

Hindustan Aeronautics

Riding the Strong Aircraft Induction Wave



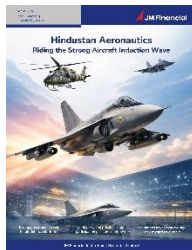
Strong procurement cycle
for air defence platforms

Imports and private sector
participation pose order-inflow risk

Valuations lower than average,
risk-reward favourable

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Hindustan Aeronautics Limited (HAL) is India's largest defence PSU and the sole indigenous manufacturer of defence aircraft in India. We value Hindustan Aeronautics at 29x FY28 EPS of INR 168 to arrive at our TP of INR 4,875. We value it at its post-Covid historical average of 29x given potential risks to order prospects translating into order inflows, and execution dependence on other vendors for critical supplies. However, with the stock correcting 22% in the last six months versus 8% decline in the Nifty, it seems to price in most of the headwinds. Thus, risk-reward seems favourable at this stage. Hence, we initiate at BUY with a TP of INR 4,875, offering 25% upside from current levels.

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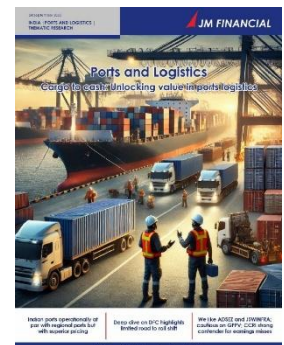
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Hindustan Aeronautics

Riding the Strong Aircraft Induction Wave

Hindustan Aeronautics Limited (HAL) is India's largest defence PSU and the sole indigenous manufacturer of defence aircraft in India.

The Indian Air Force (IAF) urgently needs to expand its asset base. In terms of number of squadrons, it now has only ~29 squadrons (versus sanctioned strength of 42), the lowest level since 1996, of which significant assets like MiG-27, Mirage 2000 and Jaguar are set to retire in the 2030s. The ageing fleet of transport aircraft and helicopters also needs to be replenished. Until new aircraft squadrons are inducted, upgrade of existing legacy fleet is also necessary.

With continued focus on air defence capex, we estimate strong addressable order prospects of ~INR 9tn for the air defence segment over the next 6–7 years. We see three key risks to this addressable pipeline translating into order inflows for HAL: i) delay in order finalisation; ii) risk of import substitution; and iii) rising role of private sector in large platform orders. Based on our detailed analysis, we estimate order prospects of ~INR 2tn in the bear base, ~INR 4.7tn in the base case and ~INR 8.6tn in the bull case for HAL's manufacturing segment.

Key themes we discuss in the report:

- HAL's business model in depth and focus on a platform-by-platform-based revenue/margin approach
- Rationale for induction of various aircraft platforms and the need for continued upgrade capex. We also discuss continuity of ROH sales from a fleet-diversity perspective
- Potential for private competition as IAF focuses on three distinct ecosystems: i) Sukhoi/Tejas; ii) MRFA; and iii) AMCA

Revenue CAGR of 21% over FY26–28E led by manufacturing order deliveries: We estimate that HAL could deliver 21% CAGR in revenue over FY26–28E driven by 50%+ CAGR in manufacturing revenue led by deliveries of LCA Tejas Mk1A. We also expect ramp-up in deliveries of HTT-40 trainer aircraft and LCH Prachand to drive revenue growth. We estimate 8% CAGR in Repair and Overhaul (ROH) revenue in line with management guidance and 8% CAGR in spares revenue over FY26–28E.

Expect EBITDA margin to decline as share of manufacturing rises: HAL largely serves as a platform integrator and procures components, finished and semi-finished parts from other vendors. Hence, gross margin declines with rise in manufacturing revenue. Thus, we expect EBITDA margin to decline from 29.8% in FY26E to 28.6% in FY28E. We estimate EBITDA/PAT CAGR of 19%/14% over FY26–28E.

Initiate at BUY with a TP of INR 4,875: We value HAL at its (post-Covid) historical average of 29x given a strong prospect pipeline but partly offset by potential risks to prospects' translation to order inflows and execution dependence on other vendors for critical supplies. With FY28E EPS of INR 168, we arrive at our target price of INR 4,875. However, the stock has corrected 22% in the last six months versus 8% fall in the Nifty and, thus, seems to price in most of the headwinds. Hence, the risk-reward seems favourable at this stage. We initiate at BUY with a TP of INR 4,875, offering 25% upside from current levels.

Key risks: Key downside risks to our call include further decline in valuations due to delay in manufacturing order inflows led by: i) delay in approvals for order prospects; ii) risk of loss of orders to import substitution; iii) rising competition from private sector in large platform orders; and iv) lower-than-estimated execution led by delay in delivery of critical parts.

Recommendation and Price Target		Financial Summary					(INR mn)
Current Reco.	BUY	Y/E	FY24A	FY25A	FY26E	FY27E	FY28E
Current Price Target (12M)	4,875	Net Sales	303,808	309,809	322,500	413,263	474,462
Upside/(Downside)	24.7%	Sales Growth (%)	12.8	2.0	4.1	28.1	14.8
Key Data – HNAL IN EQUITY		EBITDA	97,389	95,969	96,012	120,063	135,873
Current Market Price	INR3,908	EBITDA Margin (%)	32.1	31.0	29.8	29.1	28.6
Market cap (bn)	INR2,613.2/US\$28.2	Adjusted Net Profit	75,950	83,168	86,699	101,029	112,434
Free Float (%)	25.9	Diluted EPS (INR)	113.6	124.4	129.6	151.1	168.1
Shares in issue (mn)	668.8	Diluted EPS Growth (%)	30.7	9.5	4.2	16.5	11.3
Diluted share (mn)	668.8	ROIC (%)	421.8	-	-	817.9	167.1
3-mon avg daily val (mn)	INR7,518.3/US\$81.2	ROE (%)	28.9	26.0	22.9	22.8	21.7
52-week range	INR5,166/3,479	P/E (x)	34.4	31.4	30.1	25.9	23.2
Sensex/Nifty	77,563/23,997	P/B (x)	9.0	7.5	6.4	5.5	4.7
INR/US\$	92.6	EV/EBITDA (x)	24.1	23.3	23.3	17.9	16.0
		Dividend Yield (x)	0.9	1.0	1.1	1.2	1.4

Source: Company data, JM Financial. Note: Valuations as of April 08, 2026

Price Performance			
%	1M	6M	12M
Absolute	-2.9	-18.4	-3.3
Relative*	-2.9	-13.6	-8.0

*To the NSE Nifty 50

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ. Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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Focus Charts

Exhibit 1: Strong addressable prospects of INR 9.2tn in the air defence space

Project	Quantity	Value (INR bn)	Comments
Su-30 MKI Upgrade	200	700	First tranche of 84 has been approved by the DAC
LUH	175	219	Requirement of 384 aircrafts, HAL to manufacture 187
IMRH	419	1,152	The preliminary design of the IMRH is nearly completed and the configuration studies for the DBMRH are progressing towards completion
AMCA	125	1,250	Currently prototype development orders awarded to private sector-led consortia
Tejas MK2	200	1,275	In advanced stages of prototype development
TEDBF- Indian Navy	145	1,450	Each prototype to cost ~INR 10bn, rollout expected in 2026 or early 2027, first flight in 2028, certification by 2032 and induction in 2034
Multi Role Fighter Aircraft (MRFA) {Rafale}		2,371	Of the 114, 18-20 to be procured in flyaway condition, majority to be manufactured in India
Air-Ship Based High Altitude Pseudo Satellite (AS-HAPS)		150	
04 MW Marine Gas Turbine based Electric Power Generator			Not available
P8I Long Range Maritime Reconnaissance Aircraft		270	Manufactured by Boeing and likely to be imported
Leasing High Altitude Long Range (HALE) Remotely Piloted Aircraft System (RPAS)		8	Approval for renewal of lease agreement that is already in place
Medium Altitude Long Endurance (MALE) Remotely Piloted Aircraft (RPAs)		310	
Sustenance of C-17 and C-130J fleets			C-130 was manufactured by Lockheed Martin. Lockheed Martin and TASL have entered into an agreement for expanding C-130J manufacturing and assembly in India to produce aircraft for the IAF's Medium Transport Aircraft programme
Comprehensive annual maintenance contract of S-400 Long Range Air Defence Missile System		Undisclosed	
Total addressable size		9,155	

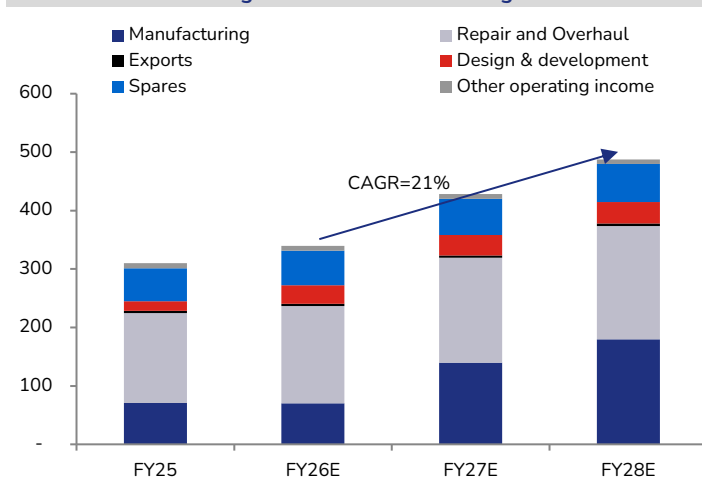
Source: Industry, JM Financial

Exhibit 2: Estimating order inflows for HAL over the next 6-7 years

Case	Value (INR tn)	Comments
Bear	1.98	Su-30 upgrade and Tejas MKII orders come through
Base	4.75	Besides Su-30MKI and Tejas MKII, the helicopter orders (LUH, IMRH) come through (not yet AON-approved), and HAL gets the AMCA production order
Bull	8.57	Besides the base case, TEDBF order comes through and HAL is able to build MRFA (Rafale) in India

