



**SMC Ranking**  
 ★★☆☆☆ (2/5)

**Issue Highlights**

Industry	Auto Ancillary
Fresh Issue (Shares)	30,211,480
<b>Net Offer to the Public</b>	<b>30,211,480</b>
Issue Size (Rs. Cr.)	951-1000
Price Band (Rs.)	315-331
Employee discount	RS.15
Offer Date	9-Jan-24
Close Date	11-Jan-24
Face Value	2
Lot Size	45 Shares

**Issue Composition**

	In shares
Total Issue for Sale	30,211,480
QIB	22,658,610
NIB	4,531,722
Retail	3,021,148

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	72.13%	62.55%
QIB	0.00%	9.96%
NIB	9.26%	10.02%
Retail	18.61%	17.47%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

**Objects of the Issue**

The company proposes to utilise the Net Proceeds from the Fresh Issue towards the following objects:

Repayment and/ or pre-payment, in full or part, of certain borrowings availed by the company;

Funding long-term working capital requirements of the company; and

General corporate purposes.

**Book Running Lead Manager**

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

**Name of the registrar**

- Link Intime India Private Limited

**About the company**

Incorporated in January 1991, Jyoti CNC Automation Limited is a manufacturer and supplier of CNC machines. The company is based in India and specializes in manufacturing and supplying CNC machines. The product range includes CNC turning centres, CNC turning-milling centres, CNC vertical machining centres (VMCs), CNC horizontal machining centres (HMCs), simultaneous 3-axis CNC machining centres, simultaneous 5-axis CNC machining centres and multi-tasking 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, Shakti Pumps (India), Shreeram Aerospace & Defence, Rolex Rings, Harsha Engineers, Bosch Limited, HAWE Hydraulics, Festo India, Elgi Rubber, National Fittings and others. The company has a wide range of CNC machines with 200 types in 44 series. In the last three financial years, over 7,200 machines have been supplied to more than 3,000 customers worldwide, including India, Europe, North America and a few parts of Asia. The company distributes its products worldwide through Huron's established dealer network and also has 29 sales and service centres in Romania, France, Poland, Belgium, Italy and the UK. The company has three manufacturing facilities, two of which are located in Rajkot, Gujrat, and another in Strasbourg, France, which has the necessary capabilities to design, develop and manufacture the entire product line.

**Strength**

**One of the leading CNC machine manufacturing companies globally as well as in India:** Boasting the third largest market share in India (10%) and a prestigious ranking of 12th globally (0.4%), this company has cemented its position as a top manufacturer of metal cutting CNC machines. It is a prominent manufacturer of simultaneous 5-Axis CNC machines in India (Source: F&S Report) and supply 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).

**Well diversified global customer base spread across end-user industries:** With over 30,000 CNC machines delivered globally since 2004, including 8,400+ in the past year and a half, the company has carved its niche in diverse industries and markets. Its impressive portfolio boasts clientele like ISRO, BrahMos Aerospace Thiruvananthapuram Limited, , Turkish Aerospace, Uniparts India Limited, AVTEC Limited, Tata Advance System Limited, Tata Sikorsky Aerospace Limited, Bharat Forge Limited, C.R.I. Pumps Private Limited, Kalyani Technoforge Limited, Shakti Pumps (India) Limited, Shreeram Aerospace & Defence LLP, Rolex Rings Limited, Orbit Bearings India Private Limited, Omnitech Engineering Private Limited, Harsha Engineers International Limited, Bosch Limited, HAWE Hydraulics Private Limited, Festo India Private Limited, Elgi Rubber Company Limited, National Fittings Limited, and Aequus Private Limited. Furthering their growth, they've entered the EMS industry with dedicated assembly lines and a promising order book, solidifying their position as a versatile and expanding force in CNC manufacturing. As on September 30, 2023 its order book in EMS industry did Rs. 304.92 crore constitute around 9.20% of its order book of Rs. 3315.35 crore. Accordingly, it has set up 2 dedicated assembly lines for manufacturing of machines

**Focus on technology and ability to deliver innovative solutions:** From humble beginnings to high-tech frontiers, Jyoti's CNCs cater to every skill level and project complexity. Currently, its product portfolio comprises entry level products to sophisticated

machines including high speed simultaneous 5-Axis, multi-purpose, multi-tasking machines. Its R&D team is a catalyst for flexibility; the team focuses on continually developing and customising its products and solutions.

