

One Stop Investment Avenue



GEPL
CAPITAL

IPO NOTE

UNIMECH AEROSPACE AND MANUFACTURING LIMITED

DEC 23, 2024





Dec 23, 2024

Details of the Issue

Price Band	₹ 745 - ₹ 785
Issue Size	₹ 500 Cr
Face Value	₹ 5
Bid Lot	19
Listing on	BSE, NSE
Post Issue Mcap	₹ 3,992.27 Cr
Investment Range	₹ 14,155 - ₹ 14,915

Important Indicative Dates (2024)

Opening	23 - Dec
Closing	26 - Dec
Basis of Allotment	27 - Dec
Refund Initiation	30 - Dec
Credit to Demat	30 - Dec
Listing Date	31 - Dec

Lead Manager

Anand Rathi Advisors Limited
Equirus Capital Pvt Limited

Offer Details

Offer Size	₹ 500 Cr
Fresh Issue	₹ 250 Cr
OFS	₹ 250 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	250	3.18	3.35	50
NIB	75	0.94	1.0	15
Retail	175	2.22	2.34	35
Em- ploy.	-	-	-	-
Total	500	6.36	6.71	100

[Invest Now](#)

Company Profile

Unimech Aerospace and Manufacturing Limited, established in 2016, specializes in manufacturing complex tools and components for aeroengine and airframe production. The company offers engineering solutions with "build to print" and "build to specifications" services, including machining, fabrication, assembly, and testing, tailored to clients in the aerospace, defense, energy, and semiconductor industries. Between 2022 and 2024, the company produced 2,356 SKUs in tooling and precision sub-assemblies and 624 SKUs in precision machined parts, supplying over 26 customers across seven countries. As of March 31, 2024, Unimech operates two manufacturing facilities in Bangalore, covering a combined area of 1,20,000 sq ft. Unit I, located in Peenya, spans 30,000 sq ft, while Unit II, in a Special Economic Zone near Bangalore International Airport, covers 90,000 sq ft. Both facilities are ISO registered.

The company employs 384 people and manufactures a range of products, including aero engine tooling (e.g., engine lifting beams and oil tubes alignment fixtures), airframe tooling (e.g., lateral spar assemblies and airframe platforms), precision parts (e.g., missile components), and precision subsystems (e.g., rocker arms).

Business Highlights & Services

Unimech Aerospace and Manufacturing Limited is a global high-precision engineering solutions provider specializing in manufacturing complex products with build to print and "build to specifications" services for the aerospace, defense, energy, and semiconductor industries. The Build to Print capability involves manufacturing tools and components based on client designs for high-mix, low-volume, complex products. Between Fiscal 2022 and September 2024, the company produced 2,999 SKUs in tooling and precision sub-assemblies, and 760 SKUs in precision machined parts, serving over 26 customers across 7 countries. The Build to Specification service assists clients with product design, ensuring functionality meets client requirements. The company's machining capabilities include turning, milling, EDM, grinding, and fabrication, along with special processes like heat treatment, anodizing, and painting. Its assembly center can handle large assemblies, and extensive testing is conducted, including load testing, pressure testing, NDT, and helium leak testing.

With two manufacturing facilities in Bangalore, spanning over 120,000 sq. ft Unimech maintains an annual installed capacity of 165,945 hours and a production capacity utilization of 94.68%. The company's in-house capabilities and network of vendors enable it to offer end-to-end solutions, enhancing operational efficiency, resource optimization, and customer retention. With a high-mix, low-volume manufacturing environment, Unimech products are difficult for new entrants to replicate, establishing a significant entry barrier. The company's strong reputation with OEMs and ability to scale operations efficiently gives it a competitive edge. Its exports, primarily to global OEMs, make up over 90% of sales, with significant revenue from markets in the USA, Germany, and the UK. The company operates a global delivery model, ensuring timely and cost-effective product delivery through optimized logistics. Its vendor ecosystem, consisting of 42 vendors with 118 machines, supports its production flexibility. Additionally, Unimech collaborates with sub-contractors, focusing on critical manufacturing aspects, ensuring quality control through stringent selection, training, and oversight processes. This robust supply chain management allows the company to scale production quickly, mitigate risks, and meet evolving customer needs.