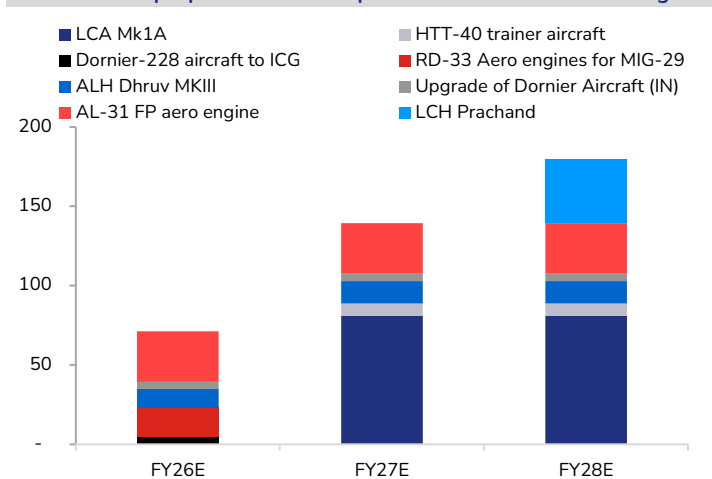
Source: Company, JM Financial

Exhibit 3: Manufacturing order deliveries to drive growth

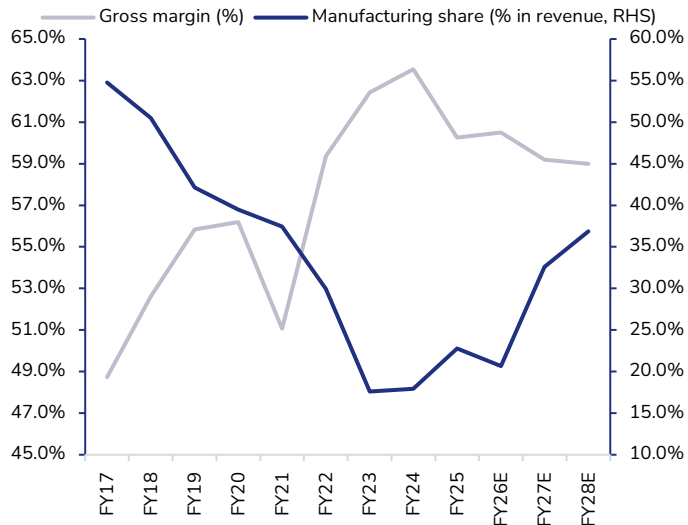


Source: Company, JM Financial. Units=INR bn

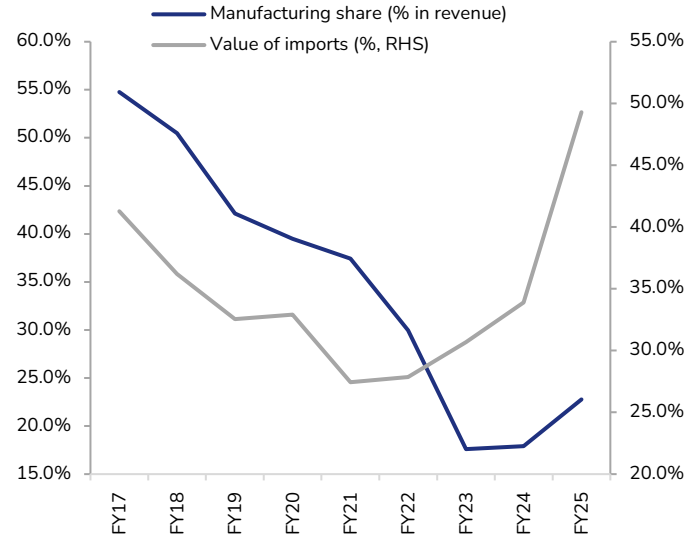
Exhibit 4: Ramp-up in execution of platforms drives manufacturing



Source: Company, JM Financial. Units=INR bn

Exhibit 5: Gross margin declines with rise in manufacturing revenue

Source: Company, JM Financial

Exhibit 6: Value of imports rises with rise in manufacturing revenue

Source: Company, JM Financial

Exhibit 7: Risk-reward favourable at current price levels

	EPS (INR)	Target PE(x)	TP(INR)	% upside	Comments
Base	168	29	4,875	25%	Order inflows closer to base case prospects of INR4-5tn, execution in line with estimates
Bull	168	37	6,220	60%	Order inflows higher than expected with prospects closer to INR 8tn materialising for 6-7 years
Bear	160	21	3,321	-15%	Order inflows lower than expected with prospects closer to INR 2tn materialising for 6-7 years, execution headwinds to LCA Tejas MK1A

Source: Company, JM Financial

Initiate HAL with BUY with TP of INR4,875

IAF fleet depletion necessitates aircraft additions, upgrades

IAF has inducted only two types of aircraft over 1987-2014, leading to significant capability gaps. The recent induction of Tejas MK1A and imports of Rafale only modestly addresses the gap. The squadron strength is now down to 29 versus requirement of 42, and with certain platforms like MiG-29, Mirage 2000 and some Jaguars due for retirement in the 2030s, we believe the situation is turning critical. To address the shortfall, India could undertake a significant expansion programme not just in existing platforms (Tejas, Sukhoi) but also in new areas like MFRA and AMCA. Till the induction of new aircraft types, we believe IAF needs to upgrade its existing fleet to at least fourth generation levels. Thus, fighter aircraft can be a key growth area over the next decade. We expect similar ordering to support replacement of the ageing fleet of transport aircraft and legacy helicopters.

Strong order prospects of ~INR 9tn in air defence platforms

Air defence is expected to remain a core focus area for India's defence capital expenditure supported by evolving warfare dynamics and rising prominence of aerial threats. Our interaction with India's Defence Secretary Mr Rajesh Singh suggests ~20% CAGR in government spending on capital acquisition with thrust on air warfare (including drone warfare, loitering munitions and radar systems), and underwater defence systems. Hindustan Aeronautics (HAL), being the key public sector undertaking (PSU) in the large aircraft platform manufacturing space, is well positioned to benefit from rising capex in the air defence space. We estimate strong addressable prospects of ~INR 9tn for air defence over the next 6-7 years.

Risks to order translations from finalisation delays, import substitution and private competition

We see three key risks to the addressable pipeline of ~INR 9tn translating into order inflows for HAL: i) delay in order finalisation; ii) risk of import substitution; and iii) rising role of the private sector in large platform orders. Of the addressable prospects of INR 9tn, the Defence Acquisition Council (DAC) has accorded Acceptance of Necessity (AON) for ~INR 6tn worth of projects; the rest are yet to receive AON approvals. Furthermore, procurement of projects such as the Multi Role Fighter Aircraft (MRFA, Rafale) could be done via imports if the pace of development of licensed manufacturing is slow. Even though the Ministry of Defence (MoD) has stated its intent to manufacture a majority of MRFA in India, any delay in development or technical qualification of the product could lead to procurement of MRFA via imports given the depleting fleet of combat aircraft with the IAF. Besides, in certain projects such as AMCA, the contract for prototype development has been awarded to private consortia. Thus, rising competition from the private sector could also hurt HAL's order prospects. Based on our detailed analysis of prospects, we estimate order prospects of ~INR 2tn in the bear base, ~INR 4.7tn in the base case and ~INR 8.6tn in the bull case for the company's manufacturing segment.

FY26-28E revenue/EBITDA/EPS CAGR of 21%/19%/14%

We expect LCA Tejas MK1a deliveries to begin from FY27, which, along with continued execution of other projects such as ALH, LCH, and HTT-40 can lead to strong growth in manufacturing revenue (50%+CAGR) over FY26-28. With continued momentum in Repair and Overhaul (ROH) revenue at ~8% CAGR over FY26-28E (in line with management guidance), we estimate 21% CAGR in revenue over FY26-28. With rise in share of revenue from the manufacturing segment (especially from large platform deliveries), we expect EBITDA margin to moderate over FY26-28. Thus, we estimate EBITDA CAGR at 19%, leading to 14% CAGR in EPS over FY26-28. In our base case, we have assumed that deliveries for the LCA Tejas Mk1A will commence from FY27; however, if there are delays in delivery, we estimate downside risk of 8%/8%/6.5% on revenue/EBITDA/EPS estimates for FY27 and 7%/7%/5% for FY28.

Valuation reasonable at 23x FY28E EPS

We value HAL at its (post-Covid) historical average of 29x given a strong prospect pipeline but partly offset by potential risks to prospects' translation to order inflows and execution dependence on other vendors for critical supplies. With FY28E EPS of INR 168, we arrive at our target price of INR 4,875.

If HAL secures critical orders such as the MRFA and the AMCA, and the execution of the LCA Tejas MK1A order progresses in line with estimates, we expect the stock to re-rate to 37x forward PE (+1SD levels) and trade at ~INR 6,200+ levels. On the other hand, if it loses the AMCA order and the orders under development such as IMRH and TEDBF are further delayed along with continued headwinds on delivery of the LCA Tejas MK1A order, we estimate 5–6% risk to our FY27E/28E EPS estimates and the stock could de-rate to close to -1SD levels at 21x and, thus, trade closer to ~INR 3,300 levels.

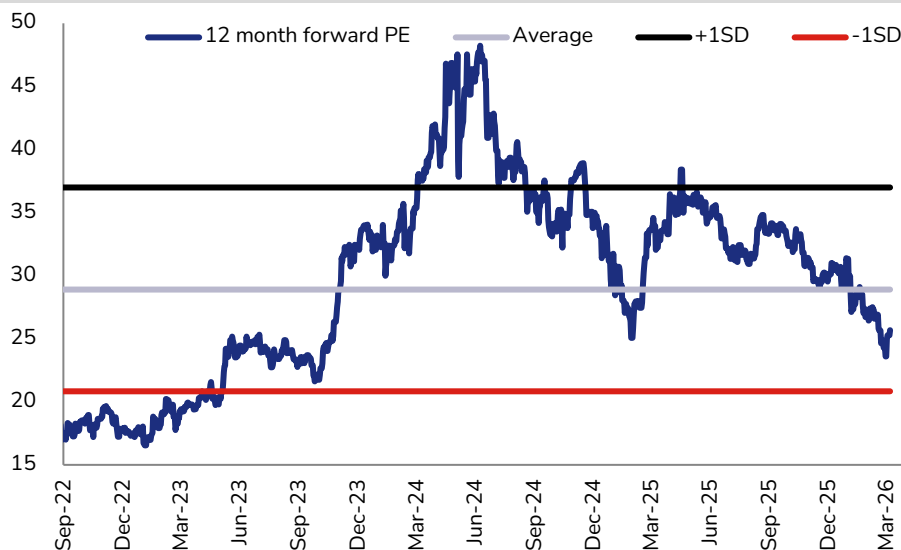
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Exhibit 8: Risk-reward favourable at current price levels

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Base	168	29	4,875	25%	Order inflows closer to base case prospects of INR4-5tn, execution in line with estimates
Bull	168	37	6,220	60%	Order inflows higher than expected with prospects closer to INR8tn materialising for 6-7 years
Bear	160	21	3,321	-15%	Order inflows lower than expected with prospects closer to INR2tn materialising for 6-7 years, execution headwinds to LCA Tejas MK1A

Source: Company, JM Financial

Exhibit 9: Trading below long-term average valuations based on 12-month forward PE



Source: Bloomberg, JM Financial

Key Risks

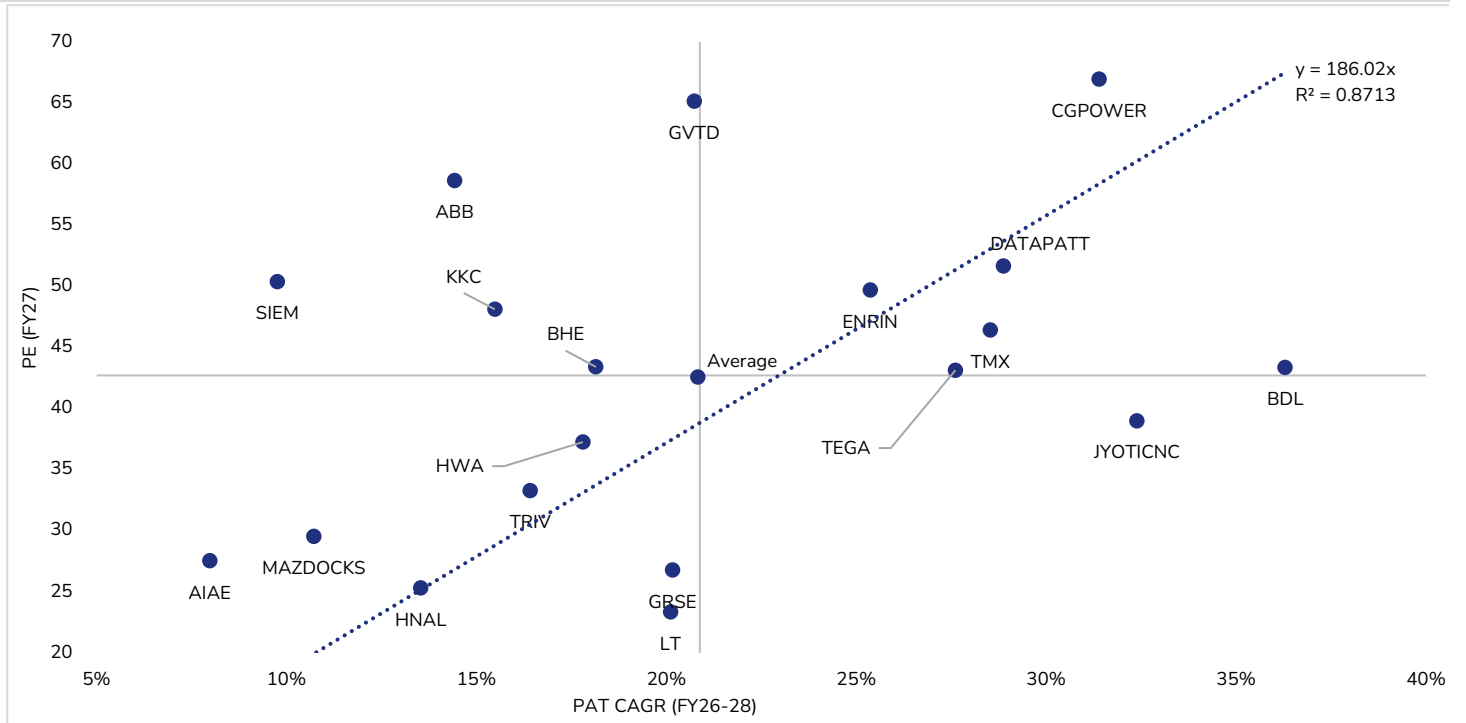
Key downside risks to our call include a further decline in valuations due to delay in manufacturing order inflows led by i) delay in approvals for order prospects, ii) risk of loss of orders to import substitution, iii) rising competition from private sector in large platform orders, and iv) lower-than-estimated execution led by delay in delivery of critical parts.

