

Paras Defence (PARAS)

Defence | NBIE Investor Conference

UPGRADE TO BUY

CMP: Rs1,625 | Target Price (TP): Rs1,877 | Upside: 15.5%

June 15, 2025

Consistently good performance

Key Points

- We hosted the management of Paras Defence and Space Technologies (PARAS) at the NBIE Investor Conference on 27th June, 2025 at Taj Santacruz to gain insights into their current business outlook. The company was represented by Amit Mahajan (Director - Technical and R&D) and Harsh Bhansali (CFO).
- 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 entered into a Joint Venture Agreement with Heven Drones Ltd, based in Israel, to establish a Subsidiary Company in India. This initiative aims to develop and produce logistics and cargo drones for both the defence and civil markets, aligning with the Government of India's Make in India initiative.
- Management Guidance:**
 - Management is expecting Revenue to grow by ~40% in FY26.
 - EBITDA margins are expected to remain stable at ~27%.
 - The current order book of the company stands at Rs9.3bn. This is expected to be executed in the next 18-24 months. It also has an order visibility of 36 periscopes for submarines where the company is expected to deliver 6 periscopes every year; each valued at ~Rs500mn.
 - The company expects orders worth Rs10bn in FY26.

View and valuation: Revenue, EBITDA, and PAT Growth CAGRs for FY25-FY27E are 37%, 38%, and 39%, respectively. PARAS is moving from a component supplier to a value-added systems maker by boosting in-house production to maintain higher profits. The company's revenue mix has evolved from 90:10 (Component: System) to 60:40, with a long-term objective of 40:60. PARAS expects the orderbook to reach Rs 10 bn in FY26 and then Rs 15 bn in the near future. The company has been delivering one periscope per quarter with secured orders, ensuring strong revenue visibility over the next 2-3 years. The company is presently selling at a P/E of 54x for FY27E, which is lower than its 3-yr average of 60x. We upgrade the company to "BUY" and value it at 62x FY27E EPS, resulting in a target price of Rs1,877, representing a 15.5% upside.

Est Change	Upgrade
TP Change	Upgrade
Rating Change	Upgrade

Company Data and Valuation Summary

Reuters:	PRAF.BO
Bloomberg:	PARAS IN Equity
Mkt Cap (Rsbn/US\$mn):	63.7 / 742.2
52 Wk H / L (Rs):	1,945 / 809
ADTV-3M (mn) (Rs/US\$):	2,342.9 / 27.5
Stock performance (%) 1M/6M/1yr:	14.5 / 43.9 / 76.4
Nifty 50 performance (%) 1M/6M/1yr:	(0.1) / 10.6 / 6.4

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	5,067	6,832
Growth YoY%	13.9	43.9	38.9	34.8
Gross margin %	52.5	53.3	52.9	53.0
EBITDA	511	972	1,358	1,854
EBITDA margin %	20.2	26.7	26.8	27.1
Adj PAT	321	635	896	1,220
Growth YoY%	(10.8)	98.0	41.1	36.2
Adj EPS	8.2	15.8	22.2	30.3
RoCE	6.2	10.7	12.6	15.4
RoE	7.5	11.8	13.1	15.5
RoIC	7.2	13.0	17.1	21.6
P/E	197.7	103.2	73.1	53.7
EV/EBITDA	125.1	66.5	47.1	34.4
P/BV	14.3	10.3	9.0	7.7

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links – [4QFY25 Result Update](#)

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

Conference Key Takeaways

Guidance and Recent Developments:

- The management's focus remains on executing high-margin, high-growth orders with revenue projected to grow by ~40% in FY26 supported by strong order inflows.
- Following the government's deregulation of the drone sector, Paras identified hydrogen-powered drones as a disruptive opportunity in defense-grade UAV technology.
- Paras has tied up with Heven Drones, an Israel based company making it the only company in India capable of designing, developing, and manufacturing hydrogen-powered drones with 12-hour flight time, compared to the industry average of ~30 minutes. These drones will be used for defence and civil market.
- Discussions are underway between IdeaForge and Paras to install Paras's electro-optical cameras on IdeaForge drones, further integrating its capabilities in India's UAV ecosystem.
- The company currently faces no competition in India or the South Pacific, enjoying a monopoly in several niche defense categories.
- Periscope prices have increased from Rs300mn to Rs500mn due to the addition of radio frequency (RF) modules, indicating value addition and pricing power.
- Paras has developed a fully indigenous jamming system that can jam drones operating in the 400 MHz to 6,000 MHz range. Currently, only Turkish drones pose a challenge due to their unique 5,030 MHz frequency—but Paras has developed a solution to tackle this as well.
- Paras has been elevated to the position of a Tier-1 supplier to platform manufacturers, significantly increasing the value of its offerings and strengthening its OEM partnerships.
- While R&D spending remains below 5% of total costs, the company continues to focus heavily on technology development and innovation, across its product lines.

