Hindustan Aeronautics

India | Capital Goods | Company Update | Rating Downgrade

9 February 2026

A pause, and not a full stop

Rating: Accumulate
Target Price: INR 4,480
Upside: 8%
CMP: INR 4, 131
As on 09 February 2026

Hindustan Aeronautics (HNAL IN) is not part of India's fifth generation fighter aircraft prototype development program, as per media reports (Source: Economic Times). If true, this would end HNAL's monopoly in the fighter aircraft segment. However, there are many ongoing and developmental programs in aircraft – Tejas Mk II (prototype in Q2FY27), Su-30 upgrade, Dornier 228, TEDBF, CATS Warrior UCAV and helicopters (UHM, IMRH, LUH, LCH *Prachand)* as also new initiatives such as MRO for Airbus, foray into civil helicopters (certification by Q3FY27) and commercial aircraft (SJ-100, a development project with Russia). We do not see any financial impact till CY33 due to AMCA program, as it is still at prototype stage. But we revise HNAL to **Accumulate** from Buy and lower our TP to INR 4,480 (on 30x P/E) given the reported setback to HNAL's monopoly in fighter jets.

HNAL, not part of AMCA program; focus on private sector in jets: Reportedly, HNAL is not part of the prototype development, under India's fifth generation stealth fighter jet program, Advance Medium Combat Aircraft (AMCA). Per management, it has not received any formal communication from DRDO (and it did not comment on the newsflow). Out of the seven bidders applied, three that were selected are: 1) Tata Advanced Systems, 2) consortium of L&T, Bharat Electronics & Dynamatic Technologies and 3) consortium of Bharat Forge, BEML and Data Patterns. A technical ground that HNAL did not comply with was book to bill (BTB) ratio of <=3x (HNAL at >8x). We believe this maybe a setback as HNAL would lose its monopoly in fighter jets projects. The government intends to expedite production by bringing private sector participation, but it was not envisaged that this would be without HNAL.

No impact on earnings until CY33 due to AMCA: We do not see financial impact on HNAL's revenue and earnings till CY33 as the AMCA program is slated to see the first prototype developed by CY30, order estimated by CY32 and delivery scheduled by CY35. Accordingly, we had not factored AMCA-related order inflows till CY32.

HNAL's current book at INR 2.5tn with BTB at 8x: HNAL's orderbook stands at INR 2.5tn with BTB at >8x FY25 sales, offering revenue visibility till FY32. Major order comprises LCA Tejas Mk 1A (83+97 nos), LCH *Prachand* (156 nos), HTT-40 (70 nos), light utility helicopter (LUH; 12 nos), Su-30 aircraft (12 nos), Su-30 AL-31FP engines (240 nos) and RD-33 (50 nos).

Revise to Accumulate with a lower TP of 4,480; EPS unchanged: We retain our EPS estimates for FY26E-28E as we believe that there may be no immediate financial impact on HNAL with the AMCA program slated to see the first prototype developed by CY30. But we lower our TP by 21% to INR 4,480 (from INR 5,680), on 30x P/E (in-line with three years average from 38x earlier) as this development hinders HNAL's monopoly in fighter aircraft and potentially threatens future developments.

We estimate earnings CAGR of 6% through FY25-28E, with RoE and RoCE of 22% and 23% respectively. Key risks include further delay in the delivery of Tejas Mk 1A and induction of private sector in the existing helicopter program.

Key data

Bloomberg	HNAL IN
Reuters Code	HIAE.NS
Shares outstanding (mn)	669
Market cap (INR bn/USD mn)	2,763/30,436
EV (INR bn/USD mn)	2,318/25,539
ADTV 3M (INR mn/USD mn)	5,852/64
52 week high/low	5,166/3,046
Free float (%)	28

Note: as on 09 February 2026; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Promoter	71.6	71.6	71.6	71.6
% Pledge	0.0	0.0	0.0	0.0
FII	12.1	11.9	12.0	10.9
DII	8.3	8.7	8.7	9.7
Others	8.0	7.7	7.7	7.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	1.5	6.2	9.8
Hindustan Aeronautics	(10.7)	(7.0)	8.2
NSE Mid-cap	1.2	6.5	11.2
NSE Small-cap	(4.4)	(1.7)	1.5

