Stock Update

Hindustan Aeronautics Limited

23-August-2021

RETAIL RESEARCH

Hindustan Aeronautics Limited

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace/Defense	1128	Buy in the Rs. 1060-1080 band and add on dips to Rs 900-920	1300	1461	4 quarters

HDFC Scrip Code	HINAERE
BSE Code	541154
NSE Code	HAL
Bloomberg	HNAL IN
CMP Aug 20, 2021	1128
Equity Capital (Rs cr)	334.4
Face Value (Rs)	10
Equity Share O/S (cr)	33.4
Market Cap (Rs cr)	37,675
Book Value (Rs)	461
Avg. 52 Wk Volumes	2725811
52 Week High	1360
52 Week Low	660

Share holding Pattern % (Jun, 2021)	
Promoters	44.07
Institutions	14.98
Non Institutions	40.23
Total	100.0

Retail Research Risk Rating:

	Blue*	

*** Refer at the end for explanation on Risk Ratings**

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Our take

Hindustan Aeronautics Ltd. (HAL) is the largest Defence Public Sector Unit (DPSU). It has been conferred with "Navratna" status by the Government of India (GOI) in June 2007. HAL is of strategic importance to the Indian defence forces on account of it being sole domestic supplier of aircrafts, helicopters, engines, avionics and other accessories. Both military and commercial aerospace sectors have good growth potential in India and the defence budget allocation has been continuously increasing over the years.

The GoI's increased focus on indigenisation with the Make in India and Atama Nirbhar Bharat policies augur well for the company's future growth. HAL has a robust order book of Rs. 80,640 crore which translates into ~3.5x FY21 revenues. The declining order book trend reversed on the back of newly awarded 83 LCA (Tejas) in Feb 2021. The company anticipates new order for 12 Sukhoi Su30 in the near term.

As a part of Modi government vision for "USD 5 trillion GDP by 2025", India should begin producing its own military aircraft. The successfully won new order of LCA, Make in India program, and deficit of aircraft & helicopter in Indian forces provides multiples years of opportunity worth US$93bn to HAL.

Valuation and recommendation

With monopoly in Indian aerospace, HAL is ready to take off to capture the multi decade opportunity. After decades of R&D, the company recently won the country's biggest order in February-2021 which not only opened bigger pipeline but also reversed its declining order book. We estimate long term Revenue /EBITDA/ PAT will grow at CAGR 13%/14%/14% on account of the robust order book, decades of opportunity, and control over operating costs. HAL could be clear beneficiary of a shift from imports to domestic production. The real growth story should start in FY25, when its newly-won LCA Mk1A contract, which accounts for 45% of its current order book, begins to contribute materially i.e. ->10% of revenues.The stock is currently trading at PE 10.2x FY23E EPS.

Given strong balance sheet, robust order book and execution capabilities, we feel investor can buy stock on LTP and add more on dips to Rs. 900-920 band (8.5x FY23E EPS) for the base target of Rs. 1300 (12x FY23E EPS) and bull case target of 1461 (13.5x FY23E EPS) over the next four quarters. HAL operates in an industry with high-entry barriers, enabling it to deliver high ROE. HAL is not involved in controversial weapons.

Hindustan Aeronautics Limited

Financial Summary

Rs in Cr	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY20	FY21	FY22E	FY23E
Net Revenues	1616	1737	-7.0	10739	-85.0	21,438	22,755	23,892	25,326
EBITDA	393	432	-9.0	2858	-86.3	4,896	5,349	5,471	5,774
Depreciation	111	111	0.2	668	-83.3	999	1,178	1,280	1,385
Other Income	150	47	217.7	132	14.2	294	358	382	418
Tax	69	66	4.9	545	-87.3	1,096	1,038	1,152	1,211
APAT	195	149	31.0	1622	-88.0	2,873	3,239	3,420	3,595
EPS (Rs)	5.82	4.45		48.50		85.9	96.9	102.3	107.5
P/E (x)						13.0	11.6	10.9	10.4
EV / EBITDA (x)						8.8	5.7	5.7	5.3
RoE (%)						22.7	22.6	20.7	19.1

(Source: Company, HDFCSec Research)

Recent Updates

For Q1FY22, Revenue was down by 7% YoY to Rs 1,616 cr, EBITDA down by 9% to Rs 393 cr and PAT grew by 31% to Rs 195 cr. HAL reduced debt and became a long term debt free company. The order book stood at Rs 80,639 cr. This was expected to pass Rs 1 Lakh cr, but could not due to COVID. Collections have improved during the year and receivables dropped to Rs 5,639 cr from Rs 11,235 cr. Employee cost and overhead cost reduced. Employee cost reduced to 19% of the revenue in FY21 from 22-23% during FY18-19 leading to improved profitability.

The order book includes 83 LCA of Rs 36217 cr, past LCAs of Rs 4900 cr (6 more to deliver this year; with that delivery of FOC will be over leaving 8 trainers to be delivered), 36 ALH for Rs 10000 cr, Sukhoi Su30 of Rs 377 cr, AL31 engines, IJT of Rs 5940 cr, Dornier MLU upgrade of Rs 1000 cr, Jaguar upgrade Rs 2100 cr. Mirage upgrade of Rs780 cr, aerospace structure Rs 1000 cr, 8 LM of Rs 700 cr, MRO orders of Rs 7500 cr, Export of Rs 104 cr, and others of Rs 700 cr.

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The management expects to maintain growth path with sufficient workload in FY22. LCA deliveries are expected to start from March 24. HAL is expected to clock double-digit growth from FY24.
It expects the share of ROH aircrafts and Rotables likely to improve going forward. It anticipates to receive new orders for 15 units of LCH (light combat helicopter), 12 units of SU-30, (Hindustan turbo trainer) HTT-40, LUH etc. in the coming quarters.

Expected order book includes 70 HTT-40, with order value of Rs 7000 cr, followed by 36, Sukhoi Su30 12 nos for Rs10,000 cr along with certain modifications, LUH 12 nos (order potential 187) - present fleet was 400 nos, 25 LUHs from Army. Large order for engines - AL 31SP for Su 30 – Rs 6000 cr and RD 33 for Mig 29 fleet – Rs 2500 cr. ALH – 300 has been delivered and 50 or more will be delivered as per estimates. IMRH 325 numbers was the initial projection and now the Navy has joined the fray. Models are being developed for Army and Airforce and the now also for Navy.

