

18 March 2025

India | Equity Research | Sector Update

Defence

Digest #12/25: Orders start to flow; but pace remains muted

Key developments for Feb'25 include: 1) Indian defence budget's capital outlay has increased to INR 1.8trn (up 12.9% and 4.7% from FY25RE and FY25BE, respectively). 2) Indian Army has achieved ~88% self-sufficiency in ammunition production. 3) Kalyani Strategic Systems has exported 100 artillery guns. 4) Dynamatic Technologies has opened a new Airbus A220 sub-assembly line in India. 5) BEL has inaugurated 2nd assembly line for electronic fuses for artillery ammunition. 6) Indian Navy has finalised INR 360bn deal with Mazagon Dock Shipbuilders; contract is likely to be signed by FY25 end. 7) MoD has signed INR 102bn PINAKA contract with Solar Industries and Munition India Limited. We list Solar Industries, Azad Engineering and PTC Industries as our top picks in the space.

Jan'25: Key developments

- Indian defence budget's capital outlay has increased to INR 1.8trn (up 12.9% and 4.7% from FY25RE and FY25BE, respectively) ([Link](#)).
- Union Budget FY26 includes setting up of a Maritime Development Fund with an initial corpus of INR 250bn. ([Link](#))
- Indian Army has achieved ~88% self-sufficiency in ammunition production ([Link](#)).
- Indian Navy has finalised a deal of >INR 360bn with MDSL for construction of three additional Scorpène-class submarines; contract is likely to be signed by FY25 end ([Link](#)).
- India and France have finally completed negotiations for 26nos. Rafale Marine fighters' worth EUR 7bn, and the deal is expected to be signed in Apr'25. ([Link](#))
- Indian Army has released a RFI to identify prospective global vendors for the manufacturing of active protection systems for T-90 tanks. ([Link](#))
- Zen Technologies has acquired 51% stake in Vector Techniques and 45.33% stake in robotics start-up Bhairav Robotics. ([Link](#))
- Indian government has scrapped three contracts with private sector companies worth INR 2.3bn for 400 logistics drones, due to the recent incidents involving hacking of drones with Chinese parts. ([Link](#))
- Thales and BDL have signed a pact for the supply of Starstreak laser-beam-riding man-portable air defence systems to the Indian Army. ([Link](#))
- BEL and Safran Electronics have announced the creation of a joint venture to manufacture, customise, sell, and maintain the Hammer smart precision-guided air-to-ground weapon in India. ([Link](#))
- HAL has signed a long-term contract with Safran for supply of turbine forged parts for its LEAP engines. ([Link](#))
- General Electric has signed a 5yr performance-based logistics contract with the Indian Air Force to provide comprehensive sustainment for T700 engines, which power the Air Force's Apache helicopters. ([Link](#))
- Tata Advanced Systems and Lockheed Martin have agreed to set up a defence aircraft MRO facility in Bengaluru to service Super Hercules aircraft globally. ([Link](#))

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Astra Microwave (BUY)

Azad Engineering (BUY)

Bharat Electronics (BUY)

Bharat Dynamics (BUY)

Dynamatic Tech. (BUY)

Solar Industries (BUY)

PTC Industries (BUY)

Zen Technologies (BUY)

MIDHANI (BUY)

Hindustan Aeronautics (ADD)

GRSE (SELL)

MDSL (SELL)

Key developments (cont.)

