China |Machinery

3 July 2026

# Precision Tsugami (China) (1651 HK)

## A solid set of FY26 results, capped by a record-high DPS since listing

- **FY26 (Yr ended Mar) revenue and NP increased by 21.6% and 39.9% YoY respectively.**
- **A final DPS of HK$0.90 was proposed. Together with interim DPS of HK$0.60, total DPS will be HK$1.50, marking the highest annual dividend since listing.**
- **Sound capital management. New TP is set at HK$69.00. Downgrade to NEUTRAL**

### FY26 top and bottom line hit historical highs

During the review period, Precision Tsugami (China) (PTC) recorded a sustained increase in orders from key downstream industries and further increased in market share in AI liquid cooling and humanoid robots. This translated into a robust FY26, with sales and NP increased by 21.6% and 39.9% YoY to Rmb5.2bn and Rmb1.1bn respectively. Benefitting from PTC's disciplined cost reduction initiatives and ongoing efficiency enhancement and change in product mix, GPM expanded by 1.8ppt to 34.9% in FY26.

### All segments recorded encouraging growth

On the back of the continuous upward trend of China economic conditions, this has spurred demand for high precision machine tools from various downstream sectors. Coupled with improved cost-effectiveness and competitiveness stemmed from sustained cost reduction as well as reduced sales price, resulting in strong order intake.

During the period under review, sales of precision lathes rose by 19.5% YoY to Rmb4.3bn, accounting for 83.5% of the total sales. Precision machining centers recorded exceptional growth with sales went up by 58.3% YoY to Rmb385.6m. Sales of precision grinding machines also increased by 8.9% YoY to Rmb226.8m. These results underscore PTC's strengthened market position across its core product portfolio.

### Continue to seize industry momentum in FY27

The manufacturing industry's digital transformation is accelerating, with rising demand for high precision CNC machine tools from various downstream sectors such as NEVs, advanced equipment and AI. Its high value lines in AI liquid cooling, semiconductors and humanoid robots began contributing revenue at scale, establishing new engines growth. The company's automatic lathes for AI server liquid-cooling segment have advanced to bulk equipment procurement in FY26, and we expect sales momentum for this sector to remain strong through FY27. The company also revealed that its precision lathes can now be adopted in advanced optical module applications. It anticipates good order visibility over the coming 1-2 years.

PTC's financial condition is sound with net cash stood at Rmb1.5bn as of FY26 with no outstanding debt. Its current operation is running at full capacity. To cope with strong order flow, the company plans to increase its FY27 budgeted CAPEX to Rmb200m, primarily used for equipment upgrades and new plant construction. In Mach 2026, PTC acquired land in Pinghu Economic Development District to build two new plants, which are scheduled to complete by end of 2027. This expansion will add 3k units of annual assembly capacity.

Based on its FY26 results, we revised down FY27/28 turnover by 9-16% while NP by 11-18%. However, we raised our target PE to reflect the company's accelerating growth trajectory in value-accretive industries. Thus, target PE is revised up to 17x, which is in line with peers' medium PE to derive our new TP of HK$69.00. As our new TP offers a potential downside of only 5%, we downgrade to NEUTRAL.

### Summary financial data

| Year to Mar 31 (RMB'm) | 2025A | 2026A | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|
| **Revenue** | **4,262** | **5,184** | **6,405** | **7,707** | **9,253** |
| Gross profit | 1,410 | 1,808 | 2,242 | 2,713 | 3,285 |
| Reported net profit | 782 | 1,094 | 1,358 | 1,666 | 2,036 |
| **Adj. net profit** | **782** | **1,094** | **1,358** | **1,666** | **2,036** |
| Adj. net profit YoY% | 63.0 | 39.9 | 24.1 | 22.6 | 22.2 |
| Adj. EPS (RMB) | 2.07 | 2.97 | 3.68 | 4.52 | 5.52 |
| **Adj. P/E (x)** | **31.9** | **22.3** | **17.9** | **14.6** | **12.0** |
| P/B (x) | 7.7 | 6.5 | 6.9 | 5.5 | 4.3 |
| Dividend yield (%) | 1.2 | 1.6 | 2.3 | 2.8 | 3.4 |
| **ROE (%)** | **28.7** | **34.0** | **34.8** | **48.2** | **46.9** |
| Net debt / equity (%) | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Crosby Securities

