12 August 2026

1QFY27 Result Update| Sector: Capital Goods

Hindustan Aeronautics

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	HNAL IN
Equity Shares (m)	669
M.Cap.(INRb)/(USDb)	3340.5 / 35
52-Week Range (INR)	5055 / 3479
1, 6, 12 Rel. Per (%)	10/25/13
12M Avg Val (INR M)	5745

Financials Snapshot (INR b)

Y/E March	2027E	2028E	2029E
Sales	376.5	472.9	608.6
EBITDA	110.7	136.6	165.4
Adj. PAT	100.2	120.1	145.8
Adj. EPS (INR)	149.9	179.6	218.0
EPS Gr. (%)	10.0	19.8	21.4
BV/Sh.(INR)	718.6	853.2	1,026.2
Ratios			
RoE (%)	20.9	21.1	21.2
RoCE (%)	21.3	21.4	21.5
Payout (%)	30.0	25.1	20.6
Valuations			
P/E (x)	33.1	27.6	22.8
P/BV (x)	6.9	5.8	4.8
EV/EBITDA (x)	25.4	19.8	15.5
Div. Yield (%)	0.9	0.9	0.9

Shareholding pattern (%)

As of	Jun-26	Mar-26	Jun-25
Promoter	71.6	71.6	71.6
DII	12.0	10.5	8.7
FII	9.3	10.2	11.9
Others	7.0	7.7	7.7

FII includes depository receipts

CMP: INR4,995 TP: INR5,800 (+16%) Buy

Healthy set of results

Hindustan Aeronautics (HAL) reported a healthy set of numbers in 1QFY27, with in-line profitability, while margins came in ahead of our estimate. The company has received seven GE F404 engines till date and targets to commence deliveries of Tejas Mk1A aircrafts soon, with the first jet targeted for Aug-Sep'26. The company has already ramped up its LCA manufacturing capacity to 24 aircrafts annually. With supply chain-related issues starting to ease out for GE, we expect Tejas deliveries to ramp up from FY28 onwards. Beyond Tejas, execution of other platforms, such as LCH Prachand, ALFP-31 engines, HTT-40, RD-33 engines, and 12 units of Su-30 aircraft, is also expected to ramp up and support topline growth. We maintain our estimates and roll forward our TP to Sep'28 earnings. Reiterate BUY with a revised TP of INR5,800 (earlier INR5,500), premised on the average of DCF and 30x two-year forward earnings.

In-line profitability, beat on margins

HAL's 1QFY27 revenue and PAT were in-line, while margin beat our estimates. Revenue increased 14% YoY to INR55.2b, broadly in-line with our estimate of INR53b. Gross margin contracted 270bp YoY to 65.3% vs our estimate of 68.0%. However, lower-than-expected other expenses during the quarter led to an 11% beat on absolute EBITDA of INR15.3b (+19% YoY), with EBITDA margin expanding 110bp YoY to 27.7% (vs our est. of 26.0%). While EBITDA beat our estimates, higher-than expected depreciation and lower-than-expected other income led to PAT of INR15.9b (+15% YoY) come broadly in-line with our estimates.

Updates on key projects

- **Tejas Mk1A:** HAL received the seventh F404 engine from GE in Jul'26, while the sixth engine, which had developed a minor technical issue after arriving in India, has now been cleared for operational use following rectification by GE. GE has promised to deliver 20-22 engines per year, with the first batch of two engines together expected in Aug'26. The Defence Ministry also expects 18-24 LCA to be ready by the end of FY27. HAL targets to deliver the first aircraft in Aug-Sep'26.
- **LCH Prachand:** The delivery of the LCH Prachand helicopter order worth INR650b for 156 units is expected to begin from FY28 onwards, up till FY33. The helicopter is going to be powered by Shakti1H1 engine, jointly developed by HAL and Safran. HAL plans to raise the indigenous content in LCH to 65%, vs initial 45% over the years. It is also establishing an additional production line at its Tumakuru unit to meet the contractual timelines.
- **Su-30MKI:** HAL is reviving production of Su-30 fighter jets in its Nashik unit, with the first aircraft (out of the 12 units order) targeted to be delivered in FY28, with balance 11 units in FY29.
- **AL-31FP:** HAL is targeting an increase in AL-31FP production to ~50 engines annually by FY29-30, versus the current capacity of ~30 engines a year.

