



JYOTI CNC AUTOMATION LIMITED

CIN: U29221GJ1991PLC014914

Regd. Off.: G - 506, Lodhika GIDC, Kalawad Road,
Metoda, Rajkot - 360 021.

Date: February 20, 2024

To,
The Department of Corporate Services,
BSE Limited, Mumbai

To,
The Listing Compliance Dept.
National Stock Exchange of India Ltd, Mumbai

BSE Script Code: 544081

NSE Script Symbol: JYOTICNC

Dear Sir/ Madam,

SUB : TRANSCRIPT OF CONFERENCE CALL POST DECLARATION OF THE FINANCIAL RESULTS OF THE FOR THE QUARTER AND NINE MONTHS ENDED ON DECEMBER 31,2023.

in continuation to our letter dated February 13, 2024, a Conference Call was hosted with the Management of Jyoti CNC Automation Limited on February 16, 2024 for discussion on the financial results with the participants.

A Transcript of the above Conference Call is enclosed herewith.

Please take the same on your records.

Thanking You,
For Jyoti CNC Automation Limited

Maulik B Gandhi
Compliance Officer and Company Secretary
Membership No.: F8819

Encl.: Transcript as stated above.



“Jyoti CNC Automation Limited Q3 FY '24 Earnings
Conference Call”

February 16, 2024



**MANAGEMENT: MR. PARAKRAM C. JADEJA – CHAIRMAN AND
MANAGING DIRECTOR,
MS. SHIVANGI LAKHANI – EXECUTIVE HEAD OF
CORPORATE COMMUNICATION
MR. MAULIK GANDHI, COMPLIANCE OFFICER AND
COMPANY SECRETARY**

MODERATOR: MR. HARSHIT PATEL – EQUIRUS SECURITIES



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February 16, 2024*

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY '24 Earnings Conference Call of Jyoti CNC Automation Limited hosted by Equirus Securities.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshit Patel from Equirus Securities. Thank you and over to you, Mr. Patel.

Harshit Patel: Thank you, Michelle. A very good afternoon everyone.

Today we have with us the Management of Jyoti CNC Automation to discuss the third quarter results.

From the Management, we have with us, Mr. Parakram C. Jadeja - Chairman and Managing Director; Ms. Shivangi Lakhani - Executive Head of Corporate Communication; and Mr. Maulik Gandhi - Compliance Officer and Company Secretary.

Without taking much time, I would now like to hand over the call to Mr. Parakram C. Jadeja for his opening remarks, after which we can start the session for Q&A. Over to you, Jadeja sir.

Parakram C. Jadeja: Good afternoon, friends. I am very thrilled to welcome you all to our First Earnings Call meeting following our "Highly Successful IPO". The overwhelming response and the incredible 40x over subscription respect and reflect the trust and confidence you have placed in our vision and potential.

Our journey since the IPO has been nothing short of remarkable and I am delighted to share with you the result of our first quarter. It is a testament to the hard work, dedication and resilience to our entire team. In this inaugural meeting, we aim to provide you with the comprehensive overview of our performance strategies and key milestones achieved during the quarter.

Your partnership and support have been instrumental in propelling us forward and we are committed to delivering sustainable and sustained values and growth of our investors. As we navigate through the opportunities and the challenges ahead, your insight, your feedback and continued belief in our mission will be invaluable. Together, we are poised to seize new opportunities, overcome obstacles and chart a path toward a long-term success design.

So, now, without further delay, we will, let's say, state our performance over the past quarter. Beginning with people, let's say, and jump into the presentation.

Let's say, I will like to tell you a few about the Company over here:



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Let's say that Jyoti CNC is a first generation of business. I started this Company way back in 1989 with a small job shop. And initially, let's say, base in Rajkot, bought the lathe machines and doing the work for the lathe manufacturing companies over there. Gradually, we have grown up from component manufacturing to sub-assembly, assembly, and finally, we have started manufacturing the conventional lathe machines and all.

And in 1998, I realized that the computer is coming a big way and we jumped into the manufacturing of a computerized numerical control machine, so-called as the CNC machine, physically. Physically, our industries are to be in metal cutting machines. We are manufacturing the machines of a metal cutting and delivering to industries to be all manufacturing industries like automobile, general engineering, valves, pumps and all.

