July 10, 2026

India | INDUSTRIALS
Thematic Research

JM Financial

Mill Internals War

Forged grinding media feeling the heat from Chinese competition

Innovation powers chrome grinding media growth

Prefer AIAE over TEGA on stronger growth outlook

Grinding Media and Mill Liners

Evolving dynamics favour AIAE over Tega

Global mill internals (grinding media and mill liners) for mining face increasing competition from Chinese overcapacity. The pressure from Chinese exports may persist over near-to-medium term, significantly impacting prospects for conventional forged grinding media suppliers such as Molycop (acquired by Tega). The pressure on high-chrome grinding is relatively low. We view AIAE as favourably placed as its new technology innovation centred on patented grate discharge mechanism ball mills (versus conventional overflow ball mills) has enabled it to penetrate traditional forged grinding media territory via high-chrome offerings. In contrast, we expect challenges to Tega on account of the Molycop transaction, which is reflected in recent correction.

- **Chinese overcapacity in grinding media an emerging threat; forged media impacted most**: Our interaction with Sigdo Koppers (parent of Magotteaux) and subject matter experts suggest a major challenge persisting in the grinding media space for mining from Chinese overcapacity. Chinese overcapacity in forged grinding media (and less so for high chrome) has emerged as a major challenge in regions such as Latam, Australia, the CIS and Africa. The overcapacity may take at least three–four years to absorb, unless immediate protectionist measures are adopted. China has overcapacity in high-chrome media as well, but the impact is largely limited to the cement space. Evolving Chinese strategy in Latam makes this challenge harder to deal with.

- **Lower forged media costs had slowed high-chrome conversion, besides trade actions**; The lowering of costs for forged had significantly increased premium for high-chrome media, which lowered the pace of conversion from forged media. This was specifically true in low-value iron ore (Brazil). Furthermore, AIAE could not reduce grinding media pricing materially (despite margins being at risk) to avoid potential anti-dumping lawsuits by peer Magotteaux in places where it had local manufacturing. Trade actions initiated by Magotteaux had impacted AIAE export volumes to Brazil and Canada. The US was impacted by reciprocal tariffs and anti-dumping as well.

- **Technology breakthrough by AIAE penetrates copper belt, adding to growth visibility**: AIAE, through a series on technology interventions (starting pre-covid), had developed mill optimisation solutions that have been demonstrated in one case (Philippines copper mine) to reduce power consumption by 18% and media consumption by 31%. The introduction of grate discharge mechanism ball mills (BM) (patented next generation DE system) versus conventional overflow BMs has changed the dynamics, which can drive significant customer conversions.

- **Stronger high-chrome growth at cost of forged media places AIAE favourably vis-a-vis Tega**: Tega's acquisition of Molycop adds to EBITDA, but at growth rates of 2–3%/year in absence of any large mine revival. Molycop is the global leader in forged grinding media supply, but has been steadily losing ground to Chinese exports in Latam and Australia. Molycop's imports of raw materials from China largely preclude potential trade action against the Chinese, especially in regions such as Chile and Peru. On top of that, the success AIAE has achieved in penetrating the Latam copper belt is largely at the cost of forged media players such as Molycop and Proacer.

- **Slowing mill liner sales at Tega and a complete portfolio offering by AIAE a challenge:** Tega likely suffered a volume decline in FY26 despite its DynaPrime offering doing well. Key growth projects like Chile are also significantly delayed versus timelines declared earlier. We view the Latam market outlook for composite liners as particularly challenging. On the other hand, AIAE, following its acquisition of Vega MPS (Australia), now offers a full suite of mill liners (metal, composite, rubber and ceramic). Furthermore, AIAE has already penetrated nickel mines in Latam with its innovative outside bolting solution, which we view as a challenge for Tega.

- **We see better value in AIAE than Tega, ascribing similar valuation multiples**: Despite its higher disclosure levels, AIAE has traded at a discount to Tega (FY23–26) due to a belief that its growth prospects are lower than Tega. However, with Tega likely to face a Molycop acquisition-linked drag on top of a slowdown in mill liner sales and AIAE witnessing a surge in penetration in the copper belt (where in it struggled to find a foothold for a decade), we argue their P/E multiples should converge. We value AIAE and Tega (ex-Molycop) at 35x Sep-28E EPS each, but add Molycop to Tega's valuation at 18x Sep-28E EPS for its lower growth outlook. These yield TPs of INR 6,000 for AIAE and INR 1,765 for Tega. Under these circumstances, AIAE offers significantly higher value than Tega, and remains our preference.

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Mill internals' dynamics change with China

Historically AIAE focused on high-chrome media and Tega on mill liners

Historically, AIAE focused on high-chrome grinding media sales and some casting sales, essentially competing with peer Magotteaux (part of Sidgo Koppers conglomerate of Chile). It also competed with local forged media competitors across key regions and particularly with Molycop (largest forged media supplier globally).

Similarly, Tega was a niche play into mill consumables, principally for composite mill liners. It principally competed with equipment majors selling mill liners (particularly those focused on metal mill liners), and the DynaPrime offering has helped it garner market share.

Competition heats up as Tega steps into grinding media, AIAE into mill liners

However, we are now seeing the dynamics evolve with both AIAE and Tega entering each other's domains. AIAE had started offering mill lining solutions FY20 onwards; this involved sale of mill liners (mostly steel liners) as a means of monetising mill optimisation solutions. However, lack of fast-data processing and a scalable breakthrough limited penetration initially. Recently, through a breakthrough in next-gen DE technology (patented) for grate discharge mechanism versus conventional overflow ball mills, AIAE has made significant headway into the Latam copper belt for both high-chrome grinding media and, more recently, in mill liners.

Tega has not historically competed with AIAE, but with the acquisition of Molycop, which was recently concluded, Tega has also emerged as the largest forged media supplier outside China. We note that AIAE has been marketing high-chrome grinding media as a substitute for forged media solutions offered by Molycop. Hence, competition has significantly increased between the companies.

Chinese competition impact rises, but severe in forged grinding media

Traditionally Chinese forged and high-chrome media names have limited their presence to local markets. Similarly, Russia and the CIS (Commonwealth of Independent States) forged media supplies were also limited locally. Thus, AIAE, Molycop and Magotteaux were competing in a market that can be classified as world (ex-China).

The situation changed post-covid with an economic slowdown rendering significant forged media capacity underutilised in China. This is evident from the fact that in CY24, local Chinese demand accounted for 31% of forged media capacity versus 65% for high chrome. This led to significant export potential from China for forged media, which reflected in a sharp rise in Chinese exports to Latam and Africa. This stunted Molycop's volume growth.

Exhibit 1: Excess Chinese capacity versus demand a severe issue for forged grinding media as compared to high-chrome media

kt	Capacity		Sales		Total Eq
	Steel forged	High Chrome	Steel forged	High Chrome	Forged sales
North America	720	115	576	120	762
Latam	1,031	65	1,045	112	1,218
Africa	200	157	269	184	554
Australia	303	-	165	110	334
Rest of Australasia	130	-	78	11	95
China	1,770	800	555	504	1,336
India	-	406	-	127	197
Asia (ex China/India)	-	130	115	45	185
Europe	208	-	114	46	185
Middle East	150	60	250	40	312
Russia and CIS	500	-	400		400
	5,012	**1,733**	**3,567**	**1,298**	**5,579**
Accessible mkt (Ex some Chinese/Russia)			2,834	975	4,318
Total market (Ex China local/Russia)			2,717	798	3,954

Source: Industry, JM Financial

Exhibit 2: Chinese forged media sales increased particularly in Latam, Australia and Africa

USD mn	CY18	CY19	CY20	CY21	CY22	CY23	CY24
Global	**1,280**	**1,260**	**1,090**	**1,350**	**1,860**	**1,430**	**1,520**
Forged China exports	**710**	**719**	**655**	**807**	**1,170**	**893**	**1,010**
Of which Chinese exports to							
Chile	179	190	165	256	260	162	172
Brazil	56	62	44	62	89	70	98
Peru	38	62	45	42	61	58	95
Australia	44	40	57	56	59	43	48
PNG	11	6	9	4	4	3	6
Ghana	43	30	24	25	61	35	38
Congo DR	7	6	10	19	36	23	27
Canada	24	25	23	13	57	30	29
Mexico	19	22	22	51	83	44	9
US	37	15	13	10	15	11	12
Kazakhstan	22	24	24	49	116	100	103
Mongolia	36	48	46	46	62	42	38
Thailand	13	9	7	7	18	8	18
Indonesia	13	19	19	10	3	3	14
Others	168	161	147	157	246	261	303

Source: Industry, JM Financial

Chinese forged media strategy increasing difficult to counter

Chinese firms not only have significant spare capacities, but also offer the widest range of forged grinding media. Chinese model has evolved to consignment stock model with inventory being maintained close to mine sites. Furthermore, customised chemical compositions to match specific ore conditions and bundled sales of mill liners are also being offered.

Exhibit 3: List of some of the top Chinese manufacturers with presence in Latam

Manufacturer	Annual capacity (tons)	Ball size range	Key operating and marketing strategies in Latin America
Longteng Special Steel	200,000+	20mm – 150mm	**Vertical Integration**: Uses captive steel mills; targets Tier-1 copper mines in Chile via direct supply contracts.
Shandong Jinchi	100,000+	20mm – 150mm	**Portfolio Diversification**: Bundles grinding media with mill liners and wear parts to offer "one-stop" shop solutions.
Shandong Huamin	150,000	20mm – 150mm	**Digital First**: Heavy use of digital B2B platforms and trade fairs like Expomin to capture mid-tier mining clients.
CITIC Heavy Industries	150,000	25mm – 150mm	**Project Synergy**: Sells media as a secondary recurring revenue stream after installing CITIC ball/SAG mills in Peru.
Shandong Iraeta	150,000	20mm – 150mm	**High-End Niche**: Focuses exclusively on large-diameter (125mm-160mm) SAG balls to compete on tech rather than price.
Sino Grinding (SGI)	100,000	25mm – 150mm	**Technical Services**: Employs field engineers in Chile/Peru to monitor mill performance and optimise charge levels.
Shandong Shengye	100,000	15mm – 200mm	**Impact Resistance**: Markets specialized "high-toughness" balls for the hard-rock ores typical of Andean gold/copper.
Zhangqiu Taitou	200,000+	20mm – 150mm	**Volume Leadership**: Uses massive scale to offer the lowest spot prices for large cement plants in Brazil and Mexico.
Jinan Xinte	120,000	10mm – 160mm	**R&D Customization**: Develops specific alloy compositions for the unique chemical profiles of local iron ore.
Jinan Huafu Forging	100,000	20mm – 150mm	**Warehouse Logistics**: Maintains regional hubs to ensure <48-hour delivery for critical mining emergencies.
Oriental Grinding Balls	80,000	20mm – 150mm	**Sector Focus**: Highly targeted marketing toward gold mines, emphasising low breakage in high-rotation mills.
ZenTi Heavy Industry	100,000	10mm – 160mm	**Responsive Supply:** Quick-ship model for smaller mining operations that cannot hold large inventories.
Taihong Grinding Ball	100,000	20mm – 150mm	**Global Compliance**: Uses ISO/ESG certifications as a marketing tool to win tenders from Western-owned mines.

