

Recommendation	Subscribe	BACKGROUND	
Price Band	Rs 745-785	<p>Unimech Aerospace and Manufacturing Limited is a prominent provider of engineering solutions, specializing in aerospace, defense, energy, and semiconductor components. With advanced manufacturing facilities in Bangalore and a focus on precision-engineered, export-oriented products, the company serves major global OEMs. Its strategic alignment with expanding global markets and government initiatives strengthens its position in the precision engineering sector.</p> <p>Details of the Issue: The public issue consists of Offer For Sale aggregating up to Rs 250 Cr and fresh issue up to Rs 250 Cr. Net proceeds shall be utilized towards:</p> <ul style="list-style-type: none"> Funding of capex for expansion through purchase of machineries and equipment: - 80 Cr. Funding working capital requirements of our Company: - 70 Cr. Repayment of certain borrowings: - 40 Cr. <p>Investment Rationale:</p> <ul style="list-style-type: none"> Advanced Manufacturing Capabilities Digitally Integrated Operations Driving Efficiency Established Expertise in a High-Entry-Barrier Sector Strong Vendor Ecosystem and Sub-Contractor Management <p>Valuation and Recommendation:- Unimech Aerospace's advanced manufacturing capabilities, digital integration, and expertise in high-barrier sectors establish it as a leading player in precision engineering. The company's strong financial performance is driven by operational efficiency, and global OEM partnerships. With a revenue CAGR of 140% (FY22-24), industry-leading EBITDA margin of 38%, and ROCE of 57.6%, it outperforms peers in growth and profitability. While its valuation multiples EV/EBITDA of 51x and P/E of 69x are more reasonable than its competitors, they reflect its strong fundamentals and growth potential. Thus we recommend subscribing to the issue.</p>	
Bidding Date	23 rd Dec – 26 th Dec		
Book Running Lead Manager	Anand Rathi Advisors Ltd, Equirus Capital Private Ltd.		
Registrar	KFin Technologies Ltd.		
Sector	Engineering		
Minimum Retail Application- Detail At Cut off Price			
Number of Shares	19		
Minimum Application Money	Rs. 14915		
Payment Mode	ASBA		
Financials (Rs Cr)	FY23	FY24	
Total Income	94	209	
EBITDA	35	79	
PAT for the year	23	58	
Valuations (FY24)	Upper Band		
Market Cap (Rs Cr)	3,992		
Adj EPS	11		
PE	69		
EV/ EBITDA	51		
Enterprise Value(Rs Cr)	4015		
Post Issue Shareholding Pattern			
Promoters	80%		
Public/Other	20%		
Offer structure for different categories			
QIB	50%		
Non-Institutional	15%		
Retail	35%		
Post Issue Equity (cr)	25		
Issue Size (Rs in cr)	500		
Face Value (Rs)	5		
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Financials	FY22	FY23	FY24
Net Revenues	36	94	209
Growth (%)	-	159.1%	121.7%
EBITDA	8	35	79
EBITDA Margin (%)	21.3%	36.7%	37.9%
PBT	4	29	77
Adjusted PAT	3	23	58
EPS	0.67	4.49	11.43
ROCE	11.3%	42.9%	57.6%
EV/EBITDA	519.7	116.2	50.7
P/E	1177.0	175.0	68.7
<i>Source: Company data, NBRR</i>			

Company Background


Unimech Aerospace and Manufacturing Limited is a leading engineering solutions provider specializing in the manufacturing and supply of critical aerospace, defense, energy, and semiconductor components. The company offers “build to print” and “build to specifications” capabilities, catering to diverse customer needs with precision-engineered products. Their portfolio includes aero tooling, ground support equipment, electro-mechanical sub-assemblies, and high-precision components. Unimech serves major OEMs and their licensees globally, with an export-oriented business model focusing on quality and timely delivery. The company has delivered over 3,700 SKUs across tooling, sub-assemblies, and machined parts categories to 26 customers across seven countries between FY 2022 and September 2024.


