Jyoti CNC Automation Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** Structural transition to high-margin Aerospace and Defense (A&D) is materializing, while aggressive deleveraging and inventory optimization are beginning to fix the broken cash flow engine.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Revenue grew 19% QoQ; EBITDA margins surged to ~30% (calculated) vs 25% in Q3.	□
Earnings Quality	High (Core driven)	FY24 was a turnaround year (□151 Cr PAT vs □5 Cr loss in FY23) driven by high-end machine mix.	□
Guidance Confidence	Strong	Order book at □3,438 Cr (1.5 years visibility); guided for □2,500-3,000 Cr new inflows in FY25.	□
Management Credibility	Strong	Delivered on debt repayment (Net Debt/Equity ~0.3x) and capacity expansion (Rajkot Assembly Line 1).	□
Business Quality Signal	Improving	Pivot to 5-axis technology (Huron integration) creates a niche vs domestic commodity CNC players.	□
Key Q&A Exchange	Q5 on Standalone	Management clarified Q4 standalone "decline" was a bottleneck in assembly, now fixed via new capacity.	□
The Street's Primary Anxiety	Execution Run-rate	Can they ramp from □450 Cr/qtr to the □573 Cr/qtr required to clear the order book?	□
Capital Cycle Stage	Harvesting / Expansion	Repaid □475 Cr debt; now expanding capacity to 6,000 machines/ year (Live by Sept 2024).	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins sustainable at 25-27% due to A&D mix (41% of Q4 revenue).	□
Pricing Power	Expanding	Huron brand commands a 5% premium over Japanese peers in high-precision niches.	□
FCF Conversion & Quality	Improving	Inventory days dropped from 325 to 236; targeting 160-170 days in FY25.	□
Competitive Moat Signals	Widening	Only Indian player with integrated 5-axis tech; 20-25% price advantage over Japanese imports.	□
Balance Sheet Strength	Strong	Net Debt significantly reduced; interest costs to drop by □60-65 Cr annually.	□
Working Capital Efficiency	Improving	Inventory value stabilized at □866 Cr despite 44% annual revenue growth.	□
Mgmt Guidance Track Record	Reliable	Delivered on post-IPO debt reduction and margin expansion promises.	□
Key Vulnerability	Run-rate gap	Current production still ~20% below the required monthly run-rate for 18-month delivery.	□
Management Tone	Confident	Bullish on "Mecca and Medina" European tech and the 1 lakh machine EMS opportunity.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business has completed a successful "Turnaround Year," shifting from a loss-making entity to high profitability through a product mix shift. A&D and high-end machines now constitute the majority of the order book (51%), offering superior gross margins (55% vs 35% for entry-level). Deleveraging via IPO proceeds will provide an immediate PAT kicker of ₹60-65 Cr in interest savings for FY25. * **Negatives:** While inventory days improved (325 to 236), the company missed its prior Q3 target of 210-220 days, highlighting the ongoing difficulty in managing complex global supply chains. * **The Street's Concern:** Analysts remain focused on execution bottlenecks; management's response points to the new assembly building being operational as of May 2024 to solve the Q4 standalone volume flatline. * **Watchpoint:** Execution of the ₹550 Cr "pending" EMS order in Q1/Q2 FY25 will validate the company's ability to displace Japanese incumbents (Fanuc/Brother) at scale.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	450.13	1.0%	19.1%	↑	Driven by high-end machine mix (₹162 Cr) and export ramp-up (42% of revenue).
EBITDA (₹Cr)	136.78	44.1%	44.4%	↑	(Calculated: PBT + Finance + Dep). Growth driven by higher realization machines.
EBITDA Margin %	30.4%	↑ 910 bps	↑ 540 bps	↑	Sustainable guidance at 25-27% for FY25.
PAT (₹Cr)	99.64	43.4%	107.4%	↑	Profitability accelerated by lower interest costs post-IPO.
Order Book (₹Cr)	3,438.00	9.4%	6.0%	↑	A&D constitutes 51% (₹1,761 Cr).
Order Inflow (₹Cr)	635.00	Not in PPT	Not in PPT	→	Healthy inflow; ₹550 Cr additional EMS orders expected in Q1.
Net Debt / Equity (x)	0.3x	↓	↓	↑	Massive improvement post ₹475 Cr debt repayment from IPO.
Interest Coverage (x)	6.61	↑	↑	↑	calculated (EBITDA / Finance costs).
Working Capital (Inventory Days)	236 Days	↓	↓	↑	Improved from 325 days; target 160-170 for FY25.
Machine Sales (Units)	991	Not in PPT	24.3%	↑	~1,000 machines in Q4 vs 797 in Q3.

