

August 12, 2025

Q1FY26 Result Update

■ Change in Estimates | ■ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	5,500		5,500	
Sales (Rs. m)	3,37,812	3,85,838	3,37,812	3,85,838
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,03,146	1,13,952	1,03,146	1,13,952
% Chng.	-	-	-	-
EPS (Rs.)	126.7	137.5	126.7	137.5
% Chng.	-	-	-	-

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 (%)	0.7	0.9	0.9	0.9
RoE (%)	26.8	26.1	22.3	20.8
RoCE (%)	19.9	15.9	13.2	12.7
EV/Sales (x)	9.0	8.3	7.4	6.3
EV/EBITDA (x)	29.2	26.7	24.3	21.4
PE (x)	41.7	35.3	34.8	32.1
P/BV (x)	10.1	8.4	7.2	6.2

Key Data

HIAE.BO | HNAL IN

52-W High / Low	Rs.5,166 / Rs.3,046
Sensex / Nifty	80,236 / 24,487
Market Cap	Rs.2,949bn/ \$ 33,620m
Shares Outstanding	669m
3M Avg. Daily Value	Rs.9319.77m

Shareholding Pattern (%)

Promoter's	71.64
Foreign	11.90
Domestic Institution	8.67
Public & Others	7.79
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.4)	22.7	(6.7)
Relative	(6.8)	16.5	(7.4)

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Strong Q1; LCA deliveries in focus

Quick Pointers:

- HAL posted a revenue growth of 10.8% YoY to Rs48.2bn and EBITDA margin expansion of 382bps YoY to 12.8%.
- Increase in the company's contribution to the Pension Scheme for Executives has led to higher employee costs.

Hindustan Aeronautics (HAL) reported a 10.8% YoY growth in revenue likely due to better execution, with EBITDA margin improving by 382bps YoY to 26.6%. HAL continues to strengthen its position as a key player in India's defence and aerospace, backed by robust prospect pipeline of ~Rs1.0trn over the next few years. 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. Operationally, HAL is set to deliver the first LCA Tejas Mk1A to the IAF in coming months and has already received the second F-404 engine from GE, with 10 more scheduled for delivery this fiscal. The IAF's plan to procure an additional 97 LCA Tejas Mk1A aircraft from HAL further enhances long-term revenue visibility. Additionally, the recent contract to manufacture the SSLV developed by ISRO marks HAL's strategic entry into the space technology domain, diversifying its portfolio and opening up new growth avenues. The stock is currently trading at a P/E of 34.8x/32.1x on FY26/27E earnings. We upgrade the stock from 'Accumulate' to 'Buy' given the recent correction in the stock price and value the stock at a PE of 40x Mar'27E (same as earlier) arriving at a TP of Rs5,500 (same as 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.

Higher pension contribution resulted in a jump in employee costs: Consolidated revenue increased by 10.8% YoY to Rs48.2bn (PLe: Rs47.2bn). Gross margin increased by 141bps YoY to 68.0% (PLe: 67.1%). EBITDA increased by 29.4% YoY to Rs12.8bn (PLe: Rs10.7bn). EBITDA margin increased by 382bps YoY to 26.6% (PLe: 22.7%) primarily due to higher gross margin and lower other expenses (-241bps YoY as % of sales). Adj. PBT remained flat at Rs18.4bn (PLe: Rs14.7bn) Adj. PAT increased 27.0% YoY to Rs13.8bn (PLe: Rs11.4bn) aided by increase in other income (+36.5% YoY to Rs7.5bn).

