

**VALUE PARAMETERS**

Face Value (Rs.)	10.00
Mrk.Cap (Rs. in Cr)	88,400
Enterprise value (Rs in Cr)	71,620
52-Week High/Low	2915/1381
EPS (TTM)	182
P/E Ratio (TTM)	14.9
Book Value per share (Rs)	624
Industry P/E	23.2
P/B Ratio (calc at CMP)	4.24
Dividend Yield (%)	1.89
Cash equivalents (Rs. Cr)	16,783
Debt (Rs. Cr)	1.92

**SHAREHOLDING PATTERN (%)**

Promoters	75.15
FII's	7.14
DII's	12.72
Public	4.98

**FINANCIAL PERFORMANCE**

Consolidated	FY22	FY23E	FY24E
<b>Revenue (Rs. Cr)</b>	<b>24,620.02</b>	<b>26,225</b>	<b>28,550</b>
Growth (%)	7.6%	6.5%	8.8%
<b>EBITDA ( Rs. Cr)</b>	<b>5,408.56</b>	<b>6423</b>	<b>7035</b>
Growth (%)	1.4%	18.8%	9.5%
Margin (%)	22.0%	24.5%	24.6%
<b>PAT (Rs. Cr)</b>	<b>5,080.11</b>	<b>4435</b>	<b>4850</b>
Growth (%)	56.8%	-12.7%	9.30%
Margin (%)	20.6%	16.9%	17.0%
<b>EPS (Rs)</b>	<b>151.92</b>	<b>132.5</b>	<b>145</b>
RoE (%)	29.20%	27.10%	29
RoCE (%)	30.40%	30.50%	30.1
P/E (x)	16.6	18.3	17.3

**PRICE PERFORMANCE**


**Our Recommendation:** HAL's maintains solid order book of Rs 84,000 crore (3.2x TTM revenues) due to large scale orders in manufacturing aircraft & helicopters (LCA, LCH & ALH). HAL's is reaping benefits of Govt's make in India theme with continuous order inflows in maintenance, repair, & overhaul segment. Strong orders are in pipeline in manufacturing for the next three to four years. HAL's largest order of LCA Tejas MK1A to IAF will start getting delivered from FY24E. We value the stock at Rs. 3100 (premised on 21x FY24E EPS). We recommend BUY in price range Rs. 2625-2650 with target price Rs 3100 (upside 18%).

**Investment Rationale:**

**About Company:** Hindustan Aeronautics Limited is engaged in the design, development, manufacture, repair, overhaul, upgrade and servicing of a wide range of products including, aircraft, helicopters, aeroengines, avionics, accessories, aerospace structures and Industrial Marine Gas Turbines. Company rely on indigenous design and development as well as enter into technology transfer and license agreements with foreign OEMs to manufacture products. Presently, major supplies and services are for the Indian Defence Services - IAF, Army, Navy and Coast Guard. The company has successfully exported the products and services to various countries over the years, and in the process of enhancing the exports.

**Major Products & Services:** Light Combat Aircraft (LCA) Tejas, Dornier Do228 Light Transport Aircraft, Dhruv - Advanced Light Helicopter, Light Combat Helicopter (LCH), and Light Utility Helicopter (LUH) along with associated engines, avionics & accessories. The company has production line available for production of Su-30 MKI Aircraft, Hawk Advance Jet Trainer, Chetak and Cheetal Helicopters.

**Q3FY23 Results:** Operating margins declined due to higher provisions.

- Revenue fell by 3.8% YoY to 5665.5 crore on higher base. On QoQ bases, revenue increased 10.1%.
- EBITDA margin declined 682 bps YoY to 17.4% due to higher provisions leading to EBITDA reduction of 30.9% YoY to 985.4 crore.
- PAT increased 23.8% YoY to 1155.2 crore due to tax refunds of Rs. 427.4 crore.

**Robust orderbook and order funnel is comfortable:** Among

- HAL's current order book stood at Rs. 84,000 crore and another Rs. 50,000 crore worth orders are in pipeline as per CMD.
- Of late, union cabinet has approved procurement of 70 HTT-40 Basic Trainer Aircraft from Hindustan Aeronautics for the Indian Air Force at a cost of Rs 6,828.36 crore. The aircraft will be supplied over a period of six years.
- Ministry of Defence signed Rs 667 crore contract with Hindustan Aeronautics for six Dornier-228 aircrafts.
- In 12-18 months, orders worth US\$5bn are expected - comprising 25 ALH, 12 LUH, 12 SU-30, etc. In 3-5 years, HAL is expecting orders worth Rs. 8.8bn comprising 145 LCH, 175 LUH, 36 HTTs among others.

