

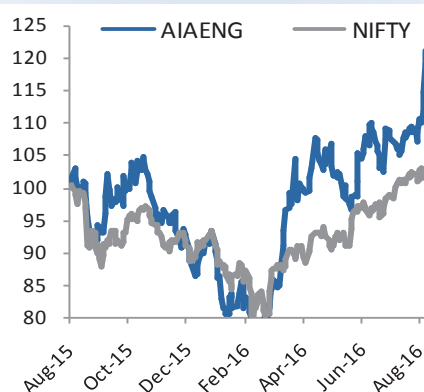
**AIA ENGINEERING LTD.**
**17-Aug-16**

Result Update	
CMP	1215
Target Price	1215
Previous Target Price	1180
Upside	0%
Change from Previous	-

Market Data	
BSE Code	532683
NSE Symbol	AIAENG
52wk Range H/L	1080.90/700
Mkt Capital (Rs Cr)	8,913
Av. Volume	5650
Nifty	8134

Stock Performance			
	1Month	1Year	YTD
Absolute	16.5	17.5	39.9
Rel.to Nifty	14.6	15.0	24.1

Share Holding Pattern-%				
	1QFY17	4QFY16	3QFY16	
Promoter	61.7	61.7	61.7	
Public	38.4	38.4	38.4	
Others	--	--	--	
Total	100.0	100.0	100.0	

**Company Vs NIFTY**

**Targeted incremental volume growth over next 3 year horizon around 1,20,000 MT.**

The opportunity landscape over medium to long term horizon remaining unchanged with the total addressable annual mining replacement market estimated at around 3 million TPA(Tonnes per annum) coupled with a very low penetration of high chrome consumable wear parts in mining. Bulk of future growth is expected to come from outside India and that too mainly in mining segment. An opportunity in mining sector is very high because development activities of new mins in several key locations are in full swing. And bulk of future growth is expected to come from outside India and that too mainly in mining segment.

**Result Highlights\_1QFY17**

Company has posted a net profit after tax, minority interest and share of profit of associates of Rs. 108.99 crore for the quarter ended June 30, 2016 as compared to Rs. 110.21 crore for the quarter ended June 30, 2015. Total Income has decreased from Rs. 573.18 million for the quarter ended June 30, 2015 to Rs. 526.22 crore for the quarter ended June 30, 2016.

**Key Highlights:**

GIDC Kerala, Phase-II Greenfield expected to be commissioned by October, 2017 – estimated capacity addition in Phase-II: 1,00,000 TPA making total installed capacity up to 4,40,000 TPA; by October, 2017 which will increase the profitability of the company.

**Outlook and Valuation**

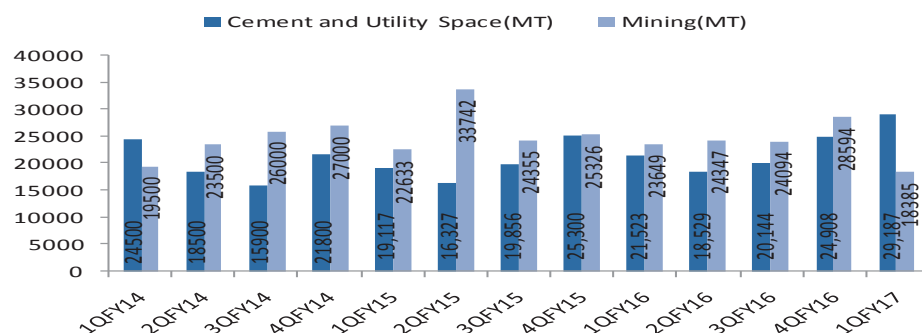
Going forward we see decent volume growth this year, Given the robust outlook for copper and gold mining, AIA is on course towards expanding capacities to capture the upcoming mining opportunity. Going ahead, the Company further plans to add capacities of 100,000 TPA through greenfield expansion at GIDC - Kerala, Phase-II. Company also started getting orders from Chile. Company extended its GIDC greenfield capacity by 440 thousand tons which will help to increase profitability. Considering all these positives we had recommended "BUY" on the stock at CMP Rs 945 for a target price of Rs 1180 (~25%). We achieved our target price hence we recommended to "Book Profit" at current level.

