Choice Institutional Equities

Q1FY27 Result Update

Hindustan Aeronautics : Healthy Quarter; Manufacturing Mix Set to Improve

BUY

August 12, 2026 | CMP: INR 4,960 | Target Price: INR 5,650

Sector View: Positive

Expected Share Price Return: 13.9% I Dividend Yield: 1.2% I Potential upside: 15.1%

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info	
BB Code	HNAL IN EQUITY
Face Value (INR)	5.0
52-wk High/Low (INR)	5,055/3,479
Mkt Cap (Bn)	INR 3,341/$ 35.0
Shares o/s (Mn)	668.8
3M Avg. Daily Volume (NSE)	1,020,383

Change in CIE Estimates

	FY27E			FY28E		
INR Bn	**New**	**Old**	**Dev.**	**New**	**Old**	**Dev.**
Revenue	377.3	377.4	(0.0)	436.9	426.2	2.5
EBITDA	121.9	117.7	3.5	141.6	133.4	6.1
EBITDAM %	32.3	31.2	110 bps	32.4	31.3	110 bps
PAT	107.9	103.8	4.0	125.5	118.5	5.9
EPS	160.7	155.2	4.0	186.6	177.2	5.9

Actual vs CIE Estimates

INR Bn	**Q1FY27A**	**CIE Est.**	**Dev.**
Revenue	55,152	53,009	4.0
EBITDA	15,268	13,252	15.2
EBITDAM %	27.7	25.0	268 bps
PAT	15,897	14,153	12.3

Key Financials

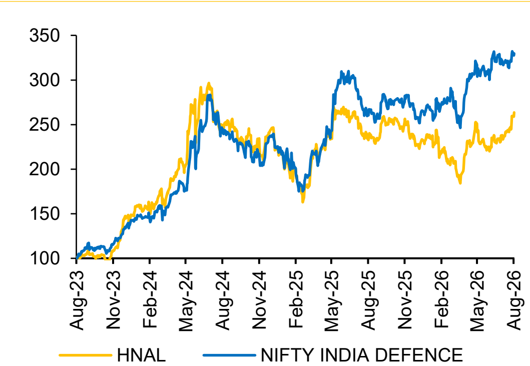
INR Bn	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	309.8	330.9	377.3	436.9	507.2
YoY Growth (%)	3.9	9.7	12.8	15.8	16.1
EBITDA	96.1	97.7	121.9	141.6	164.8
EBITDAM (%)	31.0	29.5	32.3	32.4	32.5
PAT	83.6	91.2	107.9	125.5	146.6
EPS	124.5	135.8	160.7	186.6	217.8
ROE (%)	26.1	24.0	24.3	24.1	23.8
ROCE (%)	33.9	32.0	32.4	32.1	31.7
PE(x)	39.7	36.4	30.7	26.4	22.6
P/BV (x)	9.5	8.1	6.9	5.9	5.0

Shareholding Pattern (%)

	Jun-26	**Mar-26**	**Dec-25**
Promoters	71.64	71.64	71.64
FIIs	9.34	10.21	10.86
DIIs	11.90	10.43	9.68
Public	7.03	7.66	7.77

Relative Performance (%)

	3Yr.	**2Yr.**	**1Yr.**
NIFTY INDIA DEFENCE	229.6	35.1	26.7
HNAL	163.5	5.7	13.3



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Healthy Quarter; Manufacturing Mix Set to Improve

Hindustan Aeronautics (HNAL) delivered a **healthy Q1 performance**, with revenue broadly in line with estimate, while **EBITDA/PAT beat estimate**. We believe the **underlying growth outlook remains intact**, with improving engine availability supporting the gradual ramp-up of LCA Tejas Mk1A production. As manufacturing programs scale up, we expect the **revenue mix to shift gradually towards higher-margin manufacturing**, providing scope for further margin improvement and resilient profitability. The management continues to guide for **double-digit FY27 revenue growth with a stable margin**, with manufacturing contribution expected to increase as Tejas, HTT-40 and other platforms ramp up.

