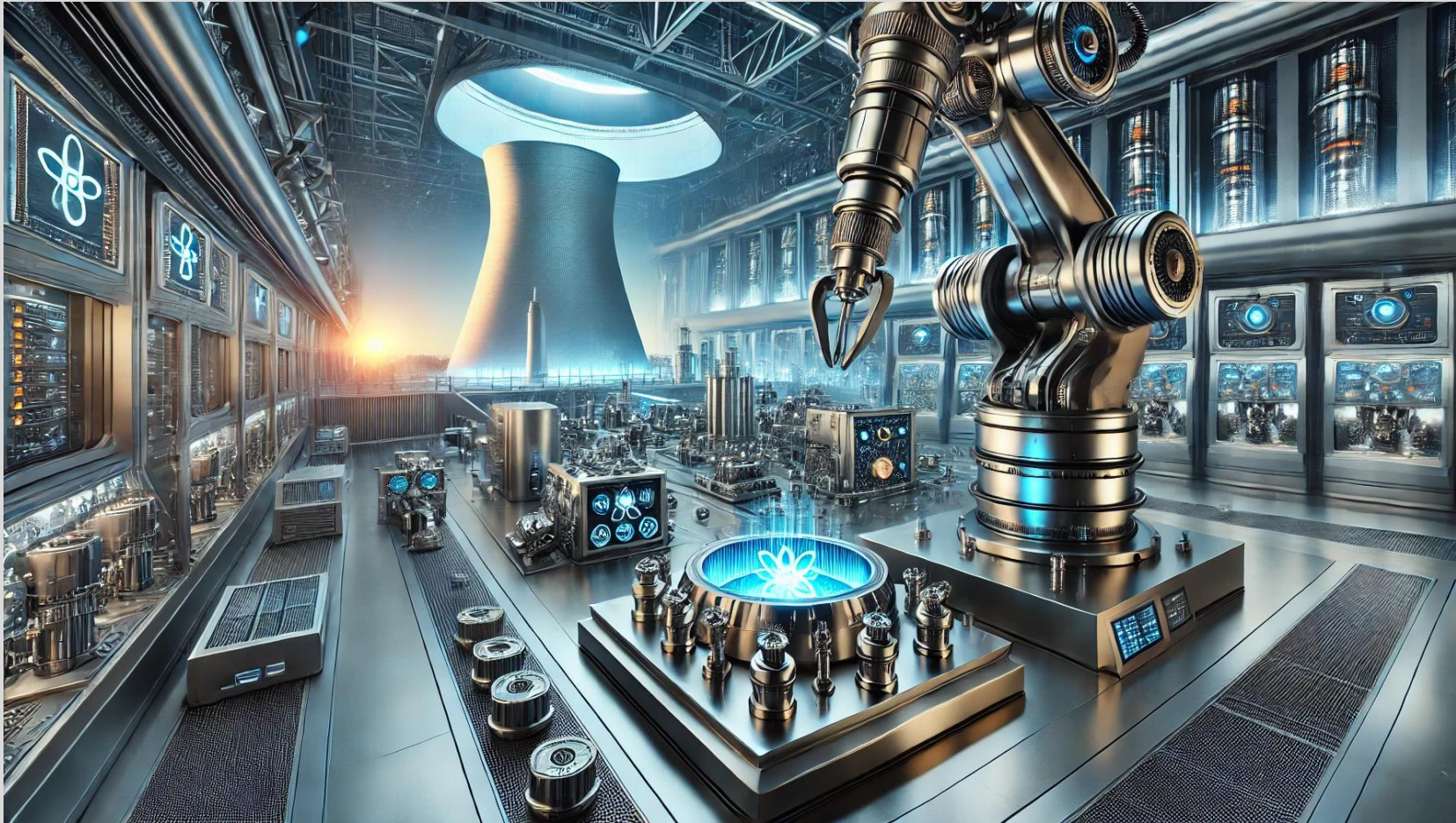


Unimech Aerospace & Manufacturing

Precision excellence, high-quality growth potential unleashed; initiating, with a Buy

Rating: Buy
Target Price: Rs.1,315
CMP: Rs.1,015



Key data	UNIMECH IN / UNIG.BO
52-week high / low	Rs1524 / 850
Sensex / Nifty	76906 / 23350
3-m average volume	-
Market cap	Rs51bn / \$596.9m
Shares outstanding	51m

Shareholding (%)	Dec'24
Promoters	79.8
- of which, Pledged	-
Free float	20.2
- Foreign institutions	1.6
- Domestic institution	7.0
- Public	11.5

Manish Valecha | Research Analyst

Prasheel Gandhi | Research Associate



Summary

Driven by its focus on high-mix, low-volume production, Unimech specializes in complex, high-precision aero tooling, GSE, electromechanical sub-assemblies and precision components. Led by advanced manufacturing and strong OEM/licensee relationships, it plans to penetrate deeper into aerospace and nuclear energy, while diversifying into other high-mix, low-volume sectors organically and inorganically. The company has a dynamic management team at its helm, enabling them to achieve ~35% growth on sustainable basis and achieve ~37.5%+ RoIC by FY27.



Mastering complex precision with on-time delivery

The company specializes in critical parts, e.g., aero tooling, ground support equipment and precision components. It is one of the few Indian companies to pass the stringent approval processes of global airframe and aeroengine OEMs to supply high-precision components. With a strong vendor network, the company scales up production efficiently, ensuring optimal asset utilization and effective working capital management.



Scaling up presence in aero tooling with superior manufacturing

The company's 1,80,000sq.ft. manufacturing facility would be expanded to 3,30,000sq.ft. by Mar'26, which would ensure significant growth. Its digital-first strategy (supported by in-house ERP systems) is driving wallet-share gains in the aeroengine tooling segment. As a key beneficiary of new engine program rollouts, the company is well positioned to capitalize on the shift in MRO activities to Asia. Additionally, it plans to scale up into airframe tooling, which would further strengthen its growth prospects.



Dynamic management spearheading strategic expansion

With deep aerospace roots, the dynamic management team drives high-quality growth. The five-member team has expanded into sectors like nuclear energy and micro-gas turbines, staying true to its precision manufacturing core. The Rs2.5bn pre-IPO fund raise enabled growth via acquisitions, partnerships and collaborations.

Valuation

The company is strategically positioned to capture structural tailwinds in aerospace, defence and energy sectors. Additionally, the pre-IPO capital raise offers multiple growth opportunities, while ongoing capacity expansions provide the flexibility to scale up. Excluding the M&A impact, we expect 34%/35.2%/36.7% revenue/EBITDA/PAT growth over FY24-27. We initiate coverage on the stock, with a Buy rating and a TP of Rs1,315, 45x FY27e EPS of Rs29.2.

Key risks

High dependency on top five customers; significant segmental contribution from aerospace; heavy dependence on exports and regional performances.

Particulars Y/E Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues (Rs m)	942	2,088	2,543	3,578	5,019
Adj. net profit (Rs m)	228	581	752	1,026	1,486
EPS (Rs)	5.2	13.2	14.8	20.2	29.2
P/E (x)	195.5	76.7	68.6	50.3	34.7
EV/EBITDA (x)	129.6	56.6	55.9	38.0	25.6
P/BV (x)	91.3	41.1	7.5	6.6	5.5
ROE (%)	46.7	53.5	11.0	13.1	15.9
ROCE (%)	42.9	54.4	11.7	14.7	18.6
ROIC (%)	45.8	57.8	25.0	28.2	37.8
Net Debt/Equity (x)	0.4	0.2	(0.1)	(0.1)	(0.2)

Mastering complex precision with on-time delivery



The company specializes in manufacturing of critical parts such as aero tooling, ground support equipment, electromechanical sub-assemblies and precision components. Its focus is on high-mix, low-volume production, with 'build-to-print' and 'build-to-specification' capabilities.



Between FY22 and 9M FY25, it produced 3,268 SKUs in tooling and precision sub-assemblies and 773 SKUs in precision machined parts, serving over 25 customers across seven countries.



It is one of the few Indian companies to pass the rigorous two-three-year approval processes of global airframe and aeroengine OEMs; as a result, it supplies high-precision, critical components to major OEMs and their licensees.



With a strong vendor network, the company can scale up production efficiently, ensuring optimal asset turns and working capital management for sustainable growth.

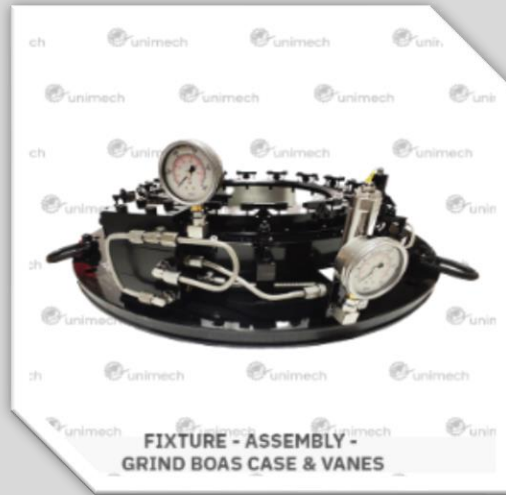
Aero tooling and ground support equipment offerings

ANAND RATHI



Electromechanical sub-assemblies and precision component offerings

ANAND RATHI



Successfully navigated stringent approval processes

The complex production process entails a lengthy approval cycle, often taking up to three years.

Even after onboarding, OEMs face challenges in switching vendors due to the complexities involved in scaling high-mix, low-volume operations, which require precision and strict adherence to timelines.