- SAAB Group has completed deliveries of 2,000 units of Carl-Gustaf M4 lightweight, man-portable anti-tank weapons to the Indian Army and Indian Air Force. ([Link](#))
- Safran has signed a contract with Titan Engineering and Automation Ltd (TEAL) for local production of components for low-pressure turbine of LEAP engines. ([Link](#))
- Kalyani Strategic Systems has announced that it had exported 100 artillery guns in CY24. ([Link](#))
- BEL has inaugurated 2nd assembly line for electronic fuses for artillery ammunition in Pune (Maharashtra). ([Link](#))
- Collins Aerospace has signed an agreement with HAL to establish an MRO facility in Lucknow for electrical power generation systems for Tejas aircraft. ([Link](#))
- Dynamatic Technologies has opened a new Airbus A220 subassembly line in India. ([Link](#))
- Kalyani Strategic Systems has signed an agreement with U.S. firm AM General to supply Made-in-India advanced artillery cannons. ([Link](#))
- Cochin Shipyard held the steel-cutting ceremony for a hybrid service operation vessel for British North Star Shipping Limited. ([Link](#))
- Steel cutting ceremony of 3rd of 5nos. Fleet Support Ships (FSS) was held at L&T Shipyard. ([Link](#))
- Secon Engineering Projects has launched the 8th ammunition-carrying torpedo and missile barge for the Indian Navy. ([Link](#))
- Suryadipta Projects has launched the 9th ammunition-carrying torpedo and missile barge for the Indian Navy. ([Link](#))
- Vader Aeronautics has signed an agreement with Bharat Forge in the field of aero-engines. ([Link](#))
- Tata Advanced Systems Limited has delivered around 100 remote-controlled weapon systems to the Indian Army for T-72 tanks. ([Link](#))
- MoD has signed a ToT agreement with HHV Thermal Technologies for local production of carbon-silicon carbide throats, jet vanes, and microwave-absorbing structures for BrahMos missiles. ([Link](#))
- Martin-Baker has announced that it will open a new facility in Bengaluru in CY25 to maintain and manufacture ejection seats for the Indian Air Force. ([Link](#))
- MKU Limited has delivered an unspecified number of its Kavro Dhamob ballistic helmets to the Indian Army. ([Link](#))

Jan'25: Orders/AoNs

- MoD has signed INR 102bn contract for ammunition for Pinaka systems with Solar Industries and Munitions India Ltd. ([Link](#))
- MoD has signed INR 6.42bn contract with BEL for 28nos. advanced electro-optical fire control (EON-51) systems. ([Link](#))
- Solar Industries has received export order worth INR 21.5bn; to be executed over 6 years. ([Link](#))
- Azad Engineering has signed a deal with Rolls-Royce PLC for super critical complex machined parts for a period of life of the Engine Program. ([Link](#))
- Indian Army has awarded a contract to L&T for procurement of 223nos. automatic chemical agent detection and alarm systems. ([Link](#))
- GRSE has bagged a contract worth INR 1.23bn from Mauritius for the refit of Barracuda patrol vessel. ([Link](#))
- BEL has been awarded INR 12.2bn contract for procurement of 149nos software-defined radios for the Indian Coast Guard. ([Link](#))
- Premier Explosives has secured INR 264mn order from BrahMos Aerospace for the supply of propellant casting and the assembly of boosters. ([Link](#))
- MoD has signed a contract with Russia for procurement of Klub anti-ship cruise missiles. ([Link](#))
- Indian Air Force has ordered a limited number of Khagantak-243 long-range glide bombs from JSR Dynamics & BEL. ([Link](#))
- Flying Wedge Defence has claimed to have secured an export order for 35 FWD-1100 autonomous aircraft from a sub-Saharan nation. ([Link](#))
- Tanbo Imaging has secured contracts for 4nos WaveStrike high-power microwave directed energy weapon systems for testing and evaluation purposes from militaries outside the Asia-Pacific region, with additional orders expected after trials. ([Link](#))
- MoD has signed contracts worth INR 6.97bn with ACE Limited and JCB India for purchase of 1,868nos rough-terrain forklift trucks for the armed services. ([Link](#))

Outlook

We believe the recent correction in the stock prices provides a good entry point into the space as the fundamentals largely remain unchanged. Further, the order inflow for BEL remains strong as it has received orders worth >INR 170bn FY25-TD (as against the guidance of INR 250bn for FY25), we expect another INR 70-80bn orders to flow in march. Also, the contract for P-75 (three submarines) order to MDSL is likely to be signed shortly. Apart from this, India and France have completed negotiations for the 26nos. Rafale Marine fighters' worth EUR 7bn, and the deal is expected to be signed in Apr'25. Further, with Pinaka order and export order worth INR 21.5bn, Solar Industries' defence orderbook has reached ~INR 140bn now. Some of the major contracts due in near term include: i) 97 nos. additional Tejas Mk-1A and ii) 307nos. of tanks worth INR 80bn.

We list PTC Industries (TP: INR 20,070; **BUY**); Solar Industries (TP: INR 13,720; **BUY**) and Azad Engineering (TP: INR2,350; **BUY**) as our top picks in the space. Among DPSUs, we recommend HAL (TP: INR 4,065; **ADD**) and BEL (TP: INR 350; **BUY**) as our top picks.

