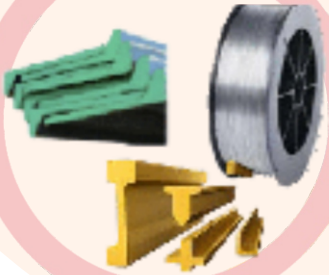
Initiating Coverage

21st April 2026

DALAL & BROACHA
STOCK BROKING PVT. LTD.

KRISHNA
DEFENCE AND ALLIED INDUSTRIES LTD



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Krishna Defence & Allied Industries Ltd (KDAIL)

Initiating Coverage | Defence & Shipbuilding

Engineering & Product moats to drive Growth

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

21 April 2026

We Initiate coverage on KDAIL with a 'BUY' rating. We have a Target Price of Rs.1,288 on FY28e EPS assigning a P/E 30x. This gives a potential upside of 22% from CMP.

KDAIL primarily focuses on manufacturing components for the shipbuilding process, largely catering to naval vessels. Its flagship product, bulb bars (~65% of its 9MFY26 revenue), are used to stiffen ship hulls and are known for their superior strength-to-weight ratio of 1:3, which helps reduce the overall weight of the vessel. The company in 2HFY25 has doubled its capacity for bulb bars taking it to ~4,500 TPA.

The company offers a wide range of products used in naval ships and other defence verticals, developed in-house as well as in collaboration with and supported by DRDO. It has also entered into a JV with a global player to manufacture composite doors and hatches and is currently a sole supplier to shipyards with commercial supply to begin from FY27.

Additionally, the company has made strategic investments in Conceptia (20%) and WaveOptix (40%), expanding its capabilities in design and communication, primarily for defence applications with a focus on naval platforms.

It commands ~50% market share across its product categories, driven by complex, stringent development and approval processes that create high entry barriers.

With the government aiming to expand its naval fleet to ~230 warships by 2037 which currently is at ~150, we believe KDAIL is well positioned to benefit from this tailwind. The defence shipbuilding sector saw an order inflow of ~44 ships from FY23-25 as compared to ~20 ships in FY19-22. KDAIL saw a Revenue CAGR of 75% from FY23-25 as compared to -4% CAGR from FY19-22.

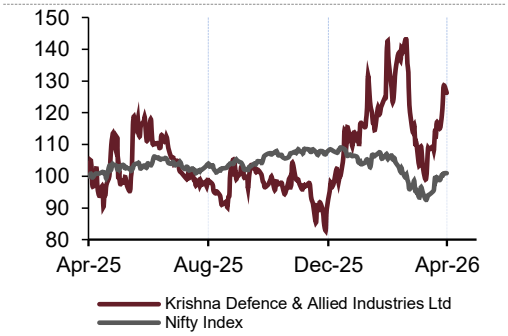
Revenue/EBITDA/PAT CAGR (%) (FY25-F28e) of 28/41/40, supported by margin expansion driven by improving operational efficiencies, operating leverage, and a favourable product mix. Strong management guidance, structural industry tailwinds, and high market share underpinned by strong moats are expected to drive sustained, broad-based growth.

Rating	TP (Rs)	Up/Dn (%)
BUY	**1,288**	**22**

Market Data		
Current price	**Rs**	**1,054**
Market Cap (Rs.Bn)	(Rs Bn)	15
Market Cap (US$ Mn)	(US$ Mn)	165
Face Value	Rs	10
52 Weeks High/Low	Rs	1240 / 665
Average Daily Volume	('000)	104
BSE Code		**540173**
Bloomberg		KRISHNDF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

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

Source: Bloomberg

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Financial Summary

Particular	FY24	FY25	FY26e	FY27e	FY28e
Sales	1,064	1,949	2,506	3,114	3,864
EBITDA Margins (%)	15%	16%	19%	20%	22%
EPS	**8**	**16**	**26**	**32**	**43**
Growth (%)		**96%**	**63%**	**25%**	**34%**
RoCE (%)	**13%**	**22%**	**27%**	**28%**	**30%**
RoE (%)	14%	19%	23%	23%	24%
P/E (x)	**108**	**55**	**34**	**27**	**20**
OCF/EBITDA (%)	-21%	-32%	86%	40%	35%

Source: Dalal & Broacha Research, Company

Investment arguments

High Entry Barrier for Key Products:

KDAIL is one of only two companies in India approved to supply defence-grade bulb bars to shipyards building warships. **Bulb bars contributed ~60% of FY25 revenue and ~65-70% in 1HFY26**. The technology was transferred by Russia in 2007, with commercial sales commencing in 2011, and the company has supplied bulb bars of **over 10,000 MT** till date.

Bulb bars overall **form ~60% of the total order book.** Additionally, bulb bars have received ABS and DNV approvals, enabling opportunities beyond naval applications and opening export and commercial markets.

Increasing Wallet share with shipyards and MOD:

With the recent JV with VABO, the company has entered the composite materials segment and has received approvals from the Indian Navy to supply composite doors and hatches for future naval platforms. This positions **KDAIL as the approved supplier of such composite doors and hatches to the Navy, with commercial supplies expected to commence from FY27.**

Strong Relationships with DRDO, the Navy, and Shipyards:

The company has demonstrated strong engineering capabilities by mastering complex processes such as bulb bars and other advanced products in its portfolio. **It has also received a technology transfer from DRDO for the Bukhari device, a high-altitude heating system.**

Despite operating largely with DPSUs, the company maintains **healthy receivable days of ~45**, which is uncommon in the sector. Additionally, **it is also developing the largest hull for the AUV project, with work commencing in June 2025 which is to be delivered by 3QFY27.**

Indian Naval fleet expansion to drive demand:

Indian Navy's plan to scale its fleet to **~175–200 vessels by 2035 (vs ~150 currently),** with large and complex upcoming projects, provides strong long-term visibility for KDAIL. **~85% of FY26e revenue is driven by critical naval components, expected to increase to ~90%,** reinforcing its structural growth trajectory.

R&D at the core of the company's growth:

The company has consistently prioritized R&D, positioning itself as an **engineering-led organization focused on developing niche application products**. **This is reflected in initiatives such as the indigenization of bulb bars and its continued efforts to diversify the product portfolio.** This has also helped them win projects like AUV.

Operating Leverage to drive margin expansion helping achieve ~+40% earnings growth & further improve ROCEs:

Strong revenue growth across product categories, along with continued focus on R&D to open new avenues, positions KDAIL well for sustained expansion. **Operating leverage, improving efficiency, and its role as a critical component supplier to shipyards are expected to drive margin improvement, with ~200-300 bps expansion over the next few years.** With minimal CAPEX requirements to achieve this, earnings are projected to grow at a **FY25–FY28e CAGR of ~40% along with ROCE to reach 30%.**

Exhibit 1: Investment Thesis

High Entry Barrier
- Process
- Approval

Increasing Wallet Share

Strong Relations with Customers & Authorities
- ToT for Bhukari
- AUV order win
- 45 days receivable

Macro Taillwinds
150(FY26) ---->200(FY32)
No of Ships

Improving Fundamentals
- Margins 19% ---->22%
- ROCE-25% ---->30%
- Debt Free

Exhibit 2: Defence Clientele

Indian Army

IndianNavy

Cochin Shipyard Ltd

Defence Research & Development Organisation

Armoured Vehicles Nigam Ltd

Mazagon Dock Shipbuilders Ltd

Hindustan Shipyard Limited

Larsen and Toubro

Goa Shipyard Limited

Source: Company, Dalal & Broacha Research

About the Company

Krishna Defence and Allied Industries Limited (KDAIL) is an Indian manufacturing company engaged in the design, development and supply of specialized products primarily for the defence and allied sectors. The company was originally incorporated as Krishna Allied Industries Private Limited in September 2013 and was subsequently converted into a public limited company in October 2021. Later, the company was renamed Krishna Defence and Allied Industries Limited in December 2021 to reflect its increasing focus on defence-oriented manufacturing and indigenization of critical components for strategic applications.

The company operates across two primary business segments: Defence Products and Dairy & Kitchen Equipment, with the defence segment forming the core of its growth strategy. KDAIL manufactures specialized weld consumables, naval application components, ballast bricks, and other critical engineering products used in defence platforms, particularly for the Indian Navy. The company has also ventured into homeland security solutions, including the manufacturing of Improvised Explosive Device (IED) containment vessels through technology transfer arrangements with defence research establishments.

KDAIL's operations are supported by manufacturing facilities and engineering capabilities that allow it to undertake development orders for customized defence applications. The company works closely with government defence organizations, defence public undertakings and research laboratories, and its business is largely driven by contracts and procurement orders from such entities. This strategic positioning allows the company to participate in India's defence indigenization initiatives and benefit from increasing domestic procurement in defence manufacturing.

Over the years, the company has expanded its product portfolio through research and development and collaboration with defence agencies, enabling it to manufacture products that were previously imported. With a diversified product mix, experienced management team and increasing focus on defence and security solutions, KDAIL aims to strengthen its role as a domestic supplier of specialized engineering products while continuing to expand its presence in high value defence manufacturing segments.

