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India | Equity Research | Company Update

## Hindustan Aeronautics

Defence

### Solid orderbook; relatively cheaper valuation

Hindustan Aeronautics Limited (HAL) has clocked revenue of INR 304bn in FY25 (vs INR 303.8bn in FY24). Key points: 1) Revenue was ~6% below our estimate of INR 322.4bn, mainly because of shortfall in delivery of ALH-Dhruv and other manufacturing revenue. 2) Order inflow for FY25 was INR 1,195bn – this includes i) manufacturing order of INR 1,020bn and RoH order inflow of INR 175bn. 3) OB o/s as of FY25 end was ~INR 1,840bn (vs INR 941bn as of FY24 end). 4) Key contracts signed during FY25 include: i) LCH- Prachand (156nos.), ii) SU-30 aircraft (12 nos.), iii) AL-31FP engine (240 nos.) and iv) mid-life upgrade of Do-228 (40 nos.). The stock is currently trading at 22x FY27E (implied P/E). Maintain **BUY** with DCF-based unchanged TP of INR 5,000.

### Revenue below expectation; growth may remain solid

The revenue of INR 304bn was slightly below our expectation, mainly because of execution delays of ALH-Dhruv and other platforms; however, we believe this is unlikely to impact future execution as delivery of F-404 engines commences ([Link](#)). Recently, the company has received order inflow of INR 627bn for 156nos. of LCH Prachand helicopters; this is mainly in line with our expectations. For FY25, overall order inflow stands at INR 1,195bn (highest ever order inflow in any year). This has resulted in orderbook/bill of ~6x (ttm) which provides sufficient revenue visibility over the next 5-6 years.

### Strong orderbook funnel; expect another >INR 1,400bn order inflow in FY26E

We expect another order inflow of >INR 1,400bn for FY26E, this includes: i) 97nos. of LCA Tejas-MK-1a (order value INR 670bn), ii) Su-30 upgrade (INR 600bn), iii) RoH orders of INR 170-180bn. The current o/s orderbook of INR 1,840bn provides sufficient revenue visibility over the next 5-6 years as most of these orders (high ticket) are to be executed over the next 8 years. RoH revenue of the company has increased over the years from ~INR 100bn in FY21 to INR 142.5bn in FY24. This is likely to increase to INR 170-180bn annually FY26-27 onwards which should support revenue growth on consistent basis.

### Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	3,03,811	3,04,002	4,01,550	5,15,620
EBITDA	97,411	77,814	1,14,049	1,46,050
EBITDA Margin (%)	32.1	25.6	28.4	28.3
Net Profit	76,210	64,262	94,979	1,24,017
EPS (INR)	114.0	96.1	142.0	185.4
EPS % Chg YoY	30.4	(15.5)	47.9	30.6
P/E (x)	36.8	43.5	29.4	22.5
EV/EBITDA (x)	25.9	32.6	20.2	14.9
RoCE (%)	25.3	15.9	21.1	23.5
RoE (%)	31.7	22.7	28.6	31.7

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#### Market Data

Market Cap (INR)	2,794bn
Market Cap (USD)	32,681mn
Bloomberg Code	HNAL IN
Reuters Code	HIAE BO
52-week Range (INR)	5,675 /3,046
Free Float (%)	28.0
ADTV-3M (mn) (USD)	91.7

Price Performance (%)	3m	6m	12m
Absolute	(1.3)	(6.6)	25.6
Relative to Sensex	0.3	2.9	20.5

ESG Score	2022	2023	Change
ESG score	65.6	66.1	0.5
Environment	45.4	44.7	(0.7)
Social	73.5	77.8	4.3
Governance	73.9	73.5	(0.4)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

#### Previous Reports

27-03-2025: [Company Update](#)

13-02-2025: [Q3FY25 results review](#)

