

Hindustan Aeronautics

Estimate change



TP change



Rating change



Bloomberg	HNAL IN
Equity Shares (m)	669
M.Cap.(INRb)/(USDb)	2781.4 / 30.7
52-Week Range (INR)	5166 / 3046
1, 6, 12 Rel. Per (%)	-8/-11/4
12M Avg Val (INR M)	7654

Financials Snapshot (INR b)

Y/E March	2026E	2027E	2028E
Sales	363.5	438.1	567.5
EBITDA	105.9	122.7	152.1
Adj. PAT	91.3	101.9	126.0
Adj. EPS (INR)	136.5	152.4	188.4
EPS Gr. (%)	9.2	11.6	23.6
BV/Sh. (INR)	619.6	727.0	870.3

Ratios

RoE (%)	22.0	21.0	21.6
RoCE (%)	22.8	21.5	22.1
Payout (%)	29.3	29.5	23.9

Valuations

P/E (x)	30.5	27.3	22.1
P/BV (x)	6.7	5.7	4.8
EV/EBITDA (x)	22.0	18.4	14.0
Div. Yield (%)	1.0	1.1	1.1

Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	71.6	71.6	71.6
DII	9.7	8.7	8.2
FII	10.9	12.0	12.3
Others	7.8	7.7	8.0

FII includes depository receipts

CMP: INR4,159

TP: INR5,500 (+32%)

Buy

In-line quarter

Hindustan Aeronautics' (HAL) 3QFY26 revenue/PAT came in line with our estimates. With an estimated order book of ~INR2.3t to date, we expect this order book to propel manufacturing revenue from the current levels. With receipt of 5 engines from GE for Tejas Mk1A, HAL is ready to deliver these five aircraft during the year and is awaiting more engine deliveries to further scale up deliveries of Tejas Mk1A. HAL has not yet received any details regarding its participation in the AMCA project, where [media reports](#) suggested private sector participation. We cut our estimates by 4%/5%/5% for FY26/27/28 to bake in a slightly lower number of Tejas Mk1A deliveries and arrive at a revised TP of INR5,500 based on the average of DCF and 30x Mar'28E earnings. We maintain BUY on HAL. Tejas aircraft deliveries and execution of the manufacturing order book will be key drivers for the stock going forward.

In-line revenue and PAT

Revenue increased 11% YoY to INR77b, broadly in line with our estimate of INR79b. Gross margin expanded 280bp YoY to 53.6% vs. our estimate of 55%. Absolute EBITDA increased 11% YoY to INR19b, slightly below our estimate of INR20b, while margins were broadly flat YoY at 24.3% (+10bp YoY). Aided by higher other income and a lower tax rate, HAL's PAT increased 30% YoY to INR18.7b, in line with our estimate. For 9MFY26, revenue/EBIDAT/PAT increased 11%/9%/12% YoY to INR191b/47b/49b, while EBITDA margin contracted 40bp YoY to 24.6%. Employee expenses were higher than expected due to changes in gratuity ceilings by IDA. This has resulted in an increase in employee benefit expenses by INR3.3b for 9MFY26. Excluding that, adj. PAT for 9MFY26 increased 20% YoY to ~INR52.5b (7% ahead of estimate).

Update on the Tejas Mk1A project

HAL has received five F404 engines from GE to date and has successfully integrated them, enabling five LCA Mk1A aircraft to be readied for delivery. The company has identified and resolved all major design and development issues and is in active discussions with the Indian Air Force to commence deliveries at the earliest. An additional nine aircraft have already been built and flown, with their deliveries contingent upon further engine supplies from GE. GE has committed to delivering 24 engines in FY27, which is expected to significantly accelerate Tejas deliveries going forward.

