CMP: ₹3250 | Target: ₹4060 (25%) | Target Period: 12 months | BUY

October 9, 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.

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, won against anti-competitive measures in Brazil. These strategic qualitative efforts by AIA are expected to yield fruits and we expect FY26 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 recommend **BUY** rating with a target of **₹4060** (30x FY27E EPS)

AIA Engineering Ltd.

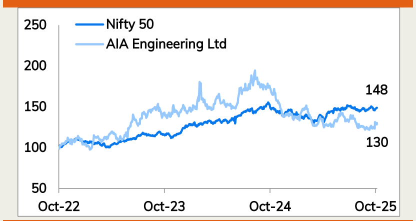
Market data

Particular	Rs. in crore
Market Capitalization	30,060
Total Debt (FY25)	485.0
Cash and Inv (FY25)	438
Enterprise Value	30,107
52 week H/L (Rs.)	4294/3000
Equity capital	18.7
Face value (Rs.)	2.0

Shareholding pattern

%	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	58.5	58.5	58.5	58.5
FII	17.9	17.2	17.1	17.0
DII	20.8	21.8	22.0	22.0
Others	2.7	2.4	2.4	2.5

Price chart



Key risks

(i) Delay in conversion to High chrome grinding media

(ii) Rise in input costs, freight costs can impact business growth.

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Key Financial Summary

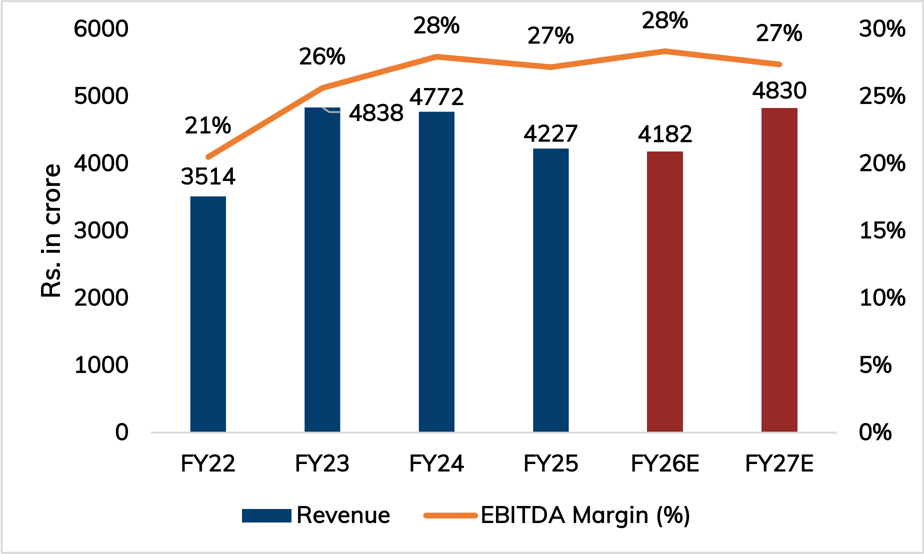
Particulars (Rs. crore)	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Net Sales	4,908.8	4,853.8	4,287.4	-6.5%	4,240.4	4,931.7	7.3%
EBITDA	1,240.6	1,333.8	1,149.2	-3.8%	1,186.6	1,322.4	7.3%
EBITDA Margin (%)	25.3	27.5	26.8		28.0	26.8	
Net Profit	1,056.5	1,137.0	1,060.1	0.2%	1,129.8	1,263.7	9.2%
EPS (₹)	113.2	121.8	113.6		121.1	135.4	
P/ E (x)	28.5	26.5	28.4		26.6	23.8	
RoNW (%)	18.6	17.1	15.3		14.3	14.1	
RoCE (%)	22.2	21.1	18.3		17.3	17.1	

