| Company Research | Update |

英皇證券 Emperor Securities CROSBY

China | Machinery

17 November 2025

# Precision Tsugami (China) (1651 HK)

## A solid set of 1H26 results with the emergence of new growth driver

- **1H26 (Yr ended Mar) revenue and NP increased by 26.2% and 47.7% YoY respectively. An interim DPS of HK$0.60 was declared.**
- **FY26 is shaping up to be a strong year with the emergence of new growth catalyst. Maintain BUY with TP of HK$40.70.**

**BUY**

| | |
|---|---|
| Last Price (HK$)* | 34.74 |
| **Target Price (HK$)** | **40.70** |
| Upside / (Downside)(%) | 17.2% |
| *Previous rating* | *BUY* |
| *Previous TP* | *40.70* |
| Hang Seng Index* | 26,384.28 |
| ** Prices as of* | *17-Nov-25* |

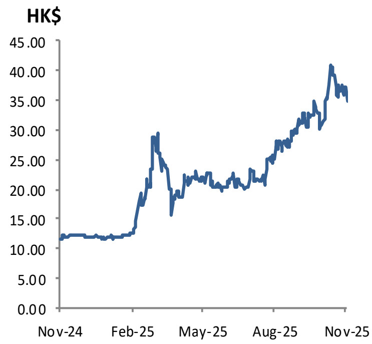
### Key Data

| | |
|---|---|
| Ticker | 1651 HK |
| Market Cap (HK$m) | 13,051 |
| 3M avg daily T/O (HK$m) | 68.9 |
| 52-week High (HK$) | 41.58 |
| 52-week Low (HK$) | 11.52 |
| Free Float (%) | 30.6% |
| Shares O/S (m) | 375.7 |

### Performance

| | Absolute | Relative |
|---|---|---|
| 1 month | 10.1% | 5.3% |
| 3 months | 37.7% | 31.9% |
| 6 months | 58.6% | 40.4% |

### Price Chart




*Source: Bloomberg*

### Top and bottom line delivered solid double-digit growth with clear margin improvement

During the review period, Precision Tsugami (China) (PTC) recorded a sustained increase in orders from key downstream industries, particularly the automobile parts and components sector. This translated into a robust 1H26, with sales and NP increased by 26.2% and 47.7% YoY to Rmb2.5bn and Rmb502.3m respectively. Benefitting from PTC's disciplined cost reduction initiatives and ongoing efficiency enhancement, GPM expanded by 2.5ppt to 34.6% in 1H26.

### All segments recorded encouraging growth

On the back of the gradual recovery of China's economy, this has spurred demand for high precision machine tools and equipment across the manufacturing sectors. Growth was particularly notable in emerging industries such as new energy vehicles (NEV), artificial intelligence (AI) and humanoid robotics.

During the review period, both orders and deliveries registered solid growth. Sales of precision lathes rose by 19.4% YoY to Rmb2.1bn, accounting for 82.1% of the 1H26 sales. Precision machining centres recorded exceptional momentum, with sales surging 157.0% YoY to Rmb206.7m, while sales of precision grinding machines achieved a 47.5% YoY growth to Rmb126.3m in 1H26. These results underscore PTC's strengthened market position across its core product portfolio.

### Expanding into lucrative markets with compelling opportunities

Despite the ongoing external uncertainties such as the tariff war, China's structural upgrade and transformation in manufacturing and the accelerating demand for equipment upgrades continue to drive long-term industry momentum. From a downstream perspective, the auto sector appears to have entered an adjustment period following three-year upward cycle in demand. The 3C sector, however, is entering a new growth cycle, supported by the product launches from leading mobile phone manufacturers.

The AI server liquid-cooling segment has progressed to bulk equipment procurement as the machining technology for liquid cooling connectors has been largely finalized. Leveraging on its core strength in automatic lathes, PTC is well positioned to capture this opportunity. From Jan to Sept this year, equipment orders have been signed with dozens of customers, accounting for about 5% of the domestic orders. This industry is expected to become one of the key drivers of its 2H26 and FY27 growth. Across both near- and long-term horizons, the rapid advancement of AI and embodied robotics are driving strong demand for miniature precision parts and components. This trend presents a compelling growth opportunity for PTC as many of its machines can be used to manufacture core components for key parts of humanoid robots such as planetary roller screws and harmonic reducers. Although the humanoid robot industry is still in the exploratory R&D stage, the company has successfully secured orders with a dozen customers from Jan to Sept this year.

Given the 1H26 results, we lower our FY26/FY27 turnover projection by 7-8%. However, on better-than-expected GPM improvement, our FY26 NP largely remained unchanged. Thus, we kept our TP unchanged at HK$40,70, tagging to 12x PE.

