



# COMPANY ANALYSIS

Hindustan Aeronautics Limited



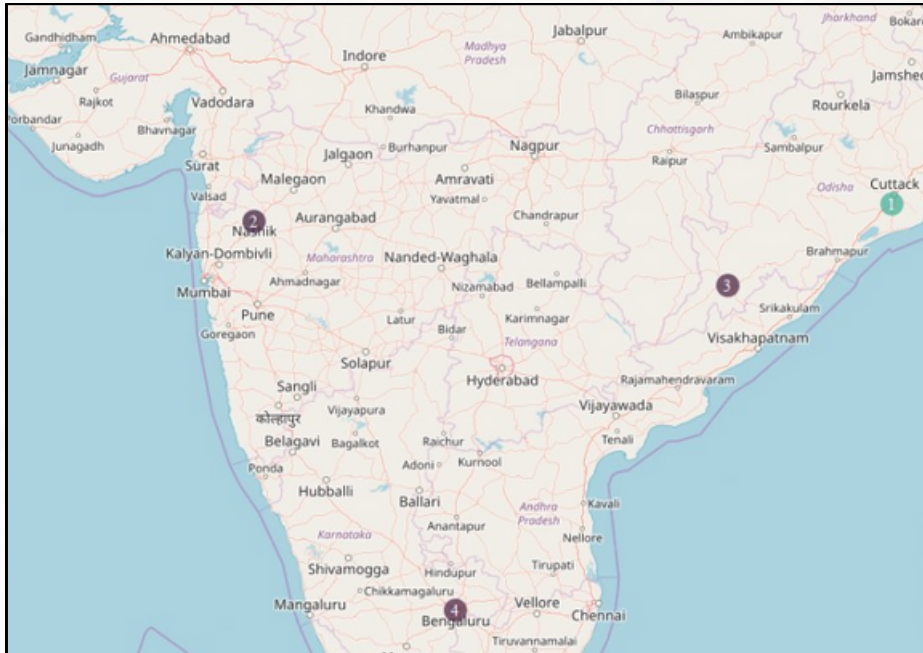
# Hindustan Aeronautics Limited

Hindustan Aeronautics Limited(HAL) was formed in 1964 following the merger between Hindustan Aircrafts and Aeronautics India with its principal business being design, development, manufacture, repair and overhaul of aircraft, helicopters, engines and related systems like avionics, instruments and accessories. Since inception, HAL has manufactured 4200+ aircrafts, 5300+ engines and overhauled 11,700+ aircrafts and 35000+ engines. It is India's largest DPSU and the sole indigenous producer of India's fighter aircraft.

**Area of Expertise:** Aircraft Design and Development

**Industry:** - Defense and Aerospace

**Hindustan Aeronautics Limited's presence**



**Current Market Capitalization**



INR 1,83,238 cr

**Current P/E**



30.3

**Current Market Price**



INR 2739

# Business Model

- HAL caters to India's defense requirements through design, development, manufacture, repair and overhaul, upgrade and servicing.
- The company has segmented its business into five divisions:
  - (i) Manufacturing
  - (ii) Repair and Overhaul
  - (iii) Spares
  - (iv) Design and Development
  - (v) Exports
- HAL relies on both indigenous design and development as well as technology transfer and license agreements with foreign OEMs to manufacture its products. This allows them to access the latest technology and expertise without having to invest heavily in research and development.
- It designs and develops various aerospace products, including aircraft (fighter jets, trainers, transport aircraft), helicopters (light utility, attack helicopters), engines (aero-engines, marine gas turbines), avionics, accessories, and aerospace structures.
- HAL offers repair, overhaul, and upgrade services for aircraft and helicopters, ensuring maintenance and operational efficiency.

# SWOT

## S Strengths

- Strong R&D capabilities: HAL's R&D and engineering expertise power its indigenous aircraft and technologies.
- Technology transfer partnerships: Global aerospace collaboration will fuel HAL's technological edge.

## W Weakness

- HAL's revenue is heavily reliant on government contracts, making it vulnerable to budget cuts and changes in government priorities.

## T Threats

- HAL imports a significant amount of raw materials, which can expose it to supply chain disruptions and potential price fluctuations.

## O Opportunities

- HAL's future in military aircraft has been supported by Make-in-India. HAL, being at the vanguard of this paradigm shift, has the opportunity to capitalise on this and drive long-term growth.
- Increased focus on exports: The company is actively seeking to enhance its export contribution to revenue mix, which is now only 1.1%.

# Recent Highlights

**The Defence Acquisition Council (DAC) recently cleared the procurement of 97 Light Combat Aircraft Tejas Mk 1 A and 156 Light Combat Helicopters from Hindustan Aeronautics Limited among other big-ticket acquisitions.**

**Another significant development is that , HAL has signed a contract with the largest European aircraft manufacturing company – Airbus. The pact was established to provide Maintenance, Repair, and Overhaul (MRO) facilities to the A-320 aircraft family at Nashik. According to reports, the facility would begin in November 2024**

# Sector-wise Trend

## 01 INCREASED SELF RELIANCE

The government has rolled out several policies to boost domestic production of major defense platforms and equipment, as well as to establish an indigenous vendor supply chain of key line replacement units (LRUs), sub-systems and components used in defense manufacturing

## 02 GROWING DEFENSE INDUSTRY

The Indian defense industry is expected to grow at a CAGR of over 6% during the forecast period 2022-2027. This growth will be driven by the increasing demand for defense equipment, the growing emphasis on indigenous manufacturing, and the government's focus on modernizing its military.