Exhibit 1: Defence companies' valuation table

Companies	P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (x)			RoCE (x)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Astra Microwave	48.6	33.7	26.8	31.2	22.3	17.8	6.1	5.0	4.3	16.6	18.8	18.7	13.5	15.3	15.4
Azad Engineering	33.1	34.2	25.2	29.9	25.9	17.2	5.6	5.2	4.6	18.6	16.5	20.2	10.5	10.5	13.2
Bharat Dynamics	51.3	42.6	36.6	38.9	33.2	28.2	12.5	10.8	9.2	28.1	29.3	29.1	20.3	20.1	21.0
Bharat Electronics	29.9	72.3	42.3	25.4	23.2	18.7	5.8	5.5	4.9	23.0	7.9	11.9	7.1	6.8	9.5
Dyanamtic Tech	42.9	35.9	25.1	49.5	20.5	17.7	9.1	7.7	6.2	24.7	25.2	29.8	9.9	9.9	10.8
Garden Reach	30.2	36.7	24.9	20.8	24.7	16.7	7.9	7.2	6.1	31.7	22.1	27.9	25.3	17.1	20.4
Hindustan Aeronautics	52.3	30.8	23.1	26.2	20.0	13.8	3.6	3.4	3.0	7.3	11.6	14.4	5.9	7.8	11.2
Mishra Dhatu Nigam	24.2	11.5	10.2	22.4	4.5	2.9	7.8	5.0	3.6	39.6	60.6	48.5	20.3	36.4	30.8
Mazagoan Dockyard	109.3	72.0	52.4	67.1	47.5	35.1	27.6	20.3	14.8	30.6	35.2	36.2	23.8	27.3	30.2
Solar Industries India	77.5	42.1	27.8	53.6	29.0	19.0	22.0	14.4	9.5	31.3	40.1	40.3	29.5	38.3	38.4
Zen Technologies	422.9	234.9	149.5	255.1	169.9	96.8	27.7	13.0	12.0	11.3	9.9	10.3	7.8	6.7	8.6
PTC Industries	48.6	33.7	26.8	31.2	22.3	17.8	6.1	5.0	4.3	16.6	18.8	18.7	13.5	15.3	15.4

Source: I-Sec research, Company data

Exhibit 2: Potential order inflow

Company	Potential orders
Astra Microwave	AWP is expecting production order of UTTAM radars soon for the first series of limited production. Nearly 440 UTTAM radars are likely for LCA Mk1, considering additional 97 nos. that are being discussed. AWP is awaiting RFP from DRDO for Su-30 radars from DRDO.
Bharat Dynamics	BDL expects order inflow of INR 200–250bn in next 3-4 years from: 1) QRSAM and LRSAM (initial order value could be INR 30–40bn with total opportunity size of INR 170-180bn); 2) Akash NG weapon system; and 3) Astra Mark-I missiles.
Bharat Electronics	Order pipeline: Tank upgrade; Uttam AESA radar in Tejas MK-1A; it expects Sukhoi upgrades to incorporate Virupaksha AESA radar.
Hindustan Aeronautics	Major orders for HAL include: 1) Procurement of 156 LCH Prachand and 97- LCA Mk 1A (likely combined order value of INR 1,100bn); 2) upgradation of 84 nos. of Su-30 MKI aircraft indigenously (likely order value of INR 500bn). 3) RD33 engine orders and RoH orders worth INR 170bn.
MDSL	Order opportunity includes: 1) Six submarines; 2) extension of P75 order for three additional submarines; 3) next-gen destroyers (four for MDSL); 4) eight next-gen frigates; and 5) next-gen corvettes. Besides, there may be a steady inflow of MRLC orders from FY25.
GRSE	Order inflow mainly from NGCs (5 nos.) – considering GRSE as L1 at INR 228bn; and NGDs (2 nos.) – considering GRSE as one of the two shipyards getting the order at INR 175bn.

