



Sep 16, 2021

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

IPO

One of the leading private company in Indian Defence Sector, Paras Defence and Space Technologies Ltd said it will launch its initial public offer (IPO) on Sep 21, 2021. The offer will close on Sep 23, 2021 and the company has fixed the price band at ₹165-175 per equity share.

Rating: **Subscribe**

Analyst

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Company's Overview

- Paras Defence and Space Technologies Ltd is an 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.
- The company also delivers customized turnkey projects in the defence segment.
- The company is the only Indian company with the design capability for space-optics and opto-mechanical assemblies and is one of the leading providers of optics for various Indian defence and space programmes
- The customer base of the company includes Government arms and notable Indian public and private sector companies including Bharat Electronics Ltd (BEL), Hindustan Aeronautics Ltd (HAL), Bharat Dynamics Ltd (BDL), Hindustan Shipyard Ltd (HSL), Electronic Corporation of India Ltd (ECIL), Tata Consultancy Services Ltd (TCS), Solar Industries India Ltd, Alpha Design Technologies Private Ltd and Astra-Rafael Comsys Private Ltd.
- The foreign customers of the company include Advanced Mechanical and Optical Systems (AMOS), Belgium, Tae Young Optics Company Limited (South Korea), and Green Optics (South Korea) etc.
- The company have two manufacturing facilities in Maharashtra, located at Nerul in Navi Mumbai and Ambarnath in Thane and the current order book of the company is ₹3,049.92 million as on June 30, 2021.

Valuations

- Considering the FY-21 adjusted EPS of Rs.4.05 on post issue basis, the company is going to list at a P/E of 43.23 with a market cap of Rs.6,825 mn. There are no listed entities in India whose business portfolio is comparable with that of company's business.
- We assign "Subscribe" rating to this IPO as company offer a wide range of products and solutions for both defence and space applications and is well positioned to benefit from the Government's "Atmanirbhar Bharat" and "Make in India" initiatives

Financial Snapshot

Particulars (in millions)	FY21	FY20	FY19
Revenue	1,433.30	1,470.43	1,543.99
Other Income	12.77	20.08	27.70
Total Income	1,446.07	1,490.51	1,571.69
Total Expenses	1,219.96	1,272.59	1,303.58
EBITDA	433.98	392.70	428.33
EBITDA Margin	30.28%	26.71%	27.74%
PAT	157.86	196.57	189.70
PAT Margins	11.01%	13.37%	12.29%
EPS	5.55	6.92	6.75

Issue Open	21 Sep 2021, Tue
Issue Close	23 Sep 2021, Thur
Issue Type	Book Built Issue IPO
Issue Size	Fresh Issue: 8.03 mn eq shares (₹1,406 mn) OFS: 1.72 mn eq shares (₹301.79 mn)
Face Value	₹10
Issue Price Band	₹165-₹175
Listing at	NSE, BSE
Minimum Lot Size	85 shares

Objects of the Issue

- Purchase of machinery and equipment;
- Funding incremental working capital requirements of the Company;
- Repayment or prepayment of all or a portion of certain borrowings/outstanding loan facilities availed by the Company.
- General corporate purposes

Issue Break-Up

Category	No of shares (Mn)	In Million	% of issue
QIB	4.88	853.89	50.00%
NIB	1.46	256.17	15.00%
Retail	3.42	597.73	35.00%
Total	9.76	1,707.79	100.00%

Shareholding Pattern

Particulars	Pre- Issue	Post- Issue
Promotors and Promotors Group	79.40%	58.94%
Public	20.60%	41.06%
Total	100.00%	100.00%

Capital Structure

Particulars	Aggregate value
Authorized Equity Share Capital	50.92 mn
Paid -Up Capital (Pre-Offer)	309.66 mn
Paid- Up Capital (Post-Offer)	390.00 mn



Competitive Strengths

- Offer a wide range of products and solutions for both defence and space applications.
- One of the few players in high precision optics manufacturing for space and defence application in India.
- Strong R&D capabilities with a focus on innovation.
- Well positioned to benefit from the Government's "Atmanirbhar Bharat" and "Make in India" initiatives.
- Strong relationships with a diverse customer base.
- Experienced management team.

Key Business Strategies

- Expansion of production capacity
- Strengthen foothold in India's expanding market
- Continue to focus on R&D
- Diversify products and solutions range, with focus on growth by expansion into opportunistic areas
- Increasing reach in the international market

Key Risks

- The revenue from top five customers on a consolidated basis for the fiscals ended 2021, 2020 and 2019 amounting to ₹854.65 million, ₹1,062.69 million, ₹905.48 million, respectively, which constituted 59.63%, 72.27% and 58.65% of total consolidated revenue for the respective fiscals
- The company have negative cash flows from operating activities in the past and may experience negative operating cash flows in the future as well.

Peer Comparison

- The company does not have any listed industry peers in India.

Promoters and Management Details

Name	Designation
Sharad Virji Shah	Chairman & Non- Executive Director
Munjal Sharad Shah	Managing Director
Shilpa Amit Mahajan	Whole-Time Director

