PL Capital
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Post Conference Notes

Defense Conference

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Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
ABB India	HOLD	6,993	6,523
Apar Industries	Hold	16,022	13,309
BEML	Accumulate	1,749	1,940
Bharat Electronics	Accumulate	407	453
BHEL	REDUCE	403	321
Carborundum Universal	REDUCE	1,143	986
Cummins India	REDUCE	5,642	5,133
Elgi Equipments	Accumulate	604	637
Engineers India	Buy	252	271
GE Vernova T&D India	Accumulate	5,043	4,650
Grindwell Norton	Accumulate	2,228	2,002
Harsha Engineers International	Hold	417	461
Hindustan Aeronautics	BUY	4,369	5,423
Hitachi Energy India	REDUCE	33,965	30,768
Ingersoll-Rand (India)	Accumulate	4,500	4,934
Kalpataru Projects International	BUY	1,384	1,466
KEC International	Accumulate	528	558
Kirloskar Pneumatic Company	BUY	1,899	1,715
Larsen & Toubro	BUY	4,216	4,632
Praj Industries	Accumulate	349	389
Siemens	Hold	3,628	3,750
Siemens Energy India	Accumulate	3,686	3,274
Thermax	REDUCE	4,845	3,969
Triveni Turbine	HOLD	669	638
Voltamp Transformers	Accumulate	10,348	10,503

Beyond Platforms: Rise of Deep Tech in Indian Defense

Quick Pointers

- Defense companies are increasingly transitioning from contract manufacturers to IP-led technology developers, with R&D, software and system integration emerging as key competitive differentiators.
- Export ambitions are broadening across the sector, with Indian players targeting global markets through technology partnerships, localization and indigenization, supporting a multi-year growth runway.

We hosted various industry leaders and management teams at the PL Defense Conference, where the overarching message was that India's defense ecosystem is entering a structural multi-year growth phase driven by indigenization, deep tech innovation, and rising export opportunities. Discussions highlighted that 75% of defense capital procurement is reserved for domestic sourcing, with the focus shifting from platform assembly to indigenous IP, advanced electronics, AI-enabled systems, semiconductors and mission-critical sub-components. Drones and counter-drone systems emerged as the most significant near-term opportunity, with the domestic drone market expected to reach US$11.1bn by 2030 and procurement potentially increasing from INR20–30bn in the previous cycle to ~INR130bn currently and ~INR300bn in the next cycle. Electronics continues to be viewed as the 'brain' of modern warfare, benefiting companies through opportunities in C4ISR, software-defined radios, missile electronics and command-and-control systems, while directed-energy weapons, high-power lasers and autonomous platforms are evolving into new growth verticals. Management teams across companies also highlighted increasing localization, expanding R&D investments and stronger collaboration with startups and academia, with BEL alone planning over INR150bn of R&D investment over the next 5 years. The conference also underscored long-duration opportunities in naval shipbuilding, aerospace and space manufacturing, with India targeting to be among the top 5 in global shipbuilding and leveraging 'China+1' tailwinds.

- Indigenization is shifting from complete platforms to **high-value sub-systems** such as semiconductors, processors, seekers, sensors and mission-critical electronics, creating a much larger opportunity for component suppliers.
- Defense value creation is increasingly migrating toward software, AI algorithms, electronic warfare and command-and-control systems, rather than pure manufacturing capabilities.
- Learnings from Operation Sindoor have accelerated procurement priorities and shortened the adoption cycle for **indigenous drones, counter-drone systems and autonomous technologies.**
- Companies are increasingly competing on **proprietary IP** and sustained **R&D investments,** rather than production scale, with long-term leadership expected to accrue to firms owning core technologies.

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- Indian defense companies are increasingly targeting global markets through technology partnerships, local manufacturing tie-ups and co-development models, expanding beyond domestic procurement.
- **Commercial shipbuilding** and **maritime infrastructure** are emerging as long-duration growth themes alongside defense shipbuilding, supported by policy initiatives and global supply-chain diversification.
- Companies are allocating larger budgets to AI, space, cybersecurity and next-generation technologies, reflecting a strategic shift from capacity expansion toward technology leadership.

