

The Issue

Type of Issue	Rs. Mn
Fresh Issue	10,000
Offer for Sale	-
Total Issue Size	10,000
Post-Issue Market cap*	75.3 bn
Lot size	45

*At Upper Price Band

Issue Break-Up

Reservation for	% of Issue
QIB	75%
NII	15%
Retail	10%
Total	100%

Indicative Offer Timeline

Indicative Date

Bid/Offer Opening Date	9th Jan 2024
Bid/Offer Closing Date	11th Jan 2024
Basis of allotment	12th Jan 2024
Credit of shares to Demat	15th Jan 2024
Listing of shares	16th Jan 2024

Use of Proceeds

Prepayment/Repayment of debt	Rs 4.75 bn
Funding long-term WC debt	Rs 3.60 bn

Manager Equirius, ICICI Sec, SBI Cap

Registrar Link Intime India Pvt Ltd.

Saral Seth

VP—Institutional Equities

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Play on capex cycle !

Company Overview: Jyoti CNC Automation (Jyoti) is one of the world's leading manufacturers of metal cutting computer numerical control (CNC) machines with the third largest market share in India with ~10% of domestic market share and 0.4% global market share. It has an order book of ~Rs 33.2bn from OEMs across geographies.

The company is a prominent manufacturer of simultaneous 5-Axis CNC machines in India and supplies a diverse portfolios of CNC machines including CNC Turning Centers, CNC Turn Mill Centers, CNC Vertical Machining Centers (VMCs) and CNC Horizontal Machining Centers (HMCs).

It caters to customers across industries including Aerospace and Defence, Auto and Auto components, General engg, EMS, dies and moulds, and others.

It offers solutions suited for transitioning towards 'Industry 4.0', including its flagship multifunctional solutions package viz. '7th Sense' – which is geared towards automating sophisticated diagnostic and analytical functions enabling seamless management of productivity, health and tool life of the CNC machine.

Its clientele includes Space Applications Centre – ISRO, BrahMos, Turkish Aerospace, Uniparts, AVTEC, Tata Advanced System, Tata Sikorsky Aerospace, Bharat Forge, C.R.I. Pumps Private, Kalyani Technoforge, Shakti Pumps (India) Limited, Shreeram Aerospace & Defence LLP, Rolex Rings, Orbit Bearings India, Omnitech Engg, Harsha Engineers, Bosch, HAWE Hydraulics, Festo India, Elgi Rubber, National Fittings, and Aequs.

Currently, its product portfolio includes entry level products to sophisticated machines including high speed simultaneous 5-Axis, multi-purpose, multi-tasking machines. In November 2007, it acquired Huron Graffenstaden SAS (Huron, our step-down subsidiary), a pioneer for 5-Axis machining technology. The acquisition of Huron was undertaken with the strategic objective to cater, to global customers across aerospace, defence and other high end engineering application industries.

The company operates out of 3 facilities, 2 in Rajkot, Gujarat, and 1 in Strasbourg, France, with a capacity of 4,400 machines p.a. in India and 121 machines p.a. in France.

Valuation and View: On post-issue basis, the IPO is valued at a P/S of 10.1x/8.1x/7.4x FY22/FY23/FY24E sales on our estimates. The company is a leading CNC manufacturing company with an order book of Rs 33.2bn leading us to a strong revenue visibility. Out of the total order book, the aerospace and defence contribute ~57%. Company has grown its revenue/ebitda at a 2yr CAGR of 27%/75% respectively backed by increasing utilization and operational efficiencies at play. We believe, Jyoti CNC is poised to benefit from the ongoing capex cycle and should see healthy growth over the medium term owing to strong order book. **We assign a SUBSCRIBE rating to the IPO.**

Jyoti CNC Automation

JYOTI's key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23	1HFY24E
Net sales	5,801	7,465	9,293	5,098
Gross profit	2,611	3,268	3,966	2,388
Gross margin (%)	45.0%	43.8%	42.7%	46.8%
Staff cost	1,314	1,418	1,662	903
Other expenses	980	1,123	1,330	741
Adj. EBITDA	317	727	974	744
Adj. EBITDA margin (%)	5.5%	9.7%	10.5%	14.6%
Dep	378	358	336	156
EBIT	-61	369	638	588
EBIT margin (%)	-1.1%	4.9%	6.9%	11.5%
Fin. Costs	755	822	897	492
Other income	100	36	233	7
PBT	-716	-417	-26	103
PBT margin (%)	-12.3%	-5.6%	-0.3%	2.0%
Tax	-15	66	128	70
Exceptional			305	
PAT	-700	-483	151	34
PAT margin (%)	-12.1%	-6.5%	1.6%	0.7%

