12 November 2026
2QFY27 Result Update| Sector: Capital Goods

Hindustan Aeronautics

Estimate change	⟷
TP change	↑
Rating change	⟷

Motilal Oswal values your support in the EXTEL POLL 2026 for India Research, Sales, Corporate Access and Trading team.
We request your ballot.
EXTEL POLL 2026
Ranked 3rd and 4th in the Onshore Broker and Local Broker categories, respectively

Bloomberg	HNAL IN
Equity Shares (m)	669
M.Cap.(INRb)/(USDb)	3239.1 / 34.4
52-Week Range (INR)	5150 / 3479
1, 6, 12 Rel. Per (%)	-11/-2/4
12M Avg Val (INR M)	5450

Financials Snapshot (INR b)

Y/E March	2027E	2028E	2029E
Sales	376.5	472.9	608.6
EBITDA	110.9	136.8	165.6
Adj. PAT	101.1	120.5	146.3
Adj. EPS (INR)	151.1	180.2	218.7
EPS Gr. (%)	10.9	19.3	21.4
BV/Sh.(INR)	719.8	855.0	1,028.8
Ratios			
RoE (%)	21.0	21.1	21.3
RoCE (%)	21.2	21.3	21.4
Payout (%)	29.8	25.0	20.6
Valuations			
P/E (x)	32.0	26.9	22.1
P/BV (x)	6.7	5.7	4.7
EV/EBITDA (x)	24.6	19.2	15.0
Div. Yield (%)	0.9	0.9	0.9

Shareholding pattern (%)

As of	Sep-26	Jun-26	Sep-25
Promoter	71.6	71.6	71.6
DII	12.6	12.0	8.7
FII	9.4	9.3	12.0
Others	6.4	7.0	7.7

FII includes depository receipts

CMP: INR4,843 TP: INR5,900 (+22%) Buy

Decent performance

HNAL's 2QFY27 revenue came in line with our estimates. Lower-than-expected margin performance was offset by higher income from JVs and lower depreciation, resulting in slight outperformance at PAT level. HAL has already received 14 engines from GE for Tejas Mk1A and we expect Tejas Mk1A deliveries to commence from 4QFY27. Along with this and an implied order book of INR2.4t, we expect execution from other projects to scale up further. We maintain our estimates and roll forward our TP to Dec'28E earnings. Reiterate BUY with a revised TP of INR5,900 (earlier INR5,800), based on the average of DCF and 30x two-year forward earnings.

In-line revenue, beat on PAT

HAL 2QFY27 revenue was in line, margin was below, and PAT beat our estimates. Revenue increased 15% YoY to INR76b. Gross margin contracted 320bp YoY to 52.9% vs. our est. of 57.0%. Absolute EBITDA rose 12% YoY to INR17.4b (vs. our est. of INR18.4b). Lower-than-expected employee costs, other expenses and provisions softened the impact on EBITDA margin. EBITDA margin stood at 22.8% vs. our est. of 24.5%. PAT of INR19.4b (+16% YoY) came in ahead of our est., supported by lower-than-expected depreciation and higher-than-expected share of profit from JVs. For 1HFY27, revenue/EBITDA/PAT increased 15%/15%/15% YoY to INR131b/INR32.7b/INR35.3b, while EBITDA margin expanded 10bp YoY to 24.9%. For 1HFY27, OCF declined 79% YoY to INR15.7b mainly due to a surge in inventory and other current assets, while FCF declined 86% YoY to INR9.4b.

Working capital remains at healthy levels

HAL's NWC position has improved to -244 days in 1HFY27 (annualized), vs. -207 days in FY26. A sharp increase in inventory/receivables days to 549/321 days in 1HFY27 (vs. 340/256 days in FY26) was more than offset by a sharp increase in customer advances to 1,216 days vs. 854 days in FY26. We expect this to moderate by FY27 end, as the current inventory build-up translates into higher deliveries, while customer advances are progressively adjusted against order execution.

Status of Tejas Mk1A deliveries

The Tejas Mk1A program is witnessing delays. However, management's commentary in media indicate that HAL has 27 aircraft airframes ready as of Sep'26 and the program nearing 90-95% completion. The remaining activities largely involve final-stage testing and missile and AESA radar integration. Engine availability has also improved, with GE delivering three F404 engines in Aug'26 and four in Sep'26, taking cumulative supplies to 14 engines. With the supply situation improving and final integration activities nearing completion, HAL expects to deliver the first 10 Tejas Mk1A aircraft to the IAF by Mar'27. We have factored in 6 Tejas Mk1A deliveries in FY27, followed by a gradual ramp-up thereafter.

