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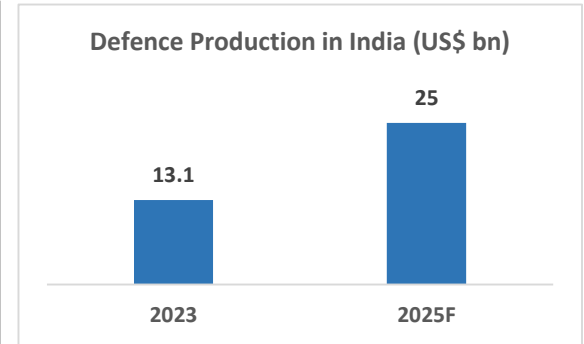
Strengthening National Security

A Deep Dive into Indigenization and Self-Reliance

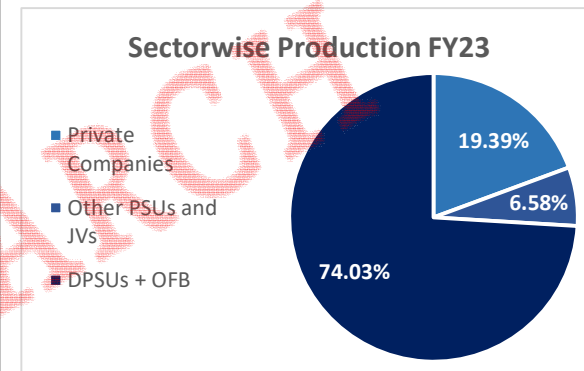
**Sector Overview**

India's defence sector is vital for national security and promoting self-reliance in defence production. With the world's second-largest army, the country has robust defence capabilities. The sector spans aerospace, land, and naval systems, and has seen significant growth in defence stocks, driven by strong government support for domestic defence manufacturing.

- In the interim budget for FY 2024-25, the Government has allocated ₹6.21 lakh crore to the Ministry of Defence (MoD), marking a 4.7% increase compared to the previous year. The capital allocation, dedicated to the modernisation and infrastructure development of the Armed Forces, has been raised from ₹1.62 lakh crore in FY 2023-24 to ₹1.72 lakh crore in FY 2024-25, reflecting a 5.8% increase.
- The Government also plans to enhance jointness among the services by consolidating the demands of the three branches of the Armed Forces. This aims to increase flexibility, re-appropriate funds based on inter-service priorities, and enable faster decision-making and more efficient utilisation of the capital budget. Other areas of focus include disaster management, refugee and migrant rehabilitation, and conducting the national census.
- In the FY 2024-25 budget, ₹1.32 lakh crore has been allocated for police services, up from ₹1.27 lakh crore in the previous year. The Central Reserve Police Force (CRPF), which is primarily responsible for internal security, has been allotted ₹32,810 crore, compared to ₹31,772 crore in FY 2023-24.
- The Central Industrial Security Force (CISF), responsible for protecting vital installations such as nuclear projects, airports, and metro networks, has been allocated ₹13,655 crore for FY 2024-25, up from ₹12,930 crore in the previous year.



Source : IBEF Report



Source : IBEF Report

Market Trends

- The Indian defense market is semi-consolidated, with a few major OEMs holding significant market shares. Key players include Bharat Electronics Limited (BEL), Hindustan Aeronautics Limited (HAL), Defense Research and Development Organisation (DRDO), Rostec, and Airbus SE.
- The government's "Make in India" initiative has fostered several partnerships between foreign and domestic manufacturers, particularly through Transfer of Technology (ToT) agreements, aimed at enhancing the capabilities of Indian companies.
- The modernization of aircraft capabilities, driven by the projected deliveries of various aircraft such as the Dassault Rafale, Ilyushin Il-76 (A50E) (AEW), HAL Tejas LCA Mk1, Dornier 228, HAL Dhruv ALH/Rudra, and HAL Light Combat Helicopter, is expected to fuel growth in this segment.
- India's push for self-reliance in manufacturing and operations presents significant opportunities for regional vendors. For example, India is currently advancing its AMCA project, with the first flight anticipated between 2025 and 2026, and full production expected by 2030.



Source : World Air Force

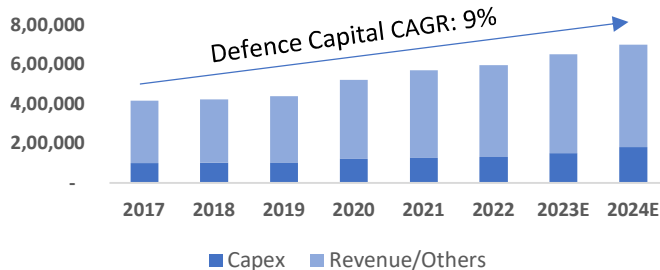


Strong Growth Catalysts with Long-Term Potential In Defence Sector

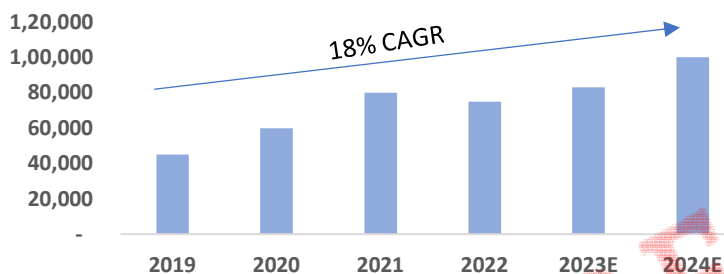
1. Increasing Capex In Defence

- India's defence capital expenditure has increased at an average annual growth rate of 9% over the past decade.
- Future capital spending is expected to grow in line with or close to the country's nominal GDP growth.

Defence Expenditure- India



Indigenous Defence Purchase



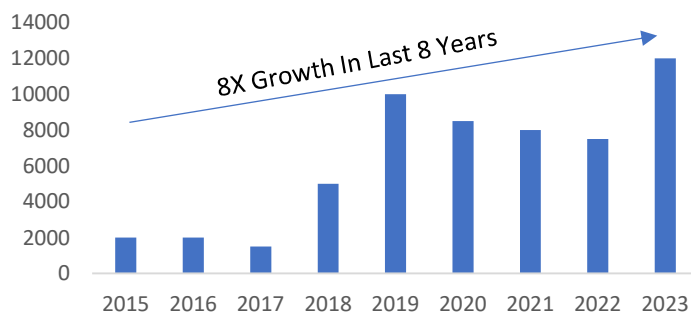
2. Import Substitution

- From 2018 to 2022, India ranked as the largest arms importer globally, highlighting its significant reliance on foreign defense equipment.
- Moving forward, a sharp reduction in imports is anticipated, driven by advancements in domestic research and development (R&D), the creation of large-scale indigenous defense platforms, and government policies aimed at boosting local manufacturing and self-reliance in defense production.

