

CMP: ₹3910

Target: ₹4035 (3%)

Target Period: 12 months

HOLD

February 1, 2026

Volume growth and visibility crucial for rerating ...

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.

Q3FY26 Performance: AIA Engineering Limited reported a stable YoY performance in Q3FY26, with sales volumes at ~64,549 tonnes declined -2% YoY compared to last year, reflecting continued protectionist headwinds and elongated customer conversion cycles. Revenue stood at ₹1,049 crore, largely steady YoY, while EBITDA increased (+20% YoY) to ₹426 crore (operating EBITDA ₹290.4 crore), supported by a favorable product mix and higher other income, resulting in a reported EBITDA margin of ~40% (operating EBITDA ~27.2%). PAT increased 14% YoY to ₹294 crore, aided by strong operating discipline, treasury income of ₹83 crore and forex gains of ~50 crore, underscoring earnings resilience despite the absence of meaningful volume growth.

Investment Rationale:

- **Earnings Resilience Backed by Balance Sheet Strength:** Despite slightly negative (-2%YoY) volumes growth and persistent protectionism, AIAE continues to deliver industry-leading operating margins of (27.2%) and strong cash generation, supported by favorable product mix and disciplined cost control. A net cash balance of ~₹4,200 crore provides downside protection, funding flexibility for overseas expansion (Ghana, China) and patience through elongated trial cycles. This combination of high profitability, cash optionality and limited balance-sheet risk underpins earnings resilience and enhances visibility on long-term value creation. We expect revenues and PAT to grow at CAGR of 3.5% and 5.8% over FY25-FY28E.
- **Structural Mining Upside via Solution-Led Strategy:** AIA Engineering is transitioning from a commodity grinding media supplier to a solution partner for global miners by integrating high-chrome grinding media with proprietary mill liner designs. This strategy targets structural pain points declining ore grades, rising power costs and throughput losses rather than commodity price cycles. Multiple advanced-stage trials across gold and copper mines, particularly in Latin America and Africa, position the company for a step-change in volumes once conversions materialise, with meaningful upside to utilisation and medium-term growth. With continuous strategic initiatives we expect volume to grow 7.2% over FY25-28E to 314340 tonnes.

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 3.5%/5.1%/5.8% CAGR over FY25-28E.
- We downgrade our rating from Buy to **HOLD** with a target of ₹4035 (30x FY28E EPS)

Key Financial Summary

Particulars (Rs. crore)	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-FY27E)
Net Sales	4,908.8	4,853.8	4,287.4	-6.5%	4,249.9	4,621.6	4,756.7	3.5%
EBITDA	1,240.6	1,333.8	1,149.2	-3.8%	1,186.0	1,293.7	1,332.7	5.1%
EBITDA Margin (%)	25.3	27.5	26.8		27.9	28.0	28.0	
Net Profit	1,056.5	1,137.0	1,060.1	0.2%	1,165.8	1,219.6	1,254.7	5.8%
EPS (₹)	113.2	121.8	113.6		124.9	130.7	134.5	
P/E (x)	34.8	32.3	34.6		31.5	30.1	29.3	
RoNW (%)	18.6	17.1	15.3		14.7	13.6	12.5	
RoCE (%)	22.2	21.1	18.3		17.8	16.5	15.3	

Source: Company, ICICI Direct Research



Market data

Particular	Rs. (in crore)
Market Capitalization	36,556
Total Debt (H1FY26)	1,018.0
Cash and Inv (H1FY26)	566
Enterprise Value	37,008
52 week H/L (Rs.)	4170/3001
Equity capital	18.7
Face value (Rs.)	2.0

Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	58.5	58.5	58.5	58.5
FII	17.1	17.0	16.7	16.6
DII	22.0	22.0	22.2	22.3
Others	2.4	2.5	2.6	2.7

