my last question is you have started a business in drone soccer. And it looks very cheerful, but what would be the revenue from this soccer business we can expect this year and what would be the growth size we are expecting from next 3 years to 5 years?
- Chirag Sharma:** Okay. Of course, you heard it right. Drone soccer is a new revenue stream that we of course, would like to develop in this year. As of now, in our business plan, you know we are keeping it very modest. We are still looking at less than INR 5 crores of revenue coming out of drone soccer, but we will develop it further. We think that this has a huge potential.
- As of now, we do not want to really give very futuristic numbers on this, but this has the potential to be running on its own steam going forward.
- Vinay Agarwal:** Okay, sir. Thank you so much.
- Moderator:** Thank you so much, sir. Next question is from the line of Rajeev from Longview Research. Please go ahead.
- Rajeev:** Congratulations to show your good results.
- Chirag Sharma:** Thank you.
- Rajeev:** My question is, what is the sales proposition, how much is there in services and how much is there in your training, how much is there in rent, what is your agricultural spray rent and what is your rent business? What is different in the sales that you have shown?
- Shekhar Jangid:** You want to know the percentage in terms of the pie chart basically of the total revenue.

- Rajeev:** Means total INR22 crores what you are showing in INR32 crores how much is the proposition of other services, rent and agriculture?
- Shekhar Jangid:** Yes training has a 47% share in total revenue, agri services has 37% and drone sales have about 6% these are the major components of it. Survey and mapping is also 13% as of now.
- Rajeev:** And what is the rent percentage?
- Chirag Sharma:** Rent percentage, as in of -- in terms of you are asking in comparison to total rent. Rajeev are you trying to mention drone rent as a service like a composition of that?
- Rajeev:** Yes I am asking drone as a rent services.
- Chirag Sharma:** No we have not done that in the last year. So, broadly it's been training, services and drone sales. These are the three heads under which the company has its revenue matrix laid out.
- Rajeev:** Thank you.
- Moderator:** Thank you very much. Next question is from the line of Ritesh Kumar Gupta from IPO Mantra. Please go ahead.
- Ritesh Gupta:** Hello sir.
- Moderator:** Go ahead.
- Ritesh Gupta:** First of all, I would like to congratulate your team and management. Let me be very clear. I am following the SME IPO market since its inception from 2012. So, it's a very proud moment for all of us because your company is doing very good. And I feel very happy when IPO investors who take shares from IPO or from open market earn handsome money. And your company's Drone Destination has really delivered it. So, first of all, congratulations for this.
- Chirag Sharma:** Thank you.
- Ritesh Gupta:** Now, I want to ask that I have seen that you are coming up with your preferential issue. So, I have heard from common sources that some good investors are participating in that. So, I would like to know that Mr. Madhu Kale is participating. I am particularly asking about this because these types of big investors lose the confidence of other investors as well. So, if you would like to tell us about this, I would like to ask?
- Alok Sharma:** See, as of now, we are still in that process I must admit and we have already given a list of all the people who are coming in on our stock exchange listing. So, let us first complete that process .and then it will be better for us to comment on this. Because we have done very well on the stock exchange. And you have rewarded the investors. Sorry, please come again.
- Rajeev:** You have rewarded the investors well. So, accept my congratulations for the company.
- Chirag Sharma:** Thank you.

