

Issue Details

Issue Size	Rs. 169 Crore – Rs. 171 Crore	Price Band:	Rs.165 – Rs.175
IPO Date:	21 st Sept 2021 to 23 rd Sept 2021	Offer Ratio:	QIB:50%, HNI:15%, Retail: 35%
Bid Lot:	85 Equity Shares and in multiples thereof		

Company Profile

Paras Defence & Space Technologies Limited 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 is one of the leading 'Indigenously Designed Developed and Manufactured' ("IDDM") category private sector company in India which caters to four major segments of Indian defence sector i.e. defence and space optics, defence electronics, electro-magnetic pulse ("EMP") protection solution and heavy engineering (Source F&S Report). The company is also the sole Indian supplier of critical imaging components such as large size optics and diffractive gratings for space applications in India (Source F&S Report).

The company has five principal categories of product offerings: defence and space optics, defence electronics, EMP protection, heavy engineering for defence and niche technologies. The company is one of the few companies with specialized technology capabilities such as manufacturing EMP protection and they are expected to be an integral stakeholder in a majority of future sourcing of defence and space optics and EMP protection solutions (Source: F&S Report). The company specialize in high end manufacturing for defence and space applications and have been providing their customers with customised and exclusive mechanical products since its inception.

The company has two manufacturing facilities in Maharashtra, located at Nerul in Navi Mumbai and Ambernath in Thane. The company has diversified their products and solutions mainly due to their research and development ("R&D") and technological capabilities. The company's R&D capabilities include product design, product engineering, product simulation, prototyping and testing. The company derives most of their revenues under the contracts from the Government arms and associated entities such as defence public sector undertakings and government organizations involved in space research.

Competitive Strengths

- The company offer a wide range of products and solutions for both defence and space applications
- The company is 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
- The company is well positioned to benefit from the Government's "Atmanirbhar Bharat" and "Make in India" initiatives
- Strong relationships with a diverse customer base
- The company has an experienced management team

Object of the Offer

(₹ In Millions)

Particulars	Amount
Purchase of machinery and equipment	346.57
Funding incremental working capital requirements of the company	600.00
Repayment or pre-payment of all or a portion of certain borrowings/outstanding loan facilities availed by the company	120.00
General corporate purposes ⁽¹⁾	[•]
Total	[•]

⁽¹⁾ To be determined on finalisation of the offer price and updated in the prospectus prior to filing with the ROC. The amount utilised for general corporate purposes shall not exceed 25% of the Net Proceeds.

Financials (Restated Consolidated)

(₹ In Millions)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019
Equity Share Capital	298.53	284.12	56.82
Reserves	1,767.82	1,442.10	1,466.84
Net Worth (pg 230)	1,724.39	1,387.36	1,190.79
Total Borrowings* (pg 20)	1,061.01	1,033.95	849.52
Revenue from Operations	1,433.30	1,470.43	1,543.99
EBITDA (pg 230)	433.98	392.70	428.33
Profit Before Tax	226.11	217.92	268.11
Net Profit for the year	157.86	196.57	189.70

Comparison with peers

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Paras Defence & Space Technologies Limited*	10	5.55	9.12	55.23	-