Teena Virmani - Research Analyst (Teena.Virmani@MotilalOswal.com)
Research Analyst - Prerit Jain (Prerit.Jain@MotilalOswal.com); **Nikunj Khetan** (Nikunj.Khetan@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Recent DAC approvals further strengthen prospect pipeline

Since Sep'26, the Defence Acquisition Council (DAC) has accorded AoNs for procurement proposals worth ~INR3.2t, including INR1.1t/INR2.1t in Sep'26/Oct'26, with 98%/82% of the procurement values earmarked for domestic industry. HAL is a key potential beneficiary for approvals covering advanced light helicopters (ALH), light multi-role helicopters (LMRH), and special utility helicopters for the Army and IAF. We expect these approvals to translate into firm orders for HAL over the next 2-3 years. The planned second Shakti engine production line at Koraput, with an investment of INR2.2b and capacity of up to 100 engines annually by FY29, will further support production of ALH Dhruv and LCH Prachand helicopters.

Financial outlook

We broadly maintain our estimates for FY27-29, and expect overall revenue/EBITDA/PAT to clock a CAGR of 23%/19%/17% over FY26-29. We expect EBITDA margin to remain strong at 29.4% in FY27, while it is expected to contract slightly to 28.9%/27.2% in FY28/FY29 as the share of manufacturing revenue ramps up. The stock is currently trading at 32.0x/26.9x/22.1x P/E on FY27E/FY28E/FY29E EPS. **We roll forward our TP to Dec'28, and reiterate our BUY rating with a revised TP of INR5,900 (INR5,800 earlier), based on average of DCF and 30x P/E Dec'28E earnings.**

Key risks and concerns

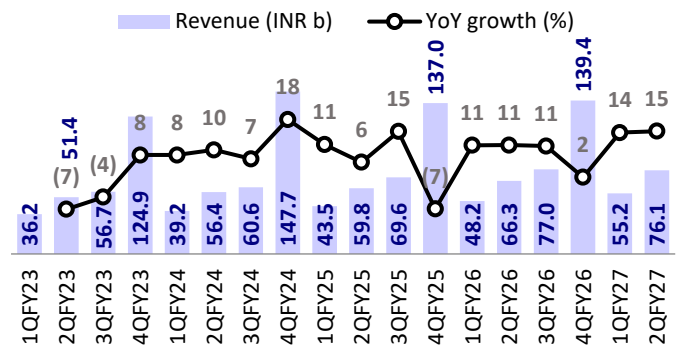
Key risks would include: 1) slower-than-expected finalization of large platform orders, 2) further delays in deliveries of key components, such as engines for the Tejas Mk1A, 3) delays in payments from the MoD, and 4) higher involvement of the private sector.

