



St. Xavier's College (Autonomous), Kolkata
XAVIER'S FINANCE COMMUNITY



HINDUSTAN AERONAUTICS LTD.

EQUITY RESEARCH REPORT



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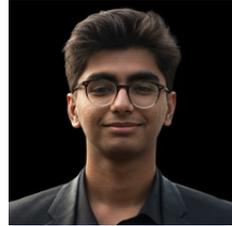
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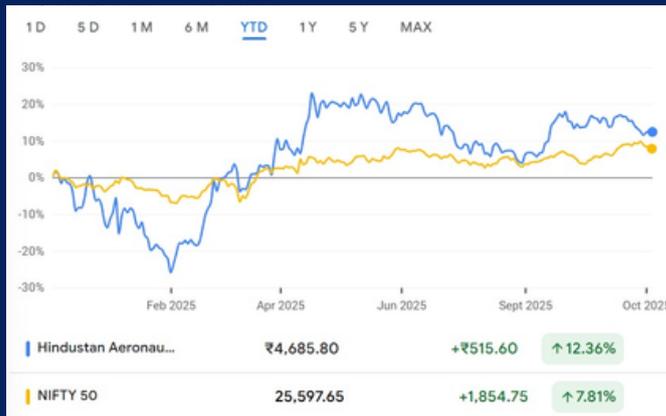
Ticker: HAL

Sector: Aerospace & Defence

Current Market Price: Rs.4,730

Date: 14th Nov, 2025

HAL vs Nifty



Market Snapshot

Market Capitalization: 3,16,317 Cr

Shares Outstanding: 668.77M

52 week high: 5,165

52 week low: 3,046

Company Performance

P/E Ratio: 37.4

PEG Ratio: 2.07

EPS: 127

Dividend Payout Ratio: 32%

ROE: 26.1%

ROA: 8.82%

Financials

Sales Growth (5Y): 35%

Net Margin: 26.9%

EBITDA Margin: 31%

Gross Margin: 59.8%

Debt: 11.4 Cr

Business Summary

Hindustan Aeronautics Ltd. (HAL), established in 1963 and granted "Maharatna" status, is India's premier aerospace and defence giant, specializing in the design, manufacturing, and upgrade of a diverse portfolio, including aircraft (LCA Tejas Mk1A), helicopters, aeroengines, and avionics. HAL serves as the primary supplier to the Indian Defence Services.

The company's robust business model leverages both indigenous development and technology transfer. A recent landmark deal, signed on September 25, 2025, with the Ministry of Defence, finalized the procurement of 97 LCA Mk1A fighter jets worth ₹62,370 crore. This significantly bolsters the order book, with the total backlog estimated at ₹2.7 lakh crore, underscoring strong future revenue visibility and India's 'self-reliance' push.

Financially, HAL maintains a zero-debt balance sheet. For FY25, it reported a turnover of ₹30,981 crore and a net profit of ₹8,317 crore. Its P/E ratio of 38.91 is currently lower than the industry average, which is partially attributed to its Public Sector Undertaking (PSU) status.





XFC STANCE

Bullish Stance- Strong Buy

We maintain a strongly bullish outlook on HAL because the company represents a unique convergence of zero-debt financial de-risking and sovereign-mandated growth. While valuation multiples are historically high, this is justified by a structural shift, HAL is transitioning from a high-margin repair and overhaul (R&O) company to a major domestic manufacturer and designer, fundamentally changing its risk and growth profile.

Investment Cons (Structural Limitations):

The rapid growth thesis (double-digit revenue from FY27) requires flawlessly executed manufacturing ramp-up and minimal delays. Extreme dependence on the budget cycles and procurement policies of the GoI. Formal non-compliance on board composition must be resolved by the GoI to lift the valuation overhang.

Conclusion & Recommendation:

BUY | Target Price: 5562.15 | 17.6% upside Potential

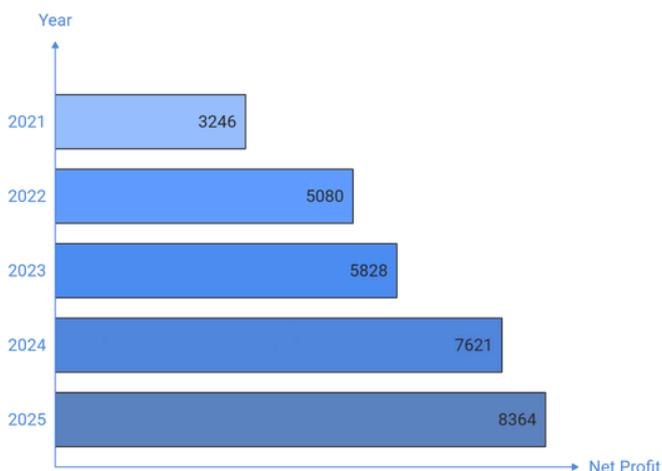
HAL presents a unique investment profile: it is a defensive powerhouse transitioning into a growth engine. The current valuation premium (~38.5x P/E) is justified by the exceptional quality (33.89% RoCE) and zero-debt foundation. We believe the successful execution of the LCA/LCH ramp-up targets and resolution of the board governance issue will normalize the stock's risk perception, allowing the multiple to converge towards our **₹5562.15 target**, driven by the conversion of its massive secured earnings into shareholder value. We recommend accumulating the stock.

