



Recommendation

For

Fair value of Equity Shares

of

**UNIMECH AEROSPACE AND MANUFACTURING
LIMITED**

**As on
31st May,2024**

Prepared By:
Nikhil P Chandak
Registered Valuer for Securities and Financial Assets
304, Garnet Palladium, Off W.E. Highway, B/H Express Zone, Goregaon
East, Mumbai 400063

03/07/2024

STRICTLY PRIVATE & CONFIDENTIAL

To,

The Board of Directors,

Unimech Aerospace and Manufacturing Limited
538, 539, 542 & 543, 7th Main of Peenya IV Phase Industrial Area,
Yeshwanthpur Hobli,
Bangalore North Taluk, Bangalore- 560058,
Karnataka

Sub: Recommendation for Equity Share Valuation of UNIMECH AEROSPACE AND MANUFACTURING LIMITED

Dear Sirs,

As requested by the management of UNIMECH AEROSPACE AND MANUFACTURING LIMITED, we have undertaken the valuation exercise to recommend Equity Valuation of UNIMECH AEROSPACE AND MANUFACTURING LIMITED, as on 31st May, 2024.

This report is structured under the following broad heads;

- Purpose of Valuation
- Brief background of the Company
- Sources of Information
- Exclusion and Limitations
- Valuation Approach
- Discounted Cash Flow (DCF) Method;
- Net Asset Value Method; (underlying asset approach); and
- Market-based valuation approach
- Recommendation of the Fair value of Equity Share in the Company.



1. PURPOSE OF VALUATION

- 1.1 We have been informed that the management of **Unimech Aerospace and Manufacturing Limited**, to Ascertain the fair value of Equity Shares of the Company.
- 1.2 In this connection, we have been requested by the Management to submit a report on our Recommendation for Valuation of Equity Share in the Company in accordance with the provisions of the Companies Act, 2013 and rules made there under.
- 1.3 The information contained herein and our report is confidential. It is intended only in connection with valuation of the Equity Shares. Any person / party intending to provide finance / invest in the shares / businesses of any of the Company, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the Equity Valuation of the Company as aforesaid, can be done only with our prior permission in writing, provided for the purpose of clarity, the company may share this report with its auditors, advisors, authorities and investment bankers and the investors subscribing to the Equity shares and their respective advisors.
- 1.4 The ultimate purpose of company for valuation is to raise further equity.

2. BRIEF BACKGROUND OF THE COMPANY

- 2.1 Unimech Aerospace and Manufacturing Limited is an Unlisted Public incorporated on 12-08-2016. It is classified as non-govt company and is registered at Registrar of Companies, Bangalore.
- 2.2 Its authorized share capital is Rs. 30,00,00,000/- and its paid-up capital is Rs. 22,00,25,400/-.
- 2.3 Unimech Aerospace and Manufacturing Limited is an engineering solutions company specializing in complex manufacturing projects, machining and creating new products.
- 2.4 The Share Capital of the Company as on valuation date i.e., 31st May, 2024 is as under: -

Authorized 6,00,00,000 equity shares of 5/- each	30,00,00,000
Paid up capital 4,40,05,080 equity shares of 5 each/-	22,00,25,400

3. SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management.

- (a) Memorandum and Articles of Association of the Company.

- (b) Audited consolidated financial statement comprising of Balance Sheet and Statement of Profit and Loss of Unimech Aerospace and Manufacturing Limited, for the year ended 31st March 2023.
- (c) Unaudited consolidated financial statement comprising of Balance Sheet and Statement of Profit and Loss of Unimech Aerospace and Manufacturing Limited, for the year ended 31st March 2024.
- (d) Provisional consolidated financial statement comprising of Balance Sheet and Statement of Profit and Loss of Unimech Aerospace and Manufacturing Limited for the period ended 31st May, 2024.
- (e) Consolidated business plan of Unimech Aerospace and Manufacturing Limited (financial projections) for the next five years till FY2029.
- (f) Information related to Comparable Companies to conduct Comparable Analysis.
- (g) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, existing shareholding pattern and other relevant information and data, include information in the public domain.
- (h) All documents, records and information relevant for recommendation of fair value of share for the purpose of Valuation of Equity Shares in Unimech Aerospace and Manufacturing Limited
- (i) Such other information and explanations as we required and which have been provided by the management of the Company.

For the purpose of the valuation, we have relied upon the financial statements and the information and explanation given to us, without carrying out any audit or other tests to verify the accuracy thereof.

