Dynamatic Technologies (DYNAMATECH)

ICICI Direct

CMP: ₹ 6960 | Target: ₹ 8400 (+21%) | Period: 12 months | BUY

June 24, 2025

Well poised to capture huge opportunity in "aerospace"...

About the stock: Dynamatic Technologies (DTL), is primarily into designing and building highly engineered products for Automotive, Aeronautic, Hydraulic and Security applications. With manufacturing facilities are located in Europe and India, DTL caters to clients across six continents

- In FY25, Aerospace segment contributed 43% to the total revenues followed by 33% from Hydraulics and 24% from Metallurgy

Investment Rationale:

- Strong manufacturing capabilities in critical aerospace components; Burgeoning growth opportunities in the global aerospace sector: We believe that DTL, which is a niche manufacturer of critical components of aircrafts, and is well positioned to benefit significantly from the growing opportunities from global aviation industry. With futuristic design, engineering & manufacturing facilities in Europe and India, the company has been able to meet specific standards and benchmarks, set by recognized international bodies, for aircraft components globally including major OEMs like Airbus, Boeing, Dassault, Deutsche etc. With the global aircrafts fleet expected to grow ~2x over the next 20 years, driven by single-aisle airplanes, we believe that DTL would benefit substantially from this burgeoning opportunity. Moreover, global defence aerospace market is also set for robust growth, fuelled by increasing military budgets and modernization efforts worldwide. We expect company's revenues from margin-accretive aerospace segment would continue to see steady growth in the coming years (~19% CAGR over the last 3 years)
- Recovery expected in hydraulics and metallurgy segments would further drive revenue growth and profitability: Though aerospace segment, being margin-accretive, would remain the key driver for both top-line growth and strong profitability for DTL, company expects major recovery in other two segments like Metallurgy (led by focus on rationalisation of low-margin products alongside development of aerospace castings and forgings) and Hydraulics (led by focus on improving product mix through increasing aftermarket share and rationalizing the product lines between Swindon and Bangalore facilities). Moreover, continuous focus on operational efficiencies with positive operating leverage, overall margins are expected to improve considerably in the coming period

Rating and Target Price

- DTL is well positioned to benefit substantially from strong opportunities across segments like aerospace & metallurgy. Margins are expected to improve further led by steady growth in margin-accretive aerospace segment and focus on operational efficiencies in other segments. For the period FY25-27E, we estimate revenue CAGR at ~14% while EBITDA & PAT CAGR at ~26% & ~57% respectively as the margins are expected to improve
- We initiate Buy on DTL with a Target Price of ₹ 8400 (based on 50x P/E on FY27E EPS)

DYNAMATIC TECHNOLOGIES

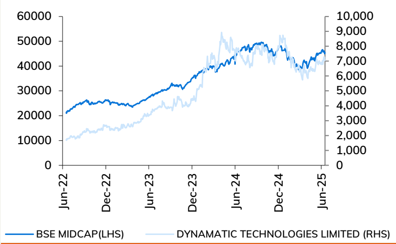
Particulars

Particulars	Amount (Rs crore)
Market Capitalisation	4,414
FY25 Gross Debt	451
FY25 Cash	46
EV	4,819
52 Week H/L	8953 / 5437
Equity Capital	6.8
Face Value	10.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	41.9	41.9	41.9	41.9
FII	17.1	14.0	13.3	13.3
DII	11.2	13.0	13.3	13.5
Others	29.8	31.2	31.5	31.3

Price Chart



Key risks

i) Global economic uncertainty

ii) Intense competitive set-up

iii) Technological evolution

Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Kush Bhandari
kush.bhandari@icicisecurities.com

Conviction Pick

ICICI Securities – Retail Equity Research

Key Financial Summary

(Rs crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	1,253	1,316	1,429	1,404	3.9	1,577	1,813	13.6
EBITDA	169	181	159	158	(2.2)	197	252	26.0
EBITDA margin (%)	13.5	13.8	11.2	11.3		12.5	13.9	
Net Profit	15	43	122	43	40.6	68	107	57.3
EPS (Rs)	24.4	67.8	192.1	67.9		106.9	168.0	
P/E (x)	156.2	102.7	36.2	102.5		65.1	41.4	
EV/EBITDA (x)	28.4	26.2	29.5	29.9		24.0	18.7	
RoCE (%)	10.9	10.4	12.1	9.6		11.5	14.2	
RoE (%)	7.4	7.9	18.2	6.0		8.6	11.8	

Source: Company, ICICI Direct Research

Company Background

Dynamatic Technologies (DTL) is a producer of highly specialized, mission-critical products for the Hydraulic, Aerospace, and Metallurgy sectors. Featuring advanced design, engineering, and manufacturing facilities located in Europe and India, Dynamatic Technologies caters to clients across six continents

During FY25, Aerospace segment contributed 43% to the total revenues followed by 33% from Hydraulics and 24% from Metallurgy

The company stands as a trailblazer and frontrunner in the private sector within both India and the UK, specializing in the production of precision flight-critical and complex airframe structures as well as aerospace components. The company serves as a Tier-I supplier to prominent global aerospace OEMs and Primes, including Airbus, Boeing, Bell Helicopters, Dassault Aviation, Deutsche Aircraft GmbH, Thales, Hindustan Aeronautics, and Bharat Electronics

DTL ranks among the largest manufacturers of hydraulic gear pumps globally and has maintained its leadership position in the hydraulic gear pumps market for more than 45 years. The Hydraulics segment commands roughly 80% of the Indian OEM tractor market and approximately 38% of the worldwide tractor market. The company has a key clientele in hydraulics consisting of John Deere, JCB, Terex, Alexander Dennis, Macdon (UK) etc. Dynamatic (India) offers aluminium and cast-iron body pumps tailored to specific applications, available in four frame sizes with displacements from 1.23 cc/rev to 151 cc/rev. They also provide tandem configurations and specialize in custom orders, including multi-section pumps.

DTL's metallurgy division, led by its 630-year-old German subsidiary Eisen Werk Erla GmbH, is a global leader in producing complex cast components for demanding sectors. The historically serving automotive, agricultural, and marine industries with high-strength and specialized alloys, the company is now undergoing a strategic transformation. Despite recent European economic challenges, a successful corporate restructuring has enabled it to pivot from an automotive/foundry focus towards the high-potential general industry and aerospace sectors, leveraging its state-of-the-art foundry and expertise to secure a more resilient and profitable future

The Company also manufactures high precision, complex metallurgical ferrous for performance critical components such as turbochargers and exhaust manifolds and has advanced capabilities to support the OEM needs. These components have key customers in nations such as Austria (BMW, Rotax, Innio Jenbacher), Germany (MAN, AGCO, MTU, Vögele, Audi, Daimler) etc.

