"Hindustan Aeronautics Limited Q4 FY '25 Earnings Conference Call"

May 16, 2025

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MODERATOR: **MR. HARSHIT KAPADIA – ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY '25 Earnings Conference Call of Hindustan Aeronautics Limited hosted by Elara Securities India Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshit Kapadia from Elara Securities. Thank you, and over to you, sir.

Harshit Kapadia: Thanks, Pooja. Good evening, everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY '25 and FY '25 Conference Call of Hindustan Aeronautics Limited.

I take this opportunity to welcome the management of Hindustan Aeronautics, represented by Shri. D.K. Sunil, Chairman and Managing Director, with additional charge of Director (Engineering and R&D); Shri. Barenya Senapati, Director (Finance) and CFO; Shri. Ravi K., Director (Operations); and Shri. M.G. Balasubrahmanya, Director (HR), along with Shri. Shailesh Bansal, Company Secretary, along with their team.

We will begin the call with a brief overview by management followed by Q&A session.

I will now hand over the call to Sunil sir for his opening remarks. Over to you, sir.

D.K. Sunil: Good afternoon, ladies and gentlemen. It gives me great pleasure to welcome all of you to Hindustan Aeronautics Limited annual earnings call for the Financial Year 2024-25.

I trust you had the opportunity to review our financial results which were announced yesterday and hosted on our website as well as filed with the Stock Exchanges.

This is the first interaction I am having with you after taking over as CMD of HAL. We are ready to engage with you today, providing insights into our financial results, offering updates on the physical advancement of our projects and addressing any clarifications you may seek.

The year 2024-25 has been a significant one for HAL, marked by opportunities and challenges. Through unwavering perseverance and resilience, we successfully navigated the year and concluded it on a strong and positive note. We have achieved many positives during the year, which I would like to recapitulate for your benefit.

HAL has been bestowed with the prestigious Maharatna status on 12th October '24. HAL is the first defense PSU to be named Maharatna and is the 14th CPSE to achieve this status.

The first AL-31FP engine for the Sukhoi-30 was delivered under the 240 engines contract. It was delivered on 30th September '24 within 1 month of contract signature.

We inaugurated the state-of-the-art propellant tank production and CNC machining center to meet the growing needs of supporting six launch vehicle LVM3, India's heaviest and most powerful rocket last year.

An out-of-court settlement with the State Govt. of Maharashtra resolving the long pending disputed sales tax issue on supplies and services by HAL to Defense services was concluded. The final settlement was made at Rs. 2,471 crores against the disputed demand of Rs. 10,079 crores, and the amount was fully reimbursed by the Indian Air Force.

We have received new orders aggregating Rs. 1,25,280 crores, the details of which I will detail subsequently. HAL received certification for the upgraded version of the Dhruv Civil Advanced Light Helicopter from DGCA. The Mistral missile firing was conducted successfully on the LCH Prachand at integrated test range Chandipur, Odisha. HAL received Restricted Military Type Certification (RMTC) from CEMILAC for HTT-40 basic trainer aircraft.

Now, I would like to update you on the financial performance of the company. During the year, the turnover of the company increased to Rs. 30,105 crores from Rs. 28,162 crores, an increase of 7% over the previous year. This was achieved despite certain challenges we faced on the supply chain for LCA Mark 1A as well as grounding of the ALH fleet due to an accident. The revenue targets could be achieved with the help of the AL-31FP engines and RD-33 engines production.

On the revenue front, the growth rate is around 2%. This is due to one-time impact of Rs. 1,502 crores in the revenue of the previous year from Change Order 3 of the LCA IOC contract. Adjusted for the same, during the current year, the top line grew by 7.25%.

The profitability of the company remained robust during the year. We achieved profits before tax of Rs. 10,820 crores, which is 35% of revenue. Profitability was achieved with the help of improved operational efficiency as well as improvements on other fronts. The operating profit to revenue was at a similar level of previous year at 27%.

The other income has accounted for 8% to overall profitability. The other income primarily accounts from interest income was at Rs. 2,566 crores against Rs. 1,899 crores of the previous year. Cost optimization is one of the focus areas of the management and through optimization of manpower costs, overheads and increasing outsourcing content, we were able to improve the overall profitability of the company.

The inventory holding you may find to be at an increased level from 159 days to 263 days. We believe this is necessary considering the manufacturing cycle times of 18 to 36 months. The work in progress build-up is essential to meet the delivery timelines.

