

Hindustan Aeronautics

Estimate change



TP change



Rating change



CMP: NR5,128

TP: INR5,650 (+10%)

Buy

Weak guidance against a strong order book

HAL reported a better-than-expected FY25 performance, driven by improved margins on the back of lower provisions. The company ended the year with a robust order book of INR1.8t, clocking inflows of INR1t. With engine supplies from GE, HAL is optimistic about delivering 12 Tejas Mk1A aircraft during the year along with the execution of other projects. Management provided a conservative guidance of 8-10% revenue growth, taking into account certain contract amendments, and it will revisit this guidance after six months. Our estimates build in healthy execution of the manufacturing order book. We revise our estimates upwards by 12%/4% and roll forward our TP to INR5,650 based on the average of DCF and 32x Jun'27E earnings. Since our [initiation](#) in Apr'25, the stock has moved up 27% due to the current geopolitical issues across the border. We are still constructive on the overall defense space, but the recent rally has been too sharp. While we reiterate our BUY rating, we would wait for better entry points as we acknowledge that risk-reward is not favorable at this point.

Robust growth with strong margins and earnings beat

HAL reported a decent set of numbers in 4QFY25, with revenue at INR137b (down 7% YoY) due to a high base of last year. EBITDA/EBITDA margin for the quarter dipped 10%/140bp YoY to INR52.9b/38.6% due to higher COGS and employee cost. The PAT margin stood at 29%, while PAT was down 8% YoY due to certain provision reversals received during FY24, resulting in a higher PAT base in 4QFY24. For FY25, revenue/EBITDA increased 2%/18% to INR309.8b/96.1b, while EBITDA margin expanded 370bp YoY, led by lower provisions during the year. Due to lower depreciation and a spike in other income driven by a higher cash balance on increased customer advances, reported PAT grew 10% YoY to INR83.6b. The previous year had an EO item of INR15.8b. Adjusting for this, adj. PAT grew 38% YoY to INR83.6b.

Update on the Tejas Mk1A project

The LCA Mk1A program made a key breakthrough in FY25 with the resolution of engine supply issues from GE. The first F404 engine was delivered in Apr'25, successfully integrated into the aircraft, and tested, confirming readiness for series production. HAL indicated that the engine had been fitted and flight-tested, marking a significant milestone. GE has committed to delivering 12 engines within this calendar year, enabling HAL to target 12 LCA deliveries in FY26. With supply chain challenges now resolved and testing validated, HAL expects a smooth ramp-up in production and deliveries in the years ahead.

Bloomberg	HNAL IN
Equity Shares (m)	669
M.Cap.(INRb)/(USDb)	3429.3 / 40.1
52-Week Range (INR)	5675 / 3046
1, 6, 12 Rel. Per (%)	15/19/0
12M Avg Val (INR M)	11728

Financials Snapshot (INR b)

Y/E March	2025	2026E	2027E
Sales	309.8	375.0	453.4
EBITDA	96.1	111.8	129.8
Adj. PAT	83.6	94.4	107.8
Adj. EPS (INR)	125.0	141.2	161.2
EPS Gr. (%)	38.4	13.0	14.2
BV/Sh.(INR)	523.1	624.3	740.5

Ratios

RoE (%)	23.9	22.6	21.8
RoCE (%)	24.9	23.4	22.4
Payout (%)	30.4	28.3	27.9

Valuations

P/E (x)	41.0	36.3	31.8
P/BV (x)	9.8	8.2	6.9
EV/EBITDA (x)	31.7	26.6	22.2
Div. Yield (%)	0.7	0.8	0.9

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	71.6	71.6	71.6
DII	8.3	8.2	9.6
FII	12.1	12.3	12.4
Others	8.0	8.0	6.4

FII Includes depository receipts

Robust short- and long-term prospective pipeline

HAL has a strong future pipeline valued at approximately INR1t, which is expected to materialize over the next 1-2 years. Key opportunities include follow-on orders for 97 LCA Mk1A, 143 ALHs, and upgrades for 40 Dornier aircraft. In addition, the INR600b Sukhoi-30 avionics upgrade and Tejas Mk2 production program (set to start around FY31) represent significant long-term revenue streams. Over medium to long term, we expect overall addressable opportunity of INR6t for HAL.