In this journey of the last two decades, Jyoti has served more than 12,000 plus customers and we have more than 30,000 plus the machine has been installed in this journey. And in that, let's say we realized that we needed some technology back on that. So, we acquired a Company in 2007 called as "Huron Graffenstaden". Back-to-back, we made our own R&D center called as Leonardo Da Vinci Center in 2008.

2008 to 2016, we were manufacturing and developing many new products into aerospace and defense and serving to our government. So, the government also recognized Jyoti to be a very well-required strategic partner for them and they have awarded and given us a special project to manufacture the 5-Axis multitasking machines. And that, we have made it with the IIT Chennai together.

2017 to 2019 is an era of coming to be more and more digitized like that. And Jyoti has developed our own platform on Industry 4.0 called 7th SENSE and many of that kind of product is made to make effective automation like that.

2022, we realized that EV is coming a big way and we have to be future ready. So, Jyoti has designed and developed many products to fit for the EV. And in the last year, let's say, 2023-24, let's say, completely a turnaround business year for us and we got the consolidated order book of more than 3,300 crores over there.

Let's say, our key highlights are like that. We are into a third position into Indian manufacturing industries over here. And across the manufacturing sector, let's say, I will give you a few background that we are making the key category of the product. One we call an entry-level product. Second, we call it as a mid-level product. And third is large, we say as a high-level machine.

The entry-level product is covered with, let's say, the value of 0 to 50 lakh, and 50 lakhs to 2 crores we consider to be mid-level product and then 52 crores above that we call as a high-end machine like that. And Jyoti used to be in a complete value chain in all the three categories of the product there. And all these machines basically is required to be a very high precision and



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technology called as a “5-Axis”. This is the most significant milestone as required and Jyoti has achieved and we are into the complete value chain on that.

In terms of, let's say, the customers we are serving in aerospace and defense, the world, the largest players in Europe in terms of our aerospace customers are like that. In India also, we have ISRO, the Brahmos, the MBDA and the Tata and all that, Tata Sikorsky those kind of customers are like that. In terms of automobile and auto ancillary like the Bharat Forge, the Bosch and that kind of a customer base are like that. We have a very diversified customers are like that.

I would like to tell you something more about the new industries we are catering more and more in the last two years. Let's say, Jyoti has taken initiatives and way back way forward to see that EMS industries are coming a big way. So, we have developed a very specific product called as a Tachyon to sell to these EMS industries and in 2015 to 2021 we have developed this product and that industry has come two years back and now today we entered to and we have close to 8% order into this one significant model.

I would like to tell you a little bit more about our acquisition. The Huron what Company we have acquired, Company basically is in France. It's in border of France and Germany (inaudible 00:07:47). This Company has existed since 1827. They made the first milling machines in 1857. They made a first 5-Axis machine in 1905 and they are catering into all aerospace and defense industries very well to be there basically.

So, now with this, we have many global footprints are like that mainly in manufacturing, high-end manufacturing area in Europe. In India, India is growing very well in last couple of years and this next five to seven years based on this, our manufacturing sectors are growing. We are looking to be a close to 20% CAGR level. All indicators are coming to reach out to a 20% growth level can be achieved in India over here and with that, let's say, even I would like to tell you something about our manufacturing capabilities and the facilities over here.

In Rajkot, we have the plant in two sites are like that and we have a total manufacturing capacity up to the last year and this year up to 4,400 machines per year. With this some of the de-bottlenecking we are able to reach out to be 5,000 this year and 6,000 next year and this is we have a Phase 1.

With this Phase 1 we are able to generate a close to 2,500 crores plus revenues to be there and then we have close to 3x more, let's say, we can do a same four kind of phases to be on a same place and we have enough space are available into that area to be there So, that's our capacity.

And then manufacturing, we have completely a vertically integrated manufacturing facility. We have our own foundry. We have our machining facilities. We have our own sheet metal shop, robotic, welding and paint shop, and all of our sub-assemblies and assemblies to be fully air-conditioned areas to be there to control the temperatures and to give a precision to be there.

Our Company is, let's say, we have a fully dedicated R&D center. We already discussed that topic. There are more than 140 engineers working and developing and designing a new product every day. All these 7th SENSE and TPM friendly products has come out from this area. And over a period in the last 20 years, we have developed more than 200 plus product areas for the different manufacturing processes like that.

