Educational Equity Research Report(as of August 2025)

HINDUSTAN AERONAUTICS LTD

Target: N/A **Holding Period: N/A** **Educational Report**

I shaurya sharma am initiating a research report on Hindustan Aeronautics, primarily engaged in the business of manufacturing of Aircraft and Helicopters and Repair, Maintenance of Aircrafct and Helicopters.

About the Business

Hindustan Aeronautics is engaged in the business of Manufacture of Aircraft and Helicopters and Repair, Maintenance of Aircraft and Helicopters. Established on 23 December 1940, HAL is one of the oldest and largest aerospace and defence manufacturers in the world. HAL began aircraft manufacturing as early as 1942 with licensed production of Harlow PC-5, Curtiss P-36 Hawk and Vultee A-31 Vengeance for the Indian Air Force. HAL is managed by a board of directors appointed by the President of India through the Ministry of Defence, Government of India. In 2024, the company was given Maharatna status.

Company Snapshot

Mkt Cap	₹ 3,06,419 Cr
High/Low	₹ 5,166 / 3,046
Div Yield	0.87 %
PE	36.2x
ROCE	33.90%
ROE	17.44%

Financial Snapshot	Mar'22	Mar'23	Mar'24	Mar'25
Revenue	24620.02	26927.46	30381.08	30980.95
EBITDA	6400.46	8358.59	11674.78	12229.33
PBT	144.65	681.77	2603.93	2503.21
Tax	5080.04	5827.74	7621.05	8364.13
Net Profit	75.96	87.14	113.95	125.06
NPM(np/revenue)	**0.309%**	**0.324%**	**0.375%**	**0.404%**

Shareholding Pattern

Promotors	72%
FIIs	10.50%
DIIs	9%
Public	8%
Government	0.05%

Production Units

Bangalore Complex

- Aircraft Division Bangalore
- Engine Division Bangalore
- Overhaul Division Bangalore
- Foundry & Forge Division Bangalore
- Aerospace Division Bangalore
- IMGT Division Bangalore
- Airport Services Centre Bangalore
- LCA-Tejas Division Bangalore

MiG Complex

- Aircraft Manufacturing Division Nasik
- Aircraft Overhaul Division Nasik
- Engine Division Koraput
- Sukhoi Engine Division Koraput

Accessories Complex

- TAD-Kanpur Division
- Accessories Division Lucknow
- Avionics Division Hyderabad
- Avionics Division Korwa

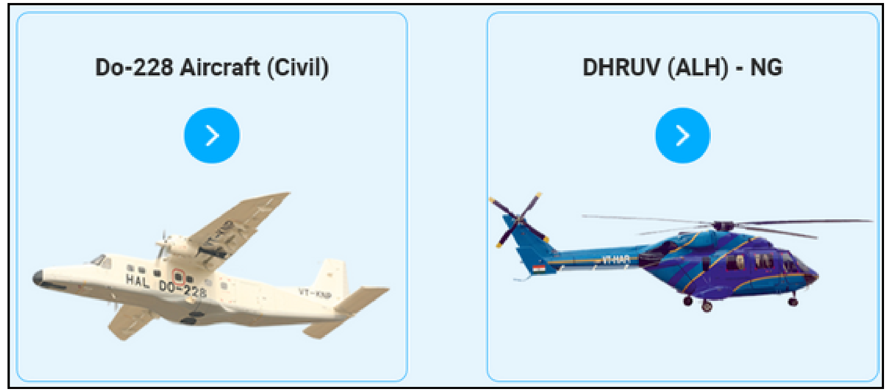
Helicopter Complex

- Helicopter Division Bangalore
- Helicopter MRO Division Bangalore
- Barrackpore Division
- Aerospace Composites Division

Products

Aircrafts

Civil Aviation

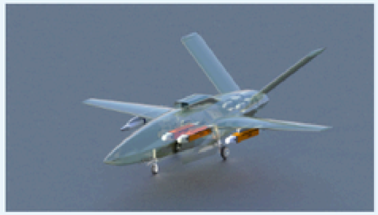


Helicopters

Space

Connecting technologies through innovation

IMRH



CATS

UAV

LCA MK IA

Medium Lift Helicopter (MLH) Also on the anvil is RWRDC's next big leap into the Medium Lift Helicopter category through the Design & Development of the Indian Multi-Role Helicopter (IMRH) of 13 Ton class to meet the requirement of IAF & Indian Army. Similarly, the Deck-Based Multi-Role Helicopter (DBMRH) of 12.5 Ton class is being developed for Indian Navy and will feature blade folding for ship-deck operations

