

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	5,128
12 month price target (INR)	6,000
52 Week High/Low	5,675/3,046
Market cap (INR bn/USD bn)	3,429/40.1
Free float (%)	25.7
Avg. daily value traded (INR mn)	11,049.4

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Mar-24
Promoter	71.64%	71.64%	71.64%
FII	12.08%	12.26%	12.42%
DII	8.26%	8.13%	9.58%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

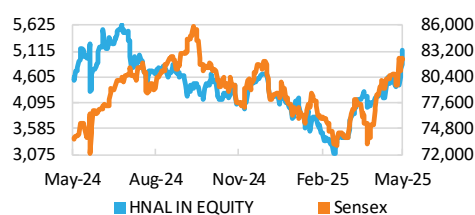
(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	3,03,808	3,09,809	3,69,133	4,54,083
EBITDA	97,539	96,217	1,01,415	1,22,484
Adjusted profit	75,950	83,109	87,787	1,00,344
Diluted EPS (INR)	113.6	124.3	131.3	150.0
EPS growth (%)	57.0	9.4	5.6	14.3
RoAE (%)	28.9	26.0	22.9	21.9
P/E (x)	45.0	41.2	39.0	34.1
EV/EBITDA (x)	32.4	31.6	29.8	25.1
Dividend yield (%)	0.7	0.5	0.5	0.6

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	3,69,133	4,54,083	0.2%	(6.0%)
EBITDA	1,01,415	1,22,484	3.7%	(4.1%)
Adjusted profit	87,787	1,00,344	5.9%	2.0%
Diluted EPS (INR)	131.3	150.0	5.9%	2.0%

PRICE PERFORMANCE



This giant is still growing

Hindustan Aeronautics (HNAL) reported a strong end to FY25 as it beat Street's Q4FY25 revenue/EBITDA estimate by 4%/42% on the back of ~38.7% OPM. Buoyant order inflows of INR1.2tn during FY25 (Su-30 Mk1, AL31FP engines, LCH) bulked up the backlog to INR1.89tn. Meanwhile, a staggering pipeline of ~INR4.4tn (LCA Mk-IA and Mk-II, IMRH, AMCA) implies growth can stay durably air-borne.

Maintain 'BUY' as we build in a revenue CAGR of ~21% over FY25–27E envisaging higher product mix (~60% in FY27E versus ~23% in FY25), INR150bn capex over 4-5Y and inventories/receivables build-up to yield a ~10% EPS CAGR. We are raising FY26E/27E EPS by 6%/2% and PE to 40x (from 35x), yielding a TP of INR6,000 on FY27E EPS of INR150.

Healthy backlog bolsters visibility; timely execution a critical lever

HNAL's Q4FY25 revenues declined 7.2% YoY to INR137bn. FY25 revenue rose 2% YoY to INR310bn (*impacted by lower deliveries of LCA Tejas and ALH Dhruv*). In FY24, HNAL recognized INR5.5bn in differential revenue due to contract changes for past Tejas deliveries. Adjusting for this one-off, FY25 revenue grew 3.9% YoY. GM fell 340bp YoY to 63.7% in Q4FY25 while FY25 GM fell to 60.3% (from 63.5% in FY24) due to inventory build-up. Q4FY25 OPM stood at 38.7% versus 40% in Q4FY24 (*adjusting for ~INR15bn of additional revenue in Q4FY24, comparable OPM was 33.2%*). FY25 OPM was 31.1% versus 32.1% in FY24 (*excluding a ~INR10.3bn provision reversal in FY24; comparable FY24 OPM was 27.9%*). PAT stood at INR39.6bn, down 7.8% YoY.

Key orders booked in FY25: New orders worth ~INR1.2tn include ROH contracts worth INR175bn, 12 Su-30 MKI worth INR135bn, Mid Life Upgrade (MLU) of 40. of Do-228 aircraft worth INR29bn, 240 AL31FP engines for Su-30 MKI worth INR260bn, and 156 LCH worth INR627bn. OB stands strong at INR1.89tn (end-Mar-25), doubling over the last year, providing strong visibility for the next five–six years.