The company has successfully navigated rigorous approval processes and supplies complex products to global airframe and aeroengine OEMs, as well as their approved licensees.

Infrastructure

To engage with global OEMs, having readily deployable infrastructure means significant plant capacity, which requires 36-48 weeks and upfront investment. Unimech has expanded its infrastructure capacity significantly to appeal to major OEMs.

Introduction

After market research identifies potential clients, the process entails personalized emails, company presentations, personal visits, mutual NDAs, customer audits and onboarding.

Enquiries

- 1) Enquiry receipt
- 2) Manufacturing feasibility review
- 3) Quote submission
- 4) Feedback collections
- 5) Quote negotiations
- 6) Purchase order receipt
- 7) Sales order generation

Program management

- 1) Engineering and design
- 2) Procurement
- 3) Manufacturing and testing to meet customer requirements.

Validation

- 1) Qualification of final product from customer.
- 2) Formal validation and approval.

Employs a robust vendor ecosystem

The company boasts of a robust vendor ecosystem, which undertakes various aspects of non-critical and limited complexity manufacturing, allowing it to focus on the critical aspects of manufacturing.

The company rigorously selects sub-contractors based on technical capability, quality and reliability. A team of 20+ supply-chain experts ensure seamless onboarding, training and growth.

Certain sub-contractors work exclusively with the company from its unit I facility in Peenya, enabling regular inspection and quality control. The company diversifies its supplier base for agility, preventing bottlenecks and ensuring rapid scalability.

Leveraging its strong vendor network, the company scales up production as needed, ensuring superior asset turns and efficient working capital management.

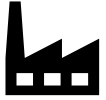
In-house vendors

- Sub-contractors operate machinery under direct supervision, ensuring quality and integration.
- The company maintains control over the manufacturing process through this model.
- Long-term relationships with sub-contractors allow alignment with operational goals, ensuring superior quality and timely delivery.

Sub-contractors

- Sub-contractors manage machining and special processes, with tasks outsourced based on complexity and criticality.
- Non-critical machining tasks are sub-contracted, enabling the company to focus on core competencies, and optimize in-house capacity.

Scaling up presence in aero tooling with superior manufacturing



As of Dec'24, the company operated two manufacturing plants with total capacity of 1,80,000sq.ft. It is also exploring new sites, in addition to the land acquired from KAIDB, to expand capacity to 3,30,000sq. ft., with peak revenue of Rs10bn targeted from these facilities.



The company has established itself as a key vendor in the aeroengine tooling value-chain and a strategic supplier to major licensees. Its expertise and manufacturing strength reinforce its leadership in the sector.



It has been a major beneficiary of new engine programs and expects to capitalize on the growing MRO demand in Asia, leveraging on the shifting market tailwinds.



The company is actively building and strengthening relationships with airframe manufacturers. While the same is still in nascent stages, management expects significant growth over the medium term.

Robust infrastructure and leveraging digital-first manufacturing

As of 30 Dec'24, the company operated two manufacturing plants in Bengaluru: unit I in Peenya and unit II in the Devanahalli SEZ.

It is also exploring new sites, alongside the land acquired from KAIDB, to expand capacity.

It employs a digital manufacturing system that streamlines the process from order to delivery.

In-house ERP system plans and tracking of each production step, including the movement of components to external vendors ensure timely product delivery.

The company expects to achieve peak revenue of Rs10bn on these facilities.

Unit	Size (in sq.ft.)	Remarks
Unit – I (Peenya)	30,000	
Unit – II (Devanahalli SEZ)	150,000	Recently added 60,000sq.ft. in Oct'24
New sites (Devanahalli)	-	Adding 1,50,000sq.ft. by Mar'26

Digital-first manufacturing system



Key player in the aeroengine tooling market

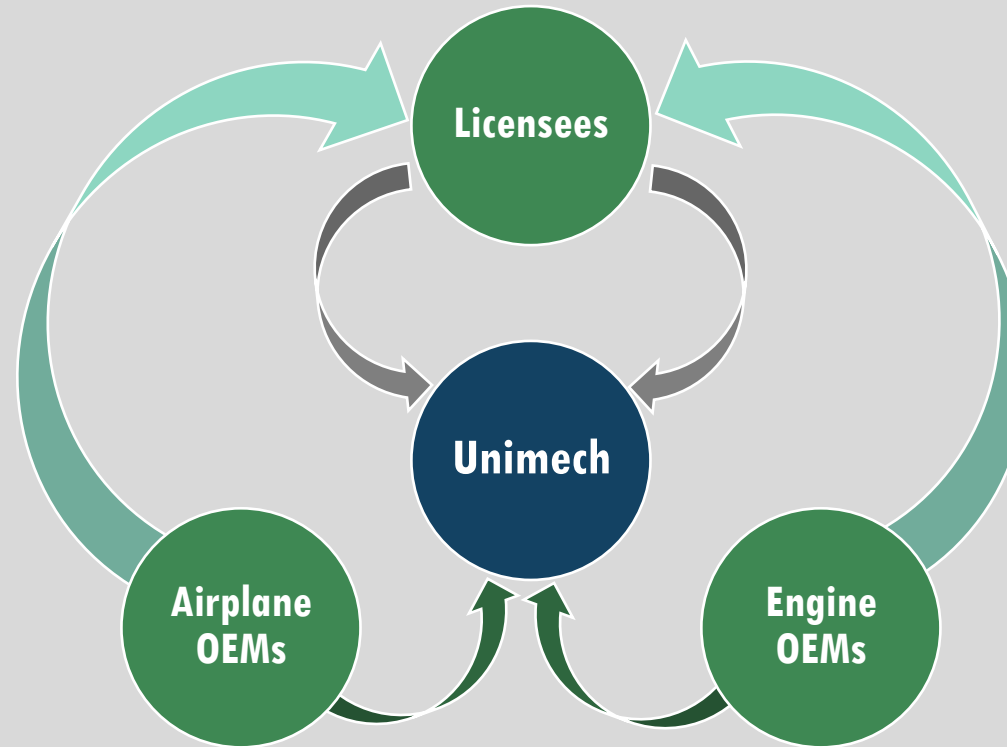
The aeroengine tooling market is regulated, with engine OEMs appointing licensees to supply tooling to OEMs, airlines and MROs.

The appointed licensees supply all tooling needs for engine OEMs, airlines and MROs. Unimech, after a stringent approval process, currently supplies tooling to four licensees.

Unimech earns customer trust by delivering high-precision products within stringent timelines at 15-20% lower costs than European and American peers, fostering strong relationships with licensees.

The company has become a strategic supplier to several licensees, ensuring consistent orders as it scales up its operations.

Aero tooling hierarchy



Benefitting from the shift towards new engine programs

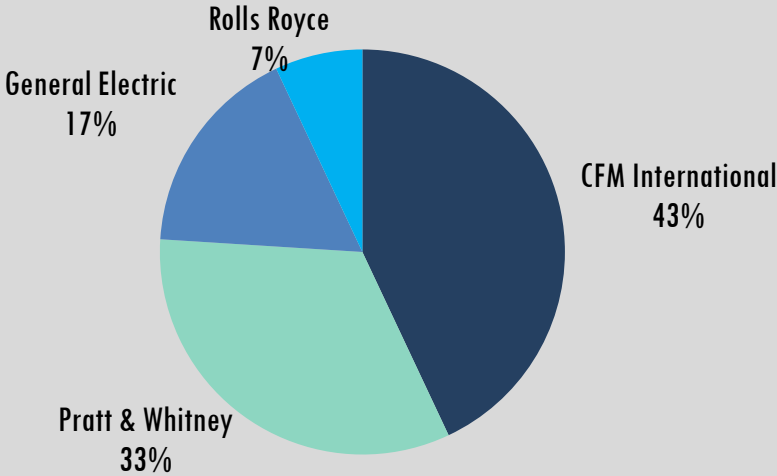
CFM International and Pratt & Whitney dominate the narrow-body aircraft engine market, while General Electric and Rolls Royce lead in wide-body engines. CFM launched the LEAP engine in 2016, Pratt & Whitney introduced the PW1500G (2016) and PW1900G (2018), and Rolls Royce rolled out the Trent XWB-84 (2015), Trent XWB-97 (2018), and Trent 7000 (2019).

These advancements have significantly benefited the company, which has capitalized on the growing demand for advanced engine components and systems, driven by continuous evolution of next-generation aircraft engines.

Tooling demand for new engines initially favors engine OEMs. However, as aircrafts enter the deep MRO stage after 5-6 years, demand for tooling will shift towards MROs, creating significant growth opportunities for Unimech.

With tool lifespans ranging from 5 to 10 years, replacement demand from OEMs will further drive growth, providing the company with substantial potential for expansion.

