RATING BUY | CMP INR 4,995 | TP INR 5,795

PL Capital
PRABHUDAS LILLADHER

Hindustan Aeronautics (HNAL IN)

Q1FY27 Result Update

August 13, 2026

☑ Estimate Change | ☑ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	5,795		5,423	
Sales (INR mn)	369,595	438,754	369,597	438,755
% Chng.	*(0.0)*	*(0.0)*		
EBITDA (INR mn)	108,291	128,116	108,292	127,678
% Chng.	*(0.0)*	*0.3*		
EPS (INR)	142.2	161.0	138.5	154.9
% Chng.	*2.7*	*3.9*		

Key Data	HIAE.BO | HNAL IN
BSE Code	541154
NSE Code	HAL
52-W High / Low	INR 5,055 / INR 3,479
Face Value	5
Sensex / Nifty	77,966 / 24,436
Market Cap	INR 3,341 bn / $ 35,040 mn
Shares Outstanding	668.78 mn
3M Avg. Daily Value	INR 4,764.23 mn

Shareholding Pattern (%)

Promoters	71.64
FIIs	9.34
Mutual Funds	6.79
Domestic Institutions	5.20
Public & Others	7.03
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	10.8	9.2	20.1	13.3
Relative	10.3	4.5	28.9	16.6

Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	309,810	330,888	369,595	438,754
EBITDA (INR mn)	96,081	97,698	108,291	128,116
Margin (%)	*31.0*	*29.5*	*29.3*	*29.2*
PAT (INR mn)	82,711	91,156	95,107	107,658
EV (INR mn)	2,958,756	2,878,708	2,774,325	2,671,101
Total Debt (INR mn)	12	110	110	110
C&C Eq. (INR mn)	381,823	461,968	566,351	669,575
EPS (INR)	123.7	136.3	142.2	161.0
Gr. (%)	*17.0*	*10.2*	*4.3*	*13.2*
DPS (INR)	38.7	40.9	42.7	48.3
Yield (%)	*0.8*	*0.8*	*0.9*	*1.0*
RoE (%)	*25.8*	*24.0*	*21.4*	*20.9*
RoCE (%)	*15.9*	*11.2*	*11.0*	*12.8*
EV/Sales (x)	9.6	8.7	7.5	6.1
EV/EBITDA (x)	30.8	29.5	25.6	20.8
PE (x)	40.4	36.6	35.1	31.0
P/BV (x)	9.5	8.1	7.0	6.0

Healthy Q1, LCA deliveries in focus

Quick Pointers

- HAL posted a revenue growth of ~14.4% YoY to Rs 55.1bn and EBITDA margin expansion of 107bps YoY to 27.7%
- HAL targeting higher production rates for LCA Mk1A with 24+ aircraft annually in coming years

We revise our EPS estimates by +2.7%/+3.9% primarily reflecting revisions to our other income and effective tax rate assumptions. Hindustan Aeronautics (HAL) reported a healthy Q1FY27 performance, with revenue growing ~14.4% YoY, likely supported by improved execution, while EBITDA margin expanded 107bps YoY to 27.7%, aided by lower other expenses. HAL continues to strengthen its position in India's defence and aerospace ecosystem, supported by robust order opportunities of ~Rs900bn over the next two years across ALH helicopters, Su-30 upgrades, Dornier aircraft and engine manufacturing programs. LCA Mk1A execution visibility is improving as GE engine supplies normalise, with management targeting production of ~24+ aircraft annually in the coming years. Execution across LCH Prachand, HTT-40 and engine programs remains on track, while long-term opportunities across UAVs, AMCA and indigenous aero-engine programs provide multiple growth levers. HAL plans cumulative investments of ~Rs120bn by 2030 towards capacity expansion, aero-engine infrastructure and next-generation platforms, supporting higher production rates and localisation. The company is also targeting 65–75%+ indigenisation across major platforms, alongside greater automation, advanced manufacturing and R&D investments. Expanding export initiatives across Africa, Middle East and Southeast Asia provide additional avenues for diversification. Overall, strong order visibility, improving LCA execution, capacity investments and rising indigenisation position HAL well for sustained long-term growth, with execution ramp-up and foreign OEM supply remaining key monitorables. The stock is currently trading at a P/E of 35.1x/31.0x on FY27/28E earnings. We maintain 'Buy' rating valuing the stock at a PE of 36x Mar'28E (35x Mar'28E earlier) as improving GE F-404 engine availability should likely enable a ramp-up in LCA Mk1A deliveries, with HAL targeting higher production of 24+ aircraft annually. This results in a revised TP of Rs5,795 (Rs5,423 earlier).

