

AIA ENGINEERING

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	3,256
12 month price target (INR)	4,043
52 Week High/Low	3,835/3,001
Market cap (INR bn/USD bn)	304/3.4
Free float (%)	41.5
Avg. daily value traded (INR mn)	272.5

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	58.5%	58.5%	58.5%
FII	16.66%	16.99%	17.06%
DII	22.19%	22.03%	22.04%
Pledge	2.65%	2.48%	2.4%

FINANCIALS

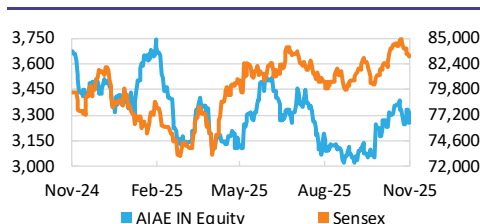
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	42,874	44,240	50,114	56,282
EBITDA	11,492	12,457	14,092	15,304
Adjusted profit	10,607	11,665	13,114	14,504
Diluted EPS (INR)	113.7	125.0	140.5	155.4
EPS growth (%)	(5.9)	10.0	12.4	10.6
RoAE (%)	15.6	15.7	15.4	15.0
P/E (x)	28.7	26.1	23.2	21.0
EV/EBITDA (x)	23.4	20.8	17.9	15.9
Dividend yield (%)	0.5	0.5	0.6	0.7

CHANGE IN ESTIMATES

(INR mn)	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	44,240	50,114	-2.1	-2.1
EBITDA	12,457	14,092	2.5	0.4
Adjusted profit	11,665	13,114	5.5	2.8
Diluted EPS (INR)	125.0	140.5	5.5	2.8

PRICE PERFORMANCE



Volume recovery underway

AIA reported better-than-expected Q2FY26 EBITDA of INR2.97bn, up 3% QoQ (our estimate: INR2.7bn). EBITDA/t declined INR3,922/t QoQ to INR47,003/t amid an adverse product mix, which led to lower realisation, down 4% QoQ, partially offset by higher volumes (up 5% QoQ to 63kt) and lower CoP.

AIA won a major order—Chile—in Q3FY26E and is confident of adding customers over coming quarters; this improves volume growth visibility for FY27E. At the same time, AIA is likely to maintain profitability (EBITDA margin of 26–27%). Rolling forward to FY28E and valuing the stock at 26x PE lead to our revised TP of INR4,043 (earlier INR3,555); upgrade to 'BUY' (from 'HOLD').

EBITDA slips 3% QoQ; EBITDA/t dips 8% QoQ, but above long term

AIA's EBITDA declined 3% QoQ to INR2.97bn due to lower blended realisation and higher other expenses, partially offset by higher volume and lower raw material cost. EBITDA/t is INR47,006 (margin: 28.3% versus 29.5% in Q1FY26), down INR3,922/t QoQ. EBITDA margin is still above management's sustainable guidance of 24–25%. Sales volume increased (63kt, up 5% QoQ). Mining volume inched up 5% QoQ and made up 61% of Q2FY26 volume (Q1: 61%). Blended realisation dipped 4.4% QoQ to INR163k/t due to an adverse product mix. It was partially offset by lower RM cost, leading to a decline in gross profit/t by INR2,928/t QoQ to INR104,592. Furthermore, higher opex led to a fall in EBITDA/t. PAT contracted 9% QoQ to INR2.77bn owing to lower operating profit, decline in other income, and higher interest cost and tax rate.

Volume guidance raised for FY26E; project approvals in process

AIA received its first major order from a customer in Chile engaged in copper mining. The order is for 22,000–23,000t valued at USD33mn and to be delivered in 18 months (beginning Q4FY26). The company has also completed trials at 10–12 mines in Ghana, Nigeria, India, etc, and is hopeful of bagging contracts in three–four months. **Management has, hence, raised volume guidance from flat YoY to an increase of up to 15,000t in FY26E/30,000t+ in FY27E.** Expansion projects of 50ktpa each in Ghana and China are underway—land acquisition, project approvals. We reckon FY26E/27E capex of INR1.5bn/INR2.5bn factoring in delays in these projects.

Higher volume growth to drive higher earnings

The breakthrough in receiving a major order from a customer in Chile and client additions shall drive volume growth FY27 onwards. Besides, keeping margins intact at 25–27% will drive EBITDA/PAT CAGR of 10%/11% over FY25–28E. With visibility on volume growth now, we argue it is a good time to start buying the stock.