The Path toward Global Dominance

Dr. Jayant Patil, Former Whole Time Director – L&T and Past President – SIDM

Key takeaways

- India's defense and maritime story is being framed as a civilizational resurgence, moving from an 'ancient maritime trading nation' to rebuilding industrial and naval capability, with historical strengths (Gujarat shipbuilding ecosystem) being reconnected to modern strategic ambitions.
- Post-independence, India experienced a prolonged phase of low global GDP share and weak manufacturing depth, with **services-led growth dominating** after liberalization, but current policy focus is correcting this imbalance through a renewed manufacturing + defense industrial push.
- India's economic trajectory is entering an acceleration phase, with the next structural **trillion-dollar GDP** addition expected within ~2 years, supported by rising capital formation, defense spend, and manufacturing re-industrialization.
- Defense sector evolution has been driven by **policy inflection** points post-Kargil, including procurement reforms (buy/make frameworks from 2002–06, followed by stronger self-reliance mandates post-2011–16), ultimately culminating in today's **Atmanirbhar Bharat + Make in India defense ecosystem**.
- India has transitioned from near-zero private participation to meaningful scale, with private sector share rising from **~3% to ~25% of production**, with policy ambition to cross 30%, alongside PSUs continuing to expand output.
- Defense exports are emerging as a structural pillar, with India entering the **top 25 global arms exporters** (2022) and private sector contributing **~2/3rd of total defense exports**, indicating export-led capability building.
- Export footprint is widening across geographies, with **India now reaching ~60% of global markets** in select defense categories, and products like artillery systems (e.g., Pinaka interest from France) signaling growing global acceptance of Indian platforms.
- A key structural shift is the move from import dependency to **indigenous IP ownership**, with increasing emphasis on domestic design, software control, and command-and-control systems, particularly in drones and network-centric warfare.
- Recent operational experience (e.g., Operation Sindoor) is being viewed as a real-world validation platform, accelerating demand for **autonomous systems, integrated command networks**, and **drone-enabled warfare** solutions.
- India's defense capability narrative is increasingly defined by speed of indigenous development and iteration, highlighted by platforms like the Zorawar light tank developed in ~2 years, demonstrating shrinking innovation-to-deployment cycles.
- **Emerging warfare doctrine** is shifting toward manned-unmanned teaming, AI-enabled systems, and force multiplication through autonomy, where technology intensity matters more than platform scale alone.

India's Defense: Kal, Aaj aur Kal

Mr. Pankaj Chaddha, EVP & Head – Marine Platforms Equipment & Systems

Key takeaways

- India's defense ecosystem is shifting toward strategic autonomy and indigenously designed, developed and manufactured (IDDM)-led capability building, with increasing focus on controlling both hardware and software layers, moving beyond licensed production to true system ownership.
- The government is opening up complex platforms like **AMCA to private participation**, signaling a structural move toward co-design and co-development, which is critical for building deep-tech defense capability.
- Exports are essential for capability upgrade, as global competition forces improvements in quality, cost efficiency, and innovation; Indian systems are already competitive, being delivered at **~1/6th the cost of comparable foreign platforms**.
- Programs like **K9 Vajra** have demonstrate rapid indigenization capability, with L&T adapting systems for Indian ammunition and delivering within ~3.5 years despite COVID-19, highlighting growing execution maturity in complex defense manufacturing.
- Modern warfare is increasingly transparent, sensor-driven, and AI-enabled, with drones, ISR systems, and autonomous platforms compressing the sensor-to-shooter loop and redefining battlefield dynamics.
- Future wars will be dominated by long-range stand-off weapons, cyber warfare, drone swarms, and AI-enabled systems, with hypersonics, directed energy, and counter-drone technologies emerging as critical next frontiers.
- Key structural gaps remain in **sensors, semiconductors, mission software, and underwater systems**, with indigenous development still limited and many platforms reliant on foreign IP and approvals, constraining full strategic sovereignty.
- India's defense industrial base is constrained by execution capacity, skill shortages, and import dependence in critical subsystems, though targeted efforts are underway to build capability through **partnerships, training, and technology transfer.**
- Working capital dynamics are structurally mixed: naval projects tend to be **cash-positive** due to milestone-based payments, while Army and Air Force projects are more dependent on **dispatch and acceptance cycles**, leading to variability in cash flows.
- Long-term competitive success will depend on India's ability to build integrated defense ecosystems across platforms, subsystems, AI, and software, with **South Korea** emerging as a key structural benchmark for scaling from **domestic capability to global export leadership**.

Drones, Defense Supercycles, and the Next Wave of Strategic Technology Investing

Mr. Smit Shah, President – Drone Federation of India

Key takeaways

- **Modern warfare** is rapidly shifting toward low-cost, autonomous and AI-enabled systems, with recent conflicts highlighting the importance of shortening the sensor-to-shooter loop through drones, autonomous platforms, precision weapons and integrated command-and-control networks.
- India's procurement focus is moving from import substitution to IDDM defense systems, with **75% of the capital procurement budget** now reserved for domestic sourcing and increasing emphasis on indigenous IP.
- Key strategic technologies include autonomous land systems, unmanned surface vessels, AI-enabled mission software, anti-jamming communications, space-enabled surveillance, and enabling technologies such as sensors, seekers, semiconductors and secure electronics.
- India's defense drone market is expected to reach **US$11.1bn by 2030**, with procurement expected to rise from **~INR130bn currently to ~INR300bn** in the following cycle, implying 3–4x increase in every procurement cycle.
- Drone procurement follows a relatively predictable cycle comprising **5–6 months** of market evaluation, followed by trials/vendor selection and **18–24 month execution** period, although quarterly ordering patterns remain uneven.
- Defense demand is highly diversified across the Army, Navy, Air Force, Coast Guard, seven paramilitary forces, strategic agencies, state police forces and DPSUs, with each customer requiring different platforms and operating capabilities.
- Operation Sindoor has accelerated the shift from basic drone manufacturing to deep tech capabilities, with anti-jamming, AI autonomy, electronic warfare, secure communications, mission software, sensors and payload integration emerging as the key differentiators. Four Indian companies have already demonstrated indigenous anti-jamming capabilities in recent trials.
- The next phase of indigenization lies in sub-components, particularly semiconductors, processors and advanced electronics, while localization of platforms, motors, batteries and software is largely complete. The government now supports up to **50% of strategic deep tech R&D funding**.
- Long-term competitive advantages will increasingly be driven by core IP, field-tested systems, mission software, deep component integration and scalable platform architectures, enabling faster product development and lower lifecycle costs.
- The speaker expects net margins of **~12% (up to ~18% for differentiated technologies)** and gross margins of **20–25% (up to ~40% for cutting-edge products).** Looking ahead, swarm drones are expected to be the next procurement focus, while the counter-drone market could become as large as, or larger than, the offensive drone opportunity.

