

Midwest IPO

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- The company is the largest Indian company producing Absolute Black Granite and Black Galaxy Granite with around 70% exports earnings.
- It also enjoys 16 granite mining rights in 6 locations of various states of India.
- The company marked steady growth in its top and bottom lines.
- It has virtual monopoly in the segment of its business.
- Based on its recent financial data, the issue appears aggressively priced.
- Well-informed/cash surplus/risk seekers may park funds for medium to long term.

About the Company

Midwest Ltd. (ML) has a legacy of more than four decades in the dimensional natural stone (i.e., naturally occurring stones) industry with experience in exploration, development and operation of mines, stone processing and fabrication, sales, distribution and marketing of various types of natural stone. It is engaged in the business of exploration, mining, processing, marketing, distribution and export of natural stones, with an emphasis on sustainability. The company is India's largest producer and exporter of Black Galaxy Granite (a variety of Granite which is sparkling with flakes of a golden hue), and held a share of approximately 64% of the Indian export market for Black Galaxy Granite in Fiscal 2025 (Source: CRISIL Report), exporting 44,992 cubic meters of Black Galaxy Granite during Fiscal 2025.

It is also the largest producer in Absolute Black Granite (a variety known for its remarkable surface finish) in India, both of which have high demand. Its Absolute Black Granite production accounted for 15.7% of the overall black granite production in India during Fiscal 2025. (Source: CRISIL Report). It places much emphasis on decarbonizing operations to improve the sustainability of its business. Company's mining operations are mechanized and incorporate advanced engineering and process optimization, aided by vertical integration of key operational components such as customized Diamond Wires. The company beneficially leverages experience and organizational capabilities to serve as an organized player in an otherwise unorganized sector with the objective of catering to the requirements of customers, improving processes, expanding market reach and building resource base.

Its existing business activities primarily comprise extracting and processing Dimensional Granite (i.e., Granite that is cut to conform to the specifications in terms of size and shape), particularly the Black Galaxy and Absolute Black varieties ("Natural Stone Segment"). In addition to its Natural Stone business, the company also manufactures Diamond Wire, which is a precision cutting tool employed

in the natural stone and construction industries to size stones and other hard substances with precision in mines and processing/ fabrication facilities (“Diamond Wire Segment”). While its operations in the Diamond Wire segment began with the objective of backward integration and supporting Natural Stone Segment, at present, its operations in this segment cater both to captive consumption as well as meeting market demand of the Indian mining and construction industry.

The company currently have 16 operational Granite Mines across 6 locations in the states of Telangana and Andhra Pradesh in India producing Granite varieties such as Black Galaxy, Absolute Black, Tan Brown, along with one Granite processing facility in each of the states of Telangana and Andhra Pradesh. In addition to its operational mines, it has also established a resource base comprising 25 locations across Andhra Pradesh, Telangana, Karnataka and Tamil Nadu.

Its customers, comprising processors and distributors, are located across 17 countries and five continents, with China, Italy and Thailand being primary export markets. Its customers include MP STENeko AB (based in Sweden); GI-MA STONE SRL (based in Italy); Quanzhou Xingguang Stone Co., Ltd. and the Xiamen Group (based in China); King Marble and Granite Co. Ltd. (based in Thailand); and Kodeyalam Stones, Anjanee Exports and Anjalee Granites Pvt Ltd (based in India). Its Granite has been used in various marquee projects including the CSSC Power (Group) Tower in Shanghai, China and the Shenyang MaoYe Center in Shenyang, China. As of June 30, 2025, it had 1326 employees including 475 permanent, 822 contract workers and 29 consultants.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of worth Rs. 451 cr. (approx. 4234742 equity shares at the upper cap). The issue comprises of fresh equity issue worth Rs. 250 cr. (approx. 2347418 equity shares at the upper cap) and an Offer for Sale (OFS) worth Rs. 201 cr. (approx. 1887324 equity shares at the upper cap). The company has announced a price band of Rs. 1014 – Rs. 1065 per equity shares of Rs. 5 each. The issue opens for subscription on October 15, 2025, and will close on October 17, 2025. The minimum application to be made is for 14 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 11.71% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize Rs. 130.30 cr. for investment in wholly owned subsidiary Midwest Neostone, Rs. 25.78 cr. for capex on purchase of electric dump trucks, Rs. 3.26 cr. capex on integration of solar energy at certain mines of the company, Rs. 56.22 cr. for prepayment/repayment of certain borrowings, and the rest for general corporate purposes.

The company has reserved 9390 equity shares (worth Rs. 1.00 cr. at the upper cap) for its eligible employees, and offering them a discount of Rs. 101 per share. From the rest, it has allocated not more than 50% for QIBs, not less than 15% for HNIs and not less than 35% for Retail investors.

The three Book Running Lead Managers (BRLMs) to this issue are DAM Capital Advisors Ltd., Intensive Fiscal Services Pvt. Ltd., and Motilal Oswal Investment Advisors Ltd., while KFin Technologies Ltd., is

the registrar to the issue.

After having issued initial equity shares at par, the company has issued bonus equity shares in the ratio of 2 for 1 in February 1998, 11 for 9 in January 2000, 12 for 1 in October 2023, and 3 for 4 in July 2024. The average cost of acquisition of shares by the promoters/selling stakeholders Rs. NIL, and Rs. 0.03 per share.

Post-IPO, its current paid-up equity capital of Rs. 16.91 cr. will stand enhanced to Rs. 18.08 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 3851.02 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit, of Rs. 522.23 cr. / Rs. 54.44 cr. (FY23), Rs. 603.33 cr. / Rs. 100.32 cr. (FY24), and Rs. 643.14 cr. / Rs. 133.30 cr. (FY25). For Q1 of FY26 ended on June 30, 2025, it posted a net profit of Rs. 24.38 cr. on a total income of Rs. 146.47 cr. Thus, it posted a steady progress in its top and bottom lines for the reported periods.

For the last three fiscals, the company has posted an average EPS of Rs. 32.28 and an average RoNW of 21.37%. The issue is priced at a P/BV of 6.24 based on its NAV of Rs. 170.66 as of June 30, 2025, and at a P/BV of 4.79 based on its post-IPO NAV of Rs. 222.25 per share (at the upper cap).

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 39.49. Based on FY25 earnings, the P/E stands at 28.89. Thus, the issue appears aggressively priced.

The company has posted PAT margins of 10.83% (FY23), 17.13% (FY24), 17.17% (FY25), 17.14% (Q1-FY26), and RoCE margins of 14.39%, 25.00%, 18.84%, 3.91% respectively for the reported periods.

Dividend Policy

The company has paid dividend 1800% for FY23, it has already adopted a dividend policy in September 2024, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Pokarna Ltd., as its listed peer. It is currently trading at a P/E of 12.5 (As of October 10, 2025). However, they are truly not comparable on an apple-to-apple basis.

Merchant Banker's Track Record

The three BRLMs associated with the offer have handled 53 pubic issues in the past three fiscals, out of which 17 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

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About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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