

Paras Defence (PARAS)

Defence | Management Meeting Update

BUY

CMP: Rs663 | Target Price (TP): Rs977 | Upside: 47%

December 09, 2025

Clearer vision ahead with rising optical mix

Key Points

- We hosted the management of Paras Defence and Space Technologies (PARAS) virtually on 8-Dec-25 to gain insights into their current business outlook. The company was represented by Amit Mahajan (Director, Technical and R&D) and Harsh Bhansali (CFO).
- The order book is led by optics (60% or Rs5.5–6bn), covering periscopes and space-optics programs, while defence engineering, including EMP protection, tank electronics, and mechanical systems, contributes (40% or ~Rs4bn). Engineering orders execute faster, whereas optical programs have longer cycles. Margins have strengthened sharply with defence engineering EBITDA margins rising from 12% to 22% and optronics at 54%. As the optronics mix increases, overall margins should move above 29%, supported by Paras' unmatched domestic capability in optical design and manufacturing. The company aims to build global competitiveness with Israel playing a key role in this progression.

Management Guidance

- Management expects FY26 revenue in the range of Rs4.5–5bn. We have assumed the upper end of this guidance, as the company will begin delivering higher-value periscopes priced at Rs500mn each from 4QFY26, compared to the current periscopes being supplied at Rs300mn each. Orders in hand are sufficient to cover FY26 revenue, and additional inflows will support FY27 growth. Of the 36 periscopes, 24 will be replacements for existing platforms.
- EBITDA margins are expected to remain stable at ~27% and with increasing share of optronics, margins could improve to 29% and beyond in the coming years.
- The current order book of the company stands at ~Rs10bn. The order book consists of optics at more than 60% (Rs5.5–6bn), which includes periscopes and all space optics programs. Defence engineering, including EMP protection, tank electronics, and mechanical engineering, accounts for around Rs4bn.
- The company expects orders worth Rs10bn in FY26 and expects to close FY26 with an order book of Rs11bn.

View and valuation: Revenue, EBITDA, and PAT CAGR for FY25–FY27E stands at 33%, 35%, and 37%, respectively. The company enjoys near-zero competition in key defence niches, while the defence engineering segment—despite lower margins—offers strong scalability. Paras's move to Tier-1 supplier status is improving working capital cycles through higher customer advances. The stock trades at 44x FY27E EPS, below its three-year average of 56x. We maintain BUY with a valuation of 57x Sep-27E EPS and a TP of Rs977. The recent 13% correction offers 47% upside. Upside drivers include strong multi-year revenue visibility, margin expansion from higher-value products, improving working capital, and attractive valuations post-correction.

Est Change	No Change
TP Change	No Change
Rating Change	No Change

Company Data and Valuation Summary

Reuters:	PRAF.BO
Bloomberg:	PARAS IN Equity
Mkt Cap (Rsbn/US\$mn):	53.4 / 595.0
52 Wk H / L (Rs):	973 / 405
ADTV-3M (mn) (Rs/US\$):	642.5 / 7.3
Stock performance (%) 1M/6M/1yr:	(2.1) / (19.5) / 16.4
Nifty 50 performance (%) 1M/6M/1yr:	1.4 / 4.4 / 5.5

Shareholding	4QFY25	1QFY26	2QFY26
Promoters	57.1	53.7	53.2
DII's	1.5	2.0	1.5
FII's	5.2	6.9	5.7
Others	36.2	37.5	39.7
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25	FY26E	FY27E
Net Sales	2,535	3,647	4,780	6,469
Growth YoY %	13.9	43.9	31.1	35.3
Gross margin %	52.5	53.3	55.7	55.5
EBITDA	511	972	1,313	1,774
EBITDA margin %	20.2	26.7	27.5	27.4
Adj PAT	321	635	905	1,199
Growth YoY %	(10.8)	98.0	42.6	32.5
Adj EPS (Rs)	4.1	7.9	11.2	14.9
RoCE	6.2	10.7	12.1	14.7
RoE	7.5	11.8	13.3	15.2
RoIC	7.2	13.0	16.8	22.0
P/E	161.2	84.1	59.0	44.5
EV/EBITDA	102.2	54.0	39.5	29.0
P/BV	11.7	8.4	7.3	6.3

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Key Links – [2QFY26 Result Update](#)

