Preliminary Placement Document
Subject to Completion and not for circulation
Private and confidential
Serial Number________

This Preliminary Placement Document relates to an issue made to Eligible QIBs under Chapter VI of the SEBI ICDR Regulations and no offer is being made through this Preliminary Placement Document to the public or any other categories of investors other than the Eligible QIBs. This Preliminary Placement Document is not an offer to sell securities and is not soliciting an offer to buy securities in any jurisdiction where such offer or sale or subscription is not permitted. The information in this Preliminary Placement Document is not complete and may be changed.

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Paras Defence and Space Technologies Limited (our "**Company**" or the "**Issuer**") was incorporated as '*Paras Flow Form Engineering Limited*' under the Companies Act, 1956 pursuant to a certificate of incorporation dated June 16, 2009 issued by the Registrar of Companies, Mumbai at Maharashtra ("**RoC**"). Our Company received the certificate for commencement of business on July 24, 2009. The name of our Company was changed to "*Paras Flowform Engineering Limited*" pursuant to a resolution passed by our Shareholders on September 22, 2009 and a fresh certificate of incorporation dated September 25, 2009 was issued by the RoC. Subsequently, the name of our Company was changed to "*Paras Defence and Space Technologies Limited*" pursuant to a resolution passed by our Shareholders on December 2, 2015, a fresh certificate of incorporation dated January 29, 2016 was issued by the RoC. For details pertaining to the change in our name and the address of our Registered Office, see "*General Information*" beginning on page 397.

Corporate Identity Number: L29253MH2009PLC193352
Registered and Corporate Office: D-112, TTC Industrial Area, MIDC, Nerul, Navi Mumbai – 4 00706, Maharashtra, India
Telephone No.: +91 22 6919 9999
Email: business@parasdefence.com**; Website:** www.parasdefence.com
Company Secretary and Compliance Officer: Jajvalya Raghavan

Issue of up to [●] equity shares of face value of ₹10 each of our Company (the "**Equity Shares**") at a price of ₹[●] per Equity Share, including a premium of ₹[●] per Equity Share (the "**Issue Price**"), aggregating up to ₹[●] lakhs (the "**Issue**"). For further details, see "*Summary of the Issue*" beginning on page 25

THE ISSUE IS BEING UNDERTAKEN IN RELIANCE UPON CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS"), SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED (THE "COMPANIES ACT, 2013"), READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES"), AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER, EACH AS AMENDED.

The Equity Shares of our Company are listed on National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**" and together with NSE, the **"Stock Exchanges**"). The closing prices of the Equity Shares on the NSE and the BSE as on September 30, 2024, were ₹ 1,109.70 and ₹ 1,105.80 per Equity Share, respectively. Our Company has received in-principle approvals pursuant to Regulation 28(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "SEBI Listing Regulations") for listing of the Equity Shares to be issued pursuant to this Issue, from BSE and NSE, each dated October 01, 2024. Our Company shall make applications to the Stock Exchanges for obtaining final listing and trading approvals for the Equity Shares to be issued pursuant to this Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to this Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

OUR COMPANY HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE. THE ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT TO ELIGIBLE QIBs (AS DEFINED HEREINAFTER) IS BEING MADE IN RELIANCE UPON CHAPTER VI OF THE SEBI ICDR REGULATIONS, SECTION 42 OF THE COMPANIES ACT, 2013 READ WITH RULE 14 OF THE PAS RULES AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER. THIS PRELIMINARY PLACEMENT DOCUMENT SHALL BE CIRCULATED TO ONLY SUCH ELIGIBLE QIBs WHOSE NAMES ARE RECORDED BY OUR COMPANY, PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO THE EQUITY SHARES. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN THE SEBI ICDR REGULATIONS. YOU ARE NOT AUTHORIZED TO AND MAY NOT (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT, IN ANY MANNER WHATSOEVER; OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILIZE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI ICDR REGULATIONS, THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENT IN EQUITY SHARES INVOLVES A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "*RISK FACTORS*" BEGINNING ON PAGE 34 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONDUCT ITS OWN DUE DILIGENCE ON US AND THE EQUITY SHARES AND CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT AND THE PLACEMENT DOCUMENT.

A copy of this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter) has been delivered to the Stock Exchanges and a copy of the Placement Document (which will include disclosures prescribed under Form PAS-4) will be delivered to the Stock Exchanges. Our Company shall also make the requisite filings with the RoC, within the stipulated period as required under the Companies Act, 2013 and PAS Rules. This Preliminary Placement Document has not been reviewed by the Securities and Exchange Board of India ("**SEBI**"), the Stock Exchanges, the RoC or any other listing or regulatory authority and is intended only for use by Eligible QIBs. This Preliminary Placement Document has not been and will not be filed as a prospectus with the RoC and will not be circulated or distributed to the public in India or any other jurisdiction and the Issue will not constitute a public offer in India or any other jurisdiction.

Invitations, offers and sales of the Equity Shares to be issued pursuant to this Issue shall only be made pursuant to this Preliminary Placement Document together with the Application Form, the Placement Document and the Confirmation of Allocation Note (each as defined hereinafter). For further details, see "*Issue Procedure*" beginning on page 175. The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of our Company to any person, other than Eligible QIBs to whom this Preliminary Placement Document is specifically addressed, and persons retained by such Eligible QIBs to advise them with respect to their purchase of Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The information on the websites of our Company, Subsidiaries, or any other website directly or indirectly linked to the websites of our Company, Subsidiaries, or the website of the Book Running Lead Manager (as defined hereinafter) or their respective affiliates, does not constitute nor form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, any such websites for their investment in this Issue.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws. The Equity Shares offered in the Issue are being offered and sold only outside the United States in "offshore transactions", as defined in and in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**") and in accordance with the applicable laws of the jurisdictions where those offers and sales are made. For the selling restrictions in certain other jurisdictions, please see "*Selling Restrictions*" beginning on page 190. Also see, "*Transfer Restrictions*" beginning on page 197 for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

This Preliminary Placement Document is dated October 01, 2024.

BOOK RUNNING LEAD MANAGER

ITI Capital Limited

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NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to our Company and its Subsidiaries and the Equity Shares which our Company considers material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to our Company, its Subsidiaries and the Equity Shares are, in all material respects, true and accurate and are not misleading, and the opinions and intentions expressed in this Preliminary Placement Document with regard to our Company, its Subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to us. There are no other facts in relation to our Company, its Subsidiaries and the Equity Shares to be issued pursuant to the Issue, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, our Company has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. Unless otherwise stated, all information in this Preliminary Placement Document is provided as of the date of this Preliminary Placement Document and neither our Company nor the Book Running Lead Manager *(as defined hereinafter)* have any obligation to update such information to a later date.

The information contained in this Preliminary Placement Document has been provided by our Company and from other sources identified herein ITI Capital Limited (the "**Book Running Lead Manager**" or the "**BRLM**") has not separately verified all of the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the Book Running Lead Manager nor any of its shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Manager or its shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information (financial, legal or otherwise) supplied in connection with the Issue of the Equity Shares or the distribution of this Preliminary Placement Document. Each person receiving this Preliminary Placement Document acknowledges that such person has neither relied on the Book Running Lead Manager nor its shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

This Preliminary Placement Document is being furnished on a confidential basis solely for the purpose of enabling prospective Eligible QIBs to consider subscribing for the particular securities described herein. Distribution of this Preliminary Placement Document to any person other than the Eligible QIBs, and those persons, if any, retained to advise such investor with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of our Company, is prohibited. Any reproduction or distribution of this Preliminary Placement Document, in whole or in part, and any disclosure of its contents to any other person is prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and make no copies of this Preliminary Placement Document or any offering material in connection with the Equity Shares.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by, or on behalf of the Company and the Book Running Lead Manager. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The distribution of this Preliminary Placement Document and the Issue of Equity Shares may be restricted in certain jurisdictions by applicable laws. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, except for India, no action has been taken by our Company and the Book Running Lead Manager that would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable state securities laws. The Equity Shares offered in the Issue are being offered and sold only outside the United States in 'offshore transactions', as defined in and in reliance on Regulation S and the applicable laws of the jurisdictions where such offers and sales are made.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction including the United States Securities and Exchange Commission, any other federal or state authorities in the United States, the securities authorities of any non-United States jurisdiction or any other United States or non-United States regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary may be a criminal offence in certain jurisdictions.

Subscribers and purchasers of the Equity Shares will be deemed to make the representations, warranties, acknowledgements and agreements set forth in "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 3, 190 and 197 respectively.

In making an investment decision, investors must rely on their own examination of our Company, the Equity Shares and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, business, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Company nor the Book Running Lead Manager are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable laws or regulations. The prospective investors of the Equity Shares should conduct their own due diligence on the Equity Shares and our Company. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial advisor and/or legal advisor.

Each Bidder in the Issue is deemed to have acknowledged, represented and agreed that it is an Eligible QIB and is eligible to invest in India and in our Company under Indian laws, including Chapter VI of the SEBI ICDR Regulations and Section 42 (read with Rule 14 of the PAS Rules) and other applicable provisions of the Companies Act, 2013, and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities including the Equity Shares or otherwise accessing the capital markets in India. This Preliminary Placement Document contains summaries of certain terms of certain documents, which are qualified in their entirety by the terms and conditions of such documents and disclosures included in the section titled "*Risk Factors*" beginning on page 34.

Our Company and the Book Running Lead Manager are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document.

The information on our Company's website at www.parasdefence.com, the websites of any of its Subsidiaries or any website directly or indirectly linked to our Company's website or the website of the Book Running Lead Manager, their respective associates or affiliates, does not constitute or form part of this Preliminary Placement Document. Prospective investors should not rely on any such information contained in, or available through, any such websites.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 190 and 197 respectively.

Our Company agrees to comply with any undertakings given by it from time to time in connection with the Equity Shares to the Stock Exchanges and, without prejudice to the generality of foregoing, shall furnish to the Stock Exchanges all such information as the rules of the Stock Exchanges may require in connection with the listing of the Equity Shares on the Stock Exchanges.

REPRESENTATIONS BY INVESTORS

All references to "you" and "your" in this section are to the prospective investors in the Issue. By Bidding for and/or subscribing to any Equity Shares under this Issue, you are deemed to have made the representations, warranties, acknowledgements and agreements and to have represented, warranted, acknowledged and agreed to contents set forth in "*Notice to Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 1, 190 and 197, respectively and have agreed to our Company and the Book Running Lead Manager, as follows:

1. Your decision to subscribe to the Equity Shares to be issued pursuant to the Issue has not been made based on any information relating to our Company which is not set forth in this Preliminary Placement Document;

2. You are a "Qualified Institutional Buyer" as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to (i) acquire, hold, manage or dispose of any Equity Shares that are Allotted (hereinafter defined) to you in accordance with Chapter VI of the SEBI ICDR Regulations, the Companies Act, 2013, to the extent applicable, and all other applicable laws; and (ii) comply with all requirements under applicable law, including reporting obligations, requirements/ making necessary filings, if any, in connection with the Issue;

3. You are eligible to invest in India under applicable law, including the FEMA Rules (as defined hereinafter) and any notifications, circulars or clarifications issued thereunder, each as amended and have not been prohibited by SEBI, or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities or otherwise accessing capital markets in India;

4. If you are not a resident of India, but are an Eligible QIB, (i) you are a foreign portfolio investor, and you confirm that you are an Eligible FPI as defined in this Preliminary Placement Document, you have a valid and existing registration with SEBI under the applicable laws in India and can participate in the Issue only under Schedule II of FEMA Rules, or (ii) a multilateral or bilateral development financial institution. You will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws. You have not been prohibited by SEBI, RBI or any other regulatory authority, from buying, selling or dealing in securities including to the Equity Shares or otherwise accessing the capital markets. You confirm that you are not a FVCI;

5. You are eligible to invest in and hold the Equity Shares of our Company in accordance with the FDI Policy and FEMA Rules, read along with the press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India and the related amendments to the FEMA Rules. You confirm that neither is your investment as an entity from a country which shares a land border with India nor is the beneficial owner of your investment situated in or is a citizen of such country (in each which case, investment can only be through the Government approval route);

6. You agree that our Company shall make necessary filings with the RoC (which shall include certain details such as your name, address and number of Equity Shares Allotted), in terms of Section 42 of the Companies Act, 2013 and Rule 14 of the PAS Rules, or other provisions of the Companies Act, 2013, and you consent to such disclosure being made by us. You will provide the information as required under the Companies Act, 2013 and the PAS Rules for record keeping by our Company, including your name, complete address, phone number, e-mail address, permanent account number, nationality and bank account details and such other details as may be prescribed or otherwise required even after the closure of the Issue;

7. If you are Allotted Equity Shares pursuant to the Issue, you shall not sell the Equity Shares so acquired, for a period of one year from the date of Allotment (hereinafter defined), except on the Stock Exchanges and in accordance with any other resale restrictions applicable to you. For further details, see "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 190 and 197, respectively;

8. You are aware that this Preliminary Placement Document and the Placement Document has not been, and will not be, registered as a prospectus with the RoC under the Companies Act, 2013, the SEBI ICDR Regulations or under any other law in force in India and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors other than Eligible QIBs. You acknowledge that this Preliminary Placement Document has not been reviewed, verified or affirmed by SEBI, the RoC, the Stock Exchanges or any other regulatory or listing authority and is intended only for use by Eligible QIBs. This Preliminary Placement Document is filed and the Placement Document shall be filed with the Stock Exchanges for record purposes only and be displayed on the websites of our Company and the Stock Exchanges;

9. You are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions applicable to you and that you have fully observed such laws and you have all necessary capacity and have

obtained all necessary consents and authorities, as may be required and complied with and shall comply with all necessary formalities to enable you to participate in the Issue and to perform your obligations in relation thereto (including without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honour such obligations;

10. Neither the Company, nor the Book Running Lead Manager nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates are making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue. Neither the Book Running Lead Manager nor any of their shareholders, directors, officers, employees, counsels, representatives, agents or affiliates has any duty or responsibility to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;

11. All statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Preliminary Placement Document. Neither our Company, nor the Book Running Lead Manager or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates assumes any responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

12. You are aware that the Equity Shares are being offered only to Eligible QIBs on a private placement basis and are not being offered to the general public, or any other category of investors other than the Eligible QIBs and the Allotment shall be on a discretionary basis at the discretion of our Company in consultation with the Book Running Lead Manager;

13. You have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgments and undertakings as set out under "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 190 and 197, respectively and you warrant that you will comply with such representations, warranties, acknowledgments and undertakings;

14. You have been provided a serially numbered copy of this Preliminary Placement Document, and have read it in its entirety, including the "*Risk Factors*" beginning on page 34;

15. You are outside the United States and are purchasing the Equity Shares in an 'offshore transaction' as defined in and in reliance with Regulation S, and are not our Company's or the BRLM's affiliate or a person acting on behalf of such an affiliate;

16. You are not acquiring or subscribing for the Equity Shares as a result of any "directed selling efforts" (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the U.S. Securities Act. You understand and agree that the Equity Shares are transferable only in accordance with the restrictions described in "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 190 and 197, respectively;

17. You are not acquiring or subscribing for the Equity Shares as a result of any "directed selling efforts" (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the U.S. Securities Act,

18. In making your investment decision, you have (i) relied on your own examination of our Company and its Subsidiaries and the terms of the Issue, including the merits and risks involved, (ii) made and will continue to make your own assessment of our Company, its Subsidiaries, the Equity Shares and the terms of the Issue based solely on the information contained in this Preliminary Placement Document and as will be contained in the Placement Document,, (iii) consulted your own independent counsels and advisors or otherwise have satisfied yourself concerning, without limitations, the effects of local laws (including tax laws), (iv) relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Company its Directors, Promoters and affiliates, or any other party, (v) relied upon your own investigation and

resources in deciding to invest in the Issue and (vi) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares;

19. Neither the Book Running Lead Manager nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, has provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including the Issue and the use of proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely on the Book Running Lead Manager or any of their shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, when evaluating the tax consequences in relation to the Equity Shares (including, in relation to the Issue and the use of proceeds from sale of the Equity Shares). You waive, and agree not to assert any claim against, either of the Book Running Lead Manager or any of their shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

20. You are a sophisticated investor and have such knowledge and experience in financial business and investment matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any managed accounts for which you are subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company and/or the Book Running Lead Manager or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by our Company of any of its respective obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances or any accounts for which you are subscribing, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

21. If you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and make the representations, warranties, acknowledgements, undertakings and agreements herein for and on behalf of each such account, reading the reference to 'you' to include such accounts;

22. You are not a 'promoter' of our Company (as defined under the SEBI ICDR Regulations or the Companies Act, 2013), and are not a person related to the Promoters (as defined hereinafter), either directly or indirectly and your Bid (hereinafter defined) does not directly or indirectly represent any Promoters or members of the Promoter Group (as defined under the SEBI ICDR Regulations) of our Company or persons or entities related thereto;

23. You have no rights under a shareholders' agreement or voting agreement entered into with the Promoters or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board of Directors of our Company, other than the rights, if any, acquired in the capacity of a lender not holding any Equity Shares (a QIB who does not hold any Equity Shares and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to our Promoters);

24. You are eligible to Bid for and hold Equity Shares so Allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the levels permissible as per any applicable law;

25. Your aggregate holding, together with other Eligible QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue Size (as defined hereinafter). For the purposes of this representation:

    (a) Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIBs, its subsidiary or holding company and any other Eligible QIB; and

    (b) 'Control' shall have the same meaning as is assigned to it under the SEBI Takeover Regulations.

26. You are aware that (i) applications for in-principle approval, in terms of Regulation 28 of the SEBI Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges, and (ii) final applications will be made for

obtaining listing and trading approvals from the Stock Exchanges, and that there can be no assurance that such approvals will be obtained on time or at all. Neither our Company nor the Book Running Lead Manager nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates shall be responsible for any delay or non-receipt of such final listing and trading approvals or any loss arising therefrom;

27. You shall not undertake any trade in the Equity Shares credited to your beneficiary account with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

28. You are aware that in terms of the requirements of the Companies Act, 2013 upon Allocation, our Company will be required to disclose names and percentage of post-Issue shareholding of the proposed Allottees in the Placement Document. However, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of our Company, in consultation with the Book Running Lead Manager;

29. You agree in terms of Section 42 of the Companies Act, 2013 and Rule 14 of the PAS Rules, that our Company shall make necessary filings with the RoC as may be required under the Companies Act, 2013;

30. You acknowledge that this Preliminary Placement Document does not, and the Placement Document shall not confer upon or provide you with any right of renunciation of the Equity Shares offered through the Issue in favour of any person;

31. You are aware that if you, together with any other Eligible QIBs belonging to the same group or under common control, are Allotted 5% or more of the Equity Shares in this Issue, our Company shall be required to disclose the name of such Allottees and the number of Equity Shares Allotted to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures being made by our Company;

32. You are aware and understand that the Book Running Lead Manager have entered into a Placement Agreement with our Company, whereby the Book Running Lead Manager have, subject to the satisfaction of certain conditions set out therein, severally and not jointly, undertaken to use their reasonable efforts to seek to procure subscription for the Equity Shares on the terms and conditions set out therein;

33. The contents of this Preliminary Placement Document are exclusively the responsibility of our Company and that neither the Book Running Lead Manager nor any person acting on its or their behalf or any of the counsels or advisors to the Issue has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting participation in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, and you have neither received nor relied on any other information, representation, warranty or statement made by, or on behalf of, the Book Running Lead Manager or our Company or any other person, including any view, statement, opinion or representation expressed in any research published or distributed by them, and the Book Running Lead Manager and its affiliates will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

34. Neither the Book Running Lead Manager nor any of their respective affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise;

35. You acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

36. You are subscribing to the Equity Shares to be issued pursuant to the Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the

SEBI Insider Trading Regulations, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and the Companies Act, 2013;

37. Either (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents with regard to our Company or this Issue ("**Company Presentations**"); or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the Book Running Lead Manager may not have the knowledge of the statements that our Company or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such meetings or presentations included any material misstatements or omissions, and, accordingly you acknowledge that Book Running Lead Manager have advised you not to rely in any way on any such information that was provided to you at such meetings or presentations, and (b) you confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

38. Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue. It is agreed that if any of such representations, warranties, acknowledgements and undertakings are no longer accurate, you will promptly notify our Company and the Lead Manager. You agree to indemnify and hold our Company and the Book Running Lead Manager and its respective affiliates and their respective directors, officers, employees and controlling persons harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements, agreements and undertakings made by you in this Preliminary Placement Document. You agree that the indemnity set out in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

39. You acknowledge that our Company, the Book Running Lead Manager, their respective affiliates, directors, officers, employees and controlling persons and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Manager on their own behalf and on behalf of our Company, and such representations, warranties, acknowledgements and undertakings are irrevocable; you agree that the terms and provisions of the foregoing representations, warranties, acknowledgements and undertakings, shall inure to the benefit of and any document incorporating such acknowledgements, representations and agreements shall be enforceable by the Lead Manager and the Company, their respective permitted assigns, and the terms and provisions hereof shall be binding on our permitted assigns and permitted transferees.

40. You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of Republic of India, and the courts in Mumbai, India shall have sole and exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

41. The Bid made by you would not result in triggering a tender offer under the SEBI Takeover Regulations; and

42. You have no right to withdraw your Application Form or revise your Bid downwards after the Issue Closing Date (as defined hereinafter).

