

Improving execution, strong pipeline to drive growth ahead...

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 ₹ 2440 crore as of Dec-25 end, of which ~72% is contributed by aerospace and defence segment, and balance from space segment, exports and others

Investment Rationale:

- **Execution recovery visible; strong order book supports H2 momentum:** Q3FY26 reflected a sequential recovery in revenue and profitability, indicating improvement in execution after earlier processing delays in superalloys. With an order book of ₹2,594 crore (~1.9x TTM revenue) as on date, revenue visibility remains healthy over the next 12–18 months. Defence continues to account for ~72% of the order book, spanning aero-engine alloys, missile programs and protection systems. Management remains confident in a growth trajectory of about 20%, supported by a strong pipeline of titanium and superalloys orders, and rising activity in the space, nuclear, and energy sectors. The aerospace and defence sectors are crucial for future orders, driven by significant capital investments in platforms including aircraft, engines, missiles, and tanks.
- **Capacity utilization improving; focus on value-added products to support margins:** Titanium alloy facilities are operating at nearly full capacity, with a 20% YoY increase in remelting volumes. New units like the helical spring plant and rolling mill are being integrated. Management is focusing on value-added products such as castings, fasteners, specialty springs, fabricated titanium components, and metallic powders to enhance profit margins. A customer-owned Metal Bank is expected to improve raw material security and working capital efficiency. The company is also a key materials supplier for India's strategic programs, including ISRO launch vehicles, Chandrayaan missions, and indigenous aero-engine development (AMCA, F414, Kaveri engine). CEMILAC certifications and the upcoming NADCAP heat treatment certification (expected in Q4FY26) enhances the company's global qualification and export readiness. Management reiterates EBITDA margin guidance of ~23%, with medium-term revenue aspiration of ₹2,000+ crore driven by modernization and phased capex.

Rating and Target Price

- Midhani is expected to benefit substantially from robust order prospects, new product developments with increasing indigenisation. We trim our estimates for FY26E/27E/28E, factoring in slower than expected execution
- We estimate revenue CAGR at ~16% while EBITDA & PAT CAGR at ~22% & ~27% for FY25-28E period respectively. We maintain Buy on Midhani with a revised TP of ₹ 425 (based on 35x P/E on FY28E)

Key Financial Summary

(Year-end March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-27E)
Revenues	859	872	1,073	1,074	7.7	1,192	1,413	1,681	16.1
EBITDA	262	258	194	218	(6.0)	268	323	391	21.5
EBITDA margin (%)	30.5	29.5	18.1	20.3		22.5	22.9	23.3	
Net Profit	177	156	92	111	(14.4)	142	179	226	26.7
EPS (Rs)	9.4	8.3	4.9	5.9		7.6	9.6	12.0	
P/E (x)	38.7	43.8	74.5	61.7		48.1	38.2	30.3	
EV/EBITDA (x)	26.8	28.0	36.8	32.2		25.9	21.2	17.5	
RoCE (%)	17.9	14.5	10.1	11.2		13.2	15.3	17.3	
RoE (%)	14.8	12.2	7.0	7.8		9.3	10.9	12.4	

Source: Company, ICICI Direct Research



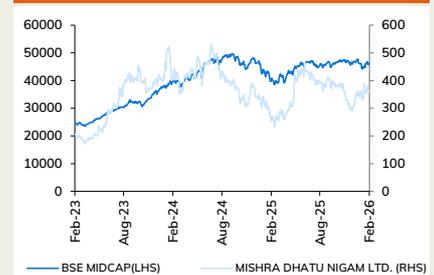
Particulars

Particulars	Rs crore
Market Capitalisation	6,838
FY25 Gross Debt	234
FY25 Cash	51
EV	7,021
52 Week H/L (Rs)	469 / 217
Equity Capital	187.3
Face Value	10.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	74.0	74.0	74.0	74.0
FII	1.7	1.3	1.4	1.3
DII	8.8	9.0	8.8	7.9
Others	15.6	15.7	15.8	16.8

Price Chart



Key risks

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

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Q3 and 9MFY26 Result Summary

