

February 13, 2026

Q3FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	5,338		5,507	
Sales (Rs. m)	3,83,703	4,40,977	3,85,839	4,41,593
% Chng.	(0.6)	(0.1)		
EBITDA (Rs. m)	1,11,657	1,26,560	1,12,023	1,26,455
% Chng.	(0.3)	0.1		
EPS (Rs.)	138.2	152.5	138.0	151.8
% Chng.	0.1	0.5		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	3,09,810	3,40,812	3,83,703	4,40,977
EBITDA (Rs. m)	96,081	1,01,732	1,11,657	1,26,560
Margin (%)	31.0	29.9	29.1	28.7
PAT (Rs. m)	82,711	88,484	92,418	1,02,004
EPS (Rs.)	123.7	132.3	138.2	152.5
Gr. (%)	17.0	7.0	4.4	10.4
DPS (Rs.)	38.7	39.7	41.5	45.8
Yield (%)	0.9	1.0	1.0	1.1
RoE (%)	25.8	23.2	20.8	19.9
RoCE (%)	15.9	12.8	12.3	12.1
EV/Sales (x)	7.7	6.8	5.8	4.8
EV/EBITDA (x)	25.0	22.7	19.8	16.7
PE (x)	33.6	31.4	30.1	27.3
P/BV (x)	8.0	6.8	5.8	5.1

Key Data

HIAE.BO | HNAL IN

52-W High / Low	Rs.5,166 / Rs.3,046
Sensex / Nifty	83,675 / 25,807
Market Cap	Rs.2,781bn / \$ 30,700m
Shares Outstanding	669m
3M Avg. Daily Value	Rs.5889.8m

Shareholding Pattern (%)

Promoter's	71.64
Foreign	10.86
Domestic Institution	9.68
Public & Others	7.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.0)	(5.7)	15.7
Relative	(7.7)	(9.6)	5.3

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Long term revenue visibility intact amid rumored AMCA exclusion

Quick Pointers:

- During the quarter, HAL received 5th GE-F404 engine and has 5 aircrafts ready for delivery.
- Management has acknowledged a one-time impact from the new labor codes but has not disclosed the amount.

Hindustan Aeronautics (HAL) delivered a 10.7% YoY revenue growth, while EBITDA margin remained flat at 24.3%. HAL continues to demonstrate strong execution and growth visibility, having received fifth GE-F404 engines during the quarter, with five LCA Mka1 aircrafts ready for delivery and an additional nine aircrafts already built and awaiting engine supplies for delivery. While rumours suggest HAL's exclusion from the AMCA prototype phase, management remains confident of participating in the production phase, expected post-2035. We believe that even in the event of exclusion from the prototype stage, the impact on HAL's mid-to-long-term earnings is negligible, as AMCA production lies well beyond the current horizon. Meanwhile, a robust confirmed order book provides strong revenue visibility up to 2032, supported by a healthy production pipeline and multiple strategic programmes including IMRH, LCA Mk2 and CATS which are expected to enter production post-2032, reinforcing HAL's long-term growth and technological capabilities. The stock is currently trading at a P/E of 30.1x/27.3x on FY27/28E earnings. We roll forward to Mar'28E and maintain 'Buy' rating valuing the stock at a PE of 35x Mar'28E (38x Sep'27E earlier) arriving at a TP of Rs5,338 (Rs5,507 earlier).

HAL's execution on the deliveries of Tejas Mk1A aircrafts will be a key monitorable in the coming quarters, however its long-term play on the growing strength & modernization of India's air defense given 1) it is the primary supplier of India's military aircraft, 2) long-term sustainable demand opportunity owing to government's push on indigenous procurement of defense aircraft, 3) a robust order book with a 2-year pipeline of Rs1.0trn+, 4) leap in HAL's technological capabilities due to development of advanced platforms (Tejas, AMCA, GE-414 & IMRH engines, etc.), and 5) improvement in profitability via scale & operating leverage.

Higher provisions weighed on profitability: Consolidated revenue increased by 10.7% YoY to Rs77.0bn (PLe: Rs76.2bn). EBITDA increased by 11.2% YoY to Rs18.7bn (PLe: Rs17.9bn) while EBITDA margin expanded by 12bps YoY to 24.3% driven by gross margin expansion partially offset by higher employee costs (+28.5% YoY to Rs16.7bn) which may include one-time impact of new labour codes. PBT increased by 21.5% YoY to Rs24.7bn (PLe: Rs21.4bn) aided by significantly higher other income (+44.7% YoY to Rs9.1bn). PAT increased by 29.6% YoY to Rs18.7bn (PLe: Rs16.0bn; consensus Rs16.5bn) aided by lower effective tax rate (25.1% vs 29.6% in Q3FY25).

