

Price: 4,177

Recommendation: Buy

Industry: Aerospace & Defense

Sector: Industrials

Report Date: 31-Mar-2025

Hindustan Aeronautics Limited (HAL) is advancing its aerospace sector position through strategic initiatives and investments. With a robust order book of 94,000 crores, HAL is enhancing R&D, focusing on indigenously developed platforms like HTT-40 and LCA Mark 1A. The company is expanding production capacity with new facilities and exploring global markets, aiming for double-digit growth. HAL's commitment to indigenization and innovation aligns with national priorities, ensuring a competitive edge.

Sales		Profit & Loss		Profitability Matrix	
Current Year	32050 Cr	Operating Profit(Year)	10201 Cr	Operating Profit Margin	31.8 %
Previous Year	26928 Cr	Operating Profit(Quarter)	1681 Cr	EBITDA Margin	36.32 %
Current Quarter	6957 Cr	PAT (Year)	7591 Cr	Net Profit Margin	25.0 %
Previous Quarter	5977 Cr	PAT (Quarter)	1433 Cr	EPS	129
Revenue (QYoY)	6061 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	32.3	Sales Growth	14.0 %	Sales Growth	16.4 %
PEG Ratio	1.22	PAT Growth	30.68 %	Sales Growth QYoY	14.78 %
EV/EBITDA	19.8	EPS Growth	13.16 %	PAT Growth	-3.57 %
P/B	8.99	Dividend Yield	0.84	PAT Growth QYoY	14.27 %
Capital Allocation		Holdings		Leverage	
RoE	28.9 %	Promoter	71.6 %	Debt/Equity	0.00
RoA	10.1 %	FII	12.3 %	Debt	0.37 Cr
RoCE	38.9 %	DII	8.13 %	Market Cap	279377 Cr
RoIC	21.0 %	Public	7.95 %	Enterprise value	250478 Cr
		No of Shares	66.9 Cr	Cash Equivalents	28900 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Hindustan Aeronautics Limited (HAL) has embarked on several new initiatives and business strategies to bolster its position in the aerospace sector. The company is heavily investing in research and development (R&D), with a sanctioned amount of 4,000 crores for the IMRH product and 2,000 crores for the utility helicopter Marine for the Indian Navy. HAL is focusing on indigenously designed and developed platforms like HTT-40, LUH, LCH, and LCA Mark 1A, which are critical for self-reliance and offer significant export opportunities. The company is also enhancing its global outreach by seeking certifications from international agencies, aiming to become an end-to-end solution provider in the aerospace domain. The order book stands robust at 94,000 crores, with significant contracts concluded, including RD-33 engines and ALH for the Army and Coast Guard.

The company is actively pursuing capacity and capability building to meet future demands. A new helicopter factory in Tumakuru and a third line of LCA in Nashik are being established to augment production capacity. HAL's CAPEX plan for the next five years is estimated at 14,000 to 15,000 crores, focusing on manufacturing facilities and ROH facilities for various platforms. Strategic investments are being made in forging presses and carbon fiber facilities to enhance indigenization efforts. The company is also working on new projects like LCA Mark 2 and the TOT GE F414 engine manufacturing, which are expected to drive future growth.

HAL's future growth and scaling perspectives are promising, with a strong order pipeline and anticipated contracts for LCA Mark 1A, Light Combat Helicopters, and Utility Helicopter Marine. The company expects to maintain a consistent double-digit growth rate, supported by a robust order book and new orders likely to materialize in the next few years. The focus on proactive procurement, strengthening CAPEX, and increasing R&D investments are key strategies to sustain this growth momentum. HAL is also exploring export opportunities, with discussions underway with countries like the Philippines, Argentina, and Nigeria, aiming to become globally competitive in the next 2-3 years.

On the positive side, HAL's strategic initiatives and robust order book position it well for sustained growth. The company's focus on indigenization and self-reliance aligns with national priorities, offering a competitive edge in the global market. However, there are areas for improvement, such as increasing the share of exports in total sales and further optimizing cost structures. The company's ability to execute large orders within timelines will be crucial for maintaining stakeholder confidence. Overall, HAL's strategic direction and initiatives reflect a strong commitment to growth and innovation in the aerospace sector.

