

Hindustan Aeronautics Ltd.

Sector: Aerospace/Defense

03rd December 2024

LTP	Recommendation	Target	Stop Loss	Return
Rs. 4,505	Buy between Rs. 4,400- Rs. 4,540	Rs. 5,470	Rs. 4,080	+21%
SENSEX	Market Cap	NSE Code	BSE Code	Time Frame
80,248	Rs. 3,01,310 cr	HAL	541154	3-6 Months

Data as of: 02-12-2024

52W High	52W Low	F&O Listed	Div. Yield	D/E
₹ 5,675	₹ 2,473	Y	0.78%	Nil
Standalone (Rs.cr)	FY24A	FY25E	FY26E	
Sales	30,381	33,879	40,508	
Growth (%)	12.8	11.5	19.6	
EBITDA	9,050	8,961	10,822	
EBITDA Margin (%)	29.8	26.4	26.7	
Adj. PAT	7,595	8,173	9,698	
Growth (%)	30.7	7.6	18.7	
Adj. EPS	114	110	133	
Growth (%)	22.1	-2.9	20.5	
RoE (%)	28.9	23.2	24.1	
Valuation	FY24A	FY25E	FY26E	
P/E (x)	39.6	40.8	33.8	
Price/Book Value	8.9	8.9	7.6	
EV/EBITDA	21.6	30.4	25.2	
Price Performance	3 Month	6 Month	1 Year	
Absolute Return (%)	-3.7	-9.4	83.0	
Absolute Sensex (%)	-2.8	7.9	18.9	

Fundamental View

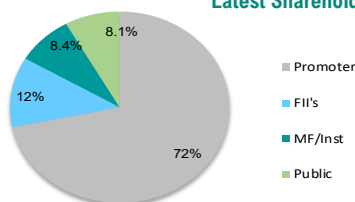
Hindustan Aeronautics Limited (HAL), a Maharatna aerospace and defense PSU, engages in the design, development, manufacturing, repair, overhaul, upgrade, and servicing of aircraft, helicopters, aero-engines, avionics and accessories. The major business segments are Manufacturing (~46% of FY24 sales), services (~47% of sales) and Others (~7% of sales).

- In H1FY25, revenue grew ~8%YoY to Rs.10,324cr, driven by continued execution in the manufacturing segment and steady growth in Repair & Overhaul (RoH) segment. However, supply side challenges persist on account of delays in engine delivery from GE (General Electric Co.) for its Tejas MkIA fighter aircraft.
- EBITDA margins stood at ~25% in H1FY25 (up by 20 bps YoY) and in Q2FY25 came in at 27% owing to a better revenue mix in favour of RoH.
- PAT grew ~43%YoY in H1FY25 to Rs. 2,926cr, led by better operating performance.
- The current order book is estimated to be at ~Rs 1.2 lakh crore (3.5x FY25E revenue), providing healthy revenue growth visibility over FY25-27E.
- Revenue/EBITDA/PAT are expected to grow at 15%/14%/13% CAGR (as per Bloomberg consensus) over FY24-26E, backed by normalisation of supply side challenges, pick up in execution of existing order backlog, a robust order pipeline, and better operating leverage.
- HAL's long term growth story is intact, driven by Govt's push on indigenous procurement of defense aircraft, robust order pipeline and proven execution capabilities.
- As per Bloomberg consensus, the stock is currently trading at a 1 yr fwd. P/E of 38.7x with a strong return profile of ~29% (FY24).

Technical View

- After its recent correction, the stock got support near its 200 EMA. It is gradually rising upward and is about to give a breakout above its downward-sloping trendline on the daily chart.
- Currently, the daily RSI is placed around 60 and it has given a breakout above the horizontal trendline on the daily chart.
- Apart from the daily chart, the stock took support around the 50-week moving average on the weekly time-frame chart.
- Higher timeframe charts like weekly and monthly suggest strong support around 3,900-4,000.

Latest Shareholding Pattern (%)



Price Chart



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