Exhibit 10: Peer comparison: Valuations low relative to peer set

Ticker	Name	Mkt Cap	P/E		EV/EBITDA		EBITDA CAGR	PAT CAGR
		INR bn	FY27	FY28	FY27	FY28	FY26-28	FY26-28
LT IN	L&T	5,111	23.4	19.6	16.8	14.4	16.7%	20.1%
BHE IN	Bharat Electronics	3,113	43.4	36.9	32.6	27.8	17.6%	18.1%
HNAL IN	Hindustan Aeronautics	2,522	25.3	22.1	20.8	17.6	17.9%	13.5%
BDL IN	Bharat Dynamics	452	43.4	32.2	41.5	29.4	43.5%	36.3%
DATAPATT IN	Data Patterns	180	51.7	41.1	38.9	31.0	28.3%	28.9%
GRSE IN	Garden Reach shipbuilders	264	26.8	24.3	26.1	24.1	17.5%	20.2%
MAZDOCKS IN	Mazagon Dock	935	29.5	27.7	27.4	25.7	11.5%	10.7%

Source: Bloomberg, JM Financial. Note: Based on consensus estimates

Exhibit 11: Ranks fairly w.r.t. earnings growth expectations on a basket of industrial companies in India



Source: Bloomberg, JM Financial. Note: Based on consensus estimates

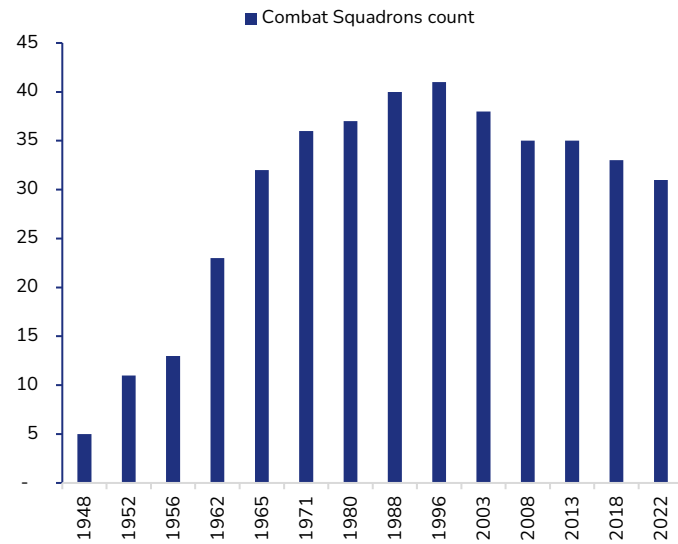
Strong Prospects in Air Defence

Steady depletion in air force fleet; need for urgent additions

Indian Air Force (IAF) has estimated the requirement of at least 42 aircraft squadrons (18–20 aircraft per squadron) to meet a two-front threat. However, it currently fields just ~29 squadrons, the lowest level since 1996 (at levels seen in 1965). Moreover, a significant share of the current fleet is ageing, necessitating significant mid-life upgrades to keep the fleet afloat. The lack of big-ticket procurement has impacted operational readiness as well. This is sometimes reflected in rising crashes, especially of legacy Mig-21 fighters (which were retired in FY25). Currently, 15% of the fleet is new and state of the art, 55% is relatively mid-life (Sukhoi) and the remaining are late-life aircraft.

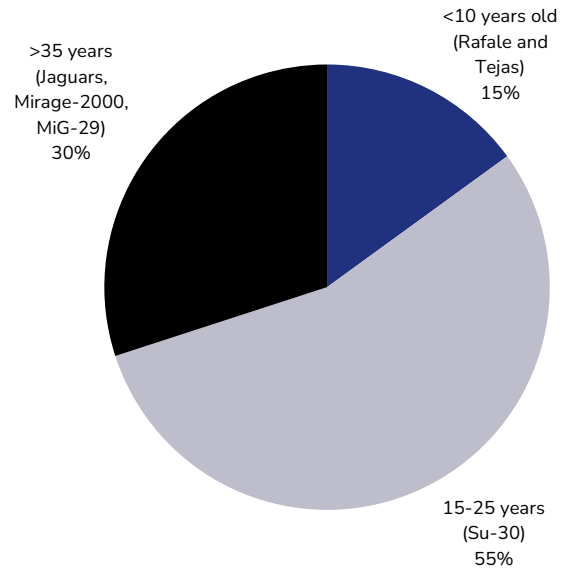
The retirements of obsolete aircraft have further depleted aircraft squadron strength. Besides MiG-21 (FY25), MiG-23 and MiG-27 have also been retired of late.

Exhibit 12: Significant depletion in squadron strength since 1996...



Source: Industry, JM Financial

Exhibit 13: ...high share of mid/old fleet adds serviceability challenges



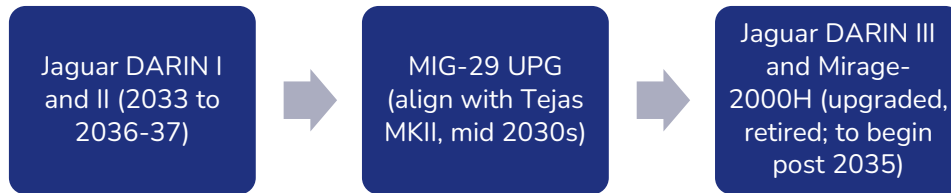
Source: Industry, JM Financial

High fleet diversity implies higher maintenance needs

IAF fields six different types of aircraft, and this fleet diversity poses a challenge for availability of different types of spares. The fleet diversity significantly increases maintenance challenges. Furthermore, aircraft such as Mirage 2000 are no longer being produced by their host nations (France, in the case of Mirage 2000). The diversity adds to problems with crew manning/training, spares and maintenance, leading to flight safety and serviceability challenges for the IAF.

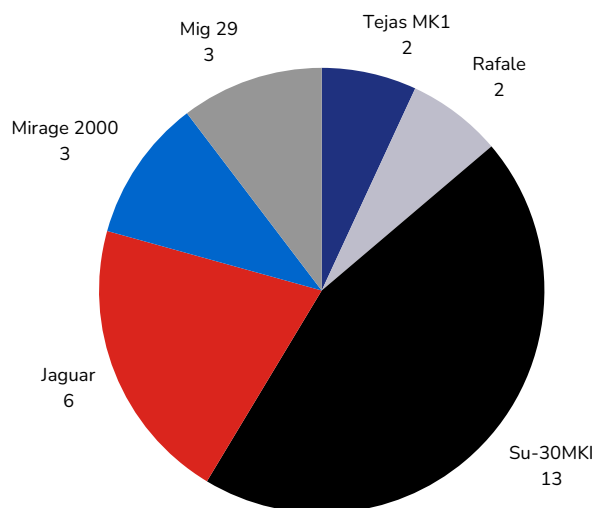
To extend aircraft life and prevent obsolescence, significant mid-life upgrades are also necessary. Since the Sukhoi fleet forms the backbone of the IAF (currently) and it is a mid-life aircraft, one can expect continuing upgrade opportunities over the next decade.

Exhibit 14: IAF plan for retirement of platforms aligned with addition of indigenous platforms



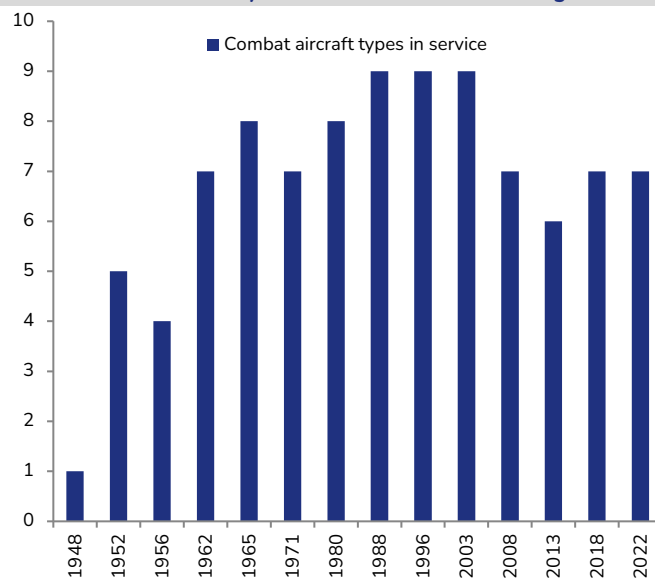
Source: Industry, JM Financial

Exhibit 15: Mirage, Mig-29 and Jaguars to retire in next 10-15 years...



Source: Industry, JM Financial. Numbers indicate no. of squadrons for each type.

Exhibit 16: ...fleet diversity leads to maintenance challenges



Source: Industry, JM Financial

Slow indigenisation reduced fresh aircraft type induction

Post-independence, despite significant financial constraints, successive Indian governments were progressive on aircraft induction, especially in the aftermath of the 1962 Sino-Indian conflict. In the first 40 years, India managed to induct new types aggressively – five in the 1950s, three in the 1960s, two in the 1970s and five in the 1980s. In contrast, from 1987 to 2014 only two new aircraft types (Mig-29 in 1987 and Su-30 in 1997) were added, highlighting a period of relative slow progress. We believe this can be attributed to the relatively unstable coalition-led governments during this period and slow progress in development of indigenous aircraft (Tejas). Do note that India was among the early nations to manufacture fighter aircraft: HAL HF-24 Marut (1967), and Ajeet (1977).

Since 2014, India has inducted Tejas LCA (light combat aircraft) in 2016 and Rafale in 2020. While Tejas is indigenous, Rafale (36 fighters) were imported in flyaway condition.

Slow induction led to focus on existing fleet upgrades

The slow pace of induction of new types of aircraft compounded by slow pace of development of the indigenous fighter aircraft programmes led to increased reliance on upgrade of the existing fleet. Starting with the MiG-21s, the IAF has upgraded MiG-27s, Mig-29s, Mirage 2000s, and now the Su-30 fleet will also be upgraded with new AESA radars and weapons systems. However, even the Su-30 upgrades faced challenges due to constraints on the side of Rosoboronexports due to the Russia-Ukraine war. Similarly, availability of F404-IN20 engines from GE has been a key constraint towards rapidly increasing the Tejas LCA fleet. Thus, focus on upgrades continue and the Cabinet's thrust on procurement of 240 AL-31P aero engines for the Su-30MKI (Sep'24) needs to be seen from that context.

