REDUCE

CMP: **INR 6,500** Target Price: **INR 5,960** ▼ -8%

ICICI Securities

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08 August 2025

India | Equity Research | Re-initiating Coverage

Dynamatic Technologies

Defence

Aerospace propelling earnings

Dynamatic Technologies (DTL)'s Q1FY26 EBITDA of INR 3.78bn shrank 5.7% YoY. Key points: 1) Revenue expanded 7.1% YoY, as: i) aerospace grew 27.3%; ii) hydraulics slipped 10.9%; and iii) metallurgy remained stable. 2) EBITDA margins receded to 10.2% (vs. 11.6% in Q1FY25) owing to margin erosion across segments. 3) Aerospace retains its lead revenue-driver position; pressure persists in metallurgy amid ongoing weakness in the German automotive sector and broader geopolitical uncertainties. 4) Net debt spiked YoY/QoQ to INR 4.35bn (vs. INR 4.05bn, as of FY25-end). We expect the aerospace segment to continue shining while pressure lingers in other segments. That said, there are developments in the offing in the metallurgy division too. We reinitiate coverage with a **REDUCE** rating and TP of INR 5,960, based on 40x FY27E EPS.

Aerospace outperformance continues

DTL's Q1FY26 EBITDA retreated 5.7% YoY to INR 378mn. Key points: 1) Aerospace segment's EBITDA rose 9.5% YoY to INR 400mn driven by strong execution; EBITDA margins have deteriorated slightly to 23.1% (vs. 26.9% in Q1FY25; 25.1% in Q4FY26). 2) Hydraulics division experienced higher demand in India; however, the UK business faced headwinds due to lower customer demand. Indian business recorded 20.3% growth while the UK business' performance plunged 50%. EBITDA declined 61.3% YoY to 35.9mn and EBITDA margins have ebbed to 3.4% (vs. 7.8% in Q1FY25). 3) Metallurgy's EBITDA declined 52.8%/55.2% YoY/QoQ – this segment continues to be under pressure owing to weakness in the German automotive sector. 4) Segmentally contributions to revenue – aerospace 46.6%, metallurgy 24.8% and hydraulics 28.6%. 5) Net debt inched up YoY/QoQ to INR 4.35bn (vs. INR 4.05bn, as of FY25-end).

Outlook: Steady growth expected

The lion's share of DTL's EBITDA stems from its aerospace division – contributing ~88% in Q1FY26. Ahead, we expect this segment to continue to grow at a 25%+ CAGR and likely hold strong as the leading EBITDA driver for DTL. Also, we are positive on the turnaround at the metallurgy division; the company has embarked on two interesting developments, *viz*: 1) the development of prototype defence products – high in demand in mainland Europe currently; and 2) transitioning to aerospace castings – a high-margin niche segment. Hydraulics segment shall continue to do well in the domestic market; however, it may remain under pressure in overseas markets. We reinitiate coverage with a **REDUCE** rating and TP of INR 5,960, based on 40x FY27E EPS broadly in line with the listed peers.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	14,293	14,038	14,950	17,391
EBITDA	1,594	1,583	1,774	2,309
EBITDA Margin (%)	11.2	11.3	11.9	13.3
Net Profit	(28)	430	561	1,012
EPS (INR)	(4.1)	63.4	82.6	149.1
EPS % Chg YoY	30.1	(27.7)	30.3	80.5
P/E (x)	74.2	102.5	78.7	43.6
EV/EBITDA (x)	34.3	29.2	27.0	20.6
RoCE (%)	10.6	8.7	9.7	13.4
RoE (%)	22.1	7.9	7.6	12.4

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Market Data

Market Cap (INR)	44bn
Market Cap (USD)	505mn
Bloomberg Code	DYTC IN
Reuters Code	DYNM BO
52-week Range (INR)	8,953 /5,437
Free Float (%)	57.0
ADTV-3M (mn) (USD)	1.0

Price Performance (%)	3m	6m	12m
Absolute	2.7	(5.3)	(3.1)
Relative to Sensex	2.9	(8.9)	(4.5)

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

09-02-2025: Q3FY25 results review
15-11-2024: Q2FY25 results review

Key risks

- Better-than-expected performance in metallurgy and hydraulics segment leading to better margins.
- Expedited development in defence and aerospace products.

