

## AIA Engineering

### Volumes remain flat in Q1 but recovery is on the horizon

AIAE delivered mixed performance for Q1FY26 with 2% YoY sales growth at Rs10.4bn (5% below our estimate), better than expected EBITDA margin at 29.5%, +120bps YoY, and 18% YoY rise in PAT at Rs3.1bn, 17% above our estimate. Mining volumes fell 1% YoY to 36,396MT while non-mining volumes were flat YoY at 23,760MT. Thus, overall volumes were flat YoY at 60,156MT while realization grew 3% YoY to Rs170,559/MT. Gross margin remained strong at 62.3%, up 140bps YoY. Higher other income (+32% YoY to Rs1.1bn) and lower tax rate (at 21.2% vs 23.9% YoY) aided PAT growth. On the positive front, (1) two customers who were de-stocking earlier (7,000MT-10,000MT impact in FY25) have resumed invoicing, (2) discussion with large mines for converting to high chrome media is at advanced stage and could conclude in 1-2 quarters, and (3) Brazil duties are cut to 2.9% from 11% earlier. However, on the negative front, (1) China and Ghana plant commissioning could take longer than expected while (2) USA tariff impact remains uncertain. AIAE expects flat-to-modest volume growth in FY26, but a much better growth in FY27. It also expects to sustain 26-27% EBITDA margin. We cut EPS for FY26E/27E by 8%/10% and rollover valuations to Sept'27. We retain BUY rating with a revised target of Rs4,010 (Rs4,165 earlier) based on 30x H1FY28E EPS.

#### Volumes stood flat in Q1FY26; Realization up 3%

Mining volumes fell marginally by 1% YoY to 36,396MT while non-mining volume stood flat YoY to 23,760MT in Q1FY26. Realizations were up 3% each on YoY and QoQ basis to Rs170,559/MT, led by better product mix and lag-effect in pass through of reduction in freight and material cost. EBITDA margin were higher at 29.5% vs normalized range of 26-27% due to product mix as dispatches of big size castings were higher. AIAE remains bullish on conversion of forged media to high chrome solutions and is at an advanced stage of converting few large mines. AIAE expects flat-to-modest volume growth in FY26 (-5% to +15%), but is hopeful of a much healthier growth in FY27.

#### AIAE is banking on combined offering of grinding media and mill liner

AIAE aims to sell grinding media and mill liner together with sharp solutions, delivering strong grinding efficiency and throughput. AIAE has 75,000 MT capacity of mill liners, while they expect sales volume of 25,000MT to 30,000MT in FY26. AIAE believes that this unique approach and solution is not seen before and will yield strong traction.

**Other KTAs:** (1) FY26 capex outlay - Two overseas plants, Rs500mn for maintenance and Rs400mn for renewable power. (2) Mill internals are selected on the basis of its efficiency rather than cost. (3) There is a clear succession plan under implementation. (4) Other income was aided by Rs110mn rise in forex gain and Rs150mn rise in treasury income.

#### Retain BUY with a revised target price of Rs4,010

AIAE's technological leadership in high chrome mill internals, long term growth prospects in mining (only 20% conversion achieved) and superior financial metrics are key business moats. Conversion of large mines in H2FY26 and overseas plants in FY27 remain key growth drivers. Reasonable valuation and high net-cash position (Rs40.83bn) provides support.

#### Financial and valuation summary

YE Mar (Rs mn)	1QFY26A	1QFY25A	YoY (%)	4QFY25A	QoQ (%)	FY26E	FY27E	FY28E
Revenues	10,389	10,200	1.9	11,570	(10.2)	44,091	48,649	54,873
EBITDA	3,064	2,889	6.1	3,016	1.6	11,905	13,233	15,035
EBITDA margin (%)	29.5	28.3		26.1		27.0	27.2	27.4
Adj. Net profit	3,050	2,596	17.5	2,852	6.9	10,629	11,667	13,286
Adj. EPS (Rs)	32.7	27.5	18.8	30.6	6.9	113.9	125.0	142.4
EPS growth (%)						0.2	9.8	13.9
PE (x)						27.5	25.1	22.0
EV/EBITDA (x)						24.0	21.2	18.3
PBV (x)						3.7	3.3	3.0
RoE (%)						14.4	14.1	14.3
RoCE (%)						13.6	13.3	13.6