HAL's execution on the deliveries of Tejas Mk1A aircrafts and supply chain related issues 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.

Quarter Summary

Y/e Mar	Q1'27E	Q1'27A	% Var.	Q1'26A	YoY gr. (%)
Net Sales (INR mn)	51,467	55,152	*7.0*	48,190	*14.0*
EBITDA (INR mn)	13,433	15,268	*14.0*	12,824	*19.0*
Margin (%)	*26.1*	*27.7*	*160 bps*	*26.6*	*110 bps*
PAT (INR mn)	15,125	15,897	*5.0*	13,838	*15.0*

Source: Company, PL

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Healthy execution led to revenue growth further aided margin expansion: Consolidated revenue increased by ~14.4% YoY to Rs55.1bn (PLe: Rs51.5bn) driven by healthy execution. Gross margin contracted by 277bps YoY to 65.3% (Ple: 66%). EBITDA increased by 19.1% YoY to Rs15.3bn (PLe: Rs13.4bn) while EBITDA margin expanded by 107bps YoY to 27.7% (PLe: 26.1%) due to lower other expenses (-4.7% YoY to Rs4.6bn). PBT increased by ~15.1% YoY to Rs21.2bn (PLe: Rs20.2bn) aided by higher other income (+20.5% YoY to Rs9bn). Adj.PAT increased by 14.9% YoY to ~Rs15.9bn (PLe: Rs15.1bn) aided by higher other income and marginal increase in effective tax rate (25.7% vs 25.5% in Q1FY26).

Exhibit 1: Quarterly Estimates

(INR mn)	Q1FY27	YoY gr.	Q2FY27E	YoY gr.	Q3FY27E	YoY gr.	Q4FY27E	YoY gr.
Sales	55,152	14.4%	73,578	11.0%	86,227	12.0%	1,54,639	10.9%
EBITDA	15,268	19.1%	18,836	20.9%	22,850	22.1%	51,337	1.5%
Margin (%)	27.7	107.2	25.6	209.7	26.5	219.8	33.2	(308.4)
Adj. PAT	15,897	15%	17,669	6%	20,582	10%	40,960	-2%

Source: Company, PL

Exhibit 2: Healthy execution drive revenue growth to ~14.4% YoY with EBITDA margin expanded by 107bps YoY

Y/e March (INR mn)	Q1FY27	Q1FY26	YoY gr.	Q1FY27E	% Var.	Q4FY26	QoQ gr.	FY27E	FY26	YoY gr.
Sales	**55,152**	**48,190**	**14.4%**	**51,467**	**7.2%**	**1,39,424**	**-60.4%**	**3,69,595**	**3,30,888**	**11.7%**
Gross Profit	35,991	32,784	9.8%	33,968	6.0%	75,337	-52.2%	2,15,474	1,86,567	15.5%
Margin (%)	65.3	68.0	(277)	66.0	(74.2)	54.0	1,122	58.3	56.4	192
Employee Cost	15,239	13,825	10.2%	13,124	16.1%	17,245	-11.6%	65,418	61,077	7.1%
as % of sales	27.6	28.7	(106)	25.5	213.2	12.4	1,526	17.7	18.5	(76)
Other expenditure	5,484	6,134	-10.6%	7,411	-26.0%	7,506	-26.9%	41,764	27,792	50.3%
as % of sales	9.9	12.7	(279)	14.4	(445.7)	5.4	456	11.3	8.4	290
EBITDA	**15,268**	**12,824**	**19.1%**	**13,433**	**13.7%**	**50,586**	**-69.8%**	**1,08,291**	**97,698**	**10.8%**
Margin (%)	27.7	26.6	107	26.1	158.3	36.3	(860)	29.3	29.5	(23)
Depreciation	3,039	1,852	64.1%	1,956	55.4%	6,344	-52.1%	15,842	13,549	16.9%
EBIT	**12,228**	**10,972**	**11.4%**	**11,477**	**6.5%**	**44,242**	**-72.4%**	**92,449**	**84,150**	**9.9%**
Margin (%)	22.2	22.8	(60)	22.3	(12.8)	31.7	(956)	25.0	25.4	(42)
Other Income	9,002	7,471	20.5%	8,749	2.9%	11,506	-21.8%	34,198	36,991	-7.6%
Interest	4	3	16.7%	5	-30.0%	42	-91.6%	111	58	91.5%
PBT (ex. Extra-ordinaries)	**21,227**	**18,440**	**15.1%**	**20,222**	**5.0%**	**55,706**	**-61.9%**	**1,26,536**	**1,21,083**	**4.5%**
Margin (%)	38.5	38.3	22	39.3	(80.2)	40.0	(147)	34.2	36.6	(236)
Extraordinary Items	-	-		-	-	-	-	-	-	
PBT	**21,227**	**18,440**	**15.1%**	**20,222**	**5.0%**	**55,706**	**-61.9%**	**1,26,536**	**1,21,083**	**4.5%**
Total Tax	5,447	4,705	15.8%	5,156	5.6%	13,878	-60.8%	31,887	30,364	5.0%
Effective Tax Rate (%)	25.7	25.5	14	25.5	15.9	24.9	75	25.2	25.1	12
PAT	**15,781**	**13,735**	**14.9%**	**15,065**	**4.7%**	**41,828**	**-62.3%**	**94,649**	**90,719**	**4.3%**
Profit/(loss) from JVs	116	103	12.9%	60	93.5%	132	-12.2%	458	436	5.0%
Profit/(loss) from MI	-	-	#DIV/0!	-	#DIV/0!	-	#DIV/0!	-	(1)	-100.0%
PAT after MI & JVs	15,897	13,838	14.9%	15,125	5.1%	41,960	-62.1%	95,107	91,156	4.3%
Adj. PAT	**15,897**	**13,838**	**14.9%**	**15,125**	**5.1%**	**41,960**	**-62.1%**	**95,107**	**91,156**	**4.3%**
Margin (%)	28.8	28.7	11	29.4	(56.4)	30.1	(127)	25.7	27.5	(182)
Adj. EPS	**23.8**	**20.7**	**14.9%**	**22.6**	**5.1%**	**62.7**	**-62.1%**	**142.2**	**136.3**	**4.3%**

Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Net Revenues	309,810	330,888	369,595	438,754
YoY gr. (%)	*3.9*	*6.8*	*11.7*	*18.7*
Cost of Goods Sold	122,880	144,322	154,121	182,961
Gross Profit	186,929	186,567	215,474	255,794
Margin (%)	*60.3*	*56.4*	*58.3*	*58.3*
Employee Cost	57,304	61,077	65,418	74,588
Other Expenses	33,545	27,792	41,764	53,089
EBITDA	96,081	97,698	108,291	128,116
YoY gr. (%)	*4.5*	*1.7*	*10.8*	*18.3*
Margin (%)	*31.0*	*29.5*	*29.3*	*29.2*
Depreciation and Amortization	13,404	13,549	15,842	17,504
EBIT	82,677	84,150	92,449	110,612
Margin (%)	*26.7*	*25.4*	*25.0*	*25.2*
Net Interest	87	58	111	132
Other Income	23,727	36,991	34,198	33,769
Profit Before Tax	110,827	121,083	126,536	144,250
Margin (%)	*35.8*	*36.6*	*34.2*	*32.9*
Total Tax	25,032	30,364	31,887	37,072
Effective Tax Rate (%)	*22.6*	*25.1*	*25.2*	*25.7*
Profit After Tax	85,795	90,719	94,649	107,177
Minority Interest	(1)	(1)	-	-
Share Profit from Associate	407	436	458	481
Adjusted PAT	82,711	91,156	95,107	107,658
YoY gr. (%)	*17.0*	*10.2*	*4.3*	*13.2*
Margin (%)	*24.8*	*24.8*	*23.6*	*22.8*
Extra Ord. Income / (Exp)	3,491	-	-	-
Reported PAT	86,202	91,156	95,107	107,658
YoY gr. (%)	*21.9*	*5.7*	*4.3*	*13.2*
Margin (%)	*27.8*	*27.5*	*25.7*	*24.5*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	86,202	91,156	95,107	107,658
Equity Shares O/s (mn)	669	669	669	669
EPS (INR)	123.7	136.3	142.2	161.0