In our view, the **larger growth opportunity remains ahead**, supported by HNAL's record **~INR 2.55 lakh Cr order book** and increasing manufacturing opportunities across Tejas, Su-30MKI, AL-31FP engines, HTT-40 and other platforms will further broaden the manufacturing opportunity. We anticipate the **revenue mix to gradually shift towards manufacturing from the current MRO-heavy mix, supporting stronger growth and operating leverage over FY27–29E.** While **Tejas execution and conversion of the large order book into revenues remain the key near-term monitorable**.

Revenue broadly in-line; profitability beats estimates

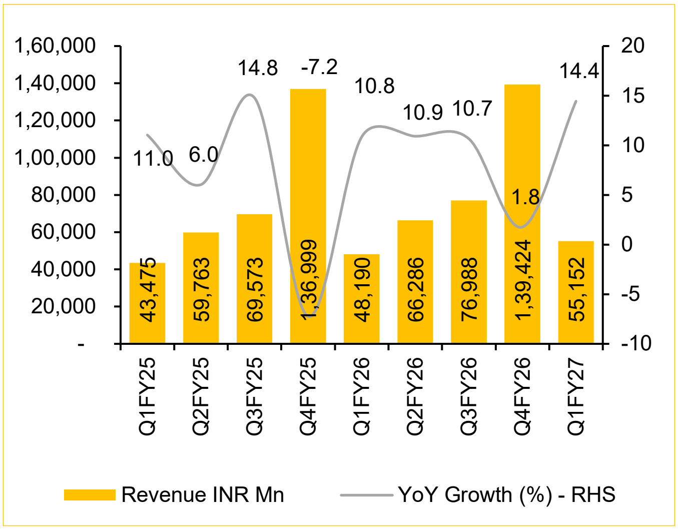
- Revenue for Q1FY27 up by 14.4% YoY and down by 60.4% QoQ at INR 55.2 Bn (vs CIE est. of INR 53.1 Bn)
- EBIDTA for Q1FY27 up by 19.1% YoY and down by 69.8% QoQ at INR 15.3 Bn (vs CIE est. of INR 13.3 Bn). EBITDA margin stood at 27.7%, expanded by 107 bps YoY (vs CIE est. of 25.0%)
- PAT for Q1FY27 up by 14.9% YoY and down by 62.1% QoQ at INR 15.9 Bn (vs CIE est. of INR 14.2 Bn). PAT margin expanded by 11 bps YoY, reaching 28.8% (vs CIE est. of 26.7%)

View & valuation: We maintain a **positive stance on HNAL**, supported by its **record order book, strategic positioning in India's defence ecosystem and the anticipated ramp-up in manufacturing programs**. The **Q1 performance provides a healthy start to the year**, with the EBITDA/PAT beat and margin expansion further strengthening our confidence in earnings resilience. Accordingly, we **raise our FY27E/FY28E EPS estimate by 4.0%/5.9%, respectively**, reflecting our improved expectation for the manufacturing-led growth trajectory. We value HNAL at **30x FY28E EPS**, arriving at a **TP of INR 5,650**, and maintaining our **'BUY'** rating.

Particulars (INR Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Revenue	55,152	48,190	14.4	1,39,424	(60.4)
Material Exp	19,161	15,407	24.4	64,087	(70.1)
Gross Profit	35,991	32,784	9.8	75,337	(52.2)
Employee Expenses	15,239	13,825	10.2	17,245	(11.6)
Other Expenses	5,484	6,134	(10.6)	7,506	(26.9)
EBITDA	**15,268**	**12,824**	**19.1**	**50,586**	**(69.8)**
Depreciation	3,039	1,852	64.1	6,344	(52.1)
Other Income	9,002	7,471	20.5	11,506	(21.8)
EBIT	21,231	18,443	15.1	55,748	(61.9)
Interest Cost	3	3	13.3	42	(91.8)
PBT	21,227	18,440	15.1	55,706	(61.9)
Tax	5,447	4,705	15.8	13,878	(60.8)
PAT	15,897	13,838	14.9	41,960	(62.1)
EPS (INR)	**23.8**	**20.7**	**14.9**	**62.7**	**(62.1)**