43. You represent that you are not an affiliate of our Company or the Lead Manager or a person acting on behalf of such affiliate

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines, and approvals in terms of Regulation 21 of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended "**SEBI FPI Regulations**" and the SEBI circular dated November 5, 2019 on operational guidelines for FPIs, designated depository participants and eligible foreign investors (the "**FPI Operational Guidelines**"), FPIs, including the affiliates of the Book Running Lead Manager, who are registered as Category I FPIs, can issue, subscribe and deal in offshore derivative instruments (as defined under the SEBI FPI Regulations, i.e., as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) (all such offshore derivative instruments are referred to herein as "**P-Notes**") and persons who are eligible for registration as Category I FPIs can subscribe to or deal in such P-Notes, provided that in the case of an entity that has an investment manager who is from the Financial Action Task Force member country, such investment manager shall not be required to be registered as a Category I FPI. The above-mentioned Category I FPIs may receive compensation from the purchasers of such P-Notes. In terms of Regulation 21 of SEBI FPI Regulations, P-Notes may be issued only by such persons who are registered as Category I FPIs and they may be issued only to persons eligible for registration as Category I FPIs, subject to exceptions provided in the SEBI FPI Regulations and compliance with 'know your client' requirements, as specified by SEBI and subject to compliance with such other conditions as may be specified by SEBI from time to time. An Eligible FPI shall also ensure that no transfer of any instrument referred to above is made to any person unless such FPIs are registered as Category I FPIs or to persons eligible for registration as Category I FPIs subject to requisite consents being obtained in terms of Regulation 21 of SEBI FPI Regulations. P-Notes have not been, and are not being offered, or sold pursuant to this Preliminary Placement Document and the Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

For further details relating to investment limits of FPIs, please see the section titled "*Issue Procedure*" beginning on page 175. P-Notes may be issued only in favour of those entities which meet the eligibility criteria as laid down in Regulation 4 of the SEBI FPI Regulations. Pursuant to its circular dated June 10, 2016, SEBI has introduced additional requirements applicable to P-Notes, including (i) KYC norms for issuers of P-Notes which require identification and verification of beneficial owners of entities subscribing to the P-Note holding more than a prescribed threshold; (ii) the requirement for issuers to file suspicious transaction reports with the Indian Financial Intelligence Unit; and (iii) the requirement for the issuer to report details of intermediate transfers in the monthly reports on P-Notes submitted to SEBI. An Eligible FPI shall also ensure that no further issue or transfer of any instrument referred to above is made by or on behalf of it to any person other than such entities regulated by appropriate foreign regulatory authorities.

Subject to certain relaxations provided under Regulation 22(4) of the SEBI FPI Regulations, investment by a single FPI including its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% or common control) is not permitted to be 10% or more of our post-Issue Equity Share capital on a fully diluted basis. SEBI has issued the FPI Operational Guidelines to facilitate implementation of the SEBI FPI Regulations. In terms of the FPI Operational Guidelines, the above-mentioned restrictions shall also apply to subscribers of P-Notes and two or more subscribers of P-Notes having common ownership, directly or indirectly, of more than 50% or common control shall be considered together as a single subscriber of the P-Notes. Further, in the event a prospective investor has investments as an FPI and as a subscriber of P-Notes, these investment restrictions shall apply on the aggregate of the FPI and P-Note investments held in the underlying company. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, read with the FDI Policy, issued by the Department for Promotion of Industry and Internal Trade, Government of India, investments where the entity is of a country which shares land border with India or where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route, as prescribed in the FDI Policy and FEMA rules. These investment restrictions shall also apply to subscribers of P-Notes and offshore derivative instruments.

Affiliates of the Book Running Lead Manager which are Eligible FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof. Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by and are the sole obligations of third parties that are unrelated to our Company. Our Company, and the Book Running Lead Manager do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Manager and does not constitute any obligations of or claims on the Book Running Lead Manager.

Bidders interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes, or any disclosure related thereto. Bidders are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

Please also see "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 190 and 197, respectively.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Preliminary Placement Document has been submitted to each of the Stock Exchanges.

The Stock Exchanges do not in any manner:

(a) warrant, certify or endorse the correctness or completeness of the contents of this Preliminary Placement Document;

(b) warrant that the Equity Shares to be issued pursuant to the Issue will be listed or will continue to be listed on the Stock Exchanges; or

(c) take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company,

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription/ acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER FINANCIAL INFORMATION

Certain Conventions

In this Preliminary Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors", "prospective investors" and "potential investor" are to the Eligible QIBs and references to the "Issuer", "the Company", "our Company" refers to Paras Defence & Space Technologies Limited and references to "we", "us", or "our" are to our Company together with its Subsidiaries on a consolidated basis.

Unless otherwise specified or the context otherwise requires, all references in this Preliminary Placement Document to (i) the 'US' or 'U.S.' or the 'United States' or the 'U.S.A' are to the United States of America and its territories and possessions; (ii) 'India' are to the Republic of India and its territories and possessions; and (iii) the 'Government' or 'GoI' or the 'Central Government' or the 'State Government' are to the Government of India, Central or State, as applicable.

In this Preliminary Placement Document, references to 'INR', '₹', '₹', 'Indian Rupees' and 'Rupees' are to the legal currency of India and references to 'USD', 'U.S. Dollars' and 'US$' are to the legal currency of the United States.

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. In this Preliminary Placement Document, references to "lakhs" represents "100,000", "million" represents "1,000,000", "crore" represents "10,000,000", and "billion" represents "1,000,000,000".

Page Numbers

Unless otherwise stated, all references to page numbers in this Preliminary Placement Document are to page numbers of this Preliminary Placement Document.

Financial and Other Information

The financial year of our Company commences on April 1 of each calendar year and ends on March 31 of the following calendar year, and, unless otherwise specified or if the context requires otherwise. The terms "Fiscal", "Financial Year", "Fiscals" or "Fiscal Year", refer to the 12-month period ending March 31 of that particular year (as the case may be).

As required under the applicable regulations, and for the convenience of prospective investors, we have included in this Preliminary Placement Document, the following financial statements:

a. the audited consolidated financial statements as of and for the financial year ended March 31, 2022 read along with the notes thereto ("**Fiscal 2022 Audited Consolidated Financial Statements**"); (ii) the audited consolidated financial statements for as of and for the financial year ended March 31, 2023 read along with the notes thereto ("**Fiscal 2023 Audited Consolidated Financial Statements**"); and (iii) the audited consolidated financial statements as of and for the financial year ended March 31, 2024 read along with the notes thereto ("**Fiscal 2024 Audited Consolidated Financial Statements**", and collectively with Fiscal 2022 Audited Consolidated Financial Statements and Fiscal 2023 Audited Consolidated Financial Statements, the "**Audited Consolidated Financial Statements**");

b. the statement of unaudited consolidated financial results of our Company and its Subsidiaries, as at and for the three months ended June 30, 2024 (including comparative as at and for the three months ended June 30, 2023), prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting ("**Ind AS 34**"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India (the "**Unaudited Consolidated Financial Results**"). The Unaudited Consolidated Financial Results should be read along with the review report issued by the Statutory Auditor.

Our consolidated financial statements for the Fiscal 2024, Fiscal 2023 and Fiscal 2022 were audited by M/s. Chaturvedi & Shah LLP, Chartered Accountants.

Our Company prepares its financial statements in accordance with Ind AS. Ind AS differs from accounting principles with which prospective investors may be familiar in other countries, including generally accepted accounting principles followed in the U.S. ("**U.S. GAAP**") or International Financial Reporting Standards ("**IFRS**") and the reconciliation of the financial information to other accounting principles has not been provided. No attempt has been made to explain those differences or quantify their impact on the financial data included in this Preliminary Placement Document and investors should consult their own advisors regarding such differences and their impact on our Company's financial data. Accordingly, the degree to which the financial information included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting policies and practices, Ind AS, the Companies Act, 2013 and the SEBI ICDR Regulations. Any reliance by persons not familiar with Ind AS, the Companies Act, 2013, the SEBI ICDR Regulations and practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. Also see, "*Risk Factors –Significant differences exist between Ind AS, U.S. GAAP and IFRS, which may be material to investors' assessments of our financial condition.*" beginning on page 34.

For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 71. All numerical and financial information as set out and presented in this Preliminary Placement Document, except for the information in the section "*Industry Overview*", for the sake of consistency and convenience have been rounded off or expressed in two decimal place in ₹ lakhs. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them and the sum or percentage change of such numbers may not conform exactly to the total figure given.

Non-GAAP financial measures

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance such as EBITDA, EBITDA Margin, Net Profit Ratio, Average Return on Capital Employed, Adjusted Average Return on Capital Employed, Average Return on Equity, production volume, sales volume and capacity utilization have been included in this Preliminary Placement Document. These may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other companies and are not measures of operating performance or liquidity defined by Ind AS and may not be comparable to similarly titled measures presented by other companies.

These non-GAAP financial measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS or US GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities and are not required by or presented in accordance with Indian GAAP or Ind AS. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of manufacturing businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial statements included in this Preliminary Placement Document. Prospective investors should read this information in conjunction with the financial statements included in "*Financial Information*" beginning on page 216.

Certain figures contained in this Preliminary Placement Document, including financial information, have been subject to rounding adjustments. Any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off. In certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given, and (ii) the sum of the figures in a column or row in certain tables may not conform exactly to the total figure given for that column or row. Unless otherwise specified, all financial numbers in parenthesis represent negative figures.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to our business contained in this Preliminary Placement Document consists of estimates based on data reports compiled by government bodies, data from other external sources and knowledge of the markets in which we compete. Unless stated otherwise, the statistical information included in this Preliminary Placement Document relating to the industry in which we operate has been reproduced from various trade, industry and government publications and websites more particularly described in the section titled "*Industry Overview"* beginning on page 104.

The industry, market and economic data included in this Preliminary Placement Document has been derived from the report titled *"Defence Sector Analysis"* dated September 20, 2024, by Frost & Sullivan (the "**F&S Report**"). Frost & Sullivan is not related in any manner to our Company, its Subsidiaries, Directors, Key Managerial Personnel, members of Senior Management or our Promoters.

This data in the F&S Report is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so we have relied on internally developed estimates. Similarly, while we believe its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Book Running Lead Manager can assure Bidders as to their accuracy.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in the section titled "*Certain sections of this Preliminary Placement Document contain information from third-party report which has been commissioned and paid for by us and any reliance on such information for making an investment decision in the Issue is subject to inherent risks. There can be no assurance that such third-party statistical, financial and other industry information is either complete or accurate."* beginning on page 34.

Disclaimer of the F&S Report

The market research process for this study has been undertaken through secondary / desktop research as well as primary research, which involves discussing the status of the market with leading participants and experts. The research methodology used is the Expert Opinion Methodology. Quantitative market information was sourced from interviews by way of primary research as well as from trusted portals, and therefore, the information is subject to fluctuations due to possible changes in the business and market climate. Frost & Sullivan's estimates and assumptions are based on varying levels of quantitative and qualitative analyses, including industry journals, company reports and information in the public domain. Forecasts, estimates, predictions, and other forward-looking statements contained in this report are inherently uncertain because of changes in the factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements.

This study has been prepared for inclusion in the draft red herring prospectus, red herring prospectus and the prospectus of "Paras Defence and Space Technologies Ltd." in relation to an initial public offering in connection with its listing on the Indian stock exchange. This report and extracts thereof are for use in the draft red herring prospectus, red herring prospectus and the prospectus issued by the company and all the presentation materials (including press releases) prepared by or on behalf of the company (and reviewed by Frost & Sullivan) in relation to the listing exercise. The company is permitted to use the same for internal and external communications as needed in the context of the Listing exercise. However, no part of the report may be distributed for any other commercial gain to parties not connected with the said Listing exercise. This report has been exclusively prepared for the consumption of "Paras Defence and Space Technologies Ltd.", and any unauthorised access to or usage of this material by others is forbidden and illegal.

Frost & Sullivan has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. We believe that this study presents a true and fair view of the Global and Indian Defence Industry within the limitations of, among others, secondary statistics, and primary research, and it does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective, and it will not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be liable for any loss suffered because of reliance on the information contained in this study. This study should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in it or otherwise."

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "can", "could", "estimate", "expect", "expected to", "intend", "is/are likely", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "will continue", "would", "will likely result", or any other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

These forward-looking statements appear in a number of places throughout this Preliminary Placement Document and include statements regarding the intentions, beliefs or current expectations of our Company concerning, among other things, the expected results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of our Company and the industry in which we operate. The forward-looking statements also include statements as to our Company's planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts.

These forward-looking statements contained in this Preliminary Placement Document (whether made by us or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. In addition, even if the result of operations, financial conditions, liquidity and dividend policy of our Company, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Preliminary Placement Document, those results or developments may not be indicative of results or developments in subsequent periods.

Important factors that could cause the actual results, performances and achievements of our Company to be materially different from any of the forward-looking statements include, among others:

- The loss, shutdown or slowdown of our business operations may have a material adverse effect on our business, results of operations and financial condition

- We depend on a limited number of customers for a significant portion of our revenue. The loss of any of our major customers due to any adverse development or significant reduction in business from our major customer may adversely affect our business, financial condition, results of operations and future prospects.

- Our business is also largely dependent on contracts from the GoI and associated entities including defence public sector undertakings and government organizations involved in defence and 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 our business

- We are subject to strict quality requirements, customer inspections and audits, and any failure to comply with quality standards may lead to cancellation of existing and future orders and could negatively impact our reputation and our business and results of operations and future prospects

- Any failure to comply with the provisions of the contracts entered with our customers, especially the GoI Entities, could have an adverse effect on our business operations, financial conditions and results of our operations. Additionally, imposition of liquidated damages and invocation of performance bank guarantees / indemnity bonds by our customers could impact our results of operations and we may face potential liabilities from lawsuits and claims by customers in the future.

Additional factors that could cause actual results, performance or achievements of our Company to differ materially include, but are not limited to, those discussed under the sections titled "*Risk Factors*", "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 34, 104, 147 and 71, respectively.

By their nature, market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated, expressed or implied by such forward looking statements or other projections. The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Company. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure prospective investors that such expectations will prove to be correct. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document, and neither our Company nor the Book Running Lead Manager nor any of their respective affiliates undertakes any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, changes in assumptions or changes in factors affecting these forward-looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements. In accordance with the SEBI and Stock Exchange requirements, our Company and the Book Running Lead Manager will ensure that the Shareholders are informed of material developments until the time of the grant of listing and trading permissions by the Stock Exchanges.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a public limited liability company incorporated under the laws of India. Majority of our Directors and our Key Managerial Personnel and Senior Management are residents of India and majority of the assets of our Company and such persons are located in India. As a result, it may be difficult or may not be possible for the prospective investors outside India to affect service of process upon our Company or such persons in India, or to enforce judgments obtained against such parties outside India.

India is not a party to any multilateral international treaty in relation to the recognition or enforcement of foreign judgments. However, recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended (the "**Civil Procedure Code**"), on a statutory basis. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a competent court in India. Under Section 14 of the Civil Procedure Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Among other jurisdictions, the United Kingdom of Great Britain and Northern Ireland, Republic of Singapore, United Arab Emirates and Hong Kong have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy of India. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws. We cannot assure that such approval will be forthcoming within a reasonable period of time, or at all, or that conditions of such approvals would be acceptable. Our Company and the Book Running Lead Manager cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares traded on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information, for or as of the end of the period indicated with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per US$) for the periods indicated. The exchange rates are based on the reference rates released by the RBI and Financial Benchmark India Private Limited ("**FBIL**"), which are available on the websites of RBI and FBIL. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

(₹ per US$)

	Period End(1)	**Average(2)**	**High(3)**	**Low(4)**
Fiscal Ended:				
March 31, 2024	83.37	82.79	83.40	81.65
March 31, 2023	82.22	80.39	83.20	75.39
March 31, 2022	75.81	74.51	76.92	72.48
Months ended:				
August 31, 2024	83.87	83.90	83.97	83.73
July 31, 2024	83.74	83.59	83.74	83.40
June 30, 2024	83.45	83.47	83.59	83.07
May 31, 2024	83.30	83.39	83.52	83.08
April 30, 2024	83.52	83.41	83.52	83.23
March 31, 2024	83.37	83.00	83.37	82.68

Source: www.rbi.org.in and www.fbil.org.in, as applicable.

Period end, high, low and average rates are based on the FBIL reference rates and rounded off to two decimal places. The RBI reference rates are rounded off to two decimal places.

Notes:
1. *The price for the period end refers to the price as on the last trading day of the respective fiscal year or monthly periods.*
2. *Average of the official rate for each Working Day of the relevant period.*
3. *Maximum of the official rate for each Working Day of the relevant period.*
4. *Minimum of the official rate for each Working Day of the relevant period.*

In case of holidays, the exchange rate on the last traded day of the month has been considered as the rate for the period end.

DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein.

The following list of certain capitalised terms used in this Preliminary Placement Document is intended for the convenience of the reader/ prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalised terms used in this Preliminary Placement Document shall have the meaning as defined hereunder. Further any references to any agreement, document, statute, rules, guidelines, regulations or policies shall include amendments made thereto, from time to time.

The words and expressions used in this Preliminary Placement Document but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations framed thereunder. Notwithstanding the foregoing, terms used in the sections titled *"Taxation"*, *"Industry Overview"*, *"Financial Information" and "Legal Proceedings"* beginning on pages 206, 104, 216, and 211, respectively, shall have the meaning given to such terms in such sections.

General Terms

Term	Description
"Our Company", "the Company", "the Issuer", or "Paras""	Paras Defence and Space Technologies Limited a public limited company, incorporated under the Companies Act, 1956 and having its registered office at D-112, TTC Industrial Area, MIDC, Nerul, Navi Mumbai 400706, Maharashtra, India
"We", "Our", "Us" or "Paras Group"	Unless the context otherwise indicates or implies, refers to our Company along with its Subsidiaries, and its Associate, on a consolidated basis

Company Related Terms

Term	Description
Articles or Articles of Association	The Articles of Association of our Company, as amended from time to time
Associate	With reference to any company, the associate of that company would mean any other company within the meaning of the section 2(6) of the Companies Act, being Krasny Paras Defence Technologies Private Limited and Controp-Paras Technologies Private Limited.
Audit Committee	The Audit Committee of our Board, as disclosed in "*Board of Directors– Committees of our Board of Directors*" beginning on page 160
Audited Consolidated Financial Statements	Collectively, the Fiscal 2024 Audited Consolidated Financial Statements, the Fiscal 2023 Audited Consolidated Financial Statements and the Fiscal 2022 Audited Consolidated Financial Statements
Auditors or Statutory Auditors	The current statutory auditors of the Company, M/s. Chaturvedi & Shah LLP, Chartered Accountants having Firm registration no. 101720W/ W100355
Board of Directors or Board	The Board of Directors of our Company, including any duly constituted committee thereof, as disclosed in "*Board of Directors and Senior Management*" beginning on page 160
Chairman	The Chairman and Non-Executive Director of our Company being Sharad Virji Shah
Chief Financial Officer	The Chief Financial Officer of our Company being Harsh Dhirendra Bhansali
Company Secretary and Compliance Officer / Company Secretary/ Compliance Officer	The Company Secretary and Compliance Officer of our Company being Jajvalya Raghavan
Corporate Social Responsibility Committee	The Corporate Social Responsibility Committee of our Board, as disclosed in "*Board of Directors– Committees of our Board of Directors*" beginning on page 160
Director(s)	The Directors on the Board of our Company, unless otherwise specified
Equity Shares	The equity shares of face value of ₹10 each of our Company
Fiscal 2022 Audited Consolidated Financial Statements	The Ind AS audited consolidated financial statements as of and for the Financial Year ended March 31, 2022, comprising the consolidated balance sheet as at March 31, 2022, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flow and the consolidated statement of changes in equity, for the year ended March 31, 2022,

Term	Description
	read along with the notes thereto and the report dated May 20, 2022 issued thereon by M/s. Chaturvedi & Shah LLP, Chartered Accountants
Fiscal 2023 Audited Consolidated Financial Statements	The Ind AS audited consolidated financial statements as of and for the Financial Year ended March 31, 2023, comprising the consolidated balance sheet as at March 31, 2023, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flow and the consolidated statement of changes in equity, for the year ended March 31, 2023, read along with the notes thereto and the report dated May 16, 2023 issued thereon by M/s. Chaturvedi & Shah LLP, Chartered Accountants
Fiscal 2024 Audited Consolidated Financial Statements	The Ind AS audited consolidated financial statements as of and for the Financial Year ended March 31, 2024, comprising the consolidated balance sheet as at March 31, 2024, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flow and the consolidated statement of changes in equity, for the year ended March 31, 2024, read along with the notes thereto and the report dated May 25, 2024 issued thereon by M/s. Chaturvedi & Shah LLP, Chartered Accountants
Independent Director(s)	Independent directors of our Company, unless otherwise specified
Key Managerial Personnel	The key managerial personnel of our Company in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations and Section 2(51) of the Companies Act, 2013 and as disclosed in "*Board of Directors– Key Managerial Personnel*" beginning on page 160
Management Committee	The Committee of the Board of Directors authorised for the purposes of the Issue by our Board, on August 27, 2024.
Managing Director and Chief Executive Officer	The Managing Director of our Company being Munjal Sharad Shah.
Memorandum or Memorandum of Association	The Memorandum of Association of our Company, as amended from time to time
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Board of our Company as disclosed in "*Board of Directors and Senior Management – Committees of our Board of Directors*" beginning on page 160
Non-Executive Director(s)	Non-executive directors of our Company, unless otherwise specified
Promoters	The promoters of our Company, namely Munjal Sharad Shah and Sharad Virji Shah
Promoter Group	The individuals forming part of the promoter group of our Company in accordance with Regulation 2(1)(pp) of the SEBI ICDR Regulations
Registered Office	The registered office of our Company located at D-112, TTC Industrial Area, MIDC, Nerul, Navi Mumbai – 400706, India
Registrar of Companies/ RoC	The Registrar of Companies, Mumbai at Maharashtra
Shareholders	Shareholders of our Company from time to time
Stakeholders Relationship Committee	The Stakeholders Relationship Committee of our Board as disclosed in the section titled "*Board of Directors– Committees of our Board of Directors*" beginning on page 160
Subsidiaries	The subsidiaries of our Company in accordance with the Companies Act, 2013 as on the date of this Preliminary Placement Document, namely: a) Paras Green UAV Private Limited; b) Opel Technologies Pte. Limited; c) Paras Aerospace Private Limited d) Paras Anti-Drone Technologies Private Limited e) Ayatti Innovative Private Limited f) Quantico Technologies Private Limited g) Mechtech Thermal Private Limited The term "Subsidiary/Subsidiaries" shall be construed accordingly.
Unaudited Consolidated Financial Results	Unaudited consolidated financial results of our Company, and its Subsidiaries as at and for the three months ended June 30, 2024 (including comparative as at and for the three months ended June 30, 2023) prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standards 34 "*Interim Financial Reporting*" as prescribed under Section 133 of the Companies Act read with the relevant rules framed thereunder and other accounting principles generally accepted in India, and in compliance with Regulation 33 of the SEBI

