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Growth on track led by manufacturing contracts...

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 stood at Rs 1.89 lakh crores as of FY25

Investment Rationale:

- Execution expected to pick-up; Order-book position remains strong:** We believe that HAL's revenue growth would pick-up substantially from this year, led by pick-up in execution in manufacturing segment. RoH (repair & overhaul) segment is already doing well and contributing majorly to the revenues at present. After facing delays in execution in Tejas Mk1A contract due to GE-404 engine delivery issues, execution is expected to pick-up further in the coming quarters led by restoration of engine deliveries for LCA Tejas Mk1, pick-up in production of ALH helicopters and capacity expansion across portfolio. The company plans to deliver 12 aircraft this year, as GE is likely to provide 12 engines in CY25. Additionally, execution in other aircrafts & helicopters, aero-engines and MRO segment remains healthy. Moreover, we believe that execution in other key large manufacturing contracts on-hand (like aero engines for Mig-29 and Su-30 MKI aircrafts upgradation) is expected to remain better led by higher indigenisation level of these platforms. Order backlog stands strong ~Rs 1.9 lakh crore (6x TTM revenue), which provides healthy revenue growth visibility over FY26E-27E
- Order pipeline remains robust; longer-term growth outlook intact:** As per the management, orders pipeline remains robust for HAL with Rs 1 lakh crore worth of contracts are expected to be placed with the company in the coming 1-2 years. This includes key projects like 97 additional LCA MK1A fighters, additional 12 Su-30 MKI fighters, 156 light combat helicopters, 60 naval utility helicopters, Dornier 228, and Dornier 228 (40 nos.) repair orders. Additionally, there are number of large-scale contracts (like AMCA, 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. Company plans Rs 14000-15000 crore of capex over the next 5 years for expanding manufacturing & RoH facilities.

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 ~15% & ~11% CAGR respectively over FY25-27E
- We recommend BUY on HAL with target price of ₹ 6100 per share (based on 40x FY27E EPS)

Key Financial Summary

(Year-End March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	24,620	26,927	30,381	30,981	8.0	34,980	40,908	14.9
EBITDA	5,409	6,679	9,741	9,608	21.1	10,409	12,388	13.5
EBITDA margin (%)	22.0	24.8	32.1	31.0		29.8	30.3	
PAT	5,080	5,828	7,621	8,364	18.1	8,682	10,193	10.4
EPS (Rs)	76.0	87.1	114.0	125.1		129.8	152.4	
P/E (x)	60.0	52.4	40.1	36.6		35.1	29.9	
EV/EBITDA (x)	53.7	42.6	28.6	27.8		25.4	21.0	
RoCE (%)	27.4	27.8	35.1	31.0		28.8	29.0	
RoE (%)	26.3	24.7	26.1	23.8		21.5	21.6	

Source: Company, ICICI Direct Research



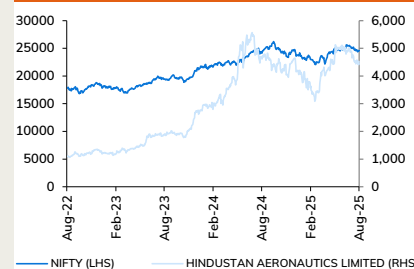
Particulars

Particular (Rs crore)	Amount
Market Capitalisation	3,04,961
Total Debt (FY25)	-
Cash	38,182
EV	2,66,779
52 Week H/L (Rs)	5166 / 3046
Equity Capital	334
Face Value	5

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	71.6	71.6	71.6	71.6
FII	11.9	12.3	12.1	11.9
DII	8.4	8.1	8.3	8.7
Others	8.1	8.0	8.0	7.8

Price Chart



Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials/components

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Q1FY26 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by pick-up in execution. Revenue increased by 10.8% YoY (-64.8% QoQ) to Rs 4819 crore
- EBITDA margin expanded by 382 bps YoY (-1204 bps QoQ) to 26.6%. Subsequently, EBITDA increased by 29.4% YoY (-75.8% QoQ) to Rs 1282.4 crore. PAT was down by 3.7% YoY to Rs 1383.8 crore (due to tax refund in Q1FY25)

Exhibit 1: Q1FY26 result snapshot (₹ crore)