## NEUTRAL

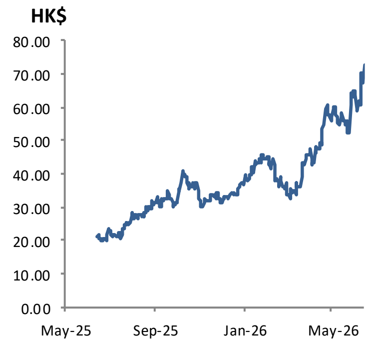
| | |
|---|---|
| Last Price (HK$)* | 72.70 |
| **Target Price (HK$)** | **69.00** |
| Upside / (Downside)(%) | -5.1% |
| *Previous rating* | *BUY* |
| *Previous TP* | *40.70* |
| Hang Seng Index* | 23,350.03 |
| ** Prices as of* | *3-Jul-26* |

### Key Data

| | |
|---|---|
| Ticker | 1651 HK |
| Market Cap (HK$m) | 26,798 |
| 3M avg daily T/O (HK$m) | 81.9 |
| 52-week High (HK$) | 74.15 |
| 52-week Low (HK$) | 19.88 |
| Free Float (%) | 32.7% |
| Shares O/S (m) | 368.6 |

| Performance | Absolute | Relative |
|---|---|---|
| 1 month | 24.5% | 36.7% |
| 3 months | 100.2% | 115.3% |
| 6 months | 110.7% | 137.7% |

### Price Chart




*Source: Bloomberg*

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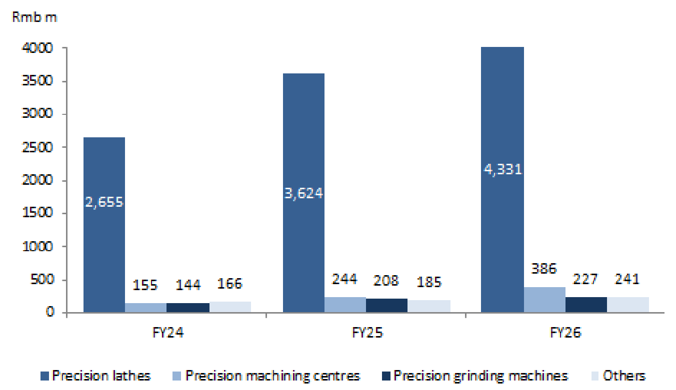
**Figure 1 P&L**

| Year ended Mar (Rmbm) | FY22 | FY23 | FY24 | FY25 | FY26 | *FY25 vs FY26 YoY change (%)* |
|---|---|---|---|---|---|---|
| **Revenue** | **4,419.9** | **4,046.9** | **3,119.7** | **4,261.6** | **5,184.1** | *21.6* |
| COGS | (3,246.9) | (3,010.8) | (2,224.1) | (2,851.1) | (3,376.2) | |
| | | | | | | |
| **Gross profit** | **1,173.0** | **1,036.1** | **895.5** | **1,410.4** | **1,807.9** | *28.2* |
| Other income and gains | 180.3 | 68.4 | 85.3 | 80.4 | 109.7 | |
| Selling and distribution expenses | (162.7) | (148.3) | (155.9) | (189.9) | (211.0) | |
| Administrative expenses | (95.9) | (105.6) | (113.9) | (152.6) | (136.9) | |
| Other expenses | (118.7) | (8.9) | (7.4) | (10.7) | (2.3) | |
| Finance costs | (2.1) | (0.7) | (1.0) | (0.4) | (2.2) | |
| | | | | | | |
| **Before tax profit** | **973.8** | **841.0** | **702.7** | **1,137.2** | **1,565.2** | *37.6* |
| Tax | (306.4) | (261.8) | (222.8) | (354.8) | (470.8) | |
| **Net profit** | **667.4** | **579.2** | **480.0** | **782.4** | **1,094.4** | *39.9* |
| | | | | | | |
| **Margin (%)** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26** | ***YoY change (ppt)*** |
| Gross | 26.5 | 25.6 | 28.7 | 33.1 | 34.9 | *1.8* |
| Net | 15.1 | 14.3 | 15.4 | 18.4 | 21.1 | *2.8* |