Market share and engine programs



New engine program rollout

Engine OEM	Engine	Service date
CFM International	Leap-1A	2016
	Leap-1B	2017
	Leap-1C	2019
	RISE	mid-2030s
Pratt & Whitney	GTF/PW1500G	2016
	GTF/PW1900G	2018
Rolls Royce	Trent XWB-84	2015
	Trent XWB-97	2018
	Trent 7000	2019
General Electric	GE9X	2020

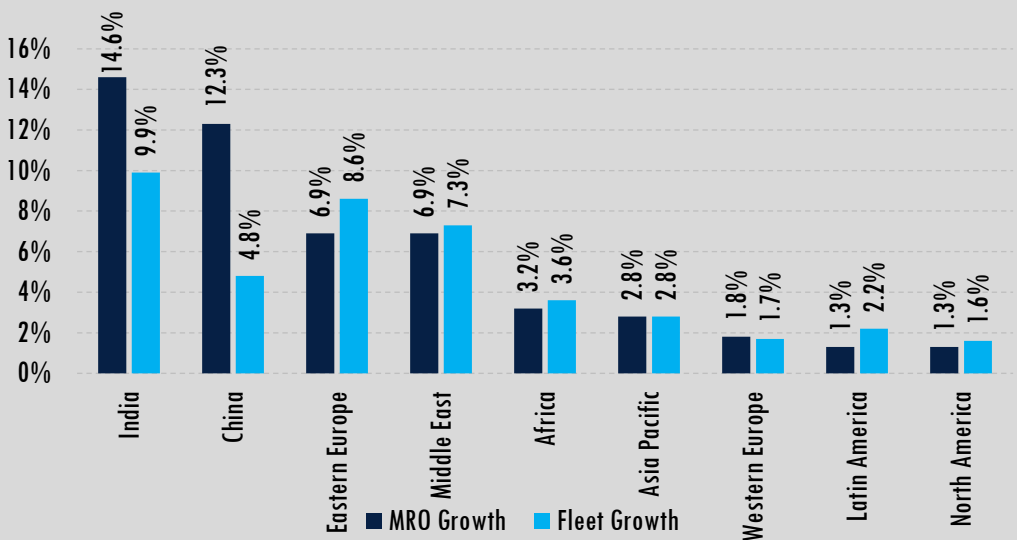
Capturing MRO growth opportunities in India

Licensees outsource manufacturing based on: (i) Precision and special process capabilities, (ii) local presence, (iii) production capacity, (iv) competitive pricing for complex products and (v) tool weight.

Unimech's competitors are primarily in America, Europe and Malaysia, while the MRO industry is shifting towards India and Asia, with major shops supporting new engine programs in deep MRO stages.

The regional shift presents a growth opportunity for the company. With its strategic local presence, it is well-positioned to capitalize on the rising demand for MRO services.

The company's expertise in high-precision manufacturing, special processes, coating capabilities and competitive pricing solidify its position as the preferred regional supplier.



Upcoming MRO facilities in India	Completion timeline
Airbus and HAL	2024
Dassault Aviation	2024
Thales MRO	2025
Aequis & Magellan	2025
Air India - SIAEC MRO	2026
DIACL(Phase I)	2026
Lockheed Martin and TASL	2027
AAR Indamer (Phase II & III)	2029
Noida International Airport	2030

Expanding its footprint with global airplane OEMs

Unlike the aeroengine tooling market, airframe tooling has a bit of a linear hierarchy, as suppliers can directly provide tooling to airplane OEMs. However, approval processes are even more stringent and longer compared to those of the aeroengine tooling market.

Unimech began working with Boeing in 2021, but the stringent approval process has slowed scaling up. However, as the partnership matures, management expects significant growth in the airframe tooling business. The company also plans to expand into OEM precision parts, which would further strengthen its market position.

The company has recently started working with Airbus and Dassault, though these are still in nascent stages. It aims to expand by tapping into other domestic and international airframe manufacturers to scale up this segment.

Dynamic management spearheading strategic expansion



The five-member promoter team has deep aerospace expertise, which positions the company for stronger industry penetration. The company's diverse leadership allows it to target high-mix, low-volume segments, while staying true to its core strength in precision manufacturing.



Expanding beyond aerospace, the company has ventured into the nuclear sector, capitalizing on its precision manufacturing DNA to explore growth opportunities there.



The company's investment in Dheya Engineering marks its entry into the micro-gas turbine market. It aims to leverage Dheya's design capabilities to enhance its presence in this emerging sector.



The company raised Rs2.5bn pre-IPO, which provides it with strategic growth options, including mergers and acquisitions and partnerships across existing and new high-mix, low-volume segments.

Gifted leadership steering the ship

ANAND RATHI



Anil Kumar P
Co-Founder, CEO & Chairman

- Responsible for business development
- **Over 20 years'** experience in the manufacturing sector
- B.Tech from Indira Gandhi National Open University, New Delhi
- Previously worked at **Quality Engineering & Software Technologies Pvt Ltd, CIM Tools Pvt Ltd, etc.**



Ramakrishna Kamojhala
Co-Founder & CFO

- Responsible for finance and compliance functions
- **Over 23 years'** experience in financial and secretarial fields in the aerospace manufacturing sector
- Member of ICAI, ICFI & ICSI; MBA from NIBM, Chennai
- Previously worked at **International Aerospace Manufacturing Pvt Ltd**



Mani P
Co-Founder & Head of Component & Assembly

- Responsible for business operation
- **Over 19 years'** experience in business operations
- B.Tech degree from Indira Gandhi National Open University, New Delhi, and MBA from Toulouse Business School, France
- Previously worked at **International Aerospace Manufacturing Pvt Ltd and Maini Precisions Products Pvt Ltd**



Rajanikanth Balaraman
Co-Founder & Chief Growth / Technology Officer

- Responsible for growth, information technology and business development functions
- **Over 26 years'** experience in software engineering
- B.Tech degree from Bangalore University, Karnataka
- Previously, **MD at National Instruments Ltd; Robert Bosch India Ltd, etc.**



Preetham S V
Co-Founder & Head of Tooling Division

- Responsible for people and key account management functions
- **Over 19 years'** experience in manufacturing
- B.Tech degree from Kuvempu University, Karnataka
- Previously, worked at **Quality Engineering & Software Technologies Pvt Ltd, Wipro, etc.**

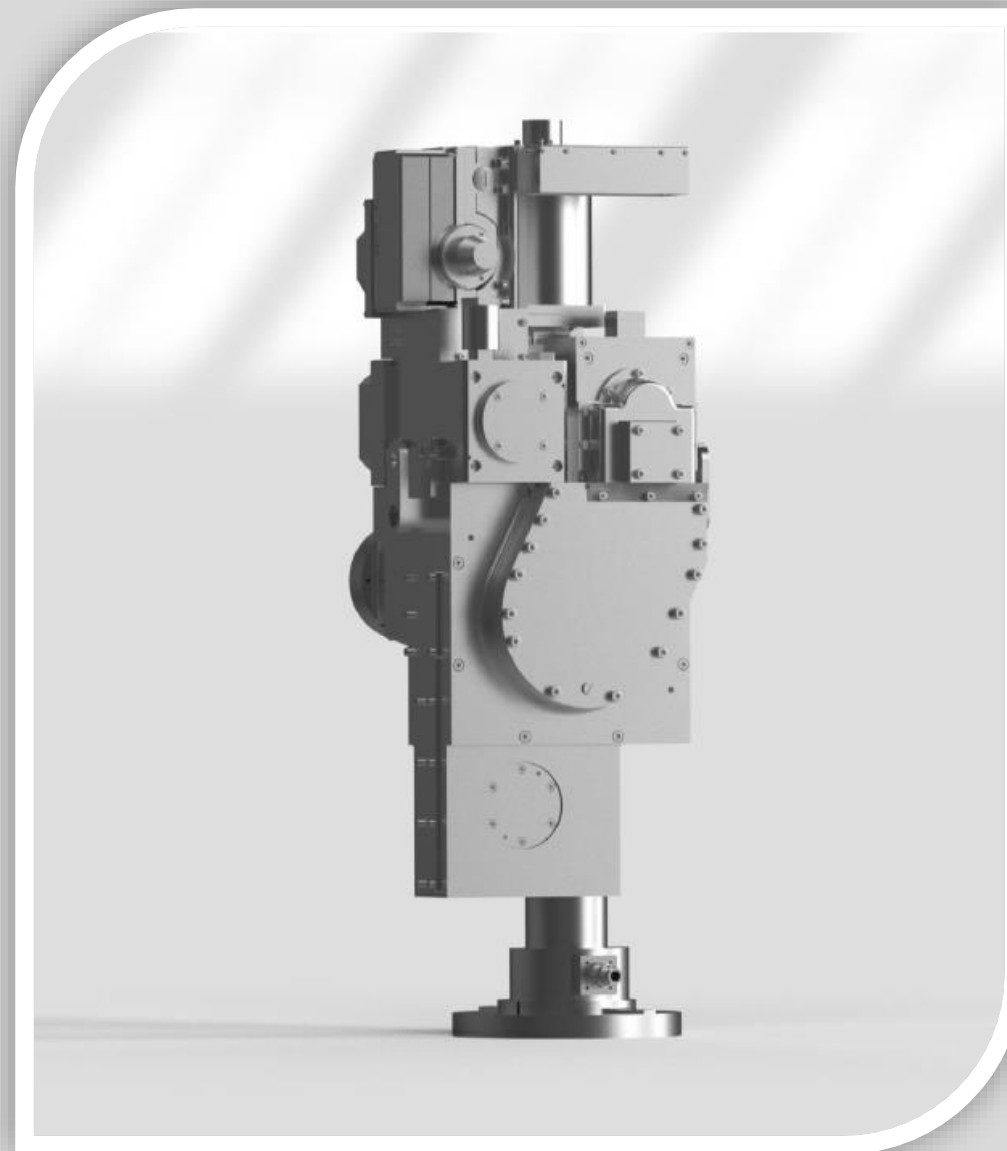
Seizing opportunities in nuclear capacity expansion

Staying true to its precision manufacturing DNA, Unimech diversified its offerings to the nuclear segment.

It expanded its presence in the nuclear segment through development of drive mechanisms for shutoff rods (SR), control rods (CR) and adjuster rods (AR), for which it has gotten approved from the NPCIL. The company is providing the same for the upcoming GHAVP-1&2.

