

May 18, 2025

Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	5,500		4,134	
Sales (Rs. m)	3,37,812	3,85,838	3,74,496	4,25,092
% Chng.	(9.8)	(9.2)		
EBITDA (Rs. m)	1,03,146	1,13,952	99,340	1,13,624
% Chng.	3.8	0.3		
EPS (Rs.)	126.7	137.5	110.7	125.6
% Chng.	14.5	9.5		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	2,98,321	3,09,810	3,37,812	3,85,838
EBITDA (Rs. m)	91,921	96,081	1,03,146	1,13,952
Margin (%)	30.8	31.0	30.5	29.5
PAT (Rs. m)	70,721	83,596	84,721	91,970
EPS (Rs.)	105.7	125.0	126.7	137.5
Gr. (%)	52.9	18.2	1.3	8.6
DPS (Rs.)	31.7	37.5	38.0	41.3
Yield (%)	0.6	0.7	0.7	0.8
RoE (%)	26.8	26.1	22.3	20.8
RoCE (%)	19.9	15.9	13.2	12.7
EV/Sales (x)	10.6	9.8	8.8	7.4
EV/EBITDA (x)	34.4	31.7	28.7	25.2
PE (x)	48.5	41.0	40.5	37.3
P/BV (x)	11.8	9.8	8.4	7.2

Key Data

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52-W High / Low	Rs.5,675 / Rs.3,046
Sensex / Nifty	82,331 / 25,020
Market Cap	Rs.3,429bn / \$ 40,099m
Shares Outstanding	669m
3M Avg. Daily Value	Rs.11049.38m

Shareholding Pattern (%)

Promoter's	71.64
Foreign	12.08
Domestic Institution	8.26
Public & Others	8.02
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	21.8	25.5	11.4
Relative	14.0	18.2	(0.3)

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Decent Q4; LCA Mk1A ramp up in sights

Quick Pointers:

- HAL to received 12 F-404 engines from GE till Dec'25 followed by 2 engines per month thereafter.
- The company achieved an order book of Rs1.89trn in FY25.

We revise our FY26/27E EPS estimates upward by 14.5%/9.5%, accounting for the deliveries of LCA Mk1A and improved operating efficiencies. Hindustan Aeronautics (HAL) reported a 7.2% YoY decline in revenue, with EBITDA margin contracting 131bps YoY to 38.6%. During the quarter, HAL received the first GE F-404 engine, with 11 more expected by December 2025, enabling the long awaited LCA Mk1A deliveries to the IAF. Management remains confident in executing its robust Rs1.89trn order book, guiding for 8–10% revenue growth in FY26 and EBITDA margins of 30–31%. The order pipeline remains robust at Rs1.0trn over the next few years, reinforcing HAL's long-term growth prospects. Ongoing investments in capacity, capability, and infrastructure—particularly for programs like LCA Mk2, GE-414 engines, IMRH engines and AMCA—highlight HAL's commitment to advancing India's defense indigenization efforts. We roll forward to Mar'27E and maintain 'Accumulate', valuing the stock at a PE of 40x Mar'27E (35x Sep'26E earlier) with a revised TP of Rs5,500 (Rs4,134 earlier).

The long term outlook remains intact: We believe HAL's execution on the deliveries of Tejas Mk1A aircrafts will be a key monitorable in the coming quarters, however its long-term play on the growing strength & modernization of India's air defense given 1) it is the primary supplier of India's military aircraft, 2) long-term sustainable demand opportunity owing to government's push on indigenous procurement of defense aircraft, 3) a robust order book with a 2-year pipeline of Rs1.0trn+, 4) leap in HAL's technological capabilities due to development of advanced platforms (Tejas, AMCA, GE-414 & IMRH engines, etc.), and 5) improvement in profitability via scale & operating leverage. The stock is currently trading at a P/E of 40.5x/37.3x on FY26/27E earnings.

Higher pension contribution resulted in a jump in employee costs: Consolidated revenue declined by 7.2% YoY to Rs137.0bn (PLe: Rs131.4bn). Gross margin contracted by 345bps YoY to 63.7% (PLe: 55.0%). EBITDA decreased by 10.3% YoY to Rs52.9bn (PLe: Rs34.4bn). EBITDA margin contracted by 131bps YoY to 38.6% against a high base (PLe: 26.1%) due to higher pension contribution led higher employee costs (+30.3% YoY to Rs18.1bn) partially offset by lower provisions (-37.3% YoY to Rs14.4bn). The decline in PBT was -10.1% YoY to Rs52.0bn (PLe: Rs29.2bn). Adj. PAT declined 7.7% YoY to Rs39.8bn (PLe: Rs21.9bn) aided by an increase in other income (+16.9% YoY to Rs6.5bn) and a lower effective tax base (23.9% vs 25.7% in Q4FY24).