4. EXCLUSIONS, ASSUMPTIONS AND LIMITATIONS

- 4.1 Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- 4.2 The method adopted for doing valuation is based on representation received from the Management.
- 4.3 We do not certify the historical financial statements including the results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is

- as per the agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 4.4 Sales figure and all other expenses are taken as per management projection and their future plans.
- 4.5 A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Companies have drawn our attention to all the material information, which they are aware of concerning the Financial Position of the Companies and any other matter which may have an impact on our opinion on the fair value of the shares of the companies for the Equity Valuation of the company, including any significant changes that have taken place or are likely to take place in the financial position, subsequent to the report date. We have no responsibility to update this report for the events and circumstances occurring after the date of this report.
- 4.6 The realization of the projections in the business plan, based on which the report has been prepared, is dependent on the continuing validity of the assumptions on which they are based. The report cannot be directed to provide an assurance about the achievability of these financial projections. Since these projections relate to future, actual results may be different from the forecast and the differences could be material. We express no opinion as to how closely the actual results will correspond to the projections.
- 4.7 We have no responsibility to update this report for the events and circumstances occurring after the date of this report. The report cannot be directed to provide an assurance about the achievability of these financial projections. Since these projections relate to future, actual results may be different from the forecast and the differences could be material. We express no opinion as to how closely the actual results will correspond to the projections
- 4.8 The Firm, nor its partners or employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.
- 4.9 The information contained herein and our report is confidential. Any person/party intending to provide finance/invest in the shares/businesses of any of the companies/divisions, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they` are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in

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connection with the proposed investment as aforesaid, can be done only with our prior permission or writing.

Valuation analysis and results are specific to the date of this Report. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report. The reporting date for the purpose of valuation has been taken as 31st May 2024.

5. VALUATION APPROACH

- 5.1 For the purpose of arriving at the fair equity value of the Company, it would be necessary to select an appropriate basis of valuation amongst the various alternatives. It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including the size of the company, nature of its business and purpose of valuation. Further, the concept of valuation is all about the price at which a transaction takes place i.e., the price at which seller is willing to sell and buyer is willing to buy. Thus, the market value would be the most indicative price. Accordingly, a fair and proper approach for valuing the shares of the company would be to use a combination of these methods.
- 5.2 There are various valuation methods for the purposes of valuation of the company. These are as follows: -
- Discounted Cash Flow (DCF) Method;
 - Net Asset Value Method; (underlying asset approach); and
 - Market-based valuation approach

6. DISCOUNTED CASHFLOW (DCF)

- 6.1 The DCF method seeks to capture the discounted present value of free cash flows generated by a going concern business over a period of time. It requires two key estimates
- The free cash flow generated by a business over a period of time and
 - The weighted average cost of capital.

In developing the free cash flow forecast, length of the forecast period and determination of the perpetuity value of the business at the end of the forecast period are required.

The free cash flows generated are discounted using minimum acceptable rate of return which is the weighted average cost of capital of the business (including the risk element).



The DCF valuation is ascertained by discounting the free cash flow of the Company with the weighted average cost of capital.

We have considered this as an appropriate method for purpose of this valuation exercise since the method considers discounted value of all the cash flows the Company which it expects to receive based on cost of capital of business and expectation of shareholders.

Discount Rate

The discount rate considered for arriving at present value of the free cash flows I have used weighted average cost of capital. Cost of Equity is 13.29% and the company has interest-bearing debt. We assumed the calculated interest rate for 10% and considered post tax debt @ 7.49%. So, we have considered cost to arrive at Weighted Average Cost of Capital which is 12.1%

Cost of Equity

▪ Risk Free Rate:

The nominal risk-free rate of return is considered as 6.99%.

The risk-free rate is the rate available on instruments considered to have virtually no possibility of default, such as Government of India securities. The yield on the 10-year Government bond as at the valuation date has been considered as the risk-free rate.

▪ Equity Risk Premium (ERP):

The equity risk premium is the additional return that investors expect to earn in excess of government securities to compensate for the additional risk, or the degree of uncertainty, that the expected future equity returns will not be realized. We have considered the market rate of return of 12.79% based on the return of the Sensex Index Returns for last 25 years.

▪ Beta (B):

Beta is a measure of the risk of the shares of a company. Beta is the co-variance between the return on sample stock and the return on the market. In order to determine the appropriate beta factor, consideration must be given either to the market beta of the comparable quoted companies. The observed beta in the market reflects actual financing structures.

