

Robust Q4 Recovery; Positive FY27 Outlook Maintained

May 25, 2026

Krishna Defence & Allied Industries (KDAIL) Q4 FY26 revenue stood at Rs. 648 mn, up 42.2% YoY. EBITDA for the quarter rose to Rs. 161 mn, up 55.1% YoY, with EBITDA margins improving to 24.8% versus 22.7% in Q4 FY25. Full-year FY26 revenue reached Rs. 2,448 mn, up 29.1% YoY, while EBITDA grew sharply by 69.9% to Rs. 520 mn, reflecting a margin expansion of 511 bps to 21.3%. Consolidated PAT for FY26 stood at Rs. 413 mn, up 85.6% YoY. The company demonstrated strong long-term growth with a four-year revenue CAGR of 52.8% and a net profit CAGR of 102.4%.

Operational performance was driven by an improved product mix and the successful execution of defense contracts. While H1 FY26 saw a 4–5-month slowdown in tendering due to government focus on immediate deployments, momentum recovered sharply in the latter half of the year. Bulb bars remained the primary revenue driver at ~60%, followed by welding consumables and armor steel profiles at ~15% each. The company strengthened its balance sheet by creating a liquid reserve of Rs. 650 mn, with a total cash balance exceeding Rs. 1,000 mn.

Management highlighted a strong unexecuted order book of Rs. 1,034 mn and a robust tender pipeline of Rs. 2,210 mn as of March 31, 2026. The company is aggressively targeting indigenisation opportunities, particularly in the Autonomous Underwater Vehicle (AUV) space, where the Indian Navy has earmarked a budget of approximately \$1 billion. KDAIL has also secured key certifications, including AS9100D for aerospace and IRS for commercial shipbuilding, expanding its addressable market.

On expansion, KDAIL doubled its bulb bar capacity to 4,500 tons and acquired a 50,000 sq. ft. plot for further capacity growth. A joint venture with Wabo has commenced trial production, and the company has taken strategic stakes in Conceptia (ship design) and Wave Optics (RF-to-optical modules). New high-tech developments are underway, including aircraft arresting gear, smart ammunition, and a large-scale AUV in partnership with the Navy and NIO Goa.

For FY27 and beyond, management guided for a revenue growth target of 30%+ CAGR. Margins are expected to remain on an incremental upward trajectory as operating leverage kicks in and the high-margin product mix is maintained. The company believes its current infrastructure, with further modernization, can support an organic revenue potential of Rs. 4,000–5,000 mn. While raw material and fuel inflation present global challenges, the management expects the impact on margins to remain non-substantial.

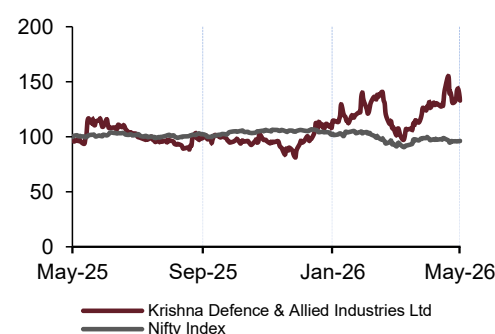
Rating	TP (Rs)	Up/Dn (%)
BUY	1,308	19

Market Data

Current price	Rs	1,099
Market Cap (Rs.Bn)	(Rs Bn)	16
Market Cap (US\$ Mn)	(US\$ Mn)	171
Face Value	Rs	10
52 Weeks High/Low	Rs	1313 / 665
Average Daily Volume	('000)	511
BSE Code		540173
Bloomberg		KRISHNDF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-26	Dec-25
Promoters	60	60
Public & Others	40	40
Total	100	100

Source: BSE

Bharat Gulati
+91 22 67141438
bharat.gulati@dalal-broacha.com

Financial Summary

Particular	FY24	FY25	FY26e	FY27e	FY28e
Sales	1,064	1,949	2,506	3,114	3,864
EBITDA Margins (%)	15%	16%	20%	21%	23%
EPS	8	16	27	34	45
Growth (%)		96%	73%	25%	32%
RoCE (%)	13%	22%	29%	30%	31%
RoE (%)	14%	19%	25%	24%	25%
P/E (x)	130	66	38	31	23
OCF/EBITDA (%)	-21%	-32%	86%	43%	37%

Source : Company, Dalal & Broacha Research

Strong financial performance driven by operational leverage

Krishna Defence & Allied Industries (KDAIL) Q4 FY26 revenue stood at Rs. 648 mn, up 42.2% YoY, while EBITDA for the quarter rose to Rs. 161 mn, up 55.1% YoY, with EBITDA margins improving to 24.8%. For the full year FY26, revenue reached Rs. 2,448 mn, up 29.1% YoY, and EBITDA grew sharply by 69.9% to Rs. 520 mn, reflecting a margin expansion of 511 bps to 21.3%. Consolidated PAT for FY26 stood at Rs. 413 mn, up 85.6% YoY, contributing to a four-year net profit CAGR of 102.4%. The company also strengthened its liquidity by creating a reserve of Rs. 650 mn, bringing the total cash balance to over Rs. 1,000 mn.

