

Initiating Coverage

Mishra Dhatu Nigam Ltd.

Sept 21, 2022





Mishra Dhatu Nigam Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace & Defence	Rs. 219.7	Buy in the Rs. 218-222 band & add more on dips to Rs. 194	Rs. 242	Rs. 260.5	2 quarters

HDFC Scrip Code	MISDHA
BSE Code	541195
NSE Code	MIDHANI
Bloomberg	MIDHANI IN
CMP Sept 20, 2022	219.7
Equity Capital (Rs Cr)	187.3
Face Value (Rs)	10.0
Equity Share O/S (Cr)	18.7
Market Cap (Rs Cr)	4116.0
Book Value (Rs)	63.5
Avg. 52 Wk Volumes	74,955
52 Week High	233.2
52 Week Low	155.7

Share holding Pattern % (June, 2022)	
Promoters	74.0
Institutions	15.1
Non Institutions	10.9
Total	100.0



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Mishra Dhatu Nigam Ltd (MIDHANI) is under the administrative control of the Ministry of Defence's Department of Defence Production. The company manufactures a variety of super alloys, titanium and titanium alloys, special-purpose steels, controlled-expansion alloys, soft magnetic alloys, electrical-resistance alloys, molybdenum products, and other special products made as per customer specifications. The company also offers metallurgical testing, evaluation and consultancy services. Besides, Utkarsha Aluminium Dhatu Nigam Ltd is a 50:50 joint venture promoted by MIDHANI and National Aluminium Company Ltd, to set up a 60,000 tons per annum high-end aluminium alloy production plant in the Nellore district of Andhra Pradesh.

With the advancement in technology, materials such as super alloys, titanium alloys and special steels, which are the core products of MIDHANI and its applications as well, have witnessed incremental demand. Increased demand for these products from space and energy sector have resulted in increase of production over the years. Apart from this, the Government of India is promoting domestic manufacturing and export of defence and aerospace products; this could bring huge opportunity to domestic alloys and titanium manufacturers like MIDHANI.

MIDHANI has been consistent in getting orders with defence, space, aeronautics, power and thermal power, electronics, tele-communications, engineering and other sectors. Its order inflow was at ~Rs 160 crore in Q1FY23, the order booking position for FY23 (as on date) is around Rs 470 crore. The open order position of MIDHANI as on date is around Rs 1,535 crore. Besides, the company signed an MoU with Indian Airforce for developing and indigenising various metal powders such as titanium alloys, aluminium alloys and special steel for additive manufacturing process for the production of aviation items. The company could shortly receive an order of bulletproof jackets. Its order book stands at ~Rs1360 crore as of June 31, 2022, of which defence (including sale to PSUs) is 48%, space is 37% and rest is others.

With MIDHANI's initiatives leading to a boost in defense production and heavy equipment manufacturing in India, demand for MIDHANI's products is likely to increase over the medium term. MIDHANI has also planned to take up some new projects and aims for geographical expansion and operate from multiple locations. It also intends to cater to sectors such as oil and gas, mining, power, and railways. We expect that low current utilization and higher value blend through supplies to ISRO and defence could lead to boost in its revenue in next two to three years.



Valuation & Recommendation:

MIDHANI is majorly owned by the government and manufactures a variety of super alloys, titanium and titanium alloys, special-purpose steels, controlled-expansion alloys, soft magnetic alloys, electrical-resistance alloys, molybdenum products, and other special products that are made according to customer specifications.

MIDHANI has established market position in manufacturing of super alloys with better operating efficiency; the company has strong track record in signing and executing deals. Sizeable revenue growth and steady operating margin of 27-29%, ensures healthy cash accrual and liquidity and better working capital management despite high inventory. Its strong financial profile with healthy liquidity, negligible debt and attractive return ratio, on the back of good revenue visibility brings positive view on the stock. However, susceptibility of profitability to volatility in raw material prices and foreign exchange (forex) rates, and large working capital requirement are some concern areas that need to be tracked.

Considering the company's strong financial profile, led by healthy profitability levels and return indicators and a comfortable capital structure, we have a positive view on the stock. **Investors could buy in the Rs 218- 222 band and add more on dips to Rs. 194 (16x FY24E EPS). Base case fair value of the stock is Rs 242 (20x FY24E EPS) and the bull case fair value of the stock is Rs 260.5 (21.5x FY24E EPS) over the next 2 quarters. At the CMP of Rs 219.7 the stock trades at 18.2x FY24E EPS.**

Financial Summary (Consolidated)

Particulars (Rs cr)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
Total Operating Income	115	114	0.8	323	-64.4	713	813	859	1,045	1,210
EBITDA	33	25	29.9	122	-72.9	198	245	262	292	341
Depreciation	12	7	80.3	12	2.2	26	27	33	49	53
Other Income	7	8	-8.9	16	-52.7	36	20	32	37	39
Interest Cost	5	2	157.2	15	-69.2	6	12	22	24	24
Tax	6	6	-8.8	29	-80.7	42	60	63	66	78
PAT after Minority Interest	18	19	-4.9	81	-78.1	160	166	177	190	227
Adjusted PAT	18	19	-4.9	81	-78.1	158	166	177	190	227
Diluted EPS (Rs)	1.0	1.0	-5.0	4.3	-78.1	8.4	8.9	9.4	10.1	12.1
RoE-%						16.5	15.5	14.8	14.4	15.4
P/E (x)						26.0	24.7	23.3	21.7	18.2
EV/EBITDA(x)						20.9	17.1	16.5	14.7	12.5

(Source: Company, HDFC sec)



Q1FY23 Result Update

- MIDHANI reported 1% YoY consolidated revenue growth to Rs 115 crore in Q1FY23, EBITDA for the quarter was up by 30% YoY at Rs 33 crore, and its EBITDA margin for Q1FY23 was at 28.7% vs. 22.3% in Q1FY22.
- PAT was at Rs 18 crore in Q1FY23, down 5% YoY. PAT in the quarter impacted because of higher depreciation cost and interest cost.
- Depreciation expense was at Rs 12 crore, up 80% YoY and finance costs for the quarter were at Rs 5 crore, up 158% YoY.
- Value of production in Q1FY23 was 90% higher on a YoY basis. Inventory has risen by Rs 119 crore which will get translated into sales in Q2 and Q3.

Recent Triggers

Established market position and decent order inflows in manufacturing super alloys for strategic sectors

With a track record of more than three decades, MIDHANI has an established position as a leading supplier of wide range of super alloys to sectors such as defence, space, and atomic energy. MIDHANI has a capability to manufacture wide range of advanced products across the value chain, including melting, forging, rolling, wire drawing, investment casting, machining and quality testing. This capability has led to strong long term customer relationships and patronage from its major customers in the defense and space research sector.

MIDHANI order book stood at Rs 1360 crore as on June 30, 2022 compared to Rs 1317 crore as March 31, 2022 and order inflow was at Rs 157 crore in Q1FY23, order book consists of 37% from Space, 48% from Defence, and 11% from other Energy and export related projects. On Sept 16, 2022, the company has secured an order of Rs 185 crore, with this, the order booking position for FY23 (as on date) is around Rs 470 crore. The open order position of MIDHANI as on date is around Rs 1,535 crore.

Order Inflow

Rs in Cr	FY18	FY19	FY20	FY21	FY22
Defence	384.7	215.9	228.9	383.6	554.4
Space	113.5	308.6	506.5	61.7	70.2
Energy	77.6	135.9	27.6	14.8	75.7
Others	59.9	50.4	23.0	44.7	116.6
Total	635.7	710.8	786.0	504.8	816.9

MIDHANI has planned to take up few new projects and aims for geographical expansion and to operate from multiple locations. MIDHANI also intends to cater to sectors such as oil and gas, mining, power and railways. The company is also working on projects related to axles, wheels for the Indian Railway, LHB orders of Rs 4-5 crore are in process of execution and the company is expecting more orders or works to the tune of Rs 15-20 crore.