Key Strength	Data Point/ Justification
Financial Fortress	Zero debt with 33.89% RoCE. Eliminates interest risk entirely
Record visibility	1.89 lakh crore order book, providing 6+ years of revenue security
Cash Generation	R&O Business: ~70% of revenue mix provides stable, high-margin, annuity- like cash flows
Strategic CAPEX	Aggressive ₹14,000-₹15,000 Crore CAPEX plan for future platforms (LCA Mk2, LCH)

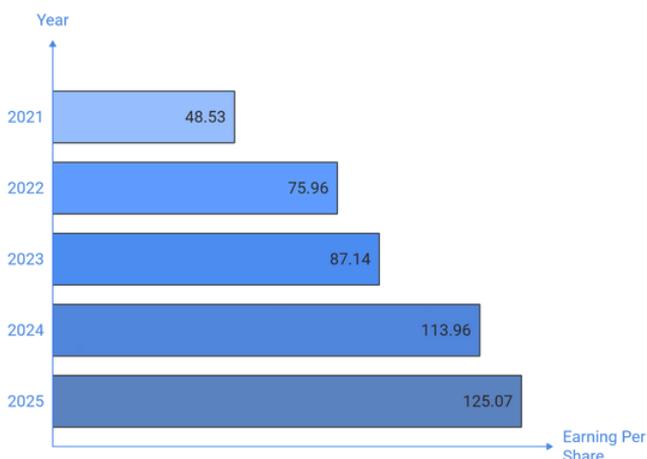
Risk	Key Details
Valuation Compression	High P/E (~38.5x): This valuation is significantly stretched relative to the historical PSU average (~15x - 25x) and implies zero margin for error. If execution targets are missed, multiple compression is likely.
Governance & Policy Risk	The company's financial success is dependent on one concentrated customer (~98% GoI revenue) and is exposed to technical Board Governance non-compliance



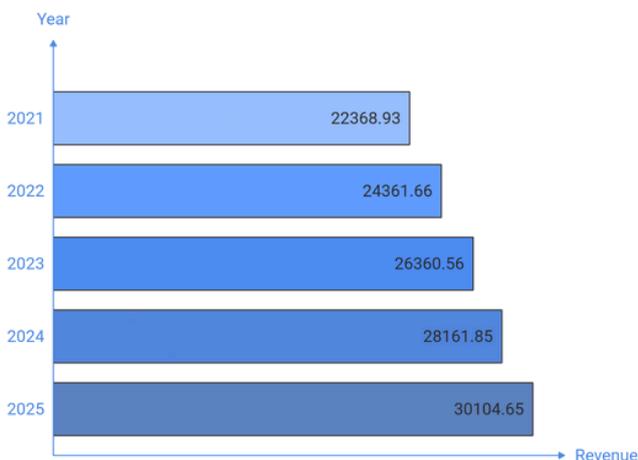
KEY PERFORMANCE INDICATORS



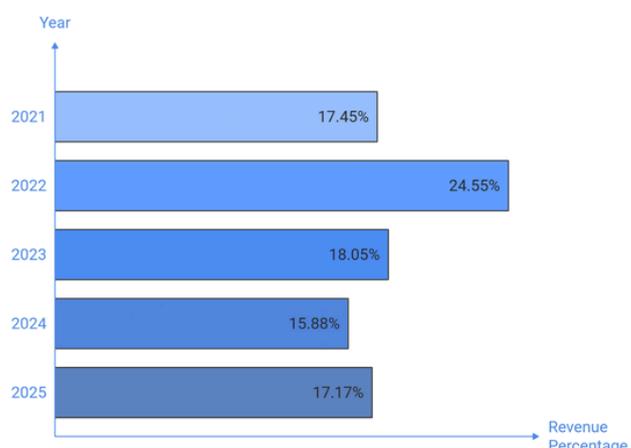
Net Profit Growth



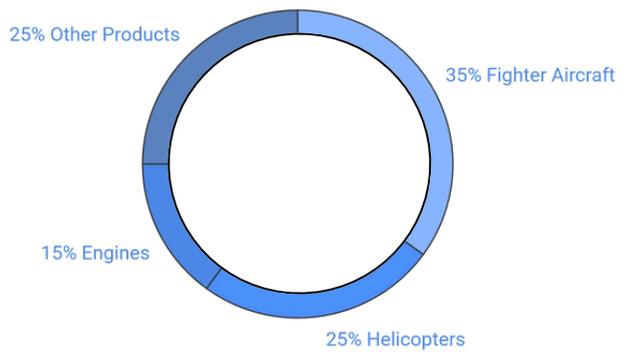
Earning Per Share



Revenue From Operations



Return On Capital Employed (ROCE)



Revenue Breakdown Of HAL

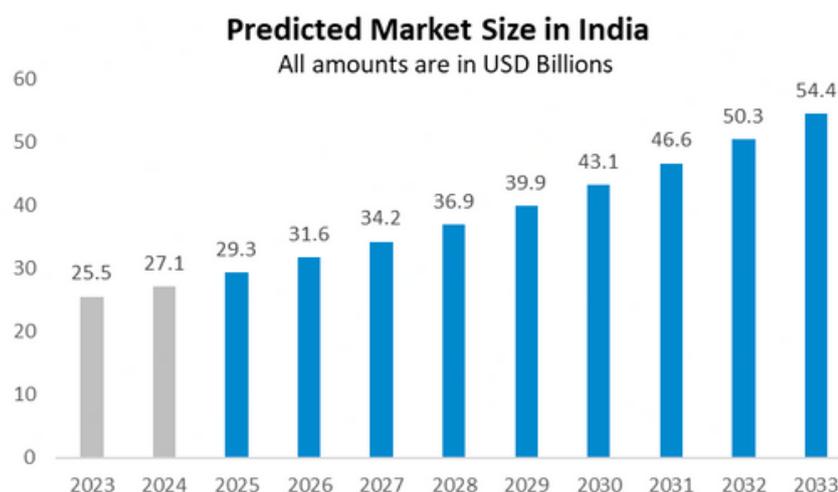
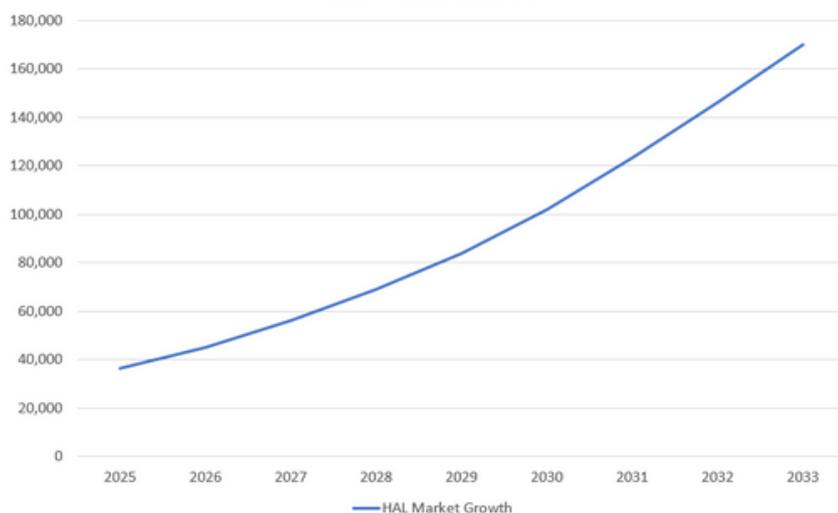
KEY TAKEAWAYS

HAL shows strong financial and operational growth from 2021–2025, with rising revenue, profit, and EPS. ROCE stayed solid despite a slight dip in 2025. Its revenue mix remains balanced, led by fighter aircraft, helicopters, and engines.



