

Paras Defence (PARAS)

Defence | 4QFY25 Result Update

HOLD

CMP: Rs1,360 | Target Price (TP): Rs1,517 | Upside: 12%

May 01, 2025

Beat Expectations

Key Points

- Key indicators: Revenue, EBITDA, and PAT grew by 35.8%, 131%, and 98%, respectively, to Rs. 1,082mn, Rs. 283mn, and Rs. 197mn, above NBIE expectations of Rs. 837mn, Rs. 186mn, and Rs. 133mn due to decreased raw material prices, which fell by 10% year on year. The higher other income, which increased by 150% to Rs. 41 million, also led to a better profit for the quarter. The company concluded FY25 with yearly revenue/EBITDA/PAT growth rates of 44%, 90%, and 98%, respectively.
- PARAS has delivered 1 periscope every 3 months and is aiming for more. Optical systems developed by Paras in collaboration with Controp Precision, an Israeli company will begin deliveries from 2025. The company is also executing a contract for complete glass cockpit/Avionic suite for Saras MKII. The company is expecting promising growth from the High-Power laser Systems in the Ground to Air and Ground to Space applications with a total addressable market of Rs250bn.
- The company has declared a stock split at a ratio of 1:2. The division of the current 1 equity share with a face value of Rs. 10 each, fully paid-up, into 2 equity shares with a face value of Rs. 5 each, fully paid-up, is contingent upon the approval of shareholders.
- Guidance and Outlook:**
 - Revenue growth of 40-50%
 - Margins to improve from previous years
- NB:** *Nirmal Bang Institutional is scheduled to host Paras Defence & Space Technologies Limited on May 27th at 9:00 am during the NBIE INVESTOR CONFERENCE, taking place from May 26th to 27th, 2025. Mr. Harsh Bhansali, CFO, and Mr. Amit Mahajan, Director, will represent the company. Our objective is to seek deeper understanding of the business and its performance in the upcoming quarters.*
- View and valuation:** Revenue, EBITDA, and PAT Growth CAGR during FY25-FY27E stand at 26%, 26%, and 25%, respectively. The stocks has rallied by 40% since our preview result, issued on 13th April. We reduced the multiple from 72x to 62x to reflect its 3-year average. The stock is trading at a 1-year forward P/E of 55.6x, below the 3-year average P/E of 62x. We revise the stock to HOLD and value PARAS at 62x Mar'27E EPS (in line with the 3-year average P/E) to arrive at a TP of Rs1,517, implying an upside of 11.6%.

Est Change	Upward
TP Change	Upward
Rating Change	No Change

Company Data and Valuation Summary

Reuters:	PRAF.BO
Bloomberg:	PARAS IN Equity
Mkt Cap (Rsbn/US\$bn):	54.8 / 641.2
52 Wk H / L (Rs):	1,593 / 682
ADTV-3M (mn) (Rs/US\$):	775.2 / 9.0
Stock performance (%) 1M/6M/1yr:	41.9 / 34.9 / 87.2
Nifty 50 performance (%) 1M/6M/1yr:	2.9 / 6.0 / 7.4

Shareholding	2QFY25	3QFY25	4QFY25
Promoters	58.9	57.1	57.1
DII's	0.6	1.5	1.5
FII's	3.5	4.8	5.2
Others	37.0	36.6	36.2
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25	FY26E	FY27E
Net Sales	2,535	3,647	4,569	5,749
Growth YoY%	13.9	43.9	25.3	25.8
Gross margin %	52.5	53.3	51.9	51.6
EBITDA	511	972	1,224	1,542
EBITDA margin %	20.2	26.7	26.8	26.8
Adj PAT	321	635	795	986
Growth YoY%	(10.8)	98.0	25.3	23.9
Adj EPS	8.2	15.8	19.7	24.5
RoCE	6.2	10.7	11.4	13.2
RoE	7.5	11.8	11.9	13.1
RoIC	7.2	13.0	15.7	18.7
P/E	165.4	86.3	68.9	55.6
EV/EBITDA	104.8	55.5	43.4	34.4
P/BV	12.0	8.6	7.8	6.9

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links – [4QFY25Result](#)

Please refer to the disclaimer towards the end of the document.

