

Quote by Shravan Shetty, Managing Director, Primus Partners

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Defence shares rise for 2nd day; Cochin Shipyard, GRSE, others rise up to 6%; Here are three reasons

Value buying in defence shares for second consecutive session after four-day fall is one reason behind rally in defence shares

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Article Content:

Defence shares rise for 2nd day; Cochin Shipyard, GRSE, others rise up to 5.5%; Here are three reasons

Defence shares maintained their uptrend for second consecutive session on December 22 with **Cochin Shipyard**, MTAR Tech, Garden Reach Shipbuilders & Engineers leading the gains by rising up to 6%. Shares of Mazagon Dock, BEML and Solar Industries rose 4%-4.5%.

At 12:50 pm on December 22, Nifty Defence index was trading 2.3% higher, thus extending two-day gains to over 4% after falling for four straight sessions before that. Here are various reasons for the rally in defence shares:

EU's Ukraine [loan plan](#)

Last week, European Union leaders agreed to loan Ukraine €90 billion (\$106 billion) for the next two years in a bid to strengthen Kyiv's hand at the negotiating table and keep the war-torn country afloat.

The EU will fund the loan through joint debt raised on the capital markets and backed by the bloc's budget, a significant pivot from the preferred plan to use Russian assets frozen on European soil.

"It's a good deal. More required and coming. (Recent U.S.-Europe energy deals) compliment the EU fund for Ukraine."

EU leaders were under intense pressure to agree to the massive loan after months of talks failed to break the deadlock over the contentious plan.

"While the geopolitical landscape has eased in H2 2025 there is also a risk that this recent detente is making markets complacent. This is a risk for 2026 that is not priced in," George Boubouras, head of research, K2 Asset Management, Melbourne told Reuters.

On December 22, the STOXX Europe Targeted Defence Index was trading nearly 1% higher.

Defence shares tend to do well during geopolitical tensions, which was witnessed earlier this year during domestic and international tensions.

The Russia-Ukraine war has resulted in significant gains for Indian defence stocks due to heightened global and domestic demand for defence equipment.

Value buying

The two-day rise in defence stocks suggests value buying is happening in the shares, which were lately on the downside due to Tejas crash in Dubai and rising hopes of Russia-Ukraine peace deal.

The Nifty India Defence index is still 16% lower from its 52-week high despite the over 4% gains in the last two sessions.

Shravan Shetty, Managing Director at Primus Partners said that the recent downturn in the defence 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.

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.

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.

"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.

US Senator ratchets up war rhetoric

US Senator Lindsey Graham, who met Israel Prime Minister Benjamin Netanyahu yesterday, said Hamas must be given a deadline for relinquishing its weapons.

Netanyahu is expected to outline proposals for a potential new strike on Iran during his forthcoming trip to Washington, according to an NBC News report on Saturday that cited multiple unnamed officials.

The report said Israel has become increasingly alarmed that Iran is restoring, and also possibly expanding, its ballistic missile manufacturing capabilities following the two countries' 12-day conflict in June.

Israel is also concerned that Iran is reviving its nuclear enrichment activities, which had been severely damaged by joint Israeli and US military operations, the report added.

US Senator Lindsey Graham said that if Iran is resuming uranium enrichment and scaling up its missile program, it would be in the United States' national interest to launch a preemptive strike.

Graham also called for Lebanon-based Hezbollah to be given a deadline to disarm, warning that failure to do so should prompt Israeli military action.