

UNIMECH AEROSPACE AND MANUFACTURING LIMITED

IPO NOTE



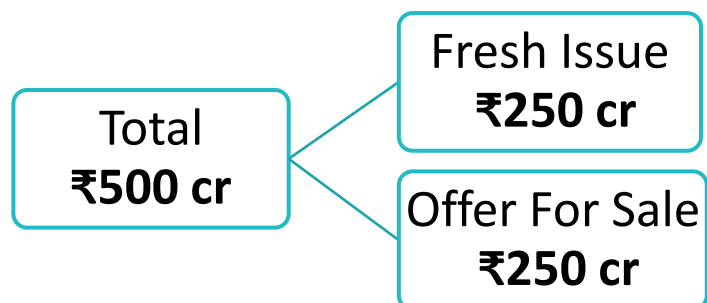
Unimech Aerospace and Manufacturing Limited incorporated in 2016, is an engineering solutions company specializing in **manufacturing and supply** of high precision & critical components to major OEMs (original equipment manufacturers) and their licensees worldwide for aerospace, defence, energy, and semiconductor industries. They are an **export-oriented company** with customers across USA, Germany and United Kingdom. They have two manufacturing facilities in Bangalore operating at a **capacity utilization** of ~95%. As on 30th September 2024, they have an order book of ₹80 cr which would be fulfilled in 4-16 weeks. The revenue of the company is **concentrated** towards the 10 customers. The **net proceeds** would be mainly utilized towards purchase of plant & machinery and to fund working capital requirements.

FINANCIAL HIGHLIGHTS

	FY22	FY23	FY24
Revenue from Operations	36	94	209
EBITDA	7	35	79
Net Profit	3	23	58

₹ crore

ISSUE SIZE



ISSUE DETAILS

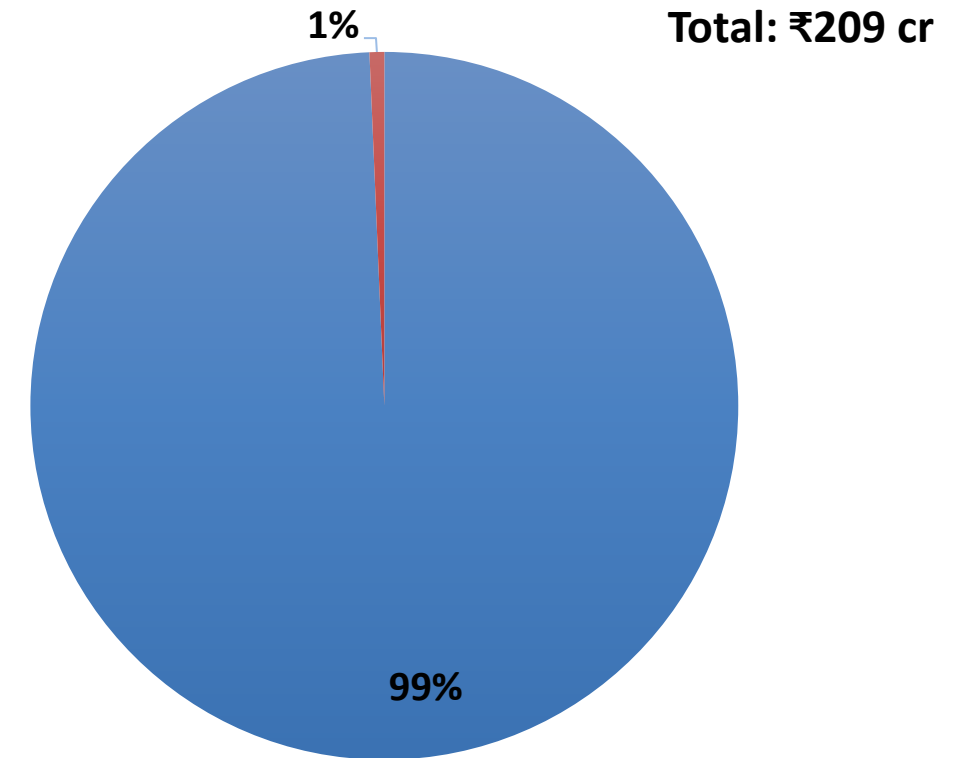
Issue Date	23 Dec'24 to 26 Dec'24
Price Band	₹745-₹785
Bid Lot	19
Issue Size	₹500 cr
No. of Shares (Post Issue)	5.1 cr
Post-Issue Implied Market Cap*	₹3,992 cr
P/E Ratio (FY24)*	68.7x

* At upper price band

- The 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.
- They generate majority of the revenue from **aero-tooling equipment segment**, where they offer ground support tooling equipment for OEMs and **MROs** (maintenance, repair & overhaul).
- They possess **build to print** capabilities, wherein they manufacture products based on client designs, and **build to specifications** capabilities, wherein they assist clients in designing the products to be manufactured basis specifications.
- They offer a wide range of products SKUs (stock keeping units) but produce relatively small quantities of each based on specific customer requirements due to **complexity** and a **high-mix, low volume**.