Orderbook stands strong at Rs1.89trn (6.1x TTM Revenue): Order intake for the year FY25 stood at Rs1.25trn with manufacturing order intake at Rs1.02trn along with RoH & Spares order intake of Rs197.3bn. Meanwhile, the order intake for design and development projects was Rs31.8bn and for exports it was Rs4.9bn.

Exhibit 1: EBITDA margin declined 131bps YoY to 38.6% primarily due to lower gross margin and higher employee expenses

Rs mn	Q4FY25	Q4FY24	YoY gr.	Q4FY25E	% Var.	Q3FY25	QoQ gr.	FY25	FY24	YoY gr.
Sales	1,36,999	1,47,688	-7.2%	1,31,451	4.2%	69,573	96.9%	3,09,810	2,98,321	3.9%
Gross Profit	87,299	99,206	-12.0%	72,278	20.8%	35,363	146.9%	1,86,929	1,87,731	-0.4%
Margin (%)	63.7	67.2	(345)	55.0	873.8	50.8	1,289	60.3	62.9	(259)
Employee Cost	18,113	13,906	30.3%	14,055	28.9%	12,962	39.7%	57,304	52,907	8.3%
as % of sales	13.2	9.4	381	10.7	252.9	18.6	(541)	18.5	17.7	76
Other expenditure	16,237	26,287	-38.2%	23,863	-32.0%	5,576	191.2%	33,545	42,902	-21.8%
as % of sales	11.9	17.8	(595)	18.2	(630.1)	8.0	384	10.8	14.4	(355)
EBITDA	52,949	59,013	-10.3%	34,360	54.1%	16,825	214.7%	96,081	91,921	4.5%
Margin (%)	38.6	40.0	(131)	26.1	1,251.0	24.2	1,447	31.0	30.8	20
Depreciation	7,365	6,440	14.4%	8,866	-16.9%	2,771	165.8%	13,404	14,072	-4.7%
EBIT	45,584	52,573	-13.3%	25,494	78.8%	14,054	224.3%	82,677	77,850	6.2%
Margin (%)	33.3	35.6	(232)	19.4	1,387.9	20.2	1,307	26.7	26.1	59
Other Income	6,515	5,573	16.9%	4,097	59.0%	6,314	3.2%	25,617	18,966	35.1%
Interest	84	314	-73.1%	424	-80.1%	1	10450.0%	87	321	-73.0%
PBT (ex. Extra-ordinaries)	52,015	57,832	-10.1%	29,167	78.3%	20,368	155.4%	1,08,207	96,494	12.1%
Margin (%)	38.0	39.2	(119)	22.2	1,577.9	29.3	869	34.9	32.3	258
Extraordinary Items	-	-	-	-	-	-	-	59	-	-
PBT	52,015	57,832	-10.1%	29,167	78.3%	20,368	155.4%	1,08,266	96,494	12.2%
Total Tax	12,420	14,863	-16.4%	6,998	77.5%	6,024	106.2%	25,032	26,039	-3.9%
Effective Tax Rate (%)	23.9	25.7	(182)	24.0	(11.5)	29.6	(570)	23.1	27.0	(386)
PAT	39,595	42,969	-7.9%	22,169	78.6%	14,344	176.0%	83,234	70,455	18.1%
Profit/(loss) from JVs	172	118	45.3%	(235)	-173.1%	54	216.0%	407	265	53.4%
Profit/(loss) from MI	(0)	(0)	0.0%	1	-160.0%	(0)	-25.0%	(1)	(1)	-20.0%
PAT after MI & JVs	39,767	43,087	-7.7%	21,934	81.3%	14,398	176.2%	83,641	70,721	18.3%
Adj. PAT	39,767	43,087	-7.7%	21,934	81.3%	14,398	176.2%	83,596	70,721	18.2%
Margin (%)	29.0	29.2	(15)	16.7	1,234.1	20.7	833	27.0	23.7	328
Adj. EPS	59.5	64.4	-7.7%	32.8	81.3%	21.5	176.2%	125.0	105.7	18.2%

