

Rating: Avoid

Issue Offer

Midwest Ltd. IPO is a book build issue of INR 451 cr. The issue is a combination of fresh issue of 0.23 cr shares aggregating to INR 250 cr and offer for sale of 0.19 cr shares aggregating to INR 201 cr.

Issue Summary

Price Band INR	1014-1065
Employee Discount INR	101
Face Value INR	5
Implied Market Cap (INR Crore.)	3851.02
Market Lot.	140
Issue Opens on	Oct 15, 2025
Issue Close on	Oct 17, 2025
No. of share pre-issue	3,38,12,415
No. of share post issue	3,61,59,832
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

KFin Technologies Limited

Book Running Lead Managers

DAM Capital Advisors Ltd
Intensive Fiscal Services Pvt Ltd
Motilal Oswal Investment Advisors Ltd

	Pre-Issue	Post-Issue
Promoters	95.83%	84.39%
Public & Others	4.17%	15.61%

Objects of the issue

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the Offer for Sale of up to 18,87,323 Equity Shares.

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Midwest Ltd (ML) is India's largest producer and exporter of Black Galaxy Granite (64% export share in FY25) and a leading manufacturer of Absolute Black Granite (~16% of domestic output). With over 40 years of operations the company operates 16 mechanized granite mines and two processing facilities across Telangana and AP, additionally the company has identified a 25 resource base locations across southern India for future mining processes. The company's vertically integrated model includes an in-house Diamond Wire manufacturing, serving both captive needs and external demand from the mining and construction sectors. Exports span 17 countries, with key markets in China, Italy and Thailand. ML's granite is featured in projects like Shanghai's CSSC Power Tower and the Shenyang MaoYe Center. With a workforce of 1,326, ML leverages advanced mining technology, process optimization and sustainability initiatives to maintain leadership in India's largely unorganized natural stone industry.

Investment Rationale:

Market Leadership in Premium Granite Segment: Midwest Ltd commands a virtual monopoly in two of India's most in demand granite categories i.e Black Galaxy and Absolute Black. With ~64% share in Black Galaxy granite exports and ~16% in Absolute Black production, the company holds brand recognition and pricing power in the granite segment. These export-grade stones cater to premium-end international demand, ensuring consistent order flow and pricing stability.

Export-led growth with Diversified Global Footprint: Exports contribute 70% of ML's total revenue. The company retains clientele relationships across 17 countries with key markets in China, Italy, and Thailand -three of the world's largest natural stone-consuming nations. Long-standing relationships with large distributors (e.g., GI-MA Stone SRL, MP STENeko AB, Xiamen Group) offer steady volume visibility and repeat business.

Vertically Integrated Business Model Enhancing Margins: The company's integration across value chains from exploration and mining to processing, distribution and in-house Diamond Wire production ensures greater control over quality, cost and supply continuity. Originally developed for captive use, the Diamond Wire division now supplies to external clients, adding a diversified, higher-margin revenue stream and reducing dependence on external suppliers.

Strong Execution Track Record: ML has demonstrated consistent growth in revenue(+6.6% YoY) and PAT(+33% YoY), backed by operational discipline, cost control and strong international demand. With low leverage and improving cash generation, it remains well positioned to fund future expansion without excessive debt. EBITDA and PAT margin for the company stood at 27.4% and 17.2% respectively, at par with industry peers.

Strategic Use of IPO Proceeds: The fresh issue proceeds are being channeled into high-impact areas capacity expansion via Midwest Neostone, sustainability capex (solar, EV dumpers), and debt reduction each reinforcing long-term competitiveness and financial resilience.

Valuation and View:

Midwest Ltd. holds a dominant position in the Black Galaxy Granite segment, enjoying strong pricing power through its extensive mining presence in Telangana and Andhra Pradesh. The company has also identified 25 new mining prospects to sustain long-term growth.

Beyond its core granite business, ML is diversifying into Quartz and Diamond Wire manufacturing, leveraging its mining expertise and strengthening value chain integration. Increased R&D focus supports this transition toward higher-margin, technology-led segments. The company continues to demonstrate steady growth, posting FY25 revenue of INR 6,431.4 Mn and PAT of INR 1,333 Mn, with Q1FY26 PAT at INR 243.8 Mn on revenue of INR 1,464.7 Mn. Its market leadership, diversification strategy, and consistent performance position it well for sustainable medium- to long-term growth. The industry P/E revolves at ~12.5, with Pokarna Ltd being its closest peer trading at a P/E of 12.4 on FY25 EPS of INR 60.5.

At the upper band of INR 1,065, the issue is valued at a P/E of 39.5x, based on a EPS of INR 26.9(FY25) post-IPO. Despite market leadership in a segment we recommend an "Avoid" rating for Midwest, as the issue looks significantly overvalued, relative to its peers.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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