Recent order wins

- **Dornier Aircraft:** The MoD, at the DAC meeting, signed an INR23b contract with HAL for the acquisition of eight Dornier-228 aircraft for the Indian Coast Guard, supporting domestic manufacturing, MSMEs, and long-term MRO and lifecycle support opportunities.
- **Dhruv NG:** In Jan'26, HAL signed a contract worth over INR18b with Pawan Hans for the supply of 10 indigenously developed Dhruv-NG helicopters, including spares and accessories, with execution scheduled by CY27 and civil certification expected within two to three months following its maiden flight on 30th Dec'25.

Recently announced DAC approvals

The DAC, in its meeting held today (12th Feb'25), accorded AoNs worth INR3.6t. This included an order for Air-Ship Based High-Altitude Pseudo Satellite (AS-HAPS). In Feb'22, the MoD had signed a deal with HAL for the development of the first prototype of the High-Altitude Pseudo Satellite (HAPS), a part of HAL's Combat Air Teaming System (CATS) program that is a combination of manned and unmanned systems. Given HAL's existing development mandate and prior contractual engagement in the HAPS domain, the latest AoN meaningfully strengthens its medium-term order visibility.

Steps towards increasing exports over the long term

HAL has invited consultancy firms through an Expression of Interest (EoI) to help build a structured export strategy for its aircraft and helicopter portfolio. This indicates HAL's strategic focus on expanding beyond domestic defense orders and developing overseas markets in regions such as Africa, Southeast Asia, and Latin America. The consultants are expected to identify potential customers, study local procurement systems, and help create long-term sales pipelines and partnerships. Over time, this initiative can help HAL diversify its revenue base, reduce dependence on Indian defense spending, and build a more stable, export-led growth model.

Other key developments for HAL

- On 6 Dec'25, the second mass-produced HTT-40 trainer aircraft made its first successful test flight from HAL's new factory in Nashik.
- DRDO completed a high-speed rocket-sled test of a fighter aircraft's emergency ejection system at 800 km/h in collaboration with the ADA and HAL.
- HAL has received four competitive bids from major industrial players to establish a 20,000-ton isothermal forging press facility, a strategic step toward building heavy forging capability for advanced aero-engine and defense components domestically and reducing reliance on imports.
- HAL has confirmed that its CATS Warrior combat drone program is progressing well and is expected to be ready in CY26 and plans to fly in CY27, strengthening India's indigenous unmanned combat capabilities.

Financial outlook

We cut our estimates 4%/5%/5% for FY26/27/28 to factor in a slightly lower number of Tejas Mk1A deliveries and expect the overall revenue to grow at a CAGR of 22% over FY25-28, primarily driven by a scale-up in manufacturing revenue. We expect EBITDA margin to remain strong at 29.1%/28.0%/26.8% for FY26/FY27/FY28, fueled by indigenization efforts taken by the company as well as lower provisions. With this, we expect PAT to register a 15% CAGR over FY25-28. With improving revenue and stable margins, we expect RoE/RoCE to remain comfortable, reaching 21.6%/22.1% by FY28.

Valuation and view

HAL is currently trading at 30.5x/27.3x/22.1x P/E on FY26E/FY27E/FY28E EPS. We **reiterate our BUY rating on the stock** with a revised TP of INR5,500 based on the average of DCF and 30x Mar'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 Tejas Mk1A, 3) delays in payments from MoD, and 4) increased involvement of the private sector.

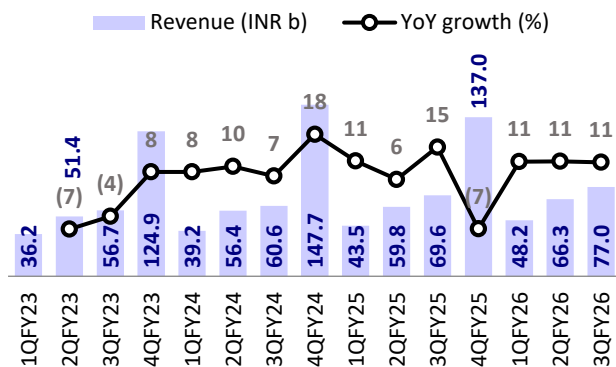
Consolidated – Quarterly Snapshot

(INR b)