Company plays a key role in the global supply chain for aerospace, defense, semiconductor, and energy OEMs, supplying critical parts such as aero tooling, ground support equipment, and electro-mechanical sub-assemblies. With over 90% of its sales derived from exports, the company's revenue for the six months ending September 2024 and fiscal years 2024, 2023, and 2022 were ₹1,154.27 million, ₹2,038.49 million, ₹896.45 million, and ₹331.01 million, respectively. To improve customer service and reduce lead times, the company plans to expand its operations into the US, establishing tooling inventory and warehousing facilities to enhance responsiveness.



Unimech operates two manufacturing facilities in Bangalore: Unit I, covering 30,000 sq. ft. in Peenya, and Unit II, with 90,000 sq. ft. in a Special Economic Zone near Bangalore International Airport. Unimech plans to expand Unit II to meet growing demand and is developing a collaborative manufacturing and technology park in the Karnataka Industrial Area Development Board’s 4-acre site. This park will enable partnerships with global and local manufacturers, enhancing capacity and attracting new customers. The company has entered an exclusive manufacturing agreement with Dheya Engineering Technologies for producing micro gas turbine engine models. Unimech is also pursuing acquisitions, particularly in the USA, to enhance capabilities and expand its product portfolio in sectors like semiconductor equipment, medical devices, and robotics. Recently, Unimech raised ₹2,500 million to fund inorganic growth initiatives, including mergers and joint ventures. The company is expanding its product range across high-mix, low-volume industries and aiming for a global presence, especially in aerospace, defense, and energy sectors.

Business Segment Mix

(₹ million)

Segment	Six-months period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue	% of total revenue from operations	Revenue	% of total revenue from operations	Revenue	% of total revenue from operations	Revenue	% of total revenue from operations
Aero-tooling	1,185.42	98.25%	2,074.12	99.35%	891.79	94.70%	348.38	95.84%
Precision components & others	21.14	1.75%	13.63	0.65%	49.87	5.30%	15.11	4.16%

Geographical Mix

(₹ million)

Geography	Six-months period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue from operations	% of total revenue from operations	Revenue from operations	% of total revenue from operations	Revenue from operations	% of total revenue from operations	Revenue from operations	% of total revenue from operations
With in India	52.29	4.33%	49.26	2.36%	45.21	4.80%	32.48	8.94%
Outside India	1,154.27	95.67%	2,038.49	97.64%	896.45	95.20%	331.01	91.06%

Customer Base

(₹ million)

Customers	Six-months period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue from operations	% of total revenue from operations	Revenue from operations	% of total revenue from operations	Revenue from operations	% of total revenue from operations	Revenue from operations	% of total revenue from operations
Customer 1	710.56	58.89%	1,248.87	59.82%	559.84	59.45%	161.66	44.47%
Customer 2	162.68	13.48%	605.26	28.99%	107.40	11.41%	45.64	12.55%
Customer 3	157.94	13.09%	110.19	5.28%	25.87	2.75%	36.09	9.93%
Customer 4	66.91	5.55%	44.74	2.14%	173.02	18.37%	54.95	15.12%

Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E
Unimech Aerospace and Manufacturing Limited	5	121	8.49	85.65	NA
Peers Group					
MTAR Technologies Limited	10	318	7.54	227	237
Azad Engineering Limited	2	210	6.45	116	273
Paras Defence & Space Limited	10	171	7.36	120	147
Dynamatic Technologies Limited	10	708	34.49	1038	230
Data Patterns Limited	2	195	11.27	241	223



Companies Competitive Strength :

- Advanced manufacturing capabilities capable of delivering high precision engineering solutions.
- Digital-first manufacturing company with a robust infrastructure facilitating seamless integration of operations.
- Established player with unique capabilities in a sector with high barriers to entry.
- Export driven player with a global delivery service model.
- Robust vendor ecosystem and strong sub-contractor management with proven execution capabilities.
- Experienced and complementary management team with strong implementation skills and operational effectiveness.
- Track record of strong financial performance.

