HAL at a Turning Point amid India’s Airpower Gap

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India’s Ministry of Defense has formally engaged the Massachusetss-based Boston Consulting Group (BCG) to design a comprehensive restructuring roadmap for Hindustan Aeronautics Limited (HAL). This comes after years of concern inside the system about HAL’s inability to meet its commitments in a timely manner. The process reportedly began soon after the Principal Secretary to the Prime Minister, Dr P.K. Mishra, visited a HAL facility in July 2025. By September, the Ministry of Defense had formally onboarded BCG to design a complete reorganization blueprint with a strict deadline of March 2026.

Presently, HAL is handling an order book of roughly INR 2.5 to 2.7 lakh crore (USD 27 to 30 billion). This is nearly eight times its annual revenue. It includes 83 Tejas Mk1A fighters (INR 36,400 crore), 97 additional Mk1A units (about INR 67,000 crore), 156 LCH Prachand helicopters (INR 62,700 crore), 240 Su-30MKI engines (INR 26,000 crore), the Dhruv/Rudra line, and multiple upgrade and maintenance programs. The numbers alone

do not tell the story. These are platforms central to India's air power for the 2030s and 2040s, and they are all behind schedule in one way or the other.

The proposed restructuring is expected to move HAL away from its current geography-based divisions toward platform-based business units. Instead of keeping the old Nashik–Bengaluru–Koraput silos, the company is sought to be reorganized into verticals such as Combat Aircraft, Helicopters, Engines and Propulsion, and Transport and Upgrades, each with its own profit and accountability structure. The objective is to raise production speed, improve serviceability, and bring HAL closer to global aerospace standards.

HAL is the country's only public sector platform-building company with a multi-decade track record of building fighters, helicopters and engines. Its performance directly shapes national security outcomes. When this organization falls behind schedule, the consequences determine the strength of India's fighter squadrons, the potency of its deterrence signalling, and billions of dollars in opportunity costs. India's current airpower picture, for instance, shows how deep this dependency runs. The IAF needs steady induction of 12–14 fighters a year simply to hold 30 squadrons, and around 40 a year to climb to the sanctioned (and perpetually elusive) 42. On paper, HAL has the capacity to produce 18-24 jets each year but has delivered only two Tejas Mk1A aircraft so far. While this is partially due to engine supply constraints from General Electric, the shortfall affects India's ability to manage even one-front contingencies vis-à-vis Pakistan even amidst its long term view of a two-front China-Pakistan threat. Successive IAF Chiefs, a Parliamentary Committee, and innumerable defense analysts and practitioners have long lamented HAL's protracted delays in delivering key platforms, with current IAF Chief AP Singh even chastising HAL in public view in early 2025 for delays in Tejas Mk1A which compromises

operational readiness.

With regard to large-scale restructuring of PSUs, there have been two prevailing aspects across the last decade – that the NDA-led government has been willing to implement changes within these PSUs, and that there has been near constant bureaucratic pushback from within each PSU each time a change has been proposed. With regard to HAL in particular, without prejudice to its undoubted value as a national asset, the lack of competition (especially private sector) when it comes to the IAF's needs has long been adjudged to also be a key reason for inefficiency. In India, apart from the HAL's monopoly on advanced platform construction, the IAF's monopsony as a single customer has also indirectly contributed to the HAL's lack of incentives to cater to the needs of any other player (unlike a private company that caters to multiple customers and is forced to manage multiple delivery timelines). Nevertheless, even as the IAF's own complaints with HAL have grown, HAL has consistently succeeded in ensuring that its position as the IAF's principal domestic supplier for advanced aircraft has remained secure. In any case, there is no private institution with comparable experience in aeronautical manufacturing at scale. Moreover, making significant changes to a PSU with a 24,000 strong workforce, with government contracted/appointed employees, has long carried the risk of internal bureaucratic pushback.

Clarity in crisis

The Overton Window for any government in New Delhi (even that which weathers enough risk to successfully corporatize a 200+ year old Ordnance Factory Board) to move towards restructuring a company such as HAL, has usually been created through an external trigger; a crisis. Defense reforms in India (or at least their theoretical initiation) have often followed moments of crisis. For instance, following the Pulwama-Balakot crisis between India and Pakistan in 2019, the Indian government implemented at least two significant long overdue

defense organizational reforms – creating the Department of Military Affairs as well as the office of the Chief of Defense Staff. It is a testament to still-unwieldy nature of India's defense bureaucracy that at least the latter office (CDS) witnessed a long delay in appointment after India's first CDS passed away in an accident in 2021.

While crises like Balakot also reinforced India's need for better defense preparedness (and thus faster delivery timelines), India's 2025 crisis with Pakistan effectively cemented the urgency of this need. This was not just due to India's larger loss of airframes during its engagement with Pakistan on May 7 (or as an important lesson that co-existed alongside its military success on May 10), but also due to the shock-value of the effectiveness of the China-Pakistan partnership. Beijing's ability to act as an over-the-horizon partner in Pakistan's military operations, supplementing its deep partnership with Islamabad as a major supplier of advanced platforms, indicated to the Indian military that China was significantly enhancing Pakistan's qualitative military edge. Even for a miliary that enjoys timely supply of key platforms, this lesson from the battlefield would spur it to seek even greater efficiency from the industry. In India, the shock effectively made HAL restructuring harder to postpone because platform delays are no longer an abstract readiness metric but a lived operational cost.

This is also not the first reform attempt. The 2009 B.K. Chaturvedi committee with its 34 restructuring recommendations had tried to push outsourcing and carve-outs a decade ago but implementation has remained stalled. What is different now is the sheer size and immediacy of HAL's order book; and the arrival of a capable Indian private sector that can be integrated in the supply chain. This can be understood by Aeronautical Development Agency's new procurement model for the AMCA prototype introduced a revenue-based qualification clause that HAL did not automatically meet. To qualify a

bidder must have at least a revenue scale of one third of its order book which the HAL fails to meet. In practice, this forces private companies to participate, but the tender is shaped so that they must also partner with HAL. This is a major shift. In 2013, private industry lacked the depth to participate meaningfully in fighter production. In 2025, that is no longer true. The private sector has become a factor the government cannot ignore, and it has also generated a greater appetite for the government to weather the risk of pushback from HAL. Such pushback has indeed been evident with HAL protesting the new terms of the ADA's expression of interest for the (also overdue) fifth-generation fighter.

HAL's restructuring is a necessary step, but its success depends on execution. India has partnered with BCG for similar restructuring in BSNL, Indian Railways and ONGC – all of whom continue to display significant inefficiency. Hence, while these exercises show that consultants can design strong structures and that their involvement does not present significant risks, they cannot change organizational cultures by themselves. Therefore, BCG's recommendations will inevitably collide with HAL's deeply rooted bureaucratic culture, which has evolved over decades and is resistant to rapid change. The precedent of Chaturvedi Committee showed that good recommendations can fail when incentives remain unchanged. The same risk applies now.

There is also a sovereignty and propriety concern. Restructuring telecommunications and energy institutions (such as BSNL and ONGC) using a foreign consultancy is distinct from roping it in to restructure a sensitive defense integrator, naturally raising anxieties about data exposure and strategic vulnerability. BCG has previously worked with major U.S. defense primes from large shipbuilding firms to leading aircraft manufacturers which only heightens the unease among some in India's strategic community. It is reasonable to assume that the government has imposed strict controls,

security clearances and data-firewalling to mitigate these risks. Even so, the discomfort within parts of the establishment is real, and it shapes how this reform is being viewed.