

CMP: ₹ 5128

Target: ₹ 6100 (19%)

Target Period: 12 months

May 19, 2025

**BUY****Supply chain issues behind; growth expected to pick up...**

**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 Rs. 1,84,000 crores as of FY25 (v/s Rs. 94000 crores in FY24)

**Investment Rationale:**

- Revenue growth expected to pick-up significantly; Order-book position remains strong:** We believe that HAL's revenue growth would pick-up substantially from this year, led by pick-up in execution in manufacturing segment. RoH (repair & overhaul) segment is already doing well and contributing majorly to the revenues at present. Execution in Tejas Mk1A contract was delayed in FY25 due to GE-404 engine delivery issues, but improvement in execution is expected with ease in supply chain issues and commencement of engine deliveries. The company plans to deliver 12 aircraft this year, as GE is likely to provide 12 engines in CY25. Additionally, the ALH Dhruv grounding has been lifted for the army and air force, enabling the company to fulfil these orders. Moreover, we believe that execution in other key large manufacturing contracts on-hand (like aero engines for Mig-29 and Su-30 MKI aircrafts upgradation) is expected to remain better led by higher indigenisation level of these platforms. Order backlog is at Rs 1.84 lakh crore (5.9x TTM revenue), provides healthy revenue growth visibility over FY26E-27E

- Order pipeline remains robust; longer-term growth outlook intact:** As per the management, orders pipeline remains robust for HAL with Rs 1 lakh crore worth of contracts are expected to be placed with the company in the coming 1-2 years. This includes key projects like 97 additional LCA MK1A fighters, additional 12 Su-30 MKI fighters, 156 light combat helicopters, 60 naval utility helicopters, Dornier 228, and Dornier 228 (40 nos.) repair orders. 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 estimate revenue & PAT to grow at ~15% & ~11% CAGR respectively over FY25-27E
- We recommend BUY on HAL with target price of ₹ 6100 per share (based on 40x FY27E EPS)

**Particulars**

Particular (Rs crore)	Amount
Market Capitalisation	3,42,948
Total Debt (FY25)	-
Cash	38,182
EV	3,04,766
52 Week H/L (Rs)	5675 / 3046
Equity Capital	334
Face Value	5

**Shareholding pattern**

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	71.6	71.6	71.6	71.6
FII	11.7	11.9	12.3	12.1
DII	8.8	8.4	8.1	8.3
Others	7.9	8.1	8.0	8.0

**Price Chart****Key risks**

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials/components

**Research Analyst**

Chirag Shah  
shah.chirag@icicisecurities.com

Vijay Goel  
vijay.goel@icicisecurities.com

Kush Bhandari  
kush.bhandari@icicisecurities.com

**Key Financial Summary**

(Year-End March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	24,620	26,927	30,381	30,981	8.0	35,601	40,939	15.0
EBITDA	5,409	6,679	9,741	9,608	21.1	10,668	12,476	14.0
EBITDA margin (%)	22.0	24.8	32.1	31.0		30.0	30.5	
PAT	5,080	5,828	7,621	8,364	18.1	8,847	10,204	10.5
EPS (Rs)	76.0	87.1	114.0	125.1		132.3	152.6	
P/E (x)	67.5	58.9	45.1	41.2		38.8	33.6	
EV/EBITDA (x)	60.8	39.3	26.3	26.3		20.3	16.5	
RoCE (%)	27.4	27.8	35.1	35.1		30.8	30.7	
RoE (%)	26.3	24.7	26.1	26.1		22.9	22.9	

Source: Company, ICICI Direct Research

## Q4 and FY25 Result Summary

- Revenue remained muted at Rs. 13700 crores (-7% YoY, +975 QoQ) in Q4FY25, however it was in-line with provisional estimates
- Revenue growth was impacted during the quarter on account of execution disruptions in Tejas Mk1A contract due to delays in engine delivery from GE and a temporary grounding of Advanced Light Helicopters (ALH) in the armed forces leading to delivery halting
- With the supply chain issues stabilising in the key manufacturing orders and capacities expansion, execution is expected to pick-up substantially in coming period.
- EBITDA margin was at 38.6% (-131 bps YoY), an improvement of 1447 bps on a QoQ basis
- PAT was down by 7.7% YoY to Rs. 3976 crore an increase of 176.2% on QoQ basis
- The FY25 revenue is up 2% YoY to Rs. 30981 crores with EBITDA margin standing at 31% (vs 32% in FY24). FY25 EBITDA is at Rs. 9608 crore and PAT is up 9.8% YoY to Rs. 8364 crores

