Hindustan Aeronautics (HINAER)

ICICI Direct

CMP: ₹ 4990 | Target ₹ 5820 (17%) | Target Period: 12 months | BUY

August 13, 2026

Set to enter a strong growth phase...

About the stock: Hindustan Aeronautics (HAL), one of the largest Defence PSU in India, is engaged in design, development, manufacture, repair, overhaul, upgrade and servicing of a wide range of products including, aircraft, helicopters, aero-engines, avionics, accessories and aerospace structures.

- Company's order backlog is expected to be ~ at ₹ 2.5 lakh crores

Investment Rationale:

- Execution recovery to unlock a large manufacturing-led growth cycle: HAL is entering a stronger revenue recognition phase, mainly led by pick-up in execution of LCA Tejas Mk1A aircrafts. GE has committed 20-22 more F-404 engines in FY27E (apart from 7 already delivered) and 30 more such engines in FY28E. This would boost the overall execution of these jets over the coming period. With an order backlog of 180 LCAs, company targets to deliver 24+ LCAs annually in the coming years. We believe that HAL is already executing well in other contracts (like helicopters, RoH, engines etc). Importantly, HAL is backing this growth with sustained capacity creation, having spent ₹2,465 crore on capex in FY26 and planning ~₹14,000 crore over the next five years towards manufacturing (of aircrafts, helicopters & engines), ROH facilities and next-generation programmes. With FY27 revenue growth guided at 10–12% and EBITDA margin at ~30–31%, improving execution and operating leverage provide a visible earnings recovery while maintaining healthy profitability.

- Unmatched programme visibility supports a long-term aerospace growth runway: Company's consolidated order backlog of ~₹2.55 lakh crore (~7.6x TTM revenue) as of Mar-26 provides long-term growth visibility. Moreover, order pipeline remains robust considering the large programs expected in the next 2-3 years like Tejas Mk2, helicopters (combat & utilities), engines (GE-414 engines for Tejas Mk2 and AMCA Mk1 in partnership with GE), Sukhoi upgrades and RoH. Additionally, future programs like Medium/High-Altitude Long Endurance (MALE/HALE UAVs), Combat Air Teaming Systems (CATS) Warrior, Indian Multi-Role Helicopters (IMRH), Small Satellite Launch Vehicles (SSLVs), SJ-100 civil aircrafts in partnerships with Russia's United Aircraft Corporation (UAC), critical components for LEAP engines (in collaboration with Safran) etc, also provide growth visibility beyond current execution timelines. We believe this combination of a very large executable backlog, strong programme pipeline and rising localisation creates a multi-year growth runway beyond the near-term execution recovery.

Rating and Target Price:

- We believe that HAL is strongly placed to benefit from pick-up in execution of existing strong order backlog and robust pipeline. We estimate revenue CAGR of ~16% over FY26-28E with EBITDA margin sustaining at ~30% (in-line with management's guidance). We maintain BUY on HAL with a revised target price of ₹ 5820 per share (based on 32x FY28E EPS)

Result Update

ICICI Securities – Retail Equity Research

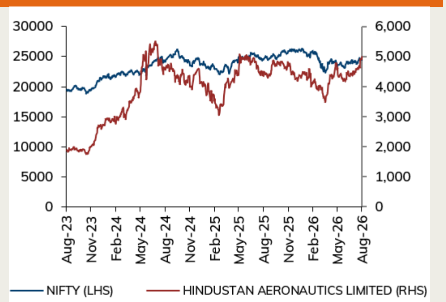
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	3,33,719
FY26 Gross Debt (₹ Crore)	-
FY26 Cash (₹ Crore)	46,197
EV (₹ Crore)	2,87,522
52 Week H/L (₹)	5159 / 3479
Equity Capital	334
Face Value	5

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	71.6	71.6	71.6	71.6
FII	12.0	10.9	10.2	9.3
DII	8.6	9.7	10.4	11.9
Others	7.7	7.8	7.7	7.1

Price Chart



Key risks

i. Dependent on govt. contracts

ii. High working capital requirement

iii. Availability of key raw materials/ components

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Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	26,927	30,381	30,981	33,089	7.7	37,059	44,471	15.9
EBITDA	6,679	9,741	9,608	9,770	15.9	11,118	13,377	17.0
EBITDA margin (%)	24.8	32.1	31.0	29.5		30.0	30.1	
Net Profit	5,828	7,621	8,364	9,116	15.7	10,324	12,168	15.5
EPS (Rs)	87.1	114.0	125.1	136.3		154.4	181.9	
P/E (x)	57.3	43.9	39.9	36.6		32.3	27.4	
EV/EBITDA (x)	46.9	31.5	30.8	29.4		25.5	20.8	
RoCE (%)	27.8	35.1	31.0	29.5		28.4	28.3	
RoE (%)	24.7	26.1	23.9	22.2		21.4	21.3	

Source: Company, ICICI Direct Research

Q1FY27 Result Summary

- Revenue from operations at ₹5,515 crore, up 14.4% YoY (-60.4% QoQ), supported by steady execution across its key programmes like RoH and manufacturing of helicopters and engines
- EBITDA increased 19.1% YoY (-69.8% QoQ) to ₹1,527 crore, with EBITDA margin improving to 27.7% (+107 bps YoY, -860 bps QoQ)
- PAT increased 14.9% YoY (-62.1% QoQ) to ₹1,590 crore