Indigenous Aircraft a Make in India initiatives

HAL is India's most prominent defence state-owned enterprise and holds a monopoly on the production of technology-intensive fighter aircrafts and helicopters (FA&H). Hindustan Aeronautics won the most significant order worth of USD 5.6 bn in February 2021 under the Make in India and has reversed its declining order backlog.

Hindustan Aeronautics Limited has deep experience in manufacturing, servicing, research & development and has a portfolio of 17 aircraft manufactured with in-house R&D and 14 under license from various original equipment manufacturers (OEM) from around the world. Since beginning, HAL has delivered over 4,150 aircraft and 5,250 aero-engines and also completed over 11,550 overhauls of aircraft and 34,600 of aircraft engines for the Indian Air Force and other countries. The company has a monopoly with Indian Armed Forces as its primary customer as it provides support to ~75% of India's fleet, including aircraft that it did not design and produce. The company supports 100% of Army and Coast Guard helicopters and 89% of the fighters in the Indian Air Force. In addition, HAL supplies 39% of IAF helicopters.

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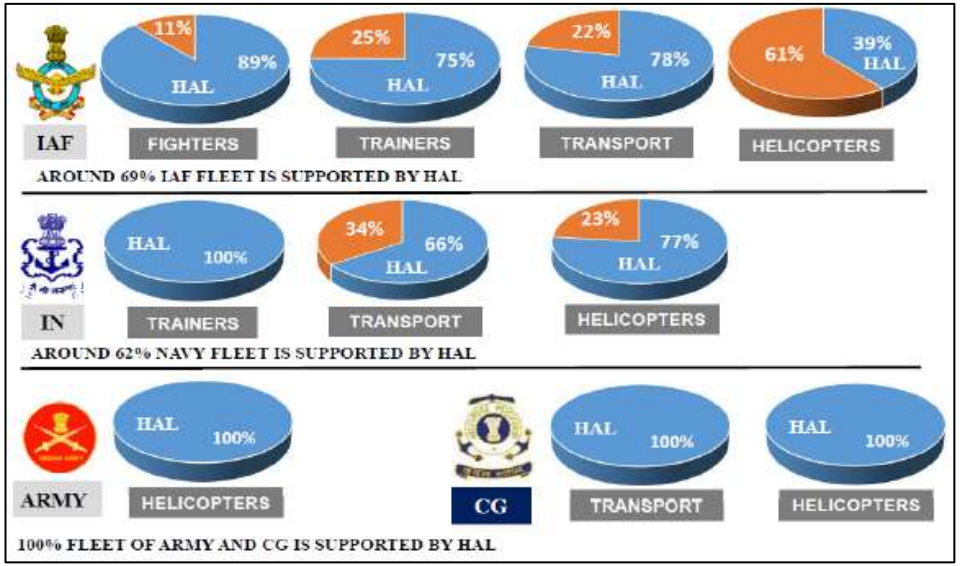
Support service to the forces provided by HAL



HAL started as an aircraft design and development company and manufactured 150 aircraft in 1951. However, later on, the country's desire to import the latest fighter aircraft and helicopter changed its role to an assembler over the last four decades, which shifted its business model towards the transfer of technology (ToT) having limited flexibility for innovation and export restriction. Now the company is again in transition phase from technology transfers to self-designed platforms. The company recently completed phase 4 of the SU30MKI project, in which the company built 222 heavy-weight fighter planes out of a 272 order. Given that the aircraft were made from the ground up and its three decades of LCA development, HAL now claims it has returned to its integrated aircraft producer operations mode. India's Make in India focus adds an advantage to HAL's ambitions and capabilities as it participates in the entire aeronautic value chain. HAL has developed a domestic aerospace ecosystem with its 20 production & 10 R&D divisions and has implemented the public procurement policy for micro-small enterprises. . It has also implemented the purchase preference policy (Make in India) and includes it in all tenders, where local/non-local suppliers are included.

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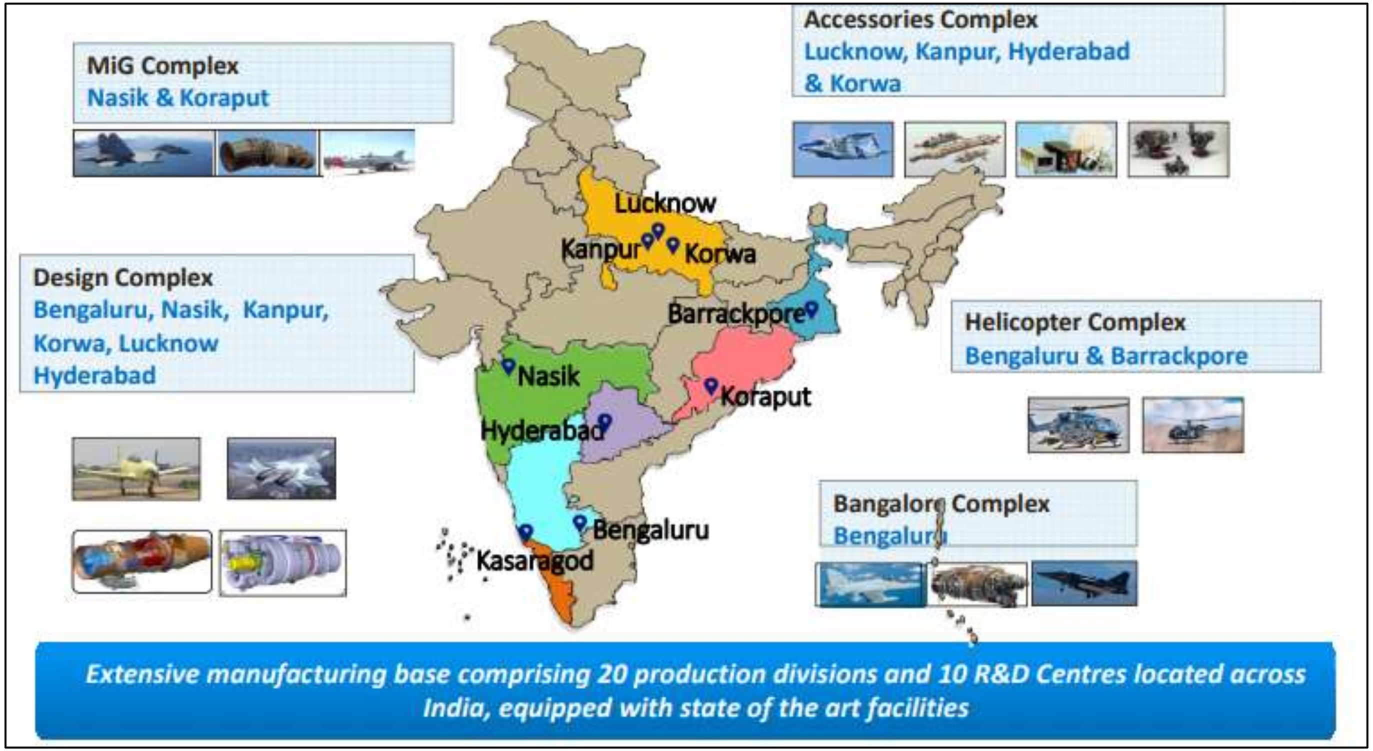
HAL presence across the nation