It plans to increase its bill of offerings per nuclear power plant over the medium term. It plans to add fuel locator, end fittings, shielding plug, etc., thus, increasing its offering per reactor from Rs250m currently.

It is positioning itself to benefit from nuclear capacity growth, expected to triple from 8.18GW in 2024 to 22.48GW by 2031-32. The government's Nuclear Energy Mission aims to develop five small modular reactors (SMRs) by 2033 with Rs200bn funding, supported by amendments to the Atomic Energy Act to attract private investment; this is likely to benefit the company significantly.



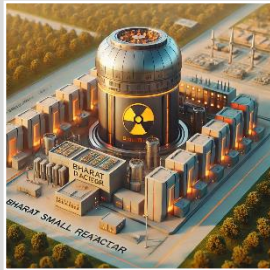
To reap the benefit of tripling nuclear capacity

Nuclear capacity additions over the next decade

State	Location	Project	Capacity (MW)
Projects under construction/ commissioning			
Rajasthan	Rawatbhata	RAPP-7&8	2 X 700
Tamil Nadu	Kudankulam	KKNPP-3&4	2 X 1000
		KKNPP-5&6	2 X 1000
	Kalpakkam	PFBR	1 X 500
Haryana	Gorakhpur	GHAVP-1&2	2 X 700
Undergoing pre-project activities			
Karnataka	Kaiga	Kaiga-5&6	2 X 700
Haryana	Gorakhpur	GHAVP— 3&4	2 X 700
Madhya Pradesh	Chutka	Chutka-1&2	2 X 700
Rajasthan	Mahi Banswara	Mahi Banswara-1&2	2 X 700
		Mahi Banswara-3&4	2 X 700
Tamil Nadu	Kalpakkam	FBR-1&2	2 X 500
Total			15,300

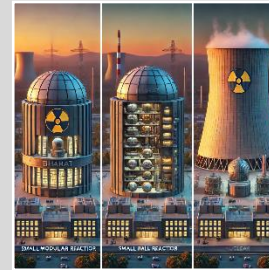
Government's focus on BSR and BSMR to fuel further growth

The Union Budget of 2025-26 emphasized on nuclear energy as a key part of India's energy transition, targeting 100GW of capacity by 2047. The Nuclear Energy Mission for Viksit Bharat aims to enhance domestic capabilities, encourage private sector involvement and fast-track small modular reactors (SMRs). Rs200bn is allocated to develop five indigenously designed SMRs by 2033.



Bharat Small Reactors

BSRs are 220MW pressurized heavy water reactors (PHWRs), with proven safety record and upgraded for smaller land footprints. Ideal for industries like steel and aluminum, these serve as captive power plants for decarbonization.

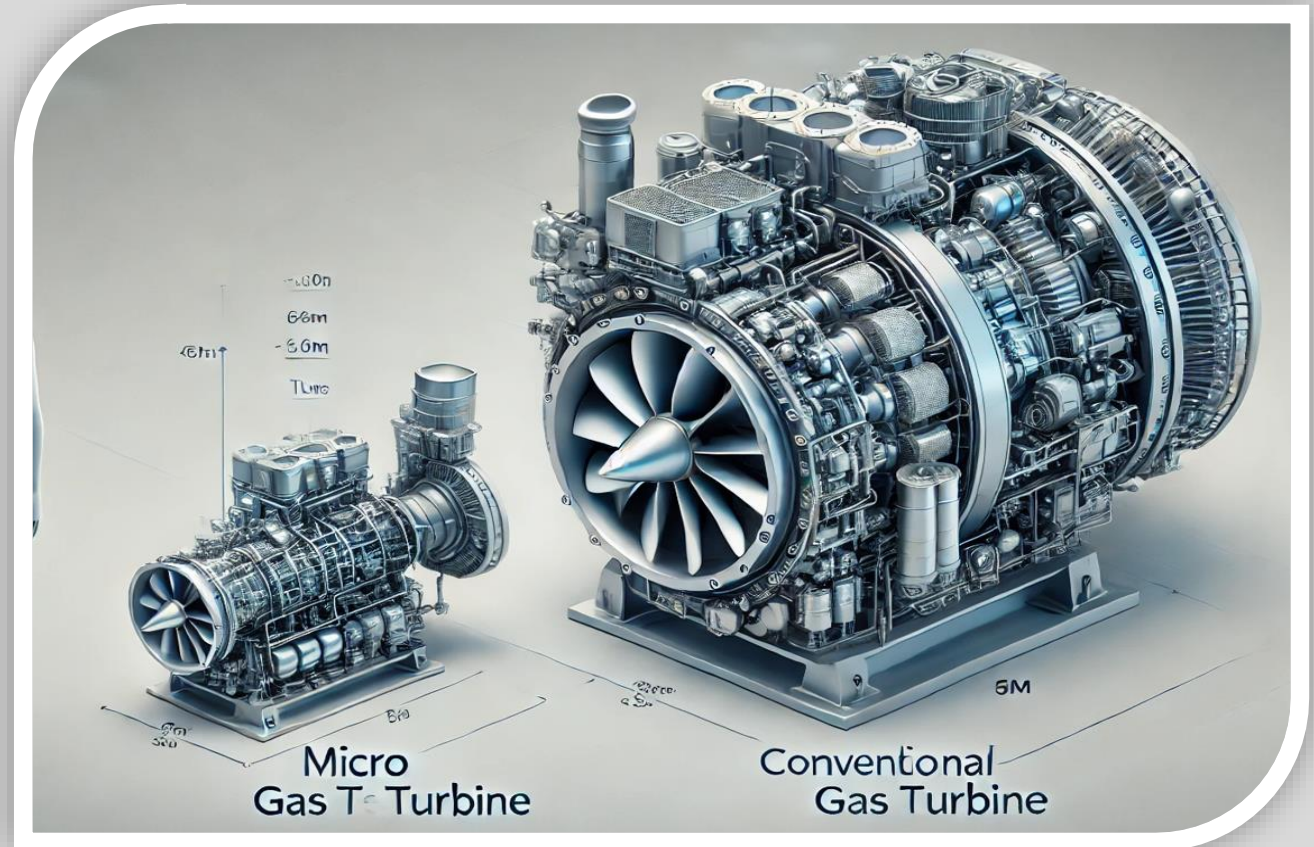


Bharat Small Modular Reactors

BSMRs are compact, cost-effective reactors (30MWe to 300MWe+) that support renewables, stabilize the grid, and provide reliable, low-carbon power. BSMRs' modular design reduce construction time and cost, making them suitable for on-grid and off-grid applications, including remote areas.

Dheya investment unlocks the micro-gas turbine market

- In Nov'24, Unimech entered a strategic partnership with Dheya Engineering Technologies Pvt. Ltd., acquiring 30% of the latter's share capital for Rs105m through compulsory convertible preference shares. The promoters, Anil Kumar P and Rajanikanth Balaraman, will join Dheya's board as part of the deal.
- The company also signed an exclusive 10-year manufacturing agreement with Dheya for micro-gas turbines, covering all current and future models (used in defence and energy sectors). The agreement includes all stages of production, from prototyping to full-scale manufacturing and assembling for commercial, aftermarket, and defence applications.
- Micro-gas turbines (MGTs) are small-scale gas turbines typically ranging from 25kW to 500kW in power output. They are widely used in various applications, owing to high efficiency, low emission, compact size and fuel flexibility.



M&A funding to boost strategic flexibility

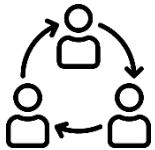
In Jul'24, Unimech raised Rs2.5bn (preferential basis) for investing in inorganic opportunities. It could employ this money raised towards one or multiple avenues:



Establishing its manufacturing footprint in the US, through acquisitions or organic growth. This would offer immediate access to an established infrastructure, a skilled workforce and local market insight, allowing rapid integration into the US manufacturing landscape.



Strategic alliances with global and local manufacturers to enhance capabilities, drive innovation and expand market reach. Global partnerships offer advanced technologies, while local collaborations optimize supply chains, meet regional needs and ensure efficient delivery.



Pursuing international collaborations to strengthen its market position. The company is exploring JVs and strategic alliances with regional partners. These partnerships will leverage local expertise and infrastructure, enabling faster market entry and improved services for European customers.



Strategic acquisitions in the US will enhance technological capabilities, drive expansion into new product categories, and increase production capacity. Access to advanced technologies and expertise will keep the company at the forefront of industry advancements, while improving efficiency in precision-critical sectors like semiconductors, medical devices and robotics.