## Outlook: Strong orderbook and relatively inexpensive valuation

We have recently upgraded the stock to **BUY** from *Add*, as engine delivery (GE F404) for Tejas Mk-1a commissions. This comes as major relief lingering around HAL's execution concerns for Tejas fighter aircraft. This apart, recently CCS has given approval for 156nos. of LCH Prachand worth INR 627bn, to be executed over the next 8 years. The current orderbook of INR 1,840bn (~6x ttm) provides sufficient revenue visibility in the near term. Going forward, the orderbook pipeline remains strong with OI expectation of >INR 1,400bn (including RoH orders) for FY26E. Besides, the progress on development of Tejas Mk-II and AMCA is ongoing. We also believe the execution of Tejas Mk-1A would be beneficial for other companies involved in the supply chain such as BEL, Astra Microwave and Dynamatic Technologies. We maintain **BUY** with DCF-based unchanged target price of INR 5,000.

## Key risks

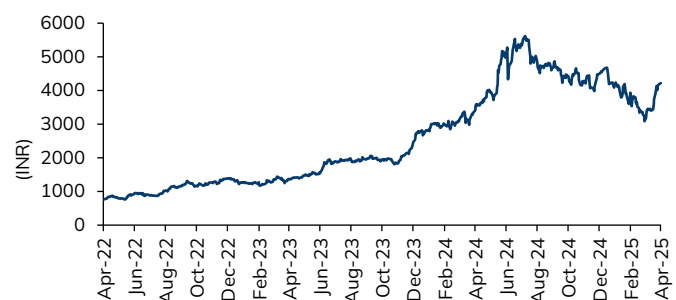
- Delay in execution of existing 83 nos. Tejas Mk-1A orders.
- Delay in receipt of further orders for which AoN has been executed.
- Margin decline owing to higher raw material prices.

Exhibit 1: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	71.6	71.6	71.6
Institutional investors	20.1	20.3	19.9
MFs and others	5.8	5.1	4.6
FIs/Banks	0.1	0.6	0.1
Insurance	2.5	2.7	2.9
FIIIs	11.7	11.9	12.3
Others	8.3	8.1	8.5

Source: Bloomberg

Exhibit 2: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 3: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>3,03,811</b>	<b>3,04,002</b>	<b>4,01,550</b>	<b>5,15,620</b>
Operating Expenses	1,01,392	1,12,187	1,34,913	1,68,478
<b>EBITDA</b>	<b>97,411</b>	<b>77,814</b>	<b>1,14,049</b>	<b>1,46,050</b>
EBITDA Margin (%)	32.1	25.6	28.4	28.3
Depreciation & Amortization	14,072	16,374	18,675	20,977
EBIT	83,339	61,440	95,373	1,25,073
Interest expenditure	321	321	321	321
Other Non-operating Income	18,966	25,000	32,279	41,539
<b>Recurring PBT</b>	<b>1,01,984</b>	<b>86,119</b>	<b>1,27,331</b>	<b>1,66,291</b>
<b>Profit / (Loss) from Associates</b>	<b>265</b>	<b>100</b>	<b>100</b>	<b>100</b>
Less: Taxes	26,039	21,957	32,452	42,374
PAT	75,945	64,162	94,879	1,23,917
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>76,210</b>	<b>64,262</b>	<b>94,979</b>	<b>1,24,017</b>
<b>Net Income (Adjusted)</b>	<b>76,210</b>	<b>64,262</b>	<b>94,979</b>	<b>1,24,017</b>

