

Company Overview

Midwest Ltd. is India's largest producer and exporter of Black Galaxy Granite, with a legacy of over four decades in the dimensional natural stone industry. The company has experience in exploration, development, and operation of mines, stone processing and fabrication, sales, distribution, and marketing of various natural stone varieties. In FY25, Midwest held approximately 64% of the Indian export market for Black Galaxy Granite, exporting 44,992 cubic meters. Besides Black Galaxy Granite, Midwest is also one of the largest producers of Absolute Black Granite in India, accounting for 15.7% of the country's total black granite production in FY25. The company's existing business involves extracting and processing dimensional granite, which is a granite that is cut to meet specific size and shape requirements. It also manufactures diamond wire, a precision cutting tool used in the natural stone and construction industries, for both captive consumption and meeting the demand of Indian mining and construction markets. Midwest operates 16 granite mines across six locations in Telangana and Andhra Pradesh, producing varieties such as Black Galaxy, Absolute Black, and Tan Brown granite. It maintains granite processing facilities in both Telangana and Andhra Pradesh. Additionally, the company has established a resource base comprising 25 locations across Andhra Pradesh, Telangana, Karnataka, and Tamil Nadu. Its customer base includes processors and distributors across 17 countries and five continents, with long-standing relationships and long-term contracts highlighting the company's strong market presence and reliability.

Objects of the issue

The company proposes to utilize net proceeds from the fresh issue towards funding the following objects:

- ⇒ Investment in Midwest Neostone Private Limited, its wholly owned subsidiary, by way of a loan, towards funding capital expenditure for Phase II of the quartz grit and powder processing plant;
- ⇒ Capital expenditure for the purchase of electric dump trucks to be used by the company and investment in Andhra Pradesh Granite Private Limited (APGM), its material subsidiary, by way of a loan, for the purchase of electric dump trucks;
- ⇒ Capital expenditure for the integration of solar energy at certain mines of the company;
- ⇒ Pre-payment/re-payment of, in part or full, certain outstanding borrowings of the company and investment in APGM, by way of a loan, for pre-payment/ re-payment of, in part or full, certain outstanding borrowings of APGM; and
- ⇒ General corporate purposes.

Investment Rationale

India's largest black galaxy granite producer, with a sustainable competitive edge, driven by a long gestation period

Black Galaxy Granite is found only in a single village in Andhra Pradesh in the entire world. Midwest Ltd. stands as India's largest producer and exporter of Black Galaxy Granite. The natural stone mining industry in India is largely unorganized and fragmented, necessitating strategic planning and significant financial resources for sustained success. Mining rights for specific areas are typically granted exclusively for 30 years, extendable up to 50 years under the MMDR Act. Establishing and operating a mine requires substantial human and financial capital investment, along with a long gestation period transitioning from exploration to production. Accordingly, producers with large, established resources hold a competitive advantage over new players. Midwest operates 20 mines, including 16 granite mines, three quartz mines, and one marble mine, with a resource base across Telangana, Andhra Pradesh, Karnataka, and Tamil Nadu. Leveraging its extensive sector experience, the company maintains its regulatory approvals and licenses. Given its position in the industry and scale of operation, the company is also the leading royalty payer for Black Galaxy Granite in the industry. With over 40 years of experience, developed resource base, and a comprehensive equipment fleet, Midwest's operations are advanced in the development and operational cycle compared to newer or unorganized players. The company actively evaluates opportunities to expand its resource base by developing additional mines adjacent to existing operations. Given the demand for Black Galaxy Granite, Midwest's exclusive mining rights over proven reserves, extensive experience in mining and processing, and an established customer base, it is well-positioned to capitalize on this growing and premium market segment.

