

BEL - Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	276.7	328.5	391.1
EBITDA	78.9	93.7	109.5
Adj PAT	60.1	71.3	83.5
EPS (INR)	8.2	9.8	11.4
EPS Gr. (%)	13.7	18.6	17.2
BV/Sh (INR)	34.2	42.8	52.8
Ratios			
RoE (%)	24.0	22.8	21.7
RoCE (%)	26.9	25.4	23.9
Payout (%)	12.4	12.4	12.4
Valuations			
P/E (x)	55.6	46.9	40.0
P/BV (x)	13.4	10.7	8.7
EV/EBITDA (x)	40.6	33.7	28.3
Div Yield (%)	0.2	0.3	0.3

HAL - Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	363.5	438.1	567.5
EBITDA	105.9	122.7	152.1
Adj PAT	91.3	101.9	126.0
EPS (INR)	136.5	152.4	188.4
EPS Gr. (%)	9.2	11.6	23.6
BV/Sh (INR)	619.6	727.0	870.3
Ratios			
RoE (%)	22.0	21.0	21.6
RoCE (%)	22.8	21.5	22.1
Payout (%)	29.3	29.5	23.9
Valuations			
P/E (x)	29.2	26.2	21.2
P/BV (x)	6.4	5.5	4.6
EV/EBITDA (x)	21.0	17.4	13.2
Div Yield (%)	1.0	1.1	1.1

BDL - Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	44.0	61.4	81.7
EBITDA	8.0	12.1	17.6
Adj PAT	8.2	11.5	16.4
EPS (INR)	22.3	31.4	44.9
EPS Gr. (%)	48.5	41.1	42.8
BV/Sh (INR)	125.6	150.1	186.9
Ratios			
RoE (%)	17.7	20.9	24.0
RoCE (%)	18.3	21.5	24.5
Payout (%)	27.1	22.1	17.8
Valuations			
P/E (x)	60.0	42.5	29.8
P/BV (x)	10.6	8.9	7.1
EV/EBITDA (x)	54.1	34.4	22.5
Div Yield (%)	0.5	0.5	0.6

Defense spending to remain in focus

The current conflict in the Middle East is likely to drive higher global defense spending as nations prioritize security and military preparedness. In this environment, India's defense sector is well positioned to benefit from both rising domestic procurement and increasing export opportunities, supported by the government's push for indigenization and a growing reputation in global arms markets. However, in the near term, we will also look out for supply chain constraints, particularly related to specialized components and imported subsystems, which could affect the execution timelines of certain defense platforms. We maintain our positive stance on BHE (CMP: INR458 | TP: INR520), HAL (CMP: INR3,989 | TP: INR5,500), BDL (CMP: INR1,336 | TP: INR1,800), and ASTM (CMP: INR1,008 | TP: INR1,150). We remain Neutral on Zen Technologies (CMP: INR1,443 | TP: INR1,400).

Escalating geopolitical tensions prompt higher defense spending

Escalating geopolitical tensions in the Middle East could drive a surge in global defense spending and demand for military equipment such as missiles, air-defense systems, surveillance technologies, and electronic warfare solutions. In FY25, the Middle East accounted for 26% of total global arms imports (Source: SIPRI) and this can increase further, thereby opening up opportunities for domestic defense companies to capture this market. Along with this, the earlier NATO directive to member nations to increase defense capex allocation and higher budgetary allocation for defense by Indian government bode well for increasing the TAM for domestic defense companies. We expect companies like Bharat Electronics, Bharat Dynamics, Solar Industries, Astra Microwave and Zen to benefit from a higher TAM.

Supply chain disruption can play out too

India is heavily reliant on Israel for critical defense components, with Israel accounting for nearly half of India's air defense and sensor imports. India's purchases from Israel are concentrated in advanced components and platforms for missiles, loitering ammunition and precision strike weapons; also air defense systems and sensors for radars and optical systems. A prolonged Middle East conflict could impact the supply chain for critical components.

Increased defense capex support AoN approvals

The Union Budget has increased the capital outlay on defense by 18% YoY to INR2.2t in FY27BE. This increase is important as it provides the necessary funding visibility to support the large pipeline of AoN approvals cleared YTD in FY26. So far, AoNs worth over INR7t have been approved across multiple platforms and systems, creating a strong procurement pipeline for the domestic defense industry. These approvals typically translate into tenders, contract awards, and execution over the next 2-2.5 years, implying a steady flow of order inflows for defense manufacturers.

Strong prospect pipeline across platforms

Management commentary across key defense companies points to strong visibility for order finalization over the next 15-18 months, backed by large, named programs at advanced stages.

