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India | Equity Research | Re-initiating Coverage

PTC Industries

Defence

Margin impact due to Trac is transient; long-run structural story intact

PTC Industries' (PTCIL) Q1FY26 EBITDA of INR 88mn was subdued, primarily on account of underperformance at Trac Precision Solutions (Trac; reported EBITDA-level loss due to execution delays, spillover of some contracts to Q2, leading to negative operating leverage). EBITDA margin declined to 9% (vs. 21.4% in Q1FY25 and 23.6% in Q4FY25), primarily attributed to negative EBITDA margin at Trac, which we believe is transient. Going forward, increasing capacities to 6,000+ tonnes by Dec'25/Jan'26, timely ramp-up and backward integration into titanium should drive revenues and margins. We re-initiate coverage on the stock with a **BUY** rating and a target price of INR 19,150 (based on 50x FY28E EPS).

Weaker EBITDA on one-off EBITDA loss in Trac Precision

PTCIL's Q1FY26 revenues grew an impressive 107% YoY to INR 971mn (majority contributed by Trac Precision Solutions). However, due to spillover of revenues, execution worth INR 200mn into Q2, the high fixed costs translated to subdued EBITDA at INR 88mn, dragging margins as well in the process. Other highlights: 1) Gross margins remained strong at 87.4%, almost intact YoY and 120bps lower QoQ. 2) Employee cost ballooned 329% YoY to INR 339mn (+13% QoQ) due to inclusion of Trac Precision Solutions, which coupled with the 83% YoY jump in other expenses resulted in a 12.4% fall in EBITDA margins to 9%. 3) Other income rose 189% YoY to INR 106mn aided by QIP proceeds.

Ready for titanic shift in earnings

PTCIL has already commissioned 1,500tpa VAR capacity and another 5,200tpa titanium metal capacity (EBCHR and PAM combined) is likely to be commissioned by early Q4FY26. The company also intends to set up an aerospace-grade titanium sponge unit in Odisha (signed MoU) to enhance its raw material security and potentially progress on the path of becoming one of the few integrated players in the titanium value chain. Meanwhile, in order to secure raw material, PTCIL has also signed a long-term contract with AMIC Toho Titanium Metal Company Ltd. for the supply of titanium. All these projects should provide medium-longer-term revenue visibility with potential to improve the company's margins. We believe that the company is on the cusp of a titanic shift in its earning profile over the next 4-5 years.

Financial Summary

| Y/E March (INR mn) | FY25A | FY26E | FY27E | FY28E |
|--------------------|-------|-------|--------|--------|
| Net Revenue | 3,080 | 7,196 | 12,115 | 22,649 |
| EBITDA | 752 | 1,200 | 3,269 | 7,616 |
| EBITDA Margin (%) | 24.4 | 16.7 | 27.0 | 33.6 |
| Net Profit | 610 | 682 | 2,204 | 5,720 |
| EPS (INR) | 40.7 | 45.5 | 147.1 | 381.7 |
| EPS % Chg YoY | 41.4 | 10.1 | 223.1 | 159.5 |
| P/E (x) | 365.5 | 331.8 | 102.7 | 39.6 |
| EV/EBITDA (x) | 293.4 | 186.7 | 69.0 | 29.5 |
| RoCE (%) | 7.6 | 6.3 | 15.9 | 32.8 |
| RoE (%) | 6.4 | 4.8 | 13.9 | 28.9 |

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Market Data

| | |
|---------------------|---------------|
| Market Cap (INR) | 226bn |
| Market Cap (USD) | 2,583mn |
| Bloomberg Code | PTCIL IN |
| Reuters Code | PCIN.BO |
| 52-week Range (INR) | 17,995 /9,756 |
| Free Float (%) | 40.0 |
| ADTV-3M (mn) (USD) | 3.6 |

| Price Performance (%) | 3m | 6m | 12m |
|-----------------------|------|-----|-----|
| Absolute | 23.4 | 6.6 | 7.7 |
| Relative to Sensex | 24.0 | 4.0 | 6.5 |

| 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

31-03-2025: [Company Update](#)

13-03-2025: [Company Update](#)

Outlook: Strong structural story intact

PTCIL would be ramping up its recently commissioned 1,500tpa VAR capacity, which shall be further supported by the addition of another 5,200tpa titanium metal capacity (EBCHR and PAM combined) by early Q4FY26. Further, its endeavour to backward-integrate into titanium sponge production (signed a MoU with Odisha Govt.) is a positive step, as it may make the company an integrated player in the titanium manufacturing value chain. Only a few countries in the world have aerospace-grade titanium capabilities, and PTC is one of the them. This should open up new opportunities.