Source: Company data, I-Sec research

Exhibit 3: AoNs cleared by MoD in FY25-TD

Date	DAC clearance for procurement	Worth (INR bn)
Dec'24	i) New Water Jet Fast Attack Crafts (NWJFACs) for the Indian Navy – 31 units	218
	ii) Fast Interceptor Craft (FIC-1) – 120 units	
	iii) Electronic Warfare Suite (EWS) for Su-30 Mk1	
	iv) Advanced Light Helicopters (ALH-MR) for Indian Coast Guard – 6 units	
	v) Overhaul of Engines for T-72 & T-90 tanks (BMP engines) and Sukhoi fighter aircraft	
Sep'24	vi) Future Ready Combat Vehicles (FRCVs) for Indian Army	1,447
	vii) Air Defence Fire Control radars	
	viii) Forward Repair Team - Tracked	
	ix) Dornier-228 aircrafts for Indian Coast guard	
	x) Next-Gen Fast Patrol Vessel (NG-FPV) for Indian Coast guard	
	xi) Next-Gen Offshore Patrol Vessel for (NG-OPV) Indian Coast guard	
	xii) And others	
Jul'24	i) Advanced Land Navigation System (ALNS) for Armoured Fighting Vehicles (AFVs) of the Indian Army	
	ii) Interceptor Boats for Indian Coast Guard – 22 units	

Source: I-Sec research, MoD

Exhibit 4: Orders by MoD in FY25-TD

Date	Order	Awarded to	Worth (INR mn)
20-Feb-25	Rough Terrain Fork Lift Truck for Armed Forces - 1,868units	JCB India & ACE Ltd	6,974
20-Feb-25	Software Defined Radios for Indian Coast Guard - 149units	Bharat Electronics	1,201
08-Feb-25	EON-51 systems for Indian Navy - 28units	Bharat Electronics	6,422
06-Feb-25	PINAKA Multiple Launch Rocket System	Solar Industries & MIL	1,01,470
21-Jan-25	T-72 Bridge Laying Tanks for Indian Army - 42units	Armoured Vehicles Nigam Ltd	15,610
16-Jan-25	MR-SAM for Indian Navy	Bharat Dynamics	29,600
30-Dec-24	Electronic Heavy Weight Torpedo	Naval Group	8,770
30-Dec-24	AIP system & its integration to submarines	Mazagon Dockyard	19,900
20-Dec-24	K9 VAJRA-T Self-Propelled Tracked Artillery Guns	L&T	76,287
12-Dec-24	Su-30MKI - 12units	Hindustan Aeronautics	1,35,000
30-Nov-24	Short Refit and Dry Docking of INS Vikramaditya	Cochin Shipyard	12,070
24-Oct-24	Air Cushion Vehicles (ACVs) for Indian Coast Guards - 6 units	Goa Shipyard	3,874
09-Sep-24	AL-31FP Aero engines for Su-20 Mk1 - 240 units	Hindustan Aeronautics	2,60,000

Source: I-Sec research, MoD

Exhibit 10: Order inflow for Astra in FY25-TD

Date	Order	Worth (INR mn)
13-Dec-24	Software Defined Radios (SDR) LRUs for Su-30 Mk1 - 93units	2,559

Source: I-Sec research, Company data

Exhibit 7: Order inflow for Azad Engg. in FY25-TD

Date	Order	Worth (INR mn)
05-Feb-25	Supply of machined parts for a period of life of the Engine Program.	-
29-Jan-25	Manufacturing and supply of combustion commodities, cold blades & vanes.	~EUR 90mn
27-Jan-25	Supply of advanced, high-complex rotating airfoils for supercritical turbines.	-
15-Jan-25	Supply of highly engineered, complex rotating and stationary airfoils for Advanced Gas Turbine Engines to meet their global demand in the power generation industry	~USD 112mn
12-Nov-24	Supply of critical and highly complex rotating and station air components to meet the global demand in the nuclear power generation industry	~USD 40mn
03-Nov-24	Supply of highly engineered & complex rotating and stationary airfoils for Advanced Gas & Thermal power turbine engines to meet their global demand in the power generation industry	~USD 83mn
24-Oct-24	Manufacturing and supply of high complex components to meet the global demand in the Aviation industry	~USD 16mn
11-Jul-24	Manufacture and supply critical rotating components for their Global demands of Advanced Gas & Thermal Turbine Engines.	-
23-May-24	End-to-end manufacturing, assembly, and integration of complete assembled Advanced Turbo Gas Generator Engine.	-

Source: I-Sec research, Company data

Exhibit 5: Order inflow for BDL in FY25–TD

Date	Order	Worth (INR mn)
16-Jan-25	Medium-range Surface-to-Air Missiles (MRSAM) for the Indian Navy	2,960