Source: Company, ICICI Direct Research

Key business developments

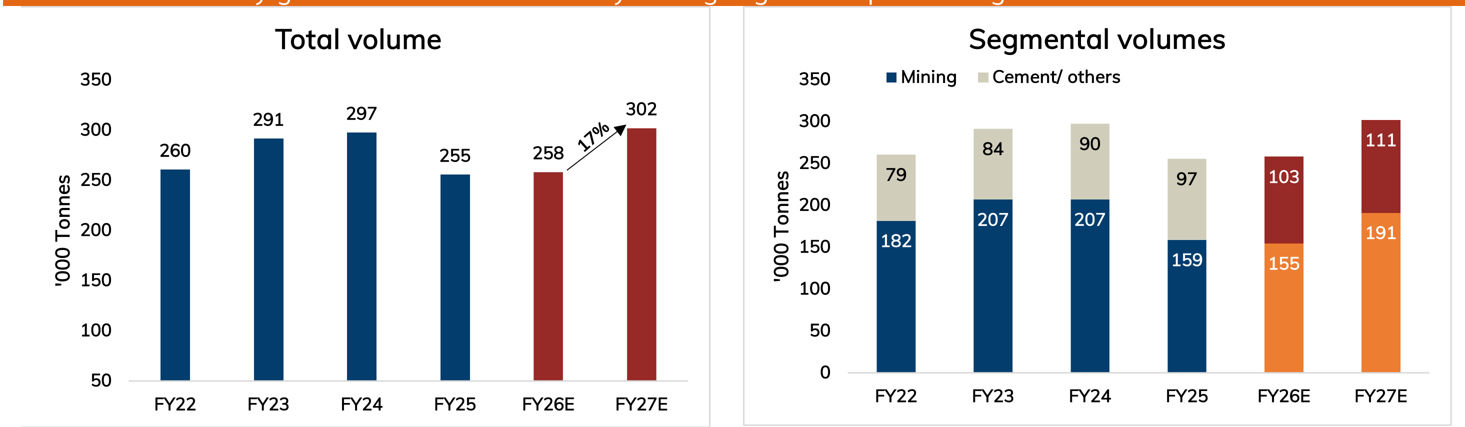
- **Breakthrough in copper mining:** AIA has had a breakthrough in the copper mining industry. It has received a $32.9 million (~₹291 crore) order from a leading copper mining international company in Chile for the supply of high-chrome grinding media. The order will be executed over 18 months starting November 2025. The Chile order marks a key breakthrough in AIA's mining conversion strategy, strengthening its foothold in the world's largest copper market. The ₹291 crore contract enhances export visibility and supports margin accretion, reinforcing confidence in volume recovery and earnings growth from FY27 onward.
- **Win against competitor:** The countervailing duty imposed in Brazil on AIA upon petition by local manufacturer (Magotteaux) is reduced from 6.5% to 2.9% in July 2025. Anti-dumping duty and countervailing duty had been imposed on AIA by Brazil upon petition by its competitor. This had impacted revenue growth for the company in that region. The termination of Anti-dumping duty and reduction of Countervailing duty will give a boost to AIA's volume growth in that region.
- **Strategic shift towards global production:** The company's existing capacity stands at 460,000 tonnes. Earlier, it had announced an 80,000 tones capacity addition which was scaled down to 36,000 tonnes. However, the company in Q3FY25 decided to stay put at 460,000 tonnes capacity in India and pausing all ongoing work in India.
- The company plans to establish two facilities having 50,000 tonnes capacity one each in Ghana and China. This will be set up in a modular fashion with aim to reach 50,000 tonnes over time. This will enable company to be capital efficient in capacity addition. The total cost of establishing the two plants is estimated to be US $50 million (~₹435 crore).
- The reasons for change in strategy from producing only in India and exporting to the world to now having international manufacturing capacities are as below:
    - The company has faced a very volatile freight cost environment over the past years, where the freight cost went up 5 times and then corrected a little and then again it went up. The company faced challenges to convert clients to 'High Chrome' grinding media due to this volatile freight environment.
    - The clients being targeted in South America have a very long lead time when shipped from India, therefore a plant in China will enable to reduce this by at least 50%. The plant in Ghana will cater to opportunity from West Asian gold mining potential customers.
    - These plants will enable company to produce products closer to markets, thus reducing freight costs and the shipping transit time. Thus, aiding in conversion.
- AIA expects China facility phase 1 to be commissioned within a year and aims for getting all approvals for Ghana facility over the same period thus enabling it to set up plant in Ghana.
- With the addition of new manufacturing capacities, the company expects to get back on track to grow sales by 30-40,000 tonnes annually from new conversion in next 2-3 quarters.