- Moderator:** Thank you. Next question is from Mr. Sanjeev Damani from SKD Consultants. Please go ahead.
- Sanjeev Damani:** Thank you very much, sir. Firstly, thanks for the opportunity. Secondly, sir, a great sort of organization you have created in modern times. So, really you deserve all the congratulations from all of the society. So, now I am coming to the question that, sir, I have noted everything you are doing very well. So, now the outstanding is INR 19 crores of as of 31st March. So, how is our payment terms condition with our buyers?
- Shekhar Jangid:** So, I would answer that. Our outstanding of INR 19 crores includes our recent revenues mostly like we have done most of the sales. If you have seen our half yearly to half yearly results, most of our sales was done in the second half year. So, due to that, most of the collection is being done for that. Whatever we are billing, our payment cycle is normally for private players is about two to three months mostly.
- For training, we are mostly collecting in advance or within one month. But if we come to government project, there is a slight longer payment terms. That is why these receivables would be on higher side. Also, this amount includes some advances which we give for our purchasing our assets, etcetera.
- Sanjeev Damani:** Sir, we have INR14 crores worth of assets in our books, property, plant and machinery. So, largely these are offices and our godowns or something else?
- Shekhar Jangid:** These are mostly drones and vehicles which are required to support the drone operations.
- Sanjeev Damani:** Vehicles are there. So, we own our office wherever we are having our head office or registered office.
- Management:** No, all of our offices are on rent.
- Shekhar Jangid:** On rent only basis. And this IN R14 crores and inventory is there which is very limited. Our inventories are not very high. So, we don't keep stocks of drone in our account. We only buy whenever necessary from our supplier.
- Management:** Sir, as you know, it is only contributing to 6% of our total revenue. This is only a small portion of our sales. So, we are keeping inventory as we require or as we have the orders. We are not putting much money into inventory.
- Sanjeev Damani:** One thing I want to learn from you, are we fully manufacturing drones in India? Those who are our supplier or we have to depend on imports of basic critical parts and then manufacture drones here?
- Chirag Sharma:** So, you know, since drone destination is not in the manufacturing space, I would rather leave that question for manufacturers to answer. We buy from the market type certified drones for our own service operations. So, when it comes to indigenization, of course, the Indian ecosystem is moving towards localization.
- Sanjeev Damani:** Largely, it is imported and supplied to you. Can it be taken like this?

- Chirag SHarma:** I had mentioned in the beginning, import of drones is banned. So, there are different companies who have their own indigenization percentages within their own companies. But these are largely drone OEMs. So, of course, they vary from company to company. But you can't import drones, that's illegal and banned.
- Sanjeev Damani:** Can I know a few names, sir? That is my last question and I'll come in the queue. Can I know the name of the manufacturers big or small in India? If I can.
- Management:** I mean, Yes. So, you know, there are names. I don't know. You know, so there's different manufacturers, ideaForge. There's Hubblefly Technologies. There's Garuda. So, these are few names that can come to our mind at this point.
- Sanjeev Damani:** Okay. Thank you very much, sir. Thank you for guiding and all the best for future, sir. You are in the sunrise.
- Moderator:** Thank you very much. Next question is from the line of Hardik Rawat from IIFL Securities. Please go ahead.
- Hardik Rawat:** Thanks for the opportunity. Just wanted to understand your business. So, roughly 50% today is coming from training and the rest 50% is coming from training and rest of the percent is coming from agri-services, right? Just wanted to understand what are the unit economics on your agri-services business? So, if you undertake agri-space for, say, like in terms of area, can you please provide us like what sort of revenue potential does it create, specified area of land that you, undertake agri-space for?
- Chirag Sharma:** Well, okay. First to just comment that it is not 50% for agri-space. We are saying 50% for training and 50% for services, as this time, for example. Last year, we did not have agri-service at all. All the percentage was coming from our survey and mapping activity. So, in terms of economics for an agri-space activity, the operating margin, probably that's the question that you are raising, if I understand it well.
- Hardik Rawat:** No, no, what I'm trying to understand is, say, for example, if you get an order for one lakh square meters to be spread, like percentage...
- Chirag Sharma:** Let's say acres. So, we're talking acres.
- Hardik Rawat:** So, for example, for one acre, how much, what is the revenue potential?
- Chirag Sharma:** So, the revenue expected out of an acre should be between INR 400 to about INR 700, depending upon the geography, crop, and the timing. So, it will depend upon that. So, for example, sugarcane gets you a little higher per acre revenue than a normal crop.
- Hardik Rawat:** Got it. And, okay, INR 400 to INR700 for agri-space, and for survey and mapping, two things. Firstly, within the project that the government has initiated, according to you, how much of it is already completed? You mentioned that about, what, 50,000 villages, 20,000 villages, 50,000 villages are to be mapped under the scheme. How many villages have been mapped, and what is the incremental opportunity from here on?