Consolidated - Quarterly Snapshot **(INR b)**

Income Statement	FY26				FY27E				FY26	FY27E	FY27E	Est
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Var %
Net Sales	**48.2**	**66.3**	**77.0**	**139.4**	**55.2**	**76.1**	**86.6**	**158.6**	**330.9**	**376.5**	**75.3**	**1**
Change (%)	10.8	10.9	10.7	1.8	14.4	14.9	12.5	13.8	6.8	13.8	13.6	
Expenses	35.4	50.7	58.3	88.8	39.9	58.7	65.0	102.1	233.2	265.7	56.9	3
EBITDA	**12.8**	**15.6**	**18.7**	**50.6**	**15.3**	**17.4**	**21.7**	**56.5**	**97.7**	**110.9**	**18.4**	**(6)**
Change (%)	29.4	(5.0)	11.2	(4.5)	19.1	11.7	15.7	11.8	1.7	13.5	18.4	
As of % Sales	26.6	23.5	24.3	36.3	27.7	22.8	25.0	35.6	29.5	29.4	24.5	
Depreciation	1.9	2.3	3.1	6.3	3.0	2.6	4.7	5.7	13.5	16.0	3.7	(30)
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	(64)
Other Income	7.5	8.9	9.1	11.5	9.0	9.9	9.7	10.2	37.0	38.8	9.5	4
PBT pre EO items	**18.4**	**22.2**	**24.7**	**55.7**	**21.2**	**24.7**	**26.6**	**61.1**	**121.1**	**133.6**	**24.2**	**2**
Extra-ordinary Items	-	-	-	-	-	-	-	-	-	-	-	
PBT	**18.4**	**22.2**	**24.7**	**55.7**	**21.2**	**24.7**	**26.6**	**61.1**	**121.1**	**133.6**	**24.2**	**2**
Tax	4.7	5.6	6.2	13.9	5.4	6.3	6.8	15.5	30.4	34.0	6.1	3
Effective Tax Rate (%)	25.5	25.1	25.1	24.9	25.7	25.5	25.6	25.4	25.1	25.5	25.4	
MI & P/L Share of JV	0.1	0.1	0.1	0.1	0.1	1.0	0.4	0.0	0.4	1.5	0.1	
Reported PAT	**13.8**	**16.7**	**18.7**	**42.0**	**15.9**	**19.4**	**20.2**	**45.6**	**91.2**	**101.1**	**18.2**	**6**
Adj PAT	**13.8**	**16.7**	**18.7**	**42.0**	**15.9**	**19.4**	**20.2**	**45.6**	**91.2**	**101.1**	**18.2**	**6**
Change (%)	(3.7)	10.9	29.6	5.5	14.9	16.0	8.2	8.7	9.1	10.9	9.1	
Margin (%)	28.7	25.2	24.2	30.1	28.8	25.4	23.3	28.8	27.5	26.8	24.2	

