

Steady performance...

About the stock: Mishra Dhatu Nigam (Midhani) is a leading manufacturer of special steel, super alloys and titanium alloys catering to niche end-user segments like space, defence, etc.

- Within the overall steel market, Midhani's area of focus is specialty steel
- Midhani's product range includes superalloys, titanium and titanium alloys, special purpose steels and other special alloys

Q2FY22 Results: Midhani reports a steady set of numbers for Q2FY22.

- For Q2FY22, Midhani's consolidated operations posted a topline of ₹ 188 crore, up 15% YoY & 65% QoQ. Consolidated EBITDA for the quarter was at ₹ 52 crore, up 4% YoY and 103% QoQ
- Midhani's consolidated EBITDA margin for Q2FY22 was at 27.6% compared to 22.4% in Q1FY22 and 30.5% in Q2FY21. Ensuing consolidated PAT for the quarter was at ₹ 34 crore up 4% YoY & 82% QoQ

What should investors do? Midhani has given a return of 62% in the last three years (from ~₹ 122 in November 2018 to ~₹ 198 levels in November 2021).

- We downgrade the stock from BUY to HOLD

Target Price and Valuation: We value Midhani at ₹ 210, 20x FY23E EPS.

Key triggers for future price performance:

- As on October 1, 2021, Midhani's order book was at ₹ 1370 crore compared to ₹ 1402 crore as on July 1, 2021
- Over FY21-23E, we expect topline to grow at 18.3% CAGR while EBITDA and PAT are expected to register a CAGR of 10.5% and 8.7%, respectively

Alternate Stock Idea: Within our steel sector coverage we like Ratnamani Metals and Tubes (RMTL).

- Leadership position in stainless steel pipes and tubes segment, differentiates RMTL from its peer group
- BUY with a target price of ₹ 2450



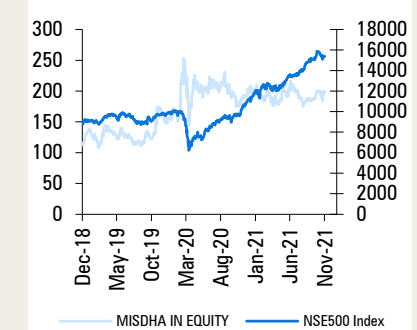
Particulars

Particulars	Amount
Market Capitalisation (in ₹ crore)	3,726.2
Debt in ₹ crore (FY21)	160.4
Cash & Cash Eq. in ₹ crore (FY21)	93.9
EV (in ₹ crore)	3,792.7
52 Week H / L (₹)	₹221/₹173
Equity Capital (₹ crore)	187.3
Face Value (₹)	10.0

Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	74	74	74	74	74
FII's	1	1	0	0	0
DII's	17	17	14	14	14
Others	9	9	11	12	12
Total	100	100	100	100	100

Price Chart



Key Risks

- Higher than expected increase in order book position
- Higher than expected increase in operating costs

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Key Financial Summary

(₹ crore)	FY18	FY19	FY20	FY21	CAGR (FY16-FY21) in %	FY22E	FY23E	CAGR (FY21-FY23E) in %
Total Operating income	662	711	713	813	2.6	954	1,138	18.3
EBITDA	191	184	198	245	10.2	262	299	10.5
EBITDA Margin (%)	28.8	25.8	27.7	30.2		27.5	26.3	
Net Profit	131	131	160	166	6.9	176	197	8.7
Diluted EPS (₹)	7.0	7.0	8.5	8.9		9.4	10.5	
P/E	28.3	28.4	23.2	22.3		21.1	18.9	
RoE (%)	16.6	15.6	16.7	15.5		14.9	14.3	
RoCE (%)	19.4	17.1	15.7	17.7		16.4	16.0	

