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INITIAL PUBLIC OFFER (IPO)

08-01-2024

JYOTI CNC AUTOMATION LIMITED

09-01-2024 TO 11-01-2024

Industry: Industrial CNC

Price Band: ₹ 315-331

Recommendation: Subscribe for Long Term

Post Implied Market Cap: ₹ 7,212 – 7,527 Cr

Key Data

Issue Size (₹ Cr)	1,000
Fresh (₹)	1,000
OFS (₹)	-
No of shares offered	31,753,967 – 30,218,649
Face Value (₹ /share)	2
Bid Lot	45

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	12-1-2024
Refunds/Unblocking ASBA Fund	15-1-2024
Credit of equity shares to DP A/c	15-1-2024
Trading commences	16-1-2024

Shareholding (No. of shares)

Pre-Issue	197,204,447
Post Issue (Lower price band)	228,950,479
Post Issue (Higher price band)	227,415,927

Shareholding Pattern %

Promoters:	
Pre Issue	55.36%
Post Issue	48.00%
Promoter Group:	
Pre Issue	16.77%
Post Issue	14.54%
Public -Others:	
Pre Issue	27.87%
Post Issue	37.45%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Other Details

BRLMs: Equirus Capital, ICICI Securities, SBI Capital Markets

Registrar: Link Intime India Pvt. Ltd

Listing: BSE & NSE

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About the Company

Jyoti CNC Automation Ltd (Jyoti CNC), established in 1991 is a leading global manufacturer of CNC machines, holding the third-largest market share in India (10% in Fiscal 2023) and the twelfth-largest globally (0.4% in 2022). Specializing in simultaneous 5-Axis CNC machines, the company offers a diverse portfolio, including CNC Turning Centers, CNC Turn Mill Centers, CNC Vertical Machining Centers (VMCs) and CNC Horizontal Machining Centers (HMCs). With over two decades of experience and strong R&D capabilities, Jyoti CNC provides customized solutions to industries such as aerospace, defence, automotive, general engineering, EMS, dies, and molds. The company provides a diverse range of CNC machines, operating from three manufacturing facilities in Rajkot, Gujarat, and Strasbourg, France. With design, development, and manufacturing capabilities, they also have a repair facility in Rajkot, Gujarat.

Investment Rationales

- **One of the leading CNC machine manufacturing companies globally as well as in India with presence across the CNC metal cutting machinery value chain:** Jyoti CNC recognized as the 'Best Brand in the Metal Cutting Industry' for five consecutive years (2018-2022), operates through its subsidiary Huron Graffenstaden SAS, a global pioneer in 5-Axis machining technology. The addition of Huron enhances their technological capabilities, expanding access to a diverse global customer base in aerospace, defense, and high-end engineering. Offering 200 variants in 44 series across CNC machines, Jyoti CNC aims to provide comprehensive solutions, aligning with global trends for multifunctional machining centers, emphasizing high precision, custom finishing, and improved efficiency.
- **Well diversified global customer base spread across end-user industries:** Company has supplied over 30,000 CNC machines globally since April 1, 2004. In the last three fiscal years, they provided more than 8,400 machines to 3,500+ customers across Asia, Europe, North America, and the rest of the world. The company recently expanded its product offerings, including CNC Vertical Machining Centres, and entered the EMS industry in Fiscal 2023.
- **Focus on technology and ability to deliver innovative solutions bolstered by dedicated R&D facilities:**Jyoti CNC has demonstrated consistent technological growth, expanding from entry-level CNC machines to sophisticated multi-axis machines. The acquisition of Huron Graffenstaden SAS has strengthened their global presence and capabilities, enabling them to cater to industries like aerospace and defence. Their commitment to delivering customized solutions and high-precision, multi-purpose products is supported by a dedicated R&D team.
- **Vertically integrated operations which enables customisation and production efficiencies:**Jyoti CNC Automation Ltd's manufacturing facilities are fully equipped for designing, developing, and manufacturing their product range. With a captive foundry, machining, sheet metal unit, paint-shop and assembly unit, they ensure control over critical machine components and the entire manufacturing process. This vertical integration allows for efficient collaboration across different production teams, resulting in better delivery timelines and cost competitiveness for customers.

Risk

- No long term purchase contracts.
- Sharp increase in component or raw material cost.
- Incurred loss in the past.