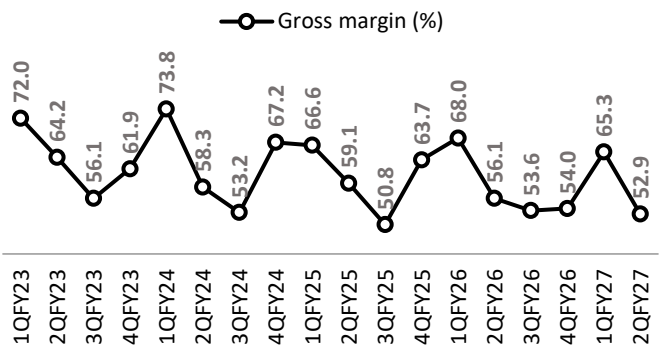
Key Exhibits

Exhibit 1: Revenue increased 15% YoY



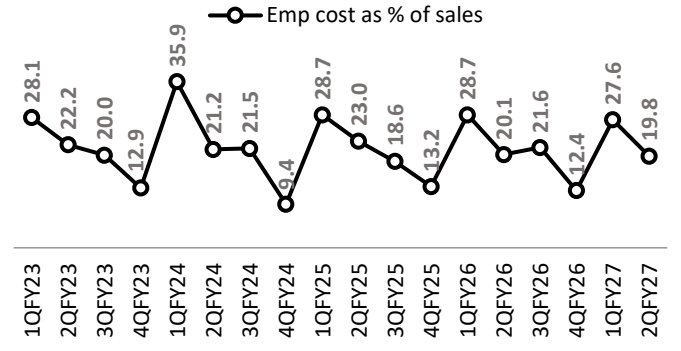
Source: MOFSL, Company

Exhibit 2: Gross margin contracted 320bp YoY to 53%



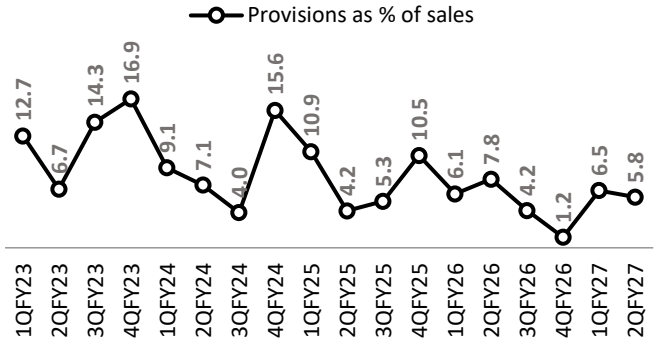
Source: MOFSL, Company

Exhibit 3: Employee costs as % of sales declined YoY



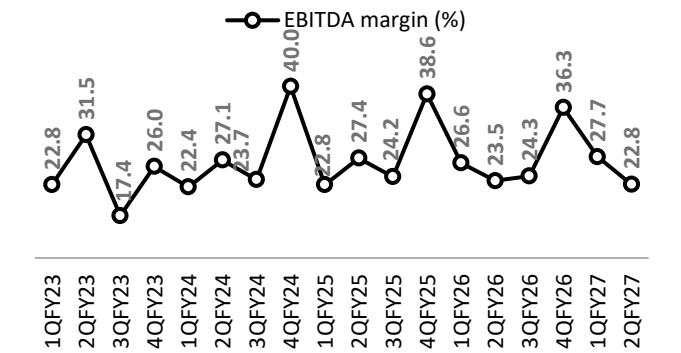
Source: MOFSL, Company

Exhibit 4: Provisions as % of sales declined YoY



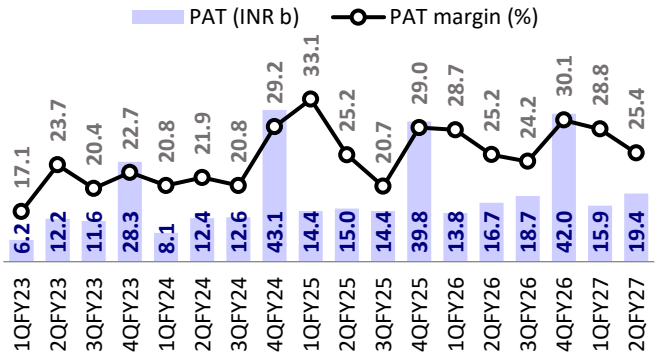
Source: MOFSL, Company

Exhibit 5: EBITDA margin contracted 70bp YoY



Source: MOFSL, Company

Exhibit 6: PAT increased 16% YoY



Source: MOFSL, Company

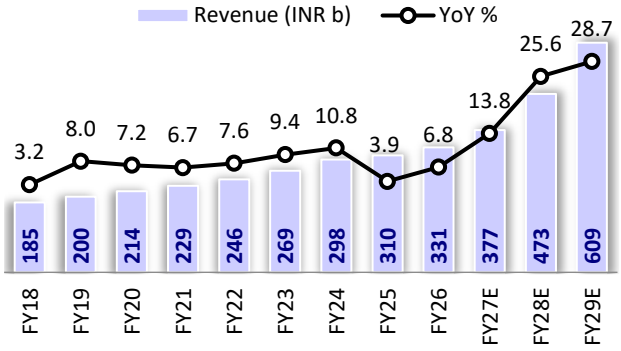
Exhibit 7: HAL's addressable market over the medium-to-long term until FY30

Aircraft	Amount (INR b)	Quantity	Comments
Already awarded			
Tejas Mk1a	480	83	❖ IAF has already placed an order for 83 Tejas Mk1A aircraft, including 73 fighters and 10 trainers. Delivery 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's order was awarded to HAL recently
Tejas Mk1a	624	97	❖ Awarded in Sep'25
Upcoming projects over 2-3 years			
Tejas Mk2	680	108	❖ Tejas Mk2 is designed to replace aging aircraft like 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) ageing fleets of Cheetah and Chetak helicopters.
LUH	97	197	
Su 30 Mk1	630	84	❖ IAF also plans to prioritise the indigenous upgrade of Russian-origin Sukhoi 30 fighter jets during FY26.
NUH	217	111	❖ Naval Utility Helicopter prototype in development, RFI issued in Aug'25.
Total	**1,720**		
Upcoming projects over 4-5 years			
IMRH (multi-utility)	1,000	400	❖ Indian armed forces are expected to procure 400 units of Indian Multi-Role Helicopter (IMRH) to replace ageing Mi-17 helicopters.
TEDBF	1,450	145	❖ The Indian Navy has projected requirements for nearly 145 TEDBF aircraft. Each prototype will cost INR100m (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	**2,450**		
Overall TAM	**4,170**		

