AIA Engineering (AIAENG)

ICICI Direct

CMP: ₹4430 | Target ₹ 5225 (18%) | Target Period: 12 months | **BUY**

August 13, 2026

Volume growth hinges on mining conversions ...

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.

Q1FY27 performance: AIA Engineering reported 12.4% YoY growth in revenue to ₹1,168 crore in Q1FY27, supported by 7.5% YoY volume growth to 64,644 MT and ~4.5% YoY improvement in realisation. However, Gross margin stood at 61.20% vs 62.26% in Q1FY26 impacted by around ~106 bps, EBITDA remained broadly flat at ₹308 crore (+0.5% YoY), with EBITDA margin declining to 26.4% from 29.5% YoY. PAT declined ~1.3% YoY to ₹301 crore. Order book stood at ₹977 crore as of July 1, 2026.

Investment Rationale:

- **Mining conversion offers a significant volume-led growth opportunity:** AIA Engineering's Q1FY27 volumes increased ~7.5% YoY to 64,644 MT, while capacity utilisation remains at only 65–70%, providing adequate headroom to absorb incremental demand without immediate large capacity constraints. The key upside lies in converting ongoing mining trials, particularly in Latin America, into commercial orders. The ₹300 crore Chile high-chrome grinding media order is progressing well and is contributing ~3,000–4,000 MT per quarter, with the successful execution generating enquiries from adjacent mines. Management continues to target materially higher volumes. Going ahead, we expect volume to grow 9% over FY26-28E to ~3,05,000 tonnes.
- **Margin resilience and NGDS-led opportunity support earnings quality:** Despite Q1FY27 margin moderation due to an unfavourable product mix, higher freight and trial-related expenses, AIA Engineering continues to maintain healthy 60–61% gross margin. Company is progressing with its New Generation Discharge System (NGDS), which combines grinding media, liners and the discharge system to improve mill throughput and recovery. Successful trials have been completed on smaller mills, while medium and larger mill trials are underway. Successful commercialization across larger mining mills could therefore expand AIA's addressable opportunity and strengthen its positioning in high-chrome grinding media.

Rating and Target Price: We recommend **BUY** on AIA Engineering with a target price of **₹5,225 per share (based on 35x FY28E EPS).**

AIA Engineering Ltd.

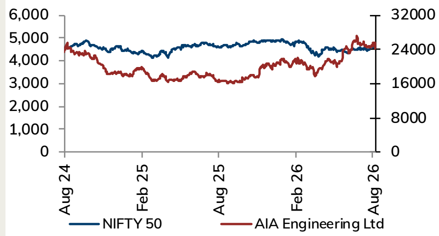
Particulars

Particulars	Rs. (in crore)
Market Capitalization	42,209
Total Debt (FY26)	0.0
Cash and Inv. (FY26)	224
Enterprise Value	41,985
52-week H/L (Rs.)	5189/3001
Equity capital	18.7
Face value (Rs.)	2.0

Shareholding pattern

%	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	58.5	58.5	58.5	58.5
FII	16.7	16.6	16.8	16.9
DII	22.2	22.3	22.0	22.1
Others	2.6	2.7	2.7	2.5

Price Chart



Key risks

(i) Delay in conversion to High chrome grinding media;

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

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Particulars (Rs. crore)	FY24	FY25	FY26	2 Year CAGR (FY24-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Net Sales	4,854	4,287	4,420	NA	4,989	5,533	11.9%
EBITDA	1,334	1,149	1,256	NA	1,336	1,503	9.4%
EBITDA Margin (%)	27.5	26.8	28.4		26.8	27.2	
Net Profit	1,137	1,060	1,269	5.6%	1,278	1,394	4.8%
EPS (|)	121.8	113.6	136.0		137.0	149.3	
P/ E (x)	36.4	39.0	32.6		32.3	29.7	
RoNW (%)	17.1	15.3	15.9		14.0	13.5	
RoCE (%)	21.1	18.3	19.9		17.0	16.5	

Source: Company, ICICI Direct Research.

