

Rating Rationale

September 09, 2025 | Mumbai

Paras Defence and Space Technologies Limited

Ratings Reaffirmed and Withdrawn

Rating Action

Total Bank Loan Facilities Rated	Rs.103 Crore
Long Term Rating	Crisil A-/Positive (Rating Reaffirmed and Withdrawn)
Short Term Rating	Crisil A2+ (Rating Reaffirmed and Withdrawn)

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its ratings on the bank facilities of Paras Defence and Space Technologies Limited (PDSTL; part of the Paras group) and subsequently **withdrawn** the ratings at the company's request and on receiving no-objection certificate from the lender. This is in line with the Crisil Ratings withdrawal policy.

The ratings continue to reflect the extensive experience of the promoters of PDSTL and their technical expertise, diversified product portfolio, reputed clientele and strong financial risk profile. These strengths are partially offset by large working capital requirement and partial susceptibility of revenue and operating profitability to tender-based businesses

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of PDSTL and its subsidiaries. This is because all these entities, collectively referred to as the Paras group, operate in the same industry and have operational and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- Established market position supported by the extensive experience of the promoters and technical expertise:** The group benefits from the promoters' experience of more than four decades and their strong understanding of market dynamics, which should continue to support business risk profile. Over the decades, the group has developed strong engineering and design capabilities, which has helped it to meet the changing demands of its customers. Furthermore, a strong focus on R&D (research and development) has helped it to develop a wide range of products and solutions in the defence and space sectors. With strong technical capabilities and continuous R&D, the Paras group has been improving its market position and is a sole manufacturer of many critical components in India as well as the entire Asia-Pacific regions for certain products. This is reflected in the continuous increase in revenue to around Rs 365 crore in fiscal 2025 from Rs 254 crore in fiscal 2024. Furthermore, with a strong market position the group has been able to establish a healthy order book of Rs. 929 crore as on March 31, 2025. This provides healthy revenue visibility over the medium term.
- Diversified product portfolio and healthy customer profile:** The group has a wide range of products that find application in diverse sectors such as defence and space optics (49% of revenue in fiscal 2025) and defence electronics (51%). Customer base ranges from government organisations involved in defence and space research to various defence public sector undertakings such as Defence Research and Development Organisation, Bharat Electronics Ltd, and Indian Space Research Organisation; as well as various private entities such as the Tata group, L&T, and Alpha Design Technologies Pvt Ltd. The group also exports to companies based in Israel, Singapore and the USA (accounts for ~12% of total sales). The diversified product portfolio and established relationship with key customers should help maintain scale over the medium term.
- Strong financial risk profile:** Adjusted network improved to Rs 580-585 crore as on March 31, 2025, from Rs 340 crore as on March 31, 2024, on the back of QIP of Rs 135 crore. Overall capital structure also improved, with gearing and total outside liabilities to adjusted network ratio of around 0.04-0.05 time and 0.3-0.35 time (from 0.16 time and 0.5 time, respectively, previous fiscal). Debt protection metrics were also strong, with interest coverage and net cash accrual to adjusted debt ratios of above 10 times and above 3 times, respectively, in fiscal 2025 (7.2 times and 0.7 time, respectively, in fiscal 2024). With healthy profitability, the metrics are expected to remain comfortable over the medium term.

Weaknesses:

- Working capital-intensive operations:** Gross current assets were 500-520 days as on March 31, 2025, due to stretched receivables of 290-300 days and large inventory of 210-215 days (286 days and 274 days, respectively, as on March 31, 2024). The receivables level is high because customers include government bodies, and the group manufactures various products with long processing time; receivables also include retention money. With ramp up in operations, the incremental working capital requirement will be partly met by internal accrual and equity infusion. Efficient working capital management will remain monitorable over the medium term.

- **Susceptibility to tender-based business:** While Paras has a well-diversified product profile with different products providing different profitability, its business performance is entirely dependent on the nature of tender received from its customers, owing to which both scale and profitability are expected to remain volatile. This is reflected in dip in margin to 22-22.5% in fiscal 2024 from 26.1% in fiscal 2023. Though the margin improved in fiscal 2025 to 28.5-29% owing to improved product mix, its sustenance will remain monitorable over the medium term.

Liquidity: Strong

Expected cash accrual of over Rs 95-115 crore per annum in fiscals 2026 and 2027 will be more than sufficient to meet yearly term debt obligation of Rs 0.5-0.6 crore. Fund-based limit was utilised 51% on average over the 12 months through January 2025. Of the total cash and bank balance of around Rs 110 crore as on March 31, 2025, Rs 85-90 crore is unencumbered. Strong gearing and moderate network support financial flexibility and provide the financial cushion available in case of any adverse condition or downturn in the business.

