

September 30, 2025

Hindustan Aeronautics Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based limits	4,000.0	4,000.0	[ICRA]AAA (Stable); reaffirmed
Short-term - Non-fund based limits	2,050.0	2,050.0	[ICRA]A1+; reaffirmed
Total	6,050.0	6,050.0	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation factors in Hindustan Aeronautics Limited's (HAL) leadership position in the Indian defence industry, with dominant position in the aerospace segment lending it economies of scale benefit with revenue of Rs. 30,981 crore in FY2025, its strategic importance for the Government of India's (GoI) efforts towards defence localisation initiative and its solid financial profile with robust return metrics and strong liquidity (Rs. 33,793 crore as of June 2025). HAL has a robust order book of Rs. 1,90,000 crore as of June 2025, which provides strong revenue visibility over the medium term. HAL has been net debt free in the recent years. ICRA expects the trend to continue in the medium term. The ratings positively factor in the majority ownership held by the GoI in HAL and its strategic position as a dominant supplier of aircrafts, helicopters, engines, avionics, and accessories as well as key provider of maintenance, repair, and overhaul (MRO) services to the Indian defence forces.

The ratings draw comfort from HAL's diversified revenue mix covering the sale of products, spares, and services for multiple aircraft programmes. High capital intensity and long gestation periods required to build manufacturing capabilities in this sector, limit competition from private players. While competition from the private sector may intensify in the medium term, HAL mitigates this risk through its established track record, longstanding relationship with the Indian defence forces, expansive manufacturing capacity, skilled workforce, and commitment to research and development (R&D). HAL further benefits from the favourable Government policies, particularly the Make in India and mandatory offset initiatives, which reinforce its role as a key driver of domestic defence production.

The ratings factor in the company's operations and profitability being exposed to risk of time and cost overruns as orders have strict execution timelines, with provision for liquidated damages in case of delays by HAL, which could impact profitability. ICRA notes that overall liquidated damages (as a % of revenue) have remained modest at 1.6-2.3% over the last three years, compared to operating margins of 27-32%, thereby providing adequate buffer and protecting profitability. The ratings consider HAL's significant dependence on a single customer segment, wherein it derives over 90% of its operating income from sales to the Indian defence forces. The company is trying to diversify its revenue base by increasing the share of orders from other clients and exports. However, their contribution remains low. The company remains susceptible to change in prioritisation in the defence budget affecting the order inflow and timely receipt of funds, which can have an adverse impact on its revenue growth and liquidity position.

HAL manages its working capital intensity by aligning its payables to contract receivables and availing mobilisation advances. Consequently, the total outside liabilities/tangible net worth (TOL/TNW) ratio remained elevated at 2.0 times as on March 31, 2025 (PY: 1.6 times on March 31, 2024). Nevertheless, long relationships with key vendors/original equipment manufacturers (OEM) with back-to-back arrangements and majority orders being backed by the Ministry of Defence (MoD), wherein advances are provided without any financial bank guarantees, provides comfort. ICRA also notes a significant improvement in the company's credit profile, driven by a sharp reduction in contingent liabilities (related to sales tax demands across various states), which declined from Rs. 12,246 crore to Rs. 2,314 crore as on March 31, 2025, pursuant to the settlement of Rs. 10,018 crore in FY2025, subsequently reimbursed by the customers.

The Stable outlook on the [ICRA]AAA rating reflects ICRA's opinion that HAL will benefit from its strategic importance to the Indian defence forces, strong order book, high entry barriers and strong financial flexibility.

Key rating drivers and their description

Credit strengths

Majority ownership by GoI; strategically important to Indian defence forces – The GoI holds a majority stake of 71.6% in HAL as of June 30, 2025, underscoring HAL's status as a defence public sector undertaking (DPSU) with Navaratna status since June 2007 and Maharatna status since October 2024. HAL plays a strategically vital role for the Indian defence forces—including the Indian Army, Air Force, Navy, and Coast Guard—as the sole domestic supplier of aircraft, helicopters, engines, avionics, and accessories. HAL leads the Indian aerospace and defence industry, having demonstrated its capabilities through the successful development of military aircraft and helicopters. The company also delivers MRO services for both indigenous and licence-manufactured platforms, as well as those procured directly by Indian defence services. High capital intensity and long gestation periods required to build manufacturing capabilities in this sector continue to limit competition from private players.