Income Statement Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var %
Net Sales	43.5	59.8	69.6	137.0	48.2	66.3	77.0	172.0	309.8	363.5	78.7	(2)
Change (%)	11.0	6.0	14.8	(7.2)	10.8	10.9	10.7	25.6	3.9	17.3	13.2	
Expenses	33.6	43.4	52.7	84.0	35.4	50.7	58.3	113.3	213.7	257.6	59.1	(1)
EBITDA	9.9	16.4	16.8	52.9	12.8	15.6	18.7	58.8	96.1	105.9	19.7	(5)
Change (%)	13.0	7.4	17.2	(10.3)	29.4	(5.0)	11.2	11.0	17.8	10.2	17.0	
As of % Sales	22.8	27.4	24.2	38.6	26.6	23.5	24.3	34.2	31.0	29.1	25.0	
Depreciation	1.5	1.8	2.8	7.4	1.9	2.3	3.1	8.2	13.4	15.4	3.1	1
Interest	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0	NM
Other Income	7.4	5.4	6.3	6.5	7.5	8.9	9.1	5.7	25.6	31.2	8.1	13
PBT pre EO items	15.8	20.0	20.4	52.0	18.4	22.2	24.7	56.2	108.2	121.6	24.7	0
Extra-ordinary Items	-	0.1	-	-	-	-	-	-	0.1	-	-	
PBT	15.8	20.1	20.4	52.0	18.4	22.2	24.7	56.2	108.3	121.6	24.7	0
Tax	1.5	5.1	6.0	12.4	4.7	5.6	6.2	14.3	25.0	30.8	6.3	(1)
Effective Tax Rate (%)	9.3	25.5	29.6	23.9	25.5	25.1	25.1	25.4	23.1	25.3	25.4	
MI & P/L Share of JV	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.4	0.5	0.1	
Reported PAT	14.4	15.1	14.4	39.8	13.8	16.7	18.7	42.1	83.6	91.3	18.6	0
Adj PAT	14.4	15.0	14.4	39.8	13.8	16.7	18.7	42.1	83.6	91.3	18.6	0
Margin (%)	33.1	25.2	20.7	29.0	28.7	25.2	24.2	24.5	27.0	25.1	23.6	
Change (%)	76.5	21.7	14.1	(7.7)	(3.7)	10.9	29.6	5.9	38.4	9.2	29.1	