INDUSTRY ANALYSIS

- The aerospace and defense (A&D) industry has seen continued growth from global geopolitical tensions and increased defense spending.
- In 2022, about 59 countries were involved in wars, which significantly raised defense expenditures.
- Global defense spending surpassed US\$2.4 trillion in 2023.
- Demand for civil and defense aviation soared in 2024; however, production struggled to keep pace, causing elevated backlogs.
- The sector is recovering from the COVID-19 pandemic with renewed focus on sustainable development and technologies such as artificial intelligence, additive manufacturing, and immersive technologies.
- Companies invest heavily in R&D in hypersonics, unmanned systems, and cybersecurity while emphasizing decarbonization and supply chain resilience.
- Global revenue for top aerospace and defense companies reached \$922 billion in 2024.
- The Indian A&D market was valued at USD 27.1 billion in 2024.
- The Indian market is projected to grow to USD 54.4 billion by 2033, with a CAGR of 6.99%.
- Global defense budgets grew by 9% in 2024.



Global defense budgets growth 2024



Indian market CAGR by 2033



KEY TAKEAWAYS

The global A&D industry is experiencing strong, sustained growth driven by rising geopolitical tensions, record-high defense spending, and surging demand for both civil and defense aviation. Companies are rapidly investing in advanced and sustainable technologies, while markets like India show robust long-term expansion, underscoring the sector's momentum through 2033.



CATALYST ANALYSIS

POSITIVE CATALYST



GOVERNMENT DEFENCE SPENDING

₹6.81 lakh crore was allocated to the Ministry of Defence in Budget 2025–26, up 9.5%. About 75% of this will go to domestic procurement. Defence capex is expected to grow 17–18% annually over the next five years.



MAHARATNA STATUS ACHIEVEMENT

In October 2024, HAL became India's first Defence Maharatna, gaining autonomy to invest up to ₹5,000 crore (or 15% of net worth) in a single project without prior approval.



STRATEGIC PARTNERSHIPS AND COLLABORATIONS

Key collaborations include manufacturing GE-414 aero-engines with GE (USA), forming SAFHAL Helicopters Engines Pvt. Ltd. with Safran (France), and setting up A320 family C Check facilities at Nashik with Airbus.



PRODUCTION CAPACITY EXPANSION

HAL opened its third Tejas Mk-1A production line at Nashik, raising annual capacity from 16 to 24 aircraft. The Defence Ministry targets 12 aircraft deliveries in 2025, scaling to 20 per year from 2026.

NEGATIVE CATALYST



PRIVATE SECTOR COMPETITION

Private sector players (Tata Advanced Systems, L&T, Kalyani Group, Adani Defence) aggressively competing for major defence contracts such as Advanced Medium Combat Aircrafts (AMCA). The AMCA's high-tech requirements and long-term production timeline make private sector participation more feasible, especially after considering HAL's production bottlenecks.



SUPPLY CHAIN ISSUES

HAL's supply chain faces critical bottlenecks due to delayed delivery of GE F404-IN20 engines for the Tejas Mk-1A, leaving airframes complete but undelivered to the IAF. This compounds logistical disruptions caused by limited imported components and the grounding of the ALH fleet following a major accident, which has halted ready-to-deliver helicopter output.



SWOT ANALYSIS

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- **Government Supports Indigenization:** Strong government push for defense self-reliance under "Atmanirbhar Bharat." Five Positive Indigenization Lists include 21 HAL items, strategically reducing imports and strengthening the domestic A&D sector.
- **Rising R&D Investment:** HAL's R&D expenditure grew consistently, reaching 9.5% of sales in FY24. Patents total 1,026, driven by collaborations for major indigenous aircraft and engine projects.

- **Delay in projects:** HAL's performance is affected by bureaucratic bottlenecks, outdated production methods, and an inefficient supply chain, leading to slow manufacturing and missed timelines.
- **Heavy government dependency:** About 90% of HAL's revenue comes from the Defence Ministry, making its production schedules and cash flows highly vulnerable to budget delays, policy shifts, and changing procurement priorities.