Revenue and order book split across projects

HAL reported a robust FY25 revenue of INR301b, with manufacturing comprising 23%, ROH 70%, and the balance 7% being contributed from D&D and exports. It is strategically positioned for sustained long-term growth, backed by a record order book of INR1.89t as of FY25, double the previous year's INR941b. This surge was primarily fueled by major contracts, including 156 LCH Prachand helicopters (INR628b), 240 AL-31FP engines (INR255b), and 12 Su-30 MKIs (INR135b), alongside significant ROH (INR192.7b), D&D (INR31.8b), and export (INR4.9b) orders.

ROH to grow at a steady pace

The ROH segment remains a core growth area, contributing significantly to HAL's revenue. The company expects annual ROH orders of around INR200b, driven by large in-service fleets like the ALH (340+), Su-30s (250+), Jaguars, and Dorniers. With LCA MK1 entering the overhaul phase in the current year and sustained platform additions, ROH will expand steadily. The retirement of MiG-21s will have minimal impact due to broader fleet additions.

Status of other projects

HAL will deliver 12 Su-30s under a new contract starting FY27 after a two-year lead time. The ambitious INR600b Su-30 avionics upgrade project is in the government approval phase, with D&D beginning in FY26 and aircraft orders likely by FY31. The 156-unit LCH Prachand order will begin delivery in FY28, with full execution over 5.5 to 6 years. ALH production, disrupted by a temporary grounding, is back on track, with deliveries expected to accelerate in FY26.

Provisions in FY25 and future outlook

In FY25, HAL reported total provisions of approximately INR25b. The major component of this year's provisions was an exceptional INR8.04b allocated for an engine that was damaged during repairs, classified as a precautionary provision, while discussions with the Indian Air Force are ongoing. This amount was not a write-off but a provisioning step in line with prudent accounting practices. The management clarified that in the absence of such extraordinary incidents, future provisioning is expected to remain stable, with possible deviations limited to 3-5%. Moreover, unlike FY24, there were no write-backs or reversals of earlier provisions that would artificially inflate revenues. This normalization positions HAL on a more stable financial base, reflecting improved transparency and predictability.

Financial outlook

We expect the overall revenue to record a CAGR of 21% over FY25-27, primarily driven by a scale-up in manufacturing revenue. We project its EBITDA margin to remain strong at 29.8%/28.6% for FY26/FY27, fueled by indigenization efforts taken by the company. With an annual capex of INR40b/INR50b and comfortable working capital, we expect PAT to register a 14% CAGR over FY25-27. With improving revenue and stable margins, we expect RoE/RoCE to remain comfortable, reaching 21.8%/22.4% by FY27.

Valuation and view

HAL is currently trading at 36.3x/31.8x FY26E/FY27E EPS. We revise our estimates upwards by 12%/4% and roll forward our TP to INR5,650 based on the average of DCF and 32x Jun'27E earnings. **Reiterate BUY.**

Key risks and concerns

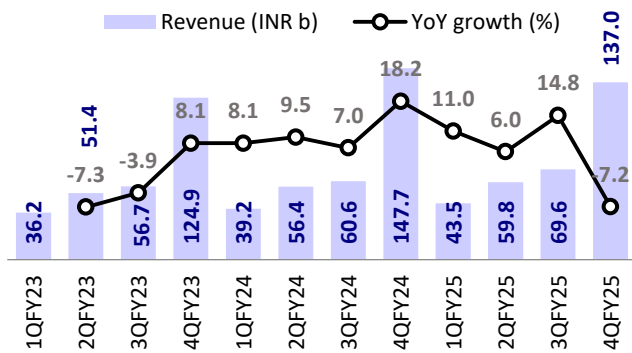
Key risks would include: 1) slower-than-expected finalization of large platform orders, 2) further delays in deliveries of key components such as engines for Tejas Mk1A, 3) delays in payments from MoD, and 4) increased involvement of the private sector.

Quarterly performance (Consol)

