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# FINANCIAL HEALTH ASSESSMENT OF HINDUSTAN AERONAUTICS LIMITED: A COMPREHENSIVE RATIO AND TREND ANALYSIS OF AN INDIAN MAHARATNA CENTRAL PUBLIC SECTOR ENTERPRISE

**KEY WORDS:** Hindustan Aeronautics Limited; Maharatna; Public Sector Enterprises (PSEs); Profitability; Financial Health.

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**ABSTRACT**

The financial performance of Maharatna Central Public Sector Enterprises always plays a vital role in India's pace of economic development and strategic industrial expansion. Hindustan Aeronautics Limited, a highly trusted aerospace and defence company, has consistently showed financial sustainability and operational excellence while supporting the India's defence manufacturing potentialities. This research study assesses the financial health of Hindustan Aeronautics Limited through different ratio analysis and trend analysis for the time period five years from 2021 to 2026. The research study evaluates profitability, liquidity, solvency, and efficiency indicators to examine the company's overall financial position and long-term sustainability. The research is based fully on published data collected from annual reports of Hindustan Aeronautics Limited. The findings reveal that Hindustan Aeronautics Limited has maintained sky scraping profitability, strong liquidity, negligible financial leverage, and efficient utilization of assets during the time period of study. Continuous growth in revenue, net profit, and shareholders' funds reflects sound financial management and strategic planning. The study concludes that Hindustan Aeronautics Limited represents one of the strongest financial performers among Indian public sector enterprises and provides a useful model for financial management in strategic industries.

## 1. INTRODUCTION

Financial health assessment is a vital instrument for assessing the profitability, operational efficiency, liquidity, and long-term stability of an enterprise. Stakeholders and management rely on financial assessment to understand the pros and cons of an enterprise and to make judicious choices. In India, Maharatna Central Public Sector Enterprises add immense value to industrial development, employment opportunities, infrastructure development, and national security. Among Maharatna enterprises, Hindustan Aeronautics Limited uniquely positioned as the country's top-notch aerospace and defence manufacturing enterprise. Hindustan Aeronautics Limited is engrossed in the manufacture, development, design, repair, and maintenance of aircraft, helicopters, aero-engines, and related systems. The rising prominence on indigenous defence manufacturing through government initiatives has extended Hindustan Aeronautics Limited's strategic significance and financial health. A methodical evaluation of its financial health provides profound insights into its capability to sustain growth, generate revenues, and proficiently utilize existing resources.

This study utilizes ratio analysis and trend analysis to assess Hindustan Aeronautics Limited's financial health over a five-year period from 2020 to 2025.

## 2. COMPANY PROFILE

Hindustan Aeronautics Limited is an Indian state owned aerospace and defence enterprise headquartered in Bengaluru. Founded in December 1940 and operates under the Ministry of Defence, Government of India. It designs, develops, manufactures, and overhauls advanced combat aircraft, helicopter, jet engines, and avionics. It is profound supplier to the Indian Army Forces and holds Maharatna Status. It has 21 manufacturing divisions, 11 research & design centres across India and nearly 24,000 employees.

Hindustan Aeronautics Limited specializes in:

- Aircraft Manufacturing
- Helicopter Manufacturing
- Aero-engine Development
- Maintenance, Repair and Overhaul
- Export in Nearly 30 Countries

## 3. LITERATURE REVIEW

**Galeriya & Raval, 2026** made a comprehensive study on financial performance of selected Indian CNC manufacturing companies by applying profitability ratios and ANOVA. The result of study showed striking differences in profitability because of volatility in operational efficiency, cost framework, and strategic ability. The research study aids resource based view by stressing the impact of internal resources and management exercise on financial success. It shed lights for investors by concentarting on profitability and capital efficiency measures. The research study also showed the role of strategic management and financial regulation in improving performance of companies. The researcher finds need for sector wise comparative studies to understand variations in efficiency, profitability, and value proposition among CNC manufacturing firms.

**Pipaliya & Raval, 2026** made an attempt to study liquidity and solvency performance of selected Indian CNC manufacturing companies by utilizing financial ratios and ANOVA. The result of study showed striking differences in liquidity management, financial risk, and capital structures among companies. The research study revealed that how companies employed different leverage tactics based on their financial and operational performance. It assists the Pecking Order Theory by indicating the relationship among profitability, debt reduction, and robust financial stability. The research study shed lights for stakeholders and managers in examining financial health.

