

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Mixed (Headline Miss / Core Beat) **One-line:** While India operations are running at >100% utilization with robust margins, a governance and compliance crisis at the French subsidiary (Huron) involving an export investigation and a ₹67 Cr revenue reversal has created a temporary earnings disconnect and a significant risk overhang.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Mixed Miss	Consolidated Revenue (+4%) missed estimates due to ₹67 Cr reversal; Standalone beat on margins.	□
Earnings Quality	Low (Distorted by POCM reversal)	PAT impacted by revenue reversal without corresponding cost reversal; CFO/PAT ratio only 16%.	□
Guidance Confidence	Neutral	FY27 targets maintained, but Huron investigation timeline is a "black box."	□
Management Credibility	Weakened	General Manager of Huron suspended; investigation regarding Russian re-exports via India.	□
Business Quality Signal	Improving (Domestic) / Deteriorating (Subsidiary)	India business is high-moat/high-demand; Huron is an operational and compliance drag.	□
Key Q&A Exchange	Q1, Q8 (Huron Investigation)	Management admits machines delivered to Russia in '22-'23; GM suspended to ensure "fair" probe.	□
The Street's Primary Anxiety	Huron's Export License & Governance	Mgmt response: Investigation is industry-wide in Europe; revenue is "deferred," not lost.	□
Capital Cycle Stage	Investment	Aggressive capex to reach 16,000 machine capacity by Sept 2026.	□
Margin / Return Ratio Trajectory	Deteriorating (Consolidated)	EBITDA margins fell to 24.6% vs 30.9% YoY due to Huron de-leverage.	↓
Pricing Power	Stable	Natural hedging through pricing updates for new orders; 2-3% price hike in May.	→
FCF Conversion & Quality	Weak	FCF remains negative after capex; Working Capital remains extremely heavy.	□
Competitive Moat Signals	Widening (India)	Strong order intake in Aerospace/Defense and entry into 5-axis multitasking.	↑
Balance Sheet Strength	Adequate	Net Debt increased by ~₹300 Cr for capex; Net Debt/Equity remains manageable at 0.4x.	□
Working Capital Efficiency	Deteriorating	Inventory increased to ₹1,166 Cr (55% of revenue); manufacturing cycle remains long.	↓
Mgmt Guidance Track Record	Mixed	Successfully expanded India capacity but Huron integration remains problematic.	□
Key Vulnerability / Red Flag	Compliance & Export Controls	Suspension of Huron GM and potential for prolonged investigation.	□
Management Tone	Defensive regarding Huron; Confident on India demand.		□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The India standalone business is exceptionally strong, delivering 31.9% EBITDA margins and operating above 100% capacity. The order book (₹4,732 Cr) provides ~24 months of revenue visibility, with Aerospace & Defense now making up 38%. Domestic demand is robust enough that the company is currently turning away orders due to capacity constraints. * **Negatives:** Governance risk has spiked following an export control investigation at Huron SAS (France) involving the suspension of its General Manager. A ₹67 Cr revenue reversal (deferment) significantly depressed Q4 consolidated margins. Cash flow

conversion remains poor; despite a ₹336 Cr PAT, the company generated only ₹54.4 Cr in CFO for the full year, a 16% conversion rate that highlights chronic working capital intensity. * **Forward-looking Watchpoint:** The commercial commencement of the 10,000-machine capacity expansion in September 2026 is the primary catalyst for FY27. Any delay here or a negative outcome from the French investigation would materially impair the thesis.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹599.2 Cr	+4.1%	+4.0%	→	Growth suppressed by ₹67 Cr Huron revenue reversal; underlying growth ~16%.
Gross Margin (%)	51.4%	-300 bps	-620 bps	↓	Impacted by revenue reversal without proportionate COGS reversal.
EBITDA (Consol)	₹147.4 Cr	-17.0%	-4.6%	↓	Negative operating leverage at Huron due to investigation impact.
EBITDA Margin %	24.6%	-630 bps	-220 bps	↓	Standalone margins (31.9%) remained strong; consolidation dragged by France.
PAT (Consol)	₹90.6 Cr	-16.9%	+2.3%	↓	Full year growth +6.3% YoY; hindered by ₹40 Cr margin hit at Huron.
ROCE (%)	25.1%	+360 bps	Not stated	↑	Improvement driven by IPO debt reduction earlier in year.
Cash Flow (OCF)	₹54.4 Cr	+151.6%	N/A	↑	FY26 figure. Massive improvement from FY25's -₹105 Cr but still low vs PAT.
Net Debt / (Cash)	₹849.7 Cr	+70.9%	N/A	↓	Debt increased by ₹300 Cr to fund capacity expansion.
Interest Coverage	7.69x	-24.1%	N/A	↓	Finance costs rose to ₹69.8 Cr (FY) due to expansion loans.
Working Capital	₹1,479.5 Cr	+30.2%	N/A	↓	Inventory (₹1,166 Cr) and Receivables (₹599 Cr) remain thesis bottlenecks.

