

November 13, 2025

## Solid order-book underpins growth as execution accelerates...

**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 ₹ 2.7 lakh crores as of Sep-25

## Investment Rationale:

- Execution expected to pick-up from FY27E onwards; Order-book position remains strong at ~Rs 2.7 lakh crore:** H1FY26 revenue grew ~11% YoY, possibly led by better execution in key contracts like helicopters, aero-engines and MRO (maintenance, repair & overhaul). We believe that HAL's revenue growth would pick-up substantially from FY27E onwards, led by pick-up in execution in LCA Tejas Mk1A (LCA) contract. After facing delays in execution in LCA contract (due to GE-404 engine delivery issues), execution is expected to pick-up led by restoration of engine deliveries from GE. Moreover, steady execution in helicopters (Light combat, advanced light), MRO and aero-engines (led by higher indigenisation level of these platforms) along with capacity expansion across portfolio (including third assembly line for the LCA and second production line for HTT-40 trainer aircraft) would drive overall growth over FY27E-28E. After the recent contract of 97 additional LCAs worth Rs 62370 crore, order-backlog is estimated to be at ~Rs 2.7 lakh crore (8.6x TTM revenue), which provides healthy revenue growth visibility in the medium to long-term
- Order pipeline remains robust; longer-term growth outlook intact:** We believe that orders pipeline remains robust for HAL as key projects like 60 naval utility helicopters, Dornier 228, and Dornier 228 (40 nos.) repair orders are yet to be received. Company has also signed a Memorandum of Understanding (MoU) with Russia's Public Joint Stock Company United Aircraft Corporation (PJSC-UAC) for the production of the SJ-100 civil commuter aircraft in India. Also, the Indian Air Force has 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 Mar-26, post which the contract process will start. 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.

## 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 have trimmed our estimates, factoring in delays in delivery of LCAs and now estimate revenue & PAT to grow at 13% & ~10% CAGR respectively over FY25-28E. However, we maintain BUY on HAL with a revised target price of ₹ 5830 per share (based on 35x FY28E EPS)

## 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	39,203	44,692	13.0
EBITDA	5,409	6,679	9,741	9,608	21.1	10,096	11,594	13,265	11.3
EBITDA margin (%)	22.0	24.8	32.1	31.0		29.4	29.6	29.7	
PAT	5,080	5,828	7,621	8,364	18.1	8,669	9,830	11,140	10.0
EPS (Rs)	76.0	87.1	114.0	125.1		129.6	147.0	166.6	
P/E (x)	62.3	54.4	41.7	38.0		36.5	32.2	28.4	
EV/EBITDA (x)	55.9	44.4	29.8	29.0		27.8	23.8	20.4	
RoCE (%)	27.4	27.8	35.1	31.0		28.8	28.2	27.5	
RoE (%)	26.3	24.7	26.1	23.8		21.4	21.0	20.4	

Source: Company, ICICI Direct Research



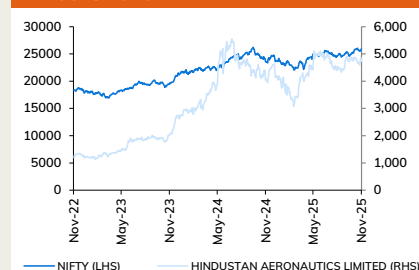
## Particulars

Particular (Rs crore)	Amount
Market Capitalisation	3,16,732
Total Debt (FY25)	-
Cash	38,182
EV	2,78,550
52 Week H/L (Rs)	5166 / 3046
Equity Capital	334
Face Value	5

## Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	71.6	71.6	71.6	71.6
FII	12.3	12.1	11.9	12.0
DII	8.1	8.3	8.7	8.6
Others	8.0	8.0	7.8	7.7

## Price Chart



## Key risks

- (i) Dependent on govt contracts
- (ii) High working capital requirement
- (iii) Availability of key raw materials/components

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## Q2FY26 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by pick-up in execution. Revenue increased by 10.9% YoY (+37.6% QoQ) to ₹ 6629 crore
- Gross margin contracted by 300 bps YoY to 56.1% on account of higher raw material cost
- EBITDA margin further contracted by 394 bps YoY (-311 bps QoQ) to 23.5%, on account of higher liquidated damages provisions. Subsequently, EBITDA decreased by 5% YoY (+21.5% QoQ) to ₹ 1558 crore. PAT was up by 10.5% YoY to ₹ 1669 crore.
- For H1FY26, revenue is up 10.9% YoY at ₹ 11447.6 crore with EBITDA margin standing at 24.8% (vs 25.5% in H1FY25) and PAT at ₹ 3053 crore (+3.6% YoY)

### Exhibit 1: Q2 and H1FY26 result snapshot (₹ crore)

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments	H1FY26	H1FY25	YoY (%)
Operating Income	6,628.6	5,976.3	10.9	4,819.0	37.6	Revenue growth was in line with provisional estimates	11,447.6	10,323.8	10.9
Other income	887.7	542.4		747.1			1,378.5	1,278.8	
Total Revenue	7,516.3	6,518.7		5,566.1			12,826.1	11,602.6	
Raw materials costs	2,913.0	2,445.9		1,540.7			4,961.7	3,897.1	
Employees Expenses	1,334.5	1,375.3		1,382.5			2,678.7	2,622.9	
Other Expenses	823.3	515.2		613			1,171.1	1,173.2	
Total Expenditure	5,070.7	4,336.3		3,537			8,811.4	7,693.1	
EBITDA	1,557.9	1,640.0	-5.0	1,282.4	21.5	Execution was impacted this year, primarily in production of LCAs and ALHs	2,964.9	2,630.7	12.7
EBITDA margins (%)	23.5	27.4	-394 bps	26.6	-311 bps		25.9	25.5	42 bps
Interest	0.4	0.0		0.3			0.7	0.2	
Depreciation	225.6	177.6		185.2			410.7	326.8	
Tax	557.9	512.2		470.5			1,072.9	658.8	
PAT	1,669.1	1,510.5	10.5	1,383.8	20.6		2,823.6	2,947.6	-4.2