MView

We believe Jyoti CNC Automation Ltd gives investors an opportunity to invest in one of the world's leading manufacturers of metal cutting CNC machine manufacturing industry, which has a stellar track record as the 'Best Brand in the Metal Cutting Industry' for five consecutive years. We think company's strategic acquisition of Huron Graffenstaden SAS has significantly bolstered its technological capabilities, propelling it to the forefront of 5-Axis machining technology on a global scale. This expansion positions would help them to tap into lucrative markets in aerospace, defence and high-end engineering. We also believe company's commitment to technological advancement is evident in its diverse product range, spanning from entry-level CNC machines to sophisticated multi-axis models. We also think company's vertical integrated manufacturing facilities are a key differentiator, their setup not only allows control over critical machine components but also streamlines the entire manufacturing process. This integrated approach contributes to better delivery timelines and cost competitiveness, enhancing overall operational efficiency. By looking at the financials the company has shown a strong growth between fiscal 2022 and 2023 with a 28.7%/24.5% in revenue from operations and a strong recovery in Net profit from loss of ₹48.3 cr in FY 2022 to Profit of ₹15.06 cr in FY 2023. On valuation parse at the upper band of ₹321/-, the issue is asking for a Market Cap of ₹7527/- Cr. Based on annualised FY24 earnings and fully diluted post-IPO paid up capital, Given the company's historic losses and recovering back to profitability, relying solely on P/E valuation may not be a prudent approach. Instead, if we analyse it based on Price to Book Value, which stands at 6.2x of FY24 annualized, compared to the industry average of ~8-9x which seems this IPO is reasonably priced to its peers. Hence, considering industrial and company's future growth rationales along with the primary objective of reducing the debt which could lighten interest burdens which can improve the bottom lines in coming years. Considering all the factors, we recommend investors to SUBSCRIBE to Jyoti CNC Automation IPO for a long term perspective only.

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

	As at Sept' 30		As at March' 31	
Particulars ₹ (in Cr)	**2023 (06)**	**2023**	**2022**	**2021**
Equity Share Capital	39.15	32.93	29.48	29.48
CCPS entirely in equity nature	0.39	-	-	-
Reserve	166.09	3.30	-59.15	-10.18
Net Worth	205.63	36.23	-29.68	18.67
Revenue From Operations	509.82	929.26	746.49	580.06
Revenue Growth %	-	24.5%	28.7%	-
EBITDA	74.4	97.38	72.66	31.69
EBITDA Margin % as stated	14.59%	10.48%	9.73%	5.46%
Profit Before Tax	10.32	27.85	-41.75	-71.57
Net Profit for the Period	3.35	15.06	-48.3	-70.03
Net Profit Mar in % as stated	0.66%	1.58%	-6.44%	-11.87%
EPS (₹)	0.19	1.02	-3.28	-4.75
RONW(%)	1.33%	18.35%	-117.36%	-62.20%
NAV (₹)	14.62	5.57	2.79	7.64
ROCE (%) as stated	5.54%	9.50%	4.85%	0.47%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue fron Operation FY 2023 (In Cr)	EPS	NAV	P/B	P/E	RONW
Jyoti CNC Automation Ltd	**Consolidated**	**7527**	**2**	**929.26**	**0.29**	**97.13**	**6.2**	**1123**	**18.35%**
Elgi Equipments Ltd	Consolidated	17,123	1	3,040.70	11.72	43.27	11.7	42.6	27.04%
Lakshmi Machine Works Ltd	Consolidated	14,878	10	4,719.15	359.47	2,189.04	5.88	35.8	16.42%
Triveni Turbine Ltd	Consolidated	13,424	1	1,247.55	5.97	23.92	15.1	57.6	25.32%
TD Power Systems Ltd	Consolidated	4,427	2	872.30	6.23	38.74	6.77	38.9	16.01%
Macpower CNC Machine Ltd	Standalone	745	1	201.89	12.89	96.61	7.1	50.7	13.34%

Date as on 31st March 2023, Cline Mcap, PE,PB calculated as on 05-11-2023
Jyoti CNC Automation Ltd. EPS/PE, P/B, NAV calculated on annualised basis post money

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Msearch's Recommendation (Absolute Performance)
Buy: > 20% within the next 12 Months
Accumulate: 5% to 20% within the next 12 Months
Sell : < -20% within the next 12 Months

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