Revenue Mix From Sale Of Products (FY24)

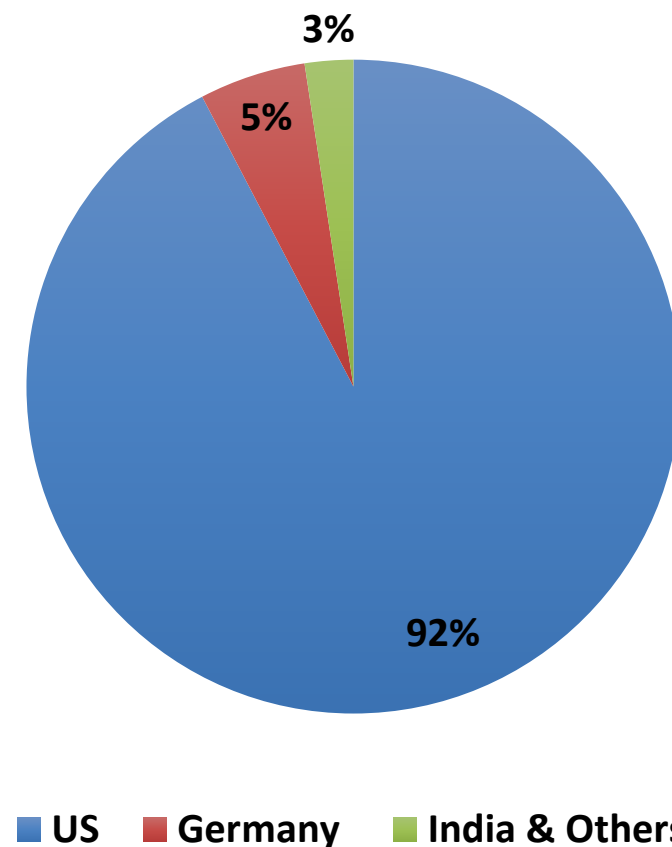


■ Aero Tooling ■ Precision Component & Others




- Their current operations **face challenges** related to high lead times due to geographical distance and lack of direct access to the US market.
- To overcome these obstacles and better serve their customers, they are exploring **two primary approaches**: establishing tooling inventory and warehousing in the USA and setting up a manufacturing presence either through acquisition or organic growth.
- They procure wide range of **raw materials** from India (~62%) like carbon steels, alloy steels, aluminum, etc. For standard parts such as hoist ring, hydraulic cylinders, lifting slings & shackles, hydraulic gear, etc that are not available locally, are imported from trusted suppliers in the USA.
- They **supply** to 4 out of the 6 approved licensees, globally, who are responsible for manufacturing tooling equipment for aero engines used in narrow body and wide body civil aircrafts.
- They generate ~99% of the revenue from the **top 10 customers**.
- They plan to double their **capacity** in the next 2 years.

Revenue Mix Region Wise (FY24)

Total: ₹209 cr



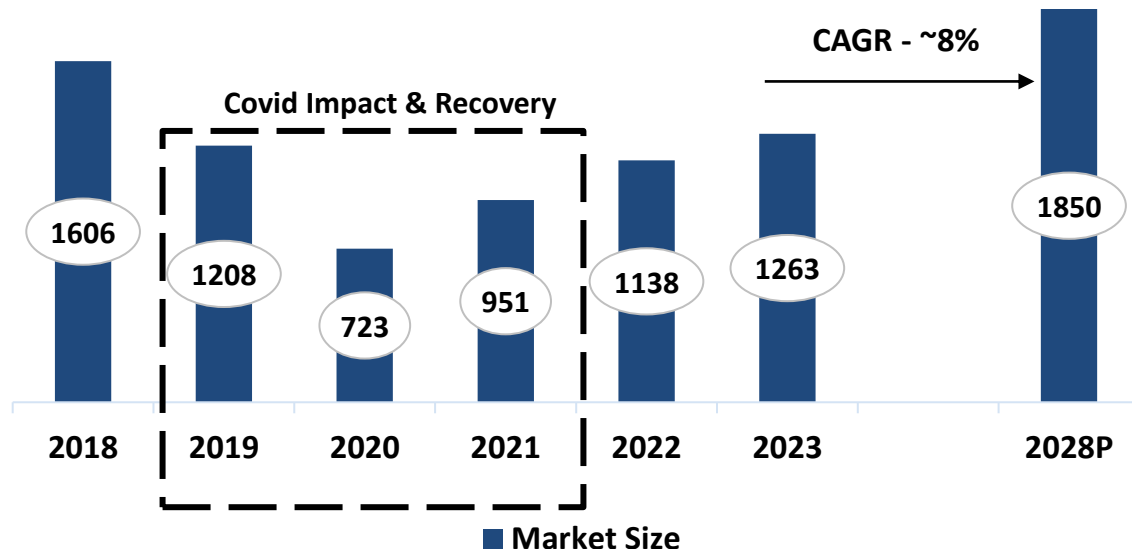
Particulars	Aero Tooling	MRO
Purpose	Provides tools for manufacturing or servicing.	Ensures operational readiness of aircraft.
Primary Activity	Tool production and design	Maintenance, repair, and restoration.
End Users	Manufacturers and MRO teams	Airlines, military, and other fleet operators.
Lifecycle Focus	Supports production and servicing processes	Focuses on post-production and operational phases.