Alok Sharma:

Okay. So, there were two schemes that ran concurrently at that time. One scheme was to do mapping of the villages itself, where the villagers live, and that is called Abadi area. The second part was the farmland of the village, which is covered under a scheme called large-scale mapping. So, just for us, as of now, probably I will relate to where we stand. So, we practically have finished, except some bit in now Gujarat, we have finished our own work in UP, which was allotted. We have finished our work in, I would say, about 60%, 70%. More than that, it's finished in Gujarat. So, that is the Svamitva part that we were doing.

In terms of activities, we think that it is still going on in states like Rajasthan. Some states are yet to start, like Bihar is yet to start, West Bengal is yet to start. So, there are many states which are even yet to start. But, you know, when and how will that come up is something that we are all going to watch. So, that is what is going to happen in future. In terms of large-scale mapping, as far as we are concerned, we have been doing work in Karnataka and Andhra Pradesh.

The work which was allotted to us, the tender that we won, which we had won for about 2,500 square kilometers, out of which about 1,400 square kilometers has been delivered. We are still waiting for the order of the balance, which we hope that we will get it this year. In terms of Karnataka, also, there is still a lot of large-scale mapping activity left to be done by survey of India. They would still have at least 35,000 square kilometers to be delivered to the state government. We think that we will be participating in that as well.

Hardik Rawat:

Got it. And, sir, what would be the unit economics here in survey and mapping? So like-for-like...

Alok Sharma:

So, these are already declare range. There are rates of INR 18,000 per square kilometer and INR 6,900 for large-scale mapping. This has been won by different companies. We work with some of our partners and we share our revenues with them.

Hardik Rawat:

Got it. So, I am hoping that over the next four to five years, this should largely be done and incrementally your services revenue is largely going to comprise of [inaudible 0:40:17]

Alok Sharma:

I said, according to us, there is another thing. There is another segment which is getting added in the same bracket, which is that almost 190 cities are required to be mapped. There is a new project coming under urban mapping. There are a total of 5,000 towns and cities which will undergo survey and mapping activity now after the villages, out of which the request from Survey of India is already out from the companies which had participated earlier.

And the companies which had participated with us also have shown interest in that and have said yes to that. And 190 cities are the first ones which are going to get mapped under this project of urban mapping at the same price as of now of INR 6,900, which was discovered. Incidentally, there were only few drones which got qualified earlier and four of our drones got qualified to do this kind of a work, which included Svamitva large-scale mapping and will now also participate in this urban mapping activity.

Hardik Rawat:

Got it. Just one clarification. So you mentioned INR 6,900 for large-scale mapping and INR 18,000 per square kilometer. What is the difference between the two?

- Alok Sharma:** No, the difference is one is Abadi area, where the villagers live, which is a concentrated, you can call it like de-village. The habitated part of it. Because that requires a little more experienced flying, we call it. So that requires more intense flying than when you do a large-scale mapping. You can cover a lot more in a day from the same drone team in large-scale mapping than you can do when you are doing an Abadi area activity.
- Hardik Rawat:** Got it. So one last question with regards to this service that you provide. So I'm assuming that it is going to be your employees who are operating the drone and you are undertaking the mapping and then you are giving whatever data that you come up with, the mapping that you do, that is what you deliver to the government. And this is a central government program, right?
- Alok Sharma:** Okay, it is a central and state together program. In Andhra Pradesh, it was a state project.
- Hardik Rawat:** And so it is your employees who are operating? Sorry. Yes, go on please. Svamitva is?
- Alok Sharma:** Svamitva, the federal government puts in more money than the state government and otherwise it is the large-scale mapping work is given either through, by the state government themselves.
- Hardik Rawat:** Got it. And all right, the last part of my question is answered. I'll get back in the queue. Thank you so much. Okay, thank you.
- Moderator:** Thank you. Next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Sir, just wanted to check now this recent order, I think, with IFFCO for spray up to 3 million acres, right? So what's the timeline of this execution? Any understanding we have?
- Alok Sharma:** Yes, see, in terms of timing, this order is to be completed before 30th September this year. But we are all trying to ramp up our capacity and see how we can deliver this.
- Deepak Poddar:** Okay, so ideally that means if I have to take an average of INR500, INR600 per acre, so 3 million acres would amount to around INR 150 crores, right?
- Alok Sharma:** Yes, if you do the math, yes.
- Deepak Poddar:** And that would be only your services revenue, and you have about 30%-35% training and drone sales as well. So overall, so what sort of execution level we may look at in this year, FY25?
- Alok Sharma:** to stay away from, forecasting on this forum, I would say that you are doing the math yourself. See, if, as I mentioned, if the training of about 1,000 crores is going to come this year, which is a possibility, but depends upon the capacity of the drone industry to build so many drones. That is another, something very, very important, that whether the industry can deliver 25,000 drones this year. But if the industry can deliver that, then the training, there is a substantial training which is likely to happen, no doubt about that. So in terms, we should look at, moving. If the way we are moving, you can yourself count that, the opportunity is huge.
- Deepak Poddar:** Correct, correct. And this year, what sort of training, I mean, total pie we are expecting, industry size in terms of that may be required at the industry level?