- Revenue increased by 15.8% YoY (+31.4% QoQ) at Rs 275.7 crore in Q3FY26, indicating pickup in execution after a muted H1FY26
- EBITDA margin contracted 222 bps YoY to 19.8%, though improved sharply on QoQ basis (+421 bps) supported by lower raw material costs and operational efficiencies
- Subsequently, EBITDA rose 4.2% YoY (+66.8% QoQ) to Rs 54.6 crore. PAT increased 8.3% YoY (+113% QoQ) to Rs 27.6 crore
- For 9MFY26, revenue declined marginally by 1.2% YoY to Rs 655.9 crore. EBITDA fell 2.5% YoY to Rs 121.6 crore with margins at 18.5% (-140 bps YoY), while PAT stood at Rs 53.6 crore (-1.8% YoY)

Q3FY26 Earnings call highlights

- Order book stands at ₹2,440 crore, supported by strong defence, space and energy demand
- Management guides revenue growth of ~20% YoY for FY27E/28E with EBITDA margin at~23%
- Revenue mix (9MFY26): Specialty steels (37%), Superalloys (20%), Titanium alloys (19%), Maraging steel (15%), Others (9%). Defence contributed 28% of the revenue in 9MFY26
- Defence & Aerospace momentum remains strong with continued supplies to ISRO (PSLV, GSLV, LVM3, Chandrayaan programs) and readiness to support indigenous aero-engine programs including AMCA and F414 co-production.
- The company is working closely with GTRE on Kaveri engine; all flight-tested Kaveri engines incorporate MIDHANI materials.
- Titanium alloy plant operating near full capacity with ~465 tons remelted (+20% YoY)
- NADCAP heat treatment has completed its audit requirements and the management expects the final certification in Q4FY26, which could unlock export opportunities.
- Helical spring plant commissioned for Vande Bharat and LHB coaches while the certification required Research Design and Standards Organisation (RDSO certification) is under process.
- Management is currently focusing on value-added products such as castings, fasteners, welding electrodes, specialty springs and fabricated titanium components to improve margins.
- Customer-owned Metal Bank under establishment to mitigate raw material supply risks and improve supply chain stability.
- Inventory optimization underway through scrap utilization and better virgin-scrap mix.
- Long-term aspiration to scale revenue from ~₹1,000 crore to ₹2,000+ crore over next 3–5 years via modernization and capacity expansion.

Exhibit 1: Q3FY26 and 9MFY26 result snapshot (₹ crore)

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments	9MFY26	9MFY25	YoY(%)
Revenue	275.7	238.0	15.8	209.7	31.4	Execution improved sequentially on execution revival	655.9	663.5	-1.2
Other income	7.6	7.0		8.9			23.6	23.3	
Total Revenue	283.2	245.0		218.7			679.5	686.9	
Raw materials costs	104.0	81.0		71.7			214.6	238.5	
Employees Expenses	38.2	36.1		33.4			103.8	102.4	1.4
Other Expenses	78.8	68.5		71.9			215.9	198.0	9.0
Total Expenditure	221.0	185.5		177.0			534.3	538.8	
EBITDA	54.6	52.4	4.2	32.8	66.8		121.6	124.7	-2.5
EBITDA margins (%)	19.8	22.0	-222 bps	15.6	421 bps	Margin improved through lower RM costs and operational efficiencies	18.5	18.8	-1.4
Interest	6.3	7.3		5.8			18.3	22.0	
Depreciation	16.9	16.2		16.8			49.8	47.1	
Tax	11.5	10.7		6.4			24.1	25.0	
PAT	27.6	25.5	8.3	13.0	113.3		53.6	54.5	-1.8

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement		₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E	
Net Sales	1,074	1,192	1,413	1,681	
% Growth	0.1	11.0	18.5	19.0	
Other income	30.9	31.5	34.7	38.2	
Total Revenue	1,074	1,192	1,413	1,681	
% Growth	0.1	11.0	18.5	19.0	
Total Raw Material Costs	431	455	551	664	
Employee Expenses	142	151	166	183	
other expenses	283	318	373	443	
Total Operating Expenditure	856	924	1,089	1,290	
Operating Profit (EBITDA)	218	268	323	391	
% Growth	12.3	23.0	20.6	21.0	
Interest	29	25	25	25	
PBDT	220	275	333	404	
Depreciation	63	67	71	74	
PBT before Exceptional Items	156	208	262	330	
Total Tax	46	66	84	106	
PAT before MI	110	141	178	224	
PAT	111	142	179	226	
% Growth	20.8	28.2	26.1	25.9	
EPS	5.9	7.6	9.6	12.0	