Term	Description
	Listing Regulations together with the review report dated August 5, 2024 issued thereon by our Statutory Auditors, M/s. Chaturvedi & Shah LLP, Chartered Accountants
Whole-time Director	A whole-time director of our Company

Issue related terms

Term	Description
Allocated or Allocation	The allocation of Equity Shares, by our Company in consultation with the Book Running Lead Manager, following the determination of the Issue Price to Eligible QIBs on the basis of the Application Forms submitted by them and in compliance with Chapter VI of the SEBI ICDR Regulations
Allot/ Allotment/ Allotted	Issue and allotment of Equity Shares pursuant to the Issue
Allottees	Successful Bidders to whom Equity Shares are issued pursuant to the Issue
Application Form	Form (including any revisions thereof) which will be submitted by the Eligible QIBs for registering a Bid in the Issue
Application Amount/Bid Amount	The amount determined by multiplying the price per Equity Share indicated in the Bid by the number of Equity Shares Bid for by a Bidder and payable by the Bidder in the Issue at the time of submission of the Application Form
Bid(s)	Indication of an Eligible QIB's interest, including all revisions and modifications of interest, as provided in the Application Form, to subscribe for the Equity Shares pursuant to the Issue. The term "Bidding" shall be construed accordingly
Bidder	Any prospective investor, being an Eligible QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form
Book Running Lead Manager or BRLM	ITI Capital Limited
CAN/ Confirmation of Allocation Note	Note, advice or intimation confirming Allocation of Equity Shares to such Successful Bidders after determination of the Issue Price
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e., on or about [●]
Designated Date	The date of credit of Equity Shares pursuant to the Issue to the Allottees' demat accounts, as applicable to the relevant Allottees
Eligible FPIs	FPIs that are eligible to participate in this Issue in terms of applicable laws, other than individuals, corporate bodies and family offices
Eligible QIBs	QIBs, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations that are eligible to participate in the Issue and which are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations and are not restricted from participating in the Issue under the applicable laws. In addition, QIBs, outside the United States in "offshore transactions" in reliance on Regulation S under the U.S. Securities Act. Further, FVCIs are not permitted to participate in the Issue and accordingly, are not Eligible QIBs. For further details, see "*Issue Procedure*", "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 175, 190 and 197, respectively.
Escrow Account	Non-interest bearing, no-lien, current bank account without any cheques or overdraft facilities, to be opened in the name and style "*Paras Defence and Space Technologies Limited- QIP 2024 - Escrow Account*" with the Escrow Bank, subject to the terms of the Escrow Agreement into which the Application Amount in connection with the subscription to the Equity Shares pursuant to the Issue shall be deposited by the Bidders
Escrow Agreement	Agreement dated September 30, 2024, entered into by and amongst our Company, the Escrow Bank and the Book Running Lead Manager for collection of the Application Amounts and remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Bank	Kotak Mahindra Bank Limited
Floor Price	Floor price of ₹ 1096.35 for each Equity Share, calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Our Company may offer a discount on the Floor Price in accordance with the approval of our Board dated August 27, 2024 and the Shareholders dated September 20, 2024 and in terms of Regulation 176(1) of the SEBI ICDR Regulations.
Gross Proceeds	The gross proceeds of the Issue that will be available to our Company

Term	Description
Issue	Offer and issuance of the Equity Shares to Eligible QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations and the applicable provisions of the Companies Act, 2013 and the rules made thereunder
Issue Closing Date	[●], 2024, the date after which our Company (or Book Running Lead Manager on behalf of our Company) shall cease acceptance of Application Forms and the Application Amount
Issue Opening Date	October 01, 2024, the date on which our Company (or the Book Running Lead Manager on behalf of our Company) shall commence acceptance of the Application Forms and the Application Amount
Issue Period	Period between the Issue Opening Date and the Issue Closing Date, inclusive of both days during which Eligible QIBs can submit their Bids along with the Application Amount
Issue Price	A price per Equity Share of ₹ [●]
Issue Size	Aggregate size of the Issue, up to ₹ [●] lakhs
Monitoring Agency	ICRA Limited being a credit rating agency registered with SEBI, appointed by our Company in accordance with the provisions of the SEBI ICDR Regulations
Monitoring Agency Agreement	Monitoring agency agreement dated October 01, 2024, entered into between our Company and the Monitoring Agency
Mutual Fund	A mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Net Proceeds	The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue
Placement Agreement	Placement agreement dated October 01, 2024 by and among our Company and the Book Running Lead Manager
Placement Document	The placement document to be issued in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules prescribed thereunder
Preliminary Placement Document	This Preliminary Placement Document along with the Application Form dated October 01, 2024 issued in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules prescribed thereunder
QIBs or Qualified Institutional Buyers	Qualified institutional buyers, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under Chapter VI of the SEBI ICDR Regulations and applicable provisions of the Companies Act, 2013 read with applicable rules
Refund Amount	The aggregate amount to be returned to the Bidders who have not been Allocated Equity Shares for all, or part, of the Application Amount submitted by such Bidder pursuant to the Issue
Refund Intimation	The intimation from our Company to relevant Bidders confirming refund of the Refund Amount to their respective bank accounts
Regulation S	Regulation S under the U.S. Securities Act
Relevant Date	October 01, 2024, which is the date of the meeting in which our Management Committee decides to open the Issue
U.S. Securities	United States Securities Act of 1933, as amended
Stock Exchanges	BSE and NSE
Successful Bidders	The Bidders who have Bid at or above the Issue Price, duly paid the Application Amount with the Application Form and who are Allocated Equity Shares pursuant to the Issue
U.S. / United States	The United States of America, its territories and possessions, any State of the United States, and the District of Columbia
Working Day	Any day other than second and fourth Saturday of the relevant month or a Sunday or a public holiday or a day on which scheduled commercial banks are authorized or obligated by law to remain closed in Mumbai, India

Business, technical and industry related terms

Term	Description
COTS	Commercial off the shelf
DSIB	Defence and security industrial base
OEM	Original Equipment Manufacturer

Term	Description
IoT	Internet of Things
AI	Artificial Intelligence
AFV	Armored Fighting Vehicles
SATCOM	Satellite Communications
DEW	Directed Energy Weapon
UAS	Unmanned Air Systems
EW	Electronic Warfare
GNSS	Global Navigation Satellite System
EMP	Electro-Magnetic Pulse
SAR	Synthetic Aperture Radar
SIGINT	Signals Intelligence
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
SA	Situational Awareness
C-UAS or C-UAV	Counter-Unmanned Air System/Vehicle
HUMS	Health Usage Monitoring System
DPSU	Defence Public Sector Units
R&D	Research & Development
CDS	Chief of Defence Staff
DMA	Department of Military Affairs
MSME	Micro, Small and Medium Enterprises
LCH	Light Combat Helicopter
LRU	Line Replacement Units
IDDM	Indigenously Designed, Developed and Manufactured
IC	Indigenous Content
DAP	Defence Acquisition Procedure
FCAS	Future Combat Air System
SIPRI	Stockholm International Peace Research Institute
AFSPA	Armed Forces Special Powers Act
MoD	Ministry of Defence
DRDO	Defence Research and Development Organization
CAGR	Compounded Annual Growth Rate
ISR	Intelligence, Surveillance and Reconnaissance
G2G	Government to Government
IFV	Infantry Fighting Vehicle
INS	Indian Navy Ship
AEW	Airborne Early Warning
CATOBAR	Catapult Assisted Take-Off Barrier Arrested Recovery
ASW	Anti-Submarine Warfare
TEDBF	Twin Engine Deck Based Fighter
LRMR	Long Range Maritime Reconnaissance
MMMA	Multi-Mission Maritime Aircraft
NUH	Naval Utility Helicopter
LPD	Landing Platform Dock
AMCA	Advanced Medium Combat Aircraft
LCA	Light Combat Aircraft
FGFA	Fifth Generation Fighter Aircraft
CCS	Cabinet Committee on Security
MMRCA	Medium Multi-Role Combat Aircraft
RFI	Request for Information
AESA	Active Electronically Scanned Array
BSS	Battlefield Surveillance System
BMS	Battlefield Management System
ELINT	Electronic Signals Intelligence
APFSDS	Armor Piercing Fin Stabilised Discarding Sabot
HEAT	High Explosive Anti-Tank
HESH	High Explosive Squash Head
CVRDE	Combat Vehicle Research & Development Establishment
ATAGS	Advanced Towed Artillery Gun System

Term	Description
FRCV	Future Ready Combat Vehicle
UGV	Unmanned Ground Vehicle
EO/IR	Electro-optical/Infra-red
LWIR	Long Wave Infra Red
OODA	Observe, Orient, Decide, Act
SWaP	Size, Weight and Power
ML	Machine Learning
AIP	Air-independent Propulsion
FPV	First Person View

Conventional and General Terms/Abbreviations

Term	Description
AGM	Annual General Meeting
AS or Accounting Standards	Accounting Standards issued by the Institute of Chartered Accountants of India
BSE	BSE Limited
Calendar Year	Year ending on December 31
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number
Civil Procedure Code	The Code of Civil Procedure, 1908
Companies Act	The Companies Act, 2013 and applicable provisions of the Companies Act, 1956
Companies Act, 1956	The Companies Act, 1956 along with the rules made thereunder, as applicable
Companies Act, 2013	The Companies Act, 2013, along with the rules made thereunder
Consolidated FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT by way of circular bearing number DPIIT file number 5(2)/2020-FDI Policy dated October 15, 2020 effective from October 15, 2020
CrPC	The Code of Criminal Procedure, 1973
Depositories	CDSL and NSDL
Depositories Act	The Depositories Act, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
DP ID Number	Depository participant identification number
DPIIT	Department for Promotion of Industry and Internal Trade
EGM	Extraordinary general meeting
EU	European Union
FBIL	Financial Benchmarks India Limited
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations issued thereunder
FEMA Rules	The Foreign Exchange Management (Non-debt Instruments) Rules, 2019
Financial Year or Fiscal	The period of 12 months ended March 31 of that particular year, unless otherwise stated
FIR	First information report
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations
Fugitive Economic Offender	An individual who is declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018
FVCI	Foreign Venture Capital Investor, as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, registered with SEBI
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
General Meeting	AGM or EGM
GoI or Government	Government of India
GST	Goods and Services Tax
HNI	High net-worth individual
HUF	Hindu Undivided Family

Term	Description
I.T. Act	The Income-tax Act, 1961
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Ind AS	Indian accounting standards, as per the roadmap issued by the Ministry of Corporate Affairs, Government of India, notified by the MCA under section 133 of the Companies Act, 2013, read with Companies (Indian Accounting Standards) Rules, 2015, as amended
IRDAI	Insurance Regulatory and Development Authority of India
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs, GoI
MoU	Memorandum of Understanding
NEFT	National Electronic Fund Transfer
Non-Resident Indian or NRI	An individual resident outside India who is citizen of India
Non-Resident or NR	A person resident outside India, as defined under the FEMA
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P.A. or p.a.	Per annum
PAN	Permanent Account Number allotted under the I.T. Act
PAS Rules	The Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended
PAT	Profit after tax
RBI	Reserve Bank of India
RoC or Registrar	Registrar of Companies, Mumbai at Maharashtra
SCRA	The Securities Contracts (Regulation) Act, 1956
SCRR	The Securities Contracts (Regulation) Rules, 1957
SEBI	The Securities and Exchange Board of India established under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Mutual Fund Regulations	The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
SEBI SBEB Regulations	The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
U.S. GAAP	Generally accepted accounting principles in the United States of America
VCF	Venture capital fund
Wilful Defaulter or Fraudulent Borrower	Wilful defaulter or fraudulent borrower as defined under Regulation 2(1)(lll) of the SEBI ICDR Regulations

SUMMARY OF BUSINESS

Overview

Paras Defence & Space Technologies offers a wide range of Products & Solutions for Defence & Space Applications. With focus on Defence & Space Sector we have two verticals of our business, namely Optics & Optronic Systems (comprising of Optical Components, Opto-Mechanical Assemblies & Optronic Systems) & Defence Engineering (comprising of Defence Electronics, EMP Protection Solutions & Heavy Engineering).

We are involved in Technologies for Rocket & Missiles, Space & Space Research, Naval Systems, Land & Armoured Vehicles, Electronic Warfare & Surveillance, Electromagnetic Shielding etc., for Defence & Space Applications. Along with this, through our subsidiaries and associate companies, we are involved in technologies such as Drones, RF & Microwave, Anti-Drone Systems, EO/IR Systems for Avionic Platforms, Thermal Solutions for Space & Quantum Communication amongst others.

Paras Defence & Space Technologies has in-house capabilities and facilities to Design, Develop, Manufacture, Integrate and Test various components, sub-systems and systems in the domain of Optics, Electronics, Mechanical, Software, Electrical, RF & Microwave etc. technologies. Our focus on technology development and R&D distinguishes us as a true IDDM company in the Indian defence industry. We have a vibrant team working on developing future technologies and providing cutting-edge solutions for our customers.

We have two manufacturing facilities in Maharashtra, one located at Nerul in Navi Mumbai and the second at Ambernath in Thane. Our Nerul facility is an advanced nano technology machining centre for producing high quality optics, ultra-precision components. Our Nerul facility is engaged in manufacturing of Optics, Optical Systems & Assemblies, Design, Development, Manufacturing and Integration of Electronic Systems and EMP protection products and solutions. Our Ambernath facility is engaged in manufacturing of heavy engineering products such as flow-formed motor tubes, vacuum brazed cold plates, titanium structures and assemblies, large and heavy dynamic structures with built-in automation, indigenously designed and manufactured flow-forming machines and mechanical racks, cabinets and consoles for various defence applications. Our manufacturing facilities at Nerul and Ambernath have been accredited with quality management system certificate for compliance with SAMAR-Level 4, ISO 9001:2015 while our Nerul Facility also has AS9100:2016 certification. We are also in the process of expanding our manufacturing facility located at Nerul in Navi Mumbai, Maharashtra.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including the sections titled "*Risk Factors*", "*Use of Proceeds*", "*Placement*", "*Issue Procedure*" and "*Description of the Equity Shares*" beginning on pages 34, 60, 188, 175 and 203, respectively.

Issuer	Paras Defence and Space Technologies
Face Value	₹ 10 per equity share of the Company
Issue Size	Issue of up to [●] Equity Shares at a premium of ₹ [●], aggregating up to ₹ [●] lakhs. A minimum of 10% of the Issue Size i.e. at least [●] Equity Shares, shall be made available for Allocation to Mutual Funds only and the balance [●] Equity Shares shall be made available for Allocation to all QIBs, including Mutual Funds. In case of under-subscription in the portion available for Allocation to Mutual Funds, such undersubscribed portion or part thereof may be Allotted to other Eligible QIBs.
Date of Board Resolution approving the Issue	August 27, 2024
Date of Shareholders' Resolution (through a special resolution) approving the Issue	September 20, 2024
Floor Price	₹ 1096.35 per Equity Share The Floor Price for the Issue has been calculated in accordance with Regulation 176 of Chapter VI of the SEBI ICDR Regulations. Our Company may offer a discount of not more than 5% on the Floor Price in accordance with the approval of our Board Resolution dated August 27, 2024 and the Shareholders accorded through their special resolution passed on September 20, 2024 and in terms of Regulation 176(1) of the SEBI ICDR Regulations.
Issue Price	₹ [●] per Equity Share of our Company (including a premium of ₹ [●] per Equity Share)
Eligible Investors	Eligible QIBs, to whom this Preliminary Placement Document and the Application Form are delivered and who are eligible to bid and participate in the Issue. For further details, see the sections titled "*Issue Procedure – Eligible Qualified Institutional Buyers*" and "*Transfer Restrictions*" beginning on pages 175 and 197, respectively. The list of Eligible QIBs to whom this Preliminary Placement Document and the Application Form is delivered shall be determined by the Company in consultation with the BRLM, at its sole discretion.
Equity Shares issued and outstanding immediately prior to the Issue	3,90,00,061 Equity Shares of face value of ₹10 each, being fully paid-up
Subscribed and paid-up Equity Share capital prior to the Issue	3,90,00,061 Equity Shares of face value of ₹10 each, being fully paid-up
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares
Issue Procedure	The Issue is being made only to Eligible QIBs in reliance on Section 42 of the Companies Act read with Rule 14 of the PAS Rules, and all other applicable provisions of the Companies Act, read with Chapter VI of the SEBI ICDR Regulations. For further details, see "*Issue Procedure*" beginning on page 175
Listing and Trading	Our Company has received in-principle approvals, each dated October 01, 2024, from BSE and NSE respectively in terms of Regulation 28(1)(a) of the SEBI Listing Regulations for listing of the Equity Shares to be issued pursuant to the Issue.

	Our Company will make applications to each of the Stock Exchanges to obtain final listing and trading approval for the Equity Shares after the Allotment and after the credit of the Equity Shares to the beneficiary account of the Depository Participant. The trading of the Equity Shares would be in dematerialized form and only in the cash segment of each of the Stock Exchanges.
Lock-in	See "*Placement – Lock-up*" beginning on page 188 for a description of restrictions on our Company relation to Equity Shares.
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For further details, see *"Selling Restrictions", "Issue Procedure"* and "*Transfer Restrictions*" beginning on page 190, 197 and 197 respectively
Use of Proceeds	The Gross Proceeds from the Issue aggregate to ₹ [●] lakhs. Subject to compliance with applicable laws, the net proceeds from the Issue, after deducting fees, commissions and the estimated expenses of the Issue of approximately ₹ [●] lakhs, shall be approximately ₹ [●] lakhs. For additional information on the use of the net proceeds from the Issue, see *"Use of Proceeds"* beginning on page 60.
Risk Factors	See "*Risk Factors*" beginning on page 34 for a discussion of risks you should consider before deciding whether to subscribe for the Equity Shares.
Dividend	See "*Description of the Equity Shares*" and "*Dividends*" beginning on pages 203 and 70, respectively
Taxation	See "*Taxation*" beginning on page 206
Closing Date	The Allotment is expected to be made on or about [●]
Status, Ranking and dividends	The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including rights in respect of dividends. Our Shareholders (as on record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act, the SEBI Listing Regulations and other applicable laws and regulations. Our Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held. For further details, see "*Description of the Equity Shares*" and "*Dividends*" beginning on pages 203 and 70, respectively
Voting Rights	See "*Description of the Equity Shares – Voting Rights*" beginning on page 203.
Security Codes for the Equity Shares	ISIN: INE045601015 BSE scrip code: 543367 NSE symbol: PARAS

SUMMARY OF FINANCIAL INFORMATION

The following tables set out selected financial information as extracted from our Unaudited Consolidated Financial Results and our Audited Consolidated Financial Statements and presented in "Financial Information" beginning on page 216. The selected financial information presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information", beginning on pages 71 and 216, respectively, for further details.

