Jyoti CNC Automation Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Strong Beat **One-line:** Thesis validated as high-margin Aerospace orders remain robust and the "missing" EMS segment finally converted into a massive □1,283 Cr quarterly intake, though the working capital cycle remains bloated by unbilled revenue.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 42.5% YoY; Order intake surged to □1,283 Cr (4x of Q1).	□
Earnings Quality	Moderate (Working Capital Drag)	PAT growth is strong, but "Other Financial Assets" (unbilled revenue) surged to □362 Cr.	□
Guidance Confidence	Strong	Reaffirmed Aero/Def intake of □1,000-1,500 Cr for FY25; H1 already at □380 Cr.	□
Management Credibility	Strong	Delivered 6,000-unit capacity target; Huron turnaround is holding (80%+ utilization).	□
Business Quality Signal	Improving	Pivot to EMS and 5-Axis machines is diversifying the cyclical Auto base.	□
Key Q&A Exchange	Q# 11 - Controller R&D	Management confirmed dream of in-house CNC controllers/ motors within 2-3 years.	□
The Street's Primary Anxiety	Execution Capacity	Analysts questioned if □4,300 Cr OB can be executed in 12-18m; mgmt announced +10k capacity expansion.	□
Capital Cycle Stage	Expansion (Phase 2)	Moving from 6,000 units to 16,000 units p.a. with a □400 Cr fresh capex plan.	□
Margin / Return Ratio Trajectory	Stable/High	EBITDA margins held at ~25% despite higher entry-level EMS mix.	□
Pricing Power	Expanding	High-end machines realizing □5.8 Cr/unit; Entry-level ASP holding at □21 Lakh.	□
FCF Conversion & Quality	Weak	Negative movement in other financial assets suggests cash is trapped in site-testing.	□
Competitive Moat Signals	Widening	Integration of '7th Sense' AI (collision protection) and Huron 5-axis tech for domestic players.	□
Balance Sheet Strength	Strong	Net debt remains low following IPO; Interest costs down 64% YoY.	□
Working Capital Efficiency	Deteriorating	Inventory remains at □862 Cr; Unbilled revenue increased by ~□180 Cr in H1.	□
Mgmt Guidance Track Record	Reliable	Achieved 6,000 capacity by Sept-24 as promised in prior quarters.	□
Key Vulnerability / Red Flag	Client Site Delays	EMS execution hinges on client infrastructure readiness, causing lumpy revenue booking.	□
Management Tone	Highly Confident	Bullish on "India + 1" for EMS and Aerospace; aggressive on capacity expansion.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business has successfully transitioned from a domestic auto-ancillary provider to a global precision engineering firm. Aerospace & Defense (Aero/Def) now anchors 43% of the □4,289 Cr order book with 55% gross margins. The EMS "optionality" is now a reality, contributing 41% of Q2 inflows. Huron (France) is fully utilized (~80%) and accretive. * **Negatives:** Working capital is the primary structural risk; H1 revenue of □792 Cr is supported by an inventory base of □862 Cr, and unbilled revenue is growing faster than dispatches. There is a slight delay in the Huron capacity expansion (moved from Sept to Dec/Jan). * **The Street's Concern:** Analysts are focused on the realization gap—specifically, why the massive order book isn't converting to even higher quarterly revenue. Management's response: "execution ramp-up takes time, but 6,000-unit capacity is now live." * **Forward Watchpoint:** Monitoring the construction of the additional 10,000-unit capacity and the conversion of the □362 Cr unbilled revenue into cash by Q4 FY25.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Manufacturing - Industrial Products)

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	430.67	↑ 42.47%	↑ 19.02%	↑	Growth driven by volume ramp-up and EMS start.
Gross Margin (%)	50.55%	↑ 340 bps	↓ 304 bps	□	QoQ dip due to higher mix of entry-level EMS machines.
EBITDA (□Cr)	106.60	↑ 97.4%	↑ 13.28%	↑	Surge driven by operational leverage and high-end mix.
EBITDA Margin %	24.75%	↑ 675 bps	↓ 125 bps	□	Derived from mgmt stated □106.6 Cr EBITDA.
PAT (□Cr)	75.88	↑ 352.8%	↑ 49.02%	↑	Assisted by 64% reduction in YoY finance costs.
Order Book (□Cr)	4,289.30	↑ 317%	↑ 26.04%	↑	Massive jump; visibility for 18-24 months.
Order Inflows (□ Cr)	1,283.00	NM	↑ 319%	↑	Driven by EMS (41%) and Aerospace (22%).
Avg Realization (□ L)	41.37	↓ 10.1%	↓ 8.07%	↓	Q1 was □45L; Q2 drop due to high EMS volume mix.
Volume (Machines)	1,041	NM	↑ 32.1%	↑	Q1 was 788; ramp up to 6k p.a. capacity started.
Interest Cost (□Cr)	9.02	↓ 63.7%	↓ 18.16%	↑	Debt reduction from IPO proceeds continuing impact.
Unbilled Rev (□Cr)	362.23	↑ 42.6%	↑ 29.3%	↓	Reported as 'Other Financial Assets'; Trapped cash.