We have a direct sales and marketing in India. We have close to 29 sales and service centers across the country and more than 300 people are working into this geographical area to be there. In terms of my team, apart from my three brothers, all the key managerial people, all my CFO, design chief, operation head, marketing head, and everybody are working with me since more than 20 years over here. They are very highly skilled manpower over here. More than 2,300 people are working and out of that, around 67% of the people are skilled manpower like that.

In this journey, we recognize the very recognition awards from The Economic Times and many awards like that to be continued to be people have awarded and to that.

Now, I don't want to, let's say, spend the time on that. I will give you the performance of this year. Let's say, the last quarter analysis, the third quarter, our revenue from the operations quarter-on-quarter has been improved by 58% from 238 crores is went up to 377 crores. In this time, even my EBITDA level and margin also has improved from 1.1% to be close to 25% and our PAT level has also improved. Let's say, we have losses on the last year and we have reached to a 48 crores of a PAT level in this last quarter over here.

In terms of this revenue has come from all, let's say, highest revenue we have received from the aerospace and defense. The change is close to 43% has come from aerospace and defense. 20% has come from the auto and auto components. 18% has come from general engineering and 2% has come from the Dies & Moulds. This is a new entry for a 13% revenue has come from the EMS. This is the first entry to be there, and we are looking to the robust growth are coming from her basically and last 4% is from others. And out of these total revenue generations, we have close to 58% in India and close to 42% we are able to exports to be there.

Even in this last quarter also, our order book journey is also to be very robust is going on. Let's say, we have the PAT is out of this order close to 350 crores of the machines and still we have accumulated another 275 plus crores order books are like that. So, closing order book is close to 3,250 crores roughly to be there and out of that with the 55% this order book are from the aerospace and defense and 14% are from the engineering and 12% basically is from the EMS business to be there.

I would like to tell you in terms of more revenue numbers, let's say, it's a nine-month number. If you look at that, the last time the nine numbers have also grown substantially well. In terms of margins and EBITDA has also reached from 5.5% to 18.8% accumulators are like that and PAT level we have reached to 51 crores are like that.



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In terms of our, let's say, this IPO proceeds, after the IPO, almost 475 crores we have repaid all our debt over there and now our debt-to-equity ratio is 0.3%. It's also in the near future we are looking to be, let's say, next two to three years to be a completely debt free Company to be there.

I would like to give you some of the business updates. Let's say, the number one I would like to tell you about the EMS segment. The last quarter we have done the revenues from close to 12.5% into 48 crores is the EMS is just the first entry for this industry over here and we are looking for the more to be execution will come in the next quarters and this revenues are going to be increased more and more to be there.

Even I would like to tell you one. Two more customers are added in this Industry. Two more contract manufacturers come to India, and we are working very closely. We are submitting some of the samples to them in the next quarter to be there basically.

And in aerospace and defense, we are looking to be still more and more robust. Already our order books are very large on to aerospace and defense and similar we are looking to be close to 1,500 crores for the fights are there. That we are seeing in the next couple of quarters will be fully visible and more and more enquiries we are seeing into defense industries, particularly in India and many projects are coming to India and there is all our existing customers are there. Even the air force engine manufacturing companies are moving into India. Those are all our existing customers who are like that.

In other areas, like the continuing demand we are seeing into railway, infrastructure, general engineering, automobiles, and mainly in Dies & Moulds sectors. Until today, people are more and more dependent on the Dies & Moulds sectors from the outside of the country. And it's moving over here. So, we are looking furthermore into Indian business on other sectors also to be there.

I would like to tell you something about the capacity addition. Let's say, in Rajkot, we have that already I told you, we are de-bottlenecking that. And the EMS industry is really grooming up there. So, we are making the phase to plan out and we will complete phase to plan out in the next one quarter. I think in our meeting, I will tell you more about our next plan to that.

And for the larger machines, the order of what we have received in aerospace and defense, so we are putting close to 40 crores in our France factory to develop and manufacture more larger machines to be manufactured on that.

I think I have still covered all the parameters. There are any points that have been left, I think everything has been covered. We will go through the question-and-answer session now.

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Aditya Bhartia from Investec. Please go ahead.



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Aditya Bhartia: My first question is on the EMS business. Our order book has risen in this particular segment. So, is it on account of getting some of the additional orders that we were anticipating from Apple? Or is it from some other customers that you were referring to?