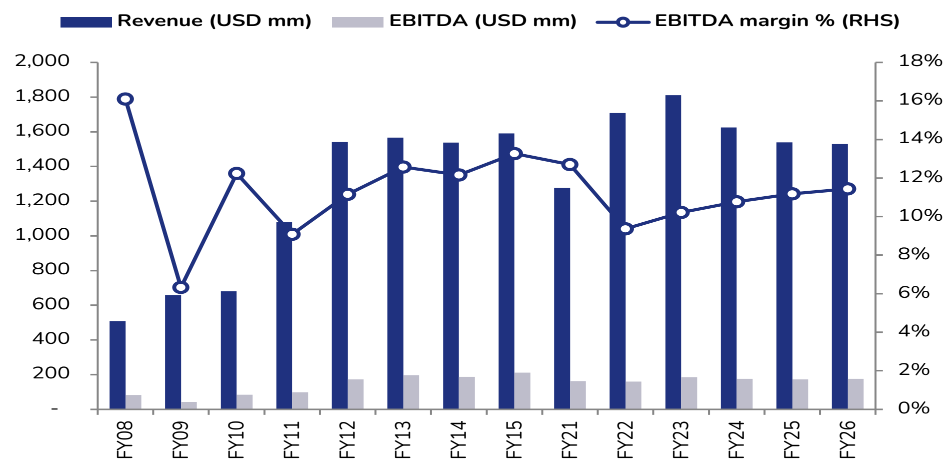
Source: Industry, JM Financial

Molycop's prospects challenging over near-to-medium term

In forged grinding media, Molycop is perceived strongly on quality compared with Chinese imports. However, the decision to use special steel rods imported from China by the earlier promoter had significantly undermined the quality perception. This is due to the same input materials used in Chinese forged media and Molycop media (since forging is a less differentiated process). Thus, Molycop is currently unable to charge a premium higher than 10% for Chinese supplies. Molycop has initiated anti-dumping suits in countries where it has production presence, but so far we have not witnessed any positive results.

With Chinese capacity utilisations at just over 30%, we view that the dumping issue may persist for at least three years, which can limit volume growth to 1–2% and also impact pricing power. Furthermore, Molycop has limited high-chrome offerings (except in the Middle East) with limited success and hence we do not expect a major breakthrough in its high-chrome sales by FY30E.

Exhibit 4: Molycop's sales stagnated post-covid despite acquisitions



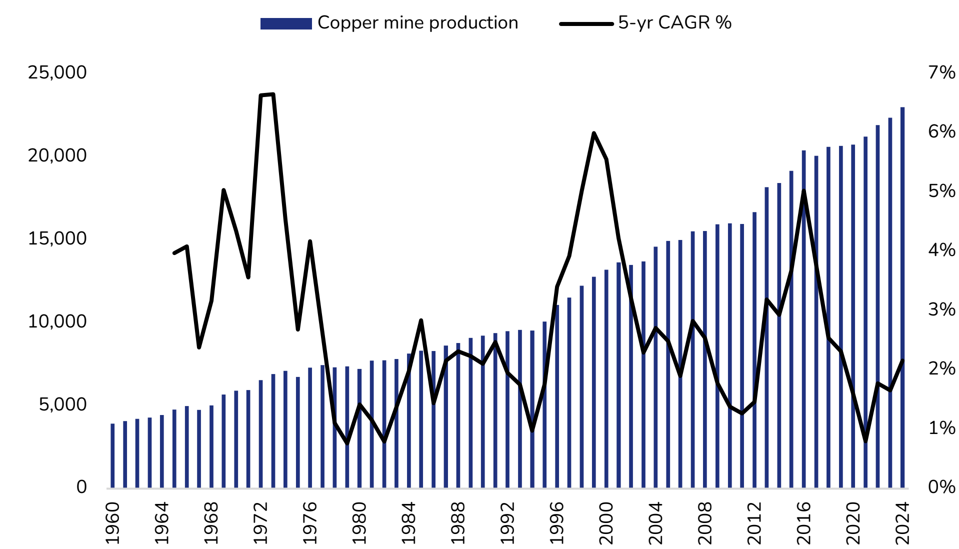
Source: Company, JM Financial

Global grinding media demand annual growth at 4%; non-China growth slower

Demand for key metals such as copper has expanded at a 2–2.5% CAGR over the previous 40 years, and an analysis by BHP suggests that ore grades have degraded by 1.8% since 1990 (this factor is known by geological inflation). Thus, even in absence of further conversion from forged media to high-chrome, forged grinding media cannot sustainably grow more than 4% (real terms). The sharp influx of Chinese forged media due to reduced quality differential and lower pricing is likely to supress growth at non-Chinese forged players structurally. Thus, forged media sales can remain challenging for non-Chinese names such as Molycop.

In contrast the Chinese capacity utilisation for high chrome is healthy at 65% and that does not pose direct risks to high-chrome exports from India. Furthermore, the ability of AIAE and Magotteaux to customise high-chrome media as per mining conditions places them favaourably. However, the decline in pricing of forged media increases the premium of high-chrome supplies, which delays the conversion of miners from using forged media to high chrome in absence of further technology innovation.

Exhibit 5: Copper mine production rate declining over last few years



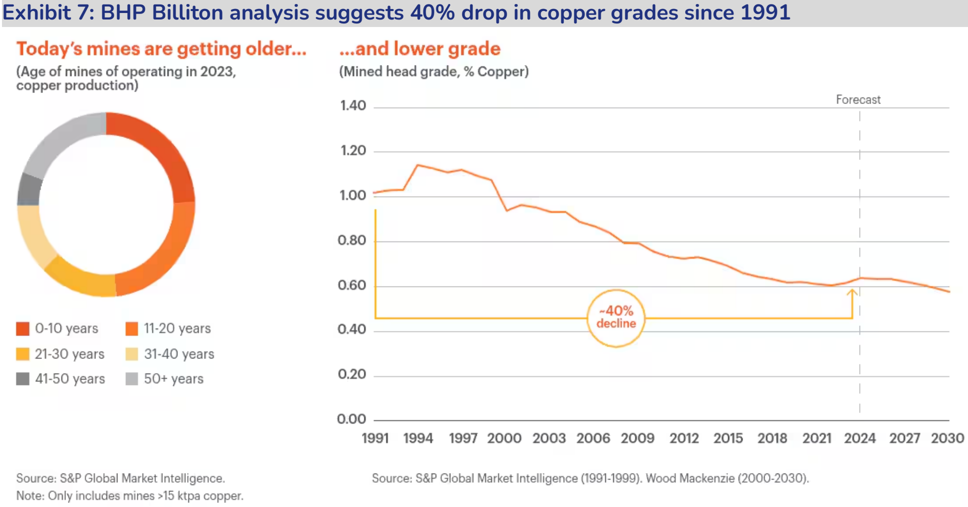
Source: Industry, JM Financial

Exhibit 6: Sidgo Koppers' estimates of supply growth of key minerals and metals

	Demand		Supply		Demand	Supply
mmt (ex of gold)	2024	2029	2024	2029	CAGR	CAGR
Aluminium	72.29	79.65	72.56	78.98	2.0%	1.7%
Cobalt	190.00	290.00	267.00	340.00	8.8%	5.0%
Copper	26.85	31.17	27.02	31.31	3.0%	3.0%
Gold (1000 oz)	111.29	115.82			0.8%	
Iron ore	1,612.00	1,755.00	1,624.00	1,731.00	1.7%	1.3%
Lithium	1.02	2.11	1.09	2.24	15.6%	15.5%
Nickel	3.34	4.55	3.50	4.59	6.4%	5.6%
Zinc	13.93	15.28	13.99	15.26	1.9%	1.8%

Source: Industry, JM Financial

Exhibit 7: BHP Billiton analysis suggests 40% drop in copper grades since 1991



Source: Industry, JM Financial

AIAE's technology-focused approach: A potential gamechanger…

The lower price differential between forged media and high chrome had slowed down the shift towards high chrome post-covid. This was particularly apparent in non-precious ores such as iron ore wherein high chrome may have lost some ground. However, high chrome penetration continues to be robust in gold. AIAE and even Magotteaux have faced challenges penetrating the copper belt of Latam, which continues to be forged media-dominated despite a decade of attempts by AIAE. We estimate that Latam forged media demand is ~1mmt or 0.7mmt high-chrome potential.

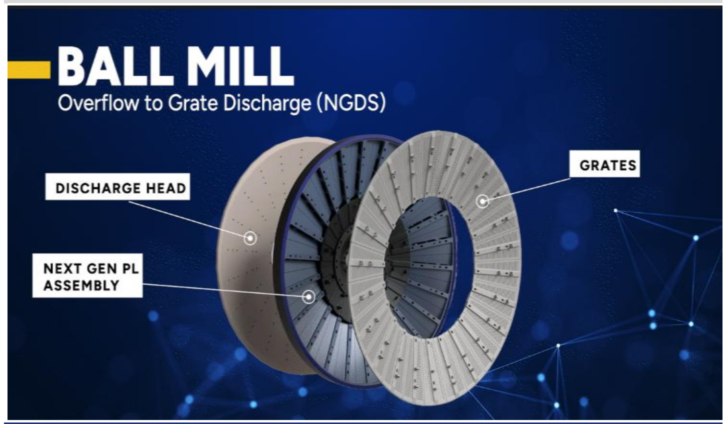
However recent technological innovations by AIAE that include improvements to its mill optimisation solutions through development of grate discharge mechanism filter supported by its patented Next-Gen Discharge system can be a game changer. Furthermore, with the acquisition of Vega MPS in Australia earlier, AIAE now has a full suite of mill liner offerings (metal, composite, ceramic and rubber), which has further strengthened with its innovative outside-bolting offering. These had led to some conversions in Latam so far (Chile copper and Peru zinc mines).

In contrast, Molycop imports steel rods from China and then forges them. This has caused customers to consider contracts with direct Chinese end suppliers, presenting a challenge for Molycop.

Exhibit 8: Schematic of grate discharge ball mill developed by AIAE…

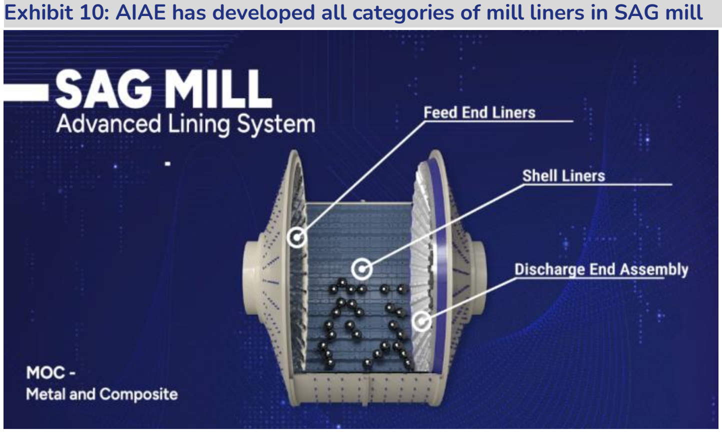
Source: Vega, AIA Engineering, JM Financial Research

Exhibit 9: Patented offering enhances metal yield and reduces power cost



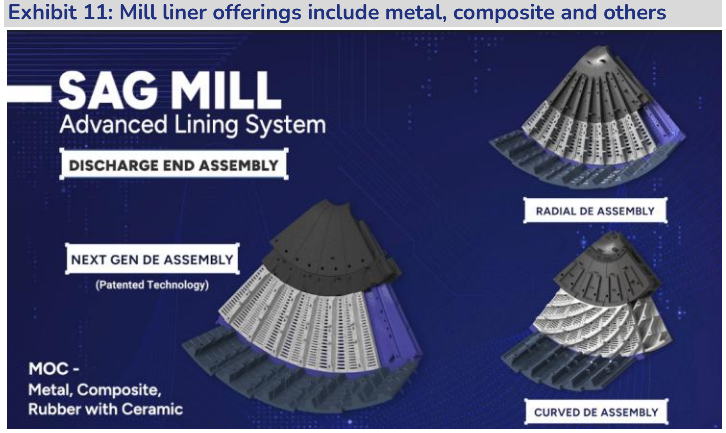
Source: Vega, AIA Engineering, JM Financial Research

Exhibit 10: AIAE has developed all categories of mill liners in SAG mill



Source: Company, JM Financial

Exhibit 11: Mill liner offerings include metal, composite and others



Source: Company, JM Financial

…and this is reflected in news flow of penetration into Latam copper belt

We are witnessing early inroads by AIAE into some copper mines already converting from existing forged media to high chrome. This is a negative development for Molycop in our view. AIAE management commentary suggests that multiple mines trailing AIAE's mill optimisation solutions are looking at replacing existing overflow ball mills with the grate discharge ball mills developed by AIAE.

AIAE has, in recent days, penetrated a large copper mine in the Philippines, wherein its mill solution delivered 18% lower power consumption and 31% lower high-chrome grinding media consumption (versus existing solutions). The AIAE scope includes not just supplies of high-chrome grinding media, but also metal shell liners and patented next-generation discharge systems.