4QFY25 performance update: PARAS achieved a revenue of Rs. 1,082 mn, up 35.8% YoY, driven by higher execution in the quarter. The Optics and Optronic Systems segment contributed 51%, while the Defence Engineering segment contributed to 49% of the revenue. The revenue from Optics segment grew by 374% YoY while the Defence Engineering revenue declined by 22%. Absolute EBITDA grew by 131% YoY driven by lower input costs. EBITDA Margin stood at 26% which is 1077bps higher than in 4QFY24. Adj. PAT increased by 98% YoY, supported by higher other income and lower than usual tax.

Recent Updates:

The Cabinet Committee on Security (CCS) has approved the launch of 52 surveillance satellites under a Rs. 270 billion program to enhance India's space-based monitoring capabilities. This development is expected to significantly benefit Paras Defence and Space Technologies, as it is the only private Indian company with end-to-end capabilities in designing, system engineering, manufacturing, integrating, testing, and space-qualifying optical systems for space programs.

Paras Defence has sold its entire 100% stake in Paras Green UAV Private Limited, a wholly owned subsidiary, comprising 10,000 equity shares of Rs. 10/—each to M/s. Euro Asia Exports Limited.

The company has signed a strategic Memorandum of Understanding (MoU) with MicroCon Vision Ltd, Israel, part of Controp and the Rafael Group. This collaboration will position Paras Defence as exclusive supplier of advanced drone camera technology in India, at much lower cost. It will offer two models, whose usual import price is around ₹20 lakh and ₹40 lakh per unit. Paras Defence anticipates 50-60% price reduction for each model, making advanced surveillance technology more accessible to Indian defence forces and for commercial applications.

