

Quote by Shravan Shetty, Managing Director, Primus Partners

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Defence shares fall for 4th day amid 'double whammy'; analysts advise 'use this healthy correction'

Defence stocks: The long-term story of defence stocks remains intact, and the current phase looks like a short-term correction, an analyst said.

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Article Content:

Defence stocks decline

Defence stocks extended losses for the fourth consecutive session on December 18, falling up to 3 percent. Analysts have suggested possible reasons behind the sustained sell-off in the sector, and what investors should do.

The **Nifty India Defence** index fell around 0.9 percent to 7,315, as seen at 11.18 am on Thursday. Mtar Technologies was the top loser on the index, falling more than 3 percent, while GRSE and others fell more than 2 percent each.

Why are defence stocks falling?

The defence stocks have under-performed recently, with the Nifty India Defence index falling 11 percent during the last one month while Nifty has remained relatively flat, noted Shravan Shetty, Managing Director at Primus Partners.

He said that the recent downturn in the sectoral stocks was led by profit booking and FII outflow, together with discounting of the conflict premium that these stocks enjoyed earlier amid heightened geopolitical tensions.

The decline in Indian defense stocks in late 2025 is being driven by a "double whammy", that is the buzz around a potential Russia-Ukraine peace deal, which reduces the war premium, and a specific negative trigger involving the Tejas fighter jet crash in Dubai, said Balaji Rao Mudili, Research Analyst at Bonanza.

Possible Russia-Ukraine peace deal:

Earlier yesterday, Ukrainian President Volodymyr Zelenskyy said that proposals being negotiated with US officials for a [peace deal](#) with Russia could be finalized within days. The possibility of a ceasefire between the two countries ending the four-year old war may have affected investor sentiment for defence stocks.

Mudil however noted that the negotiations can still take more time than expected. "The war premium, although lower than before is still there and this will directly impact the supply pressure on the global level. There has been no comment on reducing capex on defense segment from India which is expected to be the next trigger indicating the fundamentals still being intact," he added.

Siddharth Maurya, Founder & Managing Director at Vibhavangal Anukulakara, noted that the possible peace deal between Russia and Ukraine won't lead structural downturn. "The long-term demand for defence equipment is guaranteed by continued government spending, commitments to NATO and modernization programmes," he said.

Tejas fighter jet crash:

A Tejas fighter jet manufactured by Hindustan Aeronautics ([HAL](#)) crashed during a Dubai Air Show in November, causing the death of IAF officer, Wing Commander Namansh Syal.

The [fighter jet crashed](#) while performing manoeuvres in front of a large audience in the afternoon of November 21. Videos circulating online show the jet, which was a single-seat light combat aircraft (LCA), plunging down to the ground and flames erupting immediately at the site.

Mudil said that the incident may have hurt the export ambitions and this may have led to not only stock specific reaction to HAL, but a sector wide correction with players like BEL and Midhani also being affected.

What should investors do?

Investors would be wise to consider the present drop in share prices as a temporary fluctuation caused by market sentiment rather than a decisive change

in the underlying fundamentals, and at the same time, they should monitor the budgetary trends and the order pipelines for the future, said Maurya.

Mudili suggested investors to consider the current drop as a 'healthy correction' and not a structural shift. "The current fall is largely sentiment-driven, not structural. Defence spending decisions are made over many years and are driven by national security needs, not short-term diplomatic developments. India's defence modernisation, indigenisation push, and export ambitions remain intact," said Ravi Singh, Chief Research Officer from Master Capital Services.

The long-term story of defence stocks remains intact, and the current phase looks like a short-term correction, Singh said. "For long-term investors, such corrections often create better entry points rather than exit signals. Unless there is a clear and sustained cut in defence budgets (which is unlikely), the sector's long-term fundamentals remain intact," he added.

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