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Operating Income	4,819.0	4,347.5	10.8	13,699.9	-64.8
Other income	747.1	736.4	1.5	651.5	
Total Revenue	5,566.1	5,083.9		14,351.4	
Raw materials costs	1,540.7	1,451.2		4,970.0	
Employees Expenses	1,382.5	1,247.6		1,811.3	
Other Expenses	613.4	658.0		1,624	
Total Expenditure	3,536.6	3,356.8		8,405	
EBITDA	1,282.4	990.7	29.4	5,294.9	-75.8
EBITDA margins (%)	26.6	22.8	382 bps	38.6	-1204 bps
Interest	0.3	0.1		8.4	
Depreciation	185.2	149.2		736.5	
Tax	470.5	146.6		1,242.0	
PAT	1,383.8	1,437.1	-3.7	3,976.6	-65.2

Source: Company, ICICI Direct Research

Exhibit 2: Contracts awarded in FY24-25

Period	Contracts Awarded	Amount (₹ crore)	Total
FY24	6 sets of LM2500 Gas Turbines (GT) and Gas Turbine Auxiliary Equipment (GTAE) for NGMV Program	1,173	42,725
	Hindustan-228 Aircrafts (Export)	194	
	25 Dornier Aircrafts	2,890	
	34 ALH to Indian Army and Indian Coast Guard	8,073	
	RD-33 engine to Indian Air Force	5,250	
	2 Dornier Aircrafts	459	
	Repairs and Overhauls (RoH)	15,000	
	Others	9,686	
FY25	156 Prachand Light Combat Helicopter (LCH)	62,700	1,19,700
	AL-31 Engines for Sukhoi aircrafts	26,000	
	12 Sukhoi MKI	13,500	
	Repairs and Overhauls (RoH)	17,500	
Total			1,62,425

Source: Company, ICICI Direct Research

Exhibit 3: Near-term order opportunities

Orders opportunities (Next 1-2 years)	Quantity	Customer
Light Combat Aircraft Tejas MK1A	97	Indian Air Force
Light Utility Helicopter	175	Indian Air Force (55), Indian Army (120)
Utility Helicopters Maritime	60	Indian Navy
Hindustan Turbo Trainer-40	36	Indian Air Force

Source: Company, ICICI Direct Research

Exhibit 4: Longer term order outlook

Orders opportunities (Next 4-5 years)	Type
Tejas MK2	Engines (Tejas MK2, AMCA, TEDBF, IMRH, DBMRF)*
Advanced Medium Combat Aircraft	MMTT (Multi Mission Tanker Aircraft)
Twin Engine Deck Based Fighter (TEDBF)	Civil Aircrafts
Indian Multi-Role Helicopter (IMRH)	Civil Helicopters
Deck Based Multi-Role Helicopter (DBMRH)	MRO (MQ-9B engines)
CATS (Combat Air Teaming System)	PSLVs
Archer Unmanned Ariel Vehicle (UAV)	Cryogenic engines
Tapas & Rustom UAV	Exports (Manufacturing + MRO)

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 5: Profit and loss statement

₹ crore

Year-End March	FY24	FY25	FY26E	FY27E
Revenue	30,381	30,981	34,980	40,908
% Growth	12.8	2.0	12.9	16.9
Other income	1,896.6	2,561.7	2,869.1	3,184.7
Total Revenue	32,291	33,545	37,862	44,110
% Growth	12.9	3.9	12.9	16.5
Total Raw Material Costs	11,059	12,288	13,992	16,363
Employee Expenses	5,291	5,730	6,419	7,507
other expenses	4,290	3,354	4,160	4,650
Total Operating Expenditure	20,640	21,373	24,570	28,520
Operating Profit (EBITDA)	9,741	9,608	10,409	12,388
% Growth	45.8	(1.4)	8.3	19.0
Interest	32	9	9	9
PBDT	11,606	12,161	13,270	15,564
Depreciation	1,407	1,340	1,616	1,882
PBT before Exceptional Items	10,198	10,821	11,654	13,682
Total Tax	2,604	2,503	2,972	3,489
PAT before MI	7,621	8,364	8,682	10,193
PAT	7,621	8,364	8,682	10,193
% Growth	30.8	9.8	3.8	17.4
EPS	114.0	125.1	129.8	152.4