									(INR m)	
Income Statement	FY24				FY25				FY24	FY25
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	39,154	56,357	60,613	1,47,688	43,475	59,763	69,573	1,36,999	2,98,321	3,09,810
Change (%)	8.1	9.5	7.0	18.2	11.0	6.0	14.8	(7.2)	10.8	3.9
Expenses	30,385	41,081	46,260	88,675	33,568	43,363	52,748	84,050	2,16,737	2,13,729
EBITDA	8,768	15,276	14,353	59,013	9,907	16,400	16,825	52,949	81,585	96,081
As of % Sales	22.4	27.1	23.7	40.0	22.8	27.4	24.2	38.6	27.3	31.0
Depreciation	2,014	3,497	2,122	6,440	1,492	1,776	2,771	7,365	14,072	13,404
Interest	0	3	4	314	1	0	1	84	321	87
Other Income	4,099	4,694	4,600	5,573	7,364	5,424	6,314	6,515	18,966	25,617
PBT pre EO items	10,854	16,470	16,828	57,832	15,777	20,048	20,368	52,015	86,158	1,08,207
Extra-ordinary Items	-	-	-	-	-	59	-	-	15,826	59
PBT	10,854	16,470	16,828	57,832	15,777	20,107	20,368	52,015	1,01,984	1,08,266
Tax	2,749	4,148	4,279	14,863	1,466	5,122	6,024	12,420	26,039	25,032
Effective Tax Rate (%)	25.3	25.2	25.4	25.7	9.3	25.5	29.6	23.9	25.5	23.1
MI & P/L Share of JV	38	44	65	118	60	120	54	172	266	407
Reported PAT	8,142	12,367	12,614	43,087	14,371	15,105	14,398	39,767	76,211	83,641
Adj PAT	8,142	12,367	12,614	43,087	14,371	15,046	14,398	39,767	60,384	83,582
Margin (%)	20.8	21.9	20.8	29.2	33.1	25.2	20.7	29.0	20.2	27.0
Change (%)	31.3	1.3	9.2	52.2	76.5	21.7	14.1	(7.7)	3.6	38.4