Source: Company, MOFSL

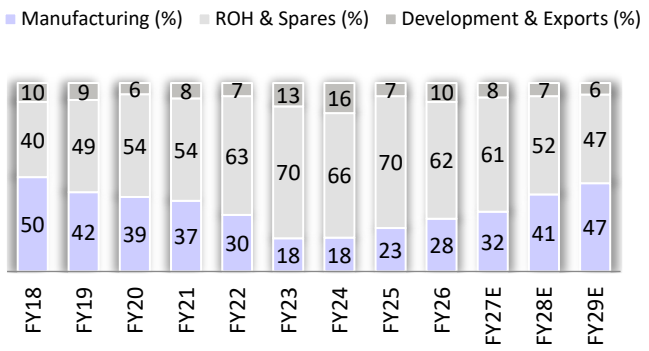
Financial outlook

Exhibit 8: We expect HAL's revenue to clock a CAGR of 23% over FY26-29



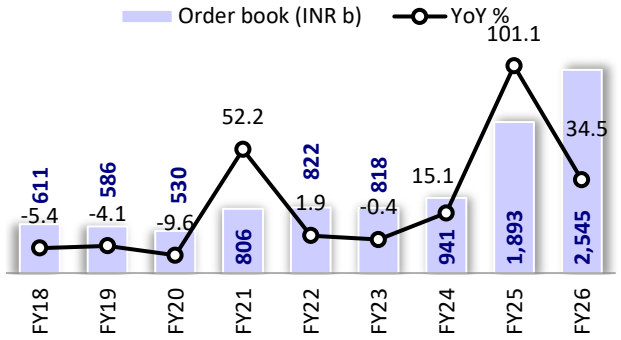
Source: Company, MOFSL

Exhibit 9: Share of manufacturing revenue likely to grow beyond FY26



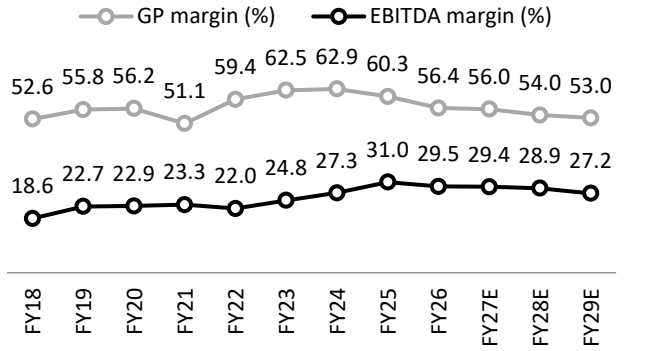
Source: Company, MOFSL

Exhibit 10: Order book stood at ~INR2.5t as of 31st Mar'26 on strong inflows



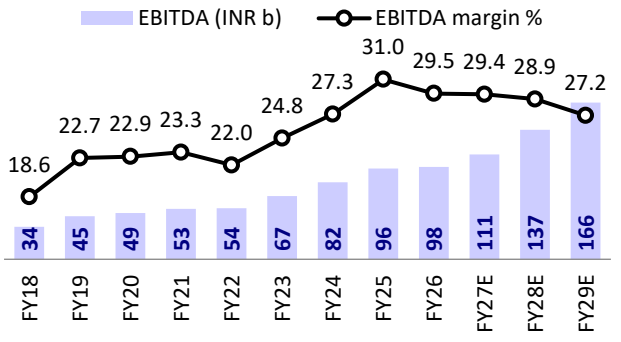
Source: Company, MOFSL

Exhibit 11: We expect gross margin to contract as the share of manufacturing revenue starts increasing