Source: I-Sec research, Company data

Exhibit 6: Order inflow for BEL in FY25–TD

Date	Order	Worth (INR mn)
20-Feb-25	Supply for satellite communication, laser range finders, fire control centre spares etc	2,580
20-Feb-25	Supply of (SDRs) and (DCTs) for Indian Coast Guard	10,340
08-Feb-25	Supply of Electro Optic Fire Control System (EOFCS) for Indian Navy	6,100
28-Jan-25	Supply of advanced composite coms system for ship, medical electronics etc.	5,310
13-Jan-25	Supply of coms. equipment, electro optics, upgrades for satcom network, radars etc.	5,610
23-Dec-24	Platform screen doors for metro rail, radars, communication equipment, submarine sonar, etc	9,730
09-Dec-24	Maintenance of Akash Missile System, telescopic sights for guns and other equipment	6,340
08-Nov-24	Laser Range Finders, communication equipment, vessel communication and support system	5,000
07-Oct-24	Supply of EMI shelters, AMC, spares for gun systems, spares for radars etc	5,000
11-Sep-24	Supply of indigenous Multi-Function Radar in X Band for Cochin Shipyard	8,500
11-Sep-24	Supply of navigational system for ships, thermal imagers, comms, fire & gun systems etc	3,050
22-Aug-24	Miscellaneous spares and services	6,950
12-Jul-24	Supply of transmit receive modules for radar in fighter aircrafts from TRDS	2,300
12-Jul-24	Supply of coms, encryptors, spares and services for radars & fire control systems	1,920
28-Jun-24	Fire control system (FCS) for upgrade of BMP 2/2K tanks of the Indian Army	4,810
22-May-24	AMC of Akash Missile, combat management system for ships, missile fire control, etc.	11,500

Source: Company data, I-Sec research

Exhibit 7: Order inflow for HAL in FY25–TD

Date	Order	Worth (INR mn)
12-Dec-24	Su-30 Mk1 aircraft - 12units	1,35,000
08-Nov-11	Avionics upgrade of Dornier-228 Transport Aircraft	
09-Sep-24	AL-31FP Aero engines (240units) for IAF's SU-20 Mk1	2,60,000

Source: I-Sec research, Company data

Exhibit 8: Order inflow for GRSE in FY25–TD

Date	Order	Worth (INR mn)
20-Feb-25	Normal refit of MCGS Barracuda	1,231
04-Dec-24	Multipurpose Vessels (4units) for Carsten Rehder Schiffsmakler and Reederei GmbH & Co	USD 54mn
19-Nov-24	Maintenance of Hybrid Electric Ferries for Govt. of WB - 13 units	2,262
18-Oct-24	Acoustic Research Ship (ARS) for DRDO	4,910
18-Sep-24	Multipurpose Vessels (4units) for Carsten Rehder Schiffsmakler and Reederei GmbH & Co	USD 54mn
16-Jul-24	Ocean research vessel for NCPOR	8,400
01-Jul-24	Advanced ocean-going tug boat for Govt. of Bangladesh	USD 21mn
22-Jun-24	Multipurpose Vessels (4units) for Carsten Rehder Schiffsmakler and Reederei GmbH & Co	USD 54mn
15-May-24	Trailing suction hopper dredger for Govt. of Bangladesh	USD 16.6mn

Source: Company data, I-Sec research

Exhibit 9: Order inflow for MDL in FY25–TD

Date	Order	Worth (INR mn)
31-Dec-24	Construction & integration of AIP in Scorpene Submarine	19,900
10-Oct-24	AI-based comprehensive infrastructure for MAHAGENCO	1,217
06-Sep-24	Pipeline Replacement Project 8 – Group A on EPC reimbursable basis for ONGC	14,864
09-Aug-24	Wellhead platforms and associated pipeline project	46,763

Source: I-Sec research, Company data

Exhibit 11: Order inflow for SOIL in FY25–TD

Date	Order	Worth (INR mn)
04-Mar-25	Supply of Multi Mode Hand Grenade - MoD	2,390
28-Feb-25	Supply of Defence Products - International clients	21,500
06-Feb-25	Supply of Area Denial Munition (ADM) Type-1 (DPICM) and High Explosive Pre Fragmented (HEPF) Mk-1 (Enhanced) rockets respectively for PINAKA Multiple Launcher Rocket System (MLRS)	60,840
02-Dec-24	Supply of Products to be used in Defence - International Client	20,390
09-Nov-24	Supply of products to be used in defence - International Client	5,800
05-Nov-24	Supply of SME & LDC explosives and initiating systems to Singareni Collieries	8,870
04-Nov-24	Supply of products to be used in defence - International Client	3,994