Chirag Sharma: See, at the industry level, if we talk about, again, if the base number is 9 crores, then you are looking at, training 25,000 pilots plus 25,000 co-pilots. But as Alok sir mentioned, it also depends on not just the number of drones, but how many more training organizations or bases will also open up with the regulator in picture. So the commensurate growth of the industry will also depend on how many training organizations are available across the country to support such, massive growth.

But having said that, in the past, we've had a history of, scaling up quickly and having that large network. So that experience helps us to scale, commensurate to the growth that we, foresee in the near future.

Chirag Sharma: Our current capacity is of about 6,000 trainees a year, which we are expanding to 10,000 students this year.

Deepak Poddar: 6,000 per year to 10,000 trainees per year?

Chirag Sharma: We already have a capacity of training 6,000 students per year, which we are increasing to at least 10,000 students in this year.

Deepak Poddar: And per training, we get around Rs.50,000, right?

Chirag Sharma: So our average revenue this year has been rather decent. It is close to INR 65,000 in the last financial year. But of course, as things rationalize, we're looking at a co-pilot also coming into play. So an ARPU of roughly INR 50,000, given the market forces and how it's expanding, can be expected.

Deepak Poddar: Understood. And just one last small thing. Given the mix that you mentioned about 50%-60% services, 30%-35% training and 10%-15% drone sales, with this mix, what sort of EBITDA margin one can assume?

Chirag Sharma: Okay. we should continue to maintain, the EBITDA that we have seen, at least in the foreseeable future. That's what we think. That is about 40% right now, correct? That's about 40%. And PAT is about 20%. PAT is about 20%. 21%-22%, 20%.

Deepak Poddar: Fair enough. I think that's very helpful, sir. I think all the very best to you. Thank you so much.

Moderator: Thank you. Next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Hi. Good morning, sir. And thank you for the opportunity. I have some basic questions. So, with regard to our competition, who are our competitors and what is our edge?

Chirag Sharma: Yes. So, thank you for the question. So, when we talk about competitors for Drone Destination, going to an integrated presence actually has segmental competition. So, maybe I can break it down in terms of segments. So, in training space, we have certain regional competitors in south in the form of Anna University, in Garuda Aerospace. And in the west, we have DroneAcharya, PBC Aero Hub as some competitors.

But overall, with Drone destination and IGRUA's combined, might we continue to remain the leader. When we talk about the drone survey and mapping activity, there is a company called AEREO, which is a large player in the system. MapMyIndia, Indrones, Pioneer are some close competitors.

And when we talk about agri-services, since the official, mass rollout starts from this year, the competition is yet to build up. But from a holistic perspective, we may see companies like Garuda Aerospace, Drogo Drone, who may come up at an integrated level as, foreseeable competitors. And I think your second question was in terms of, what's probably our key differentiator or USP.

So I would say, one, even when we started, we realized the ecosystem had a lot of startup founders at college level who did not have significant business experience behind their back. But incidentally, with Drone Destination, the core management team comes from an extensive aviation background, which makes us very unique in this space. And that has, that's historically managed and successfully led some large-scale round-the-clock operations.