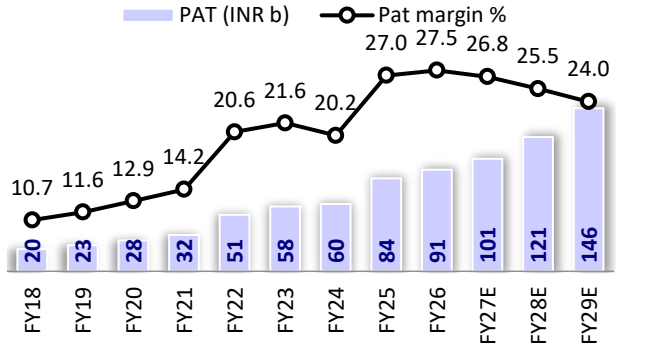
Source: Company, MOFSL

Exhibit 12: EBITDA to clock a CAGR of 19% over FY26-29



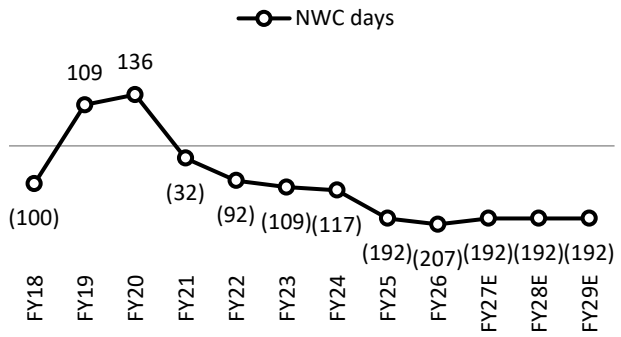
Source: MOFSL, Company

Exhibit 13: We expect a PAT CAGR of 17% over FY26-29



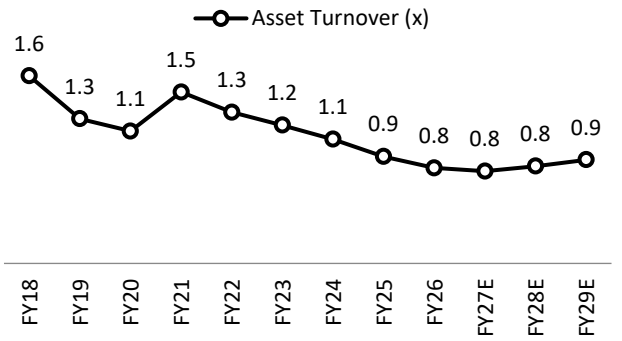
Source: MOFSL, Company

Exhibit 14: NWC days to remain at comfortable levels



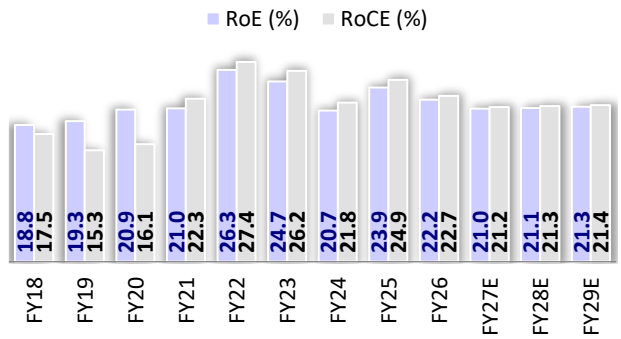
Source: MOFSL, Company

Exhibit 15: Asset turnover to remain comfortable



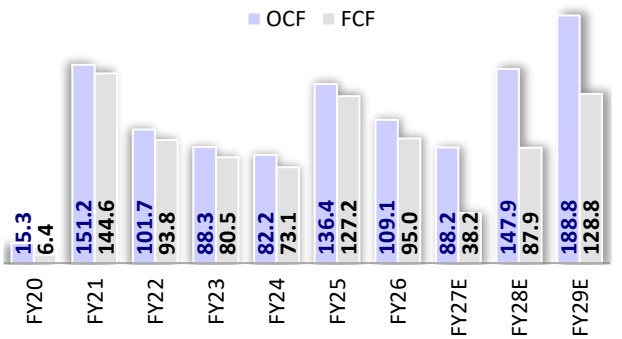
Source: MOFSL, Company

Exhibit 16: We expect RoE/RoCE to remain around 21%



Source: MOFSL, Company

Exhibit 17: OCF/FCF to remain at strong levels (INR b)



Source: MOFSL, Company

Financials and valuation

Consolidated Income Statement (INR b)