Key Risks:

- **Segment concentration risk:** Company derives 37% of its sales from Aerospace and Defence and ~35% of its rev from Auto and Auto components. Any slowdown in this segment could impact its revenue.
- **Customer risk:** Jyoti derives ~32% of its sales from top 3 customers and 35% of its sales from top 5 customers and ~40 of its sales from top 10 customers.
- **Highly capital intensive** with a high Gross fixed asset turnover ratio 1.3x which implies highly capital intensive nature of the business.

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter	72.1%	62.5%
Public	27.9%	37.5%
Total	100%	100%

Jyoti CNC Automation

Jyoti segment wise revenue (Rs in mn)

Revenue segment wise	FY21	FY22	FY23	1HFY24
Aerospace and Defence	978	512	1,731	1,791
Auto & Auto Components	1,837	2,690	3,976	1,669
General Engineering	1,254	1,900	1,668	889
Dies & Moulds	322	660	766	207
Electronic Manufacturing Services	-	-	2	-
Others**	751	1,053	376	257
Total	5,142	6,816	8,517	4,812

Jyoti geography wise revenue mix (%)

Revenue mix (%)	FY21	FY22	FY23	1HFY24
Aerospace and Defence	19%	8%	20%	37%
Auto & Auto Components	36%	39%	47%	35%
General Engineering	24%	28%	20%	18%
Dies & Moulds	6%	10%	9%	4%
Electronic Manufacturing Services	0%	0%	0%	0%
Others**	15%	15%	4%	5%
Total	100%	100%	100%	100%

Jyoti CNC Automation

Jyoti CNC capacity and capacity utilization (%)

Revenue region wise (%)	1HFY23			FY23			FY22			FY21		
Particulars	Capacity	No. of machine	Utiliza-tion (%)	Capacity	No. of machine	Utiliza-tion (%)	Capacity	No. of machine	Utiliza-tion (%)	Capacity	No. of machine	Utiliza-tion (%)
Indian	2,200	1,243	56.5	4,400	3,053	69.39	4,400	2,515	57.16	4,400	1,540	35
Strasbourg, France	60	32	53.33	121	50	41.32	121	41	33.88	121	38	31.4
Total	2,260	1,275	110	4,521	3,103	111	4,521	2,556	91	4,521	1,578	66

Jyoti CNC revenue and revenue mix from Top customers

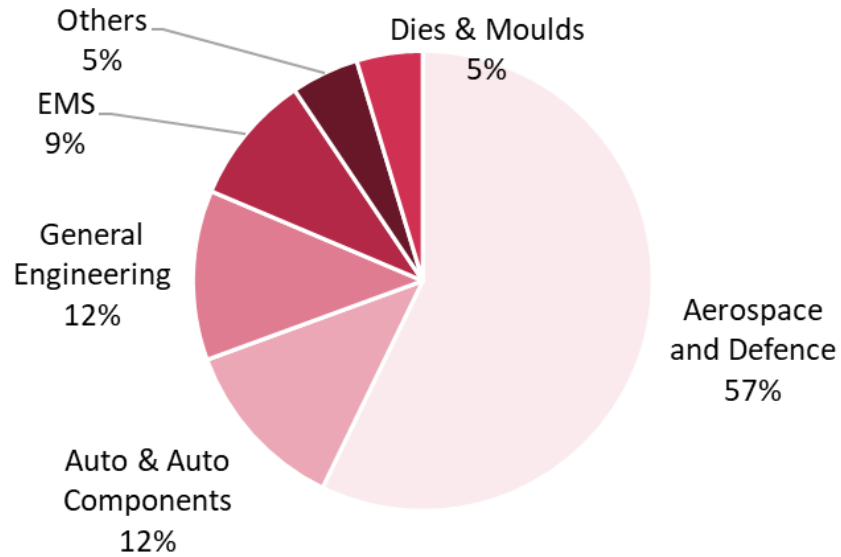
Particulars	1HFY24		FY23		FY22		FY21	
	Revenue	% mix	Revenue	% mix	Revenue	% mix	Revenue	% mix
Top 3 customers	1,631.52	32.0	1,296.18	14.0	1,044.04	14.0	1,063.27	18.3
Top 5 customers	1,772.47	34.8	1,499.53	16.1	1,274.88	17.1	1,308.84	22.6
Top 10 customers	2,035.17	39.9	1,866.00	20.1	1,685.87	22.6	1,713.36	29.5