The low level of new aircraft induction at one point (2008) led to 75% of IAF's fleet consisting of modernised aircraft. Currently, 50% of the aircraft are either legacy or modernised. The modernisation programme has upgraded the legacy fleet to close to fourth generation aircraft but because of their vintage, sustainment issues are cropping up.

Pace of induction needs to match the 1960-1980s period

The pace of induction of new aircraft must match up to that witnessed over 1950-80 to maintain at least 42 squadrons and this, in turn, can imply significant opportunities in the aviation space. During the 1960-80s, IAF acquired the MiG-21 (USSR platform) and, since then, it acquired 700 of those aircraft. Many of these have been license manufactured by HAL.

Exhibit 17: IAF needs to replicate the aircraft addition pace over 1960-1988: Only two aircraft types inducted over 1987-2014, LCA and Rafale have been added recently

Type	Year	1948	1952	1956	1962	1965	1971	1980	1988	1996	2003	2008	2013	2018	2022	2025
Harvard	1942		1													
Spitfire	1944		3	1												
Tempest	1946	5	2													
Liberator	1946		2	2	1	1										
Vampire	1948		3	7	4	6										
Toofani	1953			3	3	3										
Mystere	1957				3	5	2									
Hunter	1957				6	6	6	2		1						
Canberra	1957				4	4	4	5	3	2	1					
Gnat	1958				2	6	8	2								
MiG -21	1963					1	8	20	18	17	14	14	10	7	3	
HF-24	1967						2	3								
SU-7	1968						6	3								
Ajeet	1977							2	3							
Jaguar	1979							1	5	5	5	6	6	6	6	6
MiG-23	1981								5	4	3	1				
MiG-25	1983								1	1	2					
MiG-27	1984								2	7	6	5	4	4	2	
Mirage -2000	1986								2	2	3	3	3	3	3	3
MiG-29	1987								2	3	3	3	3	3	3	3
SU-30	1997										2	3	9	11	13	13
LCA Tejas	2016													1	2	2
Rafale	2020														2	2

Source: Industry, JM Financial

Ageing of helicopters and transport aircraft an issue

IAF's transport fleet largely consisted of Soviet-era AN-32 and IL-76, which were inducted in the 1980s. The C-17 Globemaster strategic airlifter, inducted in 2013, and the C-295 medium tactical airlifter that began entering IAF service in 2023 and is being assembled in India, are taking over the tasks of the IL-76 and the Avro. Even in helicopters, the Chetak and Cheetah light helicopters, which date back to the 1960s, are at the end of their technical life span.

Thus, besides the fighter aircraft platforms we discussed earlier, helicopters and transport aircraft can also be a key driver for order books for aerospace companies.

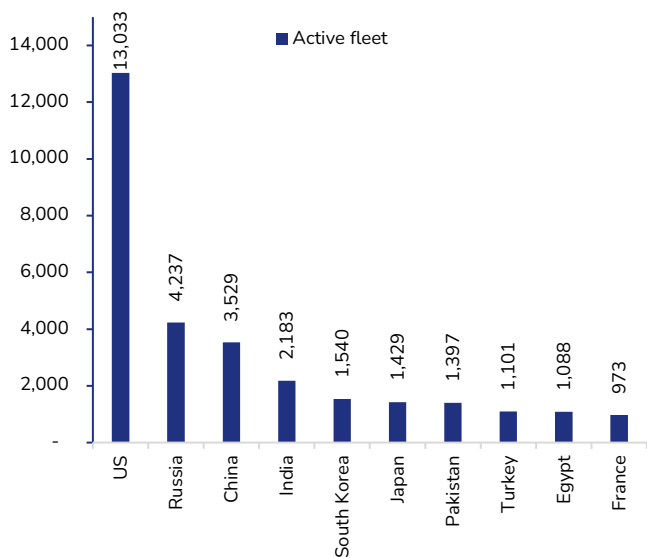
Progress witnessed in the C-295 local manufacturing programme: IAF has ordered [C-295 transport](#) aircraft with 16 being direct imports in a total order of 56 aircraft with Airbus. The induction is to replace the obsolete HS-748 Avro fleet. The remaining 40 aircraft are to be manufactured by the Tata Advanced Systems Limited (TASL) consortium. The C-295 programme is a first for India, in that this is the first time an Indian private-sector firm will produce a military aircraft under licence. The final assembly line (FAL) at Vadodara was inaugurated by Prime Minister Mr Narendra Modi in Oct'24.

Combat aircraft strength a concern in the neighbourhood

A comparison with other leading air force operators globally appears to show that IAF has significant combat aircraft strength on a standalone basis. But considering the possibilities of a two-theatre war against neighbours China and Pakistan, the fleet strength may appear inadequate.

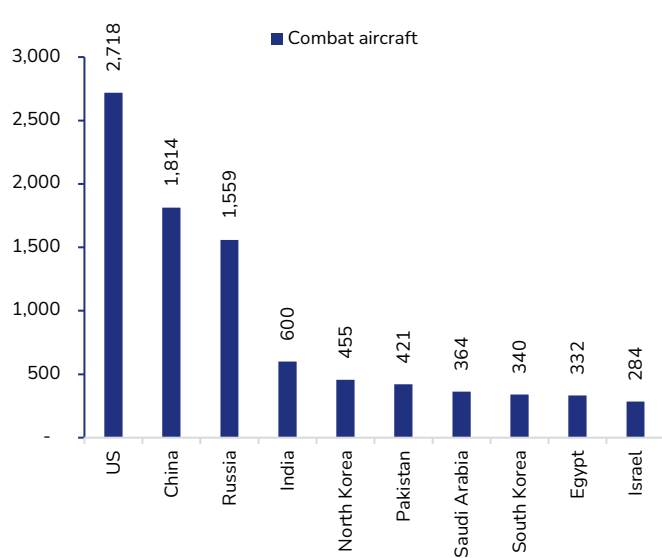
IAF has decent strength for its helicopter fleet (comparable to China) and transport aircraft fleet (comparable to China again).

Exhibit 18: Comparison of overall active fleet



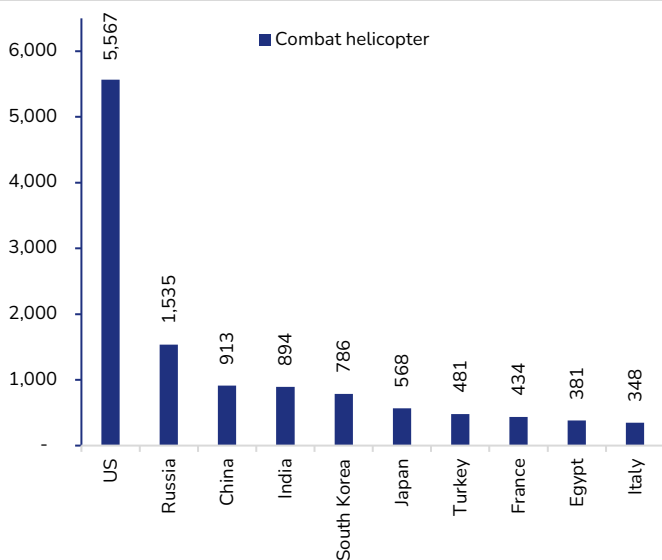
Source: Industry, JM Financial

Exhibit 19: Comparison of combat aircraft fleet



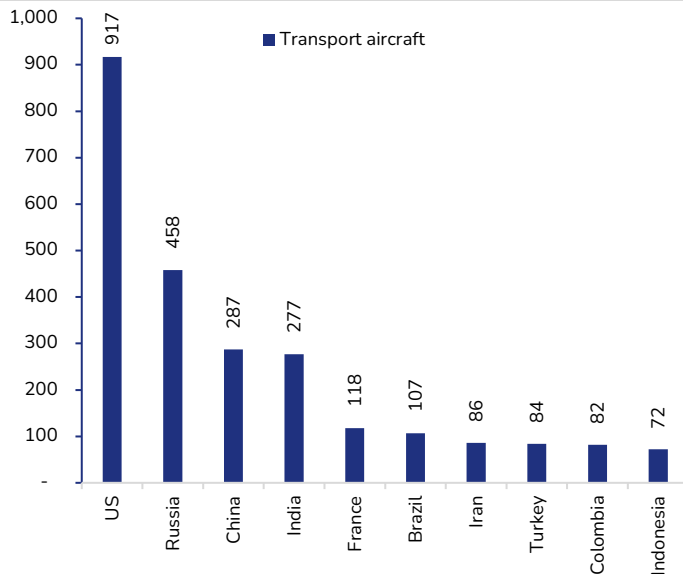
Source: Industry, JM Financial

Exhibit 20: Comparison of combat helicopter fleet



Source: Industry, JM Financial

Exhibit 21: Comparison of transport aircraft fleet



Source: Industry, JM Financial

Exhibit 22: Progress made towards notable aircraft programmes

Aircraft	Comments
Tejas MK1A	83 aircrafts under execution, orders placed for another 97. Initial order under execution but facing delays due to engine delivery and final induction process
Tejas MKII	Prototype under development, this is a multi-role aircraft to replace the existing Mirage-2000, Jaguar and MiG-29 fleet which are due to be retired in 2030s Aircraft to be powered by higher-thrust GE Aerospace F414-INS6 engine
MRFA (Rafale)	Procurement of 114 aircrafts planned in total (18 to be procured in flyaway condition)
AMCA program	Under prototype development by private consortia
Su-57 (proposed)	Russia had proposed in 2025, the supply of Su-57 (readymade), help develop local production of Su-57 in India by leveraging existing Su-30MKI infrastructure, assistance in developing AMCA

Source: Industry, JM Financial

Addressable air warfare order prospects of INR 9.2tn

With a depleting fleet and focus on air warfare in recent geopolitical conflicts, we expect procurement of air defence equipment to remain the key focus area of India's Ministry of Defence. Overall, we estimate INR 9.2tn worth of prospects in the air defence platform and related equipment that may be addressable by HAL. These include projects for which the Defence Acquisition Council (DAC) has given Acceptance of Necessity (AoN) in FY26. It also includes other prospect projects that are under development by HAL.