The order book of the company improved to Rs. 1,89,300 crores against the previous year order book position of Rs. 94,127 crores as of 1st April 2024 and after liquidation of current year turnover of Rs. 30,105 crores. The increase is on account of the conclusion of manufacturing contracts of Rs. 1,02,337 crores, namely 240 AL-31FP engines for the Sukhoi-30 for Rs. 25,500 crores, supply of 156 LCH Prachand, Rs. 62,777 crores, supply of 12 Sukhoi-30MKI aircraft at Rs. 13,454 crores beside other upgrade programs.

During the period, we also received ROH repair and overhaul orders of Rs. 19,271 crores, design and development orders of Rs. 3,180 crores and export orders of Rs. 493 crores.

Further, the order pipeline looks even more promising with the anticipated contract of 97 LCA Mark 1A, 143 ALH for IAF, Army and 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 various stages of approval. The aggregate value of the order pipeline is estimated at around Rs. 1 lakh crores and are expected to materialize within the next one to two years.

In addition to these manufacturing orders, we also expect to receive ROH repair and overhaul orders of around Rs. 20,000 crores. These orders will keep our manufacturing lines busy till 2032-33. Going forward, the order execution will gather momentum. During the year, we expect to scale up the deliveries of LCA Mark 1A, ALH, LUH and HTT-40 aircraft beside continuing deliveries of engines.

Now, let's turn to the initiatives aimed at driving future growth and expansion. These days, we are focusing on two key strategic areas, namely capacity building aimed at fulfilling customer commitments and capability building to prepare the company for the future. The emphasis has been on proactive procurement, enhancing capital expenditure and increasing investment in research and development and indigenization of key components with an aim to achieve Atmanirbharta.

We are investing significantly on our manufacturing lines for both helicopters and aircraft. Significant investments are planned for increasing the manufacturing capacity for helicopters, fighters, trainers, aero engines at various locations. These enhanced capacities would not only enable HAL to speed up execution of the existing orders, but also free up capacities for additional orders from our customers.

In line with our strategic goals, we have formulated a comprehensive CAPEX plan for the next five years, with an estimated outlay of Rs. 14,000 to Rs. 15,000 crore. This investment will focus on expanding manufacturing capabilities and setting up ROH facilities for various platforms.

Additionally, we plan to develop manufacturing infrastructure for LCA Mark-2, GE-414 engines and IMRH engines along with facilities to support design and development activities for the IMRH, AMCA and other related projects.

To conclude, HAL remains firmly committed to driving sustainable growth through strategic investments in capacity and capability building. Our investments in critical infrastructure and strategic assets will further strengthen our manufacturing and R&D capabilities. We believe these initiatives position HAL to not only meet the evolving demands of the defense sector but also to play a pivotal role in driving self-reliance and technological advancement in aerospace and defense. Thank you for your continued support.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Umesh Raut from Nomura. Please go ahead.

Umesh Raut: Hi, sir, good evening, and congratulations for the very good set of numbers. My first question is pertaining to LCA program, Mark 1 and Mark-2. So, in case of Mark 1, what kind of delivery schedule that we are now expecting over the course of, say, next three years in terms of units?

And in case of LCA Mark-2, where exactly we are in terms of negotiations with GE for F414 engines? we are hearing that there is an update regarding renegotiation in terms of cost happening for that particular engine. So, I just wanted to kind of hear your thoughts on these lines.

D.K. Sunil: Yes, thank you for the question. On Mark 1 Alpha, as you are aware that the GE engine has been hold up. However, General Electric has been able to solve their supply chain issues. And the first engine was delivered in April of this month, and we have already fitted it on the aircraft and tested that. GE has promised a supply of 12 engines in this calendar year up to December. This is confirmed, and they will be sticking to this schedule. So, we will be getting 11 more engines in this year.

So, the visibility is that 12 aircraft will be ready this year with these engines. We expect that since they have overcome the supply chain issue, the deliveries I think will continue in the succeeding years, and we should be over this supply chain problem as for the engine is concerned and the supplies in the succeeding years will I think be smoothened.

Coming to your question about Mark-2, Mark-2 is now at the manufacturing prototype stage, and we expect to fly the prototype in the next year, 1st Quarter of next year. And as far as the engine, the 414 engine, which is powering that, for the initial prototypes, we do have engines. So, there is no hold up on the prototype testing and certification part.

We are now engaging actively with GE. We have had a series of meetings and we have focused on two parts with GE. One is on the amount of technology transfer as well as the pricing. So, today we are working on the first part of the technology transfer. And we expect that in this financial year; we will be able to come to a conclusion of this deal.