Financials

Year to March (INR mn)	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	10,478	10,442	0.3	10,389	0.8
EBITDA	2,969	2,757	7.7	3,064	(3.1)
Adjusted Profit	2,774	2,567	8.1	3,050	(9.0)
Diluted EPS (INR)	29.4	27.2	8.1	32.3	(9.0)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	42,874	44,240	50,114	56,282
Gross profit	25,497	26,829	30,317	33,547
Employee costs	1,855	1,985	2,143	2,315
Other expenses	12,150	12,387	14,082	15,928
EBITDA	11,492	12,457	14,092	15,304
Depreciation	1,031	1,106	1,156	1,206
Less: Interest expense	211	304	304	304
Add: Other income	3,316	3,993	4,387	5,030
Profit before tax	13,684	15,056	17,034	18,839
Prov for tax	3,084	3,384	3,914	4,330
Less: Other adj	0	0	0	0
Reported profit	10,607	11,665	13,114	14,504
Less: Excp.item (net)	0	0	0	0
Adjusted profit	10,607	11,665	13,114	14,504
Diluted shares o/s	93	93	93	93
Adjusted diluted EPS	113.7	125.0	140.5	155.4
DPS (INR)	16.0	17.5	19.7	21.8
Tax rate (%)	22.5	22.5	23.0	23.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Capacity (tpa)	4,60,000	4,60,000	4,60,000	4,60,000
Exports (% of volumes)	66.0	78.0	79.0	79.0
EBITDA margin (%)	26.8	28.2	28.1	27.2
EBITDA margin (%)	26.8	28.2	28.1	27.2
Net profit margin (%)	24.7	26.4	26.2	25.8
Revenue growth (% YoY)	(11.4)	3.1	13.3	12.3
EBITDA growth (% YoY)	(13.8)	8.4	13.1	8.6
Adj. profit growth (%)	(6.6)	10.0	12.4	10.6

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	6.2	6.2
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.5	86.5	86.5	86.5
Mining(tonnes)	1,66,053	1,74,240	2,03,320	2,28,344
others(tonnes)	89,390	89,760	95,680	1,07,456
Realisation (INR/t)	1,67,843	1,65,000	1,65,000	1,65,000
Raw materials(INR/t)	69,126	65,950	66,211	67,706

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	28.7	26.1	23.2	21.0
Price/BV (x)	4.4	3.8	3.4	3.0
EV/EBITDA (x)	23.4	20.8	17.9	15.9
Dividend yield (%)	0.5	0.5	0.6	0.7

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	187	187	187	187
Reserves	69,083	79,106	90,374	1,02,837
Shareholders funds	69,270	79,292	90,560	1,03,024
Minority interest	101	101	101	101
Borrowings	4,850	4,050	4,050	4,050
Trade payables	1,967	1,742	1,974	2,245
Other liabs & prov	2,028	2,057	2,183	2,315
Total liabilities	78,341	87,367	98,993	1,11,860
Net block	10,941	10,535	10,380	10,174
Intangible assets	810	810	810	810
Capital WIP	769	1,569	3,069	4,569
Total fixed assets	12,520	12,915	14,259	15,553
Non current inv	935	935	935	935
Cash/cash equivalent	42,884	51,068	58,607	67,135
Sundry debtors	8,264	8,527	9,659	10,848
Loans & advances	1,301	1,301	1,301	1,301
Other assets	11,900	12,085	13,696	15,551
Total assets	78,341	87,367	98,993	1,11,860

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported pbt	13,684	15,040	17,019	18,824
Add: Depreciation	1,031	1,106	1,156	1,206
Interest (net of tax)	211	304	304	304
Others	(3,816)	1,965	(632)	(2,373)
Less: Changes in WC	3,074	(2,606)	(1,741)	(255)
Operating cash flow	11,623	12,425	12,191	13,377
Less: Capex	(1,371)	(1,500)	(2,500)	(2,500)
Free cash flow	10,252	10,925	9,691	10,877