* The company does not have any listed peers in India

* The above data is as on March 31, 2021

Key Risk Factors

- The loss, shutdown or slowdown of the company's business operations may have a material effect on their business, results of operations and financial condition.
- The company's business is largely dependent on contracts from the Government of India ("GoI") and associated entities including defence public sector undertakings and government organizations involved in space research. A decline or reprioritisation of the Indian defence or space budget, reduction in orders, termination of existing contracts, delay of existing or anticipated contracts or programmes or any adverse change in the GoI's defence or space related policies will have a material adverse impact on their business.
- The company has sustained negative cash flows from operating and investing activities in the past and may experience earnings declines or operating losses or negative cash flows from investing activities in the future.
- The company has entered, and may continue to enter, related party transactions which may not always enable them to achieve the most favourable terms.
- The company depend on a limited number of customers for a significant portion of their revenue. The loss of any of their major customers due to any adverse development or significant reduction in business from their major customers may adversely affect their business, financial condition, results of operations and future prospects.
- The continuing effect of COVID-19 pandemic on the company's business and operations is highly uncertain and cannot be predicted.
- During the last 12 months preceding the date of this Red Herring Prospectus, the Company has issued Equity Shares at a price that may be lower than the Offer Price.
- The company's success depends significantly on their promoters, key management personnel and other senior management and skilled personnel. The loss of their services may have a material adverse effect on the company's business, financial condition and results of operations.
- The company is involved in certain legal proceedings, which, if determined adversely, may adversely affect their business and financial condition.
- The company's promoters, certain directors and key managerial personnel are interested in the company in addition to their normal remuneration or benefits and reimbursement expenses incurred. Additionally, the company's promoters and certain directors are interested in land acquired by the company.
- Currency exchange rate fluctuations could have an adverse effect on the company's reporting of results of operations.

(Please read carefully the Risk Factors given in detail in section II (page 19 onwards) in RHP)

Disclaimer:

The information contained herein are strictly confidential and are meant solely for the information of the recipient and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written permission of JM Financial Services Ltd. ("JMFS"). The contents of this document are for information purpose only. This document is not an investment advice and must not alone be taken as the basis for an investment decision. Before taking any decision to invest, the recipient of this document must read carefully the Red Herring Prospectus ("RHP") issued Paras Defence & Space Technologies Limited dated September 13, 2021 to know the details of IPO and various risks and uncertainties associated with the investment in the IPO of the Company. All recipients of this document must before acting on the given information/details, make their own investigation and apply independent judgment based on their specific investment objectives and financial position. They can also seek appropriate professional advice from their own legal and tax consultants, advisors, etc. to understand the risks and investment considerations arising from such investment. The investor should possess appropriate resources to analyze such investment and the suitability of such investment to such investor's particular circumstances before making any decisions on the investment. The Investor shall be solely responsible for any action taken based on this document. JMFS shall not be liable for any direct or indirect losses arising from the use of the information contained in this document and accept no responsibility for statements made otherwise issued or any other source of information received by the investor and the investor would be doing so at his/her/its own risk. The information contained in this document should not be construed as forecast or promise or guarantee or assurance of any kind. The investors are not being offered any assurance or guaranteed or fixed returns on their investments. The users of this document must bear in mind that past performances if any, are not indicative of future results. The actual returns on investment may be materially different than the past. Investments in Securities market products and instruments including in the IPO of the Company are highly risky and they are generally not an appropriate avenue for someone with limited resources/ limited investment and low risk tolerance. Such Investments are subject to market risks including, without limitation, price, volatility and liquidity and capital risks. Therefore, the users of this document must carefully consider all the information given in the RHP including the risks factors given in section II, page 19 onwards before making any investment in the Equity Shares of the Company.

In rendering this information, JMFS assumed and relied upon, without independent verification, the accuracy and completeness of the details/data provided by the Company by way of RHP. JMFS does not warrant the accuracy, reasonableness and/or completeness of any information mentioned in this document. Also, JMFS takes no responsibility of updating any data/information in this document from time to time. JMFS, its affiliates/associates and any of its directors, officers, employees and any other persons associated with it shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document in any manner whatsoever.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JMFS and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this report may come, are required to take note of such restrictions and comply with the same.

Registration details:

JM Financial Services Ltd.
Stock Broker – Registration No. - INZ000195834
Corporate Identity Number: U67120MH1998PLC115415
Registered office Address: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.
Tel: (91 22) 6630 3030 |Fax: (91 22) 6630 3223
Corporate office Address: 5th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.
Tel: (91 22) 6704 3000/3024 3000 |Fax: (91 22) 6704 3139.