Q1FY27 key results highlights

- **Financial Performance**:
    - AIA Engineering reported 12.4% YoY growth in revenue to ₹1,168 crore in Q1FY27, supported by 7.5% YoY volume growth to 64,644 MT and ~4.5% YoY improvement in realisation. However, Gross margin stood at 61.20% vs 62.26% in Q1FY26 impacted by around ~106 bps. EBITDA remained broadly flat at ₹308 crore (+0.5% YoY), with EBITDA margin declining to 26.4% from 29.5% YoY. PAT declined ~1.3% YoY to ₹301 crore.
    - Q1FY27 operating margin was impacted by an unfavourable product mix, with lower contribution from value-added products, higher freight costs and incremental expenses related to ongoing customer trials.
    - Realisation remained elevated at ~₹180/kg in Q1FY27 (+4.5% YoY), despite an unfavourable product mix. Management, however, retained its indicative ~₹160–165/kg range, as realisation is influenced by product mix, raw-material costs, freight, currency and customer buying cycles.
- **Volume & Capacity:**
    - Mining volumes stood at 39,228 MT (+7.8% YoY) and accounted for 61% of total sales volume, while Others volumes were 25,416 MT (+7.0% YoY). Management indicated that the sequential decline in mining volumes was primarily due to timing, product mix and order execution cycles, rather than any structural demand weakness
    - Installed capacity currently stands at 4.36 lakh TPA, with Q1FY27 capex of ₹50 crore. Management has increased FY27 capex guidance to ₹350–400 crore, including ₹170–200 crore for a new corporate house and ₹50–100 crore towards additional land for future brownfield/greenfield expansion. Existing capacity utilisation remains around 65–70%, providing sufficient headroom to support incremental volumes.
- **Management commentary:**
    - Trials for the New Generation Discharge System (NGDS) and mining conversions in South America remain ongoing. Management highlighted that smaller-mill trials have been successful, while medium and larger mill trials are still undergoing iterations; the overall process could take 3 months to 2 years depending on mine-site operating conditions.
    - The ₹300 crore high-chrome grinding media order from Chile, received in October 2025, is progressing well and is contributing around 3,000–4,000 MT per quarter.
    - Management does not see significant Chinese competition in high-chrome grinding media, as the business requires customised solutions and front-end application engineering, unlike standard forged products.
    - Freight and shipping remain near-term friction points, although freight rates are showing signs of moderation. Elevated ferro chrome and steel scrap prices are being passed through to customers, limiting the direct impact on realisations.
    - **Guidance:** While current operating margins excluding other income remain around ~26–28%, the company expects operating margin percentage to normalize towards 20–22% 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**	**4,989**	**5,533**
Growth (%)		-11.7	3.1	12.9	10.9
Raw Material Expenses	2,073	1,738	1,695	1,936	2,135
Employee Expenses	171	185	199	216	232
Other expenses	1,276	1,215	1,270	1,502	1,663
Total Operating Expenditure	3,520	3,138	3,164	3,653	4,030
EBITDA	**1334**	**1149**	**1256**	**1336**	**1503**
Growth (%)		-13.8	9.3	6.3	12.5
Depreciation	100	103	113	127	141
Interest	28	21	37	6	14
Other Income	281	332	474	447	449
PBT	1,487	1,357	1,578	1,650	1,798
Others	0	0	0	0	0
Total Tax	351	308	323	371	404
PAT	**1,137**	**1,060**	**1,269**	**1,278**	**1,394**
Growth (%)		-6.8	19.7	0.7	9.0
EPS (Rs.)	**121.8**	**113.6**	**136.0**	**137.0**	**149.3**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	1,137	1,060	1,269	1,278	1,394
Add: Depreciation	100	103	113	127	141
(Inc)/dec in Current Assets	-215	296	-540	97	-358
Inc/(dec) in CL and Provisions	-85	9	69	57	14
Others	3	3	3	3	3
CF from operating activities	**937**	**1,468**	**911**	**1,559**	**1,190**
(Inc)/dec in Investments	-851	-491	-437	-1,683	-674
(Inc)/dec in Fixed Assets	-193	-153	-110	-312	-150
Others	-66	-27	-49	49	0
CF from investing activities	**-851**	**-491**	**-437**	**-1,683**	**-674**
Issue/(Buy back) of Equity	0	0	0	0	0
Inc/(dec) in loan funds	494	-41	30	-485	485
Dividend paid & dividend tax	-151	-151	-149	-149	-149
Inc/(dec) in Sec. premium	0	-266	0	0	0
Others	8	8	8	8	8
CF from financing activities	**-212**	**-212**	**-760**	**336**	**-169**
Net Cash flow	-127	217	-202	211	347
Opening Cash	307	180	397	195	407
Closing Cash	**180**	**397**	**195**	**407**	**753**