SUMMARY OF THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

Summary of unaudited consolidated statement of profit and loss for the three-month period ended June 30, 2024 and June 30, 2023

(₹ in lakhs)

Particulars	As at June 30, 2024	As at June 30, 2023
Income		
Revenue from operations	8,357	4,832
Other Income	58	94
Total Income (A)	8,415	4,926
Expenses		
Cost of materials consumed	2,879	1,375
Purchase Stock In Trade	480	489
Changes in inventories of finished goods, stock-in-trade and work-in-progress	540	234
Employee Benefit Expenses	883	736
Finance Cost	153	71
Depreciation and amortisation expense	365	314
Other Expenses	1,163	915
Total Expenses (B)	6,463	4,134
Profit before share of (loss)/ Profit of Associates, exceptional items & tax (A-B)=C	1,952	792
Current tax(including Income Tax for earlier years)	509	201
- Deferred tax (Credit)/Expense	30	1
Total tax expense (D)	539	202
Profit before share of Associates(C-D)=E	1,413	590
Share of Profit / (Loss) of Associates (F)	(2)	(9)
Profit for the period/ year(E+F)=G	1,411	581
Non Controlling Interest (H)	(74)	(20)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Remeasurement losses on defined benefit plans (net of taxes	9	1
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of taxes)		
Foreign Currency Translation Reserve	0	0
Total Other Comprehensive Income (net of tax) (J)	9	1
Total comprehensive income before non controlling interest (G-H-J)=K	1,476	600
Net profit attributable to owners of the Company	1,485	601
Net profit attributable to non controlling interest	(74)	(20)
Earnings per share (nominal value of ₹ 10 each)	3.81	1.54
Basic and Diluted (not annualized)	3.81	1.54

SUMMARY OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Summary of audited consolidated balance sheet as at March 31, 2024, March 31, 2023 and March 31, 2022

(₹ in lakhs)

Particulars	**As at March 31, 2024**	**As at March 31, 2023**	**As at March 31, 2022**
I. ASSETS			
A. NON-CURRENT ASSETS			
a. Property, plant and equipment	17,817.81	14,523.53	13,486.18
b. Capital work-in-progress	445.80	451.89	49.88
c. Investment Property	-	1,697.22	1,783.20
d. Intangible Assets	107.86	88.18	96.81
e. Goodwill	644.60	644.60	-
f. Financial assets			
i. Investments	2,214.11	1,150.59	351.91
ii. Trade Receivables	51.27	43.96	-
iii. Loans	3.39	1.59	-
iv. Other Financial Assets	1,966.18	1,171.88	83.88
g. Deferred Tax Assets (net)	5.25	3.83	-
h. Other non-current assets	607.12	768.36	171.67
i. Non Current Tax Assets	6.57	0.27	2.95
Total Non-Current Assets (A)	23,869.96	20,545.90	16,026.48
B. CURRENT ASSETS			
a. Inventories	15,020.66	9,339.10	6,662.76
b. Financial asset			
i. Trade receivables	19,794.19	14,987.13	12,297.74
ii. Cash and cash equivalents	298.17	1,710.73	217.97
iii. Bank balances other than (ii) above	842.89	2316.83	7376.10
iv. Loans	395.93	1144.61	6.63
v. Other financial assets	120.13	50.94	239.00
c. Other current assets	3,630.92	1,958.84	2,790.02
d. Assets held for Sale	-	-	151.00
Total Current Assets (B)	40,102.89	31,508.18	29,741.22
C. TOTAL ASSETS (A + B)	63,972.85	52,054.08	45,767.70
II. EQUITY AND LIABILITIES			
A. EQUTIY			
a. Equity Share Capital	3,900.00	3,900.00	3,900.00
b. Other Equity	40,561.41	37,424.97	33915.54
c. Non- Controlling Interest	(133.83)	20.41	37.42
D. Total Equity (A)	44,327.58	41,345.38	37,852.96
B LIABILITIES			
NON-CURRENT LIABILITIES			
a. Financial Liabilities			
i. Borrowings	143.22	94.58	-
ii. Lease Liability	85.13	-	
iii. Other Financial Liabilities	-	-	10.05
b. Provisions	303.57	200.41	133.34
c. Deferred Tax Liabilities (Net)	2,040.04	2,118.75	2,112.31
d. Other Non Current Liabilities	-	-	12.33
Total Non-current Liabilities (C)	2,571.96	2,413.74	2,268.03
CURRENT LIABILITIES			
a. Financial Liabilities			
i. Borrowings	6,317.54	1,367.53	3,107.95
ii. Lease Liability	34.48	-	-

Particulars	As at March 31, 2024	As at March 31, 2023	As at March 31, 2022
iii. Trade Payables			
(A) Total outstanding dues of micro enterprises and small enterprises	1,078.15	292.71	128.96
(B) Total outstanding dues of creditors other than micro enterprises and small enterprises	5,019.92	2,319.16	1,398.24
iv. Other current financial liabilities	606.14	483.22	357.93
b. Short Term provisions	15.00	25.00	20.65
c. Other Current liabilities	3,154.38	3,019.59	60.96
d. Current Tax Liabilities (Net)	847.70	787.75	572.02
Total Current Liabilities (D)	17,073.31	8,294.96	5,646.71
Total Liabilities (B=C+D)	19,645.27	10,708.70	7,914.74
TOTAL EQUITY AND LIABILITIES (A+B)	63,972.85	52,054.08	45,767.70

Summary of audited consolidated statement of profit and loss for the Fiscals ended March 31, 2024, March 31, 2023 and March 31, 2022

(₹ in lakhs)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2022
Income			
Revenue from operations	25,349.82	22,242.59	18,256.24
Other Income	827.17	822.43	297.17
Total Income (I)	26,176.99	23,065.02	18,553.41
Expenses			
Cost of materials consumed	12,618.93	9,968.10	7,703.80
Purchase of Stock in Trade	2,773.91	1,715.45	528.11
Change in inventories of finished goods, stock-in-trade and work-in-progress	(3,334.35)	(1,147.30)	(56.82)
Employee benefits expense	3,089.87	2,187.06	1,481.29
Other expenses	5,095.99	3,845.16	3,413.93
Total Expenses (II)	20,244.35	16,568.47	13,070.31
Earning before finance costs, tax expenses, depreciation and amortization expenses (EBITDA) (III) [(I) – (II)]	5,932.64	6,496.55	5,483.10
Depreciation and amortization expenses	1,336.15	1,127.24	1,042.33
Finance costs	543.95	671.68	783.04
Profit before share of profit of Associates, Exceptional items and tax (IV)	4,052.54	4,697.63	3,657.73
Share of Loss of Associates	5.69	13.13	0.42
Profit before tax (V)	4,046.85	4,684.50	3,657.31
Tax expenses			
- Current tax (net of reversal of excess provision for income tax for earlier years)	1,256.79	1,185.41	1,009.46
- Deferred tax	(103.32)	(30.21)	(59.88)
Income Tax for Earlier Years	(110.41)	(64.74)	-
Total tax expenses (VI)	1,043.06	1,090.46	949.58
Profit for the year (VII) = ((V) – (VI))	3,003.79	3,594.04	2,707.73
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
- Re-measurement losses on defined benefit plans	48.47	8.13	1.05
- Income tax effect thereon	(12.20)	(2.05)	(0.26)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
- Exchange difference on translation of foreign operations	(2.09)	(6.08)	(1.12)
Other Comprehensive income (net of tax) (VIII)	34.18	-	(0.33)
Total comprehensive income for the year (IX) = (VII) - (VIII))	2,969.61	3,594.04	2,708.06
Net Profit attributable to :			
- Owners of the Parent	3,206.01	3,605.86	2,704.31
- Non-controlling interest	(202.22)	(11.82)	3.42

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2022
Profit for the year before Non-Controlling Interest			
Other comprehensive (loss) / income attributable to :			
- Owners of the Parent	34.18	-	(0.33)
- Non-controlling interest	-	-	-
Total comprehensive income / (loss) attributable to :			
- Owners of the Parent	3,171.83	3,605.86	2,704.64
- Non-controlling interest	(202.22)	(11.82)	3.42
Earnings per equity share (nominal value of share ₹ 10 each) *			
Basic and Diluted (₹)	8.22	9.25	7.78

**Earnings per share for the periods have been adjusted for the Bonus Shares issues in Fiscal 2023 and Fiscal 2024*

Summary of audited consolidated cash flow statement for the Fiscals ended March 31, 2024, March 31, 2023 and March 31, 2022

(₹ in lakhs)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2022
Net Cash (used in)/ Generated from Operating Activities	(4,554.07)	4,572.51	1151.07
Net Cash (used in)/ Generated from Investing Activities	(168.50)	962.95	(7,710.59)
Net Cash (used in) / Generated from Financing Activities	3,310.37	(4,068.88)	6309.76
Net (decrease)/ Increase in Cash and Cash Equivalents	(1,412.20)	1,466.58	(249.76)
Opening Cash and cash equivalents	1,710.73	217.97	468.26
Closing Cash and cash equivalents	298.17	1,710.73	217.97

RELATED PARTY TRANSACTIONS

For details of the related party transactions during the three months period ended June 30, 2024 and the Financial Years ended March 31, 2024, March 31, 2023 and March 31, 2022 as per the requirements under Indian Accounting Standard (*"**Ind AS 24**"*) notified under the Ind AS Rules read with Section 133 of the Companies Act, 2013, see "*Financial Information*", beginning on page 216.

RISK FACTORS

This Issue and an investment in Equity Shares involve a high degree of risk. You should carefully consider the risks described below as well as other information in this Preliminary Placement Document before making an investment decision. If any particular or a combination of the risks described below actually occurs, our business, prospects, financial condition, results of operations and cash flows could be seriously affected, the trading price of our Equity Shares could decline and you may lose all or part of your investment. Unless specified in the risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below.

We have described the risks and uncertainties that our management believes are material but the risks set out in this Preliminary Placement Document may not be exhaustive or complete, and additional risks and uncertainties not presently known to us, or which we currently deem to be immaterial, may arise or may become material, as the case may be, in the future. This section should be read together with the sections, "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry Overview", "Business", and "Financial Information" beginning on pages 71, 104, 147, 147 and 216, respectively, and other financial information included elsewhere in this Preliminary Placement Document. This Preliminary Placement Document contains forward-looking statements that involve risks and uncertainties. Prospective investors should carefully consider the following risk factors as well as other information included in this Preliminary Placement Document prior to making any decision as to whether or not to invest in our Issue. Any potential investor in, and purchaser of our Equity Shares should pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that prevailing in other countries.

Unless stated otherwise, all financial information is presented on a consolidated basis, and such financial information corresponding to (i) Fiscals 2024, 2023 and 2022 has been derived from the Audited Consolidated Financial Statements, and (ii) the three months ended June 30, 2024 and June 30, 2023 has been derived from the Unaudited Consolidated Financial Statements. Our financial year ends on March 31 of every year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year. For further information, see "Summary of Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information" on pages 27, 71 and 216, Respectively

*Unless otherwise indicated, industry and market data used in this section has been derived from the industry report titled "Defence Sector Analysis" dated September 20, 2024 (the "**F&S Report**") prepared and issued by Frost & Sullivan, appointed by us on September 12, 2024 and exclusively commissioned and paid for by us to enable the investors to understand the industry in which we operate in connection with this Issue. The data included herein includes excerpts from the F&S Report and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed Issue), that has been left out or changed in any manner. Unless otherwise indicated, financial, operational, industry and other related information derived from the F&S Report and included herein with respect to any particular year refers to such information for the relevant calendar year.*

This Preliminary Placement Document also contains forward looking statements that involve risk and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below in "Forward-Looking Statements" on page 13, and elsewhere in this Preliminary Placement Document.

INTERNAL RISK FACTORS

1. ***The loss, shutdown or slowdown of our business operations may have a material adverse effect on our business, results of operations and financial condition.***

We have two manufacturing facilities in Maharashtra, located at Ambernath in Thane and Nerul in Navi Mumbai and our R&D activities are mainly undertaken at our centres at Nerul in Navi Mumbai, Maharashtra and Bengaluru, Karnataka. While our Ambernath facility is engaged in manufacturing of heavy engineering products, our Nerul facility is engaged in manufacturing of optics, electronics and EMP protection products and solutions. We rely exclusively on each of our two manufacturing facilities to earn revenues, pay our operating expenses and service our debt. Additionally, our R&D activities are mainly undertaken at our centres at Nerul in Navi Mumbai, Maharashtra and Bengaluru, Karnataka. Any significant interruption to, or loss or shutdown of, operations at any of our manufacturing facilities or R&D centres would adversely affect our business.

If any of our facilities or centres are harmed or rendered inoperable by factors such as, including the breakdown or failure of equipment, difficulties or delays in obtaining raw materials, spare parts and equipment / machines, raw material shortages, performance below expected levels of output or efficiency, facility obsolescence or disrepair, natural or man-made disasters (including earthquakes, fire, floods, acts of terrorism and power outages) and industrial accidents, it may render it difficult or impossible for us to efficiently operate our business for some time, or require us to shut major part of our operations, which may adversely affect our business, financial condition, result of operations and cash flows. Additionally, any failure or disruption in power or water supply could affect our daily operations and substantially increase our manufacturing costs.

2. ***We depend on a limited number of customers for a significant portion of our revenue. The loss of any of our major customers due to any adverse development or significant reduction in business from our major customer may adversely affect our business, financial condition, results of operations and future prospects.***

We have in the past derived a significant portion of our revenue from limited number of customers and we may continue to derive a significant portion of our revenue from such customer. As per our Audited Consolidated Financial Statements for, our revenue from our top five customer on a consolidated basis constituted 85.67%, 57.18%, 60.58% and 61.06% of our total consolidated revenue for the three-month period ended June 30, 2024 and Fiscals 2024, 2023 and 2022 respectively. As our business is currently concentrated to a select number of customers, any adverse development with such customer, including as a result of a dispute with or disqualification by such major customer, may result in us experiencing significant reduction in our cash flows and liquidity. If our customers are able to fulfil their requirements through any of our existing or new competitors, providing products with better quality and / or cheaper cost, we may lose significant portion of our business. Additionally, consolidation of any of our customer may also adversely affect our existing relationships and arrangements with such customer, and any of our customer that are acquired may cease to continue the businesses that require products manufactured by us.

Further, in the event our major customer face any form of adverse effect due to exigent circumstances, resulting in a sustained decline in the demand for their products, including due to macroeconomic or geo-political factors affecting the economy in general, could prompt them to reduce their production volumes, in turn affecting their demand for our products. The volume and timing of sales to our major customer may also adversely vary due to variation in: (i) delay in or cancellation of projects; (ii) niche choices of raw materials for our products manufactured; (iii) bespoke requirements; (iv) management of inventory levels; (v) manufacturing strategy; and (vi) growth strategy. Furthermore, we do not have firm commitment in the form of long-term supply agreements with our customer and instead rely on purchase orders and contracts for manufacture of specific products on a project basis to govern the volume and other terms of our sales of products. There can be no assurance that upon expiry of the contracts, our customers will re-enter into such agreements with us in a timely manner and at terms favourable to us or at all. Consequently, there is no commitment on the part of our major customer to continue to place new purchase orders with us and as a result, our cash flow and consequent revenue may fluctuate significantly from time to time. Further, we may not find any other customers for the surplus or excess capacity, in which case we may be forced to incur a loss.

3. ***Our business is also largely dependent on contracts from the GoI and associated entities including defence public sector undertakings and government organizations involved in defence and 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 our business.***

We are involved in designing, developing, manufacturing and testing of a wide range of engineering products and solutions for defence and space applications. Consequently, our business is highly dependent on projects and programmes undertaken by GoI and associated entities, such as defence public sector undertakings and government organizations involved in space research (collectively, the "**GoI Entities**"). We derived 92.84%, 70.22%, 60.55% and 54.87% of our total consolidated sales during the three month period ended June30, 2024, and during Fiscals 2024, 2023 and 2022, respectively, from sales made to the GoI Entities. We expect to derive most of our revenues under our contracts with the GoI Entities.

Further, our contracts depend upon the continuing availability of budgets extended to the Ministry of Defence ("**MoD**") and the Department of Space ("**DoS**"). While there is an increase in the total defence and space allocations over a period of time, the level of defence and space spending and changes in the tax policies by the GoI in the future is difficult to predict and may be impacted by numerous factors such as the evolving nature of the national security concerns, foreign policy, domestic political environment and macroeconomic conditions. A decline or reprioritisation of the Indian defence or space budget, changes in GoI Entities defence or space requirements and geo-political circumstances, reduction in orders, termination of existing contracts, delay of existing contracts or programmes will have a material adverse impact on our business.

Moreover, the MoD has promulgated the Defence Acquisition Procedure 2020 ("**DAP**") which has been aligned with the vision of the Government's Aatmanirbhar Bharat (self-reliant India) initiative and to empower the Indian domestic defence industry through 'Make in India' projects. These policies of the GoI have increased competition and we cannot assure you that we will be as competitive as we have been in the past and we will continue to be successfully awarded contracts by the GoI. While we are registered with the DSIR and our products are well suited to be classified as IDDM, the highest category in the priority of categorization under DAP since most of our products and solutions are designed, developed and manufactured by us in India, there can be no assurance that we will continue to be selected for such contracts. There is no assurance that GoI Entities will continue to engage us and that we will continue to sustain the general level of revenue that we have secured in the past. Further, any adverse change in the GoI policy may lead to cancellation or slowdown of our orders and could have a material adverse effect on our business, results of operations and financial conditions.

4. ***We are subject to strict quality requirements, customer inspections and audits, and any failure to comply with quality standards may lead to cancellation of existing and future orders and could negatively impact our reputation and our business and results of operations and future prospects.***

We specialize in designing, developing, manufacturing and testing of a wide range of engineering products and solutions for defence and space applications. We design, develop and manufacture complex and specialised components for customers in defence and space sector based on specific requirements stipulated by them. Given the nature of our products and solutions, and the sector in which we operate, we believe that our customers have high standards for product quality and delivery schedules. Adherence to quality standards is a critical factor as a defect in products and solutions manufactured by our Company or failure to comply with the specifications of our customers may, in turn, lead to the manufacture of faulty end-products by our customer. This may lead to cancellation of supply orders or non-renewal of agreements by our customers and at certain instances may impose additional costs in the form of product liability and/or product recall. Further, any failure to make timely deliveries of products and solutions as per our customers' requirements could result in cancellation or non-renewal of purchase orders and at certain instances may also result in us bearing additional financial exposure.

While we have put in place quality control procedures, we cannot assure you that our products will always be able to satisfy our customers' quality standards. Our quality control procedures may fail to test for all possible conditions of use or identify all defects in the design, engineering or specifications of the components. Any such failure to identify defects could require us to undertake service actions or component recalls. Any defect in our products and solutions could also result in customer claims for damages. Any negative publicity regarding our Company, or our products could adversely affect our reputation, our operations and our results from operations.

Prior to entering awarding us the contracts, certain of our customer undertake a detailed review process, which involves inspection of our production facilities, review of our manufacturing processes, raw materials, our financial capabilities, technical review of the designs and specification of the proposed product and solutions, inspection and review of prototypes of the product and solutions. This extensive review process are generally periodic in nature and firm orders are placed only after the review process. The finished product delivered by us is further subject to validation by our customers upon delivery at their facilities. We are therefore subject to a stringent quality control mechanism at each stage of the manufacturing process and are required to maintain the quality and precision level for each product. We typically extend a warranty period of 12 months to our customers for new products from the date of delivery. Due to the length of the warranty period extended by us, we may be subject to claims from our customers and we may incur additional costs if rectification work is required in order for us to satisfy our obligations during the warranty period. We cannot assure that our warranty provisions will be sufficient to cover the costs incurred for defects. If the costs of any rectification work exceed the warranty provisions, our business, financial condition, results of operations and prospects may be adversely affected. Further, to ensure minimal defects, we may be required to incur significant expenses to maintain our quality assurance systems, which may affect our financial condition.

In certain cases, where our customers provide a warranty to their end users and incur warranty costs for non-conformity of their products to agreed specifications or standards, our supply arrangements with our customers typically allow us to review warranty claims in order to determine if the failure was caused by a manufacturing defect in our components. If it is determined that the failure was on account of a manufacturing defect in our components, we may be required to promptly correct or replace those defective components at our own expense, failing which we may be required to reimburse our customers at part acquisition cost, with additives to cover administrative, labour, material and other such costs.

Further, our customers generally have the right to inspect and audit our facilities, processes and products after reasonable notice to ensure that our services are meeting their internal standards. Most of our customers routinely inspect and audit our facilities. If we fail to perform our services in accordance with best practices stipulated by our customers and/or our customers are dissatisfied with the quality of our facilities in any manner, our reputation could be harmed and our customers may terminate/modify their contractual arrangements and/ or refuse to renew their contractual arrangements or purchase orders. This may have an adverse impact on our business, financial condition, results of operations and future prospects.

5. ***Any failure to comply with the provisions of the contracts entered with our customers, especially the GoI Entities, could have an adverse effect on our business operations, financial conditions and results of our operations. Additionally, imposition of liquidated damages and invocation of performance bank guarantees / indemnity bonds by our customers could impact our results of operations and we may face potential liabilities from lawsuits and claims by customers in the future.***

The contracts entered with our customers, especially GoI Entities, contain onerous obligations and are subject to laws which give them certain rights and remedies including without limitation the following:

- terminate existing contracts for default, delays or force majeure conditions;
- demand encashment of warranty indemnity bonds;
- reduce orders under, or otherwise modify, contracts or sub-contracts;
- claim intellectual property rights in products and systems produced by us;
- control or prohibit the export of our products and services; and
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable.

In the event that our customers enforce any of the above provisions, it could have an adverse effect on our business operations, financial conditions and results of our operations. Further, the loss of anticipated funding or the termination of multiple or large programmes by the GoI Entities could have an adverse effect on our future revenues and earnings.
Apart from the above, most of the contracts with our customers require our Company to pay liquidated damages in the event of delay in delivery of products. The value of the liquidated damages typically ranges from 5% to 10% of the value of the contract. Additionally, under few of these contracts we are required to secure performance bond in the form of bank guarantee from nationalised / scheduled commercial banks for approximately 10% of the total order value towards performance of the equipment until completion of warranty period indicated in such contracts. For the Fiscals ended 2022, 2023 and 2024 and for the three months period ended June 30, 2024, we have paid late delivery charges amounting to ₹113.00 lacs, ₹102.06 lacs, ₹46.00 lacs and ₹39.58 lacs, respectively, to our customers.

We cannot assure you that in future such contracts can be completed profitably or on terms that are not commercially acceptable to us. Any time and/or cost overruns on our contract could have a material adverse effect on our business, results of operations and financial condition. The incurring of such liabilities pursuant to the imposition of liquidated damages or the invocation of such performance bank guarantees and indemnity bonds in relation to our contracts could have an adverse effect on our business, results of operation, and financial condition.