Exhibit 3: Corporate Structure

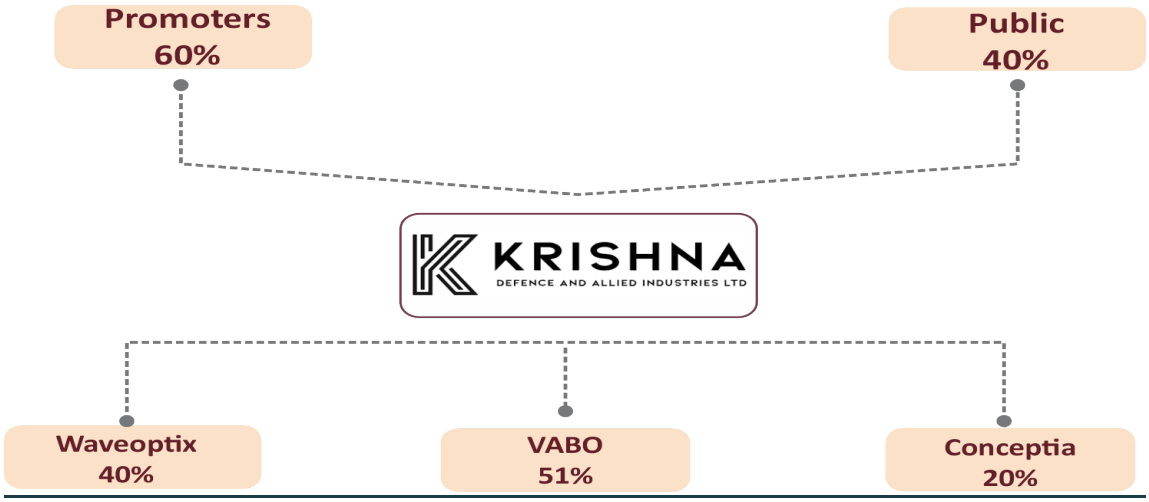
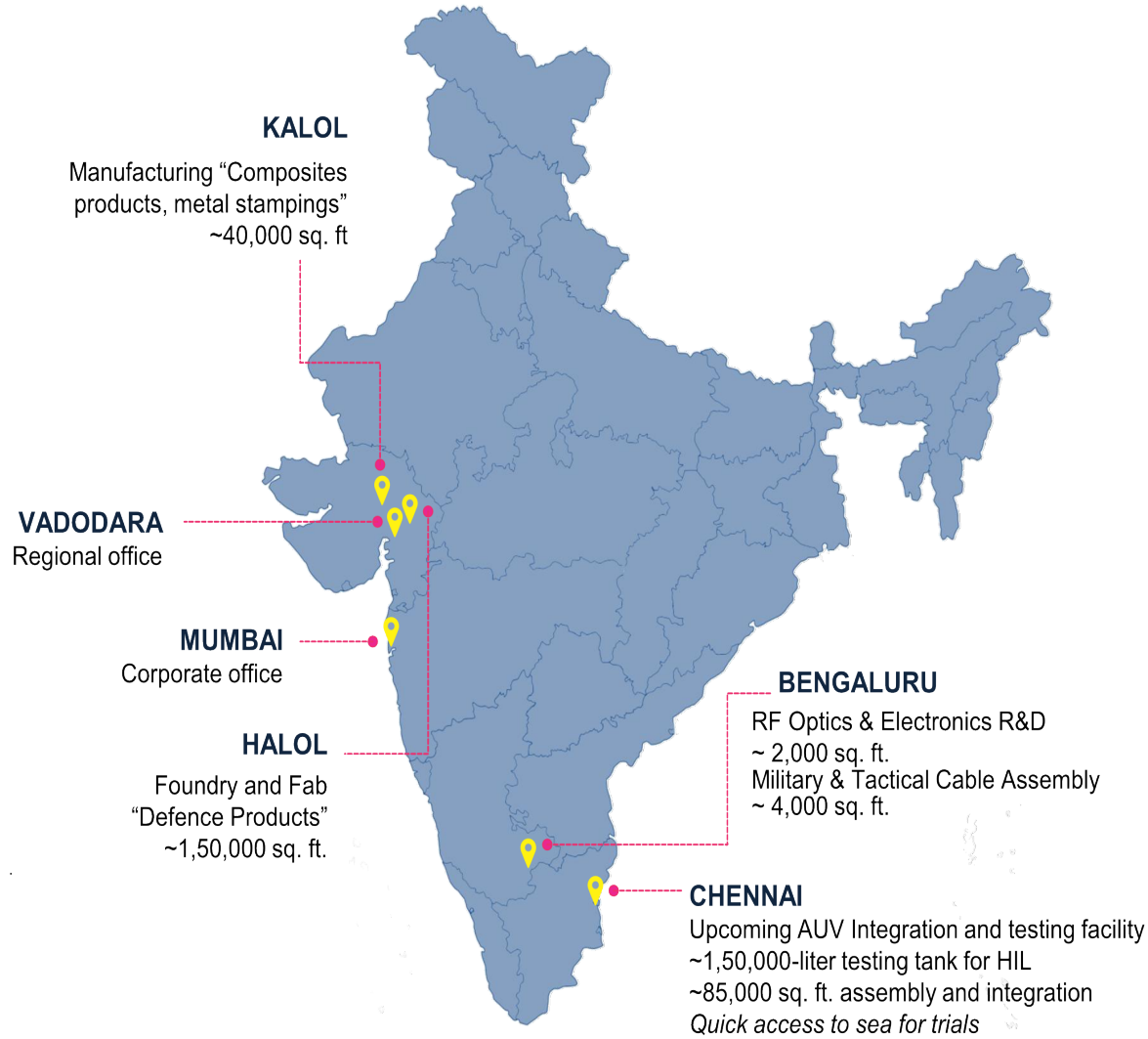


Exhibit 4: KDAILs Geographical Presence



Source: Company, Dalal & Broacha Research

Strong Moats in the Product Portfolio

Bulb Bars:

About the Product:

Bulb bars are used to stiffen the ship's hull and reduce overall vessel weight due to their **superior strength-to-weight ratio of 1:3.** This is critical for combat ships, which need to be fast and agile for survivability. **Bulb bars account for ~8–10% of a ship's total build weight.** They are P-shaped angles and channels, available in **~18 different sizes,** and are difficult to manufacture due to their **unique geometry and asymmetric shape making weight distribution across the plate a complex process while maintaining high levels of strength and toughness.**

Origin:

The product was originally imported from Russia until the government-initiated indigenization in 2007, granting multiple companies access to the technology. KDAIL was one of only two companies to successfully master the complex process and commenced commercial supplies in 2011. Today, the company operates a 4,500 TPA manufacturing facility in Halol.

Supply Chain:

Defence-grade bulb bars are manufactured using a specialized **steel developed by DRDO, designated DMR-249A**, which is currently supplied by only a few select players in India. **The company sources this steel from ArcelorMittal, SAIL, (Designated Suppliers).** Raw material prices are largely fixed, with fluctuations typically passed through via **price-variation clauses embedded in contracts** and reviewed quarterly. **Given the premium nature of the raw material and the high value-added content, minor price fluctuations do not materially impact margins.**

High Market Share & Barriers to Entry:

There are currently only two players approved by DRDO and the Navy to supply bulb bars to shipyards for warship applications, with orders split **between them**. For certain underwater vessels the company **enjoys a monopoly.** The highly complex engineering involved, coupled with stringent in-house testing where each batch is tested in the presence of a **Navy official underscores the high entry barriers in this market.** For any new entrant, it would likely **take 3–4 years to master the product and secure the necessary regulatory approvals. The manufacturing process of the bulb bar also has a joint patent held between the DRDO and KDAIL making it impossible for competitors to replicate the same process.** KDAIL has established deep expertise in the manufacturing of these **bulb bars aiding gross margins**.

Potential Expansion into Commercial Sector:

The company currently has limited exposure to the commercial supply of these bulb bars. This could see a significant change given the recent push by the government of **~Rs.700bn.** Along with this the company has **received ABS & DNV certifications and is in the process of receiving LRS & IRS** certifications validating its quality for **commercial export orders as well.**

Weld Consumables:

About the Products:

The company currently manufactures two weld consumable products—steel alloy welding wires and welding electrodes. These are highly complex, in-house developed products made using precise combinations **of elements such as titanium, nitrogen, chromium, and nickel, and are critical components used in warships.**

Barrier to Entry:

Unlike traditional welding players, KDAIL also manufacture the **specialized alloys used in welding wires and electrodes, operating further upstream in the value chain.** These complex metallurgical compositions are difficult for conventional welding companies to replicate. Additionally, stringent approvals from the DRDO and the Indian Navy create high entry barriers, limiting disruption from new entrants**. The company enjoys a 40-50% market share in this as well.**

High realizations and margins driven by high value-add:

Typically, these weld consumables enjoy the **highest kind of Gross margins in the range of 30-35% depending on the quality and due to its high realization**. While volumes sold might be lower than industry standards this is mainly due to concentrated focus on Naval platforms.

Composite Doors & Hatches:

About the Products:

Through its JV with VABO, the company has entered the composite doors and hatches segment. Leveraging VABO's technical expertise in reinforced composite materials, KDAIL has overcome the learning curve. **The composite is made with a combination of materials such as glass fiber, polyester resin, Carbon fiber and other such materials to make it navy worthy.**

Cost & Convenience Benefits:

~40% lighter and cheaper than steel doors, these fire-resistant doors and hatches enable quick hinge-based replacement, eliminating the need for dry-dock visits required for conventional steel doors.

Early Mover Advantage:
Through its JV, the company has secured Navy approvals, with trial batches underway on select vessels. Full-scale commercialization **is expected in FY27,** post which KDAIL will be a key **supplier of next-generation doors and hatches to shipyards. A typical ship requires ~500–1,000 doors and hatches** with introduction of composites to take place in a phased manner.

Huge Export Potential:
This product also opens the export market in the **ASEAN region** and VABO, being a renounced player in Europe gives customers the validation for these products. With such doors and hatches being already **inducted in lot of the European navies, a switch in preferences is being seen.**

High ROCE to be witnessed in this vertical as well:
KDAIL will **invest Rs. 51,000 in paid up capital owning 51%** of the JV with **a CAPEX of ~Rs 50Mn** which will be done in its existing Kalol plant. This will create a ROCE profile like the rest of the business with **initial capacity of ~1,000 doors and hatches** with a peak revenue of **potential of ~Rs 100Mn.**

VABO's deep technical expertise underpins the partnership:
VABO Composites has signed a multi-year agreement with **Damen Naval to supply lightweight composite hatches and doors for the ASWF (Anti-Submarine Warfare Frigate) program.** The contract marks a key milestone, with VABO's advanced composite solutions being integrated into a next-generation Dutch naval vessel.

The partnership reflects VABO's strong technological capabilities and sustained investments in maritime composite innovation, further strengthening its positioning in the naval and defence composites market.

Potential expansion beyond doors & hatches:
Composite materials can also be used in other naval applications such as **panels and supper structures**. This would primarily help with **weight reduction**. Given the strong R&D track record these components could **see potential indigenization in the future.**

Important Facts

KDAIL offers a standard 12-month warranty on its products, with any associated costs fully absorbed by the company. Notably, there have been no instances of bulb bar batches being returned to date, indicating strong product quality and reliability.

Autonomous Underwater Vehicle:

Product Background:

Krishna Defence and Allied Industries (KDAIL) commenced work on an Autonomous Underwater Vehicle (AUV) order **on June 10, 2025.** The ~20-ton unmanned vessel is currently the only one under development and is being executed in collaboration with other partners with a **recent technology transfer from Council of Scientific and Industrial Research (CSIR).**

The vessel is targeted for deployment by 3QFY27. While the order has limited near-term commercial value, successful execution could open a significant future opportunity. The project will have joint patents among participating entities, implying that any future development or orders would likely accrue to the patent holders.

As of 3QFY26 the company is in the process of developing a facility dedicated for the assembly integration and testing of the AUV which is being done in Chennai. **This will have an 85,000 sq. ft assembly and testing facility along with a 1,50,000 Liters testing tank.**

Other Products:

The company also has few other products that are used in other defence categories such as:

Ballast Bricks:

These are Super Alloy Steel; Ballast Bricks used in critical application used for balancing and counterweight for Naval Applications.

T90 Tanks Steel Profile:

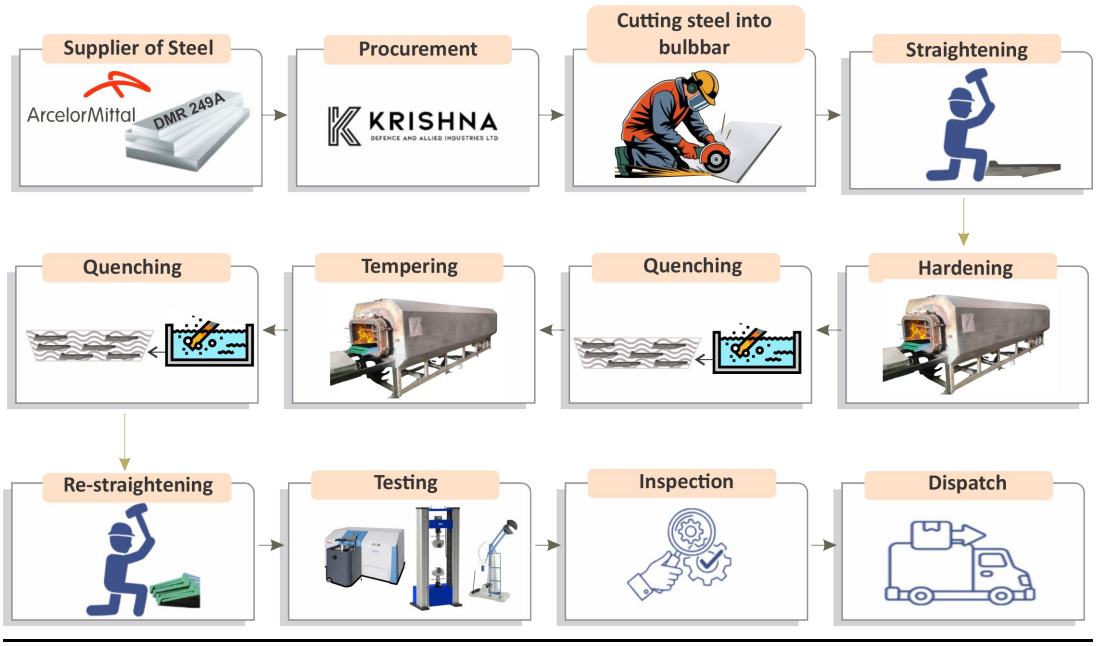
Special steel profiles are specialized material used in the construction of military and security vehicles to provide enhanced protection. **These profiles are designed to withstand high-velocity projectiles, and other hazardous impacts, making them a crucial component** in the defence and security industries. **~7-8 grades of these steel profiles have been indigenized by the company. It Key customer is Armoured Vehicle Nigam. The steel is used to make the chassis of these tanks.**

Bukhari:

The new Bukhari, designed and developed by DIPAS (DRDO), is a kerosene-fueled, safe, and efficient vented space heating device. Each Bukhari prevents about one ton of CO_2 and 0.3 tons of black carbon per year from going to the environment.