Source: Bloomberg

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	298,321	309,810	332,007	386,129	449,896
YoY (%)	14.0	3.9	7.2	16.3	16.5
EBITDA (INR mn)	81,936	104,514	91,766	107,834	123,982
EBITDA margin (%)	27.5	33.7	27.6	27.9	27.6
Adj PAT (INR mn)	60,735	88,719	81,848	93,914	105,990
YoY (%)	22.7	46.1	(7.7)	14.7	12.9
Fully DEPS (INR)	90.8	132.7	122.4	140.4	158.5
RoE (%)	23.0	27.7	22.2	22.5	21.8
RoCE (%)	25.7	28.4	20.6	21.7	21.9
P/E (x)	45.5	31.1	33.8	29.4	26.1
EV/EBITDA (x)	28.3	22.2	25.3	21.5	18.7

Note: Pricing as on 09 February 2026; Source: Company, Elara Securities Estimate

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Global Markets Research

Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	298,321	309,810	332,007	386,129	449,896
Gross Profit	187,731	186,929	189,244	213,336	249,692
EBITDA	81,936	104,514	91,766	107,834	123,982
EBIT	67,864	91,111	75,762	90,976	106,355
Interest expense	321	87	69	56	44
Other income	18,966	22,320	33,072	33,899	34,577
Exceptional/ Extra-ordinary items	15,475	(5,078)	-	-	-
PBT	101,984	108,266	108,765	124,819	140,887
Tax	26,039	25,032	27,191	31,205	35,222
Minority interest/Associates income	265	407	275	300	325
Reported PAT	76,210	83,641	81,848	93,914	105,990
Adjusted PAT	60,735	88,719	81,848	93,914	105,990
Balance Sheet (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Shareholders' Equity	291,382	349,816	387,321	448,985	522,725
Minority Interest	36	36	36	36	36
Trade Payables	34,129	51,057	47,300	52,894	61,630
Provisions & Other Current Liabilities	329,115	389,896	406,314	453,419	510,941
Total Borrowings	-	-	125	125	125
Other long term liabilities	111,747	256,184	294,162	337,836	388,061
Total liabilities & equity	**766,409**	**1,046,988**	**1,135,257**	**1,293,295**	**1,483,517**
Net Fixed Assets	67,369	66,708	82,882	79,224	73,596
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	68,865	79,335	61,898	62,516	63,214
Cash, Bank Balances & treasury investments	264,316	381,823	432,205	484,557	564,566
Inventories	132,175	216,757	254,690	327,946	394,429
Sundry Debtors	46,169	46,478	54,576	68,763	86,281
Other Current Assets	187,515	255,889	249,005	270,291	301,430
Total Assets	**766,409**	**1,046,989**	**1,135,257**	**1,293,295**	**1,483,517**
Cash Flow Statement (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Cashflow from Operations	**82,228**	**136,435**	**107,596**	**96,557**	**122,979**
Capital expenditure	(17,472)	(17,536)	(13,200)	(12,200)	(11,000)
Acquisitions / divestitures	(64,117)	(115,766)	-	-	-
Other Business cashflow	17,488	25,595	-	-	-
Free Cash Flow	**18,128**	**28,728**	**94,396**	**84,357**	**111,979**
Cashflow from Financing	43,022	88,779	(44,013)	(32,005)	(31,969)
Net Change in Cash / treasury investments	61,150	117,506	50,383	52,351	80,009
Key assumptions & Ratios	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Dividend per share (INR)	22.0	50.0	55.0	40.0	40.0
Book value per share (INR)	435.7	523.1	579.1	671.3	781.6
RoCE (Pre-tax) (%)	25.7	28.4	20.6	21.7	21.9
ROIC (Pre-tax) (%)	20.7	28.5	22.7	23.0	22.3
ROE (%)	23.0	27.7	22.2	22.5	21.8
Asset Turnover (x)	4.4	4.6	4.4	4.8	5.9
Net Debt to Equity (x)	(0.9)	(1.1)	(1.1)	(1.1)	(1.1)
Net Debt to EBITDA (x)	(3.2)	(3.7)	(4.7)	(4.5)	(4.6)
Interest cover (x) (EBITDA/ int exp)	255.2	1,204.1	1,321.5	1,941.1	2,789.8
Total Working capital days (WC/rev)	171.8	227.6	274.3	328.8	345.3
Valuation	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
P/E (x)	45.5	31.1	33.8	29.4	26.1
P/Sales (x)	9.3	8.9	8.3	7.2	6.1
EV/ EBITDA (x)	28.3	22.2	25.3	21.5	18.7
EV/ OCF (x)	28.2	17.0	21.5	24.0	18.8
FCF Yield	0.8	1.2	4.1	3.6	4.8
Price to BV (x)	9.5	7.9	7.1	6.2	5.3
Dividend yield (%)	0.5	1.2	1.3	1.0	1.0