Revenue breakup of 2025

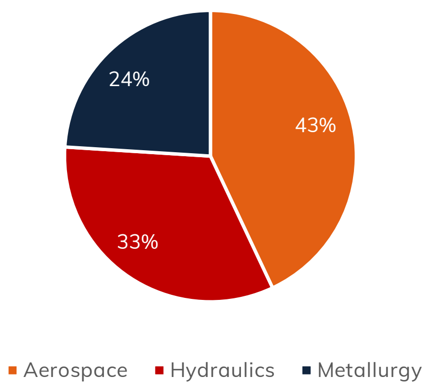
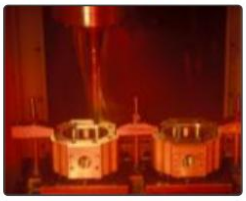


Exhibit 1: Overview of the Company

AEROSPACE 43% of FY2025 Revenue		• Wings, rear fuselages, ailerons, wing flaps and major airframe structures • Ramp structure assembly • AFT Pylon assembly	• Airbus • Boeing • Bell • Deutsche Aircraft • Spirit Aerosystems • HAL • Dassault Aviation
HYDRAULICS 33% of FY2025 Revenue		• Hydraulic valves • Hydraulic gear pumps • Combined displacement pump packages • Fan drive systems • Fixed displacement pumps	• Cummins • Eicher • Escorts • John Deere • JCB • Mahindra & Mahindra • New Holland • Same Deutz-Fahr • Terex • MacDon
METALLURGY 24% of FY2025 Revenue		• Casting and forging	• Audi • BMW • Daimler • IHI • MAN • Volkswagen • BorgWarner • AGCO

Source: Company, ICICI Direct Research

Investment Rationale

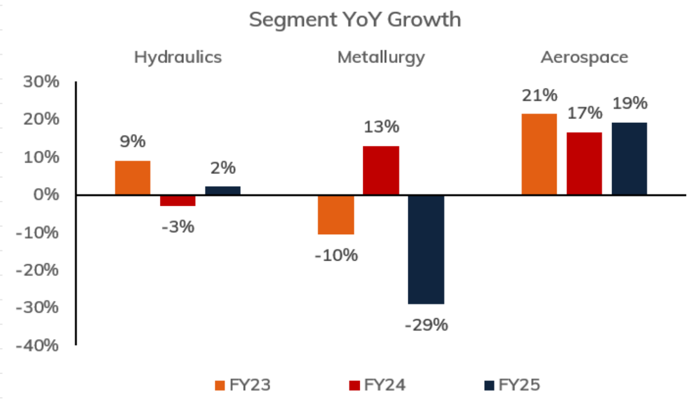
Strong manufacturing capabilities in "critical aerospace components"; Sizeable opportunity panning out from healthy growth in global aerospace industry:

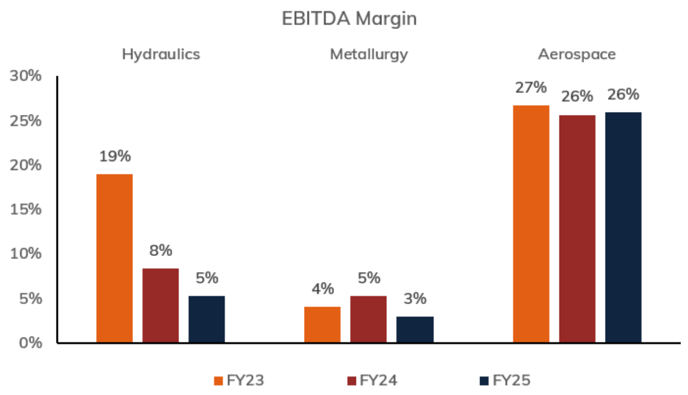
Dynamatic Technologies (DTL) is one of the key manufacturers in Indian private sector and the UK for manufacture of high precision airframe structures and aerospace components. Company has been a Tier 1 supplier to the global aerospace OEMs such as Airbus, Boeing, Bell Helicopters, Dassault Aviation, Deutsche Aircraft and HAL

Over the last 3 years, the aerospace sector has been the key growth driver for revenues and profitability considering the segment witnessing relatively higher growth (~19% CAGR over FY22-25) with better EBITDA margin of 26-27% (as compared to single digit margins in metallurgy and hydraulics segments). This division not only maintained its leading position but also enhanced its strategic importance to operations, consistently achieving outstanding margins

The revenue share of aerospace segment has also increased to ~43% in FY25 (vs ~29% in FY22). Moreover, the segment's share in total EBITDA has increased significantly to ~82% in FY25 (vs ~51% in FY22)

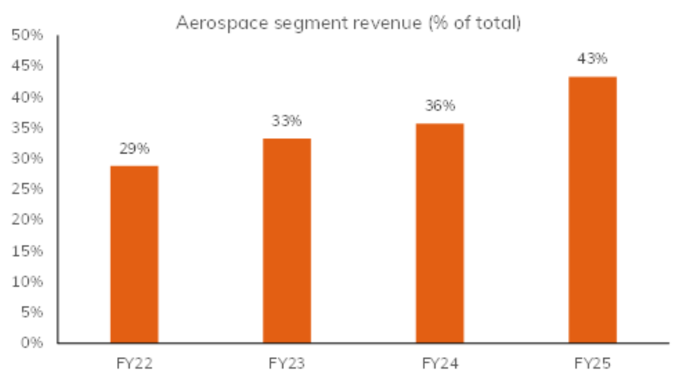
Exhibit 2: Segmental Growth and Margin Profile over the years

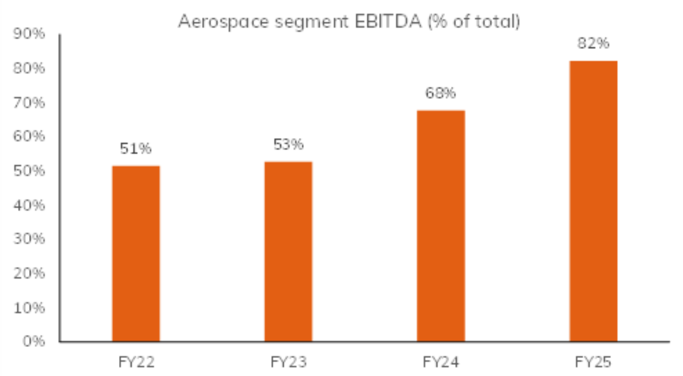




Source: Company, ICICI Direct Research

Exhibit 3: Aerospace segment share increasing (as % of total Revenue & EBITDA) over the years





Source: Company, ICICI Direct Research

Company's facilities in India are equipped with state-of-the-art technologies for heat treatment, inspection, and precision machining, holding NADCAP (National Aerospace and Defense Contractors Accreditation Program) accreditations and approvals from major OEMs like Airbus and Boeing. This ensures that components manufactured in India meet the highest international quality and performance standards