Product	End-Use Industry	Description
	Aerospace	Engine lifting and balancing beams are tools designed to safely lift, move, and position aircraft engines. They ensure stability and balance during installation, removal, maintenance, and transportation, preventing damage and ensuring safe handling of heavy engine components.
	Aerospace	Fixture to Lift Fan Assembly is a tool designed to safely lift, support, and position fan assemblies during installation, maintenance, or transportation, ensuring stability and preventing damage.
	Aerospace	This platform has been designed to meet the specific requirements of manufacturing plants. It is used to aid the operator to reach the specific locations of aircraft during assembly and maintenance.

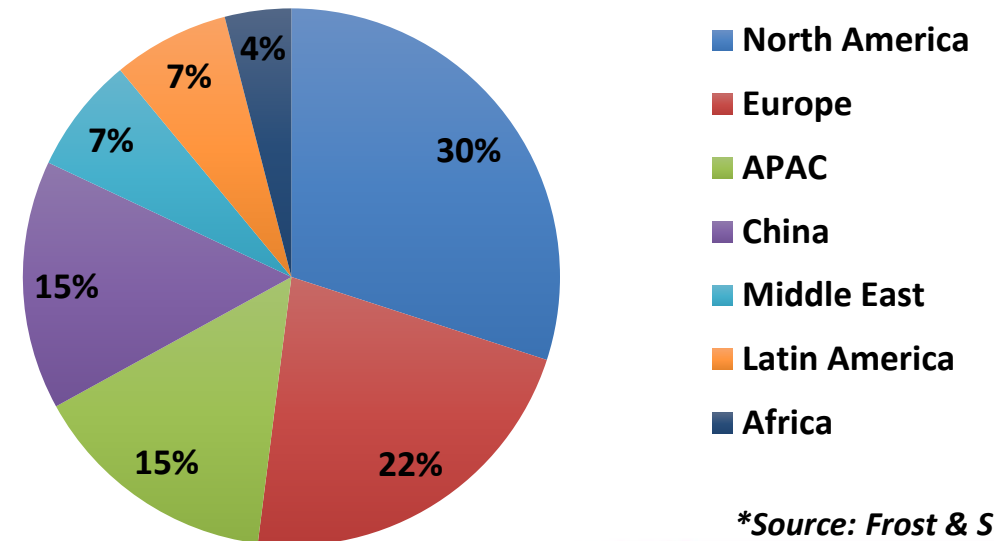
Their **product portfolio** includes engine lifting and balancing beams, assembly, disassembly and calibration tooling, ground support equipment, airframe assembly platforms, engine transportation stands, mechanical & electro-mechanical turnkey systems, and precision components.

- **Commercial aircraft market** is split almost equally between **Airbus** and **Boeing** which account for the majority share of all aircraft purchases globally. Airbus accounting for more than 12,500 aircrafts, Boeing for 10,000 aircraft globally in 2023 and Embraer also accounts to a total fleet of ~2,000 aircraft. Majority of the historical deliveries were in Americas and Europe, however the next two decades are expected to be dominated by deliveries in Asia Pacific region.
- **APAC**, including China and India accounted for ~30% of the global aircraft fleet in 2022. The fleet size of developing economies is expected to grow faster due to the increase in new low-cost carrier airlines entering these markets. The Asian region is expected to add ~11,925 aircrafts by 2042 due to demand for Low-Cost Carriers (LCC) in this marketlike Indigo, which order aircrafts in bulk.