Guidance: Management aims to deliver ~12 LCAMk1A in FY26 while maintaining a conservative revenue growth outlook of 8–10%. Operating margin (ex-other income) is expected to remain steady at 30–31%. Capex of INR150bn is planned over the next four–five years. [Click here](#) to read conference call KTAs.

Key variables to watch out for over next 12–24 months

HNAL has a decadal long opportunity pipeline of ~INR4.4tn, which shall keep its OI ticking. *However, to capitalise on this potential, it is critical that HNAL ramps up execution of its large-scale programs sitting in backlog, thereby enhancing its ability to navigate ongoing supply chain challenges, particularly by timely procurement of critical subcomponents as it cruises through an investment/R&D phase.*

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	1,36,999	1,47,688	(7.2)	69,569	96.9
EBITDA	53,021	59,014	(10.2)	16,901	213.7
Adjusted Profit	39,583	42,920	(7.8)	14,326	176.3
Diluted EPS (INR)	59.2	64.2	(7.8)	21.4	176.3

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	3,03,808	3,09,809	3,69,133	4,54,083
Gross profit	1,93,049	1,86,684	2,05,238	2,47,929
Employee costs	52,762	57,177	66,444	79,464
Other expenses	15,277	17,817	18,457	22,704
EBITDA	97,539	96,217	1,01,415	1,22,484
Depreciation	14,214	13,644	14,843	17,598
Less: Interest expense	321	86	103	126
Add: Other income	18,985	25,655	30,580	29,032
Profit before tax	1,01,990	1,08,141	1,17,050	1,33,791
Prov for tax	26,039	25,032	29,262	33,448
Less: Other adj	0	0	0	0
Reported profit	75,950	83,109	87,787	1,00,344
Less: Excp.item (net)	0	0	0	0
Adjusted profit	75,950	83,109	87,787	1,00,344
Diluted shares o/s	669	669	669	669
Adjusted diluted EPS	113.6	124.3	131.3	150.0
DPS (INR)	35.0	25.0	26.3	30.0
Tax rate (%)	25.5	23.1	25.0	25.0

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
COGS (% of rev)	36.5	39.7	44.4	45.4
Employee cost (% of rev)	17.4	18.5	18.0	17.5
Other exp (% of rev)	5.0	5.8	5.0	5.0
EBITDA margin (%)	32.1	31.1	27.5	27.0
Net profit margin (%)	25.0	26.8	23.8	22.1
Revenue growth (% YoY)	12.8	2.0	19.1	23.0
EBITDA growth (% YoY)	34.3	(1.4)	5.4	20.8
Adj. profit growth (%)	57.0	9.4	5.6	14.3

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	5.5	6.3	6.3	6.3
Repo rate (%)	6.0	5.3	5.3	5.3
USD/INR (average)	84.0	82.0	82.0	82.0
Domestic rev gwth (%)	12.8	2.0	19.1	23.0
Exports rev gwth (%)	55.9	196.2	(25.0)	(44.4)
Gross margin (%)	63.5	60.3	55.6	54.6
EBITDA margin (%)	32.1	31.1	27.5	27.0
Tax rate (%)	25.5	23.1	25.0	25.0
Capex (INR mn)	(17,549.0)	(17,565.7)	(30,000.0)	(30,000.0)

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	45.0	41.2	39.0	34.1
Price/BV (x)	11.8	9.8	8.2	6.9
EV/EBITDA (x)	32.4	31.6	29.8	25.1
Dividend yield (%)	0.7	0.5	0.5	0.6