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

Key Conference Takeaways

Key Developments

- Focus will continue to be on optical systems, a segment that has clearly accelerated. Paras remains the only company supplying periscopes for submarines in India.
- The space camera will launch in 60 days, opening an entirely new opportunity for the company, and is being developed in collaboration with Controp Israel. The company is also active in multiple tank electronics programs.
- Technology development is progressing strongly, and by the next calendar year Paras expects to deliver high-power lasers for air-defence systems, a program awarded by DRDO. The total addressable market for this line exceeds Rs10bn.
- In anti-drone systems, the company is developing the core building blocks; demonstrations have been successful and orders have come through emergency procurement channels. The company is sitting on more than Rs1bn in opportunities. The overall opportunity funnel exceeds Rs20bn. EMP protection is another area where increasing threat visibility creates a growing market and Paras has a significant position here.
- The company is also developing drone cameras and aspires to become India's only drone-camera manufacturer. Parallel work is ongoing on ground-to-space systems and situational-awareness programs with Paras positioned as a partner to India's space research ecosystem.

Performance

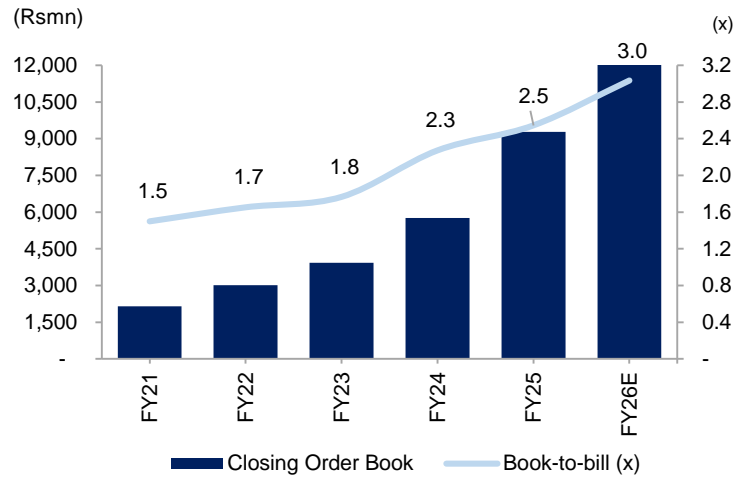
- In tank electronics, Paras is manufacturing systems earlier sourced from Russia. Annual revenue in this line is Rs500–700mn. Cameras for tanks cost around Rs4mn each.
- Periscope performance in India has been strong and several programs are in the pipeline. The company expects sustained demand, supported by spares and overhaul requirements that create recurring revenue. There is visibility for 36 periscopes in total with steady-state production of 6 units annually at Rs500mn each. The company is currently executing periscope orders valued at Rs300mn per unit and Q4 will mark the commencement of deliveries under the new Rs500mn-per-unit program. From FY28, Paras aims to consistently supply 6 periscopes each year.
- The company's positioning in the defence market is highly exclusive with zero competition in key segments. Defence engineering has 4–5 competitors, resulting in lower margins, but the segment scales well and supports revenue growth. Paras has also moved up the value chain to become a Tier-1 supplier, improving working capital dynamics through advances received.
- The company is engaging with all platform manufacturers to build its pipeline. Drone cameras cost anywhere between 30 to over 100% value relative to the drone platform; this is a high-leverage opportunity.
- In telescopes, competition primarily comes from PSUs, which were earlier Paras's customers and the product value involved is large.
- The investment in NextLeap is purely in personal capacity. NextLeap operates in agri and industrial drones, and once they move to higher-value platforms, Paras will also supply cameras to them.

Order Book

- The order book consists of optics at more than 60% (Rs5.5–6bn), which includes periscopes and all space optics programs. Defence engineering, including EMP protection, tank electronics, and mechanical engineering, accounts for around Rs4bn.
- Engineering orders move faster, while optical programs have longer gestation periods. EBITDA margins in defence engineering have improved from 12% to 22%. Optronics margins stand at 54%. As the share of optronics grows, overall margins are expected to rise beyond 29%. Margin strength comes from Paras's optical design and manufacturing capability, which has no domestic competition. The ambition is to be globally competitive with Israel playing an important role in this roadmap.

Guidance

- Revenue for FY26 is expected to be ~Rs4.5–4.7bn on the lower side and around Rs5bn on the higher side. Management retains its guidance. The company will close the year with an order book of more than Rs11bn and revenue growth guidance of 40–50% remains intact for the next 2–3 years.
- Orders in hand are sufficient to cover FY26 revenue and additional inflows will support FY27 growth. Of the 36 periscopes, 24 will be replacements for existing platforms.