Source: Company, PL

Conference Call Highlights

- **Guidance:** Management has given conservative guidance of 8-10% revenue growth in FY26 with EBITDA margin maintained between 30%-31% (ex. Other income). Furthermore, the company will invest Rs140-150bn in the next 5 years towards expanding its capacities and capabilities to execute current order book along with developing manufacturing infrastructure for LCA Mk2, GE-414 engines, IMRH engines and AMCA.
- **Order Prospects:** HAL's order prospects include, 1) 97 nos of LCA Mk1A, 2) 143 ALH for IAF and Army, 3) 10 nos of Do-228 Dornier for Indian Navy and Coast Guard, 4) Upgrade of 40 Dornier for IAF, and 5) repair and overhaul prospects of Rs200bn per annum. The total order prospects are more than Rs1.0trn which are to be awarded in the next couple of years. These orders are expected to keep HAL's factories full till FY32.
- **LCA Mk1A Program:** The supply chain issues of GE were resolved, and the 1st F-404 engine was delivered to HAL in April 2025. GE is expected to deliver 11 more engines by December 2025 enabling HAL to deliver 12 nos of LCA Mk1A aircrafts in FY26. Furthermore, GE will continue to deliver 2 engines per month in succeeding years giving a boost to the LCA Mk1A delivery schedules. For the overall LCA program, HAL has invested in setting up 2 lines while a 3rd line was set up in their Nashik plant. HAL will have a total capacity of 24 units per annum. With increasing outsourcing of parts by HAL, it expects to get an additional capacity of 6 units per annum from the 3rd party pvt. players taking total LCA capacity to 30 units per annum.
- **LCA Mk2 Program:** The Mk2 program is at the prototype phase right now with expected date of testing in Q1FY27. HAL has engines for the initial prototype testing enabling no delays in the program. The company is currently in negotiations regarding the technology transfer agreement with GE which is expected to conclude in FY26. Post which, the certification of Mk2 will be completed by FY29 with expected production from FY31.
- **LCH Prachand – Series Production:** The initial deliveries from this order will start in 36 months with HAL planning to execute the entire order within the next 5-6 years. The expected run rate of deliveries is 36 helicopters per annum. HAL has invested in their Tumkuru factory which will be the primary factory catering to the production of LCH and LUH with a capacity of 30 nos per annum. Meanwhile, the Bengaluru plant also has a capacity of 30 nos per annum.
- **HAL delivered the first AL 31FP Engine for Sukhoi Su-30** in FY25 out of a total of 240 engines. The remaining engines are expected to be delivered at a run rate of 30 units per annum with an indigenization content of ~57%.
- **The grounding of ALH fleet** has been lifted and company expects the full resolution by July 2025. Out of the 34 units ordered, 20 units for Army and 9 units for Coast Guard still sits on HAL's order book. The company is expected to speed up the execution of ALH in FY26 to compensate for the duration of the grounding.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	2,98,321	3,09,810	3,37,812	3,85,838
YoY gr. (%)	10.8	3.9	9.0	14.2
Cost of Goods Sold	1,10,591	1,22,880	1,34,787	1,59,351
Gross Profit	1,87,731	1,86,929	2,03,025	2,26,487
Margin (%)	62.9	60.3	60.1	58.7
Employee Cost	52,907	57,304	61,820	68,293
Other Expenses	42,902	33,545	38,059	44,242
EBITDA	91,921	96,081	1,03,146	1,13,952
YoY gr. (%)	37.6	4.5	7.4	10.5
Margin (%)	30.8	31.0	30.5	29.5
Depreciation and Amortization	14,072	13,404	15,848	17,719
EBIT	77,850	82,677	87,298	96,233
Margin (%)	26.1	26.7	25.8	24.9
Net Interest	321	87	676	695
Other Income	18,966	25,617	26,641	27,416
Profit Before Tax	96,494	1,08,266	1,13,263	1,22,955
Margin (%)	32.3	34.9	33.5	31.9
Total Tax	26,039	25,032	28,542	30,985
Effective tax rate (%)	27.0	23.1	25.2	25.2
Profit after tax	70,455	83,234	84,721	91,970
Minority interest	(1)	(1)	-	-
Share Profit from Associate	265	407	-	-
Adjusted PAT	70,721	83,596	84,721	91,970
YoY gr. (%)	52.9	18.2	1.3	8.6
Margin (%)	22.3	24.9	23.2	22.3
Extra Ord. Income / (Exp)	-	45	-	-
Reported PAT	70,721	83,641	84,721	91,970
YoY gr. (%)	21.4	18.3	1.3	8.6
Margin (%)	23.7	27.0	25.1	23.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	70,721	83,641	84,721	91,970
Equity Shares O/s (m)	669	669	669	669
EPS (Rs)	105.7	125.0	126.7	137.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	1,71,679	1,72,143	1,99,169	2,23,978
Tangibles	1,25,739	1,31,100	1,50,600	1,70,100
Intangibles	45,941	41,043	48,569	53,879
Acc: Dep / Amortization	1,04,310	1,05,434	1,18,731	1,33,410
Tangibles	67,936	71,397	79,989	89,289
Intangibles	36,374	34,038	38,742	44,121
Net fixed assets	67,369	66,708	80,438	90,569
Tangibles	57,803	59,703	70,611	80,811
Intangibles	9,566	7,005	9,827	9,758
Capital Work In Progress	24,934	30,978	31,176	33,070
Goodwill	-	-	-	-
Non-Current Investments	19,924	21,489	22,817	25,713
Net Deferred tax assets	14,543	15,680	15,680	15,680
Other Non-Current Assets	24,006	26,868	25,336	28,938
Current Assets				
Investments	-	-	-	-
Inventories	1,32,175	2,16,757	1,52,709	1,69,135
Trade receivables	46,169	46,478	60,158	73,996
Cash & Bank Balance	2,64,316	3,81,823	4,70,733	5,57,538
Other Current Assets	53,326	83,453	84,453	96,460
Total Assets	7,80,952	10,62,669	11,10,818	12,70,628
Equity				
Equity Share Capital	3,344	3,344	3,344	3,344
Other Equity	2,88,038	3,46,472	4,06,780	4,72,162
Total Network	2,91,382	3,49,816	4,10,124	4,75,506
Non-Current Liabilities				
Long Term borrowings	11	11	11	11
Provisions	15,783	18,681	19,782	21,854
Other non current liabilities	1,05,438	2,48,206	2,70,249	3,08,671
Current Liabilities				
ST Debt / Current of LT Debt	0	0	0	0
Trade payables	34,129	51,057	55,531	63,425
Other current liabilities	3,29,114	3,89,896	3,49,680	3,95,337
Total Equity & Liabilities	7,80,952	10,62,669	11,10,818	12,70,628

