

**RATING**

Business	★★★★☆
Financials	★★★★☆
Valuation	★★★★☆
Management	★★★★☆

Ranking 1 to 5, denoting lowest and 5 highest


**FIN2RESEARCH**  
Investment Advisor Pvt. Ltd.

**IPO : UNIMECH AEROSPACE AND ENGINEERING**


Date : 26-12-2024

Recommendation: Buy For Long Term Gains

(Note: All the information and data in this report is from the RHP)

Total Issue Size - ₹500 Cr	Fresh Issue - ₹250 Cr	Offer for Sale - ₹250 Cr
Price Band - ₹745 to ₹785	IPO Date - 23 Dec - 26 Dec	Listing Date - 31 Dec

**About Company:** Unitech Aerospace, founded in 2016, specializes in manufacturing complex tools, assemblies, and components for aerospace, defense, energy, and semiconductor sectors. Offering "build to print" and "build to specifications" solutions, its services include machining, fabrication, assembly, testing, and custom product development.

From 2022 to 2024, it delivered 2,356 tooling and sub-assembly SKUs and 624 precision parts to 26 customers across 7 countries. The company operates two ISO-certified facilities in Bangalore, covering 1,20,000 sq ft, including a SEZ near Bangalore Airport. With 384 employees as of March 2024, it continues to expand its engineering expertise globally.

**SWOT ANALYSIS****STRENGTHS:**

The company is a global high-precision engineering solutions provider specializing in "build-to-print" and "build-to-specifications" offerings, serving aerospace, defense, energy, and semiconductor industries. It boasts advanced manufacturing capabilities, including machining, fabrication, assembly, and NADCAP-certified special processes, supported by a robust digital-first infrastructure integrating ERP and quality control systems. With 94.68% capacity utilization across two state-of-the-art facilities, the company delivers end-to-end solutions with a strong focus on quality, efficiency, and timely delivery. It has high barriers to entry, a strong export-driven model contributing over 90% of revenue, an extensive vendor and subcontractor ecosystem, and a highly experienced leadership team. Its financial performance is exceptional, with a revenue CAGR of 139.7% from FY2022-2024 and impressive EBITDA and PAT margins, making it a preferred partner for global OEMs.

**WEAKNESSES:**

The company's operations involve a longer gestation period, with a time gap of 7 to 28 weeks between order receipt and payment, which impacts working capital requirements. Furthermore, the business depends significantly on exports, which contributed 95.67%, 97.64%, 95.20%, and 91.06% of its revenue during the respective periods. This makes the company vulnerable to adverse conditions in key markets such as the United States and Germany.

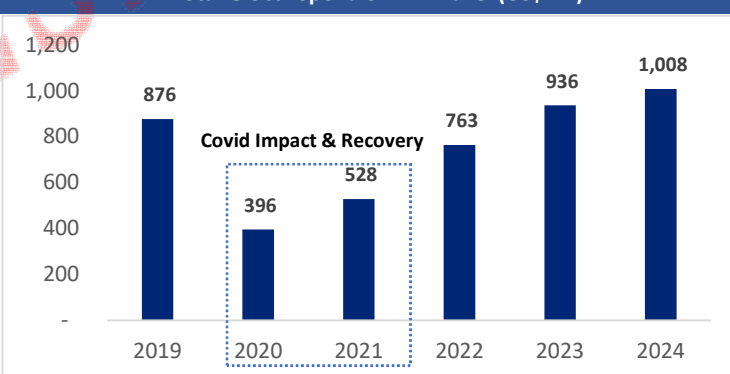
A substantial portion of the company's operations, ranging from 68.06% to 89.35% across these periods, is conducted through its material subsidiary, Innomech Aerospace Toolings Private Limited. This makes the company reliant on Innomech's operating income and cash flows. Any disruptions to Innomech's business could materially impact the company's overall financial health.