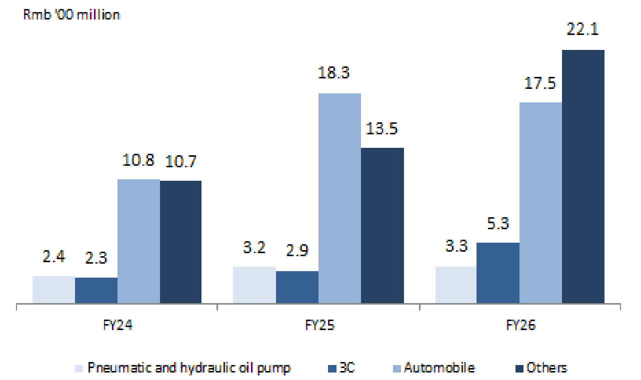
Source: Company data

**Figure 2 Revenue breakdown**



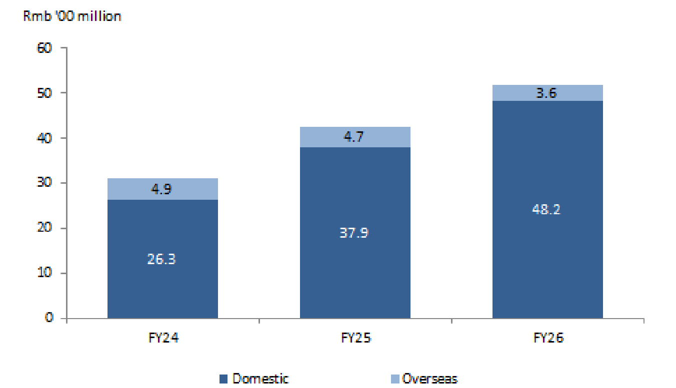

Source: Company data

**Figure 3 Sales breakdown by downstream customers**



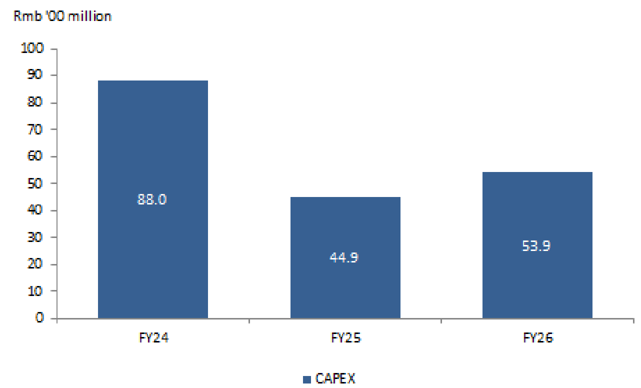

Source: Company data

**Figure 4 Geographical breakdown**




Source: Company data

**Figure 5 CAPEX**




Source: Company data

**Figure 6 New estimates**

| | Old estimates | | New estimates | | Change (%) | |
|---|---|---|---|---|---|---|
| **Year ended Mar (RMBm)** | **2027** | **2028** | **2027** | **2028** | **2027** | **2028** |
| Turnover | 7,062.0 | 9,222.5 | 6,405.1 | 7,706.8 | (9.3) | (16.4) |
| Gross profit | 2,471.7 | 3,246.3 | 2,241.8 | 2,712.8 | (9.3) | (16.4) |
| Net profit | 1,527.1 | 2,024.8 | 1,358.3 | 1,665.8 | (11.0) | (17.7) |
| | | | | | | |
| ***Margin*** | | | | | ***Change (ppt)*** | |
| Gross margin | 35.0 | 35.2 | 35.0 | 35.2 | 0.0 | 0.0 |
| Net margin | 21.6 | 22.0 | 21.2 | 21.6 | (0.4) | (0.3) |