Issue Details

Offer Period	15 th Oct. 2025 - 17 th Oct. 2025
Price Band	Rs. 1014 to Rs. 1065
Bid Lot	14
Listing	BSE & NSE
Issue Size (no. of shares in mn)	4.2
Issue Size (Rs. in bn)	4.5
Face Value (Rs.)	5

Issue Structure

QIB	50%
NIB	15%
Retail	35%
BRLM	DAM Capital Advisors Ltd., Intensive Fiscal Services Private Ltd., Motilal Oswal Investment Advisors Ltd.
Registrar	Kfin Technologies Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	95.8	84.4
Public	4.2	15.6
Total	100.0	100.0

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Midwest Limited

Leveraging end-to-end dimensional granite integration to capture growth opportunities

Midwest Ltd. has a comprehensive mine-to-distribution capability that spans the entire dimensional granite value chain, enabling it to effectively meet customer requirements. Through its 16 operational granite mines, the company supplies dressed dimensional granite blocks to its customers. It operates two processing facilities where smaller granite blocks are cut and polished, making them suitable for final products such as countertops, steps, window sills, dining islands, facades, and floor or wall cladding. Additionally, Midwest operates a stock yard at the Krishnapatnam port in Andhra Pradesh, which allows it to maintain required inventory levels and facilitates efficient shipping. The company adopts flexible supply chain models to meet customer and distributor needs, and has delivery capabilities ranging from ex-mine to cost-insurance-freight basis. With a strong network of freight forwarding and shipping agents, Midwest assists customers in shipping products to the desired port and destinations in various countries. Its presence across the dimensional granite value chain enhances customer value by ensuring consistent volume and quality supply from its mines. The distributor model allows it to maintain inventory levels close to primary consumption markets such as China and Italy. By aggregating consignments under a single charter, Midwest assists distributors secure favorable shipping rates, reducing costs. Furthermore, its network of distribution agents facilitates accurate market demand estimation, enabling efficient production planning and inventory management. Collectively, these factors give Midwest control and stability in its supply chain, enabling it to cater to bespoke customer requirements and deliver enhanced value to its customers.

Valuation

Midwest Ltd is India's largest producer and exporter of Black Galaxy Granite, commanding approximately 64% of the Indian export market in FY25 with exports of 44,992 cubic meters. The company is also a key player in Absolute Black Granite, accounting for 15.7% of India's total black granite production. With advanced manufacturing facilities, Midwest continues to strengthen its leadership through strategic investments in wholly owned subsidiaries and the adoption of renewable energy solutions. India's granite industry, valued at around USD 40 billion, presents significant potential for employment generation in rural areas and benefits from strong global demand as granite remains a premium decorative and construction material overseas. Midwest's success is underpinned by its robust market share, focus on product quality, and long-standing customer relationships, which reinforce its reputation as a trusted global supplier of premium natural stone. The company's strategic roadmap focuses on capacity expansion, diversification into engineered stone and quartz products, and investments in green technologies to enhance sustainability and operational efficiency. The company also aims to improve logistics, optimize its supply chain, and reduce its environmental footprint, increasing operational efficiency and positioning itself for regulatory trends. The company's established market positions and growing global demand for natural and engineered stone products suggest resilient profits. On the financial front, the company has delivered healthy CAGR growth over FY23–25, with Revenue/EBITDA/PAT CAGR of 11.6%/38.5%/ 56.5%. The future outlook appears strong, with Midwest poised to leverage industry growth, premium product positioning, and planned expansion projects. **At the upper price band, the company is valued at a P/E multiple of 27.0x FY25 earnings. We, thus, recommend a "SUBSCRIBE" rating for this issue.**

Key Risks

- ⇒ The company's estimates of natural stone reserves across its mines may differ materially from the actual quantity and quality of stone that can be recovered. Additionally, estimates of the operational lifespan of mines may prove inaccurate. Fluctuations in market prices and changes in operating and capital costs may render certain or all of the natural stone reserves uneconomical to mine.
- ⇒ The company's operations are subject to regulation, requiring it to obtain, renew, and maintain statutory and regulatory approvals. Any delays or inability to secure or renew such approvals due to litigation or changes in the regulatory landscape could adversely impact business expansion and affect operational performance.
- ⇒ The company has entered into new business segments, including the extraction and processing of quartz, and is expanding into mining of heavy mineral sands. Inability to establish itself in these emerging segments could adversely affect its business condition, results of operations and cash flows.

