Investorstack Research Report

Krishna Defence and Allied Industries Limited

What Krishna Defence and Allied Industries Limited does

Krishna Defence and Allied Industries Limited is a Mumbai-headquartered engineering company that manufactures specialised steel products for the Indian Navy, Army, and shipyards. It started in 1997 making dairy equipment. The founder's father built the business around milk cans and cooling tanks. Around 2006-2007, the company shifted focus into defence manufacturing and today 92% to 96% of revenue comes from defence products.

The company's core capability is indigenising steel components that the Indian armed forces previously imported from Russia. These include bulb bars for warship hull construction, special alloy welding wires, ballast bricks for submarines, armoured steel profiles for T-90 tanks, and high-altitude space heaters. The company became a naval-approved source for bulb bars and has been supplying to all major Indian shipyards for over a decade. It operates a 150,000 sq. ft. factory in Halol, Gujarat, a separate dairy equipment plant in Kalol, Gujarat, and an associate office in Bangalore. As of FY26, it has about 193 employees including 28 engineers.

> *"We as a company started almost in 1997. That's my father who started the company, he was a double engineer. We are based out of Mumbai, head office and our factory is based in Gujarat, in Baroda."*
>
> ANKUR SHAH, MD, Q4 FY26 CONCALL (MAY 2026)

Business segments

Krishna Defence reports two segments: Defence Products and Dairy & Kitchen Equipment.

Defence Products: 92% of revenue in H1 FY26, 96% in FY25. This segment manufactures specialised steel components and equipment for the Indian Navy, Army, DRDO, and all major Indian shipyards. Products include bulb bars, welding consumables, ballast bricks, armoured steel profiles, and space heating devices.

Dairy & Kitchen Equipment: 8% of revenue in H1 FY26, 4% in FY25. The segment produces stainless steel milk cans, milk cooling tanks, milking machines, and robotic milk collection units for the domestic dairy industry. This business dates to the company's origin and runs largely on "auto mode" with its own factory and about 70 employees. The company has no plans to shut it down as it generates steady profit, but management's focus is overwhelmingly on defence.

Products and business detail

Ship Building Steel Sections (Bulb Bars)

Bulb bars are the company's flagship product, contributing about 60% of revenue in FY26. They are specialised steel profiles shaped like a horizontal "P", used as stiffeners for hull construction of warships. The strength-to-weight ratio is three times higher than normal angle channels, allowing shipbuilders to reduce weight without compromising structural strength. The Indian Navy previously imported these from Russia. Krishna Defence was one of the first Indian companies to successfully indigenise them, receiving a Defence Technology Absorption Award from the Prime Minister. The company is a naval-approved source and supplies to all major Indian shipyards. In April 2025, it

doubled bulb bar production capacity from 2,000-2,500 tons to 4,000-4,500 tons per year. Management has stated that with current capacity and some automation, the company can organically reach ₹400 crore in revenue.

Special Steel Alloy Welding Wire & Welding Electrodes

These high-precision welding consumables have controlled chemistry including titanium, nitrogen, and nickel. They are used for welding critical naval platforms and underwater structures. The company received certification from Russian specialists to get these approved. The products were previously imported from Russia. Welding wires contributed about 15% of revenue in FY26. The company is developing additional grades to expand the range of platforms it can supply, with some certifications awaiting final test results from a foreign lab.

Special Steel Alloy Ballast Bricks

These complex alloy bricks provide artificial weight to create buoyancy and balance in underwater platforms like submarines. Their distinctive feature is very low magnetic permeability, which minimises radar detection. The product is classified and the company cannot discuss it in detail, but it is used by the Indian Navy.

Armoured Steel Profiles

These are Russian steel profiles used to manufacture the chassis of T-90 tanks for the Indian Army. The company supplies them to the Heavy Vehicle Factory (HVF) in Avadi, Chennai, now part of Armoured Vehicle Nigam Limited (AVNL). This product contributed about 15% of revenue in FY26. The company started with 17 profiles and has added 9 more as the customer's confidence grew. The company sees 20-30% growth potential in this segment as tank production increases.

Improved Space Heating Device (Bukhari)

A room heater designed for high-altitude use at temperatures as low as minus 40 degrees Celsius. It runs on solar power, kerosene, or battery and is designed to emit no carbon monoxide. The company developed this under a transfer of technology (DOT) with DRDO's DIPAS lab in Delhi. It is used by the Indian Army in Ladakh and Siachen. Orders tend to come in cycles of about two years.