9MFY26 Performance: Revenue increased by 10.8% YoY to Rs191.5bn. EBITDA increased by 9.2% YoY to Rs47.1bn while EBITDA margin contracted by 35bps YoY to 24.6%. Adj. PAT increased by 16.3% YoY to Rs49.2bn aided by higher other income (+48.1% YoY to Rs25.5bn).

Exhibit 1: Higher other income (+44.7% YoY to Rs9.1bn) aided adj. PAT growth of 29.6% YoY to Rs18.7bn

Y/e March (Rs mn)	Q3FY26	Q3FY25	YoY gr.	Q3FY26E	% Var.	Q2FY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Sales	76,988	69,573	10.7%	76,183	1.1%	66,286	16.1%	1,91,464	1,72,811	10.8%
Gross Profit	41,290	35,363	16.8%	39,234	5.2%	37,156	11.1%	1,11,230	99,630	11.6%
Margin (%)	53.6	50.8	280	51.5	213.2	56.1	(242)	58.1	57.7	44
Employee Cost	16,662	12,962	28.5%	13,560	22.9%	13,345	24.9%	43,831	39,190	11.8%
as % of sales	21.6	18.6	301	17.8	384.2	20.1	151	22.9	22.7	21
Other expenditure	5,919	5,576	6.1%	7,778	-23.9%	8,233	-28.1%	20,286	17,308	17.2%
as % of sales	7.7	8.0	(33)	10.2	(252.2)	12.4	(473)	10.6	10.0	58
EBITDA	18,710	16,825	11.2%	17,895	4.6%	15,579	20.1%	47,113	43,132	9.2%
Margin (%)	24.3	24.2	12	23.5	81.2	23.5	80	24.6	25.0	(35)
Depreciation	3,098	2,771	11.8%	3,428	-9.6%	2,256	37.3%	7,205	6,039	19.3%
EBIT	15,612	14,054	11.1%	14,467	7.9%	13,323	17.2%	39,908	37,093	7.6%
Margin (%)	20.3	20.2	8	19.0	128.9	20.1	18	20.8	21.5	(62)
Other Income	9,138	6,314	44.7%	6,933	31.8%	8,877	2.9%	25,486	17,212	48.1%
Interest	10	1	1125.0%	15	-34.7%	4	172.2%	16	2	583.3%
PBT (ex. Extra-ordinaries)	24,740	20,368	21.5%	21,385	15.7%	22,196	11.5%	65,377	54,303	20.4%
Margin (%)	32.1	29.3	286	28.1	406.5	33.5	(135)	34.1	31.4	272
Extraordinary Items	-	-	-	-	-	-	-	-	4,509	-
PBT	24,740	20,368	21.5%	21,385	15.7%	22,196	11.5%	65,377	58,812	11.2%
Total Tax	6,202	6,024	2.9%	5,346	16.0%	5,579	11.2%	16,486	12,612	30.7%
Effective Tax Rate (%)	25.1	29.6	(451)	25.0	6.6	25.1	(7)	25.2	21.4	377
PAT	18,539	14,344	29.2%	16,039	15.6%	16,617	11.6%	48,891	46,200	5.8%
Profit/(loss) from JVs	128	54	135.4%	-	#DIV/0!	73	74.1%	304	235	29.4%
Profit/(loss) from MI	-	(0)	-100.0%	-	#DIV/0!	-	#DIV/0!	-	(1)	-100.0%
PAT after MI & JVs	18,667	14,398	29.6%	16,039	16.4%	16,691	11.8%	49,195	46,436	5.9%
Adj. PAT	18,667	14,398	29.6%	16,039	16.4%	16,691	11.8%	49,195	42,297	16.3%
Margin (%)	24.2	20.7	355	21.1	319.3	25.2	(93)	25.7	24.5	122
Adj. EPS	27.9	21.5	29.6%	24.0	16.4%	25.0	11.8%	73.6	63.2	16.3%

Source: Company, PL

Exhibit 2: Domestic Peers (Rs mn)