Source: Company, ICICI Direct Research

### Exhibit 2: Longer term order pipeline

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 3: Profit and loss statement**

₹ crore

Year-End March	FY25	FY26E	FY27E	FY28E
Revenue	30,981	34,389	39,203	44,692
% Growth	2.0	11.0	14.0	14.0
Other income	2,561.7	3,138.1	3,451.9	3,797.1
Total Revenue	33,545	37,538	42,669	48,503
% Growth	3.9	11.9	13.7	13.7
Total Raw Material Costs	12,288	13,756	15,681	17,877
Employee Expenses	5,730	6,310	7,194	8,201
other expenses	3,354	4,227	4,734	5,349
Total Operating Expenditure	21,373	24,293	27,609	31,427
Operating Profit (EBITDA)	9,608	10,096	11,594	13,265
% Growth	(1.4)	5.1	14.8	14.4
Interest	9	9	9	9
PBDT	12,161	13,225	15,037	17,053
Depreciation	1,340	1,589	1,843	2,101
PBT before Exceptional Items	10,821	11,637	13,195	14,952
Total Tax	2,503	2,967	3,365	3,813
PAT before MI	8,364	8,669	9,830	11,140
PAT	8,364	8,669	9,830	11,140
% Growth	9.8	3.6	13.4	13.3
EPS	125.1	129.6	147.0	166.6

Source: Company, ICICI Direct Research

**Exhibit 4: Cash Flow Statement**

Year-End March	FY25	FY26E	FY27E	FY28E
Profit after Tax	8,364	8,669	9,830	11,140
Depreciation	1,340	1,589	1,843	2,101
Interest	9	9	9	9
Cash Flow before WC changes	9,713	10,267	11,682	13,249
Changes in inventory	(8,458)	(5,176)	(2,685)	(2,298)
Changes in debtors	(31)	(251)	(686)	(782)
Changes in loans & Advances	3	-	-	-
Changes in other current assets	(3,013)	(2,659)	(1,541)	(1,756)
Net Increase in Current Assets	(15,326)	(10,175)	(7,654)	(7,989)
Changes in creditors	1,693	736	818	932
Changes in provisions	807	(239)	1,145	1,305
Net Inc in Current Liabilities	7,771	4,531	6,392	7,287
Net CF from Operating activities	2,158	4,623	10,420	12,547
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)	(3,060)	(3,069)
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	(1,631)	3,881	6,000
Opening Cash/Cash Equivalent	26,432	38,182	36,552	40,433
Closing Cash/ Cash Equivalent	38,182	36,552	40,433	46,433

Source: Company, ICICI Direct Research

**Exhibit 5: 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	40,115	46,476	54,146
Total Shareholders funds	34,982	40,449	46,810	54,480
Other Non Current Liabilities	24,820.6	24,820.6	24,820.6	24,820.6
Total Debt	-	-	-	-
Total Liabilities	62,172	67,639	74,000	81,670
Gross Block	15,203	18,094	21,194	24,194
Acc: Depreciation	9,232	10,821	12,664	14,764
Net Block	5,970	7,273	8,530	9,430
Capital WIP	1,091	1,200	1,100	1,100
Total Fixed Assets	9,313	10,724	11,881	12,781
Non Current Assets	4,650	4,692	4,753	4,822
Inventory	21,676	26,852	29,537	31,835
Debtors	4,648	4,899	5,585	6,367
Loans and Advances	7	7	7	7
Other Current Assets	8,345	11,004	12,545	14,301
Cash	38182	36552	40433	46433
Total Current Assets	90,095	98,639	1,10,174	1,24,163
Current Liabilities	5,106	5,841	6,659	7,591
Provisions	1,265	1,266	1,267	1,268
Total Current Liabilities	44,095	48,626	55,018	62,305
Net Current Assets	45,999	50,013	55,156	61,858
Total Assets	62,172	67,639	74,000	81,670

Source: Company, ICICI Direct Research

**Exhibit 6: Key ratios**

Year-End March	FY25	FY26E	FY27E	FY28E
EPS	125.1	129.6	147.0	166.6
Cash per Share	570.9	546.5	604.6	694.3
BV	523.1	604.8	699.9	814.6
Dividend per share	22.5	30.0	34.0	34.0
Dividend payout ratio	18%	23%	23%	20%
EBITDA Margin	31.0	29.4	29.6	29.7
PAT Margin	27.0	25.2	25.1	24.9
RoE	23.8	21.4	21.0	20.4
RoCE	31.0	28.8	28.2	27.5
EV / EBITDA	29.0	27.8	23.8	20.4
P/E	38.0	36.5	32.2	28.4
EV / Net Sales	9.0	8.1	7.0	6.0
Sales / Equity	0.9	0.9	0.8	0.8
Market Cap / Sales	10.2	9.2	8.1	7.1
Price to Book Value	9.1	7.8	6.8	5.8
Asset turnover	0.9	0.9	0.8	0.8
Debtors Turnover Ratio	6.7	7.2	7.5	7.5
Creditors Turnover Ratio	7.3	6.3	6.3	6.3
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%



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