Unimech faces challenges in its manufacturing processes, particularly in the area of PEC (Power-Enhanced Components) manufacturing, which is a strong growth driver for some competitors. PEC manufacturing creates a more integrated value chain, with suppliers being part of either the flying or non-flying components, offering greater potential for exponential growth. In contrast, Unimech's focus on support equipment limits its growth opportunities. Additionally, Unimech faces difficulties with its "First time right" manufacturing approach, a quality control philosophy aimed at eliminating defects and reducing waste by ensuring products are

**OPPORTUNITIES:**

The global tourism and air travel sectors have shown significant recovery post-COVID. Air travel passenger volumes are projected to reach 4.7 billion in 2024, with passenger revenues rising to USD 717 billion from USD 642 billion in 2023, according to IATA. Airline profits are also forecasted to grow to USD 49.3 billion in 2024, up from USD 40.7 billion in 2023, driven by increased passenger numbers fueled by tourism activities, business travel, and religious tourism. This rebound, coupled with strong demand for new passenger and freighter aircraft, presents substantial opportunities for growth in aerospace markets, including aero-tooling, airframe production, and components. Additionally, the focus on sustainable practices and the rising competitiveness of developing markets, especially in Asia-Pacific, further amplify these opportunities.

Total Global Spend on Air Travel (US\$ Bn)

**THREATS:**

Unimech's revenue is heavily dependent on the aerospace segment, with potential risks stemming from ongoing production issues in the Boeing 737 MAX and delays in narrow-body aircraft production. While sales to OEMs may be impacted, sales to MROs could increase due to additional checks required for certain aircraft models. The company's revenue flow is also project-based, unlike Tier 1 or Tier 2 suppliers with guaranteed revenues, making it less stable. Unimech faces customer concentration risks, as there are few licensees approved by major OEMs, limiting its customer base. Additionally, Boeing's production delays, caused by quality control issues, labor disruptions, and safety incidents, have further impacted its order and delivery volumes, which could adversely affect Unimech's revenue from Boeing-related programs.

## Objectives of the Issue :

Here are the detailed short pointers for the primary objectives of Unimech Aerospace and Manufacturing's IPO:

- **Capital Expenditure for Expansion:** To fund the purchase of machinery and equipment for business expansion.
- **Working Capital Requirements:** To meet the company's short-term financial needs for operations and growth.
- **Investment in Material Subsidiary:** To support the material subsidiary with the purchase of machinery and equipment, as well as working capital and debt repayment.
- **General Corporate Purposes:** To allocate funds for various other corporate needs



## KEY HIGHLIGHTS:

### Overview of Unimech Aerospace and Manufacturing

Unimech Aerospace and Manufacturing specializes in providing high-quality aero-engine and airframe tooling to the aerospace sector. The company primarily generates revenue from manufacturing products for Original Equipment Manufacturers (OEMs) and Maintenance, Repair, and Overhaul (MRO) operations. The aerospace segment contributes over 94% of its total revenue, making the company highly dependent on the industry's growth and stability.



### Customer Concentration

A significant portion of Unimech's revenue comes from a small number of key customers. This customer concentration, where a few clients account for a large share of total revenue, exposes the company to risks if it loses any of these customers or experiences a reduction in orders. Ensuring strong customer relationships and diversifying the customer base are essential to mitigate this risk.

### Global Presence and Export Dependency

Unimech generates about 95% of its revenue from exports, with key markets in the United States and Germany. This international exposure provides the company with a broad customer base but also subjects it to the risks of global market fluctuations and geopolitical events that may impact its sales and operations.



### Role of Innomech Aerospace Toolings Private Limited

A significant portion of Unimech's operations is carried out through its material subsidiary, Innomech Aerospace Toolings Private Limited. The performance of this subsidiary is crucial to Unimech's financial health, as it contributes significantly to the company's revenue and cash flow. Any operational disruptions or decline in business from Innomech could adversely impact Unimech's overall performance.

### Impact of Aerospace Sector Performance

Unimech's revenue is heavily reliant on the aerospace sector, which contributes over 94% of its total revenue. The ongoing recovery in global air travel is expected to significantly boost the aerospace market. According to IATA, global air passenger numbers are projected to reach 4.7 billion in 2024, driving demand for aerospace products and services. Additionally, passenger revenues are forecasted to grow to USD 717 billion in 2024, up from USD 642 billion in 2023. This rebound in the aerospace sector, driven by increased passenger and business travel, presents significant growth opportunities for Unimech's aerospace tooling and component manufacturing.



### Growth Plans and IPO

Unimech plans to raise capital through its IPO to fund key initiatives, including machinery purchases and working capital requirements. The company aims to expand its production capacity and enhance its technological capabilities. A portion of the IPO proceeds will be invested in Unimech's subsidiary, Innomech Aerospace Toolings Private Limited, to support its operational growth. The IPO is expected to strengthen Unimech's financial position, enabling it to capitalize on the projected 10.4% contribution of the travel and tourism sector to global GDP by 2024.