Source: Company, Centrum Broking

#### Result Update

India I Capital Goods

13 August, 2025

#### BUY

Price: Rs3,133

Target Price: Rs4,010

Forecast return: 28%

Institutional Research

#### Market Data

Bloomberg:	AIAE IN
52 week H/L:	4,781/3,005
Market cap:	Rs293.3bn
Shares Outstanding:	93.3mn
Free float:	41.5%
Avg. daily vol. 3mth:	66,694

Source: Bloomberg

#### Changes in the report

Rating:	BUY; Unchanged
Target price:	Rs4,010; down 3.7%
EPS:	FY26E: Rs113.9; down 7.6% FY27E: Rs125.0; down 9.9%

Source: Centrum Broking

#### Shareholding pattern

	Jun-25	Mar-25	Dec-24	Sep-24
Promoter	58.5	58.5	58.5	58.5
FII's	17.0	17.1	17.2	17.9
DII's	22.0	22.0	21.9	20.9
Public/other	2.5	29.9	2.4	2.7

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q1FY26	Actual Q1FY26	Variance (%)
Revenue	10,926	10,389	(4.9)
EBITDA	2,896	3,064	5.8
EBITDA margin %	26.5	29.5	
PAT	2,616	3,050	16.6
EPS	28.0	32.7	16.6

Source: Company Data, Centrum Broking



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Capital Goods

# Thesis Snapshot

## Estimate revision

YE Mar (Rs mn)	FY26E New	FY26E Old	% chg	FY27E New	FY27E Old	% chg
Revenue	44,091	47,886	(7.9)	48,649	54,094	(10.1)
EBITDA	11,905	12,929	(7.9)	13,233	14,714	(10.1)
EBITDA margin %	27.0	27.0		27.2	27.2	
Adj. PAT	10,629	11,508	(7.6)	11,667	12,955	(9.9)
Diluted EPS (Rs)	113.9	123.3	(7.6)	125.0	138.8	(9.9)

Source: Centrum Broking

## AIA Engineering versus NIFTY 50

	1m	6m	1 year
AIAE IN	(6.8)	(11.0)	(31.1)
NIFTY 50	(3.3)	11.4	(0.4)

Source: Bloomberg, NSE

## Key assumptions

Y/E Mar	FY26E	FY27E	FY28E
Sales Volume (MT)	2,63,053	2,90,053	3,27,053
Realizations (Rs/MT)	1,65,000	1,65,000	1,65,000
Revenue growth (%)	2.8	10.3	12.8
EBITDA margin (%)	27.0	27.2	27.4

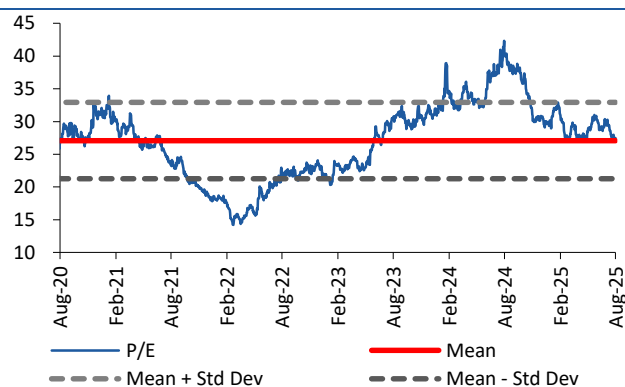
Source: Centrum Broking

## Valuations

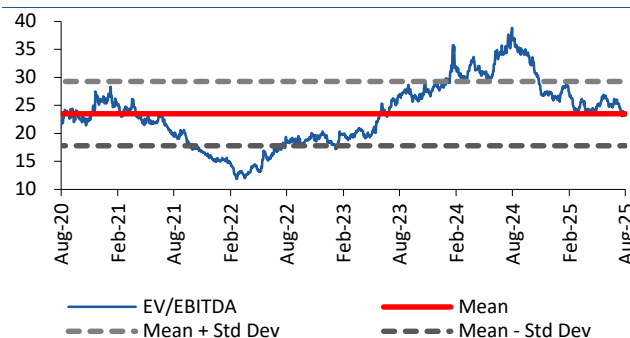
We value AIAE at 30x H1FY28E EPS and arrive at a target price of Rs4,010