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- **HTT-40:** Honeywell has overcome its supply chain bottlenecks and delivered the first batch of three TPE331-12B turboprop engines for the overdue indigenous HTT-40 trainer aircraft in Jun'26. The new manufacturing facility for the HTT-40s will help accelerate deliveries as engine supply ramps up.

Capex of ~INR140b planned over the next five years

During FY26, cumulative capex and R&D expenditure stood at ~INR25b, primarily directed towards the Greenfield Helicopter Project at Tumakuru, LCA facility augmentation, ROH facilities for Su-30 and AL-31FP engines, IT infrastructure, and regular replacement and rationalization of existing facilities. R&D spending was focused on upcoming programmes, including IMRH, CATS, UHM, Civil ALH, and LUH. Aligned with its strategic objectives, HAL has outlined a ~INR140b capex plan over the next five years, primarily aimed at expanding manufacturing capacities and establishing ROH facilities across various platforms.

Financial outlook

We maintain our estimates for FY27 and FY28, 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 revenues ramps up. The stock is currently trading at 33.1x/27.6x/22.8x P/E on FY27E/FY28E/FY29E EPS. **We roll forward our TP to Sep'28, and reiterate our BUY rating with a revised TP of INR5,800, based on average of DCF and 30x P/E Sep'28E earnings.**

Key risks and concerns

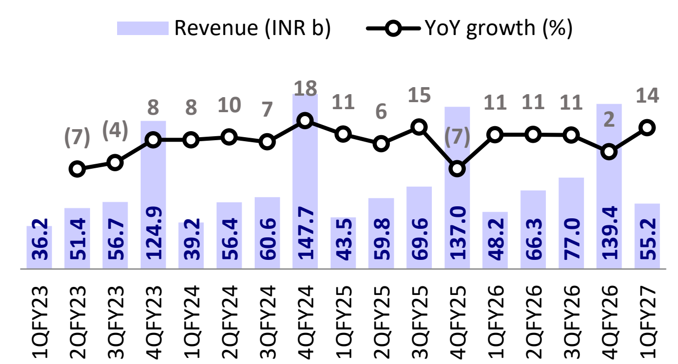
Key risks would include: 1) slower-than-expected finalization of large platform orders, 2) further delays in deliveries of key components, such as engines for the Tejas Mk1A, 3) delays in payments from the MoD, and 4) higher involvement of the private sector.

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

Income Statement	FY26				FY27E				FY26	FY27E	FY27E	Est
Y/E March	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var %
Net Sales	**48.2**	**66.3**	**77.0**	**139.4**	**55.2**	**75.3**	**86.6**	**159.5**	**330.9**	**376.5**	**52.7**	**5**
Change (%)	10.8	10.9	10.7	1.8	14.4	13.6	12.5	14.4	6.8	13.8	9.4	
Expenses	35.4	50.7	58.3	88.8	39.9	56.9	65.0	104.1	233.2	265.8	39.0	2
EBITDA	**12.8**	**15.6**	**18.7**	**50.6**	**15.3**	**18.4**	**21.7**	**55.3**	**97.7**	**110.7**	**13.7**	**11**
Change (%)	29.4	(5.0)	11.2	(4.5)	19.1	18.4	15.7	9.4	1.7	13.3	6.9	
As of % Sales	26.6	23.5	24.3	36.3	27.7	24.5	25.0	34.7	29.5	29.4	26.0	
Depreciation	1.9	2.3	3.1	6.3	3.0	2.9	3.8	6.2	13.5	16.0	2.7	14
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	17
Other Income	7.5	8.9	9.1	11.5	9.0	9.5	9.7	10.6	37.0	38.8	9.2	(3)
PBT pre EO items	**18.4**	**22.2**	**24.7**	**55.7**	**21.2**	**25.0**	**27.5**	**59.7**	**121.1**	**133.4**	**20.3**	**5**
Extra-ordinary Items	-	-	-	-	-	-	-	-	-	-	-	
PBT	**18.4**	**22.2**	**24.7**	**55.7**	**21.2**	**25.0**	**27.5**	**59.7**	**121.1**	**133.4**	**20.3**	**5**
Tax	4.7	5.6	6.2	13.9	5.4	6.3	7.0	15.0	30.4	33.8	5.1	6
Effective Tax Rate (%)	25.5	25.1	25.1	24.9	25.7	25.3	25.3	25.2	25.1	25.3	25.4	
MI & P/L Share of JV	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.4	0.6	0.1	
Reported PAT	**13.8**	**16.7**	**18.7**	**42.0**	**15.9**	**18.8**	**20.7**	**44.8**	**91.2**	**100.2**	**15.3**	**4**
Adj PAT	**13.8**	**16.7**	**18.7**	**42.0**	**15.9**	**18.8**	**20.7**	**44.8**	**91.2**	**100.2**	**15.3**	**4**
Change (%)	(3.7)	10.9	29.6	5.5	14.9	12.7	10.9	6.8	9.1	10.0	10.4	
Margin (%)	28.7	25.2	24.2	30.1	28.8	25.0	23.9	28.1	27.5	26.6	29.0	

