Mishra Dhatu Nigam (MISDHA)

ICICI Direct

CMP: ₹ 430 | Target ₹ 500 (16%) | Target Period: 12 months

BUY

August 17, 2026

Result Update

Building capabilities for aerospace upcycle

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 aerospace, defence, space and energy

- Company has two state-of-the-art manufacturing facilities – Hyderabad (Telangana) and Rohtak (Haryana)
- Company's order backlog stood at ₹ 2,329 crore as of Jun-26 end, of which ~66% is contributed by aerospace and defence segment, and balance from space segment, exports and others

Investment Rationale:

- **Growth is broadening as titanium and superalloys move up the mix:** Company's Q1FY27 revenue grew 40.5% YoY to ₹239.5 crore reflecting a continued recovery in revenue, while the order book stood at ~₹2,329 crore, with defence accounting for 66% and space 21%. More importantly, growth is increasingly shifting towards higher-value materials, with ~₹600 crore of titanium orders, ~700 tonnes of titanium melting achieved in FY26, and orders secured for 4 superalloy and 3 titanium grades. Management expects FY27 growth to be higher than FY26 and sees margins normalising from Q3 as the impact of LPG and raw-material inflation eases. The planned metal bank should improve raw-material availability, while replacement of ageing equipment should improve yield and productivity over the medium term.
- **Indigenisation can help in transform from a niche supplier into a much larger aerospace materials opportunity:** Company is increasingly becoming a key materials supplier for India's next-generation aerospace and defence programmes, with development work already underway for AMCA and other engine programmes. The company estimates that ~₹8,000 crore of superalloy and steel materials are still imported in India, while its portfolio already covers most of these grades; new aerospace certifications, including GE's S400 certification and ongoing NAS-410/NADCAP qualification, could help convert this import opportunity into domestic orders. In parallel, opportunities are emerging from nuclear programmes, global aerospace OEMs and export markets, with management targeting exports at ~10% of turnover and working towards approvals from global OEMs. The proposed ~₹1,000 crore capex over 2–3 years, alongside higher-value product development, should further expand capacity and capabilities with meaningful benefits expected post stabilisation.

Rating and Target Price:

- Midhani is expected to benefit substantially from robust order prospects, new product developments with increasing indigenisation. We estimate revenue CAGR at ~19% while EBITDA & PAT CAGR at ~28% & ~34% for FY26-28E period respectively. We maintain Buy on Midhani with a TP of ₹ 500 (based on 40x P/E on FY28E)

MIDHANI

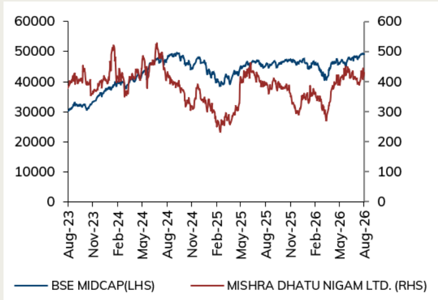
Particulars

Particulars	Amount
Market Capitalisation (₹ Crore)	8,056
FY26 Gross Debt (₹ Crore)	284
FY26 Cash (₹ Crore)	194
EV (₹ Crore)	8,146
52 Week H/L (₹)	457 / 267
Equity Capital	187.3
Face Value	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	74.0	74.0	74.0	74.0
FII	1.4	1.3	1.3	2.6
DII	8.8	7.9	7.8	7.4
Others	15.8	16.8	16.9	16.1

Price Chart



Key risks

i. Dependent on govt contracts

ii. High working capital requirement

iii. Availability of key raw materials

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ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ Crore)	FY24	FY25	FY26	2 Year CAGR (FY24-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Revenues	1,073	1,074	1,209	11.5	1,432	1,697	18.5
EBITDA	194	218	238	(2.6)	320	388	27.8
EBITDA margin (%)	18.1	20.3	19.7		22.3	22.9	
Net Profit	92	111	131	(5.6)	187	234	33.5
EPS	4.9	5.9	7.0		10.0	12.5	
P/E (x)	87.8	72.7	61.3		43.1	34.4	
EV/EBITDA (x)	43.1	37.8	34.3		25.7	21.3	
RoCE (%)	10.1	11.2	11.5		14.8	16.5	
RoE (%)	7.0	7.8	8.6		11.2	12.5	