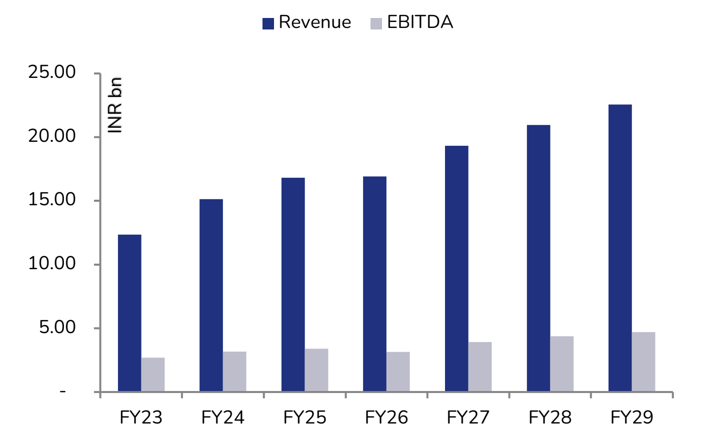
Tega consumables face headwinds in FY26; equipment still strong

Based on pricing trends and export data, we estimate that Tega consumables volumes may have declined in FY26 (unlike AIAE, Tega does not provide volume disclosures). The estimated decline in volume is despite continued growth in DynaPrime offering. This aspect potentially implies that non DynaPrime sales may be losing traction faster than anticipated.

Considering these circumstances, we view that growth in volumes can be mid-single digits while realisations may remain around USD8.5/kg. These factors can still support growth considering the sharp INR depreciation versus the USD. We expect some EBITDA margin improvements but limits the growth to well below 15–20% targeted by management. In the absence of further technology innovations like DynaPrime in 2018, we believe mill liners may not sustain super-normal growth.

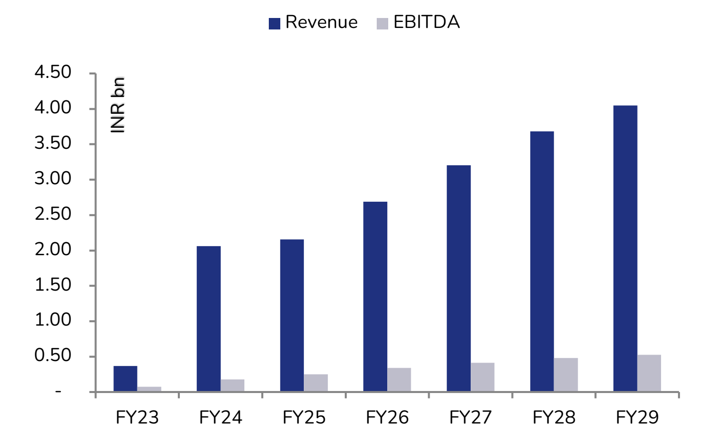
In contrast, Tega McNally, which derives revenue from equipment sales, is performing better and had achieved PBT breakeven in FY25. We expect 15–20% near-term growth supported by execution of large NMDC orders as well as potential for exports growth, well below management guidance of a 25% CAGR over long term.

Exhibit 12: Consumables EBITDA CAGR (FY26–29) of 14%...



Source: Company, JM Financial

Exhibit 13: ...and equipment EBITDA CAGR of 15–16%



Source: Company, JM Financial

Prefer AIAE over Tega on better valuations, stronger prospects

We believe our EBITDA estimates for Tega may have an element of downside risk in the event consumables growth led by DynaPrime fails to recover as we anticipate. On the other hand, we believe given the superior offerings by AIAE on account of the grate discharge Next-Gen DE ball mills, its EBITDA can be higher than our estimates.

Under such circumstances and given that Tega may witness a Molycop-linked drag, we argue AIAE offers a better value than Tega; hence we prefer AIAE. We value both the core business of Tega (ex-Molycop) and AIAE at a similar 35x Sep-28 P/E. To Tega, we add Molycop by assigning a P/E of 18x on Sep-28E EPS considering its low single-digit growth through FY30E.

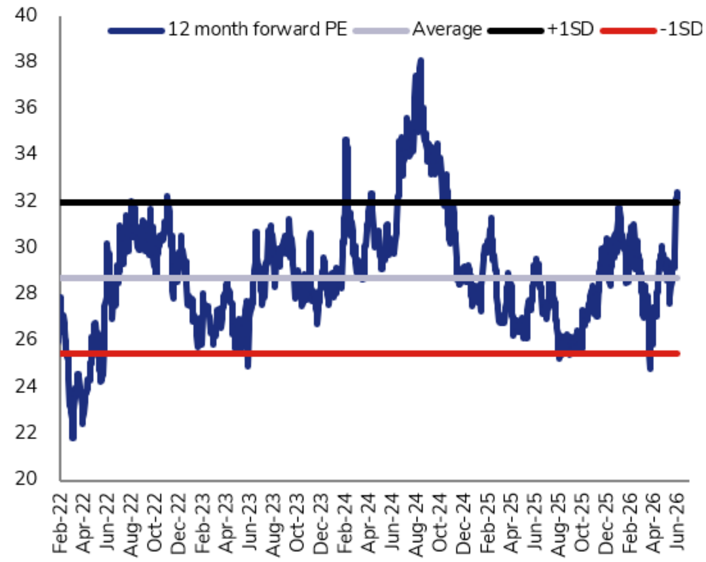
Based on these metrics, we derive TPs of INR 6,000 for AIAE and retain BUY, and of INR 1,765 for Tega, modestly above its CMP, leading to ADD rating. We note that since the Molycorp acquisition, Tega has corrected from ~INR 2,000/share to current levels, which mostly reflects the associated headwinds.

Exhibit 14: AIAE offers better value considering potential for upgrades versus Tega

	FY27E	FY28E
TEGA EPS (JMFe)	32.09	55.08
Implied P/E (x)	*50.49*	*29.41*
AIAE EPS (JMFe)	147.10	165.80
Implied P/E (x)	*32.12*	*28.50*

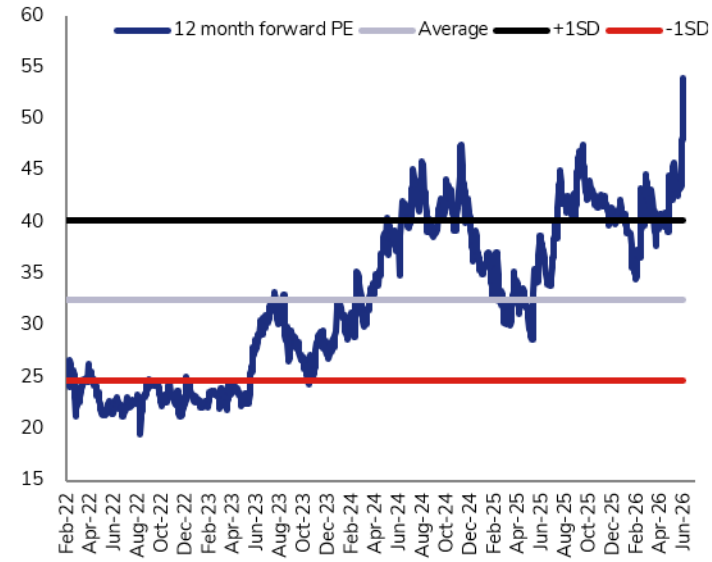
Source: JM Financial

Exhibit 15: AIAE's 1Y forward P/E near +1SD long-term average



Source: Bloomberg, JM Financial

Exhibit 16: Tega's 1Y forward P/E above +1SD long-term average



Source: Bloomberg, JM Financial

Companies' Section

AIA Engineering | BUY

Technological innovation drives breakthrough

We argue AIAE's technological breakthrough in mill solutions and its acceptability would drive growth over FY26–29E. Success in penetrating the copper belt of South America and now the Philippines underlines customer acceptability for mill solutions. FY26 annual exports mark growth in Latam, and we expect the momentum to gather pace. AIAE faces lower Chinese export pressure than peer Molycop (forged grinding media player). While the company's past volume performance was impacted by protectionist measures, that is now largely behind in our view. A string of announcements pertaining to further high-chrome and grinding media penetration into copper mines would likely support a re-rating. We are modestly increasing EPS estimates and rolling forward the valuation to Sep-28E (from FY28E), and also raising the P/E to 35x (from 30x) to account for near-term catalysts, yielding a TP of INR 6,000 (earlier INR 4,915); reiterate BUY.

- **AIAE's technology innovations leading to breakthrough in key mining regions**: Through a series of technological innovations, AIAE has significantly improved its mill optimisation solutions. Besides the mill internal circuit optimisation developed earlier, it has developed a next generation grate discharge system (patented) that has significant benefits over the conventional overflow ball mills. The benefits include 15–20% power savings, 30% savings in grinding media consumption and improved recovery of metals, particularly in polymetallic copper ores (that include gold, silver). These factors have led to AIAE breaking into Latam copper and nickel belts after nearly a decade of limited progress, and reflected in its higher volumes from Chile for FY26.

- **Breakthroughs likely to continue in FY27; mill liner offerings expanded as well**: AIAE managed a significant breakthrough in an Asian copper mine in recent weeks, and we expect similar results in the broader copper mining regions. It is also offering a full suite of mill liner products (metals, composite, rubber, ceramic) with a unique outside bolting mechanism, which makes its offerings more competitive. Latam alone is a 1mmt forged grinding media market and even 25% conversion can lead to 150–200kt of annual demand of high-chrome media. This implies long-term growth visibility with potential to add 100kt+ in volumes over FY26–30E.

- **Weaker INR an added positive**: Besides volume growth as a key driving factor, we note the INR has depreciated sharply against the USD and all key mining region currencies. At the same time, logistics costs are reducing after the spike following the Iran-US conflict. Thus, we expect AIAE profitability (EBITDA/kg) to sustain at INR 45–50, which shall drive strong profitability growth.

- **Further trade actions and potential impact on volume less likely**: AIAE had been impacted to the tune of 80kt in lost volumes due to tariffs and other trade actions over FY20–25. We do not expect further trade actions as all geographies wherein peer Magotteaux manufactures are largely covered by such actions. Apart from the growth in copper, we expect volumes to rebound in North America as FY26 was impacted partially by reciprocal tariffs imposed by the US, which are no longer in place. Hence, we expect 25–30ktpa volume growth over FY26–30E.

- **Trading at 27x Sep-28E EPS; TP raised to INR 6,000, retain BUY**: We believe there is significant re-rating potential driven by news flow of further mine conversions in the near term. In this context, we expect AIAE's and Tega's P/Es to converge to 35x on Sep-28E EPS. Accordingly, valuing AIAE at 35x Sep-28E EPS of INR 171 yields a TP of INR 6,000; maintain BUY.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	6,000
Upside/(Downside)	28.0%
Previous Price Target	4,915
Change	22.1%

Key Data – AIAE IN EQUITY	
Current Market Price	INR4,688
Market cap (bn)	INR437.4/US$4.6
Free Float (%)	41.4
Shares in issue (mn)	93.3
Diluted share (mn)	93
3-mon avg daily val (mn)	INR501.0/US$5.3
52-week range	INR5,180/3,001
Sensex/Nifty	76,742/23,963
INR/US$	95.4

Price Performance

%	1M	6M	12M
Absolute	4.4	18.6	35.5
Relative*	0.7	29.1	46.9

*To the NSE Nifty 50

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Financial Summary (INR mn)

Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	48,538	42,874	44,199	50,540	56,883
Sales Growth (%)	-1.1	-11.7	3.1	14.3	12.6
EBITDA	13,338	11,492	12,563	14,639	16,149
EBITDA Margin (%)	27.5	26.8	28.4	29.0	28.4
Adjusted Net Profit	11,356	10,607	12,702	13,727	15,472
Diluted EPS (INR)	120.4	113.7	136.1	147.1	165.8
Diluted EPS Growth (%)	7.5	-5.6	19.7	8.1	12.7
ROIC (%)	28.3	24.6	27.7	29.6	30.8
ROE (%)	18.4	15.6	17.0	15.9	15.6
P/E (x)	39.0	41.7	34.7	31.9	28.3
P/B (x)	6.6	6.3	5.5	4.7	4.1
EV/EBITDA (x)	30.5	34.8	31.3	26.1	23.1
Dividend Yield (x)	0.3	1.5	0.3	0.4	0.4

Source: Company data, JM Financial. Note: Valuations as of July 09, 2026

Mill solutions' acceptance drives growth

New technological developments at AIAE drive further mining penetration

AIAE has been focused on technological innovations since pre-Covid, but so far scalability was lacking. Initially the tie-up with EE Mill Liners had provided access to mill circuit optimisation (patented) technology, wherein there was significant promise of improved yields and lower downtimes for miners. This was to be exploited by further high-chrome grinding media sales along with steel mill liners as a means of monetisation. However, the conversions were limited due to potential scalability issues.