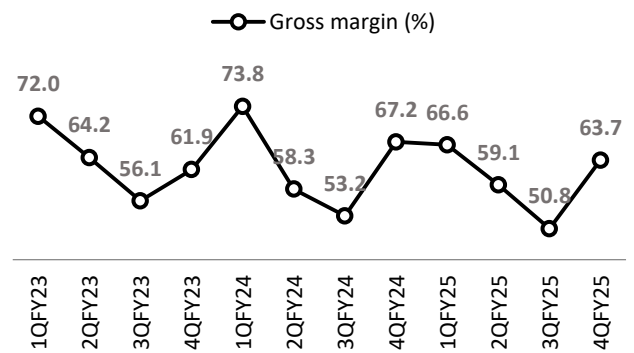
Key Exhibits

Exhibit 1: Revenue declined 7% YoY



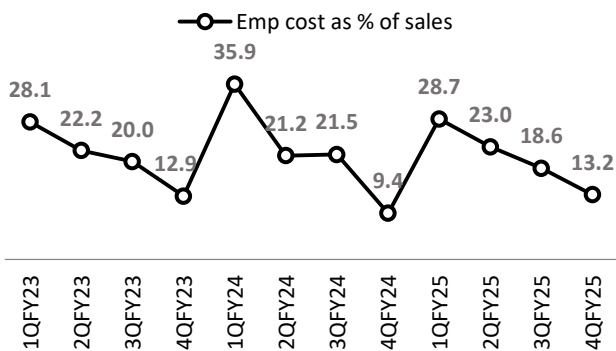
Source: MOFSL, Company

Exhibit 2: Gross margin



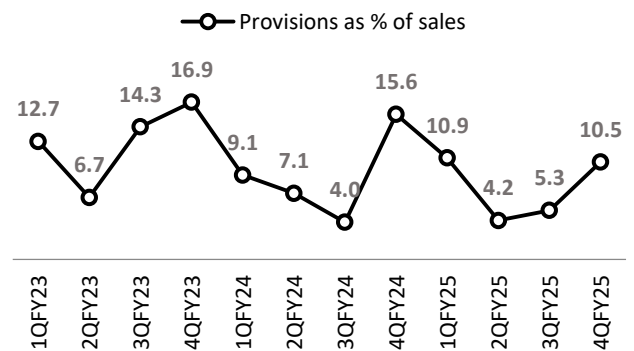
Source: MOFSL, Company

Exhibit 3: Employee costs as % of sales increased YoY



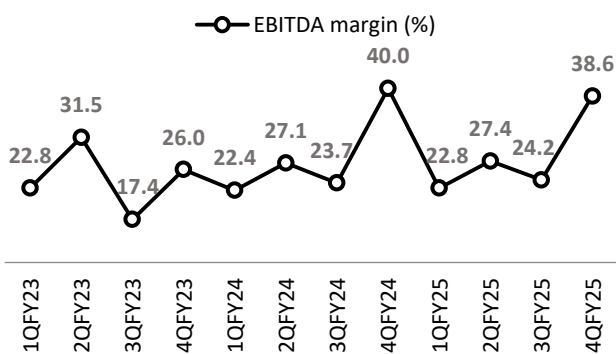
Source: MOFSL, Company

Exhibit 4: Provisions as % of sales declined YoY



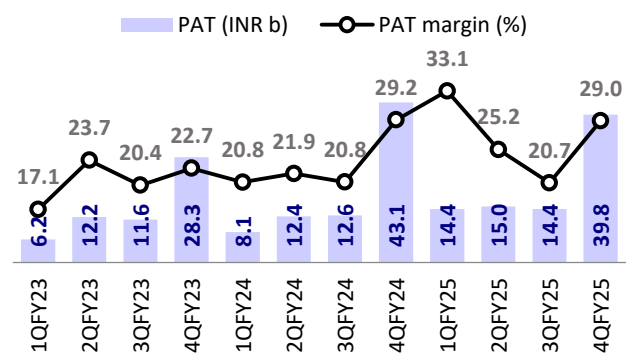
Source: MOFSL, Company

Exhibit 5: EBITDA margin contracted 140bp YoY



Source: MOFSL, Company

Exhibit 6: PAT margin at comfortable levels



Source: MOFSL, Company

Exhibit 7: HAL's addressable market over the medium to long term until FY30

Aircraft already awarded	Amount (INR b)	Quantity	Comments
Tejas Mk1a	480	83	❖ IAF has already placed an order for 83 Tejas Mk1A aircraft, including 73 fighters and 10 trainers. Delivery is yet to commence for Tejas Mk1a.
Su30 upgrade	260	240	❖ Already awarded to HAL
ALH	81	34	❖ Already awarded to HAL
Dornier	29	25	❖ Already awarded to HAL
RD-33	52	100	❖ Already awarded to HAL
12 Su-30 Mk1 aircraft	135	12	❖ Already awarded to HAL
LCH - Prachand	630	156	❖ LCH Prachand was recently awarded to HAL
Upcoming projects over 2-3 years			
Tejas Mk1a	650	97	❖ IAF's proposal for 97 additional aircraft hinges on GE Aerospace's ability to deliver at least 24 F404 engines annually from FY26 onwards
Tejas Mk2	680	108	❖ Tejas Mk2 is designed to replace aging aircraft such as the Mirage 2000, MiG-29, and Jaguar in the IAF.
LUH	95	187	❖ LUH will replace the army and the Indian Air Force's (IAF) aging fleets of Cheetah and Chetak helicopters.
LUH	97	197	
Su 30 Mk1	630	84	❖ IAF also plans to prioritize the Indigenous upgrade of Russian-origin Sukhoi 30 fighter jets during FY26.
NUH	217	111	❖ Naval utility helicopter prototype in development; first flight expected by May'25.
Total	2,370		
Upcoming projects over 5-6 years			
AMCA	1,200	120	❖ Prototype rollout by 2026-27, first flight in 2028, certification by 2032, and induction by 2034.
IMRH (multi-utility)	1,000	400	❖ Indian armed forces are expected to procure 400 units of Indian Multi-Role Helicopter (IMRH) to replace the aging Mi-17 helicopters.
TEDBF	1,450	145	❖ The Indian Navy has projected requirements for nearly 145 TEDBF aircraft. Each prototype will cost INR10b (USD110m). The prototype rollout is planned for late 2026 or early 2027, followed by the first flight in 2028, certification by 2032, and induction in 2034.
Total	3,650		
Overall TAM	6,020		

Source: Company, Industry, MOFSL

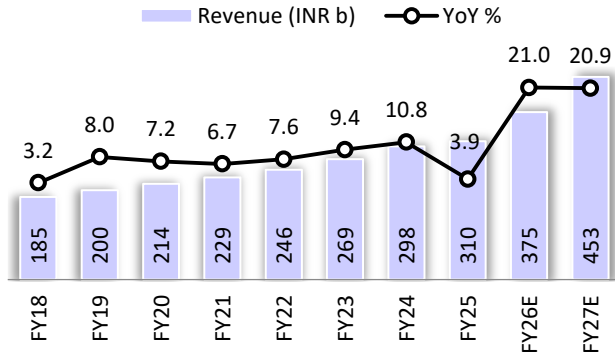
Exhibit 8: We revise our estimates by 12%/4% for FY26/27 on expected improved margins

(INR m)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	3,74,976	4,01,584	-6.6	4,53,419	5,03,646	-10.0
EBITDA	1,11,802	1,10,106	1.5	1,29,752	1,38,899	-6.6
EBITDA (%)	29.8	27.4	240 bp	28.6	27.6	100 bp
Adj. PAT	94,433	84,589	11.6	1,07,840	1,04,127	3.6
EPS (INR)	141.2	126.5	11.6	161.2	155.7	3.6

