

Jyoti CNC Automation Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Revenue and PAT / Minor Volume Miss vs Guidance **One-line:** The thesis remains fundamentally strong as the company successfully hit a 90% utilization rate on its new capacity, though a massive working capital spike (Receivables and Unbilled Revenue) creates a significant "cashless growth" overhang that must be resolved in FY26.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat on Rev/PAT; Vol Miss	Revenue ₹576 Cr (Beat). Volumes: 1,349 machines vs 1,500 guided (Minor Miss).	□
Earnings Quality	Low (WC intensive)	PAT grew 109% YoY for FY25, but OCF is negative due to ₹630 Cr+ jump in WC assets.	□
Guidance Confidence	Neutral	Management pushed EMS execution to H2 FY26 and timeline for 10k capacity to June 2026.	□
Management Credibility	Strong	Successfully turned Huron profitable (₹8 Cr PAT) and hit 90% utilization on the 6k unit base.	□
Business Quality Signal	Improving	Pivot to mechatronics (HUMA patent) and self-reliant controller dev indicates deep moat building.	□
Key Q&A Exchange	Q# 11 - Product Mix	Entry-level still 82% of volume but High-end (₹3.27 Cr ASP) is 44% of value.	□
The Street's Primary Anxiety	Working Capital	Analysts pressed on negative OCF and Receivables spike; mgmt cited "last-month dispatches."	□
Capital Cycle Stage	Expansion (Phase 2)	₹400-450 Cr capex for 10,000 additional units underway; targeting FY27 completion.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins hit 30.9% in Q4; FY25 margins at 27% (well above 25% target).	□
Pricing Power	Stable	High-end realization of ₹3.27 Cr/unit confirms tech acceptance in Aerospace.	□
FCF Conversion & Quality	Weak	CFO/PAT is negative for FY25; absolute WC cycle is the primary governor of valuation.	□
Competitive Moat Signals	Widening	HUMA HMI patent and backward integration into servo motors/drives targets 10-20% cost savings.	□
Balance Sheet Strength	Adequate	Net Debt reduced post-IPO, but short-term WC borrowing is creeping up.	□
Working Capital Efficiency	Deteriorating	Inventory + Receivables + Other Fin Assets = ₹1,925 Cr (over 100% of FY25 Revenue).	□
Mgmt Guidance Track Record	Reliable	Consistent on tech milestones; slightly aggressive on delivery timelines.	□
Key Vulnerability / Red Flag	Asset Heaviness	"Other Financial Assets" spiked to ₹538 Cr (Unbilled Revenue/POCM); creates valuation risk.	□
Management Tone	Confident/Visionary	Focused on "People-driven institute" and becoming a top-3 global player by 2030.	□

Key Takeaways:

- * **Positives:** Jyoti CNC has transitioned from a founder-driven SME to a tech-led powerhouse. The 90% utilization of the 6,000-unit capacity in Q4 proves that the "execution ceiling" is being lifted. The Aerospace/Defense segment continues to anchor the high-end mix (44% of revenue), and the Huron subsidiary has completed its turnaround (FY25 PAT of ₹8 Cr). The launch of "HUMA" (Human Machine Interface) is a critical step toward complete backward integration of CNC controllers, potentially disrupting the Siemens/Fanuc duopoly in their entry-level machines.
- * **Negatives:** The "Quality of Earnings" is currently poor. While PAT doubled, the cash is trapped on the balance sheet. Trade Receivables jumped 95% YoY, and "Other Current Financial Assets" (likely unbilled revenue under POCM) tripled to ₹538 Cr.
- * **The Street's Concern:** Analysts are focused on the persistent delay in EMS revenue (now pushed to H2 FY26) and the negative operating cash flows. Management's response: These are long-cycle machines (Aerospace dispatches in the final month) and client-side infrastructure delays.
- * **Forward Watchpoint:** The "September 2025" window. This is when management expects EMS customers to be ready for deliveries and when the cash cycle is expected to "cool down." Failure to show positive OCF by H2 FY26 would trigger a thesis-level reassessment of their revenue recognition quality.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	575.68	↑ 27.9%	↑ 28.1%	↑	Volume-led growth; 1,349 machines sold in Q4.
Gross Margin (%)	54.4%	↑ 580 bps	↑ 420 bps	↑	Calculated; COGS at ₹262.7 Cr on ₹575.7 Cr Rev.
EBITDA (₹Cr)	178.00	↑ 32.8%	↑ 58.1%	↑	Operating leverage from 90% capacity utilization.
EBITDA Margin %	30.9%	↑ 120 bps	↑ 585 bps	↑	Beat internal target of 25% due to Aero mix.
PAT (₹Cr)	108.97	↑ 9.4%	↑ 35.8%	↑	YoY growth suppressed by high tax base in FY24.
Volume (Units)	1,349	↑ 34.9%	↑ 50.9%	↑	Attribution: Entry-level (1,107) dominated volume.
ASP (₹Lakh/unit)	42.67	↓ 5.2%	↓ 15.1%	↓	Mix shifted back to entry-level vs Q3's Aero peak.
Order Book (₹Cr)	4,346.00	↑ 33.1%	↓ 0.3%	→	Book-to-bill stable; intake slowed by lead times.
Huron Rev (₹Cr)	253.00 (FY)	First entry	N/A	↑	Huron is now PAT positive (₹8 Cr for FY25).
Net Debt / (Cash)	13.38 (C&B)	↓ 97.2%	↓ 95.8%	↑	Cash used for debt repayment post-IPO.
Working Capital	181 Days	↑ 24%	→	↓	DIO improved from 234 to 181, but DSO spiked.