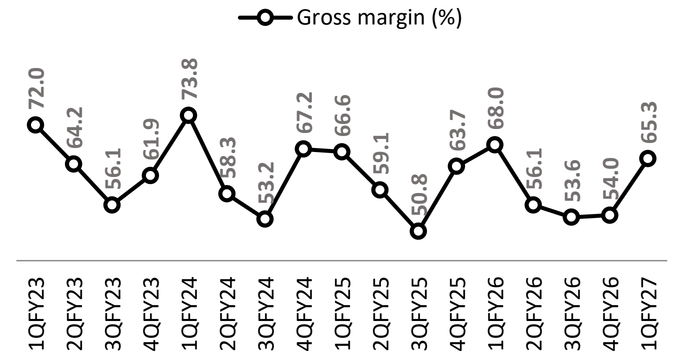
Key Exhibits

Exhibit 1: Revenue increased 14% YoY



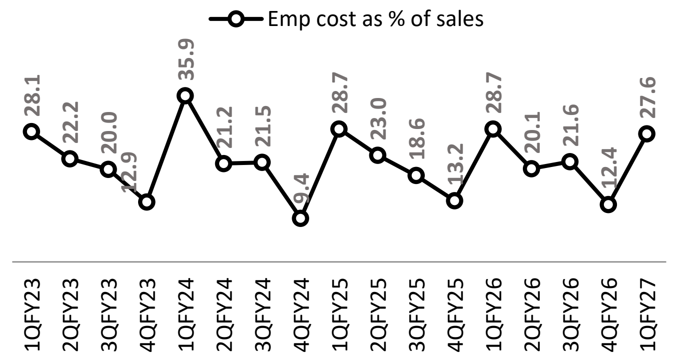
Source: MOFSL, Company

Exhibit 2: Gross margin contracted to 65% on a high base



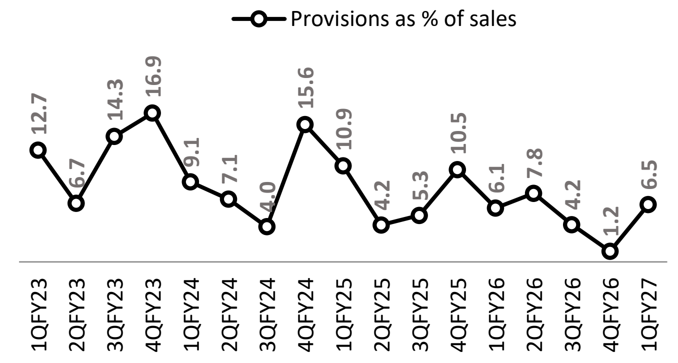
Source: MOFSL, Company

Exhibit 3: Employee costs as % of sales declined YoY



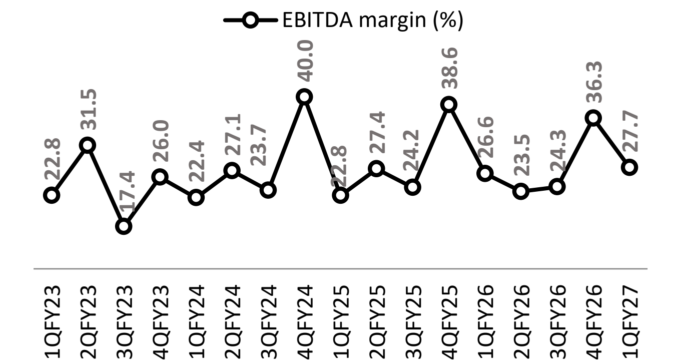
Source: MOFSL, Company

Exhibit 4: Provisions as % of sales remained at decent levels