Company name	Sales			EBITDA			EBITDA Margin (%)			PAT		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Bharat Electronics	2,76,907	3,24,985	3,81,391	78,566	92,491	1,08,401	28.4%	28.5%	28.4%	60,486	71,744	84,401
Hindustan Aeronautics	3,42,098	4,07,143	4,82,837	1,01,386	1,18,318	1,37,641	29.6%	29.1%	28.5%	87,239	1,00,129	1,15,513
MDL	1,33,986	1,52,342	1,59,391	24,383	28,265	30,734	18.2%	18.6%	19.3%	27,722	31,627	34,114
GRSE	69,243	86,961	91,550	6,519	8,199	9,237	9.4%	9.4%	10.1%	7,216	9,206	9,877

Company name	EPS			P/E (x)			Target P/E (x)			RoE (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Bharat Electronics	8.26	9.78	11.52	53.8x	45.4x	38.5x	59.6x	50.4x	42.7x	27.6%	27.5%	27.6%
Hindustan Aeronautics	133.12	152.57	174.83	31.2x	27.3x	23.8x	41.1x	35.8x	31.3x	22.9%	22.5%	22.1%
MDL	69.40	79.04	85.81	34.8x	30.6x	28.1x	42.5x	37.3x	34.4x	31.1%	28.4%	25.1%
GRSE	62.13	80.29	86.18	40.2x	31.1x	29.0x	45.2x	34.9x	32.6x	29.1%	29.4%	26.3%

Source: Company, PL

Exhibit 3: International Peers (\$ mn)

Company name	Sales			EBITDA			EBITDA Margin (%)			PAT		
	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E
Boeing	89,463	97,004	1,10,969	-3,920	5,616	9,417	-4.4%	5.8%	8.5%	-6,695	424	3,995
Airbus	87,923	98,053	1,09,399	11,599	13,321	15,443	13.2%	13.6%	14.1%	6,036	7,278	8,686
Lockheed Martin	75,048	78,967	82,988	8,224	11,270	11,732	11.0%	14.3%	14.1%	3,829	6,902	7,300
Dassault Aviation	8,306	10,232	11,427	943	1,233	1,448	11.3%	12.1%	12.7%	1,197	1,500	1,712
Textron Inc	15,500	16,200	16,660	1,865	2,032	2,143	12.0%	12.5%	12.9%	1,114	1,229	1,300
Embraer	7,646	8,678	9,582	871	1,053	1,211	11.4%	12.1%	12.6%	388	522	630
Safran	37,414	42,019	45,749	7,931	9,070	10,100	21.2%	21.6%	22.1%	4,164	5,199	5,936
Hindustan Aeronautics (Rs mn)	3,42,098	4,07,143	4,82,837	1,01,386	1,18,318	1,37,641	29.6%	29.1%	28.5%	87,239	1,00,129	1,15,513

