BUY (maintained)

CMP: **INR 365** Target Price: **INR 445 (INR 450)** ▲ 22%

ICICI Securities

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15 November 2025

India | Equity Research | Results Update

Mishra Dhatu Nigam

Defence

Lower dispatches impact H1; revenue guidance of INR 13/INR 20bn in 1/5 years intact

MIDHANI's Q2FY26 performance was disappointing. EBITDA fell 33% YoY to INR 328mn, following a 20% YoY fall in revenues to INR 2.1bn as some of the dispatches shifted to H2. Management continues to guide towards meeting its INR 13bn top line with EBITDA margin of ~23% in FY26; its long-term guidance also remains intact at INR 20bn. Order book (OB) has already jumped to INR 22bn, from INR 18.3bn at the end of Q1, implying book/bill (TTM) of ~1.7x. We remain positive on the prospects of the company as titanium/superalloys demand in India is set to rise on the back of an improving defence production ecosystem. We maintain **BUY** with a TP of INR 445 (previously INR 450), based on 35x FY28E EPS.

Subdued performance; H2 to be better

MIDHANI's Q2FY26 operating performance disappointed on the back of low dispatches despite higher production. We expect this to be executed in H2FY26. Key points: 1) Revenue fell 20% YoY to INR 2.1bn (+23% QoQ) on lower sales. 2) EBITDA fell 33.1% YoY to INR 328mn (-4% QoQ) and EBITDA margin declined to 15.6% (vs. 18.7%/20% in Q2FY25/Q1FY26) owing to lower revenues impacting operating leverage negatively. 3) Value of Production (VoP) was INR 2,564mn (INR 4,976.7mn in H1FY26) with growth of 3.9% YoY. 4) Current OB is at INR 22bn; wherein ~70% is from defence, ~20% from space and ~10% from energy. 5) Revenue mix was – i) super alloys: 21%; ii) titanium alloys: 19%; iii) margin steel: 15%; iv) special steels: 37%; and v) all other grades: ~80%. Management maintained INR 13bn revenue target in FY26, implying very strong H2FY26 with EBITDA margins of ~23%.

Order book improved; pipeline is strong

MIDHANI has already added orders to the tune of INR 7–8bn YTD out of our expectation of INR 12–13bn. The current O/s OB of INR 22bn provides visibility for the next 15–18 months. Further, India's government is focusing on developing a strong ecosystem in aerospace and defence systems, which requires specialised material – an area where MIDHANI excels; therefore, the opportunity size for the company is huge and we expect MIDHANI's OB to remain healthy in the near term. Additionally, we also see strong opportunities in space and exports over the next few years for the company.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	10,741	11,815	14,178	17,014
EBITDA	2,180	2,481	3,119	3,913
EBITDA Margin (%)	20.3	21.0	22.0	23.0
Net Profit	1,101	1,410	1,850	2,393
EPS (INR)	5.9	7.5	9.9	12.8
EPS % Chg YoY	20.6	28.1	31.2	29.3
P/E (x)	62.1	48.4	36.9	28.6
EV/EBITDA (x)	24.2	25.1	20.1	15.7
RoCE (%)	7.7	9.2	11.2	13.4
RoE (%)	8.1	9.6	11.7	13.7

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Market Data

Market Cap (INR)	68bn
Market Cap (USD)	770mn
Bloomberg Code	MIDHANI IN
Reuters Code	MISR BO
52-week Range (INR)	469 /217
Free Float (%)	26.0
ADTV-3M (mn) (USD)	1.9

Price Performance (%)	3m	6m	12m
Absolute	(8.0)	(7.1)	13.9
Relative to Sensex	(12.9)	(11.0)	4.9

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

19-08-2025: Re-initiating Coverage
07-02-2025: Q3FY25 results review

Outlook: Robust OB; execution to pick up

MIDHANI's OB, of INR 22bn, provides visibility of ~18 months. This will likely be further supported by annual orders inflows in excess of INR 10bn/year. (INR 7–8bn already added YTD). We expect MIDHANI to replenish the orders executed in FY26 and will likely maintain book to bill of over 1.5x, providing ~20% revenue CAGR visibility over the next couple of years. India aims to rapidly grow its aerospace segment including aircraft and missile systems that use titanium/super alloys. Given local procurement policy, we expect MIDHANI to be a beneficiary of developing the ecosystem and would continue to grow for the next 5–6 years without facing huge challenges.