### Summary financial data

| Year to Mar 31 (RMB'm) | 2024A | 2025A | 2026E | 2027E | 2027E |
|---|---|---|---|---|---|
| **Revenue** | **3,120** | **4,262** | **5,466** | **7,062** | **9,222** |
| Gross profit | 896 | 1,410 | 1,902 | 2,472 | 3,246 |
| Reported net profit | 480 | 782 | 1,159 | 1,527 | 2,025 |
| **Adj. net profit** | **480** | **782** | **1,159** | **1,527** | **2,025** |
| Adj. net profit YoY% | (17.1) | 63.0 | 48.1 | 31.8 | 32.6 |
| Adj. EPS (RMB) | 1.26 | 2.07 | 3.07 | 4.05 | 5.37 |
| **Adj. P/E (x)** | **25.5** | **15.2** | **10.3** | **7.8** | **5.9** |
| P/B (x) | 4.3 | 3.7 | 3.7 | 2.8 | 2.1 |
| Dividend yield (%) | 2.4 | 2.5 | 4.0 | 5.3 | 7.0 |
| **ROE (%)** | **19.0** | **28.7** | **36.0** | **48.4** | **48.6** |
| Net debt / equity (%) | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Crosby Securities


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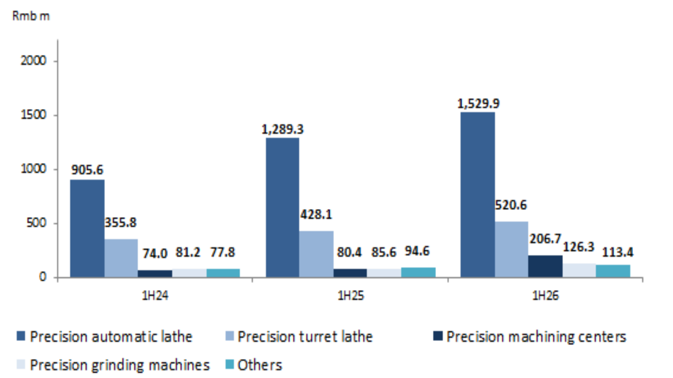
**Figure 1 P&L**

| Year ended Mar (Rmbm) | 1H22 | 1H23 | 1H24 | 1H25 | 1H26 | 1H25 vs 1H26 YoY change (%) |
|---|---|---|---|---|---|---|
| **Revenue** | **2,370.3** | **2,200.4** | **1,494.4** | **1,978.1** | **2,496.9** | ***26.2*** |
| Costs of sales | (1,711.5) | (1,666.3) | (1,080.3) | (1,343.1) | (1,633.9) | |
| | | | | | | |
| **Gross profit** | **658.8** | **534.1** | **414.1** | **634.9** | **863.0** | ***35.9*** |
| Other income and gains | 139.7 | 42.8 | 49.1 | 36.5 | 26.1 | |
| Selling and distribution expenses | (79.4) | (75.7) | (76.1) | (93.1) | (107.0) | |
| Administrative expenses | (46.2) | (54.7) | (54.2) | (85.6) | (77.7) | |
| Other expenses | (112.0) | (3.7) | (6.2) | (0.8) | 1.3 | |
| Finance costs | (1.1) | (0.0) | (0.6) | (0.4) | (2.2) | |
| | | | | | | |
| **Before tax profit** | **559.8** | **442.8** | **326.0** | **491.5** | **703.5** | ***43.1*** |
| Tax | (182.2) | (142.1) | (104.8) | (151.5) | (201.3) | |
| **Net profit** | **377.7** | **300.8** | **221.3** | **340.0** | **502.3** | ***47.7*** |