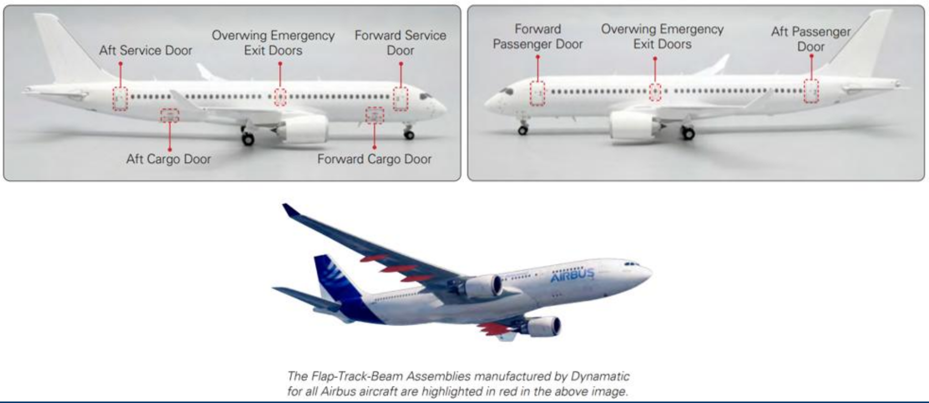
The company has its facilities located in India (Bangalore & Coimbatore), United Kingdom (Swindon & Bristol) and Germany (Schwarzenberg). The organization is vertically integrated, possessing its own alloy production, casting, and forging capabilities, in addition to its own captive green energy resources.

The company has positioned itself as a recognized leader in the production of accurate Airframe Structures and Precision Aerospace Components, working alongside agencies of national importance and prominent global aerospace firms. The advancements resulting from these collaborations are outlined as follows:

Airbus partnership: The company is currently the world's largest single source supplier of Flap-Track Beams (FTBs) for Airbus. These parts are currently being supplied towards the A-320 family (A318, A319, A320 and A321) and A-330 family. These FTBs are class 1 flight critical assemblies and the company has been supplying them from past 18 years, initially as Tier-II supplier and now as Tier-I suppliers.

Company has also signed long-term contract to manufacture and supply main passenger doors, service doors, cargo doors and over-wing emergency exit doors for A220 aircraft. The management states that the A220 doors program is rapidly progressing and the company is well positioned to supply all sub-assembly and main-assembly jigs and fixtures on the shop floor. With addition of 30,000 sq. ft. of floor space in just three months, pre-production activities are under progress (parts are now arriving to support assembly, a key step in capacity ramp-up). Management is confident of gaining strong momentum from this new facility as they expect commencement of first-article inspection by September 2025

Exhibit 4: Airbus Portfolio



Source: Company, ICICI Direct Research

Boeing partnership: The company serves as the exclusive global provider of power and mission cabinets for Boeing's P8 Poseidon aircraft. Additionally, they have secured contracts for the production of assemblies for Boeing's tactical fighter, the F-15EX Eagle-II. Furthermore, the company has supplied assemblies for the Boeing MQ-25 whiffletree (unmanned refuelling aircraft). They also produce the Aft Pylon Assembly and Cargo Ramp Assembly for CH-47 Chinook helicopters.

Exhibit 5: Boeing Portfolio

Source: Company, ICICI Direct Research

Partnership with Dassault Aviation and Deutsche Aircraft: DTL has also signed long-term contract with Dassault Aviation for providing flight critical aero-structures. Here, they would manufacture and assemble rear fuel tank for the Falcon 6x.

Apart from this long-term contract with Dassault, they also have a partnership with Deutsche Aircraft wherein they would manufacture the rear fuselage for the D328eco regional turboprop aircraft. Company has recently commenced the Rear Fuselage Assembly Line for the D328eco turboprop at Bangalore, which marks a crucial step in partnership with Deutsche Aircraft.

This milestone marks the transition from design to serial production, positioning India as a key player in the value chain for next-generation regional aircrafts. These aircrafts would connect Tier-2 and Tier-3 cities globally and highlight India's integration into global aerospace supply networks

Exhibit 6: Additional Contracts with Dassault Aviation and Deutsche Aircraft

Source: Company, ICICI Direct Research

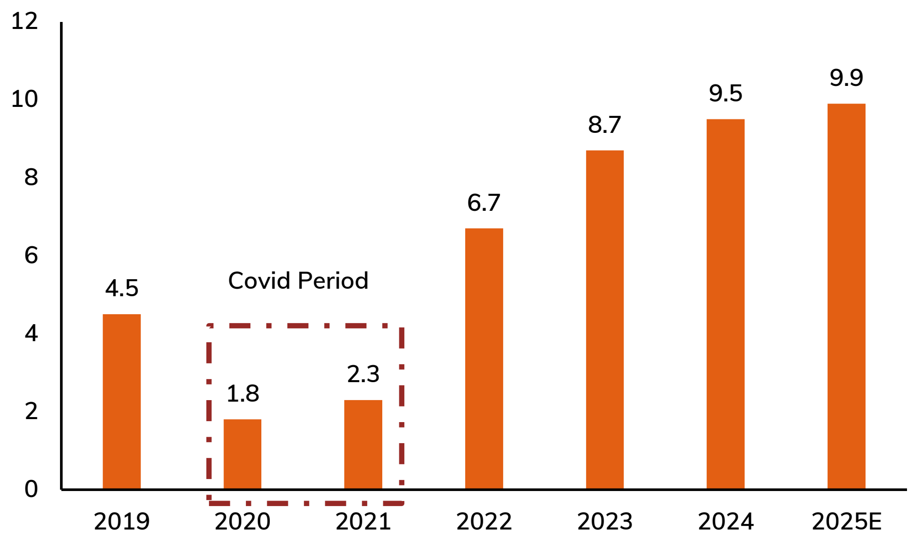
Burgeoning opportunities in global regional aviation; strong growth prospects emerging for DTL

Considering the company's advanced aerospace capabilities in terms of supplying critical aircrafts components, we believe that this presents a huge global commercial aviation opportunity for the company in the coming years

The global travel & tourism sector is experiencing a robust resurgence post-COVID-19, with international tourist arrivals nearly reaching pre-pandemic levels (95% recovery by April 2023). As the sector recovers, it is increasingly focusing on sustainable practices and leveraging technology to address challenges

The air travel sector has rebounded post-pandemic, with passenger numbers expected to hit 9.9 billion in 2025, surpassing 2019 levels by 104%

Exhibit 7: Global Passenger Count (in billions)

