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**IPO Report**

22<sup>ND</sup> Dec'24

**Snapshot**

Unimech Aerospace & Manufacturing Ltd is an engineering solutions company specializing in manufacturing and supply of critical parts such as aero tooling, ground support equipment, electro-mechanical sub-assemblies and other precision engineered components for aerospace, defence, energy, and semiconductor industries. Company possess “build to print” capabilities, wherein it manufacture products based on client designs, and “build to specifications” capabilities, wherein company assist clients in designing the products to be manufactured basis specifications. Company supply high precision and critical components to major OEMs and their licensees worldwide

**VALUATION**

Company is bringing the issue at price band of Rs 745-785 per share at p/b multiple of 52x on post issue basis.

Company is a global high precision and engineering solutions company with capabilities to manufacture. Company have established itself as an approved supplier for various industry leaders in aerospace, defence, semiconductor and energy sectors. Company have developed and have a potential to further evolve its facilities to cater to all the specific and changing needs and requirements of the customers with respect to the products company make and for the industry it supply products to, allowing to provide customized and tailored solution. Hence Looking after all above , we recommend “Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	<b>745-785</b>
<b>Opening date of the issue</b>	<b>23<sup>rd</sup> Dec '2024</b>
<b>Closing Date of the issue</b>	<b>26<sup>th</sup> Dec '2024</b>
<b>No of shares pre issue</b>	47,672,170 Eq Shares
<b>Issue Size</b>	Rs 500 Cr
<b>Fresh issue</b>	Rs 250 Cr
<b>Offer For Sale</b>	Rs 250 Cr
<b>No of shares</b>	6,711,410 – 6,369,427 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 5/share
<b>Bid Lot</b>	19

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 3,175,158 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 9,52,548 Eq Shares)
<b>Retail</b>	35% of the offer (Approx 2,222,612 Eq Shares)
<b>Employee Reservation</b>	19108 Cr Eq Shares
<b>Lead managers</b>	Anand Rathi Advisors, Equirus Capital
<b>Registrar to the issue</b>	KFin Technologies Ltd

**WHAT WE LIKE**

**Advanced manufacturing capabilities capable of delivering high precision engineering solutions**

Company is a global high precision engineering solutions company specializing in manufacturing of complex products with “build to print” and “build to specifications” offering, which involves machining, fabrication, assembly, testing and creating new products basis the specific requirements of its clients for the aerospace, defence, energy and semi-conductor industries.

**Established player with unique capabilities in a sector with high barriers to entry**

Company manufacture complex tooling, mechanical assemblies, electro-mechanical turnkey systems, and precision components. Company’s varied product offerings and continuous product development efforts have enabled it to cater to multiple industries and customers, enhancing its ability to attract new customers. Between Fiscals 2022 and six months period ended September 30, 2024, company have manufactured 2,999 SKUs in tooling and precision complex sub-assemblies’ category and 760 SKUs in the precision machined parts category, supplying to more than 26 customers across 7 countries.

**Track record of strong financial performance**

Company is the fastest growing company, having recorded the highest revenue growth in terms of CAGR between the period FY2022 and FY2024, the CAGR of company is 139.7% between the above-mentioned period . Company’s total revenue from operations were ₹ 1,206.56 million, ₹ 2,087.75 million, ₹ 941.66 million and ₹ 363.49 million as of six months period ended September 30, 2024 and for Fiscal Years 2024, 2023 and 2022 respectively. Company’s PAT increased from ₹ 33.92 million in Fiscal Year 2022 to ₹ 228.13 million in Fiscal Year 2023 to ₹ 581.34 million in Fiscal Year 2024 and ₹ 386.80 million as of September 30, 2024, translating to a PAT margin of 9.33%, 24.23%, 27.85% and 32.06% in Fiscal Years 2022, 2023, 2024 and as of September 30, 2024 respectively. Company had experienced the second highest PAT Margin of around 27.9% in FY2024, the PAT Margin of the company was 24.2% in FY2023