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Non-Current Assets				
Gross Block	184,447	203,364	228,783	252,958
Tangibles	134,874	145,975	165,475	184,975
Intangibles	49,573	57,390	63,308	67,983
Acc: Dep / Amortization	117,739	130,431	143,142	156,938
Tangibles	75,171	84,297	92,394	102,908
Intangibles	42,568	46,134	50,747	54,030
Net Fixed Assets	66,708	72,934	85,641	96,020
Tangibles	59,703	61,678	73,080	82,067
Intangibles	7,005	11,256	12,561	13,954
Capital Work In Progress	30,978	33,130	34,581	36,697
Goodwill	-	-	-	-
Non-Current Investments	21,489	23,264	24,425	28,457
Net Deferred Tax Assets	15,680	11,348	11,348	11,348
Other Non-Current Assets	26,868	25,092	31,785	37,733
Current Assets				
Investments	-	-	-	-
Inventories	216,757	308,507	257,197	305,325
Trade Receivables	46,478	40,663	55,540	69,119
Cash & Bank Balance	381,823	461,968	566,351	669,575
Other Current Assets	83,453	140,795	93,710	111,000
Total Assets	1,062,669	1,324,146	1,365,813	1,604,526
Equity				
Equity Share Capital	3,344	3,344	3,344	3,344
Other Equity	346,472	407,067	473,729	549,132
Total Networth	349,816	410,411	477,073	552,475
Non-Current Liabilities				
Long Term Borrowings	11	83	83	83
Provisions	18,681	18,389	20,934	23,868
Other Non Current Liabilities	248,206	446,891	295,676	351,003
Current Liabilities				
ST Debt / Current of LT Debt	-	27	27	27
Trade Payables	51,057	44,318	63,793	78,134
Other Current Liabilities	389,896	398,730	502,649	592,318
Total Equity & Liabilities	1,062,669	1,324,146	1,365,813	1,604,525

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	108,673	121,519	126,536	144,250
Add. Depreciation	13,627	13,672	15,842	17,504
Add. Interest	87	58	111	132
Less Financial Other Income	23,727	36,991	34,198	33,769
Add. Other	1,874	(18,277)	(26,092)	(24,753)
Op. Profit before WC Changes	124,260	116,973	116,397	137,132
Net Changes-WC	47,556	21,977	52,247	43,430
Direct Tax	(35,382)	(29,886)	(31,887)	(37,072)
Net Cash from Op. Activities	**136,435**	**109,064**	**136,757**	**143,490**
Capital Expenditures	(17,536)	(24,687)	(30,000)	(30,000)
Interest / Dividend Income	25,595	30,497	25,634	24,272
Others	(115,770)	(89,179)	173,923	(3,112)
Net Cash from Invt. Activities	**(107,711)**	**(83,369)**	**169,557**	**(8,840)**
Issue of Share Cap. / Premium	-	-	-	-
Debt Changes	-	-	-	-
Dividend Paid	(25,414)	(33,439)	(27,529)	(31,294)
Interest Paid	(371)	(52)	(111)	(132)
Others	-	(13)	-	-
Net Cash from Fin. Activities	**(25,785)**	**(33,504)**	**(27,640)**	**(31,426)**
Net Change in Cash	**2,939**	**(7,809)**	**278,674**	**103,224**
Free Cash Flow	118,865	83,572	106,757	113,490

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Net Revenues	**66,286**	**76,988**	**139,424**	**55,152**
YoY gr. (%)	*10.9*	*10.7*	*1.8*	*14.4*
Raw Material Expenses	29,130	35,698	64,087	19,161
Gross Profit	37,156	41,290	75,337	35,991
Margin (%)	*56.1*	*53.6*	*54.0*	*65.3*
EBITDA	**15,579**	**18,710**	**50,586**	**15,268**
YoY gr. (%)	*(5.0)*	*11.2*	*(4.5)*	*19.1*
Margin (%)	*23.5*	*24.3*	*36.3*	*27.7*
Depreciation / Depletion	2,256	3,098	6,344	3,039
EBIT	**13,323**	**15,612**	**44,242**	**12,228**
Margin (%)	*20.1*	*20.3*	*31.7*	*22.2*
Net Interest	4	10	42	4
Other Income	8,877	9,138	11,506	9,002
Profit before Tax	**22,196**	**24,740**	**55,706**	**21,227**
Margin (%)	*33.5*	*32.1*	*40.0*	*38.5*
Total Tax	5,579	6,202	13,878	5,447
Effective Tax Rate (%)	*25.1*	*25.1*	*24.9*	*25.7*
Profit After Tax	**16,617**	**18,539**	**41,828**	**15,781**
Minority Interest	-	-	-	-
Share Profit from Associate	73	128	132	116
Adjusted PAT	**16,691**	**18,667**	**41,960**	**15,897**
YoY gr. (%)	*10.8*	*29.6*	*5.5*	*14.9*
Margin (%)	*25.2*	*24.2*	*30.1*	*28.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**16,691**	**18,667**	**41,960**	**15,897**
YoY gr. (%)	*10.5*	*29.6*	*5.5*	*14.9*
Margin (%)	*25.2*	*24.2*	*30.1*	*28.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**16,691**	**18,667**	**41,960**	**15,897**
Avg. Shares O/s (mn)	669	669	669	669
EPS (INR)	**25.0**	**27.9**	**62.7**	**23.8**

