AIA Engineering (AIAENG)

CMP: ₹3220 | Target ₹ 3630 (13%) | Target Period: 12 months | HOLD

November 4, 2026

Near term challenges persist; mining growth opportunity remains intact ...

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.

Q2FY27 performance: AIA Engineering reported 6.2% YoY growth in revenue to ₹1,093 crore in Q2FY27, driven by a 9% increase in realisation to ₹177 per kg, which offset a 2.6% decline in volumes to 61,508 MT. However, EBITDA declined 4.7% YoY to ₹283 crore, with EBITDA margin contracting 290 bps to 25.4%. Adjusted PAT declined 10.1% YoY to ₹249 crore.

Investment Rationale:

- **Volume recovery and mining-led growth to drive earnings momentum:** AIA Engineering is transitioning towards a solution-led offering by combining grinding media, liners and its New Generation Discharge System (NGDS), aimed at improving mill throughput and metal recovery at copper and gold mines. Successful implementation can deepen customer relationships, support mining conversions and increase the share of value-added products. Management is internally working towards incremental annual volume growth of 25,000–30,000 MT in FY28 and FY29, with successful NGDS conversions providing additional upside. While trials have been delayed and require mine-specific redesign, management expects the benefits of these conversions to become increasingly visible from H2FY27. Going ahead, we expect volume to grow 6.5% over FY26-28E to ~2,92000 tonnes.
- **Existing capacity provides operating leverage as mining volumes recover:** AIA Engineering has an installed capacity of 4.36 lakh TPA, with current utilization providing adequate headroom to absorb incremental volumes without requiring significant near-term capacity additions. The Chilean copper mining order, which contributes around 3,000–4,000 MT per quarter under normal operating conditions, has resumed normal dispatches after a temporary mine shutdown. Further, management expects FY27 volumes to remain broadly flat before returning to growth from FY28. A recovery in mining volumes, combined with improved product mix and normalization of freight costs, could support EBITDA growth and margin recovery. However, freight costs, currently elevated at nearly 10% of sales, and delays in customer conversions remain near-term monitorable.

Rating and Target Price: We downgrade **AIA Engineering** from BUY to **Hold** rating with a target price of **₹3,630 per share (based on 25x FY28E EPS)** as near-term earnings growth remains constrained by subdued volumes and elevated freight costs. Margin recovery will depend on freight cost normalisation and successful pass-through.

AIA Engineering Ltd.

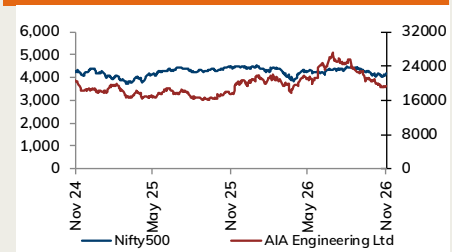
Particulars

	Rs. (in crore)
Market Capitalization	34,270
Total Debt (FY26)	0.0
Cash and Inv. (FY26)	224
Enterprise Value	34,046
52-week H/L (Rs.)	5180/3220
Equity capital	18.7
Face value (Rs.)	2.0

Shareholding pattern

%	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	58.5	58.5	58.5	58.5
FII	16.6	16.8	16.9	16.5
DII	22.3	22.0	22.1	22.5
Others	2.7	2.7	2.5	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)	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Net Sales	4,909	4,854	4,287	4,420	NA	4,777	5,418	10.7%
EBITDA	1,241	1,334	1,149	1,256	NA	1,253	1,472	8.2%
EBITDA Margin (%)	25.3	27.5	26.8	28.4		26.2	27.2	
Net Profit	1,057	1,137	1,060	1,269	6.3%	1,183	1,355	3.3%
EPS (|)	113.2	121.8	113.6	136.0		126.8	145.2	
P/ E (x)	28.8	26.8	28.7	24.0		25.7	22.5	
RoNW (%)	18.6	17.1	15.3	15.9		13.1	13.3	
RoCE (%)	22.2	21.1	18.3	19.9		17.1	17.6	

Source: Company, ICICI Direct Research.