Note: Pricing as on 09 February 2026; Source: Company, Elara Securities Estimate

Expect revenue CAGR of 13% in FY25-28E

HNAL, beyond AMCA, still a prime player: Unlike in fighter aircraft where Aeronautical Design Agency (ADA) designs fighter jets in India, HNAL designs and develops military helicopters independently. HNAL has an order pipeline of INR 3tn in aircraft and helicopters (wherein HNAL is a sole beneficiary). These numerous ongoing and developmental programs in aircraft are Tejas Mk II (prototype in Q2FY27), Su-30 upgrade, Dornier 228, TEDBF, CATS Warrior UCAV & helicopters such as Utility Helicopter Maritime (UHM; AoN approved INR 320bn), India Multi Role Helicopter (replaces Mi-17; to develop engine with Safran, France), LUH, LCH *Prachand*, along with new initiatives such as MRO for Airbus, foray into civil helicopter (certification by Q3FY27) and commercial aircraft (SJ-100, a development project with Russia). In addition, HNAL will be a production partner if the Indian Air Force selects Su-57 aircraft under multi-role fighter aircraft proposal (MRFA) 2.0. Further, there is a huge export opportunity in the aircraft and helicopter segment globally, which is difficult to time as these are government-to-government transactions.

Exhibit 1: HNAL's addressable order pipeline over the next 10 years

Platform	Units (nos.)	Estimated value (INR mn)	Remarks
Su-30 Upgrade	260	600,000	IAF has 260 Su-30 aircraft. It plans to upgrade its entire fleet with indigenous systems in radar, EW and avionics. AoN received in November 2023
HTT-40 trainer aircraft	36	36,000	In February 2021, RFP for HTT-40 aircraft was received from IAF and response has been submitted in April 2021 (source: HNAL)
LUH	186	200,000	HNAL has successfully achieved initial operation clearance (IOC) for LUH Army in February 2021. The customer has issued Letter of Intent for LUH (Source: HNAL)
LUH 2.0	200	215,050	MoD aims to make additional 200 nos. of LUH in India so to replace the proposal of buying Kamov 226T helicopters from Russia or producing them through a JV of HNAL and Russian firms.
LCA Mk2	108	626,400	LCA Mk II is a fourth-generation fighter aircraft with enhanced capabilities. LCA Mk II will be rolled out by 2022 and the first flight is in early 2023. The aircraft is being designed and developed to replace multiple strike fighters of IAF, namely SEPECAT Jaguar, Dassault Mirage 2000 and MiG-29 (source: ADA)
Utility Helicopters - Maritime (UHM)	60	320,000	The DAC accorded AON for the same on 16 March 2023.
IMRH	314	758,000	Indian Multi Role Helicopter (IMRH) is a twin engine, multi-role, 13-tonne medium lift category. It will replace ageing Mi-17 helicopters. IAF is likely to start replacement from 2028 (source: HNAL)
TEDBF	50	180,000	
ALH	6	9,000	AoN accorded on 3 December 2024 for Indian Coast Guard
EW Suite for Su-30 MKI		40,000	AoN accorded on 3 December 2024 for EW Suite comprising External Airborne Self Protection Jammer Pods, Next Generation Radar Warning Receiver and associated equipment for Su-30 MKI
Overhaul of Su-30 engines		30,000	AoN accorded on 3 December 2024
Total		**3,014,450**	