However, following the acquisition of MPS in Australia (now rebranded as MPS Vega), the technology access was further improved with the addition of Next Generation Discharge System (patented), introduction of both rubber and composite mill liners (portfolio completion in mill liners) and the ability to process larger quanta of data within a compressed timeframe. These factors allowed AIAE to offer comprehensive mill optimisation solutions, which was not the case earlier.

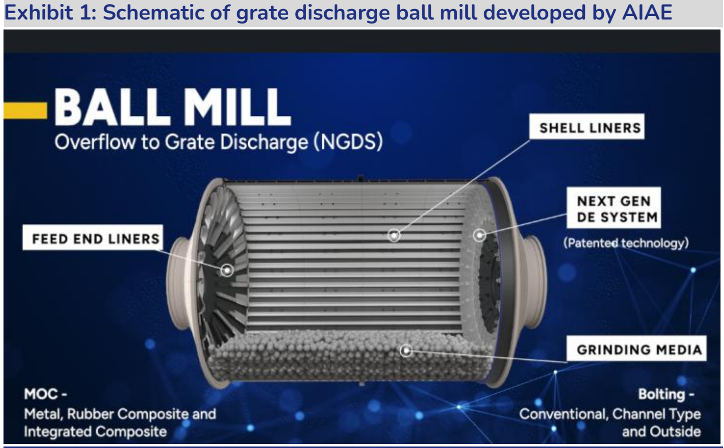
Conversion from overflow ball mills to grate discharge ball mills a key development

Conventionally, overflow ball mills have been used in mining for over a century in grinding circuits. However, efficiency is often impacted as material transport occurs primarily by displacement limiting timely removal of fines. This often results in: i) higher, over-grinding; ii) greater grinding cost per ton; and iii) significant slurry pooling.

In AIAE's developed **grate discharge ball mill** (with patented NextGen DE system) the following improvements occur:

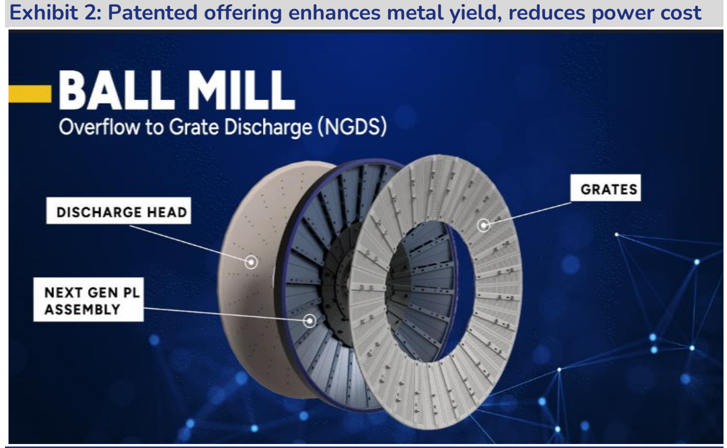
- Faster slurry migration and efficient removal of finished product – better yields and energy savings (in part by lower slurry build).
- Reduced over-grinding – results in grind size optimisation.
- Lower grinding cost per ton.
- Improved downstream metallurgical performance – especially leading to rising polymetallic (gold, silver yields) in copper mines.

Exhibit 1: Schematic of grate discharge ball mill developed by AIAE



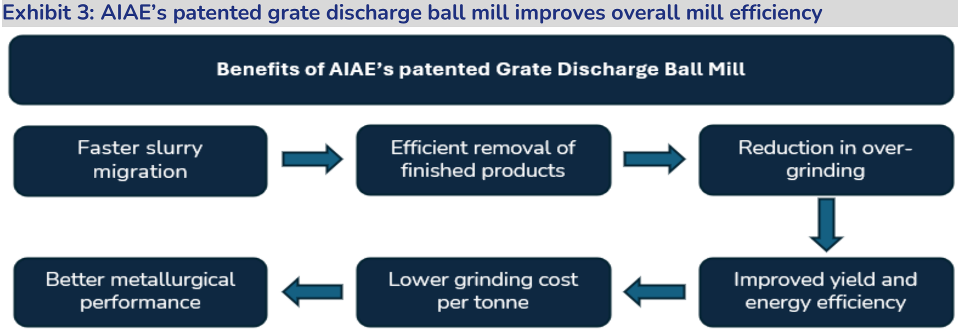
Source: Vega, AIA Engineering, JM Financial Research

Exhibit 2: Patented offering enhances metal yield, reduces power cost



Source: Vega, AIA Engineering, JM Financial Research

Exhibit 3: AIAE's patented grate discharge ball mill improves overall mill efficiency



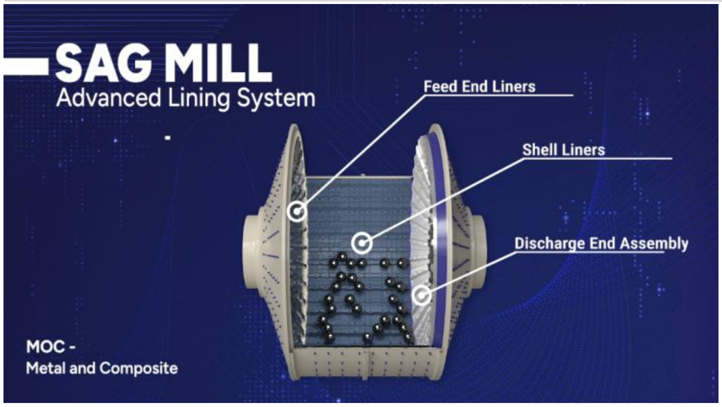
Source: JM Financial, Company

Development of outside bolting for metal liners also a key innovation

AIAE had implemented the solution at a nickel mine in Latam, where the miner was witnessing repeated Discharge-end Shell metal liner failures in its SAG (semi-autogenous grinding) mill resulting in higher downtime due to lower line life (versus five-month claimed life). AIAE subsidiary, Vega, redesigned liner geometry after DEM and FEM simulations removing through bolting, replaced by uniquely designed outside bolting system for fixing arrangement and supplied these liners in metal.

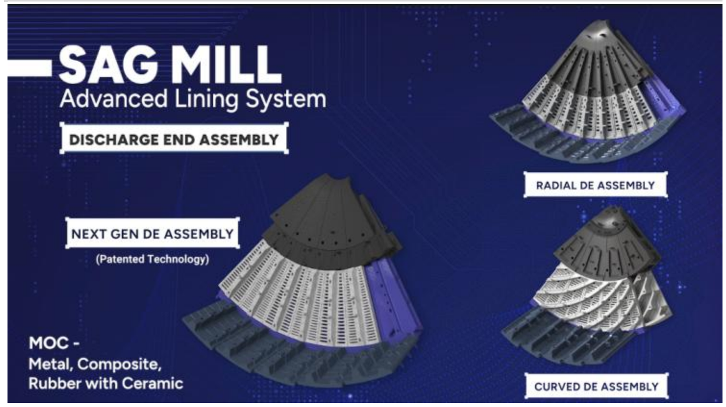
It resulted in zero liner cracks, a full five-month life, improved mill reliability and eased removal of used liner. It also led to mill liner penetration, which is a focus area of growth for AIAE.

Exhibit 4: AIAE developed all categories of mill liners in a SAG mill



Source: Company, JM Financial

Exhibit 5: Mill liner offerings include metal, composite and others



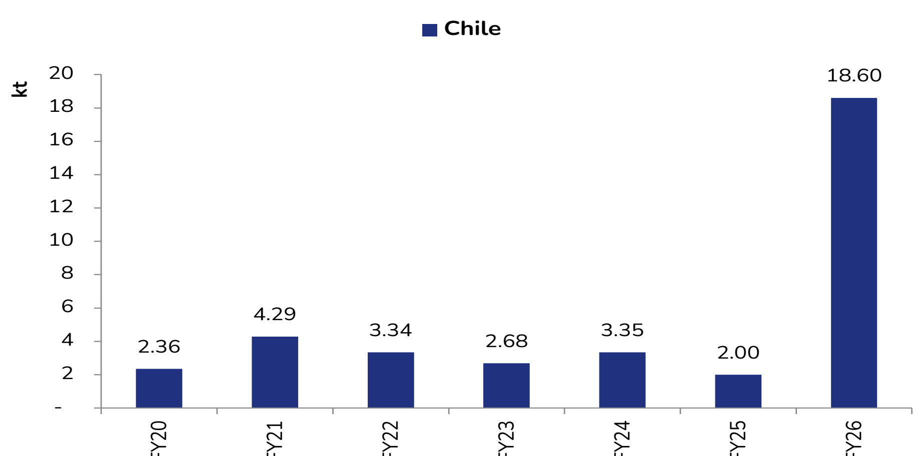
Source: Company, JM Financial

Development boosts sales of high-chrome media, mill liners

The grate discharge ball mill technology development has already led to 10+ successful conversions (overflow to grate discharge) globally with further mines in the pipeline. As a result of these mill optimisation solutions, AIAE shall be able to convert forged media users in the Latam copper/aluminium belt towards high-chrome grinding media. Furthermore, sale of mill liners (including development of outside bolting method) should drive mill liner sales along with that of the aforementioned overflow grate discharge technology. Thus, the technology developments and their increased acceptance could drive 30ktpa of annual high-chrome mill internal (HCMI) sales till FY30.

We are already seeing strong sales growth in Latam and Philippines in FY26 demonstrating that AIAE has made some inroads after nearly a decade of attempt into global copper mining.

Exhibit 6: Grinding media exports volumes in Chile



Source: Ministry of Commerce, JM Financial

Penetration in Latam as well as Asia

Latam is principally a forged grinding media market with dominance of Molycop and Chinese peers. The region has been facing influx of lower cost forged grinding media. In this context, conversion of mines to high-chrome media by AIAE suggests a significant breakthrough. The forged griding media market in Latam is at least 700kt and even 20% penetration by high-chrome could drive multi-year growth in the region. We understand that **Chinalco of Peru** (leading aluminium player) is also under discussion with AIAE, aside from copper mines in the region.

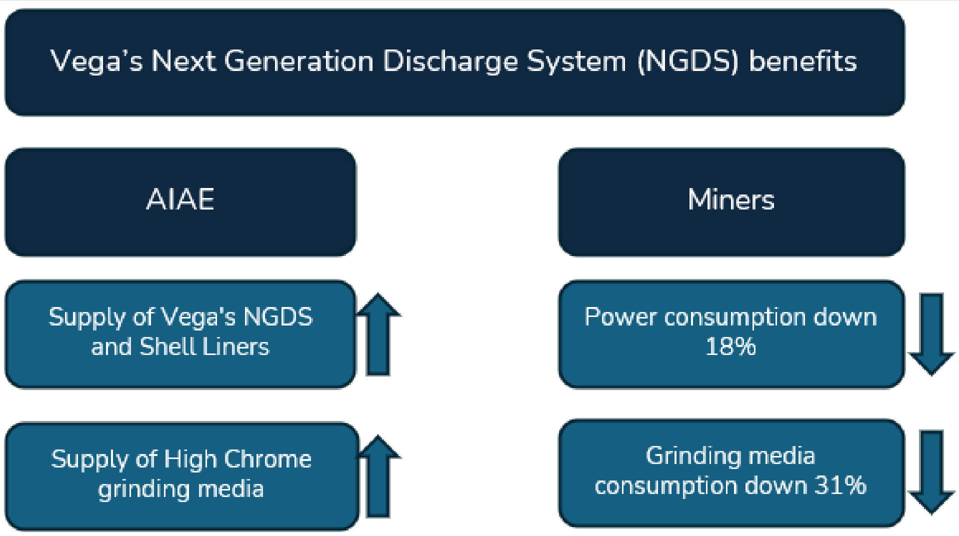
Besides Latam, we have also seen **breakthrough in Philippines's copper mining**. Vega converted an existing overflow ball mill into a grate discharge ball mill equipped with Vega's Next Generation Discharge System (NGDS). AIAE benefitted from:

- Supply of Vega's Next Generation Discharge System (NGDS) and Shell Liners.
- Supply of high-chrome grinding media (replacing an incumbent).