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	3,344	3,344	3,344	3,344
Reserves	2,87,120	3,45,085	4,15,314	4,95,589
Shareholders funds	2,90,464	3,48,429	4,18,658	4,98,933
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	34,147	51,108	53,883	67,776
Other liabs & prov	4,55,226	6,61,594	6,61,594	6,61,594
Total liabilities	7,79,837	10,61,131	11,34,136	12,28,304
Net block	67,300	66,634	81,792	94,193
Intangible assets	0	0	0	0
Capital WIP	24,923	30,978	30,978	30,978
Total fixed assets	92,224	97,612	1,12,769	1,25,171
Non current inv	14,971	16,274	16,274	16,274
Cash/cash equivalent	2,64,218	3,81,708	4,01,203	3,40,449
Sundry debtors	1,65,106	2,05,367	2,22,491	2,92,355
Loans & advances	96,516	1,27,734	1,27,734	1,27,734
Other assets	1,54,374	2,45,904	2,67,132	3,39,789
Total assets	7,79,837	10,61,131	11,34,136	12,28,304

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	82,296	72,819	87,787	1,00,344
Add: Depreciation	14,214	13,620	14,843	17,598
Interest (net of tax)	(16,020)	(22,778)	(30,477)	(28,906)
Others	58,040	2,09,089	0	0
Less: Changes in WC	(56,273)	(1,36,299)	(35,577)	(1,28,628)
Operating cash flow	82,257	1,36,451	36,576	(39,592)
Less: Capex	17,549	17,566	30,000	30,000
Free cash flow	64,708	1,18,886	6,576	(69,592)

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	28.9	26.0	22.9	21.9
RoCE (%)	38.9	33.9	30.5	29.2
Inventory days	418	517	506	486
Receivable days	184	218	212	207
Payable days	108	126	117	108
Working cap (% sales)	(31.4)	(52.6)	(34.5)	0.3
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.9)	(1.1)	(1.0)	(0.7)
Interest coverage (x)	260.0	957.9	842.9	830.2

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	57.0	9.4	5.6	14.3
RoE (%)	28.9	26.0	22.9	21.9
EBITDA growth (%)	34.3	(1.4)	5.4	20.8
Payout ratio (%)	30.8	20.1	20.0	20.0

Q4FY25 conference call highlights

Opening remarks

- HAL received the certification for an upgraded version of the Dhruv Civil Advanced Light Helicopter from DGCA.
- Received Restricted Military type certification from CEMILAC for HTT-40 Basic Trainer Aircraft.
- INR15bn recognized in FY24 from change order contract of IOC LCA. Ex-of which, revenue growth is 7.25%.
- AL-31FP engines, RD-33 engines were manufactured during the year.
- Profitability achieved due to improved operational efficiencies. Other income came in at 8% of FY25 revenue.
- Inventory days increased from 159 to 200 days due to increased manufacturing timelines for new products to 18–36 months.
- Order backlog at INR1.89tn versus INR0.94tn. Orders received during the year – 240 nos. of AL-31FP engines for INR255bn, LCH Prachand for INR627bn, 12 Sukhoi aircrafts for INR134bn, exports – INR4.93bn, ROH – 175bn, design and development – INR31.8bn.
- Anticipated contracts over FY26/27 – 97 no of LCA Tejas, 143 ALH, 10 no of Do-228 for Indian navy, upgrade of 40 Dornier for Indian Air Force. Anticipate INR1tn of pipeline over next 1-2Y including ROH orders of INR200bn.
- Expect to fasten delivery of LCA Tejas, ALH, HTT-40, along with engines during FY26/27.
- Focus on capacity building and capability building. Capex – INR140–150bn over the next five years for expanding manufacturing facilities for LCA Mk2, IMRH engines, GE-414 engines and ROH facilities.

Questions and answers

Q. LCA Programme. Delivery schedule. LCA Mk2 update.

A. For LCA Tejas MK1 – GE engine has delivered one engine in April 2025 and testing has been done. GE has promised 12 engines to be delivered by Dec'25. 12 aircrafts will be ready this year. Due to line closure of GE engines, GE engines had to redo the certification of engines, which was completed in March 2025. On Mk2 – it is now at manufacturing prototype stage, which is to be tested in Q1FY27. Currently negotiating with GE on amount of ToT and expect to conclude this deal in this FY. MK2 will take 3 years to be certified i.e. by FY29-30.