(Source: HAL, HDFCSec Research)

HAL: Manufacturing and Repair Services

	Manufacturing		Repair and Overhaul (RoH)	
	Aircraft	Engines	Aircraft	Engines
MiG Complex, Nasik & Koraput	Su-30 MKI	AL-31FP (Su-30 MKI), RD-33 (Mig 29)	Su-30 MKI, MiG 21	AL-31 FP, R-25 (Mig 21 BIS), RD-33
Bangalore Complex	LCA Tejas	Shakti, Garrett, Artouste	Jaguar, Mirage, Hawk, LCA, Kiran	Adour Mk804E/811, Adour 871, Dart, Orpheus, Gnome, Artouste, Shakti Garrett, TM-333 282/ 2M2 (Dhruv, Cheetah)
Accessories complex, Kanpur, Hyderabad & Lucknow	Dornier Do-228		Dornier Do-228, AN-32, HS-748 Avro	
Helicopter Complex, Bangalore	ALH Dhruv, Cheetal, Chetak, Light Combat Helicopter		ALH Dhruv, Cheetal, Chetak	

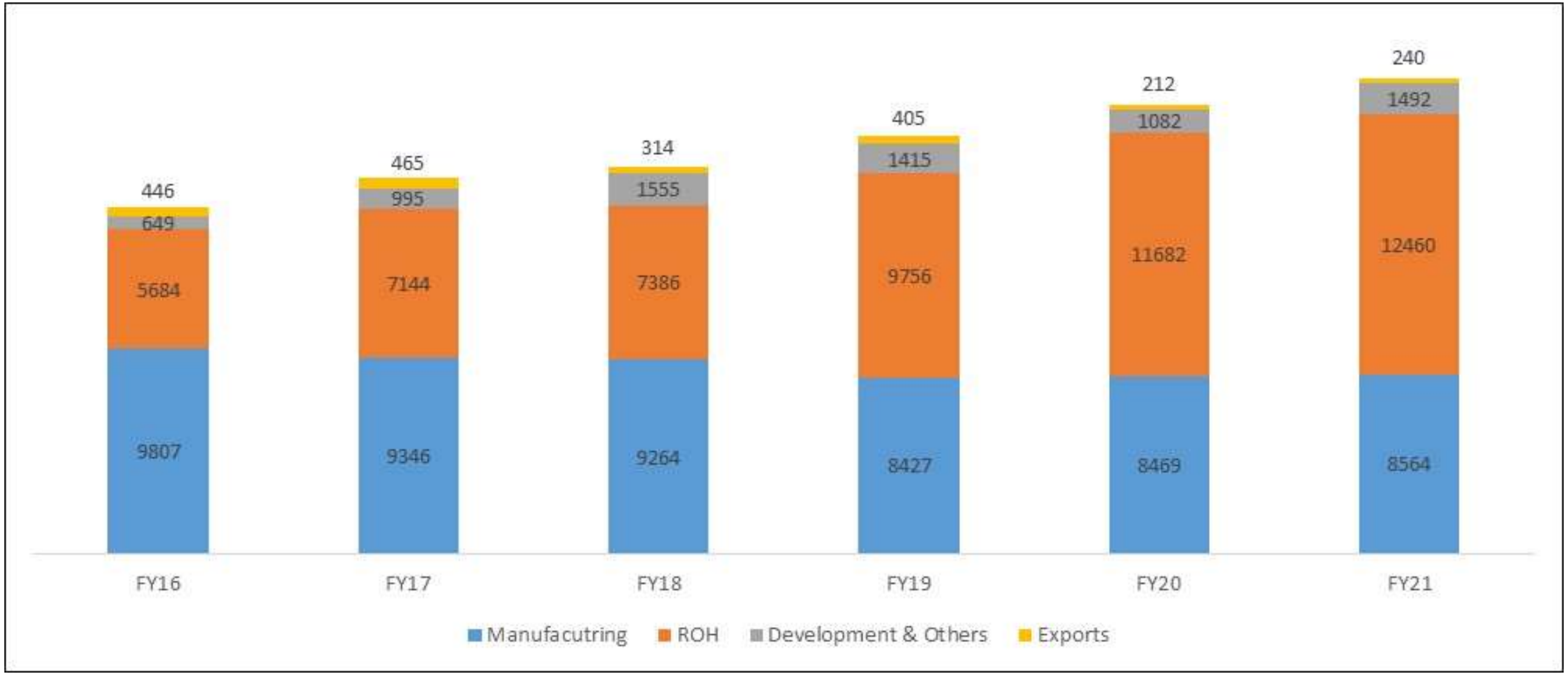
(Source: HAL, HDFCSec Research)

The manufacturing unit's revenue share had declined to 38% in FY21 from 59% in FY16 because of lack of orders and faster growth in the service business. The company also provides support for the repair and overhaul (RoH) of its own developed and license-manufactured helicopter and for aircraft and helicopters owned by Indian Defence Services such as Mirage 2000 and An-32 aircraft with the associated engines, accessories and avionics. A growing revenue share of repair & overhaul (RoH) went up to 56% in FY21 from 34% in FY16 mainly on faster growth on the back of upgraded several aircraft, including the Mig 21BIS, Mig 27 & Jaguar, in order to enhance their combat capacities and performances. The company has supplied Dhruv helicopters to Ecuador, Mauritius, Maldives and Nepal; the Cheetah and Chetak helicopters to Namibia, Nepal, Mauritius and Suriname; the Cheetal helicopter to Afghanistan, the Lancer helicopter to Nepal and the Dornier- 228 aircraft to Mauritius and Seychelles. HAL also exports aero-structures to customers in the USA and Europe, including aircraft doors to commercial aircraft manufacturers.