- **BHE** has highlighted near-term opportunities, including LCA Mk-1A systems (~INR24b), Shatrughat EW (~INR30b), next-gen corvettes (INR20-30b in FY26 and INR100-120b by 1HFY27), additional programs of ~INR20b, and expected QRSAM inflows (~INR300b).

ASTM- Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	11.1	13.7	17.2
EBITDA	2.8	3.6	4.5
Adj PAT	1.5	2.2	2.8
EPS (INR)	16.4	23.7	30.2
EPS Gr. (%)	0.5	44.5	27.6
BV/Sh (INR)	133.0	156.7	186.9
Ratios			
RoE (%)	13.1	16.3	17.6
RoCE (%)	12.0	14.2	15.3
Valuations			
P/E (x)	61.5	42.6	33.4
P/BV (x)	7.6	6.4	5.4
EV/EBITDA (x)	34.0	27.3	21.9

ZEN - Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	5.2	9.9	13.7
EBITDA	1.9	3.7	5.1
Adj PAT	1.9	3.3	4.4
EPS (INR)	20.6	36.9	48.2
EPS Gr. (%)	-29.1	78.7	30.9
BV/Sh (INR)	207.7	244.6	292.8
Ratios			
RoE (%)	10.5	16.3	18.0
RoCE (%)	10.4	16.3	18.0
Valuations			
P/E (x)	69.9	39.1	29.9
P/BV (x)	6.9	5.9	4.9
EV/EBITDA (x)	61.4	32.4	23.0

- **HNAL** is expected to begin deliveries of Tejas Mk-1A and has secured orders such as Dornier-228 (~INR23b), Dhruv-NG (~INR18b), and ALH Mk-III (~INR29b).
- **BDL** is targeting ~INR200b of orders over the next 18 months from an ~INR500b pipeline, supported by advanced trials of Akash-NG and other missile systems.
- **ASTM** remains well positioned for QRSAM and EW-linked electronics opportunities (~INR250b long-term). ZEN expects an INR600m simulator order to lift its book from ~INR14.3b to ~INR20b, largely executable over 18 months.
- **GRSE** has emerged as L1 for next-generation corvettes (~INR330b) and sees progress on P-17 Bravo (~INR700b), landing platform dock (~INR350b), and mine counter-measure vessels (~INR320b).
- **SOIL** reported a strong defense order book of ~INR180b, supported by Pinaka and ammunition supplies from 4QFY26.

Inflows have been strong so far

Defense PSUs (DPSUs) have entered the final stretch of FY26 with strong YTD inflows, with BEL/HAL/BDL having secured capital contracts worth INR206b/INR694b/INR54b. Ordering for the private defense players has also improved in FY26. ASTM inflows for the defense segment have been steady over the years, with orders worth INR2.9b received in 3QFY26. ZEN tech inflows revived in 3QFY26, with orders worth INR6b received during the quarter, additional INR3.5b received in Jan'26, and a simulator order worth INR6b expected in FY26.

Updated DAP 2026 to support Indian defense players

The government introduced an updated DAP to promote indigenization by shifting from 'Made in India' to 'Owned by India'. The key reforms included **1) simplifying procurement categories** (reducing them from five to four) to streamline decision-making and accelerate acquisition timelines; **2) strengthening indigenization**, increasing the minimum indigenous content requirement in the 'Buy (Indian-IDDM)' category from 50% to 60%; **3) an ab-initio single vendor provision** has been allowed in the Buy (IDDM) category for equipment with certain technology readiness levels (TRL); **4) promoting technology ownership** by allowing India to retain critical design data, source code, and upgrade rights for defense platforms; **5) improving support for startups**, MSMEs, and innovation programs like 'Make' and 'iDEX', including assured orders for successful prototypes and compensation for vendors clearing trials, which lowers development risk; **6) redefining the Fast Track Procedure** with greater delegated powers to enable quicker procurement of emerging technologies.