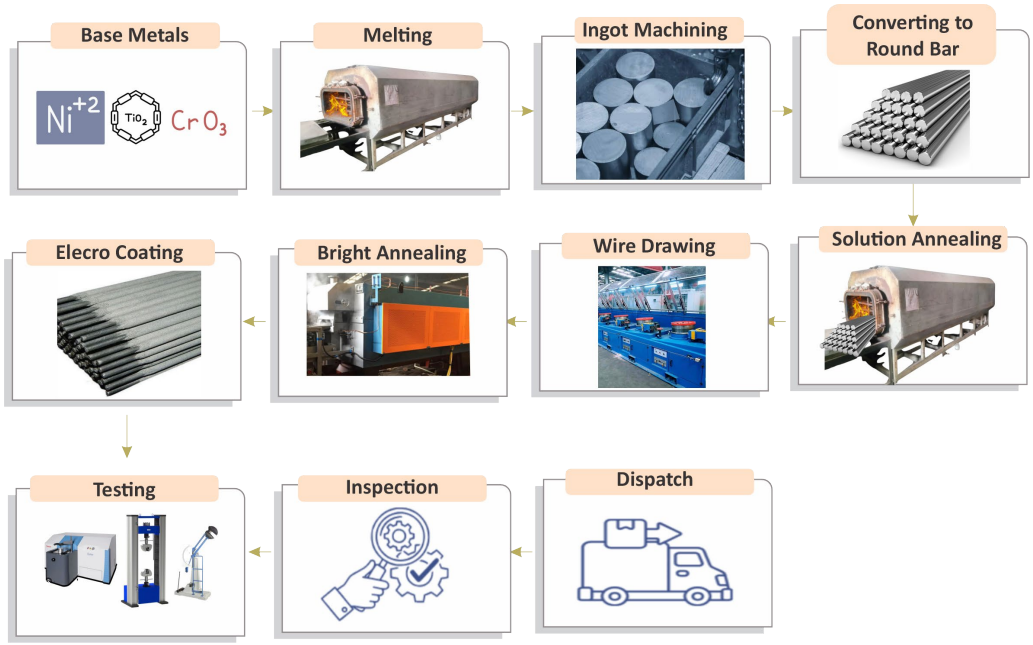
Exhibit 5: End to End Process for Key Products

Process for the making of bulb



The process is highly sensitive to **furnace temperature control, as the treatment conditions for bulb bars are a critical determinant of outcomes.** Equally, strict adherence to the **specified transfer time into the water is essential (~45 seconds).** The challenge lies in maintaining both **strength and toughness while preserving shape**, given the inherent complexity arising from the asymmetrical geometry and uneven weight distribution of these steel profiles.

Process for the making of welding wire



As seen in the above chart, KDAIL is fully integrated in the making of these welding wires and rods. These are highly complex metal combinations that have been used to achieve the desired outcome of blending with the base metals for proper welding. **These wires can be pulled drawn in various thicknesses (1.2mm to 4mm) that makes it use diverse and increases the difficulty for competitors to enter.**

Integrated Testing Facility:

Impact Testing Machine

Tensile Testing Machine

Spectrometer for chemical composition

The testing facility remains a critical component in supplying products for the armed forces as well as supporting R&D activities. These machines enable product validation under **practical conditions, ensuring adherence to stringent naval guidelines.**

The testing process is typically overseen by a **naval officer, with dispatch contingent upon formal quality approval.**

KDAIL has also built a repository of over a decade of testing data, providing a meaningful advantage in referencing historical outcomes to support product development and technological innovation.

Exhibit 6: Defence Product Portfolio

Bulb Bar

Special Steel Alloy Welding Wire

Welding Electrodes

Special Steel Alloy Ballast Bricks

Armoured Steel Profile

Improved Space Heating Device

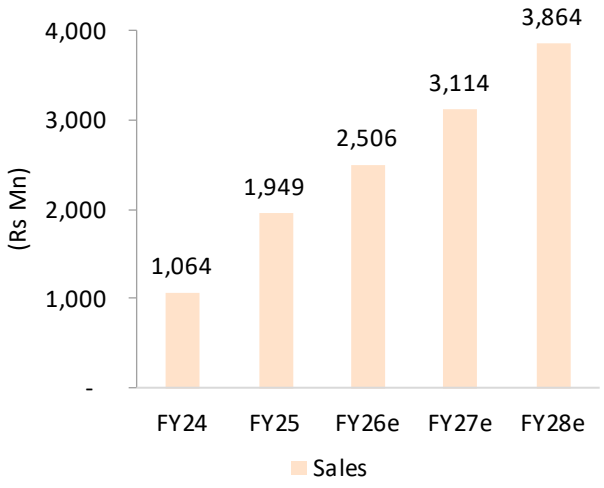
Doors

Hatches

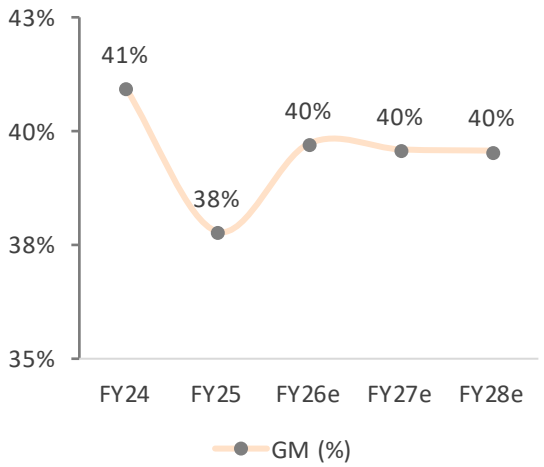
Source: Company, Dalal & Broacha Research