Income statement (Rs m)	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	942	2,088	2,543	3,578	5,019
growth (%)	159.1	121.7	21.8	40.7	40.3
Direct costs	264	712	763	1,109	1,606
SG&A	332	584	865	1,127	1,456
EBITDA	346	792	916	1,342	1,958
EBITDA Margin (%)	36.7	37.9	36.0	37.5	39.0
Depreciation	41	45	103	185	212
Other Income	8	50	203	250	266
Interest expenses	19	32	44	36	25
PBT	294	765	972	1,372	1,986
Effective Tax Rate (%)	22.3	24.0	22.6	25.2	25.2
+ Associates/ (Minorities)	-	-	-	-	-
Net income	228	581	752	1,026	1,486
Adj. net income	228	581	752	1,026	1,486
WANS	43.9	43.9	50.9	50.9	50.9
FDEPS (Rs)	5.2	13.2	14.8	20.2	29.2
FDEPS growth (%)	572.6	154.8	11.8	36.4	44.8

Balance sheet (Rs m)	FY23	FY24	FY25e	FY26e	FY27e
Share capital	10	220	254	254	254
Net worth	488	1,086	6,838	7,865	9,351
Debt	223	289	120	20	20
Minority interest	-	-	-	-	-
Deferred tax Liability/(Asset)	(5)	(6)	(6)	(6)	(6)
Capital employed	706	1,369	6,953	7,879	9,366
Net tangible assets	287	514	2,360	2,826	2,814
Net intangible assets	3	6	6	6	6
Goodwill	-	-	-	-	-
CWIP (tangible and intangible)	0	0	0	0	0
Investments (strategic)	-	-	885	885	885
Investments (financial)	-	-	2,247	2,247	2,247
Current assets (excl. cash)	596	1,154	1,294	1,736	2,374
Cash	41	76	568	648	1,615
Current liabilities	221	382	408	468	575
Working capital	375	772	886	1,268	1,799
Capital deployed	706	1,369	6,953	7,879	9,366
Contingent liabilities	-	-			

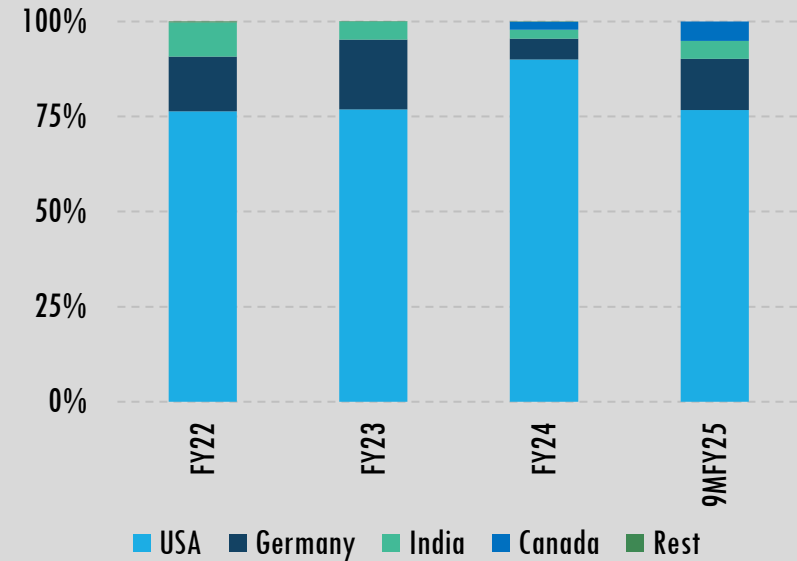
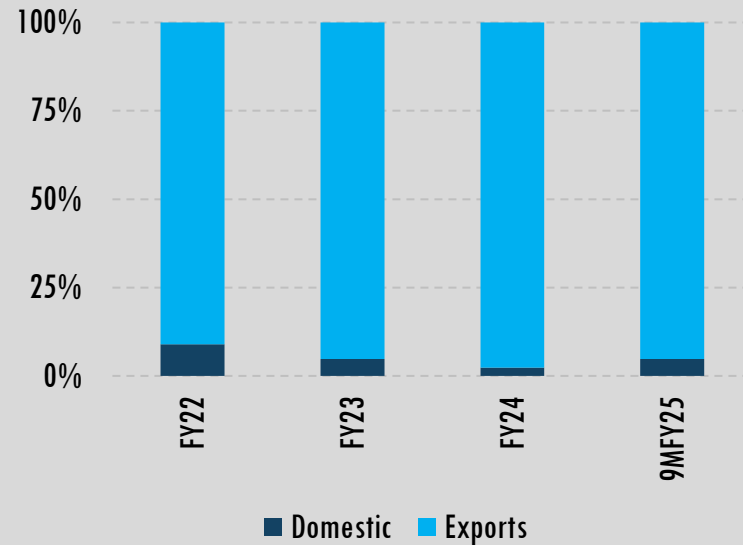
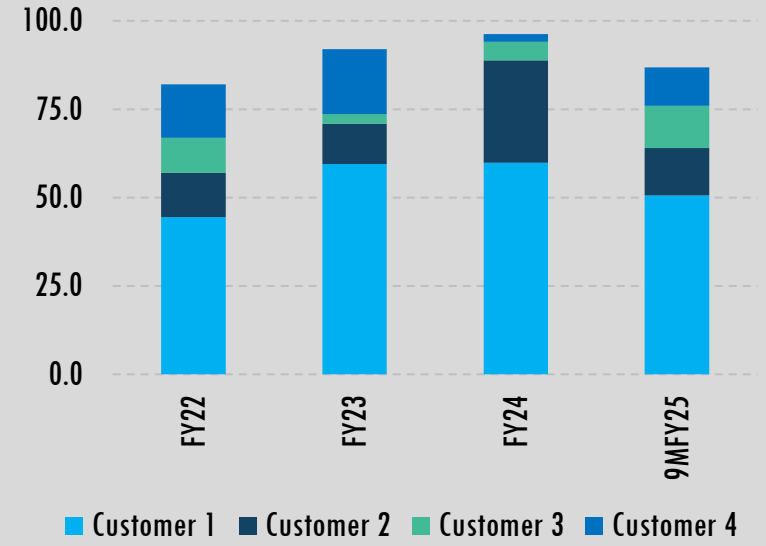
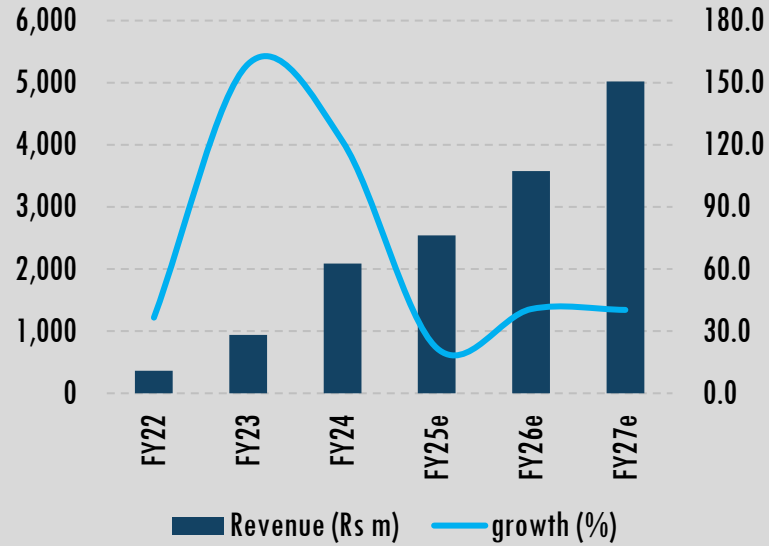
Financials

Cashflow (Rs m)	FY23	FY24	FY25e	FY26e	FY27e
PBT (adj. OI and interest)	305	747	812	1,157	1,746
+ Non-cash items	41	45	103	185	212
Operating profit before WC changes	346	792	916	1,342	1,958
- Incr. / (decr.) in WC	(287)	(397)	(114)	(382)	(532)
Others including taxes	(66)	(184)	(220)	(345)	(500)
Operating cashflow	(7)	211	582	615	926
- Capex (tangible + intangible)	54	275	1,950	650	200
Free cashflow	(60)	(64)	(1,368)	(35)	726
Acquisitions	-	-	105	-	-
- Dividend (incl. buyback & taxes)	-	-	-	-	-
+ Equity raised	-	(0)	5,000	-	-
+ Debt raised	51	66	(169)	(100)	-
- Fin. investments	-	-	3,027	-	-
- Misc. items (CFI + CFF)	25	(34)	(160)	(215)	(241)
Net cashflow	(34)	36	492	80	967

Ratio analysis	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	195.5	76.7	68.6	50.3	34.7
EV/EBITDA (x)	129.6	56.6	55.9	38.0	25.6
EV/Sales (x)	47.6	21.5	20.1	14.3	10.0
P/BV (x)	91.3	41.1	7.5	6.6	5.5
RoE (%)	46.7	53.5	11.0	13.1	15.9
RoCE (%)	42.9	54.4	11.7	14.7	18.6
RoIC (%)	45.8	57.8	25.0	28.2	37.8
DPS (Rs)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Net Debt/Equity (x)	0.37	0.20	(0.1)	(0.1)	(0.2)
Receivables (days)	125	82	80	84	85
Inventory (days)	61	34	36	38	40
Payables (days)	27	24	26	28	27
CFO/PAT (%)	(3.0)	36.4	77.3	59.9	62.3
FCF/PAT (%)	(26.4)	(11.0)	(181.8)	(3.4)	48.8

