

# **Jyoti CNC Automation Ltd**

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Jyoti CNC Automation Limited (JCL) stands as a global leader in CNC machine manufacturing, commanding the third largest market share in India (10% in FY23) and the twelfth largest globally (0.4% in CY22).

Their diverse portfolio offered to its customers a choice of 200 variants in 44 series across CNC turning centers, CNC turn mill centers, CNC vertical machining centers (VMCs), CNC horizontal machining centers (HMCs) CNC 3-axis machining centers and CNC 5-axis machining centers, and multi-tasking machines, serving industries such as aerospace, automotive and electronics. Their pioneering '7th Sense' solution aligns with 'Industry 4.0', automating machine diagnostics for heightened productivity.

Anticipating a 10.3% CAGR in the global CNC market between CY23-27, driven by soaring demand in aerospace and defense, JCL boasts a track record of supplying over 8,400 CNC machines to 3,500+ customers worldwide, including prestigious entities like ISRO and Bosch.

Bolstered by 2 decades of expertise, JCL's vertically integrated model, with advanced R&D facilities in India and France, allows them to tailor products to meet specific client requirements.

The company's ISO-certified manufacturing facilities in India and France churn out 4,400 and 121 machines annually, respectively. Led by Chairman and Managing Director, Parakramsinh Ghanshyamsinh Jadeja, their integrated approach across operations prioritizes customization, reduced delivery timelines, and robust after-sales support.

With an adept leadership team and a workforce of over 2,600, JCL remains dedicated to operational enhancements, exemplified by ongoing process engineering advancements such as plans for a cupola furnace and a specialized sand processing unit, aiming to bolster efficiency in their foundry operations.

Industry	Capital Goods
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### Issue Details

Listing	BSE & NSE
Open Date	09 <sup>th</sup> Jan 2024
Close Date	11 <sup>th</sup> Jan 2024
Price Band	INR 315-331
Face Value	INR 02
Market Lot	45 shares
Minimum Lot	1 Lot

### Issue Structure

Offer for Sale	0.00%
Fresh Issue	100.00%
Issue Size (Amt)	INR 1,000 cr
Issue Size (Shares)	3,02,11,480
QIB Share (%)	≥ 75%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 10%
Pre issue sh (nos)	19,72,04,447
Post issue sh (nos)	22,74,15,927
Post issue M Cap	INR 7,528 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter & group	72.13	62.55
Public	27.87	37.45
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (INR)	BVPS (INR)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	580.1	31.7	-70.0	5.5	-12.1	-3.1	5.0	-62.2	-0.8	-107.5	14.1	257.7
FY22	746.5	72.7	-48.3	9.7	-6.5	-2.1	1.8	-117.4	4.6	-155.8	11.1	114.1
FY23	929.3	97.4	15.1	10.5	1.6	0.7	3.6	18.4	7.2	499.8	9.0	85.6

## Growth Strategies

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

JCL aims to boost market share in the CNC industry, leveraging its expertise in sophisticated 5-Axis machines. They target a fragmented global market and anticipate growth driven by automotive, medical, and aerospace sectors. The company plans to offer customized solutions meeting diverse industry needs while tapping into the rising demand for domestic CNC production driven by government initiatives like 'Make in India'.

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

JCL aims to deepen its presence in the expanding aerospace and defence sectors, driven by anticipated growth in India and globally. With India's 'Aatma Nirbhar Bharat' initiative bolstering domestic spending on defence, JCL foresees opportunities in this sector, aiming to align with the substantial growth in Indian defence exports and the resultant surge in demand for high-end CNC machines. Additionally, they plan to increase market share in current end-use industries, diversifying their customer base, particularly focusing on the EMS industry.

### **Improving financial risk profile**

The company holds non-current borrowings of INR 104 cr and plans to allocate INR 475 cr from net proceeds to repay borrowings, aiming to reduce debt and enable internal funds for expansion. They aim to enhance financial leverage for future resource acquisition. Moreover, they've improved trade receivable cycles and aim to optimize inventory management, earmarking INR 360 cr for long-term working capital needs.

