

Targets topline of ~₹ 1000 crore for FY23E....

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 super alloys, titanium and titanium alloys, special purpose steels and other special alloys

Key Highlights:

- The wide plate mill of Midhani is currently under trial runs. Revenue from wide plate mill is expected to improve in coming quarters. Once the wide plate mill is fully ramped up, it is expected to generate revenue to the tune of ~₹ 500 crore. The ₹ 500 crore annual revenue run rate from the wide plate mill is expected to be reached in FY24E once the entire product range is established
- Midhani is targeting a topline of ~ ₹ 1000 crore for FY23
- The company is currently seeing good potential from the space segment.
- Of the order book position of ~₹ 1501 crore as on 1st Oct 2022, ~55% is from Defence, ~35% from space and balance ~10% is from others.

What should investors do? Midhani has given a return of ~32% in the last one year (from ~₹ 186 in December 2021 to ~₹ 246 levels in December 2022).

- Aided by a healthy demand environment from both defence and space segment, we expect a healthy pick-up in the topline, going forward. Hence, we upgrade the stock from HOLD to **BUY**

Target Price and Valuation: We value Midhani at ₹ 285, 22x FY24E EPS.

Key triggers for future price performance:

- As on October 1, 2022, Midhani's order book was at ₹ 1501 crore compared to ₹ 1359 crore as on July 1, 2022. In terms of order book break-up, ~55% is from the defence segment, ~35% is from the space segment while balance ~10% is from others
- Over FY22-24E, we expect the consolidated topline to grow at 18.8% CAGR while EBITDA and PAT are expected to grow at a CAGR of 16.8% and 17.3%, respectively

Alternate Stock Idea: Within our steel sector coverage we also like Ratnamani.

- Ratnamani Metals and Tubes (RMTL) is a niche player with superior capabilities in the industrial pipes and tubes segment
- BUY with a target price of ₹ 2225

Key Financial Summary

(₹ crore)	FY19	FY20	FY21	FY22	CAGR (FY17-FY22) in %	FY23E	FY24E	CAGR (FY22-FY24E) in %
Total Operating income	711	713	813	859	2	1,003	1,213	19
EBITDA	184	198	245	262	7	291	358	17
EBITDA Margin (%)	25.8	27.7	30.2	30.5		29.0	29.5	
Net Profit	131	160	166	177	7	193	243	17
Diluted EPS (₹)	7.0	8.5	8.9	9.4		10.3	13.0	
P/E	35.0	28.6	27.5	25.9		23.7	18.8	
RoE (%)	15.6	16.7	15.5	14.8		14.6	16.1	
RoCE (%)	17.1	15.7	17.7	15.7		15.7	18.2	

Source: Company, ICICI Direct Research



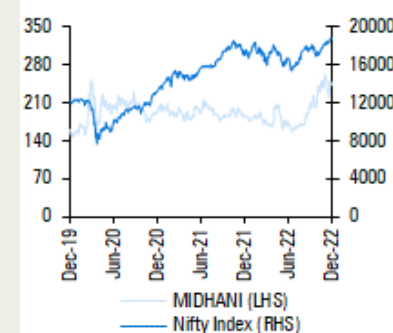
Particulars

Particulars	Amount
Market Capitalisation (in ₹ crore)	4,570
Debt in ₹ crore (FY22)	268
Cash & Cash Eq. in ₹ crore (FY22)	63
EV (in ₹ crore)	4,775
52 Week H / L (₹)	₹269/₹156
Equity Capital (₹ crore)	187.3
Face Value (₹)	10.0

Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	74.0	74.0	74.0	74.0
FIs	0.3	0.3	0.5	0.5
DIs	14.3	14.7	14.6	15.6
Others	11.5	11.0	10.9	9.9
Total	100.0	100.0	100.0	100.0

Price Chart



Key Risks

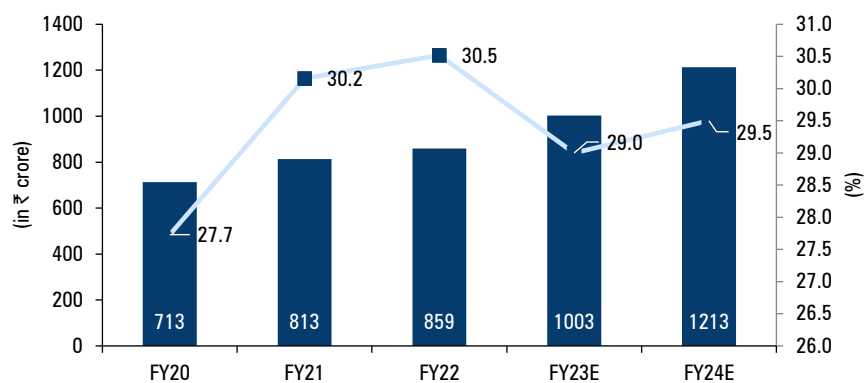
- Lower than expected increase in order book position
- Higher than expected increase in operating costs