Source: Company, ICICI Direct Research

Exhibit 6: Cash Flow Statement

Year-End March	FY24	FY25	FY26E	FY27E
Profit after Tax	7,621	8,364	8,682	10,193
Depreciation	1,407	1,340	1,616	1,882
Interest	32	9	9	9
Cash Flow before WC changes	9,060	9,713	10,307	12,084
Changes in inventory	(1,069)	(8,458)	(2,762)	(4,142)
Changes in debtors	102	(31)	(623)	(893)
Changes in loans & Advances	(3)	3	-	-
Changes in other current assets	(1,143)	(3,013)	(1,099)	(1,601)
Net Increase in Current Assets	(5,026)	(15,326)	(6,573)	(9,378)
Changes in creditors	278	1,693	644	975
Changes in provisions	832	807	1,070	1,608
Net Inc in Current Liabilities	5,497	7,771	5,243	7,859
Net CF from Operating activities	9,532	2,158	8,977	10,565
Changes in deferred tax assets	(329)	(114)	-	-
(Purchase)/Sale of Fixed Assets	(1,689)	(1,685)	(3,000)	(3,000)
Net CF from Investing activities	(1,863)	12,615	(3,050)	(3,074)
Dividend and Dividend Tax	(1,505)	(1,505)	(2,006)	(2,274)
Net CF from Financing Activities	(1,553)	(3,022)	(3,302)	(3,478)
Net Cash flow	6,115	11,751	2,625	4,012
Opening Cash/Cash Equivalent	20,317	26,432	38,182	40,807
Closing Cash/ Cash Equivalent	26,432	38,182	40,807	44,820

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet

₹ crore

Year-End March	FY24	FY25	FY26E	FY27E
Equity Capital	334.4	334.4	334.4	334.4
Reserve and Surplus	28,804	34,647	40,127	46,851
Total Shareholders funds	29,138	34,982	40,462	47,186
Other Non Current Liabilities	10,543.8	24,820.6	24,820.6	24,820.6
Total Debt	-	-	-	-
Total Liabilities	41,771	62,172	67,652	74,375
Gross Block	13,672	15,203	18,294	21,294
Acc: Depreciation	7,892	9,232	10,848	12,730
Net Block	5,780	5,970	7,445	8,564
Capital WIP	937	1,091	1,091	1,091
Total Fixed Assets	8,475	9,313	10,788	11,906
Non Current Assets	4,256	4,650	4,700	4,774
Inventory	13,218	21,676	24,438	28,580
Debtors	4,617	4,648	5,271	6,164
Loans and Advances	11	7	7	7
Other Current Assets	5,333	8,345	9,445	11,045
Cash	26,432	38,182	40,807	44,820
Total Current Assets	63,017	90,095	99,293	1,12,683
Current Liabilities	3,413	5,106	5,750	6,725
Provisions	1,578	1,265	1,266	1,267
Total Current Liabilities	36,324	44,095	49,339	57,198
Net Current Assets	26,693	45,999	49,954	55,485
Total Assets	41,771	62,172	67,652	74,375

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

Year-End March	FY24	FY25	FY26E	FY27E
EPS	114.0	125.1	129.8	152.4
Cash per Share	395.2	570.9	610.2	670.2
BV	435.7	523.1	605.0	705.6
Dividend per share	22.5	22.5	30.0	34.0
Dividend payout ratio	20%	18%	23%	22%
EBITDA Margin	32.1	31.0	29.8	30.3
PAT Margin	25.1	27.0	24.8	24.9
RoE	26.1	23.8	21.5	21.6
RoCE	35.1	31.0	28.8	29.0
EV / EBITDA	28.6	27.8	25.4	21.0
P/E	40.1	36.6	35.1	29.9
EV / Net Sales	9.2	8.6	7.6	6.4
Sales / Equity	1.0	0.9	0.9	0.9
Market Cap / Sales	10.0	9.8	8.7	7.5
Price to Book Value	10.5	8.7	7.5	6.5
Asset turnover	1.0	0.9	0.9	0.9
Debtors Turnover Ratio	6.5	6.7	7.1	7.2
Creditors Turnover Ratio	9.3	7.3	6.4	6.6
Debt / Equity	-	-	-	-
Current Ratio	1.7	2.1	2.2	2.2
Quick Ratio	0.7	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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