

June 5, 2025

Growth momentum to pick-up...

About the stock: Mishra Dhatu Nigam (Midhani) is one of the key manufacturers of critical metals such as special steels, super alloys (nickel base, iron base and cobalt base), titanium alloys etc. The company primarily cater to the requirements of sectors like aerospace, defence, space and energy

- Company has two state of the art manufacturing facilities – Hyderabad (Telangana) and Rohtak (Haryana)
- Company's order backlog stood at Rs 1832 crore as of Mar-25 end, of which ~84% each is contributed by aerospace and defence segment, and balance from space segment, exports and others

Investment Rationale:

- Execution expected to pick-up going forward; Orders inflow prospects remain robust:** FY25 revenue remained flattish on account of muted execution. However, management guides 20% revenue growth for FY26E as the execution expected to pick-up in the coming period. Order inflows remained healthy at ~Rs 1330 crore in FY25, led by defence & aerospace and space segments. Order backlog stood at ₹ 1832 crore as of Mar-2025 end (1.7x of FY25 revenues), giving healthy revenue growth visibility given the short execution cycle for large part of this order book. Moreover, orders inflow prospects remain robust for company's products considering the strong pipeline in defence, space and other segments (like energy, railways, civil aviation etc). Aerospace and defence remain the key sector for company's future orders considering the significant capex underway for various platforms (across air force, navy and army) like aircrafts, engines, missiles, tanks
- Focus remains on increasing capacity & capability with improved product mix:** With state-of-the-art manufacturing facilities, Midhani has strong capabilities in terms of developing & producing a diverse range of special metals and alloys (like titanium alloys, steel alloys, super alloys based on nickel, iron & cobalt etc) for sectors like defence, space & energy. Moreover, company continues to focus on capacity expansions, new product developments and broadening its overall scope of opportunities. Company highlights that the capex incurred over the last 3-4 years (on wide plate mill, titanium plant etc) would start producing result in the coming period. Moreover, focus on improving plants utilisation with recycling of scrap would help in further margin improvement

Rating and Target Price

- Midhani is expected to benefit substantially from further pick-up in execution, robust order prospects, new product developments. During the period FY25-27E, we estimate revenue CAGR at ~17% while EBITDA & PAT CAGR at ~29% & ~41% respectively as the margins are expected to improve in the coming periods
- We maintain Buy on Midhani with a revised TP of ₹ 530 (based on 45x P/E on FY27E)

Key Financial Summary

(Year-end March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	859	872	1,073	1,074	7.7	1,257	1,470	17.0
EBITDA	262	258	194	218	(6.0)	283	362	28.9
EBITDA margin (%)	30.5	29.5	18.1	20.3		22.5	24.6	
Net Profit	177	156	92	111	(14.4)	161	220	40.9
EPS (Rs)	9.4	8.3	4.9	5.9		8.6	11.8	
P/E (x)	45.4	51.3	87.4	72.3		49.7	36.4	
EV/EBITDA (x)	31.3	32.6	42.9	37.6		28.7	22.2	
RoCE (%)	17.9	14.5	10.1	11.2		14.0	17.1	
RoE (%)	14.8	12.2	7.0	7.8		10.3	12.7	

Source: Company, ICICI Direct Research



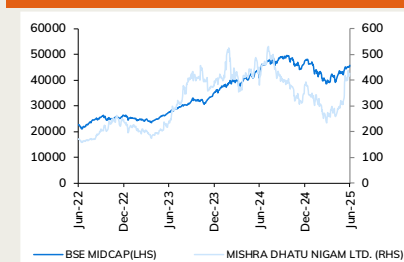
Particulars

Particulars	Rs crore
Market Capitalisation	8,018
FY25 Gross Debt	234
FY25 Cash	51
EV	8,201
52 Week H/L (Rs)	541 / 217
Equity Capital	187.3
Face Value	10.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	74.0	74.0	74.0	74.0
FII	1.3	1.4	1.3	1.7
DII	9.3	8.4	8.5	8.8
Others	15.4	16.1	16.3	15.6