Rs in Cr

Financials	FY13	FY14	FY15	FY16	FY17E
Sales	1751	2080	2184	2098	2105
EBITDA	310	502	585	611	622
Net Profit	211	325	431	424	414
EBITDA%	17.7%	24.1%	26.8%	29.1%	29.5%
P/E	0.1	0.2	0.2	0.2	0.2

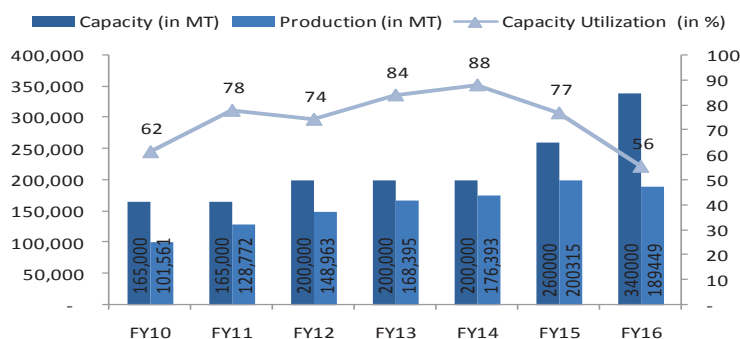
(Source: Company/Eastwind)

## Sales Volume:



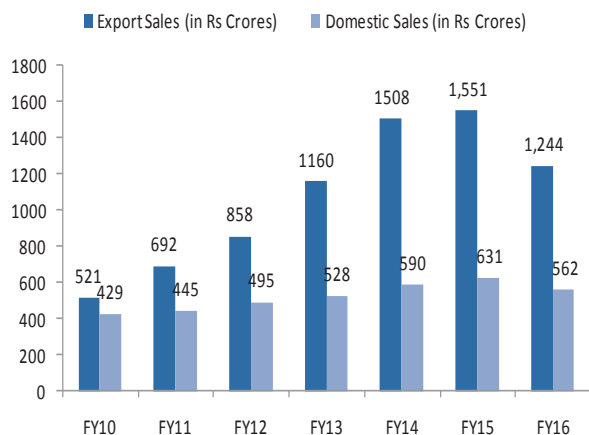
Targeted incremental volume growth over next 3 year horizon around 1,20,000 MT and volumes expected to pick-up from Q3 FY-2017.

## Capacity basis:

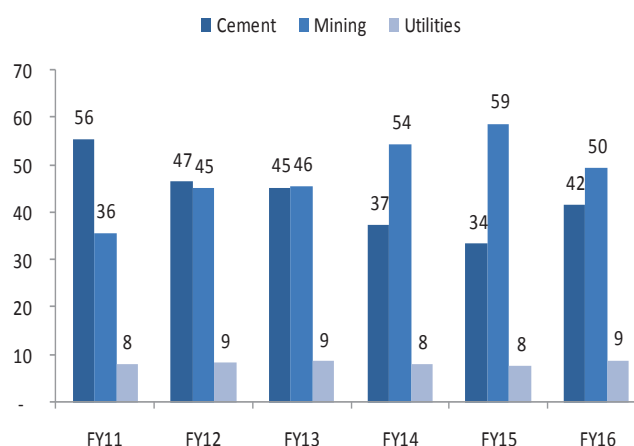


Going ahead, the Company further plans to add capacities of 100,000 TPA through greenfield expansion at GIDC -Kerala, Phase-II. The expansion is expected to be commissioned by October 2017.

## Trend of Export sales and Domestic sales:



## Trend of yearly market share(%) :



## Investment arguments:

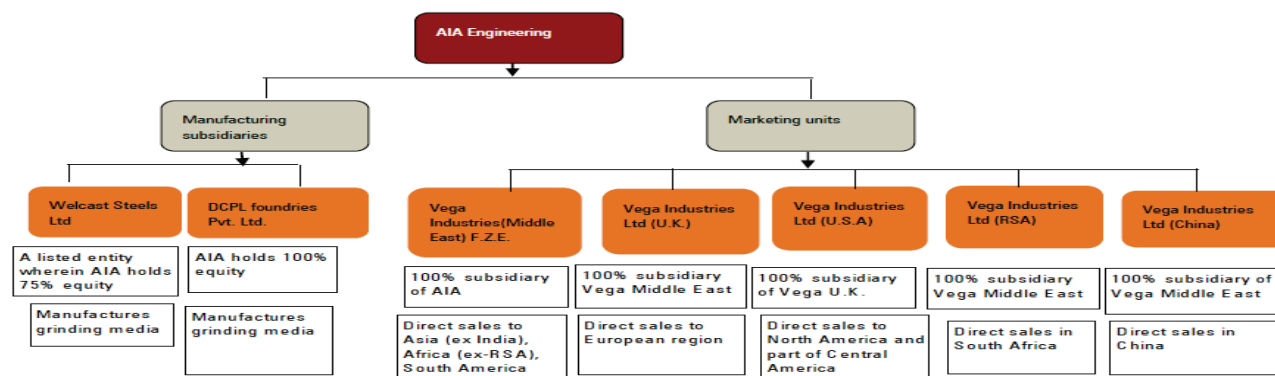
- GIDC Kerala, Phase-II Greenfield's capacity is extended from 340 thousand tons to 440 thousand tons which will increase the profitability.
- Bulk of future growth is expected to come from outside India
- Opportunities in mining sector is very high because development activities of new mines in several key locations is in full swing.
- There is significant cost reduction due to much lower wear rates, high chrome solutions also bring about benefits like improved process efficiencies, reduction in other consumables, improved environmental benefits, etc. which are other key growth drivers.