Just to give you a perspective, Mark-2 will do about 3 years of, it will take 3 years to certify. So, if it starts flying in '26, we expect certification to be completed in '29-30. Next please.

Umesh Raut: Sir, just one last question on…

Moderator: Sir, we request you to rejoin the queue for follow-up questions. The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Hi, good evening, everyone, and thanks for the opportunity. My question is on the AL-31FP engine. So, I just wanted to understand the delivery schedule for that and what are the indigenization levels currently in this particular platform? Also, we had signed a MoU with PTC Industries for some specific indigenization, perhaps. I just wanted to understand whether that MoU will translate into actual order. That was my question.

D.K. Sunil: Yes, the AL-31FP engine is 240 engines, which we will be delivering at the rate of about 30 engines per annum. So, over 8 years, this order will be liquidated. Currently, the indigenous content is of the order of 57%, which we are trying to enhance by indigenizing more of the material within the country. We are working with MIDHANI for indigenizing some of the raw materials and this is an ongoing process.

Coming to your question about PTC. PTC is specializing in titanium casting. So, we are working with PTC and they are making parts for us. So, we see that they have also installed a new plant recently. So, we are very happy that the private sector is coming up and installing and investing more. So, I am sure we will be working more with PTC and definitely they will become an important part of our supply chain.

Amit Dixit: I have some follow-ups. I will come back in the queue.

Moderator: The next question is from the line of Atul Tiwari from JP Morgan. Please go ahead.

Atul Tiwari: Sir, my question is on the revenue growth in FY ‘26 and '27. What kind of revenue growth should we expect and what will be the EBITDA margin outlook for the company?

D.K. Sunil: Yes, I think Mr. Barenya Senapati, our Director of Finance and CFO, maybe you could take that?

Barenya Senapati: Yes. Good evening. The EBITDA margin we will be maintaining, see our EBITDA margin is around 38%-39%, and if you remove the interest income, so EBITDA will be around 31%. So, we will be maintaining 31% at operating level. And revenue growth, the guidance is 7% to 8%, whatever is there, we will try to continue with that.

Atul Tiwari: So, sir, despite the resolution of LCA Mark 1 bottleneck, we are unlikely to see double digit kind of revenue growth this year?

Barenya Senapati: Yes. Double-digit growth we are expecting, but the guidance at present level is 8%. Around 8% to 10%, because some of the contract amendments were there in the current year and previous year. So, to neutralize that and then we will maintain the revenue growth.

Atul Tiwari: And sir, over the medium term, like, say, over the next 2-3 years, can we expect mid-teens 12%-13% kind of revenue growth? Are we likely to grow only at 8%-10%?

Barenya Senapati: No, we are expecting double-digit growth from next year onwards. It may so happen in the current year also. But the guidance is 8%-10%, and it may so happen a double-digit growth from next year onwards.

Moderator: We will take our next question from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Hi, thank you very much for the opportunity. Sir, my question is on the LUH program, the Light Utility Helicopter. We are still awaiting the order for limited series production of 12 numbers. Why is this program been delayed so much? Is it undergoing a fundamental design change? And when do you expect the bulk production order of 20 odd numbers?

D.K. Sunil: Yes, as you have said, we have been looking at an order of 12 numbers which has been in the pipeline. Basically, there have been a couple of setbacks on the design. Actually, the basic aircraft itself, the IOC, has been obtained. Regarding some flight control software and something to do with the aircraft dynamics, we have a couple of issues which are being tackled. So, we expect that in this financial year, we will be able to solve these issues. So, this will be allowing us to go further on the order.

So, we expect to conclude this deal for 12 numbers, which, by the way, we have already started producing with our internal funds. We have already built 8 aircraft. So, there is no fundamental change in the aircraft structure, dynamics. Overall, the aircraft are ready, but we need to solve a couple of mostly software-related issues. We expect to do that this year, and then we will be able to deliver these helicopters in quick time because we have already built them and we are going forward on that.

Harshit Patel: Sir, can I ask a second question?

D.K. Sunil: Okay. Please go ahead.

Harshit Patel: Sir, my next question is on the Sukhoi-30 upgrade program. Has there been any update on the same? And by when do you expect to receive the order for the first batch of 84 units? So, could you share how large this potential order could be?

D.K. Sunil: You see, the Sukhoi-30 upgrade that we are attempting is a very ambitious program where the whole avionics is going to be changed. Right from radar to mission computers to the displays, it is a very extensive avionics upgrade. This year we expect government approvals. So, we expect that in the next six months we will be able to get this project going, the D&D part will start going. The aircraft order itself will kick in about five to six years. The IOC itself is five years. Then the aircraft order will come in for this 84, as you have said. The value is expected to be around Rs. 60,000 crores, and that will start kicking in from the 6th year onward.

