

### Issue Details

Listing	NSE & BSE
Open Date	20/3/2018
Close Date	23/3/2018
Price Band	87-90

### Capital Structure (In Cr)

Sh. pre-IPO	18.7
Fresh issue	0.0
Offer for Sales	4.9

### Shareholding Pattern (%)

	Pre	Post
Promoters	100.0	74.0
Public	00.0	26.0
Total	100.0	100.0

Mishra Dhatu Nigam Limited (MDNL) was established in 1973. MDNL aims at achieving self-reliance in the research, development and supply of critical alloys and products of national security and strategic importance. It is one of the leading manufacturers of special steels and superalloys and the only manufacturer of titanium alloys in India. These are high value products, which cater to niche end user segments, such as defence, space and power. MDNL has emerged as a 'National Centre for Excellence' in advanced metallurgical production of special metals and superalloys in India. The company has the technological ability to manufacture a wide range of advanced metals and alloys under one roof. With the growth of the business and operations, it has earned the status of a Mini Ratna, Category-I company in 2009. MDNL has several certifications including the ISO 9001:2008 – Quality Management System and AS 9100 C for manufacturing and supply of metals and alloy products. MDNL's research and development laboratory is accredited by the National Accreditation Board for Testing and Calibration Laboratories.

The company has a one of its kind metallurgical plant worldwide, which is designed to manufacture a wide range of special metals and alloys using integrated and highly flexible manufacturing systems. It also manufactures unique combinations of metals and alloys. These special alloys have superior mechanical properties and better workability, which are essential for special applications in aerospace, power generation, nuclear, defence and other general engineering industries. MDNL products are key ingredients for the strategic sectors in India, which typically cannot be imported from other countries due to national security related concerns.

MDNL offers a diverse range of alloy and steel products:

- Martensitic steel
- Ultra-high strength steel
- Precipitation hardening steel
- Superalloys
  - Nickel base
  - Iron base
  - Cobalt base
- Titanium alloys

Most of the orders executed are in the nature of import substitutes. It is competent enough to develop and manufacture customised alloys tailor-made to suit the specific requirements of customers for critical applications. Presently, it carries out operations at its manufacturing facility in Hyderabad. It is in the process of setting up two new manufacturing facilities in Rohtak and Nellore.

**MDNL has continuously posted profits in the last five years. On a restated basis, the total revenues grew at a CAGR of 9.8% from ₹573.8 crore for FY13 to ₹833.1 crore for FY17 while PAT grew at a CAGR of 11.2% from ₹82.5 crore for FY13 to ₹126.3 crore for FY17. The Company has earned a PAT of ₹27.3 on a total revenue of ₹220.7 crore for the six months period ended September 30, 2017.**

## **Key Investment Highlights:**

### **Most advanced and unique facilities**

MDNL is the only facility in India to carry out vacuum-based smelting and refining through world class vacuum melting furnaces. It undertakes vacuum induction melting, vacuum arc remelting, vacuum degassing/ vacuum oxygen decarburisation, electro slag remelting and electron- beam melting. It enables the company to venture into new markets with innovative and advanced products. The company has for the first time in the country, successfully produced Hafnium metal, which has vital applications in the space sector using a state of the art electron beam melting furnace. Also, it has manufactured large nickel superalloy-based casting through air induction melting route. Thus, the wide spectrum of advanced melting facilities makes it easier for the company to provide customers with high quality products which meet stringent quality requirements.

### **Capability to manufacture a wide range of advanced products**

MDNL manufactures a wide range of special steels and stainless steels, superalloys (nickel based, iron based and cobalt based), commercially pure titanium and titanium alloys, soft magnetic alloys, controlled expansion alloys, heat resistance alloys, special purpose alloys, refractory metals and other alloys in different shapes, properties and sizes.

It has process capabilities across the product manufacturing value chain, including melting, forging, rolling, wire drawing, investment casting, machining and quality testing. It has a modern and integrated metallurgical plant for manufacturing a wide spectrum of critical alloys in a variety of forms such as ingots, forged bars, rings hot rolled sheets and bars, cold rolled sheets, strips and foils, wires, castings, fasteners and tubes using state of the art production facilities for defence, space, aeronautics, power and thermal power, electronics, tele-communications and engineering industries and other sectors in India. Its monitors all processes, right from the receipt of raw materials and manufacturing to packaging of products. In addition, it also uses the high quality/pure form of raw materials to manufacture alloys. This helps the company to ensure the high quality of the manufactured products and control the production costs. The company is in a unique position to leverage both economies of scale and scope as it is capable of processing different alloys. Some of the alloys that it manufactures have properties higher than international standards to meet specific requirements of the customers. The company offers service to core strategic sectors such as defence, nuclear/power and aerospace.

### **Strong long-term customer relationships**

The company has a strong and an established relationship with the customers. It has partnered with many key customers in the product development process to meet the desired level of specification and repeat orders. The company has built and maintained relationships with the core strategic sectors for over three decades.

Also, the company undertakes an in-house survey for customer satisfaction. The results of the customer satisfaction index, during 2012 to 2015, is more than 3.5 at the scale of 1 to 5. Going forward, the GoI initiatives such as Make in India will boost defence production and heavy equipment manufacturing in India.

### **Research and development-based technology development**

The business is required to keep abreast with the latest developments in related fields of science and technology. To be at par with global technological progress, the company places strong emphasis on technology of products, technology of processes and technology of equipment. Its in-house research and development team works towards improvement of product quality and processes innovation. For instance, the company has reused titanium scrap to make ferro titanium for the Indian market. It has developed an Adour engine disc through the isothermal forging process for aerospace sector under the Make in India programme. The company place strong emphasis on research and development to enhance its product range and improve its manufacturing processes.

### **Highly Qualified and Experienced Management and Management Systems**

MDNL is led by a management team and staff with employees who have significant experience. Through their commitment and experience, the management team has grown the business in India. It has a strong metallurgical team of key employees with the ability to utilise metallurgical knowledge. MDNL's Chairman and Managing Director, Dr. Dinesh Kumar Likhi, is highly experienced in the field of metallurgy with an experience of over 35 years. He has received the National Metallurgist Award, 2016 in recognition of his outstanding leadership foresightedness and contributions to the growth of the steel industry.

### Issue Structure & Valuation

The proposed Mishra Dhatu Nigam Ltd issue is for an aggregate amount of Rs 438.4 crores (48,708,400 shares) by way of offer for sale. The shares are being offered to the public at a price range of Rs 87 per share (lower price band) to Rs 90 per share (upper price band).

Category	No. of shares Offered	% of Shares Offered
QIB	24354200	50%
Non institutional Bidders	7306260	15%
Retail	17047940	35%
<b>Total</b>	<b>48708400</b>	<b>100%</b>

The valuation on a trailing basis works out to 12.9x and 13.4x FY17 P/E at the lower and upper band of Rs 87 and Rs 90, respectively.

**SWOT ANALYSIS:**

<b><u>STRENGTH</u></b>	<b><u>WEAKNESS</u></b>
<ul style="list-style-type: none"> <li>• Most advanced and unique facilities</li> <li>• Strong long-term customer relationships</li> <li>• Development based on research and technology</li> <li>• Leading manufacturer of special steels, superalloys and only manufacturer of titanium alloy in India</li> <li>• Highly Qualified and Experienced Management and management systems</li> </ul>	<ul style="list-style-type: none"> <li>• Govt has a significant influence which restricts the ability to manage the business</li> <li>• Manufacturing process for products are complex and could be hazardous</li> <li>• Production occurs on an order basis, in small batches</li> <li>• Continuous technological up gradation and intermittent domestic demand for the selected products makes planning, inventory management and lead time extremely challenging</li> </ul>
<b><u>OPPORTUNITY</u></b>	<b><u>THREAT</u></b>
<ul style="list-style-type: none"> <li>• Growth and modernization of the products</li> <li>• Increase focus on research and development</li> <li>• Strengthen the human capital</li> </ul>	<ul style="list-style-type: none"> <li>• Change in policies relating to the strategic sectors will impact the business and financial condition.</li> <li>• Due to national securities concerns, certain information is classified as 'secret and confidential'</li> <li>• Outstanding legal and tax proceedings involved in the company</li> <li>• Loss of, or shutdown of business operations at Telangana unit will impact the business</li> </ul>

