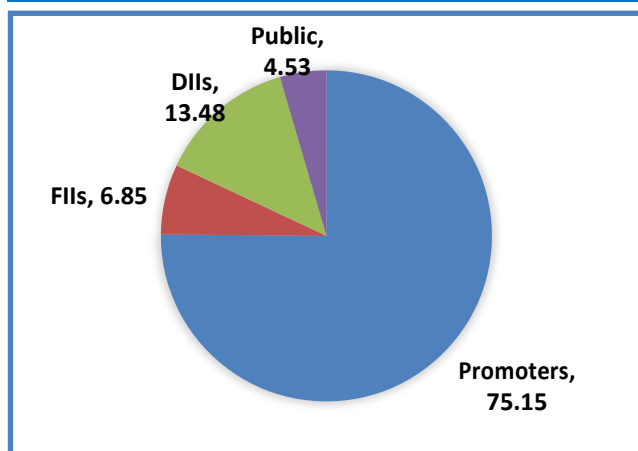


VALUE PARAMETERS

Industry	Aviation
Sector	Defence
Face Value (Rs.)	10.0
Mrk.Cap (Rs. in Cr)	91,263
Enterprise value (Rs in Cr)	74,482
52-Week High/Low	2813/1181
EPS (TTM)	175
P/E Ratio (TTM)	15.7
Book Value per share (Rs)	624
Industry P/E	23.2
P/B Ratio (calc at CMP)	4.40
Dividend Yield (%)	1.82
Cash equivalents (Rs. Cr)	16,783
Debt (Rs. Cr)	1.97
EV/EBITDA (x)	9.92

SHAREHOLDING PATTERN

FINANCIAL PERFORMANCE

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

Our Recommendation: HAL's maintains solid order book of Rs 83,000 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. 2500-2700 with target price Rs 3100 (upside 15%)

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.

Q2FY23 Results:

- Hindustan aeronautics consolidated revenue decreased 7.34% YoY to RS. 5,144.79 crores in Q2FY23, down from RS. 5,552.14 in Q2FY22. Sequentially, revenue saw an increase of 42.02% from the previous quarter (Q1FY23).
- Gross margin improved significantly by 1130 bps YoY to 64.2% on account of raw material cost, which declined 29.7% YoY.
- EBITDA margins improved by 917 bps to 31.52% on YoY basis from 22.35% a year ago.
- Company reported consolidated Net Profit of Rs. 1,221.23 crores, up 42.23% YoY from Rs. 846.76 crores in Q2FY22.

Key Highlights from Management Con-call:

- The order book was at Rs 83,858 crore as of September 2022 end. Order inflows were at Rs 10,251 crore during H1FY23 of which Rs. 8496 crore worth of orders were received in the RoH segment, 860 crore in manufacturing and Rs 742 crore in development.
- HAL also received Rs 6,800 crore for 70 HTT-40 from IAF in October 2022.
- The Key orders in the pipeline for the next one-to-one and a half years include 25 advanced light helicopters for Army, 6 Dornier aircraft, 12 light utility helicopters (LUH) and 12 Su-30 and 240 AL-31 engines (for Sukhoi-30 MKI aircraft).
- Capacity for helicopter manufacturing will reach 60 helicopters per annum post commissioning of the Tumkur Facility.
- These projects in aircraft, helicopters and engines are in advanced stages of finalisation with total estimated cost of these orders at Rs. 50,000 crore.

Financials and Valuations

Q2FY23 Quarterly financials consolidated (Rs in Cr)

Y/E March (INR Crore)	Q2FY23	Q2FY22	YoY chang. (%)	Q1FY23	QoQ chang. (%)
Revenue	5,144.79	5,552.14	-7.34	3,622.46	42.02
Expenditure	3,523.16	4,311.45	-18.28	2,796.17	26.00
<i>% of Sales</i>	68%	78%		77%	
EBITDA	1,621.63	1,240.69	30.70	826.29	96.25
<i>Margin (%)</i>	32%	22%	917 bps	23%	871 bps
Depreciation	251.97	243.09		208.21	
EBIT	1,369.66	997.60	37.30	618.08	121.60
Int. and Finance Charges	0.37	0.64		0.23	
Other Income	259.07	136.40		191.64	
PBT bef. EO Exp.	1,628.36	1,133.36	43.68	809.49	101.16
EO Items	0.0	0.0		0.0	
PBT	1,628.36	1,133.36	43.68	809.49	101.16
Tax	409.42	289.53		202.13	
<i>Tax Rate (%)</i>	0.3	0.3		0.2	
PAT	1,218.94	843.83	44.45	607.36	100.69
<i>Margin (%)</i>	23.69%	15.20%			
Shares Associate	2.28	2.91		12.77	
Minority Int.	0.01	0.02		0.01	
Net Profit	1,221.23	846.76	44.22	620.14	96.93
Adj. EPS	36.52	25.32		18.55	

Income statement, consolidated (Rs in Cr)