Order book and tender pipeline provide strong visibility

The company maintains a strong unexecuted order book of Rs. 1,034 mn and a robust tender pipeline of Rs. 2,210 mn as of March 31, 2026. Management noted that while H1 FY26 saw a 4-5 month slowdown in tendering due to the government's focus on immediate deployments, momentum recovered in the latter half of the year. Demand visibility is high across core segments, particularly with the Indian Navy earmarking approximately \$1 billion for the Autonomous Underwater Vehicle (AUV) space. KDAIL is well-positioned to capture this demand, having already secured key certifications such as AS9100D for aerospace and IRS for commercial shipbuilding.

Capacity expansion and strategic partnerships

KDAIL has doubled its bulb bar capacity to 4,500 tons as of April 2025 and acquired a 50,000 sq. ft. plot for further expansion. The company is also making progress on India's largest AUV in partnership with the Navy and NIO Goa. Strategically, the company has taken stakes in Conceptia (ship design) and Wave Optics (RF-to-optical modules) to broaden its technological capabilities. Furthermore, a joint venture with Vabo has commenced trial production for composite fire-resistant doors and hatches, which serve as lightweight replacements for traditional steel components.

Shift toward high-margin product mix supports long-term targets

The company continues to pivot toward a higher-margin product mix, with bulb bars currently contributing ~60% of revenue, followed by armor steel profiles (~15%) and welding consumables (~15%). Management guided for a revenue growth target of 30%+ CAGR for the next few years, supported by existing infrastructure that has an organic revenue potential of Rs. 4,000–5,000 mn with further modernization. While global raw material and fuel inflation remain factors, the impact on margins is expected to be non-substantial. The strategic focus remains on indigenizing imported defense products, such as smart ammunition and aircraft arresting gear, to drive future high-value growth.

Valuation & Outlook

Krishna Defence & Allied Industries Ltd. (KDAIL) delivered a strong operational and financial performance in Q4FY26, reinforcing its positioning as a niche, high-entry-barrier defence manufacturing player. Profitability improvement was driven by a favourable product mix, operating leverage and rising contribution from high-margin products such as armour steel profiles, welding consumables and naval components. Liquidity also remains strong, with reserves of ~Rs. 650 mn and cash balance exceeding Rs. 1 bn.

Operational momentum is expected to strengthen further in FY27, supported by a healthy order pipeline and revival in defence tendering activity. Management highlighted an unexecuted order book of Rs. 1,034 mn and a tender pipeline of Rs. 2,210 mn as of March 31, 2026. While H1FY26 witnessed a temporary slowdown in tendering owing to government focus on immediate deployments, activity resumed strongly in the latter half of the year. Demand visibility remains particularly strong in naval applications and Autonomous Underwater Vehicles (AUVs), where the Indian Navy has earmarked an opportunity size of nearly RS.1 bn. KDAIL's core revenue driver continues to be bulb bars (~60% of revenue), followed by armour profiles and welding consumables (~15% each), where the company enjoys significant entry barriers and strong competitive positioning.

KDAIL is aggressively expanding its manufacturing and technological capabilities to capitalize on India's defence indigenization opportunity. The company doubled its bulb bar capacity to 4,500 TPA in April 2025 and acquired an additional 50,000 sq. ft. plot for future expansion. Strategic investments in Conceptia, Wave Optics and Tarabata Solutions are enhancing capabilities across naval design, RF-optical systems and smart ammunition technologies. The company also secured AS9100D aerospace certification and IRS certification for commercial shipbuilding, broadening its addressable market. In addition, its JV with VABO has commenced trial production for lightweight composite fire-resistant doors and hatches, with commercial supplies expected from FY27, opening both domestic and export opportunities.

We see a Rev/EBITDA/EPS CAGS (%) 26/41/40. We maintain our BUY rating with a TP: 1,308.

