



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS



IPO note:

**UNIMECH AEROSPACE AND MANUFACTURING LIMITED –
“SUBSCRIBE”**

The company specializes in providing engineering solutions and produces vital components for the semiconductor, aerospace, defence, and energy sectors, including electro-mechanical sub-assemblies, ground support equipment and aero tooling. The company has "build to print" capabilities which allows it to produce products according to customer designs, and "build to specifications" capabilities which allows the company to help clients to create things that will be produced according to client specifications. It provides crucial and highly precise components to major OEMs and their licensees across the globe. A wide range of products are offered by the company's export-oriented business, which places a high priority on fast delivery and quality.

The company's product portfolio comprises of Engine lifting and balancing beams, ground support equipment, airframe assembly platforms, engine transportation stands, mechanical and electro-mechanical turnkey systems, precision components, and assembly, disassembly and calibration tooling. It provides a variety of services as an engineering solutions supplier, from product conception to final assembly. Its capabilities include (i) design and engineering, (ii) manufacturing, (iii) fabrication, (iv) special process, (v) electrical and electronic integration, (vi) assembly, and (vii) quality inspection. Its designs take care of designs for prototypes, designs for manufacturing and designs for serviceability using high-end design software and designing platforms. Its 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. Its products key characteristics are their intricacy and "high-mix, low volume nature," which refers to high mix products that are not mass produced. Although it provides a large number of items (referred to as "SKUs"), it only makes a modest number of each depending on the needs of the individual clients. It has capacity to effectively produce even a single unit of a certain SKU from which it is able to maintain strong profit margin and prices. Its pricing strategy is heavily influenced by elements like product quality and on-time delivery. It follows strict quality standards and procedures in accordance with AS9100D & BS EN ISO 9001:2015, which are industry standards for the aerospace.

The company has produced 2,999 SKUs in the tooling and precision complex sub-assemblies' category and 760 SKUs in the precision machined components category between Fiscals 2022 and the six-month period ending September 30, 2024, and it has supplied more than 26 customers in seven countries.

As of the six-month period that concluded on September 30, 2024, the company had two manufacturing facilities in Bangalore, Unit I and Unit II, which together occupied more than 1,20,000 square feet. Its facilities are distributed across more than 30,000 square feet in Unit I in Peenya, Bangalore, and more than 90,000 square feet in Unit II in Devanahalli, which is located in a Special Economic Zone ("SEZ") close to Bangalore International Airport. Both of its production sites hold accreditations from AS 9001D, BS EN ISO 9001, and ISO 45001:2018.

Its production capabilities include machining (turning, milling, double column milling, electro discharge machining, and grinding). Its assembly centre can handle assemblies up to 10 metres long and 3 metres in diameter. Its assembly services include interference, transition fits, heli-coil, and smooth sealing applications. It can accommodate up to 3,000 components in a single assembly and offer laser tracker calibration.

Investment Recommendation and Rationale: -

At the upper price band of Rs. 785, the issue is priced at a P/E multiple of 68.62 its FY24 post IPO EPS of Rs. 11.44. We give a 'SUBSCRIBE' rating to the issue for the following reasons: -

- The company specializes in precision component production for aerospace and defence, serving worldwide OEMs and approved licensees in India.**
- The company's product and service exports totalled ₹ 33.10 crore, ₹ 89.65 crore, ₹ 2,03.85 crore, and ₹ 1,15.43 crore, accounting for 91.06%, 95.20%, 97.64%, and 95.67% of its total revenue from operations in Fiscals 2022, 2023, and 2024, and the six-month period ending September 30, 2024, respectively.**
- A robust vendor ecosystem and solid subcontractor management with demonstrated execution capabilities.**
- Sustainable business performance and recorded highest revenue growth with CAGR of 139.7% between FY22 to FY24.**