Hindustan Aeronautics Limited

HAL is setting up a large Rs6000 cr facility ats Tumkur facility to produce new helicopters such as light combat and light utility helicopters (LCH and LUH).

Segment wise revenue breakup (Rs cr)



(Source: Company Filings, HDFCSec Research)

The company has developed domestic military aircraft and helicopters such as the Tejas, Ajeet, Marut, HPT-32, Kiran and Advanced Light Helicopter, along with aircraft manufactured under licences such as the MiG 21FL/M/BIS, MiG 27, Avro, Jaguar, Dornier 228, Su-30 MkI, Hawk Mk132 aircraft and licence manufactured helicopters such as the Cheetah and Chetak helicopters.

HAL's Product Suits

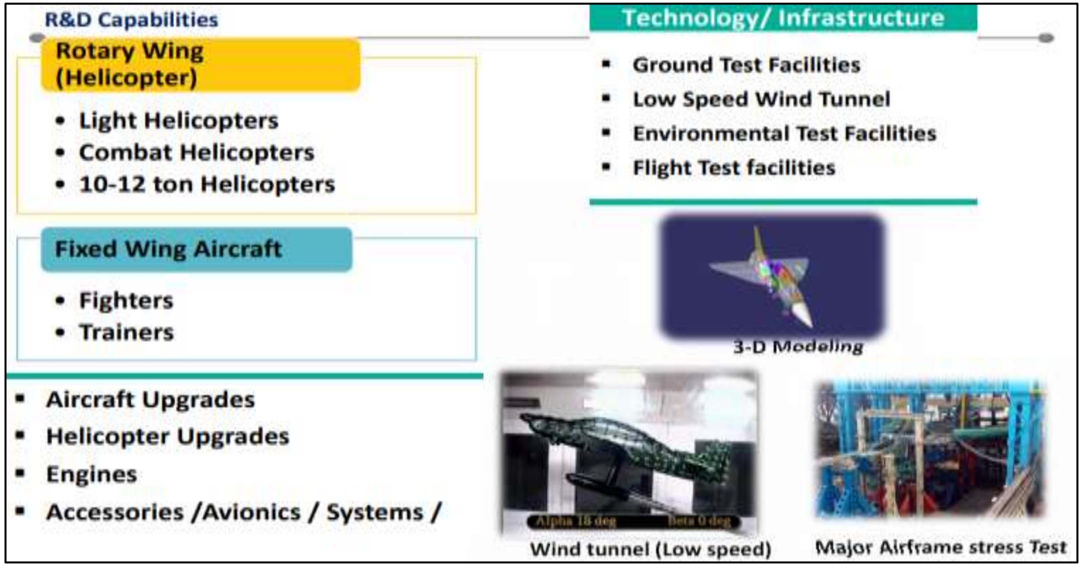
Products

Aircraft	Helipcoters	Engines	Navigation & Communication Equipment	Aircraft Accessories
Manufactures aircraft using indigenous technologies, Russian and Western origin. - Sukhoi Su-30 MKI - MiG Variants -21M, 21BIS, 27M - Hawk Mk 132 - Dornier 228 - Light Combat Aircraft Tejas - Pilotless Target Aircraft Lakshya - Jaguar - DARIN-III Upgrade - Mirage 2000 Upgrade	Manufactures indigenously designed and developed helicopters as well as under licences or transfer of technology from the OEM. It also provides repair, overhaul and maintenance services for both indigenous and licenced manufactured helicopters. - Advanced Light - Helicopter Dhruv - ALH Mk IV Rudra - Light Combat Helicopter ("LCH") - Cheetal helicopter - Cheetah - Chetak - Lancer	Manufactures engines for aircraft and helicopters, and their components, including critical discs, shafts, blades, forgings and castings. It also manufactures products and spares required for the overhaul of engines and spares required during servicing. - Adour Mk 871- 07 - Adour Mk 804E/811 - AL-31FP - Shakti 1H1 - Garrett TPE-331-5 - Artouste IIIB - PTAE-7	Manufactures various avionic equipment's of indigenous design as well as under technology transfer from various OEMs, such as airborne radar equipment's, communication equipment's, navigation equipment's, on-board computers and display systems. - Advanced Communication System (ACS-235) - VHF Omni Range and Instrument Landing System (VOR/ILS) - Tactical Air Navigation (TACAN)	Major accessories for aircraft, helicopters and aero-engines manufactured by us are as follows. - Hydraulic Systems and Power Control - Environment Control Systems - Engine Fuel Systems - Instruments - Electrical Power Generation and Control Systems - Landing Gear Systems

The company has done decent spend on R&D, for a credible pipeline of future products. It successfully delivered the light combat aircraft (LCA) Tejas. Now the company is involved in the development of various projects of national importance and future aircraft, such as the Tejas Mk 2, twin-engine deck-based fighter (TEDBF), the fifth-generation advanced medium combat aircraft (AMCA), multi-role transport aircraft (MTA), 12-ton Indian multi-role helicopter (IMRH), unmanned aerial vehicles (UAV) like the Rustom-II and the combat air teaming system (CATS alpha). The company developed Sukhoi Su30 MKI. The Indian Air Force ordered 272 aircraft, of which 50 were produced in

Russia and delivered from 2002-07. The remaining 222 aircraft were built under license at HAL's Indian facilities. Final integration and test flights of the aircraft are carried out at HAL's Nasik Division. The company is expecting a follow on order for 12 more Su30 after the Defence Acquisition Council (DAC) approved the procurement for Rs107bn in July 2020. Once production is complete, the repair and overhaul could grow as historically Sukhoi faced the issue with engines. The company is expanding its overhaul capacity from 15 aircraft per year to 25 by FY23.

