

## Hindustan Aeronautics Limited

March 09, 2026

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	6,050.00	CARE AAA; Stable / CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Hindustan Aeronautics Limited (HAL) continues to factor in its strategic importance to the Government of India (GoI) as its core defence aviation equipment supplier with HAL's integrated presence through design, development, manufacturing, maintenance, and overhaul of aviation products for the Indian defence forces. GoI continues to have majority ownership (71.64%) in the company.

Ratings also derive comfort from high-entry barriers in the business considering capital intensity and long gestation period required for developing, manufacturing, and servicing facilities. HAL continues to invest in research and development (R&D) resulting in continually improving product portfolio in a technology-intensive industry. The government's initiatives for promoting domestic manufacturing and HAL's established relationship with its customers is expected to continue to benefit HAL in the long run, though there might be some increase in the competition from the private sector.

HAL's order book improved significantly to ₹258,942 crore as on September 30, 2025 (₹133,238 crore as on December 31, 2024), including manufacturing orders mainly for models of helicopters, engines, and aircraft of ₹224,486 crore, which provides long-term revenue visibility. The repair and over-hauling (ROH) and spares order book also remained healthy at ₹30,569 crore.

Ratings also factor in the healthy operating performance of the company in FY25 (refers to April 01 to March 31) and 9MFY26 marked by improvement in total operating income (TOI) and profit levels. Receivables remaining under control and significant amount of interest-free advances outstanding for the orders under execution have led to negligible reliance of HAL on external borrowings and nil utilisation of its fund-based working capital limits. Liquidity remained strong marked by free cash and cash equivalents of ₹43,465 crore as on September 30, 2025.

Going ahead, as strongly articulated by the company, HAL's collection period is expected to remain under control, which would result in continued low reliance on debt and maintenance of significant surplus liquidity despite the dividend pay-out. Ratings also take note of HAL's high dependence on the Ministry of Defence, GoI, for contracts and the annual budget allocation towards strengthening the defence infrastructure, apart from risk associated with time or cost overrun in execution, which might impact its profitability.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Not applicable

#### Negative factors

- Significant fall in the company's order book and/or dilution of GoI stake below majority in the company.
- Substantial increase in bank borrowings on a sustained basis resulting in total debt/profit before interest, lease rentals, depreciation and taxation (TD/PBILDT) exceeding 0.50x on a sustained basis.
- Significant decline in the company's surplus liquidity in the form of cash and cash equivalents maintained.

**Analytical approach:** Standalone

#### Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that HAL will continue to benefit from its strategic importance to the Indian defence forces, resulting in maintaining its leadership position in the Indian Aerospace and Defence industry supported by long track record of operations, high entry barriers, and maintaining its highly comfortable financial risk profile.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Detailed description of key rating drivers:****Key strengths****HAL's strategic importance to the Indian defence sector and GoI's majority ownership**

HAL is a Maharatna Central Public Sector Enterprise (CPSE) promoted and majorly owned by GoI. HAL plays a strategic role in India's defence programme being a major Indian company having specialisation in aircraft manufacturing and providing its ROH services. HAL has an established track record in offering product life cycle support. The company's competitive position remains strong as it maintains leadership position in the Indian Aerospace and Defence industry, being GoI's prime defence contractor and supported by defence outlays of the GoI.

**Strong order book providing healthy revenue visibility**

HAL's order book remained healthy at ₹258,942 crore as on September 30, 2025, majorly contributed by manufacturing orders of models of helicopters, aircraft, and engines of ~₹224,486 crore to be executed in the next 7-8 years. The ROH and spares order book remained healthy at ₹30,569 crore and is expected to remain robust in the near-to-medium term as HAL undertakes repair and maintenance work of aircraft manufactured by it for its entire life and for aircraft manufactured by others, for which it has built infrastructure across the country. The balance order book is from design and development projects and exports, which together stood at ₹3,887 crore as on September 30, 2025.

There remains visibility of future orders with strong order pipeline, where orders for procurement of 143 Advanced Light Helicopter (ALH), 10 numbers of DO-228, Dornier for the Indian Navy and Coast Guard and upgrade of 40 Dornier for the Indian Air Force are at stages of approval. The aggregate value of the order pipeline is estimated at ~₹60,000-1,00,000 crore and are expected to materialise within the next one to two years.

Given the significantly long-tenure of its contracts, HAL enters variable price contracts with its customers, Indian Airforce, Indian Army and Indian Navy, where future escalation is built into prices excluding forex fluctuation on procurement. Forex fluctuations are paid on an actual basis by customers. This protects its margins from forex and raw material price escalation to a large extent. However, profitability may get impacted due to time or cost overrun in case there are execution delays at HAL's end.

**Strong financial risk profile supported by healthy profitability and robust cash accruals**

HAL continues to have a sizeable scale of operations, and the TOI grew y-o-y by 6% to ₹30,146 crore in FY25, driven primarily by higher revenue from repairs and maintenance services. The PBILDT margin remained healthy at 29.19% in FY25. Gross cash accruals (GCA) increased to ₹9,536 crore in FY25 from ₹8,700 crore in FY24. The company's debt coverage indicators remain strong due to limited reliance on external borrowings.

