Krishna Defence & Allied Industries (KDAIL)

2QFY27 Result Update | **Defense**

Execution on track, with improving profitability

DALAL & BROACHA STOCK BROKING PVT. LTD.

Institutional Equity Research Desk

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Krishna Defence & Allied Industries (KDAIL) Q2 FY27 standalone revenue stood at Rs. 753 mn, up 55.7% YoY. EBITDA more than doubled to Rs. 203 mn, up 119.9% YoY, with EBITDA margins expanding 786 bps to 26.9%, the highest ever for the company. Net profit rose 120.4% YoY to Rs. 151 mn, with net profit margins improving 590 bps to 20.1%. Consolidated PAT (after share of JV profit) stood at Rs. 153 mn, up 71.8% YoY. H1 FY27 revenue reached Rs. 1,329 mn, up 14.3% YoY.

Operational performance was driven by a favourable product mix and faster execution, with gross margins expanding 469 bps YoY to 48.4%. Other expenses rose 66.6% YoY on higher activity levels; management clarified these are operational in nature and not linked to liquidated damages. The receivables spike is a cut-off effect, with most Q2 billing in end-August and September against a typical 45–60-day payment cycle.

Management highlighted an unexecuted order book of Rs. 1,090 mn and a tender pipeline of Rs. 3,050 mn (bids already submitted) as of September 30, 2026. Ordering has shifted to an on-demand pattern with smaller lots and shorter delivery cycles; the current order book is expected to be largely executed by Q3 FY27, with some spillover into Q4.

On expansion, the VABO JV (composite doors and hatches) has completed setup with ~Rs. 50-60 mn invested and could book first revenues in Q4 FY27. The AUV prototype is under construction under a ToT from CSIR-NIO Goa (JAYA AUV). New MoUs with Pitagone, Belgium (barrier manufacturing for export) and a defence prime (specialised ammunition components) add further optionality, while the new AUV joint venture and Tarabata Solutions (smart ammunition) are 12-18 months from meaningful revenues.

For FY27, management reiterated its 30% revenue growth target, implying an H2-heavy year, and expects to sustain margins around current levels on product mix and factory improvements. KDAIL remains one of only two MoD-approved bulb bar suppliers and the sole approved source for commercial shipbuilding bulb bars; commercial shipbuilding supplies have started picking up.

Financial Summary

Particular	FY24	FY25	FY26	FY27e	FY28e
Sales	1,064	1,896	2,448	3,156	4,050
EBITDA Margins (%)	15%	16%	21%	25%	26%
EPS	**8**	**16**	**28**	**42**	**55**
Growth (%)		**97%**	**77%**	**48%**	**31%**
RoCE (%)	**13%**	**22%**	**28%**	**34%**	**34%**
RoE (%)	14%	19%	25%	28%	27%
P/E (x)	**149**	**76**	**43**	**29**	**22**
OCF/EBITDA (%)	-21%	-36%	165%	9%	51%

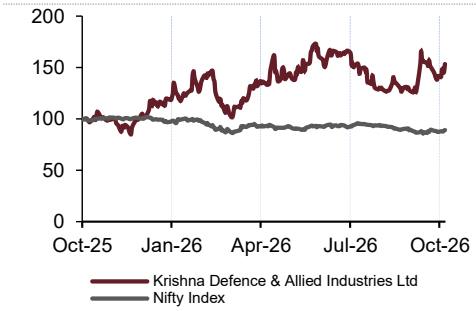
Source: Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
BUY	**1,908**	**57**

Market Data		
Current price	**Rs**	**1,214**
Market Cap (Rs.Bn)	(Rs Bn)	18
Market Cap (US$ Mn)	(US$ Mn)	190
Face Value	Rs	10
52 Weeks High/Low	Rs	1400 / 665
Average Daily Volume	('000)	66
BSE Code		540173
Bloomberg		KRISHNDF.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-26	Jun-26
Promoters	60	60
Public	37	37
Others	3	3
Total	**100**	**100**

Source: BSE

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Highest-ever margins on favourable product mix

Krishna Defence & Allied Industries (KDAIL) Q2 FY27 standalone revenue stood at Rs. 753 mn, up 55.7% YoY, while EBITDA more than doubled to Rs. 203 mn, up 119.9% YoY, with EBITDA margins expanding 786 bps to 26.9%, the highest ever for the company. Net profit rose 120.4% YoY to Rs. 151 mn. For H1 FY27, revenue reached Rs. 1,329 mn, up 14.3% YoY. Gross margins expanded 469 bps YoY to 48.4% on a richer product mix, while employee costs remained flat YoY.

