

INR-520 Bn DAC Approval: Army-led Push with BHE & BDL as the Clearest Winners

July 06, 2026

Sector View: Positive

Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rating
APOLLO	450	365	ADD
ASTM	1,849	1,300	REDUCE
AZAD	2,149	1,900	REDUCE
BDL	1,388	1,500	BUY
BHE	418	500	BUY
CTE	3,627	3,300	ADD
DATAPATT	4,507	4,060	ADD
DCXINDIA	205	150	SELL
HNAL	4,429	5,050	BUY
ZEN	1,747	1,850	BUY
MAZDOCKS	2,544	3,100	BUY
COCHIN	1,524	1,550	ADD
GRSE	2,749	3,500	BUY

*CMP as on July 03, 2026

INR-520 Bn DAC Approval: Army-led Push with BHE & BDL as the Clearest Winners

The Defence Acquisition Council's **INR-520 Bn AoN approval** marks a **meaningful acceleration in India's defence capital procurement cycle**, with a clear shift towards **Army modernisation**. This, we estimate, accounts for **65–70% of the outlay (INR 340–360 Bn)**. In our view, the mix of approvals highlights a **decisive shift towards air defence systems, anti-drone capability and survivability solutions**, reinforcing three key structural themes:

- 1) **Layered air defence dominance (V-SHORADS to MRSAM)**
- 2) **Increasing focus on electronic warfare and drones**
- 3) **Continued push towards indigenisation**

While allocations to the **Navy (estimated at INR 80–100 Bn, 15–20%)** and the **Air Force (estimated at INR 60–80 Bn, 10–15%)** are comparatively smaller, we believe they remain **strategically well-aligned with future capability development**. In our view, these investments focus on areas, such as **maritime surveillance and high-altitude pseudo satellites (HAPS)**, which are likely to play a critical role in next-generation warfare.

Order Visibility Strengthens: Broad-based Scalable Opportunities Emerging

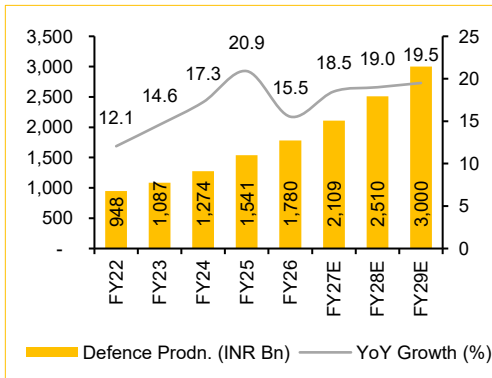
We believe the Army's procurement pipeline accounts for **65–70% of the total outlay (INR 340–360 Bn)** – covering systems such as **AKASH TARANG, MRSAM, V-SHORADS, MPATGM, active protection systems and loitering munitions**. This reflects a clear shift towards a **more agile and technology-driven defence posture**. The focus on building a **multi-layered security architecture** strengthens both, threat detection and response capabilities, while also aligning with evolving warfare dynamics such as drones and electronic warfare. At the same time, we believe selective allocations to the Navy and Air Force suggest a **balanced capital deployment strategy**, supporting immediate operational readiness alongside long-term capability creation.

From a sector standpoint, we see the opportunity as **largely concentrated in air defence and missile systems**, which could account for a significant portion of the outlay. In this context, **Bharat Electronics Ltd** emerges as a **core beneficiary**, likely to capture **significant share of over INR-200 Bn**, given its strong positioning in **radars, electronic warfare and system integration**, enabling participation across multiple platforms.

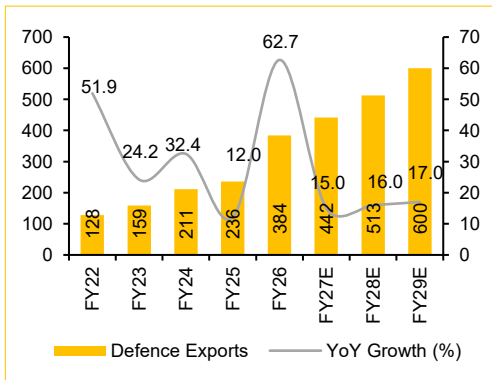
In our view, **Bharat Dynamics Ltd** is well-positioned to emerge as a key beneficiary of the missile-heavy procurement mix, particularly across **MRSAM, V-SHORADS and MPATGM programs**. We estimate BDL's addressable opportunity within this cycle at **INR 120–180 Bn**, forming a meaningful share of the broader **INR 250–300 Bn air defence and missile opportunity**. While the exact conversion will depend on contract structuring and localisation dynamics, we believe the pipeline offers **strong medium-term visibility**, with order inflows likely to **scale up over FY27–FY28** as approvals convert into executable contracts.

Our View: We believe the **INR-520 Bn DAC approval** reinforces a **structural growth cycle** for India's defence sector, rather than a one-off trigger. The continued focus on **indigenisation and technology-led procurement** is anticipated to drive **steady order visibility over the next 12–24 months**. We remain **positive**, with **BHE as a consistent compounder** and **BDL as a direct play on missile-led growth**, while **drones and electronic warfare** add further long-term upside.

Defence production to expand 19% CAGR over FY26–29E (INR Bn)



Defence exports to expand 16% CAGR over FY26–29E (INR Bn)



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Large Cap*

BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

Mid & Small Cap*

BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months

Other Ratings

NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change

Sector View

POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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