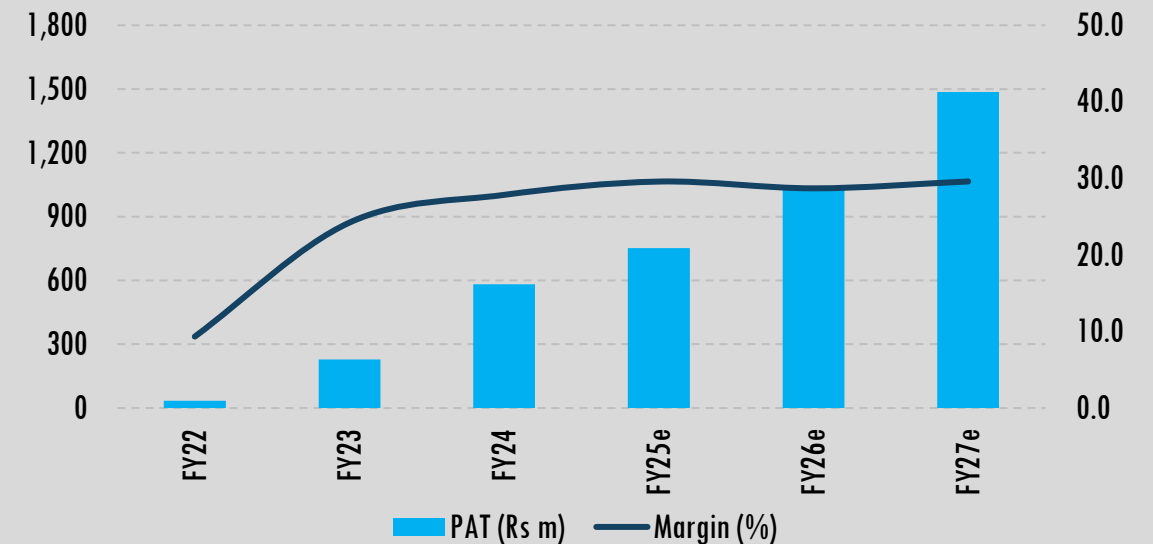
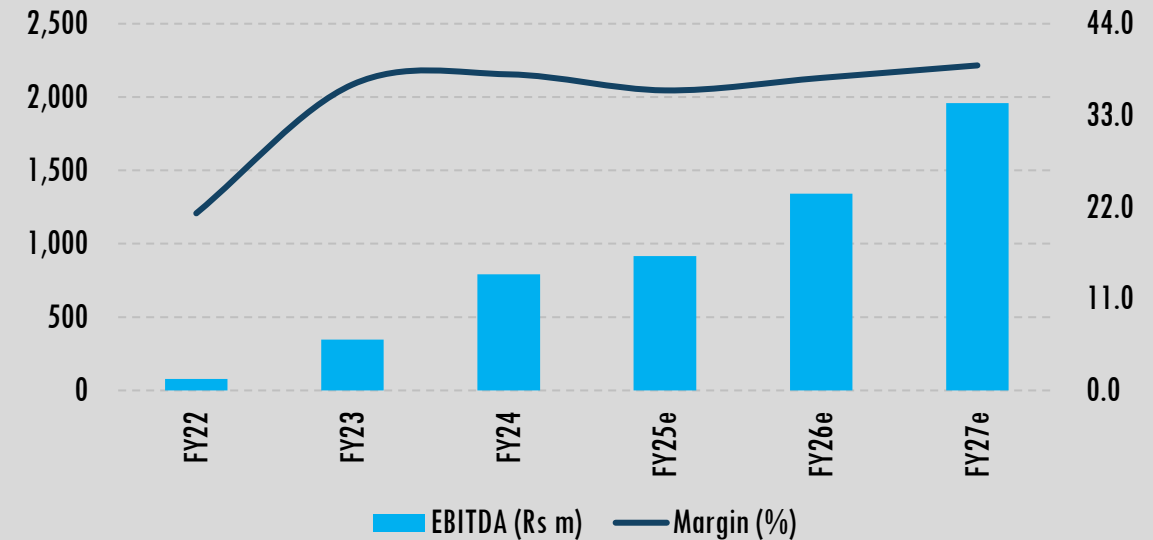
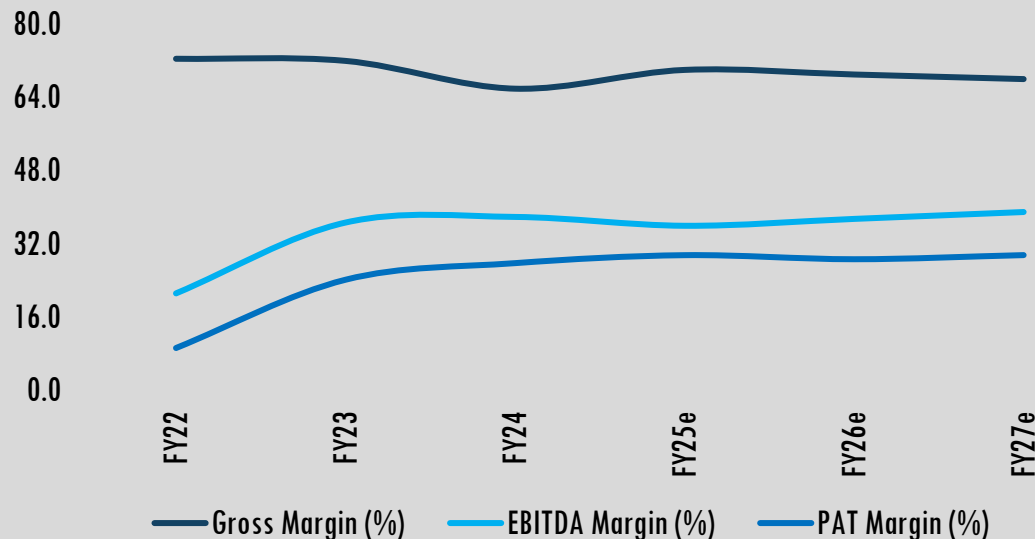
Robust growth momentum to continue

- Revenue grew at a 139.7% CAGR over FY22-24 to Rs2.1bn, driven by strong, 144% y/y, growth in the aero-tooling segment.
- The company operates in an industry with short-cycle orders, with delivery times ranging from 4 to 16 weeks. As of Dec'24, the order book stood at Rs1.03bn.
- We expect the aero-tooling segment to grow at a 31.1% revenue CAGR during FY24-27, driven by stronger presence in aero-engine and airframe tooling segments, along with expansions in SKUs and clients.
- The precision components and assembly segment, which manufactures components for nuclear energy, defence and semiconductor OEMs, is expected to grow at a 194.7% CAGR. This growth will be fueled by nuclear sector tailwinds and increasing nuclear offerings. For the semiconductor segment, the company is working on key SKU qualifications, with medium-term growth expected.
- The company serves over 25 customers across seven countries, with its top four customers accounting for 86.8% of revenue, and exports 95.3% as of 9MFY25. We expect these trends to continue.



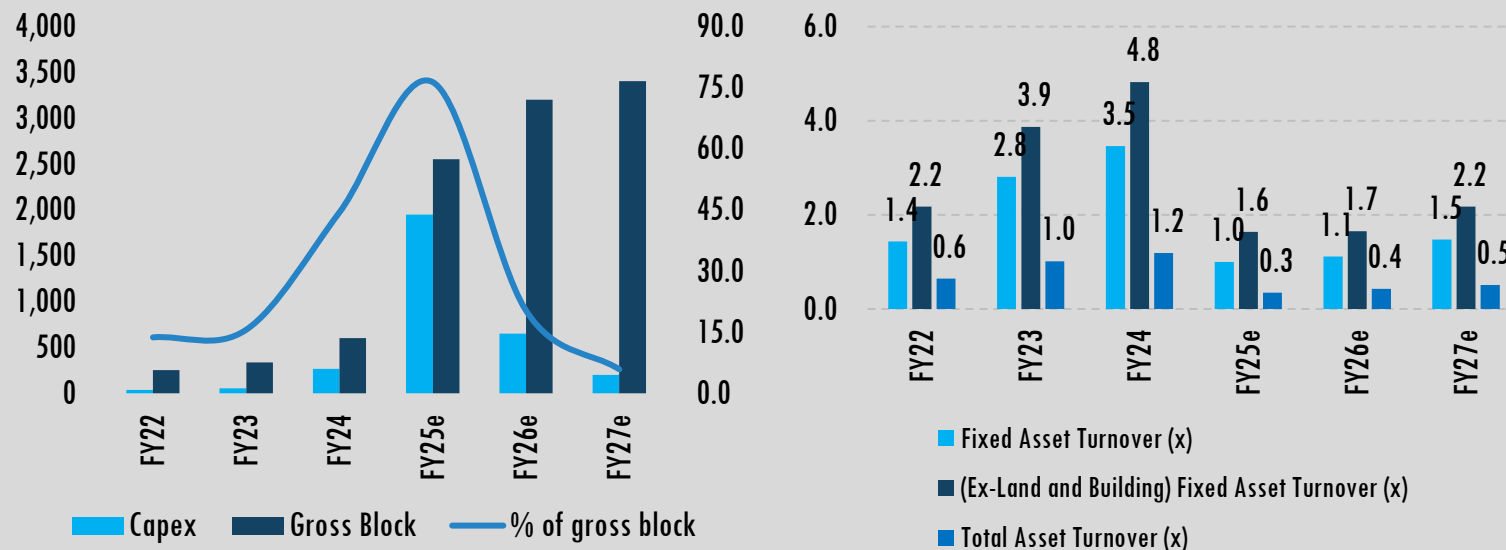
Operating leverage to drive margins; profitability to remain intact

- EBITDA grew at a 220.2% CAGR over FY22-24 to Rs792m, driven by strong revenue growth. The EBITDA margin expanded 1,668bps during the period to 37.9%, mainly on operating leverage.
- While gross margins are expected to contract 200bps due to a shift towards the lower-margin PCA segment, we see EBITDA margins expanding to 39% by FY27, owing to operating leverage and optimized use of the newly commissioned facility.
- Adjusted PAT grew at a 314% CAGR over FY22-24 to Rs581m, with PAT margins improving 1,851bps to 27.9%. We expect adjusted PAT to grow at a 36.7% CAGR to Rs1.5bn, driven by lean manufacturing, controlled finance costs and higher income from undeplayed pre-IPO funds. Adjusted margins are expected to improve by 177bps to 29.6%.



