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Solution-led strategy encouraging; volume scale up awaited

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.

Q4FY26 Performance: AIA Engineering reported a healthy operational performance in Q4FY26, with sales volume increasing by 2.0% YoY to 70,138 MT vs to 68,741 MT in Q4FY25. Consolidated revenue from operations grew by 9.4% YoY to ₹1,266 crore vs ₹1,157 crore in Q4FY25, supported by better realizations and steady volume growth. Operating EBITDA rose by 17.4% YoY to ₹371 crore compared to ₹316 crore in Q4FY25. Operating EBITDA margin improved by 200 bps YoY to 29.3% from 27.3% in Q4FY25, aided by favorable product mix, and operating leverage benefits. PAT increased by 37.9% YoY to ₹393 crore compared to ₹285 crore in Q4FY25.

Investment Rationale:

- Strong balance sheet, low utilization and scalable capacity provide significant growth headroom:** AIA continues to maintain a highly cash-generative and capital-efficient business model with FY26 PAT of ₹1,270 crore and net cash position of approximately ₹4,300 crore. Despite current macro uncertainties, the company continues to generate industry-leading profitability with operating margins of 28–29%. Importantly, existing capacity utilization remains at only ~55%, providing substantial headroom to support future volume growth without requiring immediate large-scale capex. Management indicated that utilization can increase to 70–75% within current infrastructure, while brownfield expansion at the Kerala facility can further add 50,000–75,000 tonnes capacity if required. Additionally, Ghana and China expansion projects remain available for acceleration as mining conversion traction improves. This combination of strong balance sheet, scalable infrastructure and differentiated technology positions AIA well for sustainable medium-to-long-term growth.
- Volume growth visibility improving with successful mining conversions:** Company is witnessing improving traction in its mining conversion strategy following successful implementation of its new-generation discharge system at a large South American mine. The company has already secured a second mine conversion order from the same customer, while dispatches for the previously announced 15,000-tonne South American order have already commenced. With current capacity utilization at only ~55%, AIA remains well positioned to support future volume growth without immediate large-scale capex requirements. We expect volume to grow 9% over FY26-28E to 309293 tonnes.

Rating and Target Price

- We expect Revenue & PAT to grow at 12.8 & 4.6% CAGR over FY26-28E. We upgrade our rating to **BUY** with a target of **₹5285** (35x FY28E EPS)

Key Financial Summary

Particulars (Rs. crore)	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Net Sales	4,908.8	4,853.8	4,287.4	4,419.9	-3.4%	5,072.2	5,618.9	12.8%
EBITDA	1,240.6	1,333.8	1,149.2	1,256.3	0.4%	1,419.9	1,536.4	10.6%
EBITDA Margin (%)	25.3	27.5	26.8	28.4		28.0	27.3	
Net Profit	1,056.5	1,137.0	1,060.1	1,269.0	6.3%	1,349.6	1,409.0	5.4%
EPS (₹)	113.2	121.8	113.6	136.0		144.6	151.0	
P/E (x)	38.9	36.1	38.7	32.4		30.4	29.1	
RoNW (%)	18.6	17.1	15.3	15.9		14.7	13.5	
RoCE (%)	22.2	21.1	18.3	19.9		17.8	16.9	

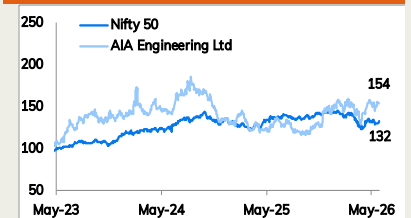
Source: Company, ICICI Direct Research

**AIA Engineering Ltd.****Market data**

Particular	Rs. (in crore)
Market Capitalization	41,276
Total Debt (FY26)	0.0
Cash and Inv (FY26)	224
Enterprise Value	41,052
52 week H/L (Rs.)	4493/3001
Equity capital	18.7
Face value (Rs.)	2.0

Shareholding pattern

%	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	58.5	58.5	58.5	58.5
FII	17.0	16.7	16.6	16.8
DII	22.0	22.2	22.3	22.0
Others	2.5	2.6	2.7	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