Source: Company, ICICI Direct Research

Q1FY27 result summary

- Revenue increased by 40.5% YoY (-56.7% QoQ) to ₹ 239.5 crore, driven by improved execution
- EBITDA increased 7.1% YoY (-68.4% QoQ) to ₹36.6 crore, with EBITDA margin at 15.3% (-475 bps YoY, -570 bps QoQ), primarily due to elevated raw material costs, which impacted operating profitability
- PAT increased 27.0% YoY (-78.9% QoQ) to ₹16.5 crore

Q1FY27 call highlights

- Revenue increased 40.5% YoY to ₹239.5 crore, while value of production stood at ₹260.4 crore, up 7.9% YoY. Order book stood at ~₹2,329 crore as of Jun-26
- Order book mix is currently ~66% defence, 21% space, 9% energy and 4% other sectors
- Q1 margins were impacted by abnormal increases in nickel, molybdenum and tungsten prices, resulting in ~13% adverse raw-material price variance. LPG prices also nearly doubled and affected the company's LPG-fired furnaces. Management expects some pressure in Q2FY27 but sees normalisation from Q3FY27
- Management expects FY27 revenue growth to be higher than FY26 but clarified that the 40% Q1 growth rate is not sustainable for the full year
- Titanium remains a key growth area. The new melting facility helped achieve ~700 tonnes of titanium melting in FY26, with ~₹600 crore of current titanium orders and significant additional interest from customers. Titanium and superalloys also carry better margins than lower-value products
- Company has successfully completed isothermal forging of a nickel-based superalloy for a fighter-aircraft engine using its 6,000-tonne press and has orders for four superalloy and three titanium grades for FY27. It also secured its first commercial order for rolling 7,000-series aluminium alloy.
- The company received GE's S400 certification, allowing it to conduct mechanical, chemical and metallography testing for customers in India and overseas. MIDHANI can now charge customers (domestic and international) directly for these testing services, creating an incremental revenue opportunity.
- Management is pursuing NAS 410 qualification and expects to obtain NADCAP certification for non-destructive testing by FY27-end, which should help address aerospace customer qualification requirements.
- AMCA development orders are already under execution for specialised titanium grades. Management expects production orders once the programme moves forward and the materials are qualified.
- The company sees a large import-substitution opportunity, with ~₹8,000 crore of superalloy and steel materials currently imported. Management believes most of these grades are already within MIDHANI's manufacturing capability, with certifications being the key requirement to convert the opportunity into domestic orders.
- Nuclear remains an additional opportunity, with MIDHANI currently supplying materials including steam-generator tubes and expecting further orders as India expands its nuclear programme.
- Exports currently account for ~10% of turnover, with ₹33 crore of sales and ~₹25 crore of open orders so far. Management expects exports to grow further and is targeting 10–15% annual growth over the next 3–4 years.
- MIDHANI is working towards approvals from global aerospace OEMs, including Rolls-Royce, Boeing and Airbus. Management indicated that

some approvals could come within about a year, although the qualification process remains lengthy.

- The proposed ~₹1,000 crore capex over the next 2–3 years is primarily aimed at replacing ageing equipment, improving yield, productivity and competitiveness rather than simply adding greenfield capacity. Management expects the full benefits to emerge after 4–5 years.
- The proposed metal bank is expected to address both raw-material availability and cost volatility. It will be customer-owned inventory stored at MIDHANI and therefore will not directly release the company's working capital.
- Management continues to optimise scrap usage; ~₹75 crore of scrap inventory was reduced last year, while usable scrap is increasingly being retained as a strategic raw-material source given the tightening availability of critical metals.
- The company developed DRDO/IIT Delhi technology-based bulletproof jacket, is currently undergoing testing and could open an additional defence product opportunity once qualified.
- The previously proposed large aluminium plant JV is being closed; however, MIDHANI has already successfully rolled 7,000-series aluminium using its existing wide-plate mill, creating a lower-capex route to address imported aerospace aluminium requirements.