Company name	EPS			P/E (x)			Target P/E (x)			RoE (%)		
	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E
Boeing	-8.81	0.42	4.82	-26.8x	561.9x	49.0x	-31.1x	652.8x	56.9x	14.9%	15.8%	43.3%
Airbus	7.64	9.30	11.18	29.6x	24.3x	20.2x	30.0x	24.6x	20.5x	23.8%	24.9%	25.3%
Lockheed Martin	16.40	29.72	31.92	37.1x	20.5x	19.1x	40.2x	22.2x	20.6x	88.0%	85.8%	73.9%
Dassault Aviation	15.29	19.61	22.27	24.2x	18.9x	16.6x	27.3x	21.3x	18.7x	15.1%	17.3%	17.6%
Textron Inc	6.53	7.42	8.16	14.1x	12.4x	11.3x	15.0x	13.2x	12.0x	13.4%	14.2%	14.3%
Embraer	0.52	0.97	1.22	179.2x	95.4x	76.3x	180.8x	96.3x	77.0x	10.4%	13.9%	15.5%
Safran	9.89	12.51	14.51	36.0x	28.5x	24.5x	35.3x	27.9x	24.0x	32.3%	32.0%	31.7%
Hindustan Aeronautics (Rs mn)	133.12	152.57	174.83	31.2x	27.3x	23.8x	41.1x	35.8x	31.3x	22.9%	22.5%	22.1%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	3,09,810	3,40,812	3,83,703	4,40,977
YoY gr. (%)	3.9	10.0	12.6	14.9
Cost of Goods Sold	1,22,880	1,37,347	1,59,621	1,84,328
Gross Profit	1,86,929	2,03,465	2,24,083	2,56,648
Margin (%)	60.3	59.7	58.4	58.2
Employee Cost	57,304	60,835	67,916	77,171
Other Expenses	33,545	40,897	44,510	52,917
EBITDA	96,081	1,01,732	1,11,657	1,26,560
YoY gr. (%)	4.5	5.9	9.8	13.3
Margin (%)	31.0	29.9	29.1	28.7
Depreciation and Amortization	13,404	16,452	18,429	20,875
EBIT	82,677	85,281	93,228	1,05,685
Margin (%)	26.7	25.0	24.3	24.0
Net Interest	87	102	115	132
Other Income	23,727	32,608	30,403	30,802
Profit Before Tax	1,10,827	1,17,787	1,23,516	1,36,355
Margin (%)	35.8	34.6	32.2	30.9
Total Tax	25,032	29,682	31,497	34,771
Effective tax rate (%)	22.6	25.2	25.5	25.5
Profit after tax	85,795	88,104	92,019	1,01,585
Minority interest	(1)	-	-	-
Share Profit from Associate	407	380	399	419
Adjusted PAT	82,711	88,484	92,418	1,02,004
YoY gr. (%)	17.0	7.0	4.4	10.4
Margin (%)	24.8	23.7	22.3	21.6
Extra Ord. Income / (Exp)	3,491	-	-	-
Reported PAT	86,202	88,484	92,418	1,02,004
YoY gr. (%)	21.9	2.6	4.4	10.4
Margin (%)	27.8	26.0	24.1	23.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	86,202	88,484	92,418	1,02,004
Equity Shares O/s (m)	669	669	669	669
EPS (Rs)	123.7	132.3	138.2	152.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	1,84,447	2,11,383	2,36,346	2,60,878
Tangibles	1,34,874	1,54,374	1,73,874	1,93,374
Intangibles	49,573	57,010	62,473	67,505
Acc: Dep / Amortization	1,17,739	1,31,342	1,46,474	1,63,643
Tangibles	75,171	84,137	94,149	1,05,533
Intangibles	42,568	47,204	52,326	58,110
Net fixed assets	66,708	80,042	89,872	97,235
Tangibles	59,703	70,236	79,725	87,840
Intangibles	7,005	9,805	10,147	9,395
Capital Work In Progress	30,978	31,193	32,933	34,694
Goodwill	-	-	-	-
Non-Current Investments	21,489	22,317	24,817	28,156
Net Deferred tax assets	15,680	15,680	15,680	15,680
Other Non-Current Assets	26,868	29,310	32,999	37,924
Current Assets				
Investments	-	-	-	-
Inventories	2,16,757	2,38,101	2,67,016	3,06,871
Trade receivables	46,478	52,149	57,661	69,469
Cash & Bank Balance	3,81,823	4,75,528	5,70,883	6,67,108
Other Current Assets	83,453	85,203	95,926	1,10,244
Total Assets	10,62,669	12,18,774	14,00,856	16,07,846
Equity				
Equity Share Capital	3,344	3,344	3,344	3,344
Other Equity	3,46,472	4,08,654	4,73,552	5,45,120
Total Network	3,49,816	4,11,998	4,76,896	5,48,464
Non-Current Liabilities				
Long Term borrowings	11	11	11	11
Provisions	18,681	19,467	21,733	24,695
Other non current liabilities	2,48,206	2,72,649	3,06,963	3,52,781
Current Liabilities				
ST Debt / Current of LT Debt	0	0	0	0
Trade payables	51,057	57,891	66,228	78,530
Other current liabilities	3,89,896	4,51,268	5,23,233	5,96,714
Total Equity & Liabilities	10,62,669	12,18,774	14,00,856	16,07,846

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	1,08,673	1,17,787	1,23,516	1,36,355
Add. Depreciation	13,627	16,452	18,429	20,875
Add. Interest	87	102	115	132
Less Financial Other Income	23,727	32,608	30,403	30,802
Add. Other	1,874	(27,155)	(23,852)	(23,679)
Op. profit before WC changes	1,24,260	1,07,186	1,18,208	1,33,683
Net Changes-WC	47,556	45,313	43,958	36,359
Direct tax	(35,382)	(29,682)	(31,497)	(34,771)
Net cash from Op. activities	1,36,435	1,22,817	1,30,670	1,35,272
Capital expenditures	(17,536)	(30,000)	(30,000)	(30,000)
Interest / Dividend Income	25,595	26,775	23,453	23,260
Others	(1,15,770)	86,095	(1,930)	(2,577)
Net Cash from Invt. activities	(1,07,711)	82,870	(8,477)	(9,317)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(25,414)	(25,542)	(26,722)	(29,598)
Interest paid	(371)	(102)	(115)	(132)
Others	0	-	-	-
Net cash from Fin. activities	(25,785)	(25,644)	(26,837)	(29,730)
Net change in cash	2,939	1,80,042	95,355	96,225
Free Cash Flow	1,18,865	92,817	1,00,670	1,05,272