6. ***We may not qualify for or win bids to further expand our business, which may have an adverse effect on our business, financial condition, results of operations and prospects.***

Our business and growth depend on our ability to qualify for and win bids undertaken by GoI Entities for awarding contracts. Our Company obtains a majority of its business through a competitive bidding process in which it competes for project awards based on, among other things, pricing, technical and technological expertise, reputation for quality, financing capabilities and track record. The bidding and selection process is affected by a number of factors, including factors which may be beyond our control, such as market conditions, project delays, scope adjustments, external economic or political factors. Any increase in competition during the bidding process or reduction in our competitive capabilities could have a material adverse effect on our market share. There can be no assurance that our current or potential competitors will not offer products and solutions comparable or superior to those that we offer at the same or lower prices, adapt more quickly to industry challenges, or expand their operations at a faster pace than we do. Increased competition may result in price reductions, reduced profit margins and loss of market share, thereby causing an adverse effect on our operations, prospects and financial condition.

In addition to meeting bid capacity requirements, we may also be required to pre-qualify for the orders involving GoI Entities such as in relation to background checks and prior experience of the bidders. However, we cannot assure that we shall always maintain our bid capacity and our pre-qualification capabilities, and that we shall be able to continually secure projects so as to enhance our business operations, financial performance and results of operations. Further, such pre-qualification criteria may also change from time to time. Our inability to fulfil and maintain the bid and pre-qualification capabilities may materially impact our operating revenue and profitability.

7. ***We are subject to government regulations and if we fail to obtain, maintain or renew our statutory and regulatory licenses, permits and approvals required for our business, our results of operations and cash flows may be adversely affected.***

We are required to obtain and maintain a number of statutory and regulatory licences, registrations, permits and approvals under central, state and local government rules in India, generally for carrying out our business and for our manufacturing facilities. In addition, we will need to apply for renewal of certain approvals, licenses, registrations and permits, which expire or seek new approvals, licenses, registrations and permits from time to time, as and when required in the ordinary course of our business. Obtaining licences, registrations, permits and approvals or their renewals are time consuming processes and subject to frequent delays. While we have obtained a significant number of licences, registrations, permits and approvals from the relevant authorities, we are yet to receive or apply for certain licences, registrations, permits and approvals or renewals. There is no assurance that such licences, registrations, permits and approvals or renewals will be issued or granted to us in a timely manner, or at all. If we do not receive such licences, registrations, permits and approvals or renewals in a timely manner, it could result in cost and time overrun or our business and operations may be adversely affected. Moreover, certain approvals granted to us by statutory authorities may be revoked at any point of time due to circumstances which may or may not be within our control and this could have an adverse impact on our business and operations.

Apart from the above, in relation to our Ambernath facility, the consent to operate issued by the MPCB under the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 on March 1, 2017, had expired on October 31, 2017. Subsequently, pursuant to the notification dated March 7, 2016 issued by the CPCB and the notification dated March 19, 2019 issued by the MPCB, the activity undertaken by our Company was classified under the white category with effect from June 3, 2016 and accordingly, our Company was not required to obtain / renew the aforementioned consent. In terms of such notifications, our Company submitted an undertaking for classification under the white category to the MPCB on December 30, 2019. Accordingly, our Company did not possess a valid consent to operate for our Ambernath facility for the period between October 31, 2017 and December 30, 2019. Further, our Company did not possess the consent to establish or operate under the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 for our Nerul facility prior to the submission of an undertaking for classification under the white category to the MPCB on December 14, 2019. Given the above, the relevant authority may initiate actions against us, restrain our operations, impose fines or penalties or initiate legal proceedings for our inability to renew/obtain approvals in a timely manner or at all. Further, the regulator may order closure of our unit where it is found to be non-compliant with the applicable norm. These requirements may become more stringent over time and there can be no assurance that we will not incur significant environmental costs or liabilities in the future.

Our licences, registrations, permits and approvals are also subject to certain conditions, some of which may be onerous and require us to incur expenditure. We may also not be aware of certain approvals or permissions, which we may be required to maintain or acquire for undertaking our operations, under any new regulation or amended regulation made by any local or State Government. An inability to obtain, maintain or renew licences, registrations, permits and approvals required for our operations may adversely affect continuity of our operations.

Further, in order to sell our products, our products must be approved by government agencies in the countries in which we do business. If there is any failure by us to comply with the applicable regulations or if the regulations governing our business are amended, it may reduce our revenues, increase costs, adversely affect our business, financial condition and results of operations.

8. ***We have significant working capital requirements. If we experience insufficient cash flows from our operations or are unable to borrow to meet our working capital requirements, it may materially and adversely affect our business, cash flows and results of operations.***

Our business requires significant working capital including in connection with our manufacturing operations, financing our inventory, purchase of raw materials and our development of new products which may be adversely affected by changes in terms of credit and payment. We are required to maintain a high level of working capital because our business activities are characterised by long product development periods and production cycles. Delays in payment under on-going contracts or reduction of advance payments due to lower order intake or inventory and work in progress increases and/or accelerated payments to suppliers, could adversely affect our working capital, lower our cash flows and materially increase the amount of working capital to be funded through external debt financings.

We may also be unable to adequately finance our working capital requirements on account of various factors, including extraneous factors such as delay in disbursements under our financing arrangements, increased interest rates, insurance or other costs, or borrowing and lending restrictions or finance our working capital requirements on commercially acceptable terms or at all, each of which may have a material adverse effect on our business, financial condition, prospects and results of operations. These factors may result, or have resulted, in increase in the amount of our receivables and short-term borrowings. Continued increase in our working capital requirements may have an adverse effect on our financial condition and results of operations.

The actual amount and timing of our future capital requirements may differ from estimates as a result of, among other factors, unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, economic conditions, engineering design changes, technological changes and additional market developments. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and could have a significant effect on our profitability and cash flows and we may be subject to additional covenants, which could limit our ability to access cash flows from operations.

9. ***The number of orders we have received in the past, our current order book and our growth rate may not be indicative of the number of orders we will receive in the future.***

We prepare our order book on the basis of the work completed, the outstanding work and the time expected to complete the bids and contracts forming part of the order book. The order book may be materially impacted if the time taken or amount payable for completion of any ongoing order of our Company changes. The growth of our order book is a cumulative indication of the revenues that we expect to recognise in future periods in relation to signed contracts. Further, we cannot guarantee that the income anticipated in our order book will be realised, or, if realised, will be realised on time or result in profits. In addition, our order book depends on continued growth of the defence and space sector in India and our ability to remain competitive. Our existing order book and our growth rate may not be indicative of the number of orders we will receive or our growth in the future.

Our order book only represents business that is considered firm, although this is subject to, among other things, cancellation or early termination or because of any breach of our contractual obligations, non-payment by our customers, delays in the initiation of our customers' projects, unanticipated variations or adjustments in the scope and schedule of our obligations for reasons outside our and our customers' control or change in budget appropriations which affect our customers. Accordingly, we cannot predict with certainty the extent to which a project forming part of our order book will be performed. Further, such delays in the completion of a project or cancellation of a project may lead to delays or refusal in payment of the applicable amount that we expect to be paid in respect of such project. Our clients may also be entitled to terminate the agreement in the event of delay in completion of the work if the delay is not on account of any of the agreed exceptions. In addition, where a project is concluded as scheduled, our client may delay, default or otherwise fail to pay amounts owed to us. Such payments often represent an important portion of the margin we expect to earn on a project. Further, any delay in execution of ongoing projects leading to extended timelines would also adversely impact our ability to undertake additional projects in future and the outlook of our order book. Moreover, if any of our projects are cancelled or terminated prematurely, there can be no assurance that our Company will receive any applicable termination payments in time or at all or that the amount paid will be adequate to enable our Company to recover its investments in the prematurely cancelled project. In such events, we may have to bear the actual costs for project activities incurred by us which may exceed the agreed work as a result of which, our future earnings may be lower from the amount of the order book and if any of the forgoing risks materialize, our cash flow position, revenues and earnings may be adversely affected.

10. *If we are unable to manage our growth effectively, our business, future financial performance and results of operations could be materially and adversely affected.*

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. As part of our growth strategy, we aim to, among other things, continue to grow our businesses as and when opportunities exist including by expanding our production capacity, strengthening our foothold in India’s expanding market, continue to focus on R&D, diversify our product and solutions, increasing our reach in the international markets and by expansion into opportunistic areas and partnerships.

This could place significant demands on our operational, credit, financial and other internal risk controls. In pursuing our growth strategy, we will require additional capital investments and cash outlays, which may have a material impact on our cash flows and results of operations. As our product portfolio and product pipeline grow, we may require additional personnel on our project management, in-house quality assurance and R&D teams to work with our partners on quality assurance, regulatory affairs and product development. As a result, our operating expenses and capital requirements may increase significantly. Our ability to manage our growth effectively requires us to forecast accurately our sales, growth and manufacturing capacity and to expend funds to improve our operational, financial and management controls, reporting systems and procedures. We may also be exposed to certain other risks, including difficulties arising from operating a larger and more complex organisation; the failure to (i) efficiently and optimally allocate management, technology and other resources across our organisation, (ii) compete effectively with competitors and (iii) increase our production capacity; the inability to control our costs; and unforeseen legal, regulatory, property, labour or other issues.

For instance, as we continue our growth by expanding our manufacturing facilities and introducing new products, the expansion of existing manufacturing capacities is capital intensive, requires significant time and are subject to certain risks that could result in delays or cost overruns, which could require us to expend additional capital and adversely affect our business and operating results. Such potential events include shortages and late delivery of facility equipment; delays in the delivery, installation, commissioning and qualification of our manufacturing equipment; labour disputes; delays or failure in securing the necessary governmental approvals, and technological capacity and other changes to our plans for new manufacturing facilities necessitated by changes in market conditions. Such factors could result in a loss or delayed receipt of earnings and an increase in financing cost which would adversely affect our business, cash flows and results of operations.

Further, our future business plan is dependent on our ability raise funds through debt or equity and we may have difficulty obtaining funding on acceptable terms or at all. Adverse developments in the Indian credit markets may significantly increase our debt service costs and the overall cost of our funds. Moreover, even if we secure the required funding, there is no assurance that we will be able to successfully expand our production capacity or diversify our product and solutions portfolio. We may also face difficulties in effectively implementing new technologies required in designing, developing and manufacturing new products and solutions and may not be able to recover our investments. An inability to implement our future business plan, manage our growth effectively or failure to secure the required funding on favourable terms or at all could have a material and adverse effect on our business, future financial performance and results of operations. See "*Risk Factor - We design, develop and manufacture products and solutions that incorporate advanced technologies. Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex and involve developmental costs.*" on page 34.

11. *Our success depends significantly on our Promoters, Key Management Personnel and other senior management and skilled personnel. The loss of their services may have a material adverse effect on our business, financial condition and results of operations.*

Our performance depends largely on the efforts and abilities of our Promoters, Key Management Personnel, and other senior management and skilled personnel. We believe that their inputs and experience in the fields of, *inter alia,* design and development, project management, operations management and manufacturing technologies along with their past experience in the defence sector are valuable for the development of business and operations and the strategic steps taken by our Company.

Sharad Virji Shah, our Chairman and Non-Executive Director, and Munjal Sharad Shah, our Managing Director, have 46 years and 27 years of experience, respectively, in engineering products and solutions for defence applications. We are highly dependent on our Promoters to manage our current operations and to meet future business challenges. The active involvement of our Promoters in our operations, including the strategy, direction and customer relationships have been integral to our development and business. We cannot assure you that their services will continue to be available to us, or that we will be able to find a suitable replacement if required. Further, the successful completion of our projects, the day-to-day operations and the planning and execution of our business strategy depends significantly on our Key Management Personnel and other senior management and skilled personnel. Although we have implemented a succession policy approved by the Board as well as initiated a structured training programme for the middle management executives, we cannot assure you that we will be able to adequately replace such skilled and experienced personnel. This may lead to a lack of domain expertise for key positions in our Company which may adversely affect our business.

Moreover, our ability to execute projects depends on our ability to attract, train, motivate and retain senior management and highly skilled personnel due to the complex nature of our products. We cannot assure you that we will be able to retain these professionals or find adequate replacements in a timely manner, or at all. To the extent we lose such skilled personnel, we will be required to find ways to successfully manage the transfer of confidential information from them to their replacements. An inability to retain any key managerial personnel may impair our ability to bid on and obtain new projects and therefore will have an adverse effect on our operations.

Furthermore, the loss of any of the members of our Key Management Personnel and other senior management and skilled personnel or an inability on our part to manage the attrition levels, may lead to loss of technical knowledge which may materially and adversely impact our business, results of operations, and financial condition.

12. *Our financing agreements impose certain restrictions on our operations, and our failure to comply with operational and financial covenants may adversely affect our reputation, business and financial condition.*

As of June 30, 2024, our aggregate outstanding indebtedness was ₹ 5,311.47 lacs. Some debt financing agreements entered into by our Company contain restrictive covenants, and/or events of default that limit our ability to undertake certain types of transactions, which may adversely affect our business and financial condition. We are required to obtain prior consent from some of our lenders for, among other matters, to effect any change in the shareholding pattern of the Company and alter the constitutional documents. Moreover, our manufacturing facilities and some of our plant and machinery at such facilities have been offered as a collateral for some of our loans and our Promoters have also provided a personal guarantee in relation to our borrowings. Our financing agreements also require us to maintain certain financial ratios and it can be recalled by lenders in certain circumstances. If the lenders exercise their right to recall a loan, it could have an adverse effect on our or these companies' reputation, business and financial position.

We cannot assure you that we will have or will be able to comply with all such restrictive covenants in a timely manner or at all, or that we will be able to comply with all such restrictive covenants in the future. Any failure to comply with the conditions and covenants in our financing agreements that is not waived by our lenders or guarantors or otherwise cured could lead to discontinuation of our credit facilities or acceleration of all amounts due under such facilities, which could adversely affect our financial and our ability to conduct and implement our business plans.

If our future cash flows from operations and other capital resources are insufficient to pay our debt obligations or our contractual obligations, or to fund our other liquidity needs, we may be forced to sell assets or attempt to restructure or refinance our existing indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets, our financial condition at such time and the terms of our other outstanding debt instruments. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our creditworthiness or credit rating, which could harm our ability to incur additional indebtedness on acceptable terms.

13. ***Our funding requirements and the proposed deployment of Net Proceeds have not been appraised by a public financial institution or a scheduled commercial bank and our management will have broad discretion over utilization of the Net Proceeds***

We propose to use the Gross Proceeds for the purposes described in "Use of Proceeds" on page **Error! Bookmark not defined.** of this Preliminary Placement Document. Our funding requirements are based on management estimates and our current business plans and has not been appraised by any bank or financial institution. The deployment of the Gross Proceeds will be monitored by ICRA, appointed as the Monitoring Agency in relation to the Issue. The deployment of the Net Proceeds will be at the discretion of our Board. We may have to reconsider our estimates or business plans due to changes in underlying factors, some of which are beyond our control, such as interest rate fluctuations, changes in input cost and other financial and operational factors. Accordingly, you will need to rely upon our management's judgment with respect to the use of proceeds. If we are unable to deploy the Gross Proceeds in a timely or an efficient manner, it may affect our business and results of operations.

14. ***We could incur losses under our fixed price contracts as a result of cost overruns, delays in delivery or failures to meet contract specifications which may have an adverse effect on our business, financial condition and results of operations.***

Most of our contracts are fixed-price contracts. All costs including labour and raw materials costs are forecasted by us when we enter such fixed-price contracts. In case of cost variances from such estimates, we are permitted to retain all cost savings on completed contracts but are liable for the full amount of all cost overruns. In the past, we have witnessed cost overruns in the case of some of our contracts and we may also continue to witness the same in the future. The actual costs incurred on a fixed-price contract may vary from our estimates due to factors such as:

- unanticipated variations in labour and equipment productivity over the term of a contract;
- unanticipated increases in labour, raw material, sub-contracting and overhead costs;
- delivery delays and corrective measures for poor workmanship;
- equipment failures;
- changes in the specifications provided by our customers;
- obsolescence of any components; and
- changes in testing requirements.

We cannot assure you that these contracts, if secured, can be completed profitably. Significant cost overruns on our fixed price contracts could have a material adverse effect on our business, financial condition, results of operations and prospects. Depending on the size of the project, variations from estimated contract performance could significantly reduce our earnings, and could result in losses, during any quarter of a fiscal or entire fiscal. All of our fixed price contracts provide for liquidated damages for late delivery. In the past, we have been required to re-negotiate some of the terms, such as price, date of delivery, scope of work, due to a delay in delivery of the products owing to a combination of internal as well as external factors beyond our control. We have also had to pay liquidated damages for delay in delivery and for quality issues. For details see "*Risk Factor - Any failure to comply with the provisions of the contracts entered with our customers, especially the GoI Entities, could have an adverse effect on our business operations, financial conditions and results of our operations. Additionally, imposition of liquidated damages and invocation of performance bank guarantees / indemnity bonds by our* customers *could impact our results of operations and we may face potential liabilities from lawsuits and claims by customers in the future.*" on page 34. There can be no assurance that our customers in future will not rescind their contracts with us if there is a delay in delivery beyond the time stipulated in the contract or we may need to renegotiate some of our contracts. This may have an impact on our reputation, which could have a material adverse effect on our financial condition, results of operations and prospects.

15. ***Availability and cost of raw materials could adversely affect our business, financial condition, results of operations and prospects.***

Our operations are impacted by the availability and cost of raw materials utilised in our production process. We purchase our raw materials from domestic as well as international markets and any change in cost and availability of such raw materials for any reason, including change in the approved suppliers, change in law or applicable governmental policies relating to imports, would adversely affect our business, financial condition, results of operations and prospects.

Our raw material suppliers may fail to deliver products of acceptable quality and within stipulated schedules or at all. We may be required to replace a supplier if the products provided or supplied, do not meet our quality or performance standards. Further, increase in competition may lead to our competitors establishing exclusive arrangements with our suppliers due to which we may be unable to secure an adequate supply of raw materials or which may increase our overall cost of raw materials, which we may not be able to determine from our customers.

While we are not significantly dependent on any single raw material supplier, raw material supply and pricing can be volatile due to a number of factors beyond our control, including global demand and supply, economic and political conditions, transportation and labour costs, disruption during transportation, labour unrest, natural disasters, import duties, tariffs and currency exchange rates. This volatility in commodity prices can significantly affect our raw material costs. Further, any volatility in fuel prices can also affect commodity prices worldwide, which in turn may significantly increase our raw material costs.

16. ***We have significant power, and fuel requirements and any disruption to power or water sources could increase our production costs and adversely affect our results of operations.***

We require substantial power and fuel for our manufacturing facilities, and energy costs represent a significant portion of the production costs for our operations. For Fiscals 2022, 2023, 2024 and the three months ended June 30, 2024, our power, and fuel costs was ₹286.89 lacs, ₹328.32 lacs ₹359.84 lacs and ₹108.67 lacs constituting 1.57%, 1.48%, 1.42% and 1.29%, respectively, of our total revenue from operations. If energy or water costs were to rise, or if electricity or water supplies or supply arrangements were disrupted, our profitability could decline.

We source most of our electricity requirements for our manufacturing facilities from state electricity boards and to a lesser extent, third-party suppliers. If supply is not available for any reason, we will need to rely on captive generators, which may not be able to consistently meet our requirements. The cost of electricity from state electricity boards could be significantly higher, thereby adversely affecting our cost of production and profitability. Further, if for any reason such electricity is not available, we may need to shut down our plants until an adequate supply of electricity is restored. Interruptions of electricity supply can also result in production shutdowns, increased costs associated with restarting production and the loss of production in progress. In addition, we source most of our water requirements from state utilities, but there is no assurance that we will be able to obtain a sufficient supply of water from sources in these areas, some of which are prone to drought. Therefore, we are subject to price risk and if supply or access is not available for any reason, our production may be disrupted and profitability could be adversely affected. We may also be forced to shut down or scale down our production if the drought worsens and we cannot access water in sufficient amounts.

17. ***We design, develop and manufacture products and solutions that incorporate advanced technologies. Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex or involve developmental costs.***

We design, develop and manufacture technologically advanced and innovative products and solutions applied by our customers in a variety of environments. Problems and delays in development or delivery as a result of issues with respect to design, technology, concurrent engineering, licensing, labour, learning curve assumptions or raw materials could prevent us from achieving contractual requirements.

The business environment in many of our principal operating segments requires extensive design and development expenses. We devote substantial resources to our design and engineering functions and also make investments in R&D, in particular, to create new products and solutions which are customised to meet customer expectations and end-user preferences and to also improve our production processes and quality of our existing products and solutions, which we believe are factors crucial for our future growth and prospects. As on June 30, 2024, our R&D team comprise of 47 employees. Our ability to realize the anticipated benefits of our R&D capabilities depends on a variety of factors, including meeting development, production, certification and regulatory approval schedules, execution of internal and external performances plans, availability of supplier and internally-produced parts and materials, performance of suppliers and sub-contractors, hiring and training of qualified personnel, achieving cost and production efficiencies, identification of emerging technological trends in our target end markets, validation of technologies, level of customer interest in new technologies and products, and customer acceptance of our products and products that incorporate technologies we develop. In addition, due to the design complexity of our products, we may in the future experience delays in completing the development and introduction of new products.

We may incur substantial R&D costs as part of our efforts to design, develop and commercialise new products and solutions and enhance existing products and solutions portfolio. However, there is no guarantee that our R&D initiatives will be successful or be completed within the anticipated time frame or budget. Furthermore, there is no assurance that our newly developed or improvised products and solutions will yield desired results, can be used for our commercial operations or will generate any revenue. For instance, we have developed products and solutions in the past such as control and display unit for a radar program, control system for a tank program and high-power embedded computer for naval applications.