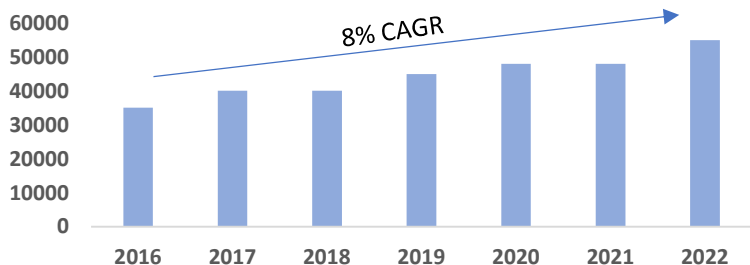
3. Export Growth

- India's defence exports increased 8X over 8 years but is still a low share of global defence trade.
- Strong levers for export growth led by development of large indigenous platforms

India's Defence Exports (₹ cr)



Public Sector Defence Co's Revenue



4. Defence Ecosystem Growth

- The growth of a defense vendor ecosystem is helping India capture more value within the country by strengthening local supply chains.
- Additionally, the rise of private companies investing in advanced technology is driving high growth potential in the defense sector.



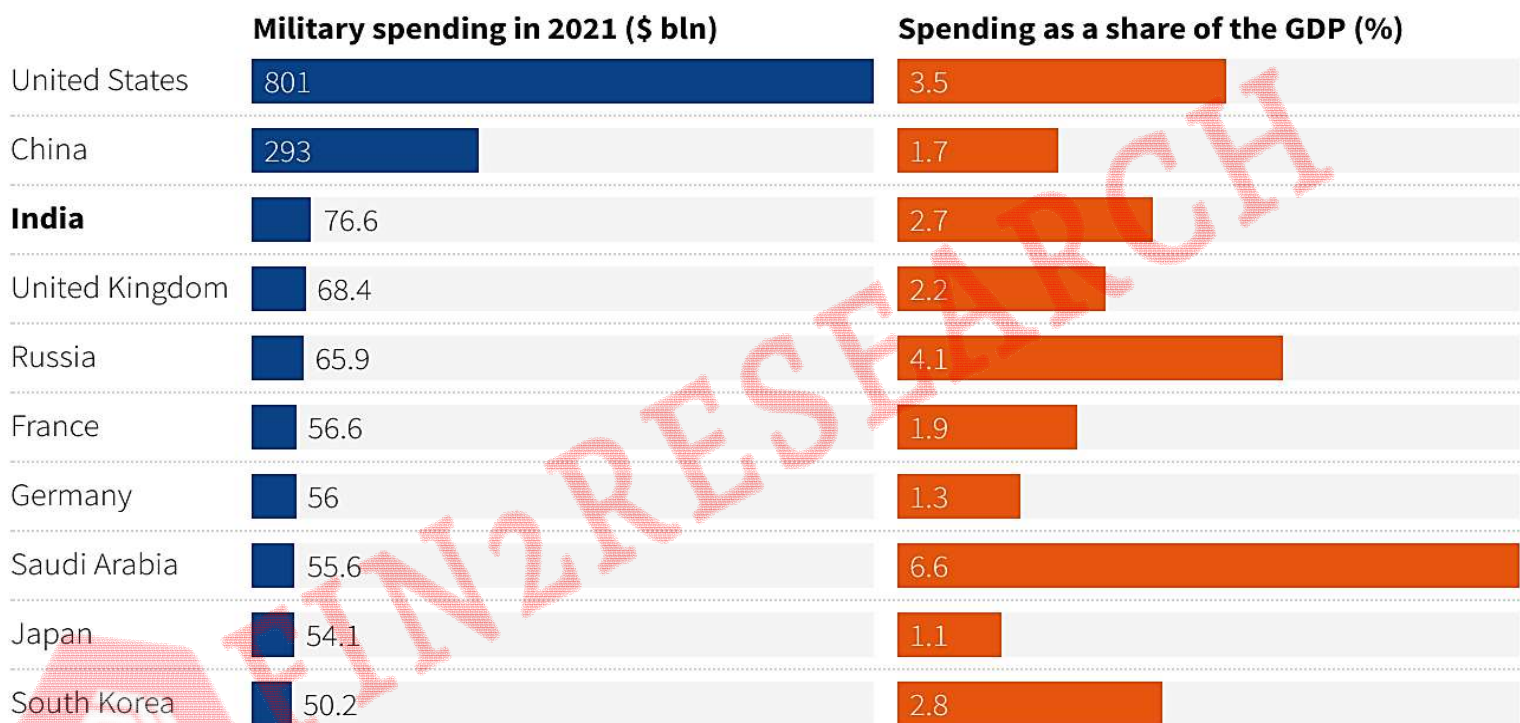
Global Defence Spending- India, China and US

Military spending serves as a crucial indicator of a nation's defense priorities. Here's a brief comparison of the top three military spenders:

- **United States:** The US leads by a substantial margin, with a military budget of \$886 billion (approximately ₹7.2 lakh crore) for 2024, accounting for nearly 37% of global military expenditure.
- **China:** China follows in second place, spending an estimated \$296 billion (about ₹24.2 lakh crore) in 2023. This figure reflects a consistent increase in their military investment, signaling their expanding military ambitions.
- **India:** India ranks as the fourth-largest military spender globally, with an allocation of \$75 billion (around ₹6.1 lakh crore) in its

Global comparison of military spending

India's defence budget at \$76.6 billion in 2021, which was 2.7% of GDP that year, was lower compared to neighbouring China.



Note: China and Russia spending numbers are SIPRI estimates.