Aircraft Arresting Gear

A system that prevents aircraft from overshooting the runway. The company recently won a design win for this product, which was previously imported. It is still in development and not expected to contribute revenue in FY27 or FY28.

Composite Fire-Resistant Doors and Hatches

Through a 51:49 joint venture with VABO Composite (Netherlands), the company manufactures lightweight composite doors and hatches to replace heavier steel versions on naval ships. The product is fire-resistant and much lighter. Trial production has started, with revenue expected from FY27. The total addressable market in India is estimated at ₹100-200 crore.

Dairy Equipment Products

The dairy segment produces stainless steel milk cans in capacities from 5L to 50L, milk cooling tanks from 300L to 10,000L, milking machines, and robotic milk collection units. This business serves domestic dairies and milk cooperatives. It operates from a separate factory in Kalol, Gujarat.

Customers

Krishna Defence's customer base is concentrated among Indian defence entities. The primary customers are:

- Indian Navy (for bulb bars, welding consumables, ballast bricks, composite doors)
- Indian Army (for armoured steel profiles, Bukhari space heaters)
- DRDO (for development projects and certifications)
- All major Indian shipyards: Mazagon Dock Shipbuilders Limited (MDL), Goa Shipyard Limited (GSL), Garden Reach Shipbuilders and Engineers (GRSE), Cochin Shipyard Limited (CSL), Hindustan Shipyard Limited (HSL)
- Heavy Vehicle Factory (HVF), Avadi (for T-90 tank profiles)
- Border Security Force (BSF)
- Dairy: domestic dairies and milk cooperatives

Customer concentration: Approximately 35-40% of revenue comes from a single shipyard, though which shipyard varies year to year depending on which one wins the Navy's platform contract. The company's five to six main customers account for the entire business. This concentration is a risk but is somewhat mitigated by the fact that all shipyards ultimately serve the same end customer - the Indian Navy - and the company is an approved supplier to all of them.

Buying relationship: For new ship construction, the moment the Navy places an order on a shipyard, the shipyard issues purchase orders for bulb bars within the first month because these materials are used for hull construction, the first stage of shipbuilding. Deliveries typically take 5-12 months depending on the contract. The company's products are used in the first two years of the ship's construction lifecycle, so even if a ship takes 4-5 years to build, the material is ordered and delivered early.

Switching costs: The switching cost for customers is very high. To become an approved supplier for naval products like bulb bars or welding consumables, a company must go through a 2-3 year approval and certification process involving DRDO, the Navy, and foreign testing labs. In the last 12-13 years, several companies have tried but none have succeeded in getting approved for bulb bars. The company currently faces only one or two approved competitors for each product category.

Contract structure: The company has two types of contracts. For short-term contracts (6-9 month delivery), the company immediately books raw material from steel mills to lock in prices. For long-term contracts (2-3 years), a price variation clause is built in that adjusts prices quarterly based on raw material cost changes.

Competitive landscape

The defence components industry in India is characterised by high entry barriers and limited competition. Krishna Defence operates in a market where the number of approved suppliers for each product category is very small.

Bulb bars: Only two approved players in India currently supply to the Navy. The competitor names are not disclosed in public documents. Several companies have tried to enter this market over the past 12-13 years, but none have succeeded in getting the necessary naval approval. The approval process takes about three years and requires meeting stringent technical requirements, metallurgical precision, and passing rigorous trials with DRDO and the Navy.

Welding consumables: The company competes with one other approved supplier for the specific grades it manufactures. The chemistry control requirements are extremely difficult to achieve, and the certification process involves foreign labs. The company is developing additional grades currently still imported.

Armoured steel profiles: For T-90 tank chassis components, the company competes with a limited number of approved suppliers. It has been successful in expanding its product range from 17 to 26 profiles, indicating customer

trust.

Composite doors and hatches (JV with VABO): Competition comes from European manufacturers. The JV is the first to manufacture these products in India. The addressable market is ₹100-200 crore for the Indian Navy, with potential for export to Southeast Asia and the Middle East.

Defence electronics (Waveoptix): The company's 40% associate competes with two American companies for supply to the Indian Army for radio frequency over optical fibre modules.

