

RECOMMENDATION SNAPSHOT					
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs174	Rs123	Rs240	38%	Buy	32.5

*as on 02nd June, 2022

About the Company:

Established in 1973, Mishra Dhatu Nigam Limited (Midhani) is a Public Sector undertaking involved in manufacturing special steels & superalloys and is the only manufacturer of titanium alloys in India. The company comes directly under the administrative control of Department of Defence Production- Ministry of Defence, GOI. Midhani has emerged as a National Centre for Excellence in advanced metallurgical production of special metals and superalloys in India. It has also achieved the status of Mini Ratna, category-I in 2008. Midhani mainly caters to the needs of critical materials and alloys requirement of strategic sectors of India like Defence, Space, Atomic Energy, Aeronautics, Ordnance Factories (OFB), DRDO; while it also sees many applications in Air, Naval, Land Forces; ISRO, Department of Atomic Energy (DAE), etc. Midhani is reputed as the only company in India which is capable of carrying out vacuum based melting and refining through a world-class vacuum melting furnace.

Results: Quick Glance:

- The net revenue for the quarter under review de-grew by 6.5% to Rs3233mn as compared to Rs3459mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 37.7% as compared to 29.8% in the same quarter last year
- The net profit came in at Rs810mn as against Rs746mn in the comparative quarter
- EPS for the quarter under review stood at Rs4.32 as compared to Rs4.05 in the corresponding period last year
- For the full year ending FY22, the company reported revenue of Rs8595mn as compared to Rs8132mn in FY21; with margins at 30.5% in FY22 as compared to 30.2% in FY21 while reporting net profit of Rs1763mn as compared to Rs1663mn in FY21

Financials:

Performance (Q4&FY22)									
Q4&FY22 Result (Rs mn)	Mar-22	Mar-21	y-o-y	Dec-21	q-o-q	FY22	FY21	y-o-y	FY23E
Total Revenue	3233	3459	(6.5%)	2342	38.0%	8595	8132	5.7%	9264
EBITDA	1219	1031	18.2%	630	93.5%	2623	2453	7.0%	2825
Other Income	157	80	97.3%	53	-	313	198	57.9%	314
Interest	150	27	-	31	-	215	120	79.2%	240
Depreciation	121	68	77.6%	70	72.2%	330	270	22.2%	355
Tax	295	269	9.5%	154	91.6%	628	598	5.0%	688
Net Profit	810	746	8.5%	429	88.9%	1763	1663	6.0%	1856

Outlook and Recommendations:

The company has seen a slight dip in the topline for the quarter under review, but has shown a smart margin uptick at 37.7% as compared to 29.8% on y-o-y basis with 8.5% upside on the bottomline. On a full year basis, the company has reported a growth of 5.7% and 6.0% on the topline and the bottomline respectively. The company was able to mitigate the impact on production with better planning and execution. During the year, the company continued its focus on revenue enhancement, cost reduction etc., which has also contributed to the four fold increase in exports. As mentioned in the earlier notes as well, the focus of the Management has been on cost optimisation measures including indigenisation of various components, increasing outsourcing efforts and rationalising manpower. The Value of Production (VoP) during Q4FY22 stood at Rs3521.7mn with a growth of 29.89% against VoP of Rs2711.4mn in the corresponding quarter of the previous year. VoP for FY22 stood at Rs9887.3mn, with a growth of 28.13% against a VoP of Rs7716.4mn in FY21. The order book position of the company as on 1st April 2022 stood at ~Rs13.170bn.

Outlook and Recommendations (contd.):

The company has a proactive R&D team which continues to work on certain niche grades of metals and tries to be future-ready for developing new products. In the recent past, the company has made aggressive investment or capital expenditures which are anticipated to begin to bear fruits very soon. The space segment from India has many development projects and opportunities to provide a good vision for growth in turnover for Midhani. The plant located at Rohtak aims at producing all types of armoured products for the armed forces and also intends to undertake armouring of helicopters, naval platforms and other similar equipment. The new plant is anticipated to give higher asset turnovers while it is totally dependent on the product mix. Midhani is one of the biggest beneficiaries of GOI programmes like Atmanirbhar Bharat and Make in India. In addition to this, the Management is also looking at opportunities to grow the exports market. Midhani has a good foothold in defence and aerospace sectors; the OFS as and when commenced will be an opportunity to add; however, with the current prospects available, we continue to maintain our target price of Rs240.

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