Source: Company, Elara Securities Research

Exhibit 2: Valuation

(INR)	
EPS – FY26E	122.4
EPS – FY27E	140.4
Five-year average P/E (x)	31.4
Target multiple (x)	30
September 2027E EPS	149
Target price	**4,480**

Source: Company, Elara Securities Estimate

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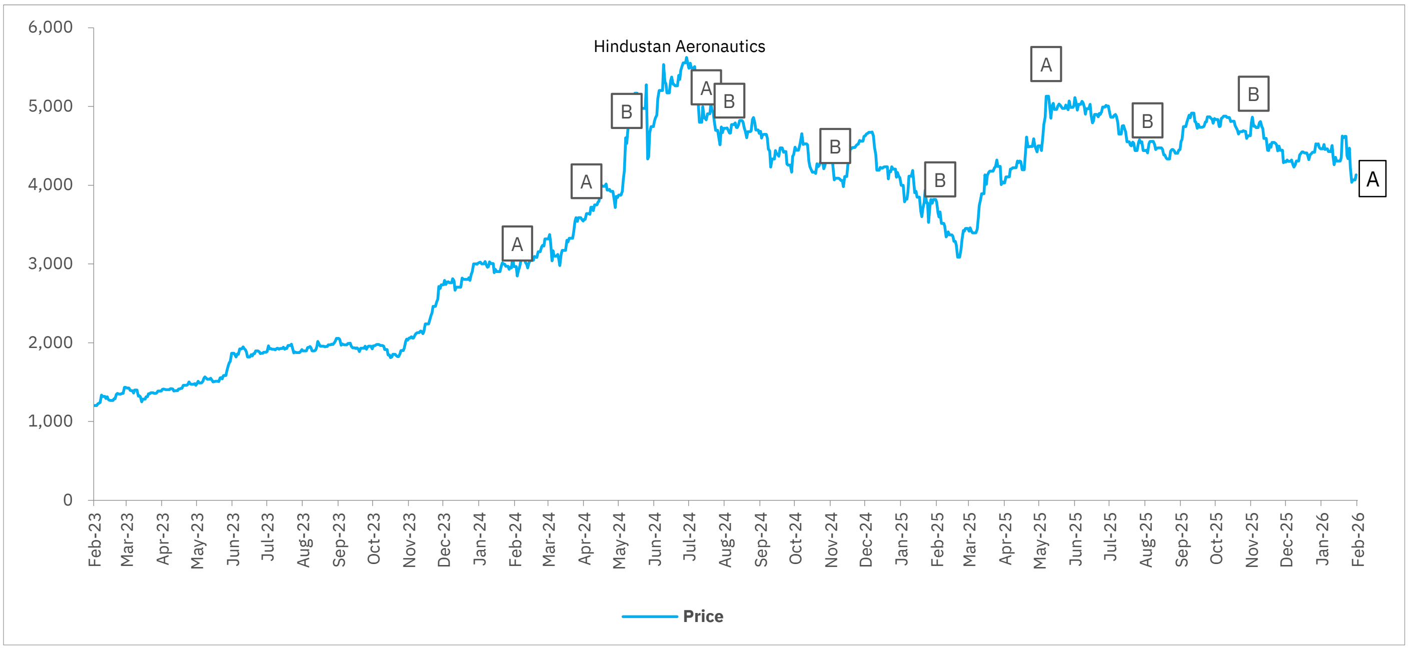

Date	Rating	Target Price (INR)	Closing Price (INR)
12-Feb-2024	Accumulate	2,975	2,846
12-Apr-2024	Accumulate	4,100	3,638
17-May-2024	Buy	5,590	4,532
25-Jul-2024	Accumulate	5,590	4,830
14-Aug-2024	Buy	5,730	4,662
14-Nov-2024	Buy	5,465	4,087
13-Feb-2025	Buy	5,160	3,660
16-May-2025	Accumulate	5,640	5,128
12-Aug-2025	Buy	5,440	4,406
12-Nov-2025	Buy	5,680	4,749
09-Feb-2026	Accumulate	4,480	4,131

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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