Strong order book with healthy future order pipeline – HAL maintains a robust order book, standing at approximately Rs. 1,90,000 crore as on June 30, 2025 (compared to Rs. 94,000 crore as of March 31, 2024), which provides strong revenue visibility over the medium term and underscoring the company's strong strategic and competitive position. In FY2025, HAL secured major manufacturing orders, including Rs. 62,000 crore for 156 Light Combat Helicopters (LCH), about Rs. 25,000 crore for 240 AL-31FP engines used in the IAF's Su-30MKI fleet, Rs. 12,000 crore for 12 SU-30 MKIs, and nearly Rs. 5,000 crore in other manufacturing contracts. The company also received repair and overhaul (ROH) orders of around Rs. 20,000 crore during the year.

Strong financial profile and continued improvement in working capital position – HAL's financial profile is strong, characterised by robust return metrics, its net debt free position and strong liquidity profile. HAL's revenue in FY2025 stood at Rs. 30,981 crore and is expected to increase by 8-10% YoY in FY2026-FY2027. Also, the working capital intensity continues to improve in FY2025, driven by robust advances from customers and efficient inventory management. HAL manages its working capital intensity by aligning its payables to contract receivables and availing mobilisation advances. Consequently, the total outside liabilities/tangible net worth (TOL/TNW) ratio remained elevated at 2.0 times as on March 31, 2025 (PY: 1.6 times on March 31, 2024). Nevertheless, long relationships with key vendors/original equipment manufacturer (OEMs) with back-to-back arrangements and majority orders being backed by the MoD, wherein advances are provided without any financial bank guarantees, provides comfort.

Credit challenges

High dependence on contracts from MoD – The company derives over 90% of its operating income from sales to the Indian defence forces, implying its significant dependence on a single customer segment. ICRA notes that while the company is trying to diversify its revenue base by increasing the share of orders from other clients and exports, however, their contribution remains low.

Susceptibility to time and cost overruns in order execution – The company's operations and profitability is exposed to risk of time and cost overruns as orders have strict execution timelines, with provision for liquidated damages in case of delays by HAL, which could impact profitability. ICRA notes that the overall liquidated damages have remained modest at 1.6-2.3% in the last three years, compared to operating margins of 27-32%, thereby providing adequate buffer and protecting profitability.

Environmental and social risks

Environmental considerations – HAL, operating in the defence manufacturing sector, requires a diverse range of raw materials and consumes sizeable energy and water resources across its multiple production facilities. To mitigate the environmental impact of its operations and ensure compliance with applicable environmental regulations, the company has established arrangements with various State Pollution Control Boards (SPCBs) for the safe disposal and recycling of hazardous solid waste.

HAL has undertaken several sustainability initiatives, including the installation of rainwater harvesting systems, energy-efficient air-conditioning units, sewage treatment plants, high-efficiency pumps, biogas plants, and LED lighting. The company follows a structured waste management process, which includes source-level segregation, composting of biodegradable waste, and utilisation of biogas plants. Additionally, e-waste generated from electrical and electronic equipment is systematically collected and segregated to ensure responsible disposal.

Social considerations – HAL has a dependence on human capital and hence, retaining talent, maintaining healthy employee relations, as well as supplier ecosystem remain essential for disruption-free operations. Going forward, the company's ability to manage risks related to safety in the areas of process, and occupational health, while developing safety leadership capabilities, will remain a key factor from the social consideration perspective.