Parakram C. Jadeja: So, basically, Aditya, we are not able to give you the customer names because it's a very tight contracts are like that. But these are mobile manufacturers, and their contract manufacturing has been started over here. So, already we have gotten some orders from them. And many more, two more contract manufacturers came over here. So, that's I have just discussed over there basically. So, today we have close to 260 crores worth of orders and this year we are anticipating close to another 500 plus crores orders to be on aerospace and that area, in particular EMS areas, to be there.

Aditya Bhartia: And if you look at the execution on aerospace and defense side, bulk of the execution that we have seen in this particular quarter appears to have been done from the standalone entity. Huron's revenues at least optically appear to be at a slightly lower limit. So, is it just the timing issue that the work has been done in India and now the machines get transferred to France where in the remaining part of the work will get done?

Parakram C. Jadeja: Yes, you are absolutely right. We will see the next quarter; we will see the much more output are from the Huron site from the aerospace and defense areas to be there.

Aditya Bhartia: Perfect. And the last question, sir. These are some really large and key orders that we had managed to get on the aerospace and defense side. How are you seeing the outlook for this particular segment? Both if you could spell it out for domestic markets as well as for international markets?

Parakram C. Jadeja: So, Aditya, basically we are looking, let's say, we will talk first to the domestic market also. So, domestic market also the government has given a lot of budget to all our ordnance factories and these all companies are already now into a market. We already filed a lot of tenders. The pipelines are very large and we are expecting in very near future to be some good numbers. Even in a domestic side, there are private players like many companies have awarded these few orders. We are waiting for the Bharat Forge also. We will get some few more orders. Even the Tata also is into pipeline that. And these are our customers, and we are working very closely with these kind of customers in domestic side like that.

In international, what the orders we are having that, particularly on engine manufacturing side to be there and the missile manufacturing side to be there. There we are expecting to be repeat orders to be on a same customer base to be there basically. Only challenges are that today to get this order quickly because that customers are reaching us to deliver faster and to increase our deliveries to be more and more then basically.

Moderator: Thank you. The next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: So, my question was regarding order inflows. So, where do you see the order inflows coming from in the remaining 3 months? And do we have any kind of outlook for the next year? Have we received any subsequent orders from the EMS segment as well?

Parakram C. Jadeja: Yes, so let's say, I will clear one by one. So, EMS sectors are already in our existing customers. They are just testing our more execution capabilities. There is a large pipes are with them. And the first supply we have started in December. The second supply we have done in January. And based on that, let's say, the triggers, they see our quality installations and everything. And based on that, we are expecting furthermore orders in the next quarters to be there. And there is a large pipe like that. What already I have discussed that more than 500 crores orders are already in pipe and about to close this based on the schedule capabilities to be there. That is on EMS side.

In general engineering and the Dies Moulds sector also is grooming up today. And we are seeing this quarter also to be good numbers are visible to be in a domestic side like that. In aerospace and defense, there are many tenders floated in India. We are already in a race with them in pipelines. So, in India, we are expecting the large order in this quarter. And in international level also, in the past question also, I told that on the same existing customers, we are about to receive some orders to be there.

Nikhil Abhyankar: So, what will you guide for FY '25 in terms of revenue growth and the subsequent EBITDA margin expansion if you could?

Parakram C. Jadeja: So, basically, if you look at that, our order book is close to 3,200 crores plus, and that we have to deliver in the next 18 months to be there. Those are all that we have committed to be there. So, based on that, we are improving our execution capabilities. And once this, all these mix of orders are going to be delivered, our margin also is going to be a little bit better than what we are today. Even the operational leverage will come also to be there. So, the margin will, we are seeing on a better side to be there.

Nikhil Abhyankar: And sir, the final question is on Huron. So, despite increased execution, we haven't seen the profitability kick in from Huron yet. So, when should we expect the profitability of Huron?

Parakram C. Jadeja: So, if you look at that, even the last nine months, the Huron level there, we are a net positive EBITDA level has been reached out there. So, this year itself, we are expecting this to be completely turnaround to be there and we will see the profitability in this coming quarter.

Nikhil Abhyankar: For the full year as well?

Parakram C. Jadeja: Yes, full year as well.

Moderator: Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar:

Sir, largely wanted to know, you have mentioned in the presentation that we are working on new product development to get a new line of business within the EMS space. So, just wanted to understand if you can throw some more light. And you also mentioned that products are at various stages of approval. So, I mean, what are these new products? Are they other than mobile phones or is there some clarity around that? That will be helpful.