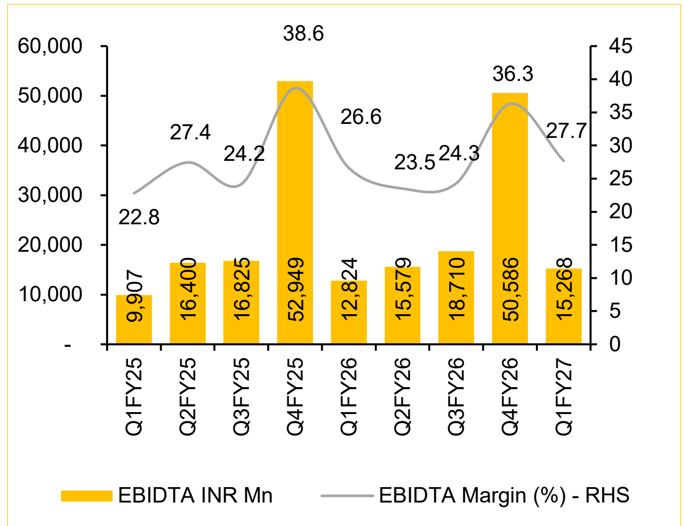
Margin Analysis	Q1FY27	Q1FY26	YoY (bps)	Q4FY26	QoQ (bps)
Gross Margin (%)	65.3	68.0	(277)	54.0	1122
Emp. Exp. % of Sales	27.6	28.7	(106)	12.4	1526
Other Exp. % of Sales	9.9	12.7	(279)	5.4	456
EBITDA Margin (%)	**27.7**	**26.6**	**107**	**36.3**	**(860)**
Tax Rate (%)	25.7	25.5	14	24.9	75
PAT Margin (%)	28.8	28.7	11	30.1	(127)

Revenue up by 14.4% on a YoY basis



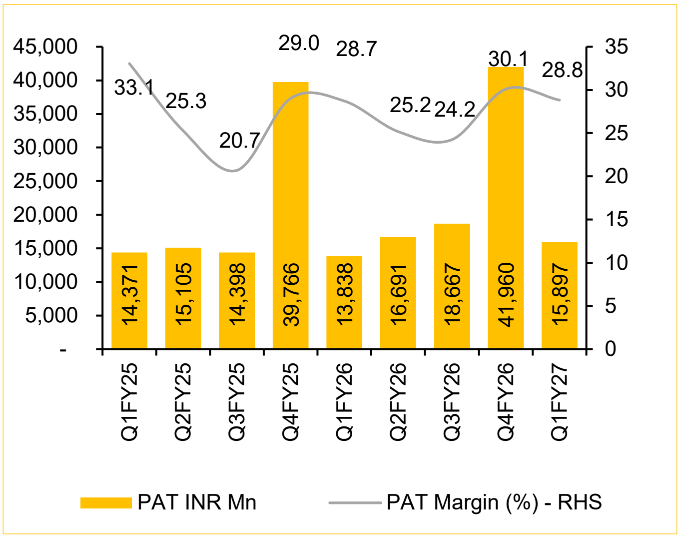
Source: HNAL, Choice Institutional Equities

EBITDA margin trend



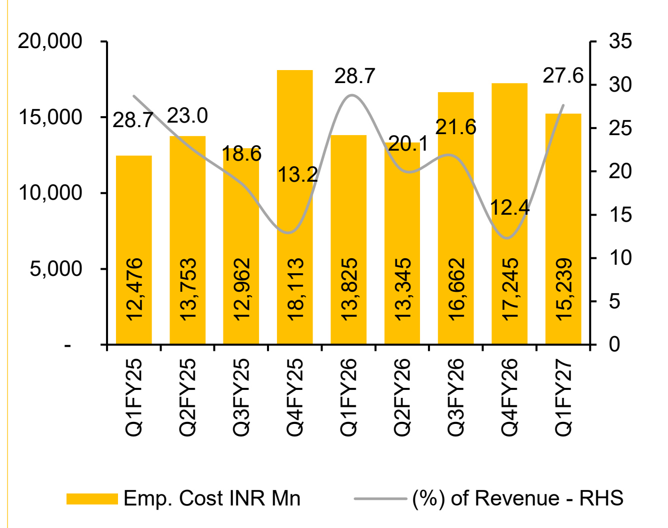
Source: HNAL, Choice Institutional Equities