Valuations	Rs/share
H1FY28 EPS	134
PE (x)	30
<b>Target price per share</b>	<b>4,010</b>

### P/E mean and standard deviation



### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

## Key concall takeaways

- FY26 volumes are likely to be broadly flattish YoY. It could be -5% to +15% with high probability of growth. Post Q2, there will be more clarity as few mines are in advanced stages of conversion.
- FY27 should see better growth and much more clarity.
- EBITDA margin of 29-30% in Q1 is on higher side due to product mix as dispatches of big size castings were higher. 26-27% normalized margin is more sustainable.
- High realization in Q1 is due to (1) product mix and (2) reduction in pass through of freight cost and raw material cost happening with a lag.
- In China and Ghana plants, AIAE is looking to acquire land and get pre-production approvals. Both are long drawn process then what was originally estimated.
- Bullish on conversion of forged media to high chrome solutions. Working with large number of mining customers with fairly advance stage of discussion.
- Efforts are on in terms of acquiring copper mining customers in LATAM.
- Two customers who were going through destocking in past two quarters have normalized. The customers who were destocking had 7,000 MT to 10,000 MT volume. The billing process of those customers is back to regular invoicing.
- There is no new player in high chrome. It remains a duopoly.
- Duty in Brazil has reduced to 2.9% now vs 11% earlier.
- In USA, customers are currently paying duties of sectoral tariff of 50% (25% levied since February 2025 + 25% increased last month). In addition, USA department of commerce has levied ADD of 6.7% and CVD of 3.16% totaling to 9.86%. Further Trump tariff on India will be in addition to above duties.
- AIAE has forayed in metallic as well as rubber composite mill liner. It has taken more time than initially expected. AIAE aims to sell grinding media and mill liner together with sharp solutions. They have innovated a solution for this combination which gives strong grinding efficiency and throughput.
- AIAE have 75,000 MT capacity of mill liners, some of which is fungible. In current year, they will do mill liner sales volume of 25,000 MT to 30,000 MT. Mill liner has higher selling price then grinding media. But margin percentage is comparable.
- AIAE also does vertical mill parts, offering six to seven products. Realization varies from Rs180/kg to Rs400/kg because AIAE do machining for some part and for other parts metal dyes or metal fabricated parts have to be made.
- Each mine is Rs500bn kind of a company. Hence, mill internals are not selected on the basis of its cost but instead on the basis of the efficiency it brings.
- AIAE is selling to more than 120 countries.
- Overall working capital is flat but there was slight increase in finished goods inventory.
- Net cash position is Rs40.83bn. Cash is conserved as business has tremendous growth potential and some opportunities might arise.
- For FY26, maintenance capex will be Rs500mn and renewable power investment will be Rs400mn. In addition, there will be capex towards the two overseas plants.
- 30-35% power needs is met through renewable sources. In FY24, power cost was 7.5% of sales and could reduce to 6-6.5% in future.
- Tax rate at 21% was lower in Q1. Annually it will be 2% higher than Q1 levels.
- There is a clear succession plan under implementation. No plans of hiring an outsider.
- Higher other income at Rs1.1bn in Q1 vs Rs820mn YoY was due to Rs110mn rise in forex gain and Rs150mn rise in treasury income via dividend/interest income etc.

