

Paras Defence (PARAS)

Defence | 2QFY26 Result Update

BUY

CMP: Rs719 | Target Price (TP): Rs977 | Upside: 36%

November 14, 2025

Strong execution in defence engineering drives growth; optronics segment remains stable

Key Points

- Revenue, EBITDA, and PAT grew 21.4%, 30.5%, and 45% YoY, respectively, coming in at Rs1,057mn, Rs297mn, and Rs201mn. This performance was marginally lower than NBIE estimates of Rs1,176mn (revenue), Rs312mn (EBITDA), and Rs213mn (PAT). With revenue and profits both expanding, the company appears to be scaling up in line with India's defence manufacturing push. Margin increase (~28%) is noteworthy, showing improving cost/product mix dynamics.
- **Key Drivers and Highlights:**
 - Growth was driven by strong execution in the defence engineering segment (64% of revenue), which grew 41% YoY, while the optics & optronics segment (36% of revenue) remained flat YoY.
 - The company secured a significant recent order of ~Rs356.8mn for portable counter-drone systems, plus an ~Rs39.5mn order for RF jammers (via subsidiary) from the Ministry of Defence.
- **Company Guidance and Outlook:**
 - 35-40% revenue growth and ~27% EBITDA margins in FY26.
 - Strong order book in pipeline at Rs20-30bn over next 18-24 months.

The management does not conduct conference calls regularly; hence, we have retained the guidance provided in Jun-25.

- **View and valuation:** Revenue, EBITDA, and PAT are expected to clock a CAGR of 33%, 35%, and 37%, respectively, over FY25–FY27E. The stock is currently trading at 48x FY27E EPS, below its 3-year average P/E of 57x. We maintain our BUY rating and assign a target P/E multiple of 62x Sep-27E EPS, arriving at a target price of Rs977, implying an upside of 36%. Our premium valuation is justified by Paras being the sole player in optical systems across the Asia-Pacific region, which enables the company to command strong margins and sustain a competitive edge.

2QFY26 performance update: Paras Defence reported healthy growth in Q2FY26 with revenue, EBITDA, and PAT rising 21.4%, 30.5%, and 45% YoY to Rs1,075mn, Rs297mn, and Rs201mn, respectively. The performance was marginally below NBIE estimates of Rs1,176mn (revenue), Rs312mn (EBITDA), and Rs213mn (PAT). The steady expansion in both revenue and profitability reflects the company's continued scale-up in alignment with India's defence manufacturing push.

Operating margin improved to ~28%, highlighting favorable cost efficiencies and an improved product mix. Growth was primarily led by the defence engineering segment (64% of revenue), which recorded a 41% YoY increase, while the optics & optronics segment (36% of revenue) remained largely flat YoY.

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):	57.9 / 653.5
52 Wk H / L (Rs):	973 / 405
ADTV-3M (mn) (Rs/US\$):	452.8 / 5.1
Stock performance (%) 1M/6M/1yr:	1.6 / 1.3 / 53.9
Nifty 50 performance (%) 1M/6M/1yr:	2.8 / 5.1 / 10.0

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	174.9	91.3	64.0	48.3
EV/EBITDA	110.7	58.7	42.9	31.5
P/BV	12.6	9.1	8.0	6.8

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Key Links – [1QFY26 Result Update](#)