My second question was on the order book. I know what is the visibility that we are having beyond the existing order book, which is there. The existing order book is 3,200 crores. You mentioned that in EMS, there is 500 crores, around this and you are expecting some large order. If you can provide some more clarity, I mean, is this international, domestic or some more color as to what individual segments there will be, you will get visibility in the order book? That will be helpful.

And my third question was just on the gross margin. I just wanted to understand how are the gross margins different in aerospace versus EMS versus general engineering? So, that may be helpful, sir.

Parakram C. Jadeja:

So, let's start with your third question first, okay? I mean, remember very well, very nicely there. So, in terms of a gross margin, we have three categories to be there. So, that's why I told you that we have a three category of product. Number one, we have an entry-level product. In an entry-level product, our gross margin, let's say, my material consumption are there at 60% to 65% in between. In terms of a mid-range product, that's up to 2 crores. There our margin is close to, let's say, the material consumption is 55% to 60%. In aerospace and defense, and let's say the machines are more than 2 crores and up to 10 crores plus, there my gross margin and the material consumption are 45% are like that. So, this is the margin segmentations we have divided into three areas like that.

And in terms of, this is my first question, your answer of the first question. Second is to be an order pipeline, what we are looking. So, today, we are in terms of a discussion in pipeline in aerospace and defense. It's close to 1,500 crores are worth of the orders are in above to close now there, for the more orders like that. And that is all are in exports. Other exports seem to be similar here in the Indian domestic industry. So, there our pipelines are larger in aerospace and defense. You can understand that. That is my second answer for one of the questions to be there.

The third question, what you asked? What I understood is that you are asking me for the new development in the product, new development side. So, let's say this new product what we are developing and supporting and supplying to them is not just mobile. There are many other accessories to be manufactured like watch and to be a tablet. So, these all three products can be manufactured on the machine. So, there are three categories of the product we have designed and developed, and we are now supplying to them. So, these are the detailed answer for you or this new development of the front there. Hope I have completely answered your all three questions. If you have anything not clear, please tell me so I can give you the more lights on that.



Moderator: Thank you. The next question is from the line of Apurva Kumar from Kitara Capital. Please go ahead.

Apurva Kumar: I had a couple of questions. A, on the capacity utilization. So, in terms of number of machines, how much did we deliver during the quarter? And how are we placed in terms of utilization next year?

And secondly, in terms of our inventory days, I think you had alluded earlier that there will be some improvement going forward. So, just wanted to understand if that process is ongoing and should we see a reduction in number of inventories, inventory days going ahead?

Parakram C. Jadeja: Yes, Apurva, very nicely. That's what the question, let's say, what we have earlier discussed. Absolutely, we are on track this year in terms of this 300 days are really going to see in the end of the year is to 210 to 220 days to be there. We are very much visible in terms of nine months also to be there. So, what we have discussed is on the way to be there.

And in terms of a number of machines and this year we are going to close to a utilization level end of this year is close to 80% to be there. And we are de-bottlenecking some of our facilities over here and expanding our facility to reach out to be 6,000 machine on a next year to be there. So, next year we are looking to be close to 5,500 machines to be produced to be there.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Sequent Investments. Please go ahead.

Hiten Boricha: Sir, firstly, I just want a clarification on the previous participant. You mentioned something about 1,500 crore kind of order is in the pipeline. Is that was your comment?

Parakram C. Jadeja: Yes.

Hiten Boricha: Also, if you can give the breakup of that order book, sir, that will be actually to EMS and aerospace?

Parakram C. Jadeja: Out of this next pipeline of 1500?

Hiten Boricha: Yes.

Parakram C. Jadeja: I told that 1,500 is standalone on aerospace and defense only there.

Hiten Boricha: Sir, my question is on the EMS side. As you mentioned, the EMS side is looking very strong and we are getting the orders in this segment. So, just wanted to understand about the market size and the demand of this particular industry. If you can throw some color, what would be the market size of EMS in terms of number of machines or maybe value and what kind of growth we are looking forward in next three to five years?

Parakram C. Jadeja: Oh, it's a very sensitive question, but let's try to answer this basically. Let's say this, in EMS sector is completely a new industry in India there, and particularly in a CNC machine being used to manufacture the cases of the mobile and then to be a watches and to be a many other applications to be there. So, based on our calculations and get the input from the customers, let's say, today, so they are looking to be in the next five to seven years in this entry is required close to a 1 lakh CNC machine on this. So, this is the size of the scopes are available for us in the sector over here. Even if you look at that in past, this industry has consumed more than 3 lakhs CNC machines in China. And out of that, 95% machines has come from Japan. And first time we are able to crack into this industry and we got this order. So, that's the great opportunities are available for here.

