

Jyoti CNC Automation Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on PAT / Mixed on Volume **One-line:** The thesis remains firmly intact as Jyoti CNC pivots toward a high-margin "Aerospace-first" model, evidenced by record realizations of ₹50 Lakh+ per unit, though execution capacity remains the primary governor of revenue growth.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat on Margins / Volume Miss	PAT grew 67% YoY; Volume (894 units) was lower than Q2 (1,041 units).	□
Earnings Quality	High (Core execution)	Growth driven by product mix (49% Aerospace) and not one-offs; Other Income was negligible.	□
Guidance Confidence	Strong	Management reaffirmed execution ramp-up and target of 1,500 machines for Q4 FY25.	□
Management Credibility	Strong	Delivered turnaround in Huron (15.7% 9M EBITDA); 6,000-unit capacity now fully live.	□
Business Quality Signal	Improving	Massive shift in realization (₹50.3L vs ₹41.4L QoQ) validates high-end tech capability.	□
Key Q&A Exchange	Q# 11 - Aerospace parts	Confirmed supplying machines to Azad Engineering for critical aero-engine parts.	□
The Street's Primary Anxiety	Execution Bottlenecks	Analysts pressed on why growth slowed to 19% YoY; mgmt cited long cycles and facility ramp-up.	□
Capital Cycle Stage	Expansion (Phase 2)	Moving from 6,000 to 16,000 units p.a. capacity with ₹400 Cr incremental capex.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins held at 25% despite Q3 traditionally having higher overheads.	□
Pricing Power	Expanding	High-end machines contributing more to the mix; average realization up 21% QoQ.	□
FCF Conversion & Quality	Monitoring	Working capital remains high to support long-lead Aerospace/EMS orders.	□
Competitive Moat Signals	Widening	IMTEX 2025 launch of Tachyon Beta (world-class 5-axis speed) targets import substitution.	□
Balance Sheet Strength	Adequate	Finance costs down 54% YoY post-IPO; slight QoQ interest spike due to WC needs.	□
Working Capital Efficiency	Stable	High inventory levels are a structural necessity for the current ₹4,360 Cr order book.	□
Mgmt Guidance Track Record	Reliable	Consistently hitting technology development and capacity milestones.	□
Key Vulnerability / Red Flag	Revenue Concentration	Aerospace execution (49%) is excellent for margins but increases industry-specific cyclical risk.	□
Management Tone	Confident & Visionary	Focused on becoming a top-3 global player by 2030; aggressive on tech over-crossing Japan.	□

Key Takeaways: * **Positives:** Jyoti CNC has successfully shifted its revenue mix toward high-complexity machines. Aerospace now accounts for 49% of execution (up from 38% YoY), driving average realizations to a record ₹50.27 Lakh per unit. The Huron subsidiary (France) has turned around completely, moving from a loss-making entity to 15.75% EBITDA margins in 9M FY25. The demand pipeline is robust, evidenced by 3,000+ inquiries at IMTEX 2025. * **Negatives:** Volume growth was physically constrained this quarter (894 units vs 1,041 in Q2), as the company focused on more complex, time-intensive assemblies. EMS order intake was zero this quarter, which management attributed to delivery lead times stretching to 2.5 years, causing a temporary lull in new bookings until capacity expands. * **The Street's Concern:** Analysts are skeptical about the company's ability to execute its ₹4,360 Cr order book within the desired 18-20 month window. Management's response: They are targeting 1,500 machines in Q4 FY25 and are already building an additional 10,000-unit capacity to be partially live by Dec 2025. * **Forward Watchpoint:** Monitoring the Q4 FY25 exit run-rate. Management needs to deliver ~1,500 machines (a 68% QoQ jump) to meet internal targets and satisfy market growth expectations.

2. BUSINESS PERFORMANCE

2A. KEY METRICS (Capital Goods / Industrial Products)