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	123.7	132.3	138.2	152.5
CEPS	143.7	156.9	165.7	183.7
BVPS	523.1	616.0	713.1	820.1
FCF	177.7	138.8	150.5	157.4
DPS	38.7	39.7	41.5	45.8
Return Ratio(%)				
RoCE	15.9	12.8	12.3	12.1
ROIC	46.4	33.5	36.6	38.4
RoE	25.8	23.2	20.8	19.9
Balance Sheet				
Net Debt : Equity (x)	(1.1)	(1.2)	(1.2)	(1.2)
Net Working Capital (Days)	250	249	246	247
Valuation(x)				
PER	33.6	31.4	30.1	27.3
P/B	8.0	6.8	5.8	5.1
P/CEPS	28.9	26.5	25.1	22.6
EV/EBITDA	25.0	22.7	19.8	16.7
EV/Sales	7.7	6.8	5.8	4.8
Dividend Yield (%)	0.9	1.0	1.0	1.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	1,36,999	48,190	66,286	76,988
YoY gr. (%)	(7.2)	10.8	10.9	10.7
Raw Material Expenses	49,700	15,407	29,130	35,698
Gross Profit	87,299	32,784	37,156	41,290
Margin (%)	63.7	68.0	56.1	53.6
EBITDA	52,949	12,824	15,579	18,710
YoY gr. (%)	(10.3)	29.4	(5.0)	11.2
Margin (%)	38.6	26.6	23.5	24.3
Depreciation / Depletion	7,365	1,852	2,256	3,098
EBIT	45,584	10,972	13,323	15,612
Margin (%)	33.3	22.8	20.1	20.3
Net Interest	84	3	4	10
Other Income	6,515	7,471	8,877	9,138
Profit before Tax	52,015	18,440	22,196	24,740
Margin (%)	38.0	38.3	33.5	32.1
Total Tax	12,420	4,705	5,579	6,202
Effective tax rate (%)	23.9	25.5	25.1	25.1
Profit after Tax	39,595	13,735	16,617	18,539
Minority interest	-	-	-	-
Share Profit from Associates	172	103	73	128
Adjusted PAT	39,767	13,838	16,691	18,667
YoY gr. (%)	(7.7)	7.8	10.8	29.6
Margin (%)	29.0	28.7	25.2	24.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	39,767	13,838	16,691	18,667
YoY gr. (%)	(7.7)	(18.3)	10.5	29.6
Margin (%)	29.0	28.7	25.2	24.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	39,767	13,838	16,691	18,667
Avg. Shares O/s (m)	669	669	669	669
EPS (Rs)	59.5	20.7	25.0	27.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-26	BUY	5,507	4,525
2	12-Nov-25	BUY	5,507	4,749
3	07-Oct-25	BUY	5,500	4,838
4	12-Aug-25	BUY	5,500	4,409
5	09-Jul-25	Accumulate	5,500	5,003
6	19-May-25	Accumulate	5,500	5,128
7	09-Apr-25	Accumulate	4,134	4,042
8	13-Feb-25	Accumulate	4,110	3,594

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	4,695
2	Apar Industries	BUY	9,629	7,695
3	BEML	Hold	1,982	1,861
4	Bharat Electronics	Reduce	411	453
5	BHEL	Hold	245	263
6	Carborundum Universal	Hold	825	788
7	Cummins India	Hold	4,182	4,391
8	Elgi Equipments	Accumulate	561	472
9	Engineers India	BUY	255	205
10	GE Vernova T&D India	BUY	4,050	2,911
11	Grindwell Norton	Hold	1,731	1,635
12	Harsha Engineers International	Hold	408	396
13	Hindustan Aeronautics	BUY	5,507	4,525
14	Ingersoll-Rand (India)	Accumulate	4,271	3,395
15	Kalpataru Projects International	BUY	1,489	1,100
16	KEC International	Accumulate	748	669
17	Kirloskar Pneumatic Company	BUY	1,557	1,068
18	Larsen & Toubro	BUY	4,806	3,794
19	Praj Industries	Hold	353	322
20	Siemens	Accumulate	3,409	3,176
21	Siemens Energy India	Accumulate	3,312	2,603
22	Thermax	Accumulate	3,374	2,916
23	Triveni Turbine	Accumulate	585	509
24	Voltamp Transformers	BUY	10,312	7,978

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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