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

Exhibit 1: Locations

Locations



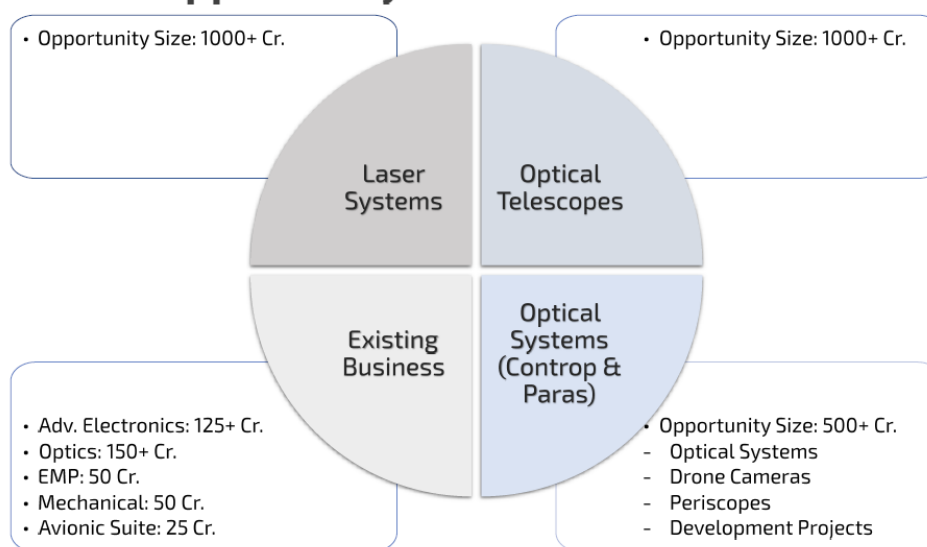
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www.parasdefence.com | business@parasdefence.com

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Opportunities in FY26

High Value Opportunity Funnel – FY26



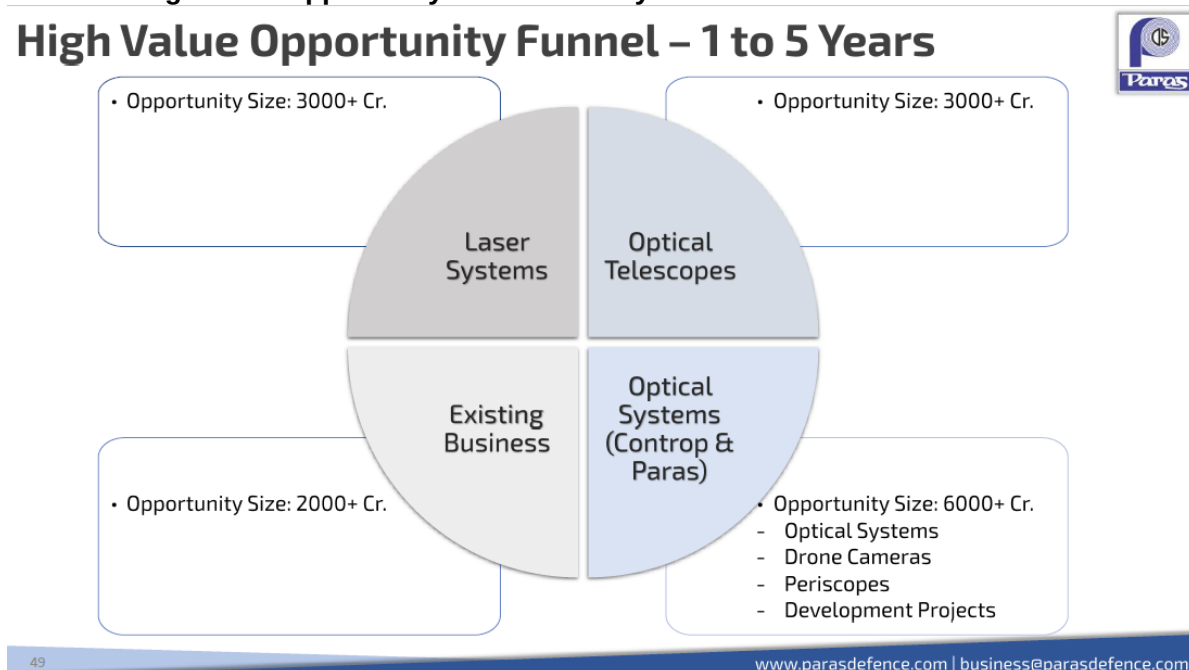
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Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: High-value opportunity for the next 5 years