Y/E March	2020	2021	2022	2023	2024	2025E	2026	2027E	2028E	2029E
Net Sales	**214**	**229**	**246**	**269**	**298**	**310**	**331**	**377**	**473**	**609**
Change (%)	7.2	6.7	7.6	9.4	10.8	3.9	6.8	13.8	25.6	28.7
Raw Materials	94	112	100	101	111	123	144	166	218	286
Gross Profit	**121**	**117**	**146**	**168**	**188**	**187**	**187**	**211**	**255**	**323**
Employee Cost	48	43	46	49	53	57	61	66	76	89
Other Expenses	24	20	46	52	53	34	28	34	42	68
Total Expenditure	**165**	**175**	**192**	**202**	**217**	**214**	**233**	**266**	**336**	**443**
% of Net Sales	77.1	76.7	78.0	75.2	72.7	69.0	70.5	70.6	71.1	72.8
EBITDA	**49**	**53**	**54**	**67**	**82**	**96**	**98**	**111**	**137**	**166**
Margin (%)	22.9	23.3	22.0	24.8	27.3	31.0	29.5	29.4	28.9	27.2
Depreciation	10	12	11	18	14	13	14	16	18	22
EBIT	**39**	**42**	**43**	**49**	**68**	**83**	**84**	**95**	**118**	**143**
Interest	3	3	1	1	0	0	0	0	0	0
Other Income	3	4	10	17	19	26	37	39	42	51
PBT Before EO Exp	**39**	**43**	**52**	**65**	**86**	**108**	**121**	**134**	**160**	**194**
EO Items	1	0	0	0	16	0	0	0	0	0
PBT After EO Exp	**40**	**43**	**52**	**65**	**102**	**108**	**121**	**134**	**160**	**194**
Tax	11	10	1	7	26	25	30	34	41	49
Rate (%)	28.4	24.3	2.8	10.5	30.2	23.1	25.1	25.5	25.4	25.4
MI & P/L of Asso. Cos	0	0	-0	0	0	0	0	2	1	1
Reported PAT	**29**	**32**	**51**	**58**	**76**	**84**	**91**	**101**	**121**	**146**
Change (%)	23.8	12.6	56.5	14.7	30.8	9.8	9.0	10.9	19.3	21.4
Adjusted PAT	**28**	**32**	**51**	**58**	**60**	**84**	**91**	**101**	**121**	**146**
Change (%)	18.7	17.4	56.6	14.7	3.6	38.4	9.1	10.9	19.3	21.4

Consolidated Balance (INR b)

Y/E March	2,020	2021	2022	2023	2024	2025E	2026	2027E	2028E	2029E
Share Capital	3	3	3	3	3	3	3	3	3	3
Reserves	129	151	190	232	288	346	407	478	568	685
Net Worth	**132**	**154**	**193**	**236**	**291**	**350**	**410**	**481**	**572**	**688**
Minority Interest	0	0	0	0	0	0	0	0	0	0
Loans	59	0	0	0	0	0	0	0	0	0
Deffered Tax Liability	-5	-1	-6	-11	-15	-16	-11	-11	-11	-11
Capital Employed	**187**	**154**	**188**	**225**	**277**	**334**	**399**	**470**	**561**	**677**
Gross Fixed Assets	122	132	140	159	172	184	204	254	314	374
Less: Depreciation	48	60	72	90	104	118	131	147	166	188
Net Fixed Assets	**74**	**72**	**68**	**68**	**67**	**67**	**73**	**107**	**148**	**186**
Capital WIP	20	19	25	19	25	31	33	33	33	33
Investments	10	11	14	15	16	18	19	19	19	19
Curr. Assets	**424**	**415**	**472**	**559**	**658**	**932**	**1,188**	**1,177**	**1,448**	**1,839**
Inventory	194	167	143	121	132	217	309	263	331	426
Debtors	191	141	125	141	165	205	232	250	313	403
Cash & Bank Balance	3	72	143	203	264	382	462	509	608	758
Loans & Advances	1	0	0	0	0	0	0	0	0	0
Other Current Assets	35	35	61	93	96	128	185	155	195	251
Current Liab. & Prov.	**341**	**363**	**391**	**436**	**490**	**713**	**914**	**866**	**1,088**	**1,400**
Creditors	41	23	26	31	34	51	44	62	78	100
Other Liabilities	237	328	302	324	364	559	774	679	853	1,098
Provisions	63	13	63	81	92	103	95	125	157	202
Net Current Assets	**83**	**51**	**81**	**123**	**169**	**219**	**274**	**311**	**360**	**438**
Application of Funds	**187**	**154**	**188**	**225**	**277**	**334**	**399**	**470**	**561**	**677**