Q2FY27 key results highlights

- **Financial Performance**:
  - AIA Engineering reported 6.2% YoY growth in revenue to ₹1,093 crore in Q2FY27, driven by a 9% increase in realisation to ₹177 per kg, which offset a 2.6% decline in volumes to 61,508 MT. Gross margin remained largely stable at 63.1%.
  - However, EBITDA declined 4.7% YoY to ₹283 crore, with EBITDA margin contracting 290 bps to 25.4%. Adjusted PAT declined 10.1% YoY to ₹249 crore. The decline in operating profitability was primarily attributable to a sharp increase in export freight costs, which were not fully passed through during the quarter.
- **Volume & Capacity:**
  - Mining volumes increased 3.5% YoY to 39,728 MT, accounting for around 65% of total sales volume. Non-mining volumes declined 12.1% YoY to 21,780 MT. Management attributed the weakness in non-mining volumes to quarterly timing differences and maintained that there was no underlying structural weakness; however, it indicated that non-mining is relatively less predictable and is unlikely to be a significant growth driver.
  - Mining volumes were impacted by certain customer-specific and geopolitical factors. The company lost some volumes in Mexico following the imposition of import duties of around 50% on imports from several countries, including India. Management indicated that the affected volumes were not material and believes the impact is already reflected in the current numbers.
  - Dispatches under the Chilean copper mining order were also lower during the quarter, as the customer's mine remained shut for nearly two months. Operations have since resumed at normal levels from Q3FY27.
  - **Outlook:** Management indicated that FY27 volumes are likely to remain broadly flat, while it is internally working towards incremental annual volume growth of 25,000–30,000 MT in FY28 and FY29. This is an internal aspiration rather than formal volume guidance, with greater clarity expected over the next couple of quarters. Successful NGDS conversions could provide additional upside to this growth.
- **Management commentary:**
  - **Freight Costs:** Export freight costs increased sharply during Q2FY27 and stood at nearly 10% of sales, compared with the normal range of around 7–8% indicated by management. The increase was driven by elevated sea freight rates, air freight usage and shipping-related disruptions. Management expects freight costs to move towards the normal 7–8% range, with some moderation already becoming visible.
  - **Raw material costs**, including ferro chrome and steel scrap, remain elevated but are being passed on to customers. Management reiterated that realisation is influenced by product mix, raw material costs, currency movements, freight and customer buying cycles; hence, the earlier indicative realisation range of ₹160–165/kg should not be interpreted as a fixed price target.
  - **Order Book:** The company's open order book increased to approximately ₹1,070 crore, supported by the receipt of some sizeable orders during the last month of Q2.