Price Chart



Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials

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Q4 and FY25 Result Summary

- Revenue increased by 1.2% YoY (+72.5% QoQ) at Rs 410.6 crore in Q4FY25
- EBITDA margin during the quarter stands at 22.7% (+290 bps YoY, +70 bps QoQ). EBITDA was up 16.1% YoY (+78% QoQ) to Rs 93.3 crore
- PAT was up 21.3% YoY (+120.2% QoQ) to Rs 56.2 crore
- The FY25 revenue was flattish YoY but in line with the provisional estimates at Rs 1074 crore with EBITDA margin standing at 20.3% (vs 18.1% in FY24). PAT has increased by 20.8% YoY to Rs 110.8 crore in FY25

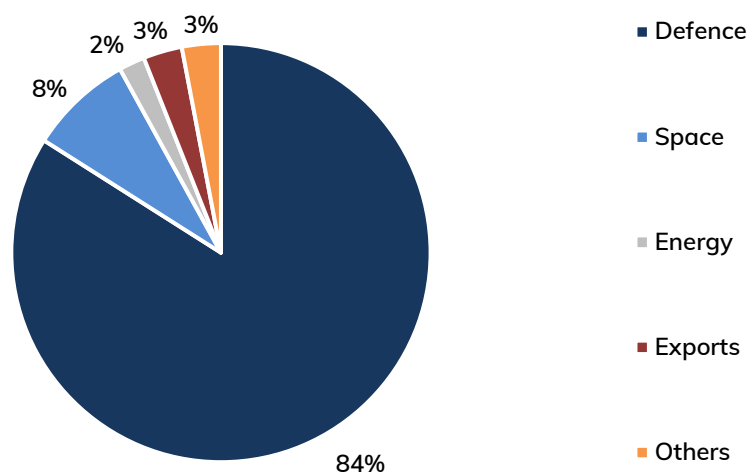
Q4FY25 Earnings call highlights

- Management guides FY26E revenue growth of 20% YoY, driven by pick-up in execution across segments
- The revenue for the year Rs 1074 was majorly contributed through defence (74%), followed by space (11%), exports (9%) and energy and others contributing 1% and 5% respectively
- Orders book stands at ₹ 1832 crore as of Mar-25, of which majority of orders, (~84%) are from Defence sector comprising naval and army platforms (contributing 70-75%), Space (8%), Others (3%). The export and energy segment are both 2.5% of the book
- The company expects a further inflow of around Rs 1500 crores in the year (significant orders expected from both defence and aerospace sectors)
- EBITDA margin has also improved due to lower RM prices and operational efficiencies. Going forward the company is addressing raw material supply concerns through scrap salvage and indigenous production as they experience 10-15% price fluctuations in importing
- Efforts are underway to improve cost efficiencies and sustainability through, including exploring scrap processing and recycling plants
- The company has newly commissioned a titanium plant that has a capacity of producing 250-300 ton/ per month and is expected to meet the growing demands from aerospace and defence sectors
- The current facility for titanium and super alloys is expected to be at 100% utilisation in FY26E and would contribute towards the projected 25% margin.
- The Wide Plate Mill (WPM) has been designed primarily to meet import substitution, the facility focuses on the production of advanced materials including aerospace grade aluminium alloys and high strength steel plates
- Currently the WPM operates below its full capacity, but it is gradually set to ramp up as product development stabilises and the demand increases. The mill has successfully initiated production trails for aerospace grade aluminium which were previously imported
- The company has completed the capex of Rs 50 crore for the year and plans a capex of Rs 75-100 crore annually, with discussions for a larger and long-term project
- On the export front, the company has marked a threefold increase and the management guides a revenue higher of Rs 100-120 crore for FY26E. The team was also positive about having a higher share of exports in order book going forward
- With respect to the Rohtak armour plant, which deals in body and vehicle armouring for the navy and army. The current order book is at Rs 10 crore and the management is targeting a Rs 30 crore order book by the end of year
- The company engages in the production of the Kaveri engine for HAL, as they are the sole providers of alloys and metals that have already undergone dye testing. Going forward the management expects good traction as follow on orders are expected post completion.