Electronics: Brain of Modern Warfare

Mr. Manoj Jain, Chairman & Managing Director – Bharat Electronics Ltd

Key takeaways

- Electronics forms the **brain of modern defense platforms**, spanning radar, communications, missiles and command systems. Sustained in-house R&D, dating back to the 1960s, has enabled BEL to reduce dependence on repeated technology transfers while supporting long product lifecycles and technology upgrades.

- The company has evolved from a manufacturing partner to a design-led systems integrator. Close **collaboration with DRDO has strengthened** capabilities across product engineering, manufacturability and lifecycle support, with documentation and upgrade management remaining critical for defense systems that remain **operational for 15–35 years**.

- Modern battlefield requirements are shifting toward C4ISR architectures, software-defined radios, FPGA-based computing, AI-enabled systems and advanced missile electronics, with seekers, guidance and platform integration emerging as key differentiators.

- R&D remains central to BEL's competitive advantage. The company invested over **INR20bn in R&D last year and expects to exceed INR22bn this year**. Around 50% of its engineering workforce is engaged in R&D, supporting product development, technology upgrades and obsolescence management **across a portfolio of 500+ products.**

- Demand for drones, anti-drone systems and missile electronics has increased significantly, with export discussions increasingly centered on technology partnerships and local manufacturing, rather than product validation. Exports currently contribute **4-5% of revenue**, with a medium-term **target of 10%**.

- System-level dependence on imports has reduced materially, with remaining imports concentrated primarily in semiconductors and select specialized components. Indigenous content ranges at **50–70% across product categories** and is expected to improve through collaborations with DRDO, private industry and domestic suppliers.

- BEL is expanding engagement with startups, academia and private industry through structured vendor development and joint product development initiatives.

- Existing manufacturing capacity remains adequate for near-term demand, while expansion plans are aligned with a long-term growth strategy. Approved **projects exceed INR50bn**, committed **capex is over INR90bn**, and planned **R&D investments exceed INR150bn** over the next 5 years.

Imperatives of Shipbuilding

Mr. Madhu Nair, Ex-CMD, Cochin Shipyard

Key takeaways

- Shipbuilding is increasingly being repositioned as a **strategic national industry (not just defense-led)**, driven by India's ambition to build a **US$25–35trn economy** and reduce structural dependence on foreign shipping operators, who currently absorb **US$85–90bn annually (~85% of total freight outgo)**.
- India's long-term aspiration is to feature among **top 5 global shipbuilding nations by 2047**, with the domestic industry expected to scale toward **~US$200bn by 2030**, supported by policy incentives, capacity expansion, and rising commercial vessel demand.
- The next phase of growth will be driven by **commercial shipbuilding, rather than defense**, as global trade-linked vessel demand scales; however, margins are structurally lower due to **standardized vessel designs and competitive global pricing pressure**, making **scale, throughput efficiency, and supply chain localization** key drivers of returns.
- Global precedents (Japan, South Korea, China) highlight that shipbuilding success requires **multi-decade state support**, including subsidies, financing ecosystems, and protected domestic demand; historically, these countries sustained **20–30 years of policy continuity**, underscoring that India's success will depend heavily on policy durability.
- Shipbuilding acts as a **high-multiplier industrial engine**, with strong backward and forward linkages into steel, heavy engineering, electronics, logistics, and MSME ecosystems, and has historically contributed meaningfully to **employment-led industrialization in Japan and South Korea during their growth phases**.
- Execution capability remains the single biggest constraint, with success dependent on **on-time delivery discipline, working capital management, bidding prudence, and resilience across 30–42 month shipbuilding cycles**, where delays or cost overruns can materially erode profitability.
- India's execution credibility can be significantly enhanced by successfully delivering its pipeline of **~105 foreign shipbuilding orders**, which would act as a global proof point and potentially unlock **larger commercial vessel contracts and OEM partnerships** with global shipping players.
- Commercial shipbuilding requires a fundamentally different financial model, with optimal operations typically requiring **order books of 4–5x annual revenue visibility** to smooth long gestation cycles and capacity utilization across **3–3.5 year delivery timelines**.
- Well-executed Indian shipyards could potentially sustain **~15% EBITDA margin**, driven by improved scale, localization of inputs, and higher value vessel mix, though profitability will remain highly sensitive to utilization rates and supply chain efficiency.
- Ultimately, India's shipbuilding opportunity is a **long-duration industrial compounding story**, where sustained policy support, execution discipline, and integration into global supply chains will determine whether India transitions from an emerging player to a **structural global shipbuilding hub over the next 2 decades**.