Source: Company, MOFSL

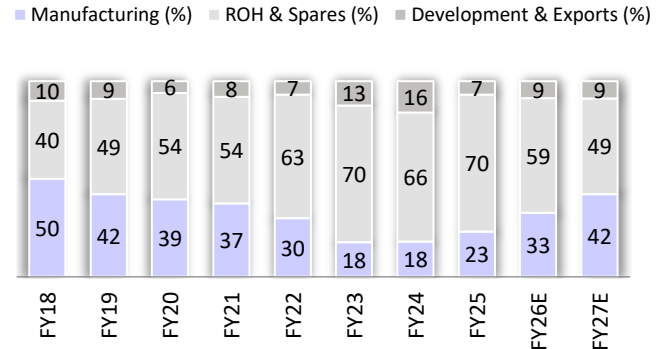
Financial outlook

Exhibit 9: We expect HAL's revenue to record a 21% CAGR over FY25-27



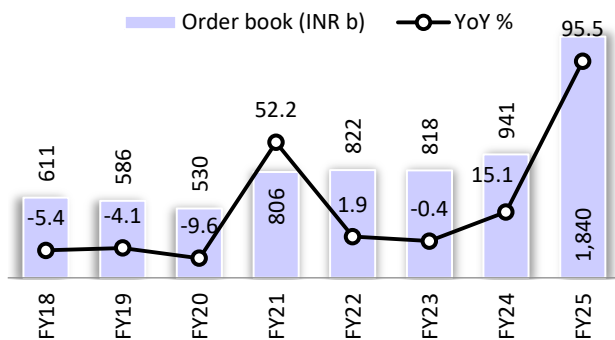
Source: Company, MOFSL

Exhibit 10: Share of manufacturing revenue likely to grow beyond FY25



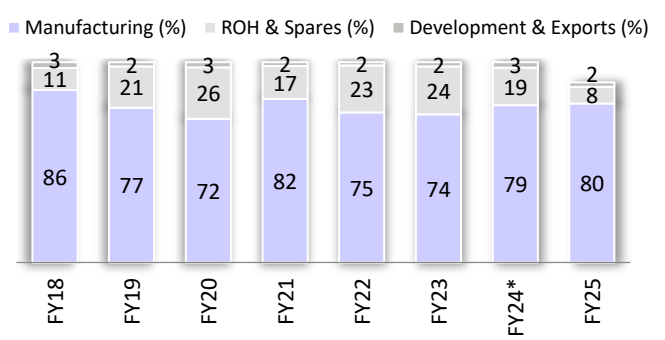
Source: Company, MOFSL

Exhibit 11: Order book clocked a 5% CAGR over FY21-24 and stood at ~INR1.8t as of 31st Mar'25



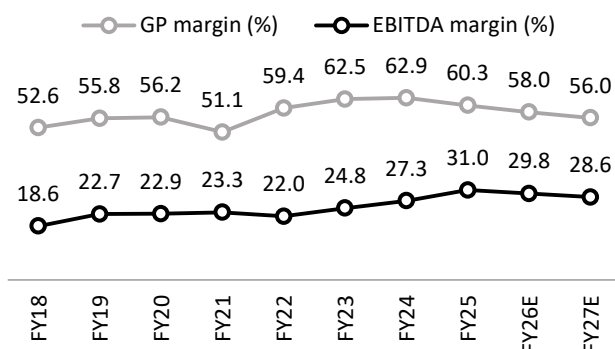
Source: Company, MOFSL

Exhibit 12: The order book mix continues to remain strong for the manufacturing segment