Key Strategies Implemented by Company

- **Market Development:** Enhancing the global footprint in strategic regions, thereby enriching the customer experience for the existing clientele and expanding the reach to new markets.
- **Market Penetration:** Capturing a higher market share and increase in wallet shares from customers Expanding into new Regulated and Emerging Markets.
- **Capacity Expansion Strategies:** Increasing manufacturing capacity and collaborative manufacturing with global and local manufacturers for growth.
- **Diversification:** Focus on growth by opportunistic inorganic acquisitions and partnerships with customers.
- **Product Development:** Manufacturing of products including semiconductor manufacturing equipment, medical devices, robotics and other industries which require high-mix, low-volume.

Particular (INR in Cr)	Q1FY25	FY24	FY23	FY22
Net Worth	390	108	49	28
Revenue	121	214	95	37
Growth (%)		125%	157%	
EBITDA	48.83	79	35	8
EBITDAM (%)	40.5%	37.0%	36.4%	20.9%
PAT	39	75	30	5
PATM (%)	11.2%	4.6%	4.5%	6.4%
ROE (%)	0.2%	13.7%	2.0%	12.8%
ROCE (%)	2.08%	14.70%	6.96%	10.23%

Valuations and Recommendation:

- Based on annualized FY24 earnings to pre-IPO paid-up equity capital of the company, The issue is priced at a PE of 51.61x. Thus the issue appears to be fairly valued compared to its peers and PAT growth of the business.
- Unimech is a leading manufacturer of aero tools and precision components, serving industries such as aircraft Maintenance, Repair, and Overhaul (MRO), defense, semiconductor, and energy. As of September 2024, the company had an order backlog of INR 80.75 Cr, with delivery timelines ranging from 4 to 16 weeks. Unimech is strategically expanding its manufacturing capabilities and market presence through facility expansions, partnerships, and acquisitions, focusing on high-growth sectors like semiconductor equipment and medical devices. By diversifying its product portfolio and targeting global markets, including the USA, the company aims to strengthen its competitiveness and meet the evolving demands of precision-driven industries. Unimech has reported robust financial growth, with a 140% increase in revenue, 220% increase in EBITDA, and 302% growth in PAT from FY22 to FY24. Hence, we recommend an "Subscribe" rating on the issue.



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Dibandu Maji | + 022-6618 2689 | Dibandumaji@geplcapital.com

Disclaimer: This report has been prepared by GEPL Capital Private Limited ("GEPL Capital"). GEPL Capital is regulated by the Securities and Exchange Board of India. This report does not constitute a prospectus, offering circular or offering memorandum and is not an offer or invitation to buy or sell any securities, nor shall part, or all, of this presentation form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities. This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy, recommendation or any other content contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. All investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GEPL Capital as a result of using different assumptions and criteria. GEPL Capital is under no obligation to update or keep current the information contained herein. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect GEPL Capital's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by GEPL Capital or any other source may yield substantially different results. GEPL Capital makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information or opinions contained herein. Further, GEPL Capital assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent development, information or events, or otherwise. Neither GEPL Capital nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. In no event shall GEPL Capital be liable for any direct, special indirect or consequential damages, or any other damages of any kind, including but not limited to loss of use, loss of profits, or loss of data, whether in an action in contract, tort (including but not limited to negligence), or otherwise, arising out of or in any way connected with the use of this report or the materials contained in, or accessed through, this report. GEPL Capital and its affiliates and/or their officers, directors and employees may have similar or an opposite position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). The disclosures contained in the reports produced by GEPL Capital shall be strictly governed by and construed in accordance with Indian law. GEPL Capital specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL Capital and GEPL Capital accepts no liability whatsoever for the actions of third parties in this regard.