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	15.6	15.7	15.4	15.0
RoCE (%)	18.9	19.5	19.4	18.9
Inventory days	233	215	203	200
Receivable days	73	69	66	66
Payable days	39	39	34	34
Working cap (% sales)	43.6	43.8	43.5	43.5
Gross debt/equity (x)	0.1	0.1	0	0
Net debt/equity (x)	(0.5)	(0.6)	(0.6)	(0.6)
Interest coverage (x)	49.6	37.4	42.6	46.4

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(5.9)	10.0	12.4	10.6
RoE (%)	15.6	15.7	15.4	15.0
EBITDA growth (%)	(13.8)	8.4	13.1	8.6
Payout ratio (%)	14.1	14.0	14.0	14.0

Exhibit 1: Consolidated financial snapshot

Year to March (INR mn)	Q2FY26	Q2FY25	% change	Q1FY26	% change	FY25	FY26E	FY27E	FY28E
Net revenues	10,478	10,442	0.3	10,389	0.8	42,874	44,240	50,114	56,282
Raw material	3,872	4,295	(9.9)	3,921	(1.3)	17,377	17,411	19,797	22,736
Staff cost	472	465	1.5	484	(2.4)	1,855	1,985	2,143	2,315
Other expenditure	3,165	2,925	8.2	2,920	8.4	12,150	12,387	14,082	15,928
Total expenditure	7,509	7,685	(2.3)	7,326	2.5	31,382	31,783	36,023	40,979
EBITDA	2,969	2,757	7.7	3,064	(3.1)	11,492	12,457	14,092	15,304
Depreciation	280	236	18.6	277	0.9	1,031	1,106	1,156	1,206
Interest	77	53	46.3	72	7.1	211	304	304	304
Other income	983	901	9.1	1,083	(9.2)	3,316	3,993	4,387	5,030
Profit Before Tax	3,596	3,369	6.7	3,798	(5.3)	13,684	15,056	17,034	18,839
Provision for Tax	825	809	1.9	803	2.7	3,084	3,384	3,914	4,330
Reported net profit	2,775	2,564	8.2	3,052	(9.1)	10,601	11,671	13,120	14,510
Adjusted Profit	2,774	2,567	8.1	3,050	(9.0)	10,607	11,665	13,114	14,504
EPS (INR)	29.7	27.5	8.1	32.7	(9.0)	113.7	125.0	140.5	155.4
as % of net revenues									
Raw material	37.0	41.1		37.7		40.5	39.4	39.5	40.4
Staff costs	4.5	4.5		4.7		4.3	4.5	4.3	4.1
Other expenses	30.2	28.0		28.1		28.3	28.0	28.1	28.3
EBITDA	28.3	26.4		29.5		26.8	28.2	28.1	27.2
Reported net profit	26.5	24.6		29.4		24.7	26.4	26.2	25.8
Tax rate	22.9	24.0		21.2		22.5	22.5	23.0	23.0

Source: Company, Nuvama Research

Exhibit 2: Sales volume up 5% QoQ

Volume (tonnes)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	QoQ(%)	YoY(%)
Production	54,952	63,561	61,078	59,516	68,889	15.7	25.4
Sales	60,330	65,780	68,741	60,156	63,159	5.0	4.7
Cement plus utility volume	20,434	22,861	22,289	23,760	24,772	4.3	21.2
Mining volume	39,896	42,919	46,452	36,396	38,387	5.5	-3.8

Source: Company, Nuvama Research

Exhibit 3: Per tonne analysis

(INR/t)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	QoQ(%)	YoY(%)
EBITDA/t	45,692	43,033	43,879	50,928	47,006	-7.7	2.9
Realisation/t	1,70,811	1,59,631	1,66,033	1,70,558	1,63,029	-4.4	-4.6
Operating cost/t	48,487	46,091	48,457	48,542	50,104	3.2	3.3
Raw material cost /t	71,188	65,891	69,231	65,188	61,302	-6.0	-13.9

Source: Company, Nuvama Research

Exhibit 4: Working capital days remain stable QoQ

Working capital	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Inventories RM	55	50	48	34	33
WIP	76	75	69	69	73
Receivables	74	73	74	73	72