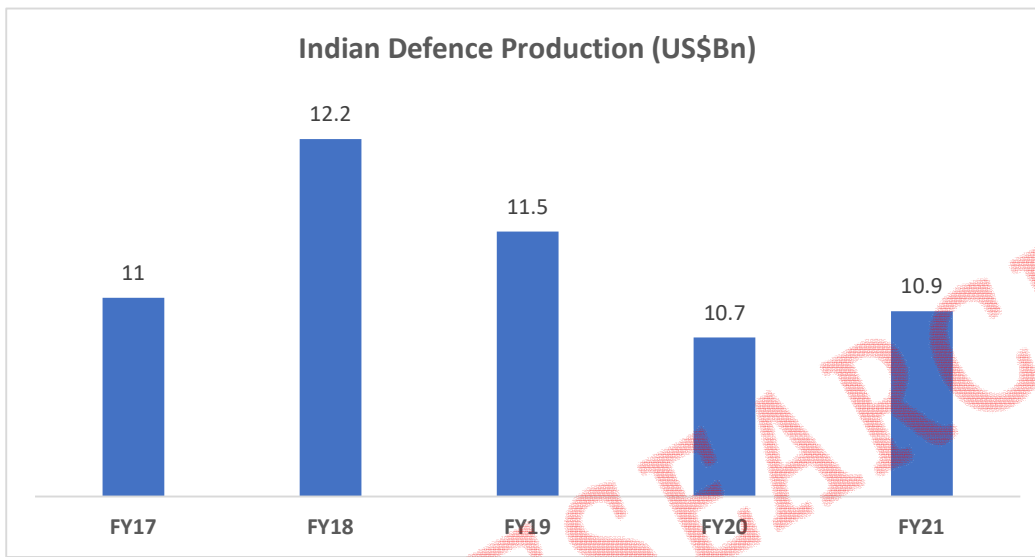
Source: Stockholm International Peace Research Institute | Reuters, Feb. 1, 2023 | By Sumanta Sen

Economic growth and geopolitical developments are driving increases in defense expenditure. India ranks among the top five nations in defense spending, which has historically accounted for about 2.5-3% of its GDP. In comparison, the USA and China spend approximately ten times and four times more, respectively, than India's defense budget. Recent geopolitical events have underscored the necessity for nations to enhance their defense capabilities to keep pace with other powers.



"Atmanirbhar: Promoting Import Substitution and Boosting Exports"

The 'Make in India' initiative launched by Prime Minister Narendra Modi's National Democratic Alliance (NDA) government offers a sense of optimism. In his address to the nation on May 12, 2020, Prime Minister Modi called for a self-reliant India, outlining five key pillars: economy, infrastructure, system, demography, and demand. He also unveiled a special economic package aimed at fostering self-reliance, termed 'Atmanirbhar Bharat.' Over the past five years, India has been one of the largest importers of defence equipment, gaining technological advantages over rivals such as China and Pakistan.



Source: Indian Defence Production and Exports (IANS Infographics) 2021-22

The Indian economy is starting to see a larger share of its growth in the defense manufacturing sector, likely to accelerate as national security concerns rise. Conflicts, including those in Galwan, Doklam, and Uri, along with ongoing territorial disputes with Pakistan and China over Kashmir and Arunachal Pradesh, have heightened the demand for defense equipment in India. Since independence, India has been one of the leading importers of defense gear, aiming to achieve a technological advantage over rivals such as China and Pakistan. To modernize its armed forces and reduce dependence on foreign suppliers for defense procurement, the government has implemented several policy support initiatives to promote "Make in India" activities.

As part of the 'Make in India' initiative, major defence platforms such as the Dhanush Artillery Gun System, Advanced Towed Artillery Gun System (ATAGS), Main Battle Tank (MBT) Arjun, Light Combat Aircraft (LCA) Tejas, submarines, frigates, corvettes, and the recently commissioned INS Vikrant have been developed, reflecting the growing capabilities of India's defence sector.

India has achieved the highest-ever growth in indigenous defence production in value terms during financial year (FY) 2023-24, driven by the successful implementation of government policies and initiatives led by Prime Minister Narendra Modi, focusing on attaining Atmanirbharta

India's defense exports have surged to an all-time high, increasing from ₹686 crore in FY 2013-14 to ₹21,083 crore in FY 2023-24. The defense ministry attributes this growth to effective policy reforms, initiatives, and enhancements in the ease of doing business implemented by the government to achieve self-reliance in defense. India aims to reach a target of ₹50,000 crore in defense exports by 2029.

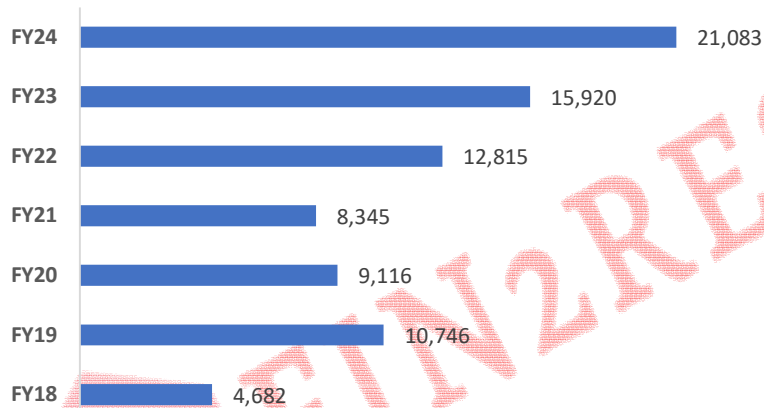


Defense Exports: India's Vast Untapped Global Market

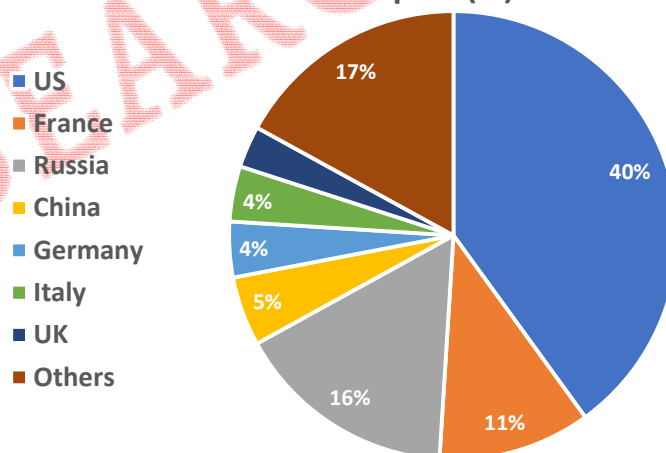
India achieved its highest-ever defense exports, totaling \$2.5 billion (₹20,915 crore) in the fiscal year 2023-24, according to the Economic Survey 2023-24 presented by Finance Minister Nirmala Sitharaman in the Lok Sabha. This milestone represents a 25% increase from the \$2 billion recorded in FY23.