Exhibit 1: Annual closing order book position


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Change in estimates

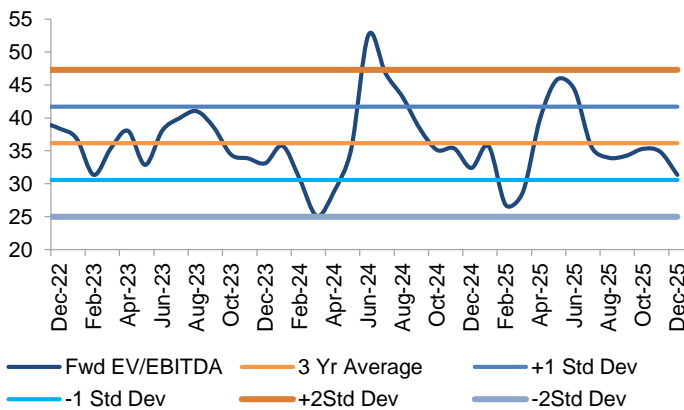
(Rsmn)	New		Old		% Change	
Particulars	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	4,780	6,469	4,780	6,469	-	-
EBITDA	1,313	1,774	1,313	1,774	-	-
PAT	905	1,199	905	1,199	-	-

Source: Nirmal Bang Institutional Equities Research

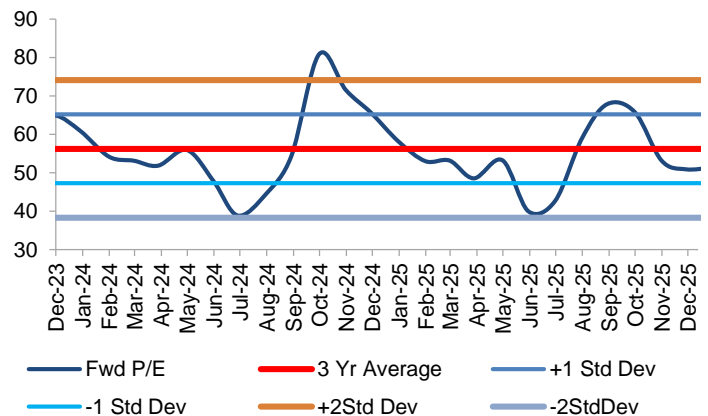
Exhibit 3: Valuation summary

Particulars	(Rsmn)
Sep-27E EPS	17
Target multiple (x)	57
Value per share (Rs)	977
CMP (Rs)	663
Upside / (downside)	47.4%

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	4,780	6,469
Growth YoY %	21.8	13.9	43.9	31.1	35.3
Gross profit	1,171	1,330	1,944	2,665	3,589
Gross margin %	52.6	52.5	53.3	55.7	55.5
Staff costs	219	309	375	507	671
% of sales	9.8	12.2	10.3	10.6	10.4
Other expenses	385	510	597	844	1,144
% of sales	17.3	20.1	16.4	17.7	17.7
EBITDA	568	511	972	1,313	1,774
Growth YoY %	9.4	(9.9)	90.2	35.1	35.1
EBITDA margin %	25.5	20.2	26.7	27.5	27.4
Depreciation	113	134	149	166	183
EBIT	455	378	823	1,148	1,591
Interest	67	54	66	58	104
Other income	82	83	79	94	78
PBT (bei)	471	406	836	1,184	1,565
PBT	471	406	836	1,184	1,565
ETR	23%	26%	26%	26%	25%
PAT	362	301	615	880	1,174
Adj PAT	360	321	635	905	1,199
Growth YoY %	32.6	(10.8)	98.0	42.6	32.5

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	6,901	8,100
Net worth	4,132	4,446	6,399	7,304	8,503
Long term debt	9	23	13	13	13
Short term debt	136	635	227	527	527
Total debt	145	658	240	540	540
Net debt	(257)	544	(868)	(1,569)	(2,005)
Other non-current liabilities	232	234	231	231	231
Total Equity & Liabilities	5,205	6,397	8,520	9,897	11,404
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	3,012	3,545
Inventories	934	1,502	1,509	1,739	2,210
Cash & Cash Equivalents	403	114	1,108	2,109	2,546
Other current assets	315	415	420	420	420
Total current assets	3,151	4,010	5,985	7,281	8,720
Trade payables	261	610	546	719	1,026
Other current liabilities	433	462	1,137	1,137	1,137
Total current liabilities	830	1,707	1,910	2,383	2,690
Total Assets	5,205	6,397	8,520	9,897	11,404