Source Company data, I-Sec research

### Exhibit 4: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	6,30,231	6,12,639	8,80,446	10,84,397
of which cash & cash eqv.	2,64,316	2,42,812	4,49,852	5,78,901
Total Current Liabilities & Provisions	3,79,027	3,43,101	5,29,002	6,17,533
<b>Net Current Assets</b>	<b>2,51,205</b>	<b>2,69,538</b>	<b>3,51,444</b>	<b>4,66,863</b>
Investments	15,913	15,913	15,913	15,913
Net Fixed Assets	82,934	96,561	1,07,886	1,16,908
ROU Assets	-	-	-	-
Capital Work-in-Progress	9,369	9,369	9,369	9,369
Total Intangible Assets	-	-	-	-
Other assets	42,504	42,504	42,504	42,504
Deferred Tax Assets	-	-	-	-
<b>Total Assets</b>	<b>4,01,925</b>	<b>4,33,885</b>	<b>5,27,116</b>	<b>6,51,558</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>5,059</b>	<b>5,059</b>	<b>5,059</b>	<b>5,059</b>
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	1,05,449	1,05,515	1,39,373	1,78,965
Equity Share Capital	3,344	3,344	3,344	3,344
Reserves & Surplus	2,88,038	3,19,931	3,79,304	4,64,154
<b>Total Net Worth</b>	<b>2,91,382</b>	<b>3,23,275</b>	<b>3,82,648</b>	<b>4,67,498</b>
Minority Interest	36	36	36	36
<b>Total Liabilities</b>	<b>4,01,925</b>	<b>4,33,885</b>	<b>5,27,116</b>	<b>6,51,558</b>

Source Company data, I-Sec research

### Exhibit 5: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Operating Cashflow</b>	<b>82,228</b>	<b>41,186</b>	<b>2,72,967</b>	<b>1,98,536</b>
Working Capital Changes	(31,251)	(39,771)	1,58,992	53,221
Capital Commitments	(17,552)	(30,000)	(30,000)	(30,000)
<b>Free Cashflow</b>	<b>64,677</b>	<b>11,186</b>	<b>2,42,967</b>	<b>1,68,536</b>
<b>Other investing cashflow</b>	<b>(46,549)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cashflow from Investing Activities	(64,101)	(30,000)	(30,000)	(30,000)
Issue of Share Capital	-	-	-	-
Interest Cost	(257)	(321)	(321)	(321)
Inc (Dec) in Borrowings	(3)	-	-	-
Dividend paid	(19,729)	(32,369)	(35,606)	(39,166)
Others	-	-	-	-
Cash flow from Financing Activities	(19,989)	(32,690)	(35,927)	(39,488)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(1,861)</b>	<b>(21,504)</b>	<b>2,07,040</b>	<b>1,29,049</b>
Closing cash & balance	2,01,305	2,42,812	4,49,852	5,78,901

Source Company data, I-Sec research

### Exhibit 6: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Per Share Data (INR)</b>				
Reported EPS	113.6	95.9	141.9	185.3
Adjusted EPS (Diluted)	114.0	96.1	142.0	185.4
Cash EPS	135.0	120.6	169.9	216.8
Dividend per share (DPS)	44.0	48.4	53.2	58.6
Book Value per share (BV)	435.7	483.4	572.2	699.0
Dividend Payout (%)	38.7	50.4	37.5	31.6
<b>Growth (%)</b>				
Net Sales	12.8	0.1	32.1	28.4
EBITDA	45.8	(20.1)	46.6	28.1
EPS (INR)	30.4	(15.5)	47.9	30.6
<b>Valuation Ratios (x)</b>				
P/E	36.8	43.5	29.4	22.5
P/CEPS	30.9	34.6	24.6	19.3
P/BV	9.6	8.6	7.3	6.0
EV / EBITDA	25.9	32.6	20.2	14.9
P / Sales	9.2	9.2	7.0	5.4
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Operating Ratios</b>				
Gross Profit Margins (%)	65.4	62.5	62.0	61.0
EBITDA Margins (%)	32.1	25.6	28.4	28.3
Effective Tax Rate (%)	25.5	25.5	25.5	25.5
Net Profit Margins (%)	25.0	21.1	23.6	24.0
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.9)	(0.8)	(1.2)	(1.3)
Net Debt / EBITDA (x)	(2.8)	(3.3)	(4.0)	(4.0)
<b>Profitability Ratios</b>				
RoCE (%)	25.3	15.9	21.1	23.5
RoE (%)	31.7	22.7	28.6	31.7
RoC (%)	230.4	125.8	2,709.2	(214.1)
Fixed Asset Turnover (x)	1.8	1.6	1.9	2.1
Inventory Turnover Days	177	170	197	215
Receivables Days	62	58	66	70
Payables Days	82	80	86	91

Source Company data, I-Sec research

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