Jyoti CNC Automation Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Revenue; Inline on EBITDA; Margin Compression YoY **One-line:** The long-term thesis remains firmly intact as the company navigates a transition year, trading short-term operating leverage for the massive scale required to fulfill a □4,546 Cr high-margin order book.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat on Revenue YoY (+17.9%)	Q2 Revenue □507.9 Cr vs □430.7 Cr LY.	□
Earnings Quality	High (Operationally driven)	Unlike Q1, Other Income normalized (□9.1 Cr); PAT is purely core-led.	□
Guidance Confidence	Neutral	Management targets a steep ramp-up to 10,000 units next year; current capacity is the ceiling.	□
Management Credibility	Strong	On-track with capacity expansion; positive OCF swing in H1.	□
Business Quality Signal	Improving	Gross Margin hit 56% (+540 bps YoY), reflecting high-end tech mix.	□
Key Q&A Exchange	Q# 11 - Capacity Ramp	Mgmt committed to 10,000 units next year; requires 100% volume growth.	□
The Street's Primary Anxiety	Execution Bottleneck	Can they deliver the back-ended H2 guidance with 88% utilization? Mgmt claims 100%+ is possible in Q4.	□
Capital Cycle Stage	Aggressive Expansion	Phase 2 expansion to 16,000 units p.a. is the primary value driver for FY27.	□
Margin / Return Ratio Trajectory	Temporary Compression	EBITDA margins flat (24.5%) as hiring costs outpace revenue.	□
Pricing Power	Expanding	High-end machine realization at □18.26 Cr/unit proves deep moat in Aerospace.	□
FCF Conversion & Quality	Weak but Improving	H1 OCF positive at □13.2 Cr, a significant swing from -□93.9 Cr YoY.	□
Competitive Moat Signals	Widening	Vertical integration (castings to spindles) allows 56% Gross Margins.	□
Balance Sheet Strength	Adequate	Debt/Equity at 0.3x; current focus is funding H2 working capital.	□
Working Capital Efficiency	Stressed	Unbilled revenue at □673.8 Cr reflects long-cycle Aerospace projects.	□
Mgmt Guidance Track Record	Reliable	Consistent on the "40/60" H1/H2 revenue split.	□
Key Vulnerability / Red Flag	Employee Cost Overhang	Employee costs grew 33% YoY, suppressing the 540 bps Gross Margin gain.	□
Management Tone	Bullish / Execution-focused	Confident in hitting 90-100% utilization in H2.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business continues its structural shift toward high-complexity machines, with **Gross Margins expanding to 56%** (up 540 bps YoY). The Order Book has reached a record **□4,546 Cr**, with Aerospace & Defense maintaining a dominant 40% share. Management achieved a critical pivot to **positive Operating Cash Flow** in H1 (□13.2 Cr), signaling better inventory management despite the scale-up. * **Negatives:** Operating leverage is currently being "sacrificed" to build management bandwidth; **Employee costs (up 33% YoY)** and Other Expenses (up 58% YoY) completely offset the Gross Margin gains, keeping EBITDA margins flat at 24.5%. The reliance on **unbilled revenue (□673.8 Cr)** remains high, creating a gap between P&L recognition and cash collection. * **The Street's Concern:** Analysts are questioning the feasibility of jumping from ~5,000 machines p.a. to 10,000 machines p.a. next year. Management's response: "This is our commitment." The ramp-up in Huron (France) and the Sept 2026 domestic expansion are non-negotiable for the stock's next re-rating. * **Forward Watchpoint: Q4 FY26 Utilization.** If management successfully pushes utilization above 100% in Q4 as claimed, it validates their ability to handle the 10,000-unit volume target for FY27.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q2FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Volume (Units)	1,315	↑ 17.5%	↑ 17.7%	↑	Higher entry-level (1,237) and mid-level (69) volume vs Q1.
ASP (□Lakh/unit)	38.6	↑ 0.3%	↑ 5.1%	→	ASP stabilized; High-end realization is □18.26 Cr/ unit (9 units).
Revenue (□Cr)	507.9	↑ 17.9%	↑ 23.8%	↑	Growth driven by volume expansion and steady demand in Aero/Defense.
Gross Margin (%)	56.0%	↑ 540 bps	↑ 10 bps	↑	Driven by high degree of vertical integration and product mix.
EBITDA (□Cr)	124.6	↑ 16.9%	↑ 24.3%	↑	Operating profit grew in-line with revenue; leverage limited by costs.
EBITDA Margin %	24.5%	↓ 20 bps	↑ 10 bps	→	Compression due to pre-hiring 1,000+ engineers for expansion.
PAT (□Cr)	85.5	↑ 12.7%	↑ 19.7%	↑	Slower than EBITDA growth due to higher Finance Costs (□14.2 Cr).
Order Book (□Cr)	4,546	↑ 35.1%	↑ 3.0%	↑	Intake of □619 Cr in Q2; Aero/Defense leads at 44% of intake.
Cash Flow (OCF) (□Cr)	13.2 (H1)	↑ 114%	N/A	↑	Significant improvement from -□93.9 Cr in H1FY25.
Net Debt / Equity (x)	0.3x (approx)	↓ 0.3x	→	↑	Strong balance sheet post-IPO; funding expansion via accruals.
Working Capital (□Cr)	673.8	↑ 25.2%	↑ 25.2%	↓	Unbilled revenue (Other Financial Assets) grew from □538 Cr.