Capacity augmentation to support growth; asset turns to bounce back

- Unimech invested Rs355m in capex over the last three years, increasing capacity from ~100k hours in FY22 to ~223k in FY24. Despite this, utilization remained >93%, as the added capacity was absorbed to support growth.
- With tailwinds in Indian aerospace, nuclear energy and semiconductor equipment sectors, the company plans to invest Rs2.8bn over FY25-27 to further expand capacity. Of this, ~Rs1.95bn will be allocated in FY25.
- To support expansion, the company raised Rs5bn through its IPO, with Rs2.5bn being primary proceeds. Of this, it plans to use Rs803m for capex, Rs400m for debt repayment, Rs700m for working capital, and the balance towards general corporate purposes (GCP) and issue expenses.
- The company's fixed asset turnover ratio improved from 1.4x in FY22 to 3.5x in FY24, owing to better asset utilization at Unit 2. Excluding land and building costs, the ratio rose from 2.2x in FY22 to 4.8x in FY24. Post the recent capacity additions (~2,07,000 hours in 9M FY25), the ratio will dip to 1.6x but is likely to recover to 2.2x by FY27. Capacity additions planned for FY25-27 are expected to drive peak revenues of Rs 10bn.



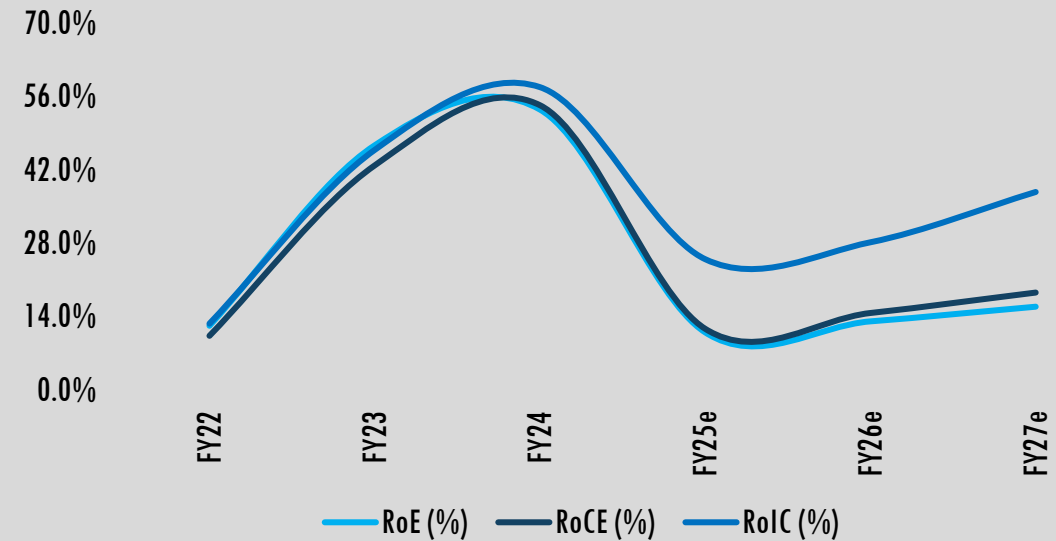
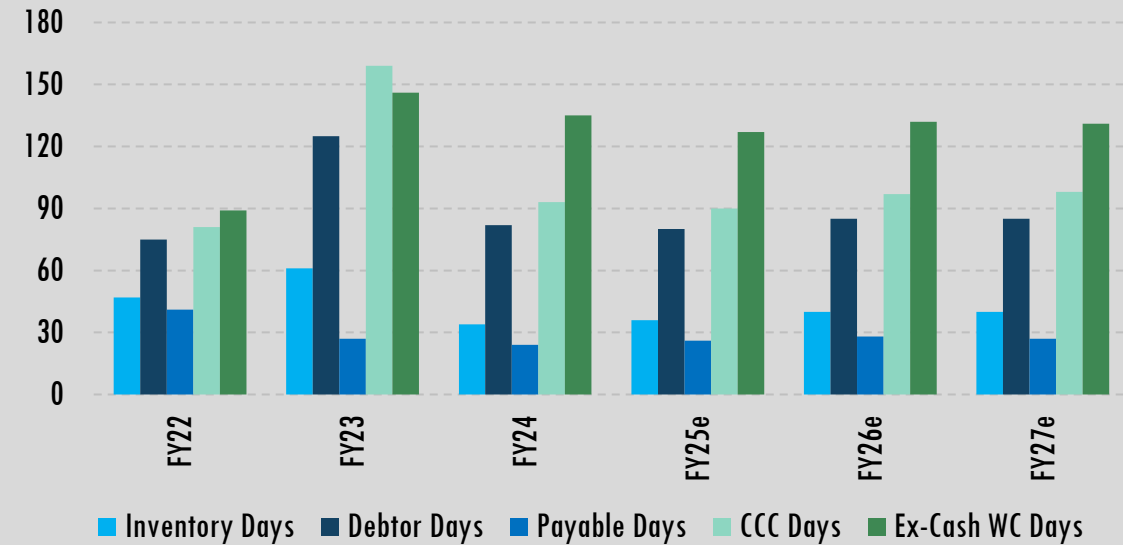
Primary proceeds use	Amount (Rs m)
Working capital	700
Capex	803
Debt repayment	400
Issue expenses and GCP	597
Total	2,500

	Installed capacity (hrs)				Capacity utilization (%)			
	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Unit 1 (Unimech) - Peenya	38,220	43,170	43,170	56,670	93.6	94.9	95.2	53.4*
Unit 2 (Innomech) -Devanahalli (SEZ)	61,590	81,930	179,820	372,870	95.1	94.5	93.6	54.1*

* - on full year basis

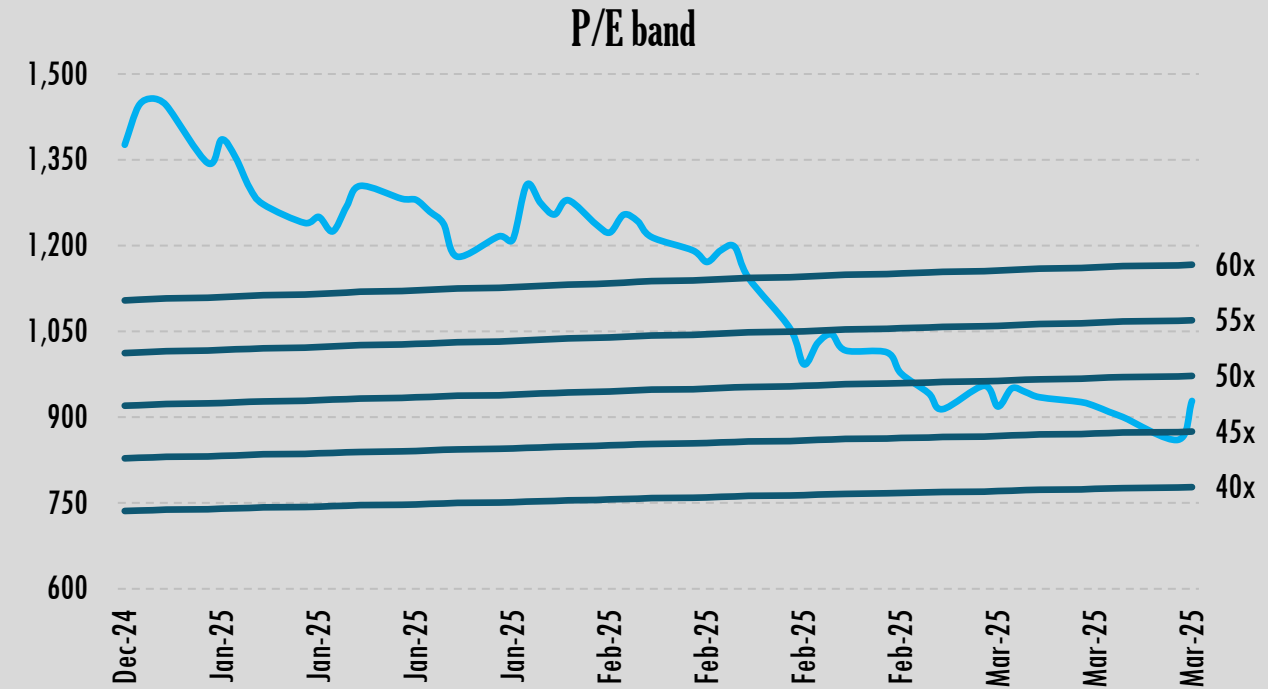
Working capital cycle to remain lean; return ratios to rebound

- Unimech's CCC/NWC days increased to 93/135 in FY24, from 81/89 in FY23, primarily due to a sharp decline in other liability days (down from 57 to 9 days due to base effect).
- Ahead, we expect CCC/NWC days to reach 98/131 by FY27. Inventory/debtor days are projected to rise to 40/85 by FY27 (34/82 in FY24), driven by a shift in the product mix on account of marginal increase in the nuclear business. However, NWC days is expected to remain stable at 131 days as other asset days will decrease to 48 by FY27 (85 days in FY24) as capital advances for PP&E and the non-current bank deposits normalize.
- RoCE/RoIC surged from ~10.3%/12.7% in FY22 to 54.4%/57.8% in FY24, largely due to the sharp increase in EBIT.
- RoCE/RoIC are expected to dip to ~11.7%/25% in FY25 due to the recent capacity addition and unutilized pre-IPO proceeds; however, they are likely to recover to 18.6%/37.8% by FY27 as asset utilization improves.



