

Tejas to take off with April engine delivery

24 March 2025

The delay in the arrival of GE-F404 engines, which had become a major bottleneck in the delivery of the light combat aircraft (LCA) *Tejas Mk-1A* fighter aircraft for the past two years, will soon be a thing of the past. Starting from April, two engines are likely to be delivered with an additional 12 arriving in FY26. Thus, 10-11 LCA *Tejas* aircraft may be delivered in FY26, providing a revenue visibility of INR 30-35bn in FY26E. Hindustan Aeronautics (HNAL IN) has a robust order pipeline of INR 1.6tn for CY25, led by two large ticket orders of 156 light combat helicopter (LCH) *Prachand* and 97 additional *Tejas Mk 1A*. We remain positive and retain **Buy** with a TP of INR 5,160 based on 40x December FY26E P/E, led by increased clarity on engine delivery, robust order pipeline providing future revenue visibility along with positive surprises on unexplored exports orders, and new product development, which would continue to drive growth momentum once the current orderbook is executed. We expect an earnings CAGR of 14% during FY24-27E with a 23% ROE during FY25-27E.

GE likely to commence engine delivery by April 2025: After a two-year delay from GE Aerospace for GE-F404 engines for the *Tejas Mk-1A*, GE may finally commence delivery of the first batch of engines from April 2025, as per *Oneindia's* report on 22nd March 2025. The engines are currently undergoing final checks at its testing facility in Massachusetts, US. We expect two engines to be delivered in April 2025, which were initially scheduled to be delivered in FY25, and 12 additional in FY26, and 20 thereafter from FY27 every year.

Around 10-11 *Tejas* set to be delivered in FY26: Based on the engine delivery schedule, we expect 10-11 *Tejas Mk 1A* to be delivered in FY26 vs our estimates of 12. This may translate into a revenue of INR ~30-35bn, thereby increasing the share of manufacturing from FY26. The 83 *Tejas Mk 1A* are expected to be delivered within the stipulated time until FY29, with ramp-up likely from FY27 as HNAL's installed capacity jumped to 24 aircraft -- 16 at the Bengaluru facility and eight at Nashik.

Orderbook guidance of INR 2.6tn for FY26: Management has set a FY26 orderbook target of INR 2.5-2.6tn, up from INR 1.3tn as on December 2024. This will be led by two large orders of 97 *Tejas Mk 1A* in addition to 83 already in place and 156 *Prachand*, together worth INR 1.3tn, which are set to materialize in the next 3-6 months. Additionally, orders worth INR 350bn are likely to accrue for the *Su-30MKI* upgrade, the Indian Multi Role Helicopter (IMRH) design & development, and Repairs and Overhaul (ROH) orders, taking the total expected inflows to ~INR 1.7tn in FY26.

Reiterate Buy with a TP of INR 5,160: We remain positive on [HNAL](#) and retain **Buy** with a TP of INR 5,160 on 40x December FY26E P/E. Positive tailwinds include increased clarity on engine delivery and management's confidence in delivering the order within the stipulated timeframe, and a robust order pipeline providing future revenue visibility along with positive surprises on unexplored export orders. The company is also engaged in new projects, such as the advanced medium combat aircraft, and LCA *Tejas Mk 2*, which are expected to fructify once its existing orderbook is executed, thereby sustaining growth momentum. We expect an earnings CAGR of 14% during FY24-27E with a 23% ROE during FY25-27E.

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