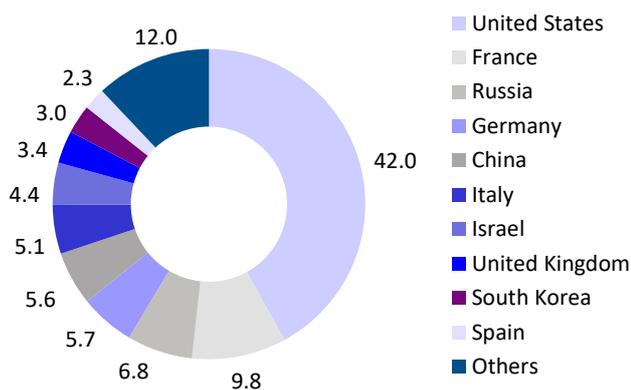
Valuations and recommendations

- **BHE** is currently trading at 46.9x/40.0x FY27E/FY28E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR520, based on the 45x two-year forward earnings.
- **HAL** is currently trading at 26.2x/21.2x FY27E/FY28E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR5,500, based on the average of DCF and 30x two-year forward earnings.
- **BDL** is currently trading at 42.5x/29.8x FY27E/FY28E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR1,800, based on the 42x two-year forward earnings.
- **AMPL** is currently trading at 42.6x/33.4x FY27E/FY28E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR1,150, based on the 38x two-year forward earnings.
- **ZEN** is currently trading at 39.1x/29.9x FY27E/FY28E EPS. **We maintain our estimates and reiterate our Neutral rating on the stock** with an unchanged TP of INR1,400, based on the 30x two-year forward earnings.

SIPRI database indicates India's arms imports have come down

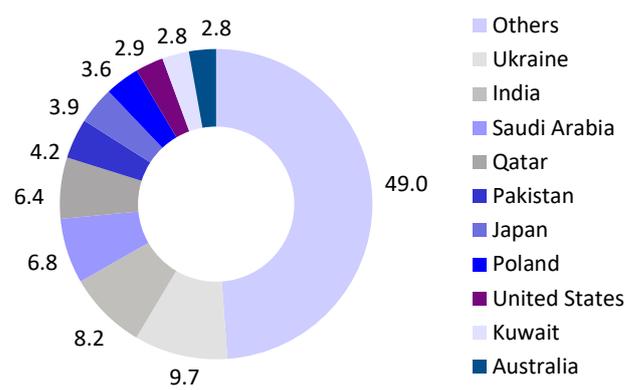
- India:** Indian arms imports fell by 4% between 2016-20 and 2021-25. The decrease can be partly attributed to India's growing ability to design and produce its own weapons.
- Middle East:** Among the Middle East regions, Israel's arms imports increased by 12% between 2016-20 and 2021-25, making it the 14th largest recipient of major arms globally. The USA was the largest supplier to Israel in 2021-25 (accounting for 68% of Israeli arms imports), followed by Germany (31%). Israel's arms imports from the USA included armoured vehicles, combat aircraft, guided bombs and missiles. As of the end of 2025, Israel had at least 55 combat aircraft on order from the USA. Iran's imports of major arms accounted for 0.2% of total arms imports by countries in the Middle East in 2021-25; this was lower than its share in 2016-20 (0.9%). Iran's only supplier of major arms in 2021-25 was Russia.

Exhibit 1: Global share of exports of major arms by the 10 largest suppliers, 2021-25 (%)



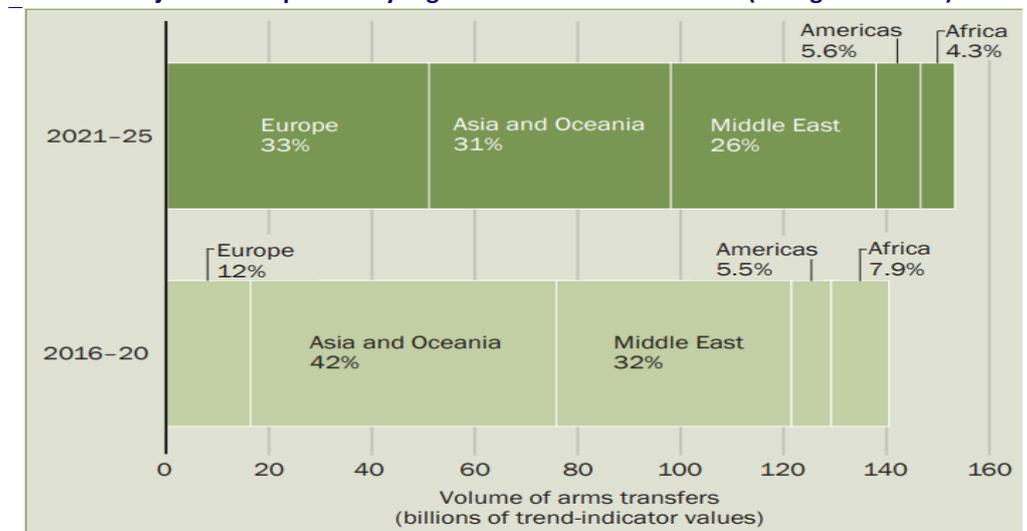
Source: SIPRI, MOFSL

Exhibit 2: Global share of imports of major arms by the 10 largest recipients, 2021-25 (%)