Jyoti CNC revenue break-down geographies

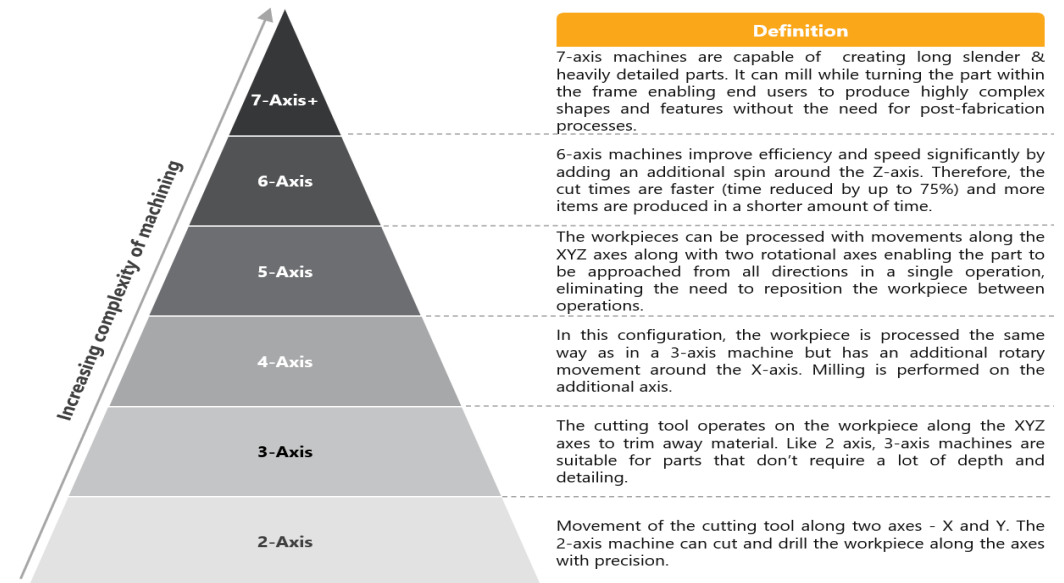
Particulars	1HFY24		FY23		FY22		FY21	
	Revenue	% mix	Revenue	% mix	Revenue	% mix	Revenue	% mix
India	4,037.7	83.9	7,428.2	87.2	5,629.0	82.6	3,652.1	71.0
Asia (Ex-India)	68.7	1.4	600.2	7.1	772.7	11.3	618.6	12.0
Europe	702.4	14.6	418.6	4.9	339.1	5.0	835.3	16.2
North America	3.5	0.1	63.7	0.8	46.6	0.7	36.1	0.7
ROW	-	-	6.5	0.1	28.4	0.4	-	-
Total	4,812.4	100.0	8,517.1	100.0	6,815.7	100.0	5,142.1	100.0