## Quarterly performance trend

### Exhibit 1: Quarterly Financial Snapshot

Y/E March (Rs mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net sales	12,739	11,467	11,310	10,047	10,305	10,501	11,413	10,260	2.1	(10.1)
Other operating income	209	224	193	152	137	162	157	129	(15.1)	(17.7)
Total sales	12,948	11,692	11,502	10,200	10,442	10,662	11,570	10,389	1.9	(10.2)
Direct Costs	5,470	4,806	5,037	3,989	4,295	4,334	4,759	3,921	(1.7)	(17.6)
Gross Profit	7,478	6,886	6,465	6,211	6,147	6,328	6,811	6,468	4.1	(5.0)
Staff Cost	433	432	442	460	465	465	464	484	5.3	4.3
Other Expenses	3,224	3,341	3,049	2,862	2,925	3,032	3,331	2,920	2.0	(12.3)
Total Expenditure	9,127	8,579	8,528	7,311	7,685	7,832	8,554	7,326	0.2	(14.4)
EBITDA	3,821	3,112	2,974	2,889	2,757	2,831	3,016	3,064	6.1	1.6
Depreciation	245	270	245	254	236	262	279	277	9.2	(0.9)
EBIT	3,576	2,842	2,729	2,635	2,521	2,569	2,737	2,787	5.8	1.8
Interest	74	71	64	64	53	10	85	72	12.8	(14.9)
Other Income	623	831	765	820	901	673	922	1,083	32.1	17.5
PBT	4,125	3,603	3,430	3,391	3,369	3,232	3,574	3,798	12.0	6.3
Tax	884	811	832	812	809	685	778	803	(1.0)	3.3
PAT	3,241	2,791	2,597	2,580	2,560	2,547	2,796	2,995	16.1	7.1
Add: Profits from associates	-	8	8	14.4	4	42	57.1	57.1	296.2	0.0
Less : Minority interest	10	3	(1)	(1.8)	(3)	(3)	1.3	1.5	NA	10.5
PAT after minority	3,231	2,796	2,605	2,596	2,567	2,592	2,852	3,050	17.5	6.9
EPS (Rs/share)	34.3	29.6	27.6	27.5	27.5	27.8	30.6	32.7	18.8	6.9

#### As a % of revenue

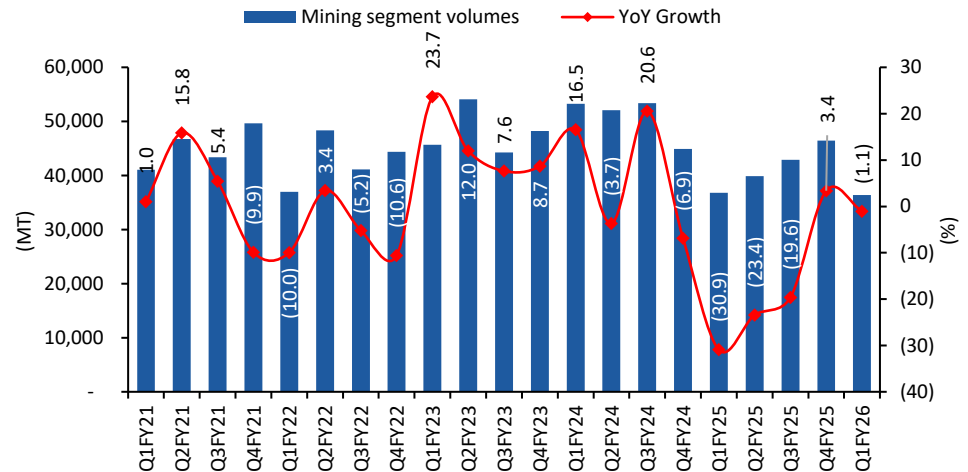
Direct Costs	42.2	41.1	43.8	39.1	41.1	40.7	41.1	37.7		
Gross Margin	57.8	58.9	56.2	60.9	58.9	59.3	58.9	62.3		
Staff Cost	3.3	3.7	3.8	4.5	4.5	4.4	4.0	4.7		
Other expenses	24.9	28.6	26.5	28.1	28.0	28.4	28.8	28.1		
EBITDA Margin	29.5	26.6	25.9	28.3	26.4	26.5	26.1	29.5		
PAT Margin	25.0	23.9	22.6	25.3	24.5	23.9	24.2	28.8		
Tax rate	21.4	22.5	24.3	23.9	24.0	21.2	21.8	21.2		