Price chart



Key risks

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

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Earnings call highlights

- Q3FY26 production stood at 67,896 tonnes with sales of ~64,549 tonnes, while cumulative 9MFY26 sales volumes stood at ~187,864 tonnes, remaining broadly flat YoY. Overall capacity utilisation was ~60–65%, with mill liner utilisation lower at ~50% during the nine-month period. During the quarter, the company closed its Welcast Steel (Bengaluru) plant, resulting in a reduction of ~24,000 tonnes in grinding media capacity, taking total installed capacity to ~436,000 tonnes, vs (4,60,000 in Q2FY26) which management indicated remains adequate to support medium-term growth.
- FY26 Capex guidance stands at ~₹180 crore, of which ~₹105 crore has already been incurred, with a further ₹50–55 crore expected in Q4, including ~₹30 crore toward a solar hybrid project. Management reiterated that there are no major greenfield Capex plans in India beyond routine maintenance in the near term, underscoring disciplined capital allocation.
- Management has highlighted elevated global uncertainty driven by geopolitics, shipping disruptions and protectionist policies, but reiterated that its strategy is anchored in value-led mining solutions rather than commodity price cycles. Management sees a structural growth opportunity in copper and gold mining, supported by declining ore grades and limited new mine supply globally. The company continues to focus on solution selling combining high-chrome grinding media with proprietary mill liners to improve throughput, lower operating costs for customers and drive medium-term volume growth.
- Management has indicated that two large mining customers are currently in advanced stages of solution trials, with expected to conclude in 3-5 months. In addition, several medium-stage trials are also underway, company has also onboarded its first high-chrome customer in South America at a proof-of-concept stage.
- The Chile order for grinding media began supplies in Q3FY26 and is expected to continue for 18 months, with management confident about its recurring nature.
- Company continues to progress on its overseas expansion plans, with land already acquired in Ghana and regulatory approvals awaited; commissioning is expected ~1.5 years post-clearance. In China, the company has set up a laboratory and initiated plant evaluation, with the facility targeted to come on stream in 1.5–2 years. Management highlighted that the modular nature of these overseas plants would enable rapid capacity scale-up, providing flexibility to support volume growth as ongoing mining trials convert into commercial orders.

Financial Summary

Exhibit 1: Profit and loss statement					
	₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Total operating Income	4,853.8	4,287.4	4,249.9	4,621.6	4,756.7
Growth (%)		-11.7	-0.9	8.7	2.9
Raw Material Expenses	2,072.7	1,737.7	1,628.4	1,795.1	1,834.5
Employee Expenses	171.4	185.5	195.9	187.0	192.7
Other expenses	1,276.0	1,215.0	1,239.6	1,345.8	1,396.9
Total Operating Expenditure	3,520.0	3,138.2	3,063.9	3,327.8	3,424.1
EBITDA	1333.8	1149.2	1186.0	1293.7	1332.7
Growth (%)		-13.8	3.2	9.1	3.0
Depreciation	100.3	103.1	114.7	120.2	125.7
Interest	28.4	21.1	17.0	17.0	17.0
Other Income	281.4	331.6	439.8	406.8	418.9
PBT	1,486.5	1,356.7	1,494.1	1,563.3	1,608.9
Others	0.0	0.0	0.0	0.0	0.0
Total Tax	351.0	308.3	328.3	343.7	354.1
PAT	1,137.0	1,060.1	1,165.8	1,219.6	1,254.7
Growth (%)		-6.8	10.0	4.6	2.9
EPS (Rs.)	121.8	113.6	124.9	130.7	134.5

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					
	₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	1,137.0	1,060.1	1,165.8	1,219.6	1,254.7
Add: Depreciation	100.3	103.1	114.7	120.2	125.7
(Inc)/dec in Current Assets	-215.5	296.1	247.2	-571.3	330.1
Inc/(dec) in CL and Provisions	-85.0	8.9	33.0	60.6	-25.8
Others	3.0	3.0	3.0	3.0	3.0
CF from operating activities	936.8	1468.1	1560.6	829.1	1684.7
(Inc)/dec in Investments	-851.5	-490.9	-1,292.6	-621.7	-612.6
(Inc)/dec in Fixed Assets	-192.8	-152.7	-73.1	-150.0	-100.0
Others	-65.7	-27.0	0.0	0.0	0.0
CF from investing activities	-851.5	-490.9	-1292.6	-621.7	-612.6
Issue/(Buy back) of Equity	0.0	-0.2	0.0	0.0	0.0
Inc/(dec) in loan funds	494.4	-41.4	30.4	0.0	0.0
Dividend paid & dividend tax	-150.9	-150.9	-149.3	-149.3	-149.3
Inc/(dec) in Sec. premium	0.0	-265.8	0.0	0.0	0.0
Others	7.6	7.6	7.6	7.6	7.6
CF from financing activities	-212.1	-212.1	-760.3	-169.3	-169.3
Net Cash flow	-126.7	216.8	97.5	38.1	902.8
Opening Cash	307.0	180.3	397.1	494.7	532.8
Closing Cash	180.3	397.1	494.7	532.8	1435.5