PAT up by 14.9% on a YoY basis



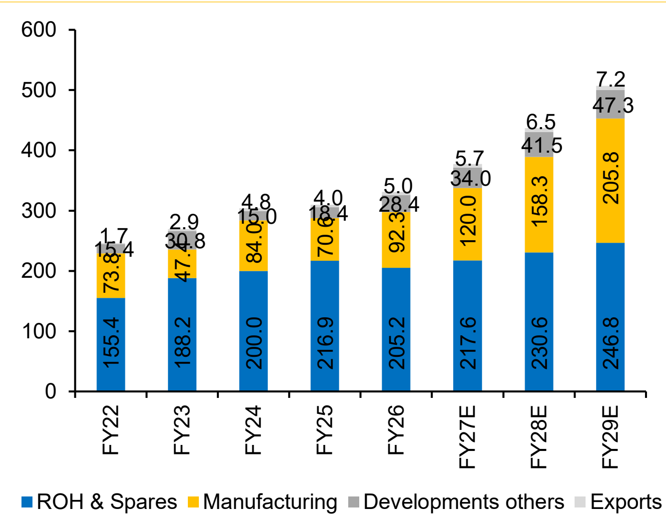
Source: HNAL, Choice Institutional Equities

Employee cost trend



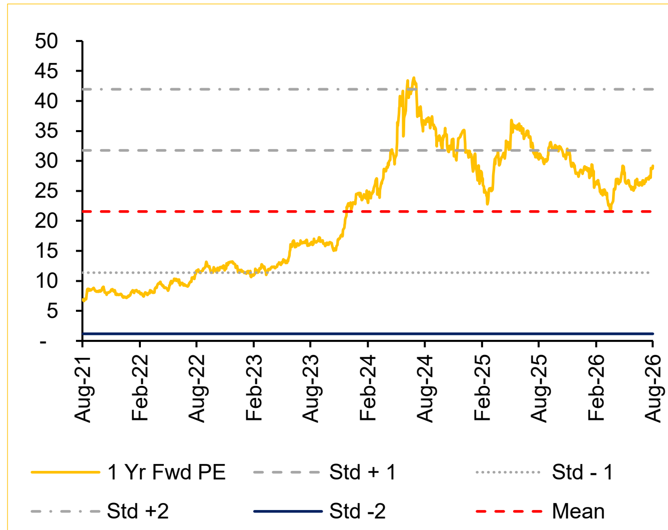
Source: HNAL, Choice Institutional Equities

Revenue mix (INR Bn)



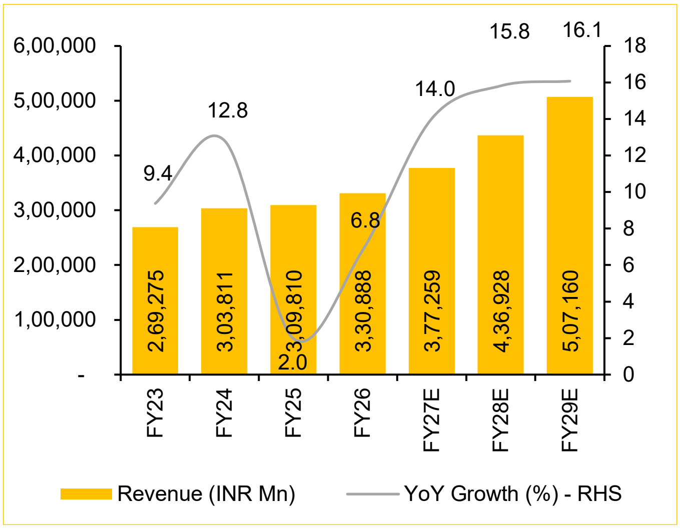
Source: HNAL, Choice Institutional Equities

