

November 10, 2025

Green shoots of recovery visible...

About the stock: AIA Engineering (AIA) is India's largest manufacturer and supplier of high chrome wear, corrosion and abrasion resistance castings used in cement, mining and thermal power plants (or mills).

- Products include tube mill internals (grinding media, shell liners, diaphragm), HRCS castings & crusher parts for cement, mining and power
- The company is the second largest hi-chrome producer in the world.

Q2FY26 Performance: Consolidated volumes rose 5% YoY to 63159 tonnes. Mining segment volumes came in at 38387 tonnes down 4% YoY. Revenues came in at ₹1048 crore, flat YoY. EBITDA and PAT margins improved 190 and 122 bps YoY respectively to 28% and 21%. Thus, EBITDA and PAT grew 7.7% and 8.2% YoY to ₹297 crore and ₹277 crore respectively.

Investment Rationale:

- **Strategic qualitative initiatives to drive growth:** AIA witnessed a tepid business declining 12.7% over FY23-25 due to multiple headwinds from geopolitical uncertainty, anti-competitive measures in Brazil, USA and South Africa leading to order delays. To combat these, company has strategically decided to set up manufacturing facility of 50,000 tonne per annum capacity one each at China and Ghana, it also won against anti-competitive measures in Brazil. These strategic qualitative efforts by AIA are expected to yield fruits and we expect FY26E to be foundation laying for the next growth cycle. We model in revenue and PAT CAGR of 7.3% and 9.2% over FY25-FY27E respectively.
- **Mining conversion strategy to lead volume growth recovery:** AIA has had a key breakthrough in its mining conversion strategy. It has bagged its maiden order worth \$32.9 million (~₹291 crore) from a leading copper mining international company in Chile for the supply of high-chrome grinding media, strengthening AIA's foothold in the world's largest copper market, reinforcing confidence in volume recovery and earnings growth from FY27E onward. AIA's volume declined 14% over FY24-25 to 255000 tonnes. With continuous strategic initiatives we expect volume to grow 17% over FY26-27E to 307000 tonnes in FY27E mainly led by mining segment which is expected to grow at 24% over same period.

Rating and Target Price

- We believe AIA Engineering is taking the right steps which will enable it to deliver growth. We expect Revenue/ EBITDA/ PAT to grow at 7.3%/7.3%/9.2% CAGR over FY25-27E.
- We maintain our **BUY** rating with a target of **₹4060** (30x FY27E EPS)

Key Financial Summary

Particulars (Rs. crore)	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Net Sales	4,908.8	4,853.8	4,287.4	-6.5%	4,249.4	4,931.7	7.3%
EBITDA	1,240.6	1,333.8	1,149.2	-3.8%	1,172.2	1,323.1	7.3%
EBITDA Margin (%)	25.3	27.5	26.8		27.6	26.8	
Net Profit	1,056.5	1,137.0	1,060.1	0.2%	1,122.0	1,264.2	9.2%
EPS (Rs.)	113.2	121.8	113.6		120.2	135.5	
P/ E (x)	28.8	26.8	28.7		27.1	24.1	
RoNW (%)	18.6	17.1	15.3		14.2	14.1	
RoCE (%)	22.2	21.1	18.3		17.2	17.1	

Source: Company, ICICI Direct Research



Market data

Particular	Rs. (in crore)
Market Capitalization	30,203
Total Debt (H1FY26)	1,018.0
Cash and Inv (H1FY26)	566
Enterprise Value	30,655
52 week H/L (Rs.)	3835/3000
Equity capital	18.7
Face value (Rs.)	2.0

Shareholding pattern

%	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	58.5	58.5	58.5	58.5
FII	17.2	17.1	17.0	16.7
DII	21.8	22.0	22.0	22.2
Others	2.4	2.4	2.5	2.6

Price chart



Key risks

- Delay in conversion to High chrome grinding media
- Rise in input costs, freight costs can impact business growth.