**Global Commercial Aircraft Deliveries
(in Volume)**



Regional Fleet Distribution (FY22)



*Source: Frost & Sullivan

- The global aircraft **maintenance, repair, and overhaul** (MRO) market is a vital sector supporting the safety, reliability, and efficiency of commercial aircraft. As the aviation industry continues to expand, driven by increasing air travel demand and fleet modernization initiatives, the aircraft MRO market also experiences significant growth and evolution in tandem.
- **Commercial Aircraft MRO activities** can be categorized into four main types: engine, airframe, line maintenance, and component maintenance.
- The **Engine MRO segment** accounted for 46% of the total MRO revenue in 2023 followed by airframe.
- This market is matured in regions like **North America** and **Europe**. Europe stands as the second-largest market for aerospace products, notably in the aero tooling sector. Major players in aero tooling and maintenance, repair, and overhaul (MRO) sectors maintain strong footholds in the European market.

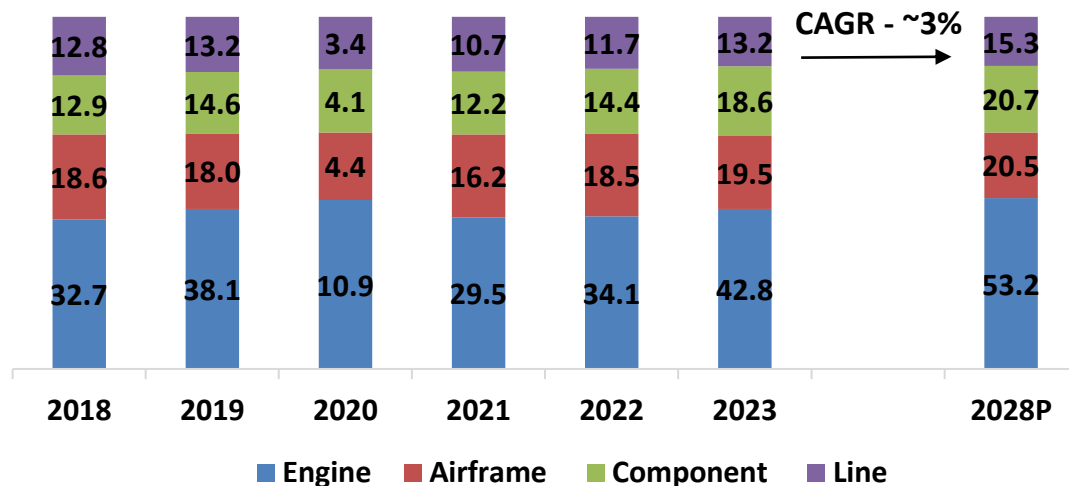
Breakdown of Aircraft MRO Activities



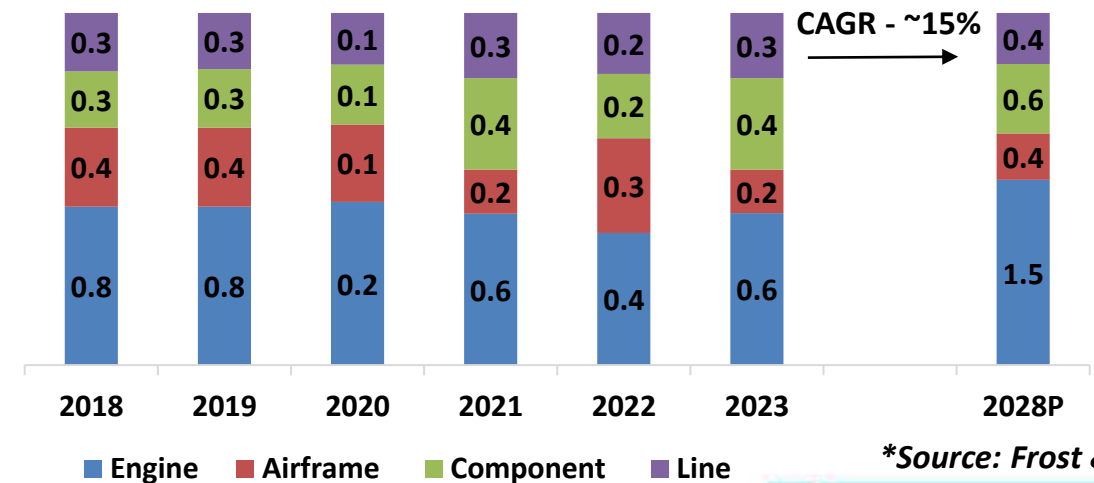
**Source: Frost & Sullivan*

- The increase in demand for MRO in **APAC** is driven by increase in aircraft fleet. The MRO market growth has shifted from the traditional markets of Western Europe and North America to Asian countries like India and China, which is because these markets are in the growth phase in the aviation market.
- The **Indian airlines** have been taking aircraft to Southeast Asian countries and Middle East to cater to the MRO needs, predominantly due to the taxation issues and lack of skilled labour in India. Even though the basic checks take place in India, the major MRO works are conducted outside India.
- It is expected that India would need around 2,210 **aircrafts** between 2022-2042 to cater to growth in air passenger numbers. The increase in fleet numbers and entry of new airlines are expected to be the key drivers in the Indian MRO market.