Order book and tender pipeline provide strong visibility

The company maintains an unexecuted order book of Rs. 1,090 mn and a tender pipeline of Rs. 3,050 mn (bids already submitted) as of September 30, 2026. Ordering has shifted from large bulk orders to an on-demand pattern with smaller lots and shorter delivery cycles, enabled by expanded capacity. Management expects to largely execute the current order book by Q3 FY27, with some spillover into Q4. The H1 receivables spike is a cut-off effect, with most Q2 billing in end-August and September against a 45-60 day payment cycle; management highlighted no payment concerns.

Capacity expansion and strategic partnerships

The VABO JV (composite fire-resistant doors and hatches) has completed setup with ~Rs. 50-60 mn invested, is at final signing stages, and could book first revenues in Q4 FY27. The AUV prototype is under construction under a ToT from CSIR-NIO Goa for the JAYA AUV, shortening the development cycle. The company signed an MoU with Pitagone, Belgium, to manufacture barriers in India for export, and an MoU with a defence prime for specialised hardened-steel ammunition components, currently for the domestic market. The new AUV joint venture is being formed and Tarabata Solutions (smart ammunition) remains developmental; both are 12-18 months from meaningful revenues.

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

The company continues to pivot toward a higher-margin product mix, with high-margin welding wires and select Army products aiding profitability alongside bulb bars. Management reiterated the 30% revenue growth target for FY27 and expects to sustain margins around current levels, while stressing this is an aspiration and not an affirmation. Bulb bar capacity stands at 4,500 TPA, with welding consumables at ~500 TPA; expansion will be via incremental process improvements and automation, with no new line for a couple of years. The additional 50,000 sq. ft. plot is earmarked for future expansion. Dairy revenues remain below 10% of the total.

Valuation & Outlook

Krishna Defence & Allied Industries Ltd. (KDAIL) delivered its highest-ever quarterly profitability in Q2FY27, reinforcing its positioning as a niche, high-entry-barrier defence manufacturing player. Standalone revenue grew 55.7% YoY to Rs. 753 mn, EBITDA more than doubled to Rs. 203 mn with margins expanding 786 bps to 26.9%, and net profit rose 120.4% YoY to Rs. 151 mn. Profitability improvement was driven by a favourable product mix and operating leverage.

Operational momentum is expected to sustain through H2FY27. The unexecuted order book stood at Rs. 1,090 mn with a tender pipeline of Rs. 3,050 mn (bids already submitted) as of September 30, 2026. With ordering shifting to an on-demand pattern and shorter delivery cycles, management expects to largely execute the current order book by Q3FY27, with some spillover into Q4, and reiterated its 30% revenue growth target for FY27, implying a stronger second half. KDAIL's core revenue driver continues to be bulb bars, where it is one of only two MoD-approved suppliers and the sole approved source for commercial shipbuilding.

KDAIL continues to widen its capabilities across the defence indigenisation opportunity. The VABO JV for composite fire-resistant doors and hatches has completed setup and could book first revenues in Q4FY27. The AUV prototype is under construction under a ToT from CSIR-NIO Goa (JAYA AUV), while the new AUV joint venture and Tarabata Solutions (smart ammunition) are in development, with meaningful revenues 12-18 months away. Recent MoUs with Pitagone, Belgium (barrier manufacturing for export) and a defence prime (ammunition components) add further optionality. Associate company Wave Optics continues to grow 20%+ YoY on MoD orders.

We see a Rev/EBITDA/EPS CAGR (%) of 29/42/39 over FY26-28E. We maintain our BUY rating with a TP: 1,908.

Valuation		
	FY27e	FY28e
CMP	1,200	1,200
EPS	41.7	54.5
P/E	29	22
Upside	22%	59%
Target Price	1,459	1,908

Quarterly Financials

Particular (Rs.Mn)	2QFY27	2QFY26	YoY Growth %	1QFY27	QoQ Growth %
Revenue from Operations	**753**	**484**	**56%**	**576**	**31%**
Total Income	770	490	57%	585	32%
COGS	388	272	43%	327	19%
Gross Profit	**365**	**212**	**72%**	**249**	46%
Employee Cost	54	54	0%	49	10%
Other Expenses	109	65	67%	48	125%
Total Expenses	**551**	**392**	**41%**	**424**	30%
EBITDA	**202**	**92**	**119%**	**152**	33%
Depreciation and Amortization	13	7	88%	11	15%
EBIT	189	85	121%	141	34%
Finance Cost	1	1	130%	1	1%
PBT	**205**	**91**	**124%**	**149**	**38%**
Tax	55	23	140%	32	69%
PAT	150	69	119%	117	29%
PAT (After JV)	**153**	**89**	**72%**	**114**	34%
EPS (Reported)	10.3	6.0	**72%**	7.7	34%
Margins			**Changes in BPS**		**Changes in BPS**
Gross Margins	48.4%	43.8%	469	43.3%	518
EBITDA Margins	**26.8%**	**19.0%**	**775**	**26.3%**	**47**
PAT Margins (Before JV)	20.0%	14.2%	579	20.3%	-28
PAT Margins (After JV)	**20.3%**	**18.4%**	**190**	**19.9%**	**48**
Other Operational Matrix			**Changes in BPS**		**Changes in BPS**
EE % of sales	7.2%	11.2%	-400	8.6%	-135
OE % of sales	14.4%	13.5%	95	8.4%	606

