

Hindustan Aeronautics Ltd : Good Issue

IPO Note : "Navratna", Largest Defence PSU, Three Year bottom line CAGR 62%, Rs.25 discount to retail investors

: Ranking***



Issue details

Price band (Rs)	Rs.1215-Rs.1240
IPO Opening Date	16/03/18
IPO Closing Date	20/03/18
Issue Size	Rs.4482.60 Cr.

Recommendation

Total revenue grew at a **CAGR of 6.24%** from Rs.17362 Cr for the FY 2015 to Rs.19596.90 Cr for FY 2017 and Net Profit grew at a **CAGR of 62.49%** in the same period. Net profit grew from Rs.994.10 crore to Rs.2624.70 crore in this period. For the six months ended on 31.12.17, it has earned net profit of Rs.390.10 cr. on a turnover of Rs.5665.90 cr. According to management, first half results cannot be annualized to compare as it always does better in the second half due to billings only on delivery of products. For FY17, the EPS works out to Rs.78.49 then asking price Rs.1240 is at a P/E of 15+. **The company has zero debt it has no listed peers to compare with, thus it is a first mover in this segment. The company has good track record of profit and dividend paying. Excellent bottomline growth. Strong order book position and Rs.25 discount to retail investors. Overall, fundamental looks attractive but listing gain may or may not possible due to big size of IPO and uncertain market condition. Moderate investment may be considered for long term.**

Highlights

- It have been conferred with the "Navratna" status by the GoI in June 2007
- Largest DPSU in terms of value of production according to the MoD Annual Report 2016-2017
- 39th largest aerospace company in the world in terms of revenue (in USD million) in 2016 according to Flight International
- Rs 25 Per Share discount is offered to Retail & Employee investors
- Sustained track record of profitability and have paid dividends to stakeholders every year for over four decades.
- As of December 31, 2017, order book was Rs.68461 crore

Company Introduction

Incorporated in 1963, Hindustan Aeronautics Limited (HAL) is Bengaluru based Defence Public Sector Undertakings (DPSU) company engaged in the design, development, manufacture, repair, overhaul, upgrade and servicing of a wide range of products including, aircraft, helicopters, aero-engines, avionics, accessories and aerospace structures. HAL is 'Navratna' company since June 2007 and the largest DPSU. HAL is the 39th largest aerospace company in the world in terms of revenue.

Company has 20 production divisions and 11 R&D centres located across India. Indian Defense Services is the main customer of HAL and account for over 93% of sales. HAL also sell its products and provide services to state governments, para-military forces and corporate.

Diversified Product Portfolio

The company has developed a range of product offerings in order to address the varied requirements of customers. Its products portfolio includes fighter aircraft, trainer aircraft, transport aircraft, military helicopter and civil helicopters and



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Financial Summary (Rs. In Crore)

Particulars	Six month ended Sept 2017	FY2017	FY2016	FY2015
Total Income	5665.90	19596.90	18754.80	17362.00
Net Profit	390.10	2624.70	2004.30	994.10
EPS (Rs)	11.66*	78.49	59.94	29.72

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

their engines, avionics and accessories (such as special test equipment and ground handling equipment and ground support equipment), which are both indigenously designed or manufactured under licence

Company Promoters:

Promoter of HAL is the President of India, acting through the Department of Defence Production, Ministry of Defence.

The promoter currently holds, 100% of the pre-Offer paid-up Equity Share capital of the Company. Assuming the sale of all Offered Shares, the Promoter shall hold around 90% of the post-Offer paid-up Equity Share capital of the Company.

The objects of the Offer are:

The objects of the Offer are: (i) to carry out the disinvestment of 34,107,525 Equity Shares by the Selling Shareholder constituting 10% of our Company's Pre-Offer paid up Equity Share capital of Company; and (ii) to achieve the benefits of listing the Equity Shares on the Stock Exchanges.

IPO Issue Proceed

HAL is coming out with its maiden IPO of 3.41 crore equity shares of Rs. 10 each via book building route with a price band of Rs. 1215 – Rs.1240 to mobilize Rs.4143.15 crore to Rs. 4228.40 crore based on lower and upper price bands. Issue opens for subscription on 16.03.18 and will close on 20.03.18. Company is offering a discount of Rs. 25 per share to Retail investors and eligible employees. Minimum application is to be made for 12 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Being OFS, its equity post issue remains same at Rs. 334.38 cr.

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