Research Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

Gourav Aggarwal
gourav.aggarwal@icicisecurities.com

Earnings call highlights

- AIA has transitioned to a solution supplier vis a vis a product offeror previously. This is a focus on increasing customer mining output along with saving energy costs, grinding media costs is aimed at enhancing customer satisfaction through a value-add offering. AIA believes this will improve its strike rate in converting new customers.
- The grinding solution as a whole also enables company mitigate pricing risks and anti-competitive measures.
- AIA has had a breakthrough in the copper mining industry. It has received a \$32.9 million (~₹291 crore) order from a leading copper mining international company in Chile for the supply of high-chrome grinding media. The order size is ~20-23000 tonnes and will be executed over 18 months starting Q4FY26. The Chile order marks a key breakthrough in AIA's mining conversion strategy, strengthening its foothold in the world's largest copper market.
- The total opportunity size in the Chile mining region is approximately 700-800 thousand tonnes in volume terms; AIA is focusing on this market to convert customers to high chrome grinding media solution. The recent client win in Chile is first one in that region which can open doors for new clients signing up in the future for AIA.
- AIA has couple of more ongoing trial operations which are in advanced stages, AIA expects them to finalise in the near future (Q3FY26E-Q4FY26E). We believe from the management commentary that this mines are large mines relative to the Chilean client and if converted will add to strong volume growth for FY27E
- With respect to US tariff, US had imposed an initial 25% tariff in Feb 2025 and additional 25% tariff in May 2025 on steel and aluminium. AIA's total sales to the USA forms about 10% of total volumes. The company continues to supply to customers who are bearing the entire tariff.
- The company is confident, through new strategic measures, of getting back on track to grow sales by 30-40,000 tonnes annually mainly from new conversion in next 2-3 quarters.

Financial Summary

Exhibit 1: Profit and loss statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Total operating Income	4,853.8	4,287.4	4,249.4	4,931.7	
Growth (%)		-11.7	-0.9	16.1	
Raw Material Expenses	2,072.7	1,737.7	1,650.2	2,022.0	
Employee Expenses	171.4	185.5	187.1	201.8	
Other expenses	1,276.0	1,215.0	1,239.9	1,384.8	
Total Operating Expenditure	3,520.0	3,138.2	3,077.2	3,608.6	
EBITDA	1333.8	1149.2	1172.2	1323.1	
Growth (%)		-13.8	2.0	12.9	
Depreciation	100.3	103.1	114.7	120.2	
Interest	28.4	21.1	17.0	17.0	
Other Income	281.4	331.6	398.8	434.7	
PBT	1,486.5	1,356.7	1,439.4	1,620.5	
Others	0.0	0.0	0.0	0.0	
Total Tax	351.0	308.3	317.4	356.3	
PAT	1,137.0	1,060.1	1,122.0	1,264.2	
Growth (%)		-6.8	5.8	12.7	
EPS (Rs.)	121.8	113.6	120.2	135.5	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Profit after Tax	1,137.0	1,060.1	1,122.0	1,264.2	
Add: Depreciation	100.3	103.1	114.7	120.2	
(Inc)/dec in Current Assets	-215.5	296.1	247.6	-808.6	
Inc/(dec) in CL and Provisions	-85.0	8.9	32.9	92.7	
Others	3.0	3.0	3.0	3.0	
CF from operating activities	936.8	1468.1	1517.2	668.6	
(Inc)/dec in Investments	-851.5	-490.9	-1,292.6	-631.7	
(Inc)/dec in Fixed Assets	-192.8	-152.7	-73.1	-150.0	
Others	-65.7	-27.0	0.0	0.0	
CF from investing activities	-851.5	-490.9	-1292.6	-631.7	
Issue/(Buy back) of Equity	0.0	-0.2	0.0	0.0	
Inc/(dec) in loan funds	494.4	-41.4	30.4	0.0	
Dividend paid & dividend tax	-150.9	-150.9	-149.3	-149.3	
Inc/(dec) in Sec. premium	0.0	-265.8	0.0	0.0	
Others	7.6	7.6	7.6	7.6	
CF from financing activities	-212.1	-212.1	-760.3	-169.3	
Net Cash flow	-126.7	216.8	54.1	-132.4	
Opening Cash	307.0	180.3	397.1	451.2	
Closing Cash	180.3	397.1	451.2	318.8	