Strong design and development capabilities



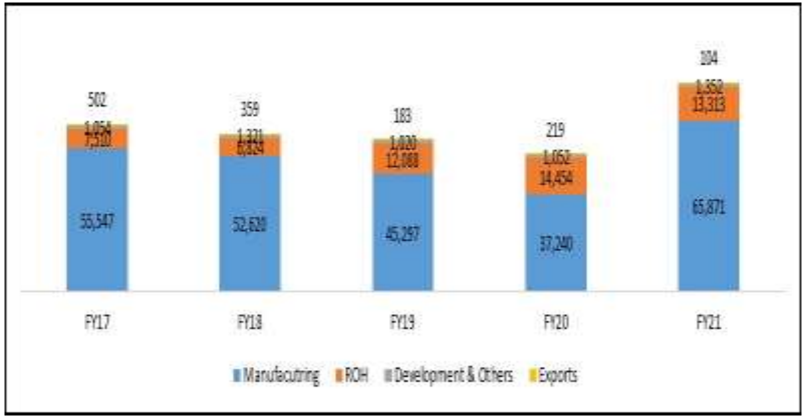
(Source: HAL, HDFCSec Research)

Robust R&D Expenses (Rs in cr)

(Source: HAL, HDFCSec Research)

IAF awarded orders worth Rs 457 bn for 83 Tejas MK1/MK1A and signaled the beginning of a 10-year award cycle.

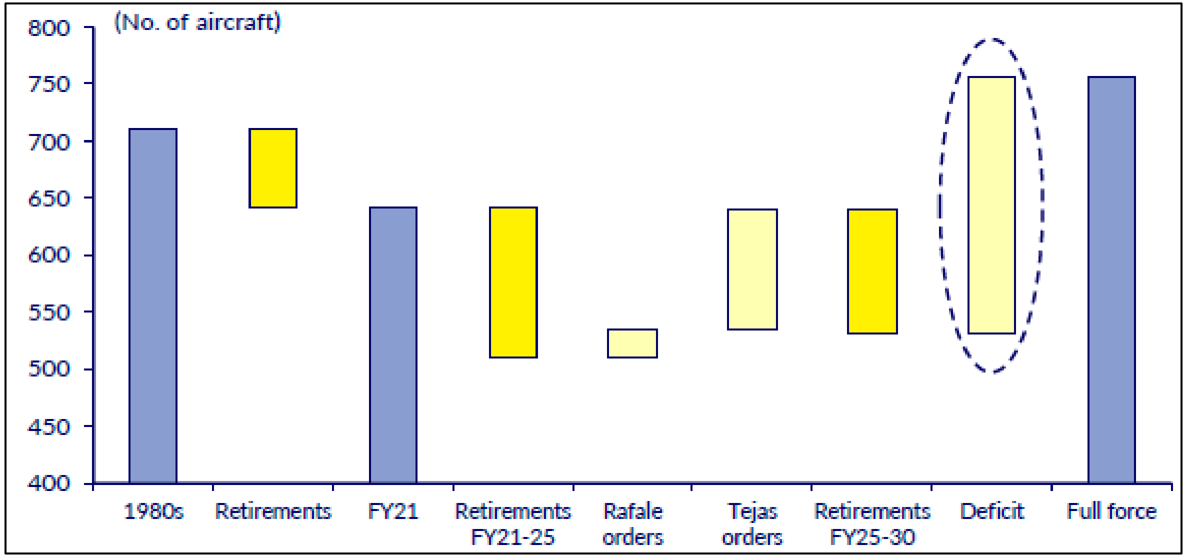
Orderbook trend reversed due to newly awarded project LCA



Decade of opportunity provides visibility on order inflow

During FY17-FY20, order book decreased 33% mainly due to low defence budget and capex, the government's focus on the medium multi-role combat aircraft (MMRCA 2.0) and Rafale jet imports. The LCA project is a game-changer for the company. The successful delivery of the LCA project and the government's renewed focus on Atmanirbhar Bharat & Make in India in defence has led to a complete turnaround. IAF's fleet deficit, replacement of IAF's ageing fleet and well-balanced portfolio of future products are the key growth drivers that provide a USD 54 bn opportunity. India plans to add more than 550 new aircrafts and 300 helicopters over the next two decades. The IAF has approved squadron strength of 42 but presently has only 29-30 squadrons, creating incremental demand of 114 fighter jets. As per several reports, India will have a 225 fighter aircraft deficit by 2023-2024 due to the retirements of several fleets. In addition to this, the deficit is likely to widen on account of MIG 21 scheduled to retire in FY23 and will create incremental demand of 132 fighter aircrafts.

Fighter Aircraft Deficit



(Source: CLSA, HAL, Ministry of Defence, HDFCSec Research)