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	6,639	6,908	7,987	9,116	10,340
Total Shareholders funds	6,658	6,927	8,005	9,134	10,359
Total Debt	455	485	0	485	485
Deferred Tax Liability	58	97	104	97	97
Total Liabilities	**7,201**	**7,531**	**8,146**	**9,758**	**10,992**
Assets					
Gross Block	1,824	1,981	2,150	2,431	2,581
Less: Acc Depreciation	736	829	942	1,068	1,208
Net Block	1,087	1,152	1,208	1,363	1,373
Capital WIP	92	77	16	50	50
Total Fixed Assets	1,179	1,229	1,224	1,413	1,423
Investments	3,350	3,865	4,169	5,565	6,065
Inventory	1,205	1,017	1,256	1,291	1,476
Debtors	880	826	1,169	1,032	1,146
Loans and Advances	2	130	131	130	144
Other Current Assets	381	199	157	162	208
Cash	180	397	195	407	753
Total Current Assets	2,649	2,569	2,908	3,022	3,727
Creditors	179	197	220	261	290
Provisions	7	9	6	48	54
Total Current Liabilities	294	303	372	429	442
Net Current Assets	2,355	2,267	2,536	2,594	3,285
Application of Funds	**7,201**	**7,531**	**8,146**	**9,758**	**10,992**

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	137.0	149.3
Cash EPS	132.6	124.6	148.1	150.6	164.4
BV	713.4	742.3	857.8	978.8	1,110.0
DPS	16.2	16.2	16.0	16.0	16.0
Cash Per Share	19.3	42.6	20.9	43.6	80.7
Operating Ratios (%)					
EBITDA Margin	27.5	26.8	28.4	26.8	27.2
PBT / Total Operating income	31.2	32.1	36.2	33.7	33.1
PAT Margin	23.8	25.1	29.2	26.1	25.7
Inventory days	92.1	87.8	105.3	96.3	99.2
Debtor days	67.3	71.4	97.9	77.0	77.0
Creditor days	13.7	17.0	18.4	19.5	19.5
Return Ratios (%)					
RoE	17.1	15.3	15.9	14.0	13.5
RoCE	21.1	18.3	19.9	17.0	16.5
RoIC	37.1	33.6	31.0	33.2	34.1
Valuation Ratios (x)					
P/E	36.4	39.0	32.6	32.3	29.7
EV / EBITDA	28.7	32.7	29.4	26.8	23.3
EV / Net Sales	8.0	8.9	8.5	7.3	6.4
Market Cap / Sales	8.7	9.8	9.5	8.4	7.6
Price to Book Value	6.2	6.0	5.2	4.5	4.0
Solvency Ratios					
Debt/EBITDA	0.3	0.4	0.0	0.4	0.3
Debt / Equity	0.1	0.1	0.0	0.1	0.0
Current Ratio	8.4	7.2	7.3	6.1	6.7
Quick Ratio	4.3	3.8	3.9	3.1	3.4

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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