HAL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Azad Engineering	8780.86	114.56	12.12%	8.02%	35.02%	13.60%	41.11%
Unimech Aero.	4921.67	84.78	73.75%	-12.29%	-16.72%	-13.74%	-23.60%
Bharat Dynamics	46971.32	83.04	17.90%	52.75%	38.32%	20.08%	8.96%
MTAR Technologie	3940.77	88.12	8.37%	-8.27%	47.56%	-13.05%	54.64%
Paras Defence	3859.73	76.80	7.00%	-1.52%	33.64%	9.06%	136.35%

Aspect	Commentary
Revenue	The company shows a strong revenue growth with a 14% YoY increase, indicating robust sales performance. The quarterly growth of 16.4% further highlights the company's ability to capitalize on market opportunities and expand its revenue base effectively.
Profit & Loss	Operating profit margins are healthy, reflecting efficient cost management. The PAT growth of 30.68% YoY suggests strong bottom-line performance, although a slight QoQ decline indicates potential short-term challenges.
Profitability Matrix	The company maintains strong profitability with an operating profit margin of 31.8% and a net profit margin of 25%. These figures suggest effective cost control and pricing strategies, contributing to overall financial health.
Valuation Matrix	The valuation metrics indicate a moderately high market valuation with a trailing P/E of 32.3 and a PEG ratio of 1.22, suggesting that the market expects continued growth. The EV/EBITDA of 19.8 reflects investor confidence in future earnings potential.
Growth (YoY)	The company exhibits solid growth with a 14% increase in sales and a 30.68% rise in PAT, indicating strong operational performance and market demand. The EPS growth of 13.16% further supports the company's positive financial trajectory.
Growth (QoQ)	Quarterly growth shows a mixed picture with a 16.4% increase in sales but a 3.57% decline in PAT, suggesting potential short-term operational challenges. However, the overall trend remains positive with a 14.78% QYoY sales growth.
Capital Allocation	The company demonstrates efficient capital allocation with a high RoE of 28.9% and RoCE of 38.9%, indicating effective use of equity and capital employed to generate returns. The RoIC of 21% further underscores strong investment efficiency.
Holdings	The promoter holding of 71.6% indicates strong control and confidence in the company's future. Institutional holdings are moderate, with FIIs at 12.3% and DIIs at 8.13%, reflecting a balanced investor base.
Leverage	The company maintains a conservative leverage position with a debt/equity ratio of 0.00, indicating financial stability and low risk. The substantial cash equivalents of 28,900 Cr provide a strong liquidity buffer for future investments.

Analyst viewpoint: Hindustan Aeronautics Limited (HAL) presents a compelling case for a bullish outlook in the short to mid-term, driven by strong quarter-on-quarter (QoQ) growth metrics and strategic capital allocation. The company reported a 16.4% increase in sales QoQ, showcasing its ability to leverage market opportunities and expand its revenue base effectively. This growth trajectory is supported by efficient capital allocation, evidenced by a robust return on equity (RoE) of 28.9% and return on capital employed (RoCE) of 38.9%, highlighting HAL's competency in utilizing its resources to generate substantial returns. The valuation metrics, with a trailing P/E of 32.3 and a PEG ratio of 1.22, suggest that the market anticipates continued growth, backed by HAL's impressive research and development (R&D;) investments into indigenously developed platforms like the HTT-40 and LCA Mark 1A. In comparison to peers, HAL maintains a competitive stance, partly due to its strong order book of 94,000 crores, which promises sustained revenue generation and growth momentum. The recent analyst call echoed an optimistic outlook, with investments focusing on expanding production capacities and tapping into global export markets, underpinning HAL's strategic initiatives.

Despite the positive outlook, a potential area for improvement is the company's current export share in total sales, which could be increased to further enhance competitive positioning globally. This aspect, while minor in the context of overall performance, highlights an opportunity for HAL to streamline its cost structures and tap into new markets, ensuring continued robust performance in the aerospace sector. Overall, HAL's strategic endeavors and strong capital position affirm its promising growth trajectory, ensuring it remains a formidable player in the aerospace industry.

Please read detailed disclosure on next page.

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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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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