

Hindustan Aeronautics: HAL Tejas Mishap – Context and Perspective

Nov 24, 2025 | CMP: INR 4,595 | Target Price: INR 5,570

Expected Share Price Return: 21.0% | Dividend Yield: 1.0% | Potential upside: 22.0%

Sector View: Positive

BUY

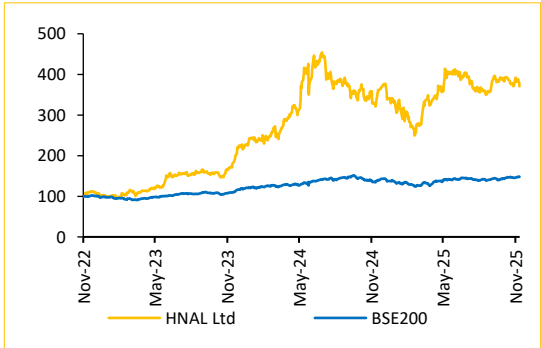
Change in Estimates	×
Change in Target Price	×
Change in Recommendation	×

Company Info	
BB Code	HNAL IN EQUITY
Face Value (INR)	5.0
52 W High/Low (INR)	5,166/3,045
Mkt Cap (Bn)	INR 3,073/\$ 34.3
Shares o/s (Mn)	668.8
3M Avg. Daily Volume	10,48,845

Key Financials					
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	303.8	309.8	336.6	377.8	425.8
YoY Growth (%)	12.9	3.9	8.4	12.0	12.5
EBITDA	97.4	96.1	106.4	120.9	137.9
EBITDAM (%)	32.1	31.0	31.6	32.0	32.4
Adjusted PAT	76.2	83.6	90.2	100.9	113.7
EPS	113.7	124.5	134.8	150.8	170.0
ROE (%)	28.9	26.1	23.9	23.3	22.7
ROCE (%)	31.6	25.8	24.0	23.4	23.0
PE(x)	40.3	36.7	34.1	30.5	27.0
P/BV (x)	10.5	8.8	7.6	6.6	5.7

Shareholding Pattern (%)			
	Sep-25	Jun-25	Mar-25
Promoters	71.64	71.64	71.64
FIIIs	12.00	11.90	12.08
DIIIs	8.64	8.67	8.26
Public	7.64	7.72	7.97

Relative Performance (%)			
YTD	3Yr.	2Yr.	1Yr.
BSE 200	49.6	34.8	9.7
HNAL	246.2	114.3	15.4



HAL Tejas Mishap – Context and Perspective

What Investors Must Know

A Tejas fighter jet built by HAL for the Indian Air Force met with a mishap near Al Maktoum International Airport during a demonstration at the Dubai Air Show, 2025. According to initial experts' assessment, the mishap was caused by a **Negative-G manoeuvre**. A **Court of Inquiry by the IAF** has been constituted to determine the exact cause of the accident. While the incident is unfortunate, it is important to understand the broader context and risk profile associated with this high-performance fighter aircraft.

Why This Matters

The Tejas programme is **highly advanced**; very few countries have successfully developed an indigenous light combat aircraft of this complexity. During training periods or high-intensity demonstration flights, accidents, though rare, are a recognised operational risk. This event, we believe, should be viewed in the broader context of the programme's overall safety record, steady progress and continued delivery momentum.

The Global Context

F-35, Rafale, Gripen and aircraft of other countries

Even the most sophisticated military aircraft in the world, such as the **F-35** (and others), have had multiple crashes during testing, training or airshow demonstrations. In this context, HAL's Tejas mishap falls **within the normal risk envelope**. And, its **accident ratio remains among the lowest** in modern fighters. This is not alarming — it is **the reality of cutting-edge military aviation**. We believe that the impact on short-term sentiment is not indicative of systemic programme failure.

Country / Aircraft	No. of reported non-combat crashes (2000–2025)
India – Tejas LCA	2
United States – F-35	15
United States – All military aircraft	200–400+
Russia – Su/K/Kr/MiG series	~50–150
China – J-10 / J-11 / J-15 / trainers	~50–150
Pakistan – F-7 / JF-17 / trainers	20–80
NATO aggregate (Eurofighter, F-16, F-18, etc.)	Hundreds

Source: Wikipedia, Media Search Choice Institutional Equities

Note* : The crash statistics above are indicative and compiled from publicly accessible sources. Due to limited transparency in defence reporting globally, the actual figures may differ from those shown.

Our View: In our assessment, accidents during training or high-performance demonstration flights remain an **inherent operational risk** in military aviation. We believe that this incident **does not indicate any structural issues** with the Tejas programme. Instead, we expect, HAL's long-term fundamentals to remain robust, supported by strong execution, established order visibility and continued strategic importance to India's defence modernisation plans.

In the wake of this event, while we recognise that **sentiment around exports may see a temporary setback**, we think the **near-to-medium-term focus continues to be on domestic deliveries** — particularly the ongoing production ramp-up for Tejas Mk1A. By the time export engagements scale up meaningfully, we expect the current situation to normalise and investor concerns to subside.

Overall, **we expect short-term volatility, but believe the broader programme remains firmly on track** and aligned with India's long-term defence capability goal. We maintain our **BUY** rating on HAL with a target price of **INR 5,570**, valuing the company at **35x FY27/28E average EPS**.

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
 *Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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