Q. AL-31FP engine delivery schedule and indigenisation content. MoU with PTC industries.

A. Engines will be delivered at the rate of 30 engines p.a. Indigenization is 57% currently and working with MIDHANI to further indigenize the engine. Working closely with PTC (specialises in titanium casting) for building some key materials.

Q. Revenue growth guidance. OPMs guidance.

A. OPMs at 30-31% to be maintained (ex-other income) and will be able to maintain it over medium term as well. Revenue growth at 8-10% to be maintained. Expecting double-digit growth from next year onwards.

Q. LUH programme delays.

A. Looking at an order of 12 nos., which is in the pipeline. Challenges w.r.t design, flight control software, etc. which shall be solved in this year. Expect to conclude the deal soon and have already built eight helicopters.

Q. Sukhoi-30 upgrade programme. Timeline. Size.

A. Su-30 upgrade is an ambitious programme – avionics, radars, to be upgraded and in next 6 months should flow in. It will take 5-6 years; IOC will itself take 5 years and then shall flow in. Value is INR600bn.

Q. MRO growth. Manufacturing growth and profitability.

A. For LCA – Two lines are in Bangalore and have established another in Nashik, which is expected to roll out first LCA in the next few months hence total manufacturing capacity will be 24 units. Some parts are being outsourced to private sector example: Front Fuselage – L&T, Rear Fuselage - Alpha Tocol, Radar – TASL. ROH shall increase – continuously growing at 5%. Operating profit to revenue is 27% and shall maintain at same levels. ROH shall be very robust given constant upgrades of existing fleet.

Q. Delivery number of aircraft + helicopter. Lower provisioning reason.

A. Delivery of aircrafts and helicopters took a hit given supply chain constraints and grounding of ALH fleet. Last year, had planned to deliver two Dornier, first FOC of LCA, 6 ALH helicopters. Last year provisions had MRO related provisioning. INR8bn provisioning done during the year for Sukhoi. Provisioning shall continue to be at current levels and may deviate by 4–5%.

Q. Order book – pending order of ALH. Split between forces.

A. Army – 20, Coast guard – 9. Instrumented two helicopters for scrutinising the situation that led to grounding of ALH helicopters, and in July the resolution should be done.

Q. Airbus HAL deal.

A. MoU is there for A320 C-Check, which is to be done at the Nashik facility. Revenue should flow in from Q1/Q2FY27.

Q. Helicopter manufacturing capacity.

A. 156 Prachand: 66 – IAF, 94 – Indian army, which is to be executed in 6 years starting 2028. Investments are being done and existing facilities in Bangalore and Tumakuru shall result in manufacturing of 30 LCH per year.

Q. Revenue potential for 12 LCA Tejas.

A. Roughly INR30bn.

Q. Tejas Mk2 – commercialisation.

A. Production should start in FY30-31.

Q. Revenue breakup for FY25. Platforms other than Tejas to contribute to revenues.

A. Manufacturing – 23%, ROH & spares - 70%, designing and others – 7%. Other platforms to contribute to revenues – ALH, RD-33 engines, AL-31FP engines. Expect certain contract amendments in subsequent years.

Q. Sukhoi delivery schedule. ROH spares ordering.

A. Lead time of 2 years to start the production and hence production will start in FY26-27 and conclude by FY29. ROH shall be INR200bn per year.

Q. Helicopter delivery delay. Dornier and IJT delays in FY25.

A. ALH was delayed given the fleet was grounded. Building new Dornier in anticipation of new orders.

Q. Drones market and scope to enter.

A. Drones are price sensitive market with multiple competition. Looking at UCAVs – unmanned combat aerial vehicles that can carry missiles and will be working on that.

Q. Provisions reversal in FY25.

A. No reversal reported in this year.

Q. Revenue growth is conservative given 6x order book.

A. Plan on having <6 years of backlog and aim to finish LCA Mk1 by FY30-31. Aim is to optimise current investments being made into manufacturing facilities.

Q. LCA delivery schedule.

A. 24 aircrafts will be delivered by FY26-27. Given private sector ramp up, production should reach to 30 units per annum by end of next two years.

