Hindustan Aeronautics (HINAER)

CMP: ₹ 4182 | Target: ₹ 4960 (19%) | Target Period: 12 months | BUY

February 13, 2026

Execution set to pick-up ...

About the stock: Hindustan Aeronautics (HAL), one of the largest Defence PSU in India, is engaged in design, development, manufacture, repair, overhaul, upgrade and servicing of a wide range of products including, aircraft, helicopters, aero-engines, avionics, accessories and aerospace structures

- Company's order backlog is expected to be ~ at ₹ 2.7 lakh crores

Investment Rationale:

- **Execution recovery underway; engine ramp-up key monitorable; order book remains robust at ~₹2.7 lakh crore:** Revenue is up ~11% YoY in 9MFY26, possibly supported by steady execution in helicopters, aero-engines and MRO. Though execution of LCA Mk1A has been impacted (due to delays in engines delivery from GE), management has recently stated that GE has opened a new line and expected to deliver 24 engines in CY26E (as compared to 5 engines as of now). Company also clarified that 14 LCA Mk1A aircrafts are ready (5 fully ready for delivery, 9 flight tested) and production continues despite engine shortages. GE has guided delivery of ~24 engines in CY26, with ramp-up toward ~30 engines annually thereafter. With four operational production lines (including one line through private players), HAL remains confident of complete delivery of 180 LCAs by 2032-33
- **Order pipeline remains robust; longer-term growth outlook intact:** We believe that orders pipeline remains robust for HAL in both defence and civil aerospace segments including MRO. Company has already signed an MoU with Russia's United Aircraft Corporation (UAC) for the production of SJ-100 civil aircrafts in India. Also, the Indian Air Force plans to induct 120 Tejas Mk2 (along with indigenous engines in collaboration with GE), for which the prototype is expected to be completed by HAL in coming period. The Sukhoi upgrade project approval is also in final stages and expected to be cleared in coming months, post which contract will be placed with HAL. Importantly, management reiterated that AMCA prototype phase does not figure in revenue projections for the next decade, and even if excluded at this stage, HAL will participate in the production phase later. Additionally, there are number of large-scale contracts (like deck-based fighters for Navy, multi role helicopters etc) which will be placed with HAL in the next 4-5 years. Moreover, RoH contracts to the tune of Rs. 20000 crores on an annual basis are expected to be placed with the company, considering the increasing need of repair & maintenance for existing and future platforms. This pipeline of orders gives longer term visibility on the company's revenue growth in the coming years.

Rating and Target Price

- We believe that HAL is strongly placed to benefit from pick-up in execution of existing strong order backlog and robust pipeline. We estimate revenue & PAT to grow at ~12% & ~10% CAGR respectively over FY25-28E.
- We maintain BUY on HAL with a revised target price of ₹ 4960 per share (based on 30x FY28E EPS)

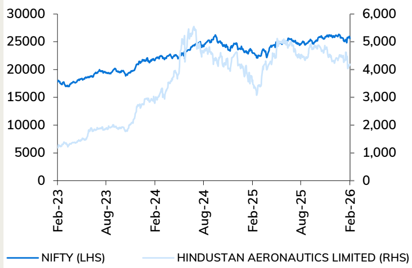
Particulars

Particular (Rs crore)	Amount
Market Capitalisation	2,79,682
Total Debt (FY25)	-
Cash	38,182
EV	2,41,500
52 Week H/L (Rs)	5166 / 3046
Equity Capital	334
Face Value	5

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	71.6	71.6	71.6	71.6
FII	12.1	11.9	12.0	10.9
DII	8.3	8.7	8.6	9.7
Others	8.0	7.8	7.7	7.8