The company also signed a MoU with Indian Force for developing and indigenizing various metal powders such as titanium alloys, aluminium alloys, and special steel for additive manufacturing process for the production of aviation items. Order related to bulletproof jackets is likely to convert into order inflow in the near term.

Expansion as well as modernization plans to enter into new business could bring more opportunities going forward

MIDHANI's upgradation and modernization plan over the last decade contributed towards setting up of additional facilities, increase in production tonnage capacity and product diversity. The company has positioned itself to serve existing and new customers in domestic markets as well as entered into new business areas of strategic and national importance.

MIDHANI has decided for geographical expansion to operate from multiple locations and the company is in process of setting up two new manufacturing units in Nellore and facilities in Rohtak is almost in complete mode. Besides, the company is looking to enter into the new markets of oil and gas, mining, power, railways, chemical and fertilizers.

MIDHANI is likely to get orders for Sukhoi engine parts going forward which could be a big trigger over time.

Expansion

- MIDHANI and NALCO Joint Venture, Utkarsha Aluminium Dhatu Nigam Ltd. is setting up Aluminium Alloy Plant. The company proposes to manufacture High end Aluminium Alloy at Nellore, Andhra Pradesh. MIDHANI will contribute Rs. 170 crore as its equity contribution over the next 2-3 years.
- The company has set up an armour facility at Rohtak, Haryana which is an exclusive facility for armour products which will be commissioned in FY23, order book visibility for this facility is good and it has started the fiscal with order booking of about Rs 100 crore.
- MIDHANI commissioned wide plate mill in FY22 which includes an entire product range including Low alloys Steel, Stainless Steel, Titanium Alloys, Super Alloys, Armour Steel, and wide range of products.
- The company is setting up 8T Vacuum Induction Melting Furnace to enhance capacity in manufacturing of special steel and super alloys and Operational contribution from this facility could start in FY23.

Long term Triggers

Established market position in manufacturing super alloys and titanium for strategic sectors and highly experienced management team:

Over the past four decades, MIDHANI has established its position as a leading supplier of a wide range of super alloys and titanium to sectors such as defence, space and atomic energy. It has the capability to manufacture a wide range of advanced products across the value chain, includes melting, forging, rolling, wire drawing, investment casting, machining and quality testing segments.



MIDHANI has highly qualified and experienced management and has strong metallurgical team of key employees having the ability to utilise the metallurgical knowledge.

Dr. Sanjay Kumar Jha, is the Chairman and Managing Director of Company. Dr. S. K. Jha holds a Doctor of Philosophy (Ph.D) in Engineering from Homi Bhabha National Institute. He is also a Metallurgical Engineering graduate from NIT Jamshedpur. Earlier, he was the Director of Production and Marketing in the company. He has an overall experience of 30+ years. He joined Company on July 05, 2016. Prior to joining this Company, he was associated with Nuclear Fuel Complex (“NFC”), Hyderabad. He has carried out Simulation and modeling of two dissimilar metals used for development of fusion technology. He has also developed Titanium half alloy and full alloy tube in different sizes for Light Combat Aircraft and PSLV applications.

Shri T. Muthukumar, is the Director (Production & Marketing). He has completed his Bachelor of Engineering (Metallurgy) from Bharathiar University, Coimbatore, Tamil Nadu. He has over 34 years of experience in the Steel industry. Before moving to MIDHANI, he was working as Chief General Manager (Projects) at Durgapur Steel Plant from the year 2020 onwards.

Comprehensive product portfolio, equipped manufacturing facilities with cutting edge and long standing relationship with customers

MIDHANI produces and offers a wide range of products with varied shapes, properties and sizes across steel and alloy. Its process capabilities across the product manufacturing value chain, including melting, forging, rolling, wire drawing, investment casting, machining and quality testing gives an edge over competitors.

MIDHANI manufacturing facilities are equipped with cutting edge technologies and processes enabling to deliver superior quality product at minimum lead time. The company in India to carry out vacuum based melting and refining through its best-in-class vacuum melting furnace including vacuum induction melting, vacuum arc re-melting, vacuum degassing/ vacuum oxygen decarburization, electro slag re-melting and electron- beam melting.