And second, what is we are looking? Let's say, today, we have close to 260 crores is in our pipe. Let's say, these are not in pipe, is in our order. This is a sample order. So, there is a large opportunities we are looking into this industry basically. Hope it is clear to you.

Hiten Boricha: Yes, very clear. So, just to follow up on this, you mentioned around 1 lakh machines will be required in next five to seven years. So, just wanted to understand what would be the current number of machines we have, we are producing in India?

Parakram C. Jadeja: So, let's say, this industry has consumed in the last two years, so we are just entering that. Until today this kind of machines have really been imported from the Japan and close to in one year last in one year it's more than 5,000 machine has been imported to be there.

Hiten Boricha: Sir, I have only one more bookkeeping question. Like, we have seen the reduction in the debt of around 450, 470 odd crores. What would be our interest cost from like next year itself? And the other question is on the CapEx. So, you mentioned we are going to increase the capacities from current 4,000 machines to around 6,000 machines in the next 1.5 to 2 years. So, what is the total CapEx we are spending?

Parakram C. Jadeja: So, I said there is a debottlenecking we are doing. So, there is not large much CapEx to be there basically. Because our plant is such a way is incorporated there, based on the bottleneck we will see, we will remove the bottleneck. It is not a large number required to be on the CapEx side to be there.

And in terms of your second question in interest savings, let's say, in coming days, we are looking to be around 55 to 60 crores in the full year we are able to save the cost to be there.

Hiten Boricha: 55 to 60 crores of interest savings from next year.

Parakram C. Jadeja: Yes.

Moderator: Thank you. We will take the next question from the line of Harshit Patel from Equirus Securities. Please go ahead.

- Harshit Patel:** Sir, my first question is, could you explain in terms of the market structure of the country as to what proportion of consumption of the CNC machines do we manufacture in India as a country and how much are the imports which are still happening? And what was this number, let's say, 5 to 6 years ago? And how do you see this trajectory panning out in the next 4 to 5 years?
- Parakram C. Jadeja:** Good, Harshit. Let's say that India has consumed the last year is close to \$3 billion worth of CNC machine over here in country. And out of that, 65% has been imported there. And largely it's come from the Japan and Germany. These are the two countries that are dominating player over here. And based on this, our manufacturing growth India in the next 5 to 7 years, we are expecting to grow machine to consumption 20% plus CAGR level to be there. And there is a great opportunity on import substitution over there. And that's why Jyoti has developed many a product basket. Today, the EMS is one of the sector what we are discussing. It's completely we are, let's say, import substitute only to be there. Hope I think I have given you a complete answer of the size of the market there. So, we are expecting growth of 20% CAGR level from \$3 billion to be next five to seven years to be there.
- Harshit Patel:** Fair enough, sir. So, this import substitution that we are expecting to happen in the next few years, so will this happen in the bottom or the middle tier of the category? Or this will happen in the upper part of the market, which is the premium category as you explained in your opening remarks?
- Parakram C. Jadeja:** So, mostly right now if you look at that the last year, the \$3 billion of a consumption, so that also is divided into two areas/ Let's say, 85 % of the machines are called as a metal cutting machines. 15 % are into metal forming. And we are addressing is a full market of a metal cutting there. Out of that, close to this all, let's say, the entry-level product as the Indian manufacturers are catering nicely up to 80% to 85 % market share like that and all the premium product, let's say, it's almost 90% machines are coming imports. So, we are looking to catch this business from the high and premium market to be there basically, because that's the large chunks are coming from the Japan and Germany to be there. It's a high value addition that products are coming from the country and we would like to capture these areas to be there.
- Harshit Patel:** Sir, on the similar lines, where exactly is the competition? So, are they also trying to develop these high-end machines, and do you think that will they also be able to participate in this import substitution theme meaningfully? Or do you think that we will be the ones who will lead this shift? So, in other words, are the competition also ready with this kind of higher end machines or their offerings are still mainly in the middle tier or the lower tier of the market?
- Parakram C. Jadeja:** So, today, largely in competitions are into Indian manufacturers are focused into a, let's say, entry level product. In a base level machine, the value is less than 50 crores. Jyoti has only ourselves has been prepared in last 15 years and we have invested largely into this Eurozone and to acquire this Company to gain the knowledge and manufacture capabilities to be developed there. It's not a one-day job. So, we have spent almost 15 years. So, anybody's coming to here, they have to similar time to be spent to reach out to this high end machine level there. And near

term, we are not seeing any other manufacturers are being ready to own high end machines to be there basically.

