

Mishra Dhatu Nigam Ltd : Good Issue

IPO Note : “Mini Ratna” manufacturers of special steels, Super alloys and only manufacturer of titanium alloys in India

: Ranking***



A Mini Ratna and
An ISO 9001:2008 Company

Issue details

Price band (Rs)	Rs.87-Rs.90
IPO Opening Date	21/03/18
IPO Closing Date	23/03/18
Issue Size	Rs.438.38 Cr.

Recommendation

Total revenue grew at a **CAGR of 10.82%** from Rs.678.33 Cr for the FY 2015 to Rs.833.09 Cr for FY 2017 and Net Profit grew at a **CAGR of 10.41%** in the same period. Net profit grew from Rs.103.62 crore to Rs.126.31 crore in this period. For the six months ended on 30.09.17, it has earned net profit of Rs.27.30 cr. on a turnover of Rs.220.66 cr. For last three fiscals, it has posted an average EPS of Rs. 6.42 and an average RoNW of 18.58%. Issue is priced at a P/BV of around 2.3 based on its NAV of Rs. 39.15 as on 30.09.17. **If we annualize latest earnings and attribute it on post issue equity then asking price works out at a P/E of around 31, but if we consider FY17 earnings, then P/E comes to around 13.34. The company has good operating and PAT margin. Issue reasonably priced, hence investment may be considered for long term.**

Highlights

- Mishra Dhatu Nigam Ltd. (Popularly known as MIDHANI) is specialty metal PSU and one of the leading manufacturers of special steels, Superalloys and only manufacturer of titanium alloys in India.
- It has emerged as a ‘National Centre for Excellence’ in advanced metallurgical production of special metals and Superalloys in India.
- It enjoys status of a Mini Ratna, Category-I company.
- MIDHANI is one of the few metallurgical plants of its kind in the world, designed to manufacture a wide range of special metals and alloys using integrated and highly flexible manufacturing systems.

Company Introduction

Incorporated in 1973, Mishra Dhatu Nigam Ltd is Hyderabad based PSU engaged in the business of manufacturing of special steels, super alloys and titanium alloys in India. These high value products cater to niche sectors including defense, space and power. Company is Mini Ratna, Category-I company since 2009.

Mishra Dhatu Nigam manufactures:

1. Special steels like martensitic steel, ultra high strength steel, austenitic steel and precipitation hardening steel.
2. Three varieties of Super alloys - nickel base, iron base and cobalt base.
3. Titanium alloys.

Mishra Dhatu Nigam has a manufacturing facility in Hyderabad. Company is in the process of setting up two new manufacturing facilities in Rohtak and Nellore. Company has an in-house research and development team comprising of 14 officers. Company has 836 employees.



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www.midhani.com

Financial Summary (Rs. In Crore)

Particulars	Six month ended Sept 2017	FY2017	FY2016	FY2015
Total Income	220.66	833.09	790.44	678.38
Net Profit	27.30	126.31	119.37	103.62
EPS (Rs)	1.45	6.74	6.37	5.53

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Company Promoters:

The promoter of the company is the President of India acting through the Ministry of Defence, Government of India.

The object of the issue

The object of the issue are to:

1. to carry out the disinvestment of 46,835,000 Equity Shares by the Selling Shareholder constituting 25% of Company's pre-Offer paid up Equity Share capital; and
2. to achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Company will not receive any proceeds from the Offer and all proceeds shall go to the Selling Shareholder.

IPO Issue Proceed

For disinvestment target and listing benefits, MIDHANI is coming out with a maiden IPO of 4.87 crore equity shares of Rs. 10 each via book building process with a price band of Rs. 87-Rs. 90 to mobilize Rs. 423.76 to Rs. 438.38 crore (based on lower and upper price bands). Issue opens for subscription on 21.03.18 and will close on 23.03.18. Minimum application is to be made for 150 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue, it's paid up capital remains same at Rs. 187.34 crore as entire issue is by way of Offer for Sale (OFS). Average cost of acquisition of shares by the promoters is Rs. 10 per share.

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