Even if such products can be successfully developed and manufactured, there is no guarantee that they will be cost effective, accepted by our customers and achieve anticipated returns. Our ongoing investments in various R&D initiatives could result in higher costs without a proportionate increase in revenues. If we fail to design, develop and manufacture customised products and solutions for our customers at competitive price, this may affect our ability to win bids and/or contracts and our business profitability and financial condition may be materially and adversely affected.

18. ***Our ability to complete our projects in a timely manner and maintain its quality standards is subject to performance of our sub-contractors.***

From time to time, we sub-contract certain activities or 'main works' to be undertaken for our projects to other parties depending on various factors, including, manpower availability and complexity required for execution of projects. Although our contractors are qualified, we do not have control over their day to day performance. We cannot ensure that there will be no delay in performance of duties by our sub-contractors, which may cause a delay in completion of our projects. We may also be exposed to risks relating to the quality of their services, equipment and supplies. In the event that our cost and work estimates are not in line with our budgets or there is an increase in the price of materials, the fixed price sub-contract may adversely affect our profit margins. Further, there is a risk that we may have disputes with our sub-contractors arising from, inter alia, quality and timely execution of work performed by our sub-contractors, payments to be made to sub-contractors under our arrangement with them or our failure to extend existing work order to or issue a new work order to a sub-contractor under our arrangement with such sub-contractor. We cannot assure you that these disputes will be amicably resolved or will not culminate into arbitration, litigation or other dispute resolution proceedings.

19. ***Failure or disruption of our information and technology ("IT") and/ or enterprise resources planning systems may adversely affect our business, financial condition, results of operations and future prospects.***

The efficient operation of our business depends on our IT infrastructure and our enterprise resources planning systems established at our manufacturing facilities. Our IT infrastructure comprises of third-party solutions and applications maintained internally. Since we operate multiple platforms, the failure of our IT infrastructure and/ or our enterprise resources planning systems could disrupt our business and adversely affect our results of operation. In addition, our IT infrastructure and/or our enterprise resources planning systems are vulnerable to damage or interruption from, amongst others, natural or man-made disasters, terrorist attacks, computer viruses or hackers, power loss, other computer systems, internet telecommunications or data network failures. Any such interruption could adversely affect our business and results of operations.

While we have deployed IT disaster management systems including data backup and retrieval mechanisms, we cannot assure you that such IT disaster management systems including data backup would be able to ensure sufficient safeguards to prevent significant disruption of our IT systems. However, any failure or disruption in the operation of these systems or the loss of data due to such failure or disruption (including due to human error) or our inability to access the back-up information critical for our business on a timely basis, may affect our ability to plan, track, record and analyse work / projects in progress, R&D initiatives and revenue, process financial information, manage our creditors, debtors and hedging positions, or otherwise conduct our normal business operations, which may increase our costs and otherwise adversely affect our business, financial condition, results of operations and future prospects.

20. ***Any failure to protect or enforce our rights to own or use trademarks and brand name and identity could have an adverse effect on our business and competitive position.***

We have been issued 5 trademarks in India as at June 30, 2024. Our Company have trademark applications under classes 40, 42, 13, 12 and 8 for the trademark registration in relation to our logo i.e. . Further trademark registrations of our corporate logo i.e. under classes 6 have been refused and applications under class 7 and 9 have been abandoned. We have secured patents for our EMP Protected Rugged Display, Shock/Vibration Proof Heavy Duty Console and Electromagnetic Pulse Protected Rack.

For further information, see "*Our Business – Intellectual Property*" on page 147. If we are unable to register our trademark for various reasons including our inability to remove objections to any trademark application, or if any of our unregistered trademark are registered in favour of or used by a third party in India or abroad, we may not be able to claim registered ownership of such trademark and consequently, we may not be able to seek remedies for infringement of those trademarks by third parties other than relief against passing off by other entities, causing damage to our business prospects, reputation and goodwill in India and abroad. Apart from this, any failure to register or renew registration of our registered trademark may affect our right to use such trademark in future. Further, our efforts to protect our intellectual property in India and abroad may not be adequate and any third party claim on any of our unprotected intellectual property may lead to erosion of our business value and our reputation, which could adversely affect our operations. Third parties may also infringe or copy our registered brand name in India and abroad which has been registered by us in India. We may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect our trademarks in India and abroad.

Further, if we do not maintain our brand name and identity, which we believe is a principal factor that differentiates us from our competitors, or if we fail to provide high quality products on a timely basis, we may not be able to maintain our competitive edge in India and abroad. If we are unable to compete successfully, we could lose our customers, which would negatively affect our financial performance and profitability. Moreover, our ability to protect, enforce or utilize our brand name is subject to risks, including general litigation risks. Furthermore, we cannot assure you that such brand name will not be adversely affected in the future by actions that are beyond our control, including customer complaints or adverse publicity from any other source in India and abroad. Any damage to our brand name, if not immediately and sufficiently remedied, could have an adverse effect on our business and competitive position in India and abroad.

21. ***If we fail to keep our technical knowledge and process know-how confidential, we may suffer a loss of our competitive advantage or we may negatively impact the overall implementation of the programmes being worked on.***

We possess extensive technical knowledge about our products. We have gained such technical knowledge through our own experiences, R&D initiatives undertaken by us and our collaboration with overseas technological companies, over the years. Our technical knowledge is a significant independent asset. While our employees are subject to strict confidentiality, non-disclosure and non-compete obligations under the respective agreements entered with them, such technical knowledge is not protected by intellectual property rights such as patent registration or design registration. As a result, we cannot assure that our technical knowledge will remain confidential.

Even if all reasonable precautions, whether contractual or otherwise, are taken to protect our confidential technical knowledge of our products and business, there is a risk that certain proprietary knowledge may be leaked, either inadvertently or wilfully, at various stages of the production process. A significant number of our employees have access to confidential design and product information and there can be no assurance that this information will remain confidential. We operate in highly sensitive areas and such leakage could adversely affect such critical programmes and our goodwill as well as future prospects with key agencies in the sector. Moreover, our employees may leave us and join other vendors manufacturing products similar to ours. Although we enter into non-disclosure and non-compete agreements with our employees, we cannot guarantee that we will be able to successfully enforce such agreements. While we enter into confidentiality and non-disclosure agreements with our suppliers and business partners, we cannot assure you that parties will not breach their confidentiality obligations under such arrangements. The potential damage from such breach of any confidentiality obligations is heightened as our designs and products are not patented, and thus we may have no recourse against copies of our products and designs that enter the market subsequent to such leakages.

In the event that the confidential information in respect of our products or business becomes available to third parties or to the public, any competitive advantage we may have over our competitors could be harmed. If a competitor is able to reproduce or otherwise capitalise on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection. Consequently, any leakage of confidential technical information could have an adverse effect on our business, results of operations, financial condition and future prospects.

22. ***We operate in a competitive business environment. Failure to compete effectively against our competitors and new entrants to the industry in any of our business segments may adversely affect our business, financial condition and results of operations.***

The manufacturing of products and solutions for defence and space applications is competitive, and it experiences rapid technological developments and changes in customer requirements. Our ability to meet the qualification criteria in our various business areas is critical to being considered for any project. We compete on the basis of our ability to fulfil our contractual obligations including the quality of products and the timely delivery of the products. Additionally, while these are important considerations, price is a major factor in most tender / bid awards and our business is subject to intense price competition. Our competitors may have substantially greater financial, management, research and marketing resources than we have as a result of which they may be able to utilise their resources and economies of scale to develop improved products, divert sales away from us by winning broader contracts or hire our employees by offering more lucrative compensation packages. Our competitors may be able to provide our customers, including the GoI Entities, with different or greater capabilities or benefits than we can provide in areas such as technology, technical qualifications, post contract performance, price and availability of key professional personnel. In addition, larger diversified competitors serving as primary suppliers may be able to supply underlying products and services from affiliated entities or new joint ventures with private Indian companies, which would prevent us from competing for sub-contracting or licencing opportunities on these contracts. Our failure to compete effectively with respect to any of these or other factors could have a material adverse effect on our business, prospects, financial condition or operating results. In such a scenario, we may find difficulties in maintaining our position in the market.

Going forward and with the liberalisation of the Indian defence and space sector to allow private and/or foreign companies to participate in defence and space contracts, as the case may be, we will be required to participate in competitive bidding.

The competitive bidding process entails managerial time to prepare bids and proposals for contracts and may require us to resort to price cuts in order to win contracts which may not be awarded to us or may be split with our competitors. Following an award, we may encounter significant expenses, delays, contract modifications, or even loss of such contract if our competitors protest or challenge contracts that are awarded to us. In addition, our customers may face budget constraints, availability of more affordable solutions, and reducing product and technology development cycles. To remain competitive, we must consistently provide products with superior performance and capability to our customers, advanced technology solutions and service at an affordable cost and with the agility that our customers require to satisfy their mission objectives. Our inability to successfully do so could have a material adverse effect on our business, prospects, financial condition and/ or operating results. In addition, the MoD has formulated the Defence Production and Export Promotion Policy, 2020 ("**Draft DPEPP**"). The Draft DPEPP is envisaged as an overarching guiding document of MoD to provide a focused, structured and significant thrust to defence production capabilities of the country for self-reliance and exports. These policies of the GoI, while providing opportunities for our Company, have also increased competition and we cannot assure you that we will be as competitive as we have been in the past and that we will continue to be successfully awarded contracts by the GoI. These and other developments, such as the DAP and the increase in the cap for FDI, may increase the competition we face in the defence industry in India.

Moreover, if we are not able to further develop our proximity to our customers and make our vendor-supplier ecosystem more efficient or as efficient as our competitors, there can be no assurance we will be able to grow or effectively compete in the industry.

There can be no assurance that we will be able to compete successfully against our competitors as well as new entrants in our industry in the future. Further, most of our customers follow competitive bidding processes due to which we may not be able to effectively bid for future projects. Accordingly, our business, financial condition, results of operations and prospects would be adversely and materially affected if we are unable to maintain our competitive advantage and compete successfully against our competitors and any new entrants in the industry.

23. *Cyber-attacks or other security breaches could have a material adverse effect on our business, results of operation or financial condition.*

We face cyber threats, threats to the physical security of our facilities and employees, and terrorist acts, as well as the potential for business disruptions associated with IT failures, natural disasters, or public health crises. We have experienced cyber security threats, threats to our IT infrastructure and attempts to gain access to our Company's sensitive information. For instance, in October 2019, our emails were tapped because of which our Company was defrauded for an amount of 23,376 pounds (equivalent to ₹ 20.40 lacs in relation to the sourcing of certain motherboards. We have installed anti-virus software to prevent our systems and infrastructure from being infected and crippled by computer viruses. All our internet facing servers installed at all our data centres as well as at all our offices are also secured with firewalls and intrusion preventions systems to prevent hacking, however we may experience similar security threats at customer sites that we operate and manage as a contractual requirement. Prior cyber-attacks directed at us have not had a material impact on our financial results, and we believe our threat detection and mitigation processes and procedures are adequate. The threats we face vary from attacks common to most industries to more advanced and persistent, highly organised adversaries who target us because we protect national security information. If we are unable to protect sensitive information, our customers or governmental authorities could question the adequacy of our threat mitigation and detection processes and procedures. Due to the evolving nature of these security threats, however, the impact of any future incident cannot be predicted.

Although we work cooperatively with our customers, suppliers, sub-contractors, joint venture partners, and acquisitions to seek to minimise the impact of cyber threats, other security threats or business disruptions, we must rely on the safeguards put in place by these entities, which may affect the security of our information. These entities have varying levels of cyber security expertise and safeguards and their relationships with government contractors may increase the likelihood that they are targeted by the same cyber threats we face.

The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. Occurrence of any of these events could adversely affect our internal operations, the services we provide to our customers, loss of competitive advantages derived from our research, design and development efforts or other intellectual property, early obsolescence of our products and services, our future financial results, our reputation or our stock price.

24. *The insurance coverage taken by us may not be adequate to protect against certain business risks and this may have an adverse effect on the business operations.*

Our operations are subject to risks inherent to the engineering and manufacturing industry, such as work accidents, storm, fire, tempest, earthquake, flood, inundation, explosions including hazards that may cause severe damage, including the physical destruction of property, breakdown of machinery and other force majeure events. We are subject to losses resulting from defects or damages arising during transit of our products. We maintain insurance coverage, in amounts which we believe are commercially appropriate, including insurance in relation to directors' and officers' liability, storm, fire, tempest and other special perils, all industrial risks, such as leakage and contamination, spontaneous combustion and breakdown of machinery. We also maintain coverage under a marine cargo policy insuring our products during transit. We believe that our insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance.

Notwithstanding the insurance coverage that we carry, the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events not covered by insurance policies, could materially harm our financial condition and future results of operations. Additionally, there may be various other risks and losses for which we are not insured, either because such risks are uninsurable or not insurable on commercially acceptable terms. In addition, in the future, we may not be able to maintain insurance of all types which we deem necessary or adequate or at rates which we consider reasonable. The occurrence of an event for which we are not adequately or sufficiently insured or the successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business, reputation, results of operations, financial condition and cash flows. There may also be certain types of risks (including but not limited to business disruptions) for which we are not covered.

Although we have obtained insurance for our employees as required by Indian laws and regulations, as well as our important properties and assets, our insurance may not be adequate to cover all potential liabilities. We cannot assure you that insurance will be generally available in the future or, if available, that the premiums will not increase or remain commercially justifiable. If we incur substantial liability and the insurance does not, or is insufficient to, cover the damages, our business, financial condition, results of operations and prospects may be materially adversely affected.

25. ***If additional stringent labour laws, involve additional compliance requirements or other industry standards in India become applicable to us, our business, profitability and results of operations may be adversely affected. Any labour disputes or unrests could lead to lost production, increased costs or delays which could lead to penalties.***

We are subject to a number of stringent labour legislation that protects the interests of workers and defines our duties and obligations towards them in the capacity of principal employers, including legislations that sets forth detailed procedures for employee removal and dispute resolution and impose financial obligations on us. We are also subject to state and local laws and regulations. If labour laws become more stringent or are more strictly enforced, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, any of which could have an adverse effect on our business, results of operations, financial condition and cash flows.

Any organizational changes, including changes in salaries and wages and other employee benefits that are, or are perceived to be negative, could result in an increased attrition rate. Any further increase in minimum wage requirements or changes in labour regulations in India having a similar impact would increase our labor costs, which could adversely affect our business, results of operations, financial condition and profitability. For instance, the Indian Parliament has recently approved the Code on Social Security, 2020 (the "**Code on Social Security**") which would impact the contributions we make towards provident fund and gratuity. The effective date from which the changes are applicable is yet to be notified and the rules are yet to be finalized, but the Company will carry out an evaluation of the impact of the Code on Social Security and reflect the same in our financial statements in the period in which the Code of Social Security becomes effective and the related rules are published.

We cannot assure you that there may not be incidences of labour unrest and absenteeism from work by some of our employees. Labour shortages could increase the cost of labour and hinder our productivity and ability to adhere to our delivery schedules for our projects, which would materially and adversely affect our business, financial condition, results of operations and prospects.

26. ***We appoint contract labours for carrying out certain operations and we may be held responsible for paying the wages of such workers, if the independent contractors through whom such workers are hired default on their obligations, and such obligations could have an adverse effect on our results of operations and financial condition.***

In order to retain flexibility and control costs, our Company has entered into contract with independent contractors who in turn engage on-site contract labour for performance of certain operations of the company. Although our Company does not engage these contract labourers directly, we may be held responsible for any wage payments to be made to such labourers in the event of default by such independent contractors. Any requirement to fund their wage requirements may have an adverse impact on our results of operations and financial condition and we may also be subject to legal proceedings in this regard. In the event any regulatory body or court passes orders which require us to regularise any of the casual or contract labourers as regular employees, it may have an adverse effect on our business, results of operations and financial condition due to the various factors including increase in wages.

27. ***Our business, results of operation and financial conditions could be materially and adversely affected if any fault of ours causes any accidents at our customers' units.***

The products we manufacture are highly complex, require technically advanced and costly equipment and involve hazardous materials. The components and systems we manufacture may involve risks, including breakdown, failure or substandard performance of equipment, improper installation or operation of equipment and industrial accidents. In addition, defects in or malfunctioning of our products could cause severe damage to property and death or serious injury to our customers' personnel, which could expose us to litigation and damages. Under most of our contracts, warranty period is for a period of 12 months only for any manufacturing defects in the products.

Our operations expose us to potential liabilities for personal injury or death or property damage as a result of the failure or malfunction of manufacturing equipment or of any products that have been designed, manufactured or serviced by us. An accident caused by our fault or negligence during testing or delivery could also damage our reputation for quality products.

28. ***Our Registered Office and manufacturing facilities are located on leased premises. If we are unable to renew these leases or relocate on commercially suitable terms, it may have a material adverse effect on our business, results of operation and financial condition.***

Our Registered and Corporate Office and our manufacturing facilities situated at Nerul and Ambernath are located on premises leased from the MIDC. The lease for the manufacturing facility at Nerul has been transferred to us pursuant to amalgamation of our Company with Mechvac India Limited. Though we have entered into long-term lease agreements with respect to these lands, such lease agreements may be terminated early in the event of a default or upon the expiry of their tenure and may not be renewed. For details, see "*Our Business - Property*" on page 147. Additionally, the lease agreements require our Company to comply with certain conditions including prior consent of the lessor for certain actions such as making significant structural alterations, subletting, transferring or assigning the leased premises. If we fail to meet any such conditions, we may be required to incur additional liability. For instance, our Company has not sought the consent from MIDC in relation to subletting a portion of the premises leased from MIDC at Nerul, to our Subsidiaries.

If these leases are terminated or revoked or if we are unable to renew these leases on commercially reasonable terms or at all, we may suffer significant disruptions to our operations and incur considerable costs to relocate and move our operations elsewhere. In the event we are required to vacate the premises, we may need to do with short or no notice. Any inability on our part to timely identify a suitable location for a relocated premise could have an adverse impact on our business.

29. ***We have entered, and may continue to enter, related party transactions which may not always enable us to achieve the most favourable terms.***

We have, in the ordinary course of our business, entered into transactions with certain related parties. We have in the past and may in the future purchase goods and samples from and sell goods to related parties.

(₹ in Lacs)

Particulars	Fiscal		
	2024	2023	2022
Director sitting fees	6.00	6.00	6.50
Managerial remuneration	187.23	140.83	113.73
Salary to relatives	180.00	128.04	98.40
Rent expenses	6.00	6.00	5.10
Loans taken	60.25	192.45	1466.35
Loans repaid	66.00	182.85	2371.27

We cannot assure you that we could not have achieved more favourable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter related party transactions in the future. We cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our results of operations and financial condition. For more information regarding our related party transactions, see "*Financial Statements*" on page 216.

30. ***Our Company has availed certain unsecured loans that may be recalled by the lenders at any time.***

Our Company has currently availed unsecured loans which may be recalled by the lenders at any time. As of June 30, 2024, our Company had availed unsecured loans amounting to ₹ 597.45 Lacs, comprising 11.25% of the total borrowings of our Company. In the event that any lender seeks a repayment of any such loan, our Company would need to find alternative sources of financing, which may not be available on commercially reasonable terms, or at all. We may not have adequate working capital to undertake new assignments of our customers. As a result, any such demand may affect our business, cash flows, financial condition and results of operations.

31. *We have negative cash flows from operations in the past and may experience earnings declines or operating losses in the future.*

We have negative cash flows from operating activities for the Fiscals 2024 Fiscals 2023 and 2022, largely due to working capital changes and the negative cash flows from investing activities. The cash flows, both positive and negative, experienced for operating and investing activities are set below:

(in ₹ Lacs)

	Fiscal 2024	Fiscal 2023	Fiscal 2022
Net cash flow from/(used in) operating activities	(4,554.07)	4,572.51	1,151.07
Net cash flow from/(used in) investing activities	(168.50)	962.95	(7,710.59)

For details, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* beginning on page 71. There can be no assurances that cash flows will be positive in the future.

32. *Any write-down of intangible assets may harm our results of operations and financial condition*.

Our balance sheet includes amounts recorded as intangible assets, in particular with respect to computer software and technical knowhow. Assets of indefinite life are subject to an "impairment test" at least once a year. These evaluations are based on estimates of future cash flows and applicable discount rates. Any significant discrepancies between the estimates and actual developments and any change to expected future cash flows may have a materially adverse effect on our results of operations and financial condition.

33. *Grants of stock options under our Employee Stock Option Plans may result in a charge to our profit and loss account and, to that extent, affect our financial condition.*

Our Company may, in the future, continue to issue Equity Shares, including under our Employee Stock Option Plans, at prices that may be lower than the market price, subject to compliance with applicable law. Grants of stock options result in a charge to our statement of profit and loss and affect our financial condition. Any issuances of Equity Shares by our Company, including through exercise of employee stock options pursuant to the Employee Stock Option Plans or any stock option plans that we may implement in the future, may dilute your shareholding in the Company, thereby adversely affecting the trading price of the Equity Shares

34. *If we are unable to establish and maintain an effective system of internal controls and compliances, our business and reputation could be adversely affected. Lack of monitoring each element of cost may result into cost overruns which in turn may lead to losses in case of fixed contracts.*

We manage regulatory compliance by monitoring and evaluating our internal controls and ensuring that we are in compliance with all relevant statutory and regulatory requirements. However, there can be no assurance that deficiencies in our internal controls and compliances will not arise, or that we will be able to implement, and continue to maintain, adequate measures to rectify or mitigate any such deficiencies in our internal controls, in a timely manner or at all. As we continue to grow, there can be no assurance that there will be no other instances of such inadvertent non-compliances with statutory requirements, which may subject us to regulatory action, including monetary penalties, which may adversely affect our business and reputation.