Jyoti CNC Automation

Jyoti CNC order book stands at Rs 33.1bn across segments



Increasing complexity of machining



CNC Turning/ Turnmill centers manufactured by Jyoti

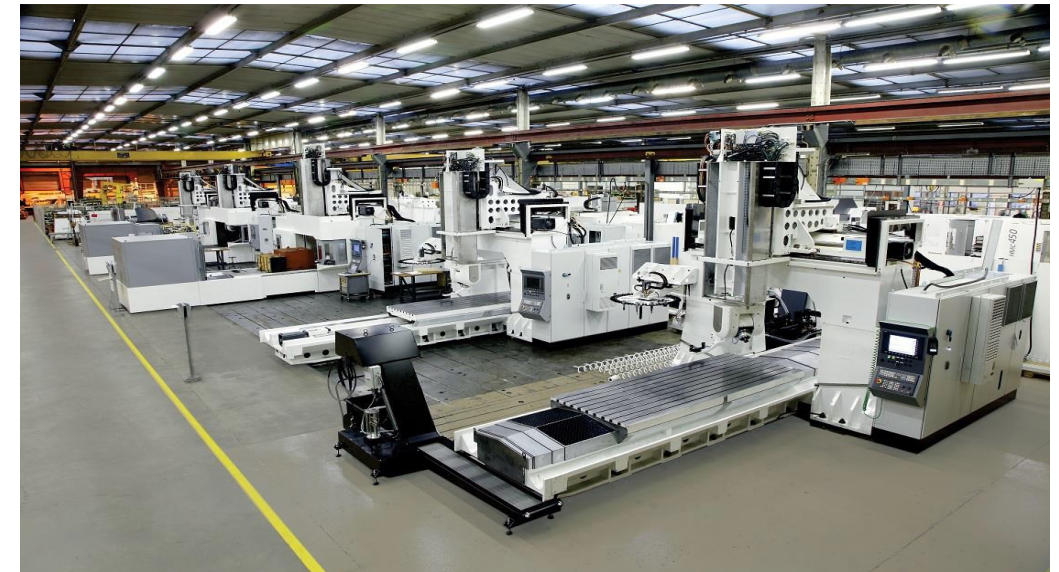


Vertical machining centers manufactured by Jyoti