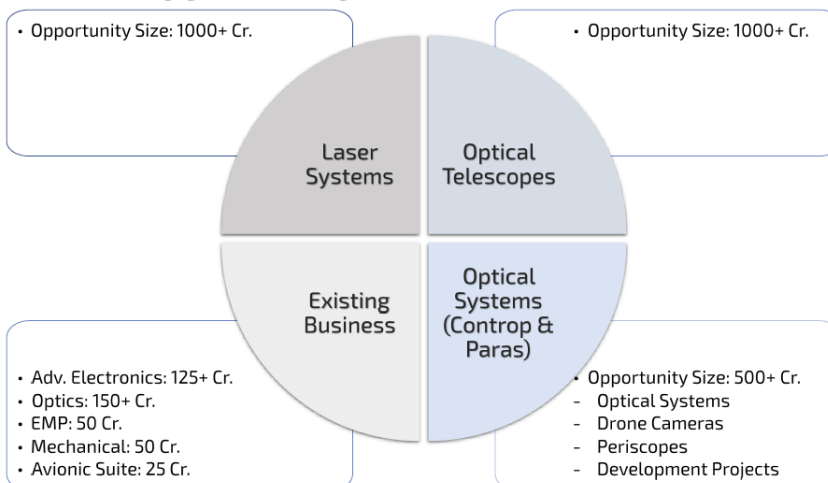
Exhibit 1: Locations



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Opportunities in FY26

High Value Opportunity Funnel – FY26



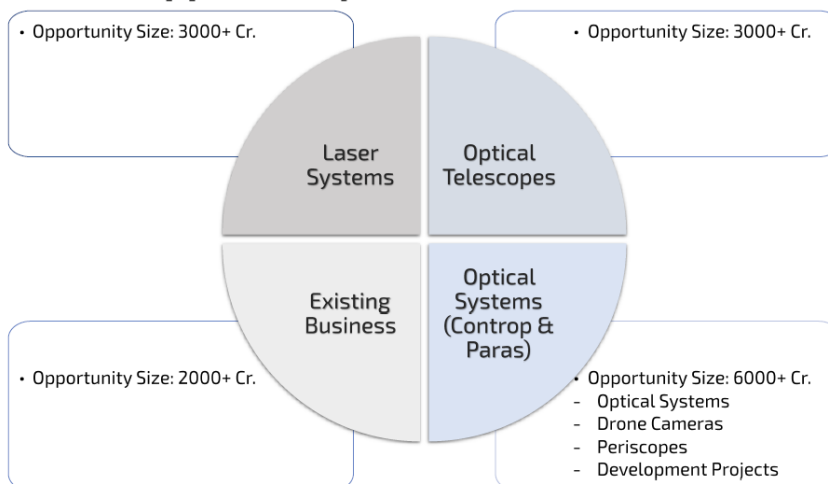
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www.parasdefence.com | business@parasdefence.com

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: High Value OpportunityY for the next 5 years

High Value Opportunity Funnel – 1 to 5 Years



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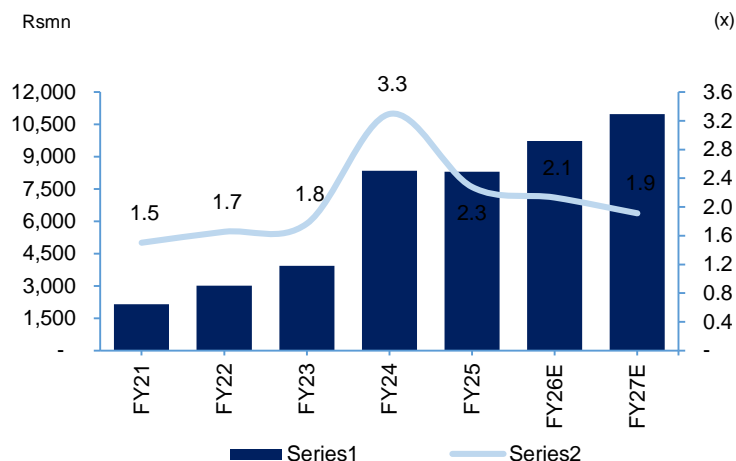
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: 4QFY25 consolidated performance

Particulars (Rsmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	FY24	FY25
Net Sales	483	613	642	797	836	871	858	1,082	2,535	3,647
YoY Change (%)	18.5	10.1	5.4	22.4	73.0	42.0	33.6	35.8	13.9	43.9
Expenditure										
Raw Material Consumed	138	257	461	406	288	298	319	366	1,262	1,271
Purchase of Traded Goods	49	63	17	148	48	85	79	130	277	341
Changes in Inventory	23	(58)	(177)	(122)	54	39	(7)	5	(334)	90
Employee Costs	74	76	77	83	88	92	100	95	309	375
Other Expenses	92	119	139	160	116	130	147	204	510	597
Total Expenditure	375	458	517	674	595	643	637	799	2,023	2,675
EBITDA	108	155	124	123	241	228	221	283	511	972
YoY Change (%)	(3.8)	10.3	(12.3)	(28.8)	122.7	46.4	77.3	130.9	(9.9)	90.2
Margin (%)	22.4	25.3	19.4	15.4	28.9	26.1	25.7	26.1	20.2	26.7
Depreciation	31	35	33	34	37	37	38	38	134	149
Interest	7	10	15	23	15	26	6	19	54	66
Other income	9	11	8	55	6	17	16	41	83	79
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	79	122	83	121	195	182	193	266	406	836
PBT	79	122	83	121	195	182	193	266	406	836
Tax	20	34	25	25	54	55	54	59	104	221
ETR (%)	25.5	28.0	30.0	20.8	27.6	30.0	28.0	22.1	25.7	26.5
Reported PAT	60	94	67	100	149	139	150	197	321	635
Adj. PAT	60	94	67	100	149	139	150	197	321	635
YoY Change (%)	(9.6)	11.1	(31.6)	(7.3)	147.1	47.1	125.8	97.8	(10.8)	98.0
Adj. EPS	1.5	2.4	1.7	2.6	3.8	3.6	3.7	4.9	8.2	15.8