Exhibit 1: EBITDA margin improved 382bps YoY to 26.6% primarily driven by lower other expenses (-241bps YoY % of sales)

Y/e March (Rs mn)	Q1FY26	Q1FY25	YoY gr.	Q1FY26E	% Var.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Sales	48,190	43,475	10.8%	47,170	2.2%	136,999	-64.8%	337,812	309,810	9.0%
Gross Profit	32,784	28,963	13.2%	31,651	3.6%	87,299	-62.4%	203,025	186,929	8.6%
Margin (%)	68.0	66.6	141	67.1	93.0	63.7	431	60.1	60.3	(24)
Employee Cost	13,825	12,476	10.8%	13,208	4.7%	18,113	-23.7%	61,820	57,304	7.9%
as % of sales	28.7	28.7	(1)	28.0	68.9	13.2	1,547	18.3	18.5	(20)
Other expenditure	6,134	6,580	-6.8%	7,760	-20.9%	16,237	-62.2%	38,059	33,545	13.5%
as % of sales	12.7	15.1	(241)	16.5	(372.0)	11.9	88	11.3	10.8	44
EBITDA	12,824	9,907	29.4%	10,684	20.0%	52,949	-75.8%	103,146	96,081	7.4%
Margin (%)	26.6	22.8	382	22.7	396.1	38.6	(1,204)	30.5	31.0	(48)
Depreciation	1,852	1,492	24.1%	1,604	15.5%	7,365	-74.9%	15,848	13,404	18.2%
EBIT	10,972	8,415	30.4%	9,080	20.8%	45,584	-75.9%	87,298	82,677	5.6%
Margin (%)	22.8	19.4	341	19.3	351.9	33.3	(1,050)	25.8	26.7	(84)
Other Income	7,471	5,474	36.5%	5,660	32.0%	6,515	14.7%	26,641	25,617	4.0%
Interest	3	1	114.3%	1	200.0%	84	-96.4%	676	87	678.4%
PBT (ex. Extra-ordinaries)	18,440	13,887	32.8%	14,740	25.1%	52,015	-64.5%	113,263	108,207	4.7%
Margin (%)	38.3	31.9	632	31.2	701.8	38.0	30	33.5	34.9	(140)
Extraordinary Items	-	4,450	-	-	-	-	-	-	59	-
PBT	18,440	18,338	0.6%	14,740	25.1%	52,015	-64.5%	113,263	108,266	4.6%
Total Tax	4,705	4,027	16.9%	3,390	38.8%	12,420	-62.1%	28,542	25,032	14.0%
Effective Tax Rate (%)	25.5	22.0	356	23.0	251.7	23.9	164	25.2	23.1	208
PAT	13,735	14,311	-4.0%	11,350	21.0%	39,595	-65.3%	84,721	83,234	1.8%
Profit/(loss) from JVs	103	60	70.5%	-	NA	172	-40.1%	-	407	NA
Profit/(loss) from MI	-	(0)	NA	-	NA	(0)	NA	-	(1)	NA
PAT after MI & JVs	13,838	14,372	-3.7%	11,350	21.9%	39,767	-65.2%	84,721	83,641	1.3%
Adj. PAT	13,838	10,898	27.0%	11,350	21.9%	39,767	-65.2%	84,721	83,596	1.3%
Margin (%)	28.7	25.1	365	24.1	465.4	29.0	(31)	25.1	27.0	(190)
Adj. EPS	20.7	16.3	27.0%	17.0	21.9%	59.5	-65.2%	126.7	125.0	1.3%

Source: Company, PL

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	1,84,447	2,11,473	2,36,282
Tangibles	1,25,739	1,34,874	1,54,374	1,73,874
Intangibles	45,941	49,573	57,100	62,409
Acc: Dep / Amortization	1,04,310	1,17,739	1,31,035	1,45,714
Tangibles	67,936	75,171	83,762	93,063
Intangibles	36,374	42,568	47,273	52,651
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	1,85,102	2,11,418
Trade receivables	46,169	46,478	60,158	73,996
Cash & Bank Balance	2,64,316	3,81,823	4,38,340	5,15,254
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	10,245	25,717
Direct tax	(19,693)	(35,382)	(28,542)	(30,985)
Net cash from Op. activities	82,228	1,36,435	88,484	1,12,449
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 Invst. 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	1,42,855	76,914
Free Cash Flow	64,677	1,18,865	58,484	82,449