**Vertically integrated operations:** Jyoti's global manufacturing footprint spans 3 facilities (2 in India, 1 in France), each equipped to design, develop, and manufacture its diverse CNC portfolio. Its integrated operations enable the company to manufacture some of the critical machine components such as spindles, tool-changers, pallet changers, rotary tables and universal heads in-house. This reduces its dependence on third parties, streamlines its production process and improves its operational efficiencies. It believes that its backward integration has helped the company in managing the diverse range of series and variants that it currently offers to its customers and that its customers appreciate the relatively higher control it has over the production process.

## Strategy

### **Focus on improving its market share and taking advantage of the growing industry demand:**

Capitalizing on its extensive experience and expertise in CNC machine manufacturing, encompassing a spectrum from basic models to sophisticated 5-Axis solutions, the company intends to leverage its technical capabilities to enhance its market share in both India and globally. The company's consistent focus on developing technologically relevant and highly customized solutions has facilitated the acceptance of its machines across diverse sectors. Additionally, it plans to utilize its strengths in manufacturing up to 5-Axis CNC machining centers to exploit the anticipated 18.4% growth in the 4-6-Axis machining center segment globally and in India between Fiscal 2023 and Fiscal 2027.

### **Expand its presence across other end-user industries and diversify customer base and geographical reach:**

In 6 month's period ended September 30, 2023, and during the last 3 Fiscals, Jyoti CNC delivered over 8,400 machines to 3,500+ customers across India, Asia, Europe, and North America. Since 2004, the company has exceeded 30,000 global deliveries, serving diverse industries like aerospace, automotive, and defense. Renowned clients like ISRO, BrahMos Aerospace, Bosch, and Elgi Rubber trust its quality and precision. The company is venturing into new territories like motor production machines (slot insulation, winding, etc.) and high-precision stages for semiconductor manufacturing, aiming to solidify their position as a diversified engineering powerhouse.

**Continuously augmenting its capacity in line with its expected business growth:** It has an order book of Rs. 3315.33 crore as of September 30, 2023. Details of its order book as per the end-user industries as specified to the company at the time of supply of machines is as under:

End-user industries	Order Book as of September 30, 2023
Aerospace and Defence	1896.00
Auto & Auto Components	405.67
General Engineering	396.00
Dies & Moulds	154.30
EMS	304.90
Others	158.50
Total	3315.37

**Improving financial risk profile:** Jyoti CNC is committed to financial agility and sustainable growth. The company has secured various financing arrangements like term loans and working capital facilities. Now, Jyoti aims to use Rs. 475 crore from the fundraising to reduce debt, lower financial costs, and fuel further investments. Additionally, it is actively improving working capital management, already slashing its trade receivable cycle from 159 days (FY21) to 75 days (FY23). This responsible approach frees up resources for future expansion and strengthens its financial footing.

### Risk factor

- The success of the company is dependent on its relationship with its customers, and it does not, generally enter into long term purchase contracts.
- The company has incurred significant indebtedness and carries substantial debt servicing obligations.
- The company is completely reliant on third-party logistics service providers for transport of input materials and finished products.
- Its business is dependent on the performance of the Application Industries with a large portion of revenue being derived from a select few of Application Industries.

### Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Elgi Equipments	3138.18	401.93	12.68	42.72	11.74	46.14	1	541.70	17166.96
Lak. Mach. Works	5035.86	416.01	389.42	35.22	5.78	2373.12	10	13716.55	14653.39
Triveni Turbine	1459.73	233.06	7.33	57.33	15.05	27.91	1	420.20	13357.19
TD Power Systems	949.15	114.84	7.29	36.71	6.38	41.96	2	267.65	4179.89
Macpower CNC	210.89	14.69	14.68	48.76	6.84	104.66	10	715.75	716.05
Jyoti CNC Automation Limited	929.26	15.06	0.66	499.83	6.01	55.09	2	331.00	7527.47

\*Peer comparisons are based on TTM

### Valuation

Considering the P/BV Valuation, the P/B ratio at Rs.331, pre issue, book value of Rs. 12.82 of P/Bvx 25.81x. Post issue, book value of Rs. 55.09 of P/Bvx 6.01x.

Considering the P/BV Valuation, the P/B ratio at Rs.315, pre issue, book value of Rs. 12.82 of P/Bvx 24.57x. Post issue, book value of Rs. 55.09 of P/Bvx 5.72x.