High Value Opportunity Funnel – 1 to 5 Years



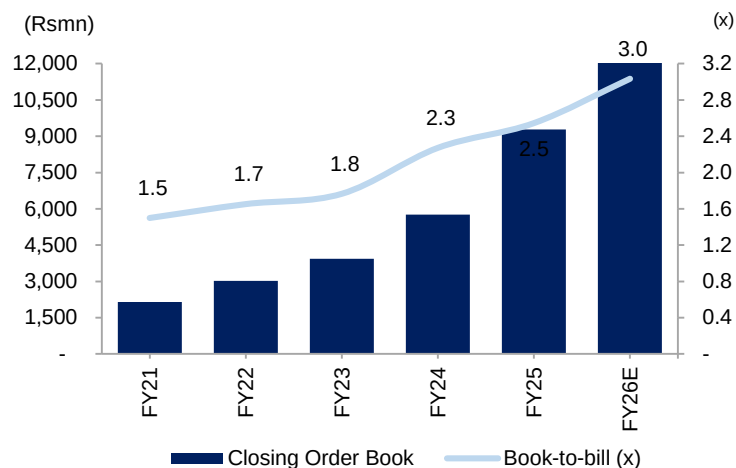
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: 2QFY26 consolidated performance

Particulars (Rsmn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	FY25	FY26E
Net Sales	836	871	858	1,082	932	1,057	1,244	1,082	3,647	4,780
YoY Change (%)	73.0	42.0	33.6	35.8	11.5	21.4	45.0	35.8	43.9	31.1
Expenditure										
Raw Material Consumed	288	298	319	366	355	365	430	366	1,271	1,647
Purchase of Traded Goods	48	85	79	130	35	89	91	130	341	383
Changes in Inventory	54	39	(7)	5	46	13	14	5	90	87
Employee Costs	88	92	100	95	115	111	135	95	375	507
Other Expenses	116	130	147	204	162	183	224	204	597	844
Total Expenditure	595	643	637	799	712	760	894	799	2,675	3,467
EBITDA	241	228	221	283	220	297	350	283	972	1,313
YoY Change (%)	122.7	46.4	77.3	130.9	(9.0)	30.5	58.6	130.9	90.2	35.1
Margin (%)	28.9	26.1	25.7	26.1	23.6	28.1	28.1	26.1	26.7	27.5
Depreciation	37	37	38	38	40	42	42	38	149	166
Interest	15	26	6	19	8	12	19	19	66	58
Other income	6	17	16	41	24	23	23	41	79	94
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	195	182	193	266	195	266	313	266	836	1,184
PBT	195	182	193	266	195	266	313	266	836	1,184
Tax	54	55	54	59	52	71	78	59	221	304
ETR (%)	27.6	30.0	28.0	22.1	26.5	26.8	25.0	22.1	26.5	25.7
Reported PAT	141	127	139	208	143	195	234	208	615	880
Adj. PAT	149	139	150	197	149	201	241	197	635	905
YoY Change (%)	147.1	47.1	125.8	97.8	0.1	45.0	60.1	97.8	98.0	42.6
Adj. EPS (Rs)	1.9	1.8	1.9	2.4	1.8	2.5	3.0	2.4	7.9	11.2

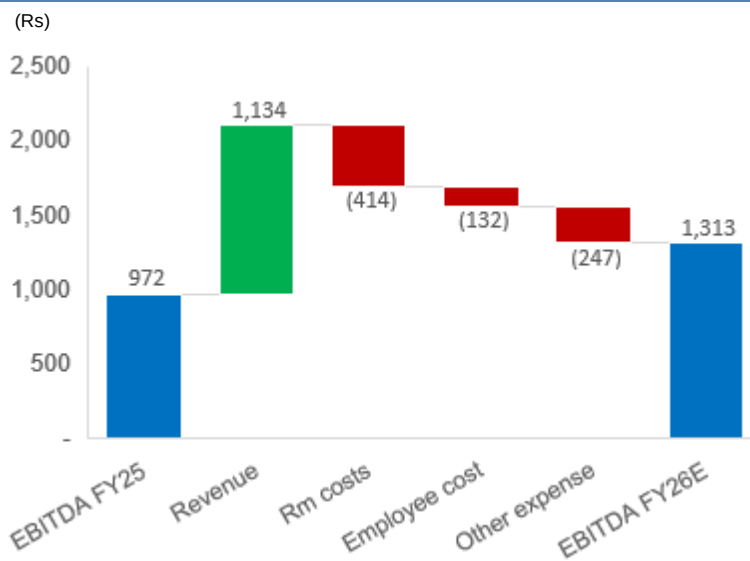
Source: Company, Nirmal Bang Institutional Equities Research