Exhibit 7: Story in Charts

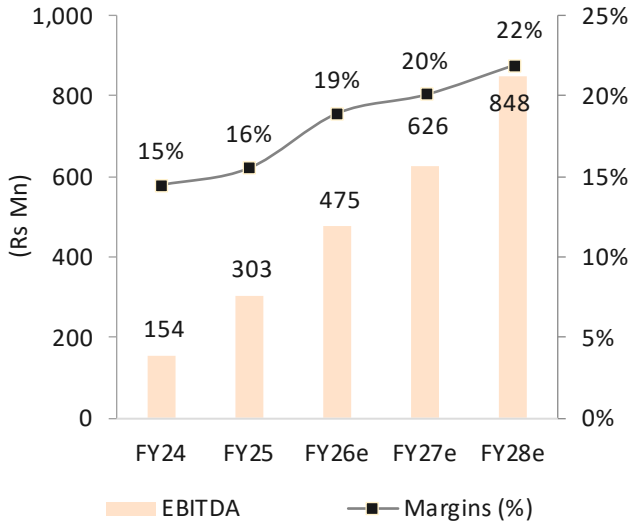
Revenue



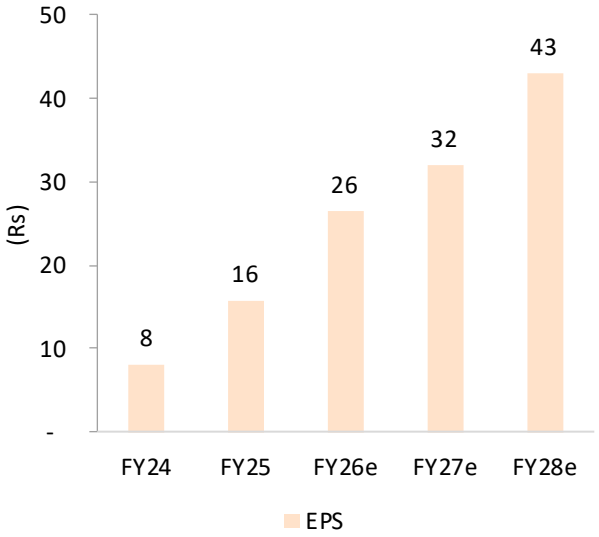
Gross Margin



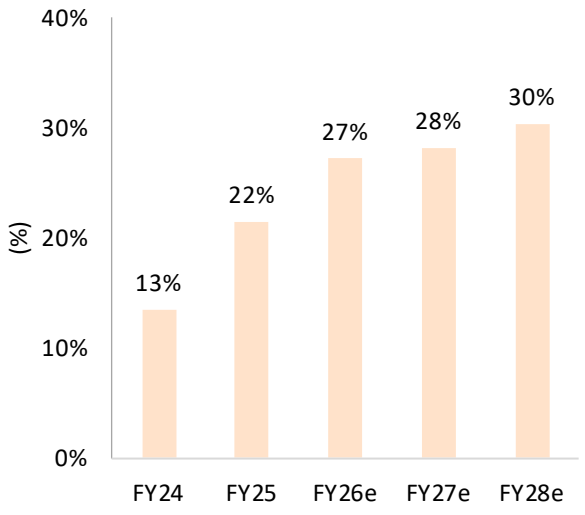
EBITDA & EBITDA Margin



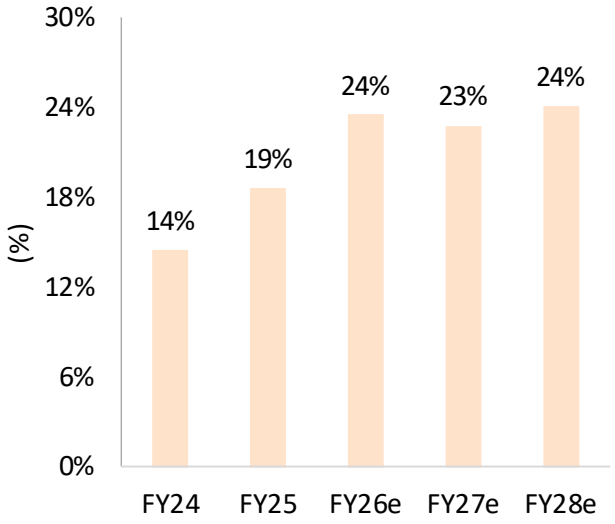
EPS



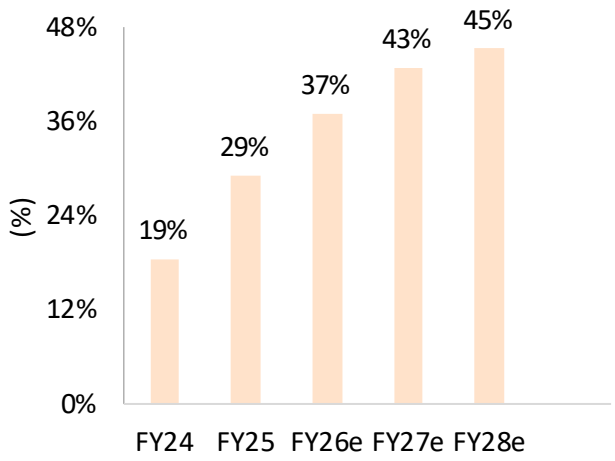
RoCE



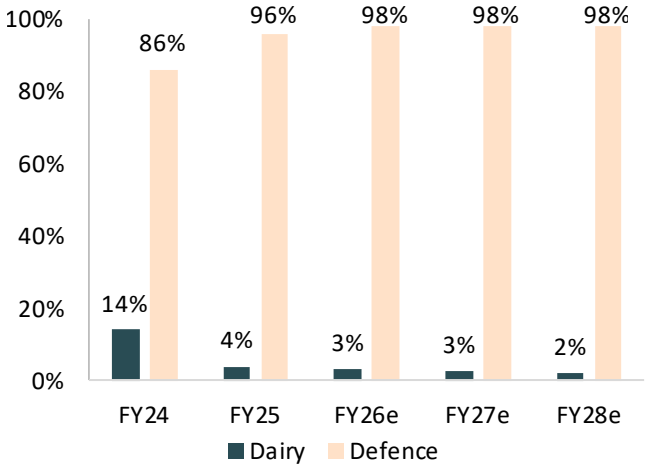
RoE



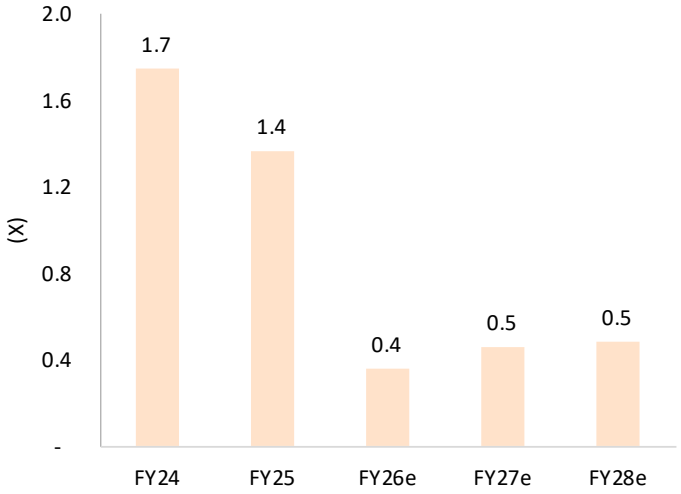
RoIC



Revenue Split



Book to Bill



Source: Company, Dalal & Broacha Research

Associate Companies

Wave Optix Defence Solutions: (40%)

KDAIL has acquired this stake to improve its capabilities in the underwater communication space and enhance its RF technology. **It has set up its state-of-the-art Manufacturing and testing facility in Bangalore covering a range from 9KHz to 44GHz, with signal generators, spectrum analyzers, network analyzers, and high-performance oscilloscopes.** Additionally, the optical testing and measurement infrastructure boasts cutting-edge manufacturing and testing equipment, such as optical insertion and return loss testers, polishing machines, and a wide array of connectors and cables.

Financials:

Particular (Rs.Mn)	FY24	FY25	FY26e	FY27e	FY28e
Sales	11	95	360	414	476
PAT	0.7	9	100	104	119
PAT Margins (%)	**6%**	**10%**	**28%**	**25%**	**25%**

Stake Purchase Details:

Date	Stake Acquired	No of Shares	Type	Price (Rs)	Total Investment(Rs.Mn)	Valuation (Rs.Mn)	MCAP/PAT
-	25%	2,500	Fresh Issue	10	0	0.1	0.1
26-Mar-25	15%	2,500	CCD	19,000	48	317	34
Total	**40%**	**5,000**	**-**	**-**	**48**	**-**	**-**

Conceptia Software Technologies: (20%)

KDIAL took stake in conceptia to gain design capabilities in the shipbuilding space. **The company is involved in the marine and offshore industry providing engineering services to shipyards like GRSE, Hindustan Shipyard and many more.**

Financials:

Particular (Rs. Mn)	FY24	FY25	FY26e	FY27e	FY28e
Sales	693	607	800	920	1,058
PAT	31	19	80	92	106
PAT Margins (%)	**4%**	**3%**	**10%**	**10%**	**10%**

Stake Purchase Details:

Date	Stake Acquired	Type	No of Shares	Price (Rs)	Total Investment (Rs.Mn)	Valuation (Rs.Mn)	MCAP/PAT
09-Apr-25	20%	Fresh Issue	92,500	200	19	93	5

Source: Company, Dalal & Broacha Research

Improving Fundamentals

High ROCE & ROE driven by a strong business model:

The business operates on an asset-light model given the low machinery requirement. Manufacturing bulb bars primarily requires a furnace, implying limited capex that can largely be funded through internal accruals**. The company currently generates asset turns of ~6x**, with the key moat lying in its process know-how rather than a capex-heavy setup.

As utilisation improves, asset turns are expected to rise further while capex remains minimal given the recent capacity additions. Along with operating leverage supporting margin expansion, strong cash flows and an improving working capital cycle are expected to keep debt and capital employed in check, driving **ROCE from current levels of 27% to 30% by FY28e.**

Improving Return Ratios					
Particular	**FY24**	**FY25**	**FY26e**	**FY27e**	**FY28e**
Capital Employed	1,159	1,409	1,853	2,329	2,967
EBIT Margins	12%	14%	18%	19%	21%
PAT Margins	9%	11%	14%	15%	16%
Cash & Other Balances	442	227	639	793	954
Assest Turnover	4	5	5	6	6
RoCE (%)	**13%**	**22%**	**27%**	**28%**	**30%**
RoE (%)	**14%**	**19%**	**24%**	**23%**	**24%**
RoIC (%)	**19%**	**29%**	**37%**	**43%**	**45%**

Source: Company, Dalal & Broacha Research

Improving Working Capital & Cash Flows:

KDAIL has demonstrated a meaningful improvement in its working capital cycle, led by a reduction in inventory days and stronger operating cash flow generation. **While the company reported negative OCF and FCF in prior years, this trend has reversed in FY26e.**

Despite improvement in FY26, the business remains working capital intensive—**supplier advances and ~90-day inventory cycles, 40–50-day receivables,** coupled with rapid growth, are likely to keep **cash generation trending downwards while being positive.**

Improving Cash Flow & WC Days					
Particular	**FY24**	**FY25**	**FY26e**	**FY27e**	**FY28e**
OCF/EBITDA (%)		-32%	86%	40%	35%
FCF/PAT (%)		-41%	83%	26%	21%
WC Days		156	106	112	120

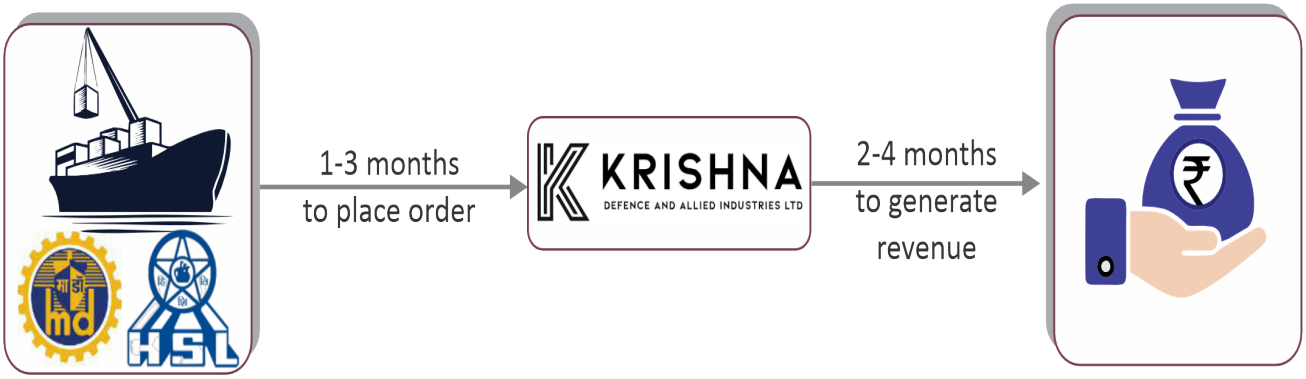
Source: Company, Dalal & Broacha Research

Key Aspects of the Business

❖ Correlation with DPSU Shipyard Orders:

- **High Revenue Linkage to Shipyard Orderbooks: ~85% of KDAIL's revenue is derived from materials supplied to shipbuilding yards,** making order inflows at shipyards a key demand driver for the company.
- **Early Revenue Visibility:** Since procurement of these materials is the **first milestone required for shipyards to commence construction** and **recognize project progress**, KDAIL benefits from early visibility on demand once ship orders are placed.
- **Products Used in Initial Construction Phase:** Core products such as bulb bars and welding consumables are required at the very first stage of ship construction, when shipyards procure steel plates and structural profiles.
- **Industry Tailwinds Supporting Growth:** Ongoing capacity expansion by shipyards (dry dock expansion and infrastructure upgrades) **along with the Indian Navy's target of 175–200 ships by 2032** and multiple large projects in the pipeline provide a structural demand opportunity for KDAIL.

Exhibit 8: Order Flow Cycle to KDAIL

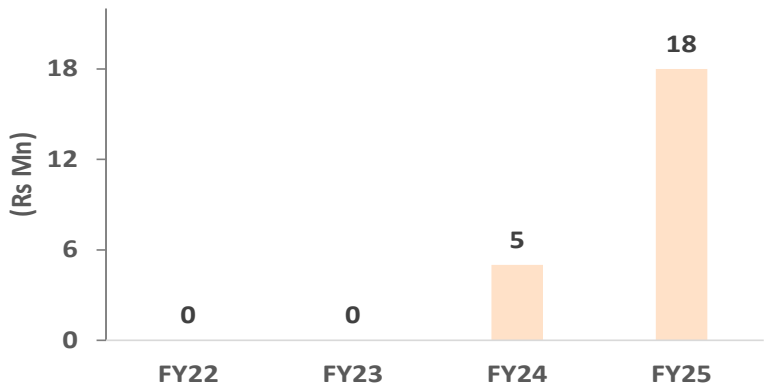


Source: Company, Dalal & Broacha Research

❖ Continuous R&D to help company diversify product offerings:

- **Strong focus on indigenization and innovation:** KDAIL has consistently focused on developing products that are yet to be indigenized in India.
- **Track record of successful product development:** Starting **with bulb bars, the company has expanded its portfolio to 6–7 indigenized products**, achieving capabilities comparable to global peers.
- **Selective execution risk:** While several initiatives have been successful, certain **ventures such as ammunition manufacturing did not scale as expected.**
- **Recent success in composite doors:** The company has successfully entered the composite doors segment through a JV with VABO, expanding its product portfolio.
- **Long-term innovation initiatives: Projects such as AUV highlight KDAIL's willingness to invest in new technologies** that could create meaningful opportunities over the long term.
- **Strong Workforce:** KDAIL has a workforce of **over 30+ engineers along with 2 metallurgists.** Constant training and upskilling to stay ahead of the curve are taken place to **constantly develop and indigenize new products.**
- **Near Term Successes to be Expected:** The company has forayed into **aerospace components** as well and is expected receive the approvals very soon. Mainly the focus will be on **steel components when trying to enter new product categories and verticals.**

R&D Spend Over the Years:



❖ Strong Management Guidance backed by proven execution:

- **CAGR of 30-40%: KDAIL's management has guided for 30–40% CAGR growth over the next 3–4 years.** Over the past three years, the company **has delivered PAT CAGR of over 100%, reflecting strong execution** capabilities and scalability of its business model.
- **Continuous Margin Expansion**: **With strong margin expansion over the past three years, margins are expected to reach ~20% in FY26e.** Management has guided for further expansion driven by operating leverage and improving operational efficiencies with margins expected to reach ~23% in FY28e.
- **Long Term Vision**: **Management has outlined a long-term target of achieving revenue of Rs.5,000 Mn and PAT of Rs.1,000 Mn.** This is expected to be driven by building a diversified portfolio of products**, each contributing roughly Rs.1,000 Mn** in revenue, supported by strong competitive moats to sustain and improve margins.