**Sharma P., 2026** made a comprehensive study to evaluate financial distress of Maharatna CPSEs of India. The researcher used financial distress prophecy model such as Springate and CA Score stresses volatility in financial performance of Maharatna CPSEs. The research study reveal that few companies preserved strong financial positions due to effective management and solid operations, while few faced financial complication asking strategic enhancements. Existing research study recommend that profitability, extensive financial strategy, and operational efficiency play essential role in deciding the fiscal strength of Central Public Sector Enterprises. The research study also indicates the influence of government policies, pricing structure, and market situations on financial performance of Central Public Sector Enterprises. The researcher suggested expeditious rectification procedures and enhanced financial strategies to prevent crisis and improve the competitiveness of Central Public Sector Enterprises.

**Kumar & Veerakumar, 2024** made an attempt to evaluate liquidity and profitability relationship of selected Indian Central Public Sector Enterprises (CPSEs). The research study reveal that sufficient liquidity position assists companies meet short term responsibilities, while extensive liquidity may decrease profitability due to under utilization of resources. Existing study emphasizes that financial performance is impacted by both internal management tactics and external environment changes. The researchers recommend refining working capital management, cost capability, and technological employment to enhace profitability. The researcher deduced that integrated financial framewrok and impartial liquidity management are essential for attaing sustainable growth and enhancing the overall performance of Central Public Sector Enterprises (CPSEs).

**Das, 2019** made an attempt to evaluate Indian defence industry. The research study revealed the significance of developing India's Defence industry to attain self-reliance and strategic autonomy. It focuses the need for amendment in Defence enterprises, manufacturing systems, and research ability. The study advises that extensive involvement of private sector can strengthen Defence innovation and decrease foreign dependency. Government initiatives concentrated at pushing indigenisation and Defence manufacturing are recognized as a key drivers of growth. The research study also revealed the potential of Defence Research & Development investment in enhancing technological ability and generating employment opportunities.

**Krylov, 2018** made an attempt to study target financial forecasting as an effective approach in anticrisis financial management for improving a company's financial health. Financial forecasting methods like budgeting, and economic-mathematical approaches are developed for financially stable firms. The research study advices that these traditional approches have limitations when firms face financial crisis, as they primarily depend on revenue projections. Target financial forecasting concentrates on attaining favored financial ratios and enhancing financial stability. It caters a organized framework for recognizing financial difficulties and unfolding rectifying actions. Compared with traditional forecasting approaches, target financial forecasting offers superior flexibility and efficiency in distress situations. The research deduced that this method is particularly useful for medium and large scale enterprises experiencing financial constrains.

**Shaikh, Kinange & Fernandes, 2016** made a very comprehensive study on opportunities and challenges of Indian Defence sector under the Make in India movement. The researchers highlighted that initiative should concentrate not only manufacturing in India but along with that, meeting in-land Defence requirements before expanding into global markets. The existing export strategy is viewed as deficient due to uncertain global economic conditions and less demand in developed economies. The researchers point out that India should develop a supportive platform where domestic companies, private companies, and global investors can collaborate effectively. The research study suggest that a well developed strategy combining in-land capability building with global aggressiveness can support India attain strategic autonomy in Defence manufacturing.

## 4. RESEARCH METHODOLOGY

### 4.1 Objective of the Study:

To assess the financial health of Hindustan Aeronautics Limited with the help of ratio and trend analysis.

### 4.2 Sample:

The researcher follows purposive sampling method and Hindustan Aeronautics Limited is selected due to its strategic significance in Indian defence.

### 4.3 Study Period:

The present research work covers the time period of five years starting from 2020 to 2025.

### 4.4 Tools and Techniques:

For the measuring financial health of Hindustan Aeronautics Limited researcher has used ratio analysis and trend analysis.

### 4.5 Data Source:

The data source is secondary in nature. The data has been collected from the annual reports published by the Hindustan Aeronautics Limited.

## 5. RESEARCH GAP

Existing study on Indian CPSEs heavily concentrated on comparative performance analysis, profitability, or operational efficiency among multiple companies. Limited research study has comprehensively assessed the financial health of Hindustan Aeronautics Limited using profitability, liquidity, operational efficiency, solvency, and trend analysis combination over a prolonged period. Additionally, contemporary financial developments and the enterprise's strategic position in Indian defence sector have received confined academic attention. This research study addresses this gap by providing a comprehensive financial health assessment of Hindustan Aeronautics Limited for the period 2020–2025, thereby contributing fresh empirical evidence to the literature on public sector financial health.

## 6. DATA ANALYSIS

### 6.1 Liquidity Ratio

| Year | Current Ratio | Quick Ratio |
|---|---|---|
| 2020-21 | 1.57 | 0.93 |
| 2021-22 | 1.80 | 1.22 |
| 2022-23 | 1.68 | 1.29 |
| 2023-24 | 1.73 | 1.37 |
| 2024-25 | 2.04 | 1.55 |

**Analysis:**

The liquidity evaluation of Hindustan Aeronautics Limited indicates that the enterprise sustained a stable and corrective short term financial position during the time period of study. The Current Ratio increased from 1.57 in 2020-21 to 2.04 in 2024-25, showing a constant progress in the enterprise's ability to meet its short term objectives. Hindustan Aeronautics Limited shows stronger liquidity management in the year 2024-25.