Source: Company Data, Centrum Broking

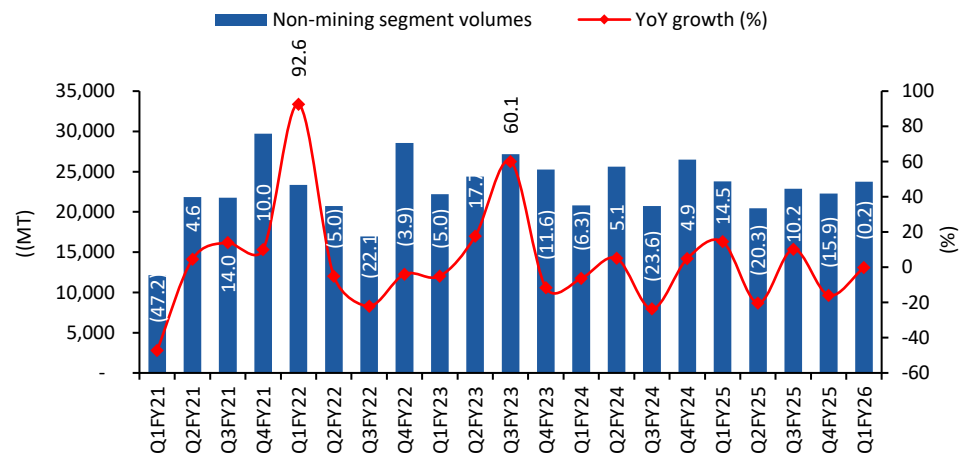
### Exhibit 2: Quarterly Segmental Snapshot

Y/E March	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
<b>Volume sales (MT)</b>										
Mining	52,093	53,395	44,932	36,786	39,896	42,919	46,452	36,396	(1.1)	(21.6)
Others	25,632	20,745	26,501	23,806	20,434	22,861	22,289	23,760	(0.2)	6.6
Total	77,725	74,140	71,433	60,592	60,330	65,780	68,741	60,156	(0.7)	(12.5)
<b>Volume sales break-up (%)</b>										
Mining	67.0	72.0	62.9	60.7	66.1	65.2	67.6	60.5		
Others	33.0	28.0	37.1	39.3	33.9	34.8	32.4	39.5		
<b>Production (MT)</b>										
Production (MT)	75,042	82,708	64,057	68,609	54,952	63,561	61,078	59,516	(13.3)	(2.6)
Sales to Production (%)	103.6	89.6	111.5	88.3	109.8	103.5	112.5	101.1		
<b>Revenue (Rs mn)</b>										
Revenue (Rs mn)	12,739	11,467	11,310	10,047	10,305	10,501	11,413	10,260	2.1	(10.1)
Realisation (Rs/MT)	1,63,893	1,54,669	1,58,324	1,65,820	1,70,811	1,59,631	1,66,033	1,70,559	2.9	2.7
<b>Order book (Rs mn)</b>										
Order book (Rs mn)	6,930	6,640	5,580	7,380	6,550	5,850	6,520	5,690	(22.9)	(12.7)