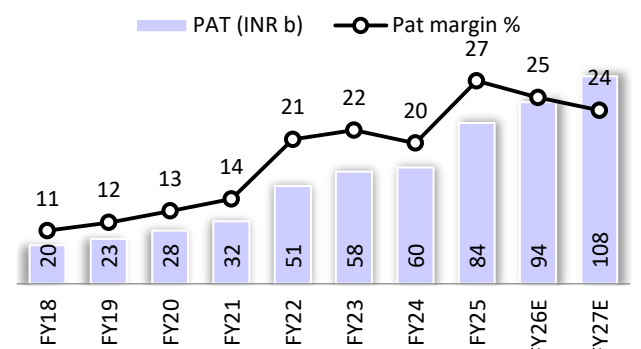
Source: Company, MOFSL

Exhibit 13: EBITDA margin likely to stabilize



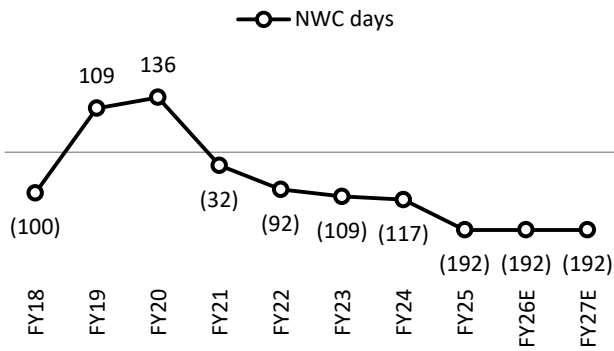
Source: MOFSL, Company

Exhibit 14: We expect PAT to clock a CAGR of 14%



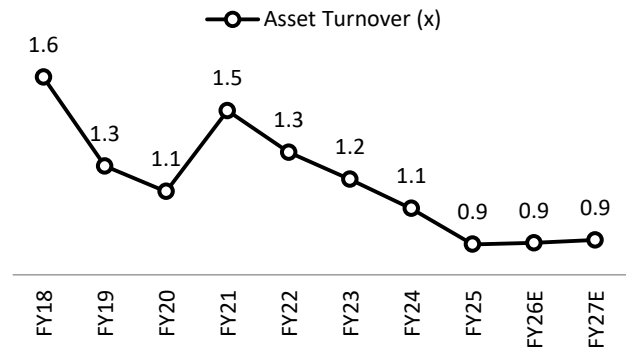
Source: MOFSL, Company

Exhibit 15: NWC days to remain at comfortable levels



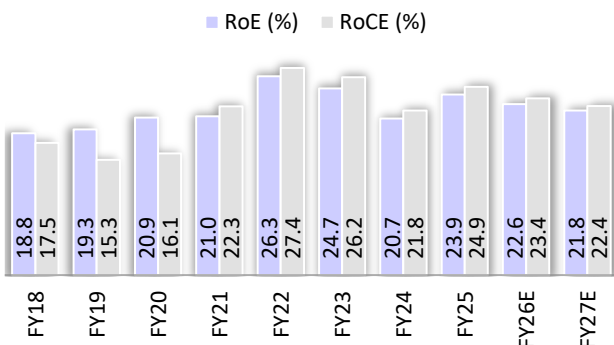
Source: MOFSL, Company

Exhibit 16: Asset turnover to remain comfortable



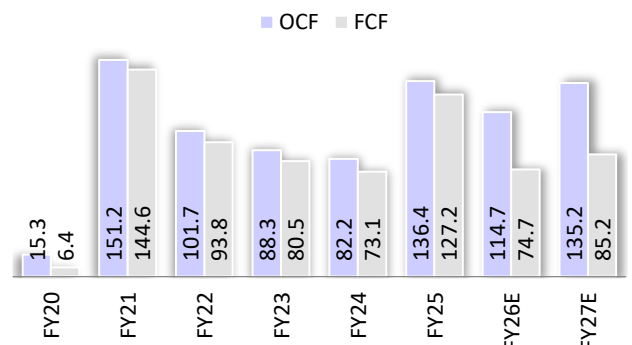
Source: MOFSL, Company

Exhibit 17: We expect RoE/RoCE to remain ~22-24%



Source: MOFSL, Company

Exhibit 18: OCF/FCF to normalize beyond FY25 (INR b)