Source: Company data

# Summary financials

| Year ended Mar | 2025A | 2026A | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| **Profit & Loss (RMBm)** | | | | | |
| Precision automatic lathes | 3,624 | 4,331 | 5,265 | 6,219 | 7,311 |
| YoY% | 36.5 | 19.5 | 21.6 | 18.1 | 17.6 |
| Precision machining centres | 244 | 386 | 574 | 817 | 1,142 |
| YoY% | 57.3 | 58.3 | 48.9 | 42.3 | 39.8 |
| Precision grinding machines | 208 | 227 | 253 | 280 | 311 |
| YoY% | 44.4 | 8.9 | 11.7 | 10.6 | 11.1 |
| Others | 185 | 241 | 313 | 391 | 489 |
| YoY% | 11.8 | 30.1 | 30.0 | 25.0 | 25.0 |
| **Turnover** | **4,262** | **5,184** | **6,405** | **7,707** | **9,253** |
| YoY% | 36.6 | 21.6 | 23.6 | 20.3 | 20.1 |
| COGS | (2,851) | (3,376) | (4,163) | (4,994) | (5,968) |
| **Gross profit** | **1,410** | **1,808** | **2,242** | **2,713** | **3,285** |
| Margin | 33.1% | 34.9% | 35.0% | 35.2% | 35.5% |
| Selling & distribution | (190) | (211) | (274) | (323) | (388) |
| Admin | (153) | (137) | (183) | (215) | (259) |
| Other incomes | 80 | 110 | 149 | 197 | 261 |
| Other opex | 0 | 0 | 0 | 0 | 0 |
| **Total opex** | **(262)** | **(238)** | **(307)** | **(341)** | **(385)** |
| YoY% | 42.2 | (9.2) | 29.0 | 10.9 | 13.1 |
| **Operating profit** | **1,148** | **1,570** | **1,935** | **2,372** | **2,899** |
| Margin | 26.9% | 30.3% | 30.2% | 30.8% | 31.3% |
| Other income / (exp) | (11) | (2) | (3) | (3) | (4) |
| Finance costs | (0) | (2) | (2) | (3) | (3) |
| Associates/ JV income | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 1,137 | 1,565 | 1,929 | 2,366 | 2,893 |
| Tax | (355) | (471) | (571) | (700) | (856) |
| **Profit after tax** | **782** | **1,094** | **1,358** | **1,666** | **2,036** |
| Margin | 18.4% | 21.1% | 21.2% | 21.6% | 22.0% |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **782** | **1,094** | **1,358** | **1,666** | **2,036** |
| YoY% | 63.0 | 39.9 | 24.1 | 22.6 | 22.2 |
| Margin | 18.4% | 21.1% | 21.2% | 21.6% | 22.0% |
| Crosby Adjustments | 0 | 0 | 0 | 0 | 0 |
| **Adj. net profit** | **782** | **1,094** | **1,358** | **1,666** | **2,036** |
| YoY% | 63.0 | 39.9 | 24.1 | 22.6 | 22.2 |
| Margin | 18.4% | 21.1% | 21.2% | 21.6% | 22.0% |
| **EBITDA** | **1,209** | **1,632** | **2,021** | **2,489** | **3,051** |
| YoY% | N/A | N/A | N/A | N/A | N/A |
| Margin | 28.4% | 31.5% | 31.6% | 32.3% | 33.0% |
| **Adj EPS (RMB)** | **2.074** | **2.967** | **3.683** | **4.517** | **5.521** |
| YoY% | (96.0) | (95.7) | (97.8) | (97.2) | (97.3) |
| **DPS (RMB)** | **0.782** | **1.000** | **1.473** | **1.807** | **2.209** |
| YoY% | 6.0 | 28.0 | 47.2 | 22.6 | 22.2 |