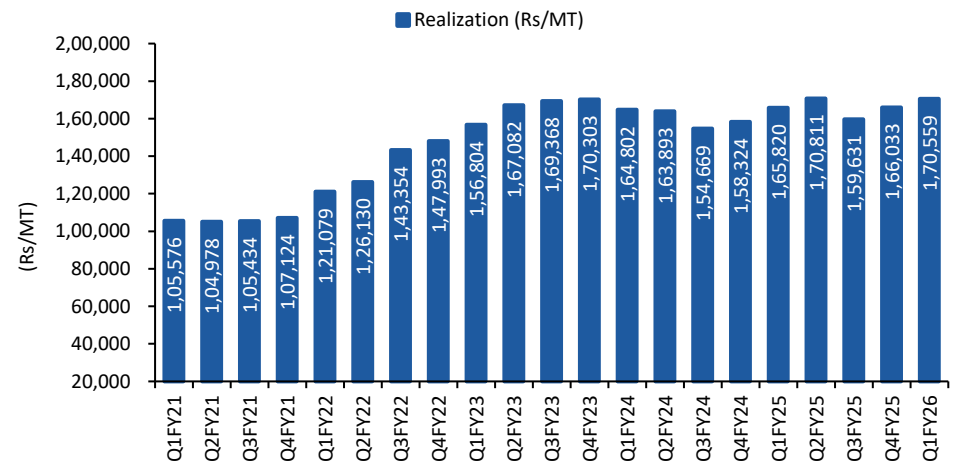
Source: Company, Centrum Broking

**Exhibit 3: Mining segment volumes trend**

Source: Company Data, Centrum Broking

**Exhibit 4: Non-mining segment volumes trend**

Source: Company Data, Centrum Broking

**Exhibit 5: Realization trend**

Source: Company Data, Centrum Broking

P&L					
YE Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Revenues</b>	<b>48,538</b>	<b>42,874</b>	<b>44,091</b>	<b>48,649</b>	<b>54,873</b>
Operating Expense	20,727	17,377	17,857	19,800	22,388
Employee cost	1,714	1,855	1,984	2,189	2,360
Others	12,760	12,150	12,345	13,427	15,090
<b>EBITDA</b>	<b>13,338</b>	<b>11,492</b>	<b>11,905</b>	<b>13,233</b>	<b>15,035</b>
Depreciation & Amortisation	1,003	1,031	1,150	1,274	1,417
<b>EBIT</b>	<b>12,335</b>	<b>10,461</b>	<b>10,754</b>	<b>11,959</b>	<b>13,618</b>
Interest expenses	284	211	282	245	234
Other income	2,814	3,316	3,086	3,162	3,567
<b>PBT</b>	<b>14,865</b>	<b>13,567</b>	<b>13,559</b>	<b>14,876</b>	<b>16,951</b>
Taxes	3,510	3,084	3,119	3,422	3,899
Effective tax rate (%)	23.6	22.7	23.0	23.0	23.0
<b>PAT</b>	<b>11,355</b>	<b>10,483</b>	<b>10,440</b>	<b>11,455</b>	<b>13,052</b>
Minority/Associates	1	124	188	212	233
<b>Recurring PAT</b>	<b>11,356</b>	<b>10,607</b>	<b>10,629</b>	<b>11,667</b>	<b>13,286</b>
Extraordinary items	0	0	0	0	0
<b>Reported PAT</b>	<b>11,356</b>	<b>10,607</b>	<b>10,629</b>	<b>11,667</b>	<b>13,286</b>
Ratios					
YE Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Growth (%)</b>					
Revenue	(1.1)	(11.7)	2.8	10.3	12.8
EBITDA	7.5	(13.8)	3.6	11.2	13.6
Adj. EPS	7.5	(5.6)	0.2	9.8	13.9
<b>Margins (%)</b>					
Gross	57.3	59.5	59.5	59.3	59.2
EBITDA	27.5	26.8	27.0	27.2	27.4
EBIT	25.4	24.4	24.4	24.6	24.8
Adjusted PAT	23.4	24.7	24.1	24.0	24.2
<b>Returns (%)</b>					
ROE	18.4	15.6	14.4	14.1	14.3
ROCE	17.4	14.6	13.6	13.3	13.6
ROIC	28.3	24.5	26.2	26.7	27.2
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	2.7	2.2	1.9	1.9	2.0
Debtors	65	73	70	68	68
Inventory	213	233	209	201	201
Creditors	39	39	41	39	40
Net working capital	213	196	246	280	307
<b>Solvency (x)</b>					
Net debt-equity	0.0	0.0	(0.1)	(0.1)	(0.2)
Interest coverage ratio	47.0	54.5	42.2	54.1	64.3
Net debt/EBITDA	(0.1)	0.0	(0.5)	(0.9)	(1.2)
<b>Per share (Rs)</b>					
Adjusted EPS	120.4	113.7	113.9	125.0	142.4
BVPS	705.9	742.3	836.2	936.2	1,048.6
CEPS	131.0	124.7	126.2	138.7	157.5
DPS	16.0	16.0	20.0	25.0	30.0
Dividend payout (%)	13.3	14.1	17.6	20.0	21.1
<b>Valuation (x)</b>					
P/E	26.0	27.6	27.5	25.1	22.0
P/BV	4.4	4.2	3.7	3.3	3.0
EV/EBITDA	21.8	25.5	24.0	21.2	18.3
Dividend yield (%)	0.5	0.5	0.6	0.8	1.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity share capital	189	187	187	187	187
Reserves & surplus	66,389	69,083	77,845	87,179	97,665
Shareholders fund	66,577	69,270	78,032	87,366	97,852
Minority Interest	103	101	101	101	101
Total debt	4,546	4,850	4,550	4,350	4,150
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	571	957	957	957	957
<b>Total liabilities</b>	<b>71,797</b>	<b>75,178</b>	<b>83,640</b>	<b>92,773</b>	<b>1,03,059</b>
Gross block	18,236	19,915	22,684	25,384	28,084
Less: acc. Depreciation	(7,365)	(8,396)	(9,546)	(10,820)	(12,236)
Net block	10,872	11,519	13,138	14,565	15,848
Capital WIP	922	769	700	700	700
Net fixed assets	12,025	12,520	14,038	15,465	16,748
Non Current Assets	997	502	661	827	988
Investments	30,431	39,185	39,185	39,185	39,185
Inventories	12,047	10,168	10,274	11,500	13,187
Sundry debtors	8,810	8,267	8,577	9,597	10,975
Cash & Cash Equivalents	5,536	4,375	10,970	16,289	22,035
Loans & advances	1,283	1,323	1,323	1,459	1,646
Other current assets	3,814	1,990	2,116	2,432	2,853
Trade payables	1,786	1,967	2,006	2,278	2,637
Other current liab.	1,115	992	1,058	1,216	1,372
Provisions	243	195	441	486	549
Net current assets	28,344	22,970	29,755	37,296	46,139
<b>Total assets</b>	<b>71,797</b>	<b>75,178</b>	<b>83,640</b>	<b>92,773</b>	<b>1,03,059</b>