2B. SEGMENT BREAKDOWN (Q4 FY24)

Segment	Revenue (₹ Cr)	% of Total	Margin Profile	Trend	vs Co Avg	Key Development
Aerospace & Defense	184.55	41%	High (55% GM)	↑	Above	Primary driver of EBITDA margin expansion.
Auto & Components	112.53	25%	Mid (40% GM)	→	Below	Steady demand from ICE and EV variants.
General Engineering	81.02	18%	Mid (40% GM)	→	Below	Broad-based recovery.
EMS	13.50	3%	High (50%+ GM)	↓	Above	Low revenue due to testing phase; ₹550 Cr inflow pending.
Others (Dies/ Moulds)	58.52	13%	Mid	↑	Below	Includes Die & Mould, Healthcare, and Oil & Gas.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Execute ₹3,438 Cr order book in 18 months.	Requires ₹573 Cr/qtr. Q4 was ₹450 Cr; needs 27% step-up.	Improving	Moderate
Guidance	Margins	Sustainable EBITDA margin of 25-27%.	Feasible if A&D remains >40% of revenue mix.	Delivered (Beat)	Low
Guidance	Volume	Reach 6,000 machines/yr capacity by Sept 2024.	Currently ramping from 4,400. Assembly Bldg 1 operational.	On Track	Low
Guidance	Working Cap	Inventory days to 160-170 for FY25.	Requires sharp drop from 236. Needs supply chain sync.	Missed Q4 target	High
Strategy	New Markets	Entry into USA market in FY25.	Participation in major US exhibitions planned.	New Target	Moderate
Strategy	EMS Opportunity	Capture share in 1 lakh machine market (5 yrs).	Dependent on Tachyon series success vs Japanese peers.	Ongoing	Moderate
Balance	Interest Cost	Save ₹60-65 Cr interest annually.	Debt already repaid; mathematical certainty.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Mohit Kumar (ICICI Sec)	EMS Revenue	Business Overview	"How do you see the new EMS orders contribution in FY '25 revenues?"	Management confirmed a ₹550 Cr pending order from EMS players after successful testing of the first batch. This validates the Tachyon series' ability to scale within the high-growth electronics manufacturing segment.	None	4.5	Highly Quantified
2	5.0	Mohit Kumar (ICICI Sec)	Defense Revenue	Financials	"How do you see the defence revenues going up in FY25?"	Management expects to execute ₹1,000 Cr of A&D revenue in FY25 out of the existing book. This concentration in high-margin segments supports the guided EBITDA expansion.	None	5.0	Specific timeline
3	4.0	Kamlesh Jain (Lotus)	EMS Order Book	Business Overview	"Our order book has dipped... Is one of the order got cancelled or it has been deferred?"	Management clarified that the lower EMS order book value was due to revenue recognition/ dispatch, not cancellations. Investors should focus on the net order book and pending inflows (₹550 Cr) rather than quarterly volatility.	None	4.0	Clear and quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
4	3.5	Kamlesh Jain (Lotus)	Operating Expenses	Financials	"Despite higher revenue... your other expenses have fallen very sharply. Any provision right back?"	Management explained the drop from Q3 to Q4 was due to one-off exhibition and marketing costs in Q3. This confirms the Q4 margin strength is largely operational and not accounting-driven.	None	4.5	Transparent
5	5.0	Depesh Kashyap (Invesco)	Standalone Growth	Financials	"Top-line growth was not there in the standalone entity... decline. timing issue?"	Management attributed the standalone bottleneck to assembly capacity constraints which forced a focus on high-end machines. The commissioning of the new assembly plant in May 2024 is the primary de-bottlenecking trigger for FY25.	None	4.5	Follow-up forced clarity
6	4.0	Depesh Kashyap (Invesco)	Taxation	Financials	"How should we look at the tax rate that you will see on the consolidated basis?"	Management noted □90 Cr in carry-forward losses at Huron and expects a consolidated tax rate of ~20% in FY25. This creates a slightly more favorable PAT conversion than the standard Indian	None	4.0	Specific guidance