Order Book:

- From the total order book of Rs9.28bn, the key contributions include:
 - Periscopes: Rs1.2bn
 - Contro systems: Rs3bn
 - Tank electronics: Rs1bn
 - Laser systems: Rs1.2bn
- Together, these contribute 50-60% to the total order book. Most technologies are co-developed with DRDO and Paras is appointed as the production agency post development.
- The order mix is largely domestic, with international orders accounting for less than 10%, as the company continues to prioritize Indian defense contracts due to its unique positioning.
- The company expects to secure orders worth Rs10bn in FY26, adding further visibility to future revenues.
- Most orders are executed over a cycle of 12-18 months, enabling steady revenue recognition.
- There is visibility for 36 periscopes tied to upcoming submarine orders, which are expected to be executed over the next 6 years, ensuring long-term revenue stability in this segment.

Exhibit 1: Annual closing order book position


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Change in estimates

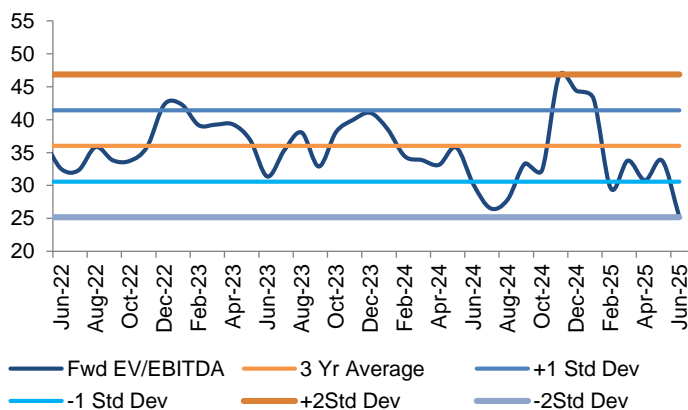
Particulars (Rs mn)	New			Old			% Change		
	FY25	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Sales	3,647	5,067	6,832	3,647	4,569	5,749	-	10.9	18.8
EBITDA	972	1,358	1,854	972	1,224	1,542	-	10.9	20.3
Adj. PAT	635	896	1,220	635	795	986	-	12.6	23.8
Adj. EPS (Rs)	15.8	22.2	30.3	15.8	19.7	24.5	-	12.6	23.8

Source: Nirmal Bang Institutional Equities Research

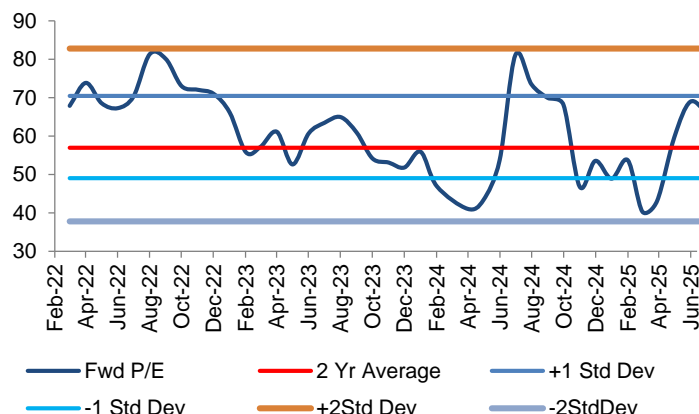
Exhibit 3: Valuation summary

Particulars	(Rs mn)
Mar 27E EPS	30
Target multiple (x)	62
Value per share (Rs)	1,877
CMP (Rs)	1625
Upside / (downside)	15.5%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Rolling valuation charts


Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

Financial Statements

Exhibit 5: Income statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	2,224	2,535	3,647	5,067	6,832
Growth YoY %	21.8	13.9	43.9	38.9	34.8
Gross profit	1,171	1,330	1,944	2,682	3,622
Gross margin %	52.6	52.5	53.3	52.9	53.0
Staff costs	219	309	375	480	624
% of sales	9.8	12.2	10.3	9.5	9.1
Other expenses	385	510	597	844	1,145
% of sales	17.3	20.1	16.4	16.7	16.8
EBITDA	568	511	972	1,358	1,854
Growth YoY %	9.4	(9.9)	90.2	39.7	36.5
EBITDA margin %	25.5	20.2	26.7	26.8	27.1
Depreciation	113	134	149	168	183
EBIT	455	378	823	1,190	1,671
Interest	67	54	66	68	94
Other income	82	83	79	39	15
PBT (bei)	471	406	836	1,160	1,592
PBT	471	406	836	1,160	1,592
ETR	23%	26%	26%	25%	25%
PAT	362	301	615	870	1,194
Adj PAT	360	321	635	896	1,220
Growth YoY %	32.6	(10.8)	98.0	41.1	36.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: 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	6,892	8,112
Net worth	4,132	4,446	6,399	7,295	8,515
Long term debt	9	23	13	13	13
Short term debt	136	635	227	227	327
Total debt	145	658	240	240	340
Net debt	(257)	544	(868)	(1,592)	(1,699)
Other non-current liabilities	232	234	231	231	231
Total Equity & Liabilities	5,205	6,397	8,520	9,314	10,849
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	2,707	3,463
Inventories	934	1,502	1,509	1,738	2,243
Cash & Cash Equivalents	403	114	1,108	1,832	2,040
Other current assets	315	415	420	420	420
Total current assets	3,151	4,010	5,985	6,697	8,165
Trade payables	261	610	546	444	660
Other current liabilities	433	462	1,137	1,137	1,137
Total current liabilities	830	1,707	1,910	1,809	2,124
Total Assets	5,205	6,397	8,520	9,314	10,849