So, once the design and development has come to a certain maturity and we have reached the IOC, by that time the other contract will start for the fleet modification. So, we expect that this order will come to fruition maybe in about 5 years' time, by which time the design and development will be completed.

Harshit Patel: Thank you very much for answering my questions and all the very best.

Moderator: The next question is from the line of Amit Mahawar from UBS Group. Please go ahead.

Amit Mahawar: Hi, sir, good evening. Sir, I just want to understand the dynamics for MRO business. How will it grow and how has it grown this year? And given the light that your manufacturing has to scale up significantly in the next three years as you approach 16 plus LCA Mark 1A execution, how will the profitability remain at the current level?

D.K. Sunil: Coming to your point about the manufacturing growth, you see, for LCA, we have established two lines in Bangalore and we have now invested a few 100 crores and we have established the third line at our Nashik plant, which is expected to roll out in the next couple of months. The first aircraft will roll out from that line.

So, coming to capacities, we will be having this kind of installed capacity of about 24 numbers. Additionally, we also have built a model of getting the fuselage components from private sector partners. So, for example, the wings will come from L&T, the center fuselage will come from VEM, the rear fuselage will come from Alpha Tocol, the vertical fin and air intake, and the rudder will come from Tata TASL. So, that will add to this quantity.

So, last year, we were able to get the first rare fuselage from Alpha Tocol. So, we expect that as these private sector players with our support ramp up and they start producing, we will be able to get further aircraft sets from the private sector. So, the expectation is that if we add about six from the private sector, we will have a capacity of almost 30 aircraft per annum. So, this is the way we are approaching this ramping up of production to meet the 83 LCA and the subsequent order.

The question about ROH may be, DF, you could answer.

Barenya Senapati: The repair and overhaul, if you see, with the addition of new manufacturing platform, definitely it is going to increase. And there will be also some phase out of old aircraft. But if you see, it is continuously growing at the rate of 5% and with the addition of LCA and ALH and LCH, it will grow in the subsequent years, but not immediately in one or two years or three years.

And as far as your profitability is concerned, our operating profit to revenue is around 27%, and with the kind of mix turnover, manufacturing and repair, we will be maintaining the operating profit to revenue at 27%.

Amit Mahawar: In your question, if I can clarify again, in MRO, the risk of old platforms phasing off, which might impact the MRO adversely, that naturally in the last five years grown at 14%-15% plus, right? I was just referring to the phase up in manufacturing, phase up, which might be very, very sharp in next three years. So, there is a risk of MRO declining in the next few years and particularly FY '25, if you can share the MRO number?

D.K. Sunil: No, you see, we have about 340 ALH flying in the field. We have 250 plus Sukhoi-30. We have the Jaguars, which are life is extended. So, you can see that the Jaguars are going beyond 2035. The Sukhoi-30 will extend up to 2050, eventually, you know, the overhaul. We are adding more and more of the Dorniers. We have 150 Dorniers in the field. The ALH, the Dorniers are going to increase. So, this is a continuous business.

So, what you are saying is only for MiG-21, a couple of squadrons have been phased out. But if you look at our current support of the fleets, we have 40 LCA which is going to increase and the first LCA is going to come up for overhaul in 2026. So, this is a continuous business. So, with our fleets, whatever we have manufactured and supplied, these are going to be continuously coming up for overhaul in the next couple of decades.

So, we don't see that this ROH business is going to go down. Even the Chetak, which we expect will be phased out over the next 5 years, but the rate at which the aircraft come is slow. So, we see that the ROH is going to be very robust, and it is going to be a continuous stream. So, it is going to be a significant part of our revenues.

Moderator: The next question is from the line of Jonas Bhutta from Aditya Birla MF. Please go ahead.

Jonas Bhutta: Thank you for giving me the opportunity and congratulations on a great set of numbers. Two quick questions, sir, I don't know if this has been covered earlier as I joined the call late. What was the delivery number for this year in terms of aircrafts plus helicopters? What was that absolute number? And secondly, you know, we see that the provisioning in the P&L has come off. If you can explain what led to that, because I am presuming that the Sukhoi that got damaged while undergoing repair and overhaul would have led to some bit of write-off of almost Rs. 800 Crores plus crores. So, if you can help us understand what led to lower provisioning and what could it be next year?