Over the years, the company has built a strong and mutually beneficial relationship with customers and partnered with many of key customers in the product development process, enabling products to meet their requirement along with ensuring repeat orders. The company’s longstanding presence and strong capabilities have led to healthy customer relationships and patronage from key clients in the defence and space research sectors. The company also intends to cater to sectors, such as oil and gas, mining, power and railways.

Product development over the last two years could bring strong earning visibility going forward

MIDHANI has been engaged in developing new products and technologies to cater the clients’ demands. Apart from overseeing the research and development of new products, R&D Department in MIDHANI is also responsible for planning, team management, deployment of technical infrastructure and manpower to support specific processes.



New products and technologies introduced in FY22

- Successfully developed PT 1M Seamless Pipes for its strategic use in Naval Sector.
- Manufactured dummy Spherical Pressure Hull (SPH) of Dia 2.2 Meters ring for National Institute of Ocean Technology (NIOT) which is first ever in India. MIDHANI also forged and supplied first ever Zircalloy Tubes for its use in energy application
- The company borated Zirconium strip for use in energy application
- The company developed and manufactured 'Fluid End Component' - MDN 16-5-1, Super Martensitic Stainless Steel for Oil and Gas Sector
- Manufactured and dispatched Ferni 36 and Ferni 36 M used in precision instruments, valves in engines, clocks, seismic gauges, relays, transformers etc.
- Developed FerCoNi, an Iron-Nickel-Cobalt alloy that exhibits coefficient of thermal expansion similar to glass (both borosilicate & alumina).
- Developed SOFTMAG 48B, a soft magnetic iron-nickel alloy, consisting of 48% Nickel and exhibits high magnetic permeability with high saturation level.
- Developed and supplied 13-8Mo, a precipitation Hardening (PH) Martensitic Steel, newly developed grade for Oil and Gas sector.
- Developed Cobalt free special steel finds its applications in tooling industry for service temperatures upto 350°C.
- Developed and manufactured Superalloy 276 is a solid solution strengthened Nickel-Molybdenum-Chromium alloy with a small addition of Tungsten. It is one of the premier corrosion resistance materials for process industries.
- Manufactured Alloy 625, a nickel-chromium-molybdenum alloy, used for its high strength, high toughness, and excellent corrosion resistance.

New products and technologies introduced in FY21

- Developed Rolled Homogenous Armor (RHA) steel for Missile Penetration Test
- Manufactured of large size forged slab made of Titanium alloy for GAGANYAAN mission
- Manufactured of Titanium tubes through forge route
- Developed Superfer 52, a high strength precision alloy for spring application
- Developed Cobalt free high strength steel for export order
- Developed and supply of wide slab made of Titanium alloy for Advanced Medium Combat Aircraft (AMCA) project
- Developed Fine grained bar feed stock made of Super alloy for Aero engine disc Application
- Developed Blade blank for Adour Engine and Aero grade Bearing Steel
- Pack Rolling of Titanium sheet
- Process optimization of special alloys using AI

MIDHANI's variety based capacities fulfills service customer requirements in a timely and efficient manner and also provides products and services with the flexibility to produce different ranges of customised products to customers.



Sound financial profile

- MIDHANI's financial profile has been robust led by negligible debt, healthy cash generating ability and consistent dividend payment to shareholders over the past. Financial flexibility is strong, supported by robust liquidity.
- MIDHANI's revenues from operations rose from Rs 555 crore in FY15 to Rs 859 crore in FY22 - ~6.5% CAGR over the period. The company reported EBITDA margin at a range of 24-30.5% and PAT margin at a range of 16.5-20.5% over the last six years. Over FY22-24E, we expect Midhani's consolidated topline to grow at 18.6% CAGR, although the company has a target to grow @25% over the next few years.
- The company has healthy networth and low gearing of Rs 1,190 crore and 0.2 times, respectively, as on March 31, 2022. Gearing has averaged to below 0.2 time over the past five years on account of low dependence on external borrowing following stable cash accrual and government funding for any major capex. Large customer advances and grants kept the short term debt at ~Rs 240 crore. However, long term debt is negligible at Rs 28 crore, as on March 31, 2022. Debt protection metrics were healthy, with interest coverage ratios at 12.1x.
- Liquidity is supported by healthy net cash accrual, minimally utilised bank limit, low debt obligation and strong funding support from the government. Cash and bank balance stood at Rs 63 crore as on March 31, 2022, because of low debt obligation, and will be available to meet incremental working capital requirements.
- The company has always been generous in declaring dividends, and has a track record of consistent on dividend payout to its shareholders over the periods. The dividend payout is close to ~33% and the company has been offering dividend yield at 1.5% over the past.
- The inventory days has increased from 359 days as on March 31, 2022 to 464 days, payable increased from 38 days to 66 days, and the receivable days have decreased to 130 days from 173 days as on March 31, 2021.

