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Issue Details	
Price Band (Rs)	Rs.165 - 175
Face Value (Rs)	10
Issue Size (Rs)	170.78Cr
Issue Type	Book Building
Minimum lot	85 Shares
Issue Opens	September 21, 2021
Issue Closes	September 23, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	September 28, 2021
Unblocking of Funds	September 29, 2021
Credit of shares to Demat Account	September 30, 2021
Listing on exchange	October 01, 2021

Other Detail	
Book Running Lead Managers	Anand Rathi Advisors Limited
Registrar	Link Intime India Private Limited

“Company to list in the T2T category”

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Paras Defence and Space Technologies Ltd.

Company Background

Paras Defence and Space Technologies Ltd. (“Paras Defence”) was incorporated on June 16, 2009. Paras Defence is one of the leading ‘Indigenously Designed Developed and Manufactured’ (“IDDM”) category Indian private sector company engaged in designing, developing, manufacturing and testing of a wide range of defence and space engineering products and solutions. The company has five major product category offerings - Defence & Space Optics, Defence Electronics, Heavy Engineering, Electromagnetic Pulse Protection Solutions, and Niche Technologies. Paras Defence has two manufacturing facilities in Maharashtra, located in Navi Mumbai and Thane. As of June 30, 2021, they employed 341 employees.

Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.140.60Cr and Offer for sale of Equity Shares aggregating upto Rs.30.18Cr. (The company has undertaken a Pre-IPO Placement of 2,552,598 Equity Shares at a price of Rs.134.76/- per share, aggregating to Rs.34.40 Crore).

Issue Objectives

- Fund capital expenditure requirements: Rs.34.66 Crore
- Funding incremental working capital requirements: Rs.60 Crore
- Repayment or prepayment of all or a portion of certain borrowings/outstanding loan facilities availed by the company. Rs.12 Crore
- To meet general corporate purposes.

IPO Share Allotment Pattern

Category	Allocation	Number of Shares at Rs.165	Number of Shares at Rs.175	Issue Size [^] (Rs.Cr)
QIB	50%	51,22,851	48,79,388	85.39
Non-Institutional	15%	15,36,855	14,63,816	25.62
Retail	35%	35,85,996	34,15,572	59.77
Total		1,02,45,702	97,58,776	170.78

Source: Company RHP, ACMIIL Research, ^ Issue at upper price band

Outlook and Valuations

India is trying to develop its indigenous manufacturing capabilities and focusing on increasing the product range of the defence equipment that it can produce locally, thereby, reducing its dependency on the import of defence equipment. Hence, the sector is poised to grow in the near term. Paras defence has a diversified product offering. Paras Defence has a strong product line and its clients are secure and stable. Currently, the majority of the revenues come from defence but in the future, the company expects to derive revenues from space optics which includes revenues from in-house manufacture of drone cameras and space cameras thereby reducing dependence on government orders over the years. At the upper price band of Rs.175/-, stock is valued at 43.23x of FY21 Earnings of Rs.4.05 (based on fully diluted post issue equity). **We recommend subscribing to the issue from a listing gain perspective.**

Competitive Strengths

One of the few players in high precision optics manufacturing for space and defence application in India

Paras Defence is one of the few manufacturers in India with comprehensive in-house capabilities of designing, developing and manufacturing optics for space and defence application in India. It houses equipment and machinery, inter alia, for nano technology, machining, grinding, polishing and turning coupled with a robust testing set up for measuring the performance parameters of the optical components. Their in-house facilities include single point diamond turning machines, grinding and polishing machines for precision optics and large size space optics, optical thin film coatings with fully equipped metrology with contact and non-contact measurements. They have uniquely positioned themselves to cater to demand from Government space organisation for optics in earth observation and space exploration missions.

Well positioned to benefit from the Government's "Atmanirbhar Bharat" and "Make in India" initiatives

Paras Defence falls within category of IDDM, the highest category in the priority of categorization under Defence Acquisition Procedure since most of their products and components are designed, developed and manufactured by them in India. Recently, the MoD has announced the Defence Acquisition Procedure which has come into effect from October 1, 2020. This procedure focuses on significantly boosting indigenous production and turning India into a global manufacturing hub of weapons and military platforms. This procedure has been aligned with the vision of the Government's Atmanirbhar Bharat (self-reliant India) initiative and to empower Indian defence industry through 'Make in India' projects.

Strong relationships with a diverse customer base

Paras Defence has a diversified customer base which ranges from Government arms and government organizations involved in defence and space research, to various defence public sector undertakings. Their established heritage of experience in designing, developing and manufacturing components for diverse customers in defence and space sector has enabled them to develop a deep understanding of the sectors and customers' requirement.

Major Clientele

Domestic Customers	Foreign Customers
Bharat Electronics Ltd (BEL),	Advanced Mechanical and Optical Systems (AMOS), Belgium,
Hindustan Aeronautics Ltd (HAL),	Chaban (Israel),
Bharat Dynamics Ltd (BDL),	Tae Young Optics Company Limited (South Korea),
Hindustan Shipyard Ltd (HSL),	Green Optics (South Korea) etc.
Electronic Corporation of India Ltd (ECIL),	
Tata Consultancy Services Ltd (TCS),	
Solar Industries India Ltd,	
Alpha Design Technologies Ltd,	
Astra- Rafael Comsys Pvt. Ltd.	

Source: Company RHP, ACMIL Research

Diversify the products and solutions range, with focus on growth by expansion into opportunistic areas

As of June 30, 2021, Paras Defence has a range of 34 different categories of products and solutions, with multiple variations in each category. Paras Defence has exclusively partnered with ISISpace for manufacturing cubesats in India. They have also partnered with other technology companies such as HPS, GmbH for Large Deployable Antennas for space, Invent, GmbH for CFRP structures for space and Kley, France for military winches which will further broaden their product portfolio.

Their subsidiary, Paras Aerospace Pvt Ltd aims to offer UAV integration solutions and UAV services for a wide range of applications such as agriculture, power transmission, oil and gas, mining and construction. The flagship product of Paras Aerospace Pvt Ltd will be a Cloud based NPNT Solution (offered as software-as-a-service) and Indigenous Multispectral Camera for various applications including agriculture. Further, their subsidiary, Paras Anti-drone Technologies Pvt Ltd will design sub modules and they will be involved in integrating the solution. Paras Anti-drone Technologies aims to be one of the first indigenous anti-drone technology development company in India and is currently collaborating with leading UAV anti-drone technology firms to further develop its expertise in designing customer-specific modules.

Financial Snapshot (Consolidated)

Particulars (Rs. Mn)	FY19	FY20	FY21
Equity share capital	57	284	299
Net worth	1,191	1,387	1,724
Net asset value per share	39	46	55
Debt to Equity Ratio	0.57	0.60	0.51
Revenue from Operations	1,544	1,470	1,433
EBITDA	428	393	434
EBITDA %	27.7	26.7	30.3
Net Profit	190	197	158
Diluted EPS (Rs)	6.74	6.92	5.55
ROE	15.93	14.17	9.12

Source: Company RHP, ACMIIL Research

Comparison With Listed Peers: The company has no listed peers to compare with.

Risk and Concern

1. Customer Concentration: Top 5 customers contributes 59.63% of revenues in FY21.
2. If it fails to keep its technical knowledge and process know-how confidential, it may suffer a loss of its competitive advantage.

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