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

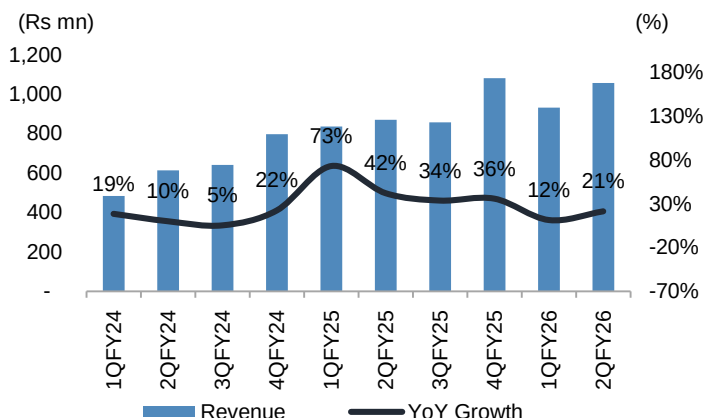
Y/E March (Rsmn)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	Estimates	Variance (%)	FY25	FY26E	YoY (%)
Net Sales	871	932	1,057	21.4	13.4	1,176	(10.1)	3,647	4,780	31.1
Expenditure										
Raw Material Consumed	298	355	365	22.3	2.9	-	-	1,271	1,647	29.6
Purchase of Traded Goods	85	35	89	5.2	151.4	-	-	341	383	12.2
Changes in Inventory	39	46	13	NA	(70.8)	-	-	90	87	NA
Employee Costs	92	115	111	20.7	(4.1)	-	-	375	507	35.0
Other Expenses	130	162	183	40.2	13.0	-	-	597	844	41.4
Total Expenditure	643	712	760	18.2	6.7	864	(12.0)	2,675	3,467	29.6
EBITDA	228	220	297	30.5	35.3	312	(4.7)	972	1,313	35.1
EBITDA Margin (%)	26.1	23.6	28.1	196bps	453bps	26.5	159bps	26.7	27.5	82bps
Depreciation	37	40	42	13.6	5.3	-	-	149	166	10.9
Interest	26	8	12	(53.1)	44.6	-	-	66	58	(13.1)
Other income	17	24	23	36.5	(4.2)	-	-	79	94	18.2
Exceptional Items	-	-	-	-	-	-	-	-	-	-
PBT	182	195	266	46.3	36.2	-	-	836	1,184	41.7
Tax	55	52	71	30.4	37.5	-	-	221	304	37.3
Reported PAT	127	143	195	53.1	35.7	-	-	615	880	43.2
Adjusted PAT	139	149	201	45.0	35.2	213	(5.5)	635	905	42.6
NPM (%)	15.9	16.0	19.0	310bps	306bps	18.1	92bps	17.4	18.9	152bps
EPS (Rs)	1.8	1.8	2.5	40.4	35.2	5.3	(52.8)	7.9	11.2	42.6