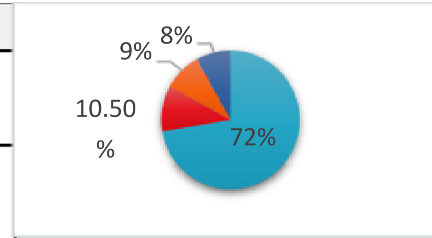
Aircraft Research and Design Centre (ARDC), began as the Engineering Department of Hindustan Aircraft Limited during 1948-49 and has grown into a full-fledged R&D Centre ARDC has designed several aircraft ranging from basic piston Trainers namely HT-2, Pushpak to the frontline combat aircraft like Marut , LCA . The Combat Air Teaming System (CATS) is an automated-operated unmanned drone in the design phase

MALE UA 'TAPAS' is being developed to meet the Indian Armed Forces requirements for Intelligence, Surveillance and Reconnaissance roles by transmitting real time data to ground control station. It may also be used for civil purpose e.g. assisting in relief & rescue operations during natural calamities. It can carry many types payloads such as Medium & Long Range Electro-Optic systems, Synthetic Aperture & Maritime Patrol Radars; additionally, it can also carry situational awareness payloads e.g. IFF, TCAS, UCR

This version is aimed to enhance the operational and combat capabilities, survivability and maintainability. Capabilities planned in Mk1A include; Integration of Active Electronically Scanned Array Radar, Electronic Warfare Suite missiles and Air-to-Air refueling It is also proposed to integrate Combined Interrogator and Transponder , Software Defined Radio and Operating Data Link with existing onboard avionics to infuse further capabilities to the aircraft

Key Points about the company

- It manufactures aircraft, helicopters, and their engines, accessories, etc.The segmental revenue grew by 13% between FY22 and FY24
- The company provides services like the repair, overhaul, maintenance, and upgrade of more than 17 types of aircraft, helicopters and their engines, accessories, etc. This segment's revenue has increased by 18% between FY22-FY24.
- It also manufactures structural parts of various satellite launch vehicles of the Indian Space Research Organization
- key operational milestones include the inaugration of new manufacturing facilities,timely deliveries of defense platform and securing strategic contracts
- HAL has also diversified into space technology, securing an ₹860 crore contract for Polar Satellite Launch Vehicles (PSLV) and delivering hardware for the Gaganyaan mission(as of 2023)

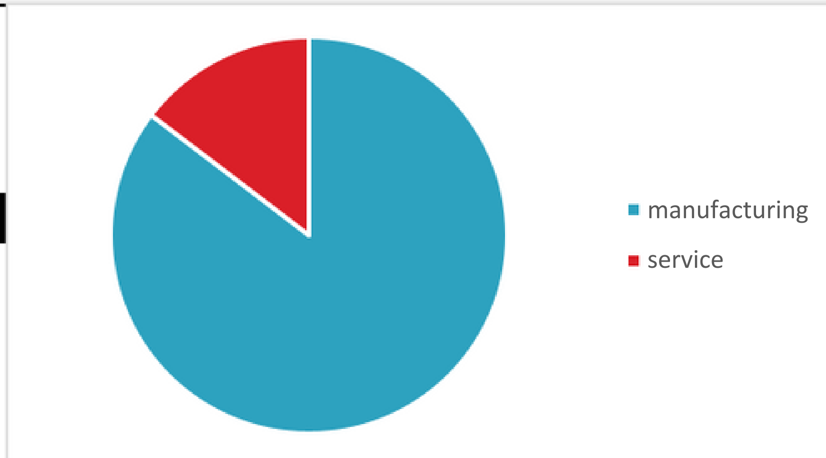


Financial Ratios	
ROCE	17.44%
ROA	7.67%
NPM	0.40%
ROE	26.1 %
EBITMargin	31.05%
Div Yield	0.87 %

Segment Performance

ServiceDuring the same period, HAL received Repair & Overhaul (ROH) contracts—a category representing the service sector—worth ₹17,500 Lakh. ROH services include the maintenance, repair, and overhaul.

