Jyoti CNC Automation Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat **One-line:** Massive margin expansion driven by a shift toward high-realization Aerospace & Defence (Aero/Def) orders and a successful turnaround of the Huron subsidiary, though working capital remains a heavy lift.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 74% YoY; EBITDA surged 476% YoY.	□
Earnings Quality	High (Core driven)	Driven by higher ASP (□45 Lakh vs □39 Lakh) and high-end machine mix.	□
Guidance Confidence	Strong	Order book of □3,403 Cr provides 1.5+ years of visibility.	□
Management Credibility	Strong	Delivered on Huron turnaround and capacity expansion timelines.	□
Business Quality Signal	Improving	Pivot from entry-level to high-end (5-axis) technology is taking hold.	□
Key Q&A Exchange	Q# 9 - Huron contribution	Management confirmed 100% of Aero/Def orders are currently through Huron.	□
The Street's Primary Anxiety	EMS Segment execution timing	Analysts questioned the zero EMS revenue in Q1; mgmt cited construction delays at client sites.	□
Capital Cycle Stage	Investment	Expanding capacity from 6,000 to 10,000+ units for EMS.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins expanded from 7.9% to ~26% YoY.	□
Pricing Power	Expanding	Average machine price increased 15.4% YoY due to product mix.	□
FCF Conversion & Quality	Weak / Distorted	Inventory days remain high (target 170); OCF not provided for the quarter.	□
Competitive Moat Signals	Widening	Only Indian player with deep 5-axis tech via Huron integration.	□
Balance Sheet Strength	Adequate	IPO proceeds used to reduce debt; interest costs down 47% YoY.	□
Working Capital Efficiency	Deteriorating	Large order book for high-end machines requires heavy inventory build.	□
Mgmt Guidance Track Record	Reliable	On track for Sept-24 capacity expansion to 6,000 machines.	□
Key Vulnerability / Red Flag	Execution Risk	Scaling to 10,000 machines requires □250 Cr capex and rapid skill ramp-up.	□
Management Tone	Confident	Highly bullish on Aero/Def and EMS multi-year cycles.	□

Key Takeaways: * **Positives:** The business has successfully transitioned to a higher margin profile (26% EBITDA) by leveraging high-end 5-axis machines. The Aero/Def segment now comprises 50% of the □3,403 Cr order book. Huron (France) is now highly profitable with 28.5% EBITDA margins. * **Negatives:** EMS execution was non-existent in Q1 due to client-side delays, pushing volume realization into H2. Inventory management remains the primary drag on the balance sheet, with a long lead time for high-end components. * **The Street's Concern:** Analysts are hyper-focused on when the 1,00,000-machine EMS demand opportunity translates into firm orders. Management's response suggests a "qualification-then-explosion" model, with large orders expected in Q3/Q4. * **Forward Watchpoint:** Monitoring the construction of the new dedicated EMS facility and the conversion of the current □251.4 Cr EMS order book into dispatches in Q2.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	361.84	↑ 73.9%	↓ 19.6%	↑	Growth driven by high-end machine dispatches (Aero/Def).
Gross Margin (%)	53.2%	↑ 0.5%	↓ 5.4%	→	Material margin improved 0.6% on model mix adjustment.
EBITDA (□Cr)	94.1	↑ 476.1%	↓ 15.0%	↑	Huge YoY surge due to operational leverage and ASP growth.
EBITDA Margin %	26.0%	↑ 1810 bps	↑ 140 bps	↑	Shift to mid-to-high end machines (40-55% margins).
PAT (□Cr)	50.92	NM (Profit)	↓ 48.9%	↑	Turned around from □13.58 Cr loss in Q1FY24.
Order Book (□Cr)	3,403	First entry	↓ 2.8%	→	Closing order book after □306 Cr fresh inflows in Q1.
Order Inflows (□ Cr)	306	First entry	NM	→	Strong mix: 32% Aero/Def, 36% Auto.
Avg Realization (□)	45 Lakh	↑ 15.4%	NM	↑	Increased from □39L; driven by higher technology mix.
Volume (Machines)	788	First entry	NM	→	Mix: 718 Entry, 29 Mid, 41 High-end.
Interest Cost (□ Cr)	11.02	↓ 46.6%	↓ 46.7%	↑	Significant reduction following debt repayment from IPO.
Inventory (Days)	Not stated	NM	NM	↓	Mgmt targeting 170 days for FY25; currently on track.