Midwest Limited

Income Statement (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
Revenue				
Revenue from operations	5,025	5,856	6,262	1,423
Total revenue	5,025	5,856	6,262	1,423
Expenses				
Quarry expenses	635	551	650	139
Seigniorage and cess fees	954	1,045	1,006	248
Cost of material consumed	83	72	77	28
Purchase of stock in trade	42	69	19	5
Consumption of stores and spare parts	909	754	756	158
Changes in inventories	-115	185	152	-7
Employee benefit expenses	389	415	510	113
Other expenses	1,232	1,252	1,375	350
Total operating expenses	4,129	4,342	4,544	1,033
EBITDA	896	1,514	1,718	390
Depreciation & amortization expenses	215	222	256	66
EBIT	680	1,293	1,462	324
Finance costs	91	92	109	37
Other Income	197	177	170	42
PBT and exceptional items	787	1,378	1,522	329
Exceptional items	-	-	258	-
Tax expense	243	375	447	85
Net Profit	544	1,003	1,333	244
Diluted EPS	16.1	29.6	39.4	7.2

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
Cash Flow from operating activities	-519	1,279	873	284
Cash flow from investing activities	-175	-636	-2,010	-535
Cash flow from financing activities	448	-499	1,025	300
Net increase/(decrease) in cash and cash equivalents	-246	144	-112	49
Cash and cash equivalents at the beginning of the period	356	110	255	142
Cash and cash equivalents at the end of the period	110	255	142	192

Source: RHP, BP Equities Research

Midwest Limited

Balance Sheet (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
ASSETS				
Non-Current Assets				
Property, plant and equipment	2,428	2,390	2,856	2,869
Right of use assets	111	131	198	196
Capital work in progress	22	133	1,164	1,393
Goodwill	15	15	15	15
Other intangible asset	0	0	0	1
Intangible asset under development	1,032	1,059	1,098	1,099
Exploration intangible asset under development	0	0	0	75
Investments accounted for using equity method	7	0	0	0
Financial Assets				
(i) Investments	185	186	198	200
(ii) Loans	0	0	108	409
(iii) Other financial assets	120	124	134	140
Deferred tax assets (Net)	67	69	72	73
Other Non-Current Assets (Net)	310	572	517	526
Total Non-Current Assets	4,296	4,678	6,361	6,997
Current Assets				
Inventories	574	372	276	288
Financial Assets				
(i) Investments	8	189	0	0
(ii) Trade Receivables	962	1,191	2,400	2,337
(iii) Cash and cash equivalents	110	255	142	192
(iv) Bank balance other than cash	24	27	23	6
(v) Loans	110	118	457	167
(vi) Other financial assets	1	94	1	0
Other current assets	509	680	927	841
Total Current Assets	2,300	2,926	4,226	3,831
Total Assets	6,595	7,604	10,587	10,828
Equity and Liabilities				
Equity Share Capital	7	97	169	169
Other Equity	4,089	4,849	6,023	6,256
Equity attributed to owners of parent	4,096	4,945	6,192	6,425
Non controlling interest	22	46	132	144
Total Equity	4,119	4,991	6,324	6,569
Non-Current Liabilities				
Financial liabilities				
(i) Borrowing	614	566	1,377	1,532
(ii) Lease Liabilities	18	30	44	44
(iii) Other financial liabilities	0	174	124	116
Provisions	48	48	58	53
Deferred tax liability (Net)	35	33	25	25
Other non current liabilities	2	0	0	0
Total Non-Current Liabilities	718	852	1,629	1,770
Current Liabilities				
Financial Liabilities				
(i) Lease Liabilities	2	7	7	5
(ii) Borrowings	877	638	989	1,169
(iii) Trade payables	205	216	500	363
(iv) Other financial liabilities	183	200	563	354
Provisions	13	18	26	27
Other current liabilities	451	648	321	302
Current tax liabilities (Net)	28	34	229	269
Total Current liabilities	1,759	1,761	2,634	2,488
Total Liabilities	2,477	2,613	4,263	4,259
Total Equity and Liabilities	6,595	7,604	10,587	10,828

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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