Source: SIPRI, MOFSL

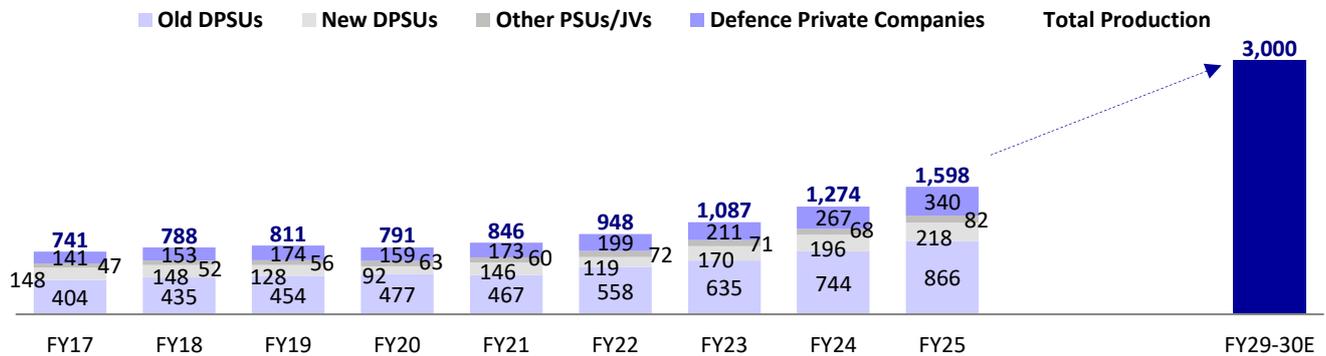
Exhibit 3: Major arms importers by region in 2021-25 and 2016-20 (% of global share)



Source: SIPRI, MOFSL

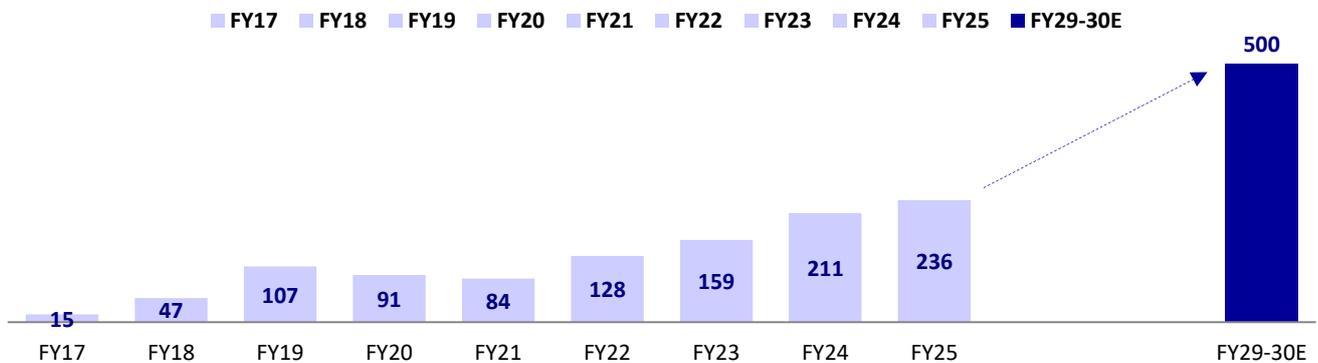
Defense production and exports to double by FY29

Exhibit 4: Total defense production projected to reach INR3t by FY29-30



Source: DDP, MoD, MOFSL

Exhibit 5: Total defense exports estimated to double from FY25 levels to INR500b by FY29-30



Source: DDP, MOFSL

Exhibit 6: Government's defense capex budget utilization over the years: If defense capex grows at a higher rate, the share of procurement from domestic players will increase too

(INR b)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Budget	ACT	ACT	ACT	ACT	ACT	ACT	ACT	ACT	RE	EST	EST
Defense capital outlay budget	864	904	952	1,111	1,343	1,380	1,429	1,543	1,595	1,834	2,109
YoY %		5	5	17	21	3	4	8	3	15	15
Domestic Defense production	741	788	811	791	846	949	1,087	1,274	1,506	1,717	1,970
YoY %		6	3	(3)	7	12	15	17	18	14	15
Defense PSUs											
HAL	179	185	200	214	229	246	269	298	310	363	438
BEL	83	100	118	126	138	150	173	202	237	277	328
BDL	49	46	31	31	19	28	25	24	33	44	61
MDL	35	45	46	49	40	57	78	95	133	163	183
Cochin Shipyard	21	24	30	34	28	32	23	36	46	54	62
Garden Reach	9	13	14	14	11	18	26	36	50	67	73
BEML	25	32	35	30	36	43	39	41	41	49	59
Other PSUs and JVs	47	52	56	63	60	72	71	68	82	86	90
Ordnance Factories	148	148	128	92	146	119	170	196	218	240	264
Private companies	141	154	174	159	173	199	211	267	340	374	411
Foreign procurement	305	334	430	446	507	483	391	445	452	414	494
Share of foreign procurement in overall capex budget %	35	37	45	40	38	35	27	29	28	23	23
Exports	15	47	107	91	84	128	159	211	236	295	354
YoY%		208	129	(15)	(7)	52	24	32	12	25	20