## Key concall highlights:

- As per the management incremental volume growth will be 120000 MT for next 2-3 years.
- Volumes expected to pick-up from Q3 FY-2017.
- Cement sector outlook continues to remain flat with no near term signs of recovery visible either in India or outside India.
- Capex estimated to be incurred in FY 2016-17: Rs.126 crores.
- Tax rate for the full year FY17 will be 29-30%
- GIDC Kerala Greenfield Phase-I and Trichy Brownfield expansion effectively commissioned in Q-3 FY 2016. Present Installed Capacity 3,40,000 TPA.

## About the company:

AIA Engineering (AIA), is India's largest manufacturer and supplier of corrosion and abrasion resistant high chrome mill internals (HCMIs), which are used as wear parts in crushing (or grinding) operations in cement, mining and thermal power plants. AIA's product portfolio includes tube mill internals, HRCS castings and crusher parts for cement, mining and thermal power plants.



### Financials Snap Shot

	INCOME STATEMENT			
	FY14	FY15	FY16	FY17E
Revenue (Net of Excise D	2080	2184	2098	2105
Other Income	33	83	59	39
Total Revenue	2113	2267	2158	2145
COGS	796	762	715	699
GPM	0	0	0	0
Other Expenses	693	739	670	680
EBITDA	502	585	611	622
EBITDA Margin (%)	24%	27%	29%	30%
Depreciation	38	70	67	67
EBIT	464	515	544	555
Interest	6	4	5	11
PBT	460	594	599	583
Tax	134	163	175	169
Tax Rate (%)	29%	27%	29%	29%
Reported PAT	325	431	424	414
Dividend Paid	44	66	199	88
No. of Shares	9	9	9	9

Source: Eastwind/Company

	RATIOS			
	FY14	FY15	FY16	FY17E
EPS	34.5	45.7	45.0	43.9
Book Value	184.4	220.9	242.0	276.5
DPS	4.7	7.0	21.1	9.4
Payout (incl. Div. Tax.)	14%	15%	47%	21%
<b>Valuation(x)</b>				
P/E	16.2	27.4	20.7	21.4
Price / Book Value	3.0	5.7	3.8	3.4
Dividend Yield (%)	0.84%	0.56%	2.26%	1.00%
<b>Profitability Ratios</b>				
RoE	19%	21%	19%	16%
RoCE	25%	24%	24%	21%
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.9	0.9	0.8	0.7
Debtors (No. of Days)	75.7	65.8	74.9	74.9
Inventory (No. of Days)	160.8	220.3	198.7	198.7
Creditors (No. of Days)	23.3	19.9	17.1	17.1
Net Debt/Equity (x)	0.05	0.03	0.01	0.01

Source: Eastwind/Company

	BALANCE SHEET			
	FY14	FY15	FY16	FY17E
Share Capital	19	19	19	19
Reserves	1720	2065	2263	2589
Net Worth	1739	2084	2282	2608
Long term Debt	87	55	25	23
Short term Debt	3	9	125	9
Deferred Tax	20	25	33	33
Total Capital Employed	1826	2139	2308	2631
Net Fixed Assets	488	598	690	715
Capital WIP	100	0	0	0
Debtors	431	394	430	432
Cash & Bank Balances	220	187	124	328
Trade payables	133	119	98	99
Total Provisions	127	148	60	65
Net Current Assets	1352	1547	1747	1946
Total Assets	2233	2549	2734	2946

Source: Eastwind/Company

	CASH FLOW STATEMENT			
	FY14	FY15	FY16E	FY17E
OP/(Loss) before Tax	460	594	599	583
Depreciation	38	70	67	67
Direct Taxes Paid	(113)	(193)	(174)	(169)
Operating profit before w	529	652	643	661
CF from Op. Activity	466	306	547	496
Capital expenditure on fix	(134)	(183)	(178)	(92)
CF from Inv. Activity	(434)	(255)	(401)	(74)
Repayment of Long Term	(72)	(28)	0	0
Interest Paid	(6)	(4)	(5)	(11)
Divd Paid (incl Tax)	(44)	(57)	(289)	(88)
CF from Fin. Activity	(91)	(83)	(208)	(219)
Inc/(Dec) in Cash	(59)	(33)	(63)	204
Add: Opening Balance	279	220	187	124
Closing Balance	220	187	124	328

Source: Eastwind/Company