Data from the Ministry of Defence (MoD) indicates a significant rise in India's annual domestic defense production, which reached nearly ₹1.27 trillion in FY24. This marks a 16.7% increase from ₹1.09 trillion in the previous fiscal year. This growth can be attributed to substantial efforts from both the private defense sector and defense public sector undertakings.

Value Of Defence Exports (cr)



Share of Global Arm Export (%)



As per the data released by Ministry of Defence (MoD), Indian Defence sector has recorded the highest ever Defence exports of Rs 21,083 crore (\$2.63bn in FY 23-24).

The data shows the growth of 32.5% compared to last fiscal when Defence export was recorded Rs 15,920 crore. A comparative data of last 20 years reveals that there has been growth of 21 times in the Defence exports:
2004-05 to 2013-14: Rs 4,312 crore. (UPA rule)
2014-15 to 2023-24: Rs 88,319 crore. (NDA rule)

Both Private Sector (40%) and Defence Public Sector Undertakings (DPSU) (60%) of the Defence Industry have made immense efforts to achieve the historic record in Defence Exports Sector. New Delhi also seeks to fulfil its Defence manufacturing target of Rs 1,75,000 crore by FY 24-25, including Rs 35,000 crore in exports. Although private firms stood as major Defence Exporters, the state owned Hindustan Aeronautics Limited (HAL) also recorded as highest revenue of Rs 29,810 crore as of March 2024.

The 'Aatmanirbhar Bharat' initiatives have significantly contributed to promoting the indigenous design, development, and production of defence equipment. These efforts aim to lessen India's reliance on imports over time by enhancing self-sufficiency in the defence sector. The Economic Survey noted that these initiatives have been instrumental in encouraging local capabilities, ultimately reducing dependency on foreign imports. As a result, India's defence exports have surged to \$2.5 billion in 2023-24, reflecting a remarkable 30-fold increase over the past decade.

Source: Ministry of Defence, World Bank

**Emerging Trends in Defence Manufacturing****1. Increasing Defence Startups**

Government data indicates that India hosts approximately 194 defence start-ups working on innovative technology solutions. The government has set an ambitious target of reaching Rs. 1.75 lakh crore (US\$ 21.3 billion) in defence production by 2025, which includes Rs. 35,000 crore (US\$ 4.3 billion) in exports. A core component of the 'Make in India' initiative is the local design, development, and indigenous production of defence equipment. Additionally, under the India-United States Defence Acceleration Ecosystem (INDUS-X)

2. Private Sector Presence

Since the defence sector opened up, India's private sector has expanded significantly, progressing from producing components and sub-systems to developing complete equipment, integrated systems, system-of-systems, and platform-level solutions. This is evident from the substantial contribution of private defence companies, which account for over 90% of India's defence exports, showcasing their ability to deliver high-quality products and solutions that meet both domestic and international demand.

3. Developing AI-based Capabilities

The Radio Trunk System (RTS), Radio Local System, Artillery Combat Command and Control System (ACCCS) also called as 'SHAKTI', wireless message transfer unit (WMTU), Advanced Tactical Communication Systems for the Army such as Army Radio Engineered Network (AREN), Army Static Switched Communication Network (ASCON), Troposcatter Communication Systems, SATCOM, Battlefield Management System (BMS) etc.

4. Leveraging IT for Efficient Defence Production Operations

The SRIJAN portal has been launched to promote indigenization in the defence sector. As of January 2024, the portal features over 34,000 items for public viewing, with 10,000 items already indigenized. Additionally, the development of an indigenization portal for all defence Public Sector Undertakings (PSUs) and ordnance factories will facilitate a seamless search experience for stakeholders, enabling processes such as the online registration of vendors interested in

5. Local Product Designing and Development

Local design and development of products are fundamental to the 'Make in India' initiative, which emphasizes indigenous production of defence equipment. Leading defence manufacturing companies are actively creating various indigenous weapons and essential products to enhance domestic manufacturing capabilities. This effort aligns with the Hon'ble Prime Minister's vision of achieving Aatmanirbhar Bharat (self-reliant India), fostering a robust and self-sufficient defence ecosystem in the country.



Government's Aid To The Defence Sector



Defence Minister Mr. Rajnath Singh introduced the Acing Development of Innovative Technologies with iDEX (ADITI) scheme to encourage innovations in essential and strategic defence technologies.

The SRIJAN portal has been launched to foster indigenization, offering public access to over 34,000 items, with 10,000 items successfully indigenized as of January 2024.

The Interim Budget for 2024-25 has set aside Rs. 60 crore (US\$ 7.2 million) for the Technology Development Fund (TDF) scheme, aimed at supporting emerging startups, MSMEs, and academic institutions focused on defence-related innovation.

This initiative is designed to draw in young talent interested in specialized technology development while fostering collaboration with the Defence Research and Development Organisation (DRDO).

The Bandhan ceremony of the 14th Aero India event in Bengaluru, held on February 15, 2023, resulted in the establishment of 266 partnerships, which included 201 Memoranda of Understanding (MoUs), 53 significant announcements, nine product launches, and three technology transfers, amounting to approximately Rs. 80,000 crore (US\$ 10 billion).

The Ministry of Defence has entered into a contract with Advanced Weapon Equipment India Ltd. for the production and supply of 463 indigenous 12.7 mm Stabilized Remote Control Guns (SRCG) for the Indian Navy and Indian Coast Guard. Valued at Rs. 1,752.13 crore (US\$ 210 million), this contract features an Indigenous Content (IC) of over 85%. Additionally, the Indian government is acquiring military.

Source: Press Information Bureau

DEFENCE ALLOCATION (In ₹ crore)



Source: Budget documents

Indigenization success largely led by heightened R&D focus

Large defence imports in past due to slow pick up in Defence platform manufacturing India's defence R&D led by DRDO whose 40+ years of R&D has culminated into large technological advancements

After indigenizing missiles (1983-2008), aircraft carriers (1999-2009), submarines (1997-2005) and howitzers (2017), India to focus on combat aircraft and helicopters

Aircraft Carriers (1999-2009)



Submarines (1997-2005)



Howitzers (2017)



India's early achievements in defence indigenization were fueled by focused R&D efforts, strategic technology transfer agreements, and robust support from DRDO and key defence institutions. These efforts led to advancements in missile systems, naval vessels, and artillery, significantly reducing import dependency and strengthening the foundation for domestic defence manufacturing.