Key Risks

- **Delay in Orders**: Order delays pose a material risk to revenue given the business's **low book-to-bill ratio**, limiting visibility and **increasing dependence on timely execution.**
- **Macro Headwinds:** A slowdown in government capex for naval expansion or a shift in strategic priorities could adversely impact growth visibility and order inflows.
- **Operating Deleverage**: Significant margin expansion driven by operating leverage could reverse if topline growth weakens, leading to disproportionate pressure on profitability.
- **R&D Execution Risk:** With R&D central to the company's growth strategy, failure or delays in key projects pose a significant risk to future growth visibility.

Key Monitorable

- **Shipyard Order Books:** Shipyard order inflows and execution timelines remain the most critical growth drivers; continuous tracking of vessel mix and build cycles is essential to assess KDAIL's revenue trajectory.
- **R&D Timelines:** Track R&D spends, project progress, and end-customer acceptance to gauge commercialization potential and sustainability of future growth.

Peer Comparison

- **Bulb Bars:** KDAIL commands ~50% market share in this product segment, **effectively operating as a duopoly with Delhi-based Star Wire** (unlisted, limited public disclosure).
- **Weld Consumables:** High market share limits competitive intensity, with **Mishra Dhatu Nigam Limited as the only notable peer;** however, lack of comparable disclosures restricts a like-to-like analysis.
- **Composite Doors & Hatches:** No other **approved player for composite doors and hatches**, though a few are in the process of developing capabilities.
- **T90 Steel Profiles: No other vendor has yet been approved for the steel grades that KDAIL supplies** for the making of the chassis.

Annual Report Analysis

Particulars	FY22	FY23	FY24	FY25
Year of Incorporation	1997			
Remuneration to Directors & Key Managerial Personnal (Rs Mn)				
Mr Ankur Ashwin Shah- Managing Director	12	6	6	12
Mr Sandeep Kadam- whole time director	2	3	4	4
Mr Suvendu Banerjee- whole time director	1	0	-	-
Mr Piyush Patel- CFO	1	2	2	3
Charmy Shah	0	1	1	-
Credit Rating				
LT credit rating	-	-	BBB	BBB
ST credit rating	-	-	A3+	A3+
Permanent employees	230	262	260	193
Head Office	Mumbai, lower Parel			
Regional Office	Gujarat, Vadodara			
Plant- 1	GIDC Estate, Kaloi			
Plant- 2	GIDC Estate, Halol			
Auditor Details				
Statutory Auditor	CNK & Associates LLP			
Appointment date	30.11.2021			
Relation held till	31.03.2026			
Internal Auditor	M/s Shilmi J Patel & Co.			
Payment to Auditors (Rs Mn)				
Statutory Audit	0.2	0.2	0.3	0.5
Tax Audit	-	-	0.1	0.1
Other certification services	0.4	0.2	0.2	0.1
Related Party Transaction (Rs Mn)				
Loan taken/Given				
Ankur Ashwin Shah	83	43	43	0
Pallavi Ashwin Shah	3	0	0	0
Preyal Ankur Shah	3	0	0	0
Krish Commodities Private Limited	3	0	0	0
Ankur A Shah (HUF)	1	0	0	0
Ashwin N Shah (HUF)	1	0	0	0
WaveOptix Defence Solution Private	0	0	0	32
Loan repaid/ received				
Ankur Ashwin Shah	19	75	99	14
Ashwin Natvarlal Shah	8	0	0	0
Pallavi Ashwin Shah	14	0	0	0
Preyal Ankur Shah	7	0	0	0
Ankur A Shah (HUF)	16	0	0	0
Ashwin N Shah (HUF)	20	0	0	0
Krish Commodities (India) LLP	0	0	0	1
Purchase				
Krish Industries Pvt Ltd	52	23	19	4
White Gold Technologies LLP	0	0	31	25
WaveOptix Defence Solution Private	0	0	6	19
Sales				
Krish Industries Pvt Ltd	0	0	0	0
White Gold Technologies LLP	6	1	0	0
Amount Payable				
Ankur Ashwin Shah	112	80	24	0
Krish Commodities Private Limited	3	3	1	0
Krish Industries Pvt Ltd	19	15	16	0
Advances given				
White Gold Technologies LLP	0	0	23	38
WaveOptix Defence Solution Private	0	0	11	0
Krish Industries Pvt Ltd	0	0	0	3
Amount Receivable - Loans				
White Gold Technologies LLP	0	1	0	0
WaveOptix Defence Solution Private	0	0	216	0
Amount Receivable - Interest on Loans				
WaveOptix Defence Solution Private		0	0	3

Source: Company, Dalal & Broacha Research

Board of Directors

Board of Directors		
Board of Directors & KMP	**Designation**	**Description**
Mrs. Preyal Shah	Chairperson & Additional Non-Executive Director	She completed her Bachelor of Commerce from the University of Mumbai in 2002. With around 15 years of experience in fashion designing and strong interpersonal skills, she currently assists Krishna Defence with administrative activities.
Mr. Ankur Shah	Managing Director	He holds a Bachelor of Engineering (Production) from the University of Bombay and was appointed as the first director of the company on September 10, 2013. He has around 22 years of experience in steel working and currently serves as Managing Director, overseeing overall business operations and driving the company's expansion in products and customer base.
Mr. Divyakant Ramniklal Zaveri	Independent Director	He is a Commerce graduate and a practicing Chartered Accountant with over three decades of experience in accounts, finance, taxation, and corporate management. He was appointed as an Independent Director at the EGM held on September 2, 2021.
Mr. Jaykumar Toshniwal	Independent Director	He holds a Master of Commerce degree, is a Chartered Accountant, and has a Post Graduate Degree in Management from IIM Ahmedabad. With 35 years of experience in Indian capital markets, he was appointed as an Independent Director at the EGM held on September 2, 2021.
Radm Anil Dutta	Independent Director	He is a retired Indian Naval Officer with 35 years of distinguished service and holds an engineering degree from the National Institute of Technology, Kurukshetra, along with a postgraduate qualification in Naval Architecture from IIT Delhi. He was appointed as an Independent Director at the Board Meeting dated March 25, 2025, and previously held senior positions including Additional Director General Navy Design (Submarine Design Group) and Additional Director General of Quality Assurance (Warship Production).

Key Managerial Personnel

Key Managerial Personel		
KMP	**Designation**	**Description**
Manish Shah	CFO	Mr. Manish Shah, a Chartered Accountant (ICAI) and CPA (Australia), brings 28+ years of global finance leadership experience, specializing in transformation, cost optimization, and growth.
Mr. Ravindranatha Maroli	General Manager	An experienced Business Unit Head with a proven track record of driving growth in the mechanical and pharma machinery engineering industry. Holds an MBA in Operations Management and has strong expertise in planning, manufacturing, procurement, product and process development, customer management, quality management, and overall supply chain operations.
Mr. Rohit Shintre	Product Development Head	As Head of Product Development at Krishna Defence, he focuses on developing advanced defence technologies and leveraging CAD modelling to improve efficiency, innovation, and profitability. With over 10 years of leadership experience at Cadsol, he leads multidisciplinary teams through the entire product development cycle from concept to market launch.
Mr. Ajinkya Gaekwad	CEO (Composite Division)	He completed his B.Tech in Mechanical Engineering from VJTI, Mumbai, and pursued a PG Certificate program at IIM-A. With around 12 years of design and development experience at L&T Defence, he is now responsible for the composite division at KDAIL and plays a key role in marketing Defence products.

Source: Company, Dalal & Broacha Research

Capital Infusion History

Equity Shares Issuance History (Mn)								
Date	No of Shares Pre Issue	Type of Issue	Addition	Face Value (Rs.)	Premium (Rs.)	Closing Price as on Date of Isuue	No of Shares Post Issue	Total Value of Isuue (Rs. Mn)
05-Apr-22	8	IPO	3	10	29	79	11	119
05-Sep-23	11	Conversion of Warrants	0.8	10	130	290	12	118
02-Feb-24	12	Private Placement	1	10	294	375	14	429
25-May-24	14	Conversion of Warrants	0.4	10	130	455	14	50
26-Jun-25	14	Conversion of Warrants	0.5	10	294	895	15	164
25-Jul-25	15	Conversion of Warrants	0.3	10	294	818	15	97
Total Value Raised (Rs. Mn)								977

Warrants Allotmnent and Conversion Timeline (Mn)						
Date	Allotment/ Conversion	No of Investors	Promoter/ Indivivuals	No of Shares	Price (Rs.)	Value (Rs. Mn)
08-Feb-23	Allotment	8	Promoter/Indivivuals	1.2	140	168
05-Sep-23	Conversion	6	Indivivuals	0.8	140	118
02-Feb-24	Allotment	8	Promoter/Indivivuals	0.9	304	261
25-May-24	Conversion	2	Promoter	0.4	140	50
26-Jun-25	Conversion	7	Indivivuals	0.5	304	164
25-Jul-25	Conversion	3	Promoter/Indivivuals	0.3	304	97
Total Value Raised (Rs. Mn)						429

Source: Company, Dalal & Broacha Research

Primary Reasons for Capital Infusion:

All funding was **raised to meet working capital** (WC) requirements, primarily due to **elevated debt levels that constrained additional debt**. **The WC cycle had also elongated owing to a shift in business mix from dairy to defence, requiring time for normalization.**

As of H1FY26, WC days have improved materially and are expected to reduce further with continued focus. While the business remains **inherently WC-intensive, no further equity dilution is anticipated for WC funding, and no meaningful debt is expected to be undertaken for WC requirements of the current product portfolio.**

We expect KDAIL to have between Rs.500-600mn in cash and cash equivalents as of March 2026.

Industry Overview:

About the Industry:

India's defence shipbuilding industry should be viewed less as a conventional manufacturing segment and more as a strategic extension of the Indian Navy's long-term force-development agenda.

The Navy's direction is clearly toward a predominantly indigenous fleet architecture, with ~61 of 62 warships and submarines under construction with ambitions to reach a fleet of 175-200 vessels by 2035 are being built in Indian yards and that the service is working toward full Aatmanirbharta by 2047 where it wants to be a Top 5 ship building nation. This vision has progressively shifted domestic shipyards from licensed production and assembly roles to higher-value responsibilities in design integration, modular construction, systems outfitting, refit and lifecycle support.