Global MRO Market (in \$ bn)



Indian MRO Market (in \$ bn)

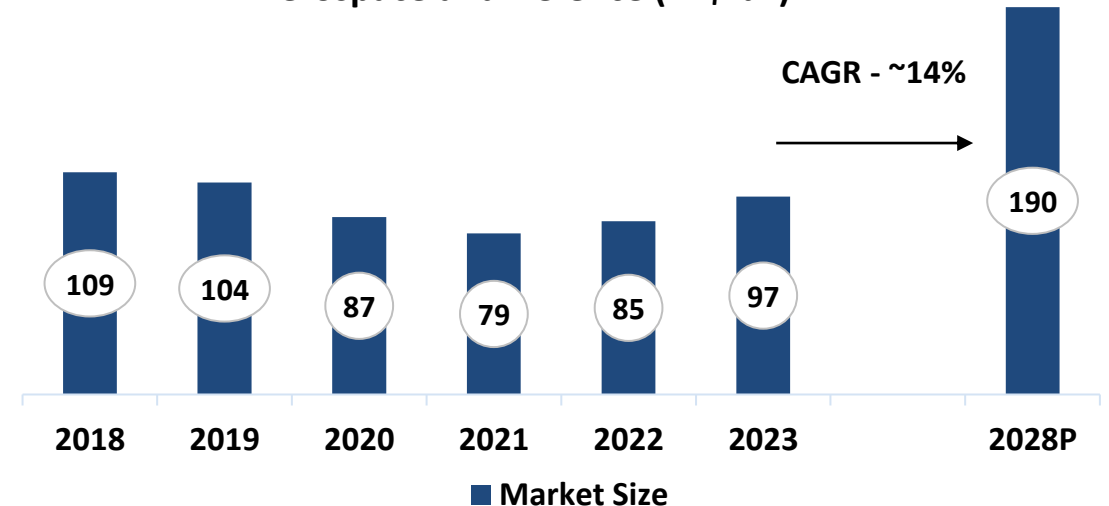


*Source: Frost & Sullivan

- **Precision Engineered Components (PEC)** are parts designed and manufactured with extremely low tolerances, typically measured in microns (one thousandth of a millimetre) and these are used in applications like aircraft engines, turbine components in the energy sector, automotive engines, fuel injection systems and nuclear power plants. This level of precision is achieved using advanced technologies and techniques, including computer numerical control (CNC) machining, micro system technology, and precision engineering machines.
- The **key components** in the aerospace & defence segment that require precision manufacturing basis commercial aircraft include engine systems, flight control systems, aerostructures, etc, out of which precision components manufactured for **engines** are the most expensive due to the type of tooling and the type of material used for manufacturing engines – typically titanium, aluminium and other specialized alloys.

- This industry is governed by companies in North America and Europe, the market is matured there with a well-developed supply chain. The companies based in countries like US, France and Germany supply majority of defence platforms to other countries. The Latin American market and the Asian market is in its growth phase driven by countries like India, China and Brazil. Most of the countries in Middle East are investing into aerospace & defence capabilities. Middle East and Africa are in their introduction phase.

Global Precision Manufactured Components for Aerospace and Defence (in \$ bn)



**Source: Frost & Sullivan*

COMPETITIVE LANDSCAPE



DYNAMATIC TECHNOLOGIES LIMITED

- Market Cap: ₹5,561 cr
- Revenue: ₹1,429 cr
- EBITDA Margin: 11.2%
- ROCE: 8.3%
- ROE: 18.2%
- P/E: 60.6x



MTAR TECHNOLOGIES LIMITED

- Market Cap: ₹5,301 cr
- Revenue: ₹581 cr
- EBITDA Margin: 19.4%
- ROCE: 10.3%
- ROE: 8.3%
- P/E: 137.6x



AZAD ENGINEERING LIMITED

- Market Cap: ₹9,931 cr
- Revenue: ₹341 cr
- EBITDA Margin: 34.2%
- ROCE: 14.1%
- ROE: 9.1%
- P/E: 142.1x



PARAS DEFENCE & SPACE TECHNOLOGIES LIMITED

- Market Cap: ₹4,058 cr
- Revenue: ₹254 cr
- EBITDA Margin: 20.1%
- ROCE: 7.4%
- ROE: 6.8%
- P/E: 89.5x



UNIMECH AEROSPACE & MANUFACTURING LTD

- Market Cap: ₹3,992 cr
- Revenue: ₹209 cr
- EBITDA Margin: 37.9%
- ROCE: 54.4%
- ROE: 53.5%
- P/E: 68.7x

Figures for FY24

IPO NOTE

PROMOTER BACKGROUND AND SHAREHOLDING



Anil Kumar P is Chairman & Managing Director of the company. He is responsible for the business development functions. He has over 20 years of experience in the manufacturing sector.