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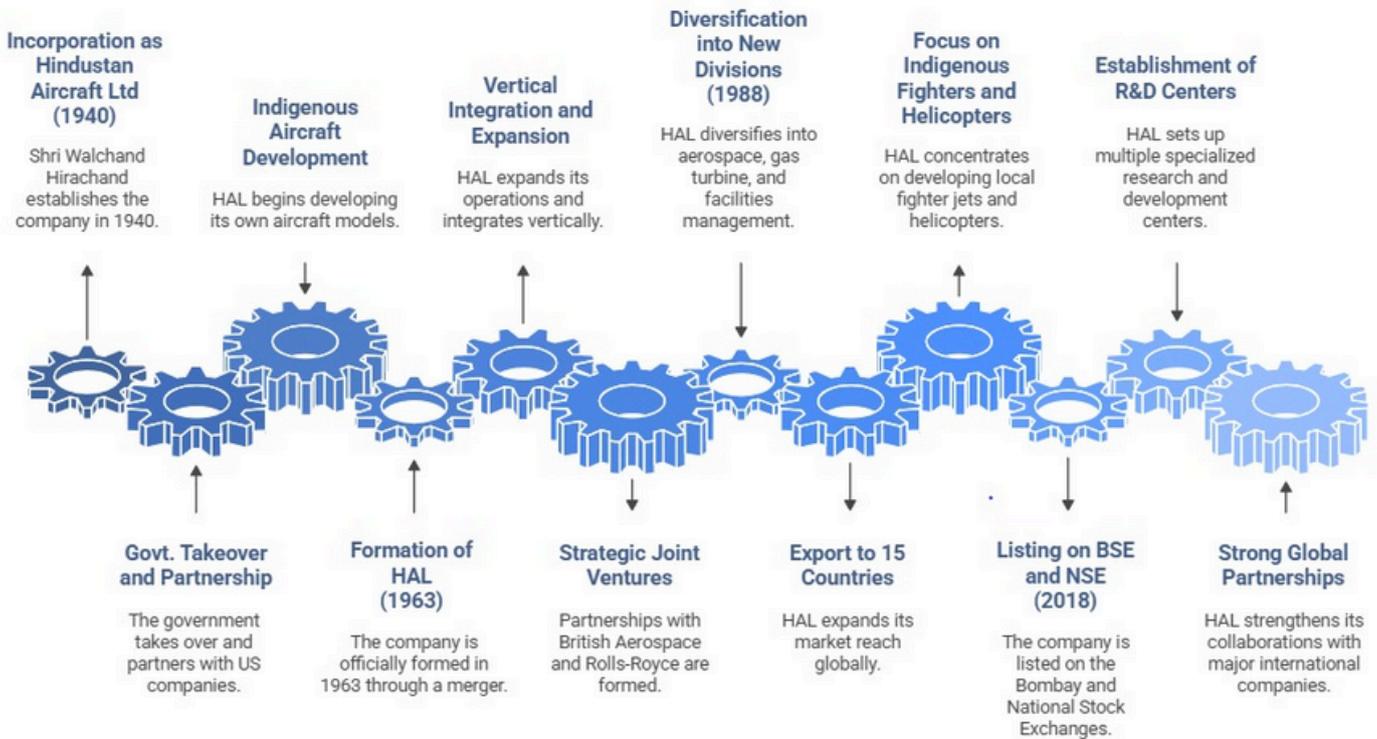
- **New orders in the pipeline:** HAL is close to securing a ₹62,370-crore order for 97 Tejas Mk1A aircraft, which will significantly boost its order book and strengthen its role in India's defense modernization.
- **Expansion and capacity building:** HAL plans to invest ₹15,000 crore to expand production facilities, especially for the LCA Tejas, improving manufacturing efficiency and meeting rising defense demand.

- **Geopolitical challenges and instability can disrupt the supply chain:** Mounting geopolitical issues (such as the Russia-Ukraine war) can disrupt the supply chain of components & spares on which HAL is highly dependent.
- **Supply chain dependency:** HAL depends highly on foreign OEMs for the supply of critical components and spares. Any delay on foreign OEMs can lead to delayed deliverables from HAL.

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PLC ANALYSIS



PESTEL ANALYSIS





CONCALL SUMMARY

The Q4 FY25 concall confirmed HAL's robust financial transformation and commitment to scaling its future revenue pipeline. Management commentary underscores a strategic pivot from a period of record order book accumulation to a phase of focused execution and future-capability building.

STRATEGIC PIVOT TO EXECUTION PHASE:

Management has successfully transitioned from order book accumulation to focused execution of its ₹1.89 Lakh Cr backlog, providing 6-7 years of visible revenue. The company maintains robust 8-10% FY26 revenue guidance, with double-digit growth expected from FY27 as production scales.

STRATEGIC FOCUS ON INDIGENIZATION :

The company is aggressively pursuing import substitution, with AL-31FP engine indigenous content at 57% and active technology transfer for GE F414 engines. This strategy aims to secure supply chains and capture higher long-term margins.

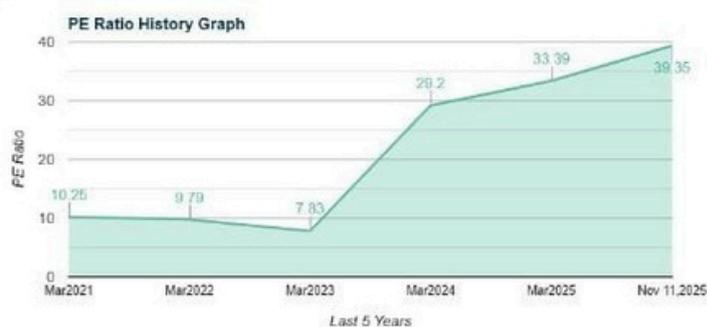
CAPACITY EXPANSION & RISK MITIGATION :

HAL is proactively addressing supply constraints, notably resolving GE engine bottlenecks for LCA Mk1A. The ₹14,000-15,000 Cr 5-year capex plan focuses on building permanent manufacturing infrastructure for strategic programs (LCA Mk2, LCH, engine manufacturing).

SUSTAINABLE BUSINESS MODEL :

The high-margin Repair & Overhaul segment (70% of revenue) continues to provide stable, annuity-like cash flows, while new manufacturing contracts drive growth acceleration.

LOW P/E AMONG PEERS



SLOWER GROWTH MOMENTUM :

HAL's lower P/E reflects weaker performance trends. Its 1-year return (5.14%) lags BDL's 37.84%, and its 5-year sales growth of 7.63% indicates slow expansion. Limited earnings growth expectations reduce investor willingness to pay high valuation multiples.

SLOWER GROWTH MOMENTUM :

HAL's strong profitability and scale make it a mature "value" stock. With a high EPS of ₹125.20 (vs. BDL's ₹15.37) and a 27% profit margin, it already delivers robust returns. Mature companies with stable profits but limited growth potential generally command lower P/Es.

BUSINESS CONSTRAINTS AND CUSTOMER DEPENDENCE

HAL derives over 90% of its revenue from the Indian defence forces, creating high customer concentration risk. Any changes in defence spending or delays in fund release can affect earnings. Additionally, project cost and time overruns expose HAL to penalties, further restricting valuation expansion.