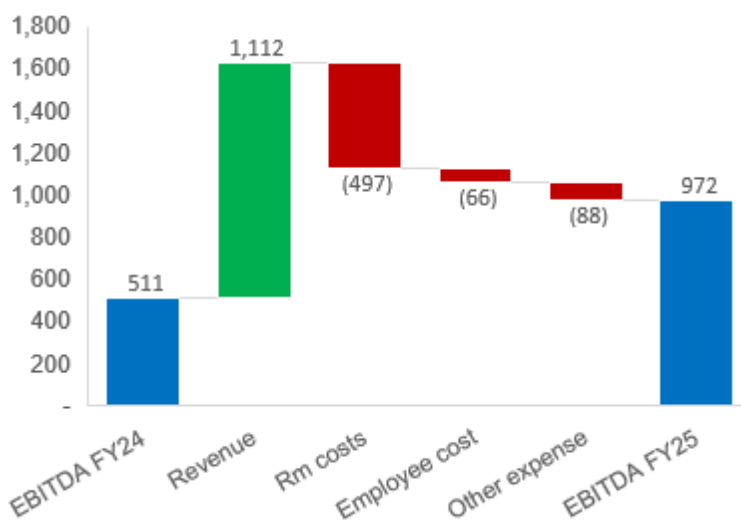
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Annual closing order book position



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: EBITDA movement



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Detailed financials

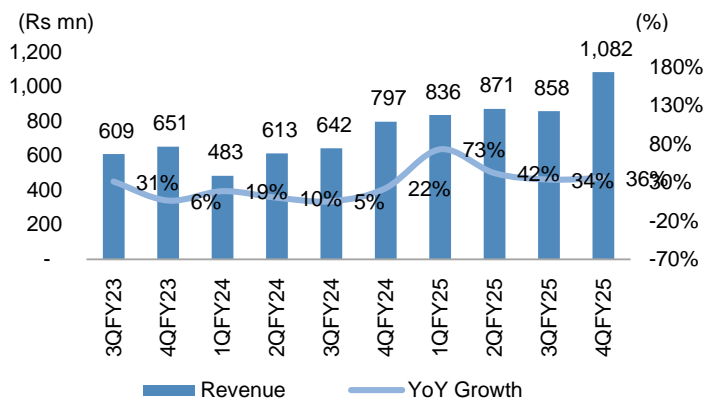
Y/E March (Rsmm)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	Estimates	Variance (%)	FY24	FY25	YoY (%)
Net Sales	797	858	1,082	35.8	26.2	837	29.3	2,535	3,647	43.9
Expenditure										
Raw Material Consumed	406	319	366	(9.9)	14.8	-	-	1,262	1,271	0.7
Purchase of Traded Goods	148	79	130	(12.1)	65.4	-	-	277	341	22.9
Changes in Inventory	(122)	(7)	5	NA	(166.2)	-	-	(334)	90	NA
Employee Costs	83	100	95	14.9	(5.4)	-	-	309	375	21.4
Other Expenses	160	147	204	27.6	38.6	-	-	510	597	17.2
Total Expenditure	674	637	799	18.5	25.5	651	22.8	2,023	2,675	32.2
EBITDA	123	221	283	130.9	28.3	186	52.2	511	972	90.2
EBITDA Margin (%)	15.4	25.7	26.1	1077bps	43bps	22.2	392bps	20.2	26.7	649bps
Depreciation	34	38	38	12.1	0.3	-	-	134	149	11.8
Interest	23	6	19	(15.9)	201.6	-	-	54	66	21.7
Other income	55	16	41	(26.1)	150.0	-	-	83	79	(4.2)
Exceptional Items	-	-	-	-	-	-	-	-	-	-
PBT	121	193	266	120.5	38.4	-	-	406	836	105.9
Tax	25	54	59	134.3	9.1	-	-	104	221	111.9
Reported PAT	100	150	197	97.8	31.1	-	-	321	635	98.0
Adjusted PAT	100	150	197	97.8	31.1	133	48.3	321	635	98.0
NPM (%)	12.5	17.5	18.2	571bps	69bps	15.9	233bps	12.6	17.4	476bps
EPS (Rs.)	2.6	3.7	4.9	91.5	31.1	3.3	48.3	8.2	15.8	91.6