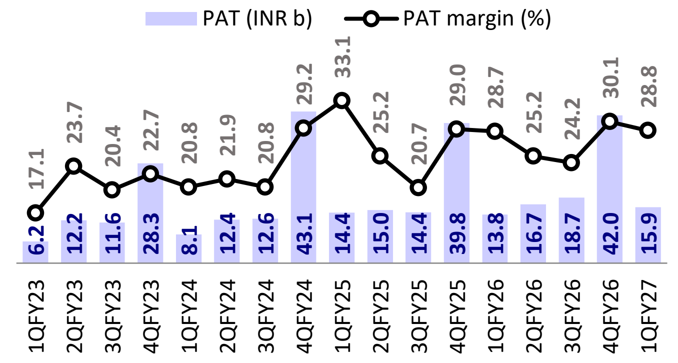
Source: MOFSL, Company

Exhibit 5: EBITDA margin expanded 110bp YoY



Source: MOFSL, Company

Exhibit 6: PAT increased 15% YoY



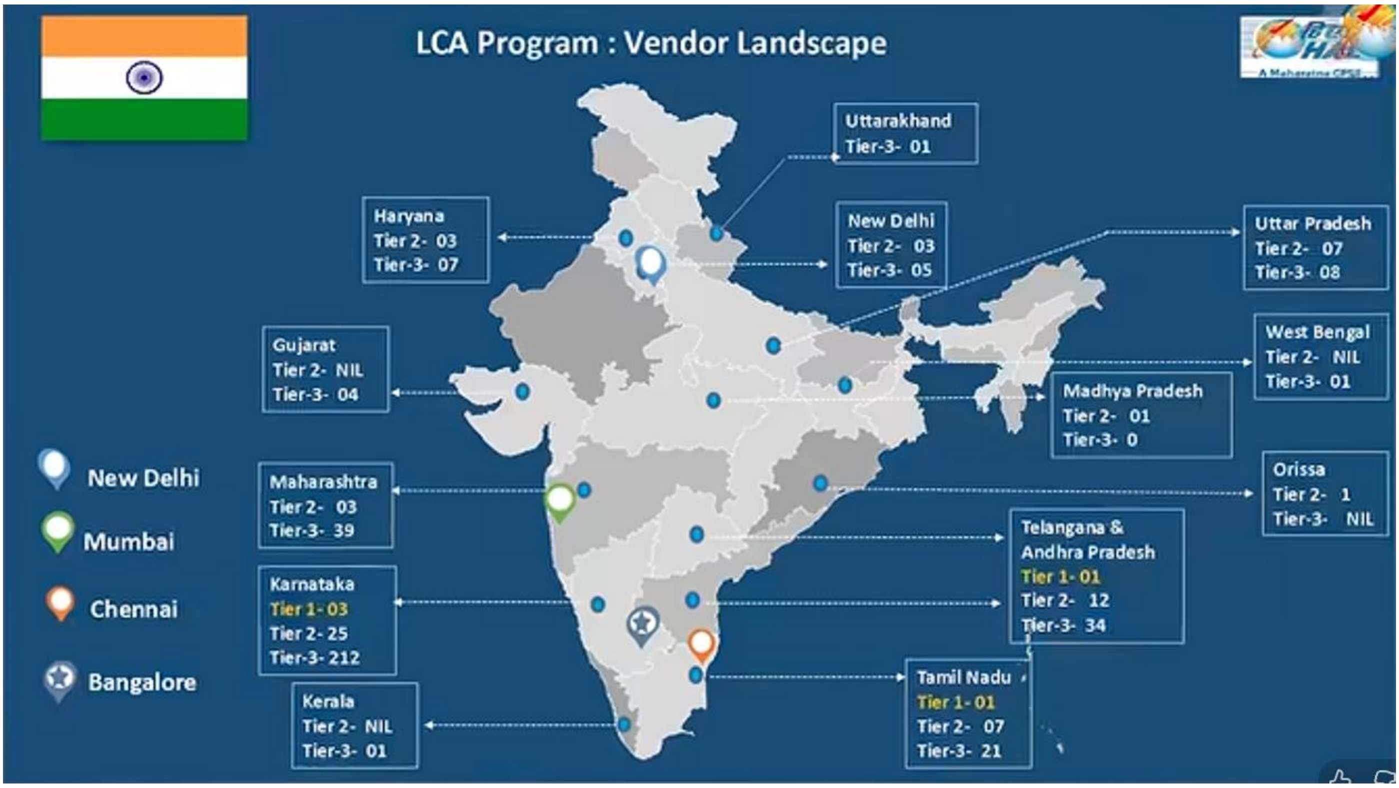
Source: MOFSL, Company

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

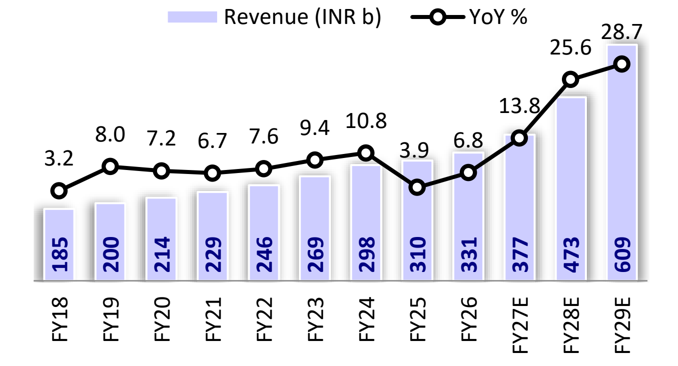
Exhibit 1: LCA Program has a large vendor base spread out across India