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement		₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E	
Profit after Tax	111	142	179	226	
Depreciation	63	67	71	74	
Interest	29	25	25	25	
Cash Flow before WC changes	204	234	275	325	
Changes in inventory	29	(107)	(218)	(310)	
Changes in debtors	(87)	(31)	(62)	(96)	
Changes in loans & Advances	-	-	-	-	
Changes in other current assets	77	(0)	(4)	(5)	
Net Increase in Current Assets	15	(127)	(285)	(412)	
Changes in creditors	(27)	21	41	29	
Changes in provisions	1	7	13	10	
Net Inc in Current Liabilities	(20)	52	107	103	
Net CF from Operating activities	199	159	97	17	
Changes in deferred tax assets	-	-	-	-	
(Purchase)/Sale of Fixed Assets	(48)	(75)	(75)	(75)	
Net CF from Investing activities	(30)	(87)	(24)	85	
Dividend and Dividend Tax	(95)	(34)	(56)	(56)	
Net CF from Financing Activities	(135)	(60)	(81)	(81)	
Net Cash flow	34	12	(8)	20	
Opening Cash/Cash Equivalent	17	51	63	55	
Closing Cash/ Cash Equivalent	51	63	55	75	

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet		₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E	
Equity Capital	187.3	187.3	187.3	187.3	
Reserve and Surplus	1,228	1,335	1,458	1,628	
Total Shareholders funds	1,415	1,522	1,645	1,815	
Other Non Current Liabilities	639.1	709.4	840.7	1,000.4	
Total Debt	234	234	234	234	
Total Liabilities	2,424	2,590	2,844	3,174	
Gross Block	1,403	1,463	1,538	1,613	
Acc: Depreciation	332	399	470	544	
Net Block	1,071	1,064	1,068	1,069	
Capital WIP	25	40	40	40	
Total Fixed Assets	1,099	1,108	1,112	1,113	
Non Current Assets	4	4	4	4	
Inventory	1,281	1,388	1,606	1,916	
Debtors	410	441	503	599	
Other Current Assets	24	24	28	34	
Cash	51	63	55	75	
Total Current Assets	1,787	1,926	2,202	2,634	
Current Liabilities	93	114	155	184	
Provisions	90	90	91	92	
Total Current Liabilities	491	543	649	753	
Net Current Assets	1,296	1,383	1,553	1,882	
Total Assets	2,424	2,590	2,844	3,174	

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios					
(Year-end March)	FY25	FY26E	FY27E	FY28E	
EPS	5.9	7.6	9.6	12.0	
Cash per Share	2.7	7.1	10.9	12.0	
BV	75.5	81.3	87.8	96.9	
Dividend per share	5.1	1.8	3.0	3.0	
Dividend payout ratio	86%	24%	31%	25%	
EBITDA Margin	20.3	22.5	22.9	23.3	
PAT Margin	10.5	11.9	12.7	13.4	
RoE	7.8	9.3	10.9	12.4	
RoCE	11.2	13.2	15.3	17.3	
RoIC	9.7	11.9	13.8	16.1	
EV / EBITDA	32.2	25.9	21.2	17.5	
P/E	61.7	48.1	38.2	30.3	
EV / Net Sales	6.5	5.8	4.9	4.1	
Sales / Equity	0.8	0.8	0.9	0.9	
Market Cap / Sales	6.4	5.7	4.8	4.1	
Price to Book Value	4.8	4.5	4.2	3.8	
Asset turnover	0.7	0.7	0.8	0.8	
Debtors Turnover Ratio	2.9	2.8	3.0	3.1	
Creditors Turnover Ratio	10.1	11.5	10.5	9.9	
Debt / Equity	0.2	0.2	0.1	0.1	
Current Ratio	7.2	7.1	6.7	7.1	
Quick Ratio	1.8	1.8	1.7	1.8	

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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