Exhibit 23: Strong addressable prospects of INR 9.2tn in air defence space

Project	Quantity	Value (INR bn)	Comments
Su-30 MKI Upgrade	200	700	First tranche of 84 has been approved by the DAC
LUH	175	219	Requirement of 384 aircrafts, HAL to manufacture 187
IMRH	419	1,152	The preliminary design of the IMRH is nearly completed and the configuration studies for the DBMRH are progressing towards completion
AMCA	125	1,250	Currently, prototype development orders awarded to private sector-led consortia
Tejas MK2	200	1,275	In advanced stages of prototype development
TEDBF- Indian Navy	145	1,450	Each prototype to cost ~INR 10bn, rollout expected in 2026 or early 2027, first flight in 2028, certification by 2032 and induction in 2034
Multi Role Fighter Aircraft (MRFA) {Rafale}		2,371	Of the 114 approved, 18-20 to be procured flyaway, majority to be manufactured in India
Air-Ship Based High Altitude Pseudo Satellite (AS-HAPS)		150	
04 MW Marine Gas Turbine based Electric Power Generator			Not available
P8I Long Range Maritime Reconnaissance Aircraft		270	Manufactured by Boeing and likely to be imported
Leasing High Altitude Long Range (HALE) Remotely Piloted Aircraft System (RPAS)		8	Approval for renewal of lease agreement that is already in place
Medium Altitude Long Endurance (MALE) Remotely Piloted Aircraft (RPAs)		310	
Sustenance of C-17 and C-130J fleets			C-130 was manufactured by Lockheed Martin. Lockheed Martin and TASL have entered into an agreement for expanding C-130J manufacturing and assembly in India to produce aircraft for the IAF's Medium Transport Aircraft programme
Comprehensive annual maintenance contract of S-400 Long Range Air Defence Missile System		Undisclosed	
Total addressable size		9,155	

Source: Industry, JM Financial

Conversion to orders may be lower, we estimate order prospects of ~INR4.75tn in base case

HAL's order prospects are supported by India's depleting air defence fleet amid rising usage of air warfare in recent geopolitical conflicts. We estimate order prospects worth INR 9.2tn in aircraft system orders that could be awarded over the next 6-7 years. However, we see risks to these prospects translating into orders for HAL. Thus, we estimate order prospects of INR 2tn in the bear base, INR 4.7tn in the base case and INR 8.6tn in the bull case for HAL's manufacturing segment. The bear case presumes existing AoNs for Tejas and Sukhoi upgrade.

Risk of import substitution especially in MRFA, P8I and HALE leasing orders

As noted before, India's air defence fleet has been depleted. The fighter squadron strength is currently 29 versus 42 required in case of a two-way conflict with China and Pakistan. Furthermore, in recent years, indigenous production of aircraft faces risks from extended development timelines, technological gaps and reliance on imports for critical supplies (such as dependence on GE aerospace for engines for Tejas MK1A). Thus, delays in certification and induction of indigenous aircraft amid a depleting air defence fleet may prompt the government to fulfil its requirements with imported products.

- **MRFA procurement could be done via imports:** The DAC has recently approved procurement of 114 MRFA ([Link](#)) with a proposal to procure 18-20 jets in flyaway condition and manufacture the rest in India. However, so far, Hindustan Aeronautics has not been involved in Rafale production.

Also, historically, India had attempted indigenous manufacture of Rafale but eventually imported those due to delay in agreements. In [Jan'12](#), the Ministry of defence had approved procurement of 126 aircraft with potential for indigenous manufacturing of 108 aircraft under a licensing agreement with Hindustan Aeronautics. However, negotiations did not materialise. Eventually, in Apr'15, India announced procurement of 36 fully built Rafales from France citing 'critical operational necessity'. Thus, in our view, the current MRFA order procurement could also end up being implemented via imports.

- In India, Tata Advanced Systems Limited (TASL) has signed agreements with Dassault Aviation to jointly manufacture the fuselage of Rafale fighter aircraft in India (See: [Link](#)). Thus, TASL may witness some benefits from MRFA procurement.
- **P8I long range maritime reconnaissance aircraft is likely to be procured from the US:** According to [media reports](#), India is likely to procure six units of the P8I long range maritime reconnaissance aircraft from Boeing at a cost of USD 3bn.
- **Leasing High Altitude Long Range (HALE) Remotely Piloted Aircraft System (RPAS):** India is likely to procure these drones from General Atomics (US). Thus, this prospect may also be lost to imports and may not be addressable by HAL.

Rising private competition – AMCA order could be lost to private consortia

The role of private sector in India's aerospace ecosystem is undergoing a structural shift, evolving from a largely component supplier base to more of an integrated platform development role. Historically, private players were primarily involved in fabrication, subassemblies and tiered supply chains supplying PSUs such as Hindustan Aeronautics. However, recent developments indicate the government's intent to increase private sector participation in platform orders beyond the traditional PSUs. For instance, three private sector-led entities have been shortlisted for prototype development for the Advanced Medium Combat Aircraft (AMCA), namely, Tata Advanced Systems Limited, consortium of Larsen & Toubro (L&T), Bharat Electronics Limited (BEL) and Dynamatic Technologies and a consortium including Bharat Forge, BEML and Data patterns. Thus, we view the rising role of private sector as a risk to HAL securing the AMCA production order eventually.

Delay in order finalisation – especially in orders such as IMRH, TEDBF

Order prospects such as IMRH (Indian Multi-Role helicopter), TEDBF (Twin Engine Deck Based Fighter) are in the design and development stage and have not yet achieved formal procurement AoN. HAL is working on development of these projects, and they are likely to remain strong order prospects for the company; however, delays in development could lead to order deferrals.

For IMRH, HAL [expects](#) to deliver the first prototype by 2028 followed by testing phase over 2029–2031. Similarly, in case of TEDBF, timelines have witnessed multiple revisions with initial target for the first flight in 2026, which has been pushed back to 2029. Delays in development and order finalisation could adversely impact near-term order prospects for HAL.

HAL likely to remain strong contender for SU-30 MKI upgrade and Tejas MKII orders

HAL is likely to remain a strong contender for Tejas MK2, which it is developing along with the Aeronautical Development Agency (ADA). The company has already secured orders for LCA Tejas MK1A for a batch of 83 and then 97 aircraft. The ADA aims to conclude the test campaign in ~4 years. This could lead to its clearance for production by 2031 (See: [Link](#)). HAL has already delivered a major fleet of Su-30MKI aircrafts to the IAF under licensed production from Russia. It is likely to remain the preferred entity for Su-30MKI upgrade. The first tranche of upgrade for ~84 aircrafts (of the total of ~200) has already achieved DAC clearance. Thus, we expect these to be strong order prospects.

Exhibit 24: Estimating order inflows for HAL over next 6–7 years

Case	Value (INR tn)	Comments
Bear	1.98	Su-30 upgrade and Tejas MKII orders come through
Base	4.75	Besides Su-30MKI and Tejas MKII, the helicopter orders (LUH, IMRH) come through, and HAL gets the AMCA production order
Bull	8.57	Besides the base case, TEDBF order comes through and HAL is able to build MRFA in India

Source: Company, JM Financial

Revenue Growth Driven by Manufacturing

Manufacturing led by execution of existing order book

At end-FY26, HAL had a robust order book of INR 2.54tn. It had robust order inflows of INR 1.02tn in the manufacturing segment in FY25. This segment comprises design production, final assembly and testing of aircraft, helicopters, engines and other structures. It includes both indigenous programmes as well as licensed production with increasing emphasis on indigenisation and private sector integration.

Key programmes under manufacturing currently include the LCA Tejas MK1A, HTT-40 basic trainer aircraft, helicopters such as ALH Dhruv, LCH Prachand and LUH. HAL has also secured orders for delivery of 12 Su-30MKI platforms.

Exhibit 25: Key programmes under manufacturing by HAL

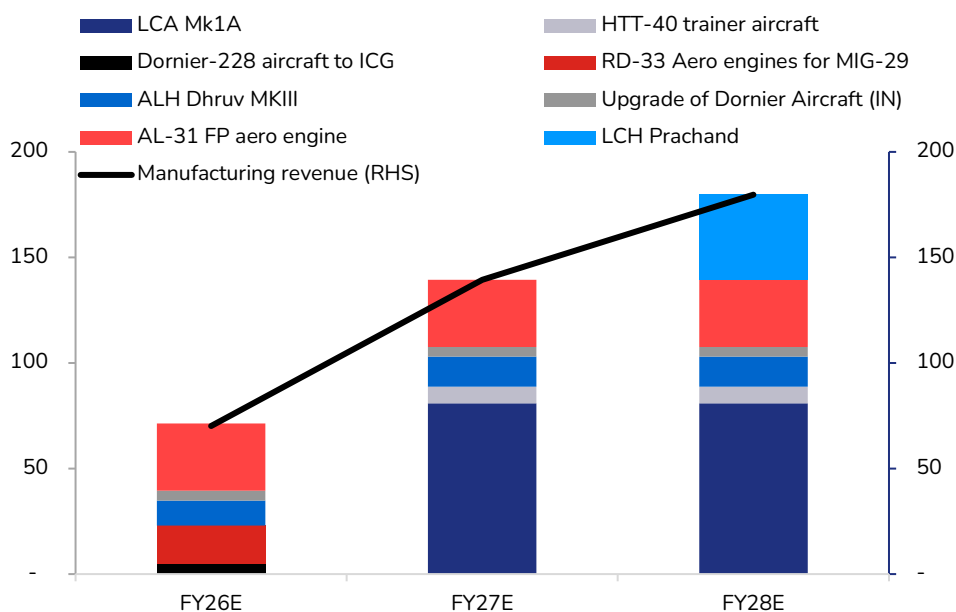
Type	Name	Description	Status
Fighter Aircraft	LCA Tejas Mk1A	Light combat aircraft	Production ramp-up; ~24/year capacity
Fighter Aircraft	Su-30MKI	Heavy Multirole aircraft	Licensed production, upgrades and spares
Trainer Aircraft	HTT-40	Basic trainer	Serial production; deliveries underway
Transport Aircraft	Do-228	Utility / transport aircraft	Production
Helicopter	ALH Dhruv	Multi-role helicopter	Ongoing production
Helicopter	LCH Prachand	Light combat helicopter	Production and induction phase
Helicopter	LUH	Light utility helicopter	Production
Engines	RD-33 Aero engines for MIG-29, AL-31 FP aero engines for the Su-30		

Source: Company, JM Financial

Estimate 50%+ revenue CAGR for manufacturing led by Tejas

We estimate 50%+ CAGR in revenue for the manufacturing segment. We expect 14 LCA Tejas MK1A aircrafts to be delivered in FY27 as HAL has stated that it has received eight engines from GE Aerospace, and has another 10 aircrafts fully built that are now awaiting engine delivery (See: [Link](#)). We also expect ramp-up in deliveries of HTT-40 trainer aircraft with delivery of Honeywell engines and LCH Prachand to drive revenue growth.

Exhibit 26: Execution ramp-up of platforms drives manufacturing (50%+ CAGR over FY26–28E)



Source: Company, JM Financial

Manufacturing has critical dependence on imports, risks to execution persist

HAL largely serves as a platform integrator and procures components, finished and semi-finished parts from other vendors. It sources goods and services through an open or limited tender process post technical qualification of the vendor. Imports are a significant component of HAL's cost base (~75%+ average over FY21–25). It imports a majority of its components from foreign suppliers in Russia, the US, the UK, France, Germany and Israel. The contracts with major suppliers are supported by provision for levy of liquidated damages in case of failure of supply as well as bank guarantees as security deposit or against advance payment or towards performance under the contract.

HAL is looking to increase procurement from private players to enhance its manufacturing capacity. For example, for the LCA Tejas Mk1 deliveries, it is procuring wings from L&T, the centre fuselage from VEM technologies, the rear fuselage from Alpha Tocol, the vertical fin and air intake and the rudder from Tata Advanced Systems.