Unimech Aerospace & Manufacturing is an engineering solutions company specializing in the manufacturing and supply of critical components such as aero tooling, ground support equipment, electro-mechanical sub-assemblies, and other precision-engineered products for industries like aerospace, defense, energy, and semiconductors. The company operates with "build to print" capabilities, where products are manufactured based on client designs, as well as "build to specifications" capabilities, where Unimech assists in designing products according to client specifications. The company's focus is on supplying high-precision, critical components to major Original Equipment Manufacturers (OEMs) and their licensees across the globe.

The product portfolio includes a wide range of products such as engine lifting and balancing beams, assembly, disassembly and calibration tooling, ground support equipment, airframe assembly platforms, engine transportation stands, mechanical and electro-mechanical turnkey systems, and precision components. These products are characterized by a high-mix, low-volume nature, where a variety of products (SKUs) are produced in relatively small quantities based on specific customer requirements. The company's ability to efficiently produce even single units of specific SKUs allows it to optimize pricing and maintain high profit margins, which are influenced by factors like on-time delivery and product quality.

Unimech adheres to stringent quality standards, meeting the aerospace industry norms of AS9100D and BS EN ISO 9001:2015. Between Fiscal 2022 and the six-month period ending September 30, 2024, the company manufactured 2,999 SKUs in tooling and precision complex sub-assemblies, and 760 SKUs in precision machined parts, serving more than 26 customers across seven countries. Unimech's export-oriented business model has established it as a key player in the global supply chain, catering to OEMs and their licensees in the aerospace, defense, semiconductor, and energy sectors.

The company's export contributions to total revenue were significant, with its export sales amounting to ₹331.01 million in Fiscal 2022, ₹896.45 million in Fiscal 2023, ₹2,038.49 million in Fiscal 2024, and ₹1,154.27 million in the six-month period ending September 30, 2024. These export revenues accounted for 91.06%, 95.20%, 97.64%, and 95.67% of Unimech's total revenue from operations during these periods. The company's key markets include the USA, Germany, and the United Kingdom, demonstrating its strong global presence and diversified customer base.

The company's manufacturing capabilities are extensive, encompassing a variety of machining processes such as turning, milling, double column milling, electro discharge machining, and grinding. Unimech's assembly center is equipped to handle large-scale assemblies, with capabilities of up to 10-meter-long assemblies and diameters of up to 3 meters. The company's assembly processes include a range of complex techniques, such as interference fits, transition fits, heli-coil assemblies, and smooth sealing applications. Unimech also offers high-precision laser tracker calibration and uses various marking techniques like laser marking, stenciling, and engraving to ensure high standards of accuracy and quality.

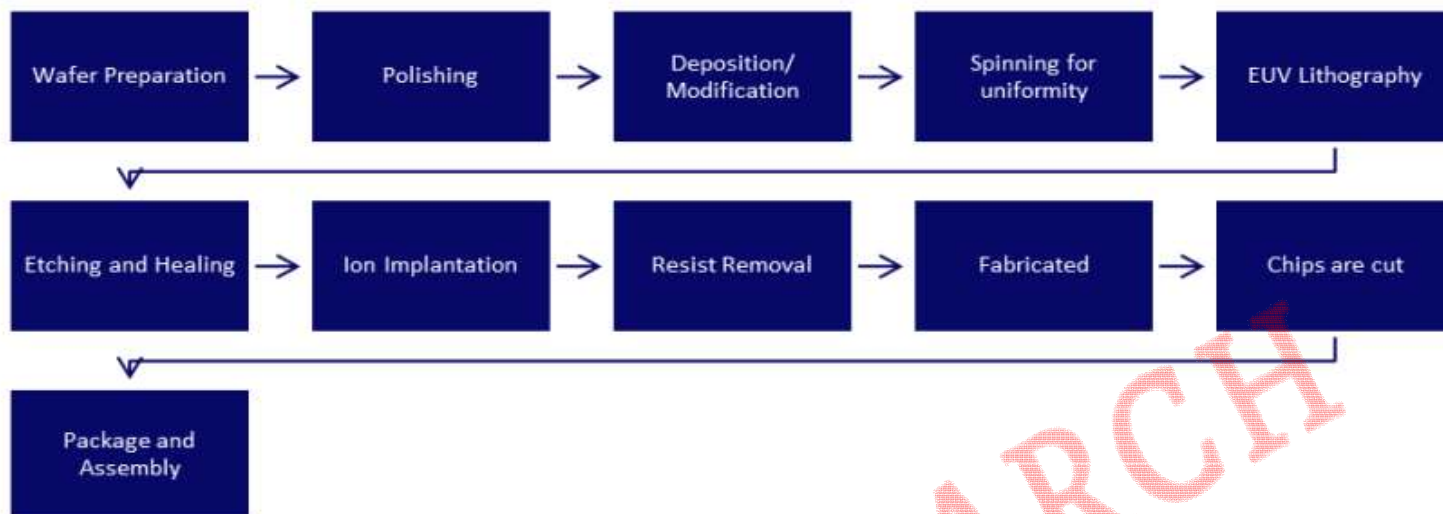
Company also boasts an impressive suite of testing and integration capabilities. The testing capabilities include load testing up to 70 tonnes, pressure testing up to 420 bars, balancing up to 1 gram, and helium leak testing. Additionally, the company performs various Non-Destructive Testing (NDT) processes such as ultrasonic testing, die-penetrant testing, magnetic particle inspection, and fluorescent penetration testing. For electrical and electronic integration, Unimech provides wire harness assembly, control panel development, and electronic component qualification and testing. These diverse capabilities enable the company to deliver highly customized, precision-engineered solutions that meet the complex requirements of its global clients.