The Quick Ratio too, indicated positive trend, growing from 0.93 in 2020-21 to 1.55 in 2024-25. This shows that Hindustan Aeronautics Limited enhanced its capacity to meet current liabilities utilizing more liquid assets without relying on stock.

No doubt minimal variation was marked during 2022-23 and 2023-24, but overall trend stayed positive. The growing liquidity ratio indicates that Hindustan Aeronautics Limited maintained enough financial resources to aid operational tasks and manage short term financial obligations effectively. In short, Hindustan Aeronautics Limited's liquidity position stayed strong and enhanced significantly throughout the five-year study period.

### 6.2 Profitability Ratio

| Year | Net Profit Margin | Return on Assets | Return on Equity | Return on Capital Employed |
|---|---|---|---|---|
| 2020-21 | 14.21 | 06.15 | 22.64 | 18.70 |
| 2021-22 | 20.66 | 09.25 | 29.37 | 17.56 |
| 2022-23 | 21.58 | 09.25 | 27.17 | 28.00 |
| 2023-24 | 24.99 | 10.47 | 28.90 | 24.56 |
| 2024-25 | 26.84 | 09.03 | 26.04 | 17.46 |

**Analysis:**

The profitability evaluation of Hindustan Aeronautics Limited shows strong and enhancing financial performance during the study period. The Net Profit Margin increased drastically from 14.21 percentage in 2020-21 to 26.84 percentage in 2024-25, indicating enhanced operational efficiency, effective cost structure, and growing profitability. The constant increase in profit margin shows Hindustan Aeronautics Limited's ability to generate higher earnings.

The Return on Assets gained from 6.15 percentage in 2020-21 to 10.47 percentage in 2023-24, showing optimum utilization of assets for earning profits. Though, a slight decrease to 9.03 percentage in 2024-25 was marked because of increase in assets, however the enterprise continued to sustain a strong return on assets.

The return on Equity stayed healthy during the study period of five-year, improving from 22.65 percentage to 26.04 percentage. This shows proficient use of shareholder's fund and concrete value generation for investors.

The Return on Capital Employed indicated some volatility during the time period of study, improving significantly to 28 percentages in 2022-23 before falling to 17.46 percentages in 2024-25. Regardless of volatility, Return on Capital Employed stayed positive, showing effective use of long term capital resources. In short, Hindustan Aeronautics Limited's profitability evaluation shows that enterprise maintained a concrete financial performance with consistent improvement in profitability, resource utilization, and viable returns.

### 6.3 Efficiency Ratio

| Year | Total Assets Turnover Ratio | Fixed Assets Turnover Ratio |
|---|---|---|
| 2020-21 | 0.43 | 2.20 |
| 2021-22 | 0.45 | 9.71 |
| 2022-23 | 0.43 | 4.64 |
| 2023-24 | 0.42 | 5.26 |
| 2024-25 | 0.34 | 5.20 |

**Analysis:**
The efficiency evaluation of Hindustan Aeronautics Limited shows that the Total Assets Turnover Ratio stayed stable between 0.42 and 0.45 times from financial year 2020-21 to 2023-24, showing consistent use of total assets. Though, it reduced to 0.34 times in financial year 2024-25, due to drastic increase in assets compared to revenue growth.

The Fixed Assets Turnover Ratio indicated notable improvement, growing from 2.20 tmes in financial year 2020-21 to 9.71 times in financial year 2021-22. However, it reduced in later years, but stayed healthy, reaching 5.20 times in financial year 2024-25. This shows that Hindustan Aeronautics limited proficiently used its manufacturing facilities. In short, the efficiency evaluation shows that Hindustan Aeronautics Limited sustained effective use of assets.

### 6.4 Comparative Trend Analysis of Financial Ratios of Hindustan Aeronautics Limited

| Particulars | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|---|---|---|---|---|
| Current Ratio | 1.57 | 1.80 | 1.68 | 1.75 | 2.04 |
| Quick Ratio | 0.93 | 1.22 | 1.29 | 1.37 | 1.55 |
| Net Profit Margin (%) | 14.21 | 20.66 | 21.58 | 24.99 | 26.84 |
| Return on Assets (%) | 6.15 | 9.25 | 9.25 | 10.47 | 9.04 |
| Return on Equity (%) | 22.64 | 29.37 | 27.17 | 28.90 | 26.04 |
| Return on Capital Employment (%) | 18.70 | 17.56 | 28 | 24.56 | 17.46 |
| Total Assets Turnover Ratio (%) | 0.43 | 0.45 | 0.43 | 0.42 | 0.34 |
| Fixed Assets Turnover Ratio (%) | 2.20 | 9.71 | 4.64 | 5.26 | 5.20 |

**Analysis:**
Hindustan Aeronautics Limited's liquidity enhanced strongly during the time period of study. Current Ratio raised from 1.58 to 2.04, which shows stronger short term financial stability. All vital profitability indicators of Hindustan Aeronautics Limited revealed progress, specifically Net Profit Margin, raised from 14.21 percentage to 26.84 percentage, indicating better operational proficiency and cost structure.