Operating from two state-of-the-art facilities in Bangalore spanning 120,000 sq. ft., Unimech adheres to stringent quality standards such as AS9100D and BS EN ISO 9001:2015. The company’s advanced capabilities include design, engineering, manufacturing, assembly, and quality inspection. It excels in manufacturing complex, low-volume, high-mix products, optimizing pricing and margins. With an order book of ₹81 Cr as of September 2024, the company maintains a delivery timeline of 4-16 weeks.

Its strategic position in sectors like aerospace, defense, renewable energy, and semiconductors aligns with global market expansion and government initiatives, positioning Unimech as a key player in precision engineering solutions.

Details of manufacturing facilities

Annual installed capacity and capacity utilization

 Unit I: Peenya, Bangalore	Particulars	Installed Capacity (Hours)	Utilization (Hours)	Capacity Utilization (%)
	FY22	38,220.00	35,781.00	93.62%
FY23	43,170.00	40,963.61	94.89%	
FY24	43,170.00	41,113.64	95.24%	
H1FY25	21,585.00	20,575.21	95.32%	

 Unit II: Devanahalli, SEZ, Bangalore	Particulars	Installed Capacity (Hours)	Utilization (Hours)	Capacity Utilization (%)
	FY22	61,590.00	58,592.00	95.13%
FY23	81,930.00	77,441.88	94.52%	
FY24	1,79,820.00	1,68,348.85	93.62%	
H1FY25	1,44,360.00	1,36,548.04	94.59%	

Number of machineries owned as on September 30, 2024

Type of Machineries	Number of machines
Vertical machining centre	48
Turning machine	25
Vertical turning lathes / vertical turning milling centres	9
Coordinate measuring machine	4
Others	32

In-house capabilities



Investment Rationale

Advanced Manufacturing Capabilities for High-Precision Engineering Solutions

Unimech Aerospace leverages its advanced manufacturing capabilities to produce complex, high-precision products tailored to client specifications. With expertise in "build to print" and "build to specification" methodologies, the company serves diverse industries, including aerospace, defense, energy, and semiconductors. Its robust infrastructure supports machining, fabrication, assembly, and testing for intricate components, offering end-to-end solutions under one roof. Notable facilities include two manufacturing units in Bangalore with state-of-the-art equipment for turning, milling, grinding, and special processes like heat treatment and anodizing. The company's engineering expertise ensures cost-effective, high-quality solutions, contributing to an impressive 94.68% capacity utilization rate.

Digitally Integrated Operations Driving Efficiency

The company employs a digital-first approach, integrating advanced systems to streamline manufacturing processes from order placement to delivery. Its proprietary ERP system ensures real-time tracking, from supply chain management to production, facilitating seamless coordination and timely execution. Digital tools like feature ballooning software enhance precision by annotating key specifications for quality control. Automated CNC programming enables efficient machining, while robust supplier management ensures traceability and high standards in outsourced components. This digital ecosystem allows Unimech to maintain operational efficiency, deliver high-quality products, and uphold its reputation among global industry leaders.

Established Expertise in a High-Entry-Barrier Sector

Operating in a niche sector with complex manufacturing requirements, Unimech offers a wide range of products such as mechanical assemblies, precision components, and turnkey systems. The company adheres to stringent industry standards like AS9100D and ISO 9001:2015, ensuring superior quality and reliability. Its ability to cater to high-mix, low-volume requirements makes it challenging for new entrants to replicate its operations. Long customer onboarding cycles and entrenched relationships with global OEMs further strengthen its position. With consistent growth in SKUs and a reputation for precision, Unimech effectively capitalizes on its sectoral expertise to maintain a competitive edge.