One-year forward PE band



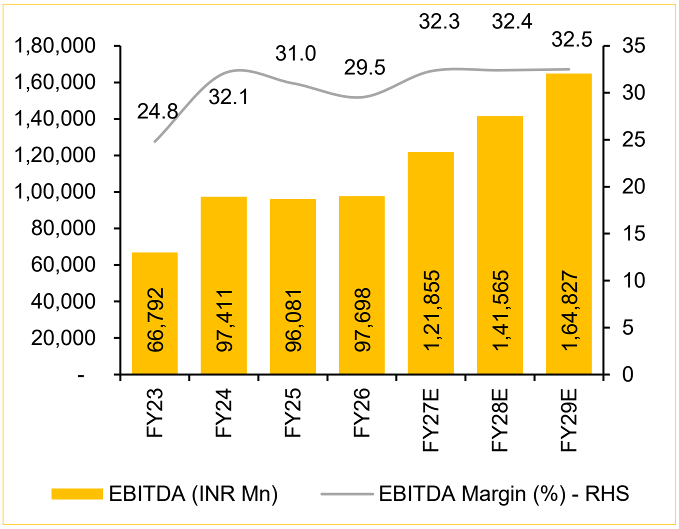
Source: HNAL, Choice Institutional Equities

Rev. expected to expand 15.3% CAGR over FY26–29E



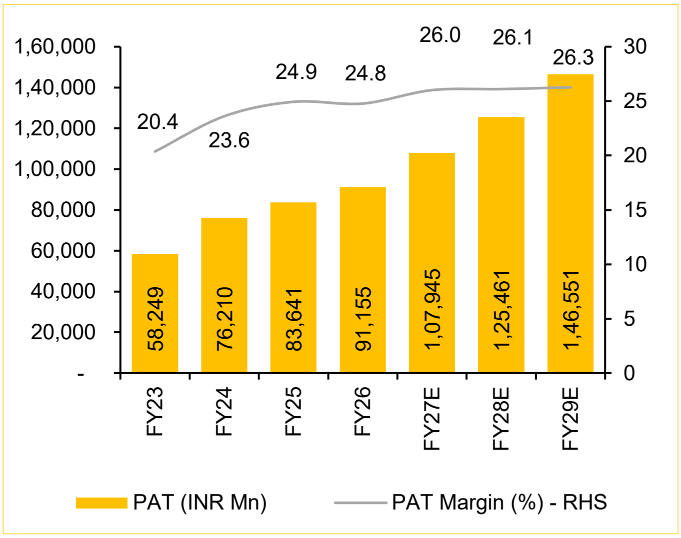
Source: HNAL, Choice Institutional Equities

EBITDA margin projected to expand



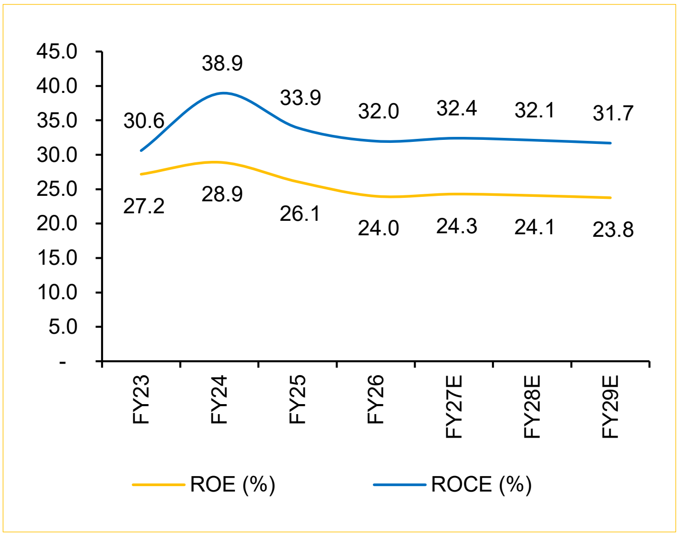
Source: HNAL, Choice Institutional Equities

PAT anticipated to expand 17.1% CAGR over FY26–29E



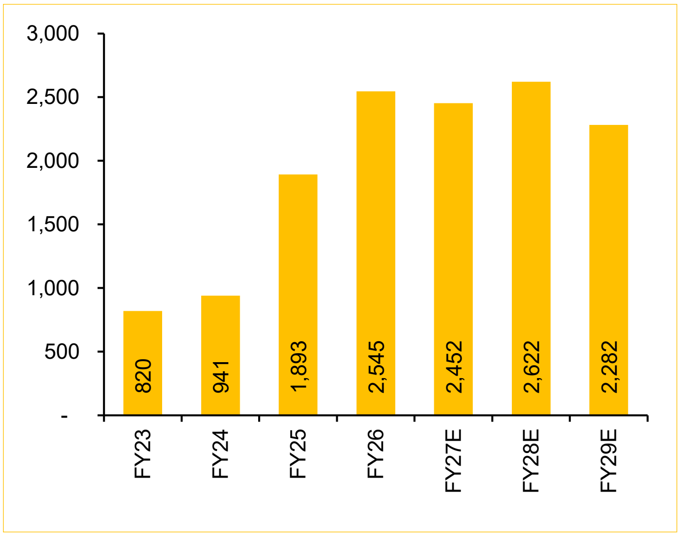
Source: HNAL, Choice Institutional Equities