We re-initiate the coverage on the stock with a **BUY** rating and a target price of INR 19,150 (50x FY28E EPS; premium to historical average as the company is at inflation point of multi-fold increase in earnings).

Key risks

- Dependence on exports.
- Delay in commissioning/ramp-up of new capacity.
- Product development, approvals and sales execution is lengthy and expensive

Exhibit 1: PTC Industries' Q1FY26 performance review

| (INR mn) | Q1FY26 | Q1FY25 | % Chg YoY | Q4FY25 | % Chg QoQ |
|-------------------|------------|------------|---------------|--------------|---------------|
| Net sales | 971 | 469 | 107.3 | 1,219 | (20.3) |
| Gross Margin | 849 | 410 | 106.9 | 1,081 | (21.4) |
| Gross Margin (%) | 87.4 | 87.6 | | 88.6 | |
| Employee cost | 339 | 79 | 329.0 | 300 | 13.0 |
| Other expenditure | 422 | 231 | 82.8 | 493 | (14.4) |
| EBITDA | 88 | 100 | (12.5) | 287 | (69.4) |
| Margin (%) | 9.0 | 21.4 | | 23.6 | |
| Other Income | 106 | 37 | 189.4 | 119 | (11.2) |
| Depreciation | 86 | 41 | 107.9 | 76 | 14.2 |
| EBIT | 107 | 95 | 12.4 | 331 | (67.6) |
| Interest | 17 | 32 | (47.5) | 13 | 27.1 |
| PBT | 91 | 64 | 42.4 | 313 | (71.0) |
| Tax expense: | 39 | 15 | 166.2 | 67 | (41.6) |
| PAT | 52 | 49 | 5.3 | 246 | (79.0) |

Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

| % | Dec'24 | Mar'25 | Jun'25 |
|-------------------------|--------|--------|--------|
| Promoters | 59.8 | 59.8 | 59.8 |
| Institutional investors | 9.6 | 10.4 | 10.8 |
| MFs and others | 4.8 | 5.6 | 5.7 |
| FIs/Banks | 1.4 | 1.7 | 1.7 |
| Insurance | 0 | 0.0 | 0.0 |
| FIIIs | 3.4 | 3.1 | 3.4 |
| Others | 30.6 | 29.8 | 29.4 |

Source: Bloomberg, I-Sec research

Exhibit 3: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

| | FY25A | FY26E | FY27E | FY28E |
|----------------------------------------|--------------|--------------|---------------|---------------|
| Net Sales | 3,080 | 7,196 | 12,115 | 22,649 |
| Operating Expenses | 1,794 | 3,369 | 4,601 | 7,412 |
| EBITDA | 752 | 1,200 | 3,269 | 7,616 |
| EBITDA Margin (%) | 24.4 | 16.7 | 27.0 | 33.6 |
| Depreciation & Amortization | 213 | 332 | 482 | 607 |
| EBIT | 539 | 868 | 2,787 | 7,009 |
| Interest expenditure | - | - | - | - |
| Other Non-operating Income | 342 | 114 | 30 | 96 |
| Recurring PBT | 792 | 853 | 2,688 | 6,976 |
| Profit / (Loss) from Associates | - | - | - | - |
| Less: Taxes | 173 | 171 | 484 | 1,256 |
| PAT | 619 | 682 | 2,204 | 5,720 |
| Less: Minority Interest | - | - | - | - |
| Extraordinaries (Net) | - | - | - | - |
| Net Income (Reported) | 610 | 682 | 2,204 | 5,720 |
| Net Income (Adjusted) | 610 | 682 | 2,204 | 5,720 |

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

| | FY25A | FY26E | FY27E | FY28E |
|---------------------------------------------------|---------------|---------------|---------------|---------------|
| Total Current Assets | 8,256 | 7,783 | 8,666 | 14,786 |
| of which cash & cash eqv. | 3,818 | 3,828 | 2,430 | 3,531 |
| Total Current Liabilities & Provisions | 1,078 | 1,324 | 2,021 | 2,815 |
| Net Current Assets | 7,177 | 6,459 | 6,645 | 11,972 |
| Investments | 45 | 45 | 45 | 45 |
| Net Fixed Assets | 3,828 | 4,798 | 7,316 | 9,209 |
| ROU Assets | - | - | - | - |
| Capital Work-in-Progress | 1,849 | 3,422 | 2,922 | 1,422 |
| Total Intangible Assets | 647 | 647 | 647 | 647 |
| Other assets | 1,121 | 1,121 | 1,121 | 1,121 |
| Deferred Tax Assets | 37 | 37 | 37 | 37 |
| Total Assets | 14,760 | 16,584 | 18,787 | 24,507 |
| Liabilities | | | | |
| Borrowings | 608 | 1,550 | 1,550 | 1,550 |
| Deferred Tax Liability | 204 | 204 | 204 | 204 |
| provisions | 10 | 10 | 10 | 10 |
| other Liabilities | 71 | 71 | 71 | 71 |
| Equity Share Capital | 150 | 150 | 150 | 150 |
| Reserves & Surplus | 13,717 | 14,598 | 16,802 | 22,522 |
| Total Net Worth | 13,867 | 14,748 | 16,952 | 22,672 |
| Minority Interest | - | - | - | - |
| Total Liabilities | 14,760 | 16,584 | 18,787 | 24,507 |