Y/E March (INR Crore)	FY18	FY19	FY20	FY21	FY22
Revenue	18,624.27	20,008.23	21,445.16	22,882.32	24,620.02
<i>Change (%)</i>	-0.03	7.4	7.2	6.7	7.6
Expenditure	15,181.65	15,464.97	16,542.05	17,546.06	19,211.46
<i>% of Sales</i>	81.5	77.3	77.1	76.7	78.0
EBITDA	3,442.62	4,543.26	4,903.11	5,336.26	5,408.56
<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
EBIT	2,495.53	3,518.00	3,904.59	4,178.37	4,298.03
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
PBT bef. EO Exp.	3,228.81	3,723.91	3,852.70	4,276.65	5,224.76
Exception Items	0.0	0.0	118.9	2.0	0.0
PBT	3,228.8	3,723.9	3,971.6	4,278.7	5,224.8
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
PAT	1,976.38	2,327.63	2,875.63	3,240.74	5,080.11
<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
Net Profit	1,990.47	2,328.63	2,882.82	3,245.95	5,080.04
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
Total Shareholder's Fund	9,511	12,082	13,248	15,424	19,313
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
Non-Current Liabilities	12,082	10175	8428	10871	13487
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
Current Liabilities	26,098	28,192	31,128	25,414	25,023
Minority Interest	0	4	4	4	4
Total Equity & Liability	47,691	50,449	52,804	51,709	57,823
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
Non-Current Assets	10,674	10,806	11,414	11,333	12,833
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
Current Assets	37,017	39,648	41,395	40,377	44,994
Misc. Exp. not W/O	0	0	0	0	0
Total Assets	47,691	50,449	52,804	51,709	57,823

Cash Flow statement (Rs. Cr)

Year End: March	FY18	FY19	FY20	FY21	FY22
Profit Before Tax	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
NET INC./DEC. IN CASH	-2,682.85	-80	252.45	6,866.83	-4,075.78
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

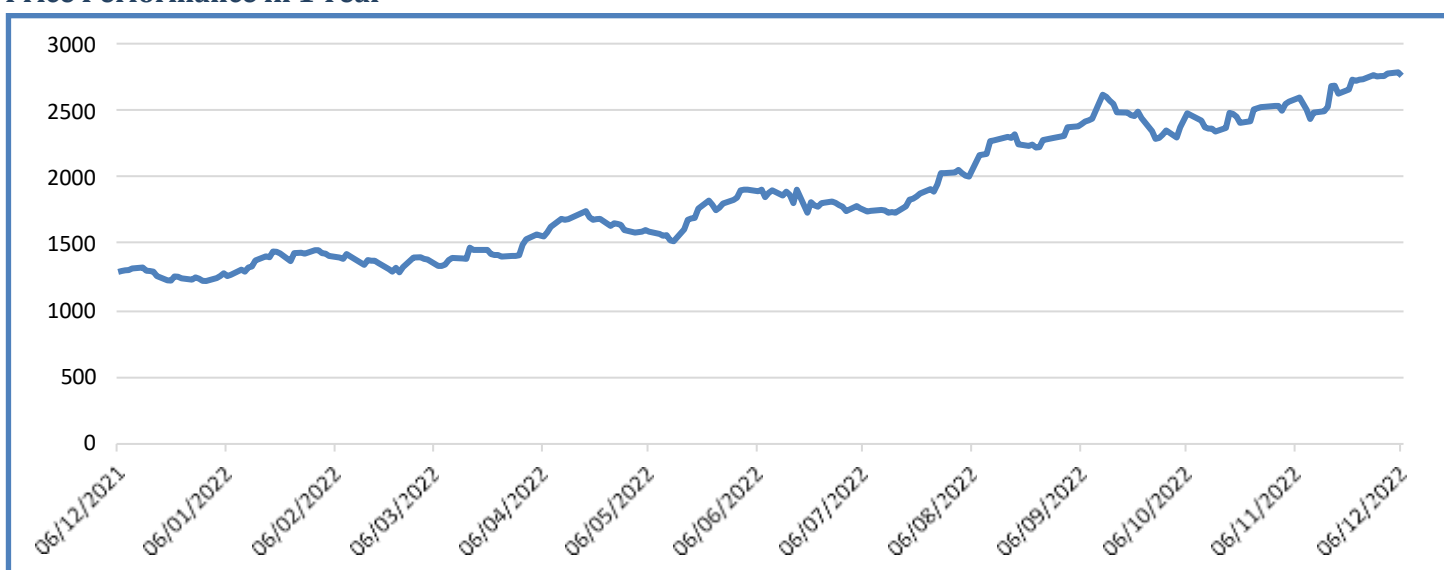
Key Ratios:

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
Per Share Data (Rs)					
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%
Valuation Ratios					
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
Return Ratios (%)					
ROE	17.9%	21.6%	22.7%	22.6%	29.2%
ROCE	27.2%	29.3%	24.5%	26.2%	30.4%
Leverage Ratio (x)					
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

Peer Comparison

Company Name	Price	MCap(Cr)	TTM PE	Net Sales(Rs.)	Debt to Equity	P/B	ROE(%)	1 Yr Perform(%)
Hindustan Aeron	2,727.50	92,240.79	15.69	24,620	0	4.78	26.3	115.77
Data Patterns	1,318.65	6,842.03	64.61	310	0.01	11.91	16.35	-
MTAR Tech	1,723.35	5,300.95	70.92	322	0.18	10.2	11.71	-23.9
Dreamfolks Serv	378.5	1,977.66	-	322	0.18	24.45	11.71	-
Apollo Micro Sy	276.75	574.64	35.44	243	0.36	1.8	4.57	153.43

Price Performance in 1 Year



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