So having managed fleet and aircraft and that kind of an operation, drones just becomes a second close cousin, right? So apart from the past performance and demonstrated capabilities of, executing large projects at great speed, the company has also rolled out a network of drone hub on wheels, which is capable of delivering these offerings for the company. So our focus stands at achieving high level of operational efficiency with the widest network. Today we're in about 15 states and deliver these services at the lowest cost per unit provided by the company and also achieve the fastest turnaround time. So this has been largely our unique selling point, the USP for the company. Hope that answers your question.

Pradeep Rawat:

Yes. And I have another basic question. So for me to fly a drone, I would need a license, right? So you provide that license or somebody else, like a government entity provide that license?

Chirag Sharma:

Yes, so in this scenario, I'll give you a parallel with the driving industry. So in driving industries, the RTO is where you go and get a driving license. In our scenario, the RPTO, which is us, or any remotely piloted training organization authorized by DGCA, which is a regulator, is allowed to issue this license.

And the reason is because the volume and the expected growth of these numbers are so significant that at the regulator level, let's say at the DGCA level, these volumes, it would get almost unfeasible for them to monitor such kind of licensing. Hence, they've authorized private and government players to come in and open up their own RPTOs. So we are the licensing authority, or in this scenario, certification authority.

So a pilot ends up getting something called a remote pilot certificate from us, which is a publicly recognized document under drone rules and a completely legal document for a pilot to fly in the country.

Pradeep Rawat:

And a last question, sir. I was looking at your website and I see that you are offering training courses. So that courses have only zero or five reviews. So any light on that?

Chirag Sharma: Good question. So largely over the last few years, we've had a very institutional market. So we've been serving corporate, government customers. As the industry is speaking, the B2C audience is yet to come in large numbers. And when you have institutional customers we have our own internal rating mechanism, which the regulator expects us to maintain. So we have had fantastic feedback internally.

And that is the reason why we keep commanding the market share also that we have, is because we've delivered on quality and having that early mover advantage has helped us. So in the world of social media we may not be publicly marketing it to too much on the B2C side, and hence the reviews don't show up. But having said that, we have institutional clients who have been backing us up for a long time, and we have repeat customers and patronage from them over the last few years.

Pradeep Rawat: Okay. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Guneet Singh from Countercyclical PMS. Please go ahead.

Gunit Singh: Based on the previous commentary, what kind of growth in top line and bottom line are we looking at in FY '25 and for the coming two, three years?

Chirag Sharma: As you just heard us the market is going to seriously increase from this year onwards. So we have been having, as you saw, even in last year, we grew almost 2.7 times, which was explained to you. So we should at least start looking at maintaining the momentum, building up the momentum. We have had an early mover advantage. So we should continue to build upon this. This sector is new, and it is throwing up lots of opportunities. We should really look at taking a decent position in this.

Gunit Singh: All right, sir. So the order from IFFCO for 3 million acres, that is expected to be completed by 30th September 2024. Is that right?

Alok Sharma: Yes. The mandate of this collaborative approach in this memorandum agreement that we have signed is that let's try and achieve 30 lakh acres by that time. All right, sir.

Gunit Singh: All right, sir. And how is our mapping different from a LIDAR-based mapping, or is it similar? Can you throw some light on that?

Alok Sharma: Yes. There are completely two different things. One is called LIDAR is a different, more precise kind of mapping. We think that LIDAR mapping business is also going to grow as we move forward. But the technology so far on LIDAR has largely been used on aircraft and helicopters. It has come down to drones, and we have also developed our own drones which can do LIDAR mapping. And as more drones start beginning to use LIDAR as a technology, we think that the momentum will change, particularly for mapping in mining and the forests.

Gunit Singh: All right, sir. Got it. That's all from my side. Wish you all the best.

Moderator: Thank you. Next question is from the line of Anik Mitra from Finnomics. Please go ahead.

Anik Mitra: Good afternoon, sir. Thanks for taking my question. What is the current drone market size in India? I'm referring FY '24. What was the total drone market size in FY '24 in India?

Chirag Sharma: That's a very relevant question, and, Anik ji, we've had so many people ask us this question. But I can just share with you that there is a new report which is expected to come out in about a month's time. So the Drone Federation of India and McKinsey have been working on a more current report with their thorough research over the last few months. So I think you'll be able to get a better sense of how that market was placed even last year and what we're looking at from a more realistic perspective in about a month's time.