For the overall defence components business: Competition intensity is low because of the high barriers. MNCs have Indian presence but the approval cycles are long and the technical requirements are demanding. The company describes itself as an engineering company and attributes its success to its engineering team's ability to adapt and absorb technology. The management stated: "For the past about 12, 13 years, there have been one or two suppliers of the products that we are doing, and we see that continue."

Industry

Global military expenditure: According to SIPRI, global military expenditure increased to $2,718 billion in 2024, the 10th consecutive year of increase. Over 100 countries raised their military spending. NATO members' total spending amounted to $1,506 billion, or 55% of the global total. US military spending rose 5.7% to $997 billion.

India's defence expenditure: India's defence budget rose from ₹2.53 lakh crore in 2013-14 to ₹6.81 lakh crore in 2025-26. Defence production touched a record ₹1.50 lakh crore in 2024-25, more than triple the 2014-15 level. The government has emphasised indigenous manufacturing through initiatives like 'Make in India', 'Atmanirbhar Bharat', Srijan Portal, Positive Indigenisation List, and iDEX.

Indian Navy modernisation: The Indian Navy aims to increase its fleet to at least 175 warships by 2035 from the current 132. Currently 68 new warships and vessels are on order. Major contracts signed include:

- 11 Next Generation Offshore Patrol Vessels (NGOPVs) and 6 Next Generation Missile Vessels (NGMVs) worth approximately ₹19,600 crore
- 5 Fleet Support Ships (FSS) worth approximately ₹19,000 crore
- Next Generation Corvettes, Frigates, LPDs, and MCMVs are in various stages of clearance

The Ministry of Defence also announced a budget outlay close to $1 billion for autonomous underwater platforms.

India's place in the global supply chain: India aims to become the fifth largest shipbuilding industry in the world. Shipyards like Mazagon Dock, GRSE, and Cochin Shipyard are undertaking significant capacity expansions. This creates demand for shipbuilding steel sections, welding consumables, and other components that Krishna Defence supplies.

Import substitution: Many of the company's products - bulb bars, welding wires, ballast bricks, armoured steel profiles - were previously imported from Russia. The company has successfully indigenised them through its own R&D and collaboration with DRDO labs. The government's Positive Indigenisation List and Srijan Portal encourage replacement of imported items. The company's strategy is to identify imported components where it already has 60% of the infrastructure needed and can add the remaining capability with modest investment.

Regulation: Defence procurement is governed by government policies that prioritise domestic manufacturing for security reasons. Products for the Navy are classified, and the company is not permitted to export naval-grade products. The approval process for new suppliers involves DRDO, the Navy, and often foreign testing labs. This

creates high barriers to entry and ensures that once a company is approved, it faces limited competition for extended periods.

Cyclicality: The industry is cyclical due to project-based procurement from shipyards. However, the Navy's long-term plans (10-15 years) provide visibility. The company noted that events like Operation Sindoor caused a 4-5 month pause in order inflows as the government focused on immediate deployment rather than construction procurement. The shipbuilding cycle is also shortening - customers now expect delivery in 6 months versus 12-18 months earlier, which pressures manufacturing capacity but also reduces inventory holding at shipyards. Commercial shipbuilding in India is still small but growing, and the company has secured certifications (DNV, ABS, BV, IRS) to participate in that segment.