India's expanding base of skilled engineers and scientists, combined with specialized defence manufacturing facilities, has strengthened the nation's capacity to scale production and develop complex systems domestically. Supportive government policies, such as 'Make in India' and the Defence Procurement Procedure (DPP), have fostered a conducive environment for indigenization, encouraging active participation from both public and private sectors. Additionally, platforms like the SRIJAN portal promote collaboration and transparency, enabling domestic companies to play a more active role in indigenizing defence equipment.



Global Market Outlook on Defence Manufacturing

Global military expenditure is projected to reach USD 2,012.1 billion in 2023, with expectations to rise to USD 2,132.0 billion in 2024, reflecting an annual growth rate of 2.74%.

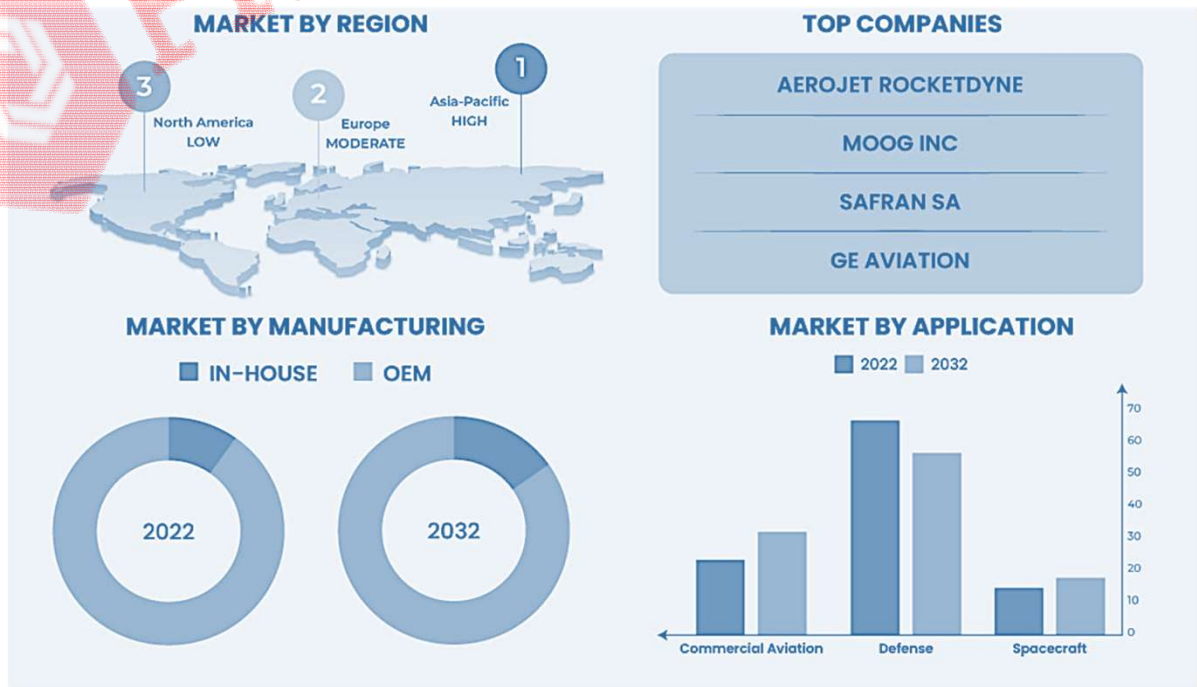
Countries worldwide face unique security challenges, including territorial disputes, regional rivalries, and cross-border conflicts. In response, nations allocate significant financial resources to defense in order to address these issues and maintain regional stability. For example, the increasing military capabilities of China have prompted neighboring countries in the Asia-Pacific region to enhance their defense systems. Likewise, the Middle East confronts security threats from terrorism, internal strife, and external aggression, leading regional governments to invest heavily in defense to protect their interests.

Additionally, the strategic distribution of defense budgets is shaped by regional cooperation and alliances, as countries aim to strengthen collective security and deter potential threats. These dynamics are expected to have a substantial influence on global defense spending in the coming years.

Globally, the Airborne platform is attracting new investments and undergoing various programs and developments, driven by an emphasis on precision engagement, rapid global mobility, agile combat support, electronic warfare, strategic mobility, and global reach. As a result of these investments, the Airborne platform is expected to grow from USD 72 billion in 2023 to USD 75 billion by 2024, reflecting an annual growth rate of 2.1%.

Around the world, armies are implementing numerous modernization initiatives, including upgrades to future soldier systems, the development of new armored vehicles, enhancements in the accuracy and range of artillery and missile systems, and strategies for counterinsurgency and urban warfare in light of the Russia-Ukraine conflict. For example, the Indian Army is currently pursuing 93 modernization projects valued at USD 18.4 billion.

Meanwhile, the Naval platform is experiencing heightened focus on acquiring new vessels, developing aircraft carriers and nuclear-powered submarines, creating unmanned submersibles and surface vessels, and enhancing Anti-Access/Area Denial (A2/AD) capabilities due to escalating territorial disputes and maritime security concerns.



Source: Markets and Markets


Indigenization of Defence Components: DDP's 5th Positive Indigenization List


Name of LRU / Assembly/ System/Sub-system/ Spares & Component/ Raw Material	Name of Platform	Indicative Timeline for Indigenisation
Bush	Su-30 MKI	Dec'2025
Housing	Su-30 MKI	Dec'2025
Ring of Rod	Su-30 MKI	Dec'2025
Armoured Ring S/A	Su-30 MKI	Dec'2025
Protective Gasket	Su-30 MKI	Dec'2025
Adapter	Su-30 MKI	Dec'2025
Terminal	Su-30 MKI	Dec'2025
High Speed L Band Antenna	LCA	Dec'2026
TACAN Antenna [ATC-DME]	LCA	Dec'2026
Blade Antenna -A	LCA	Dec'2026
Blade Antenna -B	LCA	Dec'2026
Blada Fork (Tafion P-noting)	ALH & LCH	Dec'2029
Primar	Su-30 MKI	Dec'2025
Casting	Su-30 MKI	Dec'2025
Support	Su-30 MKI	Dec'2025
Disc	Su-30 MKI	Dec'2025
Sealing Bush	Su-30 MKI	Dec'2025
Body	Su-30 MKI	Dec'2025
Cheek	Su-30 MKI	Dec'2026
Strap	Su-30 MKI	Dec'2026
Cover	Su-30 MKI	Dec'2026
Screwad In Adapter (Pipe Union)	Su-30 MKI	Dec'2026
Valve Assy	Su-30 MKI	Dec'2026
Filler Assy	Su-30 MKI	Dec'2026
Pusher	Su-30 MKI	Dec'2026
Enamel	Su-30 MKI	Dec'2025
Plug	Su-30 MKI	Dec'2027
Pressure Pipe Union	Su-30 MKI	Dec'2027
Stop	Su-30 MKI	Dec'2027
Anchor	Su-30 MKI	Dec'2026
Master Alarm Lamp (Flasher) Unit	LCA	Dec'2026
Magnetometer	ALH	Dec'2026
Lowar & Upper Eye end Assem	ALH & LCH	Dec'2029
Anti Glare Shield	Hawk	Dec'2025
Rotor & Switch for EMRU	Kiran	Dec'2025
Heat Exchanger	Jaguar	Dec'2027
Mount Vibro Chock	Jaguar	Dec'2025