Source: Company, Nirmal Bang Institutional Equities Research

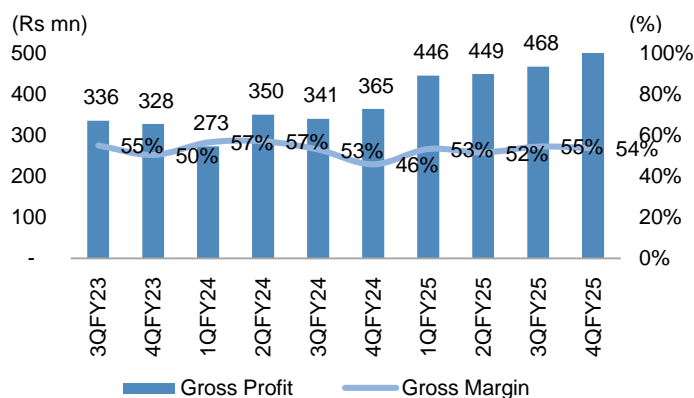
Exhibit 8: Change in estimates

Particulars	New			Old			% Change		
(Rs mn)	FY25	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Sales	3,647	4,569	5,749	3,401	4,253	5,319	7.2	7.4	8.1
EBITDA	972	1,224	1,542	875	1,091	1,361	11.1	12.2	13.3
Adj. PAT	635	795	986	570	705	864	11.3	12.8	14.1
Adj. EPS	15.8	19.7	24.5	14.6	17.5	21.4	7.7	12.8	14.1

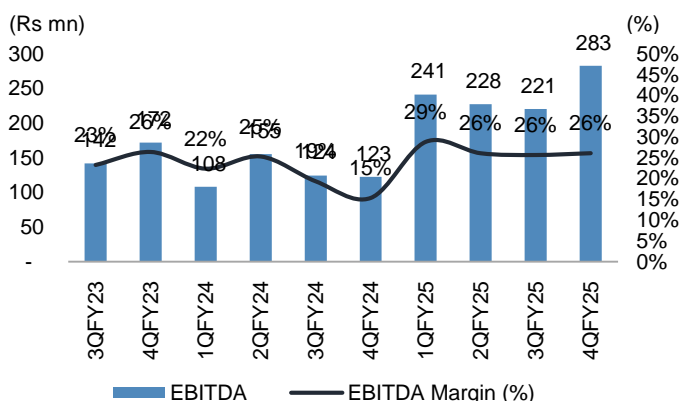
Source: Nirmal Bang Institutional Equities Research

Exhibit 9: Revenue increased by 36% YoY


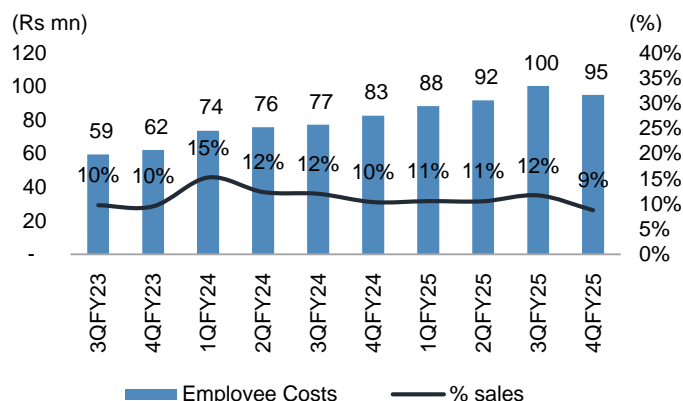
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Gross margin stood at 54%