RECENT ORDERS

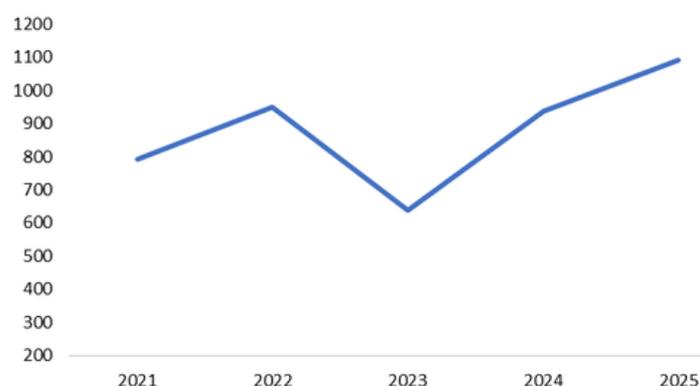
- Hindustan Aeronautics Ltd (HAL) signed a deal with GE Aerospace to acquire 113 F404-GE-IN20 jet engines and support for the Tejas Light Combat Aircraft (LCA) Mk1A program.
- A contract for 97 LCA Mk1A aircraft was signed in September 2025.
- The ₹62,370 crore deal is for the Indian Air Force.
- HAL aims to complete all 180 aircraft by the financial year 2032-33.



BALANCE SHEET ANALYSIS

Particulars	2021	2022	2023	2024	2025
Liabilities					
Equity Share Capital	334.39	334.39	334.39	334.39	334.39
Reserves	15,089.51	18,978.74	23,237.76	28,803.78	34,647.22
Borrowings	53.28	49.27	51.69	50.12	51.44
Other Liabilities	37,619.24	40,891.94	45,652.16	51,722.55	73,665.41
Total	53,096.42	60,254.34	69,276.00	80,910.84	1,08,698.46
Assets					
Net Block	7,165.88	6,765.88	6,834.40	6,736.89	6,670.80
Capital Work in Progress	1,949.60	2,472.94	1,885.00	2,493.43	3,097.75
Investments	1,121.32	1,362.70	1,457.92	1,591.33	1,754.20
Other Assets	42,859.62	49,652.82	59,098.68	70,089.19	97,175.71
Total	53,096.42	60,254.34	69,276.00	80,910.84	1,08,698.46

- HAL remains **debt-free** with total equity of ₹34,985 crore, backed by strong reserves and internal funding.
- Cash and term deposits of ₹33,634 crore show exceptional liquidity and financial resilience.
- Major working capital assets include work-in-progress worth ₹15,274 crore and **unbilled revenue** of ₹15,889 crore, reflecting high project activity and order execution.
- Fixed assets and capital work-in-progress together amount to ₹7,061 crore, showing continued investment in manufacturing and infrastructure.
- Investments of ₹1,509 crore in **subsidiaries and joint ventures highlight strategic collaboration** in defence research and technology.
- Trade payables stand at ₹3,413 crore, including ₹146 crore owed to MSMEs, indicating large but manageable supplier obligations.
- Provisions of ₹1,651 crore for liquidated damages capture project execution contingencies, common in defence contracts.
- Contingent liabilities of ₹544 crore, mainly from **tax claims**, remain modest relative to HAL's strong equity base.
- Negligible reliance on external credit due to stable government-backed market and **strong cash flow**.
- 98% of revenue from the Government of India and defence services ensures stable, **interest-free funding through large contractual advances**.
- Debt-to-equity ratio: 0.00:1, **eliminating financial distress** and interest rate risks.
- High financial stability and low business risk.



Capital work-in-Progress



INCOME STATEMENT ANALYSIS

Particulars	2021	2022	2023	2024	2025
Sales	22,882.32	24,620.02	26,927.46	30,381.08	30,980.95
Expenses	17,538.34	19,204.65	20,241.80	20,629.50	21,359.93
Operating Profit	5,343.98	5,415.37	6,685.66	9,751.58	9,621.02
Other Income	364.28	984.93	1,672.92	1,923.10	2,608.23
Depreciation	1,157.89	1,110.53	1,784.67	1,407.17	1,340.37
Interest	266.89	65.24	64.41	42.63	21.62
Profit before tax	4,283.48	5,224.53	6,509.50	10,224.88	10,867.26
Tax	1,037.93	144.65	681.77	2,603.93	2,503.21
Net profit	3,245.55	5,079.88	5,827.73	7,620.95	8,364.05

SLOW REVENUE GROWTH IN FY25:

- **Engine shortage:** shortfall in the deliveries of the Light Combat Aircraft (LCA) and Advanced Light Helicopter (ALH).
- **Helicopter Grounding:** delivery schedule was also impacted by an accident in January 2025 and the subsequent grounding of the fleet.
- **One-time revenue in FY24:** Last year had extra Rs 1,502 Cr from old LCA contract adjustments.
- **Actual growth:** If you remove the one-time item, real growth was 7%.

SHARP RISE OF 35.07% IN OTHER INCOME

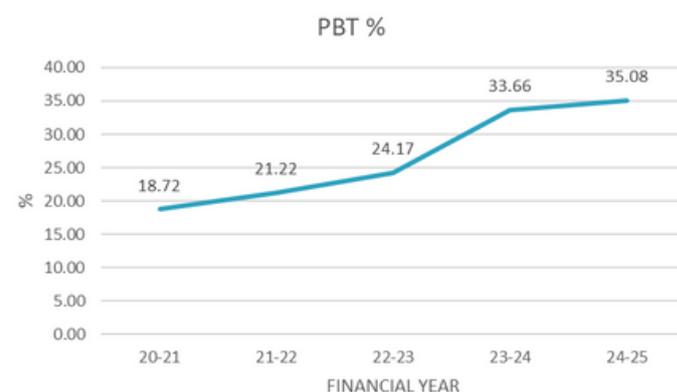
- **Huge cash balance:** HAL has Rs 38,182 Cr in cash
- **Big new orders:** Got Rs 1.19 Lakh Cr of new orders which came with advance **payments**
- **Interest earnings:** Earning interest on all this money
- **Major contracts:** 156 helicopters (Rs 62,777 Cr), 240 engines (Rs 25,500 Cr), 12 Su-30 planes (Rs 13,454 Cr)

SHAREHOLDER RETURNS

- **Dividend paid:** Rs 40 per share (Rs 25 interim + Rs 15 final)
- **Total dividend payout:** Rs 2,675 Cr
- **Dividend yield:** 0.83% on current price

HIGH PROFIT MARGINS

- HAL's OPM has grown consistently for the past 5 reaching upto 35% in FY25.