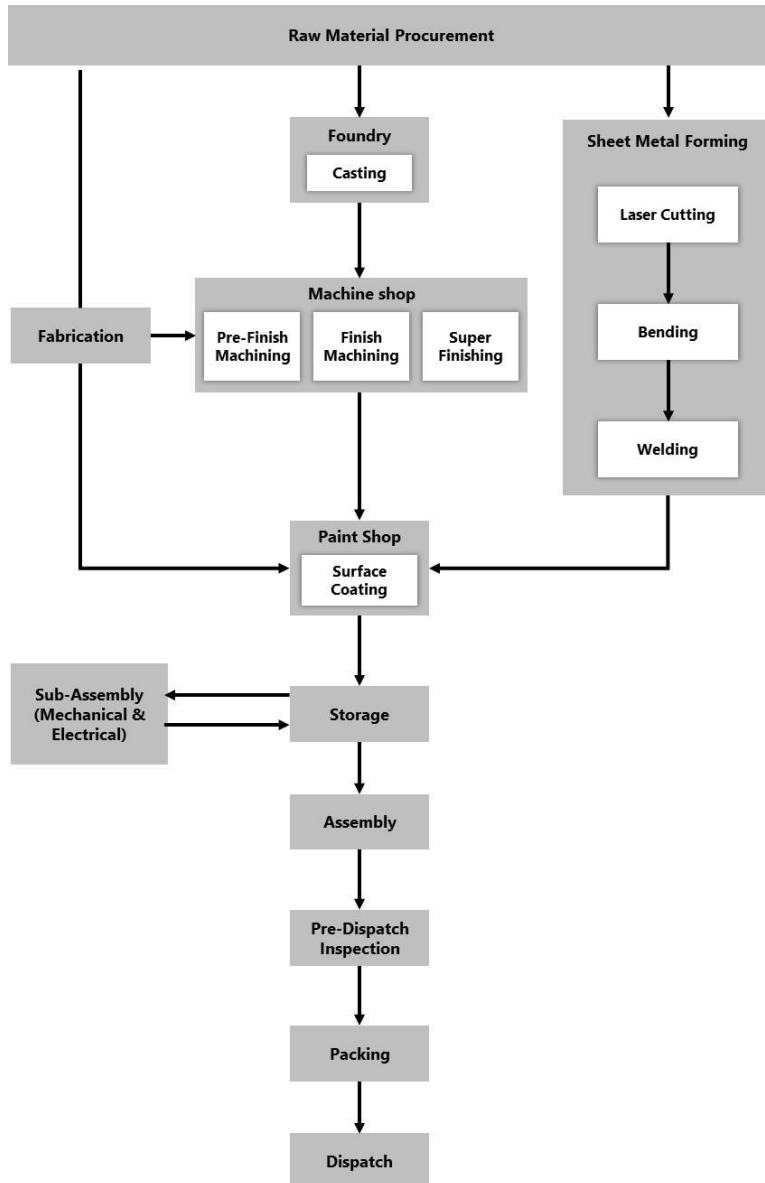
Jyoti CNC Automation

Jyoti CNC manufacturing facilities and assembly lines

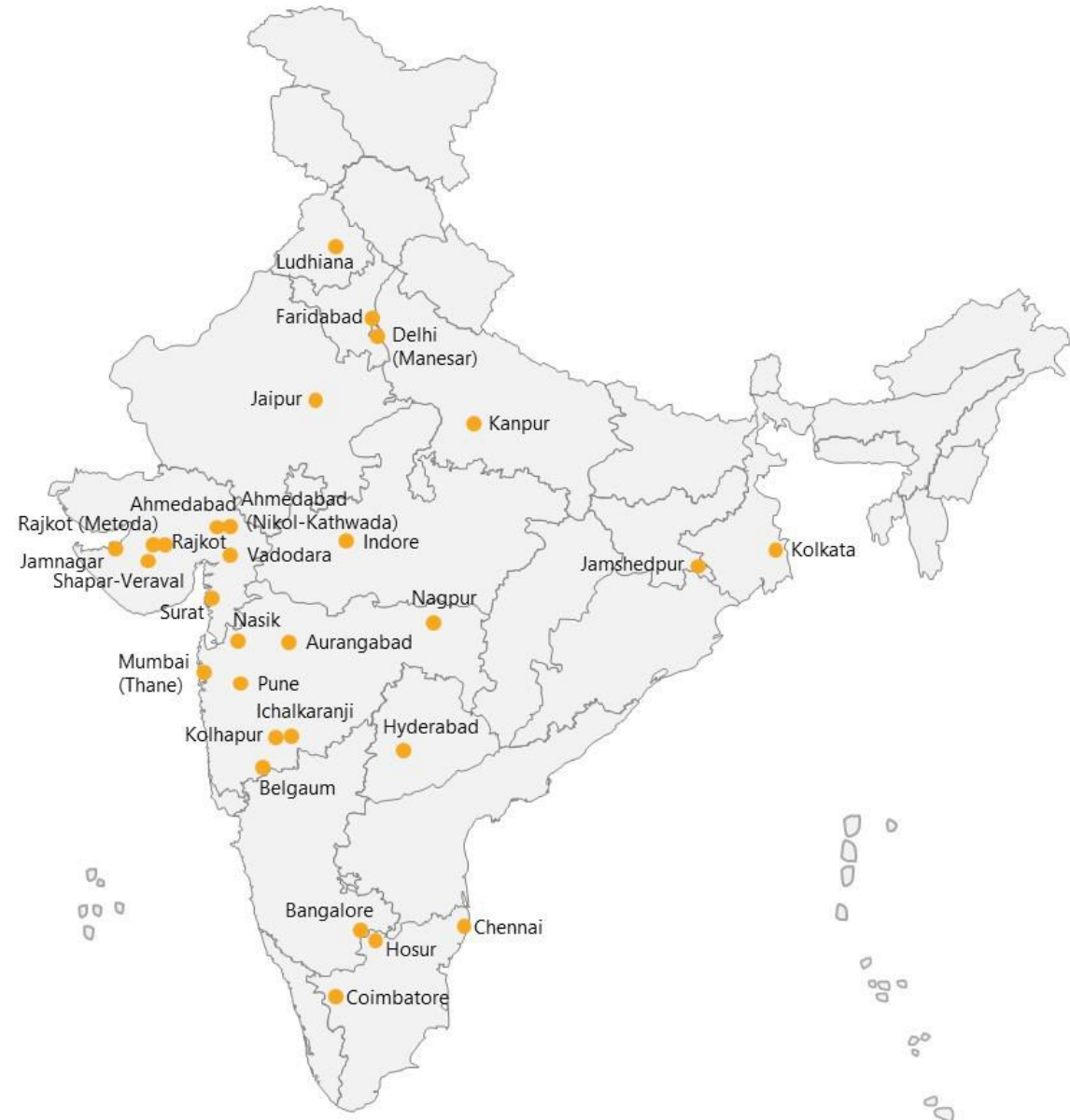


Jyoti CNC Automation

Jyoti CNC manufacturing process

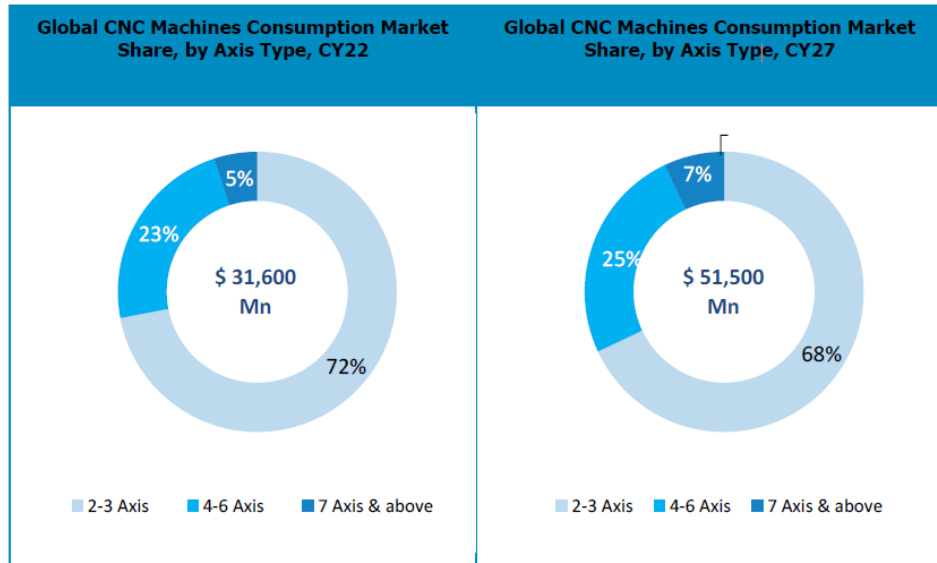


Jyoti CNC sales and distribution network in India