## 03 HIGH EXPORT POTENTIAL

India's defense exports have skyrocketed from INR 686 Crore in FY 2013-14 to an estimated INR 16,000 Crore in FY 2022-23, representing a remarkable twenty-three-fold increase. To give a push to defense exports, the government has taken a number of policy initiatives and brought reforms over the last nine years. Export procedures have been simplified and made industry-friendly, with end-to-end online export authorization curtailing delays and bringing ease of doing business

## 04 RISE OF UNMANNED AERIAL VEHICLES

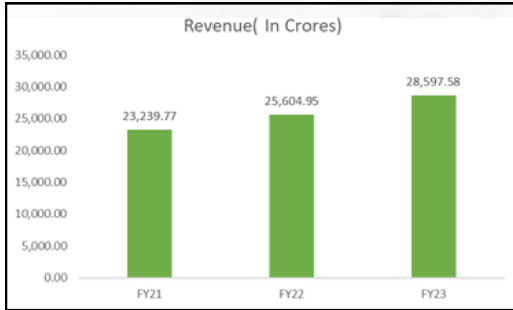
The proliferation of unmanned systems, the growing emphasis on C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance), electronic warfare (EW), the utilization of military commercial off-the-shelf (COTS) equipment, and artificial intelligence or AI in the defense sector are all the factors that are shaping the sector.

# Financial Highlights

PARTICULARS	FY20-21	FY21-22	FY22-23	COMMENTS
Revenue (INR in Crores)	23,239.77	25,604.95	28,597.58	The revenues have grown at a CAGR of 7.16% aided by improved order execution.
Inventory Turnover	1.24	1.57	1.99	Due to growth in sales and reduction in holding of inventory, the ITR has been rising over the years.
EBITDA Margin	23.3%	22.0%	24.8%	Strong margins driven by revenue and efficiency.
RoCE	30%	27%	28%	Company has consistent RoCE of 25+ % due to its efficient use of the capital employed.
Order Book (INR in crores)	80,639	82,154	81,784	High value order book shows excellent execution capabilities across the years

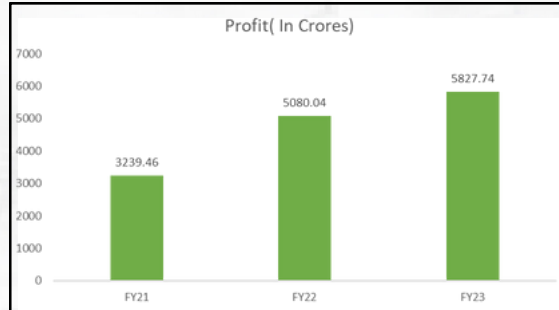
# Ratio Analysis

## REVENUE GROWTH



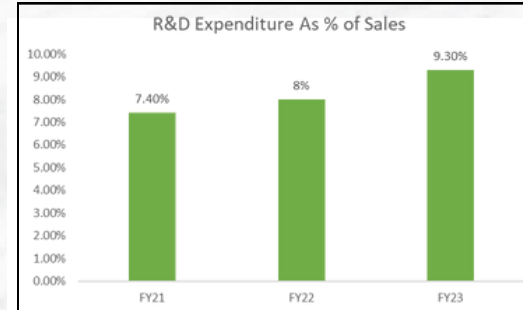
The company has delivered good revenue growth across the years, this has been mainly due to increased order flow from the government and a push to modernize and upgrade the existing infrastructure of the armed forces.

## PROFIT GROWTH



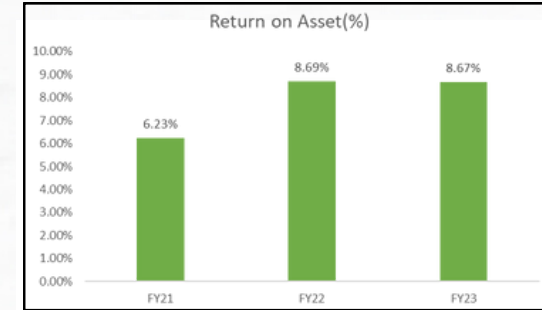
With the growth in revenue, the company has been able to keep its costs lower showing its operational prowess and this has been one of the major reasons that the company has been able to deliver a CAGR of 21.6%.

## R&D EXPENDITURE AS % OF SALES



The company has been increasing its focus on R&D, signaling its intent to bring technological superiority to its products. This would help HAL's export competitiveness and also strengthen its position in the Indian landscape.

## RETURN ON ASSET



The Return on Asset has increased due to rise in net profits indicating that the company has become more efficient in utilizing its assets to generate profits.



# Future Outlook

1

## FOR THE INDUSTRY

The government expects to double defense production by FY25 to INR 1.75 Trillion with the help of the DAP scheme and PILs. With the government's multi-pronged strategy of opening the defense sector to domestic private players and providing a policy-friendly environment, the defense sector is poised to be one of the long term growth drivers for the economy and also help in modernization of the armed forces.

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## FOR THE COMPANY

HAL, capitalizing on its existing capabilities and partnerships is at a crucial stage of its next growth leg. With the armed forces looking to upgrade and modernize the existing infrastructure, HAL has the ability to significantly boost its revenues.