Ramakrishna Kamojhala is the Chief Financial Officer of the company. He has over 13 years of experience in the financial and secretarial field in the aerospace manufacturing sector.

On 1st July 2024, company raised ₹250 cr by issuing **preference shares** to ValueQuest SCALE Fund, Evolve India Fund IV Ltd and Steadview Capital Mauritius Limited for the purpose of investing in inorganic opportunities at ₹681 per share.

Shareholding	Pre IPO	Post IPO
Promoter Group	92%	80%
Public	8%	20%
Total	100%	100%

Allocation of offer	Share in Issue (₹ crore)	% of Issue
QIB	250	50%
NIB	75	15%
Retail	175	35%
Total	500	100%

Major Selling Shareholders	Shareholding % Pre Issue	Shareholding % Post Issue	% of OFS Issue
Ramakrishna Kamojhala	17%	14%	34%
Mani P	17%	14%	18%
Rajanikanth Balaraman	17%	14%	18%
Rasmi Anil Kumar	3%	1%	18%

OBJECTS OF THE OFFER

The company proposes to utilize the **net proceeds** from fresh issue towards funding of the following objects:

- Funding of capital expenditure for expansion through purchase of machineries and equipment.
- Funding working capital requirements.
- Investment in their material subsidiary.

EXPECTED DEPLOYMENT OF NET PROCEEDS FROM FRESH ISSUE

Particulars	Amount (₹ crore)	Estimated Deployment		
		2025	2026	2027
Funding capital expenditure	36	22	14	-
Funding working capital requirements	25	-	13	12
Investment in subsidiary for capex, working capital funding and repayment of borrowings	129	62	45	22
General corporate purposes	●	●	●	●

● To be determined

- The company's revenue from operations relies heavily on a **small number of customers**. The loss of any of these key customers or a reduction in revenue from them could significantly impact their business and thereby affecting financial conditions. In FY24, **revenue from top 10 customers** stood at ~99% and the **largest customer** contributed ~59% of the revenue.
- They manufacture products pertaining to aero engine tooling and airframe tooling. Any adverse changes in the **aerospace sector** could adversely impact the business. As the aerospace sector is subject to changes as per regulatory or industry requirements, or due to competitive technologies, their ability to continue to generate consistent volume of business from the aerospace sector also depends on their ability to adopt to competitive technologies and to develop and introduce new products in a timely manner.
- They procure the raw materials, including standard parts, from third parties based on purchase orders and generally do not have firm commitments from their suppliers. The **absence of long-term contracts at fixed prices** and the need to maintain a continued supply of raw materials may make it difficult to resist price increases imposed by their suppliers.
- A change in **tariff & non-tariff barriers** in countries where they import raw materials and export their products may affect the performance.

STATEMENT OF PROFIT AND LOSS

Particulars	Data for the period (₹ crore)			Data for six months period
	2022	2023	2024	30 th Sep 2024
Revenue From Operations	36	94	209	121
Other Income	1	1	5	7
Total Income (I)	37	95	214	128
Cost of raw materials	9	30	49	27
Employee benefit expense	8	16	32	24
Subcontracting Charges	3	7	27	9
Finance costs	2	2	3	2
Depreciation & amortization costs	3	4	4	4
Other Expense	9	6	21	12
Total Expense (II)	33	66	137	78
Profit Before Tax (III) = (I)-(II)	4	29	76	50
Tax Expense (IV)	1	6	18	11
Net Profit for the Period (V)= (III)-(IV)	3	23	58	39

STATEMENT OF ASSETS AND LIABILITIES

Particulars	Data as on 31 st March (₹ crore)			Data as on
	2022	2023	2024	30 th Sep 2024
Property, plant and equipment	16	22	45	62
Other non-current assets	16	9	17	137
Inventories	5	16	20	20
Trade receivables	8	32	47	43
Bank Balance and Cash & Cash Equivalents	7	4	7	11
Other current assets	5	10	40	236
Total assets	57	93	176	509
Total Equity	28	49	109	390
Borrowings	17	23	29	75
Other non current liabilities	3	7	-	2
Trade Payables	4	7	13	17
Other current liabilities	5	7	25	25
Total Equity and liabilities	57	93	176	509