Since there aren't too many credible sources, so we may not be able to cite something specific. But we do foresee and know of a report that's coming soon. So I think that should be able to address your question.

Anik Mitra: Understood. Sir, still on a rough-to-rough basis, let's say, what is the contribution of defense in drone and in agriculture?

Chirag Sharma: So, you know, because we're not in defence drone market, it's hard to comment, to be honest. So to do a defense versus civil split is something we may not be completely informed about to answer you. Drone Destination plays in the civil space and hence would only be able to shed light more on the civil side, you know, and specifically on the training and service part. Since we're not in defense, it would not be prudent for us to answer that.

Anik Mitra: Sir, you said your contribution from Agri is around 37% at this point in time. So how much acreage you are catering now?

Chirag Sharma: So that 37% came from 28,000 drone demonstrations that we did with IFFCO in the month of, you know, from November-January over a period of 60 days.

Anik Mitra: Okay. And, sir, when you are referring about your agriculture – with your contribution to the agriculture sector, my question is, how much of inventory do you need to maintain for agriculture? And as well, the similar question I'll ask regarding the training part. Like you said, you have the capacity to train 6,000 persons. So in that case, like for training 6,000 persons, how much drone inventory you need to maintain? And what is the life of one particular drone for training and for agriculture?

Chirag Sharma: Okay. Generally, for a depreciation purpose, the companies give the life of drone as five years. Okay. That's for depreciation purposes. That's one. The second thing is that we intend to deploy at least 800 drones ourselves to cater to this demand that you have just mentioned of the order that we, of the activity that we are supposed to undertake. Okay.

Anik Mitra: So 800 drones for Agri?

Chirag Sharma: For agriculture. Yes.

Anik Mitra: And, sir, and its life is five years?

- Chirag Sharma:** Yes.. But this is - we would need 800 drones to do this 30 lakh acres. And then, you know, what you require is lots of batteries for this. It is just not drones. It is lots of batteries which are required to be used for doing this drone space. So typically, you know, each drone needs to have 8-10 batteries to execute such projects.
- Anik Mitra:** Okay. So what is the life of one battery? Means how much?
- Chirag Sharma:** It is calculated in terms of number of cycles that it needs to charge. So that varies, you know, more likely about 300 cycles is an average that the industry takes when it calculates its numbers.
- Anik Mitra:** And, sir, similarly, for catering your 6,000 trainings, how many drones you deployed?
- Chirag Sharma:** So this we are saying we are operating out of 12 locations. And if we keep about, about 40 drones for these 12 locations, we should be good enough on our training side.
- Anik Mitra:** Okay. 40 drones for entire 12 locations or per location?
- Chirag Sharma:** No. It is about, three drones for one type of training. In terms of if we have to now divide between different types of training. So a stock of about, total of about 50 drones to 60 drones of different categories should take care of the 6,000 trainings.
- Anik Mitra:** And, sir, you are enhancing your capacity from 6,000 to 10,000. So what is the capex you are looking for?
- Management:** So that is, of course, we need to go up. So we are going to use, so much of it is going to be invested in drones and simulators and batteries. So much of the investment will go into that side. For opening this, the other infrastructure will come from the partners that we are going to engage with, like we have done in the past. So to kind of move from on an investment front, if we have to do, go from 6,000 to 10,000 capacity, we should be looking at an investment of about INR 3 crores to INR 4 crores.
- Anik Mitra:** INR 3 crores to INR 4 crores. Fine, sir. Thanks for answering all of my questions. So I will be very happy if you provide me a little time separately, would like to speak in detail to understand the sector in detail. So I will mail you, sir, kindly respond me back. Thank you so much.
- Chirag Sharma:** Okay. Thank you.
- Moderator:** Thank you very much. Next question is from the line of Tushar Sarda from Athena Investments LLC. Please go ahead.
- Tushar Sarda:** Yes. Thank you for the opportunity. On the IFFCO order, is IFFCO going to make the payment or collect payment from the farmer?
- Alok Sharma:** It is split between two. So some of it will come from IFFCO and some of it has to be collected from farmer.
- Tushar Sarda:** So how much is IFFCO paying and how much is farmer paying? What is the split between material and actual spraying cost?

