

May 04, 2016

**CARE ASSIGNS 'CARE AAA/CARE A1+' RATINGS TO THE BANK FACILITIES OF
HINDUSTAN AERONAUTICS LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities	2,500	CARE AAA/CARE A1+ (Triple A/ A One Plus)	Assigned
Total facilities	2,500 (Rupees Two Thousand Five Hundred crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Hindustan Aeronautics Limited (HAL) derive strength from its strategic importance as the core aviation equipment supplier to the Indian Defense sector with complete ownership by Government of India (GoI), integrated presence through design, development, manufacturing, maintenance & overhaul of aviation products as well as its strong financial risk profile backed by assured margin structure and significant advance funding by customer and milestone payments resulting in negligible borrowings and robust liquidity. The ratings also take note of HAL's high dependency upon Indian Defense sector.

Going forward, the company maintaining its strategic position amidst any likely competition in the long term would be a key rating sensitivity.

Background

HAL (CIN: U35301KA1963GOI001622), a Navratana Company, is wholly owned by Government of India (GoI). Incorporated in 1964 by amalgamation of Hindustan Aircraft Limited and Aeronautics India Limited, HAL is into carrying out design, development, manufacture, repair and overhaul of aircraft, helicopter, engines and related systems like avionics, instruments and accessories primarily serving Indian defence programme. It also manufactures the structural parts of various Satellite Launch Vehicles of the Indian Space Research Organization (ISRO).

HAL posted net profit (after tax) of Rs.2,388 crore in FY15 (refers to the period April 1 to March 31) on a total operating income of Rs.17,334 crore as against net profit of Rs.2,692 crore on total operating income of Rs.17,131 crore in FY14.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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