Barenya Senapati: This provisioning of Rs. 800 Crores, it's not a write-off. We have made a provision of Rs. 804 crores towards that accident Aircraft. And regarding last year's provision, there were some MRO recoveries and all those things against the loan engines. And so there was a little bit of extra provision made in '23-'24. We said that Rs. 804 crores is against the accident Aircraft. Still discussions are going on with Indian Air Force, but as a prudence we have made a provision of Rs. 800 crore.

Jonas Bhutta: So, this Rs. 2,500 crore number that we see for the year '25, what could it be in '26, roughly?

Barenya Senapati: Yes, it will be at the same level. This provision, whatever is against the replacement liquidated damages and other warranty provision, it will be at the same level. It may deviate 3% to 5% within that. But any specific kind of thing like this accident and all those things, so this year there is an extra provision of Rs. 800 crores. But it will be at the same level.

D.K. Sunil: Coming to your question about the aircraft numbers, you see, this year was actually quite a difficult year. We had a double whammy in terms of lack of supplies of the engine from General Electric. So, even though the airframes were lined up, we could not make good on the deliveries of the LCAs.

However, that is behind us. As I said, the first engine was delivered in April. GE has overcome their supply chain issues, and they assured us that they will supply 12 engines this year. So, that is the kind of deliveries we hope this year we will be able to make.

Unfortunately, we had the ALH incident, and even though the aircraft were ready, because the fleet was grounded, which has been removed now and the aircraft are back in action. So, that also could not happen last year and that will be covered up this year. So, definitely, we were still able to meet our numbers in spite of these kind of events. Next year definitely these deliveries will happen.

Jonas Bhutta: So, what was the number, sir, if you don't mind? And for '26, what is the MoU target, sir?

D.K. Sunil: 24-25 was 1 FOC, 2 Dorniers and 1 FOC of LCA. And as far as the helicopters were concerned, it was six or five.

Jonas Bhutta: So, roughly 14-15 numbers were delivered.

D.K. Sunil: Yes.

Jonas Bhutta: And what is the MoU target for FY '26, sir?

D.K. Sunil: No, we will be able to cover up. As I said, you see, whatever we had planned last year, we already have built those aircraft, whether it is the helicopters or the aircraft. We have already built those. So, that definitely we will be able to deliver.

Barenya Senapati: I think CMD has already answered in the first question itself regarding LCA.

D.K. Sunil: We will be able to deliver those aircrafts.

Moderator: The next question is from the line of Dipen Vakil from PhillipCapital. Please go ahead.

Dipen Vakil: Sir, I have just one question. Sir, within your order book, what is your pending orders for ALH? And how much of it is for Army and Air Force variant and the split between Army and Air Force and Coast Guard and Navy? And when do we expect a resolution for the Navy and Coast Guard version for the same?

Barenya Senapati: Army, it is 20.

D.K. Sunil: 20 Helicopters.

Barenya Senapati: 20 Helicopters and Coast Guard 9.

Dipen Vakil: And when do we expect any resolution on the grounded fleet for Navy and Coast Guard? So, where is the current status?

D.K. Sunil: Yes, we have instrumented two helicopters to locate this particular peculiar condition why this has happened over in spite of large, we have almost 4 lakh plus hours of flying on the ALH, and this is the first time that an incident of this type has happened specific to the Navy at Coast Guard.

So, we have instrumented 2 helicopters, and we will be flying them in to simulate exactly those conditions. We will do it in the next couple of months. So, we expect a resolution by early July where we will have enough data, and we will be going back to the certification authorities with the data, and then way forward will be decided. My expectation is in July we will have resolution of this.

Dipen Vakil: And one more question. Sir, where are we on the Airbus and HAL deal for civil aviation? And what is it that we can expect going ahead in FY '26 and beyond?

D.K. Sunil: With Airbus we have an MoU where we will be doing the C checks for the A320. So, we have set up the facility at Nashik. And we are now going through the certification process along with DGCA. And next will be EASA. So, those processes are in place. We are putting the people, the certifications. Those are going on. And by end of this year, we will have that. And we have already started some work with Indigo.

So, we expect that it will start generating revenue in Q1 of next year or maybe it would go to the next financial year. So, this today, we are investing in building up the facilities, manpower and getting the requisite certification so that the C checks can be done at Nashik.

Dipen Vakil: This was helpful. And all the best for FY ‘26.

Moderator: The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: So, thanks for taking my question. My question again is for LCA. You said there will be 11 more engines coming in and then we will be doing 12 deliveries in I think CY '25. I wanted to understand has the timeline changed for the overall 83 deliveries? What is the assessment on the number of engines coming in in the subsequent years from GE?