In that ecosystem, Mazagon Dock has historically anchored India's high-end combatant capability through destroyers, frigates and submarines; its own disclosures position it as the country's premier builder of frontline warships and submarines.

Garden Reach Shipbuilders & Engineers has evolved into a broad-based naval platform builder with a long record across frigates, corvettes, patrol and survey vessels, and states that it has delivered more than 100 warships since 1960.

Goa Shipyard has built a wide mix of patrol and support vessels and is notably the builder of the Navy's sail training ship INS Tarangini.

Hindustan Shipyard's legacy lies in shipbuilding, repair and, increasingly, submarine and fleet-support work, with the company stating that it has built more than 200 vessels, refitted five submarines and secured the Fleet Support Ship programme.

Cochin Shipyard represents the industry's move into more complex indigenous platforms, most notably through delivery of INS Vikrant, India's first indigenous aircraft carrier, and its ongoing anti-submarine shallow watercraft programme for the Navy.

Taken together, these yards illustrate the Navy's broader objective: to build a resilient national maritime industrial base capable not only of constructing platforms in India, but of sustaining operational readiness and technological sovereignty over time.

Exhibit 9: GOI Spend on Defence & Navy CAPEX

* Denotes years where the defence-to-navy spend break-up is not disclosed; estimates have been derived internally.

FY	Defence CAPEX (Rs bn)	Navy CAPEX (Rs bn)	Navy as % of Total Defence CAPEX	Navy Fleet as % of Total Navy CAPEX
15-16	717	199	28%	54%
16-17	864	200	23%	49%
17-18	904	201	22%	46%
18-19	952	215	23%	53%
19-20	1,111	274	25%	58%
20-21	1,343	417	31%	48%
21-22	1,380	450	33%	55%
22-23	1,429	461	32%	51%
23-24	1,543	508	33%	49%
24-25*	1,598	527	33%	48%
25-26e*	1,865	541	29%	40%
26-27e*	2,193	614	28%	41%

Source: Company Dalal & Broacha Research, MOD, Budget

Key Shipyards in the Industry:

Mazagon Dock Shipbuilders Limited (MDL): MDL is India's principal yard for high-end frontline naval platforms, with core strengths in destroyers, frigates and submarines. It is most closely associated with the Project 15/15A/15B destroyer programmes, the Project 17 and 17A frigate programmes, and submarine construction under the Scorpene / Kalvari-class programme.

MDL						
Particulars (Rs. Mn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	78,272	94,666	1,14,319	1,32,730	1,52,307	1,57,334
Growth (%)		*21%*	*21%*	*16%*	*15%*	*3%*
PAT	10,727	18,454	23,249	27,554	31,659	33,779
Growth (%)		*72%*	*26%*	*19%*	*15%*	*7%*
Order Book	3,87,550	3,85,610	3,22,600	2,00,000	-	-
Growth (%)		*-1%*	*-16%*	*NA*	*NA*	*NA*
No of Vessels (pending to be delivered)	8	7	32	23	-	-
Growth (%)		*-13%*	*557%*	*-28%*	*NA*	*NA*
CAPEX			7,431	5,458	7,766	8,927
Growth (%)		*NA*	*NA*	*-27%*	*42%*	*15%*

Source: Company, Dalal & Broacha Research, Bloomberg Estimates

Garden Reach Shipbuilders & Engineers Limited (GRSE): GRSE is a major indigenous warship builder with strong capabilities in the design and construction of frigates, corvettes, patrol vessels and survey vessels. It is particularly associated with the P17A advanced frigate programme, the Kamorta-class anti-submarine warfare corvettes, the Khukri and Kora-class missile corvettes, and more recently the Survey Vessel (Large) programme.

GRSE						
Particulars (Rs. Mn)	**FY23A**	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Revenue	25,480	35,880	50,710	70,893	89,177	96,070
Growth (%)		***41%***	***41%***	***40%***	***26%***	***8%***
PAT	2,280	3,570	5,270	7,535	9,863	10,879
Growth (%)		***57%***	***48%***	***43%***	***31%***	***10%***
Order Book	2,46,700	2,25,930	1,95,000	1,40,000	-	-
Growth (%)		***-8%***	***-14%***	***-28%***	*NA*	*NA*
No of Vessels (pending to be delivered)	23	19	19	12	-	-
Growth (%)		***-17%***	***0%***	***-37%***	*NA*	*NA*
CAPEX			671	610	625	625
Growth (%)		***NA***	***NA***	***-9%***	***3%***	***0%***

Source: Company, Dalal & Broacha Research, Bloomberg Estimates

Cochin Shipyard Limited (CSL): CSL is strategically important to India's naval industrial base because it has expanded domestic capability into larger and more complex platforms. It is most prominently associated with INS Vikrant, India's first indigenous aircraft carrier, and is also executing the Anti-Submarine Warfare Shallow Watercraft (ASWSWC) programme for the Indian Navy. In parallel, CSL has an established role in the refit and docking of Indian Navy aircraft carriers.

CSL						
Particulars (Rs. Mn)	**FY23A**	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Revenue	23,305	36,453	48,200	49,532	59,216	68,661
Growth (%)		***56%***	***32%***	***3%***	***20%***	***16%***
PAT	3,345	8,131	8,270	6,175	8,570	10,178
Growth (%)		***143%***	***2%***	***-25%***	***39%***	***19%***
Order Book	1,75,450	1,52,250	1,37,000	-	-	-
Growth (%)		***-13%***	***-10%***	***NA***	***NA***	***NA***
No of Vessels (pending to be delivered)	15	15	14	-	-	-
Growth (%)		***0%***	***-7%***	-	***NA***	***NA***
CAPEX			4,031	-	-	-
Growth (%)		NA	NA	**-100%**	NA	NA

Source: Company, Dalal & Broacha Research, Bloomberg Estimates

Goa Shipyard Limited (GSL): GSL has traditionally specialized in medium-sized naval and coast guard vessels, especially patrol and offshore platforms. Its key defence associations include the Naval Offshore Patrol Vessel (NOPV) programme, the Sail Training Ship INS Tarangini, and mine warfare capability through its Mine Counter Measure Vessel (MCMV) collaboration framework. The yard's official material also highlights its in-house design capability for patrol vessels.

HSL						
Particulars (Rs. Mn)	**FY23A**	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Revenue	6,496	7,311	-	-	-	-
Growth (%)		***13%***	***-100%***	*NA*	*NA*	*NA*
PAT	652	1,729	-	-	-	-
Growth (%)		***165%***	***-100%***	*NA*	*NA*	*NA*
Order Book	-	-	-	-	-	-
Growth (%)		*NA*	*NA*	*NA*	*NA*	*NA*
CAPEX	-	-	-	-	-	-
Growth (%)		*NA*	*NA*	*NA*	*NA*	*NA*

Source: Industry Report, Dalal & Broacha Research

Hindustan Shipyard Limited (HSL): HSL is positioned as a strategic east-coast yard with capabilities spanning shipbuilding, repairs and submarine refits. Its most significant current defence association is the Fleet Support Ships (FSS) programme for the Indian Navy, while official government descriptions also highlight its role in submarine refits and broader defence ship repair and construction activity.

GSL						
Particulars (Rs. Mn)	**FY23A**	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Revenue	5,093	14,649	-	-	-	-
Growth (%)		***188%***	***-100%***	*NA*	*NA*	*NA*
PAT	2,050	3,657	-	-	-	-
Growth (%)		***78%***	***-100%***	*NA*	*NA*	*NA*
Order Book	-	-	-	-	-	-
Growth (%)		*NA*	*NA*	*NA*	*NA*	*NA*
CAPEX	-	-	-	-	-	-
Growth (%)		*NA*	*NA*	*NA*	*NA*	*NA*

Source: Industry Report, Dalal & Broacha Research

Exhibit 10: Number of Ships Commissioned Currently:

Below chart gives an overview of all significant navy vessels that have been commissioned:

Class	Ships Currently in the Navy	Order Received	Laying of Keel	Launch	Year of Commision	Displacement	Company
Aircraft Carrier							
Kiev	IAF Vikramaditya	-	2004	2013	2013	45,000	Russia
Vikrant	INS Vikrant	2003	2009	2013	2022	40,000	Cochin Shipyard
Landing Platform Dock							
Austin	INS Jalashwa	-	1966	1968	2007	16,600	USA
Landing Ship Tank							
Shardul	INS Kesari	2001	2003	2005	2008	5,650	GRSE
	INS Shardul		2002	2004	2007		
	INS Airavat		2004	2006	2009		
Magar	INS Gharial	-	~1990	1996	1997	5,600	Hindustan Shipyard & GRSE
Destroyer							
Visakhapatnam	INS Visakhapatnam	2011	2013	2015	2021	7,400	Mazagon Dock
	INS Mormugao		2015	2016	2022		
	INS Imphal		2017	2019	2023		
	INS Surat		2017	2022	2024		
Kolkata	INS Kolkata	2001	2003	2006	2014	7,400	Mazagon Dock
	INS Kochi		2005	2009	2015		
	INS Chennai		2006	2010	2016		
Delhi	INS Delhi	~1985-1988	1992	1995	1997	6,200	Mazagon Dock
	INS Mysore		1991	1993	1999		
	INS Mumbai		1992	1995	2001		
Rajput	INS Rana	-	-	-	1982	4,974	61 Kommunara
	INS Ranvir			1983	1986		
	INS Ranvijay			-	1987		
Frigates							
Nilgiri	INS Nilgiri	2015	2017	2019	2025	6,670	Mazagon Dock
	INS Taragiri		2020	2022	2025		
	INS Udaygiri		2019	2022	2025		
	INS Himgiri		2018	2020	2025		GRSE
Shivalik	INS Shivalik	1999	2001	2003	2010	6,200	Mazagon Dock
	INS Satpura		2002	2004	2011		
	INS Sahyadri		2003	2005	2012		
Talwar	INS Talwar	1997	1999	2000	2003	4,035	Baltiysky Zavod
	INS Trishul		1999	2000	2003		
	INS Tabar		2000	2001	2004		
	INS Teg	2007	2007	2009	2011		Yantar Shipyard
	INS Tarkash		2008	2010	2012		
	INS Trikand		2008	2011	2013		
	INS Tushil	2018	2013	2021	2024		
	INS Tamal			2022	2025		
Brahmaputra	INS Brahmaputra	1986	1989	1994	2000	3,850	GRSE
	INS Betwa		1994	1998	2004		
	INS Beas		1998	2000	2005		