ROE & ROCE trend



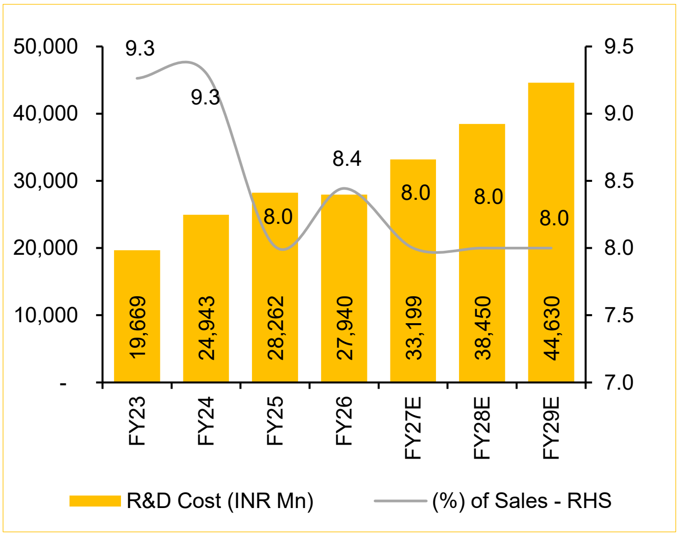
Source: HNAL, Choice Institutional Equities

Strong order book: ~7.7x of FY26 revenue (INR Bn)



Source: HNAL, Choice Institutional Equities

R&D investment in future projects forecast to remain high



Source: HNAL, Choice Institutional Equities

Income Statement (Consolidated – INR Mn)

Particular	FY26	FY27E	FY28E	FY29E
Revenue	3,30,888	3,77,259	4,36,928	5,07,160
Gross Profit	1,86,567	2,22,583	2,57,351	2,98,210
EBITDA	**97,698**	**1,21,855**	**1,41,565**	**1,64,827**
Other Income	36,991	37,726	43,693	50,716
Depreciation	13,549	16,190	18,744	21,238
EBIT	1,21,577	1,44,001	1,67,369	1,95,502
Interest Expense	58	75	87	101
PBT	1,21,519	1,43,926	1,67,281	1,95,401
Reported PAT	91,155	1,07,945	1,25,461	1,46,551
EPS	**136.3**	**161.4**	**187.6**	**219.1**

Ratio Analysis	FY26	FY27E	FY28E	FY29E
Growth Ratios				
Revenue (%)	6.8	14.0	15.8	16.1
EBITDA (%)	1.7	24.7	16.2	16.4
PAT (%)	9.0	18.4	16.2	16.8
Margin Ratios				
EBITDA Margin (%)	29.5	32.3	32.4	32.5
PAT Margin (%)	27.5	28.6	28.7	28.9
Performance Ratios				
ROE (%)	24.0	24.3	24.1	23.8
ROCE (%)	32.0	32.4	32.1	31.7
Turnover Ratio (Days)				
Inventory	340	320	310	300
Debtors	45	45	45	45
Payables	49	50	50	50
Cash Conversion Cycle (Days)	336	315	305	295
Financial Stability Ratios				
Net Debt to Equity (x)	(1.1)	(1.0)	(0.9)	(0.7)
Valuation Metrics				
Outstanding Shares (Mn)	668.8	668.8	668.8	668.8
Price (INR)	4,960	4,960	4,960	4,960
Market Cap (INR Bn)	3,317	3,317	3,317	3,317
PE (x)	36.4	30.7	26.4	22.6
EV (INR Bn)	2,855	2,847	2,838	2,817
EV/EBITDA (x)	29.2	23.4	20.0	17.1
Book Value (INR/Share)	614	715	843	1002
Price to BV (x)	8.1	6.9	5.9	5.0