We have factored in a 17% revenue CAGR over FY25–28E with progressing EBITDA margins of 21% in FY26 and 22% in FY27 and 23% in FY28 in our estimates. We maintain **BUY** with target price of INR 445 (previously INR 450), based on 35x FY27E EPS.

Key risks

- Slower-than-expected ramp-up of newly commissioned VAR.
- Escalation in alloying element prices.
- Inventory build-up due to higher-than-expected development time.

Q2FY26 conference call: Takeaways

- In Q2FY26 – 1) VoP was INR 2,564mn (INR 4,977mn in H1FY26), with growth of 3.9% YoY.
- OB is at INR 18.7bn as on 1 Oct'25; increased to INR 22bn in mid-Nov'25, wherein ~70% is from defence, ~20% from space and ~10% from energy.
- Revenue mix was – 1) super alloys: 21%; 2) titanium alloys: 19%; 3) margin steel: 15%; 4) special steels: 37%; and 5) all other grades: ~8%.
- **Guidance**
  - Management maintains its guidance with topline of INR 13bn and EBITDA margins of ~23% in FY26; to achieve its targets, execution of titanium (orders worth: INR 6bn) and super alloys (orders worth: INR 4.5bn) shall be done.
  - Expecting 10-15% of total OB in exports in the next 2-3yrs.
  - Orders worth ~INR 5bn are in pipeline, which may come by Mar'26.
- MIDHANI has entered into MoU with MoD India to creating a metal bank to ensure uninterrupted production and supplies. The company said it would be a custodian of the material and the investor shall still be on the books of the customer; thereby, not burdening it with working capital requirement.
- Singed MoU for bulletproof jacket developed by DRDO and IIT-Delhi.
- MIDHANI has developed nickel-based alloy (7,740 grade super alloy) for nuclear power plant; tubes of these material are been tendered by BHEL, while management is hopeful in supply RM for tube manufacturing.

- Got clearance for some of the parts for Euro engines of a PSU.
- MIDHANI's OB has three varieties of materials – 1) steel; 2) super alloys; and; 3) titanium alloys. The processing time, from the starting of the melting to booking sales, depends on the nature of material and orders we are executing in a particular quarter. Typically, from processing – melt to sales – 1) steel takes about two months; 2) super alloys and titanium alloys take four months.
- **Capex:** Target of INR 20bn in next five years.
- MIDHANI was closely associated with GTRE and has developed a number of grades and successfully qualified and tested; which have been used now coming to AMCA. Management is expecting significant number of orders.

Exhibit 1: MIDHANI Q2FY26 performance review

(INR mn)	Q2FY26	Q2FY25	% Chg YoY	Q1FY26	% Chg QoQ
Revenue	**2,097**	**2,621**	*(20.0)*	**1,705**	*23.0*
EBITDA	**328**	**490**	*(33.1)*	**342**	*(4.2)*
EBITDA Margin (%)	15.6	18.7	*(3.1)*	20.0	*(4.4)*
Dep	168	157		161	
Other income	89	85		71	
EBIT	249	418	*(40.4)*	252	*(1.0)*
Interest	58	79		62	
PBT	**191**	**339**	*(43.6)*	**190**	*0.7*
Tax	64	104		62	
PAT	**128**	**235**	*(45.8)*	**128**	*(0.2)*
Tax Rate	33.2%	30.6%		32.6%	
Orderbook	18,690	18,199	*2.7*	18,270	*2.3*
Order Inflow	2,517	3,241	*(22.3)*	1,655	*52.1*

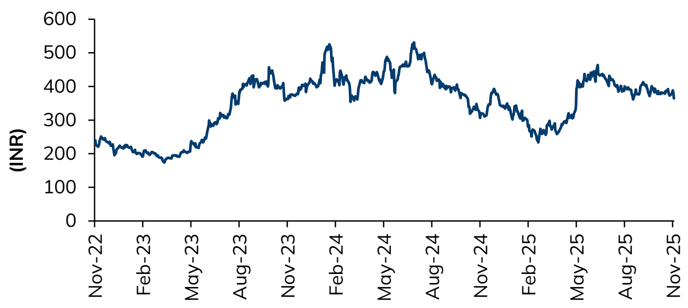
Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	74.0	74.0	74.0
Institutional investors	10.4	10.3	10.2
MFs and others	7.1	7.2	7.2
FIs/Banks	0.1	0.1	0.1
Insurance	1.6	1.6	1.6
FIIs	1.7	1.3	1.4
Others	15.6	15.7	15.8