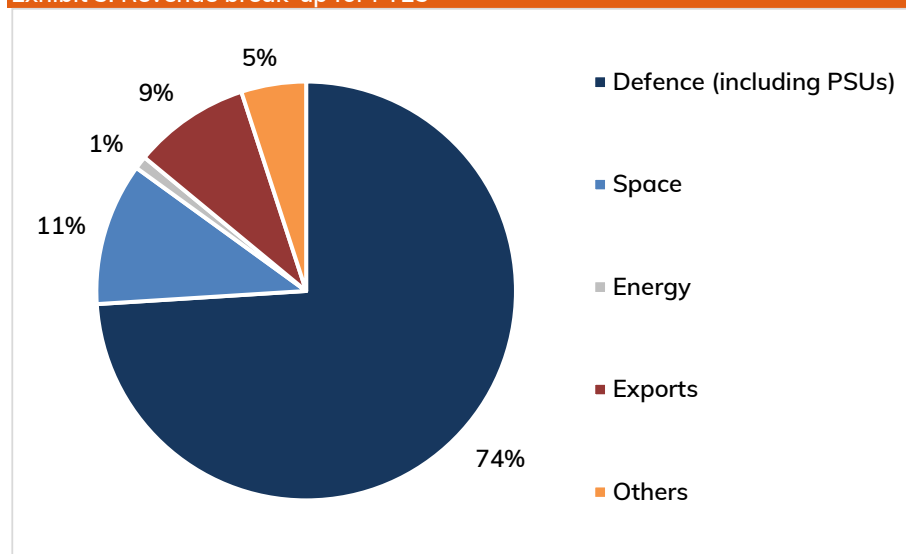
Exhibit 1: Q4 and FY25 performance

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments	FY25	FY24	YoY(%)
Revenue	410.6	405.5	1.2	238.0	72.5	Execution during the quarter has improved significantly QoQ	1,074.1	1,072.7	0.1
Other income	7.6	8.1		7.0			30.9	29.9	
Total Revenue	418.2	413.6		245.0			1,105.0	1,102.6	
Raw materials costs	192.2	198.9		81.0			430.7	448.5	
Employees Expenses	40.0	36.2		36.1			142.3	133.8	
Other Expenses	85.0	90.0		68.5			283.0	296.2	
Total Expenditure	317.2	325.1		185.5			856.1	878.5	
EBITDA	93.3	80.4	16.1	52.4	78.0	EBITDA margin has improved due to lower RM prices and operational efficiencies	218.0	194.2	12.3
EBITDA margins (%)	22.7	19.8	14.7	22.0	70 bps		20.3	18.1	12.2
Interest	7.4	8.4		7.3			29.4	34.6	
Depreciation	16.4	15.5		16.2			63.5	58.6	
Tax	21.0	18.3		10.7			46.0	39.7	
PAT	56.2	46.3	21.3	25.5	120.2		110.8	91.8	20.8

Source: Company, ICICI Direct Research

Exhibit 2: Order book breakup as on Mar-25 end


Source: Company, ICICI Direct Research

Exhibit 3: Revenue break-up for FY25


Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Net Sales	1,073	1,074	1,257	1,470
% Growth	23.0	0.1	17.0	17.0
Other income	29.9	30.9	37.1	44.5
Total Revenue	1,073	1,074	1,257	1,470
% Growth	23.0	0.1	17.0	17.0
Total Raw Material Costs	449	431	524	613
Employee Expenses	134	142	152	165
other expenses	296	283	297	330
Total Operating Expenditure	879	856	974	1,108
Operating Profit (EBITDA)	194	218	283	362
% Growth	(24.6)	12.3	29.9	27.9
Interest	35	29	25	25
PBDT	190	220	296	382
Depreciation	59	63	67	70
PBT before Exceptional Items	131	156	229	312
Total Tax	40	46	69	93
PAT before MI	91	110	160	218
PAT	92	111	161	220
% Growth	(41.3)	20.8	45.6	36.4
EPS	4.9	5.9	8.6	11.8