Source: Industry, MOFSL

AoNs accorded YTD in FY26 provide inflow visibility for 2-3 years

Exhibit 7: YTD FY26 DAC approvals worth ~INR7t give order visibility for next 2-3 years

Date	Approval by DAC	INR b	Potential beneficiaries
12-Feb-26	Indian Navy	3,600	
	Anti-Tank Mines (Vibhav), Overhaul of ARVs, T-72 Tanks and Infantry Combat Vehicles		Bharat Forge, AVNL, BEML
	Indian Navy		
	04 MW Marine Gas Turbine based Electric Power Generator		Triveni Eng & Rolls Royce
	P8I Long Range Maritime Reconnaissance Aircraft		
	Indian Air Force		
	Multi Role Fighter Aircraft (MRFA) {Rafale}	Dassault Aviation	
	Combat Missiles	BDL, BrahMos	
	Air-Ship Based High Altitude Pseudo Satellite (AS-HAPS)	HAL, New Space Research and Technologies, VEDA Aeronautics	
	Indian Coast Guard		
	Electro-Optical/Infra-Red system for Dornier aircraft.	BEL, Paras Def, Data Pattern, TASL	
29-Dec-25	Indian Army	790	
	Loiter Munition System for Artillery Regiments		Solar Industries, TASL
	Low Level Light Weight Radars		BEL, AMPL, Data Patterns
	Long Range Guided Rocket Ammunition for Pinaka Multiple Launch Rocket System (MRLS)		Solar Industries, BDL, Munitions India
	Integrated Drone Detection & Interdiction System Mk-II		BEL, AMPL, Data Patterns, Adani, TASL
	Indian Navy		
	Bollard Pull (BP) Tugs		CSL, MDL, GRSE, L&T, Titagarh Rail
	High Frequency Software Defined Radios (HF SDR) Manpack		BEL
	High Altitude Long Range (HALE) Remotely Piloted Aircraft System (RPAS)		HAL, TASL, Adani, BEL
	Indian Air Force		
Automatic Take-off Landing Recording System	BEL, HAL		
Astra Mk-II Missiles	BDL		
Full Mission Simulator	Zen Tech, BEL, HAL		
SPICE-1000 Long Range Guidance Kits	BDL, Bharat Forge, Rafael		
23-Oct-25	Indian Army	790	
	Nag Missile System (Tracked) Mk-II (NAMIS)		BDL, BEL, AMPL
	Ground Based Mobile ELINT System (GBMES)		BEL, AMPL, TASL
	High Mobility Vehicles (HMTVs) with Material Handling Crane		Ashok Leyland, Tata Motors, BEML
	Indian Navy		
	Landing Platform Docks (LPD)		MDL, GRSE, CSL, L&T
	30mm Naval Surface Gun (NSG)		Bharat Forge, TASL, L&T
	Advanced Light Weight Torpedoes (ALWT)		BDL, L&T
Electro Optical Infra-Red Search and Track System	BEL, AMPL, L&T, TASL		
Smart Ammunition for 76mm Super Rapid Gun Mount	BDL, TASL, Solar Industries		
Indian Air Force			
Collaborative Long Range Target Saturation/Destruction System (CLRTS/DS)	HAL, BEL, AMPL, TASL		
05-Aug-25	Indian Army	670	
	Thermal Imager-based Driver Night Sight for BMP		BEL, AMPL, L&T
	Indian Navy		
	Compact Autonomous Surface Craft		TASL, L&T Defence, BEML
	BrahMos Fire Control System & Launchers		BrahMos Aerospace, BEL, BDL, L&T
	Upgradation of BARAK-1 Point Defence Missile System		BEL, BDL
	Indian Air Force		
	Mountain Radars		BEL, AMPL, L&T
	Upgradation of SAKSHAM/SPYDER Weapon System		BEL, AMPL, BDL
	Others		
Medium Altitude Long Endurance (MALE) Remotely Piloted Aircraft (RPAs)	HAL, BEL, AMPL, Solar, TASL		
C-17 and C-130J fleets	HAL, TASL, TASL, Mahindra		
Annual maintenance contract of S-400 Long Range Air Defence Missile System	BEL, BDL		
03-Jul-25	Tri-services	1,050	
	Armoured Recovery Vehicles, Electronic Warfare System, Integrated Common Inventory Management System for the Tri-Services and Surface-to-Air Missiles.		BEML, BEL, AMPL, BDL
	Moored Mines, Mine Counter Measure Vessels, Super Rapid Gun Mount and Submersible Autonomous Vessels.	BDL, Apollo Microsystems, GSL, BEL, BHEL, L&T, Sagar Defence, Krishna Defence	