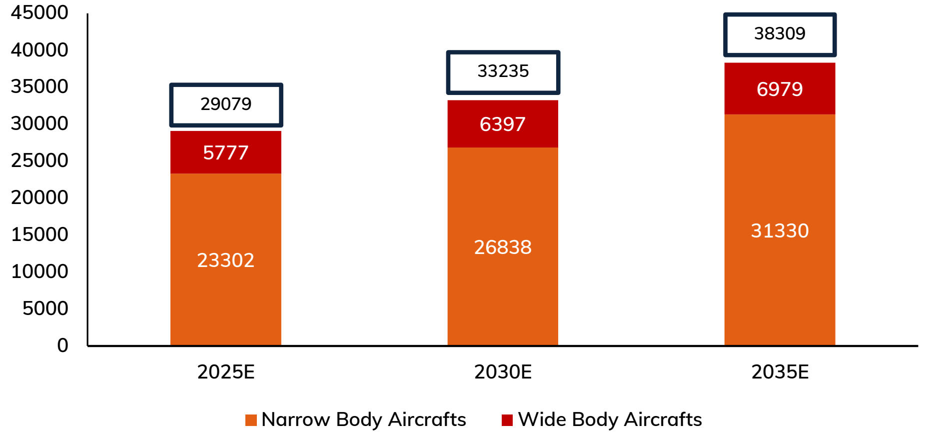


Source: Industry, ICICI Direct Research

Global Fleet size expected to expand by 32% over the next 10 years: The global aircraft market is dominated by a duopoly of Airbus and Boeing, which account for most aircraft acquisitions. As of date, Boeing has over 14000 aircraft in service, Airbus has more than 12,000, and Embraer operates around 1700 regional aircraft. While deliveries were historically focused in the Americas and Europe, the Asia-Pacific region is expected to lead in deliveries over the next two decades.

As per the reports, fleet of global commercial airliners is expected to expand significantly over the next decade, to 38,300 by 2035E from just over 29,000 aircrafts in 2025E. This implies 32% increase over the next 10 years period, led by narrow-body aircrafts which is expected to witness growth of ~35% over the same period

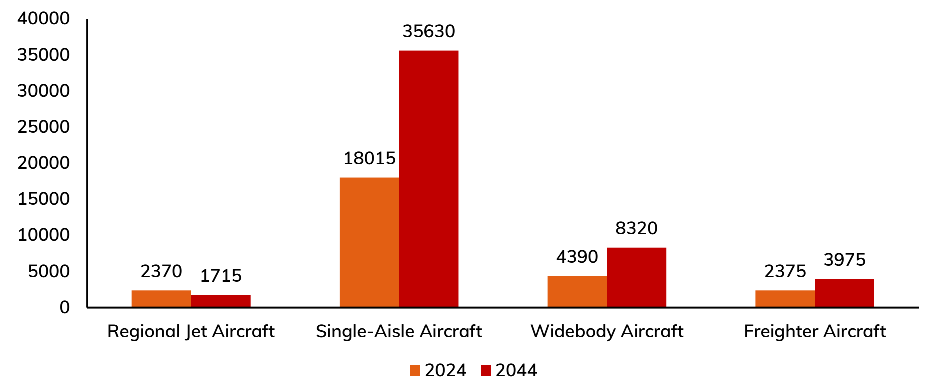
Exhibit 8: Global Fleet Size



Source: Oliver Wyman analysis, ICICI Direct Research

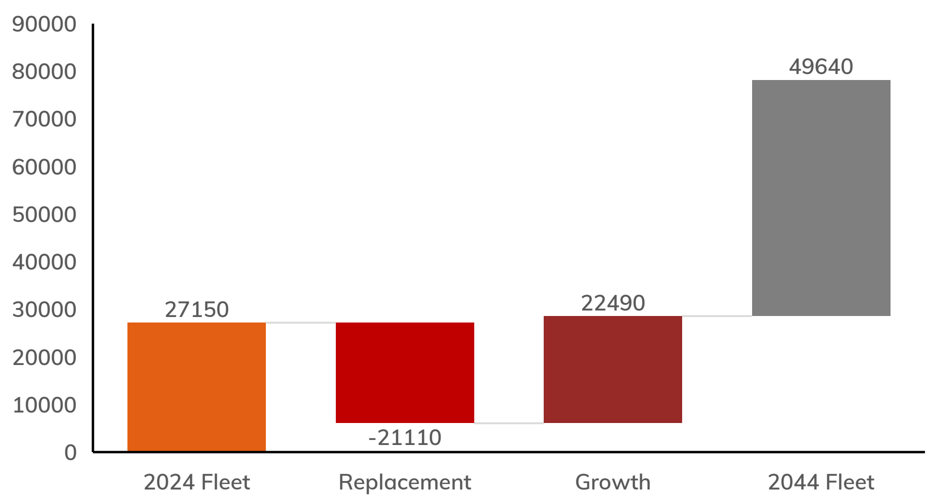
According to industry report released by Boeing, it is projected that 21140 aircrafts are expected to be replaced during the period 2024-44 (5,000-5,500 in the next 4-5 years), highlighting the industry's commitment to safety and modernization. As per the report, the global fleet is projected to approach 50,000 active commercial airplanes by 2044, representing a 1.8x increase from the 2024 fleet of just over 27,000 aircraft. This growth is largely driven by single-aisle airplanes, which are expected to constitute 76% of the forecasted 43,600 deliveries

Exhibit 9: Current and Forecasted Aircraft Type (2024 vs 2044)



Source: Boeing, Industry, ICICI Direct Research

Exhibit 10: Fleet Size expected to reach ~50000 by 2044 (adjusting replacements)



Source: Boeing, Industry, ICICI Direct Research

Indian commercial aerospace set to witness robust growth led by focus on regional connectivity;

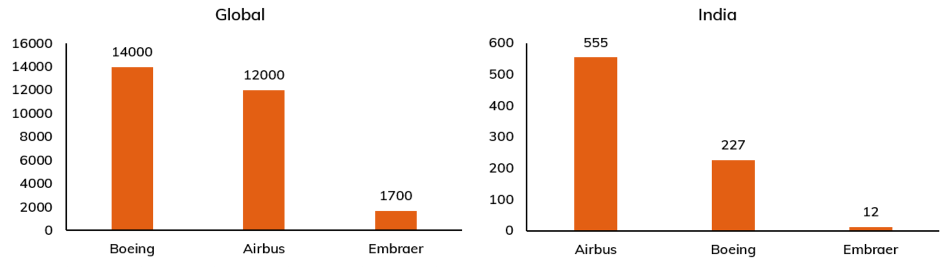
India's push for better air connectivity will create significant opportunities for DTL in the coming years. During CY24, domestic passengers travelled through air stood at 161.3 million (~80% of total), a growth of ~6% YoY. From 2011 to 2024, domestic air traffic has increased 2.4 times, mainly due to low-cost carriers. We believe that the domestic aviation sector is undergoing rapid growth and strategic changes, led by rising aspirations of air travel. Indian air traffic still accounts for ~4% of global air traffic, as compared to ~17% for China and ~18% for the U.S. IATA predicts India's annual passenger traffic will triple by 2044, reaching 425 million

India consistently ranks among the fastest-growing aviation markets globally (currently in Top 3). A growing middle class, increasing disposable incomes, and improving regional connectivity schemes (like UDAN) are fuelling an insatiable demand for air travel, transitioning it from a luxury to a necessity for millions. This growth necessitates a continuous expansion of airline fleets and airport infrastructure.