Exhibit 1: Q1FY27 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Operating Income	239.5	170.5	40.5	552.7	-56.7	Revenue growth driven by improved execution
Other income	10.0	7.1		14.4		
Total Revenue	249.5	177.6		567.1		
Raw materials costs	91.3	38.9		305.7		
Employees Expenses	37.3	32.2		41.1		
Other Expenses	74.3	65.2		89.9		
Total Expenditure	202.9	136.3		436.7		
EBITDA	36.6	34.2	7.1	116.0	-68.4	
EBITDA margins (%)	15.3	20.0	-475 bps	21.0	-570 bps	Margins affected primarily due to elevated RM costs
Interest	6.1	6.2		6.8		
Depreciation	16.6	16.1		16.7		
Tax	7.6	6.2		29.2		
PAT	16.5	13.0	27.0	77.9	-78.9	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Net Sales	1,074	1,209	1,432	1,697
% Growth	0.1	12.5	18.5	18.5
Other income	30.9	38.0	41.8	46.0
Total Revenue	1,074	1,209	1,432	1,697
% Growth	0.1	12.5	18.5	18.5
Total Raw Material Costs	431	520	602	713
Employee Expenses	142	145	159	175
other expenses	283	306	352	421
Total Operating Expenditure	856	971	1,113	1,309
Operating Profit (EBITDA)	218	238	320	388
% Growth	12.3	9.0	34.5	21.4
Interest	29	25	28	28
PBDT	220	251	334	406
Depreciation	63	66	72	78
PBT before Exceptional Items	156	184	262	328
Total Tax	46	53	76	95
PAT before MI	110	131	186	233
PAT	111	131	187	234
% Growth	20.8	18.6	42.3	25.1
EPS	5.9	7.0	10.0	12.5

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	111	131	187	234
Depreciation	63	66	72	78
Interest	29	25	28	28
Cash Flow before WC chg	204	223	286	340
Changes in inventory	29	(52)	(257)	(271)
Changes in debtors	(87)	(144)	(34)	(86)
Changes in loans & Advances	-	-	-	-
Changes in other CA	77	8	(13)	(5)
Net Incr in Current Assets	15	(188)	(293)	(363)
Changes in creditors	(27)	21	23	25
Changes in provisions	1	2	13	8
Net Inc in Current Liabilities	(20)	87	97	105
Net CF from Op activities	199	123	90	83
Chg in deferred tax assets	-	-	-	-
(Pur)/Sale of Fixed Assets	(48)	(49)	(200)	(200)
Net CF from Inv activities	(30)	10	(88)	(49)
Dividend and Dividend Tax	(95)	(24)	(34)	(43)
Net CF from Fin Activities	(135)	10	(71)	(71)
Net Cash flow	34	143	(69)	(37)
Opening Cash/Cash Eq	17	51	194	125
Closing Cash/ Cash Eq	51	194	125	88

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	187.3	187.3	187.3	187.3
Reserve and Surplus	1,228	1,345	1,488	1,679
Total Shareholders' funds	1,415	1,532	1,675	1,866
Other Non-Current Liabilities	639.1	689.5	817.1	968.2
Total Debt	234	284	284	284
Total Liabilities	2,424	2,645	2,900	3,242
Gross Block	1,403	1,462	1,578	1,728
Acc: Depreciation	332	398	470	548
Net Block	1,071	1,064	1,108	1,179
Capital WIP	25	16	100	150
Total Fixed Assets	1,099	1,082	1,210	1,332
Non-Current Assets	4	-	-	-
Inventory	1,281	1,333	1,589	1,860
Debtors	410	554	589	674
Other Current Assets	24	15	29	34
Cash	51	194	125	88
Total Current Assets	1,787	2,117	2,341	2,667
Current Liabilities	93	114	137	163
Provisions	90	90	91	92
Total Current Liabilities	491	578	675	780
Net Current Assets	1,296	1,539	1,666	1,886
Total Assets	2,424	2,645	2,900	3,242

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	5.9	7.0	10.0	12.5
Cash per Share	2.7	10.4	6.6	4.7
BV	75.5	81.8	89.4	99.6
Dividend per share	5.1	1.3	1.8	2.3
Dividend payout ratio	86%	18%	18%	18%
EBITDA Margin	20.3	19.7	22.3	22.9
PAT Margin	10.5	11.1	13.1	13.8
RoE	7.8	8.6	11.2	12.5
RoCE	11.2	11.5	14.8	16.5
RoIC	9.7	10.6	13.5	15.0
EV / EBITDA	37.8	34.3	25.7	21.3
P/E	72.7	61.3	43.1	34.4
EV / Net Sales	7.7	6.7	5.7	4.9
Sales / Equity	0.8	0.8	0.9	0.9
Market Cap / Sales	7.5	6.7	5.6	4.7
Price to Book Value	5.7	5.3	4.8	4.3
Asset turnover	0.7	0.7	0.7	0.8
Debtors Turnover Ratio	2.9	2.5	2.5	2.7
Creditors Turnover Ratio	10.1	11.7	11.4	11.3
Debt / Equity	0.2	0.2	0.2	0.2
Current Ratio	7.2	7.4	7.5	7.8
Quick Ratio	1.8	2.2	2.1	2.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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