Source: Industry

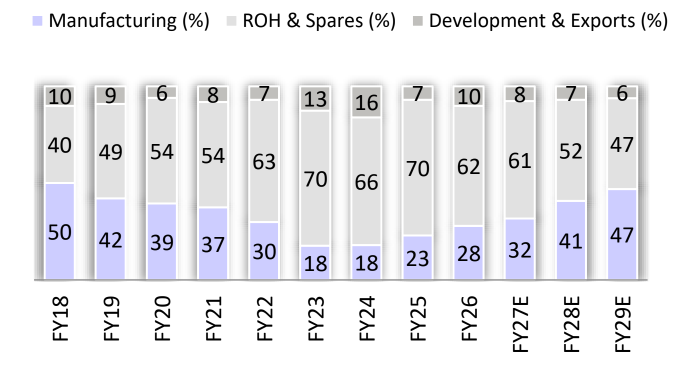
Financial outlook

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



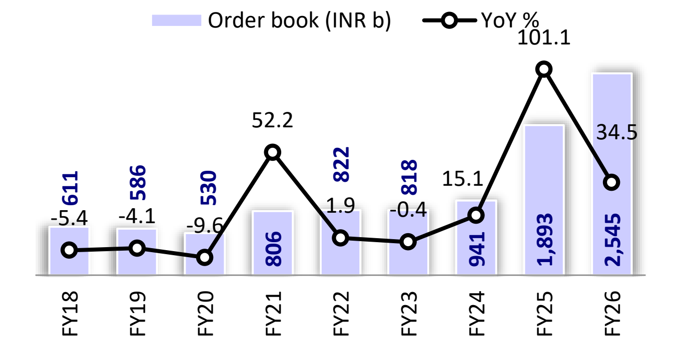
Source: Company, MOFSL

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



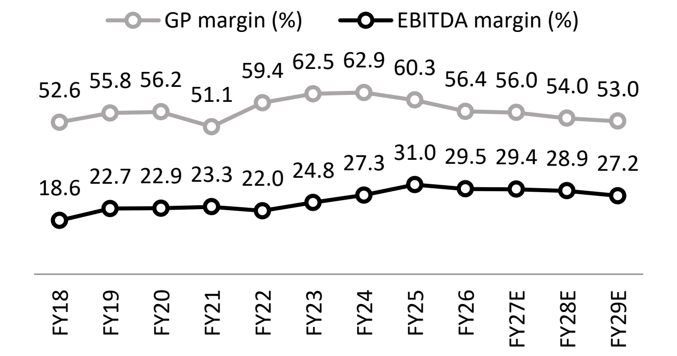
Source: Company, MOFSL

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



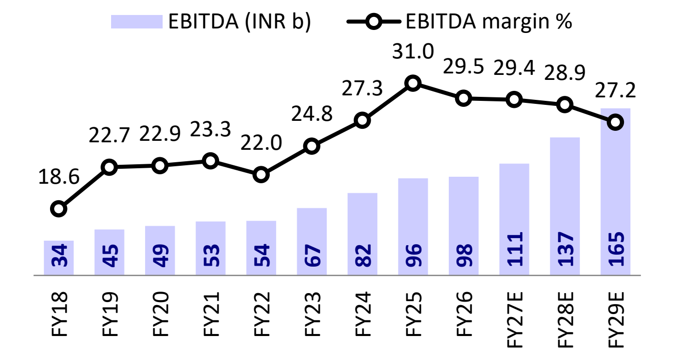
Source: Company, MOFSL

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



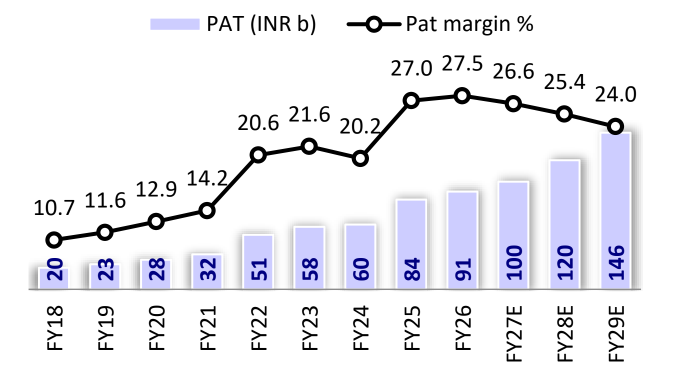
Source: Company, MOFSL

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



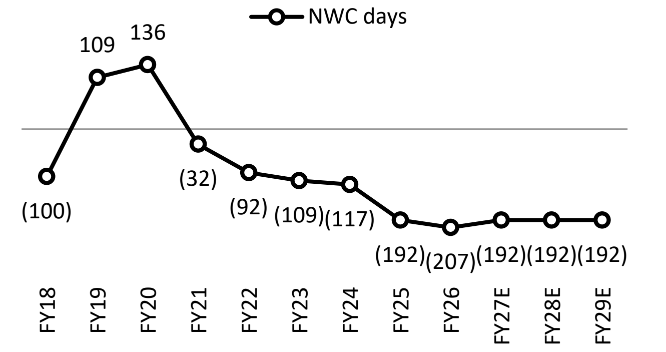
Source: MOFSL, Company

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



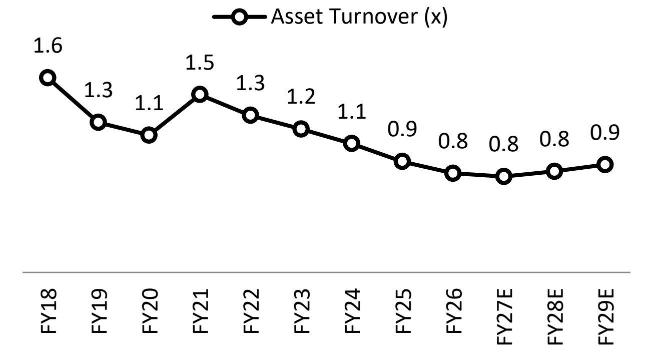
Source: MOFSL, Company

Exhibit 14: NWC days to remain at comfortable levels



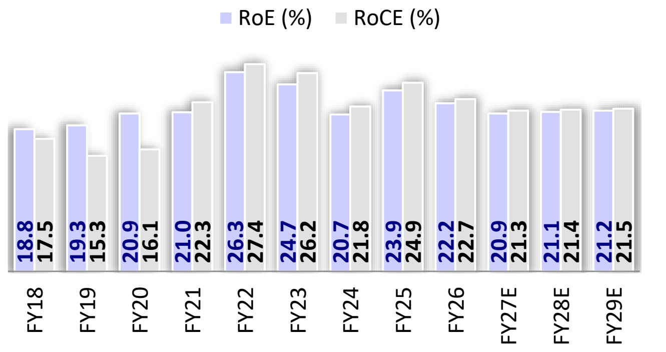
Source: MOFSL, Company

Exhibit 15: Asset turnover to remain comfortable



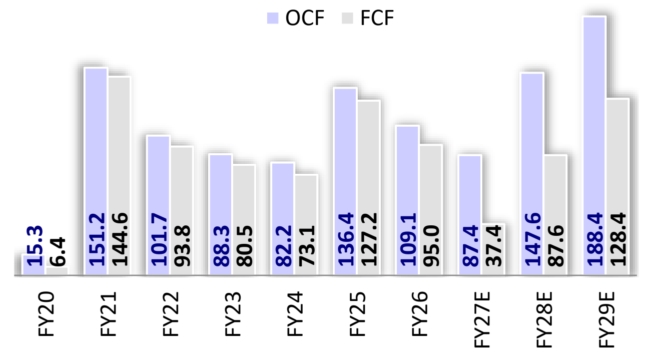
Source: MOFSL, Company

Exhibit 16: We expect RoE/RoCE to remain at ~21-22%



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	67	77	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**	**165**
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**	**133**	**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**	**133**	**160**	**194**
Tax	11	10	1	7	26	25	30	34	40	49