Strong Vendor Ecosystem and Sub-Contractor Management

Unimech's robust vendor ecosystem consists of 42 vendors with a network of 118 machines, providing flexibility in its high-mix, low-volume production model. The company collaborates with sub-contractors for non-critical tasks, enabling focus on core competencies. Comprehensive onboarding and training programs ensure alignment with Unimech's quality standards. Some sub-contractors operate within its facilities, allowing direct oversight and quality control. This well-structured ecosystem enhances scalability, mitigates supply chain risks, and ensures timely delivery, contributing to the company's operational efficiency and reliability in fulfilling customer requirements.

Risk/Concerns

Dependence on Export Markets and Global Industries

A significant portion of the company's revenue, exceeding 90%, comes from exports to markets such as the U.S., Germany, and the U.K. Changes in global market conditions or regulatory policies in these regions could materially affect business performance and cash flows. Additionally, the cyclical and unpredictable demand in industries like aerospace and defense present risks of revenue fluctuations.

Reliance on Raw Material Supply and Price Volatility

The company's profitability is closely tied to the timely availability and stable pricing of raw materials, which are primarily procured through short-term purchase orders. The absence of long-term contracts increases exposure to supply disruptions and cost volatility. Delays or increases in raw material costs could adversely impact production schedules and operational efficiency.

Dependence on Imported Standard Parts

The company relies on imported standard tools and parts for its manufacturing processes, which are subject to fluctuations in pricing and supply availability. Significant cost increases or disruptions in sourcing these components could pressure profit margins and disrupt operations. Additionally, the reliance on a few specialized suppliers heightens the risk of supply chain bottlenecks.

Valuation and Recommendation

Unimech’s advanced manufacturing capabilities, digital integration, and expertise in high-entry-barrier sectors position it as a key player in precision engineering solutions. The company’s robust infrastructure, operational efficiency, and entrenched relationships with global OEMs drive its financial performance. Given its strong growth trajectory, high capacity utilization, and alignment with global demand for aerospace and defense components, Unimech appears well-poised for sustained expansion.

Based on peer comparisons, Unimech demonstrates superior growth and operational metrics. With an exceptional revenue CAGR of 140% (FY22-24), an industry-leading EBITDA margin of 38%, and robust asset turns of 1.5x, the company showcases efficiency and scalability. Its impressive ROCE of 57.6% and ROE of 53.5% are far higher than those of its peers. While its valuation multiples EV/EBITDA of 51x and P/E of 69x are more reasonable than its competitors, they reflect its strong fundamentals and growth potential. Thus we recommend subscribing to the issue.

Listed Peers

FY 24	MTAR Technologies Limited	Azad Engineering Limited	Paras Defence & Space Technologies Limited	Average	Unimech Aerospace and Manufacturing Limited
Revenue	580	341	254	294	209
CAGR (FY22-24)	34%	33%	18%	28%	140%
EBITDA Margin	19.3%	34.3%	20.9%	24.8%	37.9%
Asset Turns (x)	0.7	0.5	0.5	0.6	1.5
Wkg Cap Days	253	294	407	318.0	103
ROCE	11.0%	18.7%	9.4%	13%	57.6%
ROE	8.3%	9.1%	6.7%	8%	53.5%
Debt/Equity	0.3	0.1	0.1	0.2	0.3
EV/EBITDA	49	85	77	70	51
P/E	94	167	122	128	69

