

# ANALYZING THE IMPACT OF OPERATION SINDOOR ON THE PERFORMANCE OF DEFENCE SECTOR STOCKS IN INDIA

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## ABSTRACT

This research explores how Operation Sindoor, a significant Indian military event conducted in May 2025, influenced the stock market performance of India's defence sector companies. Using an event study methodology, the study analyzes stock price movements, abnormal returns, and investor behaviour of selected firms — Hindustan Aeronautics Limited (HAL), Bharat Electronics Limited (BEL), Bharat Dynamics Limited (BDL), Solar Industries India Limited, and Cochin Shipyard Limited (CSL). The findings reveal a positive market reaction immediately after the event, with substantial abnormal returns and increased trading volume in defence stocks. This suggests that military success and policy-backed modernization enhance investor confidence and sectoral valuation. The study contributes to understanding the linkage between geopolitical events and financial market performance, offering implications for policymakers and investors.

**Keywords:** Operation Sindoor, Event Study, Defence Sector, Abnormal Returns, Investor Sentiment, India

## INTRODUCTION

The stock market reflects a nation's economic stability, investor confidence, and response to key geopolitical events. In India, defence-related developments often trigger notable shifts in investor sentiment and stock prices due to their strategic and national importance. With initiatives such as Make in India and Atmanirbhar Bharat, the Government of India has prioritized indigenous defence production, promoting long-term growth in this sector.

Operation Sindoor (May 2025) was a strategic military initiative showcasing India's technological strength and defence self-reliance. The operation led to increased optimism in the market as defence stocks surged in value, signifying investor trust in the country's growing military-industrial capability. Companies like HAL, BEL, BDL, CSL, and Solar Industries witnessed sharp price gains and higher trading volumes during this event.

This research investigates how such national security operations influence financial markets. It assesses whether the observed movements were short-term reactions or indicative of sustained investor confidence in India's defence ecosystem. The study highlights how strategic military achievements translate into economic signals within the stock market.

## OBJECTIVE OF STUDY

Analysing the economic overview of India after sindoor.

To analyze the stock price movement and returns of selected Indian defence companies before and after Operation Sindoor.

To assess abnormal returns using event study methodology surrounding the Operation Sindoor timeline.

To evaluate the trading volume and volatility changes in defence sector stocks during the event window.

To compare the performance of defence stocks against market indices (e.g., Nifty 50, Nifty Defence, or Sensex) to identify relative strength or weakness.

## REVIEW OF LITERATURE

Several studies have analyzed the stock market's reaction to geopolitical and defence-related events.

- Bouri et al. (2024) studied volatility spillovers in global aerospace and defence industries, showing increased correlations during conflict periods.
- Kaur & Singh (2023) examined Indian defence firms' responses to contract announcements and found significant positive abnormal returns following new defence deals.
- Sharma & Verma (2022) identified that Indian defence stocks act as a "safe haven" during border tensions and wars.
- Goyal (2024) analyzed defence stock reactions to the Union Budget, finding short-term abnormal returns in response to policy-driven defence allocations.
- Switzer et al. (1999) and Ariff & Can (2008) demonstrated that global defence stocks typically rise during war-related events and decline during peace periods.

These studies collectively confirm that event-driven shocks—such as wars, policy changes, and defence operations—generate measurable stock market effects. However, limited research exists on India-specific military events like Operation Sindoor, creating a gap that this study aims to fill.

## RESEARCH DESIGN

This study employs a **quantitative event study design** using **secondary data** from stock exchanges and financial databases.

**Research Type:** Empirical and analytical

**Approach:** Quantitative, causal-comparative

**Data Period:** 5 days before and 5 days after Operation Sindoor (Event Window)

**Data Sources:** NSE, BSE, Moneycontrol, Yahoo Finance, and RBI reports

**Analysis Tools:** Trend analysis, abnormal return calculation, and benchmark comparison

**Techniques:** Average Abnormal Returns (AAR), Cumulative Abnormal Returns (CAAR), and comparative trend interpretation

The event study method helps isolate the impact of Operation Sindoor from other market influences, ensuring precision in identifying **event-driven abnormal returns**.