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Liabilities					
Equity Capital	18.9	18.7	18.7	18.7	
Reserve and Surplus	6,638.8	6,908.3	7,859.8	8,954.7	
Total Shareholders funds	6,657.7	6,927.0	7,878.5	8,973.4	
Total Debt	454.6	485.0	485.0	485.0	
Deferred Tax Liability	58.1	96.6	96.6	96.6	
Minority Interest / Others	0.0	0.0	0.0	0.0	
Total Liabilities	7201.1	7531.2	8491.9	9596.8	
Assets					
Gross Block	1,823.6	1,980.9	2,080.9	2,180.9	
Less: Acc Depreciation	736.5	829.0	942.8	1,062.0	
Net Block	1,087.1	1,151.9	1,138.1	1,118.9	
Capital WIP	92.2	76.9	50.0	100.0	
Total Fixed Assets	1,179.3	1,228.8	1,188.1	1,218.9	
Investments	3,349.9	3,865.5	5,065.5	5,565.5	
Inventory	1,204.7	1,016.8	866.2	1,303.8	
Debtors	880.3	826.4	861.1	1,058.6	
Loans and Advances	2.0	130.1	111.5	128.5	
Other Current Assets	381.4	199.0	85.9	242.5	
Cash	180.3	397.1	451.2	318.8	
Total Current Assets	2,648.7	2,569.5	2,376.0	3,052.1	
Creditors	178.6	196.7	223.9	258.0	
Provisions	7.2	9.0	41.4	47.7	
Total Current Liabilities	294.0	302.9	335.8	428.5	
Net Current Assets	2,354.7	2,266.6	2,040.2	2,623.7	
Others Assets	0.0	0.0	0.0	0.0	
Application of Funds	7201.1	7531.2	8491.9	9596.8	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	
Per share data (Rs.)					
EPS	121.8	113.6	120.2	135.5	
Cash EPS	132.6	124.6	132.5	148.4	
BV	713.4	742.3	844.2	961.6	
DPS	16.2	16.2	16.0	16.0	
Cash Per Share	19.3	42.6	48.3	34.2	
Operating Ratios (%)					
EBITDA Margin	27.5	26.8	27.6	26.8	
PBT / Total Operating income	31.2	32.1	34.3	33.6	
PAT Margin	23.8	25.1	26.8	26.2	
Inventory days	92.1	87.8	75.4	98.5	
Debtor days	67.3	71.4	75.0	80.0	
Creditor days	13.7	17.0	19.5	19.5	
Return Ratios (%)					
RoE	17.1	15.3	14.2	14.1	
RoCE	21.1	18.3	17.2	17.1	
RoIC	37.1	33.6	37.5	34.2	
Valuation Ratios (x)					
P/E	26.5	28.4	26.8	23.8	
EV / EBITDA	20.3	22.9	21.4	18.7	
EV / Net Sales	5.7	6.2	6.0	5.1	
Market Cap / Sales	6.3	7.1	7.2	6.2	
Price to Book Value	4.5	4.3	3.8	3.4	
Solvency Ratios					
Debt/EBITDA	0.3	0.4	0.4	0.4	
Debt / Equity	0.1	0.1	0.1	0.1	
Current Ratio	8.4	7.2	5.7	6.4	
Quick Ratio	4.3	3.8	3.2	3.3	

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headsquality@icicidirect.com Contact Number: 18601231122

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