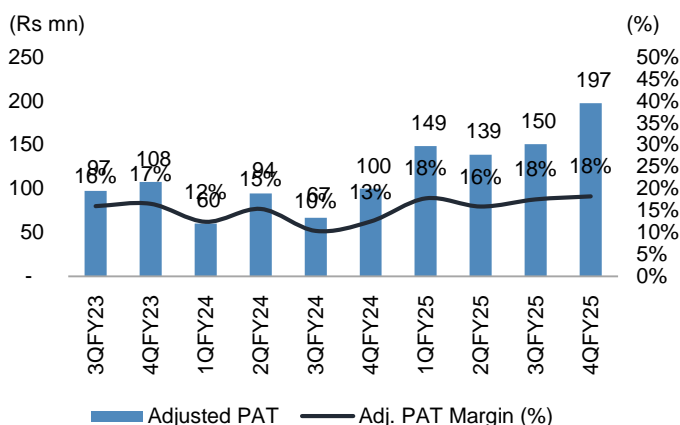
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: EBITDA margin came in at 26%


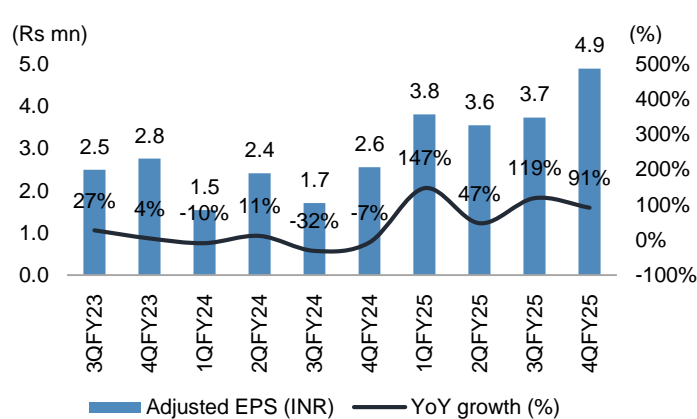
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Employee cost at 9% of sales


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: PAT margin came in at 18%


Source: Company, Nirmal Bang Institutional Equities Research

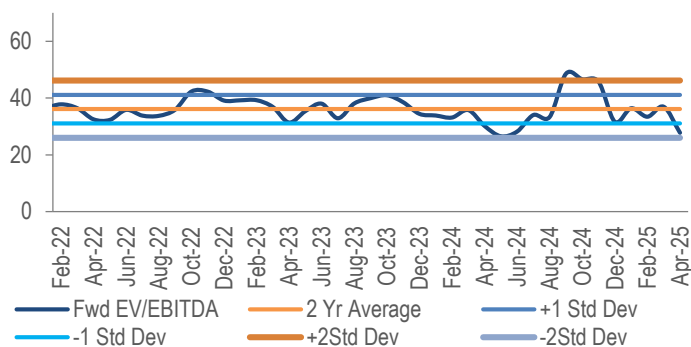
Exhibit 14: EPS up by 91% YoY


Source: Company, Nirmal Bang Institutional Equities Research

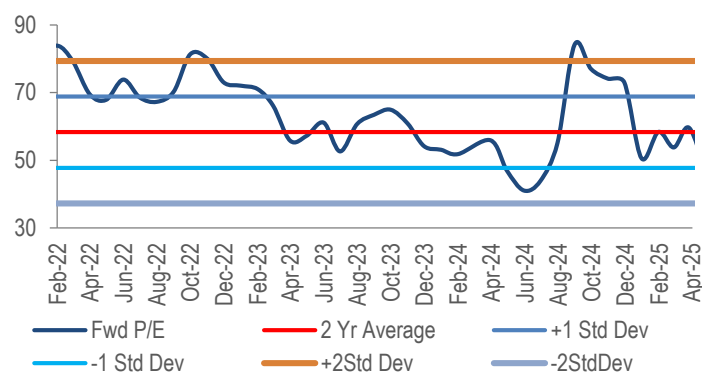
Exhibit 15: Valuation summary

Particulars	(Rs mn)
Mar'27 EPS	24
Target multiple (x)	62
Value per share (Rs)	1,517
CMP (Rs)	1,360
Upside / (downside) %	11.6%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Rolling valuation charts


Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

Financial Statements

Exhibit 17: Income statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	2,224	2,535	3,647	4,569	5,749
Growth YoY%	21.8	13.9	43.9	25.3	25.8
Gross profit	1,171	1,330	1,944	2,372	2,967
Gross margin %	52.6	52.5	53.3	51.9	51.6
Staff costs	219	309	375	441	530
% of sales	9.8	12.2	10.3	9.7	9.2
Other expenses	385	510	597	706	896
% of sales	17.3	20.1	16.4	15.5	15.6
EBITDA	568	511	972	1,224	1,542
Growth YoY%	9.4	(9.9)	90.2	25.9	25.9
EBITDA margin %	25.5	20.2	26.7	26.8	26.8
Depreciation	113	134	149	168	183
EBIT	455	378	823	1,056	1,359
Interest	67	54	66	68	94
Other income	82	83	79	39	15
PBT (bei)	471	406	836	1,026	1,280
PBT	471	406	836	1,026	1,280
ETR	23%	26%	26%	25%	25%
PAT	362	301	615	770	960
Adj PAT	360	321	635	795	986
Growth YoY%	32.6	(10.8)	98.0	25.3	23.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Balance sheet

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	390	390	403	403	403
Reserves	3,742	4,056	5,997	6,633	7,618
Net worth	4,132	4,446	6,399	7,036	8,021
Long term debt	9	23	13	13	13
Short term debt	136	635	227	227	227
Total debt	145	658	240	240	240
Net debt	(257)	544	(868)	(1,700)	(1,687)
Other non-current liabilities	232	234	231	231	231
Total Equity & Liabilities	5,205	6,397	8,520	9,019	10,106
Gross block	1,979	2,488	2,651	2,901	3,151
Accumulated depreciation	527	706	856	1,024	1,207
Net Block	1,452	1,782	1,795	1,877	1,944
CWIP	45	45	78	78	78
Intangible and others	64	65	93	93	93
Other non-current assets	314	485	526	526	526
Investments	170	-	6	6	6
Trade receivables	1,499	1,979	2,948	2,441	3,056
Inventories	934	1,502	1,509	1,602	2,020
Cash & Cash Equivalents	403	114	1,108	1,940	1,927
Other current assets	315	415	420	420	420
Total current assets	3,151	4,010	5,985	6,403	7,423
Trade payables	261	610	546	409	511
Other current liabilities	433	462	1,137	1,137	1,137
Total current liabilities	830	1,707	1,910	1,774	1,875
Total Assets	5,205	6,397	8,520	9,019	10,106

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Cash flow

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	468	405	836	1,026	1,280
Depreciation	113	134	149	168	183
Interest	67	54	66	68	94
Other adjustments	(47)	(5)	(3)	(39)	(15)
Change in Working capital	(49)	(927)	(417)	277	(932)
Tax paid	(95)	(117)	(184)	(257)	(320)
Operating cash flow	458	(456)	448	1,245	290
Capex	(253)	(260)	(352)	(250)	(250)
Free cash flow	204	(716)	96	995	40
Other investing activities	350	243	(518)	-	-
Investing cash flow	96	(17)	(870)	(250)	(250)
Issuance of share capital	-	-	1,315	-	-
Movement of Debt	(236)	500	(415)	-	-
Dividend paid (incl DDT)	-	-	-	-	-
Other financing activities	(61)	(46)	(55)	(30)	(79)
Financing cash flow	(404)	331	737	(189)	(79)
Net change in cash flow	150	(142)	315	806	(39)
Opening C&CE	22	171	30	344	1,940
Closing C&CE	171	30	344	1,940	1,927