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet					
	₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Liabilities					
Equity Capital	18.9	18.7	18.7	18.7	18.7
Reserve and Surplus	6,638.8	6,908.3	7,903.6	8,953.9	10,039.3
Total Shareholders funds	6,657.7	6,927.0	7,922.3	8,972.5	10,058.0
Total Debt	454.6	485.0	485.0	485.0	485.0
Deferred Tax Liability	58.1	96.6	96.6	96.6	96.6
Minority Interest / Others	0.0	0.0	0.0	0.0	0.0
Total Liabilities	7201.1	7531.2	8535.7	9596.0	10691.4
Assets					
Gross Block	1,823.6	1,980.9	2,080.9	2,180.9	2,280.9
Less: Acc Depreciation	736.5	829.0	942.8	1,062.0	1,186.8
Net Block	1,087.1	1,151.9	1,138.1	1,118.9	1,094.1
Capital WIP	92.2	76.9	50.0	100.0	100.0
Total Fixed Assets	1,179.3	1,228.8	1,188.1	1,218.9	1,194.1
Investments	3,349.9	3,865.5	5,065.5	5,565.5	6,065.5
Inventory	1,204.7	1,016.8	866.5	1,164.3	927.2
Debtors	880.3	826.4	861.2	990.6	1,020.2
Loans and Advances	2.0	130.1	111.5	120.2	123.8
Other Current Assets	381.4	199.0	86.0	221.4	95.2
Cash	180.3	397.1	494.7	532.8	1,435.5
Total Current Assets	2,648.7	2,569.5	2,419.8	3,029.2	3,601.9
Creditors	178.6	196.7	223.9	241.5	248.7
Provisions	7.2	9.0	41.4	44.7	46.0
Total Current Liabilities	294.0	302.9	335.8	396.4	370.6
Net Current Assets	2,354.7	2,266.6	2,084.0	2,632.8	3,231.3
Others Assets	0.0	0.0	0.0	0.0	0.0
Application of Funds	7201.1	7531.2	8535.7	9596.0	10691.4

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per share data (Rs.)					
EPS	121.8	113.6	124.9	130.7	134.5
Cash EPS	132.6	124.6	137.2	143.6	147.9
BV	713.4	742.3	848.9	961.5	1,077.8
DPS	16.2	16.2	16.0	16.0	16.0
Cash Per Share	19.3	42.6	53.0	57.1	153.8
Operating Ratios (%)					
EBITDA Margin	27.5	26.8	27.9	28.0	28.0
PBT / Total Operating income	31.2	32.1	35.6	34.6	34.6
PAT Margin	23.8	25.1	27.8	27.0	27.0
Inventory days	92.1	87.8	75.5	94.0	72.7
Debtor days	67.3	71.4	75.0	80.0	80.0
Creditor days	13.7	17.0	19.5	19.5	19.5
Return Ratios (%)					
RoE	17.1	15.3	14.7	13.6	12.5
RoCE	21.1	18.3	17.8	16.5	15.3
RoIC	37.1	33.6	38.0	35.4	40.5
Valuation Ratios (x)					
P/E	32.3	34.6	31.5	30.1	29.3
EV / EBITDA	25.2	28.7	26.7	24.0	22.3
EV / Net Sales	7.1	7.8	7.6	6.9	6.4
Market Cap / Sales	7.7	8.7	8.8	8.1	7.9
Price to Book Value	5.5	5.3	4.6	4.1	3.7
Solvency Ratios					
Debt/EBITDA	0.3	0.4	0.4	0.4	0.4
Debt / Equity	0.1	0.1	0.1	0.1	0.0
Current Ratio	8.4	7.2	5.7	6.3	5.8
Quick Ratio	4.3	3.8	3.2	3.4	3.3

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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