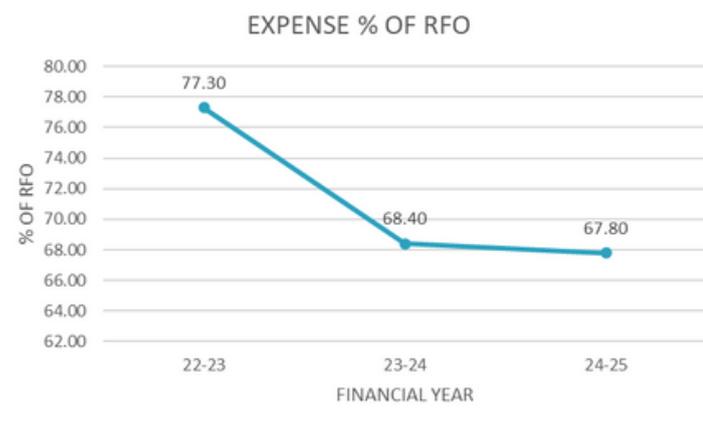


REASONS:

- **Favorable Product Mix:** High-margin repair & overhaul (nearly 70% of revenue) and indigenous products like LCAs and AHL(advanced light helicopter) have better profitability than typical manufacturing contracts.
- **Low Finance Cost/No Debt:** HAL operates virtually debt-free, keeping finance costs to a bare minimum and further boosting operating margins.
- **Employee expenses** as a percentage of revenue have **reduced** from approximately 23% in FY19 to about 17% in FY25, reflecting improved productivity and outsourcing initiatives.



EXPENSE CUT DOWN OVER THE YEARS



TAX REFUNDS AND RELIEFS

HAL sometimes obtains sizeable tax refunds as it receives tax relief under Section 35(1)(iv) of the Income Tax Act, which classifies certain research and development expenses as capital expenditures

The Kolkata bench of the Customs, Excise, and Service Tax Appellate Tribunal (CESTAT) has provided relief to Hindustan Aeronautics by setting aside the service tax on license fees and other incidental expenses paid to a foreign company

200% GROWTH BETWEEN JULY 2023-JULY 2024

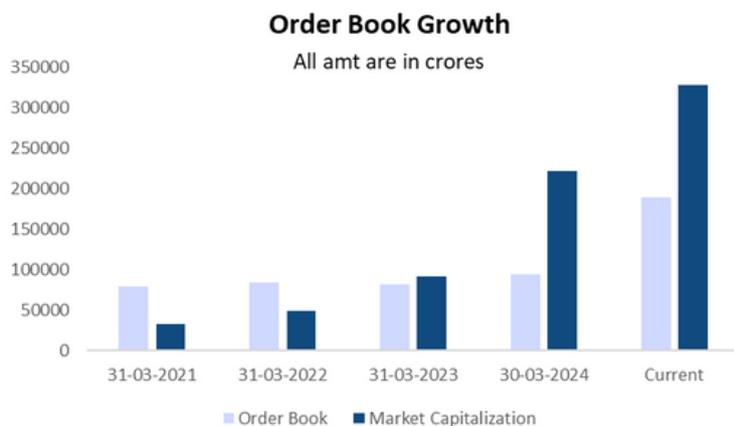
- Massive Stock Performance and Investor Confidence:** Rising prices indicate strong investor and institutional confidence in the defense sector.
- Strong Financial Results in FY 2023-24:**
 - Record revenue: ₹29,810 crore, highest till date.
 - Q4 FY24: Net profit ₹4,308 crore (+52%), revenue ₹14,768.70 crore (+18%).
 - Operating Margin: Improved from 24% to 33%.
- Robust Order Book and Future Pipeline**
 - Order book at ₹94,000 crore (Mar 2024). New manufacturing contracts ₹19,000 crore, ROH contracts ₹16,000 crore in FY24.
 - Order potential could reach ₹4.5 lakh crore over the next decade.

4.Strategic Collaborations and

Government Focus: Make-in-India boost: Defense output hit ₹1.27 lakh crore in FY24.ing long-term confidence.

ORDER BOOK AGAINST MARKET CAP

- HAL's market cap (₹3,20,306 crore) exceeds its order book (₹1,89,300 crore), indicating that the market values the company beyond its current confirmed contracts.
- This reflects strong investor confidence in HAL's ability to secure new orders and grow its business in the future.
- The market is likely factoring in HAL's brand strength, management quality, technological edge, and strategic importance in the aerospace and defense sector.
- Given the long project cycles in defense and heavy engineering, the high market cap signals expectations of consistent execution and industry leadership.
- Investors should watch for the risk of overvaluation if future order inflows don't match the market's growth expectations.
- Careful assessment of HAL's execution capability, profit margins, and industry dynamics is essential to validate the sustainability of its market valuation.