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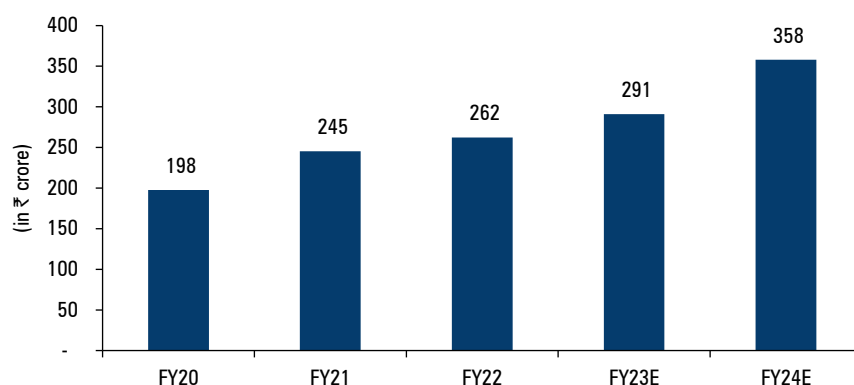
Financial story in charts

Exhibit 1: Trend in topline, EBITDA margin (topline in ₹ crore, EBITDA margin in %)



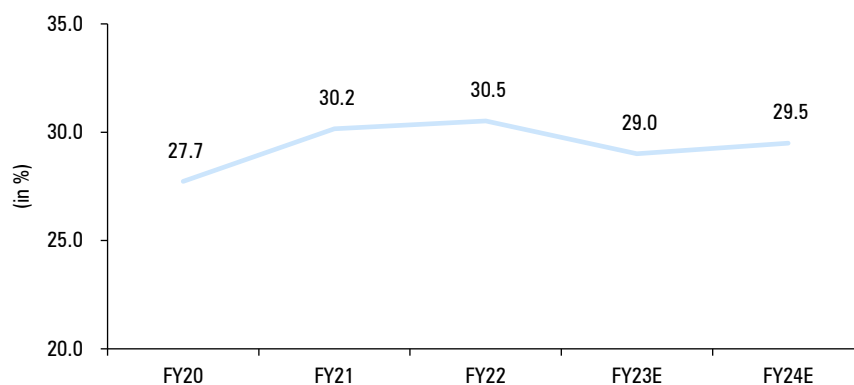
Source: Company, ICICI Direct Research

Exhibit 2: Trend in EBITDA (in ₹ crore)



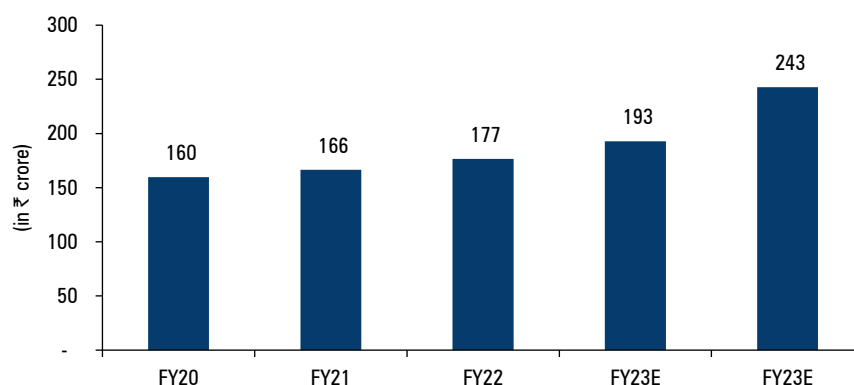
Source: Company, ICICI Direct Research

Exhibit 3: EBITDA margins trend (in %)



Source: Company, ICICI Direct Research

Exhibit 4: PAT trend (in ₹ crore)