Growth triggers

- Indian Navy's plan to expand its fleet from 132 to at least 175 warships by 2035, with 68 new vessels already on order, drives sustained demand for bulb bars and other hull construction products. (Q4 FY26 concall, May 2026)
- Capacity for bulb bars doubled from 2,000-2,500 tons to 4,000-4,500 tons in April 2025, with room to reach ₹400 crore revenue organically within the same infrastructure through automation and product mix improvements. (Q2 FY26 concall, Nov 2025; Q4 FY26 concall, May 2026)
- Indigenisation of imported products: the company is developing additional grades of weld consumables, large castings for naval platforms, and new armoured steel profiles for T-90 tanks, all previously imported from Russia. (Q4 FY26 concall, May 2026)
- Joint venture with VABO Composite (Netherlands) for composite fire-resistant doors and hatches is in trial manufacturing; initial revenue expected in FY27, with a total addressable market of ₹100-200 crore in India alone for naval ships. (Q2 FY26 concall, Nov 2025; Q4 FY26 concall, May 2026)
- AUV project 'Jalkapi', India's largest autonomous underwater vehicle, is under construction with the company as structural build lead. The prototype is expected to be ready for water trials by December 2026, opening a $1 billion budget allocation by the Indian Navy for autonomous underwater platforms. (Q2 FY26 concall, Nov 2025; Q4 FY26 concall, May 2026)
- Investment in Taharabadkar Solutions (47% stake) for smart ammunition for naval guns, backed by a ₹25 crore grant from the Indian Navy. Product development will take 2-3 years, with large order potential once indigenised. (Q4 FY26 concall, May 2026)
- Commercial shipbuilding opportunity: the company secured IRS certification and BV approval, and enquiries for supply of bulb bars and profiles to commercial shipyards have started coming in. (Q4 FY26 concall, May 2026)
- Design win for an aircraft arresting gear system, previously imported, which prevents aircraft from overshooting runways. Development phase, but represents a new product category for the Indian Air Force and Navy. (Q4 FY26 concall, May 2026)
- Migration to the NSE main board in December 2025 improves visibility and access to institutional investors. (Q4 FY26 concall, May 2026)
- MoU with Ministry of Steel under the PLI scheme to develop strategic steel grades for defence, which could open additional revenue streams. (Q4 FY26 concall, May 2026)
- AS9100D certification for aerospace components qualifies the company to supply to the aerospace sector, a new end-market. (Q4 FY26 concall, May 2026)

Key risks

- Customer concentration: A single shipyard typically contributes 30-35% of revenue, and the top five to six customers provide the entire business. Since orders depend on which shipyard wins the Navy's platform contract, a shift in allocation can cause significant revenue fluctuation. (Q4 FY26 concall, May 2026)
- Raw material price volatility: Special-grade steel is the primary input. For short-term contracts (6-9 months delivery), the company books raw material immediately, so a sudden price spike between order acceptance and procurement can compress margins. For long-term contracts (2-3 years), a price variation clause provides protection, but not all contracts include it. (Q2 FY26 concall, Nov 2025)
- Project and execution delays: New product developments (AUV, smart ammunition, arresting gear) are complex and face technical hurdles. The company has previously incurred a late delivery charge of ₹5.25 crore with Mazagon Dock Shipbuilders for a commercial profile, demonstrating that delays can result in financial penalties and reputational damage. (Q2 FY26 concall, Nov 2025)
- Geopolitical and operational disruptions: Events like Operation Sindoor caused a 4-5 month pause in order inflows as the government focused on immediate deployment rather than construction procurement. Such disruptions can materially affect order book growth in a given year. (Q4 FY26 concall, May 2026)
- Dependence on government defence budget: The company's products are primarily used for new platform construction. A reduction in the defence budget or a shift in procurement priorities away from new vessels could reduce order flow. The Navy's plans are long-term, but annual allocations can vary. (Multiple concalls)
- Competitive entry risk: While only two players are currently approved for bulb bars and no new entrant has succeeded in the past 12-13 years, the approval process (2-3 years) means a determined competitor could eventually enter. For defence electronics (Waveoptix), the company competes with two American companies. (Q4 FY25 concall, May 2025; H1 FY25 concall, Nov 2024)
- Customer delivery cycle shortening: Shipyards now expect delivery in six months versus 12-18 months earlier, putting pressure on production planning and increasing the risk of late delivery penalties if capacity utilisation becomes too tight. (Q4 FY26 concall, May 2026)

Walk the talk

Krishna Defence has a consistent record of delivering on its stated promises over the past 18 months, though some new product timelines have slipped modestly.

Capacity expansion: In the Q4 FY25 concall (May 2025), management said the bulb bar capacity doubling from 2,000-2,500 tons to 4,000-4,500 tons would be operational by April 2025. By the Q2 FY26 concall (Nov 2025), the facility was confirmed operational since early April 2025, and the company was already working at about 60% utilisation.

> *"We have doubled our capacity at our Halol plant and the facility I'm glad to share that it's operational and we are working on those capacities now." – Managing Director, Q4 FY25 concall (May 2025)*

> *"The facility was operational since early of April 2025 and we are working full-fledged on the same." – Managing Director, Q2 FY26 concall (Nov 2025)*

Migration to main board: Management initially expected migration by July 2025 (Q4 FY25 concall), later revised to December 2025 (Q2 FY26 concall). The migration was successfully completed in December 2025, as confirmed in the Q4 FY26 concall (May 2026).