2B. SEGMENT BREAKDOWN (End-User Industry Mix)

Segment	Revenue (₹ Cr)	Revenue Mix (%)	Trend	vs Company Avg	Key Development
Aerospace & Defense	182.8	36%	↓	Higher	Dominant segment; 40% of total order book is here.
Auto & Auto Comp	132.1	26%	→	In-line	Resumed traction; focuses on Alloy Wheel Turning/EV.
General Engineering	106.7	21%	↑	In-line	Broad-based demand across 200+ product variants.
EMS	10.2	2%	↓	Lower	Slower execution; large backlog (₹706 Cr) expected in Q4.
Die & Mould	50.8	10%	↑	Lower	High-precision segment growing steadily.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	30-35% CAGR for 3-5 years.	Needs ~₹1,300 Cr in H2 to hit 30% FY26 growth. Feasible given 40/60 seasonality.	Delivered	Low
Guidance	Margins	Sustainable 24-25% EBITDA.	Requires overhead absorption in high-volume Q4.	In-line	Medium
Guidance	Capacity	16,000 machines by Sept'26.	Construction on assembly/machine shops in final phase.	On-track	Medium
Guidance	Volumes	10,000 machines in FY27.	Requires 100% growth from ~5k current base.	TBD	High
Strategy	Product Development	HUMA HMI / Controllers.	12-18 month timeline for proprietary controller prototype.	Ongoing	Medium
Strategy	Regional Expansion	Huron (France) Hub.	Target €70-75M top line (up from €32M).	Commenced	Low
Balance	Working Capital	150-160 day cycle target.	Needs aggressive billing of ₹673 Cr unbilled assets in H2.	Improving	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.0	Harshit Patel / Equirus	Utilization	Capex	"In this interim period of three to four quarters, how do we plan to grow meaningfully, given that we have such a huge order book?"	Management admitted current capacity (6k) is a constraint but aims to "stretch" utilization beyond 100% in Q4 through process optimization. Implication: Revenue upside in FY26 is capped by the current floor space until the Sept 2026 expansion goes live.	None	4.0	Realistic
2	4.5	Harshit Patel / Equirus	Aero/ Defense	Business Overview	"Where these [Aero/ Defense] orders have come from? And out of these □425 crore, what would be the India contribution?"	Management clarified that □180 Cr of H1 intake came from Indian Ordinance factories/ Defense players, with the rest from global hubs like Germany, Turkey, and China. Implication: Domestic defense indigenization is no longer just a "story"—it is actively converting to firm POs.	None	5.0	Quantified
3	4.0	Aniket Jain / YES Sec	Employee Costs	Financials	"When do you plan to complete this hiring program that you are	Management stated they have already hired 80-90% of the required workforce for the next	None	4.0	Directional

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					currently undergoing?"	capacity leg, with headcount costs now "stabilized." Implication: Operating leverage should kick in during H2 as revenue scales against this fixed-cost base.			
4	4.5	Aniket Jain / YES Sec	EMS Execution	Business Overview	"Have the [EMS] deliveries resumed now? Or will these continue going forward?"	Management expects a minor ramp in Q3 but the bulk of the □706 Cr EMS backlog to execute in Q4 FY26. Implication: FY26 guidance rests heavily on a "perfect" Q4 execution in the electronics segment.	None	3.5	Timing specific
5	3.5	Anuj / Kotak Sec	Vertical Integration	Business Overview	"To what extent are we vertically integrated to have achieved these kind of margins?"	Management highlighted in-house manufacturing of critical components (spindles, turrets, castings) that competitors typically import from Japan/ Europe. Implication: High vertical integration acts as a structural margin floor, protecting the business from	None	5.0	Specific