DATA SOURCE: PPT figures are primary. Concall used for commentary and unlisted metrics.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	449.51	↑ 18.9%	↑ 4.4%	↑	Growth driven by high-value Aerospace dispatches.
Gross Margin (%)	50.19%	↓ 140 bps	↓ 36 bps	→	COGS at 49.8% of revenue; stable high-end mix.
EBITDA (₹Cr)	112.60	↑ 16.9%	↑ 5.6%	↑	Volume leverage and Huron turnaround helping.
EBITDA Margin %	25.05%	→	↑ 30 bps	↑	Maintained high margin despite volume dip.
PAT (₹Cr)	80.24	↑ 67.0%	↑ 5.7%	↑	Boosted by lower finance costs vs prior year.
Volume (Machines)	894	↓ 5.0%	↓ 14.1%	↓	Focus on complex 5-axis/Aero vs entry-level.
ASP (₹Lakh/unit)	50.27	↑ 25.3%	↑ 21.5%	↑	Attribution: Mix-led realization increase.
Order Book (₹Cr)	4,360.00	↑ 33.1%	↑ 1.6%	→	Book-to-bill remains healthy at ~2.5x annual.
Order Intake (₹Cr)	492.00	NM	↓ 61.6%	↓	Lower QoQ as Q2 included a massive EMS order.
Huron Rev (₹Cr)	65.00	NM	→	→	Running at 80% capacity utilization.
Finance Cost (₹Cr)	10.72	↓ 54.5%	↑ 18.8%	□	Debt reduction YoY; WC debt up QoQ.

2B. SEGMENT BREAKDOWN (Execution Mix)

Segment	Revenue Mix (%)	Est. Rev (₹ Cr)	Trend	vs Co. Avg	Key Development
Aerospace	49.0%	220.26	↑	Higher	Dominant driver of Q3; 100% Huron tech-led.
Auto/Component	16.0%	71.92	↓	Lower	Pivot toward EV components (ATM 200 series).
Gen. Engineering	21.0%	94.40	↑	In-line	Import substitution remains the core play here.
EMS	10.0%	44.95	↑	In-line	Ramp up starting from previous quarter's wins.
Others	4.0%	17.98	→	Lower	Small specialized segments like Healthcare/Power.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	Deliver 1,500 machines in Q4 FY25.	Needs 68% QoQ growth; historical peak was 1,041. High stretch.	Mixed	High
Guidance	Margins	Maintain EBITDA at 25%+.	Needs Aero mix to stay >40%; currently at 49%.	Delivered	Low
Guidance	Capacity	16,000 machines p.a. by FY27.	Adding 10k units over existing 6k; ₹400 Cr capex on track.	On-track	Medium
Strategy	Tech Gap	"Twice faster than Fanuc robots."	Qualitative claim; demonstrated via Tachyon Beta launch.	On-track	Low
Strategy	Global Reach	Expansion into USA and China.	Huron-led strategy; adding 24 people in France.	On-track	Medium
Macro	Industry	India to be top 3 consumer by 2030.	Industry CAGR >20% required; currently 1.7% of production.	N/A	Low
Balance	Debt	Incremental capex via accruals.	H1/9M PAT covers a significant chunk of ₹400 Cr plan.	Reliable	Low

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Akshay / AK Inv	Growth Slowdown	Financials	"In the first quarter we had year-on-year growth of 74%... this quarter only 19%?"	Management explained that Q2/ Q3 hit a capacity bottleneck that was only physically removed in Sept-24, with long lead times delaying the revenue "light." Higher absolute growth is expected in Q4 as the new 6,000-unit facility reaches full utilization. Implication: Execution lag is the main reason for the growth optics mismatch.	None	4.0	Logical but slow
2	4.0	Akshay / AK Inv	Order Execution	Outlook	"What is the expected timeline to execute [the ₹4,360 Cr order book]?"	Management noted the current run-rate implies a 2.5-year timeline, but they aim to compress this significantly via the 10,000-unit capacity expansion. Implication: Revenue acceleration depends entirely on the speed of the Phase 2 capex.	None	3.5	Ambitious
3	5.0	Sandeep Jain / Baroda BNP	EMS Intake	Business	"In the current quarter order book, we have not received any EMS orders. Is that right?"	Management confirmed 0% EMS intake, citing that customers are waiting for capacity ramp-up before placing new orders given the current 2.5-year delivery queue. Implication: Future EMS growth is lumpy and capacity-contingent, not	None	5.0	Clear signal

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						demand-constrained.			
4	4.0	Sandeep Jain / Baroda BNP	Huron Capacity	Capex	"In France, we have one of the best order book situations... only challenge is capacity size."	Management admitted the French facility is "clumped" and undergoing enhancement, with new space operational from June 2025. Implication: Huron's revenue contribution will remain capped for the next 2 quarters.	None	4.0	Capacity cap
5	3.5	Swanand / Klay Cap	Rev Run-Rate	Financials	"Our revenue run rate should have been somewhere about ₹550 crores [to meet 1.5yr delivery target]?"	Management reiterated that people development and high-precision assembly training (400 people added) are the slowing factors in hitting that run-rate immediately. Implication: Human capital, not just floor space, is the current execution bottleneck.	None	3.0	Soft guidance
6	4.5	Sanidhya / Unicorn	Deliveries	Business	"Can you highlight the number of machines that we deliver this quarter?"	Management confirmed 894 machines at a record average realization of ₹50.27 Lakh. Implication: The shift to value over volume is a deliberate margin-preservation strategy.	None	5.0	Quantified
7	4.0	Kushal / Yashwi	ROCE	Financials	"On ₹400 crore of CAPEX... an ROCE of 60% [on	Management agreed that on an incremental basis the ROCE is extremely high, but warned it wouldn't	None	4.0	High accretion