2B. SEGMENT BREAKDOWN (FY26 Revenue Mix)

Segment	Revenue (FY26 %)	Order Book (%)	Trend	vs Co Avg	Key Development
Aerospace & Defense	39%	38%	↑	Above	Core growth driver; technology transition from Huron to Jyoti complete.
Auto & Components	26%	20%	→	Below	Strong demand but execution delayed by customer plant readiness.
General Engineering	23%	19%	↑	Below	Significant momentum in small MSMEs (e.g., 1,000+ machines in Rajkot).
EMS	<5%	4%	→	Below	Delayed investment from major players (Tata Electronics) noted.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	₹2,500 Cr+ for FY27	Requires ~20% growth on FY26 base; doable with new capacity.	Delivered FY26 growth of 15% (reported).	Moderate
Guidance	Margins	25-27% EBITDA (Consol)	Requires Huron normalization and India scale.	Missed Q4 (24.6%) due to one-off.	Low
Guidance	Capacity	16,000 machines by Sept 26	Need to commission 10k additional capacity in 6 months.	On track; 6k already completed.	Low
Strategy	Huron Investigation	"No material impact"	Unknown; legal counsel retained.	GM suspended; ₹67 Cr reversed.	High
Strategy	Technology	5-Axis Multi-tasking	Proprietary tech now accounts for 75% of A&D.	Successfully delivered HP-series and HUMA.	Low
Macro	EMS Sector	100,000 machines (5 yrs)	Market sizing looks optimistic vs current 4% book.	Slow takeoff in FY26.	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Nishant (Kotak)	Huron	Investigation timeline and the nature of the ₹67 Cr revenue reversal.	Management clarified that the reversal is a POCM deferment pending export licenses, not a write-off or order cancellation. Implication: While revenues should return, the timeline is uncertain, creating a multi-quarter earnings overhang.	Specific timeline for resolution.	2.5	Hedged / Deferment
7	4.5	Adil (ICICI Pru)	EMS	Lack of order inflows from major EMS players like Tata Electronics.	Management noted that EMS players are still optimizing current facilities and significant component investments are delayed. Implication: The EMS growth pillar is likely a H2FY27 or FY28 story, not immediate.	None	4.0	Realistic delay
15	4.0	Aniket (YES)	Governance	Claims of Ukrainian government documents regarding deliveries to Russia.	Jadeja denied receiving any Ukrainian documents, stating the French government is the sole lead investigator. Implication: Clarifies the source of legal pressure but doesn't resolve the GM suspension risk.	None	3.5	Denied knowledge
16	5.0	Shrenik (Indo Alps)	Governance	Awareness of alleged Russia-via-India re-export channel and	Management admitted machines were dispatched in '22-'23 but denied current re-routing; GM was suspended as	Diligence performed during '22-'24.	2.0	Defensive / Evasive

Q#	Relevance	Analyst	Theme	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
				GM suspension.	"standard protocol" for fair investigation. Implication: Governance risk is non-trivial and may impact future European export approvals.			
19	4.0	Kamlesh (Lotus)	Margins	Declining realization per machine (₹34L vs ₹35L).	Mgmt explained that as volume increases, the mix shifts toward entry/mid-range, but the 25% margin floor remains protected. Implication: Top-line growth will be volume-led, not realization-led, going forward.	None	4.0	Consistent message

PATTERN FLAGS & SENTIMENT * Huron Overhang: Analyst focus was overwhelmingly on the French subsidiary. Skepticism regarding the "deferment" of revenue vs. a potential permanent loss of the Russian/CIS market was evident. The suspension of the GM is a serious signal that the Street is treating with caution. *

Capacity Bottlenecks: There is a recurring theme of "missed opportunities" as Jyoti is operating at >100% utilization. Analysts are frustrated by the slow rollout of new capacity (Sept 2026), given the surging domestic demand.

Analyst Sentiment Verdict: Analysts were largely convinced by the Indian demand story but hostile toward the Huron situation. The lack of a resolution timeline for the French probe was the primary point of friction. Management's credibility on governance took a hit, though their operational competence in India remains highly regarded.

5. WHAT CHANGED vs PRIOR QUARTER

Prior quarter (Q3 FY26) was characterized by high conviction and clean execution. Q4 has introduced systemic risk via the Huron investigation.

What Changed	Prior Quarter	This Quarter	Direction
Governance Risk	Negligible	High (Investigation + GM Suspension)	↓
Revenue Recognition	Normal POCM	₹67 Cr Reversal (POCM)	↓
EBITDA Margins	26.8%	24.6% (Consolidated)	↓
Order Book Mix	41% Aerospace/Defense	38% Aerospace/Defense (Diversification increasing)	→
Cash Conversion	Improving trajectory	Weak (16% CFO/PAT for FY26)	↓
Debt Profile	₹102 Cr (Non-current)	₹410 Cr (Non-current) — Capex drawdown	↓
Huron Strategy	Capacity Expansion (2x)	Compliance & Survival Mode	↓

Thesis Status: Thesis Under Stress. The long-term fundamental story of India's CNC leader remains intact, supported by the ₹4,732 Cr order book. However, the governance breakdown at Huron and the sustained inability to convert profits to cash (CFO/PAT < 20%) are major long-term valuation dampers. Investors should wait for the French investigation's conclusion or the Sept 2026 capacity ramp-up before increasing exposure.