The miner benefitted from reduced power and grinding media consumption:

- Reduced specific power consumption by 18%.
- Reduced 31% grinding media consumption rate versus high-chrome media in use prior to conversion.

Exhibit 7: Benefits of shifting to NGDS for AIAE and miners



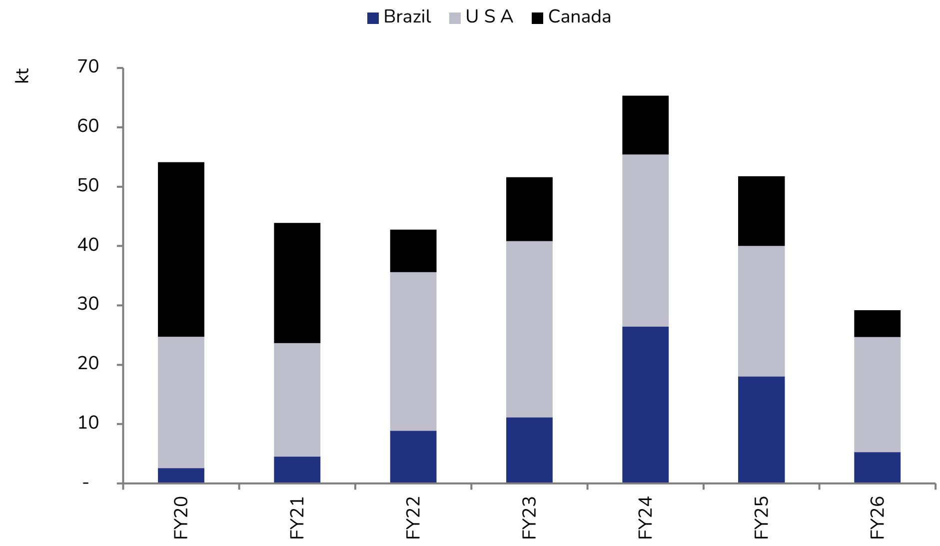
Source: JM Financial, Company

Trade actions impacted volumes; not anymore

AIAE volumes had been impacted by trade actions in Brazil, Canada and the US in particular. These anti-dumping actions were initiated by peer Magotteaux (part of Sigdo Koppers, Chile). Initially, high rates of preliminary duties had led to volume losses in these regions, which has resulted in relatively flat volumes over FY22–26. We note that AIAE had lost 70–80kt of cumulative volumes over the same period. The anti-dumping issues are largely sorted in Brazil and Canada where eventually we may expect some volume rebound in FY26–30. US was impacted by large tariffs on India (up to 50%), which has now been removed, and we expect US volumes to revive as well.

Thus, we do not incrementally expect to see further trade actions since all regions where Magotteaux has local manufacturing presence has already seen trade related litigation conclusion.

Exhibit 8: Grinding media exports to Brazil, Canada and US on a declining trend



Source: Ministry of Commerce, JM Financia

Exhibit 9: AIAE had seen 70–80kt volume losses due to trade actions, which now appear to be behind

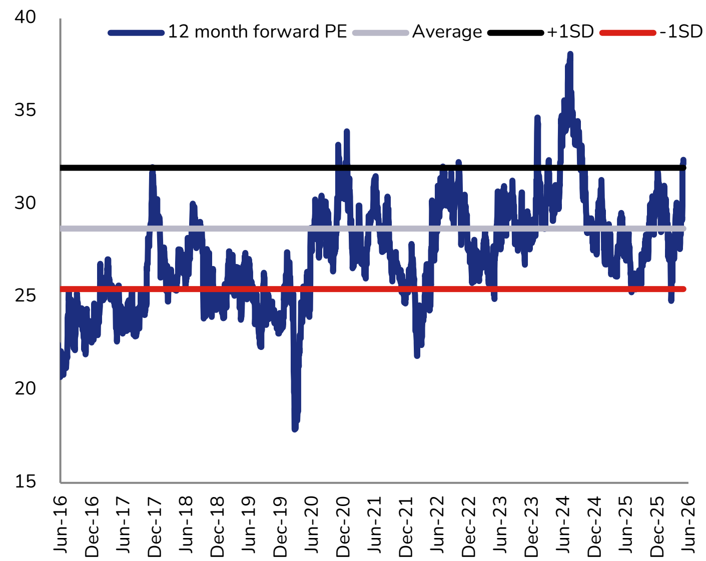
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Capacities in kt								
Grinding media	340	390	390	390	390	390	410	446
New Mill Liner				-	50	50	50	50
Total capacity	**340**	**390**	**390**	**390**	**440**	**440**	**460**	**496**
Volumes								
Actuals/JMFE est	265	267	266	260	285	288	243	243
Mill liner sales				-	6	9	12	15
Potential volumes	**265**	**267**	**266**	**260**	**291**	**297**	**255**	**258**
Capacity utilisation	*78%*	*69%*	*68%*	*67%*	*66%*	*68%*	*56%*	*52%*
Volume growth (grinding media GM + mill liners)					*31*	*6*	*(42)*	*3*
Underlying growth of grinding media (kt) ex trade actions	**0**	**24**	**22**	**30**	**25**	**3**	**(45)**	**(0)**

Source: Company, JM Financial

String of mining wins to drive re-rating; TP raised; retain BUY

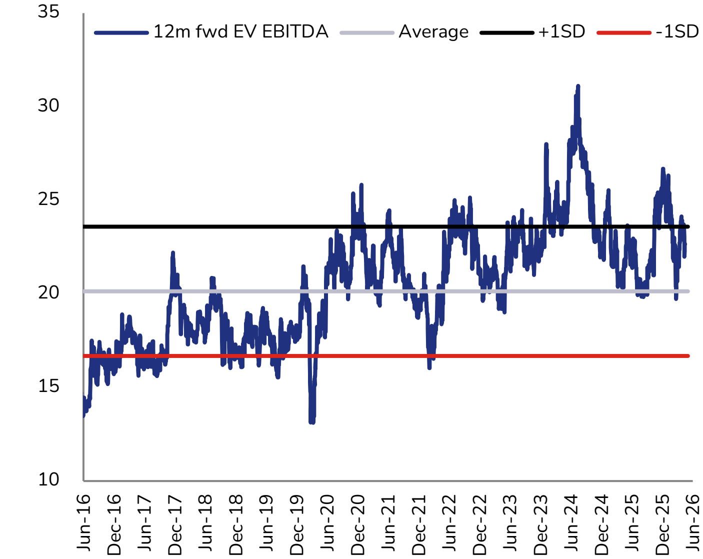
We believe the technological innovation would help AIAE breakthrough into the copper mining industry. AIAE already has strong positioning in gold mining with key customers such as Barrick and Newmont. We expect mining wins in copper, particularly in Latam and Asia, in the near term to drive a re-rating. Accordingly, the stock may likely re-rate to 35x (from 30x), which is the valuation benchmark for Tega. Valuing AIAE at 35x Sep-28E EPS of INR 171 thus yields a **TP of INR 6,000** (earlier INR 4,915); retain BUY.

Exhibit 10: One-year forward PE near +1SD long-term average



Source: Bloomberg, JM Financial

Exhibit 11: One-year forward EV/EBITDA near +1SD long-term average



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	48,538	42,874	44,199	50,540	56,883
Sales Growth (%)	-1.1	-11.7	3.1	14.3	12.6
Other Operating Income	-	-	-	-	-
Total Revenue	**48,538**	**42,874**	**44,199**	**50,540**	**56,883**
Cost of Goods Sold/Op. Exp	20,727	17,377	16,953	19,709	22,624
Personnel Cost	1,714	1,855	1,986	2,123	2,275
Other Expenses	12,760	12,150	12,697	14,069	15,835
EBITDA	**13,338**	**11,492**	**12,563**	**14,639**	**16,149**
EBITDA Margin (%)	27.5	26.8	28.4	29.0	28.4
EBITDA Growth (%)	7.5	-13.8	9.3	16.5	10.3
Depn. & Amort.	1,003	1,031	1,127	1,130	1,139
EBIT	12,335	10,461	11,436	13,509	15,010
Other Income	2,814	3,316	4,741	4,424	5,160
Finance Cost	284	211	365	350	350
PBT before Excep. & Forex	14,865	13,567	15,811	17,583	19,820
Excep. & Forex Inc./Loss(-)	15	118	106	-	-
PBT	14,880	13,684	15,918	17,583	19,820
Taxes	3,510	3,084	3,228	3,868	4,360
Extraordinary Inc./Loss(-)	-15	-118	-106	-	-
Assoc. Profit/Min. Int.(-)	14	-7	-12	-12	-12
Reported Net Profit	11,341	10,490	12,595	13,727	15,472
Adjusted Net Profit	**11,356**	**10,607**	**12,702**	**13,727**	**15,472**
Net Margin (%)	23.4	24.7	28.7	27.2	27.2
Diluted Share Cap. (mn)	94	93	93	93	93
Diluted EPS (INR)	**120.4**	**113.7**	**136.1**	**147.1**	**165.8**
Diluted EPS Growth (%)	7.5	-5.6	19.7	8.1	12.7
Total Dividend + Tax	1,509	6,410	1,493	1,614	1,819
Dividend Per Share (INR)	16.0	68.7	16.0	17.3	19.5

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders Fund	66,680	69,371	80,342	92,444	106,085
Share Capital	189	187	187	187	187
Reserves & Surplus	66,389	69,083	80,067	92,180	105,834
Preference Share Capital	-	-	-	-	-
Minority Interest	103	101	89	76	64
Total Loans	4,546	4,850	-	-	-
Def. Tax Liab. / Assets (-)	444	881	899	978	978
Other non-current liabilities / Lease Liabilities	-	-	-	-	-
Total - Equity & Liab.	**71,226**	**74,221**	**80,342**	**92,444**	**106,085**
Net Fixed Assets	12,025	12,520	12,489	13,359	14,220
Gross Fixed Assets	10,352	10,941	11,435	10,577	11,438
Intangible Assets	750	810	896	782	782
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	922	769	159	2,000	2,000
Investments	30,431	39,185	43,021	43,021	43,021
Current Assets	32,496	26,635	29,870	40,384	53,583
Inventories	12,047	10,168	12,563	12,961	14,587
Sundry Debtors	8,803	8,264	11,686	11,375	12,803
Cash & Bank Balances	5,536	4,375	2,239	13,190	23,203
Loans & Advances	-	-	-	-	-
Other Current Assets	6,110	3,828	3,383	2,859	2,990
Current Liab. & Prov.	3,110	3,134	3,928	3,211	3,630
Current Liabilities	4,062	2,503	2,702	2,644	3,006
Provisions & Others	-952	631	1,226	567	624
Net Current Assets	27,110	22,965	25,434	36,581	49,303
Other Non Current Assets/ROU Assets	2,276	536	507	592	651
Total - Assets	**71,226**	**74,221**	**80,342**	**92,444**	**106,085**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	14,865	13,567	15,811	17,583	19,820
Depn. & Amort.	1,003	1,031	1,127	1,130	1,139
Net Interest Exp. / Inc. (-)	284	211	365	350	350
Inc (-) / Dec in WCap.	-1,112	1,962	-5,315	-195	-2,709
Others	-2,517	-2,182	-2,952	-4,424	-5,160
Taxes Paid	-3,495	-2,966	-3,122	-3,868	-4,360
Operating Cash Flow	**9,027**	**11,623**	**5,915**	**10,576**	**9,080**
Capex	-1,925	-1,527	-1,096	-2,000	-2,000
Free Cash Flow	7,102	10,096	4,819	8,576	7,080
Inc (-) / Dec in Investments	-7,888	-8,754	-3,835	-	-
Others	376	5,011	3,373	-85	-59
Investing Cash Flow	**-9,437**	**-5,269**	**-1,558**	**-2,085**	**-2,059**
Inc / Dec (-) in Capital	-	-2	-	-	-
Dividend + Tax thereon	-1,509	-6,410	-1,493	-1,614	-1,819
Inc / Dec (-) in Loans	-414	304	-4,850	-	-
Others	-190	-1,407	-255	4,074	4,810
Financing Cash Flow	**-2,114**	**-7,514**	**-6,599**	**2,461**	**2,991**
Inc / Dec (-) in Cash	**-2,524**	**-1,161**	**-2,242**	**10,951**	**10,013**
Opening Cash Balance	8,060	5,536	4,375	2,239	13,190
Closing Cash Balance	5,536	4,375	2,133	13,190	23,203