Source: PIB, Industry, MOFSL

Near-to-long term pipeline strong for defense players

Exhibit 8: Strong prospect pipeline for Indian defense players across platforms

Companies	Management Comments
BEL	❖ BHE's prospect pipeline remains strong across both near-term base orders and large strategic programs. Key near-term opportunities include LCA Mk-1A orders (INR24b), Shatrughat EW (INR30b), NGC (INR20-30b in FY26, balance INR100b-120b by 1HFY27), and a few additional large programs of ~INR20b, providing strong support to FY26 order inflows.
Hindustan Aeronautics	❖ Order pipeline remains strong, supported by an order book of ~INR2.3t and recent DAC approvals worth INR3.6t, including Air-Ship Based High-Altitude Pseudo Satellite (AS-HAPS). Execution on Tejas Mk1A is progressing, with five aircraft ready following receipt of F404 engines and GE committing 24 engines in FY27. Recent orders such as the INR23b Dornier-228 contract and INR18b Dhruv-NG deal further add to manufacturing visibility.
BDL	❖ BDL has a strong order pipeline of ~INR500b for the next five years. The company is targeting ~INR200b worth of orders to come in within the next 18 months, of which ~INR40b-50b is expected in 4QFY26. User evaluation trials for several systems where BDL can be a key participant have either been completed or are in the final stages.
Astra Microwave	❖ Order pipeline remains strong across defense, space and weather segments, supported by a sizeable addressable opportunity of ~INR250b over the next 4-5 years. In defense, the company is well positioned to secure orders for platforms such as QRSAM and other EW programs from DPSUs and DRDO. In space, it expects repeat orders for satellite payload electronics, while in meteorology, opportunities under Mission Mausam and IMD tenders provide multi-year visibility.
Zen Technologies	❖ Ordering improved in 3Q, with the order book at INR14.3b as of Jan'26. Of this, INR11b is equipment, largely executable over the next ~18 months, while the balance is AMC. The expected simulator order could take the book to ~INR20b in the near term, and it may need to scale to INR25-30b by end-FY27 to support the INR40B execution plan.
Garden Reach	❖ GRSE has a strong prospect pipeline of ~INR2.5t over the next 12-18 months, of which ~INR1.6t is from its defense business. It was already declared as L1 for Next-gen corvette order for 5 ships amounting to INR330b. Additionally, the company anticipates several major government announcements, including 1) Project-17 Bravo for 7 ships worth ~INR700b to be split between two bidders, 2) landing platform dock worth INR350b, and 3) mine counter-measure vessel worth INR320b to be split between 2 vendors (L1 to get 8 vessels, and L2 to get 4 vessels).
Solar Industries	❖ Demand remained steady in mining, though domestic growth was impacted by earlier monsoon disruptions, while international explosives demand stayed strong across key markets. Defense momentum improved significantly during the quarter, with an order book of ~INR180b and Pinaka supplies expected to contribute from 4QFY26 onward.

Source: Company, MOFSL

Potential exports from India and strategies to increase exports share

In 2025, India ranked among the top 25 largest arms-exporting nations in the world. The growth in defense exports is primarily driven by the private sector, which contributes 60%, while DPSUs account for the remaining 40%. Major defense export destinations for India are the US and France, mainly for sub-systems and electronics, and Armenia for full platforms like Akash missiles, Pinaka rockets, and 155mm artillery guns. Indian defense players are deepening their engagement with friendly nations and widening overseas touchpoints to position indigenous platforms for future export bids. India’s defense exports reached INR236b in FY25 and the defense minister expects them to reach INR290b in FY26 and nearly double to INR500b by FY30.