## Key Risks & Concerns

- JCL and its subsidiaries have experienced consecutive losses in recent financial years, impacting their return on equity. The losses have been attributed to various factors, including fixed finance costs, long working capital cycles, and fixed expenses.
- Their reliance on top 10 customers showed a decline from 29.5% in FY21 to 20.1% in FY23. However, there was a subsequent increase in dependency, rising from 20.08% in FY23 to 39.9% during H1FY24.
- High finance costs and repayment responsibilities, alongside comparatively lower net operating income, resulting in a low debt service coverage ratio of JCL. This combination of a high debt-to-equity ratio and a low debt service coverage ratio could yield significant repercussions for them.
- JCL has incurred significant indebtedness. In the past, JCL has rescheduled payments on its credit facilities and experienced delays in repaying both principal amounts and interest on loans availed by the company.

## Offer Details

JCL's proposed fresh issue size is INR 1,000 cr which would reduce promoter and promoter group shareholding from 72.1% (pre-issue) to 62.5% (post-issue). The object of the issue are as follows:

- repayment and/ or pre-payment, in full or part, of certain borrowings availed by the company
- funding long-term working capital requirements and
- general corporate purposes.

## Issue Structure and Offer Details

The proposed total issue size of JCL is INR 1,000 cr, wholly being fresh issue. The price band for the issue is in the range of INR 315 – 331 and the bid lot is 45 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not less than 75% of the Offer
NIB	Not more than 15% of the Offer
Retail	Not more than 10% of the Offer