Rate (%)	28.4	24.3	2.8	10.5	30.2	23.1	25.1	25.3	25.3	25.3
MI & P/L of Asso. Cos	0	0	-0	0	0	0	0	1	1	1
Reported PAT	**29**	**32**	**51**	**58**	**76**	**84**	**91**	**100**	**120**	**146**
Change (%)	23.8	12.6	56.5	14.7	30.8	9.8	9.0	10.0	19.8	21.4
Adjusted PAT	**28**	**32**	**51**	**58**	**60**	**84**	**91**	**100**	**120**	**146**
Change (%)	18.7	17.4	56.6	14.7	3.6	38.4	9.1	10.0	19.8	21.4

Consolidated Balance Sheet										(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	477	567	683
Net Worth	**132**	**154**	**193**	**236**	**291**	**350**	**410**	**481**	**571**	**686**
Minority Interest	0	0	0	0	0	0	0	0	0	0
Loans	59	0	0	0	0	0	0	0	0	0
Deferred Tax Liability	-5	-1	-6	-11	-15	-16	-11	-11	-11	-11
Capital Employed	**187**	**154**	**188**	**225**	**277**	**334**	**399**	**469**	**559**	**675**
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**	**1,176**	**1,447**	**1,837**
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	508	607	757
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**	**310**	**359**	**437**
Application of Funds	**187**	**154**	**188**	**225**	**277**	**334**	**399**	**469**	**559**	**675**

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	149.9	179.6	218.0
Adjusted EPS	**41.3**	**48.5**	**76.0**	**87.1**	**90.3**	**125.0**	**136.3**	**149.9**	**179.6**	**218.0**
Growth (%)	18.7	17.4	56.6	14.7	3.6	38.4	9.1	10.0	19.8	21.4