STATEMENT OF CASH FLOW

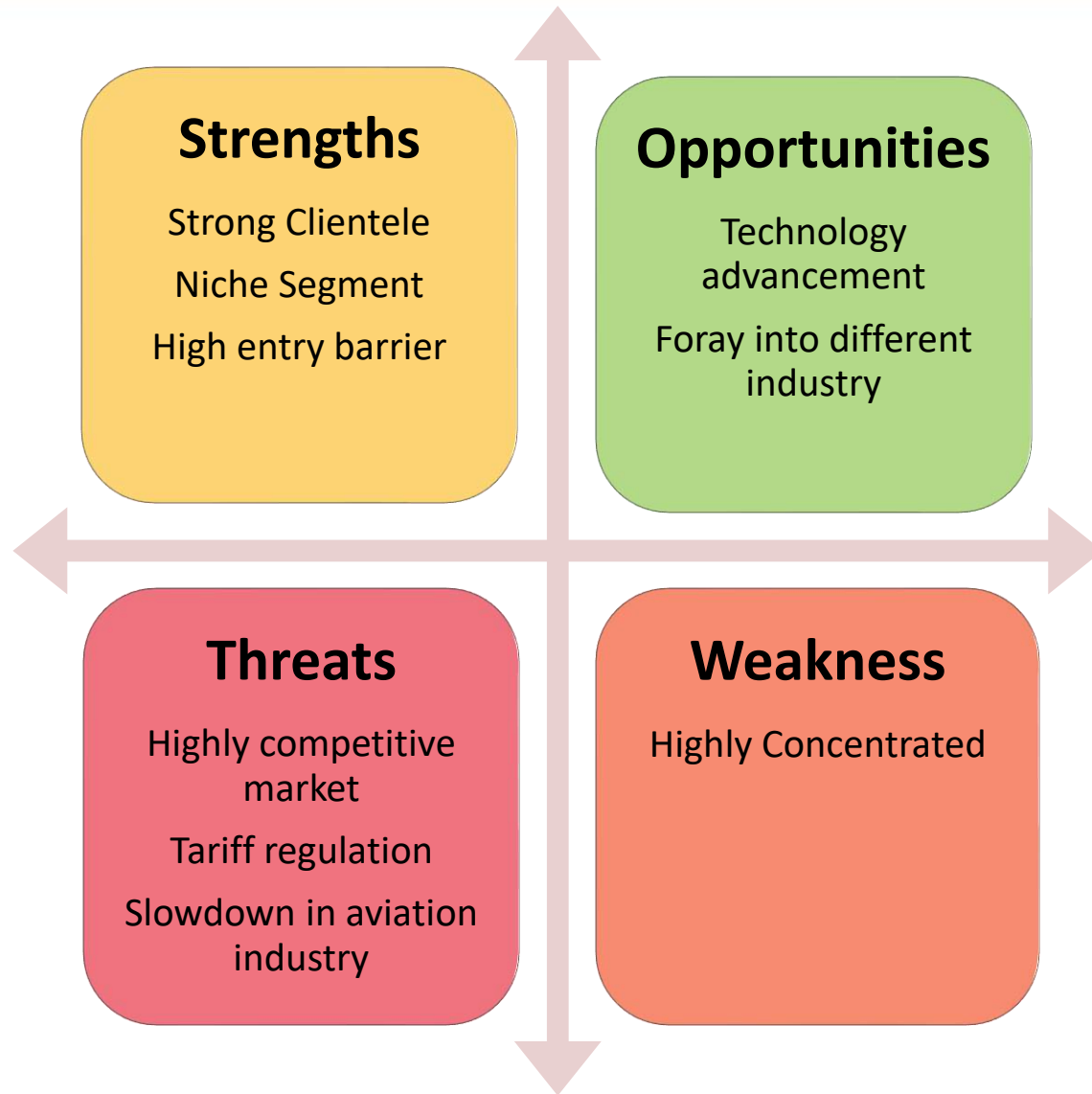
Particulars	Data for the year ended 31 st March (₹ crore)			Data for the six months ended
	2022	2023	2024	30 th Sep 2024
Net cash generated from / (used in) operating activities (A)	1	1	24	50
Net cash generated from / (used in) investing activities (B)	1	(6)	(24)	(336)
Net cash generated from / (used in) financing activities (C)	-	3	6	286
Net increase / (decrease) in cash and cash equivalents (A+B+C)	2	(2)	6	-