## Key Performance Indicator (KPI)

Particulars	Sep-24	Mar-24	Mar-23	Mar-22
Revenue from operations	1206.56	2,088	941.66	363.49
Revenue from operations growth (%) (1)	-	1	1.5906	-
Gross profit (2)	854.01	1,376	677.69	263.29
Gross Margin (3) (%)	0.7078	1	0.7197	0.7243
EBITDA (4)	488.28	792	345.63	77.25
EBITDA Margin (5) (%)	0.4047	0	0.367	0.2125
Profit after tax for the period / year	386.8	581	228.13	33.92
Profit Margin (6) (%)	0.3206	0	0.2423	0.0933
Fixed Asset Turnover Ratio (7) (Times)	1.96	5	3.51	-
Return on Capital Employed (8) (ROCE) (%)	0.0969	1	0.4287	0.1034
Return on Equity (9) (%)	0.0992	1	0.467	0.1226
Number of Plants #	2	2	2	2
Installed Capacity # (No. of Hours)	165945	2,22,990	125100	99810
Number of Customers	16	16	15	18
Number of Countries	5	5	5	5
Operating Metrics:				
Customer Concentration (top 5)	0.9462	1	0.9388	0.8897
Customer Concentration (top 10)	0.9909	1	0.9811	0.9667
Trade Receivable Days (10)	64	82	125	75
Trade Payable Days (11)	87	66	68	98^
Inventory Days (12)	104	101	218	163
Cash Conversion Cycle (13) (Days)	81	117	275	140