Hindustan Aeronautics Limited's Fixed asset utilization stayed concrete, however Total Asset Turnover Ratio indicated reduction because of increase in asset base. Hindustan Aeronautics Limited showed constant financial progress, concrete profitability, and financial stability, helping its position as a strategically strong defence Central Public Sector Enterprise.

## 7. FINDINGS & SUGGESTIONS

### 7.1 Findings

**Liquidity Position:**
The analysis of Hindustan Aeronautics Limited's liquidity position shows that the enterprise maintained a balance and sufficient short run financial position during the study period. The Current Ratio improved from 1.58 in financial year 2020-21 to 2.04 in financial year 2024-25, showing strength of the company's ability to meet short run promises. The Quick Ratio also stayed above 1 during the study period, indicating sufficient availability of liquid assets.

**Profitability Performance:**
Hindustan Aeronautics Limited showed a strong profitability position during the five-year study period. The Net Profit Margin increased from 14.21% in financial year 2020-21 to 26.84% in financial year 2024-25, indicating progress in operational efficiency, cost management, and revenue earning capability. The consistent gain in profitability shows better financial performance and improved earnings capacity.

**Return on Assets (ROA):**
The Return on Assets stayed positive during the study period, increasing from 6.15% in financial year 2020-21 to 9.03% in financial year 2024-25. This shows that Hindustan Aeronautics Limited efficiently and effectively used its asset base to generate profit. The improvement in Return on Assets shows effective asset management and increased operational performance.

**Return on Equity (ROE):**
Hindustan Aeronautics Limited booked a heavy Return on Equity during the study period, wandering from 22.64% to 29.37%, showing effective utilization of shareholders' funds. The increasing Return on Equity shows that the company generated higher returns for its shareholders and maintained concrete financial efficiency.

**Return on Capital Employed (ROCE):**
The Return on Capital Employed analysis indicates that Hindustan Aeronautics Limited efficiently used its long-term capital resources. The company sustained a healthy Return on Capital Employed during the study period, showing effective utilization of invested capital and strong operational ability. The higher return on capital employed shows the enterprise's ability to generate value from available resources.

**Asset Utilization Efficiency:**
The Total Assets Turnover Ratio stayed around 0.34–0.45 times, showing average utilization of total assets for earning revenue. However, the Fixed Assets Turnover Ratio stayed concrete, varying more or less between 2.20 to 9.71 times, recommending proficient utilization of production facilities and fixed assets.

**Overall Financial Performance:**
The overall analysis of Hindustan Aeronautics Limited's financial ratios for the study period shows that the enterprise

maintained concrete financial health with enhancing profitability, adequate liquidity, and proficient capital utilization. The findings recommend that Hindustan Aeronautics Limited holds a stable financial framework and concrete capability to support India's Defence manufacturing vision.

**7.2 Suggestions**

- Hindustan Aeronautics Limited should keep proper balance between current assets and liabilities and ensure proficient utilization of excess funds.
- Hindustan Aeronautics Limited should extend manufacturing efficiency, lessen idle resources, and maximize the utilization of existing assets to improve earnings.
- Hindustan Aeronautics Limited should continue investing in technological advancement, automation, and research endeavours to enhance Defence manufacturing capabilities.
- Hindustan Aeronautics Limited also concentrate on global partnership and defence exports to attain long-term growth.

## 8. LIMITATIONS OF THE STUDY

- The present study focused only on one company from Maharatna Central Public Sector Enterprises.
- The research study is limited to the time duration of five years.

## 9. CONCLUSION

The study examined the financial health of Hindustan Aeronautics Limited for financial year 2020-21 to financial year 2024-25 utilizing profitability, liquidity, and efficiency ratios. The result shows that Hindustan Aeronautics Limited maintained concrete and steady financial position with enhancing profitability, sufficient liquidity, and proficient resource utilization. The progress of profitability ratios shows effective management and consistent operational efficiency, while fixed assets utilization remained concrete.

Overall, Hindustan Aeronautics Limited showed strong financial health and sustainable growth. Its concrete financial position aids India's defence manufacturing vision. Future development can be better through deep diving into innovation, research and development, technological advancement, export expansion and proficient resource utilization.

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