Moderator: Thank you. We will take the next question from the line of Jatin Jadhav from Sahasrar Capital. Please go ahead.

Jatin Jadhav: So, my question was on the basis of market dynamics, as you correctly mentioned about the potential demand and the size of the market. I did a little bit of study and I understood that there is a slight hitch towards shifting towards domestic players who manufacture high-end machines. So, there is a slight bias towards, as you mentioned, Japanese and German machines. So, I want to understand how we will tackle this problem? Like, how will we get the EMS, big EMS players to shift from the Japanese and German competition towards us? That was my first question.

Parakram C. Jadeja: So, thank you for that. see, it's very tough to convince to the customers in India to buy from Japanese to Indian made product. Luckily, we got an excellent opportunity on EMS segment that our customers have given us an opportunity and that took two years to test the machines. Not in a small time. Let's say two years back, they have come to our facilities and checked our quality parameters and everything. Then we have submitted the machines and then they have run for six months and then they found a good result. They found it's a very positive result. It was a surprise to be, so they have made another tough testing methods and everything. We took two years continuous testing under the only one customer there and then only we are able to crack against the Japanese to be there. Definitely, same we will replace to, let's say, repeat to another customers also to be there and try to enter down to basically there. Yes, it's not an easy job to be there. After many years, we are working over here. We are seeing the first time this kind of entries are happening to be there.

Jatin Jadhav: Makes sense. So, it will be safe to assume that once Jyoti's machines, all high-end machines are approved, they will be very sticky in nature because this is also one feedback I got, that generally players don't shift from one type of brand to another. Is that correct?

Parakram C. Jadeja: Yes, once you enter there, you have a long journey to be there.

Moderator: Thank you. We will take the next question from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.

Kamlesh Jain: Sir, just one question on the extension of the part earlier question. So, how competitive we are in comparison to, like, say, the importers' machines on the cost front? And secondly, like, say, on the product development, like 7-Axis machines, so are we moving on those machines as well for the product development? So, these two questions from my side.

Parakram C. Jadeja: So, let's say, in terms of this competitiveness, we are close to 20% to 25% competitive than the Japanese product. Same one to, apple-to-apple the products are like that. So, that's our competitiveness and people are not, let's say, sacrificing anything in terms of quality and speed,

the parameter. So, one-to-one product and let's say, slightly better product we are able to deliver them is close to 20% to 25% competitive product in India to Japanese versus Japanese. So, that was your first question. Now, what is your second question?

Kamlesh Jain: On the product development, like moving to higher axis machines.

Parakram C. Jadeja: Yes, on a higher machine. So, I like to tell you that this, Huron is our subsidiary Company. This Company is having this 5-Axis technology has been developed somewhere in 1905. So, 5-Axis simultaneously is the highest form of technology. Then 6 and 7, 7, 8, 9, any multiple axes is no more a calculation like that. So, technology is stand up to 5-Axis simultaneously. Machine can be a 20-Axis, 32-Axis, not meaning all that. The important parameter is up to 5-Axis and Jyoti and Huron together are holding this nice technology since long now and we also learn from the Huron are able to manufacture.

I would like to tell you one classic example over here. Let's say, IIIT Chennai and Jyoti together and government has awarded one, let's say, one development project with the IIIT Chennai in 2016, what I already discussed quickly on this presentation. And the government has funded us more than 80% of this development of this product and it has been used to manufacture the landing gear of the aircraft there. The machine is simultaneously 5-Axis, but auxiliary axis was close to 16%, and we are fully prepared today to be compete to the world-class manufacturer on a top 5 companies on the world to be there.

Kamlesh Jain: Secondly, I know the market potential, but what particular market share we are looking at? Given the opportunities we have in India, like the \$3 billion market growing at 20% CAGR over the next 5, 7 years, so are we looking to grow higher than what the market is going to be or in parity with the market?

Parakram C. Jadeja: So, let's say, definitely, if we are at stage of only the market grow and we grow, then there is not a fund to be there. Definitely, we are looking to be, our market share to be improved there. So, our strategies are like that. In auto, auto component, general engineering, we want to maintain the market share as market grows there. And we would like to increase our market share into import substitution to be there. And mainly into aerospace and defense and high precision manufacturing area, we would like to increase our market share to be there. And to be import substitute to be there basically.