### Semiconductor Segment, Manufacturing Process, 2018-2028F

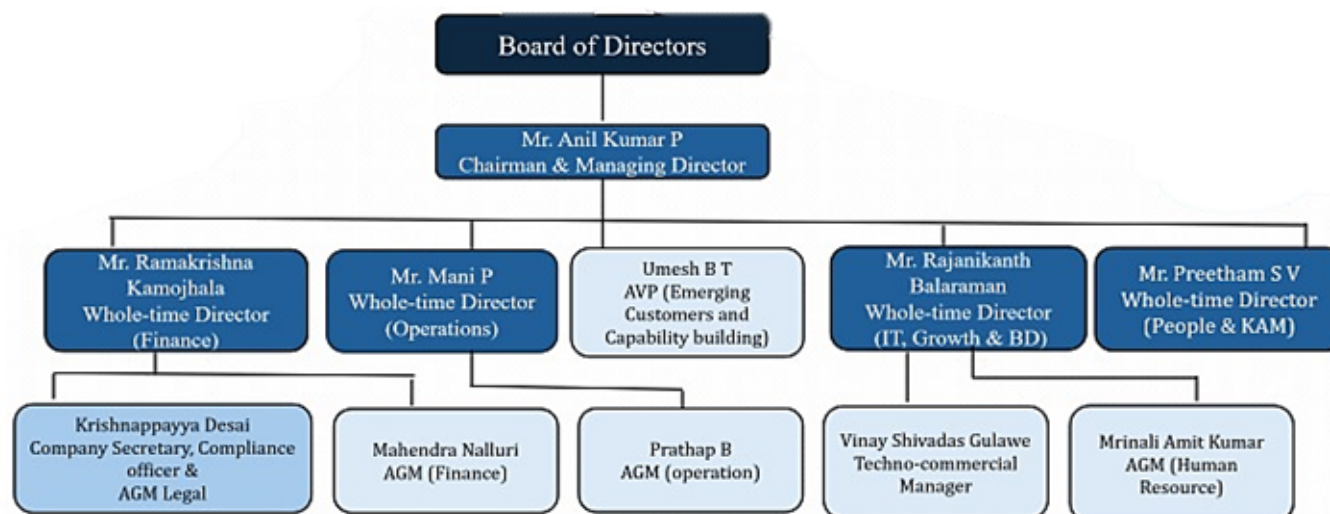


The Asia Pacific region is the largest semiconductor manufacturer globally, responsible for approximately 66.5% of the global semiconductor production from 2024 to 2028. Key countries in this region with significant semiconductor manufacturing capabilities include Taiwan, South Korea, China, and Japan. The Americas follow, contributing around 36.1% to the global market during the same period.

In the semiconductor manufacturing equipment market, North America and Europe hold nearly equal shares in 2024, while Asia dominates this segment with a higher market share. The semiconductor manufacturing equipment market is projected to be valued at USD 29.04 billion in 2024 and is expected to grow at a compound annual growth rate (CAGR) of 11.99%, reaching USD 45.67 billion by 2028. Asia is expected to be the fastest-growing region, with a CAGR of 12.5%.

Name of the Shareholder	No. of Equity Shares	As a % of pre-issued Capital
<b>Promoter</b>		
Anil Kumar	1,33,44,200	27.99
Ramakrishna Kamjhola	78,79,620	16.53
Mani P	78,79,620	16.53
Rajanikanth Balaram	78,79,620	16.53
Preetham S V	52,53,360	11.02
<b>Total (A)</b>	<b>4,22,36,420</b>	<b>88.6</b>
Rashmi Anil Kumar	15,40,180	3.23
ValueQuest Scale Fund	14,66,836	3.08
Evolvence India Fund IV	14,66,836	3.08
Steadview Capital Mauritius Ltd.	7,33,418	1.54
<b>Total (B)</b>	<b>52,07,270</b>	<b>10.93</b>
<b>Total (A+B)</b>	<b>4,74,43,690</b>	<b>99.53</b>



**MANAGEMENT ORGANIZATION STRUCTURE:**


**Anil Kumar P, Chairman and Managing Director** of the company and is one of its promoters. He has been associated with the company since September 1, 2018, and is responsible for overseeing business development functions. He holds a diploma in mechanical engineering from the Government of Karnataka and a B.Tech in mechanical engineering (computer integrated manufacturing) from Indira Gandhi National Open University (IGNOU), New Delhi. Prior to his role at Unimech, Anil Kumar worked at Quality Engineering & Software Technologies Private Limited as Project Manager, CIM Tools Private Limited as CAM-CAD Engineer, and INCITE CAM Centre as Team Leader in the CAM division. He has more than 20 years of experience in the manufacturing sector.

**Ramakrishna Kamojhala is the Whole-time Director, Chief Financial Officer, and Promoter of the company.** He has been with the company since July 31, 2017, and is responsible for finance and compliance functions. A fellow member of ICAI, ICWAI, and ICSI, Ramakrishna also holds an MBA from the National Institute of Business Management, Chennai, and completed the Middle Management Programme at IIM Ahmedabad. Before joining Unimech, he served as Company Secretary at International Aerospace Manufacturing Private Limited. With over 13 years of expertise in finance and secretarial functions within the aerospace manufacturing industry, he brings significant experience to his role.

**Mani P, a Whole-time Director and Promoter,** has been with the company since September 1, 2018, and oversees business operations. He holds a B.Tech in mechanical engineering (computer integrated manufacturing) from IGNOU and an MBA from Toulouse Business School, France. Previously, Mani P worked as Production Manager at International Aerospace Manufacturing Private Limited, Operations Supervisor at Goodrich Aerospace Services Private Limited, and Deputy Manager - Engineering at Maini Precision Products Private Limited. With over 19 years of experience in business operations, he plays a key role in managing day-to-day operations.