Industry Overview

Super Alloys: The worldwide Super alloy market is predicted to rise at a CAGR of 6.4% between 2022 and 2027, from US\$ 8819 mn in 2020 to US\$ 14850 mn in 2027. In terms of revenue, India is projected to grow CAGR of approximately 9.7% from 2020 to 2027. There has been a rise in utilization of super alloys in aerospace, oil & gas, automotive, and other industries. As it facilitates improved operating efficiency and reduced environmental emissions. The demand for super alloys is primarily driven by the aerospace industry. Aerospace Super alloys market size valued at US\$ 1.98 bn in 2020 and will grow at a CAGR of 9.2% from 2021 to 2027.

Titanium: Titanium has application in various industries such as automotive, construction and aerospace. Their low thermal expansion and co-efficient fire resistance properties escalate the market demand hugely. Titanium market size is expected to reach US\$ 7,608 mn by 2025, after rising at a CAGR of 4.7% from 2020 to 2025. Numerous uses of titanium alloys, fueled by their low thermal expansion and high co-efficient fire resistance, have driven up market demand dramatically. The most common use for titanium is aerospace, which is expected to expand at a CAGR of 4.3% during the projected period.



Specialty Alloys: The large consumption of Special Steel Market in the rising industries of car, aviation, aerospace, and railway is expected to have a favourable influence. From 2020 to 2027, the Special Steel Market is expected to increase at a CAGR of 2.4%, from US\$ 207.8 bn in 2019 to US\$ 252.2 bn in 2027. Over the projected period, rising demand for manufacturing tools and machineries will drive market expansion. Over the forecast period, rising urbanisation in emerging nations would significantly boost market growth.

What could go wrong?

- Global and national economic slowdown, political, policy and civic uncertainty are key concerns. Besides, the company could see some challenges on supply of raw material disruptions on account of current conflict which is going between Ukraine and Russia which could put a lot of pressure in some of raw materials as well as the sales.
- Competition from private players and imports.
- MIDHANI manufactures & supplies materials / products for high performance applications which need critical raw materials as input. Raw materials like Nickel, Cobalt, Molybdenum are imported and sometimes due to business environment, availability & price is a challenge.
- The company imports all raw materials, such as nickel, cobalt, molybdenum, pure iron and titanium, the prices of which are highly volatile. Hence, profitability remains susceptible to fluctuations in raw material prices and forex rates.
- Working Capital days were high at 519 days as on March 31, 2022, mainly on account of large work-in-progress and finished goods inventory, given the prolonged production cycle. Moderation of inventory remains a key monitorable over the medium term.
- Customer portfolio of MIDHANI comprises more of government / government related organisations. Change in government priorities or any change in the national defence policy, may dilute the company's importance to the government and affect its order inflows.
- The company has foreign exchange exposure related to procurement of materials and services. These procurements are mostly covered under exchange rate variation clause for reimbursement of exchange rate variations arising out of foreign currency fluctuations.
- MIDHANI largely depends on one manufacturing facility, based on Hyderabad, Telangana. Any significant interruption to, or loss or shutdown of operations could impact its business going forward. Company's operations may be subject to unexpected interruptions.
- A significant portion of more than 70% of MIDHANI's products cater to strategic customers in sectors such as Space, Defence and Energy. Any slowdown in these could have a material adverse effect on business, financial condition, results of operations and future prospects.
- Any sustained rise in fuel and power costs could impact its margins as it is a big user.