*Number of shares based on a higher price band of INR 331*

## JCL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
<b>Revenue</b>	<b>580.1</b>	<b>746.5</b>	<b>929.3</b>	Adjusted EPS (INR)	(3.1)	(2.1)	0.7
<i>YoY Growth (%)</i>		<i>28.7</i>	<i>24.5</i>	Adjusted Cash EPS (INR)	(1.4)	(0.6)	2.1
Raw Material Cost	319.0	419.7	532.6	Adjusted BVPS (INR)	5.0	1.8	3.6
<i>RM Cost to Sales (%)</i>	<i>55.0</i>	<i>56.2</i>	<i>57.3</i>	Adjusted CFO per share (INR)	1.2	1.7	0.5
Employee Cost	131.4	141.8	166.2	CFO Yield (%)	0.4	0.5	0.2
<i>Employee Cost to Sales (%)</i>	<i>22.7</i>	<i>19.0</i>	<i>17.9</i>	Adjusted FCF per share (INR)	(0.2)	3.9	1.6
Other Expenses	98.0	112.3	133.0	FCF Yield (%)	(0.1)	1.2	0.5
<i>Other Exp to Sales (%)</i>	<i>16.9</i>	<i>15.0</i>	<i>14.3</i>				
<b>EBITDA</b>	<b>31.7</b>	<b>72.7</b>	<b>97.4</b>	<b>Solvency Ratio (X)</b>			
<i>Margin (%)</i>	<i>5.5</i>	<i>9.7</i>	<i>10.5</i>	Total Debt to Equity	5.9	19.1	10.2
<i>YoY Growth (%)</i>		<i>129.3</i>	<i>34.0</i>	Net Debt to Equity	5.7	18.6	9.8
Depreciation & Amortization	37.8	35.8	33.6	Net Debt to EBITDA	20.2	10.5	8.3
<b>EBIT</b>	<b>(6.1)</b>	<b>36.9</b>	<b>63.8</b>				
<i>Margin (%)</i>	<i>(1.1)</i>	<i>4.9</i>	<i>6.9</i>	<b>Return Ratios (%)</b>			
<i>YoY Growth (%)</i>		<i>(705.1)</i>	<i>72.9</i>	Return on Equity	(62.2)	(117.4)	18.4
Other Income	10.0	3.6	23.3	Return on Capital Employed	(0.8)	5.1	3.8
Finance Cost	75.5	82.2	89.7	Return on Invested Capital	(0.8)	4.6	7.2
Interest Coverage (X)	(0.1)	0.4	0.7				
Exceptional Item	0.0	0.0	30.5	<b>Working Capital Ratios</b>			
<b>PBT</b>	<b>(71.6)</b>	<b>(41.8)</b>	<b>27.9</b>	Payable Days (Nos)	196	144	162
<i>Margin (%)</i>	<i>(12.3)</i>	<i>(5.6)</i>	<i>3.0</i>	Inventory Days (Nos)	430	310	322
<i>YoY Growth (%)</i>		<i>(41.7)</i>	<i>(166.7)</i>	Receivable Days (Nos)	137	98	57
Tax Expense	(1.5)	6.6	12.8	Net Working Capital Days (Nos)	370	263	217
<i>Tax Rate (%)</i>	<i>2.2</i>	<i>(15.7)</i>	<i>45.9</i>	Net Working Capital to Sales (%)	101.5	72.2	59.5
<b>PAT</b>	<b>(70.0)</b>	<b>(48.3)</b>	<b>15.1</b>				
<i>Margin (%)</i>	<i>(12.1)</i>	<i>(6.5)</i>	<i>1.6</i>	<b>Valuation (X)</b>			
<i>YoY Growth (%)</i>		<i>(31.0)</i>	<i>(131.2)</i>	P/E	(107.5)	(155.8)	499.8
Min Int/Sh of Assoc	0.0	0.0	0.0	P/BV	66.9	182.9	91.7
<b>Net Profit</b>	<b>(70.0)</b>	<b>(48.3)</b>	<b>15.1</b>	EV/EBITDA	257.7	114.1	85.6
<i>Margin (%)</i>	<i>(12.1)</i>	<i>(6.5)</i>	<i>1.6</i>	EV/Sales	14.1	11.1	9.0
<i>YoY Growth (%)</i>		<i>(31.0)</i>	<i>(131.2)</i>				
<b>Balance Sheet</b>				<b>Cash Flow Statement</b>			
Share Capital	29.5	29.5	32.9	PBT	(71.6)	(41.8)	27.9
Total Reserves	83.1	11.7	49.1	Adjustments	112.0	36.9	10.5
<b>Shareholders Fund</b>	<b>112.6</b>	<b>41.2</b>	<b>82.1</b>	Change in Working Capital	(14.4)	49.9	(13.9)
Long Term Borrowings	119.4	140.3	127.5	Less: Tax Paid	(0.4)	(6.6)	(12.8)
Deferred Tax Assets / Liabilities	20.7	20.8	20.2	<b>Cash Flow from Operations</b>	<b>26.4</b>	<b>38.6</b>	<b>11.7</b>
Other Long Term Liabilities	0.0	0.0	0.0	Net Capital Expenditure	(14.3)	(40.6)	(34.1)
Long Term Trade Payables	0.0	0.0	0.0	Change in Investments	(3.4)	9.5	2.5
Long Term Provisions	23.3	12.2	12.8	<b>Cash Flow from Investing</b>	<b>(17.7)</b>	<b>(31.1)</b>	<b>(31.6)</b>
<b>Total Liabilities</b>	<b>276.0</b>	<b>214.4</b>	<b>242.5</b>	Change in Borrowings	73.7	67.0	73.3
Net Block	321.2	292.5	283.1	Less: Finance Cost	(75.5)	(82.2)	(89.7)
Capital Work in Progress	51.1	0.9	8.3	Proceeds from Equity	0.0	0.0	50.0
Intangible assets under development	2.6	4.6	7.1	Buyback of Shares	0.0	0.0	0.0
Non Current Investments	1.9	2.0	3.4	Dividend Paid	0.0	0.0	0.0
Long Term Loans & Advances	11.3	24.1	23.7	<b>Cash flow from Financing</b>	<b>(1.8)</b>	<b>(15.2)</b>	<b>33.6</b>
Other Non Current Assets	11.9	5.3	10.5	<b>Net Cash Flow</b>	<b>7.0</b>	<b>(7.7)</b>	<b>13.7</b>
Net Current Assets	(124.0)	(114.9)	(93.4)	Forex Effect	0.0	0.0	0.0
<b>Total Assets</b>	<b>276.0</b>	<b>214.4</b>	<b>242.5</b>	Opening Balance of Cash	3.2	10.1	2.4
				<b>Closing Balance of Cash</b>	<b>10.1</b>	<b>2.4</b>	<b>16.1</b>

Source: Ventura Research

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