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Key ratios

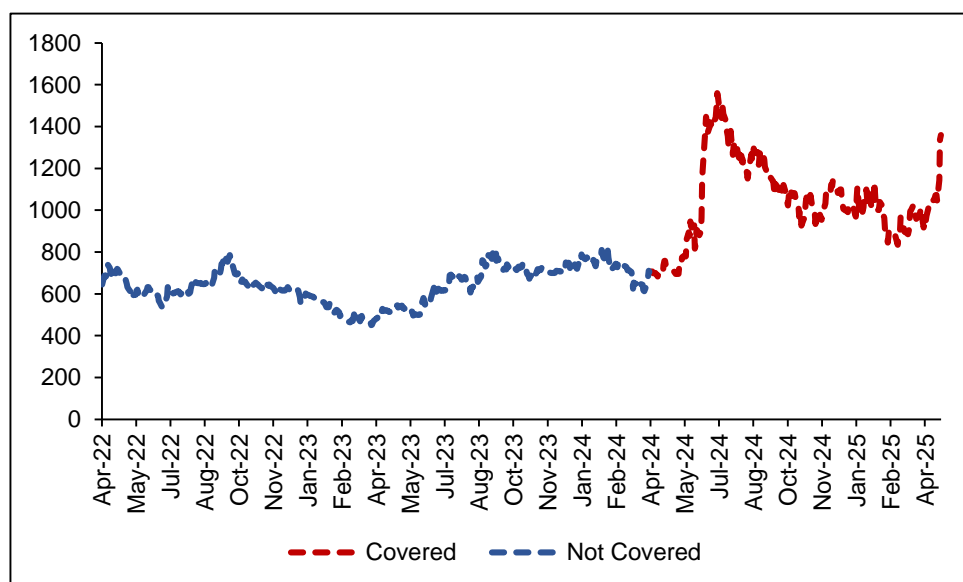
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	9.2	8.2	15.8	19.7	24.5
Book value	106.0	113.7	158.0	173.8	198.2
DPS	-	-	-	3.9	-
Valuation (x)					
P/Sales	23.8	20.9	15.0	12.0	9.5
EV/EBITDA	93.0	104.8	55.5	43.4	34.4
P/E	147.4	165.4	86.3	68.9	55.6
P/BV	12.8	12.0	8.6	7.8	6.9
Return ratios (%)					
RoCE	8.3	6.2	10.7	11.4	13.2
RoCE (pre-tax)	10.8	8.3	14.6	15.2	17.6
RoE	9.1	7.5	11.8	11.9	13.1
RoIC	10.3	7.2	13.0	15.7	18.7
Profitability ratios (%)					
Gross margin	52.6	52.5	53.3	51.9	51.6
EBITDA margin	25.5	20.2	26.7	26.8	26.8
PAT margin	16.2	12.6	17.4	17.4	17.1
Liquidity ratios (%)					
Current ratio	3.8	2.3	3.1	3.6	4.0
Quick ratio	2.7	1.5	2.3	2.7	2.9
Solvency ratio (%)					
Net Debt to Equity ratio	(0.1)	0.1	(0.1)	(0.2)	(0.2)
Turnover ratios					
Fixed asset turnover ratio (x)	1.2	1.1	1.4	1.6	1.9
Debtor days	224	200	198	195	194
Inventory days	277	270	268	266	265
Creditor days	72	70	68	68	67
Net Working capital days	429	400	398	393	392

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
5 April 2024	Hold	706	714
29 May 2024	Hold	877	916
18 July 2024	Sell	1,355	1,181
6 August 2024	Sell	1,286	1,135
11 October 2024	Hold	1,084	1,142
29 October 2024	Hold	956	1,037
10 January 2025	Hold	1,017	1,247
08 February 2025	Hold	1,040	1,378
13 April 2025	Buy	973	1,329
01 May 2025	Hold	1,360	1,517

Rating track graph



DISCLOSURES

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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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