January 25, 2023

Hindustan Aeronautics Limited: [ICRA]A1+ withdrawn on the Rs. 2500.00 crore Commercial Paper

Summary of rating action

Instrument^	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-Based Limits	10,000.00	10,000.00	[ICRA]AAA (Stable); Rating Outstanding
Non-Fund Based Facilities	2,050.00	2,050.00	[ICRA]A1+; Rating Outstanding
Total	**12050.00**	**12050.00**	
Commercial Paper	2,500.00	2,500.00	[ICRA]A1+; Rating Withdrawn

^Instrument details are provided in Annexure-1

Rationale

ICRA has withdrawn the ratings assigned to the Commercial Paper of Hindustan Aeronautics Limited's (HAL) in accordance with ICRA's policy on withdrawal at the request of the company as there is no amount outstanding against the rated instrument. The key rating drivers, liquidity position, rating sensitivities, key financial indicators have not been captured as the rated instrument is being withdrawn. The previous detailed rating rationale is available at the following link: Click Here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Policy on Withdrawal of Credit Ratings Corporate Credit Rating Methodology Rating approach – implicit support from parent or Group
Parent/Group Support	Parent/Group Company: Government of India (GoI) The assigned rating factors in the strategic importance that HAL holds for the GoI, 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 on March 31, 2022, the company had 14 joint ventures and two subsidiaries, which are all enlisted in Annexure-2.

About the company

HAL, a defence public sector undertaking (DPSU), was established on October 1, 1964, when Hindustan Aircraft Limited and Aeronautics India Limited were amalgamated. The principal business of HAL is to undertake design, development, manufacturing, maintenance, repair and overhaul of aircrafts, helicopters, engines and other related systems like avionics, instruments and accessories. It also engages with the Indian Space Research Organisation (ISRO) to contribute to the space programmes of the country. The GoI remains HAL's largest shareholder current shareholding of 75.15%. HAL was conferred with the Navratna PSU status in June 2007. HAL's primary consumers are the Indian Defence Forces comprising of the Indian Air Force, Indian Army, 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.

Status of non-cooperation with previous CRA: NA

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020	
					Jan 25, 2023	Jan 14, 2022	Apr 29, 2021	July 02, 2020	Mar 13, 2020	Jan 9, 2020
1	Fund-based Limits	Long term	10,000.00	Nil	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AA+ (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Non-fund Based facilities	Short term	2050.00	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	Commercial Paper	Short term	2,500.00	Nil	[ICRA]A1+; Withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based Limits	Simple
Non-fund Based facilities	Very Simple
Commercial Paper	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-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Fund-based Limits	NA	NA	NA	10,000.00	[ICRA]AAA (Stable)
NA	Non-fund Based facilities	NA	NA	-	2,050.00	[ICRA]A1+
Not placed	Commercial Paper	NA	NA	7-365 days	2,500.00	[ICRA]A1+; Withdrawn

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	HAL Ownership	Consolidation Approach
Naini Aerospace Limited	100.00%	Full Consolidation
Indo Russian Helicopters Limited	50.5%	Proportionate Consolidation
BaeHAL Software Ltd.	49.0%	Equity Method
Indo Russian Aviation Ltd.	48.0%	Equity Method
Safran HAL Aircraft Engines Pvt. Ltd.	50.0%	Equity Method
Samtel HAL Display System Ltd.	40.0%	Equity Method
HAL-Edgewood Technologies Pvt. Ltd.	50.0%	Equity Method
HALBIT Avionics Pvt. Ltd.	50.0%	Equity Method
Infotech HAL Ltd.	50.0%	Equity Method
HATSOFF Helicopter Training Pvt. Ltd.	50.0%	Equity Method
TATA-HAL Technologies Ltd	50.0%	Equity Method
International Aerospace Manufacturing Pvt. Ltd.	50.0%	Equity Method
Multi-Role Transport Aircraft Ltd.	50.0%	Equity Method
Aerospace & Aviation Sector Skill Council (AASSC)	50.0%	Equity Method
Helicopter Engines MRO Private Ltd.	50.0%	Equity Method
Defence Innovation Organisation	50.0%	Equity Method

Source: Annual report and quarterly results of HAL

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