Name of LRU / Assembly/ System/Sub-system/ Spares & Component/ Raw Material	Name of Platform	Indicative Timeline for Indigenisation
Digital Map Generator	Su-30 MKI	Dec'2025
Display Mission Computer	Su-30 MKI	Dec'2025
Digital Audio Management System	Su-30 MKI	Dec'2025
Multi Mode Navigation System	Su-30 MKI	Dec'2025
Automatic Identification System	Su-30 MKI	Dec'2025
Distance Measuring Equipment	Su-30 MKI	Dec'2025
Selective Calling (SELCAL)	Su-30 MKI	Dec'2025
UAV datalinks (UHF and C band)	LCA	Dec'2026
Radio Altimeter	LCA	Dec'2026
Air Turbine Starter for Military Aircraft	LCA	Dec'2026
Weather Radar Do-228	LCA	Dec'2026
Rem Air Shut Off Valve (RASOV)	ALH & LCH	Dec'2029
Emergency Undercarriage Selector Valve	Su-30 MKI	Dec'2025
Weather Radar - ALH	Su-30 MKI	Dec'2025
Brake Parachute Actuator	Su-30 MKI	Dec'2025
Lift transducer	Su-30 MKI	Dec'2025
Lift Computer	Su-30 MKI	Dec'2025
Gear Blow Down Unit	Su-30 MKI	Dec'2025
Pilot Seat	Su-30 MKI	Dec'2026
Co-Pilot Seat	Su-30 MKI	Dec'2026
Flap Actuator	Su-30 MKI	Dec'2026
GPS Antenna	Su-30 MKI	Dec'2026
Air to Air Refuelling Probe Assy	Su-30 MKI	Dec'2026
ThroMe Gnp	Su-30 MKI	Dec'2026
Speed Control Indicator	Su-30 MKI	Dec'2026
Wing Tip Brake	Su-30 MKI	Dec'2025
Double Seat	Su-30 MKI	Dec'2027
Flap transmitter	Su-30 MKI	Dec'2027
Pressure Switch- 363	ALH	Dec'2026
Pressure Switch- 364	ALH & LCH	Dec'2029
Pressure Switch- 490	LCA	Dec'2027
Transformer	Jaguar	Dec'2026
GPR	LCA	Dec'2028
Hot Air Leak Sensing Element	LCA	Dec'2028
Hot Air Leak Detection	LCA	Dec'2028
Control cable - Urder	LCA	Dec'2028
Consol cable - Park Breke	LCA	Dec'2028
V/UHF Radio (ACR SOOLA)	LCA	Dec'2026
Charge Amplifier (Pra- Amplifier)	LCA	Dec'2028
Fuel Shut Off Cock	LCA	Dec'2029
Hover Light	ALH	Dec'2029
Source: PIB, Ministry of Defence		





Name of LRU / Assembly/ System/Sub-system/ Spares & Component/ Raw Material	Name of Platform	Indicative Timeline for Indigenisation
APA GOLDEN MODULES	Electronic Warfare	Dec'2025
Digital Receiver (SDC vz)	Electronic Warfare	Dec'2025
Front Panel General A6sy	Electronic Warfare	Dec'2025
Up Converter	Electronic Warfare	Dec'2025
Syntheazer	Electronic Warfare	Dec'2025
In / Out Matnx	Electronic Warfare	Dec'2025
Hardwaæ Mother Board General	Electronic Warfare	Dec'2025
Phese 1 UREP	Electronic Warfare	Dec'2026
Phase 2 UREP	Electronic Warfare	Dec'2026
CONTACTOR 40A L.UIL 28V	Tank	Dec'2026
ROTARY TRANSFORMER	Tank	Dec'2026
RELAY EM	Tank	Dec'2029
RELAY 2B'V DPDT	Tank	Dec'2025
SWITCH TGL DP MIL-G	Tank	Dec'2025
SWITCH TGL SP b	Tank	Dec'2025
SWITCH SENSE SPDT-	Tank	Dec'2025
SWITCH SPST NO 16V	Tank	Dec'2025
COFFNECTOR RECEPTACLE	Tank	Dec'2025
CIRCULAR CONNECTOR	Tank	Dec'2026
ISOLATION AMPLIFIER	Tank	Dec'2026
FILTER EMI 1K•1G SOVDC 10A	Tank	Dec'2026
FILTER EMI PI 100M-IG 100VOC	Tank	Dec'2026
POTFNTIOMET E-R	Tank	Dec'2026
Raley PHEZ2	Tank	Dec'2026
RELAY uONHER 22V DPOT	Tank	Dec'2026
RELAY POLARISED	Tank	Dec'2025
CONTACTOR 100A 27V	Tank	Dec'2027
SWITCH TOGGLE DP ON	Tank	Dec'2027
SWITCH SENS	Tank	Dec'2027
PUSH BUTTON 8WITCH	Tank	Dec'2026
CONNECTOR CIRCULAR	Tank	Dec'2026
CONNECTOR RECTANGULAR	Tank	Dec'2026
POTENTIOMETI-ft /VARIABLE RESISTOR	Tank	Dec'2029
RESISTOR VARIABLE WWG	Tank	Dec'2027
RESISTOR WIRE WOUND	Tank	Dec'2026
Relay 4PDT sA	Tank	Dec'2028
Ralay 3PDT 2SA	Tank	Dec'2028