Bharat Electronics

Strengthening Leadership across Next-Generation Defense Technologies

Key highlights

- The management reiterated confidence in maintaining its growth trajectory, with **~15% revenue growth** and **~27% EBITDA margin** (as guided earlier), supported by a strong execution pipeline and healthy order visibility.
- BEL continues to enjoy a robust order position with an **order book of ~INR717bn**, while the pipeline across missiles, naval systems, radars, EW, communication and air defense remains strong. The management highlighted that several key programs are awaiting CCS/government approvals.
- Further, the management indicated that QRSAM is in its final stages, awaiting CCS approvals, and is expected to be awarded by **late Jul/early Aug**, after which production orders could progress.
- BEL has developed indigenous **1kW, 2kW and 3kW laser modules** jointly with academia (primarily IISc). The management indicated that **each high-power laser system could represent ~INR2bn opportunity**, with significant demand expected from the Army, Navy and Air Force.
- The management expects **R&D expenditure to increase further**, driven by investments in AI, autonomous systems, advanced electronics and next-generation defense technologies. R&D priorities are determined internally and aligned with long-term business opportunities.
- BEL has achieved **90–100% indigenous design ownership** across several products, while **70–80% of the supplier ecosystem** has already been localized. Semiconductor imports still account for **80–90% of imported content**, with localization expected to improve over the next **10–15 years**.
- The management believes domestic missile demand could increase by **2–10x**, creating sizable opportunities in electronics, seekers, command systems and integration. BEL is also investing in hot integration and specialized missile infrastructure.
- Project Kusha remains a key long-term opportunity for BEL, with the management highlighting that the company is a major supplier of **command-and-control systems and other critical electronic subsystems** for the indigenous long-range air defense program. While BEL is not the prime integrator, it expects to receive orders alongside the lead contractor once development and integration trials are completed, positioning the program as a significant multi-year growth driver through production, upgrades and lifecycle support.
- The management highlighted that BEL is increasingly organizing its operations through focused SBUs, including **cybersecurity and space**, to capitalize on emerging opportunities. The cybersecurity vertical, backed by **26+ years of expertise**, has the potential to scale into an **INR10bn annual business**, while dedicated teams are also driving growth in AI and space electronics.
- The company possesses indigenous SDR technology and encryption capabilities. The management highlighted that interoperability with imported platforms remains a technical challenge, but BEL's products are largely home-grown and strategically important.
- BEL has invested **INR1bn** in GPU infrastructure for AI model training and inference, while participating in larger collaborative defense AI programs that could involve investments of **INR7.5bn+**.

- The company is evaluating the quantum computing opportunities, with management indicating that future ecosystem investments in this area could exceed **INR10bn** at the national level.
- BEL estimates the electronics opportunity across submarine programs at **INR60-80bn**, with scope for further upside through additional indigenization. Typical execution timelines for naval electronics are **18–24 months**, often ahead of ship delivery schedules.
- Radar systems have been upgraded for **5G compatibility**, requiring additional testing but improving long-term performance. The management noted that **~99% of qualification activities have been completed** on certain key programs.
- BEL continues to strengthen its position in EW, radar warning receivers and aircraft upgrades, with opportunities expected across fighter aircraft and indigenous defense platforms.
- Space remains a strategic growth area. BEL already operates **ISRO-qualified manufacturing lines** for specialized space-grade electronics and is expanding into satellite electronics, ground systems and collaborations with startups.
- The management expects PSUs and private players to **coexist rather than compete directly**, with BEL leveraging its strengths in system integration, R&D, execution and long-standing relationships with DRDO and the armed forces.
- BEL confirmed that it has begun securing **export orders for indigenous products**, including domestically developed fuzes, and sees export markets as an incremental growth opportunity. Export mix is expected to remain **~5% in FY27, with gradual scale-up to ~10%.**