Exhibit 27: Dependence on imports for critical components

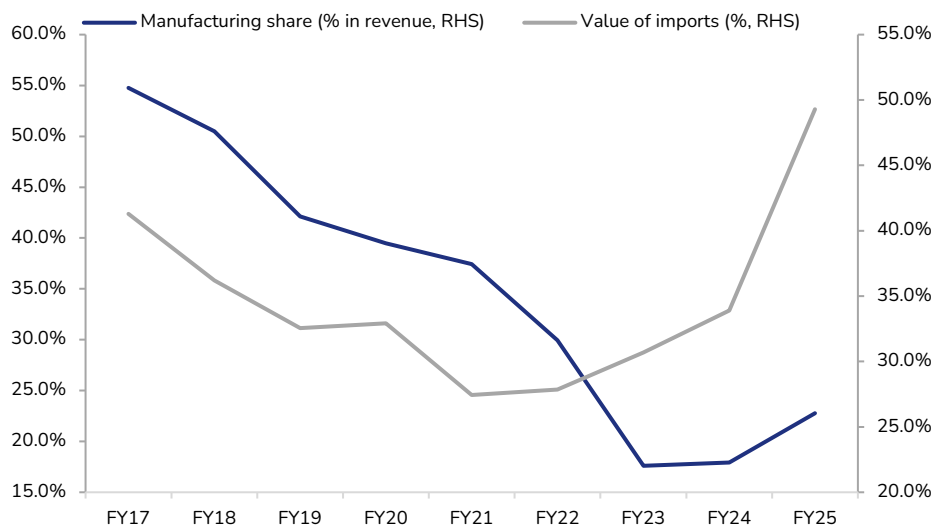
Platform	Component	Imported from	Comments
LCA Tejas Mk1/Mk1A	F404-IN20 Engine	General Electric (USA)	Critical dependency; supply delays have impacted deliveries
	AESA Radar (EL/M-2052)	ELTA Systems (Israel)	Imported radar selected over indigenous Uttam in Mk1A
	Electronic Warfare (EW) suite	Israel	Imported for Mk1A variant
	Certain avionics / sensors	Multiple (Israel/West)	Advanced avionics still partially imported
	Ejection Seat	Martin-Baker (UK)	
	In-flight Refuelling Probe	Cobham (UK)	
HTT-40 Trainer	Turboprop Engine (TPE331-12B)	Honeywell Aerospace (USA)	Co-developed but core technology imported
LUH	Flight control system	Safran Electronics (France)	Caused delays in deliveries earlier
	Ardiden 1U Engine	Safran Electronics (France)	
Su-30MKI	AL-31FP engine	Russia	Licensed production but critical components imported

Source: Company, JM Financial

Risk to revenue growth if manufacturing order execution slows

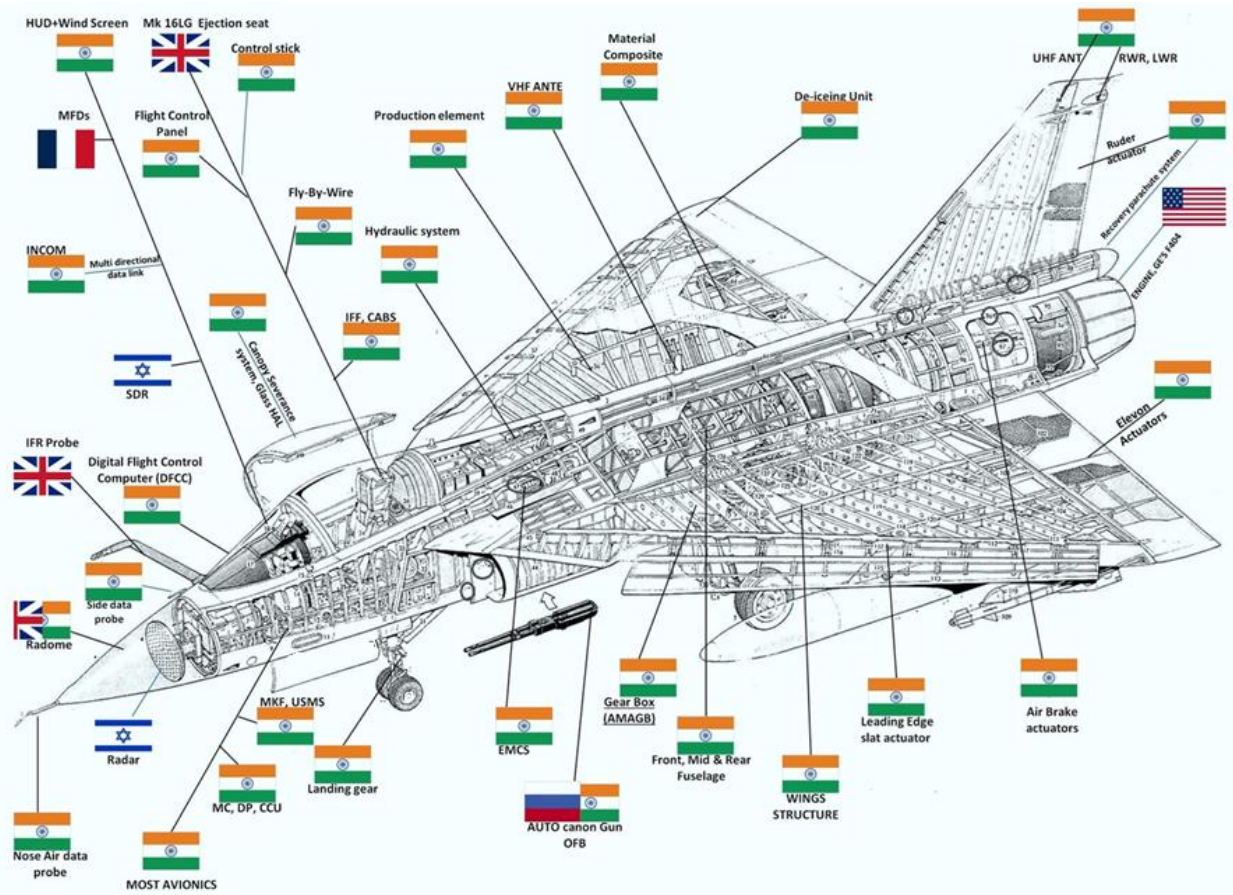
Dependence on other vendors for critical components leads to risk to execution for large platform orders for HAL. We have assumed LCA Tejas deliveries of 14 aircrafts per annum. However, if the delivery rate slows to eight aircraft per annum, we estimate 7–8% risk to our consolidated revenue estimates for FY27E/FY28E.

Exhibit 28: Manufacturing revenue has high dependence on imports



Source: Company, JM Financial

Exhibit 29: Dependence on foreign partners for critical components for LCA Tejas MK1 especially US for engines and Israel for avionics



Source: Industry, JM Financial

ROH and spares to witness stable growth driven by a diverse, ageing fleet

The Repair and Overhaul (ROH) segment accounted for ~50% of revenue of HAL in FY25. This segment provides maintenance, repair, overhaul and upgrade services across aircrafts, helicopters, engines, and avionics systems to India's defence forces. It supports key platforms including Su-30MKI, Jaguar, MiG series and ALH Dhruv, undertaking activities such as engine overhaul, structural refurbishment, and avionics upgrades.

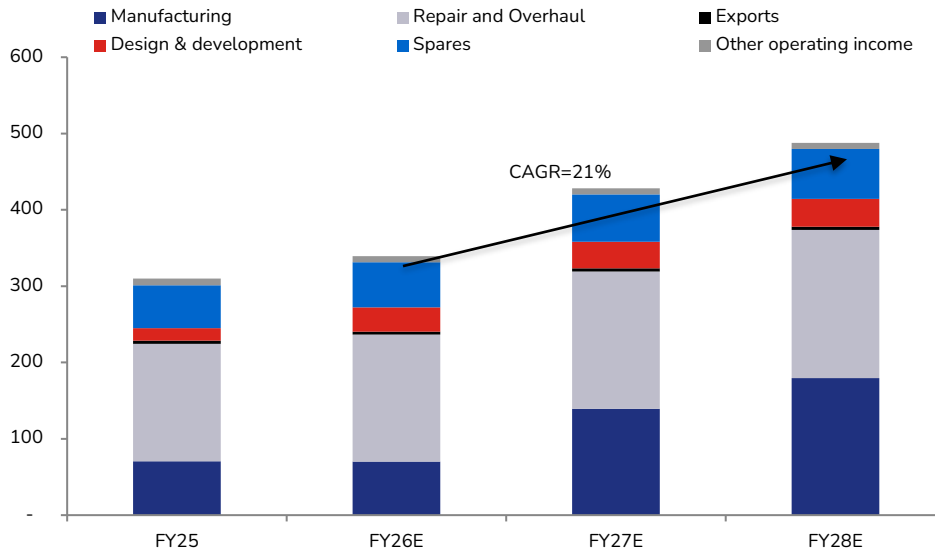
India's ageing air defence fleet warrants higher requirement of repair and upgrades compared to other countries. Also, a majority of India's existing fleet comprises platforms that have been manufactured (indigenously or under licence) by HAL. Thus, this segment provides a steady stream of revenue. We estimate 8% CAGR over FY26-28 in ROH revenue in line with management guidance.

The spares segment includes the supply of replacement parts, aggregates, line-replaceable units (LRUs), and consumables required for the routine maintenance and continued operation of aircraft and helicopter fleets. Demand for spares is directly linked to fleet size, utilisation levels, and ageing of platforms, resulting in a relatively steady and recurring revenue stream. This segment supports the ROH division as well. We estimate 8% CAGR over FY26-28 in spares revenue.

Estimate overall revenue CAGR of 21% over FY26–28

We estimate 21% CAGR in overall revenue for HAL over FY26–28; this is driven by 50%+ CAGR in manufacturing revenue, while ROH and spares could grow at a stable 8%/8% CAGR over the same period.

Exhibit 30: Manufacturing order deliveries to drive growth

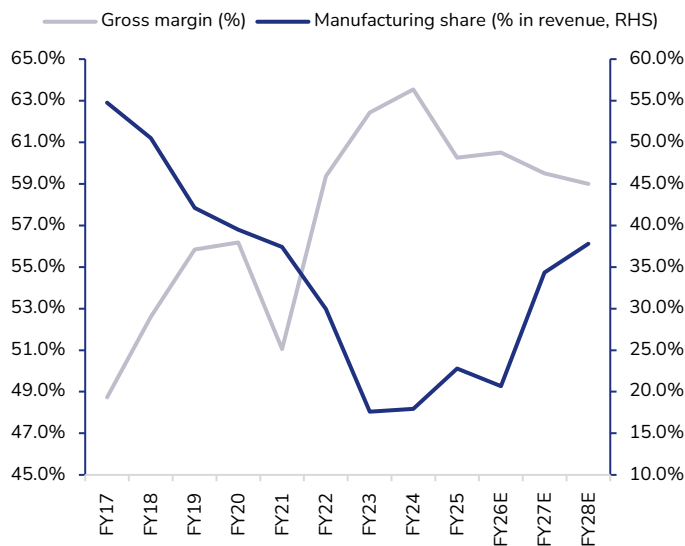


Source: Company, JM Financial. Note: Units=INR bn.

Profitability can decline on rising manufacturing revenue

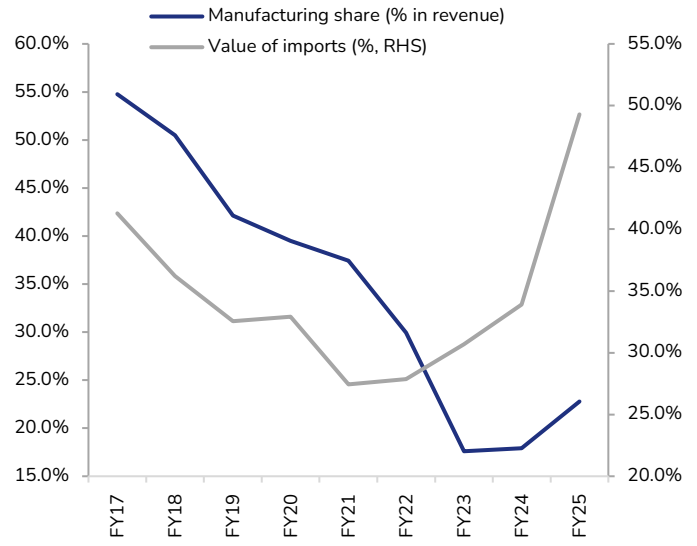
HAL largely serves as a platform integrator and procures components, finished and semi-finished parts from other vendors. Thus, gross margin declines with rise in manufacturing revenue. Hence, we expect EBITDA margin to fall from 29.8% in FY26E to 28.6% in FY28E. Thus, we estimate EBITDA/PAT CAGR of 19%/14% over FY26–28E.