## COMPANY BACKGROUND

Company's product portfolio includes, inter alia, engine lifting and balancing beams, assembly, disassembly and calibration tooling, ground support equipment, airframe assembly platforms, engine transportation stands, mechanical & electro-mechanical turnkey systems, and precision components. Company is a key link in the global supply chain for global aerospace, defence, semi-conductor and energy OEMs and their licensees for the supply of critical parts like aero tooling, ground support equipment, electro-mechanical sub-assemblies and other precision engineered components. Company's key clients include top global airframe and aero-engine OEMs and their approved licensees. The salient features of its products are complexity and a "high-mix, low volume nature", characterized by high mix products which are not mass manufactured. Company offer a wide range of products ("SKUs") but produce relatively small quantities of each based on specific customer requirements. Company's ability to efficiently manufacture even single units of a particular SKU provides company with the flexibility to optimize pricing and maintain high profit margins. Factors such as on-time delivery and product quality significantly influence company's pricing strategy.

Company adhere to stringent quality standards and measures as per AS9100D & BS EN ISO 9001:2015, being the industry norms for aerospace. Between Fiscals 2022 and six months period ended September 30, 2024, company have manufactured 2,999 SKUs in tooling and precision complex sub-assemblies' category and 760 SKUs in the precision machined parts category, supplying to more than 26 customers across 7 countries. Company's diverse capabilities allow company to service the customers globally, which has established it as an export-oriented company with customers across USA, Germany and United Kingdom. Company's product and service exports aggregated to ₹ 331.01 million, ₹ 896.45 million, ₹ 2,038.49 million and ₹ 1,154.27 million, contributing 91.06%, 95.20%, 97.64% and 95.67% of company's total revenue from operations for Fiscals 2022, 2023 and 2024 and six-months period ended September 30, 2024, respectively.

Company possess unique "build to print" capabilities, wherein company manufacture products based on client designs, and "build to specifications" capabilities, wherein company assist clients in designing the products to be manufactured basis specifications. Company's orders typically begin with the receipt of purchase orders, along with designs or specifications from the customers. Upon development of the design, they are converted into 3-D models with the help of software used by company's experienced engineers. Company focus on timely deliveries of its products. Company's systems and processes ensure efficient order fulfilment and on-time delivery. As on September 30, 2024, company's order in-hand was ₹ 807.52 million, with a delivery timeline ranging between 4 to 16 weeks.

As of six months period ended September 30, 2024, company had two manufacturing facilities, Unit I and Unit II, in Bangalore which is spread across an aggregate area of over 1,20,000 sq. ft. Company's facility in Unit I in Peenya, Bangalore, is spread across an area of over 30,000 sq. ft. and company's Unit II facility in Devanahalli is situated in a Special Economic Zone ("SEZ") near Bangalore International Airport which is spread across an area of over 90,000 sq. ft. Company's both manufacturing facilities are accredited with AS 9001D, BS EN ISO 9001 and ISO 45001:2018.

### Capabilities

As an engineering solutions provider, company offer a range of capabilities, from product conceptualization to final assembly. Company's capabilities include design, engineering, manufacturing, and quality assurance, enabling it to deliver complex and customized solutions to its clients.

Company's capabilities include (i) design and engineering, (ii) manufacturing, (iii) fabrication, (iv) special process, (v) electrical and electronic integration, (vi) assembly, and (vii) quality inspection. Company's designs take care of designs for prototypes, designs for manufacturing and designs for serviceability using high-end design software and designing platforms. Company's engineering team undertakes tech-pack creations which include (i) 2D to 3D modelling, (ii) detailing, (iii) process planning, (iv) stage drawings, and (v) inspection planning.

Company's manufacturing capabilities include machining capabilities such as turning, milling, double column milling, electro discharge machining and grinding. Company's assembly centre can handle up to 10 metre assemblies and diameter of up to 3 metres. Company's assembly capabilities include different types of assemblies such as interference, transition fits, heli-coil assemblies, smooth sealing application, with capacities of up to 3,000 components in one assembly, along with laser tracker calibration. Company have various marking techniques for assembly including laser marking, stencilling and engraving. Company's testing capabilities include load testing capabilities of up to 70 tonnes and pressure testing of up to 420 bars, balancing of up to 1 gram, helium leak testing, NDT tests like ultrasonic tests, die-penetrant test, magnetic particle inspection, fluorescent penetration test and drive mechanism testing. Company's electrical and electronic integration include wire harness, control panel development, electronic component qualification and testing, electrical and electronic assembly.

