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HAL AT THE CROSSROADS: ₹3.82 LAKH CRORE IN SEARCH OF A STRATEGY

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**HAL AT THE CROSSROADS: ₹3.82 LAKH CRORE IN
SEARCH OF A STRATEGY**

CENTRE FOR JOINT WARFARE STUDIES



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HAL at the Crossroads: ₹3.82 Lakh Crore in Search of a Strategy

Author: Lt Gen Anil K Bhalla, PVSM, AVSM, VSM (Retd)

India's aerospace champion has the balance sheet to fund its own Anduril-style transformation. The question is whether it has the will and leadership.

Hindustan Aeronautics Limited is not failing. It has posted record revenues exceeding ₹32,000 crore in FY26, sits on an order book of more than ₹2.5 lakh crore backed by sovereign guarantees, carries virtually zero debt, and is a stellar stock-market performer. By every conventional yardstick, HAL should be considered thriving. But conventional yardsticks are the wrong ones in 2026.

Across the Pacific, Anduril Industries, a nine-year-old start-up, just closed a \$5 billion fundraise at a \$61 billion valuation. Anduril builds AI-powered autonomous drones, cruise missiles, and undersea vehicles, all connected by a software operating system called Lattice. It claims 12–18-month development cycles where incumbents take years and is deliberately losing \$1.2 billion this year to own the future.

HAL's cash and short-term investments stand at more than ₹3.8 lakh crore—nearly five times Anduril's entire post-fundraise war chest. Total debt is a negligible ₹514

crore. After capex and dividends, HAL generates roughly ₹4,166 crore a year in surplus cash. Anduril's record \$5 billion mega-round, HAL earns that in about fourteen months of surplus cash flow. Yet Anduril is valued at \$61 billion and growing at 110 per cent a year. HAL's market cap sits at ₹3 lakh crore with single-digit revenue growth. The market is pricing velocity, software, and offensive capital deployment—not a mountain of fixed deposits.

The Warning Signs

In February 2026, HAL was excluded from the ₹15,000-crore AMCA fifth-generation fighter prototype competition. The reason: HAL's order book, at eight times its turnover, disqualified it under the expression-of-interest criteria. The MoD concluded that private consortia led by Tata, Bharat Forge, and L&T would bring greater agility. For the first time, the government has explicitly signalled that the HAL monopoly on combat aircraft is ending.

Meanwhile, the autonomous revolution is accelerating without HAL. The Indian Army's April 2026 roadmap targets thirty drone variants and tens of thousands of locally made drones by 2031. Shield AI has signed a V-BAT deal with the Army. Private start-ups such as IdeaForge, NewSpace Research, Big Bang Boom Solutions, and Sagar Defence are winning contracts that once went to HAL by default. India now has 195 military-tech start-ups. HAL's own loyal wingman drone, CATS Warrior, has slipped to a 2027 first flight. The company still outsources mission-critical avionics computing; its \$63 million Aitech contract for LCH mission computers is the latest evidence.

The HTT-40 Precedent: HAL Already Knows How

The irony is that HAL has already demonstrated the very model of product-led, self-funded development that this article advocates. In 2012, the IAF rejected the HTT-40 basic trainer programme, preferring to expand its order for the Swiss Pilatus PC-7 Mk II. HAL could have shelved the project. Instead, it sanctioned ₹500 crore of its own funds in 2013 and pressed ahead without a customer order. The first prototype flew in May 2016. Over the next five years, the aircraft accumulated more than 900 flight-test hours and cleared the demanding six-turn spin certification. By 2022, it was fully certified to US FAR-23 standards. The IAF, which had initially spurned the programme, placed an order for 70 aircraft worth ₹6,838 crore, and the first series-production HTT-40 made its maiden flight in October 2025.

The HTT-40 story proves that HAL can invest ahead of demand, absorb development risk, and deliver a certified product that eventually wins orders on merit. It is the institutional proof of concept for an Anduril-style approach, build first, sell later. The question is why this remains the exception rather than the rule.

While September 26 has seen some of the technologically advanced platforms having been handed over to IAF, but there is unprecedented aspirational gap which India cannot afford at this juncture.

The Transformation Playbook

Anduril executed nine acquisitions in five years, including small drone makers, undersea vehicle firms, radar software start-ups, and infrared sensor specialists, each plugged into Lattice, its AI backbone. Total spend was roughly \$500 million to \$1 billion. HAL could match that without batting an eyelid. The targets exist within India's own ecosystem. HAL's Maharatna status lets it invest up to ₹5,000 crore per project without Cabinet approval. Tonbo Imaging for electro-optics, Sagar Defence for unmanned systems, and NewSpace Research for swarm drones are but a few examples. The playbook is straightforward: buy what you cannot build in three to five years, then integrate through a common software backbone.

That software backbone is the real imperative. Anduril's Lattice is a domain-agnostic AI platform that fuses data from every sensor, drone, and radar into a unified command environment. HAL has twenty-one manufacturing divisions and zero unifying software platforms. Building an Indian equivalent would cost an estimated ₹7,300–12,000 crore over three to five years, entirely fundable from surplus cash. HAL's new R&D Manual, which for the first time lets the company start projects without a government tender, suggests some leaders see the direction. The HTT-40 precedent confirms HAL can execute self-initiated programmes. The task now is to replicate that institutional courage at scale, across autonomous systems, AI, and software platforms.

The order book is a narcotic of giant proportions, which stands at a staggering ₹2.54 lakh crore of guaranteed, pre-funded work, making it easy to defer transformation forever. But HAL has already shown, with the HTT-40, that it can build without being asked. Anduril's entire nine-year existence has been funded by over \$11 billion in venture capital. HAL could deploy that sum from existing resources without raising a

rupee. The crossroads are now. The balance sheet is ready. The precedent exists. The question is whether the institution will follow its own example.

The transformation playbook cannot be implemented unless it is led by the real stakeholders which is IAF in this case. It will put onus as well as the delivery responsibility to the primary user. This leadership model is considered most effective. The following is therefore recommended:

- **Head HAL.** It should be headed by a serving AF officer, a practice which was prevalent in the earlier years. The officer should have a minimum tenure of five years so that he can oversee delivery of conceived projects. In case it is a 'No go' to start with, at least VCAS/AOM should represent IAF at board level.
- **Director (Operations) at HAL** should be an engineering branch serving officer from the Armed Forces (Two-star level).
- **Production Level.** Major divisions like Koraput, Nasik, Bengaluru, and Helicopter Divisions should have a serving Air Commodore/ Gp Capt (select rank) as COP associated for production, quality, and projects.
- **Customers Service representatives of HAL** should be available at every concerned maintenance cell at Air HQ/ Commands for liaising with respective Divisions.

It is considered that once the above changes are implemented, HAL can become a National Champion for others to emulate and provide the requisite model to address the aspiration of the defence forces.

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