KEY METRICS

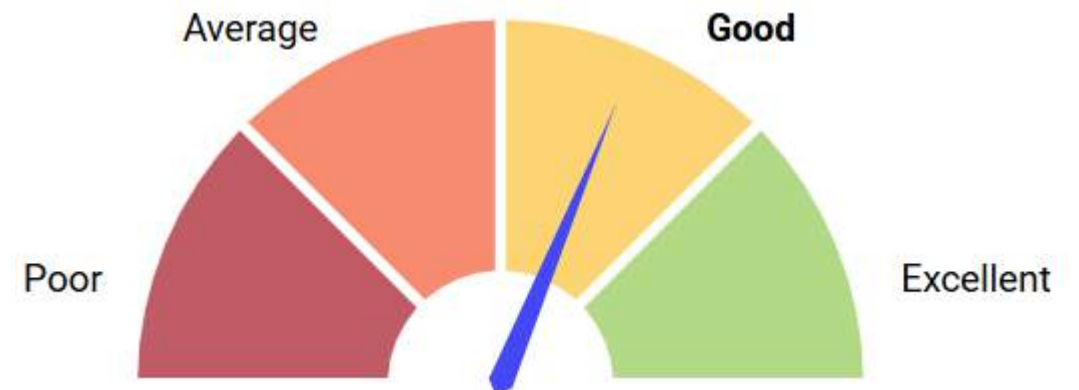


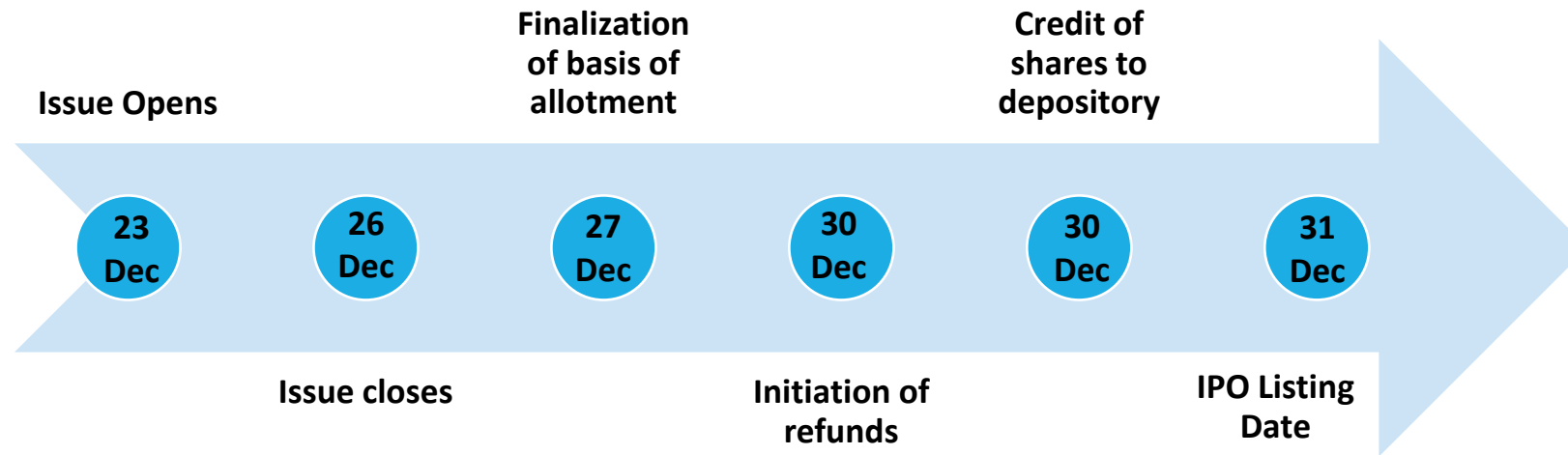
Particulars	Data for the year ended 31 st March			Data for six months ended
	2022	2023	2024	30 th Sep 2024
EBITDA (₹ cr)	7	35	79	49
EBITDA Margin (%) (EBITDA/Net Revenue)*	21%	37%	38%	40%
Net profit Margin (%)	9%	24%	28%	32%
Installed Capacity (Hours)	99,810	1,25,100	2,22,990	1,65,945*
Capacity Utilization (%)	95%	95%	94%	95%
Top 5 Customers Concentration (%)	89%	94%	97%	95%

* Not annualized



- **Unimech Aerospace and Manufacturing Limited** is a global high precision engineering solutions company specializing in manufacturing of complex products for major OEMs and their licensees worldwide in aerospace, defence, energy, and semiconductor industries.
- They operate in an industry which has **high entry barrier** and is susceptible to regulatory changes.
- Given the **sectoral tailwind** and the company's expansion plans, they are well-positioned for future growth.





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