Source: Company, ICICI Direct Research

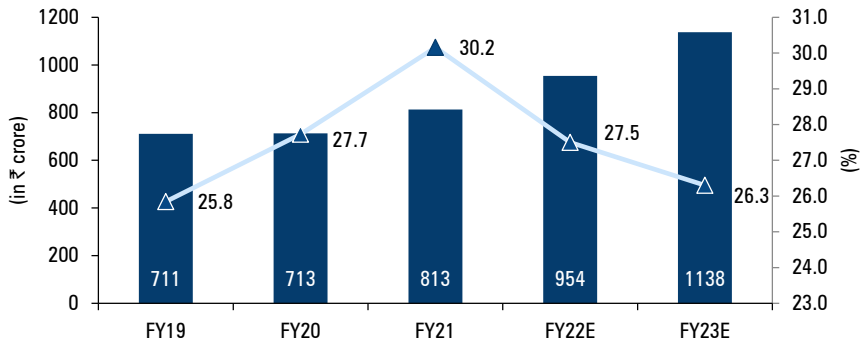
Exhibit 1: Variance Analysis

	Q2FY22	Q2FY21	YoY (in %)	Q1FY22	QoQ (in %)	Comments
Total Operating Income	188	164	14.7	114	64.8	Topline up 15% YoY, 65% QoQ
Other Income	2	4	(46.2)	8	(74.4)	
Raw Material Expense	31	36	(12.3)	19	65.9	
Employee Expense	31	29	6.5	29	6.9	
Other Operating Expense	73	49	50.5	40	81.8	
EBITDA	52	50	4.0	26	103.2	EBITDA up 4% YoY, 103% QoQ
EBITDA Margin (%)	27.6	30.5	-286 bps	24.6	299 bps	
Depreciation	7	7	4.5	7	2.4	
Interest	2	3	(41.0)	2	(10.7)	
Share of Profit	0	(0)	LP	(0)	LP	
PBT	46	44	3.1	25	83.0	
Tax Outgo	12	12	(0.6)	6	87.4	
PAT	34	33	4.4	19	81.5	Ensuing PAT up 4% YoY, 82% QoQ

Source: Company, ICICI Direct Research

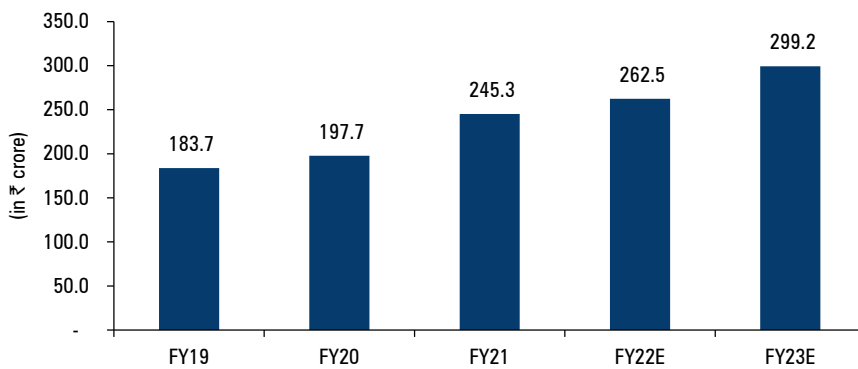
Financial story in charts

Exhibit 2: Trend in topline, EBITDA margin (topline in ₹ crore, EBITDA margin in %)



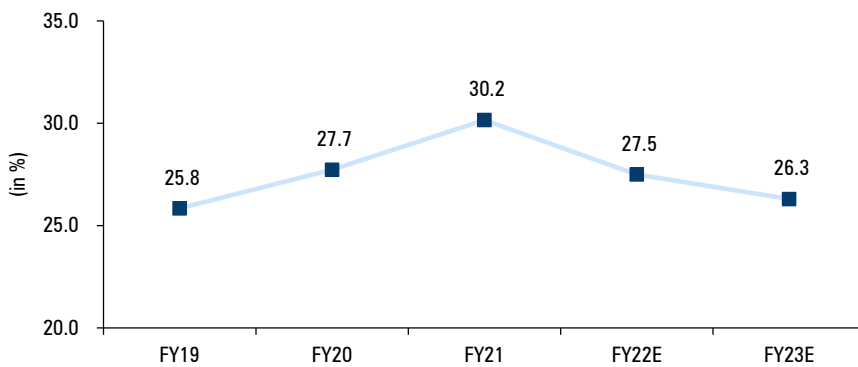
Source: Company, ICICI Direct Research

Exhibit 3: Trend in EBITDA (in ₹ crore)