Source: Company, Nirmal Bang Institutional Equities Research

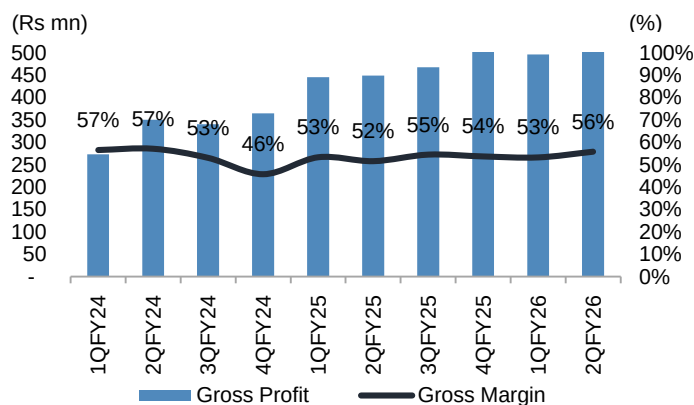
Exhibit 8: Change in estimates

Particulars (Rsmn)	Changes in Estimates					
	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	4,780	6,469	4,899	6,627	(2.4)	(2.4)
EBITDA	1,310	1,770	1,303	1,765	0.6	0.3
Adj. PAT	903	1,196	895	1,189	0.8	0.6
Adj. EPS (Rs)	11.2	14.8	11.1	14.8	0.8	0.6

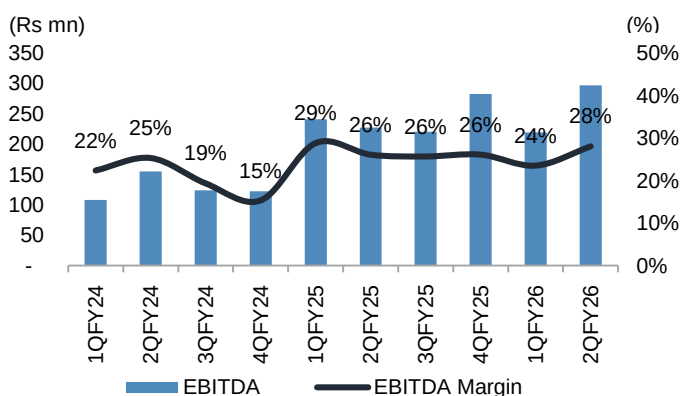
Source: Nirmal Bang Institutional Equities Research

Exhibit 9: Revenue increased 21% YoY


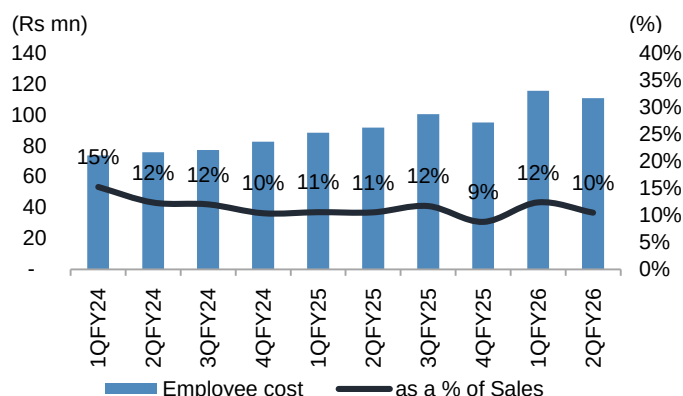
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Gross margin stood at 56%


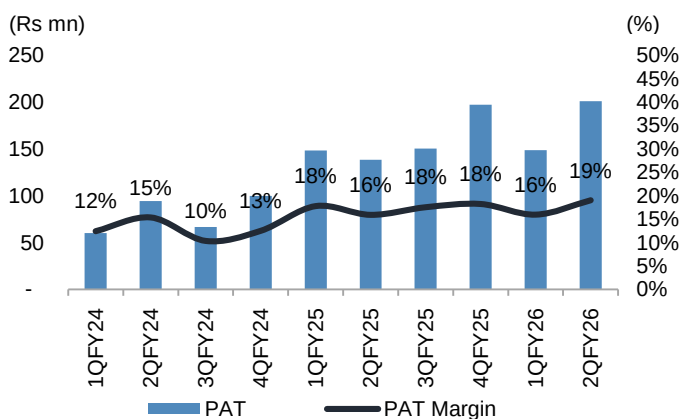
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: EBITDA margin came in at 28%