Source: Company, Nuvama Research

Q2FY26 conference call takeaways

- The total global opportunity in high chrome grinding media of our focussed minerals such as gold, copper, iron ore is 2–2.5mt. Currently, high chrome solution penetration is 25–30% and the rest 70–75% is still conventional grinding media. Comparatively, high chrome grinding media solution reduces cost, increases throughput and improves overall efficiency.
- The sales volume increased by 5% YoY to 63,159 tonnes in Q2FY26. The mining segment volume stood at 38,367t, down 4% YoY and Non-mining volume stood at 24,772t, up 21% YoY.
- It has received first order of 22,000-23,000t from customer based in Chile (copper miner). The total order size is USD33mn and need to be delivered in 18 months, starting from Q4FY26. The sales volume could be variable depend upon customers throughput. The opportunity size in South America is 700-800kt.
- Besides, AIA is in advanced stage of completion of successful trials at 10-12 mines in Ghana, Nigeria and even in India (zinc and iron ore mines). Management is hopeful to turn into contract in 3-4 months. Hence, we can expect incremental volume of ~15,000t in FY26 and 30,000t+ in FY27.
- Any change in steel and ferro chrome prices is pass-through to customers with lag of 1-2 quarters. In terms of raw material cost mix, ferro chrome is 50% and steel scrap is 50% in value. In terms of quantity, ferro chrome is 30% and scrap is 70%.
- Other income of INR983mn includes treasury income of INR640mn and forex gain of INR330mn. AIA has received export benefit of INR180mn which is reported as other operating income.
- In US, the tariff cost (50% import duty) is borne by the customers.
- Currently, AIA is operating at 55-60% capacity utilisation. At peak, utilisation level can increase to 75-80%.
- Management maintains sustainable EBITDA margin of 20-22% (can also do 24-25% margins on sustainable basis). Currently, it records EBITDA margins of ~28% due to better product mix. With incremental volume of high chrome grinding media, margins may fall towards 24-25%.
- Management is in process to complete regulatory requirements in Ghana, West Africa and China, which is expected to be concluded by Q4FY26. Post that, it will start land purchase for setting up plants.
- It has renewable power capacity of 38MW and 60MW will be added in rest of FY26. It will meet 55% of total power requirement (v/s 30-35% currently).
- Capex during Q2FY26 stood at ~INR230mn. It will incur ~INR1bn in rest of FY26 which includes capex on renewable power, maintenance and overseas expansion. The planned capex is INR1,500mn for FY26.

Exhibit 5: Key assumptions

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
Capacities (ktpa)	440	440	460	460	460	460
Sales volume(kt)	291	297	255	264	299	336
EBITDA margin(%)	25.3	27.5	26.8	28.2	28.1	27.2
EBITDA(INR/t)	42,584	44,855	44,989	47,186	47,129	45,574
Net cash(INR mn)	25,636	32,902	38,034	47,018	54,557	63,085

Source: Company, Nuvama Research

Exhibit 6: Changes in estimates

INR mn	Old		New		Change(%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	45,175	51,174	44,240	50,114	-2.1	-2.1
EBITDA	12,156	14,033	12,457	14,092	2.5	0.4
PAT	11,056	12,759	11,671	13,120	5.6	2.8
EPS (INR/sh)	119	137	125	141	5.5	2.8

Source: Nuvama Research

Exhibit 7: Valuation

Particulars	FY28E
EPS (INR)	155
P/E (x)	26.0
Target Price (INR/sh)	4,043

Source: Nuvama Research

Company Description

AIA is a niche player in the value-added, impact abrasion, and corrosion resistant high chrome metallurgy segment with current capacity of 460,000tpa. It manufactures products like grinding media, liners, diaphragms, and vertical mill parts (collectively referred to as mill internals) in high chrome metallurgy. These products find application in crushing and grinding operations in cement, thermal power and mining plants, where they are used to crush/grind clinker, coal and mineral ore, respectively. High chrome metallurgy offers lower wear rate than the conventionally used parts of manganese steel, iron, hyper steel, and forgings. The company offers complete solutions in grinding to optimise the productivity of grinding mills

Investment Theme

We like AIA's business model as major share of mill internals' demand arises from the mining industry, followed by cement. The annual global replacement demand for these two sectors is estimated at ~3mt. However, about 80% of the mining demand is currently being serviced by conventional and forged mill internals. With the industry moving from cost of parts to total cost of ownership, there is a huge opportunity for AIA to convert users to high chrome mill internals. AIA is expanding into mill linings now, and focusing on being a comprehensive solutions provider to miners by providing better yields, lower costs and higher throughputs. The opportunity size for the same is 300ktpa and AIA has ~75ktpa capacity. We see the company past the headwinds of anti-dumping duties and COVID19 related disruption. Further, the upcoming capacity will add the ability of the company to increase volumes. In the current environment of increasing mining capex, we see AIA at the vantage point to maintain 25% plus EBITDA margin and RoE of 17%+ over next few years