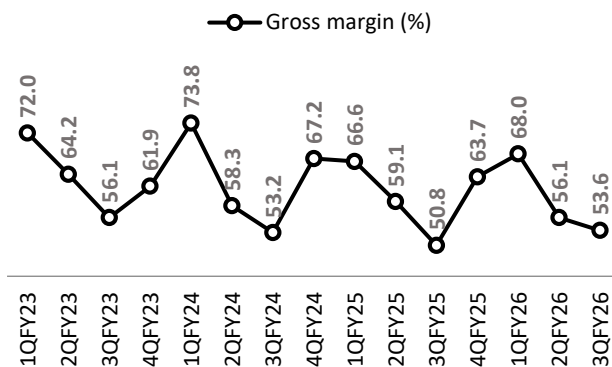
Key Exhibits

Exhibit 1: Revenue increased 11% YoY



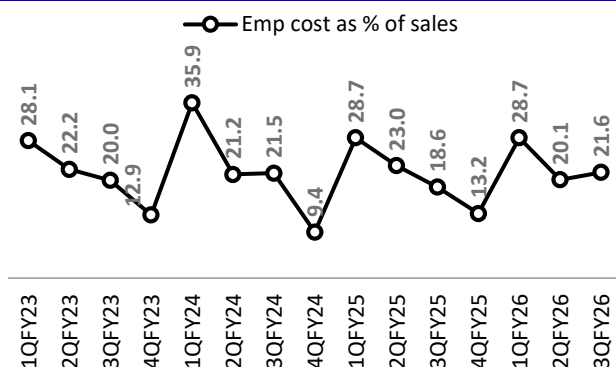
Source: MOFSL, Company

Exhibit 2: Gross margin expanded 280bp YoY



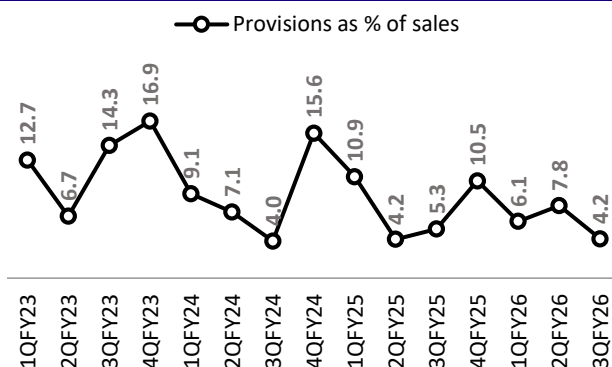
Source: MOFSL, Company

Exhibit 3: Employee costs as % of sales increased YoY



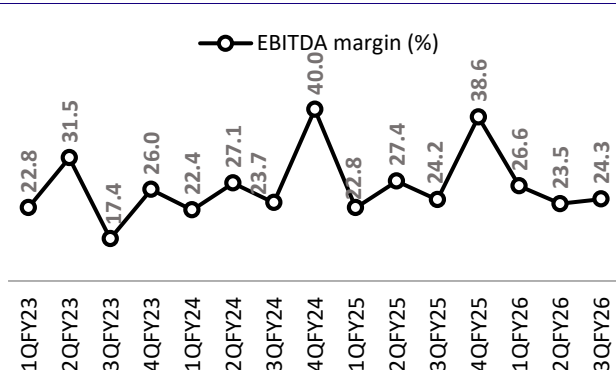
Source: MOFSL, Company

Exhibit 4: Provisions as % of sales declined YoY



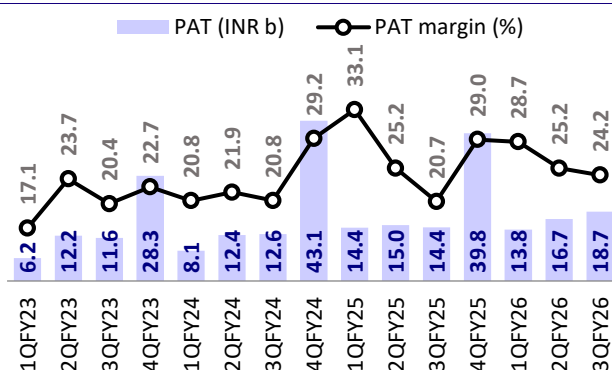
Source: MOFSL, Company

Exhibit 5: EBITDA margin expanded 10bp YoY



Source: MOFSL, Company

Exhibit 6: PAT increased 30% YoY



Source: MOFSL, Company

Exhibit 7: We cut our estimates to factor in a slightly lower number of Tejas Mk1A deliveries

(INR m)	FY26E			FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	3,63,474	3,74,976	-3.1	4,38,084	4,53,419	-3.4	5,67,548	5,84,636	-2.9
EBITDA	1,05,864	1,11,155	-4.8	1,22,661	1,29,424	-5.2	1,52,148	1,59,171	-4.4
EBITDA (%)	29.1	29.6	-50 bp	28.0	28.5	-50 bp	26.8	27.2	-40 bp
Adj. PAT	91,307	95,553	-4.4	1,01,896	1,07,644	-5.3	1,25,967	1,32,273	-4.8
EPS (INR)	136.5	142.9	-4.4	152.4	161.0	-5.3	188.4	197.8	-4.8

