

# Shubh Nivesh



## Strong order inflow to continue...

**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 defence, space and energy

- Company has two state of the art manufacturing facilities – Hyderabad (Telangana) and Rohtak (Haryana)
- Company's order backlog stood at ₹ 1767 crore as of May 2024 end, of which ~78% is contributed by defence segment, ~12% by space segment, ~5% by exports and balance ~5% by others

### Investment Rationale:

- **Strong focus on increasing capacities & capabilities for wide-range of strategic materials:** 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 (for indigenised critical materials across these sectors), backed by technological advancements through in-house R&D and tie-ups with various organisations
- **Orders inflow prospects remains robust:** The Company's order backlog stood at ₹ 1767 crore as of May 2024 end (~1.7x of FY24 revenues), which gives healthy revenue growth visibility over the next 2 years given the short execution cycle for large part of this order book. Moreover, orders inflow prospects remains robust for company's products considering the strong pipeline in defence, space and other segments (like energy, railways, civil aviation etc). Defence remains 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. Company guides for healthy order inflows of ₹ 1150 crore in FY25E (₹ 1322 crore worth of orders received in FY24). We believe that company's operational performance is expected to improve substantially in the coming periods led by improvement in supply chain and inventory management

### 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 FY24-26E, we estimate revenue CAGR at ~23% while EBITDA & PAT CAGR at ~41% & ~57% respectively as the margins are expected to improve in the coming periods
- We value Midhani at ₹ 600 i.e. 50x P/E on FY26E

### Key Financial Summary

(Year-end March)	FY20	FY21	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	2 Year CAGR (FY24-26E)
Revenues	713	813	859	872	1,073	9.7	1,312	1,634	23.4
EBITDA	198	245	262	258	194	(7.5)	285	385	40.9
EBITDA margin (%)	27.7	30.2	30.5	29.5	18.1		21.7	23.6	
Net Profit	158	166	177	156	92	(18.0)	154	225	56.6
EPS (Rs)	8.4	8.9	9.4	8.3	4.9		8.2	12.0	
P/E (x)	58.5	55.6	52.4	59.2	100.8		60.3	41.1	
EV/EBITDA (x)	46.9	38.0	36.1	37.4	49.3		33.8	24.9	
RoCE (%)	19.1	19.3	17.9	14.5	10.1		13.6	17.7	
RoE (%)	16.5	15.5	14.8	12.2	7.0		10.4	13.9	

Source: Company, ICICI Direct Research



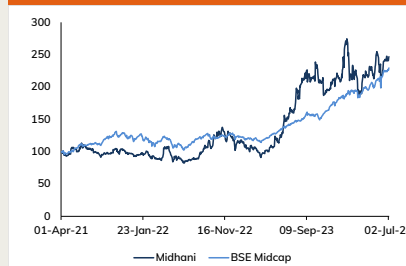
### Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	9,255
FY24 Gross Debt (Rs Crore)	324
FY24 Cash (Rs Crore)	17
EV (Rs Crore)	9,562
52 Week H/L (Rs)	548 / 287
Equity Capital	187.3
Face Value	10.0

### Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	74.0	74.0	74.0	74.0
FII	1.0	1.2	1.0	1.1
DII	13.1	12.5	11.8	11.0
Others	11.9	12.3	13.2	13.9

### Price Chart



### Key risks

- (i) Dependence on contracts from government agencies
- (iii) Raw materials availability & cost volatility
- (iii) Competition from private players

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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