Source: MOFSL, Company

Financials and valuation

Consolidated Income Statement

(INR M)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Net Sales	2,14,452	2,28,823	2,46,200	2,69,275	2,98,321	3,09,810	3,74,976	4,53,419
Change (%)	7.2	6.7	7.6	9.4	10.8	3.9	21.0	20.9
Raw Materials	93,874	1,11,914	1,00,012	1,01,021	1,10,591	1,22,880	1,57,490	1,99,504
Gross Profit	1,20,578	1,16,909	1,46,188	1,68,254	1,87,731	1,86,929	2,17,486	2,53,915
Employee Cost	47,776	43,052	46,044	49,104	52,907	57,304	61,334	70,534
Other Expenses	23,771	20,495	46,058	52,358	53,239	33,545	44,350	53,628
Total Expenditure	1,65,421	1,75,461	1,92,115	2,02,483	2,16,737	2,13,729	2,63,174	3,23,667
% of Net Sales	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7
EBITDA	49,031	53,363	54,086	66,792	81,585	96,081	1,11,802	1,29,752
Margin (%)	22.9	23.3	22.0	24.8	27.3	31.0	29.8	28.6
Depreciation	9,985	11,579	11,105	17,847	14,072	13,404	15,389	18,777
EBIT	39,046	41,784	42,980	48,945	67,513	82,677	96,413	1,10,976
Interest	3,485	2,592	582	580	321	87	87	87
Other Income	2,966	3,575	9,849	16,701	18,966	25,617	29,434	32,697
PBT Before EO Exp	38,527	42,767	52,248	65,066	86,158	1,08,207	1,25,760	1,43,586
EO Items	1,189	20	0	0	15,826	59	0	0
PBT After EO Exp	39,716	42,787	52,248	65,066	1,01,984	1,08,266	1,25,760	1,43,586
Tax	10,960	10,379	1,447	6,818	26,039	25,032	31,814	36,331
Rate (%)	28.4	24.3	2.8	10.5	30.2	23.1	25.3	25.3
MI & P/L of Asso. Cos	72	52	-1	29	266	407	488	585
Reported PAT	28,828	32,460	50,800	58,277	76,211	83,641	94,433	1,07,840
Change (%)	23.8	12.6	56.5	14.7	30.8	9.8	12.9	14.2
Adjusted PAT	27,639	32,439	50,800	58,277	60,384	83,582	94,433	1,07,840
Change (%)	18.7	17.4	56.6	14.7	3.6	38.4	13.0	14.2

Consolidated Balance Sheet

(INR M)

Y/E March	2,020	2021	2022	2023	2024	2025	2026E	2027E
Share Capital	3,344	3,344	3,344	3,344	3,344	3,344	3,344	3,344
Reserves	1,29,141	1,50,895	1,89,787	2,32,378	2,88,038	3,46,472	4,14,154	4,91,899
Net Worth	1,32,485	1,54,239	1,93,131	2,35,722	2,91,382	3,49,816	4,17,498	4,95,243
Minority Interest	43	39	38	37	36	36	36	36
Loans	58,865	91	0	0	0	0	0	0
Deferred Tax Liability	-4,701	-524	-5,656	-11,257	-14,543	-15,680	-15,680	-15,680
Capital Employed	1,86,692	1,53,845	1,87,513	2,24,502	2,76,875	3,34,172	4,01,854	4,79,599
Gross Fixed Assets	1,21,799	1,31,721	1,40,032	1,58,570	1,71,667	1,84,410	2,24,410	2,74,410
Less: Depreciation	48,225	60,062	72,373	90,226	1,04,298	1,17,702	1,33,091	1,51,868
Net Fixed Assets	73,575	71,659	67,659	68,344	67,369	66,708	91,319	1,22,542
Capital WIP	20,427	19,496	24,729	18,850	24,934	30,978	30,978	30,978
Investments	9,908	11,214	13,627	14,580	15,914	17,542	17,542	17,542
Curr. Assets	4,24,163	4,14,749	4,72,249	5,59,008	6,58,192	9,31,761	11,24,768	13,51,775
Inventory	1,94,359	1,66,730	1,43,473	1,21,487	1,32,175	2,16,757	2,62,350	3,17,233
Debtors	1,90,765	1,41,157	1,24,502	1,40,955	1,65,108	2,05,370	2,48,567	3,00,567
Cash & Bank Balance	3,166	71,774	1,43,477	2,03,166	2,64,316	3,81,823	4,59,154	5,46,917
Loans & Advances	674	153	144	140	164	130	157	190
Other Current Assets	35,200	34,935	60,653	93,260	96,429	1,27,682	1,54,539	1,86,868
Current Liab. & Prov.	3,41,381	3,63,271	3,90,751	4,36,279	4,89,534	7,12,817	8,62,753	10,43,237
Creditors	40,837	22,556	25,576	31,350	34,129	51,057	61,796	74,724
Other Liabilities	2,37,237	3,28,155	3,01,975	3,23,675	3,63,515	5,58,906	6,76,468	8,17,982
Provisions	63,307	12,560	63,200	81,254	91,891	1,02,854	1,24,489	1,50,531
Net Current Assets	82,782	51,477	81,498	1,22,729	1,68,658	2,18,944	2,62,015	3,08,538
Application of Funds	1,86,692	1,53,845	1,87,513	2,24,502	2,76,875	3,34,172	4,01,854	4,79,599