Liquidity position: Strong

HAL's liquidity is strong, evident from its cash balance and liquid investment of around Rs. 33,793 crore as on June 30, 2025 (Rs.26,422 crore as on March 31, 2024), undrawn working capital facilities of Rs. 4,000 crore and absence of debt repayment obligations over the near term. Further, the capex commitments are expected to be met through internal accruals, with no debt-funded capex envisaged in the near term. The company's liquidity profile continues to be supported by its strong financial flexibility, underpinned by its majority ownership by the GoI and its strategic role in the defence sector.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – Negative pressure on HAL's ratings could arise in the case of an adverse impact on liquidity due to stretched debtors or crystallisation of contingent liabilities leading to significant dependence on external borrowings. Any change in strategic importance of HAL to the GoI reflecting in lower order inflows and revenues could also increase pressure on ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: Government of India (GoI) The assigned rating factors in majority ownership by GoI and the strategic importance that HAL holds for the GoI in defence sector, which we expect should induce it to extend timely financial support to the rated entity, should there be a need.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HAL. As of March 31, 2025, the company consolidated its 10 joint ventures and 2 subsidiaries, which are all annexed in Annexure II.

About the company

HAL, a DPSU, was established on October 1, 1964, with the amalgamation of Hindustan Aircraft Limited and Aeronautics India Limited. The principal business of HAL is to undertake design, development, manufacturing, maintenance, repair, overhaul, and servicing of aircraft, helicopters, engines and other related systems like avionics, instruments, and accessories. Its primary consumers are the Indian defence forces comprising the Indian Air Force, Indian Army, Indian Navy and the Indian Coast Guard. It also engages with the Indian Space Research Organisation (ISRO) to contribute to its space programmes. The GoI remains HAL's largest shareholder, with a stake of 71.64% as on June 30, 2025. HAL was conferred with the Navratna PSU status in June 2007 and Maharatna status in October 2024. The board of directors also include two nominee directors from GoI.

The company has four production complexes - Bengaluru complex, MiG complex (located in Nasik and Koraput), Helicopter complex (located in Bengaluru and Barrackpore), Accessories complex (located in Kanpur, Lucknow, Hyderabad, Kasargod and Korwa). It also has a Design complex (R&D centres) jointly located with the related manufacturing divisions.

Key financial indicators (audited)

HAL Consolidated	FY2024	FY2025
Operating income	30,381.1	30,981.0
PAT	7,594.5	8,323.4
OPBDIT/OI	32.1%	31.2%
PAT/OI	25.0%	26.9%
Total outside liabilities/Tangible net worth (times)	1.6	2.0
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	303.8	1112.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Sep 30, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based facilities	Long term	4,000.0	[ICRA]AAA (Stable)	Jun-28-2024	[ICRA]AAA (Stable)	Apr-21-2023	[ICRA]AAA (Stable)	Jan-25-2023	[ICRA]AAA (Stable)
Non-fund-based facilities	Short term	2,050.0	[ICRA]A1+	Jun-28-2024	[ICRA]A1+	Apr-21-2023	[ICRA]A1+	Jan-25-2023	[ICRA]A1+
Commercial paper	Short-term	-	-	-	-	-	-	Jan-25-2023	[ICRA]A1+; Withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based facilities	Simple
Non-fund-based facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based facilities	NA	NA	NA	4,000.00	[ICRA]AAA (Stable)
NA	Non-fund-based facilities	NA	NA	NA	2,050.00	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	HAL ownership	Consolidation approach
Subsidiaries:		
Naini Aerospace Limited	100.00%	Full Consolidation
Indo Russian Helicopters Limited	50.5%	Full Consolidation
Joint Ventures:		
BAeHAL Software Ltd.	49.0%	Equity Method
Indo Avia Services Ltd (Erstwhile Indo Russian Aviation Ltd.)	48.0%	Equity Method
Safran HAL Aircraft Engines Pvt. Ltd.	50.0%	Equity Method
International Aerospace Manufacturing Pvt. Ltd.	50.0%	Equity Method
Multi-Role Transport Aircraft Ltd.	50.0%	Equity Method
Helicopter Engines MRO Private Ltd.	50.0%	Equity Method
SAFHAL Helicopter Engines Pvt. Ltd.	50.0%	Equity Method
Samtel HAL Display System Ltd.	40.0%	Equity Method
HALBIT Avionics Pvt. Ltd.	50.0%	Equity Method
HATSOFF Helicopter Training Pvt. Ltd.	50.0%	Equity Method

Source: Company

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