| Year ended Mar | 2025A | 2026A | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| **Balance Sheet (RMBm)** | | | | | |
| Fixed assets | 554 | 519 | 669 | 809 | 939 |
| Assoicates & JCE | 0 | 0 | 0 | 0 | 0 |
| Goodwill & intangibles | 6 | 5 | 3 | 3 | 4 |
| Deferred tax assets | 26 | 26 | 26 | 26 | 26 |
| Others | 72 | 102 | 0 | 0 | 0 |
| **Non-current assets** | **660** | **651** | **698** | **838** | **969** |
| Inventories | 930 | 877 | 1,084 | 1,304 | 1,566 |
| Trade & bills receivables | 1,567 | 1,965 | 2,428 | 2,921 | 3,507 |
| Prepayments, deposits & others | 16 | 9 | 11 | 14 | 17 |
| Investments | 692 | 771 | 0 | 0 | 0 |
| Cash | 390 | 715 | 850 | 1,208 | 1,759 |
| Others | 0 | 0 | 0 | 0 | 0 |
| **Current assets** | **3,595** | **4,338** | **4,373** | **5,447** | **6,849** |
| **Total assets** | **4,254** | **4,989** | **5,071** | **6,285** | **7,818** |
| Trade & bills payables | 611 | 614 | 758 | 909 | 1,086 |
| Accruals & other payables | 214 | 394 | 486 | 583 | 697 |
| Tax payable | 138 | 155 | 188 | 230 | 281 |
| Bank loans | 0 | 0 | 0 | 0 | 0 |
| Bonds, CB & debentures | 0 | 0 | 0 | 0 | 0 |
| Others | 12 | 18 | 0 | 0 | 0 |
| **Current liabilities** | **974** | **1,181** | **1,431** | **1,722** | **2,064** |
| Bank loans | 0 | 0 | 0 | 0 | 0 |
| Bonds, CB & debentures | 0 | 0 | 0 | 0 | 0 |
| Deferred tax liabilities | 116 | 152 | 184 | 226 | 276 |
| Others | 30 | 29 | 0 | 0 | 0 |
| **Non-current liabilities** | **146** | **180** | **184** | **226** | **276** |
| **Total liabilities** | **1,120** | **1,361** | **1,615** | **1,948** | **2,340** |
| **Total net assets** | **3,134** | **3,628** | **3,455** | **4,337** | **5,478** |
| Share capital | 320 | 315 | 315 | 315 | 315 |
| Reserves | 2,902 | 3,582 | 3,140 | 4,022 | 5,162 |
| **Shareholder's equity** | **3,221** | **3,898** | **3,455** | **4,337** | **5,478** |
| Others | (87) | (270) | 0 | 0 | 0 |
| **Total Equity** | **3,134** | **3,628** | **3,455** | **4,337** | **5,478** |
| Total debts | 0 | 0 | 0 | 0 | 0 |
| **Net cash/(debts)** | **390** | **715** | **850** | **1208** | **1759** |
| **BVPS (RMB)** | **8.307** | **9.836** | **9.368** | **11.760** | **14.852** |

| Year ended Mar | 2025A | 2026A | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| **Cash Flow (RMBm)** | | | | | |
| Before tax profit | 1,137 | 1,565 | 1,929 | 2,366 | 2,893 |
| Dep. & Amort. | 61 | 62 | 87 | 117 | 152 |
| Chg in working cap | (568) | (149) | (452) | (468) | (559) |
| Others | (6) | 4 | (20) | (23) | (26) |
| **Cash from operations** | **624** | **1,482** | **1,544** | **1,993** | **2,458** |
| Tax paid | (271) | (418) | (507) | (622) | (760) |
| **Net cash from operations** | **353** | **1,065** | **1,037** | **1,371** | **1,698** |
| YoY% | (30.2) | 201.6 | (2.6) | 32.2 | 23.9 |
| Capex | (42) | (23) | (150) | (140) | (130) |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Disposal of assets | 1 | 1 | 1 | 1 | 1 |
| Interest received | 23 | 19 | 22 | 25 | 29 |
| Others | (262) | (111) | (30) | (30) | (30) |
| **Net cash from investments** | **(281)** | **(113)** | **(157)** | **(144)** | **(130)** |
| Issue/ buyback of shares | 0 | 0 | 0 | 0 | 0 |
| Interest paid | (0) | (2) | (2) | (3) | (3) |
| Dividends paid | (295) | (369) | (543) | (666) | (815) |
| Net change in debt | 0 | 0 | 0 | 0 | 0 |
| Others | (64) | (255) | (200) | (200) | (200) |
| **Net cash from financing** | **(360)** | **(626)** | **(746)** | **(869)** | **(1,017)** |
| **Net change in cash** | **(288)** | **325** | **135** | **358** | **551** |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Opening cash | 678 | 390 | 715 | 850 | 1,208 |
| **Closing cash** | **390** | **715** | **850** | **1,208** | **1,759** |
| **FCF** | **311** | **1042** | **887** | **1231** | **1568** |
| YoY% | (26.0) | 235.4 | (14.8) | 38.7 | 27.4 |

