

Components | India

IPO | 08 January 2024

# Jyoti CNC Automation Limited

## A Make in India CNC maker



### About the Company

Jyoti CNC Automation Limited (JCAL) is one of the world's leading manufacturers of metal cutting computer numerical control (CNC) machines with the third largest market share in India accounting for approximately 10% in FY23. JCAL has 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) built over 2 decades of presence and strong R&D capabilities to deliver customized solutions to customers across diverse set of industries including aerospace and defence, auto and auto components, general engineering, EMS, dies and moulds, and others.

### Leading CNC maker with 5-Axis

JCAL is one of the leading CNC machine manufacturing companies globally as well as in India with presence across the CNC metal cutting machinery value chain, and being a prominent manufacturer of simultaneous 5-Axis CNC machines in India adopted the technology from the step down subsidiary Huron Graffenstaden SAS, which is a pioneer across the world in the 5-Axis machining technology. The addition of Huron augments technological capabilities and enables access to a diverse global customer base, across aerospace, defence and other high end engineering application industries. JCAL operates out of 3 manufacturing facilities -2 in Rajkot and 1 in France which are equipped with capabilities to design, develop and manufacture its product portfolio.

### Improved share of domestic CNC machines

With the presence of many global brands in India, the expectation level from customers has increased in terms of adopting high-end solutions having speed and accuracy witnessing higher demand, Indian players are focusing on manufacturing 5+axis CNC machines equipped with industry 4.0 features in the domestic market; In addition to this, government campaigns such as 'Make in India', 'Aatma Nirbhar Bharat' and PLI schemes on various industries are generating good business for domestic manufacturers. This trend is expected to continue and the domestic production will increase in a big way in the next 3-5 years. The domestic CNC machine market share has improved from 24% in CY10 to 54% in CY23 and is expected to grow further to 59.5% by CY27 as per F&S reports.

### Diversified products and customer base

JCAL offers over 200 variants across 44 series and over the last 3.5 years 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. JCAL has a well diversified global customer base spread across a diverse set of end-user industries including aerospace and defence, auto and auto components, general engineering, EMS, dies and moulds, and others. JCAL is expanding presence across other end-user industries and diversifying its customer base and geographical reach focusing on semiconductors and electric vehicles with strong growth expected in the coming years.

### Financials in Brief

Consolidated revenue for FY23 was up 24% to Rs 929.Crs with 80 bps expansion in the operating profit margin to 10.5%, operating profit was up 34% to Rs 97.4 Crs with the breakup of revenue about 20.32% came from Aerospace/defence, 46.68% from Auto & Auto components, General Engineering 19.58%, dies & moulds 8.99% and others 4.43%. The order book is fairly diversified with more than 55% in defence, 12% in auto components and 9.2% in upcoming EMS segments which will drive the growth in the coming years.

### Our View

The market for global CNC machines is driven by increased embracing of automation and advanced software solutions by key industries such as automotive and heavy industries to meet their customer needs apart from lack of skilled labor at competitive costs which is expected to grow at a CAGR of 10.3% from 2023-2027. JCAL intends to be able to capitalize on its expertise in producing CNC machining centers of up to 5 Axis and poised to take advantage of the growth in 4-6 axis machining centers globally and in India. **With improved market share, growing industry demand, diversified presence, augmenting capacities at regular intervals and improving financial risk profile by repaying certain debt, strong order book of 3310 Crs to be executed over the span of next few years augurs well for the company. Hence we suggest a SUBSCRIBE rating for the long term.**

#### IPO Details

Price Band (Rs)	315-331
Face Value (Rs)	2
Issue Open/Closing Date	09-Jan-24/11-Jan-24
Fresh Issues (Crs)	1,000
OFS (Crs)	-
<b>Total Issue (Crs)</b>	<b>1,000</b>
Minimum Bid Qty. (Nos)	45
QIB / HNI / Retail	75%/15%/10%
<b>Implied Market Cap (Rs Crs)*</b>	<b>7,527</b>

\*At higher band

#### Object of the Issue

- Funding capital expenditure of the Company.
- Repayment of certain borrowings.
- General Corporate purposes.