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						currency/ import inflation.			
6	4.0	Yash Patel / Kotak AMC	HUMA Patent	Strategy	"What would be the margin impact after this panel has been developed?"	Management expects a 4-5% Gross Margin expansion once proprietary controllers and motors are integrated with the HUMA interface (12-18 month prototype). Implication: Long-term margin target of 30%+ EBITDA is dependent on this R&D success.	None	3.0	Long-term
7	4.0	Kamlesh Bagmar / Lotus	Staff Costs	Financials	"Employee cost has risen by roughly around 43% year-over-year... why are we seeing such a sharp increase?"	Management attributed the Q2 spike to annual salary increments and arrears dating back to April, alongside front-loaded hiring for the new capacity. Implication: This is a "clean" cost base now; the YoY comparison will normalize in future quarters.	None	4.0	Plausible
8	4.0	Kamlesh Bagmar / Lotus	Marketing Costs	Financials	"Even on the other expenses side... where	Management noted that Q2 included significant costs for the	None	4.0	Clear

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					can we see it normalizing?"	EMO Germany exhibition, which won't recur in H2. Implication: "Other Expenses" as a % of revenue should drop materially in Q3/Q4.			
9	4.5	Jayesh Shah / OHM	Realism of Growth	Management Outlook	"30%-35% CAGR growth... looks difficult [given capacity constraints]?"	Management maintains the target by counting on Huron's €75M capacity ramp and the early utilization of the new domestic assembly lines starting Q4. Implication: Reaching the 30% growth target for FY26 requires a 50%+ YoY growth in H2.	None	3.0	Ambitious
10	5.0	Aniket Jain / YES Sec	Unbilled Revenue	Financials	"Other financial assets have increased materially... what is driving this increase in unbilled revenues?"	Management explained that large, long-cycle machines (Aero/ Defense) are currently in partial build-up stages, with milestones yet to hit billing status. Implication: High "working capital lock-up" risk; if project milestones slip, the unbilled	None	4.0	Risk-flagged

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						revenue won't convert to cash.			
11	4.5	Depesh Kashyap / Invesco	FY27 Volumes	Management Outlook	"10,000 is a very big steep jump... Do you think it is possible?"	Management stood by the 10,000 unit commitment, noting they have already committed these deliveries to customers. Implication: The market will likely discount this target until the Sept 2026 expansion is physically commissioned.	None	3.0	High Stakes
12	4.0	Nishant / Kotak AMC	Import Dependency	Business Overview	"How much of it is currently built in-house and how much of it is kind of imported?"	Management disclosed 30% of total purchases (controllers, bearings, sensors) are still imported from Japan and Germany. Implication: The business remains vulnerable to JPY/EUR volatility until the proprietary controller project succeeds.	None	5.0	Quantified

PATTERN FLAGS & SENTIMENT * **The "Pre-Hiring" Drag:** Analysts were highly focused on the mismatch between headcount costs (up 43% YoY) and revenue (up 18%). Management successfully framed this as a "prerequisite for precision," arguing that high-end CNC assembly requires 1-2 years of training, necessitating hiring *before* the capacity goes live. The sentiment here shifted from concern to "monitoring for H2 leverage." * **Capacity Skepticism:** There is a clear tension between the 4,500 Cr order book and the current 6,000 machine capacity. Analysts repeatedly poked at how the company can fulfill orders with two-year lead times. Management's posture was confident, almost aggressive, about stretching utilization beyond 100% in the "seasonal" fourth quarter. * **Analyst Sentiment Verdict:** Analysts are **cautiously optimistic.** While the Q2 profitability was "noisy" due to arrears and exhibition costs, the H1 positive OCF and the 56% Gross Margin were viewed as significant quality wins. Management's credibility remains high, but they have boxed themselves into a corner where a failure to deliver a "massive" Q4 would break the growth narrative.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | |-------|--------------------------------------|-------------------|-----------------|----------------| | FY27 Volume | Scalability to 16,000 units. | Commitment of 10,000 units for next year. | Clarified the immediate target is a 100% jump, not the full 16k capacity. | Execution risk is higher than previously modeled. | | EMS Timing | Delivery throughout FY26. | Bulk of execution pushed to Q4. | Execution is now "lumpy" rather than linear. | Quarter-end concentration risk. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY26)	This Quarter (Q2FY26)	Direction
Earnings Quality	Bolstered by ₹16 Cr Forex Gain	Core-led (Forex gain normalized)	↑
Utilization	75%	88%	↑
Cash Flow	Negative (H1 FY25)	Positive ₹13.2 Cr (H1 FY26)	↑
Gross Margin	55.9%	56.0%	→ (Stable High)
Unbilled Revenue	₹538.2 Cr	₹673.8 Cr	↓ (Increasing drag)
Aero/Defense Intake	₹148 Cr (est)	₹272 Cr	↑
Huron Ops	Pending commissioning	Fully operational (since Sept)	↑
Proprietary Tech	Concept / Patent	R&D prototype phase (12-18m)	↑
Finance Costs	₹12.1 Cr	₹14.2 Cr	↓ (Cost increase)