2B. SEGMENT BREAKDOWN (Execution Mix)

Segment	Revenue Mix (%)	Est. Rev (₹ Cr)	Trend	vs Co. Avg	Key Development
Aerospace & Def	44.0%	253.30	↑	Higher	Remains primary margin driver; high-end focus.
Auto/Component	23.0%	132.41	→	In-line	EV shift via VST 160 and Alloy Wheel machines.
Gen. Engineering	23.0%	132.41	→	In-line	Broad-based recovery in SME manufacturing.
EMS	0.0%	0.00	↓	Lower	Zero execution in Q4; execution starts H2 FY26.
Others/Die-Mold	10.0%	57.57	→	Lower	Includes Healthcare/Power/Semiconductor dev.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	Deliver 10,000 additional units p.a. in 2 years.	Requires ₹450 Cr capex; facility to be live June 2026.	On-track	Medium
Guidance	Margins	Sustainable EBITDA at 25%.	Q4 at 30.9% gives high cushion; mix dependent.	Delivered	Low
Guidance	Cash Flow	Positive Operating Cash Flow in FY26.	Requires ₹300-400 Cr reduction in receivables/POCM.	First entry	High
Strategy	Integration	In-house controller/motor manufacturing.	Aiming to replace 10-25% cost component (Siemens/Fanuc).	Ongoing	Medium
Strategy	Sector Pivot	Semiconductor market entry H2 FY26.	Currently in design/client-qualification phase.	First entry	High
Strategy	Expansion	USA sales/service network.	No tariff impact expected; waiting on market clarity.	Delayed	Low
Macro	Demand	India to be Top 3 machine consumer by 2030.	Currently 6th; necessitates massive EMS/Aero CAGR.	In-line	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Manish / Nirmal Bang	Capex	Capex	"How much amount we need to incur for [10,000 unit] expansion?"	Management confirmed ₹400-450 Cr capex for the additional capacity, aiming to break the current execution bottleneck. Implication: High capital intensity will continue, but the book-to-bill of ~2.5x justifies the build-out.	None	5.0	Specific and Quantified
2	5.0	Manish / Nirmal Bang	Cash Flow	Financials	"Operating cash flow is negative... sharp increase in trade receivables."	Management admitted dispatches were back-ended in Q4 and cited the 18-month manufacturing cycle for Aerospace machines. Implication: The negative OCF is a structural byproduct of the "Aerospace-first" pivot; watch for liquidation of "Other Financial Assets" in H1FY26.	None	3.5	Plausible but high-risk
3	4.0	Akshay / AK Inv	Volume	Business	"How much machines did we sell in quarter 4?"	Management sold 1,349 machines in Q4, totaling 4,072 for FY25. Implication: They hit 90%	None	5.0	Hard data given

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						utilization on the 6,000 base in the final quarter, proving throughput scalability.			
4	4.0	Akshay / AK Inv	Tech	Business	"One patent we have registered for HUMA... what improvement?"	Management explained HUMA is a user-friendly HMI that allows them to eventually decouple from costly Siemens/ Fanuc controllers. Implication: This is a long-term gross margin expansion play (10-25% cost component) and a step toward mechatronics independence.	None	4.0	Visionary step
5	4.5	Kamlesh / Lotus	Controllers	Financials	"How much cost efficient it would be compared to [Siemens/ Fanuc]?"	Management noted controllers are 10-25% of machine cost; HUMA is the first step in a 2-year backward integration cycle. Implication: If successful, Jyoti could under-price Japanese competitors while maintaining 30%+ EBITDA margins.	None	4.0	Directional evidence