Exhibit 31: Gross margin declines with rise in manufacturing revenue



Source: Company, JM Financial

Exhibit 32: Value of imports rise with rise in manufacturing revenue



Source: Company, JM Financial

EPS estimates in line, downside risk from delay in execution

We are largely in line with consensus on our FY27E/FY28E EPS estimates. We have assumed LCA Tejas deliveries of 14 aircraft per annum. But if the delivery rate slows to eight aircraft per annum (HAL has secured engines for eight aircrafts so far), we see 5–6% risk to our EPS estimates for FY27/28.

Exhibit 33: We are largely in line with consensus for FY27/28

INR bn	JMFe			Consensus			% difference		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Revenue	323	413	474	324	408	486	-0.4%	1.2%	-2.4%
EBITDA	96	120	136	100	118	139	-3.9%	1.9%	-2.2%
EBITDA Margin (%)	29.8%	29.1%	28.6%	30.9%	28.8%	28.6%			
PAT	87	101	112	89	100	114	-2.1%	1.4%	-1.5%
EPS	130	151	168	132	149	171	-2.1%	1.4%	-1.5%

Source: Company, Bloomberg, JM Financial

Exhibit 34: Downside risk of 5–6% to FY27/28 EPS if LCA Tejas execution gets delayed further

INR bn	Base case		Lower execution		% risk	
	FY27	FY28	FY27	FY28	FY27	FY28
Revenue	413	474	379	440	-8.40%	-7.31%
EBITDA	120	136	111	127	-7.66%	-6.62%
EBITDA Margin (%)	29.1%	28.6%	29.3%	28.9%		
PAT	101	112	94	107	-6.5%	-5.0%
EPS	151	168	141	160	-6.5%	-5.0%

Source: Company, JM Financial

Annexure

Hindustan Aeronautics - An introduction

The company was founded on 23rd Dec'40 as Hindustan Aircraft Limited in Bangalore by industrialist Walchand Hirachand in partnership with the Kingdom of Mysore. In 1942, the British government took over control of the entity. HAL began to function primarily as a massive MRO (Maintenance, Repair, and Overhaul) hub. It serviced American and British aircraft such as the P-38 Lightning and B-24 Liberator, which gave Indian engineers their first insight into complex aeronautical structures and radial engines.

In the 1950s, HAL was engaged in licensed production of British aircraft De Havilland Vampire (developed by de Havilland Aircraft Company) and the Folland Gnat (Folland Aircraft). It also designed and developed the HT-2 trainer aircraft. In 1961, HAL developed India's first jet fighter aircraft, which entered successful production and service. In 1964, it merged with Aeronautics India Limited (formed for MiG production) to become the modern Hindustan Aeronautics Limited.

Over the 1960s and the 1970s, HAL received technology transfers from the USSR, UK, and France and, thus, built specialised factories across India: Nasik for MiG airframes, Koraput for engines, and Hyderabad for avionics. This helped the company gain technological knowhow for the assembly of supersonic interceptors (MiG-21) and helicopters (Chetak/Cheetah). HAL also developed the HJT-16 Kiran, which served as a backbone trainer for the IAF for decades. By the 1980s, HAL was building complex strike aircraft like the Jaguar and MiG-27 under license production and with the help of tech transfers from the UK and the Soviet Union respectively.

Post 1990s, HAL began to engage in indigenous development of products such as the Light Combat Aircraft (LCA Tejas) and the Advanced Light Helicopter (ALH Dhruv). It also became a strategic partner for ISRO, manufacturing structures for the PSLV, GSLV, and the Chandrayaan missions.

Exhibit 35: Key products developed by HAL

Time period	MRO / Servicing Only	Licensed Production	Indigenous Design & manufacturing
1940s	B-24 Liberator, P-38 Lightning, Hawker Hurricane	Harlow PC-5, Curtiss Hawk	
1950s	Spitfire, Tempest, Dakota	De Havilland Vampire, Folland Gnat	HT-2 Trainer
1960s	Canberra, Hunter	MiG-21, HS-748 (Avro), Alouette III	HF-24 Marut, HJT-16 Kiran
1970s		SA 315B Lama (Cheetah)	HAL Ajeet (Gnat redesign)
1980s		Jaguar, MiG-27, Dornier 228	HPT-32 Deepak
1990s			ALH Dhruv (LCH/LUH variants)
2000s	Mirage 2000, MiG-29	Su-30 MKI, Hawk AJT	LCA Tejas Mk1
2010s+			LCH Prachand, HTT-40, LCA Mk1A

Source: Company, JM Financial

Exhibit 36: Key partnerships

Timeline	Partner	Platform/Project	Key Tech Gained
1940s	Harlow, Curtiss-Wright, Vultee (USA)	Harlow PC-5, Curtiss P-36 Hawk, Vultee A-31 Vengeance	Established India's first military aircraft assembly and repair infrastructure.
1950s	de Havilland (UK), Bristol Siddeley	Vampire FB-52, Orpheus Engines	Induction of India's first jet fighters; entry into jet engine manufacturing.
1960s	Soviet Union (USSR), Aérospatiale (France)	MiG-21, Chetak & Cheetah Helicopters	Large-scale licensed production of supersonic jets and helicopters; built the foundation for the Nasik and Bangalore divisions.
1970s	British Aerospace, Rolls-Royce	SEPECAT Jaguar, Adour Engines	Advanced deep-penetration strike aircraft manufacturing; setting up dedicated accessories and design wings.
1980s	USSR, Dornier (Germany), GE Aerospace	MiG-27M, Dornier 228, F404 Engines	Shift toward variable-geometry wing tech and regional transport; integrated GE engines into the LCA Tejas.
2000s	Russia, BAE Systems (UK), Safran (France)	Su-30MKI, Hawk AJT, Shakti Engines	Comprehensive ToT for heavy fighters; co-development of helicopter engines.
2020s	GE Aerospace, Safran, IAI (Israel), UAC (Russia)	F414 Engines, IMRH, Boeing 767 MMTT, SJ-100 Civil Jet	80% ToT for fighter engines; co-design rights for 13-ton helicopter engines; entry into civil aviation.

Source: Company, JM Financial

Extensive Manufacturing Base

HAL has an extensive manufacturing base across several locations. Platform and engine manufacturing and ROH are largely located at Bengaluru, Nasik and Koraput. It has accessories manufacturing at several locations. It also maintains testing facilities and 11 R&D centres.

Exhibit 37: Manufacturing base for HAL

Location	Division	Purpose
Platform Manufacturing		
Bangalore Complex, Bengaluru	LCA (Tejas) Division	Tejas aircraft, capacity of 8 aircraft per annum
Bangalore Complex, Bengaluru	Helicopter Division, Bengaluru	Manufacture of ALH MK III, ALH MK IV "Rudra", Cheetal and the Light Combat Helicopter, ROH of Cheetah and Chetak
Nasik	Aircraft Manufacturing Division	Manufacture, service and support for the Su-30 MKI aircraft
Bangalore Complex, Bengaluru	Aircraft division	Manufacture of Hawk Mk 132 aircraft, aero-structure components for exports to Boeing and Airbus, support for production of LCA Tejas aircraft
Engine manufacturing		
Bangalore Complex, Bengaluru	Engine Division	Manufacture and repair of engines for the pilotless target aircraft (PTAE-7), Adour Mk 871 engine for the Hawk Mk 132 aircraft, Garret TPE – 331 engine for the Dornier 228 aircraft, Shakti engine for ALH Dhruv and the Artouste III B engine for the Chetak and Cheetah helicopters ROH for Adour Mk 804/811 engine, Dart engine, Orpheus engine, Gnome engine, Artouste IIIB engine, TM333-2B2 engine and PTAE-7 engine
Koraput	Sukhoi Engine Division	Manufacture and ROH of licensed AL-31FP engines for Su-30 Mki
ROH		
Bangalore Complex, Bengaluru	Overhaul Division	ROH for Mirage 2000, Kiran, Jaguar and Hawk Mk 132 aircraft and the Jaguar Darin III and Mirage 2000 upgrade programmes
Bangalore Complex, Bengaluru	Helicopter MRO Division, Bengaluru	MRO for Advanced Light Helicopters and other helicopters
Nasik	Aircraft Overhaul Division	ROH of MiG and Su-30MKI aircraft
Bangalore Complex, Bengaluru	Industrial and Marine Gas Turbine Division	ROH for industrial and marine gas turbines which are typically used in power plants and marine vessels, manufacture and ROH of LM 2500
Accessories Complex, Various Locations		
Kanpur	Transport Aircraft Division	
Lucknow	Accessories Division	
Hyderabad	Avionics Division	
Korwa	Avionics Division	
Others including engineering services, testing facility and composite parts		
Bangalore Complex, Bengaluru	Aircraft division	Manufacture of Hawk Mk 132 aircraft, aero-structure components for exports to Boeing and Airbus, support for production of LCA Tejas aircraft
Bangalore Complex, Bengaluru	Aerospace Division	Manufacture of light alloy structures and assemblies for satellites and launch vehicles for space missions
Bangalore Complex, Bengaluru	Foundry and Forge Division	Manufacture of rolled rings, castings, forgings, metallo-ceramic brake pads, bimetallic sector for brakes and rubber components
Bangalore Complex, Bengaluru	Airport Services Centre	Maintenance of airfield, air traffic control and allied services at the HAL airport, currently being used for flight tests, chartered and training flights
Bangalore Complex, Bengaluru	Facilities Management Division	Common engineering services to all divisions in Bengaluru
Bangalore Complex, Bengaluru	Aerospace Composite Division	Manufactures composites parts for all the platforms
Barrackpore	Helicopter Division	Major inspection and servicing of the Cheetah, Chetak and Lancer helicopters

Source: Company, JM Financial

Board of Directors and KMP

Exhibit 38: Profile of board of directors

Name	Position	Appointed wef	About
Dr D K Sunil	Chairman and Managing Director	30-Sep-24	Prior to this, position, Dr Sunil was holding the post of Director (Engineering and R&D) of HAL. He began his career at HAL with over 38 years in HAL. Throughout his career, he has made significant contributions to design, production, quality enhancement, and customer support in various leadership roles.
Mr Barenya Senapati	Director (Finance) & CFO	Director Finance (22 Oct'24) and CFO (14 Nov'24)	He is a Fellow Member of The Institute of Chartered Accountants of India and has 31 years of post-qualification experience in the field of Finance. He has been handling overall Finance and Accounts related function of HAL. He has the diverse experience in all the areas of Finance encompassing the Accounts, Financial planning, Treasury Management, Pricing and Taxation.
Mr Ravi K	Director (Operations)	26-Nov-24	He is a Graduate in Mechanical Engineering and is an alumnus of IIM, Ahmedabad & IAS, Toulouse-France with over 30 years of experience across various sectors. He is responsible for formulation of strategic & functional plans for HAL and is responsible for optimising the capacities, upgradation of capabilities within HAL while ensuring indigenisation and implementation of robust IT framework across HAL. He spearheaded a team to conclude the critical contract of 83 LCA Mk1A (INR360bn+ in 2021) and also worked with IAF for additional 97 LCA Mk1A order.
Mr Ajay Kumar Shrivastava	Director (Engineering and R&D)	15-Jul-25	He is a graduate in Electronics Engineering from HBTI Kanpur and a postgraduate in MS (Aviation Safety & Aircraft Airworthiness) from ENAC/ENSICA, Toulouse, France. He is also a certified Project Management Professional. He joined HAL as a Management Trainee (Technical) in July 1988 and has 37 years of experience in Design, development & Certification of Trainer, Fighter and Transport Aircrafts as well as Rotary Wing Aircraft. He also has experience in avionics upgrade and type certification.
Mr M G Balasubrahmanya	Director (Human Resources)	06-May-25	He holds Master of Social Work (Personnel Management & Industrial Relations) from School of Social Work, Roshni Nilaya, Mangalore University as well as Bachelor of laws (LLB) from Osmania University. He is also a certified Internal Assessor for the Competency Assessment. He started his career in HAL as a Management Trainee (Personnel) in the year 1989 and with over 35 years in HAL, he has contributed significantly in entire spectrum of Human Resources including Industrial Relations, Legal & Disciplinary matters, Training & Skill Development, Corporate Social Responsibility, Facility & Estate Management and Vigilance at Divisional, Complex & Corporate level.
Ms Manisha Chandra, IAS	Joint Secretary (Aero) Ministry of Defence Govt. Nominee Director	15-Jul-25	She is an Indian Administrative Service officer of 2004 Batch of Gujarat Cadre and is currently serving as Joint Secretary (Aerospace) in the Department of Defence Production, Ministry of Defence. She holds a Master's Degree in Public Policy and Management from the prestigious King's College, London, in addition to a Master's Degree in Political Science from the University of Allahabad.