**Rajanikanth Balaraman is a Whole-time Director and Promoter,** who has been associated with the company since July 31, 2017. He manages growth, IT, and business development functions at Unimech. Rajanikanth holds a bachelor's degree in engineering from Bangalore University. He has previously worked at Integral Logic Private Limited, Robert Bosch India Limited, Datanet Corporation Limited, and National Instruments Systems (India) Private Limited, amassing over 26 years of experience in software engineering.

**Preetham S V is a Whole-time Director and Promoter** who joined the company on December 17, 2016. He oversees people management and key account functions. Preetham holds a bachelor's degree in industrial production engineering from Kuvempu University, Karnataka. His prior roles include Project Leader at Quality Engineering & Software Technologies Private Limited, Executive – Business Operations at Wipro Limited, and Software Quality Analyst at Affiliated Computer Services of India Private Limited. He has over 19 years of experience in the manufacturing sector.

**Mukund Srinath, an Independent Director** since July 3, 2024, is a fellow member of ICSI and holds degrees in commerce and law from Bangalore University. With over 34 years of experience in legal and secretarial roles, Mukund has worked with prominent organizations such as Capgemini Technologies Services India Limited, Pantape Magnetics Limited, SmithKline Beecham Pharmaceuticals, and BPL Sanyo Technology Limited.

**Comparison of Accounting Ratios with listed Industry Peers**

Particulars	Total Revenue (₹cr)	Face Value (Rs.)	EPS Diluted (Rs.)	P/E Ratio	RONW (%)
Unimech Aerospace & Manufacturing	1,206.56	5	8.49	-	9.92%
MTAR Technologies Limited	3,184.52	10	7.54	98.01	3.32%
Azad Engineering Limited	2,099.44	2	6.45	157.94	5.57%
Paras Defence & Space Technologies	1,706.60	10	7.36	132.5	5.71%
Dynatomic Technologies Limited	7,077.00	10	34.49	44.24	3.32%
Data Patterns India Limited	1,951.00	2	11.27	77.68	4.67%

**Competitive Analysis With Publicly Listed Companies**


	Azad Engineering Limited	Dynatomic Technologies Limited	MTar	Paras Defence	Data Patterns	Unimech	Jaivel Aerospace Private Limited	JendaMark India Private Limited	Jaisara Tooling Systems Pvt Ltd	TechEra Engineering India Limited
<b>Headquarters</b>	Hyderabad	Chennai	Hyderabad	Navi Mumbai	Chennai	Bengaluru	Ahmedabad	Pune	Hyderabad	Pune
<b>Company Type</b>	Public	Public	Public	Public	Public	Private	Private	Private	Private	Private
<b>Revenue from operations INR Mn)</b>	3,407.71	14,293.3	5,807.52	2,535.00	5,198.00	2,087.75	240.48	711.89	NA	387.49
<b>EBITDA</b>	1,165.88	1,594.10	1,127.00	510.60	2,216.20	791.86	141.68	52.52	NA	68.19
<b>EBITDA Margin</b>	34.2%	11.2%	19.4%	20.1%	42.6%	37.9%	58.9%	7.4%	NA	17.6%
<b>PAT</b>	585.80	1,218.10	561.13	300.30	1,817.00	581.34	86.93	23.73	NA	28.20
<b>PAT Margins</b>	17.2%	8.5%	9.7%	11.8%	35.0%	27.9%	35.4%	3.3%	NA	7.0%
<b>ROCE</b>	14.1%	8.3%	10.3%	7.4%	15.5%	54.4%	47.1%	6.0%	NA	16.1%
<b>ROE</b>	9.1%	18.2%	8.3%	6.8%	13.7%	53.5%	40.6%	6.9%	NA	17.6%
<b>Working Capital Days</b>	1,028	140	434	600	777	117	-51	125	NA	114
<b>FATR</b>	1.44	2.32	1.84	1.57	4.02	5.16	1.16	4.14	NA	4.56
<b>Key Industries</b>	Power, Aerospace, Oil & Gas, Automobile Industries	Aerospace, Automotive, Hydraulic, Security Assemblers	Space, Nuclear, Defence, Aerospace, Marine	Defense, Space Research, Electronics	Engineering Services, Cabling, Testing, Space	Aerospace, Defense, Power generation, Semiconductor	Aerospace, Energy & Medical	Automation Aerospace	Aerospace	Aerospace, Energy & Medical

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