Price Chart



Key risks

(i) Dependent on govt contracts

(ii) High working capital requirement

(iii)Availability of key raw materials/components

Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Kush Bhandari
kush.bhandari@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(Year-End March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	24,620	26,927	30,381	30,981	8.0	34,389	38,687	43,717	12.2
EBITDA	5,409	6,679	9,741	9,608	21.1	10,207	11,620	13,097	10.9
EBITDA margin (%)	22.0	24.8	32.1	31.0		29.7	30.0	30.0	
PAT	5,080	5,828	7,621	8,364	18.1	8,979	9,991	11,047	9.7
EPS (Rs)	76.0	87.1	114.0	125.1		134.3	149.4	165.2	
P/E (x)	55.1	48.0	36.8	33.4		31.1	28.0	25.3	
EV/EBITDA (x)	49.1	38.8	26.0	25.1		23.8	20.6	17.8	
RoCE (%)	27.4	27.8	35.1	31.0		29.4	28.2	26.9	
RoE (%)	26.3	24.7	26.1	23.9		22.0	21.1	20.1	

Source: Company, ICICI Direct Research

Q3 and 9MFY26 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by steady execution in company's key contracts of helicopters, aero-engines and MRO. Revenue increased by 10.7% YoY (+16.1% QoQ) to ₹7,699 crore
- EBITDA margin remained largely stable at 24.3% (+12 bps YoY and +80 bps QoQ). Consequently, EBITDA grew 11.2% YoY (+20.1% QoQ) to ₹1,871 crore while PAT increased by 29.6% YoY (+11.8% QoQ) to ₹1,867 crore
- For 9MFY26, revenue grew 10.8% YoY to ₹19,146 crore, with EBITDA margin at 24.6% (-35 bps YoY). PAT stood at ₹4,920 crore (+12.1% YoY).

Exhibit 1: Q3 and 9MFY26 result snapshot (₹ crore)

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments	9MFY26	9MFY24	YoY(%)
Operating Income	7,698.8	6,957.3	10.7	6,628.6	16.1	Overall execution has been steady in key contracts	19,146.4	17,281.1	10.8
Other income	913.8	631.4		887.7			2,548.6	1,910.2	
Total Revenue	8,612.6	7,588.7		7,516.3			21,695.0	19,191.3	
Raw materials costs	3,569.8	3,421.0		2,913.0			8,023.4	7,318.1	
Employees Expenses	1,666.2	1,296.2		1,334.5			4,383.1	3,919.0	
Other Expenses	591.9	557.6		823			2,028.6	1,730.8	
Total Expenditure	5,827.8	5,274.8		5,071			14,435.2	12,967.9	
EBITDA	1,871.0	1,682.5	11.2	1,557.9	20.1	EBITDA margin remained largely stable	4,711.3	4,313.2	9.2
EBITDA margins (%)	24.3	24.2	12 bps	23.5	80 bps		24.6	25.0	-35 bps
Interest	1.0	0.1		0.4			1.6	0.2	
Depreciation	309.8	277.1		225.6			720.5	603.9	
Tax	620.2	602.4		557.9			1,648.6	1,261.2	
PAT	1,866.7	1,439.8	29.6	1,669.1	11.8		4,919.5	4,387.4	12.1

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

Year-End March	FY25	FY26E	FY27E	FY28E
Revenue	30,981	34,389	38,687	43,717
% Growth	*2.0*	*11.0*	*12.5*	*13.0*
Other income	2,561.7	3,381.4	3,550.5	3,728.0
Total Revenue	33,545	37,781	42,250	47,458
% Growth	*3.9*	*12.6*	*11.8*	*12.3*
Total Raw Material Costs	12,288	14,168	15,939	18,011
Employee Expenses	5,730	6,190	6,654	7,060
other expenses	3,354	3,824	4,474	5,548
Total Operating Expenditure	21,373	24,182	27,068	30,620
Operating Profit (EBITDA)	9,608	10,207	11,620	13,097
% Growth	*(1.4)*	*6.2*	*13.8*	*12.7*
Interest	9	9	9	9
PBDT	12,161	13,579	15,161	16,816
Depreciation	1,340	1,589	1,818	2,055
PBT before Exceptional Items	10,821	11,990	13,343	14,762
Total Tax	2,503	3,058	3,402	3,764
PAT before MI	8,318	8,933	9,941	10,997
PAT	8,364	8,979	9,991	11,047
% Growth	*9.8*	*7.3*	*11.3*	*10.6*
EPS	125.1	134.3	149.4	165.2