Exhibit 1: Q1FY27 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Operating Income	5,515.2	4,819.0	14.4	13,942.4	-60.4	Steady execution in key contracts
Other income	900.2	747.1		1,150.6		
Total Revenue	6,415.4	5,566.1		15,093.0		
Raw materials costs	1,916.1	1,540.7		6,408.7		
Employees Expenses	1,523.9	1,382.5		1,724.5		
Other Expenses	548.4	613.4		751		
Total Expenditure	3,988.4	3,536.6		8,884		
EBITDA	1,526.8	1,282.4	19.1	5,058.6	-69.8	EBITDA margin remained largely stable
EBITDA margins (%)	27.7	26.6	107 bps	36.3	-860 bps	
Interest	0.4	0.3		4.2		
Depreciation	303.9	185.2		634.4		
Tax	544.7	470.5		1,387.8		
PAT	1,589.7	1,383.8	14.9	4,196.0	-62.1	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	30,981	33,089	37,059	44,471
% Growth	2.0	6.8	12.0	20.0
Other income	2,561.7	3,699.1	4,069.0	4,475.9
Total Revenue	33,545	36,795	41,141	48,967
% Growth	3.9	9.7	11.8	19.0
Total Raw Material Costs	12,288	14,432	16,158	19,390
Employee Expenses	5,730	6,108	6,671	7,782
other expenses	3,354	2,779	3,113	3,922
Total Operating Expenditure	21,373	23,319	25,941	31,094
Operating Profit (EBITDA)	9,608	9,770	11,118	13,377
% Growth	(1.4)	1.7	13.8	20.3
Interest	9	6	6	6
PBDT	12,161	13,463	15,181	17,847
Depreciation	1,340	1,355	1,482	1,690
PBT before Exceptional Items	10,821	12,108	13,699	16,157
Total Tax	2,503	3,036	3,425	4,039
PAT before MI	8,318	9,072	10,274	12,118
PAT	8,364	9,116	10,324	12,168
% Growth	9.8	9.0	13.3	17.9
EPS	125.1	136.3	154.4	181.9

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	8,364	9,116	10,324	12,168
Depreciation	1,340	1,355	1,482	1,690
Interest	9	6	6	6
CF before WC chg.	9,713	10,476	11,813	13,864
Changes in inventory	(8,458)	(9,175)	(1,640)	(4,061)
Changes in debtors	(31)	581	(503)	(914)
Changes in loans & adv	3	(5)	-	-
Changes in other CA	(3,013)	(5,603)	(1,617)	(3,113)
Net Inc. in Curr. Assets	(15,326)	(17,729)	(6,498)	(11,388)
Changes in creditors	1,693	(674)	543	995
Changes in provisions	807	(743)	941	1,723
Net Inc. Curr. Liabilities	7,771	212	5,024	9,326
Net CF from Op act.	2,158	(7,041)	10,339	11,802
Chg. in def. tax assets	(114)	433	-	-
(P)/S of Fixed Assets	(1,685)	(1,487)	(3,000)	(3,000)
Net CF from Inv act.	12,615	18,441	(3,049)	(3,091)
Div. and Dividend Tax	(1,505)	(1,672)	(1,839)	(2,174)
Net CF from Fin Act.	(3,022)	(3,385)	(3,041)	(3,375)
Net Cash flow	11,751	8,015	4,250	5,336
Opening Cash/Cash Eq	26,432	38,182	46,197	50,447
Closing Cash/ Cash Eq	38,182	46,197	50,447	55,783

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	334.4	334.4	334.4	334.4
Reserve and Surplus	34,647	40,707	47,996	56,796
Total Sh. funds	34,982	41,041	48,331	57,130
Other non-cu. Liab.	24,820.6	44,689.1	44,689.1	44,689.1
Total Debt	-	-	-	-
Total Liabilities	62,172	88,107	95,397	1,04,196
Gross Block	15,203	16,755	19,681	22,281
Acc: Depreciation	9,232	10,587	12,070	13,760
Net Block	5,970	6,168	7,611	8,521
Capital WIP	1,091	1,026	1,100	1,500
Total Fixed Assets	9,313	9,768	11,286	12,596
Non-Cur. Assets	4,650	4,056	4,105	4,196
Inventory	21,676	30,851	32,491	36,552
Debtors	4,648	4,066	4,569	5,483
Loans and Advances	7	13	13	13
Other Current Assets	8,345	13,948	15,565	18,678
Cash	38182	46197	50447	55783
Total Current Assets	90,095	1,15,838	1,26,586	1,43,310
Current Liabilities	5,106	4,432	4,975	5,970
Provisions	1,265	1,266	1,267	1,268
Total Current Liabilities	44,095	44,307	49,332	58,658
Net Current Assets	45,999	71,531	77,254	84,652
Total Assets	62,172	88,107	95,397	1,04,196

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	125.1	136.3	154.4	181.9
Cash per Share	570.9	690.8	754.3	834.1
BV	523.1	613.7	722.7	854.2
Dividend per share	22.5	25.0	27.5	32.5
Dividend payout ratio	18%	18%	18%	18%
EBITDA Margin	31.0	29.5	30.0	30.1
PAT Margin	27.0	27.5	27.9	27.4
RoE	23.9	22.2	21.4	21.3
RoCE	31.0	29.5	28.4	28.3
EV / EBITDA	30.8	29.4	25.5	20.8
P/E	39.9	36.6	32.3	27.4
EV / Net Sales	9.5	8.7	7.6	6.2
Sales / Equity	0.9	0.8	0.8	0.8
Market Cap / Sales	10.8	10.1	9.0	7.5
Price to Book Value	9.5	8.1	6.9	5.8
Asset turnover	0.9	0.8	0.8	0.8
Debtors Turnover Ratio	6.7	7.6	8.6	8.8
Creditors Turnover Ratio	7.3	6.9	7.9	8.1
Debt / Equity	-	-	-	-
Current Ratio	2.1	3.3	3.2	3.2
Quick Ratio	0.8	1.2	1.2	1.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%

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