Key Risks

Fluctuating raw material prices: Even though price escalation clauses have been built into customer contracts, any substantial increase in the raw material prices can adversely affect AIA's performance. In addition, shortage of domestic/imported raw materials may adversely affect its growth prospect

Dependence on end-user industries: AIA is dependent on growth prospects of cement, mining, and power sectors for product sales. Any slowdown in these industries may result in margin contraction or restrict volume growth

Additional Data

Management

Chairman	Rajendra Shah
MD	Bhadresh Shah
Whole-time Director	Yashwant Patel
CFO	Viren Thakkar
Auditor	BSR & Co LLP

Holdings – Top 10*

	% Holding		% Holding
Nalanda	9.29	Vanguard Group	1.32
SBI Mutual Fund	8.23	Tata AMC	0.37
HDFC AMC	4.16	Blackrock Inc	0.93
ICICI Pru	4.78	Dimentional Fun	0.60
Kotak AMC	1.40	UTI AMC	0.49

*Latest public data

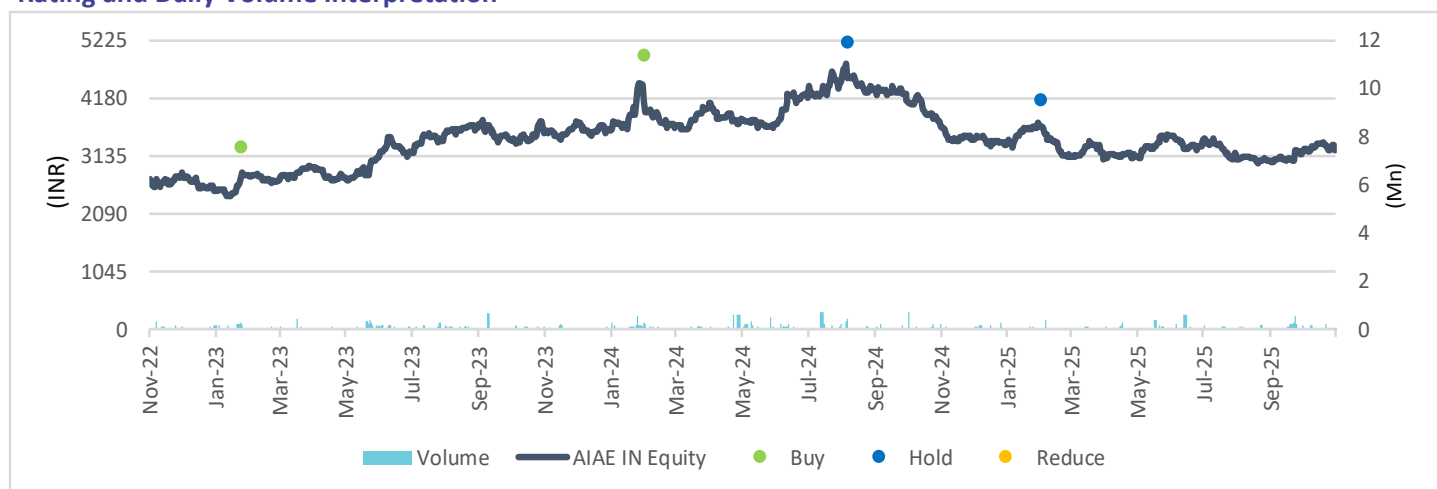
Recent Company Research

Date	Title	Price	Reco
13-Aug-25	Volume growth delayed further; <i>Result Update</i>	3,143	Hold
23-May-25	Awaiting visibility on volume growth; <i>Result Update</i>	3,315	Hold
07-Feb-25	Volume recovery awaited; <i>Result Update</i>	3,652	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
07-Nov-25	Flair	Margins improve; own brands shine; <i>Result Update</i>
01-Nov-25	Balkrishna Industries	Q2 weak; TBR, PCR entry poses challenge; <i>Result Update</i>
11-Aug-25	DOMS	Strong results; watch out for capacity a; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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