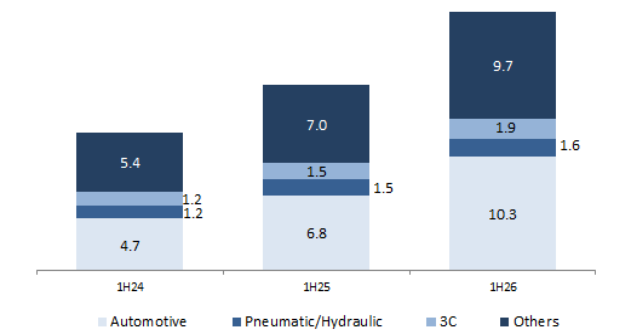
Source: Company data

**Figure 2 Revenue breakdown**



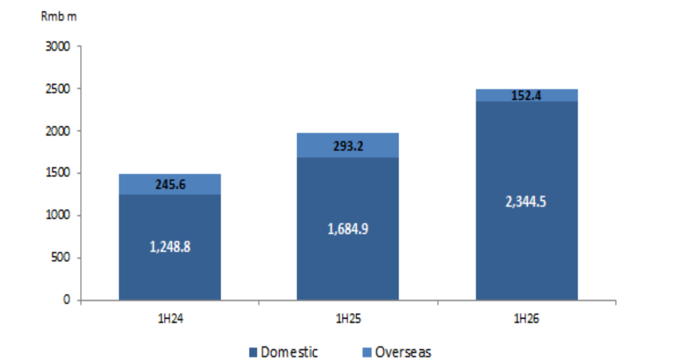

Source: Company data

**Figure 3 Sales breakdown by downstream customers**



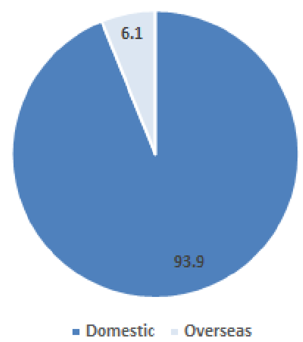

Source: Company data

**Figure 4 Geographical breakdown**




Source: Company data

**Figure 5 Geographical breakdown**




Source: Company data

**Figure 6 New estimates**

| Year ended Mar (RMBm) | Old estimates 2026 | Old estimates 2027 | New estimates 2026 | New estimates 2027 | Change (%) 2026 | Change (%) 2027 |
|---|---|---|---|---|---|---|
| Turnover | 5,884.7 | 7,662.5 | 5,466.4 | 7,062.0 | (7.1) | (7.8) |
| Gross profit | 1,971.4 | 2,582.3 | 1,902.3 | 2,471.7 | (3.5) | (4.3) |
| Net profit | 1,163.9 | 1,549.0 | 1,158.7 | 1,527.1 | (0.4) | (1.4) |
| | | | | | | |
| ***Margin*** | | | | | ***Change (ppt)*** | |
| Gross margin | 33.5 | 33.7 | 34.8 | 35.0 | 1.3 | 1.3 |
| Net margin | 19.8 | 20.2 | 21.2 | 21.6 | 1.4 | 1.4 |

Source: Crosby

# Summary financials

| Year ended Mar | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| **Profit & Loss (RMBm)** | | | | | |
| Precision automatic lathes | 2,655 | 3,624 | 4,492 | 5,640 | 7,251 |
| YoY% | (23.4) | 36.5 | 23.9 | 25.6 | 28.6 |
| Precision machining centres | 155 | 244 | 448 | 743 | 1,113 |
| YoY% | (37.5) | 57.3 | 83.9 | 65.9 | 49.8 |
| Precision grinding machines | 144 | 208 | 295 | 389 | 497 |
| YoY% | (11.4) | 44.4 | 41.5 | 32.0 | 27.8 |
| Others | 166 | 185 | 231 | 289 | 362 |
| YoY% | (1.8) | 11.8 | 25.0 | 25.0 | 25.0 |
| **Turnover** | **3,120** | **4,262** | **5,466** | **7,062** | **9,222** |
| YoY% | (22.9) | 36.6 | 28.3 | 29.2 | 30.6 |
| COGS | (2,224) | (2,851) | (3,564) | (4,590) | (5,976) |
| **Gross profit** | **896** | **1,410** | **1,902** | **2,472** | **3,246** |
| Margin | 28.7% | 33.1% | 34.8% | 35.0% | 35.2% |
| Selling & distribution | (156) | (190) | (212) | (268) | (350) |
| Admin | (114) | (153) | (166) | (211) | (275) |
| Other incomes | 85 | 80 | 134 | 190 | 274 |
| Other opex | 0 | 0 | 0 | 0 | 0 |
| **Total opex** | **(184)** | **(262)** | **(244)** | **(289)** | **(352)** |
| YoY% | (0.6) | 42.2 | (6.8) | 18.1 | 22.0 |
| **Operating profit** | **711** | **1,148** | **1,658** | **2,183** | **2,894** |
| Margin | 22.8% | 26.9% | 30.3% | 30.9% | 31.4% |
| Other income / (exp) | (7) | (11) | (12) | (14) | (18) |
| Finance costs | (1) | (0) | (0) | (0) | (1) |
| Associates/ JV income | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 703 | 1,137 | 1,646 | 2,169 | 2,876 |
| Tax | (223) | (355) | (487) | (642) | (851) |
| **Profit after tax** | **480** | **782** | **1,159** | **1,527** | **2,025** |
| Margin | 15.4% | 18.4% | 21.2% | 21.6% | 22.0% |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **480** | **782** | **1,159** | **1,527** | **2,025** |
| YoY% | (17.1) | 63.0 | 48.1 | 31.8 | 32.6 |
| Margin | 15.4% | 18.4% | 21.2% | 21.6% | 22.0% |
| Crosby Adjustments | 0 | 0 | 0 | 0 | 0 |
| **Adj. net profit** | **480** | **782** | **1,159** | **1,527** | **2,025** |
| YoY% | (17.1) | 63.0 | 48.1 | 31.8 | 32.6 |
| Margin | 15.4% | 18.4% | 21.2% | 21.6% | 22.0% |
| **EBITDA** | **770** | **1,209** | **1,729** | **2,268** | **2,995** |
| YoY% | N/A | N/A | N/A | N/A | N/A |
| Margin | 24.7% | 28.4% | 31.6% | 32.1% | 32.5% |
| **Adj EPS (RMB)** | **1.263** | **2.074** | **3.071** | **4.048** | **5.367** |
| YoY% | (94.6) | (96.0) | (95.8) | (98.0) | (97.7) |
| **DPS (RMB)** | **0.737** | **0.782** | **1.228** | **1.619** | **2.147** |
| YoY% | 3.3 | 6.0 | 57.2 | 31.8 | 32.6 |