The UDAN (Ude Desh ka Aam Nagrik) scheme, launched by the Government of India in 2016, aims to enhance regional air connectivity and make air travel more affordable. It operates on a market-driven model where airlines compete for exclusive rights on underserved routes, receiving financial viability gap funding (VGF) to offset losses. This approach has boosted demand by capping fares on certain seats. The scheme primarily promotes the use of small aircraft, accommodating 20 passengers or fewer, which can operate from airports with minimal infrastructure.

UDAN has significantly impacted the demand for commercial airplanes, creating a new category of air travellers and increasing the need for smaller regional aircraft. Airlines involved typically use turboprop planes like the ATR 72 and Dash 8 (Q400), as well as smaller regional jets like the Embraer E175, which are well-suited for short routes.

Exhibit 11: Global and Indian Existing Airline Count

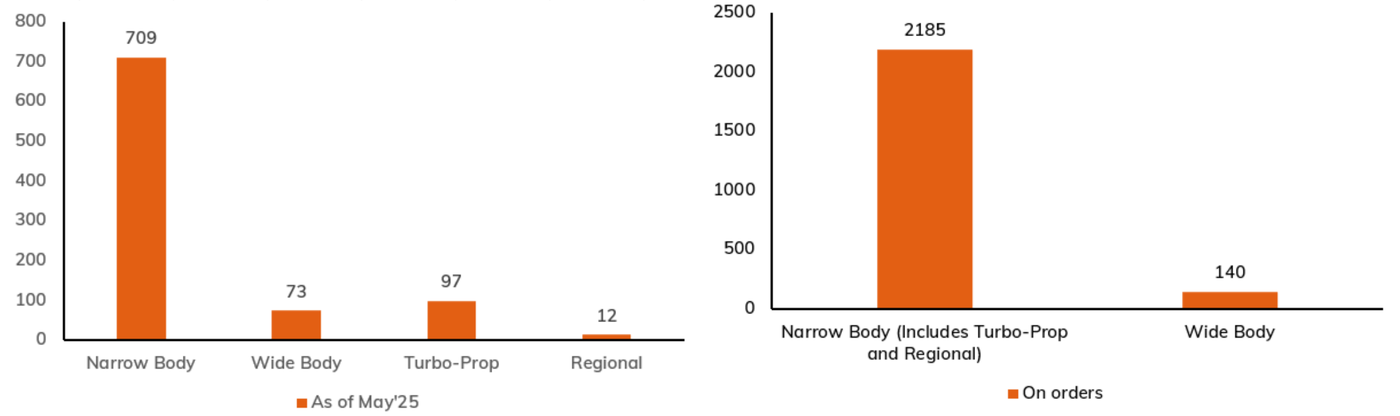


Source: Industry, ICICI Direct Research

India airlines are renewing their fleet to meet the rising demand in the maintenance, repair, and overhaul (MRO) sector due to increasing air traffic. India's commercial aircraft fleet has more than doubled in the last decade, now totalling 890 aircraft, which is about 2.5% of the global fleet

Growth continues as Indian airlines have 2,325 aircrafts on order. Major airlines and regional operators are also exploring new opportunities in airports and routes created by the UDAN scheme. Govt is planning to develop 50 new regional airports in the next 5 years (currently 147 airports at present). These airports and routes are well-suited for short-haul passenger aircraft with 10 to 120 seats, leading to a significant increase in orders for regional aircraft manufacturers like Bombardier, Cessna, DHC-6, and Embraer apart from Airbus and Boeing. This surge in orders is driving fleet modernization, enhancing fuel efficiency, and expanding route networks domestically and internationally

Exhibit 12: Current and On-order Narrow Body and Wide Body Aircrafts (India)

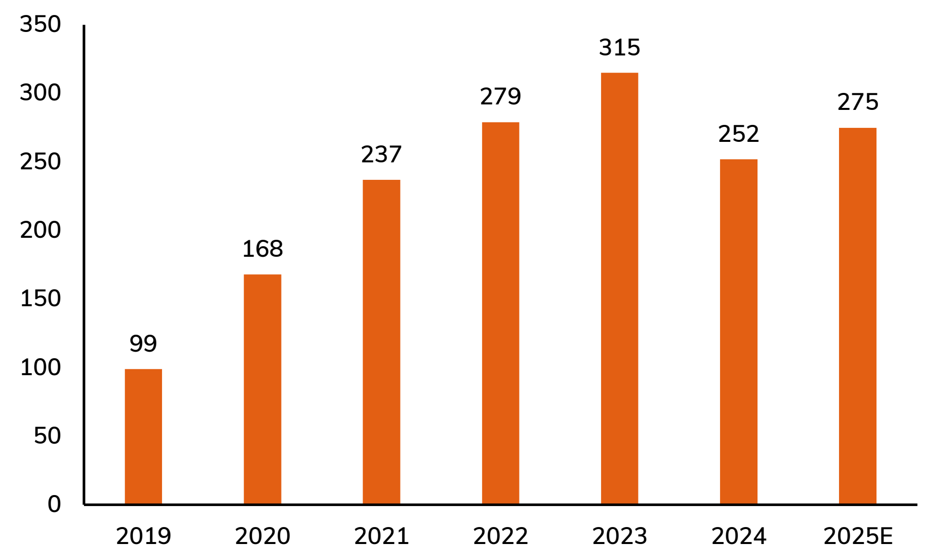


Source: Company, ICICI Direct Research

Sizeable opportunity emerging from defence aerospace

In 2024, a total of 252 units of defence aircraft were delivered, encompassing fighters, transport, and special mission aircraft. Among these, 110 units were fighter aircraft from the F35 program, which were delivered to the USA. The second highest number of delivered defence aircraft in 2024 was 14 units of the F-15EX Strike Eagle II. Additionally, Boeing's P-8 accounted for 4 deliveries in the same year. The rise in geopolitical conflicts, along with the growth of indigenous programs in nations such as India and South Korea, is anticipated to be the primary driving force in this market. Countries like ours are developing their own fighter jets, such as the HAL Tejas combat aircraft, to bolster the 'Make in India' initiative and diminish dependence on imports. Another significant trend is the indigenisation of specific components of imported platforms, which is being observed across various countries in the Asia-Pacific region.

Exhibit 13: Number of military aircrafts delivered globally since 2019



Source: Company, ICICI Direct Research

India's ambition to achieve self-reliance in defence has catalysed an unprecedented boom in its domestic aerospace industry, with the manufacturing of complex aerostructures, particularly fuselages, emerging as a pivotal driver. This strategic shift is transforming India from a major importer to a significant global hub for aerospace manufacturing, fostering a robust ecosystem of indigenous capabilities and attracting global partnerships.