Issue open date	23rd December 2024
Issue close date	26th December 2024
Type of Issue	Fresh Issue of up to 31,84,713 Equity Shares (aggregating up to Rs. 250.00 crores). Offer for Sale of 31,84,713 shares (aggregating up to Rs. 250.00 Cr)
Issue size	Rs. 500.00 crores
Price Band	Rs. 745 to Rs. 785 per share
Bid lot/ Bid Size	19 shares/ Rs. 14,915
Issue structure	QIB-50%, HNI- 15%, Retail- 35%
Post issue equity shares	5,08,56,883
Post issue implied market cap	Rs. 3992.27 Crores
BRLMs	Anand Rathi Advisors Limited, Equirus Capital Private Limited
Registrar to the issue	KFin Technologies Limited

Financial Summary (Restated Consolidated) (₹Crore)

Particulars	As of September 30, 2024	FY24	FY23	FY22
Revenue from operations	120.66	208.78	94.17	36.35
Growth (%)	-	121.71	159.06	-
Gross Profit	85.40	137.59	67.77	26.33
Gross Margin (%)	70.78	65.90	71.97	72.43
EBITDA	48.83	79.19	34.56	7.73
EBITDA Margin (%)	40.47	37.93	36.70	21.25
Profit after Tax	38.68	58.13	22.81	3.39
PAT Margin (%)	32.06	27.85	24.23	9.33
Fixed Asset Turnover Ratio (Times)	1.96*	5.16	3.51	-
Return on Capital Employed (ROCE) (%)	9.69*	54.36	42.87	10.34
Return on Equity (%)	9.91*	53.53	46.70	12.26

*Not annualized

Source: Red Herring Prospectus (RHP),



Objects of the issue Offer for Sale of 31,84,713 shares aggregating up to Rs. 250.00 Cr

Shareholding patter:

Name of the Selling Shareholders	Type	Number of Equity Shares Offered	Weighted Average Cost of Acquisition per Equity Share (in ₹)
Ramakrishna Kamojhala	PSS	Equity Shares of face value of ₹ 5 each aggregating up to ₹ 45.00 crores	0.24
Mani P	PSS	Equity Shares of face value of ₹ 5 each aggregating up to ₹ 45.00 crores	0.24
Rajanikanth Balaraman	PSS	Equity Shares of face value of ₹ 5 each aggregating up to ₹ 45.00 crores	0.24
Preetham S V	PSS	Equity Shares of face value of ₹ 5 each aggregating up to ₹ 30.00 crores	0.24
Rasmi Anil Kumar	PSS	Equity Shares of face value of ₹ 5 each aggregating up to ₹ 85.00 crores	2.30

Fresh Issue of 31,84,713 shares aggregating up to Rs. 250.00 Cr

Company plans to use the Net Proceeds to fund the following objects:

1. Provide financing to acquire machineries and equipment.
2. Financing for working capital requirement.
3. Provide funding in investment subsidiary for repayment / prepayment, in full or part, of certain borrowings availed by its Material Subsidiary, provide working capital requirement, buy machineries and equipment.
4. General Corporate purpose.

Source: Red Herring Prospectus (RHP)

The table below shows revenue from operations across geographic regions:

Geography	Six-months period ended September 30, 2024		For the Financial Year ended March 31, 2024		For the Financial Year ended March 31, 2023		For the Financial Year ended March 31, 2022	
	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations
In India	5.23	4.33	4.93	2.36	4.52	4.80	3.25	8.94
Outside India	115.43	95.67	203.85	97.64	89.65	95.20	33.10	91.06

Source: Red Herring Prospectus (RHP)

The table below shows revenue from operations by geographical spread:

Geography	Six-months period ended September 30, 2024		For the Financial Year ended March 31, 2024		For the Financial Year ended March 31, 2023		For the Financial Year ended March 31, 2022	
	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations
India	5.23	4.33	4.93	2.36	4.52	4.80	3.25	8.94
United States*	99.60	82.55	192.46	92.19	72.42	76.91	27.76	76.38
Germany	15.79	13.09	11.34	5.43	17.22	18.28	5.15	14.17
United Kingdom	0.04	0.03	Nil	Nil	Nil	Nil	0.09	0.25
Others	Nil	Nil	0.05	0.02	0.01	0.01	0.10	0.27
Total	120.66	100.00	208.78	100.00	94.17	100.00	36.35	100.00