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						corporate tax rate.			
7	4.5	Kamlesh Jain (Lotus)	Competition	Strategy	"How are we actually making a sense for the customer to buy from us vs Makino/ DMG?"	Management highlighted that Huron's tech is now manufactured in India, providing a competitive cost structure while maintaining a brand that commands a 5% premium over Japanese peers in some cases. This validates the "Indian MNC" moat where global tech meets local costs.	None	4.5	Moat Validation
8	4.0	Pritesh Shah (Lucky Inv)	Interest Savings	Financials	"How will this interest expense move?"	Management confirmed that debt repayment will reduce annual interest expenses by □60-65 Cr. This is a direct, high-certainty boost to FY25 net margins.	None	5.0	Precise target
9	4.0	Yash (Stallion Assets)	Inflow Guidance	Mgmt Outlook	"What is the expected order inflow for FY'25?"	Management guided for □2,500-3,000 Cr in new orders, with □1,500 Cr from A&D and □500 Cr from EMS. This implies the book-to-bill ratio remains healthy,	None	4.5	Quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						preventing any "order book cliff" concerns.			
10	3.5	Harshit Patel (Equirus)	EMS Apps	Business Overview	"What are the typical applications within EMS that we are right now catering to?"	Management detailed machining of metal bodies for mobiles, tablets, watches, and laptop components. The diversification within EMS reduces reliance on any single handset product cycle.	Client Names	3.5	Directional

PATTERN FLAGS & SENTIMENT Analyst anxiety centered on the **execution bottleneck** and the **EMS order book "dip."** Management's posture was extremely confident, systematically addressing the standalone revenue "decline" as a capacity constraint (now solved) rather than a demand issue. The skepticism regarding competition from Japanese giants (Fanuc/Makino) was countered with Huron's 190-year legacy and current price parity.

Analyst Sentiment Verdict: Analysts appear convinced by the structural margin expansion. The friction point remains the working capital cycle (inventory); while it improved, it remains a drag. Management's credibility improved this quarter by delivering a massive PAT turnaround and specific interest-saving targets. The greatest risk remains the ramp-up speed required to execute the ₹3,438 Cr book within the stated 18 months.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening/Prior) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Inventory Days | Target 210-220 days by FY24-end. | Achieved 236 days. | Missed target by ~16 days. | Continued FCF drag if FY25 target (160) isn't met. | | Standalone Growth | Guided for strong execution ramp. | Q4 revenue saw standalone constraints due to assembly. | Revenue was skewed toward exports/Huron to manage bottlenecks. | Temporary execution risk until new Rajkot lines fully stabilize. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3)	This Quarter (Q4)	Direction
Revenue Run-rate	□377.9 Cr	□450.1 Cr	↑ Improving
EBITDA Margin	25.0%	30.4%	↑ Improving
Inventory Days	300-325 Days	236 Days	↑ Improving
Net Debt/Equity	~0.3x (Post-IPO estimate)	0.3x (Confirmed)	→ Stable
Standalone Status	Execution bottleneck feared.	Bottleneck confirmed but new capacity live as of May 24.	↑ Improving
EMS Visibility	"Expected" orders.	□550 Cr orders confirmed "pending return."	↑ Improving
Machine Sales	797 Units	991 Units	↑ Improving
Profitability Status	Reaching PAT positive.	Full-year turnaround (□151 Cr PAT) achieved.	↑ Improving

INVESTOR NOTES: * **Earnings Quality:** FY24 PAT of □151 Cr is supported by EBITDA of □321 Cr (calculated annually). CFO/PAT is likely low due to high absolute inventory levels (□866 Cr), but the trend in inventory days (down 27%) is the correct trajectory. * **Required Run-Rate:** To execute the □3,438 Cr order book in 18 months, the company needs □573 Cr per quarter. Q4's □450 Cr shows progress but still requires a 27% step-up in throughput, which management expects from the new Rajkot assembly capacity live in H1FY25.

STOP HERE.