2B. SEGMENT BREAKDOWN (Order Book Mix)

Segment	OB Share (%)	Revenue Mix (Q2)	Margin (Est)	Trend	vs Co. Avg	Key Development
Aerospace	43.0%	38.0%	~55%	↑	Higher	100% of Aero orders served via Huron technology.
EMS	17.0%	11.0%	~40%	↑	Lower	Surged from 7.4% of OB in Q1 to 17% in Q2.
Auto / Comp	15.0%	29.0%	~40%	↓	Lower	Mix reducing as Co. pivots to high-tech sectors.
Gen. Eng.	16.0%	16.0%	~40%	→	In-line	Steady domestic demand for import substitution.
Die & Mould	4.0%	2.0%	~45%	↓	In-line	High precision requirement; stable but small.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Execution of ₹4,289 Cr OB in 12-18m.	Needs ~₹850 Cr/qtr; current is ₹430 Cr. High jump required.	First entry	High
Guidance	Margins	Maintain ~25% EBITDA Margin.	Achievable if Aero mix stays >40%.	Delivered	Low
Guidance	Volume	6,000 machine capacity reached.	Currently at 85% utilization of new base.	Delivered	Low
Guidance	Capex	₹400 Cr for +10,000 capacity.	Spread over 2 years; mostly internal accruals.	On-track	Medium
Strategy	Expansion	Market entry into USA and SE Asia.	Tech centers in USA planned within 1 year.	New Target	Medium
Strategy	Products	Semiconductor machines by 2026.	Prototype/R&D stage; 18-24 months out.	On-track	High
Macro	EMS Demand	1,00,000 machines demand in 5 yrs.	Industry-wide; Jyoti targeting 20-25% share.	N/A	Low
Balance	Debt	Use internal accruals for expansion.	H1 PAT ₹127 Cr; H2 likely higher; feasible.	Delivered	Low

4. ANALYST Q&A

Q#	Rel.	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Ankur, HDFC Life	EMS Orders	Business	"How do you see the overall industry grow... which segments are largest?"	Mgmt identified EMS and Aerospace as the primary growth drivers while Auto remains a steady but transforming (EV) base. Success in EMS (41% of Q2 intake) validates the pivot away from pure auto-cyclicality.	None	4.0	Clear visibility
1a	4.0	Ankur, HDFC Life	EMS Delivery	Outlook	"What kind of sales are you doing [for EMS]... execution time?"	Mgmt confirmed the current ₹700 Cr EMS order book must be delivered within one year. This creates a massive revenue cliff/opportunity in FY26 requiring flawless execution.	None	5.0	Quantified
2	4.0	Harshit Patel, Equirus	Aero Guidance	Outlook	"Reaching ₹1000-1500 Cr Aero orders for full FY25... are we on track?"	Mgmt reaffirmed the target, noting 80% is Huron-driven exports and 20% domestic defense. Reconfirmation of high-margin guidance supports the 25% EBITDA margin floor.	None	4.0	Reaffirmed
2a	3.5	Harshit Patel, Equirus	Huron Peak	Financials	"What kind of peak revenues that facility [Huron] can do?"	Mgmt guided for €80 Million peak revenue from Huron post-expansion. This provides a clear ceiling for the French subsidiary's contribution (approx. ₹720 Cr).	None	5.0	Specific
3	4.5	Nidhi Shah, ICICI Sec	Revenue Mix	Financials	"Revenue has seen a 45% increase... nowhere close to 75% [of prior Q]?"	Mgmt deflected full-year guidance but insisted QoQ growth would persist. Revenue acceleration is slowing on a percentage basis as the base increases,	FY25 Guidance	2.0	Deflected