Source: Dalal & Broacha Research, MOD, Navy

Class	Ships Currently in the Navy	Order Received	Laying of Keel	Launch	Year of Commision	Displacement	Company
Corvettes							
Arnala	INS Arnala	2019	2021	2022	2025	1,490	GRSE & L&T
	INS Androth			2023			GRSE
	INS Agray		2022		2026		
	INS Anjadip		2022				GRSE & L&T
Mahe	INS Malwan	2019	2023	2023	2026	~1,000	Cochin Shipyard
	INS Mahe	2019	2022	2023	2025		
Diving Support Vessels							
Nistar	INS Nistar	2018	2019	2022	2025	9,350	Hindustan Shipyard
Research & Survey Vessels							
Sandhayak	INS Sandhayak	2018	2019	2021	2024	3,300	GRSE
	INS Nirdeshak		2020	2022	2024		
	INS Ikshak		2021	2022	2025		
	INS Sanshodhak		2022	2023	2026		
Nuclear Ballistic Misslies							
Arihant	INS Arihant	-	2004	2009	2016	6,000	L&T
	INS Arighaat	2009	2011	2017	2024		SBC
	INS Aridhaman		2018	2021	2026	7,000	SBC
Kalvari	INS Kalvari	2005	2006	2015	2017	1,800	Mazagon Dock
	INS Khanderi		2009	2017	2019		
	INS Karanj		-	2018	2021		
	INS Vela		2009	2019	2021		
	INS Vagir		-	2020	2023		
	INS Vagsheer		-	2022	2025		
Offshore Petrol Vessels	**Fast Petrol Vessels**						
Saryu	INS Saryu	2007	2009	2009	2013	2,300	GSL
	INS Sunayna		2010				
	INS Sumedha			2011	2014		
	INS Sumitra		2011	2010			
Skuanya	INS Sukanya	~1980	1987	1988	1989	1,900	Korea Tacoma Shipyard, South Korea
	INS Subhadra		1987	1988	1990		
	INS Suvarna		1988	1990	1991		
	INS Savitri		1987	1988	1990		
	INS Sharda		1989	1990	1991		
	INS Sujata		1989	1991	1993		
Car Nicobar	INS Car Nicobar	-	-	-	2009	293	GRSE
	INS Chetlat						
	INS Cora Divh						
	INS Cheriyam						
	INS Cankaraso				2010		
	INS Kondul						
	INS Kalpeni						
	INS Kabra				2011		
	INS Koswari						
	INS Karuva						
	INS Tihayu				2016	315	
	INS Tillanchang				2017		
	INS Tarasa						
Class	**Ships Currently in the Navy**	**Order Received**	**Laying of Keel**	**Launch**	**Year of Commision**	**Displacement**	**Company**
Bangaram	INS Bangaram	-	-	-	2006	260	GRSE
	INS Bitra						
	INS Batti Malv						
	INS Baratang						
Trinkat	INS Trinkat	-	-	-	2000	260	GRSE
	INS Tarmugli				2001		
Replenishment Oiler							
Deepak	INS Deepak	-	-	-	2011	27,500	
	INS Shakti				2011		
Jyoti	INS Jyoti				1996	35,900	
Aditya	INS Aditya				2000	24,612	GRSE
Instrumentation Ship							
Anvesh	INS Anvesh	-	-	-	2022	11,300	CSL
Dhruv	INS Dhruv				2021	15,000	HSL
Training Ship							
Tir	INS Tir				1986	3,200	-

Exhibit 11: Number of Ships to Get Commissioned

Below is the chart of ships currently in various pre commissioning stages:

Type of Ship	No of Ships yet to be commisioned	Order Received	Laying of Keel	Launch	Displacement Per Vessel (Tonnes)	Company
Frigate (Nilgiri)	INS Mahendragiri INS Dunagiri Vindhyagiri	2015	2022 2020 2021	2023 2022 2023	6,670	MDL GRSE
Corvette (Arnala)	INS Amini INS Abhay INS Agray INS Ajay INS Akshay	2019	2022 2024 2022	2023 2024 2024 2025 2024	900	L&T & GRSE GRSE
Corvette (Mahe)	4 1 2	2019	2023 2024 2025	2023 2024 2025 -	1,000	CSL
Corvette (NGMV)	6	2023	-	-	1,437	CSL
NGOPV	7 4	2023	2024 2025 2024 2025	-	2,500	GSL GRSE
NGOPV	6	2023	-	-	~2,500	MDL
Training Ship	1	2023	2025	-	3,200	MDL
Diving Support Vessel (Nistar)	1	2018	2020	2022	~9,500	HSL
MPV	2	2022	2023	2024 2025	3,750	L&T
Frigates (Talwar)	2	2019	2021 2021	2024 2025	4000	GSL
FPV	1 4	2022	2023 -	2025	320	GSL
FSS	3 2	2023	2024 2025 -	-	44,000	HSL
Fast Petrol Vessels	14	2024	-	-	340	MDL
Cadet Training Ship	1 2	2023	2024	2026 -	4,700	L&T

Source: Dalal & Broacha Research, MOD, Navy

The above chart shows the **correlation between when shipyards received the order and how KDAILs revenue growth was in line with the same**. It's important to understand **that number of vessels or the cost of the vessels should not be looked at in singularity to determine weather KDAIL will benefit or the scale at which it will benefit.**

Most critical to look at is displacement as **60-70% the company's revenue is currently linked to bulb bars** which varies **as per the weight of the ship and not as per the cost.**

Exhibit 12: Pipeline of Navy Ships

Below is the chart showing various projects yet to be awarded to shipyards:

Class	Vessel Type	No of Vessels	Displacement Per Vessel (Tonnes)	Expected Order Timeline	Company
S5- Submarine	Nuclear Powered ballistic Missle	4	13,500	-	-
Project 75	Attack Submarines	3	1,800	2026	MDL
Project 75(I)	Attack Submarines	6	4,000	2026	MDL
Project 76	Attack Submarines	12	3,000	-	-
INS Vikrant/ INS Vishal	Aircraft Carrier	1	50,000	-	-
-	Landing Platform Dock	4	32,000	2028	MDL/SDHI
Project 18/15C	Destroyer	10	13,000	-	MDL
Project 17B	Frigates	10	13,000	2026/2027	GRSE/MDL
-	Corvettes	8	3,500	2026	GRSE/CSL
-	Mine Counter Measure	12	2,800	-	-
-	Next Gen Survey Vessels	6	-	-	CSL
-	Next Gen Multi Purpose Vessels	2	-	-	-
-	Next Gen Fast Petrol Vessel	18	-	-	CSL
Total	**12**	**94**	**1,36,600**	**-**	-

Source: Company Dalal & Broacha Research, MOD, Navy

The chart highlights the pipeline of vessels pending ordering by the MoD for shipyards; we estimate **~619,000 tons** of defence shipbuilding ahead, **positioning KDAIL as a direct beneficiary through its diversified shipbuilding product portfolio.**

Its key to note that these timelines are dynamic in nature and there **is no set timeline for MOD to grant these orders. KDAILs revenue profile currently is heavily dependent to shipyards receiving and executing orders in a particular time frame.**

Keeping this in mind one has to look at orders that shipyards currently have in **OB that have not commenced along with the pipeline of orders that are to be received.**

Order Flow from MOD to Shipyard

1. Requirement Definition:

The process begins with the Navy defining the operational requirement for the vessel class, including mission role, broad capability, platform configuration, major systems, and delivery intent. This forms the basis for progressing the case for acquisition.

2. Request for Information: (RFI)

An RFI may be issued to obtain an initial market view of capable shipyards, available capacity, likely build approach, and broad industry response. This stage is exploratory and does not constitute a tender.

3. Approval to Proceed:

The acquisition case is taken up for formal approval.

For competitive acquisition generally, this proceeds through Acceptance of Necessity (AoN).

For indigenous naval warships on competitive basis, the process may also include an earlier First Stage DAC approval, followed by AoN / subsequent approval to progress the tender.

This stage establishes formal authorization to move into the competitive procurement process.

4. Technical Capacity Assessment of Shipyards:

Prospective shipyards are assessed to determine whether they possess the requisite technical capability, infrastructure, capacity, and execution readiness for the class of vessel under consideration.

This is a critical eligibility filter. Only shipyards found capable of undertaking the project are considered for further participation.

5. Shortlisting of Eligible Shipyards

Based on the outcome of the technical capacity assessment, eligible shipyards are shortlisted for participation in the competitive process.

This stage ensures that the tender is issued only to shipyards assessed as technically capable of delivering the project.

6. Finalization of Guideline Specifications

The buyer finalizes the guideline specifications and tender package, translating the operational requirement into a bid-ready scope. This typically establishes the technical baseline, system fit, scope boundaries, and other conditions against which the shipyards will submit offers.

7. Issue of Request for Proposal: (RFP)

The RFP is issued to the shortlisted shipyards. This marks the formal start of the competitive bidding stage.

The RFP sets out:

scope of construction

technical requirements

commercial conditions

bid submission requirements

financial qualification parameters

evaluation framework

delivery expectations

contractual provisions

8. Financial Parameter Evaluation:

Upon receipt of bids, the participating shipyards are first evaluated against prescribed financial parameters.

This is an initial qualification gate. Only shipyards meeting the required financial criteria progress to technical evaluation.

9. Technical Evaluation:

The technical bids of financially qualified shipyards are then examined to assess compliance with the RFP and the technical requirements of the project.

At this stage, the buyer establishes whether the bidder is technically responsive and capable of executing the contracted scope as specified.

10. Commercial Negotiation:

The case then moves to the Contract Negotiation Committee (CNC) for commercial negotiations with the qualified bidder(s).

This stage covers finalization of:

contract price

commercial terms

delivery commitments

contractual conditions

other negotiated obligations relevant to award

11. Competent Financial Authority Approval:

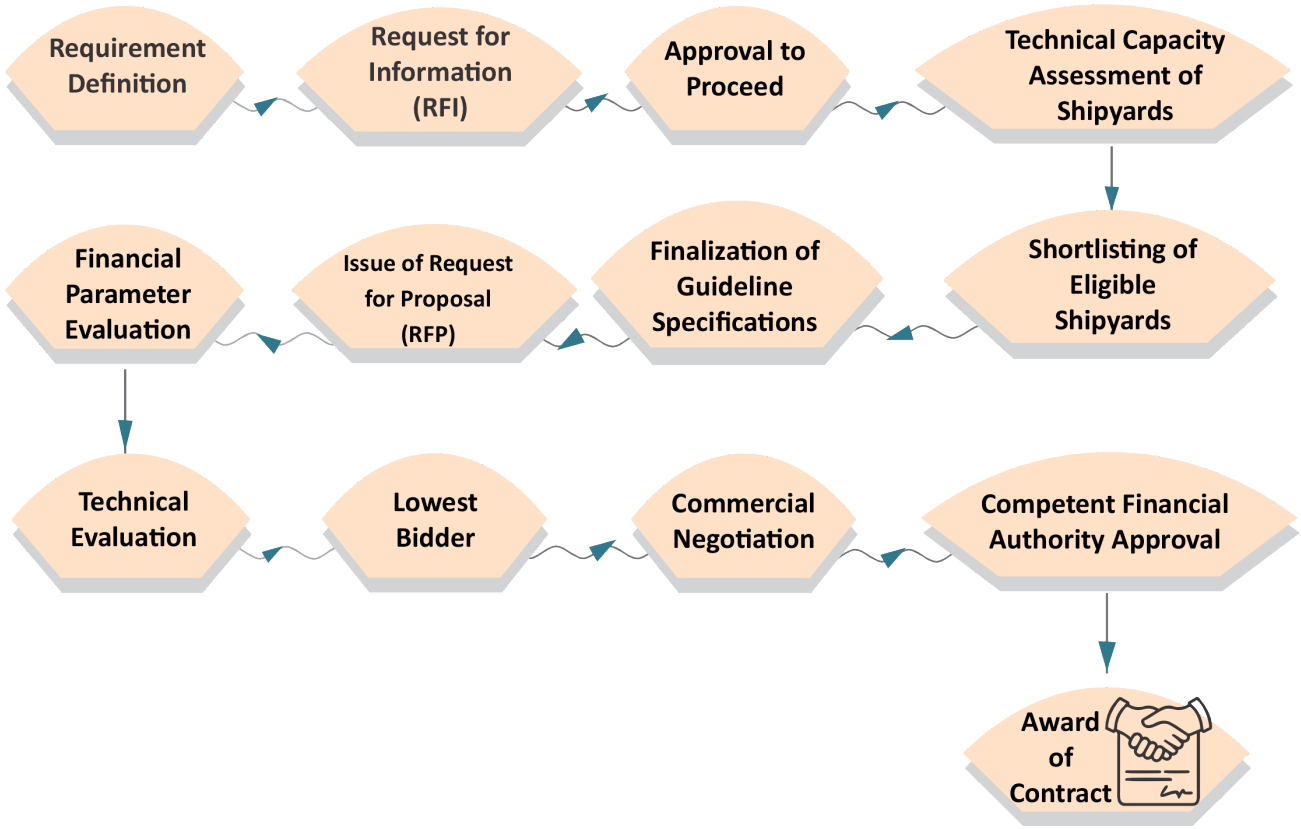
Following conclusion of negotiations, the case is submitted to the Competent Financial Authority (CFA) for financial approval.