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					incremental value]?"	be that high on a total plant basis due to base infrastructure costs. Implication: Phase 2 expansion is highly accretive to the bottom line.			
8	4.5	Kamlesh Jain / Lotus	Competition	Business	"How are we seeing the competition... particularly on the pricing side [vs Fanuc]?"	Management claimed their new machines "over-cross boundaries" and are twice as fast as Japanese counterparts in specific applications. Implication: Jyoti is moving from "cheap alternative" to "tech leader" in the 5-axis segment.	None	3.0	Confidence
9	4.0	Kamlesh Jain / Lotus	Mix	Financials	"Can you please provide the break up between entry level, mid level and high level machines?"	Q3 mix: 817 entry-level, 22 mid-level, 55 high-end machines. Implication: High-end machines (6% of volume) are likely driving ~30% + of revenue given their ₹2 Cr+ price tag.	None	5.0	High detail
10	3.5	Partha / Eastern	Clients	Business	"Azad Engineering... would be one of our customers?"	Management confirmed Azad is a prime customer, taking machines for critical engine part manufacturing. Implication: Strong indirect play on global aerospace supply chains (GE/ Safran).	None	5.0	Verifiable
11	4.0	Kushant / Baroda BNP	Huron Profit	Financials	"What would be the EBITDA contribution for [Huron]?"	Management reported a massive swing to 15.75% EBITDA margin for 9M FY25 from a	None	5.0	Turnaround

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						loss last year. Implication: The structural "Huron drag" is officially over; now it's a margin tailwind.			

PATTERN FLAGS & SENTIMENT * **The "Execution Ceiling" Paradox:** Analysts are grappling with a massive order book (₹4,360 Cr) that isn't yet translating into massive quarterly revenue. Management's defensive posture on the "2.5-year delivery timeline" suggests that while demand is infinite, their ability to train high-precision labor is finite. This tension will likely persist until the Dec-25 capacity expansion. * **Pivot to Value:** Questions about machine counts (894 vs 1,000+) revealed a strategic shift. Management seems content to produce fewer machines if they are high-margin 5-axis Aerospace units (₹50L realization) rather than low-margin EMS units (₹20L). * **Analyst Sentiment:** Analysts were broadly impressed by the **Huron turnaround** and the **Aerospace mix**, which are the crown jewels of the thesis. However, skepticism remains regarding the aggressive Q4 target (1,500 machines). Management's credibility is high on technology but still being tested on volume scalability.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY25)	This Quarter (Q3 FY25)	Direction
Average Realization	₹41.37 Lakh	₹50.27 Lakh	↑ (Product Mix)
Aerospace Mix	38% (Revenue)	49% (Revenue)	↑ (Thesis Pivot)
EMS Order Intake	₹526 Cr (41% of intake)	₹0 Cr (0% of intake)	↓ (Paused)
Volume (Units)	1,041 Machines	894 Machines	↓ (Execution shift)
Huron Profitability	Early recovery signs	15.75% 9M EBITDA	↑ (Confirmed)
Finance Costs	₹9.01 Cr	₹10.71 Cr	↓ (Slight increase)
Management Focus	Clearing Rajkot bottleneck	Expanding Huron & 10k Capacity	↑ (Scale-up)
Technology Signal	Planning IMTEX	Launched Tachyon Beta (Speed)	↑ (Proof Point)

- Investor Note on Execution Strategy:** The drop in volume from 1,041 to 894 units is not a demand failure but a **capacity allocation choice**. By focusing on Aerospace (49% mix), the company grew revenue QoQ despite lower volumes. This is a high-quality trend for long-term margins but requires the 10,000-unit Phase 2 expansion to hit high-volume EMS targets in the future.
- EMS Caution:** The zero EMS intake in Q3 is a signal that the order book is currently "full" relative to delivery promises. Watch for the resumption of EMS orders in Q1 FY26 as a lead indicator for Phase 2 capacity pre-booking.