#### Strengths

- One of the leading CNC machine manufacturing companies globally as well as in India.
- Well diversified global customer base spread across end-user industries.
- Focus on technology and ability to deliver innovative solutions bolstered by dedicated R&D facilities.
- Vertically integrated operations which enable customization and production efficiencies.

#### Key Risk

- Failure in turnaround of subsidiaries could continue to hamper profits.
- Domestic slow down and short fall in components.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	72.7	62.6
Others	27.3	37.5

#### Key Financials

(Rs Crs)	FY22(12)	FY23(12)	H1FY24(6)
Revenue	746	929	510
Adjusted EBITDA	73	97	74
EBITDA Margin (%)	9.7	10.5	14.6
PAT	(48)	15	3
PAT Margin (%)	(6.5)	1.6	0.7
RocE (%)	4.9	9.5	5.54*
RoE (%)	(117.3)	18.4	1.33*
Networth	(29.7)	36.2	205.6
Total Borrowings	792	835	821
Fixed Assets T/O Ratio	1.08	1.27	0.67*

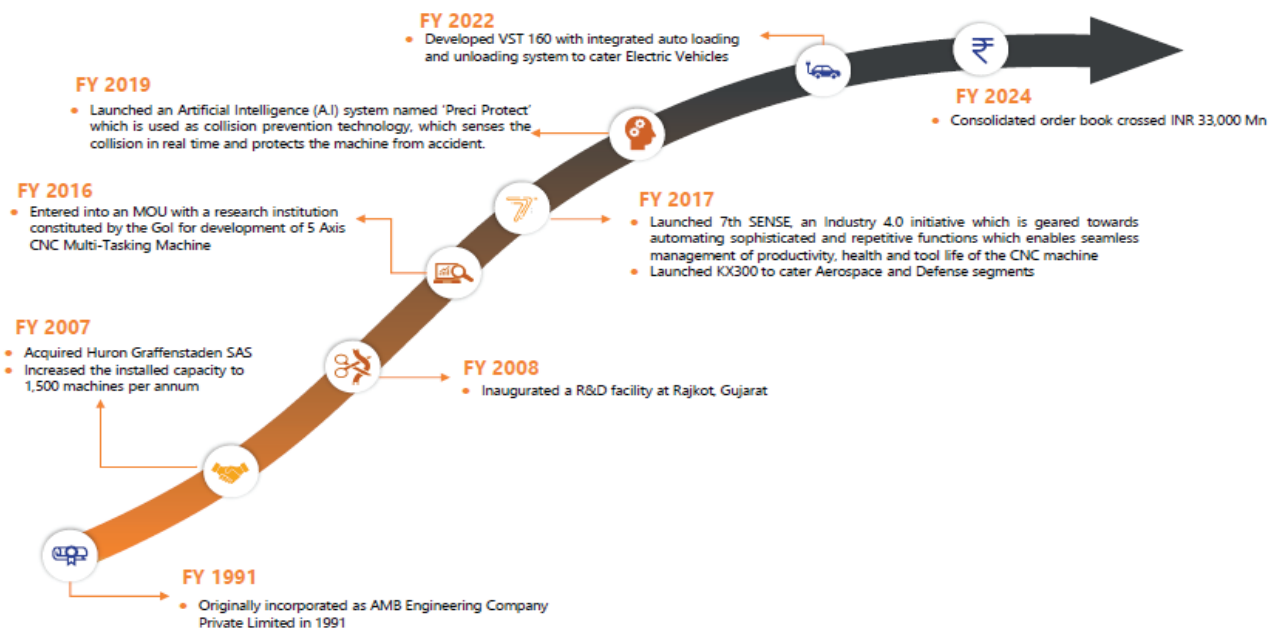
Source: RHP; Note: \* Not Annualised

Senior Research Analyst:

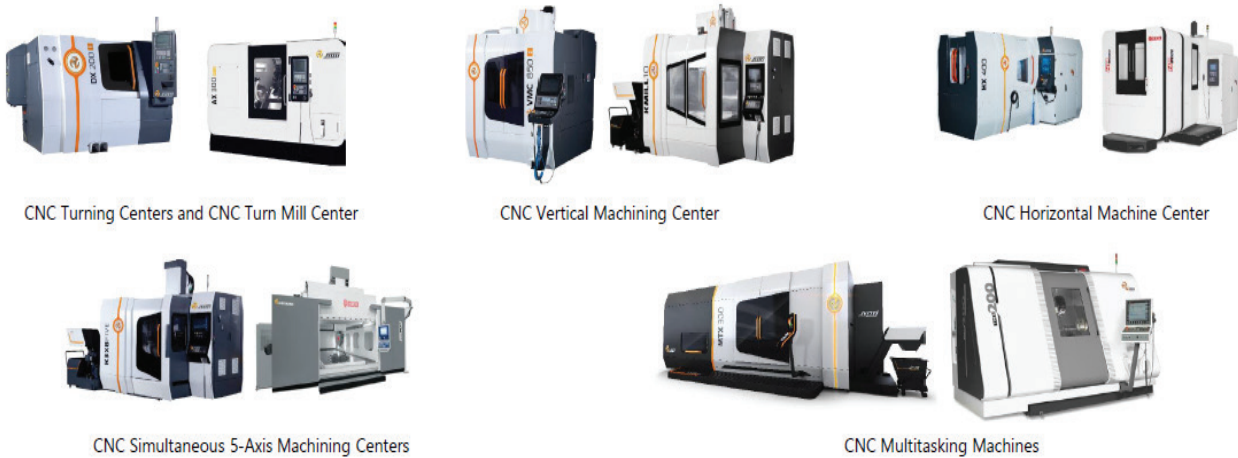
Vikas Jain

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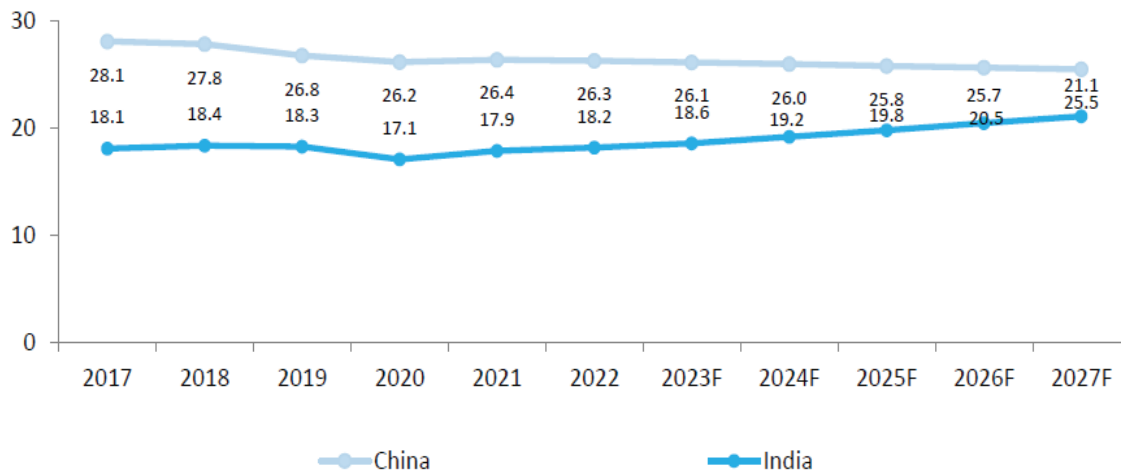
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**Exhibit 1: Key Milestones**