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
6	5.0	Mayank / HSBC	EMS Execution	Business	"This quarter, again, there has been 0 revenue booking [in EMS]."	Management clarified that the receiving customers' plants are under construction; deliveries will start in Aug-Sept 2025 (H2 FY26). Implication: Revenue growth in FY26 will be back-ended; early FY26 will rely solely on Aero/Auto.	None	4.0	Logical timeline
7	4.0	Mayank / HSBC	POCM	Financials	"Financial assets have grown significantly... what's the component?"	Management confirmed this is "Percentage of Completion" for machines with cycles >18 months (Aerospace). Implication: This confirms aggressive revenue recognition based on stage of completion rather than dispatch; increases earnings volatility risk.	None	4.0	Accounting clarity
8	3.5	Aniket / Yes Sec	Defense	Business	"Are you seeing any increased inquiries for the [Defense industry]?"	Management noted "huge pressures" from European and Indian clients to expand capacity and deliver faster. Implication: Demand is not the constraint;	None	3.0	High demand signal

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						labor/skill and floor space are the only governors of growth.			
9	4.0	Manish / Nirmal Bang	New Products	Business	"Market opportunity... and margin accretive in nature?"	Management highlighted GU 8 and Tachyon Beta targeting a \$3.7Bn global market (EMS/ Healthcare). Implication: Moving from general engineering to specialized high-accuracy machines sustains the realization premium.	None	4.0	Segment specific
10	3.5	Harshil Sheth	Inventory	Financials	"Still sitting on INR 800 crores worth of inventory... why?"	Management noted DIO improved from 234 to 181 days; fully integrated manufacturing requires high raw material and WIP holding. Implication: Inventory is a structural moat (insourcing) but acts as a drag on ROCE.	None	4.0	Efficiency trend
11	4.5	Mayank / HSBC	Competition	Business	"Competitors talking about introducing [EMS] machines... worry about it?"	Management stated they are the ones "making others worry" by competing head-on with Japanese incumbents.	None	3.0	Confident tone

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						Implication: High management confidence in Tachyon series performance vs Fanuc/Brother.			

PATTERN FLAGS & SENTIMENT * **The Cash-Revenue Mismatch:** Analysts are clearly uncomfortable with the spike in "Other Current Financial Assets" (₹38 Cr) and Receivables (₹486 Cr). This was the primary friction point. Management's defense—that it represents the "Percentage of Completion" on long-lead aero orders—resolved the *accounting* question but left the *liquidity* question open. * **The Waiting Game for EMS:** Questions on the zero execution of the massive EMS order book (₹90 Cr+ in the book) revealed that execution is contingent on the *customer's* site readiness. Analysts were skeptical but management provided a specific "August-September" window for commencement. * **Analyst Sentiment Verdict:** Cautiously optimistic. While the Huron turnaround and tech patent (HUMA) were seen as major wins, the negative OCF at a time of record profits created a "show me the money" sentiment. Management's credibility on hitting capacity utilization was validated this quarter, but their credibility on working capital management is now on trial for FY26.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | EMS Execution | Expected early FY26 | Starting Sept 2025 (H2 FY26) | 3-6 month push-out | Revenue shortfall in H1FY26 | | Phase 2 Capex | 2 Fiscal Years | "June 2026" / FY27 | Clarified to late-FY27 full ramp | Growth plateau until FY27 | | Volume Target | 1,500 machines for Q4 | 1,349 machines delivered | ~10% Miss on Volume | Minor execution drag |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY25)	This Quarter (Q4FY25)	Direction
Utilization Rate	Ramp-up stage	90% (on 6,000 base)	↑ (Operational efficiency)
Average Realization	₹50.27 Lakh/unit	₹42.67 Lakh/unit	↓ (Volume mix shift)
Huron Profitability	Early signs	₹8 Cr PAT (FY25)	↑ (Thesis validated)
Unbilled Revenue (POCM)	Not highlighted	₹38 Cr (Other Fin Assets)	↑ (Forensic flag)
Technology/IP	R&D focus	HUMA Patent Registered	↑ (Moat expansion)
Cash Flow (OCF)	Tight	Negative for the year	↓ (Liquidity risk)
Trade Receivables	₹249 Cr (FY24)	₹486 Cr (FY25)	↓ (DSO deterioration)
EBITDA Margin	25% (Guidance)	30.9% (Actual Q4)	↑ (Margin beat)

Investor Notes: * **Thesis Change?** No, but the "risk profile" has evolved. The risk is no longer "Can they sell/build high-end machines?" (Proven by Huron and Aero mix). The risk is now "Can they collect cash from these long-cycle projects?" * **The EMS Divergence:** While last quarter was about the *order intake* for EMS, this quarter confirms that *execution* will not show up until H2 FY26. Investors should expect a "lumpy" H1 FY26. * **High-End realization:** While the overall ASP dropped to ₹42.7L (due to high entry-level volumes), the high-end

machines (77 units) achieved a realization of ₹3.27 Cr each, confirming that the company is effectively moving up the value chain. * **Working Capital lever:** The CFO-to-PAT divergence is extreme. With PAT at ₹16 Cr and Receivables/Unbilled Revenue jumping by over ₹500 Cr, the company is effectively financing its customers' growth. FY26 H1 must show a reversal of this trend to sustain current valuations.