Valuation		
	FY27e	FY28e
CMP	1,099	1,099
EPS	33.8	43.6
P/E	32	25
Upside	-8%	19%
Target Price	1,015	1,308

Quarterly Financials

Particular	4QFY26	4QFY25	YoY Growth %	3QFY26	QoQ Growth %
Revenue from Operations	648	456	42%	637	2%
Total Income	666	466	43%	642	4%
COGS	360	237	52%	370	-3%
Gross Profit	289	219	32%	267	8%
Employee Cost	49	54	-9%	52	-6%
Other Expenses	79	62	28%	73	8%
Total Expenses	488	353	38%	495	-1%
EBITDA	161	104	55%	142	13%
Depreciation and Amortization	12	8	41%	12	-7%
EBIT	149	95	56%	129	15%
Finance Cost	1	3	-59%	1	100%
PBT	166	103	61%	134	23%
Tax	43	28	53%	33	31%
PAT	123	75	65%	102	21%
PAT (After JV)	128	74	73%	101	27%
EPS (Reported)	8.6	5.3	63%	6.8	27%
Margins			Changes in BPS		Changes in BPS
Gross Margins	45%	48%	-349	42%	259
EBITDA Margins	25%	23%	206	22%	251
PAT Margins (Before JV)	19%	16%	258	16%	299
PAT Margins (After JV)	20%	16%	351	16%	387
EE % of sales	8%	12%	-422	8%	-62
OE % of sales	12%	14%	-133	11%	71

Source: Dalal & Broacha Research

Financials
PNL (Rs.Mn)

Particular	FY24	FY25	FY26e	FY27e	FY28e
Sales	1,064	1,949	2,506	3,114	3,864
COGS	628	1,212	1,511	1,881	2,335
GM (%)	41%	38%	40%	40%	40%
OPEX	282	433	489	572	670
EBITDA	154	303	507	661	859
Margins (%)	15%	16%	20%	21%	22%
Other Income	13	29	36	29	29
Tax Rate (%)	26%	26%	26%	26%	26%
PAT (After Profit from JV)	98	222	396	505	651
EPS	8.1	15.8	27.3	33.8	43.6
Growth (%)		96%	73%	24%	29%

Balance Sheet (Rs.Mn)

Particular	FY24	FY25	FY26e	FY27e	FY28e
Assets					
Fixed Assets	146	220	268	326	409
Non Current Investments	0	55	75	97	124
Other Non Current Assets	92				
Total Non Current Assets	239	361	474	575	715
Inventory	325	724	581	773	1,051
Trade Receivable	261	189	251	311	386
Cash and Cash Balances	442	227	666	849	1,020
Other Current Assets	69	130	175	199	254
Total Current Assets	1,096	1,271	1,673	2,132	2,713
Total Assets	1,335	1,632	2,147	2,708	3,428
Equity & Liabilities					
Equity Share Capital	137	141	149	149	149
Reserves & Surplus	927	1,174	1,731	2,236	2,886
Total Equity	1,064	1,315	1,880	2,385	3,036
Long Term Borrowings	12	-	-	-	-
Short Term Borrowings	83	94	-	-	-
Trade Payables	132	80	106	132	163
Other Non Current Liabilities	5	4	4	4	4
Other Current Liabilities	38	139	157	187	225
Total Liabilities	271	317	266	323	392
Total Equity & Liability	1,335	1,632	2,147	2,708	3,428

Cash Flow (Rs.Mn)					
Particular	FY24	FY25	FY26e	FY27e	FY28e
Cash Flow From Operating Activities					
PAT	98	222	396	505	651
Non Cash/Operation Charges	30	10	-1	8	14
OCF Before WC Changes	128	232	395	513	666
WC Capital Changes	-167	-329	40	-234	-356
OCF After WC Changes	-32	-97	434	279	310
CFO	-32	-97	434	279	310
Cash Flow From Investing Activities					
CAPEX	-372	5	-103	-125	-166
Interest Income	-	24	36	29	29
CFI	-372	29	-67	-97	-138
Cash Flow From Financing Activities					
Money Received From Equity Shares	492	30	176	0	-
Borrowings	-91	0	-94	-	-
Dividend Paid	-	-7	-1	-1	-1
Interest Paid	-13	-7	-3	-	-
Others	65	10	-6	-	-
CFF	454	25	72	-0	-0
Cash at the Beginning of FY	1	51	3	443	625
Cash During the Year	50	-37	440	182	172
Cash at The End of FY	51	3	443	625	797

Ratios

Particular	FY24	FY25	FY26e	FY27e	FY28e
Return Metrics					
ROCE (%)	13%	22%	29%	29%	30%
ROE (%)	14%	19%	25%	24%	24%
ROIC (%)	19%	29%	40%	45%	46%
Operational Metrics					
Fixed Asset Turnover (x)	4	5	5	6	6
OCF/EBITDA (%)	-21%	-32%	86%	42%	36%
FCF/PAT (%)	-412%	-41%	84%	30%	22%
Valuation Metrics					
P/E	136	70	40	32	25
EV/EBITDA	85	44	25	19	15
MCAP/Sales	13	7	5	4	3

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com