**Key Risks:**

- Company is mainly dependent on Govt contracts.
- Dependence on foreign OEMs for key component.

**Q3, 2023 Financial results, consolidated (Rs. Cr)**

Y/E March (INR Crore)	Q3FY23	Q3FY22	Yoy chang (%)	Q2FY23	QoQ chang (%)
<b>Revenue</b>	<b>5,665.54</b>	<b>5,893.82</b>	-3.87	<b>5,144.79</b>	10.12
<b>Expenditure</b>	<b>4,680.10</b>	<b>4,465.33</b>	4.81	<b>3,523.16</b>	32.84
<i>% of Sales</i>	82.6	75.8		68.5	
<b>EBITDA</b>	<b>985.44</b>	<b>1,428.49</b>	-31.02	<b>1,621.63</b>	-39.23
<i>Margin (%)</i>	17.4	24.2	-682 bps	31.5	-1420 bps
Depreciation	268.88	373.48		251.97	
<b>EBIT</b>	<b>716.56</b>	<b>1,055.01</b>	-32.08	<b>1,369.66</b>	-47.68
Int. and Finance Charges	2.07	0.76		0.37	
Other Income	497.18	194.84		259.00	
<b>PBT bef. EO Exp.</b>	<b>1,211.67</b>	<b>1,249.09</b>		<b>1,628.29</b>	
EO Items					
<b>PBT</b>	<b>1,211.67</b>	<b>1,249.09</b>		<b>1,628.29</b>	
Tax	57.75	313.81		409.42	
<i>Tax Rate (%)</i>	4.8	25.1		25.1	
<b>PAT</b>	<b>1,153.92</b>	<b>935.28</b>	23.38	<b>1,218.87</b>	-5.33
<i>Margin (%)</i>	20.4%	15.9%	450 bps	23.7%	-330 bps
<b>Net Profit</b>	<b>1,153.92</b>	<b>935.28</b>	23.38	<b>1,218.87</b>	-5.33
Adj. EPS	34.55	27.91		36.52	

**Profit & Loss Statement, consolidated (Rs. Cr)**

Y/E March (INR Crore)	FY18	FY19	FY20	FY21	FY22
<b>Revenue</b>	<b>18,624.27</b>	<b>20,008.23</b>	<b>21,445.16</b>	<b>22,882.32</b>	<b>24,620.02</b>
<i>Change (%)</i>	-0.03	7.4	7.2	6.7	7.6
<b>Expenditure</b>	<b>15,181.65</b>	<b>15,464.97</b>	<b>16,542.05</b>	<b>17,546.06</b>	<b>19,211.46</b>
<i>% of Sales</i>	81.5	77.3	77.1	76.7	78.0
<b>EBITDA</b>	<b>3,442.62</b>	<b>4,543.26</b>	<b>4,903.11</b>	<b>5,336.26</b>	<b>5,408.56</b>
<i>Margin (%)</i>	18.5	22.7	22.9	23.3	22.0
<i>Growth (%)</i>	6.7	32.0	7.9	8.8	1.4
Depreciation	947.09	1,025.26	998.52	1,157.89	1,110.53
<b>EBIT</b>	<b>2,495.53</b>	<b>3,518.00</b>	<b>3,904.59</b>	<b>4,178.37</b>	<b>4,298.03</b>
Int. and Finance Charges	28.55	169.60	348.46	259.17	58.20
Other Income	761.83	375.51	296.57	357.45	984.93
<b>PBT bef. EO Exp.</b>	<b>3,228.81</b>	<b>3,723.91</b>	<b>3,852.70</b>	<b>4,276.65</b>	<b>5,224.76</b>
Exception Items	0.0	0.0	118.9	2.0	0.0
<b>PBT</b>	<b>3,228.8</b>	<b>3,723.9</b>	<b>3,971.6</b>	<b>4,278.7</b>	<b>5,224.8</b>
Tax	1,252.43	1,396.28	1,095.99	1,037.93	144.65
<i>Tax Rate (%)</i>	38.8	37.5	27.6	24.3	2.8
<b>PAT</b>	<b>1,976.38</b>	<b>2,327.63</b>	<b>2,875.63</b>	<b>3,240.74</b>	<b>5,080.11</b>
<i>Margin (%)</i>	10.6%	11.6%	13.4%	14.2%	20.6%
<i>Growth (%)</i>	-24	17.8	23.5	12.7	56.8
Shares Associate	13.87	0.75	7.02	4.81	-0.23
Minority Int.	0.22	0.25	0.17	0.4	0.16
<b>Net Profit</b>	<b>1,990.47</b>	<b>2,328.63</b>	<b>2,882.82</b>	<b>3,245.95</b>	<b>5,080.04</b>
Adj. EPS	59.53	69.64	86.21	97.07	151.92