Cashflow					
YE Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit Before Tax	14,865	13,567	13,559	14,876	16,951
Depreciation & Amortisation	1,003	1,031	1,150	1,274	1,417
Net Interest	284	211	282	245	234
Net Change – WC	(3,157)	4,709	(350)	(2,389)	(3,256)
Direct taxes	(3,331)	(2,698)	(3,119)	(3,422)	(3,899)
<b>Net cash from operations</b>	<b>9,665</b>	<b>16,944</b>	<b>11,711</b>	<b>10,796</b>	<b>11,680</b>
Capital expenditure	(1,925)	(1,527)	(2,668)	(2,700)	(2,700)
Acquisitions, net	0	0	0	0	0
Investments	(7,888)	(8,754)	0	0	0
Others	0	0	0	0	0
<b>Net cash from investing</b>	<b>(9,813)</b>	<b>(10,281)</b>	<b>(2,668)</b>	<b>(2,700)</b>	<b>(2,700)</b>
<b>FCF</b>	<b>(148)</b>	<b>6,663</b>	<b>9,043</b>	<b>8,096</b>	<b>8,980</b>
Issue of share capital	0	(2)	0	0	0
Increase/(decrease) in debt	(414)	304	(300)	(200)	(200)
Dividend paid	(1,509)	(1,493)	(1,866)	(2,333)	(2,800)
Interest paid	(284)	(211)	(282)	(245)	(234)
Others	(169)	(6,422)	0	0	0
<b>Net cash from financing</b>	<b>(2,376)</b>	<b>(7,824)</b>	<b>(2,448)</b>	<b>(2,778)</b>	<b>(3,233)</b>
Net change in Cash	(2,524)	(1,161)	6,595	5,319	5,747

Source: Company, Centrum Broking

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