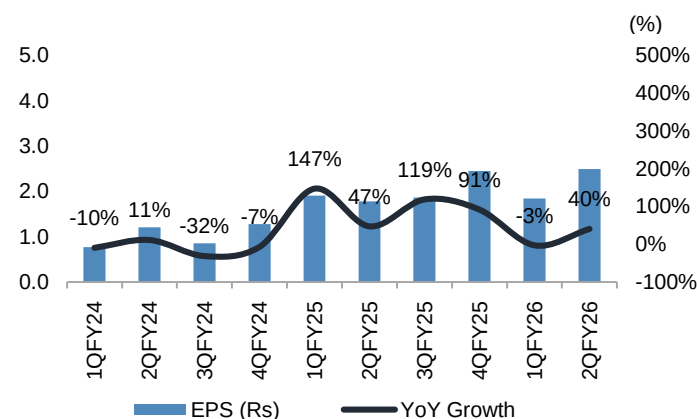
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Employee cost was at 10% of sales


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: PAT margin came in at 19%


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: EPS was up 40% YoY


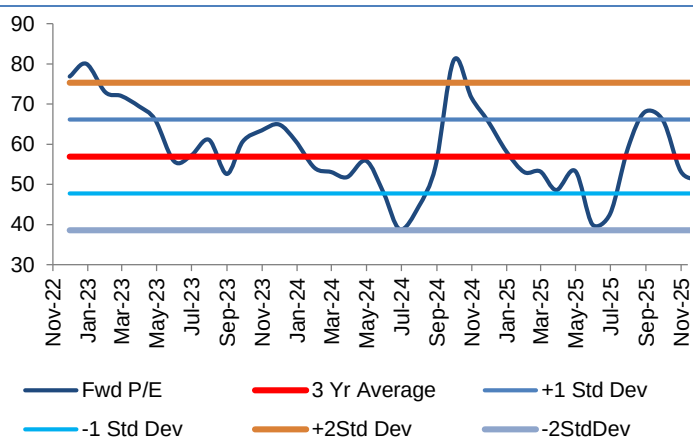
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Valuation summary

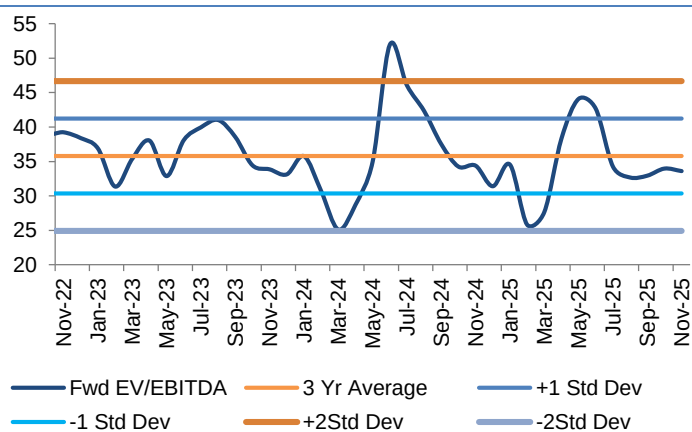
Particulars	(Rsmn)
Sep-27E EPS	17
Target multiple (x)	57
Value per share (Rs)	977
CMP (Rs)	719
Upside / (downside)	35.9%

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	4,780	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	510	675
% of sales	9.8	12.2	10.3	10.7	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	1,310	1,770
Growth YoY %	9.4	(9.9)	90.2	34.8	35.1
EBITDA margin %	25.5	20.2	26.7	27.4	27.4
Depreciation	113	134	149	166	183
EBIT	455	378	823	1,145	1,587
Interest	67	54	66	58	104
Other income	82	83	79	94	78
PBT (bei)	471	406	836	1,181	1,561
PBT	471	406	836	1,181	1,561
ETR	23%	26%	26%	26%	25%
PAT	362	301	615	878	1,171
Adj PAT	360	321	635	903	1,196
Growth YoY %	32.6	(10.8)	98.0	42.2	32.5