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	92	111	161	220
Depreciation	59	63	67	70
Interest	35	29	25	25
Cash Flow before WC changes	185	204	253	315
Changes in inventory	(85)	29	(182)	(208)
Changes in debtors	(7)	(87)	(54)	(59)
Changes in loans & Advances	-	-	-	-
Changes in other current assets	79	77	(1)	(4)
Net Increase in Current Assets	(21)	15	(228)	(272)
Changes in creditors	(39)	(27)	27	41
Changes in provisions	(1)	1	9	13
Net Inc in Current Liabilities	29	(20)	75	105
Net CF from Operating activities	193	199	100	149
Changes in deferred tax assets	1	-	-	-
(Purchase)/Sale of Fixed Assets	(78)	(48)	(90)	(100)
Net CF from Investing activities	(35)	(30)	(63)	(53)
Dividend and Dividend Tax	(26)	(14)	(34)	(56)
Net CF from Financing Activities	(156)	(135)	(30)	(81)
Net Cash flow	2	34	7	15
Opening Cash/Cash Equivalent	14	17	51	58
Closing Cash/ Cash Equivalent	17	51	58	73

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	187.3	187.3	187.3	187.3
Reserve and Surplus	1,132	1,228	1,385	1,549
Total Shareholders funds	1,319	1,415	1,572	1,736
Other Non Current Liabilities	623.1	639.1	747.8	874.9
Total Debt	324	234	234	234
Total Liabilities	2,395	2,424	2,678	2,969
Gross Block	1,296	1,403	1,473	1,558
Acc: Depreciation	268	332	398	469
Net Block	1,028	1,071	1,075	1,089
Capital WIP	83	25	45	60
Total Fixed Assets	1,115	1,099	1,124	1,153
Non Current Assets	2	4	4	4
Inventory	1,310	1,281	1,463	1,672
Debtors	323	410	465	524
Other Current Assets	101	24	25	29
Cash	17	51	58	73
Total Current Assets	1,767	1,787	2,021	2,308
Current Liabilities	120	93	121	161
Provisions	2	90	90	91
Total Current Liabilities	510	491	566	671
Net Current Assets	1,257	1,296	1,455	1,637
Total Assets	2,395	2,424	2,678	2,969

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	4.9	5.9	8.6	11.8
Cash per Share	0.9	2.7	6.8	11.9
BV	70.4	75.5	83.9	92.7
Dividend per share	1.4	0.8	1.8	3.0
Dividend payout ratio	29%	13%	21%	26%
EBITDA Margin	18.1	20.3	22.5	24.6
PAT Margin	8.9	10.5	12.8	15.0
RoE	7.0	7.8	10.3	12.7
RoCE	10.1	11.2	14.0	17.1
RoIC	8.3	9.7	12.4	15.4
EV / EBITDA	42.9	37.6	28.7	22.2
P/E	87.4	72.3	49.7	36.4
EV / Net Sales	7.8	7.6	6.5	5.5
Sales / Equity	0.8	0.8	0.8	0.8
Market Cap / Sales	7.5	7.5	6.4	5.5
Price to Book Value	6.1	5.7	5.1	4.6
Asset turnover	0.7	0.7	0.7	0.7
Debtors Turnover Ratio	3.4	2.9	2.9	3.0
Creditors Turnover Ratio	7.7	10.1	11.8	10.4
Debt / Equity	0.2	0.2	0.1	0.1
Current Ratio	6.2	7.2	7.2	6.8
Quick Ratio	1.5	1.8	1.8	1.7

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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