Exhibit 1: Financial snapshot (INR mn)

Year to March	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25A	FY26E	FY27E
Total revenues (net)	1,36,999	1,47,688	(7.2)	69,569	96.9	3,09,809	3,69,411	4,54,546
Direct cost	49,760	48,568	2.5	34,258	45.3	1,23,125	1,64,018	2,06,364
Staff cost	18,078	13,870	30.3	12,930	39.8	57,177	66,494	79,545
Other operating expenses	65,899	74,804	(11.9)	39,738	65.8	1,56,416	2,01,425	2,52,391
Total expenditure	83,978	88,674	(5.3)	52,668	59.4	2,13,593	2,67,919	3,31,937
EBITDA	53,021	59,014	(10.2)	16,901	213.7	96,217	1,01,491	1,22,609
Depreciation	7,461	6,487	15.0	2,862	160.7	13,644	14,843	17,598
EBIT	45,560	52,527	(13.3)	14,039	224.5	82,572	86,649	1,05,010
Interest	84	314	(73.2)	1	11,928.6	86	103	126
Other income	6,527	5,571	17.2	6,312	3.4	25,655	30,570	29,006
Exceptional items	0	0		0		59	0	0
PBT	52,003	57,784	(10.0)	20,350	155.5	1,08,200	1,17,116	1,33,889
Tax	12,420	14,863	(16.4)	6,024	106.2	25,032	29,279	33,472
Non-controlling interests	0	0		0		0	0	0
Reported Profit	39,583	42,920	(7.8)	14,326	176.3	83,168	87,837	1,00,417
Adjusted Profit	39,583	42,920	(7.8)	14,326	176.3	83,109	87,837	1,00,417
Equity capital(FV:INR1)	3,344	3,344		3,344		3,344	3,344	3,344
No. of Diluted shares outstanding (mn)	669	669		669		669	669	669
Adjusted Dil. EPS	59.2	64.2		21.4		124.3	131.3	150.1
as % of net revenues								
Direct cost	36.3	32.9		49.2		39.7	44.4	45.4
Staff cost	13.2	9.4		18.6		18.5	18.0	17.5
Other operating expenses	132.4	50.7		57.1		50.5	54.5	55.5
EBITDA	38.7	40.0		24.3		31.1	27.5	27.0
Adjusted profit	28.9	29.1		20.6		26.8	23.8	22.1
Tax rate	23.9	25.7		29.6		23.1	25.0	25.0