Source: MOFSL

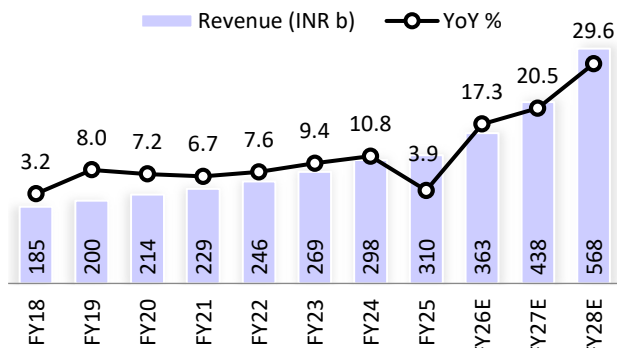
Exhibit 8: HAL's addressable market over the medium to long term until FY30

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 5-6 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 INR10 crore (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

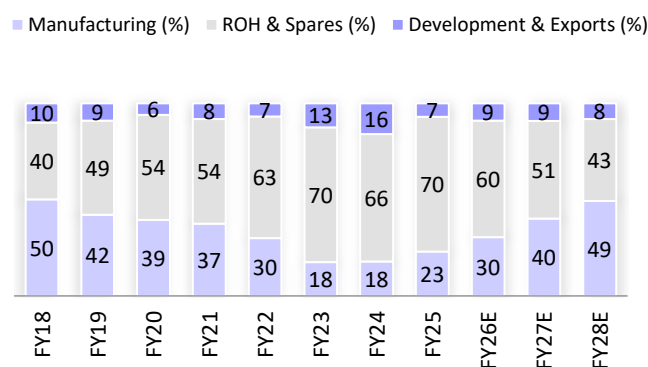
Financial outlook

Exhibit 9: We expect HAL's revenue to clock a CAGR of 22% over FY25-28



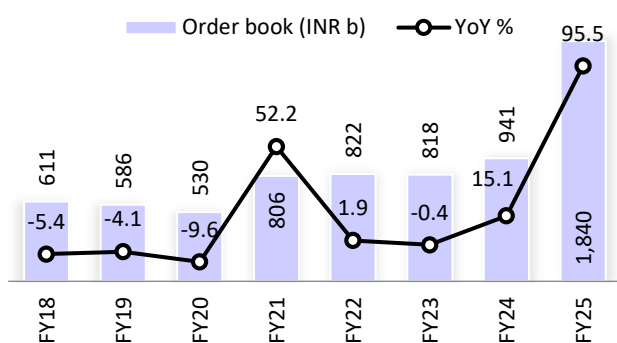
Source: Company, MOFSL

Exhibit 10: Share of manufacturing revenue likely to grow beyond FY25



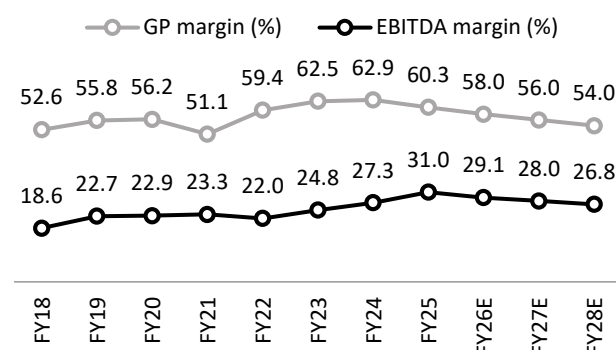
Source: Company, MOFSL

Exhibit 11: Order book stood at ~INR1.8t as of 31st Mar'25 on strong inflows



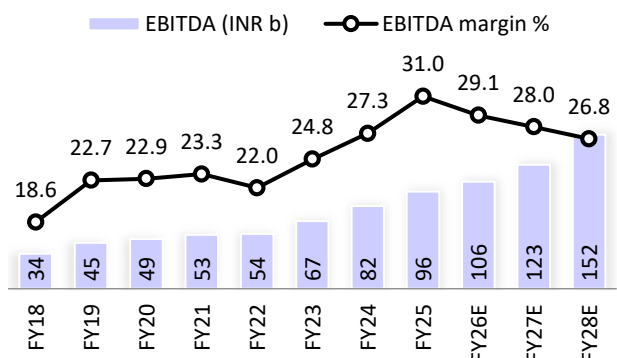
Source: Company, MOFSL

Exhibit 12: We expect the gross margin to come down as the share of manufacturing revenue starts increasing