Valuation and risks

- The company is strategically positioned to capture structural tailwinds in aerospace and defence, energy and semiconductor equipment sectors. In aerospace and defence, the company is set to deepen its presence through SKU addition, client expansion and consistent delivery of high-precision products within tight timelines. Its ability to offer competitive pricing, combined with favorable tailwinds from new engine programs, and the shift in MRO demand towards Asia suggest strong growth potential.
- In the energy segment, it stands to benefit from the ongoing nuclear capacity expansion and the government's support for BSR and BSMR. The company's focus on SKU addition will allow it to capitalize on the growing demand, leveraging increased nuclear investments and regulatory support for long-term growth.
- The pre-IPO capital raise offers multiple growth opportunities, while ongoing capacity expansions provide the flexibility to scale up. With a skilled management team focused on execution, the company is well equipped to drive value-creation and fuel growth ahead.
- We initiate coverage on Unimech with a Buy rating and a TP of Rs1,315, 45x FY27e EPS of Rs29.2. Excluding the M&A impact, we expect revenue/EBITDA/PAT CAGRs at 34%/35.2%/36.7% over FY24-27, driven by robust growth, improving return ratios and expanding market share.



Key risks

- High dependency on top ten customers.
- Significant segmental contribution from aerospace.
- Reliance on operating income and cashflow from subsidiaries
- Heavy dependence on exports and regional performances.

Date	UNIMECH	Sensex
Dec-24	1,380	1,380
Jan-25	1,450	1,410
Jan-25	1,350	1,380
Jan-25	1,250	1,360
Jan-25	1,220	1,350
Jan-25	1,300	1,360
Jan-25	1,280	1,350
Jan-25	1,250	1,340
Jan-25	1,180	1,330
Jan-25	1,200	1,340
Jan-25	1,310	1,360
Jan-25	1,260	1,370
Jan-25	1,280	1,360
Jan-25	1,220	1,350
Jan-25	1,250	1,380
Jan-25	1,220	1,370
Jan-25	1,200	1,360
Jan-25	1,180	1,350
Jan-25	1,150	1,340
Jan-25	1,100	1,330
Jan-25	1,050	1,330
Jan-25	1,000	1,330
Jan-25	1,040	1,330
Jan-25	1,010	1,320
Jan-25	1,010	1,310
Jan-25	980	1,310
Jan-25	950	1,310
Jan-25	920	1,300
Jan-25	950	1,310
Jan-25	920	1,300
Jan-25	940	1,300
Jan-25	930	1,300
Jan-25	920	1,300
Jan-25	910	1,300
Jan-25	880	1,310
Jan-25	930	1,320
Jan-25	940	1,330
Jan-25	950	1,340
Jan-25	1,000	1,350

The chart displays the daily closing price of the Nifty 50 index. The y-axis represents the price in Indian Rupees (Rs), ranging from 800 to 1,500 in increments of 100. The x-axis shows dates from December 2024 to March 2025, with labels every 25 days. The index starts at approximately 1,380 on Dec-24, reaches a peak of about 1,450 around Dec-26, and then trends downwards with several local peaks and troughs. It crosses 1,300 in late January, 1,200 in late February, and 1,100 in early March. The price continues to fall, reaching a low of approximately 860 around Mar-25, before a sharp recovery to about 1,000 by the end of the period.

Date	Price (Rs)
Dec-24	1380
Dec-26	1450
Jan-25	1380
Jan-25	1280
Jan-25	1230
Jan-25	1300
Jan-25	1280
Jan-25	1240
Jan-25	1180
Jan-25	1210
Jan-25	1300
Feb-25	1260
Feb-25	1220
Feb-25	1250
Feb-25	1210
Feb-25	1180
Feb-25	1200
Feb-25	1150
Feb-25	1100
Feb-25	1050
Feb-25	1000
Feb-25	1040
Feb-25	1010
Feb-25	1010
Feb-25	980
Feb-25	950
Feb-25	920
Mar-25	950
Mar-25	920
Mar-25	940
Mar-25	930
Mar-25	920
Mar-25	910
Mar-25	900
Mar-25	890
Mar-25	880
Mar-25	870
Mar-25	860
Mar-25	940
Mar-25	950
Mar-25	1000

Company background; business overview

- Incorporated in 2016, Unimech is a global player offering high-precision engineering solutions, specializing in manufacturing of complex products. The company has 'build-to-print' and 'build-to-specification' capabilities, which involve machining, fabrication, assembly, testing and creation of new products based on the specific requirements of clients in aerospace, defence, energy and semiconductor industries.
- Its product range include engine lifting and balancing beams, assembly and disassembly tooling, ground support equipment, airframe assembly platforms, engine transportation stands and electromechanical turnkey systems. Its clients include leading global airframe and aeroengine OEMs and their approved licensees.
- The company serves customers in the US, Europe and the UK, with exports contributing 91.1%, 95.2% and 97.6%, 95.3% of total revenue in FY22, FY23, FY24 and 9M FY25, respectively.
- It offers unique 'build-to-print' capabilities, which entail manufacturing products based on client designs. Its 'build-to-specification' capabilities assist clients in designing products according to their requirements (source: F&S report). The process starts with receiving purchase order and customer designs or specifications. Experienced engineers then develop these designs into 3D models using advanced software.
- As of 30th Dec'24, the company boasted of two manufacturing plants in Bengaluru: unit I (Unimech) in Peenya (30,000sq.ft.) and unit II (Innomech) in the Devanahalli SEZ (150,000sq.ft.).
- Its statutory auditors are MSKA & Associates.

Board of directors

Promoters and management

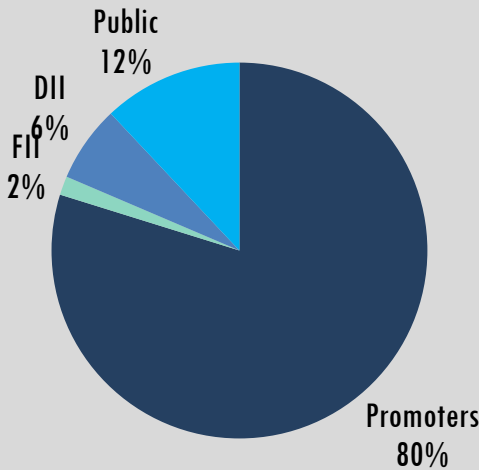
Name of director	Nature of directorship
Mr Anil Kumar P	Chairman and Managing Director
Mr Ramakrishna Kamojhala	Whole-time Director & CFO
Mr Mani P	Whole-Time Director
Mr Rajanikanth Balaraman	Whole-time Director
Mr Preetham S V	Whole-time Director
Mr Mukund Srinath	Independent Director
Mr Ashok Tandon	Independent Director
Mrs Vidya Rajarao	Independent Director
Mr Pavan Krishnamurthy	Independent Director
Mr Sridhar Ranganathan	Independent Director

Details of holders of >5% shares as on 30th Dec'24

Shareholder name	% holding
Anil Kumar P	26.24
Ramakrishna Kamojhala	14.37
Mani P	14.37
Rajanikanth Balaraman	14.37
Preetham S V	9.58

Source: Company, Anand Rathi Research

Shareholding (Dec'24)



Board of directors

Remuneration and committee members' details (FY24)

Name of director	Nature of directorship	Remuneration in FY24 (in m)	Audit Committee	Nomination & Remuneration Committee	Stakeholders' Relationship Committee	CSR Committee	Risk Management Committee
Mr Anil Kumar P	Chairman and MD	14.9					🏠
Mr Ramakrishna Kamojhal	Whole-time Director & CFO	19.7			✓	✓	✓
Mr Mani P	Whole-Time Director	14.9					
Mr Rajanikanth Balaraman	Whole-time Director	14.9					
Mr Preetham S V*	Whole-time Director	14.9					
Mr Mukund Srinath*	Independent Director	-		🏠	🏠		
Mr Ashok Tandon*	Independent Director	-	✓	✓	✓	🏠	
Mrs Vidya Rajarao*	Independent Director	-	🏠				
Mr Pavan Krishnamurthy*	Independent Director	-	✓				✓
Mr Sridhar Ranganathan*	Independent Director	-		✓		✓	

* - Appointed in Jul'24

Chairman of that committee - 🏠

Related party transactions

Name of the related party	Relation	H1 FY25	FY24	FY23	FY22
Anil Kumar P	KMP	9.0	14.9	5.0	4.9
Mani Puthan	KMP	7.2	14.9	5.0	3.1
Preetham Shimoga	KMP	7.2	14.9	5.0	3.1
Rajanikanth Balaraman	KMP	7.2	14.9	5.0	-
Ramakrishna Kamojhala	KMP	7.2	19.7	10.9	4.7
Krishnappayya Desai	KMP	0.8	-	-	-
Rasmi Anil Kumar	Relative of KMP	-	5.9	5.0	1.7
Savitha Mani Puthan	Relative of KMP	-	6.4	5.0	0.1
Shruthi Preetham Shimoga	Relative of KMP	-	6.1	2.0	0.1
Mamatha Rajanikanth Balaraman	Relative of KMP	-	6.9	1.8	0.4
Sathyanarayana	Relative of KMP	-	-	2.0	-
Sulochana Sathyanarayana	Relative of KMP	-	-	2.0	-
Miss. Drakshayini	Relative of KMP	-	1.2	-	-
Meenakshi K K	Relative of KMP	-	-	0.9	-

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Mid Caps (101 st -250 th company)	>20%	0-20%	<0%
Small Caps (251 st company onwards)	>25%	0-25%	<0%

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