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	1,02,249	1,08,673	1,13,263	1,22,955
Add. Depreciation	14,221	13,627	16,072	17,975
Add. Interest	314	87	676	695
Less Financial Other Income	18,966	25,617	26,641	27,416
Add. Other	16,389	1,874	(23,229)	(23,908)
Op. profit before WC changes	1,33,173	1,24,260	1,06,781	1,17,716
Net Changes-WC	(31,251)	47,556	42,638	35,608
Direct tax	(19,693)	(35,382)	(28,542)	(30,985)
Net cash from Op. activities	82,228	1,36,435	1,20,877	1,22,340
Capital expenditures	(17,472)	(17,536)	(30,000)	(30,000)
Interest / Dividend Income	17,488	25,595	23,229	23,908
Others	(64,117)	(1,15,770)	86,230	(2,161)
Net Cash from Invt. activities	(64,101)	(1,07,711)	79,460	(8,253)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(19,729)	(25,414)	(24,413)	(26,588)
Interest paid	(257)	(371)	(676)	(695)
Others	(3)	0	-	-
Net cash from Fin. activities	(19,989)	(25,785)	(25,089)	(27,282)
Net change in cash	(1,861)	2,939	1,75,248	86,805
Free Cash Flow	64,677	1,18,865	90,877	92,340

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	105.7	125.0	126.7	137.5
CEPS	126.8	145.0	150.4	164.0
BVPS	435.7	523.1	613.2	711.0
FCF	96.7	177.7	135.9	138.1
DPS	31.7	37.5	38.0	41.3
Return Ratio(%)				
RoCE	19.9	15.9	13.2	12.7
ROIC	45.0	46.1	33.8	35.8
RoE	26.8	26.1	22.3	20.8
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(1.1)	(1.1)	(1.2)
Net Working Capital (Days)	176	250	170	170
Valuation(x)				
PER	48.5	41.0	40.5	37.3
P/B	11.8	9.8	8.4	7.2
P/CEPS	40.4	35.4	34.1	31.3
EV/EBITDA	34.4	31.7	28.7	25.2
EV/Sales	10.6	9.8	8.8	7.4
Dividend Yield (%)	0.6	0.7	0.7	0.8