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	6,899	8,095
Net worth	4,132	4,446	6,399	7,302	8,498
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)	(1,567)	(2,000)
Other non-current liabilities	232	234	231	231	231
Total Equity & Liabilities	5,205	6,397	8,520	9,895	11,398
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	2,107	2,540
Other current assets	315	415	420	420	420
Total current assets	3,151	4,010	5,985	7,278	8,715
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	9,895	11,398

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	1,181	1,561
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)	(303)	(390)
Operating cash flow	458	(456)	448	885	684
Capex	(253)	(260)	(352)	(250)	(250)
Free cash flow	204	(716)	96	635	434
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	971	408
Opening C&CE	22	171	30	344	2,107
Closing C&CE	171	30	344	2,107	2,540

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Key ratios

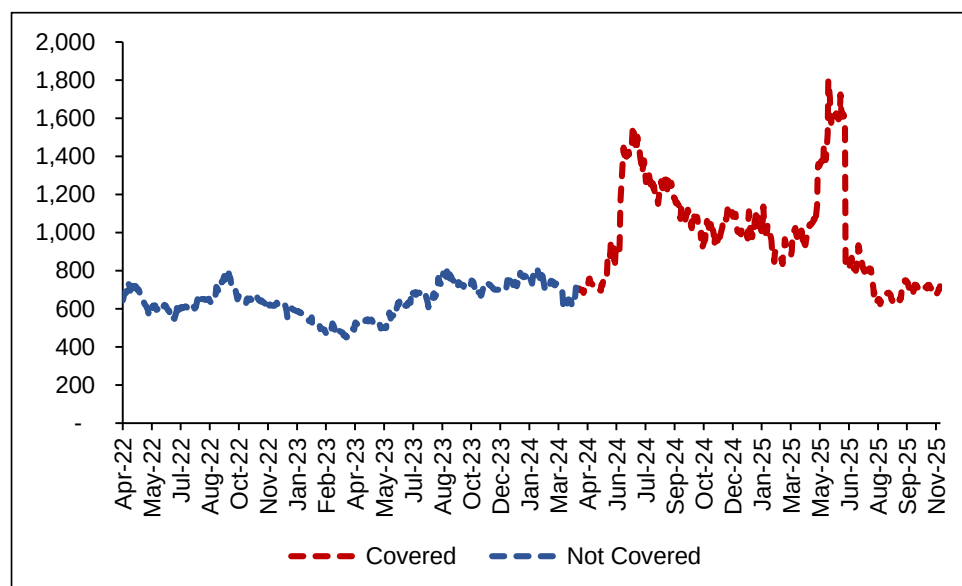
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	4.6	4.1	7.9	11.2	14.8
Book value	53.0	56.8	79.0	90.2	105.1
DPS	-	-	-	-	-
Valuation (x)					
P/Sales	25.2	22.1	15.9	12.1	9.0
EV/EBITDA	98.3	110.7	58.7	43.0	31.6
P/E	155.9	174.9	91.3	64.2	48.4
P/BV	13.6	12.6	9.1	8.0	6.8
Return ratios (%)					
RoCE	8.3	6.2	10.7	12.1	14.7
RoCE (pre-tax)	10.8	8.3	14.6	16.2	19.6
RoE	9.1	7.5	11.8	13.2	15.2
RoIC	10.3	7.2	13.0	16.7	22.0
Profitability ratios (%)					
Gross margin	52.6	52.5	53.3	55.7	55.5
EBITDA margin	25.5	20.2	26.7	27.4	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)
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
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	977

Rating track graph



DISCLOSURES

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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Seshagiri Ranganathan	Head of Sales	seshagiri.r@nirmalbang.com	+91 22 6273 8228
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park,
 Lower Parel (W), Mumbai-400013.
 Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010