**Profit and Loss (Rs. In crore)**

Particulars	FY13	FY14	FY15	FY16	FY17
<b>Revenue</b>					
Revenue from Operations	<b>558.6</b>	<b>554.6</b>	<b>647.4</b>	<b>716.8</b>	<b>773.3</b>
<b>Expenses</b>					
Increase/Decrease in Stock	21.2	-9.6	7.4	40.3	75.4
Raw Material Consumed	0.0	196.1	212.0	244.9	193.8
Power & Fuel Cost	0.0	43.1	52.4	52.1	60.6
Employee Cost	0.0	95.4	93.8	91.9	107.8
Other Manufacturing Expenses	0.0	70.9	33.0	38.4	101.3
General and Administration Expenses	427.5	14.2	7.7	8.0	18.4
Selling and Distribution Expenses	0.0	17.1	1.4	1.4	9.9
Miscellaneous Expenses	0.0	19.7	107.1	90.7	20.7
<b>Total</b>	<b>448.7</b>	<b>446.8</b>	<b>514.7</b>	<b>567.6</b>	<b>587.9</b>
<b>EBITDA</b>	<b>109.9</b>	<b>107.8</b>	<b>132.7</b>	<b>149.2</b>	<b>185.4</b>
Other Income	19.9	22.1	22.7	27.5	24.0
<b>EBITDA (Incl. OI)</b>	<b>129.8</b>	<b>129.9</b>	<b>155.4</b>	<b>176.7</b>	<b>209.4</b>
Depreciation & Amortisation	5.2	6.0	9.8	13.5	17.7
<b>EBIT</b>	<b>124.6</b>	<b>123.8</b>	<b>145.6</b>	<b>163.2</b>	<b>191.7</b>
Finance Cost	6.8	5.1	7.1	3.3	5.4
Exceptional Income / Expenses	0.0	2.6	0.0	0.0	0.0
<b>PBT</b>	<b>117.8</b>	<b>121.4</b>	<b>138.5</b>	<b>159.9</b>	<b>186.3</b>
Provision for Tax	35.3	39.0	36.4	41.9	60.0
<b>Net Income</b>	<b>82.5</b>	<b>82.5</b>	<b>102.1</b>	<b>118.0</b>	<b>126.3</b>

**Balance Sheet (Rs. In crore)**

Particulars	FY14	FY15	FY16	FY17	FY17
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholder's Funds</b>					
Share Capital	187.3	187.3	187.3	187.3	187.3
Share Warrants & Outstanding	0.0	0.0	0.0	0.0	0.0
Reserves & Surplus	219.4	257.8	313.8	389.2	517.0
<b>Sub-Total</b>	<b>406.8</b>	<b>445.1</b>	<b>501.2</b>	<b>576.6</b>	<b>704.3</b>
<b>Minority Interest</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Non Current Liabilities</b>					
Secured Loans	0.0	13.3	10.8	7.5	0.0
Unsecured Loans	13.6	4.9	3.6	2.3	1.2
Deferred Tax Assets / Liabilities	0.3	6.4	15.5	22.5	20.4
Other Long Term Liabilities	329.4	211.4	77.4	94.6	126.3
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	14.9	0.5	0.6	0.7	0.8
<b>Sub-Total</b>	<b>358.2</b>	<b>236.5</b>	<b>107.7</b>	<b>127.6</b>	<b>148.7</b>
<b>Current Liabilities</b>					
Trade Payables	74.3	96.9	107.7	53.0	66.0
Other Current Liabilities	267.2	281.5	271.0	197.3	140.7
Short Term Borrowings	56.4	27.9	41.5	0.0	12.6
Short Term Provisions	220.0	262.4	85.5	99.2	28.7
<b>Total Current Liabilities</b>	<b>617.8</b>	<b>668.7</b>	<b>505.6</b>	<b>349.5</b>	<b>248.0</b>
<b>Total Liabilities</b>	<b>1382.7</b>	<b>1350.3</b>	<b>1114.5</b>	<b>1053.6</b>	<b>1101.0</b>
<b>ASSETS</b>					
Fixed Asset	68.2	115.5	244.3	263.0	327.4
Capital Work in Progress	135.0	117.9	9.4	6.7	6.2
Non Current Investments	2.1	2.1	2.1	2.1	31.4
Long Term Loans & Advances	2.9	1.4	1.6	0.2	9.4
Other Non Current Assets	0.1	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>208.2</b>	<b>236.9</b>	<b>257.4</b>	<b>271.9</b>	<b>374.4</b>
<b>Current Assets</b>					
Currents Investments	0.0	0.0	0.0	0.0	0.0
Inventories	482.9	452.8	423.0	288.9	206.0
Sundry Debtors	267.4	243.6	220.5	209.3	288.5
Cash and Bank	173.0	105.7	89.4	195.9	207.9
Other Current Assets	43.9	45.2	28.0	12.4	12.2
Short Term Loans and Advances	207.4	266.2	96.1	75.3	12.0
<b>Total Current Assets</b>	<b>1174.5</b>	<b>1113.4</b>	<b>857.0</b>	<b>781.7</b>	<b>726.6</b>
Miscellaneous Expenses not written off	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>1382.7</b>	<b>1350.3</b>	<b>1114.5</b>	<b>1053.6</b>	<b>1101.1</b>



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