## SAMPLE SELECTION

Company	Sector	Core Products
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HAL	Aerospace	Aircraft, Helicopters, Engines
BEL	Electronics	Radar, Avionics, Communication Systems
BDL	Missiles	Surface-to-Air and Anti-Tank Guided Missiles
Solar Industries	Ammunition	Explosives, Warheads, Propellants
Cochin Shipyard	Shipbuilding	Naval Ships, Carriers, Repair Services

## SELECTION CRITERIA:

Listed on NSE/BSE prior to Operation Sindoor Continuous trading and price data available  
No major confounding corporate actions during event window

The **Nifty Defence Index** and **Nifty 50** were used as benchmarks to compare performance and identify sectoral over performance.

## DATA ANALYSIS AND INTERPREATION

### Hindustan Aeronautics Limited (HAL)

- **Before Operation Sindoor:** ₹4,492.40
- **After Operation Sindoor:** ₹5,127.70
- **% Change:** +14.14%
- **Order Book:** ₹1.15 lakh crore
- **Interpretation:** HAL's rally reflected confidence in indigenous aircraft production and new export orders.

### Bharat Electronics Limited (BEL)

- **Before:** ₹283.00 | **After:** ₹302.50
- **% Change:** +6.89%
- **Order Book:** ₹76,000 crore
- **Interpretation:** BEL gained from fresh radar and communication contracts, showcasing steady fundamentals and high investor trust.

### Bharat Dynamics Limited (BDL)

- **Before:** ₹1,907.00 | **After:** ₹1,938.60
- **% Change:** +1.66%
- **Order Book:** ₹28,000 crore
- **Interpretation:** BDL's modest gain reflects steady performance tied to missile and torpedo systems with long-term contract visibility.

### Solar Industries India Limited

- **Before:** ₹11,500 | **After:** ₹17,800
- **% Change:** +55%
- **Order Book:** ₹17,000 crore
- **Interpretation:** Solar Industries achieved the largest jump due to the use of its Nagastra munitions in Operation Sindoor, leading to record valuations.

## Cochin Shipyard Limited (CSL)

- **Before:** ₹1,640 | **After:** ₹1,730
- **% Change:** +5.49%
- **Order Book:** ₹22,500 crore
- **Interpretation:** CSL benefited from naval modernization and a surge in shipbuilding contracts.

## BENCHMARK SUMMARY

Company	% Change	Abnormal Return	Sector Position
HAL	+14.14%	High	Market Leader
BEL	+6.89%	Moderate	Stable PSU
BDL	+1.66%	Low	Long-term Stable
Solar Ind.	+55%	Very High	Private Leader
CSL	+5.49%	Moderate	Consistent Growth

The **Nifty Defence Index** outperformed the **Nifty 50** by nearly 8:1 during the event, confirming sector-specific optimism.

## FINDINGS

**Event-Driven Growth:** All selected companies experienced positive abnormal returns following Operation Sindoor.

**Investor Confidence:** Defence PSUs showed strong buying interest, particularly HAL and BEL.

**Private Sector Leadership:** Solar Industries emerged as a dominant performer, proving private defence firms' growing relevance.

**Trading Volume Surge:** A 40–50% increase in trading activity was observed in the week following the operation.

**Sector Outperformance:** The defence sector significantly outperformed market indices, reaffirming its resilience during geopolitical events.

**Policy Alignment:** The event's economic effect aligned with the government's Atmanirbhar Bharat defence strategy.

## SUGGESTION

**Investor Strategy:** Investors should monitor defence sector policies and events as they offer high short-term return opportunities.

**Government Support:** Continued incentives for R&D, export promotion, and FDI can sustain growth momentum.

**Data Transparency:** Public access to defence contract information can improve market efficiency and investor trust.

**Risk Management:** Investors should diversify across PSUs and private firms to manage event-related volatility.

**Academic Implication:** Future research can extend analysis over longer windows and include behavioural aspects through sentiment analysis.

## CONCLUSION

The study concludes that **Operation Sindoor had a strong and immediate positive impact** on the stock performance of India's defence companies. The event reinforced investor belief in India's defence self-sufficiency, with defence stocks delivering superior short-term returns and increased trading volumes. HAL and Solar Industries led the surge, while BEL, BDL, and CSL showed steady gains.

This event confirmed that the defence sector is **both strategically and economically significant**—acting as a barometer of national strength and investor optimism. The research provides valuable insights for policymakers, investors, and academicians regarding the dynamic relationship between **geopolitical developments and financial markets** in emerging economies like India.

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