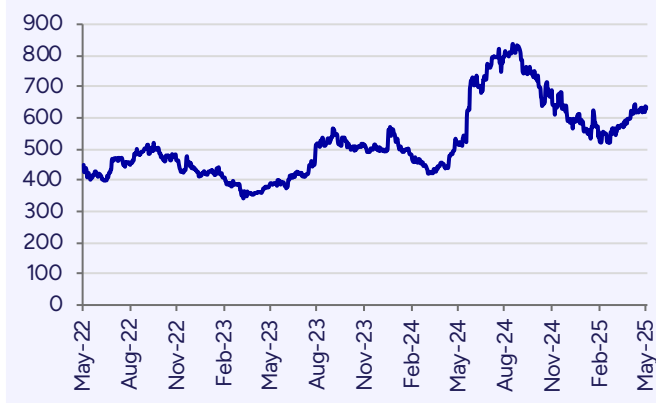
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	43,475	59,763	69,573	1,36,999
YoY gr. (%)	11.0	6.0	14.8	(7.2)
Raw Material Expenses	14,512	24,459	34,210	49,700
Gross Profit	28,963	35,304	35,363	87,299
Margin (%)	66.6	59.1	50.8	63.7
EBITDA	9,907	16,400	16,825	52,949
YoY gr. (%)	13.0	7.4	17.2	(10.3)
Margin (%)	22.8	27.4	24.2	38.6
Depreciation / Depletion	1,492	1,776	2,771	7,365
EBIT	8,415	14,624	14,054	45,584
Margin (%)	19.4	24.5	20.2	33.3
Net Interest	1	-	1	84
Other Income	5,474	5,424	6,314	6,515
Profit before Tax	18,338	20,107	20,368	52,015
Margin (%)	42.2	33.6	29.3	38.0
Total Tax	4,027	5,122	6,024	12,420
Effective tax rate (%)	22.0	25.5	29.6	23.9
Profit after Tax	14,311	14,985	14,344	39,595
Minority interest	-	-	-	-
Share Profit from Associates	60	120	54	172
Adjusted PAT	10,898	15,061	14,398	39,767
YoY gr. (%)	33.8	21.8	14.1	(7.7)
Margin (%)	25.1	25.2	20.7	29.0
Extra Ord. Income / (Exp)	3,473	44	-	-
Reported PAT	14,372	15,105	14,398	39,767
YoY gr. (%)	76.5	22.1	14.1	(7.7)
Margin (%)	33.1	25.3	20.7	29.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,372	15,105	14,398	39,767
Avg. Shares O/s (m)	669	669	669	669
EPS (Rs)	16.3	22.5	21.5	59.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-25	Accumulate	4,134	4,042
2	13-Feb-25	Accumulate	4,110	3,594
3	09-Jan-25	Accumulate	4,692	4,110
4	15-Nov-24	Accumulate	4,692	4,087
5	07-Oct-24	Hold	4,515	4,257
6	14-Aug-24	Hold	4,515	4,662
7	08-Jul-24	Hold	4,515	5,552
8	20-May-24	Hold	4,515	4,715

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	BUY	6,851	5,587
2	Apar Industries	Accumulate	7,825	6,928
3	BEML	Accumulate	3,561	2,875
4	Bharat Electronics	BUY	340	281
5	BHEL	Accumulate	226	211
6	Carborundum Universal	Hold	1,028	985
7	Cummins India	BUY	3,309	2,746
8	Elgi Equipments	BUY	517	418
9	Engineers India	BUY	242	164
10	GE Vernova T&D India	Accumulate	1,950	1,304
11	Grindwell Norton	Accumulate	1,716	1,612
12	Harsha Engineers International	Accumulate	398	374
13	Hindustan Aeronautics	Accumulate	4,134	4,042
14	Ingersoll-Rand (India)	BUY	4,540	3,376
15	Kalpataru Projects International	BUY	1,105	876
16	KEC International	Accumulate	801	665
17	Kirloskar Pneumatic Company	BUY	1,636	1,230
18	Larsen & Toubro	BUY	4,004	3,324
19	Praj Industries	BUY	545	461
20	Siemens	Accumulate	3,233	2,917
21	Thermax	Accumulate	3,629	3,297
22	Triveni Turbine	BUY	772	560
23	Voltamp Transformers	BUY	10,285	8,195

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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