Paras Defence and Space Technologies

Deep Tech Capabilities Drive Strategic Expansion

Key highlights

- The management expects the traditional **optics business to remain the primary growth driver**, supported by robust demand across defense and space programs, while newer initiatives such as high-power lasers and advanced payloads provide long-term optionality.
- The company sees **~INR15bn addressable opportunity** in domestic space optics, including **ISRO (INR8bn), ground-based telescopes (INR2bn)** and **scientific payloads (INR5bn)**, with bids for nearly INR5bn already submitted and outcomes expected by Dec'26.
- The management reiterated confidence in delivering **~30% revenue growth in FY27** from the core business (excluding large laser programs), while increasing contribution from high-margin optics and electronics and **scaling exports to ~30% of revenue** are expected to support **EBITDA margin** expansion toward **~35% by FY28.**
- The company is expanding into high-power directed energy systems and has secured **~INR2bn contract for a laser-based air defense application**, which is expected to be delivered within 12 months.
- The management highlighted that Paras is among the few domestic players developing high-power laser weapon systems using indigenous optical capabilities, creating a differentiated position in India's directed energy ecosystem.
- Beyond large strategic programs, the company is internally developing modular laser systems across multiple price points **(INR100–500mn)** targeting defense, airports, seaports, refineries and other critical infrastructure.
- Drone cameras represent another significant opportunity, with the management estimating a domestic requirement of **~8,000 units** and positioning Paras as the only Indian manufacturer offering indigenously developed solutions meeting localization norms.
- Submarine periscope deliveries are expected to remain steady at roughly one system per quarter, while increasing localization and integration of ESM modules could raise per-system value **from ~INR300 to ~INR500mn.**
- The company has a firm order book exceeding INR10bn and an additional qualified pipeline of **~INR20bn across space optics** and defense optical systems, providing healthy medium-term revenue visibility.
- The company continues to invest heavily in technology development, leveraging in-house expertise across optics, electronics, RF, software and mechanical engineering, with the management positioning Paras as a deep-tech defense and space player focused on import substitution.
- EMP protection solutions represent a nascent but potentially large opportunity, with the management indicating demand from strategic defense installations and long-term applicability across critical civilian infrastructure such as data centers, banking and transport networks.

Zen Technologies

Building an End-to-End Defense Technology Platform

Key highlights

- The management believes drone warfare has fundamentally reshaped modern combat, with recent conflicts and the successful deployment of Zen's anti-drone systems during Operation Sindoor validating the long-term demand for counter-drone capabilities.
- The company follows a **full-stack, IP-led strategy**, with all core hardware, software and algorithms developed in-house and operating as a prime contractor, enabling faster innovation, higher margins and greater value capture.
- Zen offers an **end-to-end counter-drone ecosystem**, integrating detection, sensor fusion, electronic warfare, jamming, interceptor drones, remote weapon stations and laser weapons, while advocating a layered defense architecture for effective neutralization.
- The company is developing next-generation interception technologies, including the HyperStrike high-**speed interceptor drone (up to ~400kmph),** compact laser weapon systems scalable from **2kW to 5kW**, and programmable **30mm airburst ammunition** for drone swarm engagements.
- Combat training centers represent a significant opportunity, with the initial **INR1.2bn project** potentially scalable across more than **100 infantry training schools**, implying an addressable market exceeding **INR120bn**, alongside integrated Army and Navy simulation platforms.
- Through subsidiary Vector Technics, Zen is localizing critical drone components such as BLDC motors, ESCs and propellers, supporting indigenous manufacturing and reducing dependence on imports.
- The company is expanding into **autonomous robotics and unmanned ground vehicles** for logistics, casualty evacuation and remote weapon integration, with robotics, cyber security, interceptor drones and directed energy systems expected to become meaningful growth drivers beyond FY28.
- The management expects **25–30% medium-term revenue growth** and reiterated its aspiration to achieve **~INR40bn revenue by FY28**, led by next-generation defense technologies.
- The order book stands at **~INR13.4bn** with a bidding pipeline exceeding **INR40bn.** Management expect net working capital cycle to be around **135-140 days.**
- Export initiatives across the Middle East, CIS and select NATO markets, along with ongoing US certifications and favorable IDDM-driven indigenization policies, provide additional long-term growth opportunities.

Swan Defence & Heavy Industries

Building a Next Generation Shipbuilding Platform with Global Ambitions

Key highlights

- The company has transformed the erstwhile Reliance Naval shipyard into an operational facility within ~2.5 years through extensive refurbishment, infrastructure upgrades and the induction of an experienced leadership team.
- The management believes the shipyard is well positioned to capitalize on the global commercial shipbuilding upcycle and the 'China+1' sourcing trend, with international customers increasingly exploring alternative manufacturing destinations.
- Swan has already secured firm commercial and defense shipbuilding orders exceeding **US$500mn**, including specialized chemical tankers, cargo vessels and a training ship for the Royal Navy of Oman, providing strong medium-term revenue visibility.
- The company is targeting an order book of **~US$1bn over the next 8–12 months**, while maintaining a disciplined approach to order intake to ensure execution quality and optimal yard utilization.
- Strategic partnerships with **Samsung Heavy Industries and MDL to** strengthen technical capabilities and enhance competitiveness in large commercial and defense shipbuilding programs.
- The management highlighted that **India's supportive policy framework**, including the Shipbuilding Financial Assistance Scheme, significantly improves cost competitiveness against global peers and enhances the ability to win export contracts.
- The shipyard benefits from one of India's largest covered block construction facilities with advanced automation, integrated material handling and significant expansion potential through an additional dry dock/ship lift.
- A strong execution-focused operating model has been established, supported by a leadership team comprising experienced naval officers and professionals recruited from leading Indian shipyards, alongside **over 200 skilled engineers**.
- The company is selectively targeting specialized and high-value vessels, including chemical tankers, green-fuel vessels and defense platforms, rather than commoditized ship segments, aiming to maximize margins and capital efficiency.
- The management expects revenue to scale to **INR40bn+ by FY30** while targeting **EBITDA margin of 15-18%,** supported by capacity ramp-up, operational efficiencies and a favorable product mix.
- Capacity expansion plans include developing additional shipbuilding infrastructure, with funding expected through a balanced mix of equity and debt while complying with minimum public shareholding requirements.
- The long-term strategy focuses on establishing Swan as a globally competitive shipbuilding hub with increasing localization, export orientation and participation across commercial and defense maritime opportunities.

