

Issue Date: 16th Mar – 20th Mar 2018
Price Band (Rs.): 1215 - 1240
Lot Size (No. of Share): 12

Issue Details	
Issue Opens	16-Mar-18
Issue Closes	20-Mar-18
Issue Size (Rs. Crore)	4,229.33
Face value (per equity share)	10
Price Band (Rs.)	1215-1240
Lot Size (No of Share)	12
No of Shares on Offer (crore)	3.41
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	28-Mar-18

Company Background

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 is the 39th largest aerospace company in the world in terms of revenue.

Financials

Particulars	For the year/period ended (in Rs. Million)		
	Mar'17	Mar'16	Mar'15
Total Assets	515,523	565,319	624,203
Total Revenue	195,969	187,548	173,620
Profit After Tax	26,247	20,043	9,941

Concerns

- Heavy dependence on funding from defence budget.
- Delays in award of contracts or cancellation/modification of existing contracts.
- Dependence on domestic, international licensors for key technologies.

Strengths

- Experience of over 5 decades in research, design and development, manufacturing and maintenance, repair and overhaul services.
- Established track record in offering product life cycle support.
- Largest DPSU in terms of value of production.
- Foray into newer areas for a diversified product offering.

Our View

The price band of INR 1215-1240 per share and FY17 EPS of Rs.73 and even based on last 3 years consolidated EPS of Rs54, P/E ratio works out to 17x to 23x. There are no listed peers in the manufacturing of weapon platforms in India and is unlikely that it will face any competition in near future as it is strategically difficult and time consuming to replace weapons platforms in defence. The IPO price can be considered as fully priced.

The company has best-in-class execution capabilities, a leverage free balance sheet and strong growth prospects as the largest DPSU and leadership in the aeronautical industry, it could be a good long term bet in the defence sector. Investors can subscribe to this issue with a long term perspective.

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	100.0	89.8
Public (incl institutions and employees)	0.0	10.2
Total	100.0	100.0

Objects of the Issue

The objects of the Offer are:

1. To carry out the disinvestment of 34,107,525 Equity Shares by the Selling Shareholder (President of India) constituting 10% of the Company's pre-Offer paid up Equity Share capital the Company; and
2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges.