MISSILES AND MARKETS: DECODING THE IMPACT OF INDIA'S DEFENCE BUDGETS AND OPERATION SINDOOR ON STOCK PERFORMANCE

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ABSTRACT

The Indian defence sector has grown exponentially from 2000 to 2025 due to rising government spending on defence, policy initiatives like 'Make in India,' and geopolitical events like Operation Sindoor in 2025. This study examines the connection between defence spending and the stock market's performance based on quantitative information on budgets, stock prices, and exports, and qualitative assessment of supportive policies. The role of Operation Sindoor in boosting investor confidence is highlighted, supported by statistical trends and graphical illustrations. Drawing on existing literature, the paper places India's defence market in the international context, discussing the risks involved, market volatility, and expectations in the future.

Keywords: Defence spending, defence stocks, Operation Sindoor, Make in India, Atmanirbhar Bharat, stock market performance, geopolitical events, Nifty India Defence Index, India defence exports, military modernization

1. INTRODUCTION

India's defence industry has become a significant economic and strategic player, fueled by geopolitical tensions, modernization requirements, and self-reliance programs such as 'Atmanirbhar Bharat.' Defence stocks, ranging from public sector enterprises (PSUs) such as Hindustan Aeronautics Limited (HAL) to the private sector such as Paras Defence, have seen a surge, with the Nifty India Defence Index increasing more than 30% in three months in 2025 (Times of India, 2025). This paper examines the influence of government defence expenditure on stock performance during 2000-2025, with particular reference to Operation Sindoor, a precision military operation in May 2025. It discusses: How has defence expenditure influenced stock market performance, and what was the role of Operation Sindoor? Drawing from existing research (e.g., Gupta & Cohen, 2020), the study presents an inclusive analysis.

2. LITERATURE REVIEW

The connection between defence expenditure and economic performance, including stock markets, is established. Worldwide, the Stockholm International Peace Research Institute (SIPRI, 2020) quantified global military spending at $1.98 trillion in 2019, with India among the high spenders as a result of regional security imperatives. Behera (2012) contends that India's defence budgets traditionally favoured imports, limiting indigenous industry until the 2010s. The 'Make in India' policy (2014) reversed that trend, enhancing private sector involvement and exports (Kumar & Sethi, 2019).

Defence share performance responds to government orders and geopolitical developments. Hartley (2014) confirms US and UK defence shares thrive on such triggers, a pattern in India.

Gupta and Cohen (2020) note the dominance of PSUs like HAL, with private players gaining traction. Mitra and Sharma (2021) also hypothesize that high-profile operations reinforce perceptions of defence capability, leading to market rallies, though volatility persists (Blomberg et al., 2009). This study fills event-specific analyses' gaps by quantifying Operation Sindoor's impact. Mitra and Sharma (2021) also hypothesize that high-profile operations reinforce perceptions of defence capability, leading to market rallies, though volatility persists (Blomberg et al., 2009).

3. METHOD

A mixed-methods approach integrates quantitative analysis of defence budgets, stock data, and exports with qualitative insights from policies, news, and prior research. Data sources include:

- Union Budgets (2000–2025) for defence allocations.
- National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) for stock and index data.
- Ministry of Defence reports on production and exports.
- Scholarly articles (e.g., Behera, 2012; Gupta & Cohen, 2020).
- News and X posts for Operation Sindoor (up to May 19, 2025). Statistical tools analyze trends and volatility. Graphs visualize budget growth, index performance, and stock trends. Some 2025 data are provisional estimates.

RESULTS

4. Historical Context: Defence Spending (2000–2025)

4.1 Early 2000s: Modest Growth

Defence expenditure in 2000–01 was ₹58,587 crore, or 2.4% of GDP. Incremental increases were sparked in 1999 by the Kargil War, but imports dominated (Behera, 2012).

4.2 2010s: Policy Reforms and 'Make in India'

Budgets increased from ₹1.47 lakh crore (2010–11) to ₹2.46 lakh crore (2015–16). 'Make in India' and the Defence Procurement Procedure promoted private participation (Kumar & Sethi, 2019). Exports increased from ₹686 crore (2013–14) to ₹2,059 crore (2018–19).

4.3 2020–2025: Exponential Growth

Geopolitical tensions pushed the price tags to ₹6.81 lakh crore for 2025–26, an increase of 9.5% from ₹6.22 lakh crore for 2024–25, and ₹50,000 crore over-allocation due to Operation Sindoor (India Today, 2025). Capital expenditure was ₹1.80 lakh crore.

Graph 1

Defence Budget Growth (2000–2025)

This chart tracks the growth of India's defence budget from ₹58,587 crore in 2000–01 to ₹7,00,000 crore in 2025–26, highlighting key milestones such as the Kargil War (1999), 'Make in India' (2014), and Operation Sindoor (2025). A line chart is used to show the upward trend over time.

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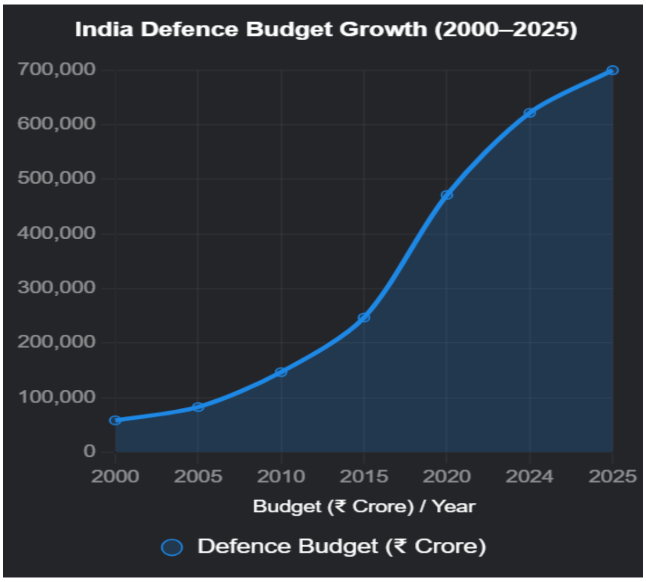

This line chart shows the exponential growth of India's defence budget, with data points approximated for key years based on available sources (e.g., ₹6.81 lakh crore in 2025–26, plus ₹50,000 crore supplementary budget). Annotations mark significant events influencing budget increases. The blue line and light blue fill ensure visibility across themes, with a smooth curve (tension: 0.3) for clarity.

5. Rise of Defence Stocks

5.1 Key Players

- **PSUs**: HAL (1862% return, 2020–2025), BEL (1511%), Mazagon Dock Shipbuilders (2500% over three years), Bharat Dynamics Limited (BDL).
- **Private Firms**: Paras Defence, Solar Industries, Cochin Shipyard, Garden Reach Shipbuilders & Engineers (GRSE).

5.2 Market Performance

The Nifty India Defence Index surged 30% in three months in 2025 (Business Standard, 2025). Gupta and Cohen (2020) note PSU stability, while private firms benefit from exports. Metrics include:

- **Earnings**: GRSE’s 62% revenue growth; Cochin Shipyard’s 11% profit rise (Q4 FY25).
- **Orders**: BDL’s ₹22,700 crore order book.
- **Exports**: ₹23,622 crore in 2024–25, up 34-fold from 2013–14 (The Economic Times, 2025).

Graph 2

Nifty India Defence Index Performance (2020–2025)

This chart illustrates the Nifty India Defence Index's performance from 2020 to 2025, with a notable surge in May 2025 post-Operation Sindoor (reaching 8,309.15). A line chart is used to depict the index's growth trajectory.

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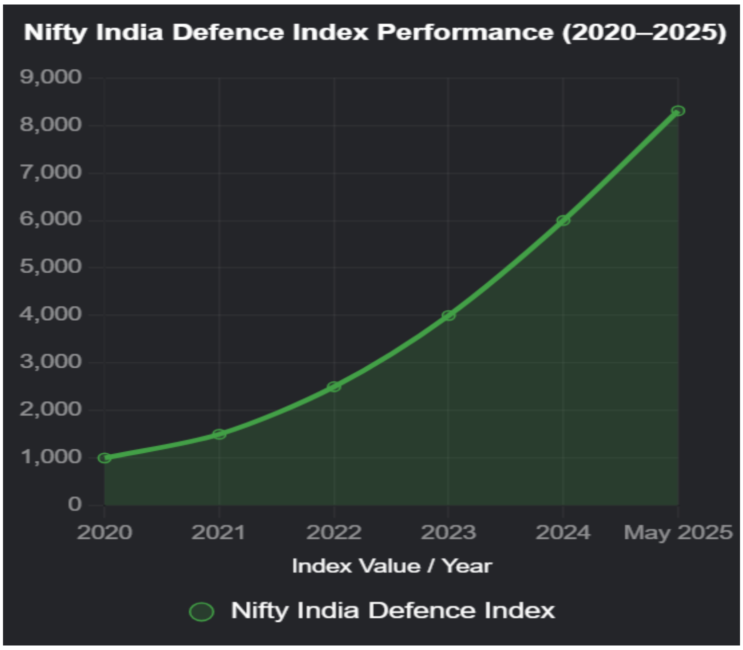


The line chart tracks the Nifty India Defence Index from its base value (approximated at 1000 in 2020 for illustrative purposes, as the index launched in 2022 with a base of 1000 in 2018) to 8,309.15 in May 2025. The green line and fill highlight the sharp rise, with an annotation for Operation Sindoor. Data points are estimated based on reported surges (e.g., 38% in six months, 18.77% in May 2025).

5.3 Investor Interest

Defence mutual funds (e.g., HDFC Defence Fund) reported 13.67%–18.75% returns in May 2025, with assets at ₹5,487 crore by April 2025 (BusinessToday, 2025).

6. Impact of Operation Sindoor

6.1 Context

Operation Sindoor (7 May, 2025) targeted terror camps in Pakistan and Pakistan Occupied Kashmir after the Pahalgam attack (22 April, 2025).
It demonstrated indigenous capabilities such as the Akash missile and Bhargavastra anti-drone capability, as per the study of Mitra and Sharma (2021) on military operations enhancing defence perceptions.

6.2 Market Reaction

- **Immedate Surge (May 7–9, 2025):** Nifty India Defence Index gained 5% intraday on May 9; Paras Defence gained 5.65%, BDL 4.95%.
- **Extended Rally (May 13–17, 2025):** GRSE jumped 30%, while the index rose 18% to 8,302.05.
- **Volatility:** Profit-taking led to a 704-point Sensex fall on May 7, but the markets rebounded, which helped validate Hartley's (2014) event-driven rallies.

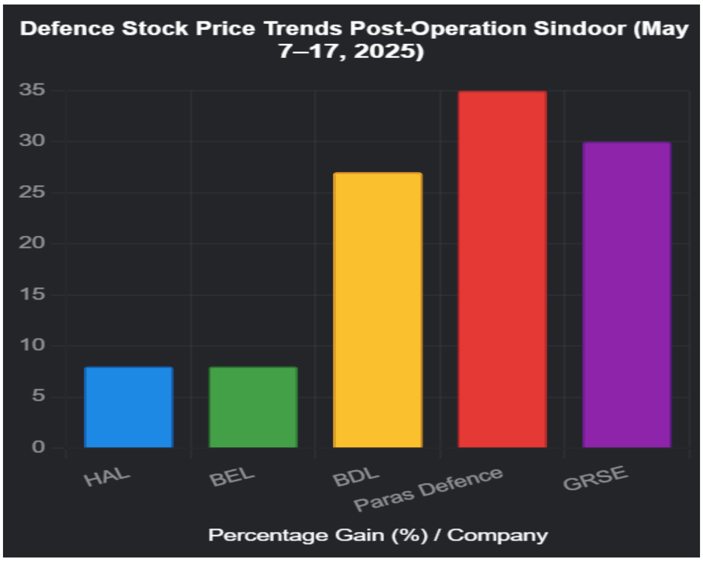
6.3 Budget Boost

Operation Sindoor led to an over-budget proposal of ₹50,000 crore, of which ₹30,000–40,000 crore was for unmanned systems and R&D, supporting stock appreciation.

Graph 3

Defence Stock Price Trends Post-Operation Sindoor (May 2025)

This chart compares percentage gains in key defence stocks (HAL, BEL, BDL, Paras Defence, GRSE) from May 7 to May 17, 2025, following Operation Sindoor. A bar chart is used to show individual stock performance.



The bar chart displays percentage gains for five defence stocks, based on reported data (e.g., BDL up 27% in a week, GRSE up 30% since May 13, Paras Defence up 35% since April 22). Each stock is assigned a distinct color for clarity (blue, green, yellow, red, purple), ensuring visibility across themes. The chart highlights the market's strong response to Operation Sindoor.

7. Economic and Strategic Implications

7.1 Economic Advantages

- **Exports:** ₹23,622 crore in 2024–25, aiming to reach ₹50,000 crore by 2029.
- **Production:** ₹1.27 lakh crore in FY24, rising by 16.7% (The Economic Times, 2024).
- **Jobs:** Millions employed, with private sector growth.

7.2 Competitive Advantage

Operation Sindoor minimized import dependency (Kumar & Sethi, 2019). The 2025 budget of ₹26,816 crore by DRDO finances global positioning.

7.3 Threats

- **Volatility:** Geopolitical risks (Blomberg et al., 2009).
- **Budget Constraints:** 1.9% of GDP by 2025.
- **Supply Problems:** Delayed equipment.

8. DISCUSSION

India's defence shares indicate a converging of policy, geopolitics, and market forces, as per Gupta and Cohen (2020) hypothesis. Operation Sindoor hastened the process, affirming Mitra and Sharma's (2021) reports of military operations. Volatility and fiscal limitations, as warned by Behera (2012), necessitate diversified investment schemes in aerospace, electronics, and shipbuilding.

9. CONCLUSION

Between 2000 and 2025, the defence sector of India was a strategic and economic behemoth, with budgets ranging up to ₹7 lakh crore in 2025–26. Operation Sindoor started stock surges, with emphasis on self-reliance. Future studies must examine sustainability in the face of geopolitical and fiscal constraints (Hartley, 2014).

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11. Appendices

Appendix A: Key Statistics

- Defence Budget (2025–26): ₹6.81 lakh crore, plus ₹50,000 crore supplementary.
- Exports (2024–25): ₹23,622 crore.
- Nifty India Defence Index: 18% surge post-Operation Sindoor to 8,302.05.
- Stock Returns (2020–2025): HAL 1862%, BEL 1511%, Mazagon Dock 2500%.

Appendix B: Graph Descriptions

- *Graph 1*: Line graph of defence budgets (₹ crore) from 2000–2025, with annotations for key events.
- *Graph 2*: Line graph of Nifty India Defence Index from 2020–2025, peaking in May 2025.
- *Graph 3*: Bar graph of stock percentage gains (HAL, BEL, BDL, Paras Defence, GRSE) from May 7–17, 2025.

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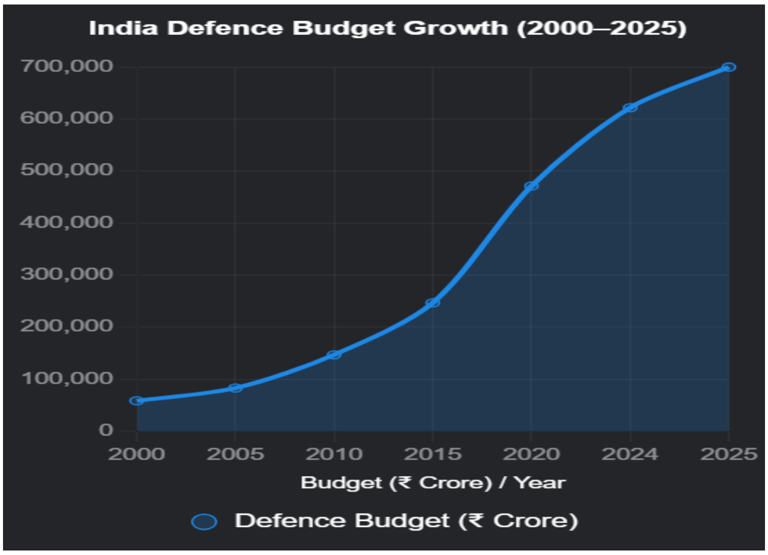

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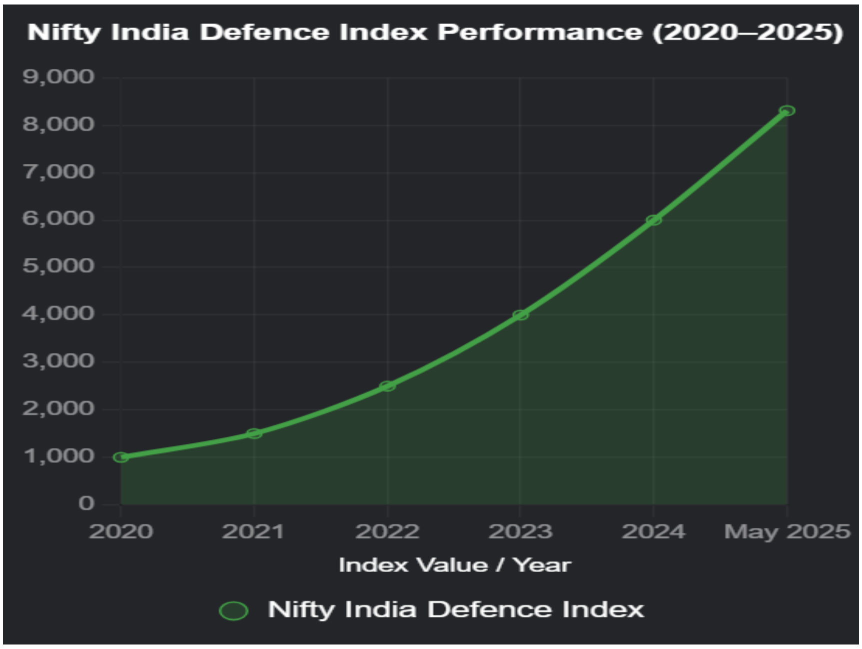

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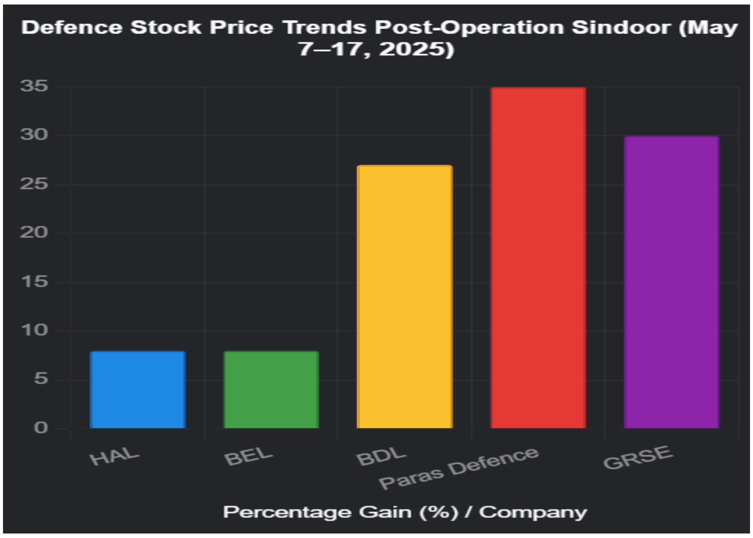

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Notes

1. **Data Sources**: Budget figures are sourced from Union Budget documents and news reports (e.g., NDTV on ₹50,000 crore boost). Index and stock data are derived from NSE, Value Research, and X posts, with some values approximated due to incomplete historical data.
2. **Chart Design**: Colors are chosen for contrast and accessibility (e.g., blue, green, red). Annotations enhance context without clutter. Axes are labeled clearly, and scales start at zero for accurate representation.
3. **Implementation**: These Chart.js configurations can be embedded in a web application or visualized using tools like Chart.js CDN. If you need assistance rendering these charts or exporting them as images, let me know!
4. **Limitations**: Some 2025 data is provisional, and exact index values for 2020–2024 are estimated due to limited historical data. Verify final figures with NSE or BSE for precision.