Cash EPS	56.3	65.8	92.6	113.8	111.3	145.0	156.6	173.8	207.3	251.4
Book Value	198.1	230.6	288.8	352.5	435.7	523.1	613.7	718.6	853.2	1,026.2
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	30.0	25.1	20.6
Valuation (x)										
P/E (standalone)	120.0	102.3	65.3	56.9	54.9	39.7	36.4	33.1	27.6	22.8
Cash P/E	88.2	75.4	53.6	43.6	44.6	34.2	31.7	28.5	23.9	19.7
EV/EBITDA	68.8	60.8	58.7	46.6	37.4	30.6	29.2	25.4	19.8	15.5
EV/Sales	15.7	14.2	12.9	11.6	10.2	9.5	8.6	7.5	5.7	4.2
Price/Book Value	25.0	21.5	17.2	14.1	11.4	9.5	8.1	6.9	5.8	4.8
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	20.9	21.1	21.2
RoCE	16.1	22.3	27.4	26.2	21.8	24.9	22.7	21.3	21.4	21.5
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**	**134**	**161**	**195**
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	40	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**	**87**	**148**	**188**
(Inc)/Dec in FA	-9	-7	-8	-8	-9	-9	-14	-50	-60	-60
Free Cash Flow	**6**	**145**	**94**	**81**	**73**	**127**	**95**	**37**	**88**	**128**
(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**	**46**	**99**	**149**
Add: Beginning Balance	0	3	71	31	44	43	45	462	508	607
Other Bank Balances	0	0	113	159	222	336	424	0	0	0
Closing Balance	**3**	**72**	**143**	**203**	**264**	**382**	**462**	**508**	**607**	**757**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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