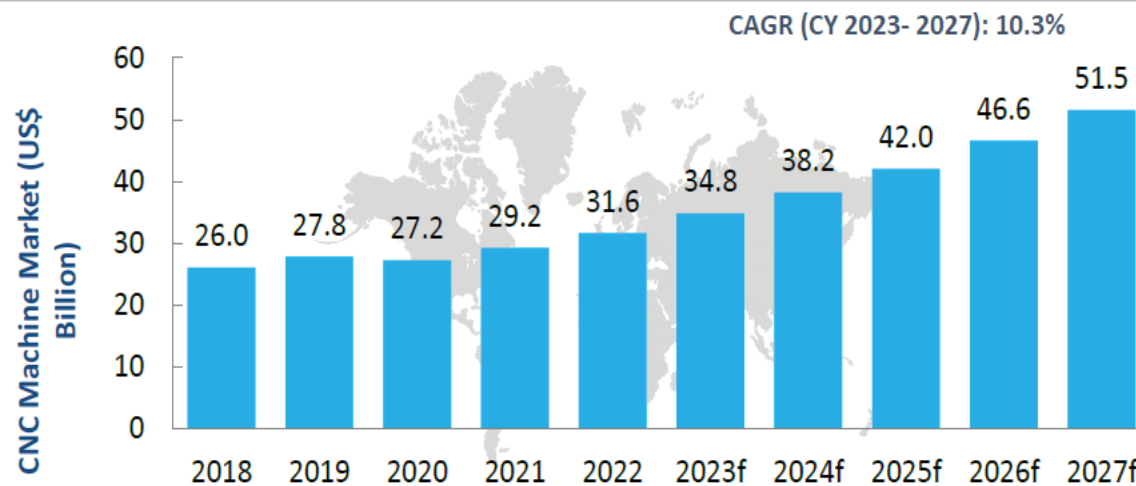
Source: RHP, Company

**Exhibit 2: ...with presence across the CNC metal cutting machinery value chain**


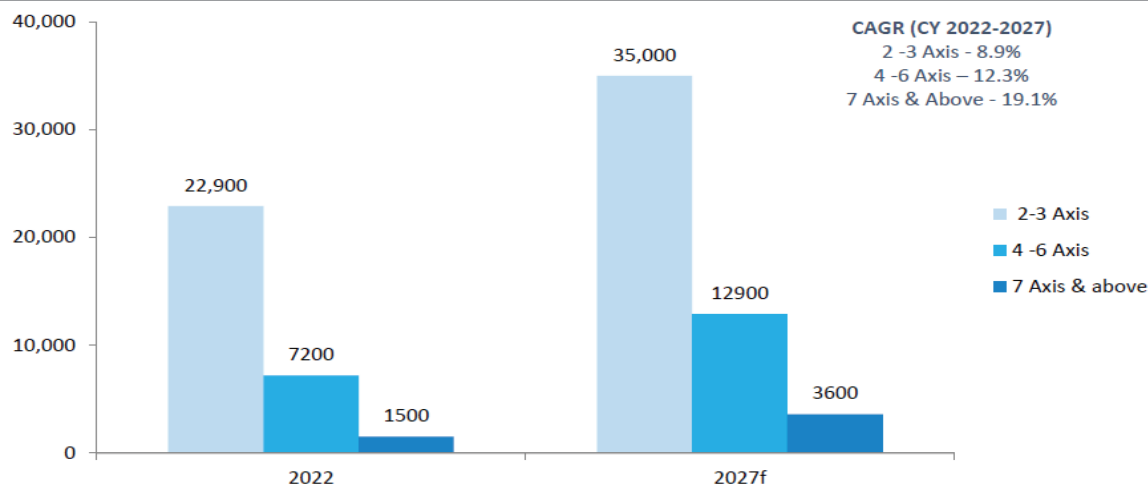
Source: RHP

**Exhibit 3: Manufacturing as a share of GDP (%), China, India, 2017-2027**


Source: RHP, World Bank; Brazilian Institute of Geography and Statistics, Federal State Statistics Service Russia; Ministry of Statistics and Programme Implementation India