Source: Dalal & Broacha Research (consolidated, incl. share of JV profit)

Financials

PNL (Rs.Mn)

Particular	FY24	FY25	FY26	FY27e	FY28e
Sales	1,064	1,896	2,448	3,156	4,050
COGS	628	1,212	1,439	1,767	2,271
GM (%)	**41%**	**36%**	**41%**	**44%**	**44%**
OPEX	282	378	489	595	725
EBITDA	**154**	**306**	**520**	**794**	**1,054**
Margins (%)	**15%**	**16%**	**21%**	**25%**	**26%**
Other Income	13	29	33	29	29
Tax Rate (%)	26%	26%	25%	26%	26%
PAT (After Profit from JV)	**98**	**223**	**413**	**623**	**814**
EPS	8.1	15.9	28.1	41.7	54.5
Growth (%)		**97%**	**77%**	**48%**	**31%**

Balance Sheet (Rs.Mn)

Particular	FY24	FY25	FY26	FY27e	FY28e
Assets					
Fixed Assets	146	220	338	406	498
Non Current Investments	0	55	104	157	213
Other Non Current Assets	93	93	837	900	1,116
Total Non Current Assets	**239**	**368**	**1,278**	**1,463**	**1,827**
Inventory	325	724	163	749	959
Trade Receivable	261	189	347	316	405
Cash and Cash Balances	442	227	311	175	349
Other Current Assets	69	130	72	162	201
Total Current Assets	**1,096**	**1,271**	**893**	**1,401**	**1,915**
Total Assets	**1,335**	**1,639**	**2,171**	**2,864**	**3,742**
Equity & Liabilities					
Equity Share Capital	137	141	149	149	149
Reserves & Surplus	927	1,174	1,786	2,408	3,222
Total Equity	**1,064**	**1,314**	**1,935**	**2,558**	**3,371**
Long Term Borrowings	12	-	5	5	5
Short Term Borrowings	83	94	16	-	-
Trade Payables	132	80	67	68	88
Other Non Current Liabilities	6	8	7	4	4
Other Current Liabilities	39	142	141	229	274
Total Liabities	**272**	**325**	**236**	**307**	**371**
Total Equity & Liability	**1,335**	**1,639**	**2,171**	**2,864**	**3,742**

Cash Flow (Rs.Mn)

Particular	FY24	FY25	FY26	FY27e	FY28e
Cash Flow From Operating Activities					
PAT	98	223	413	623	814
Non Cash/Operation Charges	30	20	4	0	6
OCF Before WC Changes	**128**	**242**	**417**	**623**	**820**
WC Capital Changes	-167	-351	444	-554	-283
OCF After WC Changes	-32	-109	860	68	537
CFO	**-32**	**-109**	**860**	**68**	**537**
Cash Flow From Investing Activities					
CAPEX	-372	26	-952	-186	-391
Interest Income	-	21	35	29	29
CFI	**-372**	**47**	**-917**	**-158**	**-362**
Cash Flow From Financing Activities					
Money Received From Equity	492	4	9	0	-
Borrowings	-91	0	-74	-16	-
Dividend Paid	-	-7	-7	-1	-1
Interest Paid	-13	-7	-3	-	-
Others	65	25	189	-3	-
CFF	**454**	**15**	**114**	**-19**	**-1**
Cash at the Beginning of FY	1	51	3	60	-48
Cash During the Year	50	-48	57	-109	174
Cash at The End of FY	**51**	**3**	**60**	**-48**	**126**

Ratios

Particular	FY24	FY25	FY26	FY27e	FY28e
Return Metircs					
ROCE (%)	13%	22%	28%	34%	34%
ROE (%)	14%	19%	25%	28%	27%
ROIC (%)	19%	29%	34%	38%	38%
Operational Metrics					
Fixed Asset Turnover (x)	7	8	6	6	7
OCF/EBITDA (%)	-21%	-36%	165%	9%	51%
FCF/PAT (%)	-412%	-37%	-22%	-19%	18%
Valuation Metrics					
P/E	149	76	43	29	22
EV/EBITDA	101	52	30	20	15
MCAP/Sales	15	8	7	5	4

Source: Dalal & Broacha Research, Company

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