2B. SEGMENT BREAKDOWN (ORDER BOOK)

Segment	Revenue / OB (₹Cr)	% of OB	Margin (Est)	Trend	vs Company Avg	Key Development
Aerospace & Defence	1,701.5 (OB)	50.0%	~55%	↑	Much Higher	100% currently served via Huron/ Import tech.
Auto & Auto Comp	544.5 (OB)	16.0%	37-40%	→	Lower	Bread-and-butter segment; steady replacement demand.
General Engineering	544.5 (OB)	16.0%	37-40%	→	Lower	Focus on taking market share from imports.
EMS	251.8 (OB)	7.4%	37-40%	↑	Lower	Potential for 20-25% of total portfolio in 2 years.
Die & Mould	238.2 (OB)	7.0%	40-45%	→	Average	High precision requirements; competitive with Japan.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	15-18 month execution of ₹3,403 Cr OB	Needs ~₹567 Cr/qtr revenue to clear OB in 18m; current is ₹361 Cr.	First entry	High (Execution)
Guidance	Margins	Maintain 25-27% EBITDA	Achievable if Aero/Def mix stays ≥50%.	First entry	Low
Guidance	Volume / Capacity	6,000 machines by Sept-24	On track; interior/exterior views of new lines shown.	Delivered	Low
Guidance	Capex Plan	₹200-250 Cr for EMS expansion	Needs significant internal accruals or fresh debt.	First entry	Medium (Funding)
Strategy	Segment Pivot	EMS to reach 20-25% mix	Massive volume jump needed from current 7%.	First entry	High (Demand timing)
Strategy	Product Development	Semiconductor machines (24m)	R&D team working on global precision standards.	First entry	High (Tech)
Macro	Domestic Demand	1,00,000 EMS machines demand	Market-level expectation over 5 years.	N/A	Low
Balance	Working Capital	170 Inventory Days	Significant reduction required from historical levels.	First entry	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Mohit Kumar, ICICI Sec	Defence Pipeline	Mgmt Outlook	Will election-related slowdowns affect new project tenders in the next 9 months?	Management confirmed tenders are being floated now post-budget and expect orders to close before December. This provides confidence that the Aero/Def order momentum will not stall in H2.	None	4.0	Clear visibility
2	3.5	Mohit Kumar, ICICI Sec	Huron Financials	Financials	What were the Huron specific revenues and profits for Q1?	Huron recorded ₹64 Cr revenue with a 28.5% EBITDA margin and 13% net margin. This confirms Huron is now an accretive subsidiary rather than a drag.	None	5.0	Quantified
3	4.0	Mohit Kumar, ICICI Sec	Huron Orders	Mgmt Outlook	Why haven't we seen incremental order inflows in Huron recently?	Management stated ₹97 Cr of new orders were received in Q1 despite ₹153 Cr dispatches, and large orders are expected soon. This suggests a lumpy but robust intake cycle for high-end tech.	None	3.0	Directional
4	4.5	Mohit Motwani, Tara Capital	Guidance Discrepancy	Mgmt Outlook	There seems to be a disconnect between the	Management reiterated that the 1,500-2,000	None	3.0	Reaffirmed

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					400 Cr Q2 order target and the 1,500-2,000 Cr annual Aero guidance.	Cr annual target is intact and there is no slowdown. This maintains the high-growth narrative for the premium segment.			
5	4.0	Mohit Motwani, Tara Capital	Segment Margins	Financials	How do margins vary qualitatively across sectors?	Management disclosed Entry-level at ~40%, Mid-level at 40-45%, and Aero/Def at ~55% gross margins. This quantifies the margin leverage inherent in the product mix shift.	None	5.0	Highly specific
6	4.5	Mohit Motwani, Tara Capital	EMS Execution	Business Overview	Why was there no order inflow or execution for EMS in Q1?	Execution was delayed because client sites were under construction, but qualification rounds are complete with 100 Cr dispatches scheduled for Q2. This clarifies the "missing" revenue and shifts it to the next quarter.	None	4.0	Evidence-based
7	5.0	Mohit Motwani, Tara Capital	Capacity Expansion	Capex	Are you expanding capacity beyond 6,000 machines for the EMS opportunity?	Management is planning to expand from 6,000 to potentially 10,000+ units with a	Exact numbers	4.0	Strategic shift