Source: Company, ICICI Direct Research

Exhibit 3: Cash Flow Statement

Year-End March	FY25	FY26E	FY27E	FY28E
Profit after Tax	8,364	8,979	9,991	11,047
Depreciation	1,340	1,589	1,818	2,055
Interest	9	9	9	9
Cash Flow before WC changes	9,713	10,576	11,818	13,111
Changes in inventory	(8,458)	(5,176)	(2,297)	(1,993)
Changes in debtors	(31)	(251)	(612)	(717)
Changes in loans & Advances	3	-	-	-
Changes in other current assets	(3,013)	(2,659)	(1,376)	(1,609)
Net Increase in Current Assets	(15,326)	(10,175)	(7,026)	(7,471)
Changes in creditors	1,693	736	730	854
Changes in provisions	807	(239)	1,022	1,196
Net Inc in Current Liabilities	7,771	4,531	5,707	6,677
Net CF from Operating activities	2,158	4,932	10,499	12,318
Changes in deferred tax assets	(114)	-	-	-
(Purchase)/Sale of Fixed Assets	(1,685)	(3,000)	(3,000)	(3,000)
Net CF from Investing activities	12,615	(3,043)	(3,054)	(3,063)
Dividend and Dividend Tax	(1,505)	(2,006)	(2,274)	(2,274)
Net CF from Financing Activities	(3,022)	(3,211)	(3,478)	(3,478)
Net Cash flow	11,751	(1,321)	3,966	5,776
Opening Cash/Cash Equivalent	26,432	38,182	36,861	40,827
Closing Cash/ Cash Equivalent	38,182	36,861	40,827	46,604

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

Year-End March	FY25	FY26E	FY27E	FY28E
Equity Capital	334.4	334.4	334.4	334.4
Reserve and Surplus	34,647	40,424	46,946	54,524
Total Shareholders funds	34,982	40,759	47,280	54,858
Other Non Current Liabilities	24,820.6	24,820.6	24,820.6	24,820.6
Total Debt	-	-	-	-
Total Liabilities	62,172	67,949	74,470	82,048
Gross Block	15,203	18,094	21,194	24,194
Acc: Depreciation	9,232	10,821	12,639	14,694
Net Block	5,970	7,273	8,554	9,500
Capital WIP	1,091	1,200	1,100	1,100
Total Fixed Assets	9,313	10,724	11,906	12,851
Non Current Assets	4,650	4,692	4,746	4,809
Inventory	21,676	26,852	29,148	31,141
Debtors	4,648	4,899	5,512	6,228
Loans and Advances	7	7	7	7
Other Current Assets	8,345	11,004	12,380	13,989
Cash	38182	36861	40827	46604
Total Current Assets	90,095	98,948	1,09,941	1,23,188
Current Liabilities	5,106	5,841	6,572	7,426
Provisions	1,265	1,266	1,267	1,268
Total Current Liabilities	44,095	48,626	54,333	61,011
Net Current Assets	45,999	50,322	55,608	62,178
Total Assets	62,172	67,949	74,470	82,048

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

Year-End March	FY25	FY26E	FY27E	FY28E
EPS	125.1	134.3	149.4	165.2
Cash per Share	570.9	551.2	610.5	696.9
BV	523.1	609.5	707.0	820.3
Dividend per share	22.5	30.0	34.0	34.0
Dividend payout ratio	18%	22%	23%	21%
EBITDA Margin	31.0	29.7	30.0	30.0
PAT Margin	27.0	26.1	25.8	25.3
RoE	23.9	22.0	21.1	20.1
RoCE	31.0	29.4	28.2	26.9
EV / EBITDA	25.1	23.8	20.6	17.8
P/E	33.4	31.1	28.0	25.3
EV / Net Sales	7.8	7.1	6.2	5.3
Sales / Equity	0.9	0.8	0.8	0.8
Market Cap / Sales	9.0	8.1	7.2	6.4
Price to Book Value	8.0	6.9	5.9	5.1
Asset turnover	0.9	0.8	0.8	0.8
Debtors Turnover Ratio	6.7	7.2	7.4	7.4
Creditors Turnover Ratio	7.3	6.3	6.2	6.2
Debt / Equity	-	-	-	-
Current Ratio	2.1	2.5	2.5	2.5
Quick Ratio	0.8	0.9	1.0	1.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey | **Head – Research** | **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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