Outlook: Positive

Crisil Ratings believes the group's business performance is expected to improve over the medium term on account of a strong order book and healthy product mix, leading to stable operating efficiency.

Rating sensitivity factors

Upward factors:

- Sustained growth in scale of operations while maintaining margin above 27%, leading to higher cash accruals
- Maintenance of healthy financial risk profile with comfortable capital structure

Downward factors:

- Decline in scale of operations or fall in operating profitability below 26% leading to lower cash accrual
- Further stretch in working capital cycle weakening financial risk profile and liquidity.

About the Company

Set up in 1979 by Mr Sharad Shah, PDSTL offers high-precision products and turnkey solutions to the defence and space sectors, operating in three main verticals – defence and space optics, defence electronics and heavy engineering. It is listed on the Bombay Stock Exchange and the National Stock Exchange. Operations are currently managed by Mr Munjal Shah (son of Mr Sharad Shah). The company has two manufacturing facilities in Thane and Navi Mumbai (both in Maharashtra).

Key Financial Indicators

As on/for the period ended March 31	Unit	Q1 FY26	2025	2024
Operating income	Rs crore	93.2	364.7	253.9
Reported profit after tax (PAT)	Rs crore	14.3	61.5	30.0
PAT margin	%	15.3	16.9	22.4
Adjusted debt/adjusted networkth	Times	-	0.04	0.16
Interest coverage	Times	29.2	10.7	9.35

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Bank Guarantee	NA	NA	NA	23.00	NA	Crisil A2+ (Rating Reaffirmed and Withdrawn)
NA	Cash Credit	NA	NA	NA	39.00	NA	Crisil A-/Positive (Rating Reaffirmed and Withdrawn)
NA	Letter of Credit	NA	NA	NA	5.00	NA	Crisil A2+ (Rating Reaffirmed and Withdrawn)
NA	Pre Shipment Credit	NA	NA	NA	7.00	NA	Crisil A2+ (Rating Reaffirmed and Withdrawn)
NA	Long Term Loan	NA	NA	31-Mar-29	10.00	NA	Crisil A-/Positive (Rating Reaffirmed and Withdrawn)

NA	Proposed Term Loan	NA	NA	NA	19.00	NA	Crisil A-/Positive (Rating Reaffirmed and Withdrawn)
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Annexure – List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Paras Defence and Space Technologies Ltd	Full	Parent company
Paras Aerospace Solutions Pvt Ltd	Full	Subsidiary company
Paras Anti-Drone Technologies Pvt Ltd	Full	Subsidiary company
Paras Green UAV Pvt Ltd	Full	Subsidiary company
OPEL Technologies Pte Ltd	Full	Subsidiary company
Ayyati Innovative Pvt Ltd	Full	Subsidiary company
Mechtech Thermal Pvt Ltd	Full	Subsidiary company
Quantico Technologies Pvt Ltd	Full	Subsidiary company

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2025 (History)		2024		2023		2022		Start of 2022
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	75.0	Crisil A-/Positive/Crisil A2+ (Ratings Reaffirmed and Withdrawn)	27-05-25	Crisil A-/Positive / Crisil A2+	10-09-24	Crisil A-/Stable / Crisil A2+	14-06-23	Crisil A-/Stable / Crisil A2+	30-05-22	Crisil BBB+/Positive / Crisil A2	Crisil A2 / Crisil BBB+/Negative
Non-Fund Based Facilities	ST	28.0	Crisil A2+ (Rating Reaffirmed and Withdrawn)	27-05-25	Crisil A2+	10-09-24	Crisil A2+	14-06-23	Crisil A2+	30-05-22	Crisil A2	Crisil A2

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	15	Kotak Mahindra Bank Limited	Crisil A2+ (Rating Reaffirmed and Withdrawn)
Bank Guarantee	8	Nkgsb Co-Operative Bank Limited	Crisil A2+ (Rating Reaffirmed and Withdrawn)
Cash Credit	24	Kotak Mahindra Bank Limited	Crisil A-/Positive (Rating Reaffirmed and Withdrawn)
Cash Credit	15	Nkgsb Co-Operative Bank Limited	Crisil A-/Positive (Rating Reaffirmed and Withdrawn)
Letter of Credit	5	Kotak Mahindra Bank Limited	Crisil A2+ (Rating Reaffirmed and Withdrawn)
Long Term Loan	10	Nkgsb Co-Operative Bank Limited	Crisil A-/Positive (Rating Reaffirmed and Withdrawn)
Pre Shipment Credit	7	Kotak Mahindra Bank Limited	Crisil A2+ (Rating Reaffirmed and Withdrawn)
Proposed Term Loan	19	Not Applicable	Crisil A-/Positive (Rating Reaffirmed and Withdrawn)

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation

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