Source: Company Data, NBRR

Financials

P&L (Rs. Cr)	FY22	FY23	FY24	H1FY25	FY25 Ann
Net Revenue	36	94	209	121	241
<i>% Growth</i>	-	159%	122%	-	16%
Cost of goods sold	10	26	71	35	71
<i>% of Revenues</i>	27.6%	28.0%	34.1%	29.2%	29.2%
Employee Cost	8	16	32	24	47
<i>% of Revenues</i>	22.7%	16.6%	15.5%	19.5%	19.5%
Other expenses	10	18	26	13	26
<i>% of Revenues</i>	28.4%	18.7%	12.4%	10.8%	10.8%
EBITDA	8	35	79	49	98
<i>EBITDA Margin</i>	<i>21.3%</i>	<i>36.7%</i>	<i>37.9%</i>	<i>40.5%</i>	<i>40.5%</i>
Depreciation	3	4	4	4	8
Other Income	1	1	5	7	14
Interest	2	2	3	2	4
Exceptional item	0	0	0	0	0
PBT	3.7	29.4	76.5	49.8	99.6
Tax	0	7	18	11	22
<i>Tax rate</i>	<i>9%</i>	<i>22%</i>	<i>24%</i>	<i>22%</i>	<i>22%</i>
Adj.PAT	3.4	22.8	58.1	38.7	77.4
<i>% Growth</i>	-	573%	155%	-	33%
EPS (Post Issue)	0.7	4.5	11.4	7.6	15.2

Ratios & Others	FY22	FY23	FY24	H1FY25	FY25 Ann
Debt / Equity	0.7	0.5	0.3	0.2	0.2
EBITDA Margin (%)	21.3%	36.7%	37.9%	40.5%	40.5%
PAT Margin (%)	9.3%	24.2%	27.8%	32.1%	32.1%
ROE (%)	12.3%	46.7%	53.5%	19.8%	19.8%
ROCE (%)	11.3%	42.9%	57.6%	22.2%	22.2%

Turnover Ratios	FY22	FY23	FY24	H1FY25	FY25 Ann
Debtors Days	75	125	82	64	64
Inventory Days	47	61	34	30	30
Creditor Days	41	27	24	26	26
Asset Turnover (x)	0.8	1.3	1.5	0.5	0.5

Valuation Ratios	FY22	FY23	FY24	H1FY25	FY25 Ann
Price/Earnings (x)	1177.0	175.0	68.7	51.6	51.6
EV/EBITDA (x)	519.7	116.2	50.7	41.1	41.1
EV/Sales (x)	110.4	42.6	19.2	16.6	16.6
Price/BV (x)	144.3	81.7	36.8	10.2	10.2

Source: Company Data, NBRR

Balance Sheet (Rs. Cr)	FY22	FY23	FY24	H1FY25
Share Capital	1	1	22	24
Other Equity	27	48	87	366
Minority Interest	0	0	0	0
Networth	28	49	109	390
Total Loans	20	24	30	78
Other non-curr liab.	2	6	0	0
Trade payable	4	7	14	17
Other Current Liab	3	7	24	24
Total Equity & Liab.	57	93	176	509
Property, Plant and Equipme	16	22	45	62
CWIP	3	0	0	22
Goodwill/Other Intangible a	9	7	7	9
Non Current Financial asse	4	1	1	80
Other non Curr. assets	0	0	9	26
Inventories	5	16	20	20
cash and cash equivalents	3	2	7	8
Bank bal	4	2	0	3
Investments+loans	0	0	0	225
Trade receivables(debtor)	8	32	47	43
Other Current assets	6	11	39	13
Total Assets	57	93	176	509

Cash Flow (Rs. Cr)	FY22	FY23	FY24	H1FY25
Profit Before Tax	4	29	77	50
Provisions & Others	0	0	0	0
Op. profit before WC	9	36	82	50
Change in WC	-7	-30	-34	7
Less: Tax	0	-5	-24	-8
CF from operations	2	1	24	50
Purchase/Sale of fixed asset	-3	-5	-27	-59
Bank deposits/ Loan repaid	2	-1	2	-279
Interest, dividend and other	1	1	2	3
CF from Investing	1	-6	-24	-336
Proceeds from issue of Equi	0	1	0	250
Principal paid on lease liab	-1	-1	-1	-0
Proceeds/ Repayment Long-t	3	5	10	46
Transaction costs on issue c	0.0	0.0	0	-7
interest & div paid	-2	-2	-3	-2
CF from Financing	-0	3	6	286
Net Change in cash	2	(2)	5	0.4
Cash & Bank at beginning	1	4	2	8
Cash & Bank at end	3	2	7	8

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