| Year ended Mar | 2025A | 2026A | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| **Key ratios** | | | | | |
| **Margins (%)** | | | | | |
| Gross margin | 33.1 | 34.9 | 35.0 | 35.2 | 35.5 |
| EBITDA margin | 28.4 | 31.5 | 31.6 | 32.3 | 33.0 |
| EBIT margin | 26.9 | 30.3 | 30.2 | 30.8 | 31.3 |
| Net margin | 18.4 | 21.1 | 21.2 | 21.6 | 22.0 |
| Net margin (Core profit) | 18.4 | 21.1 | 21.2 | 21.6 | 22.0 |
| Effective tax rate (%) | 31.2 | 30.1 | 29.6 | 29.6 | 29.6 |
| Selling exp as % of rev | 4.5 | 4.1 | 4.3 | 4.2 | 4.2 |
| Admin exp as % of rev | 3.6 | 2.6 | 2.9 | 2.8 | 2.8 |
| 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 | 6.2 | 4.6 | 4.8 | 4.4 | 4.2 |
| Interest coverage (x) | 2,787.0 | 710.3 | 795.8 | 887.0 | 985.6 |
| Dividend payout (%) | 37.6 | 33.5 | 39.8 | 39.8 | 39.8 |
| **Balance sheet ratios** | | | | | |
| Inventory days | 114 | 98 | 86 | 87 | 88 |
| Acct. rec. days | 109 | 124 | 125 | 127 | 127 |
| Acct. payable days | 73 | 66 | 60 | 61 | 61 |
| **Cash cycle** | **150** | **156** | **151** | **153** | **154** |
| **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) | 3.69 | 3.67 | 3.05 | 3.16 | 3.32 |
| **Returns (%)** | | | | | |
| Asset turnover (x) | 1.08 | 1.12 | 1.27 | 1.36 | 1.31 |
| Financial leverage (x) | 1.44 | 1.43 | 1.29 | 1.64 | 1.63 |
| EBIT margin (%) | 26.7 | 30.2 | 30.2 | 30.7 | 31.3 |
| Interest burden (x) | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Tax burden (x) | 0.69 | 0.70 | 0.70 | 0.70 | 0.70 |
| **ROE (%)** | **28.7** | **34.0** | **34.8** | **48.2** | **46.9** |
| **ROIC (%)** | **32.8** | **38.7** | **49.3** | **58.2** | **59.5** |

Source: Company data, Crosby

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Our Fundamental Ratings are based on our estimated potential total return for the stocks over a 12-month time horizon. Potential total return is the sum of (1) share price upside or downside express in percentage plus (2) gross dividend yield over the next 12 months.

**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.

**Sell (S)**: The stock’s potential total return is expected to be less than -10% over the next 12 months.

**Tactical Call Rating System**

Our Tactical Calls are based on short-term share-price catalyst(s), technical factor(s) and/or quantitative analysis for a time horizon of 3 months. Our Tactical Calls could be on companies not covered by our fundamental rating system or contrary to our fundamental ratings of the same companies.

**Tactical Buy (TB)**: The stock’s potential total return is expected to be over 20%.

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