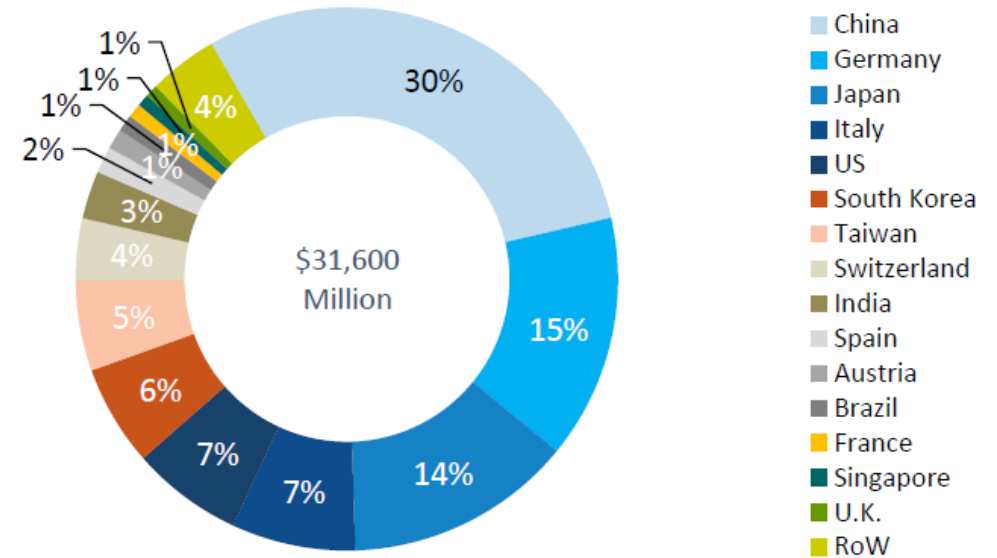
Industry Outlook

CNC Machining Center Consumption Share, by Region CY22

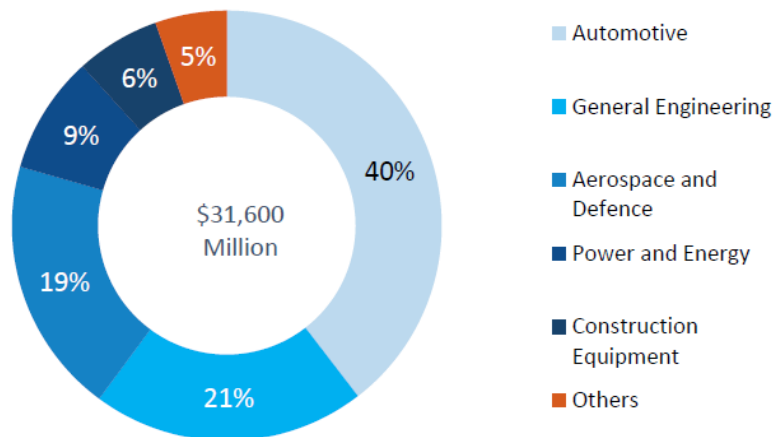


Source: Primary Research, Frost & Sullivan Analysis

CNC Machining Center Production Share, by Country CY22 (%)