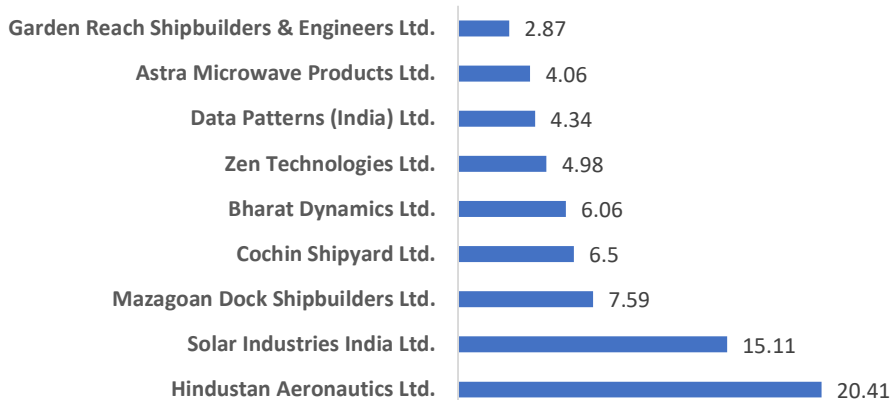
Name of LRU / Assembly/ System/Sub-system/ Spares & Component/ Raw Material	Name of Platform	Indicative Timeline for Indigenisation
Fire Wire	Tank	Dec'2024
Raley 2PDJ 10A	Tank	Dec'2028
Relay 2POT SOA	Tank	Dec'2028
Switch \Neler 12 Pcen	Tank	Dec'2028
SwñQi Wałaf 4 Pgan	Tank	Dec'2026
Switch Wafer 11 Pocr	Tank	Dec'2028
DISPLAY LCD 17"	Defence Electronics	Dec'2027
DISPLAY LCD TFT 10.4" XGA	Tank	Dec'2027
LCD DIGPLAY	Defence Electronics	Dec'2027
DISPLAY LCD TFT MONITOR	Tank	Dec'2027
DUAL AXIS SE tVO DRtUER	Dafance Electronics	Dec'2026
SYNCHRO 11CDX4B	Defence Electronics	Dec'2027
Swth Toggle	Tank	Dec'2029
Switch Push button	Tank	Dec'2029
Micro Switch	Tank	Dec'2026



Name of LRU / Assembly/ System/Sub-system/ Spares & Component/ Raw Material	Name of Platform	Indicative Timeline for Indigenisation
Inertial Measurament Unit	ATGM	Dec'2028
BLDC Motor with Encoder	ATGM	Dec'2028
NvG Compatible Display Panel for Counter Measures Dispensing System (CMDS)	CMDS for Aircraft & Helicopter	Dec'2028



Source: PIB, Ministry of Defence

**Overview of the Nifty India Defence Index: Tracking Defence Sector Performance****Index Constituents %**

The Nifty India Defence Index is designed to track the performance of Indian companies engaged in defence-related activities, including those that supply equipment, systems, and technologies critical to national security. This index serves as a benchmark for investors interested in the defence sector, highlighting companies contributing to India's indigenization and self-reliance in defence manufacturing.

For instance, the index may have significant representation from major defence PSUs like Bharat Electronics Limited (BEL), Hindustan Aeronautics Limited (HAL), and Bharat Dynamics Limited (BDL), as these organizations play key roles in India's defence production landscape.

Source: NSE

In recent years, stock prices of many defence companies, particularly government-owned Public Sector Undertakings (PSUs), have surged significantly. The data reflects this growth, with the defence index outperforming the broader market nearly fourfold based on three-year rolling returns.

Compared to the BSE 500 index—which represents the broader market and includes a diverse range of sectors—the defence index has delivered much stronger returns. Based on three-year rolling returns, the defence index has outpaced the BSE 500 nearly four times, indicating a robust demand and investor interest in defence stocks.



Source: Company, Fin2Research



Investment Picks:

High-Growth Opportunities in India's Evolving Defence Sector

Company	CMP (₹)	Target(₹)	Upside
Hindustan Aeronautics Limited	4,443	5,300	19.3%
Bharat Electronics Limited	299	360	20.4%
Solar Industries India Limited	10,223	12,300	20.3%
Bharat Dynamics Limited	1,044	1,300	24.5%



Latest Price: ₹4,443

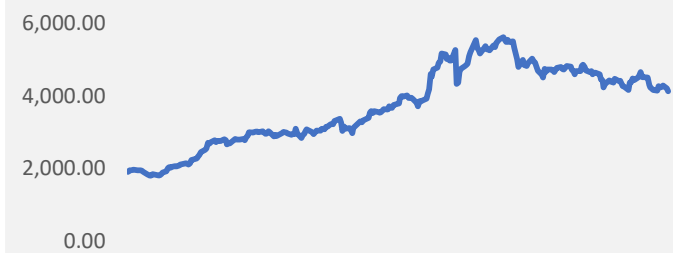
52W High: ₹5,675

52W Low: ₹1,930

Hindustan Aeronautics Limited

Target: ₹5,300

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	24,620	26,928	30,381
Net Profit	5,086	5,811	7,595
EPS (Basic)	76.05	86.89	113.57
OPM	22%	25%	32%
ROE (%)	29.25%	27.18%	28.92%
ROCE(%)	17.69%	18.83%	26.25%
P/E	9.79	15.67	29.2

Source: Company, Fin2research

- Hindustan Aeronautics is engaged in the business of Manufacture of Aircraft and Helicopters and Repair, Maintenance of Aircraft and Helicopters.
- Established in Bangalore on 23 December 1940 by Walchand Hirachand in association with Krishna Raja Wadiyar IV of Kingdom of Mysore.
- Key initiatives include proactive procurement, strengthening capital expenditure (CAPEX) estimated at **₹14,000 to ₹15,000 crores annually** over the next five years, investing in greenfield projects, and establishing new facilities like a **helicopter factory in Tumakuru and a third LCA line in Nashik**.
- In Q1FY25, The company reported a revenue decline of approximately 70% for the first quarter of fiscal year 2025 compared to the previous quarter. Net profit also fell by around 67%, while earnings per share for the company amounted to a notable figure.

Key Risk:

The company recognizes heavily relies on contracts from the Indian government for defense projects. Any changes in government policy, budgetary allocations, or delays in approvals can adversely affect HAL's revenue streams.