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	87.4	123.3
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	29.0	29.6
RoE	26.8	26.1	22.3	20.8
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(1.1)	(1.1)	(1.1)
Net Working Capital (Days)	176	250	205	210
Valuation(x)				
PER	41.7	35.3	34.8	32.1
P/B	10.1	8.4	7.2	6.2
P/CEPS	34.8	30.4	29.3	26.9
EV/EBITDA	29.2	26.7	24.3	21.4
EV/Sales	9.0	8.3	7.4	6.3
Dividend Yield (%)	0.7	0.9	0.9	0.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	59,763	69,573	1,36,999	48,190
YoY gr. (%)	6.0	14.8	(7.2)	10.8
Raw Material Expenses	24,459	34,210	49,700	15,407
Gross Profit	35,304	35,363	87,299	32,784
Margin (%)	59.1	50.8	63.7	68.0
EBITDA	16,400	16,825	52,949	12,824
YoY gr. (%)	7.4	17.2	(10.3)	29.4
Margin (%)	27.4	24.2	38.6	26.6
Depreciation / Depletion	1,776	2,771	7,365	1,852
EBIT	14,624	14,054	45,584	10,972
Margin (%)	24.5	20.2	33.3	22.8
Net Interest	-	1	84	3
Other Income	5,424	6,314	6,515	7,471
Profit before Tax	20,107	20,368	52,015	18,440
Margin (%)	33.6	29.3	38.0	38.3
Total Tax	5,122	6,024	12,420	4,705
Effective tax rate (%)	25.5	29.6	23.9	25.5
Profit after Tax	14,985	14,344	39,595	13,735
Minority interest	-	-	-	-
Share Profit from Associates	120	54	172	103
Adjusted PAT	15,061	14,398	39,767	13,838
YoY gr. (%)	21.8	14.1	(7.7)	27.0
Margin (%)	25.2	20.7	29.0	28.7
Extra Ord. Income / (Exp)	44	-	-	-
Reported PAT	15,105	14,398	39,767	13,838
YoY gr. (%)	22.1	14.1	(7.7)	(3.7)
Margin (%)	25.3	20.7	29.0	28.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,105	14,398	39,767	13,838
Avg. Shares O/s (m)	669	669	669	669
EPS (Rs)	22.5	21.5	59.5	20.7

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	Accumulate	5,500	5,003
2	19-May-25	Accumulate	5,500	5,128
3	09-Apr-25	Accumulate	4,134	4,042
4	13-Feb-25	Accumulate	4,110	3,594
5	09-Jan-25	Accumulate	4,692	4,110
6	15-Nov-24	Accumulate	4,692	4,087
7	07-Oct-24	Hold	4,515	4,257
8	14-Aug-24	Hold	4,515	4,662

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,600	5,093
2	Apar Industries	Hold	9,540	9,682
3	BEML	Hold	4,142	4,522
4	Bharat Electronics	Hold	374	387
5	BHEL	Hold	215	228
6	Carborundum Universal	Hold	835	841
7	Cummins India	Hold	3,895	3,807
8	Elgi Equipments	Accumulate	559	535
9	Engineers India	Accumulate	250	242
10	GE Vernova T&D India	Accumulate	2,706	2,473
11	Grindwell Norton	Hold	1,739	1,635
12	Harsha Engineers International	Hold	402	423
13	Hindustan Aeronautics	Accumulate	5,500	5,003
14	Ingersoll-Rand (India)	BUY	4,522	4,045
15	Kalpataru Projects International	Accumulate	1,366	1,184
16	KEC International	Accumulate	911	860
17	Kirloskar Pneumatic Company	BUY	1,636	1,316
18	Larsen & Toubro	BUY	4,144	3,496
19	Praj Industries	BUY	545	497
20	Siemens	Accumulate	3,431	3,115
21	Thermax	Hold	3,633	3,779
22	Triveni Turbine	BUY	650	533
23	Voltamp Transformers	BUY	10,285	8,892

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

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