Krishna Defence and Allied Industries

Strengthening India's Defense Manufacturing Ecosystem

Key highlights

- The management highlighted that Krishna Defence transitioned from dairy engineering equipment manufacturing to defense production in 2006 and has since built a niche position in indigenized strategic products with manufacturing facilities in Halol (Gujarat) and growing presence in Bengaluru and Chennai.
- Krishna Defence is one of **two approved suppliers of indigenous bulb bars** for Indian naval shipbuilding, supplying major shipyards, including **MDL, CSL and GRSE**. The company has also indigenized welding consumables, ballast bricks and armor steel profiles, strengthening its presence across critical naval and land defense programs.
- The management noted that India could witness **3.0–3.5 lakh tons** of naval shipbuilding activity over the next **3–4 years** across frigates, corvettes, destroyers, landing platforms and submarine programs, providing long-term demand visibility for its products.
- The company manufactures specialized welding consumables entirely from the steel-melting stage, unlike conventional players that source base wire externally. These defense-grade products command premium pricing of INR50 lakh to INR1 crore per ton due to stringent metallurgical requirements.
- Krishna Defence has also indigenized critical ballast bricks and armored steel profiles used in submarines and **T-90/T-72 tank platforms**, replacing imports and expanding domestic self-reliance in strategic materials.
- The management emphasized that current growth is supported by existing naval products, while future growth drivers will come from investments in autonomous underwater vehicles (AUVs), smart ammunition and advanced defense technologies, which are currently under development.
- The company plans to invest **INR700–800mn over the next 3 years** across new technology initiatives, reflecting a long-term strategy to diversify beyond traditional shipbuilding components.
- A new facility planned near Chennai will support assembly and sea trials of autonomous underwater platforms, leveraging favorable testing conditions on India's eastern coast and collaborations with technology partners.
- Strategic investments in Conceptia Software Technologies (20%), Waveoptix Defence Solutions (40%) and Taharabadkar Solutions (46.81%) add ship design, optic fiber over radio frequency and guided smart ammunition capabilities, respectively, while a 51% stake in JV with VABO Composites, a Dutch partner, is enabling entry into composite doors and hatches – an emerging opportunity for domestic and export naval programs.
- The management reiterated its aspiration to sustain **~30% annual growth over the medium term**, supported by strong visibility in naval modernization, indigenization opportunities and adjacent defense technologies.
- Manufacturing **capacity was doubled in Apr'25**, reducing earlier lead-time constraints and increasing utilization headroom. **Current utilization stands at ~60%,** while order execution typically remains within 4–6 months.
- In the longer term, AUVs remain an aspirational opportunity, leveraging partnerships, rather than fully in-house development.

JK Maini Global Aerospace Ltd (Unlisted)

Building a High Precision Aerospace Manufacturing Platform

Key highlights

- The management reiterated its medium-term target of delivering **~25% revenue CAGR** in the Aerospace business while sustaining **EBITDA margin of 25–28%,** with reported margins currently understated due to expensing of development costs. While Precision technology expected to deliver **~10-12% revenue growth** with **EBITDA margin of ~12-15%** (vs 10-12% currently)

- The company expenses all aerospace product development costs through the P&L, instead of capitalizing them, with the management estimating this to reduce **reported EBITDA margin by 3-4%.**

- The company has announced **INR9.4bn capex plan over the next 5 years** (INR5.1bn for Aerospace and INR4.3bn for Precision Technology), along with the acquisition of ~77 acres near Bengaluru airport to support future expansion.

- Phase I of the Andhra facility is expected to be commissioned by Sep'27, increasing aerospace **manufacturing capacity by 35–40%,** reducing operating costs and enabling modular capacity additions in line with customer demand.

- The management highlighted that current growth projections are entirely based on organic expansion, while any inorganic acquisitions or strategic partnerships would provide incremental upside.

- The company's decades of expertise in high-precision machining and difficult materials have enabled a successful transition into aerospace engine components, a segment management believes offers superior technological differentiation and long-term margins versus structural parts.

- Aerospace growth is expected to be driven by 3 key levers – **rapid new product development, market share gains with existing customers, and increasing content per engine platform** – with the company developing more than one new aerospace component per day.

- The management indicated that **execution** capability and industrialization speed, not **order availability,** remain primary bottlenecks for scaling the Aerospace business, reflecting strong customer demand visibility.