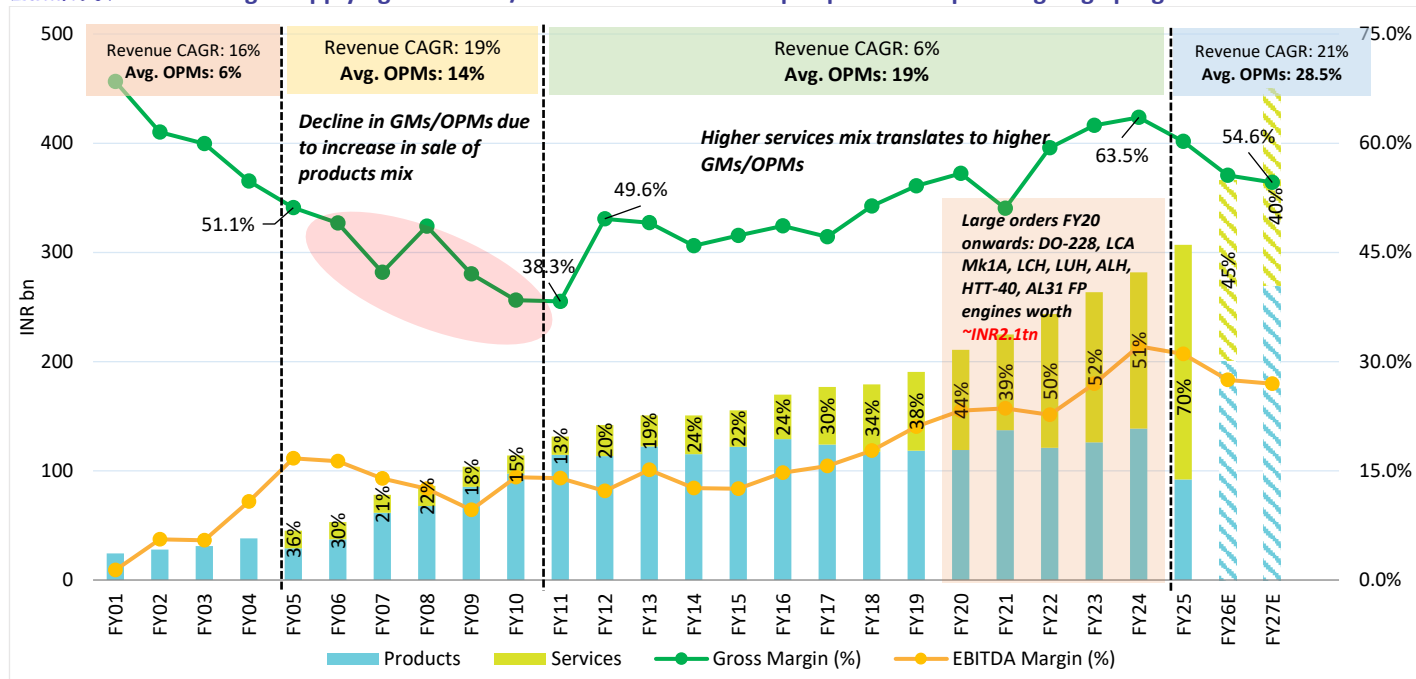
Source: Company, Nuvama Research

Exhibit 2: HNAL's ~INR4.4tn pipeline

Hindustan Aeronautics Limited (2025-35)			
Platforms	Units	Cost (INR bn)	Expected Timeline
Helicopters			
Light Utility Helicopters (LUH)	213	266	Spread over a decade
Light Combat Helicopters (LCH) *	156	627	Order received
Advanced Light Helicopter (ALH)	37	88	FY26-27
Naval Utility Helicopter (NUH)	111	217	FY25-26
Indian Multi-Role Helicopter (IMRH)/ DBMRH	314	942	FY28-29
Aircraft			
Light Combat Aircraft (LCA) Mark 1A	97	650	FY25-26
Light Combat Aircraft (LCA) Mark 2	120	960	FY29-30
Sukhoi-30 MKI *	12	135	Order received
Dornier-228 Mid Life Upgrade *	25	29	Order received
Advanced Medium Combat Aircraft (AMCA)	126	1,134	FY34-35
Twin Engine Deck Based Fighter (TEDBF)	45	140	FY32-33
Engine			
AL-31 FP *	240	260	Order received
Total opportunity		4,397	

Source: Company, Nuvama Research

Exhibit 3: HNAL to begin supplying LCA Mk1A/ALH to IAF and enter capex phase for upcoming large programs