Company Profile:

Mishra Dhatu Nigam Ltd (MIDHANI) Ltd, established in the year 1973 under Ministry of Defence as GoI enterprise. The company is one of the leading manufacturers of special steels, Super alloys and sole manufacturer of titanium alloys in India. The company manufactures special steels (martensitic steel, ultra-high strength steel, austenitic steel and precipitation hardening steel), three varieties of Super alloys (nickel base, iron base and cobalt base) and titanium alloys. The company provides high value niche products to end user segments, like defence, space, nuclear, power and aeronautics etc. The company has made strategic investment in a joint venture company M/s. Utkarsha



Aluminium Dhatu Nigam Limited with NALCO for furtherance of its business in the area of Aluminium based alloys at Nellore, Andhra Pradesh which is moving in positive direction with respect to Government approvals.

Presently, more than seventy percent of MIDHANI's products (value wise) cater to strategic customers viz. Ordnance Factory Board (OFB), Defence Research & Development Organisation (DRDO), Indian Space Research Organisation (ISRO), Hindustan Aeronautics Ltd. (HAL), and Department of Atomic Energy (DAE) etc. In addition, MIDHANI also supplies special alloys and products to commercial sector including Larsen & Toubro, BHEL, Titanium equipment etc.

The primary raw materials used by the company for manufacturing various products are: (a) Nickel metal; (b) Cobalt metal; (c) Various Master Alloys; (d) Pure Iron; (e) Titanium sponge; (f) Chromium metal; (g) Mild Steel scrap/ Stainless Steel scrap; (h) High Carbon/ Low Carbon Ferro Chrome; (i) Aluminium metal; (j) Manganese Metal; and (k) Various Ferro alloys. The company has in-house metallurgical laboratories to cater to the testing required for products. As on 31st March, 2022, company has ~770 employees.

Business Overview

Product and Services

Alloys	Products	
Superalloys	Long Products	Investment Castings
Nickel alloys – Superni	Bars	Equiaxed, Vacuum Melted / Vacuum Cast
Cobal alloys – Superco	Bright Bars	Equiaxed, Vacuum Melted /Air Cast
Iron alloys – Superfer	Wire/Fine Wire	Special Products
Titanium & Titanium Alloys	Flat Products	Biomedical-Implants
Commercially pure titanium;	Hot Rolled Sheet	Fasteners
Alpha and near alpha alloys;	Cold Rolled	Armour Products
Alpha- plus -beta alloys;	Strip	Welding Consumable
Beta-alloys	Open Die Forgings	
Special Steel	Flanges	
Martensitic Steels	Hollow parts	
High Strength Special Steel	Hollow	
Austennitic Steels	Discs Dia	
Percipitation Hardening Steels	Rings Outer dia	
Other Metal & Alloys		
Soft Magnetic alloys		
Controlled Expansion Alloys		

Manufacturing Facilities

Hyderabad Unit
Melting Technology
Forging and Ring Rolling Plant
Heat Treatment Plant
Hot Rolling Plant
Cold Rolling Plant
Bar and Wire Plant
Fasteners Plant
Investment Casting Plant
Rohtak Unit
Armour products manufacturing plant



SWOT Analysis

Strengths	(a) Capability to manufacture a wide range of advanced materials.
	(b) Metallurgical expertise and experience gained over 45 years of operation, maintenance and management
	(c) Superior Quality of Products.
	(d) Strong Research & Development capability
Weakness	(a) Dependence on orders from Government Sector.
	(b) Some of the plant and equipment's are old.
	(c) High cost of select products.
	(d) Long delivery periods in select areas.
	(e) Limited control over sales realization.
Opportunities	(a) Demand for special alloys and steel is increasing.
	(b) Likely increase in demand on account of Government initiatives like, Make in India, Indigenization, Make II etc.
	(c) Opportunity for long-term tie-ups in the form of Joint ventures and strategic alliances etc.
	(d) Diversification opportunities in materials area
Threats	(a) Competition from private sector in India and abroad and change in Government Policies.
	(b) Volatile prices of some of the critical imported raw materials coupled with their restricted availability