Financials and valuation

Ratios										
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026**	**2027E**	**2028E**	**2029E**
Basic (INR)	43.1	48.5	76.0	87.1	114.0	125.1	136.3	151.1	180.2	218.7
Adjusted EPS	**41.3**	**48.5**	**76.0**	**87.1**	**90.3**	**125.0**	**136.3**	**151.1**	**180.2**	**218.7**
Growth (%)	18.7	17.4	56.6	14.7	3.6	38.4	9.1	10.9	19.3	21.4
Cash EPS	56.3	65.8	92.6	113.8	111.3	145.0	156.6	175.0	207.9	252.2
Book Value	198.1	230.6	288.8	352.5	435.7	523.1	613.7	719.8	855.0	1,028.8
DPS	20.0	15.0	20.0	25.0	29.5	38.0	50.0	45.0	45.0	45.0
Payout (incl. Div. Tax.)	48.5	30.9	26.3	28.7	32.7	30.4	36.7	29.8	25.0	20.6
Valuation (x)										
P/E (standalone)	117.1	99.8	63.7	55.5	53.6	38.7	35.5	32.0	26.9	22.1
Cash P/E	86.0	73.5	52.3	42.5	43.5	33.4	30.9	27.7	23.3	19.2
EV/EBITDA	67.2	59.3	57.2	45.4	36.4	29.7	28.4	24.6	19.2	15.0
EV/Sales	15.4	13.8	12.6	11.3	10.0	9.2	8.4	7.2	5.6	4.1
Price/Book Value	24.4	21.0	16.8	13.7	11.1	9.3	7.9	6.7	5.7	4.7
Dividend Yield (%)	0.4	0.3	0.4	0.5	0.6	0.8	1.0	0.9	0.9	0.9
Profitability Ratios (%)										
RoE	20.9	21.0	26.3	24.7	20.7	23.9	22.2	21.0	21.1	21.3
RoCE	16.1	22.3	27.4	26.2	21.8	24.9	22.7	21.2	21.3	21.4
RoIC	16.1	44.7	137.4	648.5	NA	NA	NA	NA	NA	NA
Turnover Ratios										
Debtors (Days)	325	225	185	191	202	242	256	242	242	242
Inventory (Days)	331	266	213	165	162	255	340	255	255	255
Creditors. (Days)	70	36	38	42	42	60	49	60	60	60
Asset Turnover (x)	1.1	1.5	1.3	1.2	1.1	0.9	0.8	0.8	0.8	0.9
Leverage Ratio										
Net Debt/Equity (x)	0.4	-0.5	-0.7	-0.9	-0.9	-1.1	-1.1	-1.1	-1.1	-1.1

Consolidated Cash Flow Statement										(INR b)
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026**	**2027E**	**2028E**	**2029E**
PBT before EO Items	**40**	**43**	**52**	**65**	**102**	**109**	**122**	**135**	**161**	**196**
Add : Depreciation	10	12	13	24	14	14	14	16	18	22
Interest	3	2	1	0	0	0	0	0	0	0
Less : Direct Taxes Paid	18	9	10	28	20	35	30	34	41	49
(Inc)/Dec in WC	32	-92	-16	-5	31	-48	-22	-10	-51	-71
Others	12	10	30	22	16	2	-18	-39	-42	-51
CF from Operations	**15**	**151**	**102**	**88**	**82**	**136**	**109**	**88**	**148**	**189**
(Inc)/Dec in FA	-9	-7	-8	-8	-9	-9	-14	-50	-60	-60
Free Cash Flow	**6**	**145**	**94**	**81**	**73**	**127**	**95**	**38**	**88**	**129**
(Pur)/Sale of Investments	-1	-1	-115	-47	-64	-116	-89	0	0	0
Others	-4	-5	-5	-3	9	17	20	39	42	51
CF from Investments	**-13**	**-12**	**-128**	**-57**	**-64**	**-108**	**-83**	**-11**	**-18**	**-9**
(Inc)/Dec in Net Worth	0	0	0	0	0	0	0	0	0	0
(Inc)/Dec in Debt	18	-59	-0	0	0	0	0	0	0	0
Less : Interest Paid	3	2	1	1	0	0	0	0	0	0
Dividend Paid	13	10	13	17	20	25	33	30	30	30
Others	-0	-0	-0	-0	-0	-0	-0	0	0	0
CF from Fin. Activity	**1**	**-71**	**-15**	**-17**	**-20**	**-26**	**-34**	**-30**	**-30**	**-30**
Inc/Dec of Cash	**3**	**69**	**-41**	**14**	**-2**	**3**	**-8**	**47**	**100**	**150**
Add: Beginning Balance	0	3	71	31	44	43	45	462	509	608
Other Bank Balances	0	0	113	159	222	336	424	0	0	0
Closing Balance	**3**	**72**	**143**	**203**	**264**	**382**	**462**	**509**	**608**	**758**

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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