Exhibit 9: Export target of individual companies over the long term and strategies to achieve them

Category	Sub-category	Platforms
Aeronautical System	Aircraft	❖ Light Combat Aircraft (Tejas)
		❖ Advanced Light Helicopter (Dhruv)
		❖ Light Combat Helicopter (Prachand)
		❖ Multi-Purpose Light Transport Aircraft
		❖ Multi-Mission Single-Engine Light Utility Helicopter
Land Systems	Missile Systems	❖ Short Range Surface to Air Missile System (Akash Weapon System)
		❖ Supersonic Cruise Missile System (BrahMos Weapon System)
		❖ Air-to-Air Missiles
		❖ Anti-Tank Guided Missiles
	Tanks and Armored Vehicles	❖ Main Battle Tank (MBT)
		❖ Wheeled Armored Platform 8x8 (WhAP)
		❖ Armored Engineer Reconnaissance Vehicle (AERV)
		❖ Bridge Layer Tank (BLT)
		❖ Remotely Operated Vehicle (ROV)
		❖ 155M/52 Cal Tracked Self-Propelled Gun K9 Vajra-T
	Artillery, Munitions	❖ Multi-Barrel Rockets and Launcher System (Pinaka)
		❖ Advanced Towed Artillery Gun System
		❖ Under Barrel Grenade Launcher
Naval Systems	Ships and Boats	❖ Offshore Patrol Vessel (OPV)
		❖ High Speed Patrol Boat
		❖ Fast Interceptor Boats
		❖ Inshore Patrol Vessel (IPV)
		❖ Missile Boat
		❖ Corvettes
		❖ Lightweight Torpedo
	Torpedo	❖ Heavy Weight Torpedo
		❖ Torpedo Launchers
	Sensors	❖ Air-Search Radar
❖ Artillery Locating Radar		
❖ Maritime Patrol Aircraft Radar		
Miscellaneous		❖ Weapon Locating Radar
		❖ Coastal Radar System
		❖ Personal Protective Equipment- Bullet Proof Jacket (BPJ), helmets, and other protective gear
		❖ Brass Cartridge Cases, Tubes, Cups, and Strips
		❖ Fuses and Empty Shells
		❖ Brake Parachutes for Aircraft
		❖ High-performance titanium, super alloys, and armor materials
		❖ High-strength steel and tool steels
❖ Encryption solution		
	❖ AI-enabled voice analysis software (AIVAS)	

Source: SIDM, MOFSL

Exhibit 10: As per management commentaries, margins to sustain or improve year-on-year

Companies	Management Comments
BEL	❖ Exports remain a focus area, with the company aiming to increase contribution from the current 3-4% to ~5% in the near term and ~10% over the long term. Near-term opportunities include satellite communication systems, TR modules (including repeat orders from France), data link projects and coastal surveillance systems, with some expected to convert in 4Q.
BDL	❖ BDL's export share has historically stayed below 10% of total revenue. The company has now outlined a strategy to raise this share to 25% by FY29-30 by deepening ties with friendly nations and countries facing geopolitical challenges. Akash-NG user trials were also completed in Jan'26 which has seen a lot of interest in export markets too.
Astra Microwave	❖ Export contribution has moderated sequentially due to the company's strategic shift away from low-margin BTP contracts toward higher-margin, design-led BTS opportunities. Management highlighted renewed traction in export discussions, particularly with European players following recent trade developments, though conversions may take time given long qualification cycles. The company is targeting ~INR1-1.25b of export order inflows in FY27.
Zen Technologies	❖ Export ordering is gaining traction across the Middle East, Africa, Southeast Asia and South America. Opportunities under pursuit range between INR1-8b, and exports could contribute 20-30% of revenues by FY28. While US orders may take longer due to regulatory processes, the EU is emerging as a promising near-term market.
Garden Reach	❖ GRSE's overall order book stands at ~INR185b, of which exports account for ~8%, largely driven by private overseas clients such as a German customer. Management stated that export contracts involve lengthy negotiations and relationship-building, with initial deals taking around six months due to extensive commercial discussions and alignment on terms. However, once the first contract is secured, subsequent orders tend to follow more quickly. They emphasized that these projects do not involve government approvals and are purely between the shipyard and the client, and that while export momentum has improved, near-term scaling is constrained by capacity limitations rather than demand.
Solar Industries	❖ The company continues to see healthy traction in its international business across Africa, Southeast Asia and Turkey, supported by strong demand for commodities such as gold and copper. Management noted that after several years of overseas capacity building and earlier turbulent phases, international operations are now shaping up well, with most geographies performing strongly. In defense, global ammunition shortages and a large international order book provide visibility for continued overseas orders.