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin (%)	23.4	24.7	28.7	27.2	27.2
Asset Turnover (x)	0.7	0.6	0.6	0.6	0.6
Leverage Factor (x)	1.1	1.1	1.0	1.0	1.0
RoE (%)	18.4	15.6	17.0	15.9	15.6

Source: Company, JM Financial

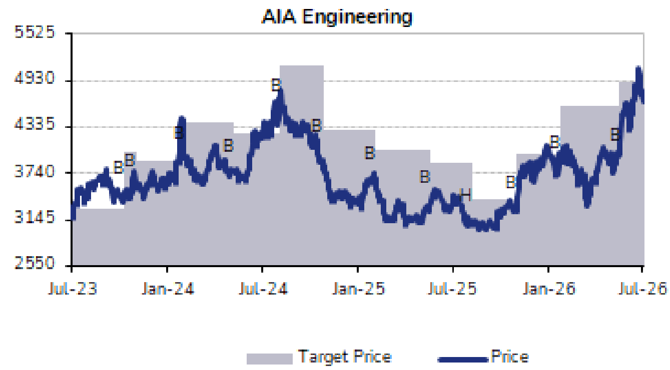
Key Ratios					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	705.9	742.3	860.0	989.8	1,136.1
ROIC (%)	28.3	24.6	27.7	29.6	30.8
ROE (%)	18.4	15.6	17.0	15.9	15.6
Net Debt/Equity (x)	-0.5	-0.5	-0.5	-0.6	-0.6
P/E (x)	39.0	41.7	34.7	31.9	28.3
P/B (x)	6.6	6.3	5.5	4.7	4.1
EV/EBITDA (x)	30.5	34.8	31.3	26.1	23.1
EV/Sales (x)	8.4	9.3	8.9	7.6	6.6
Debtor days	66	70	97	82	82
Inventory days	91	87	104	94	94
Creditor days	19	23	25	21	21

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
26-May-26	Buy	4,915	6.8
31-Jan-26	Buy	4,600	15.4
9-Nov-25	Buy	3,985	16.7
13-Aug-25	Hold	3,415	-12.1
25-May-25	Buy	3,885	-4.1
8-Feb-25	Buy	4,050	-5.6
31-Oct-24	Buy	4,290	-16.4
12-Aug-24	Buy	5,130	20.4
14-May-24	Buy	4,260	-3.2
8-Feb-24	Buy	4,400	12.5
7-Nov-23	Buy	3,910	-2.6
16-Oct-23	Buy	4,015	21.7
26-May-23	Buy	3,300	10.0
27-Jan-23	Buy	3,000	3.4
14-Nov-22	Buy	2,900	9.4
9-Aug-22	Buy	2,650	20.5
25-May-22	Buy	2,200	0.0
27-Jan-22	Buy	2,200	-6.4
1-Nov-21	Buy	2,350	2.2
14-Aug-21	Buy	2,300	

Recommendation History Chart



Tega Industries | ADD

Molycop a key overhang – largely priced in though

The combination of slowing consumables sales and a slow-growth acquisition (Molycop) makes us view Tega Industries (Tega) less favourably than AIAE. We view Molycop's business model as fundamentally challenged over near-to-medium term from influx of forged media exports from China (fuelled by significant overcapacities) and rising adoption of high-chrome grinding media in secondary grinding for mining. Furthermore, core consumables growth has slowed down. However, Tega has corrected 15%+ from its peak, which suggests that most of the headwinds are already factored in. Rolling forward the valuation to Sep-28E and valuing the stock at 35x P/E yields a TP of INR 1,765; upgrade to ADD.

- **Molycop acquisition an added overhang; turnaround may take longer than expected**: Molycop traditionally dominated the global forged grinding media market. However, due to massive overcapacity in Chinese forged media grinding capacity, we expect volume headwinds to persist over FY26–29E driving a 1–2% volume CAGR. The volume headwind is strongest in key regions such as Latam. Furthermore, increased high chrome penetration of late by AIAE and Magotteaux in Latam copper leads to relatively slow top-line growth at Molycop. Some EBITDA improvement driven by cost savings is possible, but revenue growth is fundamentally challenged in our view.

- **Core consumables growth slowing down as well**: Unlike AIAE, Tega does not disclose volumes, which we view as a reporting concern. Based on Tega's FY26 numbers, we estimate a volume decline of 4–5% YoY. Slowing volume growth, particularly in the non-Dynaprime segment, is a concern. Peers such as AIAE also offer composite liners via their MPS Vega entity in Australia.

- **Equipment business turning around, but profitability levels lower**: The recently acquired equipment business has turned PAT-positive, and we can expect strong growth over FY26–28E in India with potential exports as well. However, gross margins are lower with significant ordering/revenue volatility leading to lower EBITDA growth.

- **Consensus estimates not yet factoring in Molycop; even underlying growth may be weaker:** It appears consensus estimates are not incorporating Molycop yet. The underlying PAT growth (ex-Molycop) is a 10% CAGR (FY25–29E), though optically PAT growth (including Molycop) at a 37% CAGR is higher. The higher growth is attributable to 12% preference shares of Apollo Global, which are accounted for as equity. Adjusting for the Apollo carry, reported EPS falls from INR 94 (FY28) to INR 55. The rise in leverage due to the Molycop acquisition is concerning. Besides, the outlook for Molycop is challenged, in our view, due to its high dependence on forged grinding media sales, which are facing intense competition from Chinese exports' surplus.

- **Upgrade to ADD; prefer AIAE over Tega considering better growth opportunities**: Tega's stock price has corrected 15%+ from peak levels of ~INR 2,000/share, largely factoring in headwinds from the Molycop acquisition. While Sep-28E P/E appears to be ~17x, that can be misleading as it ignores the Apollo carry. Including the Apollo dividend adjustment, Tega is trading at 29x, which is largely in line with its peer AIAE. We value Tega (ex-Molycop) at 35x and Molycop (ex-Apollo carry) at 18x, which yields a TP of INR 1,765; hence we are upgrading the stock to ADD. However, we prefer AIAE within space at similar valuations wherein recent innovations in technology led to penetration of high-chrome grinding media even in Latam copper mines at the expense of local forged media players (including Molycop).

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	HOLD
Current Price Target (12M)	1,765
Upside/(Downside)	6.3%
Previous Price Target	1,725
Change	2.3%

Key Data – TEGA IN EQUITY	
Current Market Price	INR1,661
Market cap (bn)	INR124.8/US$1.3
Free Float (%)	32.5
Shares in issue (mn)	75.1
Diluted share (mn)	75.1
3-mon avg daily val (mn)	INR212.4/US$2.3
52-week range	INR2,130/1,521
Sensex/Nifty	76,742/23,963
INR/US$	95.4

Price Performance

%	1M	6M	12M
Absolute	-7.7	-11.8	-4.8
Relative*	-11.0	-4.0	3.2

*To the NSE Nifty 50

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Financial Summary					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	16,387	16,919	144,964	176,285	182,585
Sales Growth (%)	9.8	3.3	756.8	21.6	3.6
EBITDA	3,398	2,311	18,217	23,021	23,911
EBITDA Margin (%)	20.7	13.7	12.6	13.1	13.1
Adjusted Net Profit	2,001	1,427	4,971	7,035	7,897
Diluted EPS (INR)	30.1	19.0	66.2	93.6	105.1
Diluted EPS Growth (%)	3.2	-36.9	248.5	41.5	12.3
ROIC (%)	15.6	5.2	16.5	12.8	12.4
ROE (%)	15.5	5.9	13.6	16.5	15.8
P/E (x)	55.2	87.5	25.1	17.7	15.8
P/B (x)	7.9	3.7	3.2	2.7	2.3
EV/EBITDA (x)	36.4	49.5	9.2	7.7	7.0
Dividend Yield (x)	-	-	-	-	-

Source: Company data, JM Financial. Note: Valuations as of July 09, 2026

Consumables challenge apparent; potential dip in volumes too

Unlike its peer AIAE, Tega does not explicitly disclose its volumes. However, based on our assessment of mill liner pricing, we believe FY26 may have witnessed a 4–5% decline in consumables volume to 19.5–19.6kt, probably below the peak volumes of 20.5kt that may have been witnessed in FY25. We further assess that consumables realizations have been stable at USD 8.1–8.4/kg over FY22–26. The potential decline in consumables volume is surprising given that Tega has been till recently gaining market share in mill liners through its DynaPrime offering.

A breakout is possible once Tega completes its Chile expansion, but the project has been delayed materially and missed multiple deadlines.

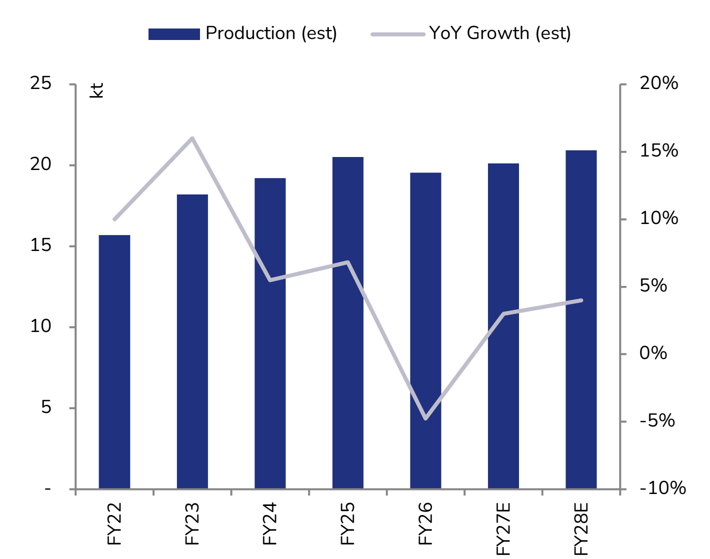
Furthermore, AIAE's entry into composite and rubber mill liners through the acquisition of Vega MPS in Australia reduces the gaps in offering by the two companies. AIAE additionally offers steel mill liners. AIAE's product sales are based on mill optimisation solutions or technology-based (process patented) solution versus a pure commodity sales strategy.

Recovery likely over FY27–30E, but can lag management estimates

Consumables sales are supported by INR depreciation versus USD in the near term, but the depreciation may not continue at a fast clip as the one seen during FY26 in our view. The USD pricing is likely to remain within USD8.3–8.5/kg and, as a result, consumables may clock around a 10% CAGR (FY26–28), thereby trailing management guidance of a 15% CAGR for the long term.

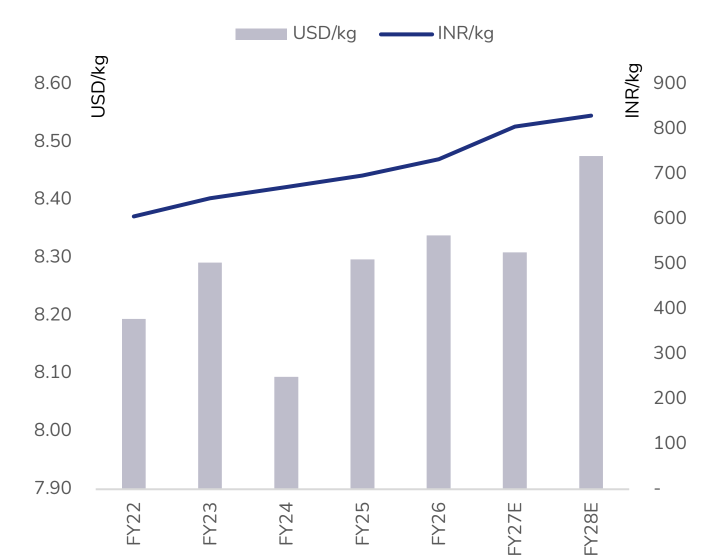
We believe other than DynaPrime offerings, Tega's consumables' sales have been relatively stagnant (considering management statement that DynaPrime sales growth of 20% YoY in H1FY26). In the event we do not witness a meaningful uptick in DynaPrime or further product introductions, we argue it would be difficult for the company to attain management guidance.