Source: Company, ICICI Direct Research

Exhibit 5: Valuation

Years	Total Op Income	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(Rs)	(%)	(x)	(x)	(%)	(%)
FY20	713	0.3	8.5	22.3	28.6	23.2	16.7	15.7
FY21	813	14.1	8.9	4.2	27.5	18.9	15.5	17.7
FY22	859	5.7	9.4	6.1	25.9	18.2	14.8	15.7
FY23E	1003	16.7	10.3	9.2	23.7	15.9	14.6	15.7
FY24E	1213	21.0	13.0	26.0	18.8	12.9	16.1	18.2

Source: Company, ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Total Operating Income	813	859	1,003	1,213	
Growth (%)	14%	6%	17%	21%	
Total Operating Expenditure	568	597	712	855	
EBITDA	245	262	291	358	
Growth (%)	24%	7%	11%	23%	
Interest & Finance Cost	12	21	18	16	
Depreciation	27	33	49	53	
Other Income	20	31	34	36	
PBT before Exceptional Item	226	239	258	325	
Less: Exceptional Items	0	0	0	0	
PBT	226	239	258	325	
Total Tax	60	63	65	82	
PAT	166	177	193	243	
Growth (%)	4%	6%	9%	26%	
EPS	8.9	9.4	10.3	13.0	

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	166	177	193	243	
Add: Dep. & Amortization	27	33	49	53	
Net (Inc) / dec.in Current Asset	46	(259)	11	(161)	
Net Inc / (dec) in Current Liab.	(81)	80	57	60	
CF from Operating Actv.	158	31	310	194	
(Inc)/dec in Investments	-	1	-	-	
(Inc)/dec in Fixed Assets	(159)	(126)	(131)	(131)	
Others	-	-	-	-	
CF from Investing Actv.	(159)	(125)	(131)	(131)	
Inc / (Dec) in Equity Capital	-	-	-	-	
Inc / (Dec) in Loans	27	107	(50)	(50)	
Dividend & Dividend Tax	(52)	(58)	(58)	(58)	
Others	9	13	20	21	
CF from Financing Actv.	(16)	62	(88)	(87)	
Net Cash flow	(17)	(31)	91	(24)	
Opening Cash	111	94	63	154	
Closing Cash	94	63	154	130	

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Equity Capital	187	187	187	187	
Reserve and Surplus	885	1002	1137	1322	
Total Shareholders funds	1073	1190	1324	1509	
Total Debt	160	268	218	168	
Other Non-Current Liabilities	712	725	741	758	
Deferred Tax Liability (net)	34	35	40	47	
Source of Funds	1979	2217	2324	2481	
Gross Block - Fixed Assets	556	1099	1216	1329	
Accumulated Depreciation	127	160	160	160	
Net Block	429	939	1056	1169	
Capital WIP	549	132	97	62	
Net Fixed Assets	978	1070	1152	1230	
Investments	22	21	21	21	
Inventory	801	1091	1030	1164	
Cash	94	63	154	130	
Debtors	386	306	330	366	
Loans & Advances & Other C/	170	218	244	236	
Total Current Assets	1451	1678	1758	1896	
Creditors	86	176	220	266	
Provisions & Other CL	397	386	399	412	
Total Current Liabilities	482	562	619	678	
Net Current Assets	969	1116	1139	1218	
Other Non-current assets	10	10	11	12	
Application of Funds	1979	2217	2324	2481	

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	
Per share data (₹)					
EPS	8.9	9.4	10.3	13.0	
BV	57.3	63.5	70.7	80.6	
DPS	2.8	3.1	3.1	3.1	
Cash Per Share	5.0	3.3	8.2	6.9	
Operating Ratios (%)					
EBITDA margins	30.2	30.5	29.0	29.5	
PBT margins	27.8	27.9	25.7	26.7	
Net Profit margins	20.5	20.5	19.2	20.0	
Inventory days	359	464	375	350	
Debtor days	173	130	120	110	
Creditor days	38	75	80	80	
Return Ratios (%)					
RoE	15.5	14.8	14.6	16.1	
RoCE	17.7	15.7	15.7	18.2	
RoIC	19.2	16.4	17.5	19.7	
Valuation Ratios (x)					
P/E	27.5	25.9	23.7	18.8	
EV / EBITDA	18.9	18.2	15.9	12.9	
EV / Revenues	5.7	5.6	4.6	3.8	
Market Cap / Revenues	5.6	5.3	4.6	3.8	
Price to Book Value	4.3	3.8	3.5	3.0	
Solvency Ratios					
Debt / Equity	0.1	0.2	0.2	0.1	
Debt/EBITDA	0.7	1.0	0.7	0.5	
Current Ratio	3.0	3.0	2.8	2.8	
Quick Ratio	1.3	1.0	1.2	1.1	

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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