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Cash flow

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	468	405	836	1,160	1,592
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)	(90)	(1,045)
Tax paid	(95)	(117)	(184)	(290)	(398)
Operating cash flow	458	(456)	448	978	411
Capex	(253)	(260)	(352)	(250)	(250)
Free cash flow	204	(716)	96	728	161
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)	-	100
Dividend paid (incl DDT)	-	-	-	-	-
Other financing activities	(61)	(46)	(55)	(30)	(79)
Financing cash flow	(404)	331	737	(30)	21
Net change in cash flow	150	(142)	315	698	182
Opening C&CE	22	171	30	344	1,832
Closing C&CE	171	30	344	1,832	2,040

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Key ratios

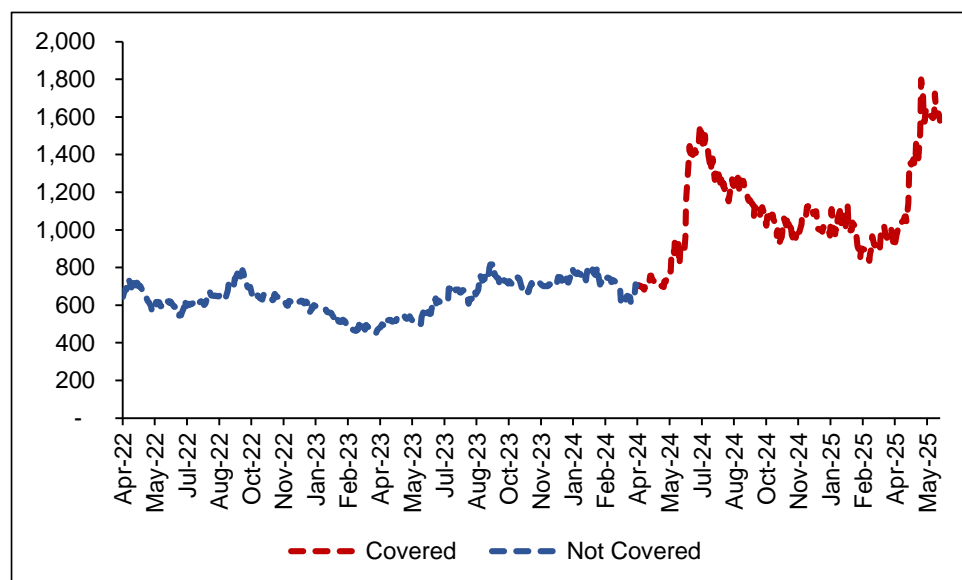
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	9.2	8.2	15.8	22.2	30.3
Book value	106.0	113.7	158.0	180.2	210.5
DPS	-	-	-	-	-
Valuation (x)					
P/Sales	28.5	25.0	18.0	12.9	9.6
EV/EBITDA	111.2	125.1	66.5	47.1	34.4
P/E	176.3	197.7	103.2	73.1	53.7
P/BV	15.3	14.3	10.3	9.0	7.7
Return ratios (%)					
RoCE	8.3	6.2	10.7	12.6	15.4
RoCE (pre-tax)	10.8	8.3	14.6	16.9	20.6
RoE	9.1	7.5	11.8	13.1	15.5
RoIC	10.3	7.2	13.0	17.1	21.6
Profitability ratios (%)					
Gross margin	52.6	52.5	53.3	52.9	53.0
EBITDA margin	25.5	20.2	26.7	26.8	27.1
PAT margin	16.2	12.6	17.4	17.7	17.9
Liquidity ratios (%)					
Current ratio	3.8	2.3	3.1	3.7	3.8
Quick ratio	2.7	1.5	2.3	2.7	2.8
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	1.8	2.3
Debtor days	224	200	198	195	185
Inventory days	277	270	268	266	255
Creditor days	72	70	68	68	75
Net Working capital days	429	400	398	393	365

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
05 April 2024	Hold	706	714
29 May 2024	Hold	877	916
18 July 2024	Sell	1,355	1,181
06 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	Buy	1,017	1,247
09 February 2025	Buy	1,040	1,378
21 February 2025	Buy	901	1,178
13 April 2025	Buy	973	1,329
01 May 2025	Hold	1,360	1,517
15 June 2025	Buy	1,625	1,877

Rating track graph



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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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