Hindustan Aeronautics (HINAER)

CMP: ₹ 4850 | Target ₹ 5820 (20%) | Target Period: 12 months | BUY

November 13, 2026

Improving execution and expanding capabilities to drive growth...

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 is expected to be at ~₹ 2.5 lakh crores

Investment Rationale:

- Improving execution across aircraft and helicopter programmes to drive growth: HAL reported revenue growth of ~15% YoY in both Q2FY27 and H1FY27. We believe execution across LCA Tejas, helicopters, engines and other manufacturing programmes should support growth as company is entering a stronger execution phase. HAL has commenced production of 156 Prachand LCHs with manufacturing 90 fuselage structures (partnering with BEML and Adani Defence). Company also partnered with Safran to develop and manufacture the Aravalli engine for its future IMRH and DBMRH helicopter programmes. Further, HAL handed over the final two LCA Tejas Mk1 FOC twin-seat trainers, three HTT-40 trainers and four Dhruv NG helicopters during Sept-26. On the Tejas Mk1A programme, HAL has prepared 27 aircraft airframes, while GE engine supplies have improved to 14 units (GE targets to deliver 28 by FY27E), with management aiming to deliver 10 jets by Mar-27 and 24+ jets annually post engines supply stabilisation. Revenue guidance for FY27 is at 10–12% with EBITDA margin at ~30–31%, going ahead improving execution and operating leverage provide earnings recovery
- Large order backlog and expanding engine capabilities support long-term growth visibility: HAL's consolidated order backlog stands at ~₹2.5 lakh crore (7.5x TTM revenue) providing strong revenue visibility, while the pipeline across Tejas Mk2, helicopters, Su-30MKI upgrades and other next-generation platforms offers opportunities beyond the current programmes. HAL is increasing annual production capacity for AL-31FP engines from 30 to 50 units with an investment of ₹335 crore and is setting up a second Shakti engine production line with an investment of ₹218 crore, targeting capacity of up to 100 engines annually by FY29. Further, GE has been placed an order for 113 additional F404 engines for the second batch of 97 Tejas Mk1A aircraft, with deliveries scheduled in 2027-32. HAL has also acquired the remaining 50% stake in HATSOFF Helicopter Training, making it a wholly owned subsidiary and strengthening its presence in helicopter training and simulation. These initiatives are expected to strengthen HAL's manufacturing capabilities and support its long-term growth.

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 CAGR of ~16% over FY26-28E with EBITDA margin sustaining at ~30% (in-line with management's guidance). We maintain BUY on HAL with a target price of ₹ 5820 per share (based on 32x FY28E EPS)

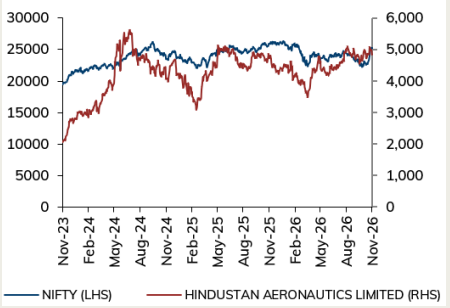
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	3,24,356
FY26 Gross Debt (₹ Crore)	-
FY26 Cash (₹ Crore)	46,197
EV (₹ Crore)	2,78,159
52 Week H/L (₹)	5150 / 3479
Equity Capital	334
Face Value	5

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	71.6	71.6	71.6	71.6
FII	10.9	10.2	9.3	9.4
DII	9.7	10.4	11.9	12.5
Others	7.8	7.7	7.1	6.5