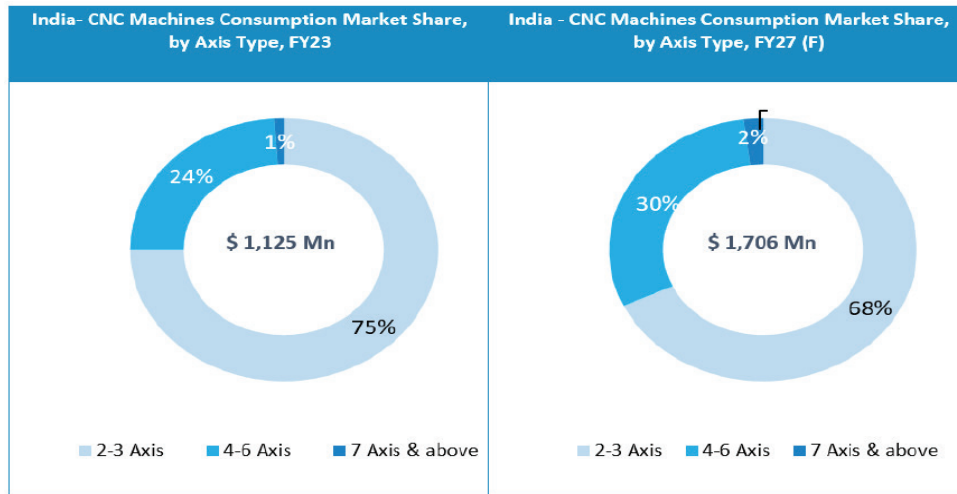
**Exhibit 4: Machining Centers Market, Global, 2017-2027F**


Source: RHP, Primary Research, Frost & Sullivan Analysis

**Exhibit 5: Global CNC Machines Consumption Market Size, by Axis Type, CY22 – CY27( Values in \$Mn)**


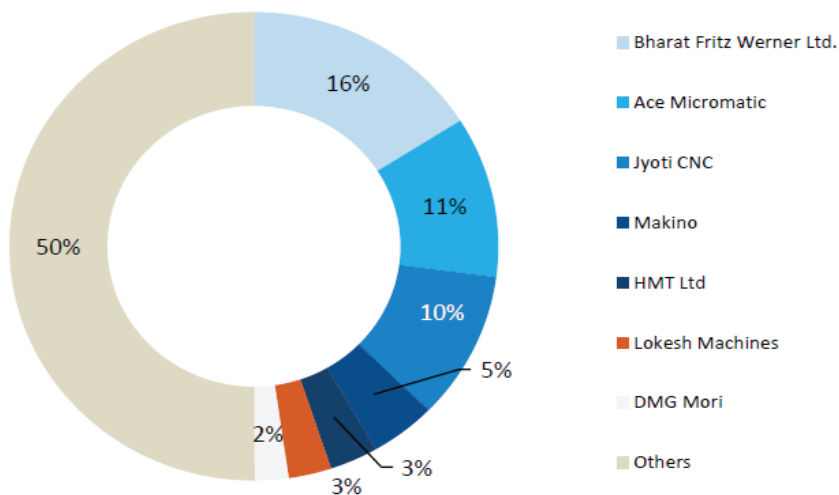
Source: RHP, Primary Research, Frost & Sullivan Analysis

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



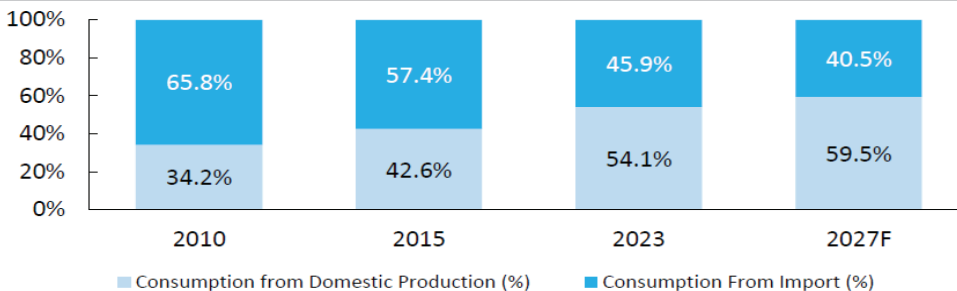
Source: RHP, Primary Research, Frost & Sullivan Analysis; Note: F refers to estimate

**Exhibit 7: India's CNC Machines Consumption Market Share, by Key Player FY 2023 (%)**



Source: RHP, Company Website, Annual Report, Filings, Primary Research, Frost & Sullivan Analysis

**Exhibit 8: CNC Machines Consumption Share Imports Vs Domestic, FY2010-2027F (%)**



Source: RHP, IMTMA, Primary Research, Frost & Sullivan Analysis; Note: Time period represent FY

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