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

| | FY25A | FY26E | FY27E | FY28E |
|----------------------------------------|----------------|----------------|----------------|--------------|
| Operating Cashflow | (72) | 1,872 | 1,233 | 2,230 |
| Working Capital Changes | (1,019) | 728 | (1,583) | (4,227) |
| Capital Commitments | (2,640) | (2,874) | (2,500) | (1,000) |
| Free Cashflow | (2,712) | (1,002) | (1,267) | 1,230 |
| Other investing cashflow | (538) | - | - | - |
| Cashflow from Investing Activities | (3,178) | (2,874) | (2,500) | (1,000) |
| Issue of Share Capital | 7,411 | 881 | 2,204 | 5,720 |
| Interest Cost | (89) | (130) | (130) | (130) |
| Inc (Dec) in Borrowings | (1,221) | 942 | - | - |
| Dividend paid | - | - | - | - |
| Others | (610) | (682) | (2,204) | (5,720) |
| Cash flow from Financing Activities | 5,491 | 1,011 | (130) | (130) |
| Chg. in Cash & Bank balance | 2,241 | 9 | (1,397) | 1,100 |
| Closing cash & balance | 3,818 | 3,827 | 2,430 | 3,531 |

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

| | FY25A | FY26E | FY27E | FY28E |
|-----------------------------|-------|-------|---------|---------|
| Per Share Data (INR) | | | | |
| Reported EPS | 41.3 | 45.5 | 147.1 | 381.7 |
| Adjusted EPS (Diluted) | 40.7 | 45.5 | 147.1 | 381.7 |
| Cash EPS | 54.9 | 67.7 | 179.3 | 422.3 |
| Dividend per share (DPS) | - | - | - | - |
| Book Value per share (BV) | 925.4 | 984.2 | 1,131.3 | 1,513.1 |
| Dividend Payout (%) | - | - | - | - |
| Growth (%) | | | | |
| Net Sales | 19.9 | 133.6 | 68.4 | 86.9 |
| EBITDA | 3.6 | 59.5 | 172.4 | 133.0 |
| EPS (INR) | 41.4 | 10.1 | 223.1 | 159.5 |
| Valuation Ratios (x) | | | | |
| P/E | 365.5 | 331.8 | 102.7 | 39.6 |
| P/CEPS | 275.0 | 223.2 | 84.3 | 35.8 |
| P/BV | 16.3 | 15.3 | 13.4 | 10.0 |
| EV / EBITDA | 293.4 | 186.7 | 69.0 | 29.5 |
| P / Sales | 73.5 | 31.5 | 18.7 | 10.0 |
| Dividend Yield (%) | - | - | - | - |
| Operating Ratios | | | | |
| Gross Profit Margins (%) | 82.7 | 63.5 | 65.0 | 66.4 |
| EBITDA Margins (%) | 24.4 | 16.7 | 27.0 | 33.6 |
| Effective Tax Rate (%) | 21.8 | 20.0 | 18.0 | 18.0 |
| Net Profit Margins (%) | 20.1 | 9.5 | 18.2 | 25.3 |
| NWC / Total Assets (%) | - | - | - | - |
| Net Debt / Equity (x) | (0.2) | (0.2) | (0.1) | (0.1) |
| Net Debt / EBITDA (x) | (4.3) | (1.9) | (0.3) | (0.3) |
| Profitability Ratios | | | | |
| RoCE (%) | 7.6 | 6.3 | 15.9 | 32.8 |
| RoE (%) | 6.4 | 4.8 | 13.9 | 28.9 |
| RoIC (%) | 7.8 | 6.7 | 15.9 | 31.3 |
| Fixed Asset Turnover (x) | - | - | - | - |
| Inventory Turnover Days | 291 | 142 | 152 | 164 |
| Receivables Days | 201 | 116 | 108 | 106 |
| Payables Days | 68 | 63 | 70 | 58 |

Source Company data, I-Sec research

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