Price Chart



Key risks

i. Dependent on govt. contracts

ii. High working capital requirement

iii. Availability of key raw materials/ components

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	26,927	30,381	30,981	33,089	7.7	37,059	44,471	15.9
EBITDA	6,679	9,741	9,608	9,770	15.9	11,118	13,377	17.0
EBITDA margin (%)	24.8	32.1	31.0	29.5		30.0	30.1	
Net Profit	5,828	7,621	8,364	9,116	15.7	10,324	12,168	15.5
EPS (Rs)	87.1	114.0	125.1	136.3		154.4	181.9	
P/E (x)	55.7	42.7	38.8	35.6		31.4	26.7	
EV/EBITDA (x)	45.5	30.6	29.8	28.5		24.6	20.1	
RoCE (%)	27.8	35.1	31.0	29.5		28.4	28.3	
RoE (%)	24.7	26.1	23.9	22.2		21.4	21.3	

Source: Company, ICICI Direct Research

Q2FY27 Result Summary

- Revenue from operations at ₹7,613.3 crore, up 14.9% YoY (+30.8% QoQ), supported by supported by steady execution across its key programmes like MRO and manufacturing of helicopters and engines
- EBITDA increased 11.7% YoY (+13.9% QoQ) to ₹1,739.5 crore, with EBITDA margin declining to 22.8% (-65 bps YoY, -484 bps QoQ). PAT increased 14.9% YoY (-62.1% QoQ) to ₹1,590 crore
- For H1FY27, revenue increased 14.7% YoY to ₹13,128.4 crore, EBITDA grew 15% to ₹3,266.2 crore, with EBITDA margin at 24.9% (flattish YoY), while PAT increased 15.5% to ₹3,525.3 crore

Exhibit 1: Q2FY27 consolidated result overview (₹ crore)

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments	H1FY27	H1FY26	YoY (%)
Revenue from operations	7,613.3	6,628.6	14.9	5,515.2	38.0	Steady execution across key programmes	13,128.4	11,447.6	14.7
Other income	988.3	887.7		900.2			1,888.5	1,634.8	
Total Revenue	8,601.6	7,516.3		6,415.4			15,017.0	13,082.4	
Raw materials costs	3,583.1	2,913.0		1,916.1			5,499.2	4,453.6	
Employees Expenses	1,505.3	1,334.5		1,523.9			3,029.3	2,717.0	
Other Expenses	785.3	823.3		548			1,333.7	1,436.7	
Total Expenditure	5,873.8	5,070.7		3,988			9,862.2	8,607.3	
EBITDA	1,739.5	1,557.9	11.7	1,526.8	13.9	H1 margin remained steady at 25%	3,266.2	2,840.3	15.0
EBITDA margins (%)	22.8	23.5	-65 bps	27.7	-484 bps		24.9	24.8	7 bps
Interest	0.4	0.4		0.4			0.7	0.7	
Depreciation	257.9	225.6		303.9			561.8	410.7	
Tax	630.4	557.9		544.7			1,175.1	1,028.5	
PAT	1,935.6	1,669.1	16.0	1,589.7	21.8		3,525.3	3,052.8	15.5

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	30,981	33,089	37,059	44,471
% Growth	2.0	6.8	12.0	20.0
Other income	2,561.7	3,699.1	4,069.0	4,475.9
Total Revenue	33,545	36,795	41,141	48,967
% Growth	3.9	9.7	11.8	19.0
Total Raw Material Costs	12,288	14,432	16,158	19,390
Employee Expenses	5,730	6,108	6,671	7,782
other expenses	3,354	2,779	3,113	3,922
Total Operating Expenditure	21,373	23,319	25,941	31,094
Operating Profit (EBITDA)	9,608	9,770	11,118	13,377
% Growth	(1.4)	1.7	13.8	20.3
Interest	9	6	6	6
PBDT	12,161	13,463	15,181	17,847
Depreciation	1,340	1,355	1,482	1,690
PBT before Exceptional Items	10,821	12,108	13,699	16,157
Total Tax	2,503	3,036	3,425	4,039
PAT	8,364	9,116	10,324	12,168
% Growth	9.8	9.0	13.3	17.9
EPS	125.1	136.3	154.4	181.9