Q#	Rel.	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						but absolute growth remains strong.			
4	5.0	Sanidhya, Unicorn	Unbilled Cash	Financials	"Unbilled revenues... when are we going to realize that?"	Mgmt expects unbilled revenue to decrease in Q3/Q4 as testing phases for large machines end and dispatches occur. This is the #1 forensic watchpoint for cash flow recovery.	None	3.0	Vague but logical
5	4.0	Sanidhya, Unicorn	Huron Delay	Capex	"Last two quarters... capacity extended in September. Now guiding for year end?"	Mgmt admitted equipment installation delays in France, pushing completion to Dec/Jan. This 4-month slippage delays the higher-margin Aero ramp-up slightly.	None	4.0	Admitted slippage
6	4.5	Kamlesh Jain, Lotus	Realization Mix	Financials	"Breakup between entry, mid, high... machine sold and average realization?"	High-end machines realized ₹5.8 Cr, Mid ₹1.1 Cr, and Entry ₹21 Lakh. The 27x realization gap between entry and high-end explains why volume alone isn't the best KPI.	None	5.0	High detail
7	4.0	Jignesh Vayda, Jiva	Technology	Strategy	"Are we in the process of developing that machine control unit?"	Mgmt confirmed active R&D to develop in-house controllers/drives/motors within 2-3 years. If successful, this would massively expand gross margins by reducing dependence on Fanuc/Siemens.	Specific timeline	3.0	Visionary

PATTERN FLAGS & SENTIMENT * **The EMS Surge:** Analysts were previously skeptical of the EMS "story" (Q1 had zero EMS revenue). The surge to 41% of Q2 intake ($1,283 Cr total) has shifted the focus from "will they get orders?" to "can they build them fast enough?" Management appeared highly confident in the "India + 1" tailwind. * **Cash Flow Anxiety:** A clear theme of concern regarding unbilled revenue (₹362 Cr) emerged. Analysts are worried that PAT is a "paper profit" until these large-scale machines are formally accepted and paid for. Management's posture was defensive but logical, citing long testing cycles. * **Capacity Aggression:** The shift to 16,000 machines p.a. was a surprise move. Analysts are trying to determine if this is a speculative build.

Management's rationale—a massive pipeline in EMS and US Aerospace—suggests they are seeing demand that isn't yet in the formal order book.

Analyst Sentiment Verdict: The sentiment was broadly positive regarding the order book and margins but cautiously skeptical of the execution timeline. The "Huron Delay" and "Unbilled Revenue" were the main friction points. Management's credibility remains high as they hit the 6,000-unit capacity target exactly when promised. The key unresolved issue is the **Cash Conversion Cycle**, which must improve by Q4 to satisfy the street.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY25)	This Quarter (Q2 FY25)	Direction
Order Book	₹3,403 Cr	₹4,289 Cr	↑
EMS Order Intake	Zero / Negligible	₹526 Cr (41% of intake)	↑
Capacity Target	6,000 units (Sept-24)	16,000 units (FY27)	↑
Huron Capacity	Target completion Sept	Target completion Dec/Jan	↓ (Delay)
Unbilled Revenue	~₹280 Cr (Est)	₹362 Cr	↓ (WC Drag)
Avg Realization	₹45 Lakh	₹41.37 Lakh	↓ (Mix Shift)
Sales Volume	788 Units	1,041 Units	↑
Growth Strategy	Indian focus + Huron	New USA Tech Center focus	↑

Investor Notes on Working Capital (Forensic Trigger): * **CFO/PAT Divergence:** H1 PAT is ₹127 Cr, but "Other Current Financial Assets" (unbilled revenue) increased by ₹181.5 Cr in the same period. This indicates that **143% of H1 PAT is currently trapped in unbilled revenue**. This is a significant earnings quality flag; investors must monitor the "dispatch vs. acceptance" cycle in Q3/Q4. If unbilled revenue does not decline by March 2025, the business faces a liquidity crunch despite the strong order book. * **Growth Attribution:** Q2 revenue growth was primarily **Volume-driven** (+32% QoQ) rather than realization-driven, as the ASP fell from ₹45L to ₹41L due to the entry-level EMS machines. This confirms the transition from a "premium-only" dispatch quarter to a "high-volume, high-margin mix" quarter.