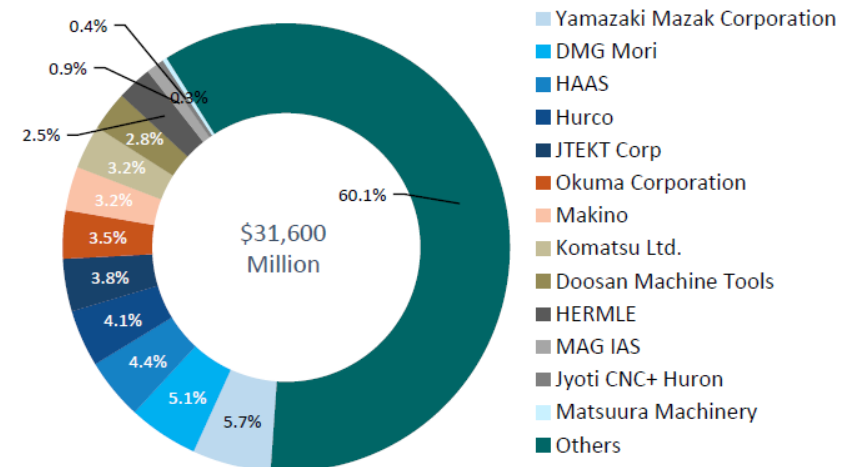


CNC Machining Center Production Share, by End User CY22 (%)



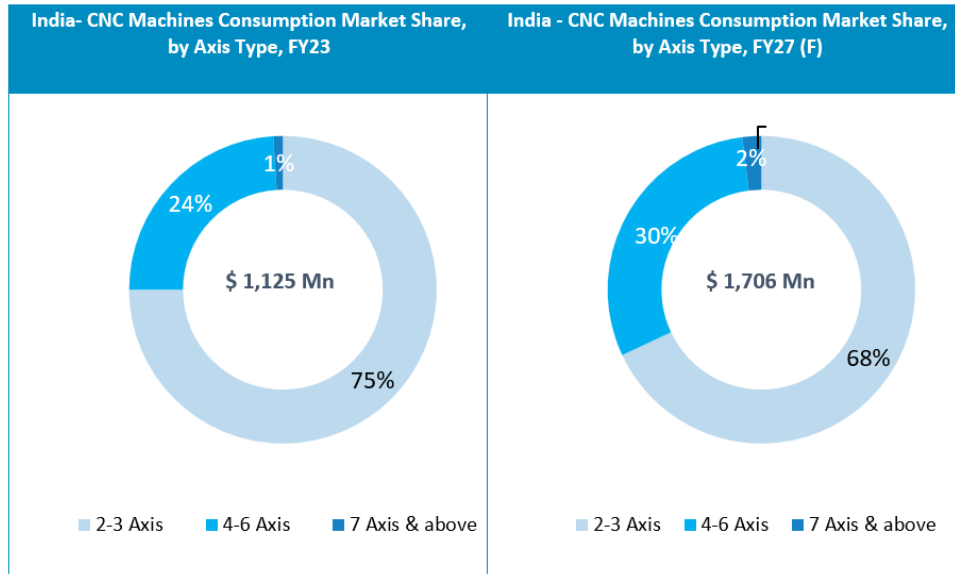
Source: RHP

Global CNC Machines Market Share, by Key Players 2022 (%)