Manufacturing: In FY 2024–25, HAL secured new manufacturing contracts worth ₹1,02,000 Lakh. This covers the production of aircraft, helicopters, engines, and related aerospace systems.



FuturePlans

•HAL plans a ₹14,000-₹15,000 Crore CAPEX over the next five years.
•The company invested ₹2,482 Crore (8.25% of turnover) in R&D in FY 2024-25, with a focus on integrating advanced technologies such as Unmanned Aerial Vehicles (UAVs), Artificial Intelligence (AI), and the Internet of Military Things (IoMT)
•HAL aims to boost exports by supplying aircraft and helicopters to various international markets, including Guyana, Seychelles, Mauritius, Nepal, Maldives, Suriname, and Namibia
•AI is being leveraged to improve defense systems, reduce pilot workload, and enhance safety
•Committed to "Atmanirbhar Bharat," HAL is focusing on indigenizing complex aircraft systems and critical components.

Industry Overview

Competition Overview

• Domestic private players partnering with international Original Equipment Manufacturers (OEMs) can introduce new competition
• A change in preference from nomination-based procurement (tender) to competitive bidding by regular customers could impact HAL
•International firms entering the Indian market pose a direct competitive challenge.
•Any changes in procurement policy or preference from the MoD could adversely affect HAL's sales, earnings, and cash flow

CLIENTS

Hindustan AeronauticsLimited(HAL) is a key player in India's aerospace and defense, serving vital domestic and international clients.

Domestic

- Indian Air Force: Primary client for combat and transport aircraft, and helicopters.
- Indian Navy: Maritime reconnaissance and naval helicopters.
- Indian Army: Utility and attack helicopters.
- ISRO: Aerospace components and satellite structures.
- Bharat Electronics Limited (BEL): Integrated avionic systems and radar.
- Bharat Dynamics Limited (BDL): Missile systems and armaments.

International

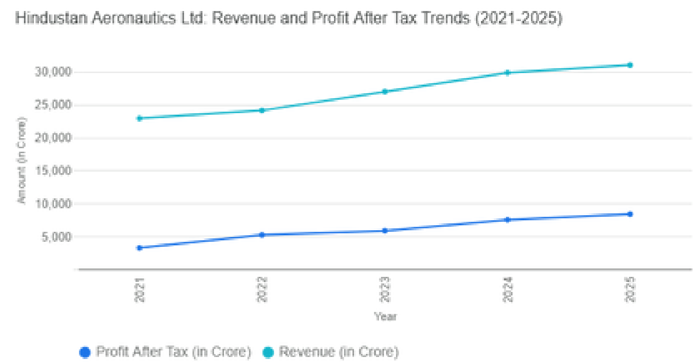
- Airbus Industries, France: Supplier for aircraft components.
- Boeing, USA: Aerostructure manufacturing and MRO services.
- ELTA Systems, Israel: Advanced electronic warfare and radar systems.
- Raytheon Technologies, USA: Critical aircraft systems and components.
- Mauritius Police Force, Mauritius: Operates HAL-manufactured helicopters,etc.

Detailed Ratio Analysis

Market Cap	₹ 3,06,419 Cr.	Current Price	₹ 4,582	High / Low	₹ 5,166 / 3,046
Stock P/E	36.7	Book Value	₹ 523	Dividend Yield	0.88 %
ROCE	33.9 %	ROE	26.1 %	Face Value	₹ 5.00
Sales	₹ 30,981 Cr.	Profit after tax	₹ 8,358 Cr.	Mar Cap	₹ 3,04,644 Cr.
Sales Qtr	₹ 13,700 Cr.	PAT Qtr	₹ 3,977 Cr.	Qtr Sales Var	-7.24 %
Qtr Profit Var	-7.71 %	Price to Earning	36.5	Price to book value	8.80
ROCE	33.9 %	Return on assets	8.82 %	Debt to equity	0.00
EPS	₹ 125	Return on equity	26.1 %	Debt	₹ 51.4 Cr.
Promoter holding	71.6 %	Change in Prom Hold	0.00 %	Pledged percentage	0.00 %