### Industry Outlook

The global CNC machining Centers market is estimated to be ~\$51.5 billion in 2027. This market is majorly driven by global automotive and heavy industries manufacturers, who are embracing automation and advanced software solutions to meet their customers' needs. In addition, shortage of skilled labor, working hour limits, and labor costs are on the rise. Thus, there is a rapid growth in the demand for automated precision machines. Global CNC Machining Centers Market is expected to grow at CAGR of 10.3% from 2023-2027.

### Outlook

With expertise built over 2 decades and R&D capabilities, it delivers customized solutions to industries including aerospace and defence, auto and auto components, general engineering, EMS, dies and moulds and others. However, a failure to innovate product offerings and adapting to technological advancements and changes may have an adverse effect on its market share and results of operations. Top 3/5/10 customers accounted for 13.95%/16.14%/20.08% in FY23 and 32%/34.77%/39.92% in H1FY24 respectively, signaling significant customer concentration. A high risk taker investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	09-January-24
BID/ISSUE CLOSSES ON	11-January-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	12-January-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	15-January-24
Credit of Equity Shares to demat accounts of Allottees	15-January-24
Commencement of trading of the Equity Shares on the Stock Exchanges	16-January-24

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	509.82	929.26	746.49
Total expenditure	435.42	831.88	673.83
<b>Operating Profit</b>	<b>74.40</b>	<b>97.38</b>	<b>72.66</b>
OPM%	1.46	1.05	0.97
Other Income	0.71	23.34	3.57
<b>PBDIT</b>	<b>75.11</b>	<b>120.72</b>	<b>76.23</b>
Depreciation	15.60	33.62	35.79
<b>PBIT</b>	<b>59.51</b>	<b>87.10</b>	<b>40.45</b>
Interest	49.19	89.70	82.20
<b>Profit Before Tax &amp; Exceptional Item</b>	<b>10.32</b>	<b>-2.60</b>	<b>-41.75</b>
Exceptional Item (Profit on Waiver of Loan)	0.00	30.45	0.00
<b>Profit before tax</b>	<b>10.32</b>	<b>27.85</b>	<b>-41.75</b>
Tax	6.97	12.79	6.55
<b>PAT</b>	<b>3.35</b>	<b>15.06</b>	<b>-48.30</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
<b>Non-current assets</b>			
Property, plant and equipment	282.94	268.90	274.56
Capital work-in-progress	15.03	8.28	0.90
Right-of-use assets	0.01	0.01	0.04
Intangible assets	13.03	14.16	17.91
Intangible assets under development	8.36	7.10	4.58
<b>Financial Assets</b>			
Investments	3.48	3.39	1.96
Other Financial Assets	1.79	10.05	4.98
Other Non-Current Assets	26.33	24.08	24.39
<b>Total non-current assets</b>	<b>350.96</b>	<b>335.96</b>	<b>329.30</b>
<b>Current assets</b>			
Inventories	868.35	819.92	634.04
<b>Financial Assets</b>			
Trade Receivables	133.12	145.88	200.19
Cash and Cash Equivalents	8.61	16.09	2.44
Other balances with bank	20.92	12.20	20.12
Loans	3.12	5.93	4.85
Other financial assets	253.92	141.07	33.14
Other current assets	62.85	33.64	58.73
Current Tax Asset (Net of Provision)	4.23	4.69	3.42
<b>Total current assets</b>	<b>1355.11</b>	<b>1179.42</b>	<b>956.93</b>
<b>Total Assets</b>	<b>1706.07</b>	<b>1515.38</b>	<b>1286.24</b>
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	104.29	127.47	140.26
Provisions	13.03	12.78	12.17
Deferred tax liabilities (net)	20.24	20.21	20.78
<b>Total non-current liabilities</b>	<b>137.56</b>	<b>160.45</b>	<b>173.21</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	717.11	707.51	651.89
Trades Payable - MSME	2.15	1.79	0.73
Trade Payables - other than MSME	357.04	411.20	294.63
Other financial liabilities	48.03	39.76	30.88
Other current liabilities	169.57	97.83	85.74
Provision	1.78	1.74	1.81
Current tax liabilities (net)	19.95	13.03	6.19
<b>Total current liabilities</b>	<b>1315.63</b>	<b>1272.86</b>	<b>1071.87</b>
<b>Total</b>	<b>1453.19</b>	<b>1433.32</b>	<b>1245.08</b>
Net worth represented by:			
Equity Share Capital	39.15	32.93	29.48
Compulsary Convertible Preference	0.39	0.00	0.00
Share entirely in Equity Nature			
Other equity	213.33	49.14	11.67
<b>Net Worth</b>	<b>252.87</b>	<b>82.06</b>	<b>41.15</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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