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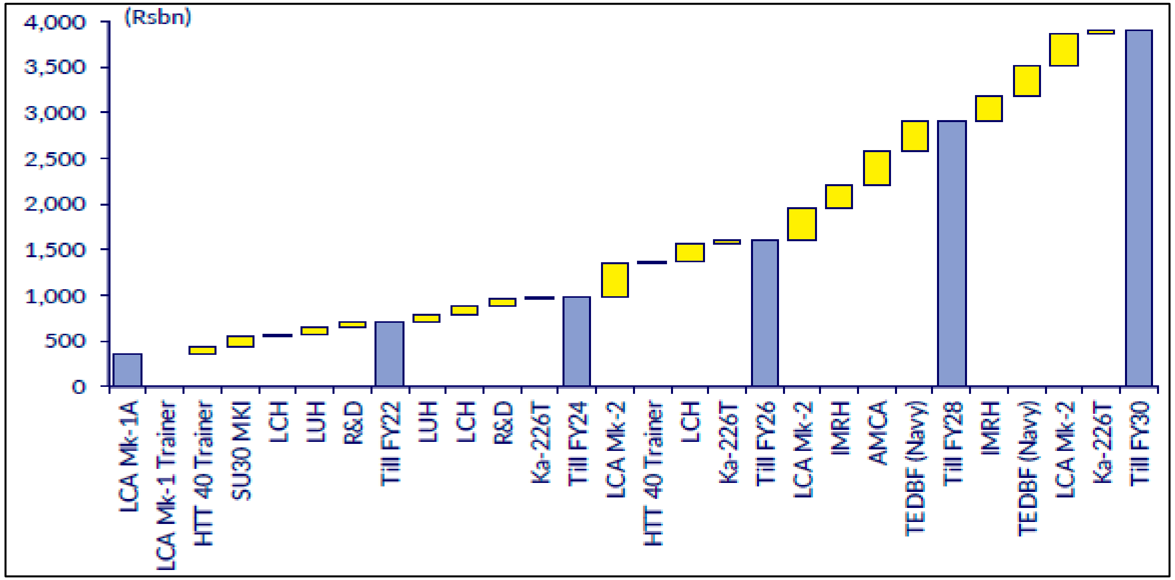
Indian Air Force has a challenge of replacing ageing fleet with modern fighter aircrafts and helicopters. The MiG-21 (31% of the present fleet) is scheduled to retire in FY23, creating demand for 132 fighter aircrafts (FAs) and likely filling the place through Tejas. MiG 29 and Mirage 2000 are expected to retire between FY25-30 and create incremental demand of 110 FAs. Tejas Mk2, Tejas Navy (TEDBF) and AMCA of HAL and its competitors' MMRCA 2.0 are likely to take the place of the old fighter aircrafts. Similarly, Indian defence forces are likely to replace its ageing helicopters. Cheetah and Chetak will likely be replaced by HAL's new light combat helicopter (LCHs) and light utility helicopter (LUHs) over 2021-2025. The Mi-17 will be replaced by the Indian multi-role helicopters. Above all, replacement creates the opportunity of USD 18 bn in Helicopters.

A decade of opportunity



(Source: CLSA, HAL, Ministry of Defence, HDFCSec Research)

Logistics bases abroad

HAL is looking at setting up logistics bases in Malaysia, Vietnam, Indonesia and Sri Lanka as part of initiatives to woo the countries to buy India's light combat aircraft Tejas and military helicopters. It is considering to build logistics bases in these four countries as they use a number of Russian-origin military aircraft and choppers whose serviceability is " poor".

Booming pipeline, servicing contracts and Make in India opportunity provides significant growth visibility

With the strong product pipeline, the newly won LCA contract will grow the manufacturing revenue. We expect the repair & overhaul business, and design and development revenue should pick up to develop Tejas MK2, Tejas Navy-TEDBF, and AMCA. Revenue could grow at a CAGR of 12-13% over the next five years. Revenue will not be booked beforehand due to the company's conservative accounting policy. Unlike most of its peers, HAL does not follow the percentage of completion method for revenue recognition, but uses an aircraft-delivered methodology that only begins recognising revenue after the aircraft receives a "signalling out certificate" (SOC), which HAL calls "documentation for the delivery". Percentage of completion method allows booking of revenues and profits uniformly over the execution period. . With controlling employee cost, procurement from local suppliers and lower other operating expenses, EBITDA margin will be maintained in the range of 22%-24%, and EBITDA will grow at a CAGR of ~14% over FY21-FY26E.

HAL's return ratios are healthy and dividend payout at 31% in FY21 could result in healthy dividend yield.

What could go wrong?

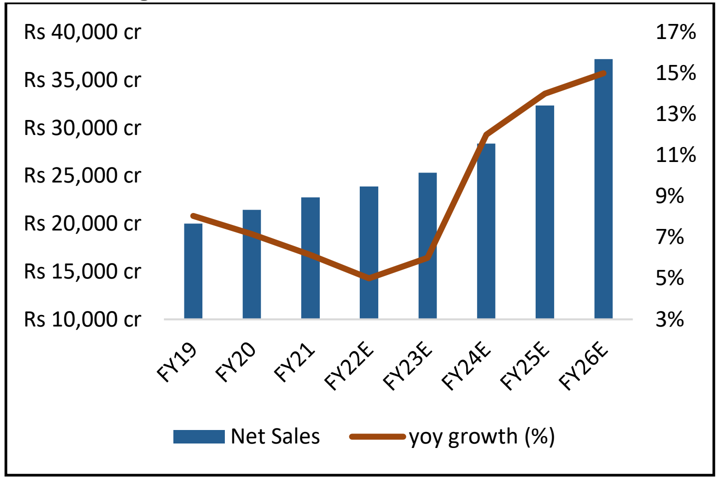
- Delay in execution of key projects due to the pandemic and cut in Government spending on defence. Company depends heavily on Ministry of Defence (MoD) contracts, quantum of allocation of Defence budget and timely allocation of budget. Any changes in the policies could adversely impact company's revenues.
- Back-ended payments from government, long-dated contracts and negligible advances in new contracts could lead to increase in working capital.
- Competition from foreign companies due to technology edge and an increase of FDI limit from 49% to 74% through the automatic route.
- HAL being majority Govt owned, may not always take decisions that are in favour of minority shareholders.