Source: Company, JM Financial

Exhibit 39: Profile of board of directors (continued)

Name	Position	Appointed wef	About
Dr Rajalakshmi Menon	Distinguished Scientist & Director General (Aeronautical Systems), DRDO, Govt. Nominee Director	13-Sep-24	She has done M.Sc. in Computer Science from University of Poona, master's in engineering in Clutter Characterisation from Airborne Platform and PhD in the area of Target Recognition from Department of Aerospace Engineering, Indian Institute of Science. She has played a pivotal role in the design, development, integration, testing and delivery of indigenous AEW&C and has made significant contributions in design and development of Airborne Surveillance Systems.
CA Rakesh Bhawsar	Independent Director	15-May-25	CA Rakesh Bhawsar is a practicing fellow member of the Institute of Chartered Accountants of India since 2002. He has done Bachelor's degree in Science from Vikram University, Ujjain and has a rich experience of more than 22 years in various kind of audit including Central Statutory Audit of Bank, Audit of Government Companies, Audit of Private companies and other entities including NGOs.
Dr S D Premkumar	Independent Director	15-May-25	He has done MBBS from Annamalai University, Chidambaram and Post Graduate Diploma in ENT from Madras Medical College, Chennai. He is presently working as Senior Consultant Superintendent in Bharathiraja Speciality Hospital & Research Centre, Chennai. Dr S D Premkumar has rich experience of more than 16 years in the medical field.

Source: Company, JM Financial

Exhibit 40: Profile of other key managerial personnel

Name	Position	About
Mr Saket Chaturvedi	Chief Executive Officer, MiG Complex	He is a graduate in Electronics Engineering from MITS Gwalior, M Tech in Digital Communication from MANIT Bhopal, MBA in Marketing, Project Management IPMA Level-C Professional and had completed leadership development programme at IIM Ahmedabad and at IAS Toulouse. He was instrumental in reducing ROH cycle time of SU30MKI aircraft to 15 months, achieving the rated production of 20 aircraft per annum and steered development of indigenous repair technologies for about 80 LRU's of SU30MKI. He had joined HAL in 2004 and has served in various capacities in various departments in Nasik.
Mr Jayakrishnan S	Chief Executive Officer, Bangalore Complex	He is a B Tech in Production Engineering from TKM College of Engineering, University of Kerala. He started his career in HAL as a Management Trainee in the year 1989. During his career spanning of 36 years in HAL, he has worked in various functions, viz., Production Engineering, IT, Supply Chain, Aircraft Assembly, Customer Services, Project Management, Marketing, Export and Business development.
Mr M Satyanarayana	Chief Executive Officer, Accessories Complex	He is a B Tech in Electronics & Communication Engineering from D.M.S.S.V.H. College of Engineering, Machilipatnam, Nagarjuna University, Andra Pradesh and M Tech in Aircraft Production Engineering from IIT Madras. He started his career in HAL as Management Trainee in the year 1989. During his career spanning of 36 years in HAL, Shri Satyanarayana has worked extensively across Russian, Western, and Indigenous platforms, ranging from legacy fleets to cutting-edge advancements and future technologies.
Mr P B Rangarao	Chief Executive Officer, Helicopter Complex	He holds Bachelor's degree in Mechanical Engineering from Regional Engineering College, Warangal, a Post Graduate Diploma in Business Management from XIME, Bengaluru and has completed a Leadership Development Program from the Indian Institute of Management (IIM), Ahmedabad. He started his career in HAL as a Design Trainee in the year 1995. During his career span of 30 years in HAL, he has served in several key roles across departments involving maintenance, Manufacturing, outsourcing and planning.

Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	303,808	309,809	322,500	413,263	474,462	
Sales Growth (%)	12.8	2.0	4.1	28.1	14.8	
Other Operating Income	-	-	-	-	-	
Total Revenue	303,808	309,809	322,500	413,263	474,462	
Cost of Goods Sold/Op. Exp	110,760	123,125	127,924	168,611	194,529	
Personnel Cost	52,762	57,177	61,889	76,454	87,775	
Other Expenses	42,897	33,538	36,675	48,135	56,285	
EBITDA	97,389	95,969	96,012	120,063	135,873	
EBITDA Margin (%)	32.1	31.0	29.8	29.1	28.6	
EBITDA Growth (%)	46.2	-1.5	0.0	25.1	13.2	
Depn. & Amort.	14,065	13,397	14,796	16,857	19,462	
EBIT	83,325	82,572	81,216	103,205	116,411	
Other Income	18,985	25,655	34,649	31,806	33,839	
Finance Cost	321	86	26	26	26	
PBT before Excep. & Forex	101,990	108,141	115,839	134,986	150,224	
Excep. & Forex Inc./Loss(-)	-	59	-	-	-	
PBT	101,990	108,200	115,839	134,986	150,224	
Taxes	26,039	25,032	29,140	33,957	37,790	
Extraordinary Inc./Loss(-)	-	-	-	-	-	
Assoc. Profit/Min. Int.(-)	-	-	-	-	-	
Reported Net Profit	75,950	83,168	86,699	101,029	112,434	
Adjusted Net Profit	75,950	83,168	86,699	101,029	112,434	
Net Margin (%)	25.0	26.8	26.9	24.4	23.7	
Diluted Share Cap. (mn)	669	669	669	669	669	
Diluted EPS (INR)	113.6	124.4	129.6	151.1	168.1	
Diluted EPS Growth (%)	30.7	9.5	4.2	16.5	11.3	
Total Dividend + Tax	23,407	26,751	27,902	32,514	36,184	
Dividend Per Share (INR)	35.0	40.0	41.7	48.6	54.1	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	75,950	83,123	86,699	101,029	112,434	
Depn. & Amort.	14,065	13,397	14,796	16,857	19,462	
Net Interest Exp. / Inc. (-)	321	86	26	26	26	
Inc (-) / Dec in WCap.	-31,220	47,665	-57,299	25,672	-83,160	
Others	23,142	-7,820	-34,649	-31,806	-33,839	
Taxes Paid	-	-	-	-	-	
Operating Cash Flow	82,257	136,451	9,572	111,778	14,922	
Capex	-17,469	-9,264	-14,583	-25,000	-25,000	
Free Cash Flow	64,788	127,187	-5,011	86,778	-10,078	
Inc (-) / Dec in Investments	-64,125	-115,786	-	-	-	
Others	25,865	25,580	34,649	31,806	33,839	
Investing Cash Flow	-55,730	-99,470	20,066	6,806	8,839	
Inc / Dec (-) in Capital	-	-	-	-	-	
Dividend + Tax thereon	-19,729	-25,414	-26,507	-30,888	-34,375	
Inc / Dec (-) in Loans	-	-	-	-	-	
Others	-260	-372	-26	-26	-26	
Financing Cash Flow	-19,989	-25,785	-26,532	-30,914	-34,401	
Inc / Dec (-) in Cash	6,539	11,196	3,106	87,670	-10,640	
Opening Cash Balance	44,390	42,542	45,469	41,458	122,011	
Closing Cash Balance	50,929	53,738	48,575	129,128	111,371	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders Fund	290,464	348,429	408,620	478,761	556,820	
Share Capital	3,344	3,344	3,344	3,344	3,344	
Reserves & Surplus	287,120	345,085	405,276	475,417	553,476	
Preference Share Capital	-	-	-	-	-	
Minority Interest	-	-	-	-	-	
Total Loans	-	-	-	-	-	
Def. Tax Liab. / Assets (-)	-30,185	-34,247	-34,247	-34,247	-34,247	
Other non-current liabilities / Lease Liabilities	110,500	253,176	253,176	253,176	253,176	
Total - Equity & Liab.	400,964	601,604	661,796	731,937	809,996	
Net Fixed Assets	92,224	97,612	104,517	119,776	132,432	
Gross Fixed Assets	125,623	134,746	59,416	67,559	73,097	
Intangible Assets	25,132	27,072	34,190	41,307	48,424	
Less: Depn. & Amort.	67,890	75,117	-	-	-	
Capital WIP	9,358	10,911	10,911	10,911	10,911	
Investments	236,647	352,512	352,512	352,512	352,512	
Current Assets	436,423	595,328	650,172	713,669	791,729	
Inventories	132,259	216,757	277,177	226,776	273,614	
Sundry Debtors	46,167	46,475	47,891	55,727	67,236	
Cash & Bank Balances	42,542	45,469	41,458	122,011	104,254	
Loans & Advances	15,247	13,540	13,540	13,540	13,540	
Other Current Assets	200,208	273,086	270,106	295,615	333,085	
Current Liab. & Prov.	378,873	459,527	461,084	469,701	482,358	
Current Liabilities	62,089	81,851	83,408	92,025	104,682	
Provisions & Others	316,785	377,676	377,676	377,676	377,676	
Net Current Assets	29,607	105,058	158,345	213,226	278,629	
Other Non Current Assets/ROU Assets	27,942	30,743	30,743	30,743	30,743	
Total - Assets	400,964	601,604	661,796	731,937	809,996	

Source: Company, JM Financial

Dupont Analysis		(INR mn)				
Y/E	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Margin (%)	25.0	26.8	26.9	24.4	23.7	
Asset Turnover (x)	0.8	0.6	0.5	0.6	0.6	
Leverage Factor (x)	1.5	1.6	1.7	1.6	1.5	
RoE (%)	28.9	26.0	22.9	22.8	21.7	

Source: Company, JM Financial

Key Ratios		(INR mn)				
Y/E	FY24A	FY25A	FY26E	FY27E	FY28E	
BV/Share (INR)	434.3	521.0	611.0	715.9	832.6	
ROIC (%)	421.8	-	-	817.9	167.1	
ROE (%)	28.9	26.0	22.9	22.8	21.7	
Net Debt/Equity (x)	-0.9	-1.1	-0.9	-1.0	-0.8	
P/E (x)	34.4	31.4	30.1	25.9	23.2	
P/B (x)	9.0	7.5	6.4	5.5	4.7	
EV/EBITDA (x)	24.1	23.3	23.3	17.9	16.0	
EV/Sales (x)	7.7	7.2	6.9	5.2	4.6	
Debtor days	55	55	54	49	52	
Inventory days	159	255	314	200	210	
Creditor days	60	87	85	76	80	

Source: Company, JM Financial

APPENDIX I

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

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