Key Operating Metrics

Particulars, Rs in Cr	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Sales(tonnage)	4687	4111	4732	5205	6150	4477	3685.2	3390	3556.2	3317
Sales (Value)	558.6	562.7	655.7	761.4	809.7	666.1	710.8	712.9	813.2	859.5
Value of Production(Excl. ED)	532.7	564.2	640.0	678.5	695.6	697.7	814.8	970.1	771.6	988.7
Value Added	360.0	376.2	436.4	478.6	538.2	548.5	522.1	593.5	601.6	668.7
Realisation per tons, Rs	1191790	1368786	1385674	1462918	1316598	1487778	1928905	2102878	2286778	2591167
Realisation per KG, Rs	1191.79	1368.79	1385.67	1462.92	1316.60	1487.78	1928.91	2102.88	2286.78	2591.17

Peer Comparison

Company (Rs in Cr)	Mkt Cap, Rs Cr	Sales			EBITDA			PAT			P/E (x)			RoE-%		
		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
MIDHANI	4116	859	1045	1210	262	292	341	177	190	227	23.3	21.7	18.2	14.8	14.4	15.4
Astra Micro*	2909	735	852	1021	87	123	198	40	67	127	72.0	43.5	22.9	7.1	10.9	18.1
BEL	80590	15368	17503	19577	3341	3833	4297	2399	2530	2825	33.6	31.8	28.5	20.6	19.5	19.7
HAL	82309	24620	26094	28183	5408	6054	6637	5080	4237	4586	16.2	19.4	17.9	29.2	20.4	19.3

*Bloomberg Consensus Est-

(Source: Company, HDFC sec)



Financials (Consolidated)

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	713	813	859	1045	1210
Growth (%)	0.3	14.1	5.7	21.5	15.8
Operating Expenses	515	568	597	753	869
EBITDA	198	245	262	292	341
Growth (%)	7.6	24.1	7.0	11.3	16.9
EBITDA Margin (%)	27.7	30.2	30.5	28.0	28.2
Depreciation	26	27	33	49	53
Other Income	36	20	32	37	39
EBIT	208	238	261	279	328
Interest expenses	6	12	22	24	24
PBT	202	226	239	255	304
Tax	42	60	63	66	78
RPAT	160	166	177	190	227
Minority Interest	0	0	0	0	0
PAT after Minority Interest	160	166	177	190	227
APAT	158	166	177	190	227
Growth (%)	21.1	5.2	6.1	7.4	19.4
EPS	8.4	8.9	9.4	10.1	12.1

Balance Sheet

As at March	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	187	187	187	187	187
Reserves	769	884	1002	1126	1283
Shareholders' Funds	957	1071	1190	1314	1470
Long Term Debt	0	0	28	33	38
Net Deferred Taxes	31	34	35	37	39
Long Term Provisions & Others	711	712	725	740	755
Minority Interest	0	0	0	0	0
Total Source of Funds	1700	1817	1978	2123	2301
APPLICATION OF FUNDS					
Net Block & Goodwill	441	429	938	1011	1065
CWIP	405	549	132	145	160
Other Non-Current Assets	37	30	31	34	38
Total Non Current Assets	882	1008	1101	1191	1263
Current Investments	0	0	0	0	0
Inventories	911	801	1091	1073	1160
Trade Receivables	297	386	306	372	431
Cash & Equivalents	111	94	63	122	112
Other Current Assets	195	170	218	229	240
Total Current Assets	1514	1451	1678	1796	1943
Short-Term Borrowings	133	160	240	255	240
Trade Payables	129	86	176	200	232
Other Current Liab & Provisions	435	397	386	409	433
Total Current Liabilities	697	643	802	864	905
Net Current Assets	817	808	876	933	1039
Total Application of Funds	1700	1817	1978	2123	2301

(Source: Company, HDFC sec)