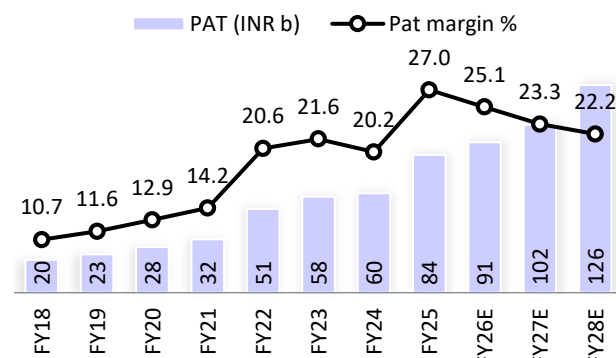
Source: Company, MOFSL

Exhibit 13: EBITDA to clock a CAGR of 17% over FY25-28



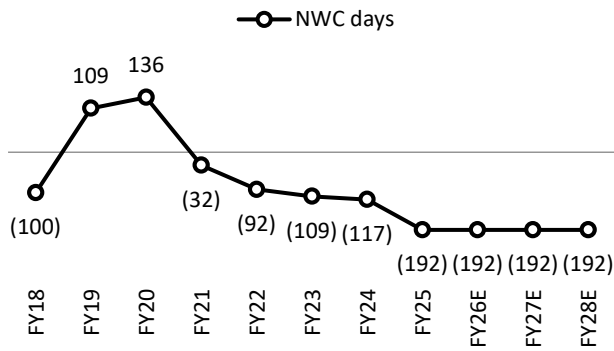
Source: MOFSL, Company

Exhibit 14: We expect a PAT CAGR of 15% over FY25-28



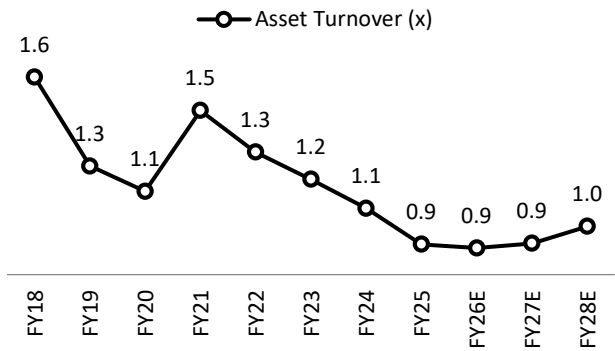
Source: MOFSL, Company

Exhibit 15: NWC days to remain at comfortable levels



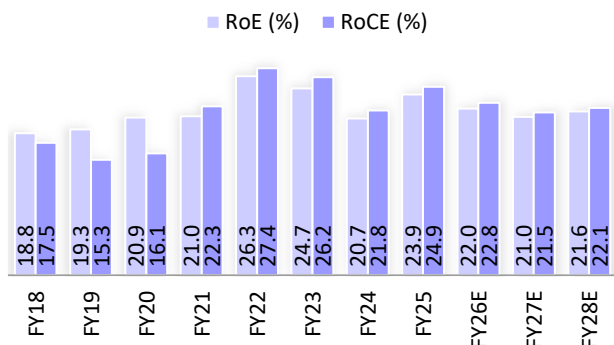
Source: MOFSL, Company

Exhibit 16: Asset turnover to remain comfortable



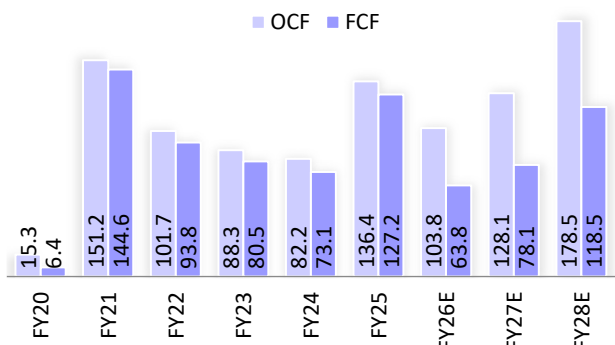
Source: MOFSL, Company

Exhibit 17: We expect RoE/RoCE to remain at ~21-23%



Source: MOFSL, Company

Exhibit 18: OCF/FCF to normalize beyond FY25 (INR b)