## Q4 and FY25 Earnings call highlights

- The revenue distribution for the year consists of 23% from manufacturing, 7% from design and development, and 70% from RoH, spares & exports
- Consolidated order backlog stands at Rs 1,84,000 (crore as of March' 25 (v/s Rs. 94000 crores in March' 24)
- The management expects an order inflow of Rs. 1,00,000 crores likely comprising Light combat Aircraft (LCA) Tejas Mk-1A (97 nos.), Light Utility Helicopters (LUH are 145 nos.), Dornier 228, and Dornier 228 (40 nos.) upgrade orders. The Repair and Overhaul (RoH) orders are expected to be Rs. 20000 crores
- The management provides a revenue guidance of 7-8%, EBITDA margin at 31% and operating margin at 27% for FY26E
- The organization is presently concentrating on cost optimization by enhancing capacity (helicopters, aircraft, trainers) and developing capabilities
- Regarding the F404 engine GE has resolved supply chain, delivering one in April 2024 and committing to eleven more in 2025. The company aims to deliver 12 aircraft this year and boost production to 24 units annually by FY26E
- Regarding the F414 engine the Transfer of Technology (ToT) is a key focus, with management aiming to conclude discussions by FY26E. The certification will take three years, plus two years for lead time. Production is set to start in FY31, with the first prototype due in Q1FY27, and delays are unlikely due to a spare engine's availability.
- On the ALF31P front, (240 engines), the first engine delivery was in September 2024. The production target is set at 30 engines annually, indicating an 8-year liquidation period and a current indigenisation level of 57%. Management aims to increase this level in collaboration with MIDHANI. Additionally, PTC Industries may join the supply chain due to their recent capacity expansion.
- The initial delivery of the Light Combat Helicopter (LCH) Prachand is projected to occur after three years, with management aiming for an annual production rate of 30 units at its Tumkur facility, which is expected to be exclusively allocated for the LCH and ALH.
- Currently, the entire fleet of ALH Dhruv orders is grounded, and management anticipates that this issue will be resolved by the end of FY26E, after which production is expected to commence.
- A total of 12 Su-30 aircraft are anticipated, with a lead time of two years. Production is scheduled to begin in FY27E and conclude in FY29E.

- Regarding the LUH, which is a limited production order (12 nos.), these orders have experienced delays but the IOC has been received for the same. In the interim, the company has proceeded to produce eight of these aircraft.
- Aircraft capacity is presently set at 24 units per annum, with two production lines located in Bangalore and one in Nashik. Management has indicated that by outsourcing fuselage components to the private sector, the capacity is expected to increase to 30 units. Helicopter capacity stands at 30 units in Tumkur and 30 units in Bangalore, which is sufficient to manage the current orders.
- The inventory period has risen to 253 days, which is essential for the production of 83 units of Tejas Mk-1A

**Exhibit 1: Q4FY25 and FY25 result snapshot (₹ crore)**

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments	FY25	FY24	YoY (%)
Operating Income	13,699.9	14,768.8	-7.2	6,957.3	96.9	Revenue growth was in line with provisional estimates	30,981.0	30,381.1	2.0
Other income	651.5	557.3	16.9	631.4			2,561.7	1,896.6	
Total Revenue	14,351.4	15,326.1		7,588.7			33,542.6	32,277.7	
Raw materials costs	4,970.0	4,848.2		3,421.0			12,288.0	11,059.1	
Employees Expenses	1,811.3	1,390.6		1,296.2			5,730.4	5,290.7	
Other Expenses	1,623.7	2,628.7		558			3,354.5	4,290.2	
Total Expenditure	8,405.0	8,867.5		5,275			21,372.9	20,640.0	
EBITDA	5,294.9	5,901.3	-10.3	1,682.5	214.7	Execution was impacted this year, primarily in production of LCAs and ALHs	9,608.1	9,741.1	-1.4
EBITDA margins (%)	38.6	40.0	-131 bps	24.2	1447 bps		31.0	32.1	-105 bps
Interest	8.4	31.4		0.1			8.7	32.1	
Depreciation	736.5	644.0		277.1			1,340.4	1,407.2	
Tax	1,242.0	1,486.3		602.4			2,503.2	2,603.9	
PAT	3,976.6	4,308.7	-7.7	1,439.8	176.2		8,364.1	7,621.0	9.8

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 2: Profit and loss statement

Year-End March	FY24	FY25	FY26E	FY27E
Revenue	30,381	30,981	35,601	40,939
% Growth	12.8	2.0	14.9	15.0
Other income	1,896.6	2,561.7	2,817.9	3,113.7
Total Revenue	32,291	33,545	38,434	44,068
% Growth	12.9	3.9	14.6	14.7
Total Raw Material Costs	11,059	12,288	14,240	16,376
Employee Expenses	5,291	5,730	6,533	7,512
other expenses	4,290	3,354	4,160	4,575
Total Operating Expenditure	20,640	21,373	24,933	28,464
Operating Profit (EBITDA)	9,741	9,608	10,668	12,476
% Growth	45.8	(1.4)	11.0	16.9
Interest	32	9	9	9
PBTD	11,606	12,161	13,477	15,581
Depreciation	1,407	1,340	1,602	1,883
PBT before Exceptional Items	10,198	10,821	11,875	13,697
Total Tax	2,604	2,503	3,028	3,493
PAT before MI	7,621	8,364	8,847	10,204
PAT	7,621	8,364	8,847	10,204
% Growth	30.8	9.8	5.8	15.3
EPS	114.0	125.1	132.3	152.6