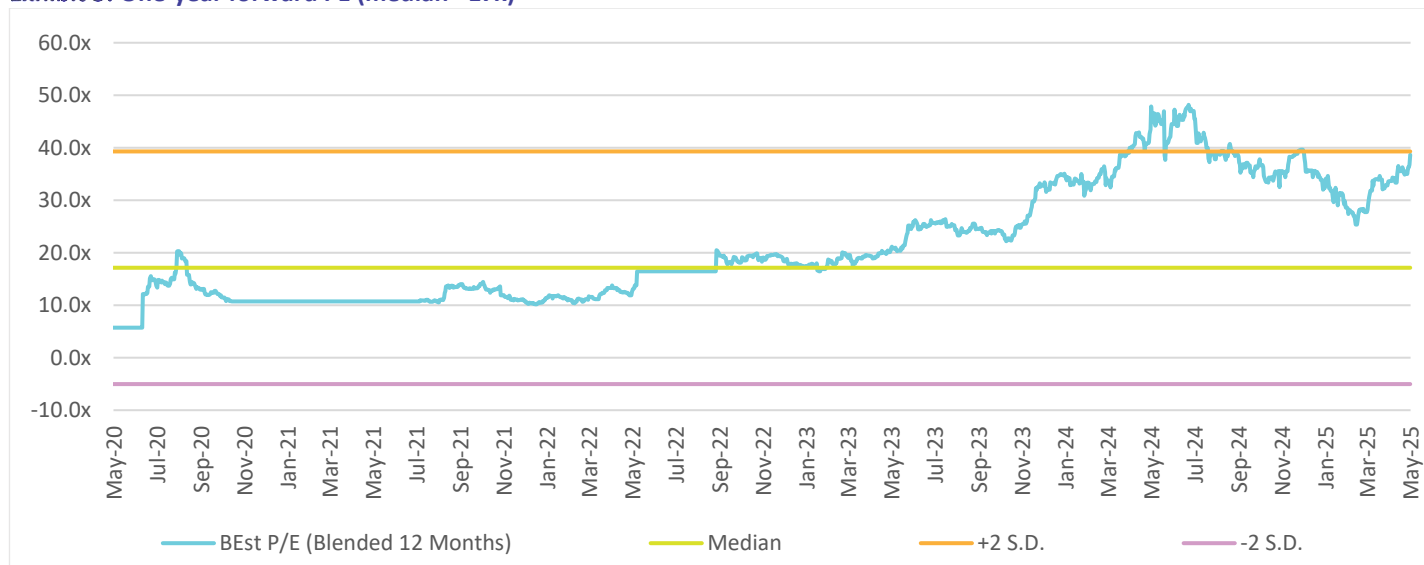
Source: Company, Nuvama Research

Exhibit 4: FY27E EPS sensitivity

		Revenue CAGR (FY25–27E)				
		15.0%	18.0%	21.0%	25.0%	30.0%
FY27E OPMs (%)	25.0%	123.9	130.5	137.3	146.6	158.6
	26.0%	128.9	135.8	142.8	152.5	165.0
	27.0%	133.9	141.1	148.4	158.4	171.4
	28.5%	141.5	149.0	156.7	167.3	181.1
	30.0%	149.0	156.9	165.0	176.2	190.7

Source: Company, Nuvama Research

Exhibit 5: One-year forward PE (median ~17x)



Source: Bloomberg, Nuvama Research

Company Description

HNAL is the largest defence PSU under the Department of Defence Production, Ministry of Defence. Headquartered in Bengaluru, the company was established in 1940 and has an extensive expertise in design, development, manufacture, maintenance and upgrade of fighter, trainers, helicopters, transport aircraft, aero-engines, avionics, systems and accessories. Currently, HNAL manufactures Light Combat Aircraft (LCA) Tejas Mk1A, LCA Tejas Trainer, Dornier Do-228, Advanced Light Helicopter (ALH) and Light Utility Helicopter (LUH) in addition to the production of new engines and various accessories. It has also been providing Repairs and Overhaul (ROH) services for various aircraft, helicopters and engines for the Indian Defence Services and other customers. HNAL has 20-plus production divisions, 11-plus R&D centres and eight support offices located across India. These divisions and R&D centres are organised into five complexes with current and future operations.

Investment Theme

HNAL is one of the primary beneficiaries of India's defence capital outlay leveraging indigenous production and strategic ToT tie-ups. We believe HNAL's leadership in the Indian combat production market along with strong GoI support lends the company an edge. Macro tailwinds, both domestically (envisage ~USD130bn defence opportunity over next five years) and internationally (rising geopolitical uncertainties opening up export opportunities for India, especially w.r.t. NATO), have put HNAL in a sweet spot to benefit from these long-term opportunities. With 10-plus R&D centres, it is investing heavily in research to build on its indigenous portfolio. HNAL's R&D expenditure is among the highest in the industry at 7–8% of revenue on average.