D.K. Sunil: See, as I said, even I did, we had a very high level meeting with GE Top Management, and we went and had a look at their facilities. And we also understood that due to COVID and post-COVID, they have had a lot of issues with their sub-vendor shutting down and taking time to ramp up.

And as you are aware, in aerospace whenever you shut down a production line, when you come back, you have to do a re-certification. So, that is what has taken time. And the re-certified engine was completed in March. Recertification was completed in March by GE. And the first engine was delivered in April. We have already tested it and fitted it on the first aircraft.

So, I think that is behind us. And GE has assured us that they will be delivering 12 engines in this calendar year. So, with this, I feel the flow will continue at roughly maybe 2 engines per month. That's what we expect. Though the firm commitment is 12 engines this year, I hope that with the supply chain issues behind us, the subsequent deliveries will continue. So, we will be able to catch up and ensure that the deliveries to the Indian Air Force will happen as per schedule.

Amit Anwani: Sir, additionally for the helicopter since we got the order, what is the capacity and with the CAPEX which you announced, to what capacity will the helicopter capacity will go in the next one or two years?

D.K. Sunil: You see, we have an order for 156 Prachand. That is 90 for the Indian Air Force, 66 for the Indian Army. IAF. Sorry, 66 for the IAF and 90 for the Indian Army. And today, our plan is to execute this in about 5.5, 6 years max. That is the initial deliveries will start, in 36 months we will deliver the first batch. So, the batch size will be about 30 aircraft per annum. So, we will be able to deliver these helicopters Starting '27, '28 to 5 years from then, these helicopters will be delivered. So, we have capability capacity in Bangalore as well as our new factory in Tumkuru, where we will be able to produce the number is about 30 helicopters per annum.

Amit Anwani: So, the total current capacity is 30. So, 30 you can...

Moderator: Sorry to interrupt you, sir, but we request you to rejoin the queue for follow-up questions as there are participants.

Amit Anwani: Just a clarification I wanted on the helicopter capacity currently and what would be the...

D.K. Sunil: See, we have invested in the Tumkuru plant exactly for this reason. Our Bangalore capacity will continue for the ALH and eventually the Tumkuru factory will become the main center where we will be producing the LCH and going forward we will be producing the LUH. So, all our investments are going into Tumkuru and we have built already this factory. So, we already have capacity there. So, as of now, we have 30 capacity in Bangalore. And going forward with the investments, we will be able to produce 30 LCH at Tumkuru. So, that kind of investments is already in place.

Moderator: The next question is from the line of Hardik Rawat from IIFL Capital. Please go ahead.

Hardik Rawat: Thanks for the opportunity. Sir, I just wanted to understand our stated target is for 12 jets in the current fiscal. What sort of revenue would this turn into? The 12 jets. What would be the revenue potential?

D.K. Sunil: 12 LCA what will be the revenue?

Barenya Senapati: See, I cannot tell you the exact number, but it will be in the range of Rs. 3,000 crores.

Hardik Rawat: Rs. 3,000 crores for the 12 jets.

Barenya Senapati: Yes.

Hardik Rawat: I have another question if you would allow me.

D.K. Sunil: Yes.

Hardik Rawat: With regards to the Tejas Mark-2 developments, where are we on that? And how exactly, you know, when are we expecting that to potential commercialization in terms of early talks that you have had with IAF or something like that?

D.K. Sunil: Yes, the first flight of the prototype is expected next year, early next year, '26. And certification is typically three years, so '29. So, production should start in '30-'31. That is what we expect. Normally, we also do a concurrent production. So, when the certification has come to a certain maturity, we start doing the production. So, the production will be in 2030-31. That will be the initial part. And 2029 will be the certification, and then we will be getting into production.

Hardik Rawat: I have more questions but I will fall back in the queue.

Moderator: The next question is from the line of Teena Virmani from Motilal Oswal. Please go ahead.

Teena Virmani: Thank you, sir, for taking my question. Sir, I have just two small questions. One, if you can provide breakup of revenues across manufacturing, ROH, design and development and exports for FY '25 and for the manufacturing revenues beyond Tejas for FY '26 onwards, which all platforms as per you will be contributing to the revenue recognition and how will it scale up? These are my two questions.

D.K. Sunil: Yes, again, DF, you can take that.

Barenya Senapati: Our manufacturing percentage is around 23% and design, export and other developments around 7%. So, 30% and balance 70% will be from repair and overhaul and supply of spares.

Teena Virmani: So, manufacturing is 23% and then 7% is what? Design?

Barenya Senapati: 7% is our design, export and other developments, other sales. And supply of spares and repair and overhaul will be around 70%.