- The company is steadily evolving from a build-to-print manufacturer to a build-to-spec partner, increasing engineering content and value addition while strengthening its competitive positioning over the **next 3–5 years.**

Exhibit 1 : JK Maini Global Aerospace performance highlights

INR mn	FY25	FY26
Revenue from operations	3,111	3,920
YoY growth		*26.0%*
EBITDA	700	880
EBITDA margin	*22.5%*	*22.4%*

Source: Company, PL

Agnikul Cosmos (Unlisted)

Key highlights

- The management highlighted that Agnikul's core value proposition is providing dedicated, **on-demand launch services for small satellites**, addressing key pain points of cost, launch timelines and orbital flexibility that are not efficiently served by large launch vehicles.
- The company is targeting payloads of up to **0.5–1 ton** and has built a highly modular launch architecture that allows mission-specific rocket configurations, enabling customized deployment to customer-designated orbits rather than shared rides.
- The management expects the next orbital mission around Mar'27, carrying 2 commercial satellites **(65–66 kg aggregate payload)** from Australia and Europe, while simultaneously attempting the maiden recovery of the first stage through a barge landing demonstration.
- The reusable launch vehicle has been designed for **at least 25 reuses**, with successful recovery expected to reduce internal launch economics significantly and improve long-term profitability.
- Agnikul has developed a fully indigenous **single-piece 3D-printed rocket engine** manufactured in one print cycle without manual assembly, which the management believes enhances reliability, repeatability and production efficiency while materially reducing manufacturing timelines.
- The company uses commercially available ATF and industrial-grade liquid oxygen as propellants, a deliberate design choice intended to simplify logistics and enable mobile launch operations from multiple locations.
- The management indicated that recovery-enabled economics could lower internal launch costs to below **US$4,000/kg**, versus the current break-even level of **~US$10,000/kg,** supporting greater pricing competitiveness over time.
- Beyond launch services, Agnikul is building additional monetization avenues through orbital platform rentals by extending the useful life of its upper stages and through downstream space-data applications in partnership with satellite operators.
- The management is also leveraging its advanced additive manufacturing capabilities for defense applications, including qualification of 3D-printed missile engine components, and expects larger opportunities as indigenous missile manufacturing scales up.
- The company believes India's evolving **space policy and the creation of the national private-sector framework** have significantly improved collaboration with the national space agency, with technology transfers and infrastructure access creating a more supportive ecosystem for commercial launch providers.
- The management differentiated Agnikul's strategy from peers by emphasizing reusable **liquid-propulsion technology and modularity from inception**, prioritizing sustainable unit economics and long-term profitability over rapid initial deployment.
- The company has raised **~US$60mn to date** (with an additional funding tranche nearing closure) and continues to invest in scaling reusable launch systems, advanced manufacturing technologies and adjacent space infrastructure capabilities.

Meeting with Mr. Smit Shah, President – Drone Federation of India

Key highlights

- India's drone ecosystem is entering a structural procurement upcycle. Drone procurement is expected to move in 'super-cycles', with tactical drone opportunities alone increasing from **INR30–35bn** in the previous cycle to **INR120–140bn**, alongside a separate **~INR300bn strategic drone opportunity**.
- Large players are expected to dominate manufacturing scale and execution, while mid-tier technology companies are likely to capture **higher value product opportunities**. Smaller startups are expected to remain niche, unless they successfully expand beyond point innovations.
- Unlike traditional defense platforms with 5–10 year development cycles, drones are enabling shorter deployment cycles of **6–18 months**, allowing armed forces to respond faster to evolving battlefield requirements while lowering cost per mission.
- Tactical **UAVs** are expected to witness the **strongest near-term demand**, supported by faster procurement cycles, lower complexity and broader deployment across modern conflict environments.
- While drone hardware is becoming increasingly commoditized, payload technology, sensing capability and electronic warfare survivability are expected to determine long-term competitiveness. Companies relying primarily on imported subsystems may face increasing challenges as procurement standards evolve.
- As battlefield requirements become more sophisticated, the market is likely to consolidate from ~50 participants to **7–10 meaningful players**, favoring companies with full-stack engineering capabilities, stronger product depth and continuous technology development.
- Large defense contracts require significant **working capital, bank guarantees and execution capability**, making partnerships between technology specialists and larger defense manufacturers an important feature of future procurement cycles.
- India is viewed as well positioned to capture **export opportunities in tactical UAVs**, supported by battlefield-tested products and competitive cost structures. Separately, anti-drone systems are expected to emerge as an independent long-term growth segment as drone proliferation accelerates, with directed-energy technologies representing a promising medium-term opportunity.