Key Risks

- HNAL's revenue is predominantly dependent on Indian defence orders, making it vulnerable to fluctuations in defence budgets and procurement cycles.
- Delays in payments from the Ministry of Defence have previously strained HAL's working capital, affecting its financial stability.
- Dependence on foreign suppliers, such as General Electric for engines, has led to production delays in projects like the Tejas Mk1A, impacting delivery schedules and increasing costs.
- The Strategic Partnership model encourages collaborations between Indian private firms and global OEMs, intensifying competition for HAL in securing future defence contracts.
- International trade barriers and geopolitical tensions pose risks to HAL's supply chain and could lead to further production and delivery challenges.

Additional Data

Management

Chairman/MD	Dr D K Sunil
General Manager:Finance	K T Venkatesh
Dir:Operations	Ravi K
Dir:Operations	Jayadeva E P
Auditor	K.C. Mehta & Co.

Holdings – Top 10*

% Holding		% Holding	
FMR LLC	2.33	ICICI Prudentia	0.46
Vanguard Group	1.16	Axis Asset Mana	0.41
HDFC Asset Mana	1.13	Motilal Oswal A	0.37
Blackrock Inc	1.10	JPMorgan Chase	0.34
Nippon Life Ind	0.53	SBI Funds Manag	0.22

*Latest public data

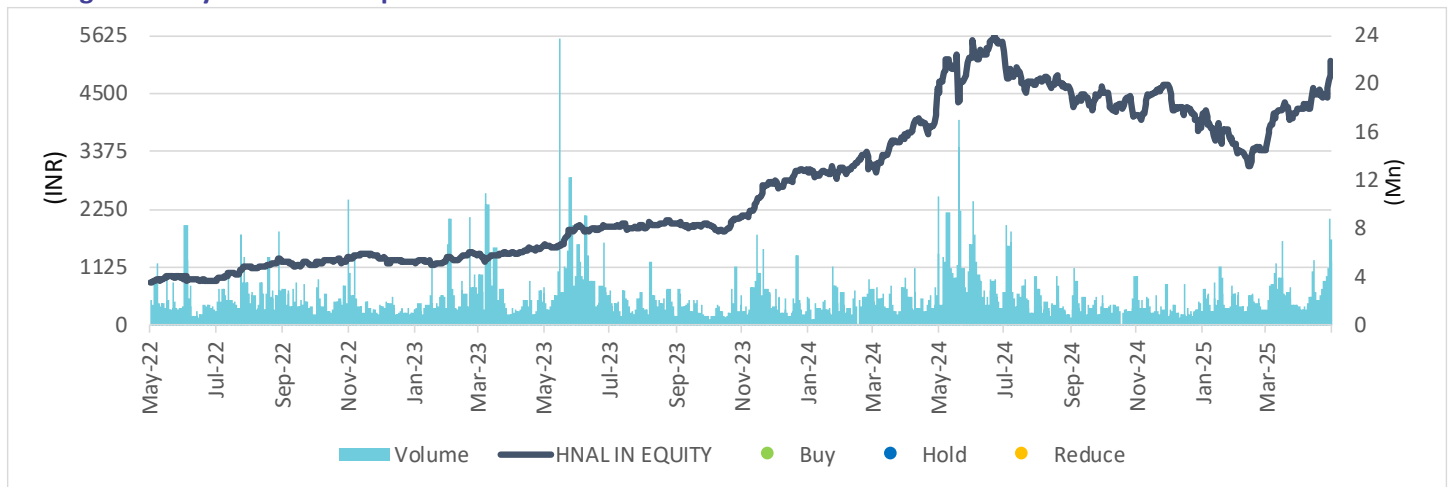
Recent Company Research

Date	Title	Price	Reco

Recent Sector Research

Date	Name of Co./Sector	Title
18-Feb-25	Zen Technologies	Muted results; OI ramp-up remains key as; <i>Result Update</i>
07-Feb-25	Solar Industries	Positioning for future growth; <i>Result Update</i>
30-Jan-25	Bharat Electronics	Befitting optimism on a growing giant; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	63
Reduce	<-5%	34

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