- The company incurred capex of ₹86 crore during H1FY27 and expects an additional ~₹250 crore in H2FY27. The planned expenditure includes the acquisition of land for a new corporate house and maintenance/incremental capex of approximately ₹50–75 crore.
- The company continues to pursue a value-added, solution-led strategy by offering grinding media, liners and the New Generation Discharge System (NGDS) as an integrated package to mining customers. The solution is designed to improve mill operating conditions, throughput and metal recovery, particularly in copper and gold mines.
- The proposed geographical expansion in Ghana and China remains on hold for another quarter. Management indicated that it would reassess the plans and potentially reactivate the expansion by the end of the next quarter, while the immediate focus remains on ongoing customer trials and mining conversions.
- The consolidated working capital cycle remained broadly stable at around 129 days in Q2FY27. Inventory comprised 41 days of raw material and 79 days of work-in-progress and finished goods, while receivables stood at 87 days.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	**4,287**	**4,420**	**4,777**	**5,418**
Growth (%)	-11.7	3.1	8.1	13.4
Raw Material Expenses	1,738	1,695	1,800	2,091
Employee Expenses	185	199	214	228
Other expenses	1,215	1,270	1,511	1,628
Total Operating Expenditure	3,138	3,164	3,524	3,946
EBITDA	**1149**	**1256**	**1253**	**1472**
Growth (%)	-13.8	9.3	-0.3	17.5
Depreciation	103	113	117	130
Interest	21	37	6	14
Other Income	332	474	432	478
PBT	1,357	1,578	1,563	1,806
Others	0	0	0	0
Total Tax	308	323	380	452
PAT	**1,060**	**1,269**	**1,183**	**1,355**
Growth (%)	-6.8	19.7	-6.8	14.5
EPS (Rs.)	**113.6**	**136.0**	**126.8**	**145.2**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	1,060	1,269	1,183	1,355
Add: Depreciation	103	113	117	130
(Inc)/dec in Current Assets	296	-540	119	-487
Inc/(dec) in CL and Provisions	9	69	27	60
Others	3	3	3	3
CF from operating activities	**1,468**	**911**	**1,446**	**1,058**
(Inc)/dec in Investments	-491	-437	-898	-668
(Inc)/dec in Fixed Assets	-153	-110	-384	-150
Others	-27	-49	-20	-20
CF from investing activities	**-491**	**-437**	**-898**	**-668**
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-41	30	-485	0
Dividend paid & dividend tax	-151	-149	-149	-149
Inc/(dec) in Sec. premium	-266	0	0	0
Others	8	8	8	8
CF from financing activities	**-212**	**-760**	**-149**	**-169**
Net Cash flow	217	-182	399	221
Opening Cash	180	397	215	614
Closing Cash	**397**	**215**	**614**	**835**

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	18.7	18.7	18.7	18.7
Reserve and Surplus	6,908	7,987	9,020	10,206
Total Shareholders' funds	6,927	8,005	9,039	10,225
Total Debt	485	0	0	0
Deferred Tax Liability	97	104	104	104
Total Liabilities	**7,531**	**8,146**	**9,190**	**10,386**
Assets				
Gross Block	1,981	2,133	2,483	2,633
Less: Acc Depreciation	829	925	1,041	1,171
Net Block	1,152	1,208	1,442	1,462
Capital WIP	77	16	50	50
Total Fixed Assets	1,229	1,224	1,492	1,512
Investments	3,865	4,169	4,669	5,169
Inventory	1,017	1,256	1,197	1,512
Debtors	826	1,169	1,097	1,238
Loans and Advances	130	131	125	141
Other Current Assets	199	157	173	188
Cash	397	215	614	835
Total Current Assets	2,569	2,927	3,207	3,915
Creditors	197	220	232	262
Provisions	9	6	10	12
Total Current Liabilities	303	372	398	459
Net Current Assets	2,267	2,556	2,808	3,456
Application of Funds	**7,531**	**8,146**	**9,190**	**10,386**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (Rs.)				
EPS	113.6	136.0	126.8	145.2
Cash EPS	124.6	148.1	139.3	159.2
BV	742.3	857.8	968.6	1,095.6
DPS	16.2	16.0	16.0	16.0
Cash Per Share	42.6	23.0	65.8	89.5
Operating Ratios (%)				
EBITDA Margin	26.8	28.4	26.2	27.2
PBT / Total Operating income	32.1	36.2	33.2	34.0
PAT Margin	25.1	29.2	25.1	25.5
Inventory days	87.8	105.3	92.7	103.8
Debtor days	71.4	97.9	85.0	85.0
Creditor days	17.0	18.4	18.0	18.0
Return Ratios (%)				
RoE	15.3	15.9	13.1	13.3
RoCE	18.3	19.9	17.1	17.6
RoIC	33.6	31.0	29.9	31.4
Valuation Ratios (x)				
P/E	28.7	24.0	25.7	22.5
EV / EBITDA	23.2	20.7	20.1	16.6
EV / Net Sales	6.3	6.0	5.3	4.6
Market Cap / Sales	7.2	7.0	6.5	5.7
Price to Book Value	4.4	3.8	3.4	3.0
Solvency Ratios				
Debt/EBITDA	0.4	0.0	0.0	0.0
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	7.2	7.3	6.5	6.7
Quick Ratio	3.8	3.9	3.5	3.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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