Alok Sharma: No. Material is different. Material is altogether different. There is another opportunity on the material side as well. The material side opportunity is yet to be, we are still not counting that in. There is an opportunity to sell input as well. The IFFCO on its own side for subsidizing, it is like subvention. So it is, they from their side are going to pay INR 100 per acre from their side and the rest of it we will collect from the farmer.

Tushar Sarda: And how many times do you have to do this spraying? Is it once or is it three, four times a year?

Alok Sharma: Each crop requires different kind of sprays. So this, so from a minimum of, and then there are cycles each time. So there are opportunities of spray from two to three times to almost like something, sometimes 12 to 14 times as well.

Tushar Sarda: And how confident are you about, the farmer's ability to pay and willingness to pay? They may be able, but they may not be willing.

Alok Sharma: We see quite a lot of excitement in the farming community for adoption of this technology. And we see lots of push from the government of India as well as the fertilizers companies to, move towards this particular mechanization as it is going to save substantial sums of money for government of India.

If the farmers are able to use this technology and also adopt the nanotechnology, which is going as of now into lots of fertilizer substitution like in Urea and DAP. And now we have Potash as well. Now if this, and it saves tons of money from the subsidy that the government has to spend on Agri-inputs. So we believe that this is like this thing has come. It is now, the adoption is on its way.

Tushar Sarda: So you have two challenges, right? One is adoption of Nano Urea itself by the farmer because it is still not very prevalent. And second is the farmer's ability and willingness to pay. Is my understanding right? I mean, I understand opportunity is very big, but I'm just trying to understand what are the challenges?

Alok Sharma: Absolutely. The challenges of adoption of Nano urea and Nano DAP. And then probably now we hear about other Nanos as well. Other products coming in with Nano-technology. That lies, of course, with fertilizer companies and they are doing a great job and they intend to really speed around this as they have established that the improvement in yield and the substitution process is definitely there.

There is a scientific evidence on that side, which will help. And that's why all the companies are now moving towards, there's so many new plants which are coming up for making Nano urea. They won't be making so much of investment if they are not sure of selling those inputs. So I think that is definitely out there.

In terms of adoption of Nano products, we have started seeing greater traction on the DAP side already. IFFCO has also launched now a better Nano urea, more concentration with about 20%, they call it some 20% Nano urea, Nano plus, which is likely to further increase the Nano adoption.

That's one part of it. In terms of Nano, the drone adoption as a technology-based farmer, the adoption has already picked up momentum in south of India and in west of India substantially. It is almost a go-to product now in sugarcane industry for things like chilies, even for crops like soybean, and also now paddy.

So some of these crops are already there, and wheat. So these crops have already started seeing a lot of drone adoption. Now it is just not urea. There are all the pesticides. So all the companies, other companies like Syngenta, Bayer, and other companies which are in agrochemicals, are pushing drone adoption significantly. So we think that it is just not the Nano side of it. There is pesticides also. There are other agrochemicals. But overall, this push is going to take care of both Nano adoption as well as drone adoption.

Chirag Sharma:

And just as a closing statement to that, also if you notice, there is a shortage of labor. There was a recent article also. A lot of these farmers have depended on labor to carry out this spray activity. And of course, the coverage, while the labor is covering about one to two acres in a day, the drones are capable of covering 20 acres to 25 acres.

So of course, the farmer has also accepted that the technology can bring that scale and momentum needed during that same cycle and season when everybody is gunning for that same labor. So what you are essentially doing is drones are also replacing that and changing that mindset in the minds of the farmer.

Moderator:

Thank you very much. So the line for the participants dropped. Ladies and gentlemen, we'll take that as our last question. I'll now hand the conference over to the management for closing comments.

Chirag Sharma:

We thank you for joining today. And I'm sure you would have learned that it's a sunrise industry. It is a huge opportunity. And we look forward to participating in this opportunity. We have had an early mover advantage. We are, of course, going to build upon that and hope to continue to make shareholder value in this company. Thank you very much, all of you.

Moderator:

Thank you very much. On behalf of Perfect Relations, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you