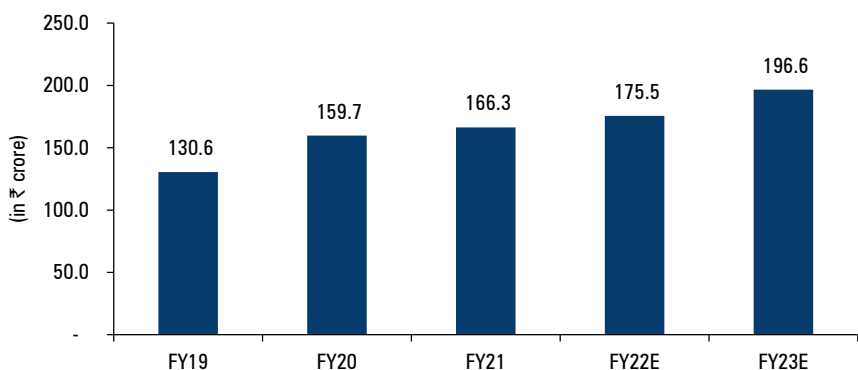
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margins trend (in %)



Source: Company, ICICI Direct Research

Exhibit 5: PAT trend (in ₹ crore)



Source: Company, ICICI Direct Research

Exhibit 6: Valuation

	Total Operating Income (₹Cr)	Growth (%)	EPS(₹)	Growth (%)	PE(x)	EV/EBIDTA (x)	P/ BV(x)	RoE(%)	RoCE(%)
FY19	710.8	0.0	7.0	0.0	28.4	19.7	4.4	15.6	17.1
FY20	712.9	0.3	8.5	22.3	23.2	18.9	3.9	16.7	15.7
FY21	813.2	14.1	8.9	4.1	22.3	15.4	3.5	15.5	17.7
FY22	954.4	17.4	9.4	5.5	21.1	14.8	3.1	14.9	16.4
FY23E	1137.8	19.2	10.5	12.0	18.9	13.0	2.7	14.3	16.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total Operating Income	713	813	954	1,138
Growth (%)	0%	14%	17%	19%
Total Operating Expenditure	515	568	692	839
EBITDA	198	245	262	299
Growth (%)	8%	24%	7%	14%
Interest & Finance Cost	6	12	13	15
Depreciation	26	27	37	44
Other Income	36	20	22	23
PBT before Exceptional Item	202	226	235	263
Less: Exceptional Items	0	0	0	0
PBT	202	226	235	263
Total Tax	42	60	59	66
PAT	160	166	176	197
Growth (%)	22%	4%	6%	12%
EPS	8.5	8.9	9.4	10.5

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	187	187	187	187
Reserve and Surplus	771	885	991	1187
Total Shareholders funds	958	1073	1178	1374
Total Debt	134	160	200	225
Other Non-Current Liabilities	711	712	812	912
Deferred Tax Liability (net)	31	34	39	45
Source of Funds	1835	1979	2229	2556
Net Block	441	429	817	1008
Capital WIP	405	549	324	289
Net Fixed Assets	846	978	1141	1297
Investments	22	22	22	22
Inventory	911	801	941	1091
Cash	111	94	32	50
Debtors	297	386	458	530
Loans & Advances & Other CA	195	170	191	213
Total Current Assets	1514	1451	1622	1884
Creditors	129	86	105	131
Provisions & Other CL	435	397	462	528
Total Current Liabilities	563	482	567	659
Net Current Assets	951	969	1055	1225
Other Non-current assets	16	10	11	12
Application of Funds	1835	1979	2229	2556