Cash Flow Statement

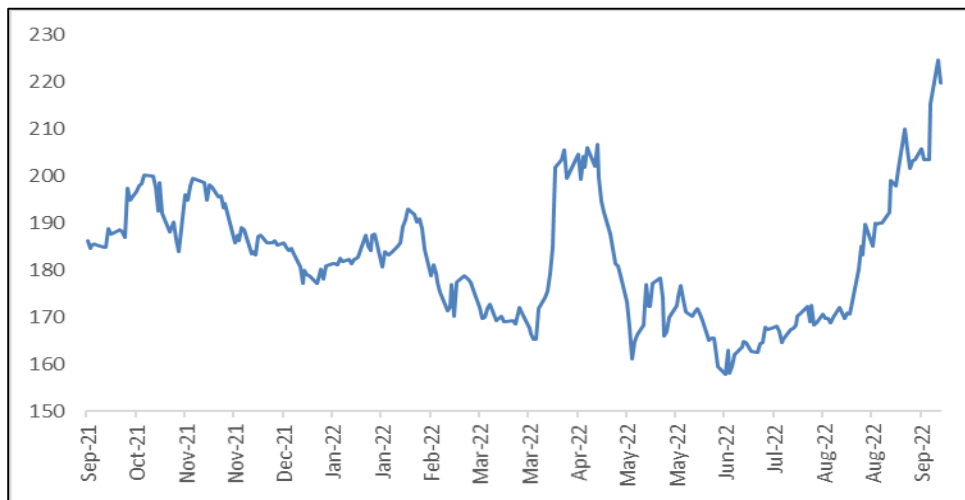
(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	199	226	240	255	304
Non-operating & EO items	-13	-4	-15	-37	-39
Interest Expenses	6	12	21	24	24
Depreciation	26	27	33	49	53
Working Capital Change	31	-37	-157	7	-83
Tax Paid	-45	-48	-70	-66	-78
OPERATING CASH FLOW (a)	204	176	52	233	181
Capex	-272	-159	-126	-138	-125
Free Cash Flow	-67	17	-74	95	57
Investments	-20	0	0	-2	-2
Non-operating income	96	44	23	37	39
INVESTING CASH FLOW (b)	-195	-115	-103	-104	-87
Debt Issuance / (Repaid)	27	27	107	20	-10
Interest Expenses	-6	-12	-21	-24	-24
FCFE	-46	31	12	91	23
Share Capital Issuance	0	0	0	0	0
Dividend	-34	-52	-59	-66	-70
Others	83	40	7	0	0
FINANCING CASH FLOW (c)	70	3	34	-69	-104
NET CASH FLOW (a+b+c)	79	64	-17	60	-10

Key Ratios

Particulars	FY20	FY21	FY22	FY23E	FY24E
Profitability Ratio (%)					
EBITDA Margin	27.7	30.2	30.5	28.0	28.2
EBIT Margin	29.2	29.3	30.4	26.7	27.1
APAT Margin	22.2	20.5	20.6	18.2	18.7
RoE	16.5	15.5	14.8	14.4	15.4
RoCE	21.7	17.1	15.8	15.1	16.4
Solvency Ratio (x)					
Net Debt/EBITDA	0.7	0.7	1.0	1.0	0.8
Net D/E	0.1	0.1	0.2	0.2	0.2
Per Share Data (Rs)					
EPS	8.4	8.9	9.4	10.1	12.1
CEPS	9.9	10.3	11.2	12.8	14.9
Dividend	2.6	2.8	3.1	3.5	3.8
BVPS	51.1	57.2	63.5	70.1	78.5
Turnover Ratios (days)					
Debtor days	152	173	130	130	130
Inventory days	466	359	464	375	350
Creditors days	66	38	75	70	70
Valuation (x)					
P/E	26.0	24.7	23.3	21.7	18.2
P/BV	4.3	3.8	3.5	3.1	2.8
EV/EBITDA	20.9	17.1	16.5	14.7	12.5
EV / Revenues	5.8	5.1	5.0	4.1	3.5
Dividend Yield (%)	1.2	1.3	1.4	1.6	1.7
Dividend Payout (%)	30.3	31.3	32.9	34.6	31.0



One Year Price Chart



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.



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