CASH FLOW STATEMENT ANALYSIS

Particulars	Year Ended 31-Mar-2025	Year Ended 31-Mar-2024
Cash flow from Operating activities		
Profit After Tax	836405	752095
Income Tax expense	250321	204992
(Gain)/Loss on sale of Property, Plant & Equipment	188	64
Finance cost	5864	6181
Interest Income	-146814	-123901
Share of Profit or Loss of Joint Venture	-224	0
Other Adjustments	0	0
Net (Gain)/Loss on Fair Value Adjustment	148	251
Depreciation, amortization and impairment expense	14612	14215
Provision for Impairment in Value of Investments	763	0
Provision for Doubtful Debts	2073	2470
Provision for Doubtful Contract Assets	239	0
Provision for Doubtful Claims	0	0
Provision for Doubtful Advances	240	140
Provision for Replacement and Other charges	14073	12680
Provision for Warranty	2400	2700
Provision for Raw Materials and Components, Stores & Spare Parts, ...	0	0
Provision for Liquidated Damages	6584	7021
Operating Profit Before Working Capital Changes	1213983	1138712
(Increase)/decrease in Trade Receivables	-417797	-438532
(Increase)/decrease in Loans, Financial Assets and Other Assets	157438	-93113
(Increase)/decrease in Inventories	-151033	-192022
Increase/(decrease) in Trade Payables	120849	195340
Increase/(decrease) in Financial Liabilities, Provisions and Other Liabilities	196564	209120
Cash generated from Operations	682004	622505
Income Taxes Paid	-343845	-338415
Net Cash used/generated from Operating Activities (A)	338159	284090
Cash flow from Investing activities		
Purchase of Property, Plant & Equipment	-43093	-91657
Purchase of Intangible Assets	-810	-895
Proceeds from Sale of Property, Plant & Equipment	2090	1050
Investment in Joint Ventures	-1289	-1050
Net Cash used/generated from Investing Activities (B)	-97346	-156053
Cash flow from Financing Activities		
Repayment of Borrowings-Current (Net)	-31	-368
Payment of Lease Liabilities	-256	-566
Interest Paid	-197285	-167194
Dividend Paid	-43405	0
Net Cash used/generated from Financing Activities (C)	-241753	-168128
Net increase/decrease in Cash and Cash Equivalents (A+B+C)	-953940	-40191
Cash and Cash Equivalents at the beginning of the year	5456566	5496757
Cash and Cash Equivalents at the end of the year	4502626	5456566

OPERATING ACTIVITIES

- Cash generated from operations rose 65.92% to Rs. 13,643 crore due to stronger activity and better working capital control. Trade payables increased fivefold as the company managed larger orders and quicker deliveries.
- Financial liabilities and provisions grew nearly six times because funds were allocated for accident aircrafts. PAT increased 9.75%, while operating profit fell 6.69% as interest income rose 40% and joint-venture income grew 53%, improving capital efficiency.

FINANCING ACTIVITIES

- Cash used in financing activities increased by 29%, mainly because of higher interest payments and larger dividend payouts. Dividends totaled Rs. 2,541 crore, up 28% from last year.

INVESTING ACTIVITIES

- Cash used in investing activities rose by 68% to Rs. 10,771 crore. The company is spending more to expand production capacity to meet the rising demand.
- Short-term deposits rose sharply, indicating stronger cash management. These investments contributed to a 46% jump in interest income and a 66% rise in dividend income.

NET CASH POSITION

- Overall, net cash increased by 6.91%, reflecting solid liquidity and good control over cash flow.



RATIO ANALYSIS

Ratio	HAL	BEL	MAZDOCK	Analysis	HAL charts												
Current Ratio	2.04	1.76	1.25	HAL's Current Ratio: 2.04. Highest among peers. Shows superior short-term financial strength. Robust capacity to fund operations and invest in new projects. Excellent working capital management.	<table border="1"> <caption>Current Ratio</caption> <thead> <tr> <th>Year</th> <th>Current Ratio</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>2.04</td> </tr> <tr> <td>2022</td> <td>1.76</td> </tr> <tr> <td>2023</td> <td>1.25</td> </tr> <tr> <td>2024</td> <td>1.25</td> </tr> <tr> <td>2025</td> <td>1.25</td> </tr> </tbody> </table>	Year	Current Ratio	2021	2.04	2022	1.76	2023	1.25	2024	1.25	2025	1.25
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Debt/Equity Ratio	0.00	0.00	0.00	Debt/Equity Ratio: 0.00. This is characteristic of top Indian Defence PSUs. HAL's operations and growth are funded entirely by shareholder equity. This zero-debt structure eliminates interest cost risk, ensures immense financial stability, and provides unparalleled flexibility for future strategic projects or acquisitions.	<table border="1"> <caption>Debt Equity Ratio</caption> <thead> <tr> <th>Year</th> <th>Debt Equity Ratio</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>0.00</td> </tr> <tr> <td>2022</td> <td>0.00</td> </tr> <tr> <td>2023</td> <td>0.00</td> </tr> <tr> <td>2024</td> <td>0.00</td> </tr> <tr> <td>2025</td> <td>0.00</td> </tr> </tbody> </table>	Year	Debt Equity Ratio	2021	0.00	2022	0.00	2023	0.00	2024	0.00	2025	0.00
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Net Profit Margin	26.84	22.35	20.33	HAL's Net Profit Margin of 26.84% is exceptional, leading its peers. This showcases a fundamentally more profitable business model. The high margin is driven by its unique position in the high-value aerospace sector (fighter jets, helicopters) and lucrative long-term maintenance contracts. This yields strong pricing power and operational efficiency, translating to superior returns.	<table border="1"> <caption>Net Profit Ratio</caption> <thead> <tr> <th>Year</th> <th>Net Profit Ratio</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>26.84</td> </tr> <tr> <td>2022</td> <td>22.35</td> </tr> <tr> <td>2023</td> <td>20.33</td> </tr> <tr> <td>2024</td> <td>20.33</td> </tr> <tr> <td>2025</td> <td>20.33</td> </tr> </tbody> </table>	Year	Net Profit Ratio	2021	26.84	2022	22.35	2023	20.33	2024	20.33	2025	20.33
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Return On Capital Employed	17.41	3.60	34.50	ROCE of 17.45% shows strong capital efficiency for HAL. It is far better than BEL's 3.65% but below Mazdock's 38.31%, indicating solid profitability with room to improve returns.	<table border="1"> <caption>Return On Capital Employed</caption> <thead> <tr> <th>Year</th> <th>Return On Capital Employed</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>17.41</td> </tr> <tr> <td>2022</td> <td>17.45</td> </tr> <tr> <td>2023</td> <td>34.50</td> </tr> <tr> <td>2024</td> <td>34.50</td> </tr> <tr> <td>2025</td> <td>34.50</td> </tr> </tbody> </table>	Year	Return On Capital Employed	2021	17.41	2022	17.45	2023	34.50	2024	34.50	2025	34.50
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Basis Earning Per Share	125.07	1.53	59.83	HAL's BEPS of 125.07 reflects strong profitability, far surpassing BEL 1.53 and Mazdock's 59.83. This indicates superior earnings strength and strong value creation compared to peers.	<table border="1"> <caption>Basic EPS</caption> <thead> <tr> <th>Year</th> <th>Basic EPS</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>125.07</td> </tr> <tr> <td>2022</td> <td>125.07</td> </tr> <tr> <td>2023</td> <td>59.83</td> </tr> <tr> <td>2024</td> <td>59.83</td> </tr> <tr> <td>2025</td> <td>59.83</td> </tr> </tbody> </table>	Year	Basic EPS	2021	125.07	2022	125.07	2023	59.83	2024	59.83	2025	59.83
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Asset Turnover	0.34	0.45	0.39	HAL's asset turnover ratio of 0.34 shows moderate asset efficiency, lower than BEL 0.45 and Mazdock's 0.39, indicating scope to improve asset utilisation and revenue generation.	<table border="1"> <caption>Asset Turnover</caption> <thead> <tr> <th>Year</th> <th>Asset Turnover</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>0.34</td> </tr> <tr> <td>2022</td> <td>0.45</td> </tr> <tr> <td>2023</td> <td>0.39</td> </tr> <tr> <td>2024</td> <td>0.39</td> </tr> <tr> <td>2025</td> <td>0.39</td> </tr> </tbody> </table>	Year	Asset Turnover	2021	0.34	2022	0.45	2023	0.39	2024	0.39	2025	0.39
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DIVIDEND DISCOUNT MODEL