Exhibit 1: DTL's Q1FY26 result performance

(INR mn)	Q1FY26	Q1FY25	% Chg. YoY	Q4FY25	% Chg. QoQ
Net sales	**3,709**	**3,463**	*7.1*	**3,807**	*(2.6)*
Gross Margin	1,864	1,877	*(0.7)*	1,975	*(5.6)*
Gross Margin (%)	*50.2*	*54.2*		*51.9*	
Employee cost	804	774	*3.9*	862	*(6.7)*
Other expenditure	682	702	*(2.9)*	733	*(7.0)*
EBITDA	**378**	**401**	*(5.7)*	**379**	*(0.4)*
Margin (%)	*10.2*	*11.6*		*10.0*	
Other Income	101	30	*235.5*	126	*(19.7)*
Depreciation	185	173	*6.7*	173	*7.2*
EBIT	294	257	*14.2*	333	*(11.7)*
Interest	141	140	*0.3*	140	*0.6*
PBT	**153**	**117**		**193**	
Tax expense:	46	3	*1,325.0*	32	*42.5*
PAT	**108**	**114**	*(5.4)*	**161**	*(33.1)*

Source: Company data, I-Sec research

Exhibit 2: DTL's segmental performance

Segmented (INR mn)	Q1FY26	Q1FY25	% Chg. YoY	Q4FY25	% Chg. QoQ
Revenue					
Hydraulics	1,061	1,191	*(10.9)*	1,105	*(3.9)*
Aerospace	1,729	1,359	*27.3*	1,728	*0.1*
Metallurgy	919	913	*0.7*	944	*(2.7)*
Segment Result					
Hydraulics	36	93	*(61.3)*	(20)	*(283.2)*
Aerospace	400	365	*9.5*	433	*(7.6)*
Metallurgy	17	36	*(52.8)*	38	*(55.2)*
Margins (%)					
Hydraulics	*3.4*	*7.8*		*(1.8)*	
Aerospace	*23.1*	*26.9*		*25.1*	
Metallurgy	*1.9*	*4.0*		*4.0*	

Source: I-Sec research, Company data

Exhibit 3: DTL's capital structure

(INR mn)	Sep'24	Dec'24	Mar'25	Jun'25
Long term	2,299	2,208	2,252	2,441
Short term	2,017	2,137	2,258	2,359
Total Debt	**4,317**	**4,345**	**4,510**	**4,800**
(-) Cash & Cash equivalents	530	333	459	452
Net Debt	**3,787**	**4,012**	**4,051**	**4,348**
(+) Lease Liabilities	1,240	1,137	1,202	1,207
Overall Debt	**5,027**	**5,149**	**5,254**	**5,555**
Net Worth	7,056	6,832	7,175	7,560
LTM EBITDA	1,646	1,632	1,583	1,561

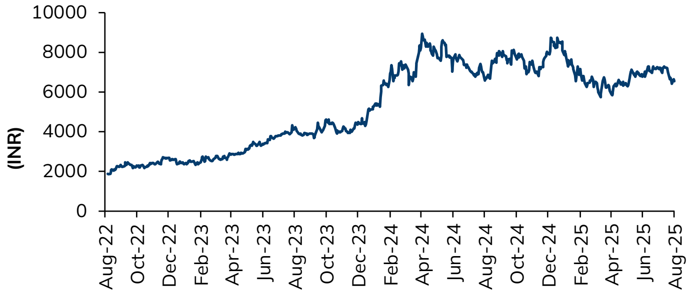
Source: I-Sec research, Company data

Exhibit 4: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	41.8	41.8	41.4
Institutional investors	0.0	0.0	0.0
MFs and other	0.0	0.0	0.0
Banks/ FIs	0.0	0.0	0.0
Insurance Cos.	0.0	0.0	0.0
FIIs	0.0	0.0	0.0
Others	58.2	58.2	58.6

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	**14,293**	**14,038**	**14,950**	**17,391**
Operating Expenses	6,018	5,919	6,288	6,930
EBITDA	**1,594**	**1,583**	**1,774**	**2,309**
EBITDA Margin (%)	11.2	11.3	11.9	13.3
Depreciation & Amortization	664	693	655	631
EBIT	931	890	1,118	1,679
Interest expenditure	-	-	-	-
Other Non-operating Income	428	228	171	188
Recurring PBT	**733**	**551**	**748**	**1,350**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	138	121	187	337
PAT	595	430	561	1,012
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**(28)**	**430**	**561**	**1,012**
Net Income (Adjusted)	**(28)**	**430**	**561**	**1,012**