Teena Virmani: And on the manufacturing revenues, beyond Tejas platform, which all platforms will be contributing to revenue recognition?

Barenya Senapati: These are mostly engines, AL-31 FP engines and RD-33 engines.

D.K. Sunil: ALH also. Current year.

Barenya Senapati: Current, only two engines.

Teena Virmani: So, sir, then execution of these projects, wouldn't that lead to a slightly higher or double-digit kind of revenue growth in the manufacturing revenues, if we include Tejas plus all these engines?

Barenya Senapati: With the increase in the manufacturing, we are expecting, there was some contract amendments in the current year. With the neutralizing that, so we are expecting minimum growth of 8%, and it may also grow beyond 10%, but that guidance we cannot give you right now. What guidance we can give you is around 8% to 10%.

Teena Virmani: Later if you can adjust what kind of contracts…

Barenya Senapati: That we can tell you only after our RE and after 6 months. We will have another meet, and I can tell you.

Moderator: The next question is from the line of Sachin Maniar from 3P Investments Manager. Please go ahead.

Sachin Maniar: So, basically, I want to know about the delivery schedule for Sukhoi 12 numbers, how they have been progressing for next 3 years. And second question is what will be the ROH and spares order inflow for this year?

D.K. Sunil: See, Sukhoi-30 12, there is a lead time of two years. So, we will be starting that production in '26-'27. It will conclude in '28-'29. So, over maybe slightly more than 1.5 years because the first year will be more and the second year we will taper off the 12 numbers. So, this is the schedule for the Sukhoi-30. There is a lead time because we have to get the material. The line had stopped, and we are reviving the line. So, the lead time is about 2 years to start production. And your other question?

Barenya Senapati: Repair and overhaul our orders will normally get in the range of Rs. 20,000 crores every year.

Moderator: Our next question is from the line of Jyoti Gupta from Nirmal Bang Securities. Please go ahead.

Jyoti Gupta: The numbers are quite in line with my estimates. I would like to understand what were the reasons that, I mean, apart from LCA Mark 1, we do have platforms in helicopter, which is Dhruv, Rudra and all, wherein the manufacture of engines is Safran and HAL in collaboration. Why in FY '25 we could not deliver the helicopter platforms apart from, did we have any issues in terms of the intermediate jet trainer, where the engines are provided by UEC Saturn? And Dornier, I mean you were able to deliver Dornier in FY '24 two number and that too at a very short period of time. What constrained the company from delivering additional or rather honor or obligation of delivering Dorniers in FY '25?

D.K. Sunil: To answer your question about the ALH, you are aware that the entire fleet was grounded after we had an accident with the Indian Coast Guard helicopter. And we were able to now get those army and air force helicopters off the ground about a couple of weeks ago. So, that problem is behind us. So, that's how, even though the aircraft were ready, we could not deliver. This year we will be able to cover up on the ALH. This is as far as the ALH is concerned.

The Dornier 2 numbers we have delivered to Guyana. These are the civil variants. We did not get a follow-on order. We are trying to still look at that. We are looking at multiple areas across the world where we can deliver this aircraft. Notwithstanding that we are building aircraft in anticipation so that as and when the order comes, we will be able to deliver. Yes, these are the two questions, right.

Jyoti Gupta: I will fall back in the queue.

Moderator: The next question is from the line of Harshit Kapadia from Elara Securities. Please go ahead.

Harshit Kapadia: Thanks for the opportunity and congratulations for a good result. I just wanted to check on the current conflict which happened. We saw a lot of drones being flying. Is there an area where the HALE and MALE drones, where Hindustan Aeronautics is working? There was one which we saw in Aero India, CATS Warrior. Any progress or any new development on any new drones, if you can suggest the MALE or the HALE version, that would be of great importance.

D.K. Sunil: Yes, as you have seen that these kind of unmanned vehicles are going to dominate. We have seen it very clearly. However, there are two categories in this. You know, the kind of drones that are used are the low cost, low weight drones. This is a highly price sensitive market and there are plenty of players. So, HAL is not into that space.

What we are looking at is the UCAV, Unmanned Combat Air Vehicles, which can carry missiles and bombs and so on. So, the CATS Warrior that we had showcased is a 3 ton aircraft. And that development is on. It is still under R&D. And we have come to a stage where we are building the prototypes and testing the different technologies like the data link, the engines and so on. So, that is still work in progress.

So, I think the market we are targeting is the higher end which is the more capable vehicle. We will play in that area. We will not be able to compete in that price sensitive lower UAV market. So, we are not looking at that as a company strategy.