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						dedicated EMS facility by March. This signals a massive aggressive bet on the smartphone/ electronics manufacturing cycle.			
8	3.0	Tanay, Kotak	Execution Run-rate	Mgmt Outlook	How can you achieve the □2,000 Cr revenue implied by your 18-month order book execution?	Management added 600 people in 6 months and is scaling capacity to 6,000 units to meet the execution challenge. This addresses the "delivery risk" overhang.	None	3.0	Directional
9	4.0	Harshit Patel, Equirus	Inventory	Financials	Are you on track for 170 inventory days?	Management confirmed they are on track as volume increases provide inventory efficiency. This is a critical metric for cash flow health.	None	3.0	Vague but consistent
10	3.5	Harshit Patel, Equirus	Huron Capability	Business Overview	Is the Aero/ Def order intake domestic or export-driven?	100% of current Aero/ Def orders are coming through Huron, with the domestic Indian piece expected to kick in later. This highlights Huron as the	None	5.0	Fact-based

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						essential "technology backbone" of the company.			
11	3.0	Amit Sawant, Investor	Semiconductor	Mgmt Outlook	What are the prospects for the semiconductor industry?	A new high-precision product is in R&D, expected to be ready in 18-24 months for 2026-27 revenue. This is a "long-term optionality" play beyond the current cycle.	None	3.0	Vague timeline
12	4.5	Kamlesh Jain, Lotus	Realizations	Financials	What were the machine-level realizations in Q1?	Entry-level averaged ₹20.5 Lakh, Mid-level ₹89.78 Lakh, and High-end ₹4.07 Cr. This massive delta (20x between entry and high-end) explains the margin sensitivity to product mix.	None	5.0	Precise data

PATTERN FLAGS & SENTIMENT * **EMS Skepticism:** Analysts are clearly nervous about the zero revenue from EMS in Q1. Management's repeated explanation of "client construction delays" was accepted but remains a live risk for Q2 monitoring. * **The Huron Pivot:** A recurring theme is the realization that Huron is no longer just a "subsidiary" but the core engine for high-end orders. Management's tone was most confident when discussing Huron's 28.5% EBITDA. * **Capacity Overhang:** The shift from 6,000 to 10,000 machines generated the most forward-looking friction. Analysts are trying to gauge if this is "build and they will come" or "backed by contracts."

Analyst Sentiment Verdict: Analysts were generally impressed by the margin beat but remained cautiously skeptical about the timing of the EMS ramp-up. Management’s credibility improved this quarter as they provided hard numbers for realizations and subsidiary performance. The single unresolved issue is the conversion of the Aero/Def pipeline into firm domestic (India) orders versus just relying on Huron's existing book.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare. This quarter serves as the baseline for tracking business quality and management credibility.

Metric / Attribute	Baseline Value (Q1 FY25)	Note
Order Book	₹3,403 Cr	50% Aerospace & Defence
EBITDA Margin	26.0%	Pivot to high-end machines
Capacity Target	6,000 Units (Sept-24)	Expanding to 10,000+ for EMS
Avg Realization	₹45 Lakh / machine	Range: ₹20.5L to ₹4.07 Cr
Huron EBITDA	28.5%	Significant turnaround confirmed

Investor Notes on Working Capital (Forensic Trigger): * **CFO/PAT Divergence:** While a full Cash Flow was not provided, the high inventory levels required for the long-cycle Aero/Def machines (4.07 Cr/unit) suggest a risk that PAT growth is not translating into immediate FCF. Management's target of 170 inventory days is the key benchmark for next quarter. * **Growth Attribution:** Revenue growth is primarily **Realization-driven** (+15.4% ASP) and **Mix-driven**, rather than pure volume growth in the base entry-level segments.