| Year ended Mar | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| **Balance Sheet (RMBm)** | | | | | |
| Fixed assets | 568 | 554 | 599 | 639 | 677 |
| Assoicates & JCE | 0 | 0 | 0 | 0 | 0 |
| Goodwill & intangibles | 5 | 6 | 3 | 3 | 3 |
| Deferred tax assets | 21 | 26 | 26 | 26 | 26 |
| Others | 75 | 72 | 0 | 0 | 0 |
| **Non-current assets** | **669** | **660** | **629** | **669** | **707** |
| Inventories | 857 | 930 | 1,193 | 1,542 | 2,013 |
| Trade & bills receivables | 982 | 1,567 | 2,010 | 2,596 | 3,390 |
| Prepayments, deposits & others | 13 | 16 | 21 | 27 | 35 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Cash | 678 | 390 | 683 | 1,122 | 1,698 |
| Others | 433 | 692 | 0 | 0 | 0 |
| **Current assets** | **2,963** | **3,595** | **3,907** | **5,287** | **7,137** |
| **Total assets** | **3,632** | **4,254** | **4,535** | **5,956** | **7,844** |
| Trade & bills payables | 534 | 611 | 763 | 983 | 1,280 |
| Accruals & other payables | 190 | 214 | 267 | 344 | 448 |
| Tax payable | 73 | 138 | 189 | 249 | 331 |
| Bank loans | 0 | 0 | 0 | 0 | 0 |
| Bonds, CB & debentures | 0 | 0 | 0 | 0 | 0 |
| Others | 9 | 12 | 0 | 0 | 0 |
| **Current liabilities** | **806** | **974** | **1,220** | **1,577** | **2,059** |
| Bank loans | 0 | 0 | 0 | 0 | 0 |
| Bonds, CB & debentures | 0 | 0 | 0 | 0 | 0 |
| Deferred tax liabilities | 91 | 116 | 160 | 211 | 279 |
| Others | 33 | 30 | 0 | 0 | 0 |
| **Non-current liabilities** | **124** | **146** | **160** | **211** | **279** |
| **Total liabilities** | **931** | **1,120** | **1,380** | **1,787** | **2,338** |
| **Total net assets** | **2,702** | **3,134** | **3,156** | **4,169** | **5,506** |
| Share capital | 320 | 320 | 320 | 320 | 320 |
| Reserves | 2,409 | 2,902 | 2,836 | 3,849 | 5,187 |
| **Shareholder's equity** | **2,729** | **3,221** | **3,156** | **4,169** | **5,506** |
| Others | (27) | (87) | 0 | 0 | 0 |
| **Total Equity** | **2,702** | **3,134** | **3,156** | **4,169** | **5,506** |
| Total debts | 0 | 0 | 0 | 0 | 0 |
| **Net cash/(debts)** | **678** | **390** | **683** | **1122** | **1698** |
| **BVPS (RMB)** | **7.107** | **8.307** | **8.365** | **11.049** | **14.594** |