Source: Bloomberg

Exhibit 3: Price chart



Source: Bloomberg

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**10,741**	**11,815**	**14,178**	**17,014**
Operating Expenses	4,254	5,175	5,610	6,085
EBITDA	**2,180**	**2,481**	**3,119**	**3,913**
EBITDA Margin (%)	20.3	21.0	22.0	23.0
Depreciation & Amortization	635	667	700	735
EBIT	1,546	1,815	2,419	3,178
Interest expenditure	-	-	-	-
Other Non-operating Income	309	450	495	520
Recurring PBT	**1,560**	**2,000**	**2,623**	**3,392**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	460	589	773	999
PAT	1,101	1,410	1,850	2,393
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**1,101**	**1,410**	**1,850**	**2,393**
Net Income (Adjusted)	**1,101**	**1,410**	**1,850**	**2,393**

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	17,866	19,050	20,936	23,453
of which cash & cash eqv.	510	8,287	8,040	9,205
Total Current Liabilities & Provisions	4,917	5,124	5,626	6,290
Net Current Assets	**12,949**	**13,926**	**15,310**	**17,162**
Investments	253	253	253	253
Net Fixed Assets	10,740	10,581	10,389	10,162
ROU Assets	-	-	-	-
Capital Work-in-Progress	251	454	650	819
Total Intangible Assets	-	-	-	-
Other assets	36	2	2	2
Deferred Tax Assets	-	-	-	-
Total Assets	**24,230**	**25,217**	**26,605**	**28,399**
Liabilities				
Borrowings	**2,341**	**2,341**	**2,341**	**2,341**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	-	-	-	-
other Liabilities	7,739	7,739	7,739	7,739
Equity Share Capital	1,873	1,873	1,873	1,873
Reserves & Surplus	12,276	13,264	14,651	16,446
Total Net Worth	**14,150**	**15,137**	**16,525**	**18,319**
Minority Interest	-	-	-	-
Total Liabilities	**24,230**	**25,217**	**26,605**	**28,399**

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**1,983**	**9,142**	**1,212**	**2,746**
Working Capital Changes	(47)	6,799	(1,630)	(688)
Capital Commitments	(480)	(711)	(704)	(677)
Free Cashflow	**1,503**	**8,431**	**508**	**2,069**
Other investing cashflow	**(52)**	**34**	**-**	**-**
Cashflow from Investing Activities	(532)	(677)	(704)	(677)
Issue of Share Capital	-	-	-	-
Interest Cost	(294)	(265)	(292)	(306)
Inc (Dec) in Borrowings	(670)	-	-	-
Dividend paid	-	-	-	-
Others	(143)	(423)	(463)	(598)
Cash flow from Financing Activities	(1,107)	(688)	(754)	(904)
Chg. in Cash & Bank balance	**344**	**7,777**	**(246)**	**1,164**
Closing cash & balance	510	8,287	8,040	9,205

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	5.9	7.5	9.9	12.8
Adjusted EPS (Diluted)	5.9	7.5	9.9	12.8
Cash EPS	9.3	11.1	13.6	16.7
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	75.5	80.8	88.2	97.8
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	0.1	10.0	20.0	20.0
EBITDA	12.3	13.8	25.7	25.5
EPS (INR)	20.6	28.1	31.2	29.3
Valuation Ratios (x)				
P/E	62.1	48.4	36.9	28.6
P/CEPS	39.4	32.9	26.8	21.8
P/BV	4.8	4.5	4.1	3.7
EV / EBITDA	24.2	25.1	20.1	15.7
P / Sales	6.4	5.8	4.8	4.0
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	59.9	64.8	61.6	58.8
EBITDA Margins (%)	20.3	21.0	22.0	23.0
Effective Tax Rate (%)	29.5	29.5	29.5	29.5
Net Profit Margins (%)	10.2	11.9	13.0	14.1
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.1	(0.4)	(0.4)	(0.4)
Net Debt / EBITDA (x)	0.7	(2.5)	(1.9)	(1.8)
Profitability Ratios				
RoCE (%)	7.7	9.2	11.2	13.4
RoE (%)	8.1	9.6	11.7	13.7
RoIC (%)	5.6	8.0	11.8	14.0
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	465	244	267	245
Receivables Days	149	96	104	107
Payables Days	34	37	49	59

Source Company data, I-Sec research

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