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	1,184	1,565
Depreciation	113	134	149	166	183
Interest	67	54	66	58	104
Other adjustments	(47)	(5)	(3)	(94)	(78)
Change in Working capital	(49)	(927)	(417)	(122)	(696)
Tax paid	(95)	(117)	(184)	(304)	(391)
Operating cash flow	458	(456)	448	888	687
Capex	(253)	(260)	(352)	(250)	(250)
Free cash flow	204	(716)	96	638	437
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)	300	-
Dividend paid (incl DDT)	-	-	-	-	-
Other financing activities	(61)	(46)	(55)	36	(26)
Financing cash flow	(404)	331	737	336	(26)
Net change in cash flow	150	(142)	315	974	411
Opening C&CE	22	171	30	344	2,109
Closing C&CE	171	30	344	2,109	2,546

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Key ratios

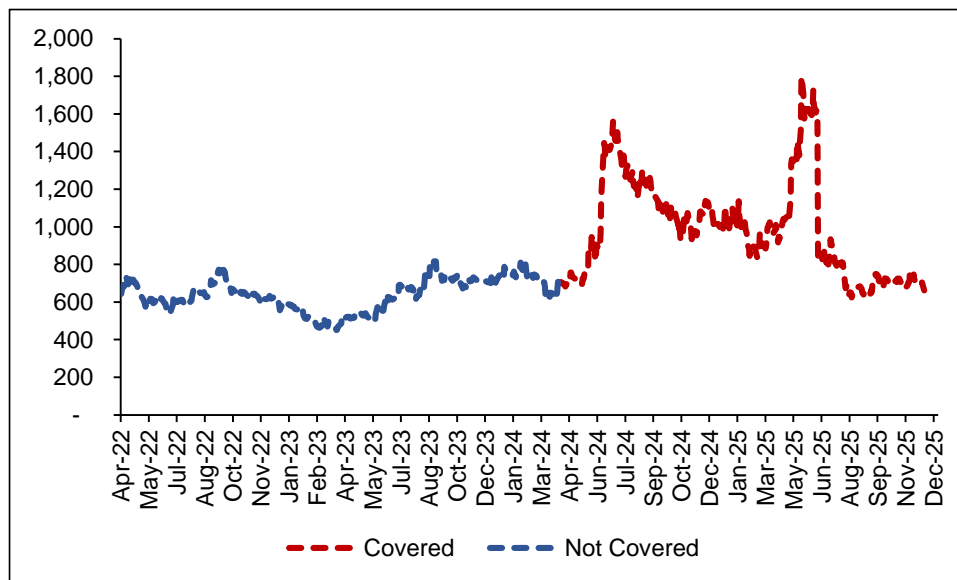
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	4.6	4.1	7.9	11.2	14.9
Book value	53.0	56.8	79.0	90.2	105.1
DPS	-	-	-	-	-
Valuation (x)					
P/Sales	23.2	20.4	14.6	11.2	8.3
EV/EBITDA	90.6	102.2	54.0	39.5	29.0
P/E	143.7	161.2	84.1	59.0	44.5
P/BV	12.5	11.7	8.4	7.3	6.3
Return ratios (%)					
RoCE	8.3	6.2	10.7	12.1	14.7
RoCE (pre-tax)	10.8	8.3	14.6	16.3	19.6
RoE	9.1	7.5	11.8	13.3	15.2
RoIC	10.3	7.2	13.0	16.8	22.0
Profitability ratios (%)					
Gross margin	52.6	52.5	53.3	55.7	55.5
EBITDA margin	25.5	20.2	26.7	27.5	27.4
PAT margin	16.2	12.6	17.4	18.9	18.5
Liquidity ratios (%)					
Current ratio	3.8	2.3	3.1	3.1	3.2
Quick ratio	2.7	1.5	2.3	2.3	2.4
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	1.7	2.1
Debtor days	224	250	247	230	200
Inventory days	277	369	323	300	280
Creditor days	72	132	124	124	130
Net Working capital days	429	487	445	406	350

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
13 July 2025	Buy	813	939
26 July 2025	Buy	783	976
10 October 2025	Buy	721	976
14 November 2025	Buy	719	979
09 December 2025	Buy	663	977

Rating track graph



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Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

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