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	7,548	8,042	8,623	10,055
of which cash & cash eqv.	614	459	493	604
Total Current Liabilities & Provisions	3,116	3,513	3,220	3,495
Net Current Assets	**4,432**	**4,529**	**5,403**	**6,560**
Investments	3	3	3	3
Net Fixed Assets	5,729	5,854	5,499	5,168
ROU Assets	-	-	-	-
Capital Work-in-Progress	100	182	182	182
Total Intangible Assets	2,187	2,261	2,261	2,261
Other assets	27	40	40	40
Deferred Tax Assets	61	53	53	53
Total Assets	**12,607**	**12,990**	**13,509**	**14,336**
Liabilities				
Borrowings	**4,582**	**4,510**	**4,310**	**4,110**
Deferred Tax Liability	**27**	**11**	**11**	**11**
provisions	285	339	565	647
other Liabilities	1,036	954	954	954
Equity Share Capital	68	68	68	68
Reserves & Surplus	6,610	7,107	7,600	8,545
Total Net Worth	**6,677**	**7,175**	**7,668**	**8,612**
Minority Interest	-	-	-	-
Total Liabilities	**12,607**	**12,990**	**13,509**	**14,336**

Source Company data, I-Sec research

Exhibit 8: Quarterly trend

(INR mn, year ending March)

	Sep-24	Dec-24	Mar-25	Jun-25
Net Sales	3,614	3,154	3,807	3,709
% growth (YOY)	11.6	0.7	3.5	2.3
EBITDA	410	393	379	378
Margin %	11.4	12.5	10.0	10.2
Other Income	75	(3)	126	101
Extraordinaries	-	-	-	-
Adjusted Net Profit	120	35	161	108

Source Company data, I-Sec research

Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**2,337**	**1,485**	**1,143**	**1,196**
Working Capital Changes	(173)	(198)	(615)	(964)
Capital Commitments	(1,185)	(934)	(300)	(300)
Free Cashflow	**1,152**	**551**	**843**	**896**
Other investing cashflow	**38**	**(13)**	**-**	**-**
Cashflow from Investing Activities	(1,147)	(947)	(300)	(300)
Issue of Share Capital	-	-	-	-
Interest Cost	(626)	(567)	(541)	(517)
Inc (Dec) in Borrowings	(1,706)	(153)	(200)	(200)
Dividend paid	68	68	68	68
Others	79	(41)	(136)	(136)
Cash flow from Financing Activities	(2,184)	(693)	(809)	(785)
Chg. in Cash & Bank balance	**(995)**	**(155)**	**34**	**111**
Closing cash & balance	614	459	493	604

Source Company data, I-Sec research

Exhibit 10: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	87.6	63.4	82.6	149.1
Adjusted EPS (Diluted)	(4.1)	63.4	82.6	149.1
Cash EPS	93.6	165.4	179.1	241.9
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	983.4	1,056.7	1,129.3	1,268.4
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	8.6	(1.8)	6.5	16.3
EBITDA	(12.1)	(0.7)	12.0	30.2
EPS (INR)	30.1	(27.7)	30.3	80.5
Valuation Ratios (x)				
P/E	74.2	102.5	78.7	43.6
P/CEPS	69.4	39.3	36.3	26.9
P/BV	6.6	6.2	5.8	5.1
EV / EBITDA	34.3	29.2	27.0	20.6
P / Sales	3.1	3.1	3.0	2.5
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	53.3	53.4	53.9	53.1
EBITDA Margins (%)	11.2	11.3	11.9	13.3
Effective Tax Rate (%)	18.8	21.9	25.0	25.0
Net Profit Margins (%)	4.2	3.1	3.8	5.8
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.6	0.6	0.5	0.4
Net Debt / EBITDA (x)	2.5	2.6	2.2	1.5
Profitability Ratios				
RoCE (%)	10.6	8.7	9.7	13.4
RoE (%)	22.1	7.9	7.6	12.4
RoIC (%)	12.5	9.8	8.2	11.3
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	84	91	95	107
Receivables Days	82	76	80	87
Payables Days	51	61	51	54

Source Company data, I-Sec research

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