Source: MOFSL, Company

Financials and valuation

Consolidated Income Statement

(INR b)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Sales	214	229	246	269	298	310	363	438	568
Change (%)	7.2	6.7	7.6	9.4	10.8	3.9	17.3	20.5	29.6
Raw Materials	94	112	100	101	111	123	153	193	261
Gross Profit	121	117	146	168	188	187	211	245	306
Employee Cost	48	43	46	49	53	57	61	71	81
Other Expenses	24	20	46	52	53	34	44	52	73
Total Expenditure	165	175	192	202	217	214	258	315	415
% of Net Sales	77.1	76.7	78.0	75.2	72.7	69.0	70.9	72.0	73.2
EBITDA	49	53	54	67	82	96	106	123	152
Margin (%)	22.9	23.3	22.0	24.8	27.3	31.0	29.1	28.0	26.8
Depreciation	10	12	11	18	14	13	15	19	23
EBIT	39	42	43	49	68	83	90	104	129
Interest	3	3	1	1	0	0	0	0	0
Other Income	3	4	10	17	19	26	31	32	39
PBT Before EO Exp	39	43	52	65	86	108	122	136	168
EO Items	1	0	0	0	16	0	0	0	0
PBT After EO Exp	40	43	52	65	102	108	122	136	168
Tax	11	10	1	7	26	25	31	34	42
Rate (%)	28.4	24.3	2.8	10.5	30.2	23.1	25.3	25.3	25.3
MI & P/L of Asso. Cos	0	0	-0	0	0	0	0	1	1
Reported PAT	29	32	51	58	76	84	91	102	126
Change (%)	23.8	12.6	56.5	14.7	30.8	9.8	9.2	11.6	23.6
Adjusted PAT	28	32	51	58	60	84	91	102	126
Change (%)	18.7	17.4	56.6	14.7	3.6	38.4	9.2	11.6	23.6

Consolidated Balance Sheet

(INR b)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Share Capital	3	3	3	3	3	3	3	3	3
Reserves	129	151	190	232	288	346	411	483	579
Net Worth	132	154	193	236	291	350	414	486	582
Minority Interest	0	0	0	0	0	0	0	0	0
Loans	59	0	0	0	0	0	0	0	0
Deferred Tax Liability	-5	-1	-6	-11	-15	-16	-16	-16	-16
Capital Employed	187	154	188	225	277	334	399	471	566
Gross Fixed Assets	122	132	140	159	172	184	224	274	334
Less: Depreciation	48	60	72	90	104	118	133	152	175
Net Fixed Assets	74	72	68	68	67	67	91	123	160
Capital WIP	20	19	25	19	25	31	31	31	31
Investments	10	11	14	15	16	18	18	18	18
Curr. Assets	424	415	472	559	658	932	1,095	1,307	1,664
Inventory	194	167	143	121	132	217	254	307	397
Debtors	191	141	125	141	165	205	241	290	376
Cash & Bank Balance	3	72	143	203	264	382	450	530	657
Loans & Advances	1	0	0	0	0	0	0	0	0
Other Current Assets	35	35	61	93	96	128	150	181	234
Current Liab. & Prov.	341	363	391	436	490	713	836	1,008	1,306
Creditors	41	23	26	31	34	51	60	72	94
Other Liabilities	237	328	302	324	364	559	656	790	1,024
Provisions	63	13	63	81	92	103	121	145	188
Net Current Assets	83	51	81	123	169	219	259	299	358
Application of Funds	187	154	188	225	277	334	399	471	566