Growth guidance: In the H1 FY25 concall (Nov 2024), management guided for 40% CAGR over 3-5 years. By Q4 FY25 (May 2025), the base had increased from ₹100 crore to ₹200 crore, and the guidance was moderated to 30-40%. In Q4 FY26 (May 2026), the company delivered 29.1% YoY revenue growth and reiterated 30%+ growth for FY27. The guidance has been consistently achieved or closely matched.

JV with VABO Composite: In Q2 FY26 (Nov 2025), management stated that manufacturing had started at trial stage and revenues were expected by FY27. By Q4 FY26 (May 2026), trials were progressing well and management confirmed that some traction would be seen in FY27, on track with earlier commentary.

AUV Jalkapi project: In Q2 FY26 (Nov 2025), management said the AUV would be put in water by December 2026. By Q4 FY26 (May 2026), the ceremonial steel cutting had taken place (June 2025) and the project was progressing as planned, though management acknowledged a possible three-month delay. This is consistent with the nature of a complex developmental project.

Composite door trials: In H1 FY25 (Nov 2024), management reported successful trials on a naval ship. By Q2 FY26 (Nov 2025), the JV with VABO was formed and manufacturing had started. The promise of successful product validation translated into a commercial partnership, though full production revenue remains a FY27 event.

Win ratio guidance: In Q4 FY25 (May 2025), management disclosed a win ratio of 50-60% on tenders. While later concalls did not explicitly restate this metric, the sustained order book of ₹1,034 million as of March 2026 and the tender pipeline of ₹2,210 million suggest the company is maintaining or improving its competitive position.

One notable miss: In H1 FY25 (Nov 2024), management mentioned working on a smart ammunition product for naval guns, expected to take two years. By Q4 FY25 (May 2025), management admitted the project was moving slower than anticipated due to supply chain challenges. By Q4 FY26 (May 2026), the company had invested in Taharabadkar Solutions to pursue this area, indicating a strategic pivot rather than a complete failure.

Scenarios

Bull case

The Indian Navy accelerates its fleet expansion, awarding shipbuilding contracts faster than planned. Krishna Defence wins the majority of bulb bar orders for Next Generation Corvettes, Frigates, and Fleet Support Ships, pushing capacity utilisation above 80%. The AUV project completes water trials successfully by early 2027, leading to a production order for multiple units and establishing the company as India's premier autonomous underwater systems builder. The VABO composite doors JV secures its first large order for new naval ships, and commercial shipbuilding takes off as Indian shipyards ramp up for export orders. Smart ammunition from Taharabadkar Solutions passes naval trials and enters serial production. By FY28, the company has diversified into four distinct growth engines: traditional naval steel products, composite systems, AUVs, and smart munitions. Margins expand as higher-margin new products become a larger share of revenue.

Base case

The core defence products business continues to grow at 25-30% annually, driven by the Navy's steady vessel construction programme and indigenisation of additional steel profiles and weld consumables. The AUV project is completed but follow-on orders take time as the Navy evaluates performance. VABO composite doors generate

modest revenue from FY27, gradually increasing as the Navy approves them for new ships. Commercial shipbuilding remains a small contributor. Smart ammunition development takes the full 2-3 years, with no significant revenue before FY29. The company executes consistently, maintains margins around current levels, and builds cash reserves. Capacity utilisation improves to 70-75% with automation. The order book remains healthy, though quarterly lumpiness persists due to the project-based nature of defence procurement.

Bear case

Geopolitical tensions or a fiscal squeeze cause the government to slow down naval procurement. New platform orders are delayed or cancelled, leading to a decline in bulb bar demand. The company's customer concentration becomes a liability as one major shipyard faces its own execution issues. New product developments face technical setbacks: the AUV fails water trials, smart ammunition misses performance targets, or composite doors take longer to certify than expected. Raw material prices spike due to global steel shortages, and the company cannot fully pass on costs on short-term contracts. Late delivery penalties recur as the company struggles to balance multiple new product lines with existing production. Competition intensifies as another Indian manufacturer finally achieves naval approval for bulb bars. Revenue growth slows to single digits, and the market reprices the stock based on execution risk rather than growth optionality.