Kamlesh Jain: So, that would largely happen in aerospace and defense?

Parakram C. Jadeja: Aerospace, defense and this EMS also is completely imported areas to be there. These are the right now two verticals we have identified. That are our growth engines. The base growth we are going to, let's say 20% growth will come from auto, auto component and general engineering areas to be there. And the next growth, we are looking from these two verticals. One is to be aerospace defense and second is EMS to be there.



Kamlesh Jain: But sir, how do we see the exports market? Because for us, exports is upwards of around 40%, 42%. So, there are largely, how do you see that? Because the expectations are that that particular market is not growing much.

Parakram C. Jadeja: Sorry, please complete.

Kamlesh Jain: That exports market is not growing at that pace. So, how do you see that particular segment? Because that is bulky for us. Upwards of 40 odd percent.

Parakram C. Jadeja: So, basically, exports market, we are looking to be much better. If you look at that, up to last year, we were exporting only 15% there. Based on this, our order book, we are growing up to 40%. And our strategies is like to be 40-60. 40% we would like to be exports and 60% to be here. And in 40% also, we are looking to be very high engineering areas.

And largely, I would like to tell you that, let's say India is close to \$3 billion consumption. While the whole world is, let's say, completely, I will tell you to be \$80 billion consumption of these industries. Out of that close to 30% business are into Central Europe. Let's say, compared to India to Italy, India has consumed last year to be \$3 billion, and Italy has consumed close to \$5.5 billion.

That's why our focus into Central Europe zone and mainly from our subsidiary Company to be there and there all our high-value engineering machines are like that and we have now made our competitiveness to be there. The Huron and the French and European quality with the Indian manufacturing cost, now we have a good synergies are coming over here. So, we are looking the large value addition are going to come from the Central Europe part, France, Germany, Italy and the surrounding area and participating into aerospace and devices is going to be there, and there we are looking to be sizable growth to be there.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from Inoquest. Please go ahead.

Nitin Gandhi: This Huron, at the peak capacity, what could be the potential of revenue or in terms of machine if you can say?

Parakram C. Jadeja: So, the base on the machine model mixes today and in the order book every machines are very large machines and all like that. Average machine volume is close to 2 million or 2.2 million is close to 20,000 plus are there. And we are expecting to be that the capacities and the potential are next year we are looking to be close to, let's say, €60 million in terms of that in a Huron site.

Nitin Gandhi: That will be amounting to how much, what capacity utilization?

Parakram C. Jadeja: So, that will be reaching to be close to 90% capacity utilization to be there.

Nitin Gandhi: And so, obviously, you need to plan for thereafter right?



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- Parakram C. Jadeja:** Yes.
- Nitin Gandhi:** And what's the thought on that?
- Parakram C. Jadeja:** So, that's already I have given you in my presentation there. We are investing in an assembly line to be there close to 40 crores in the next year there.
- Nitin Gandhi:** And that will increase capacity to?
- Parakram C. Jadeja:** To capacity to be close to €75 million to €80 million.
- Nitin Gandhi:** And that should be active somewhere around June '25, right?
- Parakram C. Jadeja:** The end of the, let's say, we are looking to be a first quarter of '25.
- Nitin Gandhi:** And can you share something on the profitability, how it was for Huron? Because at present you are just moving from the low level and the utilization is likely to be 90. So, at optimal capacity of 90, what could be the margins?
- Parakram C. Jadeja:** So, we are looking to be a margin what you are seeing the improvements are like that, we are looking to be 20% plus level EBITDA margin to be at Huron level there.
- Nitin Gandhi:** So, for here as a whole, we could be somewhere at least 13% for Huron?
- Parakram C. Jadeja:** Will be little bit better than that.
- Nitin Gandhi:** I look forward to seeing the factory soon, if possible.
- Parakram C. Jadeja:** Most welcome. Anytime.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Parakram C. Jadeja for closing comments. Over to you, sir.
- Parakram C. Jadeja:** Thank you, friends. The way you people have been put up a trust on us will do all my team will committed to deliver from here to a many different level and going forward we will like to make this our country to be a stronger country to be here in terms of manufacturing. Thank you very much to be here.
- Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Equirus Securities, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.