Financials and valuation

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Basic (INR)	43.1	48.5	76.0	87.1	114.0	125.1	136.5	152.4	188.4
Adjusted EPS	41.3	48.5	76.0	87.1	90.3	125.0	136.5	152.4	188.4
Growth (%)	18.7	17.4	56.6	14.7	3.6	38.4	9.2	11.6	23.6
Cash EPS	56.3	65.8	92.6	113.8	111.3	145.0	159.5	180.4	222.6
Book Value	198.1	230.6	288.8	352.5	435.7	523.1	619.6	727.0	870.3
DPS	20.0	15.0	20.0	25.0	29.5	38.0	40.0	45.0	45.0
Payout (incl. Div. Tax.)	48.5	30.9	26.3	28.7	32.7	30.4	29.3	29.5	23.9
Valuation (x)									
P/E (standalone)	100.6	85.7	54.7	47.7	46.1	33.3	30.5	27.3	22.1
Cash P/E	73.9	63.2	44.9	36.5	37.4	28.7	26.1	23.0	18.7
EV/EBITDA	57.9	50.8	48.8	38.6	30.9	25.0	22.0	18.4	14.0
EV/Sales	13.2	11.8	10.7	9.6	8.4	7.7	6.4	5.1	3.7
Price/Book Value	21.0	18.0	14.4	11.8	9.5	8.0	6.7	5.7	4.8
Dividend Yield (%)	0.5	0.4	0.5	0.6	0.7	0.9	1.0	1.1	1.1
Profitability Ratios (%)									
RoE	20.9	21.0	26.3	24.7	20.7	23.9	22.0	21.0	21.6
RoCE	16.1	22.3	27.4	26.2	21.8	24.9	22.8	21.5	22.1
RoIC	16.1	44.7	137.4	648.5	NA	NA	NA	NA	NA
Turnover Ratios									
Debtors (Days)	325	225	185	191	202	242	242	242	242
Inventory (Days)	331	266	213	165	162	255	255	255	255
Creditors. (Days)	70	36	38	42	42	60	60	60	60
Asset Turnover (x)	1.1	1.5	1.3	1.2	1.1	0.9	0.9	0.9	1.0
Leverage Ratio									
Net Debt/Equity (x)	0.4	-0.5	-0.7	-0.9	-0.9	-1.1	-1.1	-1.1	-1.1

Consolidated Cash Flow Statement

(INR b)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
PBT before EO Items	40	43	52	65	102	109	122	136	168
Add : Depreciation	10	12	13	24	14	14	15	19	23
Interest	3	2	1	0	0	0	0	0	0
Less : Direct Taxes Paid	18	9	10	28	20	35	31	34	42
(Inc)/Dec in WC	32	-92	-16	-5	31	-48	-28	-39	-68
Others	12	10	30	22	16	2	-31	-32	-39
CF from Operations	15	151	102	88	82	136	104	128	178
(Inc)/Dec in FA	-9	-7	-8	-8	-9	-9	-40	-50	-60
Free Cash Flow	6	145	94	81	73	127	64	78	118
(Pur)/Sale of Investments	-1	-1	-115	-47	-64	-116	0	0	0
Others	-4	-5	-5	-3	9	17	31	32	39
CF from Investments	-13	-12	-128	-57	-64	-108	-9	-18	-21
(Inc)/Dec in Net Worth	0	0	0	0	0	0	0	0	0
(Inc)/Dec in Debt	18	-59	-0	0	0	0	0	0	0
Less : Interest Paid	3	2	1	1	0	0	0	0	0
Dividend Paid	13	10	13	17	20	25	27	30	30
Others	-0	-0	-0	-0	-0	-0	0	0	0
CF from Fin. Activity	1	-71	-15	-17	-20	-26	-27	-30	-30
Inc/Dec of Cash	3	69	-41	14	-2	3	68	80	127
Add: Beginning Balance	0	3	71	31	44	43	382	450	530
Other Bank Balances	0	0	113	159	222	336	0	0	0
Closing Balance	3	72	143	203	264	382	450	530	657

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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