In undertaking a DCF analysis of this company we have taken beta as 1.

▪ Company Specific Risk Premium (CSRP):

The factors considered for adding a company specific risk premium include relation between company size & return, stability of industry in which the company operates, stability of earnings, earnings margins, financial structure, management depth and achievability of projections. Therefore, an additional risk premium of 0.5% is added.

Calculation of the Cost of Equity:

The Cost of the Equity (Ke) is % which is derived from Capital Asset Pricing Model (CAPM) as follows: -

Ke	$R(f) + B(R(m) - R(f)) + CSRP$
R(f)	Risk free rate
R(m)	Market return (assumed @ approx. 12.79% based on the return of S&P SENSEX over last 20 years)
B	Sensitivity of index to the market / Measure of market risk.
CSRP	Company Specific Risk Premium

Calculation of Terminal value

The Company will continue its business indefinitely and hence the terminal value is considered by assuming the growth rate of 5% indefinitely after the end of the forecast period. The same has been calculated as per below formula: -

$$\text{FV of Terminal Value} = (\text{FCFF}) * (1+g) / (\text{WACC}-g)$$

$$\text{PV of Terminal Value} = \text{FV of Terminal Value} / (1+\text{WACC})^n$$

Calculation of the Cost of Capital:

The Cost of Equity has been determined at 13.29% as per CAPM model. Cost of capital (WACC) is considered at 12.1% in Unimech Aerospace and Manufacturing Limited.

(Annexure-I)

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- Equity Value of the company through DCF Method would be INR 2,700 cr.

7. NET ASSET VALUE METHOD; (UNDERLYING ASSET APPROACH)

In case of the Net Asset Value method, the value is determined by dividing the net assets of the company by the number of shares.

Since the shares are valued on a "going concern" basis and an actual realization of the operating assets is not contemplated, we have not considered it appropriate not to determine the realizable or replacement value of the assets for valuation of the equity share of the company.

8. MARKET-BASED VALUATION APPROACH

The market value of listed stock carries significant weightage in the analysis of the equity value of the company. The price at which the shares of the listed company are quoted on a recognized stock exchange is an indicator of the value of the company. This method is effective in various situations as market forces collectively determine the price quoted on the stock exchanges. The market value is an outcome of various factors like quality and integrity of the management, present and prospective Competition, yield on comparable securities, market sentiment, etc.

In the instant case, the company is not listed on any Stock Exchange thus we have considered it appropriate to apply this method in the present case.

Comparable Companies Multiple (CCM) method

Under the Comparable Companies Multiple ("CCM") method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This method is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus assets and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

We identified listed comparable companies, based on the business of Unimech and thereafter screened the selected comparable companies based on EV/EBITDA multiple.

We have applied the selected EV/EBITDA multiple to the relevant value of Unimech to determine the fair value under the Comparable Companies' Market Multiple method.

Key points

- We have looked at companies that manufacture goods for the aerospace sector in India because there aren't any listed competitors in the market that are in the same industry as Unimech and have comparable operating and financial profiles.
- We have deducted 20% from the EV / EBITDA multiple for valuation purposes using this method since there are no similar comparable companies in this situation and Unimech's shares are not listed, which means they lack liquidity and also discounted due to scale of operation in comparison to listed companies taken here for calculation.
- We have shortlisted 6 companies with comparable operating metrics to Unimech. Brief on the comparable companies considered is presented in Annexure II.
- Equity Value of the company through CCM Method would be INR 3,093 Cr.

Brief on the comparable companies considered is set out below:-

1. **Data Patterns India Ltd:** Data Patterns (India) Limited develops defense and aerospace electronic systems. The Company designs and supplies power module tester, avionic systems, fiber optics, seeker, processors, and navigation systems
2. **MTAR Technologies Ltd:** MTAR Technologies Private Limited manufactures equipment for nuclear and space. The Company provides testing of fueling machine columns, hydraulic cylinders, shuttle stations, engines, ball screws, and other components.
3. **Azad Engineering Ltd:** Azad Engineering Private Limited manufactures fabricated metal products. The Company offers precision forged and machined components for turbine and aerospace parts
4. **Paras Defence & Space Technologies Ltd:** Paras Defence and Space Technologies Limited manufactures defence electronics and space application products. The Company offers defence automation and control, rugged displays, computing, sensors, missile motors, rockets, telescopes, guns, and ammunition, special purpose machineries
5. **Taneja Aerospace & Aviation Ltd:** Taneja Aerospace & Aviation Ltd. manufactures and markets civilian aircraft, and offers air charter services. The Company produces a six seat, twin piston-engine aircraft, sells Cessna jet and turbo-prop aircraft in India, and offers short-haul regional passenger services
6. **Rossell India Ltd:** Rossell India Ltd is a supplier of interconnect solutions and Electrical panel assemblies, Test Solutions, and After Market Services, deployed in military aerospace and defence platforms.