Our Company has a monitoring system to monitor our progress against the terms and conditions as laid down in our customer agreements, identify any issues and take necessary corrective and preventive actions for monitoring compliance guaranteed service levels as per the required parameters. We have a dedicated team involved in resource planning and workforce management that, on a regular basis, monitor the costs incurred for various works performed by us and provide feedback for corrective actions required in order to effectively meet the commitments in our customer agreements.
Our efforts have various cost elements such as labour and material overhead, facility hire, sub-contract, direct expenses (i.e. expenses towards salary of executives), logistics, raw materials etc. Our Company does not have a mechanism in place for monitoring and controlling each element of cost with regard to yard efforts. In the absence of comprehensive monitoring of each cost element, there may be incidences of cost overruns, which may lead to losses in case of fixed contracts that have been entered into by our Company.

35. *We may be unable to detect, deter and prevent all instances of fraud or negligence or other misconduct committed by our employees, customers or other third parties, which may have a material adverse effect on our business, results of operations and financial condition.*

Many of our contract involve projects that are critical to the operations of our customer's business. Further, as our operations are linked to the Indian defence and space sector, certain documents and information are confidential because of national security related concerns. Any instances of fraud, theft or other misconduct in our Company can be difficult to detect, deter and prevent, and could subject us to financial losses and harm our reputation. Although we have controls in place with respect to the handling of such cases, we may be unable to prevent, detect or deter all such instances of misconduct. Further, we may not be able to identify non-compliance and/or suspicious transactions in a timely manner or at all. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, results of operations and financial condition. See "*Risk Factor- Cyber-attacks or other security breaches could have a material adverse effect on our business, results of operation or financial condition*" on page 34.

36. ***We face foreign exchange risks, primarily in our export and procurement operations that could adversely affect our results of operations.***

We have foreign currency trade payables and receivables and are accordingly, exposed to foreign currency exchange risk. Changes in currency exchange rates may influence our results of operations. Depreciation of Rupee versus USD and EUR will result in lower revenues in Rupee terms, which could adversely affect our profitability. As and when outflows are incurred, the required foreign exchange is bought from market at the then prevailing exchange rate.

Our future capital expenditures, including raw materials, equipment and machinery, may be denominated in currencies other than Rupee. Therefore, declines in the value of the Rupee against the USD or other foreign currencies would increase the Rupee cost of servicing and repaying those borrowings and their value in our balance sheet. The exchange rates between Rupee and USD and between Rupee and EUR have changed substantially in recent years and may continue to fluctuate significantly in the future.

Accordingly, any decline in the value of the Rupee against the U.S. Dollar and Euro or any other foreign currency would increase the Rupee cost of such raw materials. Although we closely follow our exposure to foreign currencies in an attempt to reduce the risks of currency fluctuations, these activities are not always sufficient to protect us against incurring potential losses if currencies fluctuate significantly. Any such losses on account of foreign exchange fluctuations may adversely affect our results of operations.

37. ***We have in the past entered into related party transactions and will continue to do so in the future.***

In the ordinary course of our business, we have in the past entered into transactions with our related parties and it is likely that we may enter into related party transactions in the future. While we believe that all such transactions have been conducted on an arm's length basis, we cannot assure you that we might have obtained more favourable terms had such transactions been entered into with an unrelated party or that our shareholders would not question the related party transactions that we enter into. While we will conduct all related party transactions subject to the Board's or Shareholders' approval, as applicable, and in compliance with the applicable accounting standards, provisions of Companies Act, 2013, as amended, provisions of the SEBI Listing Regulations and other applicable law, such related party transactions may potentially involve conflicts of interest. We cannot assure you that such future transactions, individually or in the aggregate, may not involve potential conflict of interest which will not have an adverse effect on our business, results of operations, cash flows and financial condition. In respect of loans or advances that we may provide to related parties, there can be no assurance that we will be able to recover all or any part of such loans or advances which, if unrecoverable, may have an adverse effect on our business, results of operations, cash flows and financial condition.

38. ***Restrictions on the export of our products and other regulations could adversely affect our business, results of operations and financial condition.***

We design and manufacture many defence and space products considered to be of national strategic interest. Limitation or withdrawal, if any (in the case, for example, of embargoes or geopolitical conflicts), of the authorisation to export the products might have a negative impact on our operations and financial situation. Further, failure to comply with the regulations and requirements could result in contract modifications or termination and the imposition of penalties, fines and withdrawal of authorisations, which could negatively affect our business, results of operations and financial condition. Authorisations can be revoked and general export controls may change in response to international conflicts or other political or geopolitical factors.

39. ***There have been some instances of delays or incorrect filings with certain statutory authorities.***

Our Company has in the past inadvertently delayed making the prescribed statutory filings with RoC and RBI for few corporate actions *viz.* allotment of shares and passing of special resolutions. While we have paid the requisite fine as prescribed under the law at the time of the delayed filing, there can be no assurance that such delayed filings in the past will not expose our Company to further fines and proceedings by regulatory bodies. Further, there can be no assurance that delay in statutory reporting will not happen in the future.

Further, our Company has in the past inadvertently made few erroneous filings with the RoC including filing of forms pertaining to our capital structure. Such filings may expose us and our then directors to action by competent regulatory authorities including but not limited to pecuniary liability. While we strive to avoid such errors, there can be no assurance that such delays in reporting will not occur in the future.

40. ***We have included certain financial and operational performance indicators, non-GAAP measures and certain other industry measures related to our operations and financial performance. These operational metrics, non- GAAP measures and industry measures may not be comparable with financial or industry related statistical information of similar nomenclature computed and presented by other peer companies.***

We have included certain financial and operational performance indicators, including EBITDA, EBITDA Margin, PAT, PAT Margin, Net Worth, Net Debt, Debt Equity Ratio, Return on Equity and Return on Capital Employed (collectively, the "**Key Performance Indicators**" or "**KPI**") in this Preliminary Placement Document. The KPIs are supplemental measures of our operations and financial performance and are not required by, or presented in accordance with, Ind AS, Indian GAAP, IFRS or U.S. GAAP, and are prepared with internal systems and tools that are not independently verified by any third party and which may differ from estimates or similar metrics published by third parties due to differences in sources, methodologies, or the assumptions on which we rely. Our internal systems and tools have a number of limitations and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose. If the internal systems and tools we use to track these metrics under count or over count performance or contain algorithmic or other technical errors, the data we report may not be accurate. While these numbers are based on what we believe to be reasonable estimates of our measures for the applicable period of measurement. Limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business and financial operations.

Further, the KPI are not a measurement of our operations and financial performance under Ind AS or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Ind AS or IFRS, as reported in our Audited Consolidated Financial Information. Although such KPI are not a measure of performance calculated in accordance with applicable accounting standards, our Company's management believes that they are useful to an investor in evaluating us as they are widely used measures to evaluate a company's operating performance. The KPI may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures of similar nomenclature that may be computed and presented by other companies and are not measures of operating performance or liquidity defined by Ind AS and may not be comparable to similarly titled measures presented by other companies and has limited usefulness as a comparative measure.

41. ***Certain sections of this Preliminary Placement Document contain information from third-party report which has been commissioned and paid for by us and any reliance on such information for making an investment decision in the Issue is subject to inherent risks. There can be no assurance that such third-party statistical, financial and other industry information is either complete or accurate.***

Certain sections of this Preliminary Placement Document include information based on or derived the F&S Report prepared and released by Frost & Sullivan, which is not related to our Company, Directors or Promoters. We have commissioned and paid for this report for the purpose of confirming our understanding of the industry in connection with the Issue. All such information in this Preliminary Placement Document indicates source of the information. Accordingly, any information in this Preliminary Placement Document derived from, or based on, the such third-party report should be read taking into consideration the foregoing.

Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Industry sources do not guarantee the accuracy, adequacy or completeness of the data. While we have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, the Book Running Lead Manager or any of our or their respective affiliates or advisors and therefore, we make no representation or warranty, express or implied, as to the accuracy or completeness of such facts and statistics. Due to subjective or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon

Further, these third-party reports are not a recommendation to invest or disinvest in any company. Accordingly, prospective investors should not place undue reliance on, or base their investment decision solely on this information. In view of the foregoing, you may not be able to seek legal recourse for any losses resulting from undertaking any investment in the Issue pursuant to reliance on the information in this Preliminary Placement Document based on, or derived from, the F&S Report. You should consult your own advisors and undertake an independent assessment of information in this

Preliminary Placement Document based on, or derived from the F&S Report, before making any investment decision regarding the Issue.

EXTERNAL RISK FACTORS

42. *Political, economic or other factors that are beyond our control may have an adverse effect on our business and results of operations.*

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investor's reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. Any of these factors could depress economic activity and restrict our access to capital, which could have an adverse effect on our business, financial condition and results of operations and reduce the price of our Equity Shares. Any financial disruption could have an adverse effect on our business, future financial performance, shareholder's equity and the price of our Equity Shares.

We are dependent on domestic, regional and global economic and market conditions. Our performance, growth and market price of our Equity Shares are and will be dependent to a large extent on the health of the economy in which we operate. There have been periods of slowdown in the economic growth of India. Demand for our products may be adversely affected by an economic downturn in domestic, regional and global economies. Consequently, any future slowdown in the Indian economy could harm our business, results of operations and financial condition. Also, a change in the government or a change in the economic and deregulation policies could adversely affect economic conditions prevalent in the areas in which we operate in general and our business in particular and high rates of inflation in India could increase our costs without proportionately increasing our revenues, and as such decrease our operating margins.

43. *The occurrence of natural or man-made disasters could adversely affect our results of operations, cash flows and financial condition. Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business.*

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations, cash flows or financial condition.

Terrorist attacks and other acts of violence or war may adversely affect the Indian securities markets. In addition, any deterioration in international relations, especially between India and its neighbouring countries, may result in investor concern regarding regional stability which could adversely affect the price of the Equity Shares. In addition, future civil unrest as well as other adverse social, economic or political events in India could have an adverse effect on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the market price of the Equity Shares.

44. *If inflation were to rise in India, we might not be able to increase the prices of our services in order to pass costs on to our customers and our profits might decline.*

Inflation rates in India have been volatile in recent years, and such volatility may continue in the future. Increasing inflation in India could cause a rise in the price of transportation, wages, raw materials and other expenses, and we may be unable to reduce our costs or fully pass the increased costs on to our customer by increasing the price that we charge for our products, and our business, prospects, financial condition and results of operations may therefore be adversely affected.
High fluctuations in inflation rates may make it more difficult for us to accurately estimate or control our costs. Any increase in inflation in India can increase our expenses, which we may not be able to pass on to our customers, whether entirely or in part, and the same may adversely affect our business and financial condition. In particular, we might not be able to reduce our costs or increase the amount of commission to pass the increase in costs on to our customers. In such case, our business, results of operations, cash flows and financial condition may be adversely affected. Further, the GoI has previously initiated economic measures to combat high inflation rates, and it is unclear whether these measures will remain in effect. This may adversely impact our business, profitability and results of operations.

45. *Changing laws, rules and regulations and legal uncertainties, including adverse application of corporate and tax laws, may adversely affect our business, prospects and results of operations.*

The regulatory and policy environment in which we operate is evolving and subject to change. Such changes, including the instances mentioned below, may adversely affect our business, results of operations, financial condition, cash flows and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law and policy.

For instance, GoI has announced the Interim -Union Budget for the Financial Year 2024-25 pursuant to which the Finance Act, 2024 has introduced various amendments to taxation laws in India. Unfavorable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals.

In India, the Supreme Court, in a judgment delivered on August 24, 2017, has held that the right to privacy is a fundamental right. Following this judgment, the Government of India passed the Digital Personal Data Protection Act, 2023. The Act aims to balance the rights of individuals to protect their personal data with the need to process personal data for lawful and other incidental purposes. All data fiduciaries, determining the purpose and means of processing personal data, are mandated to provide an itemized notice in plain and clear language containing a description of the personal data sought to be collected along with the purpose of processing such data. This act further provides that where consent is the basis of processing personal data, the data principal providing the consent, may withdraw such consent at any time.

Further, the GoI introduced new laws relating to social security, occupational safety, industrial relations and wages namely, the Code on Social Security, 2020 ("**Social Security Code**"), the Occupational Safety, Health and Working Conditions Code, 2020, the Industrial Relations Code, 2020 and the Code on Wages, 2019, which consolidate, subsume and replace numerous existing central labour legislations, were to take effect from April 1, 2021 (collectively, the "**Labour Codes**"). The GoI has deferred the effective date of implementation of the respective Labour Codes, and they shall come into force from such dates as may be notified. Different dates may also be appointed for the coming into force of different provisions of the Labour Codes. While the rules for implementation under these codes have not been finalized, as an immediate consequence, the coming into force of these codes could increase the financial burden on our Company, which may adversely impact our profitability. For instance, under the Social Security Code, a new concept of deemed remuneration has been introduced, such that where an employee receives more than half (or such other percentage as may be notified by the Central Government) of their total remuneration in the form of allowances and other amounts that are not included within the definition of wages under the Social Security Code, the excess amount received shall be deemed as remuneration and accordingly be added to wages for the purposes of the Social Security Code and the compulsory contribution to be made towards the employees' provident fund.

Unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations, financial condition, cash flows and prospects. Uncertainty in the application, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our businesses in the future.

46. ***Significant differences exist between Ind AS, U.S. GAAP and IFRS, which may be material to investors' assessments of our financial condition.***

The Audited Consolidated Financial Statements, included in this Preliminary Placement Document have been prepared in accordance with Ind AS. We have not attempted to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Preliminary Placement Document, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. U.S. GAAP and IFRS differ in significant respects from Ind AS. Accordingly, the degree to which the Ind AS financial statements included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited.

47. ***A slowdown in economic growth in India could cause our business to suffer.***

Our performance and the growth of our business are necessarily dependent on the health of the overall Indian economy. Any slowdown or perceived slowdown in the Indian economy could adversely affect our business. Additionally, an increase in trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could negatively affect interest rates and liquidity, which could adversely affect the Indian economy and our business. The domestic policy response includes localized micro-containment measures, state-specific movement restrictions, mobilization of health supplies and ramping up of health infrastructure.

India's economy could be adversely affected by a general rise in interest rates or inflation, adverse weather conditions affecting agriculture, commodity and energy prices as well as various other factors. A slowdown in the Indian economy could adversely affect the policy of the GoI towards our industry, which may in turn adversely affect our financial performance and our ability to implement our business strategy. The Indian economy is also influenced by economic and market conditions in other countries, particularly emerging market conditions in Asia. A decline in India's foreign exchange reserves and exchange rate fluctuations may also affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.

A loss of investor confidence in other emerging market economies or any worldwide financial instability may adversely affect the Indian economy, which could materially and adversely affect our business, financial condition, results of operations and prospects. Further, other factors which may adversely affect the Indian economy are scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India and scarcity of financing of our developments and expansions; volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges; changes in India's tax, trade, fiscal or monetary policies, like application of GST; political instability, terrorism or military conflict in India or in countries in the region or globally, including in India's various neighbouring countries; occurrence of natural or man-made disasters; infectious disease outbreaks or other serious public health concerns; prevailing regional or global economic conditions, including in India's principal export markets; and other significant regulatory or economic developments in or affecting India or its financial services sectors.

48. *Investors may have difficulty enforcing foreign judgements against our Company, our Directors or our management.*

Our Company is a limited liability company incorporated under the laws of India. Majority of our Company's Directors, Key Managerial Personnel and Senior Management are residents of India and our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon our Company or such persons outside India, or to enforce judgments obtained against such parties outside India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy, or if judgments are in breach or contrary to Indian law. In addition, a party seeking to enforce a foreign judgment in India is required to obtain approval from\ the RBI to execute such a judgment or to repatriate outside India any amounts recovered.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908. India has reciprocal recognition and enforcement of judgments in civil and commercial matters with only a limited number of jurisdictions, such as the United Kingdom, Singapore and Hong Kong. In order to be enforceable, a judgment from a jurisdiction with reciprocity must meet certain requirements established in the Indian Code of Civil Procedure, 1908. The CPC only permits the enforcement and execution of monetary decrees in the reciprocating jurisdiction, not being in the nature of any amounts payable in respect of taxes, other charges, fines or penalties. Judgments or decrees from jurisdictions which do not have reciprocal recognition with India, including the United States, cannot be enforced by proceedings in execution in India. Therefore, a final judgment for the payment of money rendered by any court in a non-reciprocating territory for civil liability, whether or not predicated solely upon the general laws of the non-reciprocating territory, would not be directly enforceable in India. The party in whose favour a final foreign judgment in a non-reciprocating territory is rendered may bring a fresh suit in a competent court in India based on the final judgment within three years of obtaining such final judgment. However, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with the public policy in India. A party seeking to enforce a foreign judgment in India may be required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999 to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of the payment. Our Company cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

49. *Any downgrading of India's debt rating by a domestic or international rating agency could adversely affect our business.*

There could be a downgrade of India's sovereign debt rating due to various factors, including changes in tax or fiscal policy, or a decline in India's foreign exchange reserves, which are outside our control. Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India, which may cause fluctuations in the prices of our Equity Shares. This could have an adverse effect on our business and financial performance, and ability to obtain financing for expenditures.

RISKS RELATING TO THE EQUITY SHARES

50. *Applicants to this Issue are not allowed to withdraw their Bids after the Bid/Issue Closing Date.*

Under the SEBI ICDR Regulations, applicants in the Issue are not allowed to withdraw or revise their Bids downwards after the Bid/Issue Closing Date. The Allotment of Equity Shares in the Issue and the credit of Equity Shares to the applicant's demat account with its depository participant could take approximately seven days to ten Working Days from the Bid/Issue Closing Date. There is no assurance, however, that material adverse changes in the international or national monetary, financial, political or economic conditions or other events or material adverse changes in our business, results of operation or financial condition, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/Issue Closing Date and the date of Allotment of Equity Shares in the Issue. The occurrence of any such event after the Bid/Issue Closing Date could also impact the market price of the Equity Shares. The applicants will not have the right to withdraw their Bids in the event of any such occurrence without the prior approval of SEBI. We may complete the Allotment of the Equity Shares even if such events may limit the applicants' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

51. *Any future issuance of the Equity Shares, or convertible securities by our Company may dilute your future shareholding and sales of the Equity Shares by our Promoters or other major shareholders of our Company may adversely affect the trading price of the Equity Shares.*

We cannot assure you that we will not issue additional Equity Shares. Any future issuance of the Equity Shares, or convertible securities by our Company, including through exercise of employee stock options or restricted stock units may lead to dilution of your shareholding in our Company, adversely affect the trading price of the Equity Shares and our ability to raise capital through an issue of our securities. Further, any future sales of the Equity Shares by the Promoters, or other major shareholders of our Company may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of our Equity Shares. There can be no assurance that we will not issue Equity Shares or securities linked to Equity Shares or that our Shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

52. *You may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.*

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. A securities transaction tax ("**STT**") is levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realized on the sale of listed equity shares held for more than 12 months may be subject to long term capital gains tax in India at the specified rates depending on certain factors, such as STT is paid, the quantum of gains and any available treaty exemptions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

53. *Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of our Equity Shares, independent of our operating results.*

The Equity Shares are quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will also be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time that it takes to undertake such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating outside India the proceeds from a sale of Equity Shares, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by Equity Shareholders. The volatility of the Indian Rupee against other currencies may subject investors who convert funds into Indian rupees to purchase our Equity Shares to currency fluctuation risks. For example, the exchange rate between the Indian Rupee and the U.S. dollar has fluctuated substantially in recent years and may continue to fluctuate substantially in the future, which may have an adverse effect on the trading price of our Equity Shares and returns on our Equity Shares, independent of our operating results.

54. ***Holders of Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby suffer future dilution of their ownership position.***

Under the Companies Act, 2013, a company incorporated in India must offer its equity shareholders pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages prior to issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the equity shares voting rights on such resolution.

However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without our filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights, unless we make such a filing. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any such registration as well as the perceived benefits of enabling holders in such jurisdiction to exercise their pre-emptive rights and any other factors we consider appropriate at such time. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available to you by Indian law. To the extent that you are unable to exercise pre-emptive rights granted in respect of our Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in our Company may be reduced.

55. ***Listed companies in India are highly regulated and we are subject to continuous reporting requirements.***

We are subject to the increased scrutiny of our affairs by shareholders, regulators and the public at large that is associated with being a listed company. As a listed company, we incur significant legal, accounting, corporate governance and other expenses. We are subject to the SEBI Listing Regulations which requires us to file audited annual and unaudited quarterly reports with respect to our business and financial condition. If we experience any delays, we may fail to satisfy our reporting obligations and/or we may not be able to readily determine and accordingly report any changes in our results of operations as promptly as other listed companies. Further, as a listed company, we are required to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, including keeping adequate records of daily transactions. We are also required to monitor trading in the Equity Shares in terms of the SEBI Insider Trading Regulations. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management attention are required. As a result, our management's attention may be diverted from our business concerns, which may affect our business, prospects, financial condition and results of operations. In addition, we may need to hire additional legal and accounting staff with appropriate experience and technical accounting knowledge, but we cannot assure you that we will be able to do so in a timely and efficient manner.

56. ***The trading price of the Equity Shares may be subject to volatility and you may not be able to sell the Equity Shares at or above the Issue Price.***

The Issue Price shall be determined by us in consultation with the Lead Manager, based on the Bids received, in compliance with Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 read with rules made thereunder. It may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares will trade in the market subsequent to the Issue.

The trading price of the Equity Shares may fluctuate due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors and the perception in the market about investments in the construction equipment sector, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments.

