

Rating: Subscribe for long term

Issue Offer

Fresh Issue of 31,84,712 shares up to INR 2,500 Mn & OFS of 31,84,712 shares up to INR 2,500 Mn by Promoters group taking the total issue size of 63,69,424 shares at INR 5,000 Mn.

Issue Summary

Price Band INR	745-785
Face Value INR	5
Implied Market Cap INR Bn.	39.92
Market Lot	19
Issue Opens on	Dec 23, 2024
Issue Close on	Dec 26, 2024
No. of share pre-issue	4,76,72,170
No. of share post issue	5,08,56,882
Listing	NSE, BSE
Issue Break-up %	
QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

Kfin Technologies Limited

Book Running Lead Managers

Anand Rathi Securities Limited,
Equirus Capital Private Limited

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	91.83%	79.82%
Public & Others	8.17%	20.18%

Objects of the issue

- Funding of capital expenditure for expansion through purchase of machineries and equipment by the Company
- Funding working capital requirements of the Company
- Investment in the Material Subsidiary for: (i) purchase of machineries and equipment; (ii) funding its working capital requirements; and (iii) repayment / prepayment, in full or part, of certain borrowings availed by their Material Subsidiary
- General corporate purposes.

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Rohan Baranwal

Incorporated in 1989, Unimech Aerospace and Manufacturing Ltd. is a global leader in high-precision engineering solutions, specializing in the manufacture of complex products for the aerospace, defense, energy, and semiconductor industries. It offers "build to print" and "build to specifications" services, including machining, fabrication, assembly, and testing, tailored to the specific requirements of its clients. The product portfolio includes inter alias, engine lifting, balancing beams, calibration tooling, ground support equipment, airframe platforms, and electro-mechanical turnkey systems. The company has successfully delivered over 3,000 SKUs, to 26+ clients across 7 countries. It operates two manufacturing facilities in Bangalore, covering a total area of over 1,20,000 sq ft. Unit I, located in Peenya, spans over 30,000 sq ft, while Unit II, situated in a SEZ near Bangalore International Airport, covers over 90,000 sq ft.

Investment Rationale:

Precision Engineering with End-to-End Solutions: The company specializes in manufacturing complex, customized products through "build to print" and "build to specifications" models, supported by advanced in-house capabilities and a robust vendor network. It has delivered 2,356 SKUs in tooling and precision sub-assemblies and 624 SKUs in precision machined parts, serving 26+ customers across 7 countries. With two state-of-the-art facilities spanning 120,000 sq. ft. and a combined annual capacity of 2,22,990 hours (93.93% utilization), the company excels in delivering high-mix, low-volume components, including assemblies up to 10 meters. Leveraging engineering expertise and technology-driven processes, it ensures cost-effective, high-quality solutions tailored to client specifications.

Digitally-Integrated Manufacturing Excellence: Company employs advanced digital manufacturing systems that seamlessly integrate processes from order origination to delivery, ensuring streamlined operations, exceptional quality, and on-time project execution. Its ERP system enables real-time monitoring and transparency across the vendor network, ensuring supplier performance, traceability, and adherence to quality standards. By utilizing manufacturing ballooning software, the company annotates 2D drawings with critical measurement points, enhancing inspection accuracy and quality control. Every stage, from initial quotations to final assembly, is meticulously planned using cutting-edge technologies, positioning the company as a trusted supplier to leading aerospace, defense, semiconductor, and energy industry players.

Strong Export-Oriented Business Model: The company stands as a prominent exporter of aerospace components, with over 90% of its revenue derived from exports to global OEMs and their licensees, primarily in the USA, Germany, and the United Kingdom. Its global delivery model ensures timely and cost-effective product distribution, supported by robust logistical capabilities. This focus not only strengthens customer retention but also attracts new clientele. Also, the company benefits from a vendor ecosystem of 44 partners operating 100 machines, managed through structured sub-contractor arrangements involving selection, onboarding, training, and growth initiatives. A dedicated team of 20 supply chain professionals oversees this process while in-house training programs enhance workforce-engineering skills, ensuring alignment with updated manufacturing technologies.

Strategic Growth Initiatives and Technological Advancements: The company led by an experienced management team and supported by 164 skilled engineers focused on process innovation, automation, and advanced design, which bolsters its technological expertise. To expand market reach, the company plans to establish a significant manufacturing presence in the USA by setting up tooling inventory and warehousing facilities, reducing lead times and improving responsiveness. Domestically, the company is leveraging the growing engine MRO market, projected to grow at a CAGR of 4.5%, by partnering with OEMs to provide tooling and aftermarket services through local MRO facilities.

Valuation and View: Unimech Aerospace is focused on market entry and diversifying its offerings through partnership with global and local manufacturers, building up their expertise and infrastructure. With two operational manufacturing units and an upcoming technology park in Karnataka, the company plans to expand its manufacturing into high-value sectors such as medical devices and robotics, targeting clients requiring advanced precision equipment. By aligning its capabilities with emerging trends and emphasizing high-mix, low-volume products, it aims to strengthen its supply chain, capture niche markets, and address changing customer needs. At the upper band of INR 785, the issue is valued at P/E ratio of 68.67x, based on a FY24 EPS of INR 11.4. We are recommending a "Subscribe for long term" rating for this issue.

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri E Mumbai – 400093 Tel: 91-22 42254800 Fax: 91-22 42254880	6 Lad Colony Y.N Road Indore - 452003, M.P. Tel: 0731-4217100 Fax: 91-731 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri E
Tel. 022-42254800 Fax. 022-42254880