

CMP: ₹967 (05 Jun, 2026)

M Cap: ₹7,794 Cr.

Target : ₹1,300

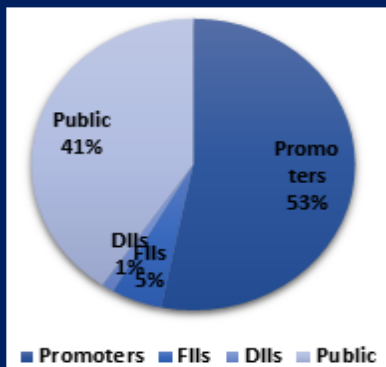
Key Information***

NSE Code	PARAS
BSE Code	543367
Shares o/s (Cr)	8.06
FV (₹)	5
Latest EPS (TTM) ₹	10.93
Latest PE Ratios (x)	88.5
Latest BV ₹	84.8
51 Wk H (₹)	994
52 Wk L (₹)	581

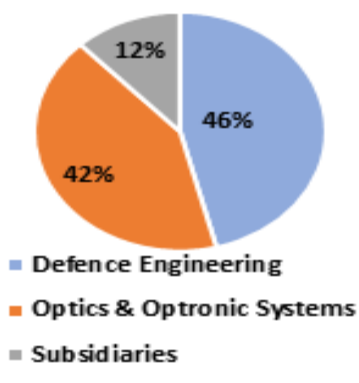
Price Chart*



Shareholding Pattern Mar'26



Revenue Mix FY26



Paras Defence and Space Technologies focus on the design, development, manufacturing, and testing of a wide range of engineering products and solutions for the defence and space sectors. Its business activities are focused on four key areas: Defence & Space Optics, Defence Electronics, Heavy Engineering, and Electromagnetic Pulse Protection Solutions. It exports its systems and solutions to countries including Israel, Europe, the USA, and South Korea

Investment Rationale

➤ **Moat**

Paras Defence possesses several highly differentiated capabilities that position it as a strategically important player in India’s defence and space ecosystem. It is the only manufacturer of submarine periscopes in the Asia-Pacific region, the sole domestic provider of turnkey electromagnetic pulse (EMP) protection solutions, and the only Indian private-sector company, alongside ISRO, with indigenous hyperspectral imaging capabilities for space applications.

The company supplies critical imaging components for space optics, develops advanced defence technologies with DRDO, and is expanding into drone imaging systems with the goal of becoming India’s only domestic drone camera manufacturer. Backed by strong indigenous R&D, it is strategically positioned in India’s defence and space sectors.

➤ **Diversified product portfolio**

The company operates across defence and space optics, defence electronics, heavy engineering, and electromagnetic pulse (EMP) protection solutions, catering to a wide range of applications in missiles,

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naval systems, armoured vehicles, electronic warfare, surveillance, and space programs. Its offerings include precision optical components, rugged military electronics, specialized engineering products, and critical infrastructure protection systems.

The broad product mix enables the company to participate in various defence and space



projects, strengthens its competitive position, and provides multiple avenues for growth as India continues to focus on defence modernization and indigenous manufacturing.

➤ **Defence & border security opportunity**

Paras Defence is strategically positioned to capitalize on India's growing investments in border security modernization and advanced surveillance infrastructure. Its expertise in anti-drone technologies, electro-optics, radar electronics, electronic warfare, and secure communications aligns well with the government's Smart Border initiative, which focuses on technology-led surveillance and intrusion detection. As border security agencies increasingly adopt AI-powered monitoring systems, anti-drone solutions, and integrated security networks, the company is well placed to benefit from expanding procurement opportunities, creating a significant long-term growth driver alongside its core defence and space

operations.

➤ **Order book provides revenue visibility**

The company's order book currently stands between ₹986 crore and ₹1,050 crore, providing strong revenue visibility for the next two years based on FY26 revenue levels. The order backlog is predominantly driven by the Optics & Optronic Systems segment, which accounts for approximately 55% of orders, followed by Defence Engineering at 35% and Anti-Drone solutions at 10%.

Reflecting confidence in business momentum and execution capabilities, management has reiterated its expectation of achieving 40–50% revenue growth over the next 2–3 years.

➤ **Strong clientele**

The company has built strong, long-standing relationships with several marquee clients across government, PSU, private-sector, and international markets, including DRDO, ISRO, BEL, GRSE, L&T, Tata Group, BrahMos Aerospace, Solar Industries India, Tata Power, Rafael Advanced Defence Systems, Controp, Taeyoung Optics and Israel Aerospace Industries.

➤ **Joint Venture (JVs)**

Over the years, it has formed several strategic JVs and partnerships to expand its capabilities in drones, space technology, and defence systems. Prominent JVs of the company are: Heven Drones, Israel (has 51% stake and manufactures hydrogen powered drones) and Controp Precision Technologies (to manufacture world class EO/IR (Electro-Optical/Infrared) Systems in India). It uses strategic JVs to absorb foreign technology and IP, enabling its products to qualify under the Ministry of Defence's IDDM category. This creates a strong advantage in securing high-value defence contracts that favor indigenous products over imports.

Risks

Optics-heavy order book may slow revenue conversion

Its order book is largely in the 'Optics & Optronics Systems' segment. While this segment generally offers higher margins, many projects have longer execution and qualification cycles, which can make revenue recognition less predictable and stretch cash-conversion timelines.

Susceptibility to tender-based business

The scale of operations and profit margins rely entirely on securing competitive bidding tenders. This vulnerability creates volatile revenue cycles.

Dependence on government procurement

With major customers including DRDO, ISRO, and Bharat Electronics, the company is heavily reliant on government spending. As a result, shifts in defence expenditure, policy decisions, or budgetary allocations may materially influence its revenue and growth prospects.

Valuations & Recommendation

Paras Defence is a niche defence technology player with strong indigenous capabilities, a healthy order book, and exposure to high-growth segments such as optronics, drones, and space technologies. Supported by a debt-free balance sheet and favourable defence spending trends, the company remains well positioned for sustained long-term growth.

Valuing the company at its median P/E of 82.3x its FY28E EPS results in a **target price of ₹1,300**.

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Financials

	Q4FY26	Q4FY25	YoY	Q3FY26	QoQ	FY25	FY26 (Reported)	FY27E	FY28E
Operating Revenue	171	108	17.5%	106	4.3%	365	477	615	768
EBIDTA	43	28	14.4%	26	4.2%	97	120	166	215
EBIDTA M	24.9%	26.1%		24.7%		26.7%	25.2%	27.0%	28.0%
Profit for the Period	39	21	-17.4%	17	-14.4%	61	90	116	152
Profit Margin	22.7%	19.2%		15.8%		16.9%	18.8%	18.9%	19.8%
EPS (Dil)	4.27	2.45	-17.6%	2.26	-12.1%	8.01	10.93	14.42	18.91

Sources: NSE, EFL Research

Research Analyst	Syantina Mallick Chowdhury (research@easternfin.com)
Research Team	Partha Mazumder (partha@easternfin.com) Sanjukta Majumdar (research@easternfin.com) Sayantina Mallick Chowdhury (syantina@easternfin.com)

EFL's recommendation nomenclatures (12 months investment horizon)	
BUY	>15%
Accumulate	5% to 15%
Hold	5% to -5%
Reduce	-5% to 15%
Sell	< -15%
NR (Not Rated)	No specific call on the stock
UR (Under review)	Stock being reviewed – rating may change shortly

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