*Including Canada

Source: Red Herring Prospectus (RHP)

The table below shows revenue breakup from various industries:

Segment	Six-months period ended September 30, 2024		For the Financial Year ended March 31, 2024		For the Financial Year ended March 31, 2023		For the Financial Year ended March 31, 2022	
	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations	Revenue from operations (in Rs. Crore)	% of total revenue from operations
Aero-tooling	118.54	98.25	207.41	99.35	89.18	94.70	34.84	95.84
Precision components & others	2.11	1.75	1.36	0.65	4.99	5.30	1.51	4.16

Peer Comparison

Name of Company	Total Revenue as of H1FY25 (in Rs. Crore)*	Face Value per Equity share (in Rs.)	Closing price as on December 3, 2024	P/E (x) (as on September 30, 2024)*	P/E (x) (as on March 31, 2024)*	EPS (Basic & Diluted) (Rs per share)*	RoNW (%)*	NAV (Rs. per share)*	Networth (in Rs. Crore)
Unimech Aerospace and Manufacturing Limited	120.66	5	NA	NA	NA	8.49	9.92	85.65	390.10
Listed Peers									
MTAR Technologies Limited	318.45	10	1787.65	237.09	98.01	7.54	3.32	227.42	699.53
Azad Engineering Limited	209.94	2	1,763.90	273.47	157.49	6.45	5.57	115.50	682.77
Paras Defence & Space Technologies Limited	170.66	10	1,089.15	147.98	132.50	7.36	5.71	120.45	469.74
Dynatomic Technologies Limited	707.70	10	7,936.75	230.12	44.24	34.49	3.32	1,038.98	705.62
Data Patterns (India) Limited	195.10	2	2,520.75	223.67	77.68	11.27	4.67	241.07	1349.62

*Not annualised

Source: Red Herring Prospectus (RHP)

Competitive Strengths

1. Advanced manufacturing capabilities of providing high-precision engineering solutions.
2. A manufacturing organization that prioritizes digitalization and has a strong infrastructure that allows for smooth operational integration.
3. A well-known company with competitive skills in a field with high entry barriers.
4. Export-oriented player with a worldwide delivery service model.

Source: Red Herring Prospectus (RHP)

Growth Strategies

1. The company is planning to grow its global footprint in strategic regions to improve the customer experience for existing clients and access new markets.
2. Expanding production capacity and collaborating with global and local firms to drive growth.
3. Concentrate on expanding business through strategic inorganic acquisitions and customer alliances.
4. Manufacturing high-mix, low-volume products for industries such as semiconductors, robotics and medical devices.

Source: Red Herring Prospectus (RHP)

Key Risks

1. Its top five customers account for 94.62%, 96.80%, 93.88%, and 88.97% of total revenue from operations in the six months ended September 30, 2024, Fiscal 2024, Fiscal 2023, and Fiscal 2022, respectively. Loss of any of these customers or significant reduction in purchases may impact company's business, results, and financial condition.
2. Its business has a long gestation period of 7 to 28 weeks between order receipt and payment, which may affect working capital requirements.
3. Its manufacturing facilities are on property leased from Karnataka Industrial Areas Development Board. Failure to comply with land use limitations or relocate activities on commercially fair terms may harm company's business, financial situation, and operations.
4. The cost and availability of raw materials have a significant impact on company's business and profitability, and any disruption to the timely and sufficient supply of raw materials or fluctuations in raw material prices may have a negative effect on company's operations, financial performance and business.
5. The company's customer onboarding procedure can take up to three years, which may negatively impact its financial performance and operational outcomes in the future by delaying revenue generation and its reliance on trust-building to scale operations.

Source: Red Herring Prospectus (RHP)


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