This is the final sanction stage prior to contract placement.

12. Award of Contract:

Upon receipt of CFA approval, the contract is awarded to the successful shipyard.

Exhibit 13: Order Flow from MOD to Shipyard



Source: Company Dalal & Broacha Research, MOD, Navy

Milestone Revenue Flow for Shipyards

1. Contract Commencement - 10%

The first payment milestone is recognized upon signing of the contract.

This payment marks the formal commencement of the project and confirms that the shipyard is contractually bound to execute the build.

2. Project Mobilization - 10%

The second milestone is recognized upon:

proof of ordering steel or hull construction material, and

submission of the cardinal date programme / production PERT.

This payment recognizes early project mobilization. At this stage, the shipyard is expected to have initiated material procurement and established the basic production planning framework required to commence execution.

3. Design and Pre-Launch Procurement Readiness - 10%

The third milestone is recognized upon:

submission of the drawing schedule,

submission of the detailed network of activities and work breakdown up to launch,

submission of the main hull structural drawing, and

placement of orders for all major pre-launch items.

This payment recognizes that the project has moved beyond initial mobilization and that the yard has established a credible execution plan supported by critical design outputs and pre-launch procurement action.

4. Initial Construction Progress - 5%

The fourth milestone is recognized upon:

achievement of 10% physical progress of construction,

submission of weight analysis for the first ship of the series, and

submission of the equipment installation schedule.

This milestone reflects the transition from planning into actual physical construction. It also establishes that the yard is progressing in parallel on installation planning and engineering control.

5. Early Hull and Machinery Foundation Readiness - 5%

The fifth milestone is recognized upon:

achievement of 15% physical progress of construction,

submission of weight analysis for the first ship of the series, and

completion of main engines, gear boxes, girders and seatings, or equivalent machinery seating work, as applicable.

This payment recognizes further structural progress together with readiness of machinery support foundations, thereby linking hull progression with future machinery integration.

6. Construction and Critical Systems Commitment - 10%

The sixth milestone is recognized upon:

achievement of 25% physical progress of construction,

submission of weight analysis for the first ship of the series,

cutting of access holes and preparation of main seating in machinery compartments, and

placement of orders for most of the equipment and systems affecting basin trials.

This milestone is commercially significant, as it indicates that the project has achieved meaningful structural progress and that the procurement of critical systems has substantially matured.

7. Compartment Integrity and Delivery Planning Readiness - 5%

The seventh milestone is recognized upon:

pressure testing of built-in tanks,

manufacture or procurement of watertight doors and hatches, and

submission of the balance activity network up to delivery along with resource allocation.

This payment recognizes internal compartment readiness, integrity-related fitment, and forward planning discipline for the remaining execution period.

8. Pre-Launch Completion and Launch - 15%

The eighth milestone is recognized upon:

completion of machinery, equipment, fittings, and associated systems required for the pre-launch stage,

submission of weight analysis for the first ship of the series, and

launch of the vessel, or achievement of an equivalent stage.

This is one of the most important milestones in the payment structure. It recognizes not only the ceremonial or physical act of launch, but the level of pre-launch completion necessary to make launch operationally credible.

9. Intermediate Construction Progress - 5%

The ninth milestone is recognized upon:

achievement of 40% physical progress of construction, and

submission of weight analysis for the first ship of the series.

This payment reflects continued build and outfitting advancement following launch or equivalent construction progression.

10. Advanced Construction Progress - 5%

The tenth milestone is recognized upon:

achievement of 60% physical progress of construction, and

submission of weight analysis for the first ship of the series.

This stage recognizes substantial advancement in construction, outfitting, and systems integration.

11. Late-Stage Build Readiness - 5%

The eleventh milestone is recognized upon:

achievement of 85% physical progress of construction, and

submission of weight analysis for the first ship of the series.

This payment reflects that the vessel is substantially constructed and outfitted, with balance effort largely directed toward integration, rectification, and preparation for trials.

12. Basin Trials - 5%

The twelfth milestone is recognized upon completion of basin trials.

This stage marks the first major proving of the ship's systems in a controlled trial environment and demonstrates progression from build completion toward operational validation.

13. Validation and Training Readiness - 2.5%

The thirteenth milestone is recognized upon:

completion of inclining experiments,

submission of weight analysis for the first ship of the series and draft survey for subsequent ships,

successful completion of CST, and

completion of training.

This payment recognizes technical validation, readiness assurance, and preparation of the operating side for eventual acceptance.

14. Acceptance and Supportability Readiness - 2.5%

The fourteenth milestone is recognized upon:

successful completion of FMT,

stowage of all onboard spares,

provision of documents, drawings, and manuals as per specifications,

completion of the first reading of D-448 and acceptance of the vessel, and

handing over of life-cycle support contracts for designated equipment.

This stage reflects that the vessel is not only technically complete, but also ready from the perspectives of acceptance, documentation, spares, and long-term supportability.

15. Final Closure - 5%

The fifteenth and final milestone is recognized upon:

completion of the final reading of D-448, and

completion of all guaranteed liabilities.

This payment marks formal commercial close-out of the project. It confirms that the shipyard's obligations extend beyond delivery and include closure of post-delivery guaranteed commitments.

Exhibit 14: Milestone Revenue Flow for Shipyards

Source: Company Dalal & Broacha Research, MOD, Navy

Exhibit 15: End to End order flow cycle

Source: Company, Dalal & Broacha Research

Summary of the Order Flow:

KDAIL – Role & Revenue Linkage

Supplies bulb bars, weld consumables, and ballast bricks—critical inputs for hull fabrication**, the earliest stage of shipbuilding.**

Enables early order booking and revenue visibility, as procurement aligns with initial construction milestones.

Shipyards' 2nd revenue milestone (steel & consumables ordering) directly drives KDAIL's demand.

Procurement & Execution Dynamics:

Order placement with shipyards ≠ full upfront procurement of bulb bars.

Split Into Two:

1st is for ships going in immediate construction bulb bars would see immediate but phased procurement as the vessel build out continues to progress.

2nd Procurement is undertaken for ships that are entering the construction phase and not for all ships under order. The remaining procurement is carried out as and when those ships move into the construction stage.

Valuation & Outlook:

We believe that KDAIL is poised for strong growth given the strong moats the company enjoys **(duopoly in Bulb bars)** along with a growing market due to the ambitious target the navy has set **(Fleet expansion to ~200 vessels)** along with a strong pipeline of projects set to be awarded or begin soon **(~94 vessels to be awarded over the course of the next few years.)**

The continuous R&D and past success the company has seen **gives confidence on new growth avenues to come up every 2-3 years with the recent success of the composite doors and hatches which will further help KDAIL to diversify its product portfolio. Projects like the AUV mission underpin the strong relations with the NAVY.**

ToT, associate companies, JVs, strong manufacturing and testing footprint all of these are critical for the company to innovate develop and execute on new projects is integral in the company's growth journey. **Although navy focused currently KDAILs focus is diversify across verticals (recent entry into aerospace) and product categories which have complex processes that are typically not catered to domestically.**

High ROCEs and ROEs **(>~25%)** driven by an **asset light business model and improving margins due to operating leverage** and better efficiencies makes KDAIL fundamentally strong. With **strong cash flows** and **zero debt**, Balance sheet has seen a cleanup and **cash rich (~600 Mn FY26e)** to sufficiently fund future growth through internal accruals.

We see a **Rev/EBITDA/EPS CAGR (%) of 26/41/40**. This will be driven by its hero product the bulb bar **(60% FY26e**) and will be supported by new innovations like the doors and hatches.

We have a **BUY** rating on the stock with a **TP: Rs.1,288.** Valued on FY28e EPS with an assigned **P/E of 30x.**

Valuation		
	FY27e	FY28e
CMP	1,046	1,046
EPS	32.1	42.9
P/E	33	24
Upside	-8%	23%
Target Price	963	1,288

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	520	607	681
EBITDA	**154**	**303**	**475**	**626**	**848**
Margins (%)	**15%**	**16%**	**19%**	**20%**	**22%**
Other Income	13	29	36	29	29
Tax Rate (%)	26%	26%	26%	26%	26%
PAT (After Profit from JV)	**98**	**222**	**372**	**480**	**641**
EPS	8.1	15.8	25.7	32.1	42.9
Growth (%)		**96%**	**63%**	**25%**	**34%**

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	121
Other Non Current Assets	92				
Total Non Current Assets	**239**	**361**	**474**	**575**	**713**
Inventory	325	724	581	773	1,051
Trade Receivable	261	189	251	311	386
Cash and Cash Balances	442	227	643	800	964
Other Current Assets	69	130	175	199	254
Total Current Assets	**1,096**	**1,271**	**1,650**	**2,084**	**2,656**
Total Assets	**1,335**	**1,632**	**2,123**	**2,659**	**3,369**
Equity & Liabilities					
Equity Share Capital	137	141	149	149	149
Reserves & Surplus	927	1,174	1,708	2,187	2,827
Total Equity	**1,064**	**1,315**	**1,857**	**2,336**	**2,977**
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 Liabities	**271**	**317**	**266**	**323**	**392**
Total Equity & Liability	**1,335**	**1,632**	**2,123**	**2,659**	**3,369**

Cash Flow (Rs.Mn)

Particular	FY24	FY25	FY26e	FY27e	FY28e
Cash Flow From Operating Activities					
PAT	98	222	372	480	641
Non Cash/Operation Charges	30	10	-1	8	14
OCF Before WC Changes	**128**	**232**	**371**	**488**	**655**
WC Capital Changes	-167	-329	40	-234	-356
OCF After WC Changes	-32	-97	411	253	300
CFO	**-32**	**-97**	**411**	**253**	**300**
Cash Flow From Investing Activities					
CAPEX	-372	5	-103	-125	-164
Interest Income	-	24	36	29	29
CFI	**-372**	**29**	**-67**	**-97**	**-135**
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	420	576
Cash During the Year	50	-37	416	157	164
Cash at The End of FY	**51**	**3**	**420**	**576**	**740**

Ratios

Particular	FY24	FY25	FY26e	FY27e	FY28e
Return Metircs					
ROCE (%)	13%	22%	27%	28%	30%
ROE (%)	14%	19%	23%	23%	24%
ROIC (%)	19%	29%	37%	43%	45%
Operational Metrics					
Fixed Asset Turnover (x)	4	5	5	6	6
OCF/EBITDA (%)	-21%	-32%	86%	40%	35%
FCF/PAT (%)	-412%	-41%	83%	27%	21%
Valuation Metrics					
P/E	114	58	36	29	21
EV/EBITDA	85	44	27	20	15
MCAP/Sales	13	7	5	4	3

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