Exhibit 1: Revenue may grow at 7.3% CAGR with healthy EBITDA margins



Source: Company, ICICI Direct Research

Exhibit 2: Volume may grow 17% FY26E-27E led by mining segment expected to grow at 24% in FY27E



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	**4,853.8**	**4,287.4**	**4,240.4**	**4,931.7**
Growth (%)		-11.7	-1.1	16.3
Raw Material Expenses	2,072.7	1,737.7	1,678.5	2,022.0
Employee Expenses	171.4	185.5	177.1	199.5
Other expenses	1,276.0	1,215.0	1,198.2	1,387.8
Total Operating Expenditure	3,520.0	3,138.2	3,053.8	3,609.3
EBITDA	**1333.8**	**1149.2**	**1186.6**	**1322.4**
Growth (%)		-13.8	3.3	11.4
Depreciation	100.3	103.1	114.7	120.2
Interest	28.4	21.1	17.0	17.0
Other Income	281.4	331.6	392.3	434.7
PBT	1,486.5	1,356.7	1,447.2	1,619.9
Others	0.0	0.0	0.0	0.0
Total Tax	351.0	308.3	317.4	356.1
PAT	**1,137.0**	**1,060.1**	**1,129.8**	**1,263.7**
Growth (%)		-6.8	6.6	11.8
EPS (Rs.)	**121.8**	**113.6**	**121.1**	**135.4**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	1,137.0	1,060.1	1,129.8	1,263.7
Add: Depreciation	100.3	103.1	114.7	120.2
(Inc)/dec in Current Assets	-215.5	296.1	254.3	-820.0
Inc/(dec) in CL and Provisions	-85.0	8.9	32.0	94.0
Others	3.0	3.0	3.0	3.0
CF from operating activities	**936.8**	**1468.1**	**1530.9**	**657.9**
(Inc)/dec in Investments	-851.5	-490.9	-1,292.3	-632.3
(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**	**-1292.3**	**-632.3**
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	68.1	-143.7
Opening Cash	307.0	180.3	397.1	465.2
Closing Cash	**180.3**	**397.1**	**465.2**	**321.5**

Source: Company, ICICI Direct Research

Exhibit 5: 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	7,867.7	8,962.1
Total Shareholders funds	6,657.7	6,927.0	7,886.3	8,980.7
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**	**8499.7**	**9604.1**
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	862.2	1,307.9
Debtors	880.3	826.4	859.3	1,058.6
Loans and Advances	2.0	130.1	111.2	128.5
Other Current Assets	381.4	199.0	85.3	243.1
Cash	180.3	397.1	465.2	321.5
Total Current Assets	2,648.7	2,569.5	2,383.2	3,059.5
Creditors	178.6	196.7	223.4	258.0
Provisions	7.2	9.0	41.3	47.7
Total Current Liabilities	294.0	302.9	334.9	428.8
Net Current Assets	2,354.7	2,266.6	2,048.3	2,630.7
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	**7201.1**	**7531.2**	**8499.7**	**9604.1**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (Rs.)				
EPS	121.8	113.6	121.1	135.4
Cash EPS	132.6	124.6	133.4	148.3
BV	713.4	742.3	845.1	962.4
DPS	16.2	16.2	16.0	16.0
Cash Per Share	19.3	42.6	49.8	34.5
Operating Ratios (%)				
EBITDA Margin	27.5	26.8	28.0	26.8
PBT / Total Operating income	31.2	32.1	34.6	33.5
PAT Margin	23.8	25.1	27.0	26.2
Inventory days	92.1	87.8	75.3	98.8
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	14.3	14.1
RoCE	21.1	18.3	17.3	17.1
RoIC	37.1	33.6	38.1	34.1
Valuation Ratios (x)				
P/E	26.5	28.4	26.6	23.8
EV / EBITDA	20.3	22.9	21.1	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%

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