Latest Price: ₹299

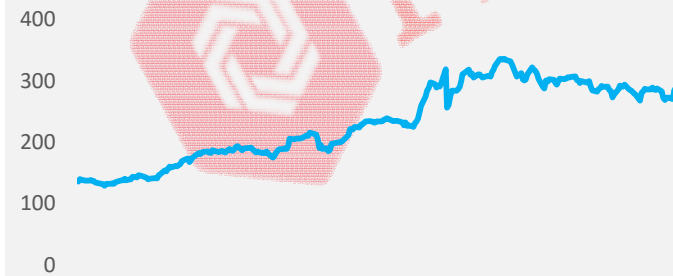
52W High: ₹340

52W Low: ₹137

Bharat Electronics Limited

Target: ₹360

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	15,368	17,734	20,268
Net Profit	2,400	2,986	3,985
EPS (Basic)	3.28	4.08	5.45
OPM	22%	23%	25%
ROE (%)	20.55%	22.83%	26.45%
ROCE(%)	23.50%	26.92%	32.52%
P/E	21.42	23.85	36.97

Source: Company, Fin2research

- Bharat Electronics Limited (BEL), a Navratna Public Sector Undertaking under the Ministry of Defence, Government of India, produces advanced electronic products and systems for the Army, Navy, and Air Force.
- BEL holds a prominent position in India's defense sector and is expanding its footprint by entering civilian markets and extending its defense operations internationally.
- Five new Strategic Business Units (SBUs) focused on **EW Land Systems, RF and IR Seekers, Arms and Ammunition, Network and Cyber Security, and Unmanned Systems**. The EW Land Systems unit alone is expected to achieve a turnover exceeding ₹1,500 crore this year.
- In Q2FY25, BEL's revenue rose by 14.8% year-on-year (YoY) to ₹4,583.41 crore, up from ₹3,993.32 crore. As of October 1, 2024, the company's order book stood at ₹74,595 crore, according to a regulatory filing by Bharat Electronics.

Key Risk:

Defence projects are often complex and subject to delays due to technical challenges, regulatory requirements, or dependencies on multiple stakeholders. Delays can lead to cost overruns and impact BEL's profitability.



Latest Price: ₹10,223

52W High: ₹13,298

52W Low: ₹5,909

Solar Industries India Limited

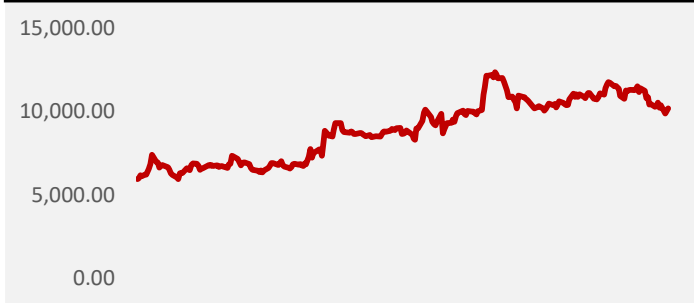
Target: ₹12,300

- Solar Industries India Limited is an India-based integrated global explosives company. The Company is primarily involved in the manufacturing of complete range of industrial explosives and explosive initiating devices. Its segment is Explosives and its accessories.
- The company has also forayed into manufacturing of ammunition for military applications. It has the worlds largest packaged explosives manufacturing facility at a single location in Nagpur, India.
- Company anticipates robust growth in defence orders, driven particularly by upcoming orders for the **Pinaka multi-barrel rocket launcher system**. This could further boost the company's revenue and reinforce its position as a key supplier in India's defense ecosystem.
- In Q1 FY25, domestic explosive volumes grew by 16% year-over-year, aligning with our annual guidance for the fiscal year. The government's FY25 budget, with increased capital outlay and a strong focus on infrastructure development, housing, and roads, is expected.

Key Risk:

Company relies on raw materials such as ammonium nitrate, chemicals, and other explosives-grade materials. Any disruption in the supply chain or fluctuations in the prices of these raw materials can significantly affect production costs and profitability.

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	3,948	6,918	6,070
Net Profit	455	811	875
EPS (Basic)	48.77	83.68	92.38
OPM	19%	19%	24%
ROE (%)	25.26%	33.47%	28.26%
ROCE(%)	27.31%	39.66%	33.26%
P/E	57.34	45.32	95.06

Source: Company, Fin2research



Latest Price: ₹1,044

52W High: ₹1,795

52W Low: ₹516

Bharat Dynamics Limited

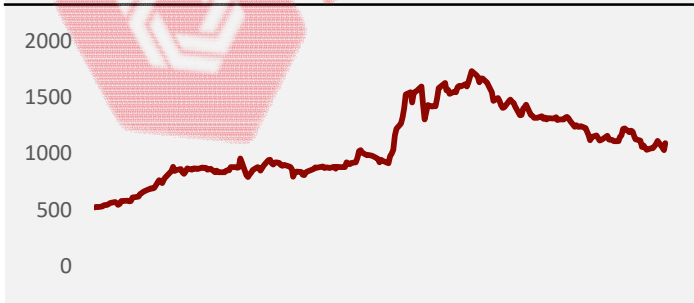
Target: ₹1,300

- Bharat Dynamics Limited (BDL) is a Government of India enterprise specializing in the manufacturing of guided missiles and related defense equipment.
- The Company is engaged in the business of refurbishment and life extension of stored and deployed missiles. It is the sole manufacturer in India for SAMs, torpedoes, ATGMs.
- The company has plans to venture into new verticals like **guided bombs, drone-delivered payloads, warhead manufacturing, engines for cruise missiles, products for space applications, propellants, and rockets**.
- In Q1FY25, Bharat Dynamics reported a net profit of ₹7.21 crore, a sharp decline of 82.8% from ₹41.81 crore in the same quarter last year. The PSU defence company's revenue from operations in Q1FY25 fell by 35.8%, reaching ₹191.16 crore compared to ₹297.72 crore in the previous year.

Key Risk:

As a PSU (Public Sector Undertaking) defence company, BDL's revenue is highly dependent on defense contracts from the Indian government. Delays in government orders or changes in defense budgets could adversely impact its business.

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	2,817	2,489	2,369
Net Profit	500	352	613
EPS (Basic)	13.64	9.61	16.71
OPM	26%	16%	23%
ROE (%)	17.49%	11.28%	17.89%
ROCE(%)	19.18%	9.28%	12.03%
P/E	20.04	102.89	104.74

Source: Company, Fin2research



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CIN: U70200DL2023PTC413207

IA Registration No: INA000018425

Registered Office: Plot No A 2nd Floor, Street New Bungalow Road, Malka Ganj, Delhi North Delhi, 110007 Delhi

Phone no: 9711885801

Email id: customercare@fin2research.com

Website: www.fin2research.com

For Research Query- researchdesk@fin2research.com