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	160	166	176	197
Add: Dep. & Amortization	26	27	37	44
Net (Inc) / dec.in Current Asset	(117)	46	(232)	(245)
Net Inc / (dec) in Current Liab.	136	(81)	84	92
CF from Operating Actv.	204	158	64	88
(Inc)/dec in Investments	(20)	-	-	-
(Inc)/dec in Fixed Assets	(272)	(159)	(200)	(200)
Others	-	-	-	-
CF from Investing Actv.	(292)	(159)	(200)	(200)
Inc / (Dec) in Equity Capital	-	-	-	-
Inc / (Dec) in Loans	27	27	40	25
Dividend & Dividend Tax	(58)	(52)	(70)	(70)
Others	31	9	104	175
CF from Financing Actv.	0	(16)	74	130
Net Cash flow	(87)	(17)	(62)	18
Opening Cash	198	111	94	32
Closing Cash	111	94	32	50

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	8.5	8.9	9.4	10.5
BV	51.2	57.3	62.9	73.4
DPS	2.6	2.8	3.8	3.8
Cash Per Share	5.9	5.0	1.7	2.7
Operating Ratios (%)				
EBITDA margins	27.7	30.2	27.5	26.3
PBT margins	28.3	27.8	24.6	23.1
Net Profit margins	22.4	20.4	18.4	17.3
Inventory days	466	359	360	350
Debtor days	152	173	175	170
Creditor days	66	38	40	42
Return Ratios (%)				
RoE	16.7	15.5	14.9	14.3
RoCE	15.7	17.7	16.4	16.0
RoIC	17.5	19.2	16.8	16.5
Valuation Ratios (x)				
P/E	23.2	22.3	21.1	18.9
EV / EBITDA	18.9	15.4	14.8	13.0
EV / Revenues	5.2	4.6	4.1	3.4
Market Cap / Revenues	5.2	4.6	3.9	3.3
Price to Book Value	3.9	3.5	3.1	2.7
Solvency Ratios				
Debt / Equity	0.1	0.1	0.2	0.2
Debt/EBITDA	0.7	0.7	0.8	0.8
Current Ratio	2.7	3.0	2.9	2.9
Quick Ratio	1.1	1.3	1.2	1.2

Source: Company, ICICI Direct Research

Exhibit 11: ICICI Direct coverage universe (Metals and Mining)

	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	(₹)		(₹ Cr)	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Coal India	167	160	Hold	103880	20.6	25.1	27.7	7.1	5.9	5.3	4.1	3.9	3.9	42.3	43.1	41.2	34.8	36.7	35.5
Hindalco	454	650	Buy	102145	25.5	56.8	63.8	21.3	9.6	8.5	9.6	6.3	5.3	8.8	14.5	15.2	8.5	17.1	16.4
JSW Steel	660	725	Hold	159536	32.9	82.5	66.4	20.1	8.0	9.9	10.5	5.7	6.4	13.8	22.1	15.3	17.0	30.0	19.5
NMDC	145	210	Buy	41717	21.3	24.7	9.5	8.3	7.2	9.2	5.5	4.6	5.3	27.0	24.9	17.2	21.0	20.5	14.6
Ratnamani	2160	2450	Buy	10092	59.0	76.2	98.0	35.9	27.8	21.6	23.5	17.1	13.8	15.7	19.3	20.1	13.9	15.7	17.2
Graphite Ind.	524	650	Buy	10253	-2.0	31.0	63.0	NA	16.8	8.4	NA	11.1	4.7	-5.4	12.1	23.1	-0.7	12.4	21.2
Tata Steel	1300	1750	Buy	156528	77.1	260.2	179.9	18.9	5.6	8.1	8.4	4.0	4.9	13.1	29.5	20.2	12.4	30.5	17.5
Jindal Stainless	180	250	Buy	8758	8.6	26.2	22.7	22.3	7.3	8.5	8.7	5.4	6.3	16.0	25.2	18.1	13.0	29.1	20.1
Jindal Stainless Hisar	319	488	Buy	7531	29.5	63.9	58.9	11.5	5.3	5.8	8.4	4.7	4.5	18.6	26.7	20.9	23.2	32.4	22.5
Vardhman Special Steel	270	340	Buy	1095	10.9	24.9	29.5	24.1	10.6	8.9	11.5	6.6	5.8	13.7	21.2	21.1	9.6	18.5	18.3
Tata Metaliks	976	1300	Buy	3084	69.9	88.9	101.2	15.5	12.1	10.7	8.3	7.1	5.7	24.6	24.9	23.0	17.0	18.1	17.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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