Hindustan Aeronautics Limited

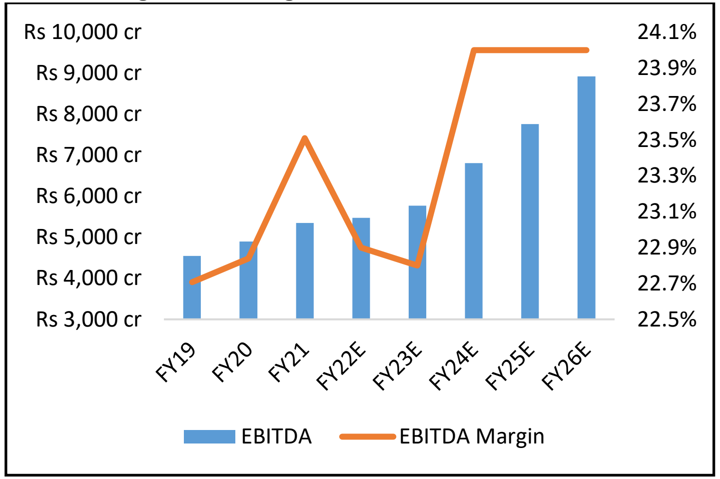
- Margins on orders from the Govt could be lower but can be offset to some extent by HAL through lower employee costs (retirements), higher outsourcing and local sourcing.
- Possible divestment by the Govt of India to raise resources could be a headwind as it still owns 75.2% stake in the company. This could create additional supply of shares depressing the stock prices, atleast temporarily.
- HAL has to pay liquidiated damages in case of delay in delivery and has to provide for warranty costs. Any delay in deliveries and/or need to meet warranty claims could result in higher dent to margins.
- Risk of US sanctions due to India's deal to purchase Russia's S-400 Air defence system could impact the HAL's LCA program as it is built around engines purchased from General Electric.

Story in Charts

Revenue to grow at CAGR 13% over FY21-FY26



EBITDA margin in the range of 22-24%



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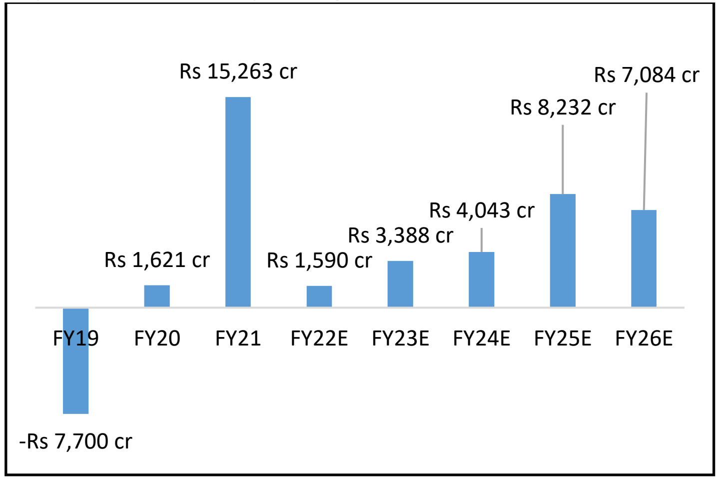
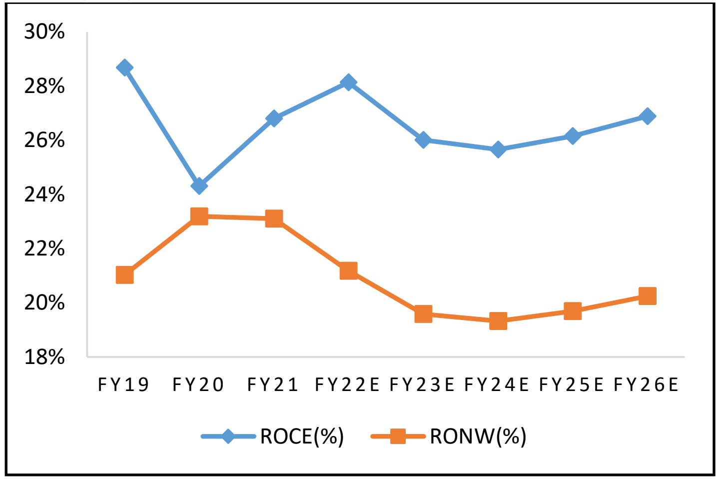
Improved Cash from operating activities



Healthy Capital Allocation…



Company profile:

Hindustan Aeronautics Ltd. (HAL) is the largest Defence Public Sector Unit (DPSU) and has been conferred with "Navratna" status by the Government of India (GOI) in June 2007. HAL is engaged in the design, development, manufacture, repair, overhaul, upgrade and servicing of a wide range of products including, aircraft, helicopters, aero-engines, avionics, accessories and aerospace structures. It also engages with the Indian Space Research Organization (ISRO) to contribute to the space programs of the country. HAL's primary consumers are the Indian Defence Forces comprising of the Indian Air Force, Indian Army, and Indian Navy along with the Indian Coast Guard. The company has four production complexes- Bangalore complex, MiG complex (located in Nasik and Koraput), Helicopter complex (located in Bangalore and Barrackpore) and Accessories Complex (located in Kanpur, Lucknow, Hyderabad, Kasargod and Korwa); along with a Design complex (R&D centres jointly located with the related manufacturing divisions. It has collaborated with IITs and IISc for talent acquisition and aerospace research.

Hindustan Aeronautics Limited

Financials (Consolidated)

Income Statement

(Rs cr)	FY19	FY20	FY21	FY22E	FY23E
Income from operations	**20,008**	**21,438**	**22,755**	**23,892**	**25,326**
Material Cost	8,835	9,387	11,044	11,349	11,928
Employee Cost	4,311	4,778	4,305	4,540	4,812
Other expenses	2,319	2,377	2,056	2,341	2,533
Total expenses	15,465	16,542	17,405	18,230	19,273
EBITDA	**4,543**	**4,896**	**5,349**	**5,662**	**6,053**
Depreciation	1,025	999	1,178	1,369	1,542
EBIT	3,894	4,192	4,529	4,652	4,840
Other Income	376	294	358	358	329
Interest	170	348	259	1	1
Profit before tax	3,724	3,962	4,272	4,651	4,839
Tax Expenses	1,396	1,096	1,038	1,172	1,220
Profit After Tax	**2,328**	**2,866**	**3,234**	**3,479**	**3,620**
Adj. PAT	**2,328**	**2,873**	**3,239**	**3,479**	**3,620**
EPS	69.6	85.9	96.9	104.0	108.3

