

January 8, 2024

IPO Note

IPO NOTE

Issue Details

Price Band: ₹ 315 to ₹ 331
Employee Discount: ₹ 15/Share
Issue Opens on: January 9, 2024
Issue Closes on: January 11, 2024
Lot Size: 45 Shares & in Multiples thereafter

Issue Highlights

Issue Size: ₹ 1,000 Cr.
No of Shares: 30,218,649
Face Value: ₹ 2

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	1,000
Offer for Sale	-
Total	1,000

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	75	746.25
HNI	15	149.25
Retail	10	99.50
Employee	-	5.00
Total	100	1,000.00

Listing

BSE & NSE

Lead Managers

- Equirus Capital Private Limited
 - ICICI Securities Limited
 - SBI Capital Markets Limited

Registrar

Link Intime India Private Limited

ANALYST

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COMPANY OVERVIEW

Jyoti CNC Automation Limited one of the world's leading manufacturers of metal cutting computer numerical control (CNC) machines with the 3rd largest market share in India accounting approximately 10% of the market share in India in Fiscal 2023 and 12th largest market share globally accounting for 0.4% of the market share globally in calendar year 2022. They are a prominent manufacturer of simultaneous 5-Axis CNC machines in India and supply a diverse portfolios of CNC machines.

The company deliver customised solutions to customers across diverse set of industries including aerospace and defence, auto and auto components, general engineering, EMS, dies and moulds, and others. It has been awarded Best Metal Cutting Brands by Economic Times for 5 consecutive years from 2018 to 2022.

The company offers over 200 variants across 44 series and during the last 6 months period ended September 30, 2023, and during the last 3 Fiscals, it has supplied over 8,400 CNC machines to more than 3,500 customers in India and across Asia (excluding India), Europe, North America and rest of the world. As of September 30, 2023, it had an order book of ₹ 33,153.26 million including an order of ₹ 3,049.17 million from an entity in the electronics manufacturing services (EMS) industry. The company operate out of 3 manufacturing facilities, 2 in Rajkot, Gujarat, (Indian Manufacturing Facilities) and 1 in Strasbourg, France, which are equipped with capabilities to design, develop and manufacture their product portfolio.

HIGHLIGHTS

1. One of the leading CNC machine manufacturing companies globally as well as in India
2. Well diversified global customer base spread across end-user industries
3. Focus on technology and ability to deliver innovative solutions
4. Vertically integrated operations

OBJECTS OF THE ISSUE

1. Repayment and / or prepayment in part or in full, of certain outstanding loans of the Company (₹ 475.00 Cr.)
2. Funding long term working capital requirements (₹ 360.00 Cr.)
3. General corporate purpose.

OUR VIEW

Incorporated in January 1991, Jyoti CNC Automation Limited is a manufacturer and supplier of CNC machines. The company's customer base includes Indian Space Applications Center - ISRO, BrahMos Aerospace Thiruvananthapuram, Turkish Aerospace, Uniparts India, Tata Advances System, Tata Sikorsky Aerospace, Bharat Forge, and others.

The company recently turned profitable in FY23 & H1FY23. In FY23, the Company reported an exceptional gain of ₹ 30.4 Cr, due to waiver of loan. If we exclude these exceptional gains, the Company would end up in losses of ₹ 15.34 Cr. However, there can be certain questions regarding the consistency. Company has net debt of ₹ 650 Cr. It plans to repay ₹ 400 Cr. using IPO proceeds. The company faces key delivery and execution risk. The company procures about 30% of its components mainly electronic works from companies like Siemens, Mitsubishi, Fanuc etc. The company's exports have been reducing over time. The subsidiaries have incurred losses for period ended 30th September, 23 and FY 21, 22, 23.

The revenue CAGR for the period FY21-23 stood at about 26.57%. The company operated on an EBITDA margin of 10.45% and PAT margin of 1.58% for year ended FY23. The number was 14.59% and 0.66% respectively for H1FY24. Generating ROCE and ROE of 9.5% and 18.35% respectively for FY23.

The issue is priced at P/BV of 59.43x based on its NAV of Rs. 5.57 as at FY23 and is asking for a PE multiple of 324.51x on the upper end of the price band and using diluted EPS for FY23 (₹ 1.02) and a PE of 871.05x annualizing diluted EPS for H1FY24 (₹ 0.19). Whereas, the highest and the lowest industry P/E is 67.76x and 37.69x.

Looking at all the factors, risks, opportunities and an issue with very high valuation, investors can avoid the issue as of now.

Brief Financials

PARTICULARS	As at September 30, 2023	₹ in Million		
		FY '23	FY '22	FY '21
Total Income	5,105.29	9,526.00	7,500.61	5,900.92
Total Expenditure	5,002.07	9,552.01	7,918.11	6,616.65
EBITDA	744.02	973.79	726.62	316.89
Profit before Tax	103.22	278.50	(417.50)	(715.73)
Profit after Tax	33.52	150.60	(483.00)	(700.29)
E.P.S. (Diluted)	0.19**	1.02	(3.28)	(4.75)
P/E (x) (Diluted)	-	324.51	-	-
RONW (%)	1.33	18.35	(117.36)	(62.20)

* Not Annualized

PRICE CHART (@ ₹ 331) (Retail Category)

LOT SIZE	Amount
45	14,895
90	29,790
135	44,685
180	59,580
225	74,475
270	89,370
315	104,265
360	119,160
405	134,055
450	148,950
495	163,845
540	178,740
585	193,635

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	630	208,530
Big HNI	6,030	1,012,860

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	12/01/2024
Initiation of refunds/unblocking ASBA Fund	15/01/2024
Credit of Equity Shares to demat accounts of Allottees	15/01/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	16/01/2024

For more details, Please refer RHP,

(https://www.sebi.gov.in/filings/public-issues/jan-2024/jyoti-cnc-automation-limited-rhp_80382.html)

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