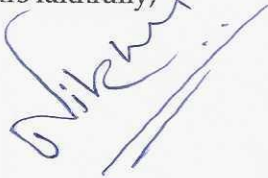


9. RECOMMENDATION OF EQUITY SHARE VALUE

- The Equity Value has been arrived on the basis of valuation of the Company and various qualitative factors relevant to the company and the business dynamics.
- We have considered consistent methods and weights to facilitate the determination of the fair equity value. We have considered it appropriate to assign equal weights to the value arrived through both the methods considered.
- On the basis of the foregoing, in our opinion, Equity Value of the company would be **INR 2,897 crores** (Indian Twenty-Eight Hundred and Ninety-Seven crores).
- Number of shares outstanding 4,40,05,080 in numbers of Rs 5/- each therefore, the value of Equity share is **INR 658.35/- only** (Indian Rupees Six Hundred and Fifty-Eight).

Thank you,

Yours faithfully,



Nikhil P Chandak
Registered Valuer for Securities or Financial Assets
IBBI/RV/07/2019/11801
Place: Mumbai
Date: 03/07/2024



Annexure I

Statement Showing Calculation of the Discounted Cash Flow of UNIMECH AEROSPACE AND
MANUFACTURING LIMITED

Amount in Cr

Particulars	01 June 2024 to 31 March 25	Mar-26	Mar-27	Mar-28	Mar-29
Profit after tax	59.4	117.7	168.3	237.9	331.8
Add: Depreciation and Amortization	11.3	21.8	23.1	22.1	19.9
Add/Less: Changes in Working capital	(25.6)	(35.0)	(39.1)	(51.8)	(67.2)
Add/Less: Other financial liabilities	-	-	-	-	-
Deferred tax assets (net)	0.9	-	-	-	-
Add/Less: Provisions	(53.1)	-	-	-	-
Add/Less: Reserve Adjustment/CSR payments	(4.3)	(1.1)	(1.7)	(2.4)	(3.5)
Add/Less: Capital Expenditure	(119.9)	(43.5)	(19.8)	(16.5)	(4.3)
Net Cash inflow	(131.3)	59.9	130.9	189.2	276.8
Discounting Rate	12.1%	12.1%	12.1%	12.1%	12.1%
Discounting period	0.83	1.83	2.83	3.83	4.83
Discounting factor	0.91	0.81	0.72	0.65	0.58
Discounted Cash Flow	(119.4)	48.6	94.8	122.3	159.7
Horizon Value	306.07				
PV of Terminal Value	2,377.40				
Enterprise Value	2,683.47				
Add: Cash and Cash Equivalents	56.76				
Less: Debt	39.72				
Equity Value	2,700.50				
No. of Equity Shares (On diluted basis)	4,40,05,100.00				

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Annexure II

Statement showing Calculation of value of CCM of the UNIMECH AEROSPACE AND
MANUFACTURING LIMITED

Amount in Cr

EV/EBITDA	FY25
EBITDA	117.91
Multiple	32.62
(-) Liquidity Discount	20%
Revised Multiple	26.09
EV Valuation	3,076.63
Net debt	17.04
Equity Value	3,093.67

Trading Metrics (as on 31 st May 2024)	EV/EBITDA FY25E
Data Patterns India Ltd	58.49
MTAR Technologies Ltd	30.73
Azad Engineering Ltd	54.14
Paras Defence & Space Technologies Ltd	34.50
Taneja Aerospace & Aviation Ltd	9.86
Rossell India Ltd	17.52
Mean	34.21
Median	32.62

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Annexure III

Statement showing Calculation of Valuation Summary of the UNIMECH AEROSPACE AND
MANUFACTURING LIMITED

Valuation Approach	Unimech	
	Equity Value (INR Crs)	Weights
Market Approach		
- Comparable Companies Multiple Method	3,093.67	50%
Income Approach (Discounted Cash Flow Method)	2,700.50	50%
Equity Value	2,897.09	100%
Number of Equity Shares	4,40,05,080	
Equity Value / share	658.35	

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