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	8,364	9,116	10,324	12,168
Depreciation	1,340	1,355	1,482	1,690
Interest	9	6	6	6
CF before WC chg.	9,713	10,476	11,813	13,864
Changes in inventory	(8,458)	(9,175)	(1,640)	(4,061)
Changes in debtors	(31)	581	(503)	(914)
Changes in loans & adv	3	(5)	-	-
Changes in other CA	(3,013)	(5,603)	(1,617)	(3,113)
Net Inc. in Curr. Assets	(15,326)	(17,729)	(6,498)	(11,388)
Changes in creditors	1,693	(674)	543	995
Changes in provisions	807	(743)	941	1,723
Net Inc. Curr. Liabilities	7,771	212	5,024	9,326
Net CF from Op act.	2,158	(7,041)	10,339	11,802
Chg. in def. tax assets	(114)	433	-	-
(P)/S of Fixed Assets	(1,685)	(1,487)	(3,000)	(3,000)
Net CF from Inv act.	12,615	18,441	(3,049)	(3,091)
Div. and Dividend Tax	(1,505)	(1,672)	(1,839)	(2,174)
Net CF from Fin Act.	(3,022)	(3,385)	(3,041)	(3,375)
Net Cash flow	11,751	8,015	4,250	5,336
Opening Cash/Cash Eq	26,432	38,182	46,197	50,447
Closing Cash/ Cash Eq	38,182	46,197	50,447	55,783

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	334.4	334.4	334.4	334.4
Reserve and Surplus	34,647	40,707	47,996	56,796
Total Sh. funds	34,982	41,041	48,331	57,130
Other non-cu. Liab.	24,820.6	44,689.1	44,689.1	44,689.1
Total Debt	-	-	-	-
Total Liabilities	62,172	88,107	95,397	1,04,196
Gross Block	15,203	16,755	19,681	22,281
Acc: Depreciation	9,232	10,587	12,070	13,760
Net Block	5,970	6,168	7,611	8,521
Capital WIP	1,091	1,026	1,100	1,500
Total Fixed Assets	9,313	9,768	11,286	12,596
Non-Cur. Assets	4,650	4,056	4,105	4,196
Inventory	21,676	30,851	32,491	36,552
Debtors	4,648	4,066	4,569	5,483
Loans and Advances	7	13	13	13
Other Current Assets	8,345	13,948	15,565	18,678
Cash	38182	46197	50447	55783
Total Current Assets	90,095	1,15,838	1,26,586	1,43,310
Current Liabilities	5,106	4,432	4,975	5,970
Provisions	1,265	1,266	1,267	1,268
Total Current Liabilities	44,095	44,307	49,332	58,658
Net Current Assets	45,999	71,531	77,254	84,652
Total Assets	62,172	88,107	95,397	1,04,196

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	125.1	136.3	154.4	181.9
Cash per Share	570.9	690.8	754.3	834.1
BV	523.1	613.7	722.7	854.2
Dividend per share	22.5	25.0	27.5	32.5
Dividend payout ratio	18%	18%	18%	18%
EBITDA Margin	31.0	29.5	30.0	30.1
PAT Margin	27.0	27.5	27.9	27.4
RoE	23.9	22.2	21.4	21.3
RoCE	31.0	29.5	28.4	28.3
EV / EBITDA	29.8	28.5	24.6	20.1
P/E	38.8	35.6	31.4	26.7
EV / Net Sales	9.2	8.4	7.4	6.0
Sales / Equity	0.9	0.8	0.8	0.8
Market Cap / Sales	10.5	9.8	8.8	7.3
Price to Book Value	9.3	7.9	6.7	5.7
Asset turnover	0.9	0.8	0.8	0.8
Debtors Turnover Ratio	6.7	7.6	8.6	8.8
Creditors Turnover Ratio	7.3	6.9	7.9	8.1
Debt / Equity	-	-	-	-
Current Ratio	2.1	3.3	3.2	3.2
Quick Ratio	0.8	1.2	1.2	1.3

Source: Company, ICICI Direct Research

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