**Balance Sheet, consolidated (Rs. Cr)**

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	334	334	334	334	334
Share Warrants	0	0	0	0	0
Reserves & Surplus	9,177	11,748	12,914	15,090	18,979
<b>Total Shareholder's Fund</b>	<b>9,511</b>	<b>12,082</b>	<b>13,248</b>	<b>15,424</b>	<b>19,313</b>
L.T. Borrowings	100	100	0	0	0
Deferred tax liability	978	-259	-470	-52	-566
L.T. Trade pay	3	0	0	0	0
Other long term Liab.	8,858	8,803	7,609	9,667	12,790
L.T. Provisions	2,143	1,531	1,289	1,256	1,263
<b>Non-Current Liabilities</b>	<b>12,082</b>	<b>10175</b>	<b>8428</b>	<b>10871</b>	<b>13487</b>
S.T. Borrowings	764	4,016	5,887	9	0
S.T Trade pay	1666	2629	4084	2256	2558
Other S.T. Liab.	19,506	15,868	15,534	18,790	16,609
S.T. Provisions	4162	5679	5623	4359	5856
<b>Current Liabilities</b>	<b>26,098</b>	<b>28,192</b>	<b>31,128</b>	<b>25,414</b>	<b>25,023</b>
Minority Interest	0	4	4	4	4
<b>Total Equity &amp; Liability</b>	<b>47,691</b>	<b>50,449</b>	<b>52,804</b>	<b>51,709</b>	<b>57,823</b>
Fixed assets	9028	8961	9400	9115	9239
L.T. Investments	1,010	910	991	1,121	1,363
L.T. Loans & Adv.	278	580	677	752	1860
Other L.T. Assets	358	355	346	345	371
<b>Non-Current Assets</b>	<b>10,674</b>	<b>10,806</b>	<b>11,414</b>	<b>11,333</b>	<b>12,833</b>
S.T. Investments	0	0	0	0	0
Inventories	19,358	19,664	19,436	16,673	14,347
Sundry Debtors	6,752	12,458	11,235	5,668	4,642
Cash & Bank	6,546	124	317	7,177	14,348
Others	4,361	7,402	10,407	10,859	11,657
<b>Current Assets</b>	<b>37,017</b>	<b>39,648</b>	<b>41,395</b>	<b>40,377</b>	<b>44,994</b>
Misc. Exp. not W/O	0	0	0	0	0
<b>Total Assets</b>	<b>47,691</b>	<b>50,449</b>	<b>52,804</b>	<b>51,709</b>	<b>57,823</b>

**Cash Flow Statement, consolidated (Rs Cr)**

Year End: March	FY18	FY19	FY20	FY21	FY22
<b>Profit Before Tax</b>	3,095.04	2,328.38	2,873.00	3,239.06	5,079.88
Net CashFlow From Operating Activities	-754.88	-7,700.28	1,621.13	15,262.72	10,032.78
Net Cash Used In Investing Activities	589	5,294.08	-1,328.92	-1,270.96	-12,759.51
Net Cash Used From Financing Activities	-2,516.97	2,326.11	-39.76	-7,124.93	-1,349.05
Foreign Exchange Gains / Losses	0	0.09	0	0	0
Other Adjustments	0	0	0	0	0
<b>NET INC./DEC. IN CASH</b>	<b>-2,682.85</b>	<b>-80</b>	<b>252.45</b>	<b>6,866.83</b>	<b>-4,075.78</b>
Opening Cash Balance	2,776.72	106.87	26.87	279.32	7,146.15
Ending Cash Balance	93.87	26.87	279.32	7,146.15	3,070.37

**Key Ratios**

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Per Share Data (Rs)</b>					
EPS	59.53	69.64	86.21	97.07	151.62
BV/Share	284.44	361.32	396.2	461.25	577.56
DPS	32	20	33	30	50
Dividend Payout (%)	54%	29%	38%	31%	33%
<b>Valuation Ratios</b>					
P/E	18.96	10.19	6.18	10.25	16.66
P/BV	3.97	1.96	1.35	2.16	2.57
EV/EBITDA	7.62	5.64	4.4	4.58	5.53
<b>Return Ratios (%)</b>					
ROE	17.9%	21.6%	22.7%	22.6%	29.2%
ROCE	27.2%	29.3%	24.5%	26.2%	30.4%
<b>Leverage Ratio (x)</b>					
Current Ratio	1.42	1.41	1.33	1.59	1.80
Interest Cover Ratio	94.26	21.97	12.04	17.03	81.09
Net Debt/Equity	0.10	0.34	0.45	0	0
Quick Ratio	0.68	0.71	0.71	0.93	1.22

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