Meeting with Dr. Jayant Patil, Ex-Whole Time Director – L&T, Former President – SIDM – Defense Insights

Key highlights

- India's defense indigenization journey is still relatively young, with meaningful private-sector participation beginning only after 2001 and major Army procurement opportunities opening around 2005, while DPSUs continue to dominate strategic naval platforms.
- Private-sector capabilities have evolved significantly over the past 2 decades, with companies such as **L&T, Tata, Bharat Forge and Kalyani** developing advanced system-integration and platform-development capabilities.
- The government's decision to involve private players in the **AMCA program** reflects the increasing role of private industry alongside DPSU's like HAL, whose execution challenges and large order backlog continue to constrain capacity.
- India's indigenous capabilities have strengthened materially, with platforms such as the **Zorawar light tank** demonstrating multi-terrain performance, while the success of indigenous air-defense systems during Operation Sindoor highlighted the country's improving technological capabilities.
- **Space** was identified as the next **major defense opportunity**, with modern warfare increasingly relying on real-time surveillance, communication and targeting capabilities, rather than ground-based sensors alone.
- The government's plan for **51 military satellites** represents less than **20% of India's estimated long-term requirement**, implying substantial opportunities across satellite manufacturing, payloads and military space infrastructure.
- India will require satellite constellations, with at least 7 satellites providing continuous coverage, creating a large long-term opportunity for indigenous space and defense companies.
- Since the sector opened in 2020, the number of private space companies has increased from **~7 to over 300**, with companies such as Skyroot, Agnikul and Pixxel demonstrating rapid development of India's private space ecosystem.
- Ownership of IP and indigenous design capabilities will be critical for reducing import dependence and scaling India's defense exports over the long term.
- **Manned-unmanned teaming, swarm drones, autonomous underwater systems** and other next-generation technologies are expected to become the next major growth areas, creating significant opportunities for private companies as future warfare increasingly shifts toward autonomous and technology-led platforms.

Meeting with Mr. Madhu Nair, Ex-CMD – Cochin Shipyard – Defense Expert

Key highlights

- India is entering a **multi-decade shipbuilding upcycle**, anchored in national ambition of **~US$30trn economy**, with maritime capability positioned as a strategic growth enabler under the 'chips to ships' framework.
- The core policy driver is large-scale **economic leakage in shipping**, with India paying **~US$100bn annually in freight costs**, **~85% of which accrues to foreign shipping companies**, alongside logistics costs of **13–14% of GDP**.
- A fully integrated maritime ecosystem (shipping, shipbuilding, finance, arbitration) could unlock **US$500–700bn structural opportunity**, implying a major expansion of India's maritime value chain over time.
- The government is building a **4-pillar maritime strategy**, including **~INR700bn shipbuilding incentives**, dedicated shipping finance mechanisms, national shipping capability development, and coordinated central–state capital support (15–20%).
- Financial infrastructure is being strengthened via institutions like **Sagarmala Development Company (NBFC status via RBI)**, addressing the absence of a dedicated shipping finance system where even large banks face structural limitations.
- Global capital and technology interest is rising, with **Hyundai evaluating ~US$4bn investment** in India, including potential capacity of **~300,000tn/year (60–70 ships annually)** and discussions around Tuticorin and Cochin Shipyard partnerships.
- India's structural attractiveness is supported by its **large steel base (2nd largest globally)**, strong engineering ecosystem, improving legal-financial framework, and deep captive demand from trade flows.
- Global shipbuilding dominance remains concentrated in **China, Korea and Japan (~90% capacity)**, but labor shortages and geopolitical diversification are forcing global players to explore alternative hubs, including India.
- Shipbuilding delivers strong **industrial multipliers**, including **2.6–2.7x financial turnover** and **~2.5x employment multiplier**, with broad spillovers into steel, engineering, electronics and logistics ecosystems.
- India has strong **defense shipbuilding execution capability**, with **12–13 naval vessels commissioned annually**, but commercial shipbuilding remains the key scale driver, with ambition to move from **rank 16–17 to top 10 by 2030 and top 5 by 2047**, contingent on execution, capacity expansion, and ship repair scale-up.

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	ABB India	HOLD	6523	7013
2	Apar Industries	Hold	13309	13426
3	BEML	Accumulate	1940	1721
4	Bharat Electronics	Accumulate	453	413
5	BHEL	REDUCE	321	377
6	Carborundum Universal	REDUCE	986	1102
7	Cummins India	REDUCE	5133	5881
8	Elgi Equipments	Accumulate	637	573
9	Engineers India	Buy	271	232
10	GE Vernova T&D India	Accumulate	4650	4385
11	Grindwell Norton	Accumulate	2002	1840
12	Harsha Engineers International	Hold	461	439
13	Hindustan Aeronautics	BUY	5423	4386
14	Hitachi Energy India	REDUCE	30768	35995
15	Ingersoll-Rand (India)	Accumulate	4934	4352
16	Kalpataru Projects International	BUY	1466	1258
17	KEC International	Accumulate	558	499
18	Kirloskar Pneumatic Company	BUY	1715	1448
19	Larsen & Toubro	BUY	4632	4055
20	Praj Industries	Accumulate	389	352
21	Siemens	Hold	3750	3879
22	Siemens Energy India	Accumulate	3274	3086
23	Thermax	REDUCE	3969	4678
24	Triveni Turbine	HOLD	638	638
25	Voltamp Transformers	Accumulate	10503	10002

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Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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