Source: HNAL, Choice Institutional Equities

Balance Sheet (Consolidated – INR Mn)

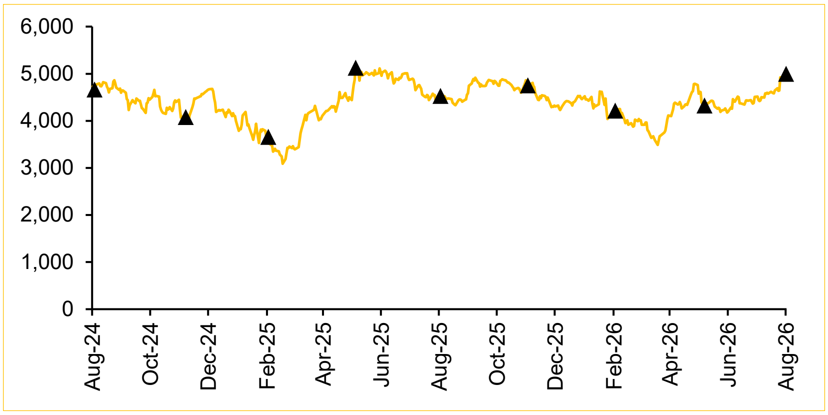
Particular	FY26	FY27E	FY28E	FY29E
Net Worth	4,10,446	4,78,264	5,63,599	6,70,023
Total Debt	-	-	-	-
Long-term Provisions	18,389	26,408	30,585	35,501
Other Non-current Liab.	4,52,237	4,52,710	4,80,621	5,07,160
Trade Payables	44,318	51,679	59,853	69,474
Short-term Provisions	76,746	87,501	1,01,340	1,17,630
Other Current Liabilities	3,22,010	3,77,259	4,15,082	4,56,444
Total Liabilities	**13,24,146**	**14,73,821**	**16,51,079**	**18,56,231**
Net Block	61,677	75,488	86,744	95,506
Capital Work in Progress	10,257	18,863	26,216	30,430
Intangible Assets	34,130	45,271	56,801	71,002
Investment	19,141	33,953	39,324	45,644
Other Non-current Assets	40,562	56,589	65,539	76,074
Inventories	3,08,507	3,30,747	3,71,089	4,16,844
Sundry Debtors	40,663	46,511	53,868	62,527
Cash and Bank	4,61,968	4,70,131	4,79,447	5,00,132
Other Current Assets	3,47,242	3,96,268	4,72,052	5,58,073
Total Assets	**13,24,146**	**14,73,821**	**16,51,079**	**18,56,231**
Capital Employed	4,10,446	4,78,264	5,63,599	6,70,023
Net Debt	(4,61,968)	(4,70,131)	(4,79,447)	(5,00,132)
FCFF	83,572	90,460	50,646	64,728

Cash Flows (INR Bn)	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	1,09,064	1,20,460	80,646	94,728
Cash Flows from Investing	(83,369)	(80,587)	(63,203)	(65,271)
Cash Flows from Financing	(33,504)	(31,710)	(8,127)	(8,773)

DuPont Analysis	FY26	FY27E	FY28E	FY29E
Tax Burden	75.0%	75.0%	75.0%	75.0%
Interest Burden	100.0%	99.9%	99.9%	99.9%
EBIT Margin	36.7%	38.2%	38.3%	38.5%
Asset Turnover	0.2	0.3	0.3	0.3
Equity Multiplier	3.5	3.3	3.2	3.0
ROE	**24.0%**	**24.3%**	**24.1%**	**23.8%**

Source: HNAL, Choice Institutional Equities

Historical share price chart: Hindustan Aeronautics Ltd (HNAL)



Date	Rating	Target Price
Aug 14, 2024	BUY	5,326
Nov 16, 2024	BUY	5,530
Feb 13, 2025	BUY	5,000
May 17, 2025	ADD	5,570
Aug 13, 2025	BUY	5,570
Nov 13, 2025	BUY	5,570
Feb 13, 2026	BUY	4,780
May 17, 2026	BUY	5,050
Aug 12, 2026	BUY	5,650

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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