Revenue growth in FY25 was achieved despite shortfall in Light Combat Aircraft (LCA) and Advanced Light Helicopter (ALH) deliveries. LCA deliveries were impacted by non-availability of engines, while ALH deliveries were affected by the January 2025 accident and subsequent grounding of the fleet. However, ALH deliveries have resumed in 9MFY26 with seven helicopters delivered and balance also under schedule. Accelerated deliveries across other products and services helped maintain the revenue base.

The timeline for induction of 83 LCA Mk1A aircraft is expected to accelerate from FY27, with five aircraft ready for delivery as of February 5, 2026. This follows earlier engine supply delays that pushed back planned deliveries from FY24 and FY25. Resumption of timely engine supplies is expected to support a delivery ramp-up from FY27 onward.

In 9MFY26, the company achieved a TOI of ₹19,146 crore, 11% higher y-o-y, and a PBILDT margin of 24.60%.

**Continued low debt position and healthy collection cycle**

HAL's total receivables remained below ₹4,800 crore as on the balance sheet date in the last four years ended FY25, supported by substantial realisation of government dues in FY22. The average collection period improved steadily in the last three fiscals to 55 days in FY25. HAL also receives advances from its customers against contracts, which provides a stable source of funding for its working capital requirement. Advances stood robust at ₹52,219 crore as on March 31, 2025. Timely realisation of dues and the increase in advances have resulted in continued low reliance on debt to fund working capital needs, leading to an overall gearing ratio of almost nil as on March 31, 2025. The company has articulated that HAL's debt level is expected to remain low in the near term, supported by its improved collection period. CareEdge Ratings expects HAL's gearing to remain negligible over the near term, supported by strong advances and healthy operating cash flows.

### Fully integrated production capabilities and continually improving product portfolio

Over the years, HAL has developed its capability to operate in the entire value chain of the aviation production right from design, development, manufacturing, maintenance, repair and overhaul. The company has 20 production/overhaul divisions, and nine R&D centers co-located with production divisions across the country. Apart from design and manufacturing, HAL takes up maintenance and overhaul services to cover the life-cycle requirement of all old and new products, which is also an important revenue generator for HAL. HAL's MRO capabilities presently include providing services to over 17 types of aircrafts/helicopters, which also includes aircrafts not manufactured by HAL. The company has also set up a new facility in Karnataka (Tumakuru) to expand its manufacturing capacity for defence helicopters and other products, which was entirely funded through internal accruals where Phase-1 has been completed with capacity of 30-helicopter units while second phase for increasing its capacity to 60 helicopters p.a. will be contingent upon order inflow. Further the additional line for manufacture of Mk1A LCA has also been completed at Nashik with annual capacity of eight planes.

### Strong research and development capabilities

HAL is present in an industry demanding constant innovation and technological advances. Consequently, it is critical for HAL to adapt to technological advancements and absorb imported technologies. To ensure this, the company has been regularly spending on R&D through its nine R&D centres. The company has been making a dedicated contribution towards R&D costs over s and is expected to continue doing it in the future.

### Liquidity: Strong

HAL's liquidity stood strong marked by free cash and cash equivalents of ~₹43,465 crore as on September 30, 2025. There has been negligible utilisation of its sanctioned fund-based working capital limits of ₹4,000 crore for 12 months ended October 31, 2025, as the working capital requirement is met from internal accruals and advances from its customers. Its cash accruals also remained healthy and are expected to comfortably meet its working capital and the routine capex requirements of ₹2,000-3,000 crore per annum. The company does not have term debt repayment obligations. The company derives significant financial flexibility being majorly held by GOI and its strategic importance to the defense sector.

### Key weaknesses

#### Prospects of the company depend on Indian defense sector with limited exports

HAL derives majority revenues from the Indian defense sector. Accordingly, continuous flow of orders from defence sector, which in turn depend on the defense budget, is critical for the company's prospects. Apart from licensed production, HAL focused on development of indigenous aircrafts and helicopters, which can be translated into production orders and shall give revenue visibility for the next 5-10 years. The company has been making efforts towards improving exports and aim to secure export orders with its existing platforms. However, quantum of exports continues to remain low.

#### Increasing private sector participation

Due to relaxation in foreign direct investment (FDI) guidelines to ease entry of foreign companies in India, there has been increase in alliance and collaboration between foreign original equipment manufacturers (OEMs) and Indian private sector companies, and the government's thrust on private sector participation in defense production. Although this may result in competition in the sector, given the huge investments required, HAL's established position in the sector and its strategic relationship with its customers, competition is not expected to significantly impact the company in the medium term.