KEY ASSUMPTIONS & INPUTS		GROWTH ASSUMPTIONS	
Current Stock Price (INR)	₹4,594.00	Short-term Growth Rate (Years 1-5)	9.50%
Number of Shares (Crores)	66.8775	Terminal Growth Rate (Perpetuity)	6.50%
Risk-free Rate (10Y Govt Bond)	6.52%	Payout Ratio	32.00%
Market Risk Premium	7.46%		
Beta	1.07		
Cost of Equity (CAPM)	14.50%		

HISTORICAL FINANCIAL DATA

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue (₹ Cr)	22,501	24,362	26,361	28,162	30,105
PAT (₹ Cr)	3,239	5,087	5,811	7,595	8,317
EPS (₹)	₹96.88	₹152.11	₹86.89	₹113.57	₹124.36
DPS (₹)	₹30.00	₹40.00	₹50.00	₹35.00	₹40.00
Payout Ratio (%)	31.0%	26.3%	57.5%	30.8%	32.2%
Net Worth (₹ Cr)	15,368	19,264	23,506	29,046	34,842

DIVIDEND PROJECTIONS & VALUATION

Particulars	Base FY25	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal
Fiscal Year	2024-25	2025-26	2024-26	2025-27	2024-27	2025-28	Perpetuity
Projected EPS (₹)	₹124.36	₹124.36	₹124.36	₹124.36	₹124.36	₹124.36	₹124.36
Projected DPS (₹)	₹40.00	₹40.00	₹40.00	₹40.00	₹40.00	₹40.00	₹40.00
PV Factor	1.0000	0.8733	0.7627	0.8733	0.7627	0.8733	0.7627
PV of Dividends (₹)	0	₹34.93	₹30.51	₹34.93	₹30.51	₹34.93	
Terminal Value (₹)							₹499.86
PV of Terminal Value (₹)							₹381.26

VALUATION SUMMARY

Sum of PV of Dividends (Years 1-5)	₹165.82
PV of Terminal Value	₹381.26
Intrinsic Value per Share (DDM)	₹547.08
Current Market Price	₹4,594.00
Upside/(Downside)	-88.09%
Valuation	Overvalued

Model Assumptions Rationale:

Growth Rate (9.5%):	Based on historical PAT CAGR of 26.6% (conservative)
Terminal Growth (6%):	Long-term GDP growth + inflation, conservative for defense
Payout Ratio (32%):	Historical 5-year average; company follows DIPAM guidelines
Cost of Equity (16.39%):	CAPM: Risk-free rate 6.59% + Beta 1.4 × Market premium 7%



IMPLIED MARKET VALUATION	
Intrinsic Market Cap (₹ Cr)	3,659
Current Market Cap (₹ Cr)	30,724

KEY MODEL INSIGHTS & ASSUMPTIONS	
Historical Performance:	
• Revenue CAGR (FY21-FY25):	7.55%
• PAT CAGR (FY21-FY25):	26.59%
• EPS CAGR (FY21-FY25):	6.44%
• Avg Payout Ratio (FY21-FY25):	35.56%
Order Book (as of Mar 2025):	1,89,302 ₹ Crores
CAPEX Plan (FY26-FY30):	14,500 ₹ Crores (midpoint)
Return on Net Worth (FY25):	24.00%
Debt-Equity Ratio:	0.00 (Zero debt)

DISCOUNTED CASH FLOW

VALUATION SUMMARY

Sum of PV of FCF (Year 1-10) 89,959

TERMINAL VALUE

Year 10 FCF	29,150
Terminal Growth Rate	6.50%
WACC	14.50%
Terminal Value	1,06,795
PV of Terminal Value	30,710

ENTERPRISE VALUE

PV of Forecast Period FCF	89,959
PV of Terminal Value	30,710
Enterprise Value	1,20,669

EQUITY VALUE

Enterprise Value	1,20,669
Add: Cash & Equivalents	38,182
Less: Total Debt	1.20
Equity Value	₹ 1,58,849.80

PER SHARE VALUATION

Equity Value (₹ Crores)	1,58,850
Shares Outstanding (in Cr)	66.88
Fair Value per Share (₹)	2,375.15

Current Market Price (₹) 4,594.00
Upside / (Downside) % -48.3%

WACC

WACC = % of equity x cost of equity + % of debt x cost of debt x (1 - Tax Rate)
Cost of equity = Risk free rate + Beta x Market Risk Premium

WACC

Market Cap	3,13,859
% of Equity	100.0%
Cost of Equity	14.50%
Risk Free Rate	6.520% 10y Treasury Bond Rate
Beta	1.07 1y Beta
Market Risk Premium	7.46%

Debt	1.20
% of Debt	0.0%
Cost of Debt	7.00%
Tax Rate	25.00%

Total 313860.20

WACC 14.50%

KEY TAKEAWAYS

The stock is trading at a premium of 1.934 times

[Link to the Detailed DCF and DDM valuation model](#)