Source: I-Sec research, Company data

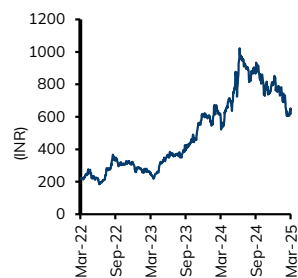
Exhibit 12: Order inflow for Zen in FY25–TD

Date	Order	Worth (INR mn)
01-Oct-24	Annual Maintenance Contract for Simulators for MoD	460

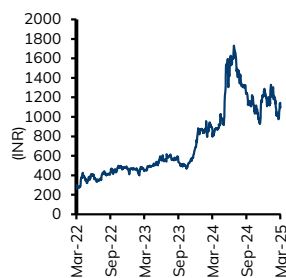
Source: I-Sec research, Company data

Price charts

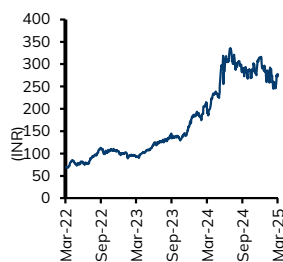
Astra Microwave



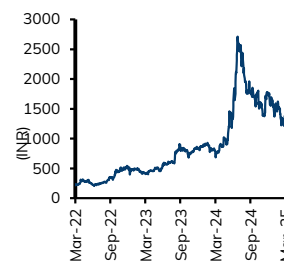
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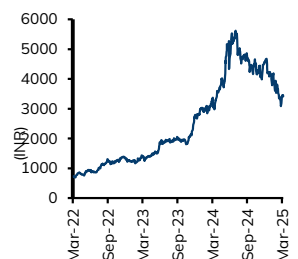
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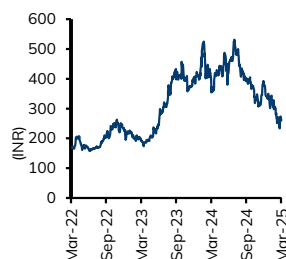
Garden Reach



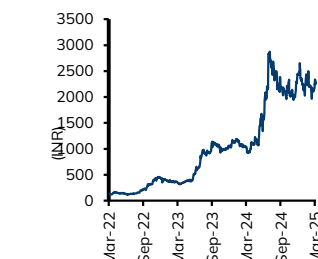
Hindustan Aeronautics



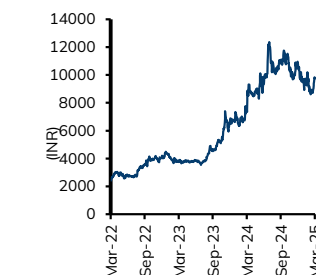
MIDHANI



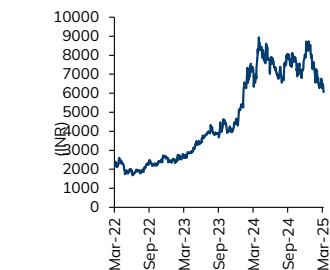
Mazagon Dock



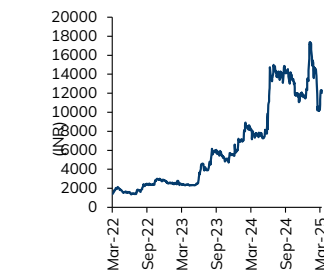
Solar Industries



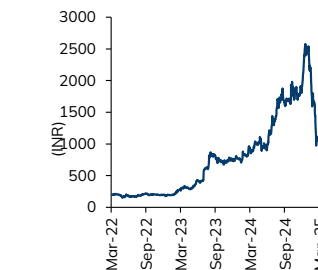
Dynamatic Technology



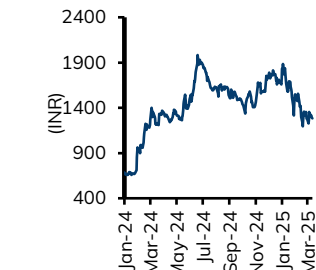
PTC Industries



Zen Technologies



Azad Engineering



Source: Bloomberg

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