- For FY26, sales volume grew by 1.0% YoY to 258,002 MT against 255,443 MT in FY25. Revenue from operations increased by 3.1% YoY to ₹4,414 crore compared to ₹4,287 crore in FY25. Operating EBITDA improved by 9.1% YoY to ₹1,250.4 crore vs ₹1,149.2 crore in FY25. Operating EBITDA margin expanded by 150 bps YoY to 28.3% from 26.8% in FY25, driven by better operational efficiencies, favourable product mix. PAT for FY26 grew by 19.7% YoY to ₹1,270 crore compared to ₹1,061 crore in FY25.
- Current overall capacity utilization stands at only ~55%, with the ability to scale up to 70–75% utilization within existing infrastructure before major capacity additions are required.
- Management highlighted that brownfield expansion at the Kerala facility can quickly add another 50,000–75,000 tonnes of capacity. Ghana and China expansion plans are currently on a slowdown mode but can be accelerated as demand visibility improves.
- Company expects nearly 60–65% of its total power requirement to be met through renewable sources by June–July 2026 under its captive hybrid renewable power projects, supporting both cost savings and ESG objectives.
- Management guided for annual maintenance and renewable-related capex outflow of approximately ₹100–150 crore, including around ₹30 crore balance investment for renewable projects. FY26 capex stood at approximately ₹130 crore.
- The company ended FY26 with net cash position of around ₹4,300 crore. Management indicated that the company is consciously maintaining elevated cash levels while evaluating future growth opportunities and capital allocation avenues.
- Following successful trials at one large mining customer in South America, the company has already secured an immediate order for conversion at a second mine from the same client, reinforcing customer confidence in the solution.
- Management highlighted that the addressable forged grinding media market remains sizeable at nearly 800,000 to 1 million tonnes globally, along with a significant mill-liner opportunity, creating substantial long-term conversion potential.
- Management highlighted a major breakthrough in its new-generation discharge system solution for large ball mills, where successful implementation at a marquee South American mine delivered significant throughput improvement, lower power consumption and operational efficiency gains.
- Company indicated that its new solution can deliver at least 15% throughput improvement, which also translates into nearly 15% reduction in power consumption, along with better downstream recovery benefits. Management emphasized that these productivity gains directly address critical mining bottlenecks such as worsening ore grades and declining metal output.
- Although Q4FY26 realization reached elevated levels (₹178/kg) due to favourable mix and currency benefits, management reiterated sustainable long-term realization guidance of approximately ₹165/kg.
- Management highlighted that Q4FY26 margins benefited from favourable currency movement, contributing nearly 4–5% EBITDA benefit. While current operating margins excluding other income remain around 28–29%, the company expects operating margin percentage to normalize towards 23–24% as volumes scale up and grinding-media mix increases.

Financial Summary

Exhibit 1: Profit and loss statement					
₹ crore					
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Total operating Income	4,854	4,287	4,420	5,072	5,619
Growth (%)		-11.7	3.1	14.8	10.8
Raw Material Expenses	2,072.7	1,737.7	1,695.3	1,970.1	2,169.5
Employee Expenses	171.4	185.5	198.6	205.2	227.3
Other expenses	1,276.0	1,215.0	1,269.7	1,477.0	1,685.7
Total Operating Expenditure	3,520.0	3,138.2	3,163.6	3,652.3	4,082.5
EBITDA	1334	1149	1256	1420	1536
Growth (%)		-13.8	9.3	13.0	8.2
Depreciation	100.3	103.1	112.7	120.2	125.7
Interest	28.4	21.1	36.5	17.0	17.0
Other Income	281.4	331.6	474.1	447.3	458.6
PBT	1,486.5	1,356.7	1,577.9	1,730.0	1,852.3
Others	0.0	0.0	0.0	0.0	0.0
Total Tax	351.0	308.3	322.8	380.4	443.3
PAT	1,137	1,060	1,269	1,350	1,409
Growth (%)		-6.8	19.7	6.4	4.4
EPS (Rs.)	121.8	113.6	136.0	144.6	151.0