Over the years, HAL has indigenously developed platforms starting from trainers, fighters and helicopters. These platforms are custom designed to meet diverse requirements of Armed Forces and these platforms give HAL significant advantage against the competition. HAL also has a license for providing life-cycle support for platforms such as Su-30, HAWK, Mirage and Jaguar, among others.

### Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
<b>Environmental</b>	<ul style="list-style-type: none"> <li>HAL expanded its green energy footprint by commissioning 1.5 MW of captive solar power plants during the year. The total installed renewable capacity stands at 50 MW (35.35 MW solar + 14.7 MW wind) as on March 31, 2025. HAL met 37% of its total electricity requirement through these renewable sources.</li> <li>The captive consumption of green energy resulted in the avoidance of ~64,000 Tons of CO<sub>2</sub>e emissions.</li> </ul>

Risk factors	Compliance and action by the company
	<ul style="list-style-type: none"> <li>The company enforced strict waste management protocols, treating hazardous wastes like chrome and cyanide in dedicated Effluent Treatment Plants (ETPs). It also mandated Rainwater Harvesting (RWH) for all new buildings and planted 86,000 saplings to enhance carbon sequestration.</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>The company has taken CSR projects, where ₹167 crore has been spent against the CSR budget/obligation of ₹144 crore for FY25 in the areas of education, health care, sports, skill development, rural development, livelihood enhancement etc.</li> <li>The company directed ~10% of its CSR spend to Aspirational Districts, including Koraput (Odisha), focusing on rural infrastructure and sanitation.</li> <li>Major contributions included high-value medical equipment to government hospitals and the establishment of a dialysis centre in Kasaragod.</li> <li>Sanctioning of a High-Performance Sports Science Centre at the Sports Authority of India, Bengaluru, aiming to boost India's Olympic competitiveness.</li> <li>In FY25, there were no complaints relating to child labour, forced labour/involuntary labour, wages, discrimination at workplace and other human rights-related issues except five complaint for sexual harassment at workplace, of which two were pending resolution by end-FY25.</li> <li>Around 95.06% employees and workers are part of recognised associations and unions and there were two complaints pending for resolution as at end-FY25 pertaining to working conditions and health and safety (each). These were resolved in September 2025.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Of total required strength of eight directors on its board, two are to be independent directors and due to non-appointment of requisite number of independent Directors, HAL was imposed fines by BSE and NSE. HAL being a CPSE, the appointment of Directors is made by GoI and the company has no control over filling up the vacancy within the stipulated time frame specified under the Act/ Rules / Regulations.</li> <li>In FY25, there were no whistle-blower complaints received from employees and directors by the company. The company received 522 complaints from shareholders, 20 of which were pending resolution at the end of FY25. These were resolved in April 2025.</li> <li>A comprehensive policy on Related Party Transactions (RPT) has been approved by the Board per the listing regulations and Companies Act and company makes regular disclosure of RPT transactions on its website. Further as per the threshold mentioned in the RPT Policy, there were no material-related party transactions with any of the related parties.</li> </ul>

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Aerospace and defence	Aerospace and defense

HAL was incorporated in 1964 by the amalgamation of Hindustan Aircraft Limited and Aeronautics India Limited and is a 'Maharatna' (w.e.f October 14, 2024) company. GoI held majority stake of 71.64% in the company, while 2.45% was held by the Life Insurance Corporation of India as on December 31, 2025. HAL is engaged in carrying out design, development, manufacture, repair and overhaul of aircraft, helicopter, engines and related systems, including avionics, instruments and accessories primarily serving Indian defence programme. It also manufactures structural parts of satellite launch vehicles of the Indian Space Research Organization (ISRO).

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	9MFY26 (UA)
Total operating income	28,314	30,146	19,146
PBILDT*	7,731	8,801	4,710
Profit after tax (PAT)	7,595	8,317	4,891
Overall gearing (x)	0.00	0.00	0.00
Interest coverage (x)	687	468	2944

A: Audited UA: Unaudited; Note: these are latest available financial results

\*PBILDT: Profit before interest, lease rentals, depreciation, and tax

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	6050.00	CARE AAA; Stable / CARE A1+

### Annexure-2: Rating history for last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	6050.00	CARE AAA; Stable / CARE A1+	1)CARE AAA; Stable / CARE A1+ (03-Apr-25)	-	1)CARE AAA; Stable / CARE A1+ (05-Mar-24)	1)CARE AAA; Stable / CARE A1+ (06-Dec-22)

LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated facilities-** Not applicable

### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

### Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Ranjan Sharma Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3453 E-mail: <a href="mailto:ranjan.sharma@careedge.in">ranjan.sharma@careedge.in</a></p> <p>Hardik Manharbhai Shah Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3591 E-mail: <a href="mailto:hardik.shah@careedge.in">hardik.shah@careedge.in</a></p> <p>Richa Bagaria Associate Director <b>CARE Ratings Limited</b> Phone: +91-33-4018 1600 E-mail: <a href="mailto:richa.jain@careedge.in">richa.jain@careedge.in</a></p>
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### About us:

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