The fuselage, the main body of an aircraft, is a complex structure housing the cockpit, avionics, fuel, and payload. Its production requires precision engineering, specialized materials, and strict quality control. By localizing fuselage production, India enhances operational independence, reduces reliance on foreign supply chains, and builds expertise in high-value components. This initiative is vital for national security, ensuring faster maintenance and upgrades of existing fleets and laying the groundwork for future indigenous aircraft development.

Companies like DTL are at the forefront of this fuselage-driven boom, exemplifying India's burgeoning capabilities in precision aerospace manufacturing. DTL has established itself as a leading player in aerostructures, collaborating with global aerospace majors and contributing significantly to both defence programs.

Dynamatic-Oldland Aerospace, a division of DTL, is a key partner for Indian defence entities, including the Ministry of Defence and Hindustan Aeronautics Limited (HAL). They are already manufacturing significant airframe structures for indigenous programs, such as the front fuselage for Light Combat Aircraft (LCA) Tejas, wing and rear fuselage for India's Pilotless Target Aircraft - LAKSHYA, and major airframe structures for the Sukhoi 30 MKI Fighter Bomber.

Exhibit 14: Defence Portfolio

Source: Company, ICICI Direct Research

New products under development offers further growth opportunities:

Dynamatic Homeland Security (HLS), part of Dynamatic Technologies, is revolutionizing the UAV industry with advanced platforms for asymmetric warfare. HLS enhances UAV autonomy, endurance, and adaptability using AI and Machine Learning for navigation in tough environments. With robust research and global partnerships, HLS excels in developing key UAV technologies, including structural designs, autopilot systems, gimbal payloads, ground control systems, SAR radars, and electronic warfare payloads.

HLS's defence portfolio includes innovative platforms designed for specific operational needs. The CHEEL is a hybrid VTOL UAV that bridges the gap between expensive MALE and low-endurance e-VTOL options, potentially monopolizing the market as no other Indian manufacturer offers a similar product. The PATANG tethered drone employs advanced AI for continuous surveillance, movement detection in sensitive areas, and foreign communication identification. For offensive operations, the INDRADHANUSH loitering munition (Kamikaze drone) functions effectively in GPS-denied environments using image-based tracking or FPV mode. HLS has also developed KRISH-E, an indigenous agricultural drone for tasks like spraying and monitoring. Furthermore, HLS is exploring MALE, HALE, and space opportunities in collaboration with international partners.

Metallurgy segment: Focus on cost reduction, rationalization of low margin products to drive growth

DTL's metallurgy division, (24% of FY25 revenue), has encountered challenges with weak industrial demand in Europe, inflation, and high energy costs, resulting in lower revenues and margins. Future performance will depend on increased private consumption driven by rising incomes, a strong labour market, and lower interest rates. Management plans to focus on cost reduction, rationalizing low-margin products, and developing aerospace castings and forgings to promote growth in the coming quarters.

The company has hence, spent the last two years reassessing its market position and reducing reliance on the lower-margin automotive sector. A major restructuring completed last year helped its German subsidiary, Eisen Werk Erla GmbH, better manage reduced demand in traditional markets, enhancing overall profitability. This shift focused on moving from high-volume automotive work to more specialized, higher-value opportunities.

Eisen Werk Erla GmbH's advantageous location and extensive technical expertise are vital assets in this transition, enabling the company to seize new opportunities in these profitable sectors

Dynamatic's strategic shift to aerospace and defence is expected to significantly improve profit margins and business resilience. These sectors feature longer project lifecycles and higher entry barriers, resulting in greater profitability compared to the automotive supply chain.

By utilizing its metallurgical expertise, the management aims to establish a more stable and profitable revenue stream in these critical industries.

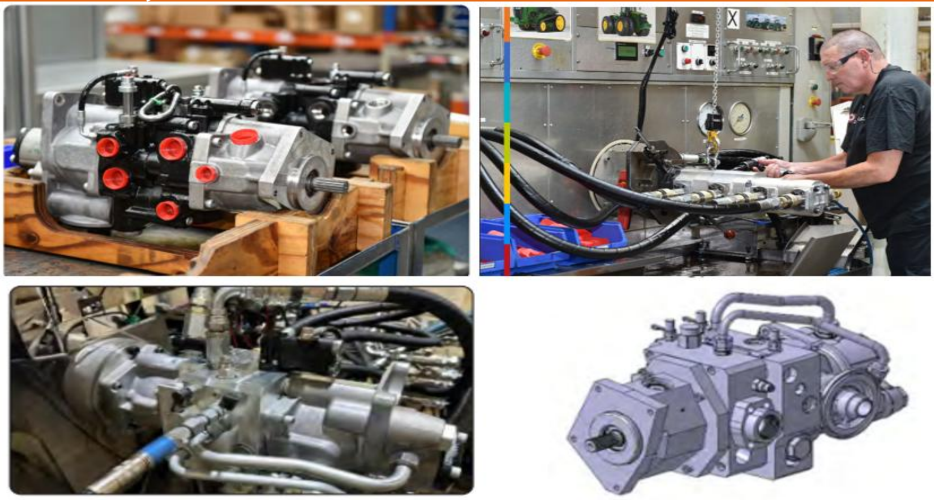
Hydraulics segment expected to witness recovery led by operational efficiencies and increasing share of after-market

DTL's Hydraulics division is a global leader in hydraulic gear products, with advanced facilities in India (Bangalore, Chennai, Coimbatore, Nasik), the UK (Swindon, Bristol), and Milwaukee, USA. The company produces standard components and specializes in custom high-flow pumps for high-horsepower engines in off-highway, marine, and offshore applications. They offer tailored hydraulic solutions, from simple pumping units to complex marine power packs and aircraft ground support systems, along with complete turnkey industrial installations.

While the hydraulics segment faced challenges due to muted construction demand, with strong agricultural demand supported by a favourable monsoon and the government's sustained infrastructure push are expected to support revenue growth in India and improvement in margins are expected on completion of product lines rationalization between India and UK in the coming quarters

The management now plans to focus on increasing aftermarket share, operational efficiencies and value engineering to improve margins. Additionally, they are committed to developing innovative products to expand their wallet share within the market. Further, efforts are on to rationalize the product lines between Swindon and Bangalore facilities to optimize product costs to enhance margins