Source: Company, ICICI Direct Research

### Exhibit 3: Cash Flow Statement

Year-End March	FY24	FY25	FY26E	FY27E
Profit after Tax	7,621	8,364	8,847	10,204
Depreciation	1,407	1,340	1,602	1,883
Interest	32	9	9	9
Cash Flow before WC changes	9,060	9,713	10,458	12,097
Changes in inventory	(1,069)	(8,458)	(3,196)	(3,730)
Changes in debtors	102	(31)	(717)	(804)
Changes in loans & Advances	(3)	3	-	-
Changes in other current assets	(1,143)	(3,013)	(1,267)	(1,441)
Net Increase in Current Assets	(5,026)	(15,326)	(7,268)	(8,717)
Changes in creditors	278	1,693	747	878
Changes in provisions	832	807	1,239	1,448
Net Inc in Current Liabilities	5,497	7,771	6,067	7,077
Net CF from Operating activities	9,532	2,158	9,257	10,456
Changes in deferred tax assets	(329)	(114)	-	-
(Purchase)/Sale of Fixed Assets	(1,689)	(1,685)	(3,000)	(3,000)
Net CF from Investing activities	(1,863)	12,615	(3,058)	(3,067)
Dividend and Dividend Tax	(1,505)	(1,505)	(2,006)	(2,274)
Net CF from Financing Activities	(1,553)	(1,553)	(3,293)	(3,469)
Net Cash flow	6,115	6,115	5,915	6,139
Opening Cash/Cash Equivalent	20,317	20,317	38,182	44,097
Closing Cash/ Cash Equivalent	26,432	26,432	44,097	50,237

Source: Company, ICICI Direct Research

### Exhibit 4: Balance Sheet

Year-End March	FY24	FY25	FY26E	FY27E
Equity Capital	334.4	334.4	334.4	334.4
Reserve and Surplus	28,804	34,647	40,903	48,656
Total Shareholders funds	29,138	34,982	41,237	48,990
Other Non Current Liabilities	10,543.8	24,820.6	24,820.6	24,820.6
Total Debt	-	-	-	-
Total Liabilities	41,771	62,172	68,427	76,180
Gross Block	13,672	15,203	18,294	21,294
Acc: Depreciation	7,892	9,232	10,834	12,718
Net Block	5,780	5,970	7,459	8,576
Capital WIP	937	1,091	1,091	1,091
Total Fixed Assets	8,475	9,313	10,802	11,919
Non Current Assets	4,256	4,650	4,708	4,775
Inventory	13,218	21,676	24,872	28,602
Debtors	4,617	4,648	5,365	6,169
Loans and Advances	11	7	7	7
Other Current Assets	5,333	8,345	9,612	11,054
Cash	26,432	38,182	44,097	50,237
Total Current Assets	63,017	90,095	92,547	105,318
Current Liabilities	3,413	5,106	5,852	6,730
Provisions	1,578	1,265	1,266	1,267
Total Current Liabilities	36,324	44,095	50,162	57,239
Net Current Assets	26,693	26,693	50,983	57,819
Total Assets	41,771	41,771	68,427	76,180

Source: Company, ICICI Direct Research

### Exhibit 5: Key ratios

Year-End March	FY24	FY25	FY26E	FY27E
EPS	114.0	125.1	132.3	152.6
Cash per Share	395.2	395.2	659.4	751.2
BV	435.7	435.7	616.6	732.5
Dividend per share	22.5	22.5	30.0	34.0
Dividend payout ratio	20%	18%	23%	22%
EBITDA Margin	32.1	31.0	30.0	30.5
PAT Margin	25.1	27.0	24.9	24.9
RoE	26.1	26.1	22.9	22.9
RoCE	35.1	35.1	30.8	30.7
EV / EBITDA	26.3	26.3	20.3	16.5
P/E	45.1	41.2	38.8	33.6
EV / Net Sales	8.4	8.4	6.4	5.4
Sales / Equity	1.0	1.0	0.9	0.9
Market Cap / Sales	11.3	11.1	9.6	8.4
Price to Book Value	9.7	9.7	6.9	5.8
Asset turnover	1.0	1.0	0.9	0.9
Debtors Turnover Ratio	6.5	6.7	7.1	7.1
Creditors Turnover Ratio	9.3	7.3	6.5	6.5
Debt / Equity	-	-	-	-
Current Ratio	1.7	2.1	2.2	2.2
Quick Ratio	0.7	0.8	0.8	0.8

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Chirag Shah, PGDBM, Vijay Goel, PGDBM, Kush Bhandari, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number - INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

**Investments in securities market are subject to market risks. Read all the related documents carefully before investing.**

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance Officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Bhavesh Soni Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report