Exhibit 1: Mill liner production CAGR at 3% over FY26–28E



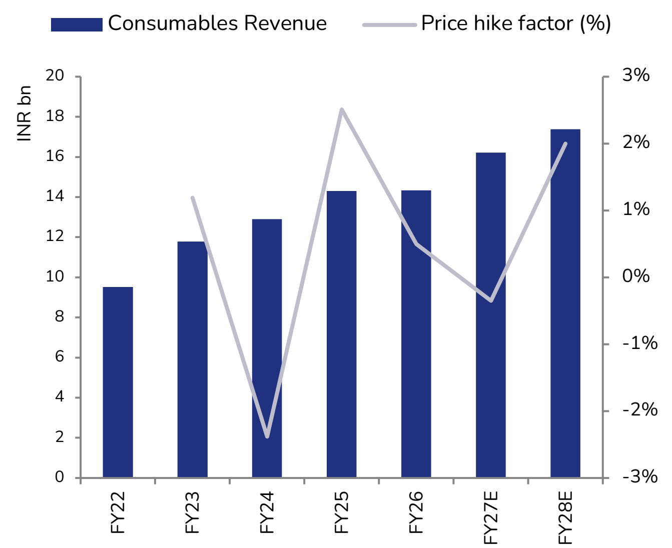
Source: JM Financial

Exhibit 2: Realisation to remain USD 8.3–8.5kg during FY27E/28E



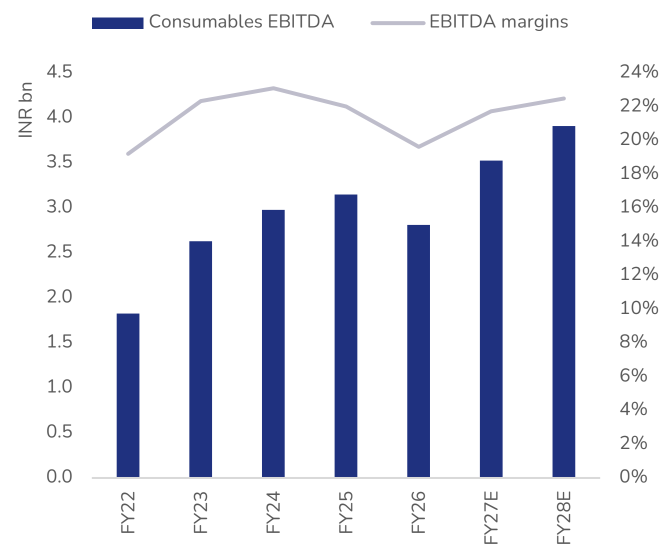
Source: JM Financial

Exhibit 3: Revenue (consumables) to post 10% CAGR over FY26–28E



Source: JM Financial, Company

Exhibit 4: EBITDA margin (consumables) likely to remain ~22%



Source: JM Financial, Company

Molycop acquisition: Outlook challenged by Chinese exports

Molycop is increasingly facing volume headwinds in its core forged grinding media sales due to rising Chinese competition. The intensity of Chinese exports of forged grinding media is likely to keep growth in low single digits. The use of Chinese raw materials as inputs has caused the quality differential perception about Molycop to decline as witnessed in our expert calls.

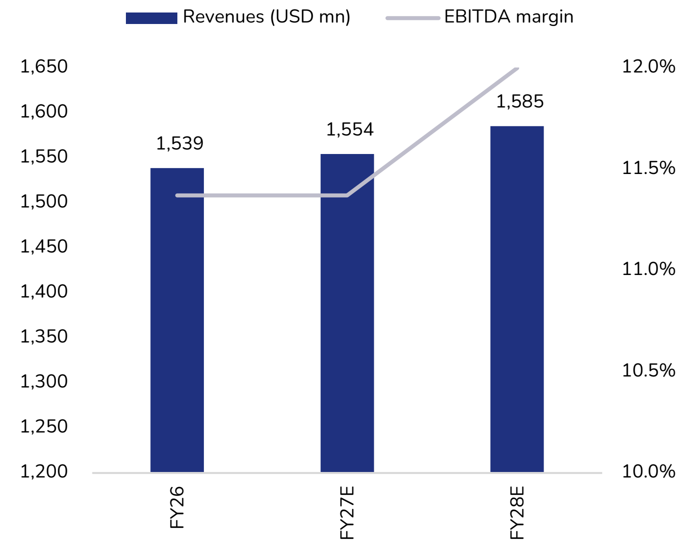
The extent of Chinese competition is particularly fierce in Latam and Australia.

Exhibit 5: Chinese forged media exports surge in Latam and Australia, impacting Molycop

USD mn	CY18	CY19	CY20	CY21	CY22	CY23	CY24
Global	**1,280**	**1,260**	**1,090**	**1,350**	**1,860**	**1,430**	**1,520**
Forged China exports	**710**	**719**	**655**	**807**	**1,170**	**893**	**1,010**
Of which Chinese exports to							
Chile	179	190	165	256	260	162	172
Brazil	56	62	44	62	89	70	98
Peru	38	62	45	42	61	58	95
Australia	44	40	57	56	59	43	48
PNG	11	6	9	4	4	3	6
Ghana	43	30	24	25	61	35	38
Congo DR	7	6	10	19	36	23	27
Canada	24	25	23	13	57	30	29
Mexico	19	22	22	51	83	44	9
US	37	15	13	10	15	11	12
Kazhakstan	22	24	24	49	116	100	103
Mongolia	36	48	46	46	62	42	38
Thailand	13	9	7	7	18	8	18
Indonesia	13	19	19	10	3	3	14
Others	168	161	147	157	246	261	303

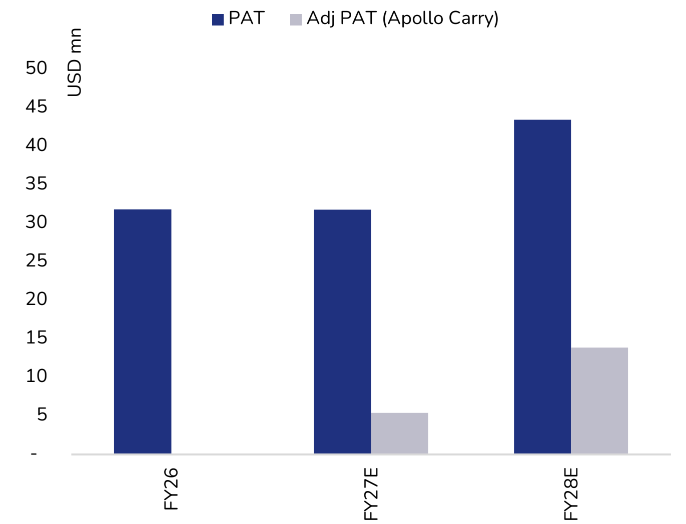
Source: Industry, JM Financial

Exhibit 6: We expect Molycorp revenue to be stable during FY26–28E



Source: JM Financial, Company

Exhibit 7: Adjusted PAT post-Apollo carry at USD14mn in FY28E



Source: JM Financial, Company

Chinese exports unlikely to stall; exports of high-chrome grinding a challenge

We assess that there exists massive overcapacity in Chinese forged grinding media industry. The threat of Chinese dumping is 'omnipresent' in key mining regions such as Latam and Australia. And we reckon that the oversupply situation may well last into FY30, resulting in low single-digit growth for Molycop. The volumes are unlikely to witness strong growth unless two recently shuttered mines of Cobre Panama (Copper Panama) and Grasberg (Indonesia) are brought on stream.

Alongside, the Latam copper miners now appear to be experimenting with high-chrome grinding media. Notably, AIAE has achieved breakthrough in converting some large copper mines in the region from forged media to high chrome. It has also made headway into mill liners as well.

Exhibit 8: Forged and high-chrome griding media: Capacity and sales breakdown by region

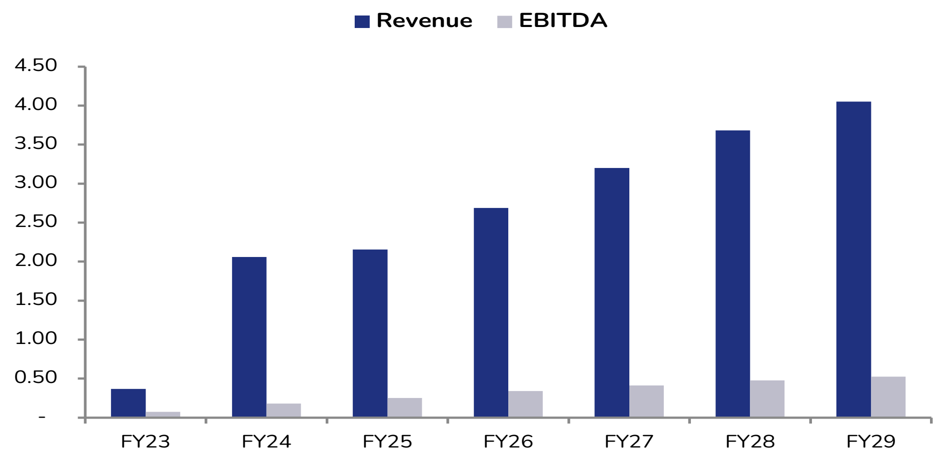
kt	Capacity		Sales		Total Eq
	Steel forged	High Chrome	Steel forged	High Chrome	Forged sales
North Amercia	720	115	576	120	762
Latam	1,031	65	1,045	112	1,218
Africa	200	157	269	184	554
Australia	303	-	165	110	334
Rest of Australasia	130	-	78	11	95
China	1,770	800	555	504	1,336
India	-	406	-	127	197
Asia (ex China/India)	-	130	115	45	185
Europe	208	-	114	46	185
Middle East	150	60	250	40	312
Russia and CIS	500	-	400		400
	5,012	**1,733**	**3,567**	**1,298**	**5,579**
Accessible mkt (Ex some Chinese/Russia)			2,834	975	4,318
Total market (Ex China local/Russia)			2,717	798	3,954

Source: Industry, JM Financial

Equipment sales picking up; unlikely to turn the tide though

We expect equipment sales at a 17% CAGR and EBITDA CAGR at 19% driven by further scale-up of the business in India with the possibility of exports as well. We note Tega McNally is now PBT-positive. The sales CAGR we estimate is below management estimate of 25% growth. The execution of a contract from NMDC and potential further order-wins can drive a turnaround of this business. We note Tega had acquired McNally from the insolvency process and so far turnaround progress appears to be on track with management commentary.

Exhibit 9: Equipment revenue and EBITDA can grow strongly



Source: Company, JM Financial.* Units in INR bn

We are significantly below consensus (ex-Molycop)

The Bloomberg consensus estimates for Tega do not appear to have the Molycop acquisition baked into them. Hence we compare Tega (ex-Molycop) estimates with those available on Bloomberg. The consensus estimates seem materially higher for FY27/28 as they does not seem to factor in the weakness in consumables volumes. We do not expect a meaningful contribution from Chile expansion in FY27E/28E.