Exhibit 15: Hydraulics Portfolio



Source: Company, ICICI Direct Research

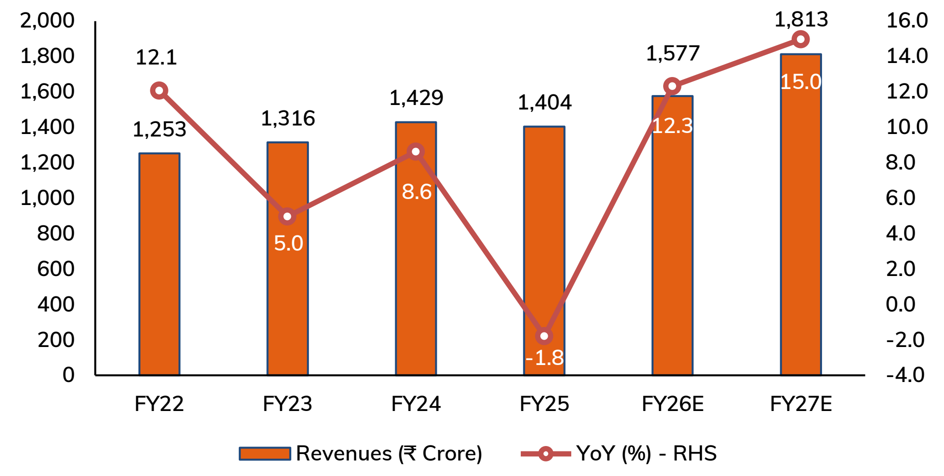
Key Financial Summary

Revenue expected to grow ~14% CAGR over FY25-27E

DTL has reported a muted growth of ~4% CAGR in the last 3 years (FY22- 25), due to subdued demand from sectors like Hydraulics, Metallurgy. However, aerospace segment revenue growth has remained steady at ~19% CAGR over FY22-25.

Going ahead, we expect revenue growth from aerospace segment to remain healthy while revenue from metallurgy and hydraulics segments would also witness recovery which would help the company in healthy revenue growth of ~14% CAGR over FY25-27E

Exhibit 16: Trend in Topline



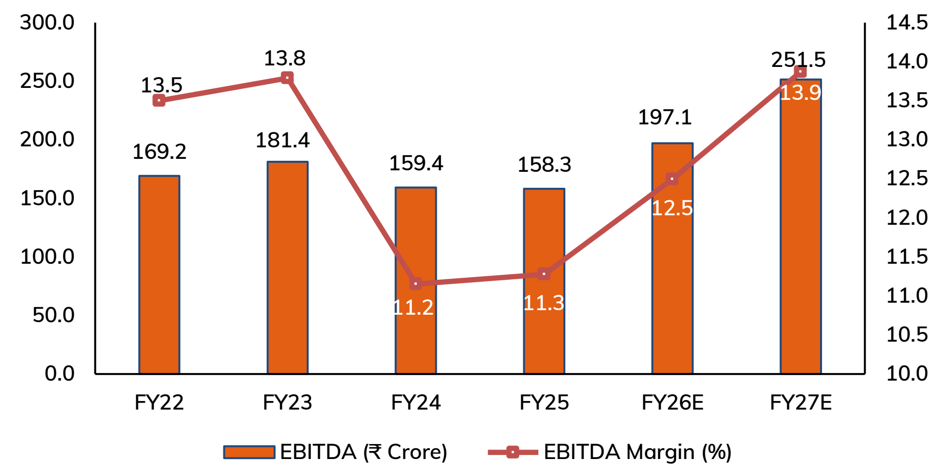
Source: Company, ICICI Direct Research

EBITDA expected to grow ~26% CAGR over FY25-27E

Aerospace segment contributes majority of company's EBITDA as the segment remains a higher-margin business and has witnessed relatively better growth as compared to other two segments. Going ahead management is focusing on operational efficiencies and cost reduction to further improve the margins. On the hydraulics front, the company is looking to expand its after market share with improving operational efficiencies while in metallurgy, focus is on cost reduction and rationalization of low-margin products with development in aerospace castings and forgings

Going ahead, we estimate EBITDA margin to improve further gradually to ~14% by FY27E from ~11% in FY25, led by increase in share of better-margin segments (aerospace and metallurgy). Subsequently, EBITDA is expected at ~26% CAGR over FY25-27E

Exhibit 17: Trend in EBITDA and Margins

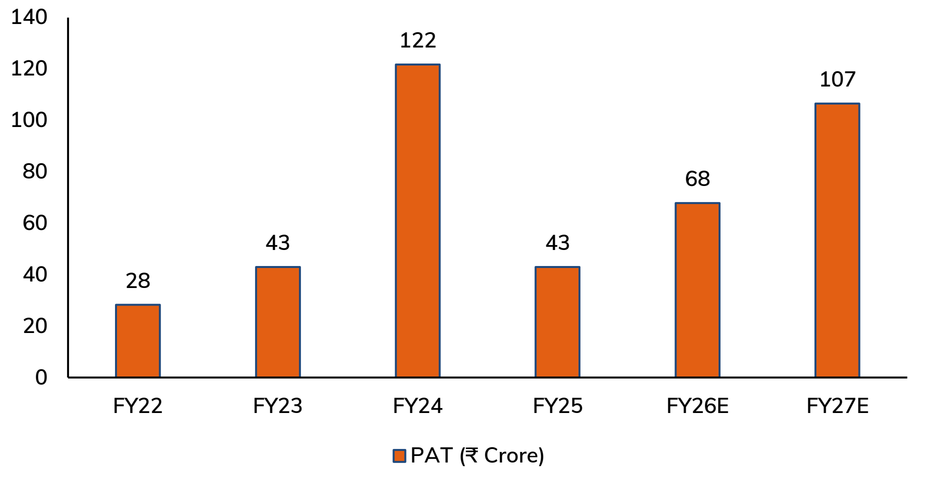


Source: Company, ICICI Direct Research

PAT expected to grow ~57% CAGR over FY24-26E

With healthy growth in revenues and improvement in EBITDA margin, we expect PAT to grow at a CAGR of ~57% over FY25- 27E to Rs 107 crore by FY27E from Rs 43 crore in FY25

Exhibit 18: Trend in PAT

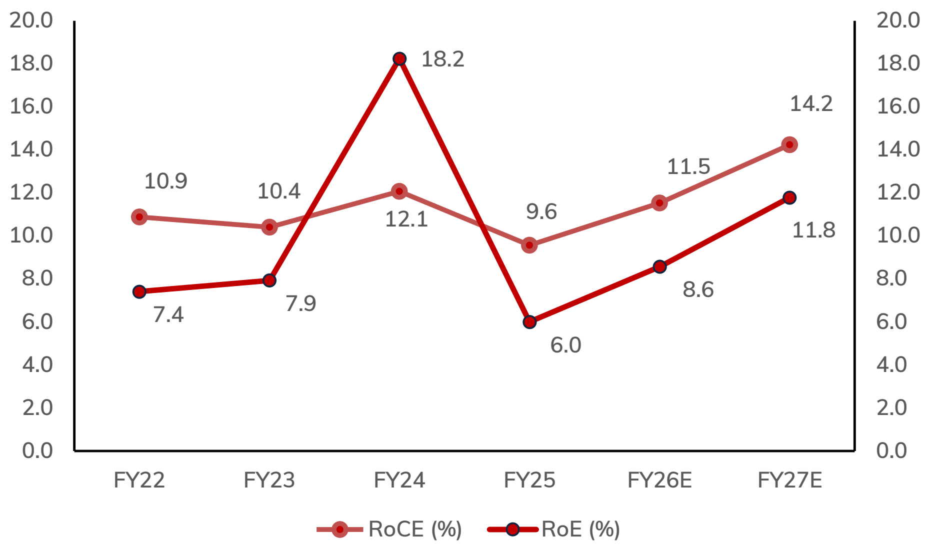


Source: Company, ICICI Direct Research

Return ratios to improve substantially over FY25-27E

Return ratios declined during FY25, mainly on account of some contraction in operating margins and increase in inventory levels (led by subdued demand). Going ahead, we expect return ratios to improve, led by substantial improvement in higher margin segment and new high margin products