### Global Opportunities

Company is one of the companies which is well positioned in both Aerospace and Defence GSTE and precision component manufacturing in India catering to global OEMs and their approved licensees. The Asian (Asia Pacific + China) region is poised to witness the largest fleet expansion, with 11,925 aircraft slated for addition by 2042, reflecting the region's status as a global aviation powerhouse. In the energy sector, there is a growing focus on renewable energy sources like solar and wind. The government is actively promoting renewable energy projects due to their cost-effectiveness and environmental benefits. In addition to this, the Government is adding capacity into the nuclear power generation sector. There are around 22 operational nuclear reactors in India and another 11 nuclear stations are expected to be commissioned with a cumulative capacity of 8,700 MW. Asian countries with strong capabilities in semiconductor manufacturing include Taiwan, South Korea, China and Japan. India is an emerging market in the precision components for chip manufacturing industry



**INVESTMENT RATIONALE**

<p><i>Experienced and complementary management team with strong implementation skills and operational effectiveness</i></p>	<p>Company is led by a qualified and experienced management team who are supported by a motivated and hard-working team of engineers and other members. Company’s Promoters, Anil P, Mani P, Ramakrishna Kamojhala, Preetham S V and Rajanikanth Balaraman have total experience of over 90 years and are involved in engineering design, manufacturing, product planning, technology, corporate finance, quality control and operations management. Company’s Promoters are supported by a qualified and experienced team of 164 engineers, which focuses on process innovation and automation, and design and implementation, which consequently helps company to maintain and indigenously develop its technological prowess and manufacturing processes. Company’s Promoters have worked with organisations such as Quality Engineering &amp; Software Technologies Private Limited, Robert Bosch India Limited, Wipro Limited and Goodrich Aerospace Services Private Limited amongst others.</p>
<p><i>Robust vendor ecosystem and strong sub-contractor management with proven execution capabilities</i></p>	<p>Company’s vendor ecosystem consisted of 42 vendors with 118 machines in total as of September 30, 2024, each selected to meet its quality and performance criteria. This diverse network is essential for providing the flexibility needed in company’s high-mix, low-volume production environment. Company have established a sub-contractor ecosystem with vendors who undertake aspects of its manufacturing process with limited complexity, enabling company to concentrate on critical aspects of the manufacturing process. Company have a well-defined arrangement with the sub-contractors, guiding the selection, on-boarding, training, and growth of its sub-contractors.</p>
<p><i>Export driven player with a global delivery service model</i></p>	<p>Company is a leading exporter of aerospace components, with exports significantly contributing to company’s overall revenue . Over 90% of company’s sales come from export to global OEMs and their licensees. Company’s revenue from sales to global customers were 1,154.27 million, 2,038.49 million, 896.45 million, and 331.01 million as of six months period ended September 30, 2024 and for Fiscal Years 2024, 2023 and 2022 respectively. Company cater to a diverse range of clientele spanning across both domestic and international markets. Company’s global customer base is spread across USA, Germany and United Kingdom.</p>
<p><i>Digital-first manufacturing company with a robust infrastructure facilitating seamless integration of operations</i></p>	<p>Company deploy a range of digital manufacturing systems which integrates the complete process from order origination to order delivery. Company’s digital manufacturing system captures all inspection requirements and measurements underpinning its commitment to the high standards of quality. Company developed an in-house ERP system which plans and tracks every step of the product manufacturing process, from inception to completion, including the movement of all components to external vendors, thereby assisting in timely delivery of company’s products.</p>



## OBJECTS OF OFFER

The Offer comprises the Fresh Issue by company and the Offer for Sale by the Selling Shareholders.

Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Funding of capital expenditure for expansion through purchase of machineries and equipment by Company;
2. Funding working capital requirements of Company;
3. Investment in company's Material Subsidiary for: (i) purchase of machineries and equipment; (ii) funding its working capital requirements; and (iii) repayment / prepayment, in full or part, of certain borrowings availed by company's Material Subsidiary; and
4. General corporate purposes.

## RISKS

A significant portion of company's total revenue from operations i.e. 98.25%, 99.35%, 94.70% and 95.84% in the six months period ended September 30, 2024, Fiscal 2024, Fiscal 2023 and Fiscal 2022, respectively is attributable to the aerospace sector wherein company manufacture products pertaining to aero engine tooling and airframe tooling. Any adverse changes in the aerospace sector could adversely impact company's business, results of operations and financial condition.

Source:RHP

## INDUSTRY OVERVIEW

### AEROSPACE INDUSTRY

International tourism has been significantly impacted by the COVID-19 pandemic, with global international tourist arrivals reaching 1.46 billion in 2019, a growth of 3.7% compared to 2018. In April 2023, WTTC has announced that the global Travel & Tourism sector has recovered 95% compared to pre-COVID. The total jobs in this sector globally amounted to 295 million in 2022, with an addition of 21.60 million jobs in 2022.

One in 11 jobs globally are related to travel and tourism industry in 2022. As the world recovers from the pandemic, there is a focus on sustainable practices in the tourism industry, such as using the latest technology to find innovative solutions to challenges like overcrowding in popular tourist destinations. Developing countries, particularly in Asia-Pacific, are becoming more competitive in the tourism market, with many realizing the importance of addressing restrictive visa regimes to boost economic opportunities and job creation.

The industry has been crucial in shaping the future of tourism, with aviation being the most favored means of transport for international tourism. Air travel and international tourism have been intertwined for decades, with air travel providing vital links for the global tourism industry. Over half of international tourists travel by air as per ATAG, making it a crucial sector for the tourism industry's sustainable growth.

The tourism sector is a significant contributor to the global economy, generating \$8.8 trillion in world GDP (10.4% of the global economy) and supporting 319 million jobs in 2019. The Global tourism body has forecasted that the GDP contribution will grow to USD 15.50 Trillion in 2033 and represent to 11.6% of Global economy, which would generate around 430 million jobs.

Increase in overall global market for tourism and travel leading to increase in Aerospace market. Strong order forecast for new passenger & freighter aircrafts globally leading to an increase in demand for new aero-tooling, airframe production and components.



**Consolidated Financials**

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	363.49	941.66	2087.75	1206.56
Total Expenditure (B)	287.12	596.03	1295.9	718.28
EBIDTA	76.37	345.63	791.85	488.28
EBIDTA Margin	21.01	36.70	37.93	40.47
Other Income	7.32	7.64	50.11	69.21
Depreciation	30.95	40.80	44.64	37.71
EBIT	52.74	312.47	797.32	519.78
Interest	16.44	18.82	32.32	21.69
PBT	36.30	293.65	765.00	498.09
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	36.30	293.65	765.00	498.09
Exceptional	0.00	0.00	0.00	0.00
PBT	36.30	293.65	765.00	498.09
Tax	3.26	65.52	183.66	111.29
PAT	33.04	228.13	581.34	386.80
NPM	9.09	24.23	27.85	32.06
ROE%	12.26	46.70	53.53	9.92
EPS	0.77	5.19	13.23	8.49
Eq Cap	10.42	10.42	220.03	238.36
Net Worth	276.58	488.45	1,085.95	3,900.98

(Source: RHP)

**Peer Comparison**

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Unimech Aerospace and Manufacturing Limited</i>	5	8.49	--	9.92	85.65
<b>Peers</b>					
MTAR Technologies Limited	10	7.54	98.01	3.32	227.42
Azad Engineering Limited	2	6.45	157.94	5.57	115.5
OParas Defence & Space Technologies Limited	10	7.36	132.50	5.71	120.45
Dynamatic Technologies Limited	10	34.49	44.24	3.32	1038.98
Data Patterns (India) Limited	2	11.27	77.68	4.67	241.07

(Source: RHP)



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