Exhibit 10: We view consensus estimates (ex-Molycop) as unrealistically optimistic

(INR mn)	JMFe			Consensus			Vs. JMFe	
	FY27	FY28	FY29	FY27	FY28	FY29	FY27	FY28
Sales	19,317	20,956	22,565	20,610	23,952	28,537	-6%	-13%
EBITDA	3,930	4,382	4,709	4,302	5,152	6,364	-9%	-15%
EBITDA margin (%)	20.3%	20.9%	20.9%	20.9%	21.5%	22.3%		
PAT	2,471	2,995	3,336	3,109	4,208	7,700	-21%	-29%

Source: Company, Bloomberg

Valuations largely factoring in headwinds; upgrade to ADD

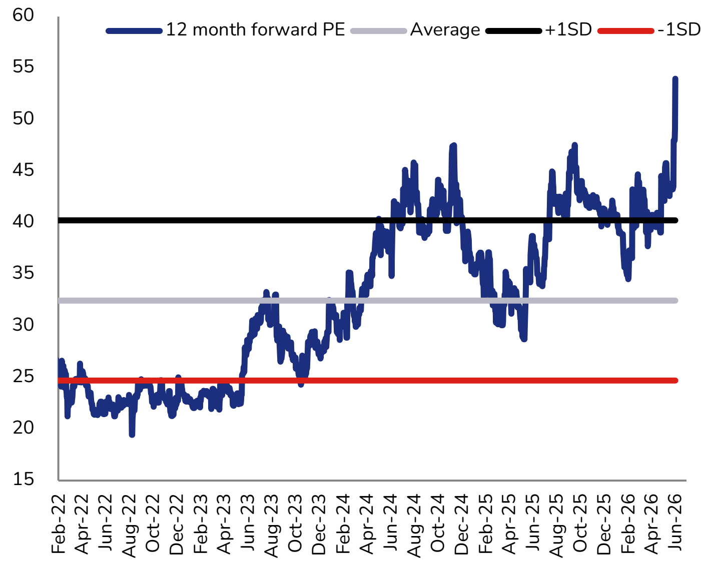
While the stock's Sep-28E P/E appears to be ~17x, that can be misleading as it ignores the Apollo carry. Including Apollo's dividend adjustment, Tega is trading at 29x, which is largely in line with its peer AIAE. We value Tega (ex-Molycop) at 35x and Molycop (ex-Apollo carry) at 18x on Sep-28E EPS to derive our TP of INR 1,765 and upgrade to ADD. We view that the headwinds from Molycop acquisition are largely factored in following a +15% correction from peak levels. We see better value in AIAE, whose recent technological innovations have led to penetration of high-chrome grinding media even in Latam copper mines at the expense of local forged media players (including Molycop) and offers similar valuations compared to Tega.

Exhibit 11: Value Tega and Molycop separately given wide variation in growth prospects

		Valuation	
EPS (INR/sh)	**FY27**	**FY28**	**FY29**
Consol (incl Molycop)	66.17	93.64	105.11
Consol (incl Molycop) -post-APL carry	32.09	55.08	61.50
Tega (core ex Molycop)	32.90	39.86	44.41
Molycop (reported)	33.28	53.78	60.71
Molycop (ex-carry)	-0.81	15.22	17.09
		P/E (x)	**Sep-28E**
Tega		35	1,475
Molycop		18	290
Target Price (TP, Sep-28E)			**1,765**

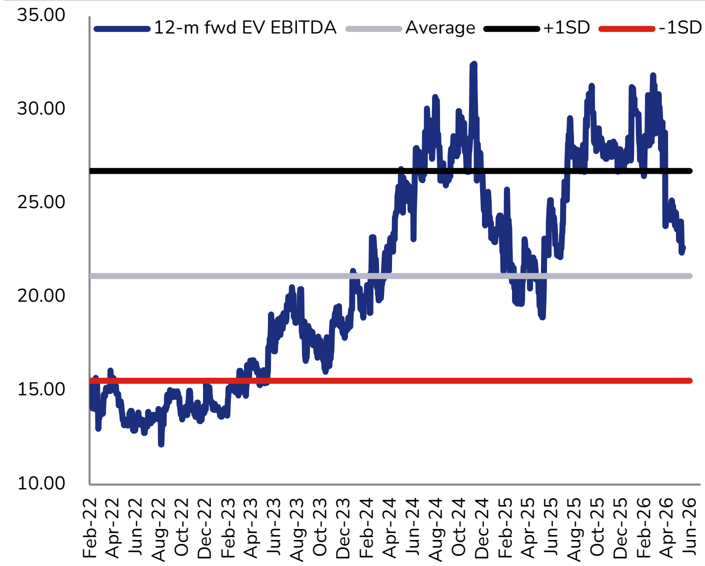
Source: JM Financial, Company

Exhibit 12: One-year forward PE higher than +1SD historical average



Source: Bloomberg, JM Financial

Exhibit 13: One-year forward EV/EBITDA near historical average



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	16,387	16,919	144,964	176,285	182,585
Sales Growth (%)	9.8	3.3	756.8	21.6	3.6
Other Operating Income	-	-	-	-	-
Total Revenue	**16,387**	**16,919**	**144,964**	**176,285**	**182,585**
Cost of Goods Sold/Op. Exp	6,985	6,851	106,923	131,332	136,026
Personnel Cost	2,492	2,799	9,292	11,300	11,704
Other Expenses	3,512	4,958	10,531	10,632	10,944
EBITDA	**3,398**	**2,311**	**18,217**	**23,021**	**23,911**
EBITDA Margin (%)	20.7	13.7	12.6	13.1	13.1
EBITDA Growth (%)	7.5	-32.0	688.1	26.4	3.9
Depn. & Amort.	1,013	951	6,156	7,380	7,616
EBIT	2,385	1,360	12,061	15,641	16,296
Other Income	432	816	828	923	1,036
Finance Cost	269	226	6,021	6,820	6,382
PBT before Excep. & Forex	2,547	1,950	6,868	9,745	10,950
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	2,547	1,950	6,868	9,745	10,950
Taxes	591	585	1,888	2,553	2,869
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	45	61	130	279	305
Reported Net Profit	2,001	1,427	4,971	7,035	7,897
Adjusted Net Profit	**2,001**	**1,427**	**4,971**	**7,035**	**7,897**
Net Margin (%)	12.2	8.4	3.4	4.0	4.3
Diluted Share Cap. (mn)	67	75	75	75	75
Diluted EPS (INR)	**30.1**	**19.0**	**66.2**	**93.6**	**105.1**
Diluted EPS Growth (%)	3.2	-36.9	248.5	41.5	12.3
Total Dividend + Tax	-	-	-	-	-
Dividend Per Share (INR)	-	-	-	-	-

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Shareholders Fund	13,967	34,072	39,043	46,078	53,975
Share Capital	665	751	751	751	751
Reserves & Surplus	13,302	33,320	38,292	45,327	53,224
Preference Share Capital	-	-	-	-	-
Minority Interest	-	-	-	-	-
Total Loans	2,619	3,176	77,096	77,096	77,096
Def. Tax Liab. / Assets (-)	-	-	-	-	-
Other non-current liabilities / Lease Liabilities	744	854	20,242	20,242	20,242
Total - Equity & Liab.	**17,330**	**38,102**	**136,381**	**143,416**	**151,313**
Net Fixed Assets	4,837	5,716	67,560	61,180	54,565
Gross Fixed Assets	3,658	3,818	65,662	59,282	52,666
Intangible Assets	722	826	826	826	826
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	457	1,072	1,072	1,072	1,072
Investments	2,702	2,365	2,365	2,365	2,365
Current Assets	11,582	33,100	81,786	112,253	130,752
Inventories	4,145	4,369	15,585	32,638	36,624
Sundry Debtors	5,010	4,519	22,176	44,007	49,160
Cash & Bank Balances	1,143	11,639	31,451	23,035	32,394
Loans & Advances	92	932	932	932	932
Other Current Assets	1,191	11,641	11,641	11,641	11,641
Current Liab. & Prov.	3,622	5,043	17,293	34,346	38,332
Current Liabilities	2,676	4,414	16,664	33,716	37,703
Provisions & Others	947	629	629	629	629
Net Current Assets	7,507	26,979	63,414	76,829	91,341
Other Non Current Assets/ROU Assets	2,284	3,042	3,042	3,042	3,042
Total - Assets	**17,330**	**38,102**	**136,381**	**143,416**	**151,313**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before Tax	2,547	1,950	6,868	9,745	10,950
Depn. & Amort.	1,013	951	6,156	7,380	7,616
Net Interest Exp. / Inc. (-)	-163	-590	5,193	5,897	5,346
Inc (-) / Dec in WCap.	-1,897	898	-16,623	-21,831	-5,154
Others	1,040	878	-9	-157	-184
Taxes Paid	-591	-585	-1,888	-2,553	-2,869
Operating Cash Flow	**1,950**	**3,503**	**-303**	**-1,520**	**15,705**
Capex	-1,702	-1,359	-68,000	-1,000	-1,000
Free Cash Flow	249	2,144	-68,303	-2,520	14,705
Inc (-) / Dec in Investments	202	-504	-	-	-
Others	185	-8,181	828	923	1,036
Investing Cash Flow	**-1,315**	**-10,044**	**-67,172**	**-77**	**36**
Inc / Dec (-) in Capital	-	17,030	19,360	-	-
Dividend + Tax thereon	-	-	-	-	-
Inc / Dec (-) in Loans	188	557	73,920	-	-
Others	-568	-688	-5,992	-6,820	-6,382
Financing Cash Flow	**-380**	**16,899**	**87,288**	**-6,820**	**-6,382**
Inc / Dec (-) in Cash	**255**	**10,358**	**19,813**	**-8,417**	**9,359**
Opening Cash Balance	863	1,143	11,639	31,451	23,035
Closing Cash Balance	1,143	11,639	31,451	23,035	32,394

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Margin (%)	12.2	8.4	3.4	4.0	4.3
Asset Turnover (x)	1.0	0.6	1.7	1.3	1.2
Leverage Factor (x)	1.3	1.2	2.4	3.3	2.9
RoE (%)	15.5	5.9	13.6	16.5	15.8

Source: Company, JM Financial

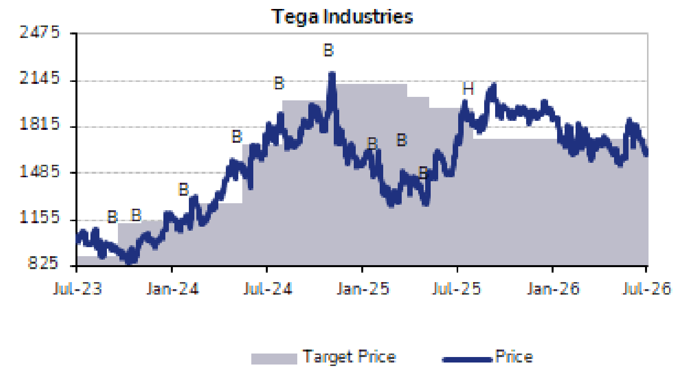
Key Ratios					
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
BV/Share (INR)	209.9	453.5	519.7	613.3	718.4
ROIC (%)	15.6	5.2	16.5	12.8	12.4
ROE (%)	15.5	5.9	13.6	16.5	15.8
Net Debt/Equity (x)	-0.1	-0.3	1.1	1.1	0.8
P/E (x)	55.2	87.5	25.1	17.7	15.8
P/B (x)	7.9	3.7	3.2	2.7	2.3
EV/EBITDA (x)	36.4	49.5	9.2	7.7	7.0
EV/Sales (x)	7.6	6.8	1.2	1.0	0.9
Debtor days	112	97	56	91	98
Inventory days	92	94	39	68	73
Creditor days	62	83	45	78	84

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
7-Aug-25	Hold	1,725	-11.5
15-May-25	Buy	1,950	-3.7
2-Apr-25	Buy	2,025	-4.5
7-Feb-25	Buy	2,120	0.0
15-Nov-24	Buy	2,120	5.5
9-Aug-24	Buy	2,010	18.9
23-May-24	Buy	1,690	32.5
9-Feb-24	Buy	1,275	11.4
11-Nov-23	Buy	1,145	1.3
26-Sep-23	Buy	1,130	25.6
30-May-23	Buy	900	20.0
18-Mar-23	Buy	750	0.0
31-Jan-23	Buy	750	7.1
14-Nov-22	Buy	700	11.1
8-Aug-22	Buy	630	6.8
26-May-22	Buy	590	0.0
17-Feb-22	Buy	590	-6.3
21-Jan-22	Hold	630	

Recommendation History Chart



APPENDIX I

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ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

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