Exhibit 19: Trend in Return Ratios



Source: Company, ICICI Direct Research

Risks and Concerns

Global Economic Uncertainty:

Fluctuations in global markets, driven by geopolitical tensions can impact global supply chains and disrupt capital expenditure across segments like aerospace, metallurgy and hydraulics

As a capital-intensive global player, Dynamatic Technologies faces significant risks from these uncertainties, potentially harming its operational performance

Intensive Competitive Landscape:

The Company operates in a highly competitive business landscape marked by rapid changes and significant innovation. OEMs typically work with multiple suppliers and avoid exclusivity; failing to meet customer cost and product demands can affect operations and financial health.

However, the company adjusts to the changing demands and provides high-quality products while keeping competitive prices, thus delivering a valuable proposition.

Technological Evolution:

The management faces the challenge of adapting to rapid technological changes to avoid obsolescence. The sectors in which the company operates in are affected by rapid tech evolution and increasing competition.

To mitigate this risk, the company invests heavily in research and development, with its dedicated R&D team continuously exploring and integrating new technologies to enhance products and meet market demands, ensuring a competitive advantage.

Foreign Currency Fluctuations:

Variations in exchange rates can have a considerable effect on financial results. The company faces the challenges associated with foreign currency exchange. To address these risks, the company employs a thorough hedging strategy and makes use of natural hedges. Furthermore, the company consistently observes global currency trends, enabling prompt modifications to its operational strategies.

By aiming to align revenues and expenses in the same currencies, Dynamatic reduces the impact of currency translation discrepancies, thereby protecting its financial stability.

Financial Summary

Exhibit 20: Profit and loss statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Revenue	1,429	1,404	1,577	1,813
% Growth	8.6	(1.8)	12.3	15.0
Other income	42.8	22.8	25.1	27.6
Total Revenue	1,429	1,404	1,577	1,813
% Growth	8.6	(1.8)	12.3	15.0
Total Raw Material Costs	668	654	730	839
Employee Expenses	302	320	352	387
other expenses	300	272	298	335
Total Operating Expenditure	1,270	1,245	1,380	1,562
Operating Profit (EBITDA)	159	158	197	252
% Growth	(12.1)	(0.7)	24.5	27.6
EBITDA Margin	11.2	11.3	12.5	13.9
Interest	63	57	56	56
PBDT	140	124	166	223
Depreciation	66	69	79	86
PBT before Exceptional Items	73	55	87	137
Total Tax	14	12	19	30
PAT before MI	122	43	68	107
PAT	122	43	68	107
% Growth	183.5	(64.7)	57.6	57.1
EPS	179.4	63.4	99.9	156.9

Source: Company, ICICI Direct Research

Exhibit 21: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	122	43	68	107
Depreciation	66	69	79	86
Interest	63	57	56	56
Cash Flow before WC changes	251	169	203	249
Changes in inventory	(6)	(41)	(42)	(58)
Changes in debtors	(41)	9	(35)	(49)
Changes in loans & Advances	(0)	(1)	(0)	(0)
Changes in other current assets	78	(41)	(16)	(0)
Net Increase in Current Assets	29	(65)	(93)	(107)
Changes in creditors	(44)	45	29	39
Changes in provisions	4	(1)	2	4
Net Inc in Current Liabilities	(36)	40	33	45
Net CF from Operating activities	244	144	143	187
Changes in def tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(127)	(102)	(100)	(100)
Net CF from Investing activities	(108)	(94)	(103)	(100)
Dividend and Dividend Tax	(3)	(1)	(2)	(3)
Net CF from Financing Activities	(235)	(65)	(50)	(50)
Net Cash flow	(99)	(16)	(11)	37
Opening Cash/Cash Equivalent	161	61	46	35
Closing Cash/ Cash Equivalent	61	46	35	72

Source: Company, ICICI Direct Research

Exhibit 22: Balance sheet ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Equity Capital	6.8	6.8	6.8	6.8
Reserve and Surplus	661	711	785	896
Total Shareholders funds	668	718	791	904
Total Debt	458	451	451	451
Total Liabilities	1,261	1,299	1,373	1,486
Gross Block	749	915	1,065	1,165
Acc: Depreciation	342	412	490	577
Net Block	573	585	575	589
Capital WIP	5	18	50	50
Total Fixed Assets	607	640	661	675
Non Current Assets	16	16	20	19
Inventory	306	347	389	447
Debtors	299	289	324	373
Loans and Advances	1	2	2	3
Other Current Assets	76	117	133	133
Cash	61	46	35	72
Total Current Assets	755	804	887	1,031
Current Liabilities	185	230	259	298
Provisions	28	90	91	92
Total Current Liabilities	312	351	384	430
Net Current Assets	443	453	502	602
Total Assets	1,261	1,299	1,373	1,486

Source: Company, ICICI Direct Research

Exhibit 23: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	192.1	67.9	106.9	168.0
Cash per Share	255.0	217.0	200.3	258.9
BV	1,053.0	1,131.5	1,248.0	1,425.7
Dividend per share	5.0	2.0	3.0	4.5
EBITDA Margin	11.2	11.3	12.5	13.9
PAT Margin	8.5	3.1	4.3	5.9
RoE	18.2	6.0	8.6	11.8
RoCE	12.1	9.6	11.5	14.2
RoIC	8.7	7.9	9.8	12.9
EV / EBITDA	29.5	29.9	24.0	18.7
P/E	36.2	102.5	65.1	41.4
EV / Net Sales	3.3	3.4	3.0	2.6
Sales / Equity	2.1	2.0	2.0	2.0
Market Cap / Sales	3.1	3.1	2.8	2.4
Price to Book Value	6.6	6.2	5.6	4.9
Asset turnover	1.3	1.2	1.3	1.3
Debtors Turnover Ratio	5.1	4.8	5.1	5.2
Creditors Turnover Ratio	6.9	6.8	6.4	6.5
Debt / Equity	0.7	0.6	0.6	0.5
Current Ratio	3.2	3.0	3.0	2.9
Quick Ratio	1.8	1.6	1.6	1.6

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;
Sell: <-15%

Pankaj Pandey | Head – Research | pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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