Cash Flow Statement

(Rs cr)	FY19	FY20	FY21	FY22E	FY23E
Profit Before Tax	**2,328**	**2,873**	**4,277**	**4,651**	**4,839**
Depreciation	1,274	1,030	1,242	1,369	1,542
Others	2,603	2,825	1,294	-1,824	414
Change in working capital	-12,814	-3,287	9,168	-1,287	-1,451
Tax expenses	-1,092	-1,820	-719	-1,172	-1,220
CF from Operating activities	**-7,700**	**1,621**	**15,263**	**1,737**	**4,125**
Net Capex	-1,093	-890	-763	-1,500	-1,500
Other investing activities	6,688	51	35	0	0
CF from Investing activities	5,294	-1,339	-1,271	-1,500	-1,500
Proceeds from Eq Cap	0	0	0	0	0
Borrowings / (Repayments)	3,289	1,659	-5,860	0	0
Dividends paid	-798	-1,340	-1,204	-1,378	-1,433
Interest paid	**-170**	**-348**	**-259**	**-1**	**-1**
CF from Financing activities	**2,326**	**-40**	**-7,326**	**-1,275**	**-1,329**
Net Cash Flow	**-80**	**242**	**6,666**	**-1,037**	**1,296**

Hindustan Aeronautics Limited

Balance sheet

(Rs cr)	FY19	FY20	FY21	FY22E	FY23E
EQUITY AND LIABILITIES					
Share Capital	334	334	334	334	334
Reserves and Surplus	11,748	12,904	15,078	17,179	19,366
Shareholders' Funds	**12,082**	**13,239**	**15,412**	**17,514**	**19,700**
Minority Interest	4	4	4	4	4
Long Term borrowings	100	0	0	0	0
Deferred Tax Liabilities (Net)	926	75	370	370	370
Other Long Term Liabilities	8,803	7,476	9,803	8,004	8,484
Long Term Provisions	1,531	1,530	1,216	1,272	1,348
Non-current Liabilities	**11,360**	**9,081**	**11,389**	**9,646**	**10,203**
Short Term Borrowings	4,016	5,775	9	9	9
Trade Payables	2,629	4,084	2,241	2,160	2,290
Other Current Liabilities	15,868	15,778	18,862	19,637	20,816
Short Term Provisions	4,494	4,801	3,976	4,161	4,411
Current. Liabilities	**27,007**	**30,438**	**25,088**	**25,968**	**27,525**
TOTAL	**50,454**	**52,762**	**51,894**	**53,131**	**57,432**
Gross Block	8,861	9,674	11,049	12,675	14,277
Less: Acc. Depreciation	2,573	3,324	4,502	5,871	7,413
Net Block	**6,288**	**6,351**	**6,547**	**6,804**	**6,864**
Intangible Assets	1,971	2,190	2,230	2,119	2,013
Capital work-in-progress	702	860	792	673	572
Non-current Investments	910	991	1,056	1,056	1,056
Long-Term Loans and Adv	48	48	46	48	51
Other Non-current Assets	887	962	1,052	1,075	1,140
Non-current Assets	**1,845**	**2,001**	**2,153**	**2,178**	**2,246**
Inventories	19,664	19,436	16,545	17,674	19,428
Trade Receivables	12,458	11,583	5,638	6,546	7,632

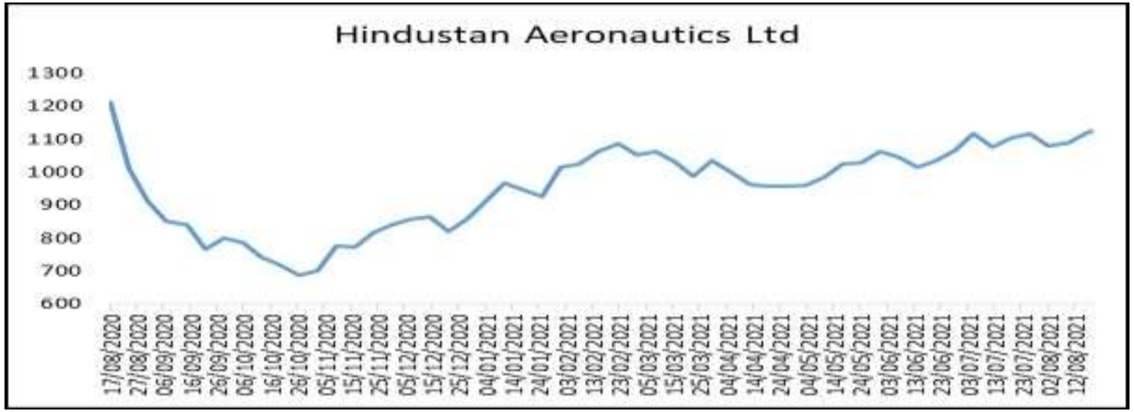
Financial Ratios

Particulars	FY19	FY20	FY21	FY22E	FY23E
EPS (Rs)	69.6	85.9	96.9	104	108.3
Cash EPS (Rs)	100.3	115.8	132.1	145	154.4
BVPS (Rs)	361.3	395.9	460.9	523.7	589.1
DPS (Rs)	19.8	33.3	30	34.3	35.7
PE (x)	15.9	12.9	11.4	10.6	10.2
P/BV (x)	3.1	2.8	2.4	2.1	1.9
Mcap/Sales (x)	1.8	1.7	1.6	1.5	1.5
EV/EBITDA (x)	9	8.7	5.6	5.4	4.9
EBITDAM (%)	22.7	22.8	23.5	23.7	23.9
EBITM (%)	19.5	19.6	19.9	19.5	19.1
PATM (%)	11.6	13.4	14.2	14.6	14.3
ROCE (%)	28.2	23.8	26.3	28.2	26
RONW (%)	20.5	22.7	22.6	21.1	19.5
Current Ratio (x)	1.5	1.4	1.6	1.6	1.7
Quick Ratio (x)	0.7	0.7	0.9	0.9	1
Debt-Equity (x)	0.3	0.4	0	0	0
Debtor days	167	205	138	93	102
Inventory days	361	333	289	261	267
Creditor days	39	57	51	34	32

Hindustan Aeronautics Limited

Cash and Bank Balances	124	317	7,177	6,140	7,436
Short-Term Loans and Adv	27	19	15	0	0
Other Current Assets	7,375	10,006	10,797	10,997	11,240
Current Assets	**39,648**	**41,362**	**40,171**	**41,357**	**45,737**
TOTAL	**50,454**	**52,762**	**51,894**	**53,131**	**57,432**

One Year Price Chart



HDFCSec Retail Research Rating description

Green rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Blue Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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