| Year ended Mar | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| **Cash Flow (RMBm)** | | | | | |
| Before tax profit | 703 | 1,137 | 1,646 | 2,169 | 2,876 |
| Dep. & Amort. | 59 | 61 | 71 | 85 | 100 |
| Chg in working cap | (28) | (568) | (515) | (644) | (873) |
| Others | (26) | (6) | (25) | (29) | (34) |
| **Cash from operations** | **707** | **624** | **1,177** | **1,580** | **2,069** |
| Tax paid | (202) | (271) | (372) | (490) | (650) |
| **Net cash from operations** | **506** | **353** | **805** | **1,090** | **1,420** |
| YoY% | (33.7) | (30.2) | 128.2 | 35.4 | 30.2 |
| Capex | (86) | (42) | (45) | (40) | (38) |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Disposal of assets | 1 | 1 | 1 | 1 | 1 |
| Interest received | 28 | 23 | 26 | 30 | 34 |
| Others | (97) | (262) | (30) | (30) | (30) |
| **Net cash from investments** | **(155)** | **(281)** | **(48)** | **(40)** | **(33)** |
| Issue/ buyback of shares | 0 | 0 | 0 | 0 | 0 |
| Interest paid | (1) | (0) | (0) | (0) | (1) |
| Dividends paid | (280) | (295) | (463) | (611) | (810) |
| Net change in debt | 0 | 0 | 0 | 0 | 0 |
| Others | (30) | (64) | 0 | 0 | 0 |
| **Net cash from financing** | **(312)** | **(360)** | **(464)** | **(611)** | **(810)** |
| **Net change in cash** | **39** | **(288)** | **293** | **440** | **576** |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Opening cash | 639 | 678 | 390 | 683 | 1,122 |
| **Closing cash** | **678** | **390** | **683** | **1,122** | **1,698** |
| **FCF** | **420** | **311** | **760** | **1050** | **1382** |
| YoY% | (40.8) | (26.0) | 144.8 | 38.2 | 31.5 |

| Year ended Mar | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| **Key ratios** | | | | | |
| **Margins (%)** | | | | | |
| Gross margin | 28.7 | 33.1 | 34.8 | 35.0 | 35.2 |
| EBITDA margin | 24.7 | 28.4 | 31.6 | 32.1 | 32.5 |
| EBIT margin | 22.8 | 26.9 | 30.3 | 30.9 | 31.4 |
| Net margin | 15.4 | 18.4 | 21.2 | 21.6 | 22.0 |
| Net margin (Core profit) | 15.4 | 18.4 | 21.2 | 21.6 | 22.0 |
| Effective tax rate (%) | 31.7 | 31.2 | 29.6 | 29.6 | 29.6 |
| Selling exp as % of rev | 5.0 | 4.5 | 3.9 | 3.8 | 3.8 |
| Admin exp as % of rev | 3.6 | 3.6 | 3.0 | 3.0 | 3.0 |
| R&D exp as % of rev | N/A | N/A | N/A | N/A | N/A |
| Other opex as % of rev | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total opex as % of rev | 5.9 | 6.2 | 4.5 | 4.1 | 3.8 |
| Interest coverage (x) | 716.1 | 2,787.0 | 3,658.3 | 4,379.2 | 5,278.1 |
| Dividend payout (%) | 58.4 | 37.6 | 39.9 | 39.9 | 39.9 |
| **Balance sheet ratios** | | | | | |
| Inventory days | 157 | 114 | 109 | 109 | 109 |
| Acct. rec. days | 105 | 109 | 119 | 119 | 118 |
| Acct. payable days | 95 | 73 | 70 | 69 | 69 |
| **Cash cycle** | **167** | **150** | **158** | **158** | **158** |
| **Net debt/equity (%)** | **Net cash** | **Net cash** | **Net cash** | **Net cash** | **Net cash** |
| Net debt/total cap (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Current ratio (x) | 3.68 | 3.69 | 3.20 | 3.35 | 3.47 |
| **Returns (%)** | | | | | |
| Asset turnover (x) | 0.87 | 1.08 | 1.24 | 1.35 | 1.34 |
| Financial leverage (x) | 1.41 | 1.44 | 1.36 | 1.66 | 1.66 |
| EBIT margin (%) | 22.6 | 26.7 | 30.1 | 30.7 | 31.2 |
| Interest burden (x) | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Tax burden (x) | 0.68 | 0.69 | 0.70 | 0.70 | 0.70 |
| **ROE (%)** | **19.0** | **28.7** | **36.0** | **48.4** | **48.6** |
| **ROIC (%)** | **24.6** | **32.8** | **44.4** | **55.3** | **59.1** |

Source: Company data, Crosby

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**Buy (B)**: The stock's potential total return is expected to be over 10%/15% for Large Caps/Small&Mid Caps, respectively.

**Neutral (N)**: The stock's potential total return is expected to be ranging from -10% to 10%/15% for Large Caps/Small&Mid Caps, respectively.

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