Moderator: We will take our next question from the line of Umesh Raut from Nomura. Please go ahead.

Umesh Raut: Thank you so much for giving me a repeat opportunity. Sir, I have one bookkeeping question. So, if I look at FY ‘24 for you, you booked about closer to Rs. 2,100 crores of operational revenue because of provisions which were written back. For FY ‘25, was there any provisioning which was written back and included in the revenue from operations?

Barenya Senapati: No, that is what I told you. So, there were some non-recurring revenue from operation in '23-'24. So for that reason, if you adjust that, then our revenue from operation, still it stands at 7.25%. So current year, no such reversal of provisions are there.

Umesh Raut: And just a clarification on margin guidance that you have given for FY ‘26. You mentioned margins would be similar to full year of FY ‘26. Was that correct?

Barenya Senapati: Yes, revenue from operation and we will be maintaining our profitability.

Moderator: We will take our next follow-up question from the line of Atul Tiwari from JP Morgan. Please go ahead.

Atul Tiwari: So, thanks a lot for taking my question again. Sir, you said about 8%-10% revenue growth, and it looks like that even over medium term we may not get to 15%. So, how do you look at this kind of revenue growth number, especially in the context of a huge order book which is already more than 6x annual revenue, and obviously you will get Rs. 1 trillion more orders which will increase your book to build to 8-9x. So, should not we be aiming for 14%-15% kind of revenue growth to finish this order book as soon as possible?

D.K. Sunil: So, you see, in the aerospace and defense sector, a backlog of about 6 to 7 years is considered healthy. So, that is the kind of number we will reach after this year. We will have about 6 years, less than 6 years of backlog.

So, the idea is that we have to invest, but the investment has to be prudent so that we don't have too much of capacity. So, we are now building capacity so that by '31, '32, we will be finishing the LCA production. And then the LCA Mark-2, our plants will start producing the LCA Mark-2.

So, the whole phasing is that we optimize the investments. And our plants will be occupied with LCA Mark 1 initially. And later the LCA Mark-2 will come in. So, this is the way we are going about. Definitely what our DF has mentioned as a guidance is the conservative guidance. I am sure we will hope to do better than that. Perhaps we will give you an update.

Barenya Senapati: See, with the contractual delivery schedule whatever is there and with the repair and overhaul, the guidance at present for '25-'26, we are giving a guidance at that level. It may go up with increased delivery of LCH and LCA in the coming years.

Atul Tiwari: And sir, any medium-term outlook? I mean, you commented on margins in FY ‘26 at a stable level. But should we expect similar kind of EBITDA margins continuing over medium-term as well, given you have some visibility in terms of a very, very huge order book?

Barenya Senapati: See, if you see our EBITDA, it is at the same level, hovering around 38%-39% with interest, I mean, other income. If you see the operational EBITDA, it will be around 30%-31%, and we will be able to maintain that.

Atul Tiwari: Even over the medium 3-4 years.

Barenya Senapati: Yes.

D.K. Sunil: See, the diversified product base allows us to give us that kind of stability. We produce engines, aircraft, and helicopters. So, there is a very good range of products. It gives us this kind of flexibility so that we can maintain this kind of earning.

Moderator: Our next question is from the line of Nikhil Purohit from Fident Asset Management. Please go ahead.

Nikhil Purohit: Hi, I wanted to know by which year can the ramp-up for LCA Mark 1A can happen to 24 units. And then as you mentioned, the eventual 30 units as the private players come in. By when can that happen?

D.K. Sunil: The 24 aircraft will happen in '26-'27. And as I said, the private sector, they are still ramping up. So, we expect that next year we will be able to get those. In '27-'28 we will be able to get the full advantage of all the investments in the private sector. So, I would say in the next two years, we would be able to reach that number of 30.

Moderator: Thank you, sir. Ladies and gentlemen, in the interest of time, we will take this as our last question. I would now like to hand the conference over to the management for closing comments.

D.K. Sunil: Thank you very much. It was a very interesting conversation. And the kind of interest that HAL is generating in the stock market is very heartening. It gives us and the government great strength that we are such a valued company. And I can assure you that HAL is just not a commercial company. It is a strategic company as you have seen in the recent past.

We strive to meet the requirements of the Indian armed forces and as the backbone of the Indian armed forces. So, we will definitely strive to see that we meet the twin objectives of being a very profitable and forward-looking organization at the same time being the force behind the forces of the country. So, thank you very much, and thank you for all your support. Good day.

Moderator: Thank you. On behalf of Elara Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.