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	1,269.0	1,349.6	1,409.0
Add: Depreciation	100.3	103.1	112.7	120.2	125.7
(Inc)/dec in Current Assets	-215.5	296.1	-540.1	273.1	-552.8
Inc/(dec) in CL and Provisions	-85.0	8.9	68.9	64.6	11.8
Others	3.0	3.0	3.0	3.0	3.0
CF from operating activities	936.8	1468.1	910.6	1807.5	993.7
(Inc)/dec in Investments	-851.5	-490.9	-437.0	-1,485.6	-621.8
(Inc)/dec in Fixed Assets	-192.8	-152.7	-109.6	-112.5	-100.0
Others	-65.7	-27.0	-48.6	48.6	0.0
CF from investing activities	-851.5	-490.9	-437.0	-1485.6	-621.8
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	-485.0	485.0
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	335.8	-169.3
Net Cash flow	-126.7	216.8	-202.0	657.7	202.5
Opening Cash	307.0	180.3	397.1	195.1	852.9
Closing Cash	180.3	397.1	195.1	852.9	1055.4

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	7,986.8	9,187.1	10,426.8
Total Shareholders funds	6,657.7	6,927.0	8,005.4	9,205.8	10,445.5
Total Debt	454.6	485.0	0.0	485.0	485.0
Deferred Tax Liability	58.1	96.6	103.7	96.6	96.6
Minority Interest / Others	0.0	0.0	0.0	0.0	0.0
Total Liabilities	7201.1	7531.2	8146.2	9829.2	11078.9
Assets					
Gross Block	1,823.6	1,980.9	2,149.8	2,180.9	2,280.9
Less: Acc Depreciation	736.5	829.0	941.7	1,061.0	1,185.7
Net Block	1,087.1	1,151.9	1,208.1	1,119.9	1,095.2
Capital WIP	92.2	76.9	15.9	100.0	100.0
Total Fixed Assets	1,179.3	1,228.8	1,224.0	1,219.9	1,195.2
Investments	3,349.9	3,865.5	4,168.8	5,565.5	6,065.5
Inventory	1,204.7	1,016.8	1,256.3	976.9	1,501.9
Debtors	880.3	826.4	1,168.6	1,089.4	1,209.2
Loans and Advances	2.0	130.1	130.9	132.2	146.7
Other Current Assets	381.4	199.0	156.7	240.8	134.3
Cash	180.3	397.1	195.1	852.9	1,055.4
Total Current Assets	2,648.7	2,569.5	2,907.6	3,292.2	4,047.6
Creditors	178.6	196.7	219.5	265.5	294.7
Provisions	7.2	9.0	6.3	49.1	54.5
Total Current Liabilities	294.0	302.9	371.8	436.4	448.2
Net Current Assets	2,354.7	2,266.6	2,535.7	2,855.8	3,599.4
Others Assets	0.0	0.0	0.0	0.0	0.0
Application of Funds	7201.1	7531.2	8146.2	9829.2	11078.9

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	136.0	144.6	151.0
Cash EPS	132.6	124.6	148.1	157.5	164.5
BV	713.4	742.3	857.8	986.5	1,119.3
DPS	16.2	16.2	16.0	16.0	16.0
Cash Per Share	19.3	42.6	20.9	91.4	113.1
Operating Ratios (%)					
EBITDA Margin	27.5	26.8	28.4	28.0	27.3
PBT / Total Operating income	31.2	32.1	36.2	34.8	33.6
PAT Margin	23.8	25.1	29.2	27.2	25.5
Inventory days	92.1	87.8	105.3	71.7	99.4
Debtor days	67.3	71.4	97.9	80.0	80.0
Creditor days	13.7	17.0	18.4	19.5	19.5
Return Ratios (%)					
RoE	17.1	15.3	15.9	14.7	13.5
RoCE	21.1	18.3	19.9	17.8	16.9
RoIC	37.1	33.6	31.0	40.4	37.8
Valuation Ratios (x)					
P/E	36.1	38.7	32.4	30.4	29.1
EV / EBITDA	28.5	32.4	29.2	24.7	22.4
EV / Net Sales	8.0	8.8	8.4	7.1	6.2
Market Cap / Sales	8.6	9.7	9.4	8.3	7.4
Price to Book Value	6.2	5.9	5.1	4.5	3.9
Solvency Ratios					
Debt/EBITDA	0.3	0.4	0.0	0.3	0.3
Debt / Equity	0.1	0.1	0.0	0.1	0.0
Current Ratio	8.4	7.2	7.3	5.6	6.7
Quick Ratio	4.3	3.8	3.9	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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