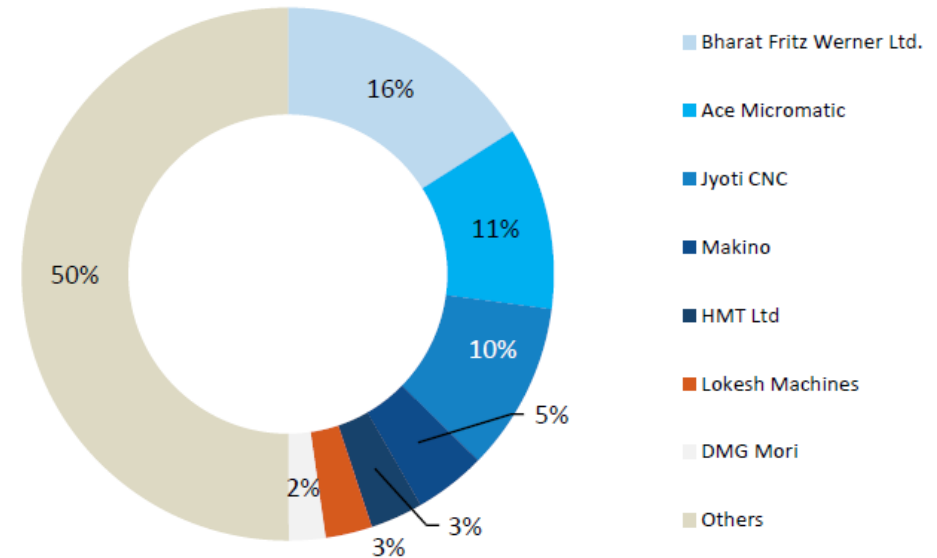


Industry Outlook

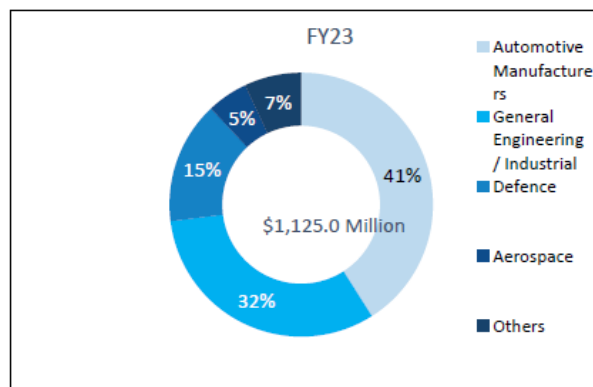
India CNC Machines Consumption Market Size, Market Split by 2-3 Axis vs. 4-6 Axis vs. 7 Axis & above



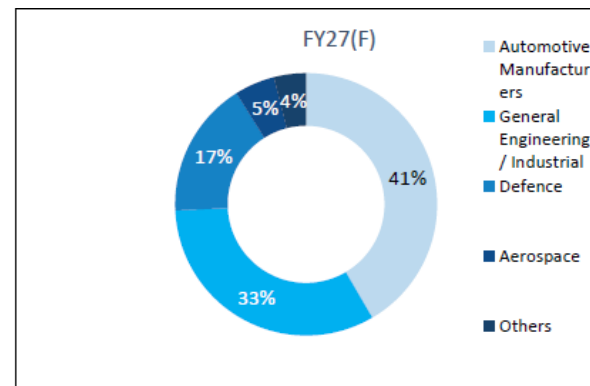
India's CNC Machines Consumption mkt Share, by Key Player FY23 (%)



India's CNC Machines Consumption Market Value, by End User FY23 Vs. FY27F

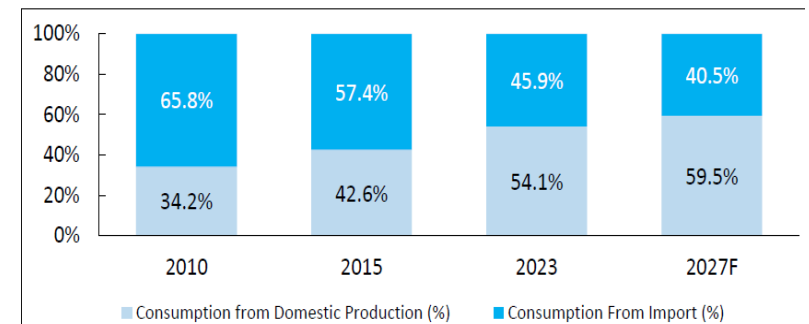


Note: E refers to estimate



Source: Primary Research, Frost & Sullivan Analysis

CNC Machines Consumption Share Imports Vs Domestic, FY2010-2027F (%)



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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