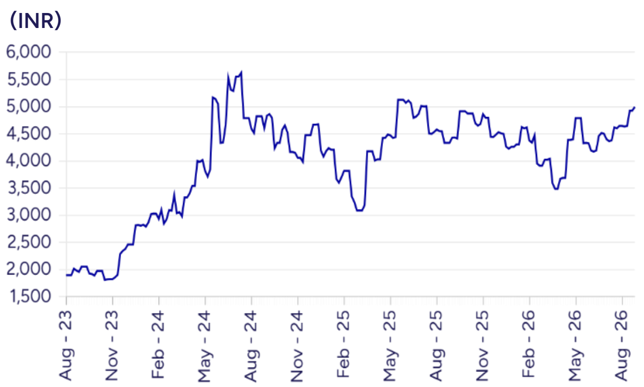
Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Per Share (INR)				
EPS	123.7	136.3	142.2	161.0
CEPS	143.7	156.6	165.9	187.2
BVPS	523.1	613.7	713.4	826.1
FCF	177.7	125.0	159.6	169.7
DPS	38.7	40.9	42.7	48.3
Return Ratio (%)				
RoCE	15.9	11.2	11.0	12.8
ROIC	46.4	21.8	25.3	41.7
RoE	25.8	24.0	21.4	20.9
Balance Sheet				
Net Debt : Equity (x)	(1.1)	(1.1)	(1.2)	(1.2)
Net Working Capital (Days)	250	336	246	247
Valuation (x)				
PER	40.3	36.6	35.1	31.0
P/B	9.5	8.1	7.0	6.0
P/CEPS	34.7	31.9	30.1	26.6
EV/EBITDA	30.7	29.4	25.6	20.8
EV/Sales	9.5	8.6	7.5	6.0
Dividend Yield (%)	0.7	0.8	0.8	0.9
FCFF Yield (%)	3.5	2.5	3.1	3.3
PEG Ratio	2.3	3.5	8.1	2.3

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	08-Jul-26	BUY	5422	4364
2	16-May-26	BUY	5423	4386
3	09-Apr-26	BUY	5338	4032
4	13-Feb-26	BUY	5338	4159
5	07-Jan-26	BUY	5507	4525
6	12-Nov-25	BUY	5507	4749
7	07-Oct-25	BUY	5500	4838
8	12-Aug-25	BUY	5500	4409
9	09-Jul-25	Accumulate	5500	5003
10	19-May-25	Accumulate	5500	5128

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	ABB India	HOLD	6944	7285
2	Apar Industries	Accumulate	14720	13889
3	BEML	Accumulate	1940	1776
4	Bharat Electronics	Accumulate	452	407
5	BHEL	Reduce	368	435
6	Carborundum Universal	HOLD	1072	1121
7	Cummins India	HOLD	5323	5402
8	Elgi Equipments	Accumulate	637	576
9	Engineers India	Buy	271	235
10	GE Vernova T&D India	Accumulate	4701	4299
11	Grindwell Norton	Accumulate	2113	2018
12	Harsha Engineers International	Accumulate	462	410
13	Hindustan Aeronautics	BUY	5423	4365
14	Hitachi Energy India	HOLD	34026	32600
15	Ingersoll-Rand (India)	Accumulate	4934	4360
16	Kalpataru Projects International	Accumulate	1472	1348
17	KEC International	Accumulate	523	451
18	Kirloskar Pneumatic Company	Accumulate	1715	1599
19	Larsen & Toubro	BUY	4425	3832
20	Praj Industries	Accumulate	389	355
21	Siemens	HOLD	3831	4011
22	Siemens Energy India	Accumulate	3434	3252
23	Thermax	Reduce	3952	4306
24	Triveni Turbine	HOLD	615	600
25	Voltamp Transformers	Accumulate	11003	9950

PL's Recommendation Nomenclature (Absolute Performance)

BUY : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
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