Income Statement

Narration		Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
Sales	₹	22,882.32	24,620.02	26,927.46	30,381.08	30,980.95	
Expenses	₹	17,538.34	19,204.65	20,241.80	20,629.50	21,359.93	
Other Income	₹	364.28	984.93	1,672.92	1,923.10	2,608.23	
EBITDA	₹	5708.66	6,400.46	8,358.59	11,674.78	12,229.33	
EBITDA Margin	%	0.25	0.26	0.31	0.38	0.39	
Depreciation	₹	1,157.89	1,110.53	1,784.67	1,407.17	1,340.37	
Interest	₹	266.89	65.24	64.41	42.63	21.62	
PBT	₹	4,283.48	5,224.53	6,509.50	10,224.88	10,867.26	
Tax	₹	1,037.93	144.65	681.77	2,603.93	2,503.21	
Net profit	₹	3,245.95	5,080.04	5,827.74	7,621.05	8,364.13	
EPS	₹	4 8.53	75.96	87.14	113.95	125.06	
Price to earning	₹	0.15	0.15	0.23	0.44	0.50	
Price		497.48	742.45	1,365.55	3,327.00	4,177.45	



- Revenue Growth: HAL has consistently increased its revenue over the past five years. From ₹22,882 crore in March 2021, revenue grew to ₹30,981 crore by March 2025. This indicates a steady demand for its products and services, primarily in the defense sector. The year-over-year growth has been positive, though the rate has varied.

- Profit After Tax (PAT) Growth: The company has demonstrated strong growth in its net profit. The PAT surged from ₹3,246 crore in March 2021 to ₹8,364 crore in March 2025. This significant increase suggests effective cost management and a successful conversion of revenue into profit.

- Operating Profit and Margins: HAL's operating profit has also shown a strong upward trend, increasing from ₹5,344 crore in March 2021 to ₹9,621 crore in March 2025. The company's operating margin has also generally improved over the period. A rising operating margin indicates that the company is becoming more efficient at managing its core business operations.

- Earnings Per Share (EPS): The EPS, which represents the portion of a company's profit allocated to each outstanding share of common stock, has also seen a positive trend, rising from ₹97.07 in March 2021 to ₹125.07 in March 2025. This is a positive sign for shareholders.

Balance sheet

Narration	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Equity Share Capital	334.39	334.39	334.39	334.39	334.39
Reserves	15,089.51	18,978.74	23,237.76	28,803.78	34,647.22
Borrowings	53.28	49.27	51.69	50.12	51.44
Other Liabilities	37,619.24	40,891.94	45,652.16	51,722.55	73,665.41
Total	**53,096.42**	**60,254.34**	**69,276.00**	**80,910.84**	**108,698.46**
Net Block	7,165.88	6,765.88	6,834.40	6,736.89	6,670.80
Capital Work in Progress	1,949.60	2,472.94	1,885.00	2,493.43	3,097.75
Investments	1,121.32	1,362.70	1,457.92	1,591.33	1,754.20
Other Assets	42,859.62	49,652.82	59,098.68	70,089.19	97,175.71
Total	53,096.42	60,254.34	69,276.00	80,910.84	108,698.46
Working Capital	5,240.38	8,760.88	13,446.52	18,366.64	23,510.30
Debtors	5,668.05	4,641.53	4,719.18	4,616.85	4,647.79
Inventory	18,005.41	16,209.64	14,220.89	16,033.20	24,107.31

Conclusion

HAL presents a compelling long-term investment opportunity driven by India's defense modernization, substantial order book visibility, and strategic government support. While current valuations appear elevated, the company's dominant market position, robust growth prospects, and strong financial fundamentals justify a premium.

Recommendation: **BUY**
Price Target: ₹5,800 (30%+ upside potential)
Investment Horizon: 2-3 years

The stock is suitable for investors seeking exposure to India's defense sector growth story, with patience for medium to long-term value creation despite potential near-term volatility