Source: Company

Margins to improve as share of indigenous content increases

Exhibit 11: As per management commentaries, margins to sustain or improve year-on-year

Companies	Management Comments
BEL	❖ The company has maintained EBITDA margin guidance of 27% for FY26, with no material impact expected from commodity price increases given limited metal exposure, while semiconductor cost risks are largely mitigated through exchange rate variation clauses.
Hindustan Aeronautics	❖ The company expects to continue maintaining margins similar to last year levels
BDL	❖ Pressure on margins is expected to persist due to higher COGS for the medium term.
Astra Microwave	❖ Management expects margins to remain healthy, supported by an improved product mix and higher value-added programs as scale increases.
Zen Technologies	❖ Management expects consolidated PAT margins to sustain ~25% at a consolidated level over the long term.
Garden Reach	❖ GRSE expects LPD and MCMV orders to be slightly lower than current overall margin levels as these projects will be done in collaboration with other players, whereas P-17B is expected to have healthy margins, similar to P-17A. A majority of orders in the current order book are expected to be delivered by FY28; however, revenue accrual will continue beyond the delivery date, providing some cushion to margins beyond FY28 as well. If any large ship repair order comes in, the company expects margins to improve.
Solar Industries	❖ The company expects EBITDA margins to remain ~27-28%, in line with its earlier guidance.

Source: Company

Valuation and view

- **BHE** is currently trading at 46.9x/40.0x FY27E/FY28E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR520, based on the 45x two-year forward earnings.
- **HAL** is currently trading at 26.2x/21.2x FY27E/FY28E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR5,500, based on the average of DCF and 30x two-year forward earnings.
- **BDL** is currently trading at 42.5x/29.8x FY27E/FY28E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR1,800, based on the 42x two-year forward earnings.
- **AMPL** is currently trading at 42.6x/33.4x FY27E/FY28E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR1,150, based on the 38x two-year forward earnings.
- **ZEN** is currently trading at 39.1x/29.9x FY27E/FY28E EPS. **We maintain our estimates and reiterate our Neutral rating on the stock** with an unchanged TP of INR1,400, based on the 30x two-year forward earnings.

Exhibit 12: Relative valuations of domestic defense players

Companies	CMP	Mcap	EPS			P/E (X)			Growth CAGR (%)			ROE (%)		
	(INR)	(INR b)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	Rev	EBITDA	PAT	FY26E	FY27E	FY28E
Bharat Electronics	458	3,343	8.2	9.8	11.4	55.6	46.9	40.0	18.2	17.4	16.5	24.0	22.8	21.7
Hindustan Aeronautics	3,989	2,668	136.5	152.4	188.4	29.2	26.2	21.2	22.4	16.6	14.7	22.0	21.0	21.6
Bharat Dynamics	1,336	490	22.3	31.4	44.9	60.0	42.5	29.8	34.7	55.0	44.1	17.7	20.9	24.0
Zen Technologies	1,443	130	20.6	36.9	48.2	69.9	39.1	29.9	13.7	17.3	18.3	10.5	16.3	18.0
Astra Microwave	1,008	96	16.4	23.7	30.2	61.5	42.6	33.4	17.9	18.6	22.8	13.1	16.3	17.6
Data Patterns	3,535	196	49.8	67.6	85.4	71.0	52.3	41.4	28.8	29.1	29.2	16.9	19.2	20.0
MTAR	3,633	111	33.8	62.9	97.0	107.5	57.8	37.4	40.0	55.1	78.0	13.3	20.9	25.4
Solar Industries	13,042	1,180	187.1	240.4	288.1	69.7	54.3	45.3	27.0	28.5	29.6	32.5	30.9	28.5
PTC Industries	17,948	269	64.7	166.9	447.2	277.4	107.5	40.1	98.0	132.2	123.6	6.8	18.2	33.4
Azad Engineering	1,541	99	19.6	26.8	36.8	78.6	57.4	41.8	33.8	33.5	38.5	NA	NA	NA
Mazagon Dock Shipbuilding	2,521	1,017	68.6	83.6	89.9	36.8	30.2	28.1	12.7	17.2	14.8	30.4	29.7	26.1
Garden Reach	2,480	284	63.8	85.4	91.2	38.9	29.0	27.2	21.2	33.9	25.5	29.6	30.5	26.7
Cochin Shipyard	1,563	411	27.5	36.2	43.8	56.8	43.2	35.7	13.4	15.5	11.7	12.1	14.4	15.5

Source: Company, Bloomberg, MOFSL

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412 and BSE enlistment no. 5028. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products and is a member of Association of Portfolio Managers in India (APMI) for distribution of PMS products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://qalaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>. As per Regulatory requirements, Research Audit Report is uploaded on www.motilaloswal.com > MOFSL-Important Links > MOFSL Research Analyst Compliance Audit Report.

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies). MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).
- MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
- MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
- MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
- MOFSL has not engaged in market making activity for the subject company.

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, enlistment as RA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412, BSE enlistment no. 5028, AMFI registered Mutual Fund Distributor and SIF Distributor: ARN : 146822. IRDA Corporate Agent – CA0579, APMI: APRN00233. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.