MIDWEST LTD. – IPO NOTE

14th Oct. 2025

RARE EARTH DIVERSIFICATION TO SUPPORT INDIA'S SELF SUFFICIENCY VISION

Midwest Ltd., have a legacy of more than four decades in the extracting and processing dimensional granite, particularly black galaxy and absolute black varieties. It is India's largest producer of black galaxy and black granite stones. It held a share of approximately 64% of the Indian export market for the export of black galaxy stone during FY25. It's absolute black granite production accounted for 15.7% of the overall black granite production in India during FY25. In addition to natural stone business, it also manufactures diamond wire which caters to both captive consumption and market demand of the Indian mining and construction industry.

Diversifying into niche elements to seize the opportunity in high growth markets

Total domestic back granite production stood at 2,877 cubic meters as of FY25, which is expected to grow at a CAGR of 8-11% and reach 4,227-4,848 cubic meters by FY30. Similarly, there is a surge in quartz demand driven by solar glass and engineered stone growth. Midwest plans to add 0.5 mn tonnes of quartz grit capacity for solar glass, meeting 11-13% of FY30 demand. The company operates 3 quartz mines and has 2 additional mines under development. Phase I of quartz processing plant with an installed capacity of 303,600 MT annually commenced operations during Q2FY25, with plans to double the capacity in Phase II. The company also holds reserves of Tan Brown Granite, Celestia Quartzite and Laza Grey Marble. Expansion into Heavy Mineral Sand (HMS) mining focuses on developing capabilities for extracting minerals such as Rutile, Ilmenite, Zircon, Garnet, Sillimanite, and Monazite. It has 4 HMS exploration licenses in Sri Lanka extracting rare earth elements from which it will cater to Titanium Slag, Pigment and EV industries.

Integrating technology with R&D focus to increase business efficiency & optimization

Focus on R&D primarily comprises tracing, identifying and establishing new mineral deposits to expand resource portfolio and developing methods to increase operational efficiency and improve the quality of products. With a focus on black galaxy granite, absolute black granite and quartz, potential mineral bearing areas are identified by using satellite imagery and studying geological and geophysical reports and data. It developed electric dressing station with an Italian company, reducing equipment costs, emissions and manpower requirement and induction of one electric tipper trucks on a pilot basis, reducing maintenance, downtime, and emissions.

Backward integration controls quality & precision

Backward integration to support the development of environmentally friendly diamond tools such as Diamond wire used in the cutting and processing of hard materials, for captive as well as industry consumption through manufacturing facility in Hyderabad. It aims to increase operations in the Diamond Wire Segment and acquire a greater share of the market for this product and R&D focus on cutting speed and useful-life enhancements by modifying the composition Materials like tungsten, iron, cobalt, and synthetic diamonds.

Risks- 1) Discrepancy in estimate of quality and quantity of natural stone reserves in mines may impact the business. 2) Significant dependence of revenue on China as it acts as distribution hub for granite industry. 3) Disruption of production at black galaxy granite mines as this segment has major revenue dependence

Opinion- The IPO comprises a mix of **Offer for Sale (OFS) of ₹201 crore** and a **fresh issue of ₹250 crore.** The net proceeds from the fresh issue will be utilized for capacity expansion and green energy initiatives. **At the upper end of the price band, the issue is valued at a P/E of 30x**, which seems to be priced aggressively.
However, the company's diversification into quartz and HMS segments positions it to tap into high-growth industries such as solar glass, electric vehicles (EVs), aerospace, and semiconductors. This strategic shift aligns well with India's push for self-reliance and comes at a pivotal time amid global supply chain disruptions. We believe these new verticals will make a meaningful contribution to the company's revenue and enhance profitability over time. We recommend **"SUBSCRIBE FOR LONG-TERM"** to the issue.

Rating	**Subscribe for Long Term**
Issue Details	
Issue Opens	15-Oct-25
Issue Closes	17-Oct-25
Face Value (₹)	5
Price Band (₹)	1,014-1,065
Bid Lot	14
Issue Size at higher price band (₹ Cr)	451
Market cap. @ upper price band (₹ cr)	3,851.02
Listing	NSE/BSE
BRLMs	DAM Capital Advisors, Intensive Fiscal Services, Motilal Oswal Investment Advisors
Registrar	KFin Technologies

Shareholding Pattern (%)

	Pre-Issue	Post Issue
Promoter	95.83	84.39
Others	4.17	15.61

Issue Structure (In cr. no. of shares)

Issue size	0.42
Break-up of net issue to public (%):	
QIB's portion	50%
Non-Institutional portion	15%
Retail Portion	35%

Research Team: -

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Financials-

Particulars	FY23	FY24	FY25
Operating Revenue	**503**	**586**	**626**
EBITDA	**90**	**151**	**172**
EBITDA Margins	***17.8%***	***25.9%***	***27.4%***
Net Profit/ (Loss)	**54**	**100**	**133**
Net Worth	**412**	**499**	**632**
Debt	**61**	**57**	**138**
Cash & Bank	**17**	**28**	**14**
Net Debt	**44**	**29**	**124**
Net Debt/ Equity	**0.1**	**0.1**	**0.2**
ROE	***13%***	***20%***	***21%***

Disclaimer:

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