Financials and valuation

Ratios

Y/E March	2,020	2021	2022	2023	2024	2025	2026E	2027E
Basic (INR)	43.1	48.5	76.0	87.1	114.0	125.1	141.2	161.2
Adjusted EPS	41.3	48.5	76.0	87.1	90.3	125.0	141.2	161.2
Growth (%)	18.7	17.4	56.6	14.7	3.6	38.4	13.0	14.2
Cash EPS	56.3	65.8	92.6	113.8	111.3	145.0	164.2	189.3
Book Value	198.1	230.6	288.8	352.5	435.7	523.1	624.3	740.5
DPS	20.0	15.0	20.0	25.0	29.5	38.0	40.0	45.0
Payout (incl. Div. Tax.)	48.5	30.9	26.3	28.7	32.7	30.4	28.3	27.9

Valuation (x)

P/E (standalone)	124.1	105.7	67.5	58.8	56.8	41.0	36.3	31.8
Cash P/E	91.1	77.9	55.4	45.0	46.1	35.4	31.2	27.1
EV/EBITDA	71.1	62.9	60.7	48.3	38.8	31.7	26.6	22.2
EV/Sales	16.2	14.7	13.3	12.0	10.6	9.8	7.9	6.4
Price/Book Value	25.9	22.2	17.8	14.5	11.8	9.8	8.2	6.9
Dividend Yield (%)	0.4	0.3	0.4	0.5	0.6	0.7	0.8	0.9

Profitability Ratios (%)

RoE	20.9	21.0	26.3	24.7	20.7	23.9	22.6	21.8
RoCE	16.1	22.3	27.4	26.2	21.8	24.9	23.4	22.4
RoIC	16.1	44.7	137.4	648.5	NA	NA	NA	NA

Turnover Ratios

Debtors (Days)	325	225	185	191	202	242	242	242
Inventory (Days)	331	266	213	165	162	255	255	255
Creditors. (Days)	70	36	38	42	42	60	60	60
Asset Turnover (x)	1.1	1.5	1.3	1.2	1.1	0.9	0.9	0.9

Leverage Ratio

Net Debt/Equity (x)	0.4	-0.5	-0.7	-0.9	-0.9	-1.1	-1.1	-1.1
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Consolidated Cash Flow Statement

(INR M)

Y/E March	2,020	2021	2022	2023	2024	2025	2026E	2027E
PBT before EO Items	39,786	42,835	52,245	65,095	1,02,249	1,08,673	1,26,248	1,44,171
Add : Depreciation	10,303	12,217	12,870	23,821	14,221	13,627	15,389	18,777
Interest	3,485	2,044	559	258	314	87	87	87
Less : Direct Taxes Paid	18,199	8,755	10,275	27,557	19,693	35,382	31,814	36,331
(Inc)/Dec in WC	31,832	-92,481	-15,894	-4,515	31,251	-47,556	-34,260	-41,241
Others	11,731	10,348	30,438	22,165	16,389	1,874	-29,434	-32,697
CF from Operations	15,274	1,51,170	1,01,731	88,297	82,228	1,36,435	1,14,735	1,35,247
(Inc)/Dec in FA	-8,887	-6,531	-7,961	-7,774	-9,085	-9,267	-40,000	-50,000
Free Cash Flow	6,387	1,44,639	93,770	80,524	73,144	1,27,167	74,735	85,247
(Pur)/Sale of Investments	-759	-606	-1,14,907	-46,932	-64,117	-1,15,766	0	0
Others	-3,743	-4,663	-4,984	-2,575	9,101	17,322	29,434	32,697
CF from Investments	-13,389	-11,800	-1,27,852	-57,280	-64,101	-1,07,711	-10,566	-17,303
(Inc)/Dec in Net Worth	0	0	0	0	0	0	0	0
(Inc)/Dec in Debt	17,527	-58,598	-91	0	0	0	0	0
Less : Interest Paid	3,483	2,043	1,170	557	257	371	87	87
Dividend Paid	13,404	10,032	13,376	16,719	19,729	25,414	26,751	30,095
Others	-1	-30	-1	-37	-3	-0	0	0
CF from Fin. Activity	639	-70,702	-14,637	-17,313	-19,989	-25,785	-26,838	-30,182
Inc/Dec of Cash	2,525	68,668	-40,758	13,704	-1,861	2,939	77,331	87,763
Add: Beginning Balance	269	2,793	71,462	30,704	44,408	42,547	3,81,823	4,59,154
Other Bank Balances	372	312	1,12,774	1,58,758	2,21,769	3,36,337	0	0
Closing Balance	3,166	71,774	1,43,477	2,03,166	2,64,316	3,81,823	4,59,154	5,46,917

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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