For example, conditions in the Indian securities markets may cause the trading price of the Equity Shares to fluctuate. The Indian securities markets are generally smaller and more volatile than securities markets in developed economies. In the past, the Indian stock exchanges have experienced high volatility and other problems that have affected the market price and liquidity of the listed securities, including temporary exchange closures, broker defaults, settlement delays and strikes by brokers. Excessive volatility may, in turn, trigger the imposition of circuit breakers. See "*There are restrictions on daily movements in the trading price of the Equity Shares, which may adversely affect a shareholder's ability to sell the Equity Shares or the price at which Equity Shares can be sold at a particular point in time.*" below. A closure of, or trading stoppage on, either of BSE and NSE could adversely affect the trading price of the Equity Shares.

In addition, if the stock markets in general experience a loss of investor confidence, the trading price of the Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of the Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Additionally, in recent years, there have been changes in laws and regulations regulating the taxation of dividend income, which have impacted the Indian equity capital markets. See "*Dividends*" on page **Error! Bookmark not defined.**. Any of these factors could adversely affect the market price and liquidity of the Equity Shares.

57. ***There are restrictions on daily movements in the trading price of the Equity Shares, which may adversely affect a shareholder's ability to sell the Equity Shares or the price at which Equity Shares can be sold at a particular point in time.***

The Equity Shares are subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India, which does not allow transactions beyond certain volatility in the trading price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on the Stock Exchanges. The percentage limit on the Equity Shares' circuit breaker will be set by the Stock Exchanges based on historical volatility in the price and trading volume of the Equity Shares. The Stock Exchanges are not required to inform us of the percentage limit of the circuit breaker, and they may change the limit without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the trading price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which Shareholders may be able to sell their Equity Shares.

58. ***Under Indian law, foreign investors are subject to investment restrictions that limit our ability to attract foreign investors, which may adversely affect the trading price of the Equity Shares.***

A company based in India may issue equity instruments to a person resident outside India subject to entry routes, sectoral caps and attendant conditions prescribed in the FEMA Rules. Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI will be required.
Further, in accordance with the Consolidated FDI Policy dated October 15, 2020, Government of India, investments where the beneficial owner of the equity shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route. These investment restrictions shall also apply to subscribers of offshore derivative instruments.

In addition, shareholders who seek to convert the Indian Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

59. ***The right of the Equity Shareholders to receive payments pursuant to under the Equity Shares will be subject to tax and other liabilities upon insolvency of our Company.***

The Equity Shares will be subordinated to other liabilities preferred by law, such as claims of the Government of India on account of taxes and certain liabilities incurred in the ordinary course of our Company's business (including workmen's dues, debts owed to secured creditors, wages and any unpaid dues owed to employees other than workmen, financial debts owed to unsecured creditors etc. in accordance with the mechanism as specified under Section 53 of the Insolvency and Bankruptcy Code, 2016). In the event that bankruptcy or insolvency proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy or insolvency are instituted by or against our Company, the payment of sums or dividends to the Equity Shares may be substantially reduced or delayed, or the shareholding in our Company may be significantly diluted or otherwise completely extinguished.

60. ***An investor will not be able to sell any of the Equity Shares subscribed in this Issue other than on a recognized Indian stock exchange for a period of 12 months from the date of the allotment of the Equity Shares.***

The Equity Shares in this Issue are subject to restrictions on transfers. Pursuant to the SEBI ICDR Regulations, for a period of 12 months from the date of the allotment of the Equity Shares in this Issue, eligible QIBs subscribing for each of the Equity Shares may only sell their Equity Shares on NSE or BSE and may not enter into any off-market trading in respect of these Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of the Equity Shares. This may affect the liquidity of the Equity Shares purchased by investors and it is uncertain whether these restrictions will adversely impact the market price of the Equity Shares purchased by investors.

61. ***There may not be an active or liquid market for our Equity Shares, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.***

The price at which the Equity Shares will trade after this Issue will be determined by the marketplace and may be influenced by many factors, including:

- our financial results and the financial results of the companies in the businesses we operate in;
- the history of, and the prospects for, our business and the sectors in which we compete;
- the valuation of publicly traded companies that are engaged in business activities similar to us; and
- Significant developments in India's economic liberalization and deregulation policies.

In addition, the Indian equity share markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of our operating performance or prospects.

62. ***There is no guarantee that the Equity Shares will be listed on the Stock Exchanges in a timely manner, or at all, and prospective investors will not be able to immediately sell their Equity Shares on the Stock Exchange.***

In accordance with Indian law and practice, final approval for listing and trading of the Equity Shares will not be applied for or granted until the Equity Shares have been issued and allotted. Such approval will require the submission of all other relevant documents authorising the issuance of the Equity Shares. Accordingly, there could be a failure or delay in listing the Equity Shares on the Stock Exchanges, which would adversely affect your ability to sell the Equity Shares. Since the Equity Shares are currently traded on the BSE and the NSE, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Furthermore, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor's demat account in a timely manner or that trading in the Equity Shares will commence

MARKET PRICE INFORMATION

As on the date of this Preliminary Placement Document, 3,90,00,061 Equity Shares have been issued, subscribed and are fully paid up and all such Equity Shares are currently listed and traded on the Stock Exchanges. The Equity Shares have been listed on BSE and on NSE. The Equity Shares are listed and traded on NSE under the symbol PARAS and BSE under the scrip code 543367.

The closing prices of the Equity Shares on the NSE and the BSE as on September 30, 2024 were ₹ 1,109.70 and ₹ 1,105.80 per Equity Share, respectively. Since the Equity Shares are available for trading on the BSE and NSE, the market price and other information for each of the BSE and the NSE has been given separately.

(i) The following tables set forth the reported high, low, average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded and the total trading volumes for Fiscals ended 2024, 2023 and 2022:

BSE									
Financial Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total turnover of Equity Shares traded on date of high (₹ lakhs)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total turnover of Equity Shares traded on date of low (₹ lakhs)**	**Average price for the year (₹)**
2024	848.00	08-Sep-2023	3,14,506	2597.91	471.00	03-Apr-2023	16,189	77.62	672.44
2023	811.35	19-Sep-2022	99,482	777.81	447.10	28-Mar-2023	22,299	102.26	610.35
2022	1272.05	25-Oct-2021	4,20,788	5146.46	456.00	01-Oct-2021	7,57,343	3730.75	718.16

(Source: https://www.bseindia.com/)

Notes:

1. *High price indicates intraday high price, low price indicates intraday low price, for the respective periods.*
2. *In case of two days with the same high price, low price, the date with the higher traded volume has been chosen.*
3. *In the case of a year, average price for the year represents the average of the closing prices on each day of each year*

NSE									
Financial Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total turnover of Equity Shares traded on date of high (₹ lakhs)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total turnover of Equity Shares traded on date of low (₹ lakhs)**	**Average price for the year (₹)**
2024	848.00	08-Sep-2023	2,87,25,02	23,754.39	473.55	03-Apr-2023	87,649	420.33	672.43
2023	811.00	19-Sep-2022	17,83,470	13,395.68	445.55	28-Mar-2023	2,26,051	1,037.47	610.32
2022	1258.20	25-Oct-2021	10,08,261	12,052.35	460.00	01-Oct-2021	21,32,033	10,205.80	716.80

(Source: www.nseindia.com)

Notes:

1. *High price indicates intraday high price, low price indicates intraday low price, for the respective periods.*
2. *In case of two days with the same high price, low price, the date with the higher traded volume has been chosen.*
3. *In the case of a year, average price for the year represents the average of the closing prices on each day of each year*

(ii) The following tables set forth the reported high, low and average of the closing prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded during each of the last six months:

BSE											
Month	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total turnover of Equity Shares traded on date of high (₹ lakhs)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total turnover of Equity Shares traded on date of low (₹) (lakhs)**	**Average price for the month (₹)**	**Equity Shares traded in the month**	
										Volume	**Turnover (₹ lakhs)**
September 2024	1,294.85	02-Sept-2024	6,216	77.23	1,053.20	20-sept-2024	6,029	66.27	1,150.85	1,74,101	1,980.01
August 2024	1,323.95	20-Aug-2024	17,604	226.14	1,139.50	14-Agu-2024	19,532	224.56	1,241.45	3,48,527	4,323.41
July 2024	1,592.75	05-Jul-2024	91,022	1,419.27	1,245.00	22-Jul-2024	13,270	176.88	1,399.94	11,40,522	16,610.47
June 2024	1,527.55	19-Jun-2024	8,65,125	12,517.89	743.45	05-Jun-2024	3,31,332	2,825.38	1,150.40	50,58,602	60,639.03

BSE											
Month	High (₹)	Date of high	Number of Equity Shares traded on date of high	Total turnover of Equity Shares traded on date of high (₹ lakhs)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Total turnover of Equity Shares traded on date of low (₹) (lakhs)	Average price for the month (₹)	Equity Shares traded in the month	
										Volume	Turnover (₹ lakhs)
May 2024	974.00	30-May-2024	1,49,491	1,415.64	681.95	10-May-2024	20,883	145.19	777.45	24,01,052	20,663.19
April 2024	775.00	24-Apr-2024	62,702	475.72	622.75	01-Apr-2024	45,359	288.68	707.38	6,48,420	4,629.10

(Source: www.bseindia.com)

Notes:

1. *High price indicates intraday high price, low price indicates intraday low price, for the respective month.*
2. *In case of two days with the same high price, low price, the date with the higher traded volume has been chosen.*
3. *Average price for the month represents the average of the closing prices on each day of the month*

NSE											
Month	High (₹)	Date of high	Number of Equity Shares traded on date of high	Total turnover of Equity Shares traded on date of high (₹ lakhs)	Low (₹)	Date of low	Number of Equity Shares traded on date of low	Total turnover of Equity Shares traded on date of low (₹) (lakhs)	Average price for the month (₹)	Equity Shares traded in the month	
										Volume	Turnover (₹ lakhs)
September 2024	1,277.00	02-Sept-2024	67,720	844.94	1,053.00	19-Sept-2024	94,932	1,016.74	1,151.61	1,10,0361	12,686.99
August 2024	1317.00	20-Aug-2024	1,78,211	2,272.39	1,132.20	14-Aug-2024	67,554	777.66	1,421.26	23,16,670	28,927.10
July 2024	1,592.70	05-Jul-2024	17,56,698	27397.37	1,247.75	22-Jul-2024	2,03,562	2,694.89	1,401.14	1,37,74,316	2,03,909.47
June 2024	1,527.05	19-Jun-2024	90,63,614	1,30,809.26	750.00	04-Jun-2024	18,99,479	16,240.94	1,150.55	5,92,00,737	7,10,120.13
May 2024	973.70	30-May-2024	35,19,556	33,350.29	681.50	10-May-2024	1,18,010	821.41	777.55	3,78,01,181	3,33,047.25
April 2024	774.95	24-Apr-2024	18,55,638	14,121.53	619.95	01-Apr-2024	3,59,926	2,290.99	707.36	78,56,783	56,645.51

(Source: www.nseindia.com)

Notes:

1. *High price indicates intraday high price, low price indicates intraday low price, for the respective month.*
2. *In case of two days with the same high price, low price, the date with the higher traded volume has been chosen.*
3. *Average price for the month represents the average of the closing prices on each day of the month*

(iv) The following table set forth the details of the number of Equity Shares traded on the Stock Exchanges and the turnover during Fiscals 2024, 2023 and 2022:

Fiscal	Number of Equity Shares Traded		Turnover (In ₹ Lakhs)	
	BSE	NSE	BSE	NSE
Fiscal 2024	1,12,08,782	11,45,82,079	79,067.06	8,07,623.21
Fiscal 2023	64,06,944	5,00,67,220	41,490.35	3,27,637.48
Fiscal 2022	1,45,71,560	6,12,41,328	1,15,350.72	4,82,819.78

(Source: https://www.bseindia.com *and https://www.nseindia.com/)*

1. The following table sets forth the market price on the Stock Exchanges on August 28, 2024, that is, the first working day following the approval dated August 27, 2024 of our Board of Directors for the Issue:

BSE					
Open	High	Low	Close	Number of Equity Shares traded	Volume (in ₹ Lakhs)
1280.00	1285.00	1248.00	1255.25	12,708	160.60

(Source: https://www.bseindia.com*)*

NSE					
Open	High	Low	Close	Number of Equity Shares traded	Volume (in ₹ Lakhs)
1,285.00	1,289.95	1,241.00	1,250.75	49,814	630.69

(Source: https://www.nseindia.com/)

USE OF PROCEEDS

The gross proceeds from this Issue shall be approximately ₹ [●] lakhs*. Subject to compliance with applicable laws, the net proceeds from this Issue, after deducting fees, commissions and estimated expenses relating to this Issue of approximately ₹[●] lakhs, are ₹[●] lakhs* ("**Net Proceeds**")

**Subject to allotment of Equity Shares pursuant to the Issue*

Objects of the Issue

Subject to compliance with applicable laws and regulations, we propose to utilise the Net Proceeds for the following objects:

1. Funding working capital requirements of our Company;

2. General corporate purposes

(collectively, referred to hereinafter as the "**Objects**").

Our main objects and objects incidental or ancillary to the attainment of the main objects of Memorandum of Association of our Company and its Subsidiary enable us to undertake (i) existing activities and (ii) the activities proposed to be funded from the Net Proceeds.

In the event of a change in the final Issue size, the amounts shown in the table above against each of the use of proceeds specified therein shall be modified basis the final Issue size in the the Placement Document.

Proposed schedule of implementation and deployment of Net Proceeds

We propose to deploy the Net Proceeds for the aforesaid purposes in accordance with the estimated schedule of implementation and deployment of funds set forth in the table below

(₹ in lakhs)

Sr. No.	Particulars	Amount which will be financed from Net Proceeds(2)	Proposed schedule for deployment of the Net Proceeds	
			Fiscal 2025	Fiscal 2026
1.	Funding working capital requirements of the Company;	12,000	12,000	-
2.	General corporate purposes(1)	[●]	[●]	[●]
	Total Net Proceeds	[●]	[●]	[●]

(1) To be determined upon finalisation of the Issue Price and updated in the Placement Document. The amount to be utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

(2) To be determined upon finalisation of the Issue Price.

The funding requirements, deployment of funds and the intended use of Net Proceeds indicated above is based on management estimates, current circumstances of our business, our existing business plans, the prevailing market conditions and other commercial and technical factors. Given the nature of our business, we may have to revise our funding requirements and intended deployment schedule on account of a variety of factors such as our financial condition, business strategy, delay in procuring and operationalizing assets or necessary licenses and approvals, and external factors such as market conditions, competitive environment, price fluctuations and interest or exchange rate fluctuations and other external factors which may not be within the control of our management. Depending upon such factors, we may have to reduce or extend the deployment period for the stated objects. This may entail rescheduling or revising the planned expenditure, implementation schedule and funding requirements, including the expenditure for a particular purpose, at the discretion of our management. Subject to applicable law, if the actual utilisation towards the objects is lower than the proposed deployment, such balance will be used for general corporate purposes to the extent that the total amount to be utilized towards general corporate purposes will not exceed 25% of the Gross Proceeds.

In case of a shortfall in raising requisite capital from the Net Proceeds, business considerations may require us to explore a range of options including utilising our internal accruals and seeking additional debt from existing and future lenders. We believe that such alternate arrangements would be available to fund any such shortfalls. Further, in case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in the Issue, subject to compliance with applicable laws. For details, see "*Risk Factors – Our funding requirements and the proposed deployment of Net Proceeds have not been appraised by a public financial institution or a scheduled commercial bank and our management will have broad discretion over utilization of the Net Proceeds*" beginning on page 34.

Our Company proposes to deploy the entire Net Proceeds towards the Objects stated above. If the Net Proceeds are not utilized (in full or in part) for the Objects for the period stated above due to any reason, including (i) the timing of completion of the Issue; (ii) market conditions outside the control of our Company; and (iii) any other economic, business and commercial considerations, the remaining Net Proceeds shall be utilized (in part or full) in subsequent periods in such manner as may be determined by our Company, in accordance with applicable laws. Further, our Company may also utilise any portion of or the entire Net Proceeds, towards the aforementioned Objects, ahead of the estimated schedule of deployment specified above.

Details of the Objects

1. Funding working capital requirements of the Company

We have significant working capital requirements and in the ordinary course of business we fund our working capital needs through internal accruals and availing financing facilities from various banks and financial institutions. As on March 31, 2024, our Company has a total sanctioned limit of secured fund based working capital facilities of ₹ 4,400.00 lakhs and unsecured fund based facilities of ₹ Nil lakhs and has utilised ₹ 3,356.28 lakhs fund based facilities. We require additional working capital in order to support its incremental business requirements, funding future growth opportunities and for other strategic and corporate purposes.

Considering future growth in business activities, based on historic growth rate of our Company the estimated cash flow that will be generated from the business, we estimate the working capital requirement of our Company to be ₹ 31,182.00 lakhs, respectively for which, we propose to utilize ₹ 12,000.00 lakhs from the Net Proceeds. The balance portion of our working capital requirement will be arranged from existing equity, internal accruals and borrowings from banks and financial institutions.

Basis of estimation of working capital requirement

Existing working capital

The details of Company's working capital and the source of funding, on the basis of the Audited Standalone Financial Statements for Fiscal 2024, Fiscal 2023 and Fiscal 2022 of the Company are provided in the table below:

Working Capital	As at March 31, 2024	As at March 31, 2023	As at March 31, 2022
A. Current Assets			
Inventory	14,081.29	9,149.35	6,640.96
Trade Receivables	18,012.74	14,477.65	12,174.51
Cash and Cash Equivalents	146.76	1,559.04	165.54
Bank Balances other than Cash and Cash Equivalents	723.10	2,152.26	7,275.05
Loans	2,280.73	1,234.61	6.63
Other Financial Assets	208.14	49.45	236.18
Other Current Assets	2,377.98	1,658.34	2,733.69
Assets Held For Sale	-	-	151.00
Total Current Assets (A)	37,830.74	30,280.70	29,383.56
B. Current Liabilities			
Trade Payables	5,802.28	2,473.63	1,524.29
Borrowings	3,361.26		2,912.63
Lease Liability	34.48		
Other Financial Liabilities	519.26	429.58	337.20
Other Current Liabilities	3,096.36	2,981.68	57.92
Provisions	15.00	25.00	20.65
Current Tax Liabilities (Net)	843.04	779.05	566.27
Total Current Liabilities (B)	13,671.68	6,688.94	5,418.96

Working Capital	As at March 31, 2024	As at March 31, 2023	As at March 31, 2022
Net working capital (A- B)	24,159.06	23,591.76	23,964.60
Funding Pattern			
Bank OD/CC Facility	3,356.28		2,854.43
Buyers Credit			58.20
IPO Proceeds		3,600.00	2,400.00
Internal Accruals	20,802.78	19,991.76	18651.97

Note: Pursuant to the certificate dated October 01, 2024, issued by ABHL & Associates, Chartered Accountants (Firm Registration Number: 139200W).

Provided below are details of the holding levels (days) for financial years ended March 31, 2024, March 31, 2023 and March 31, 2022, which have been computed from the audited Standalone financial statements of the Company:

Working Capital	Holding Level (Days) For Fiscal 2024	Holding Level (Days) For Fiscal 2023	Holding Level (Days) For Fiscal 2022
Inventory	392.78	278.68	457.21
Trade Receivables	255.10	226.99	216.11
Other Financial Assets	3.27	0.84	4.71
Other Current Assets	37.34	28.25	54.52
Trade Payables	139.93	70.56	99.25
Other Financial Liabilities	8.15	7.32	6.73
Other Current Liabilities	48.62	50.79	1.16

Notes:

1. *Inventory Days are calculated by taking the average of the current and last year's inventory, dividing it by the cost of goods sold, and multiplying the result by the number of days.*
2. *Trade Receivable Days are determined by averaging the trade receivables from the current and last year, dividing by revenue from operations, and multiplying by the number of days.*
3. *Other Financial Assets Days are computed by dividing the other financial assets for the current period by revenue from operations, and multiplying by the number of days.*
4. *Other Current Assets Days are calculated by dividing the other current assets for the current period by revenue from operations, then multiplying the result by the number of days.*
5. *Trade Payable Days are determined by averaging the trade Payable from the current and last year, dividing by Cost of Goods Sold, and multiplying by the number of days.*
6. *Other Financial Liability Days are computed by dividing the other financial liabilities for the current period by revenue from operations, and multiplying by the number of days.*
7. *Other Current Liabilities Days are determined by dividing the other current liabilities for the current period by revenue from operations, then multiplying the result by the number of days.*
8. *The holding period has been computed over 365 days for each fiscal year, wherever applicable.*

On the basis of existing working capital requirement of the Company, the holding levels for Fiscal 2024, 2023 and 2022 the assumptions for estimated working capital requirements, Management Committee of Board of Directors pursuant to its resolution dated October 01, 2024 has approved the projected working capital requirements for Fiscal 2025 as ₹ 31,182.00 lakhs The Company proposes to utilize ₹ 12,000 Lakhs of the Net Proceeds in Fiscal 2025 towards the estimated working capital requirements.

Key assumptions

The working capital projections made by the Company are based on certain key assumptions, as set out below:

Particulars	Assumptions and Justifications
Trade Receivables	Holding levels of trade receivables for our Company varied between **216.11** days and **255.10** days. For March 31, 2024, and March 31, 2023, the levels are based on the scale of operations. Further going forward, the Company expects the trade receivables days to stay in the current range of **250-260 days** considering the scale of operations and in line with the industry practice.
Inventory	In March 31, 2022, the number of days was higher, at **457.21 days**, on account of higher Work In Progress and Raw Material inventory. With better management, inventory levels have been brought down to **278.68 days** in March 31, 2023 and **392.78 days** in March 31, 2024. Our Company assumes inventory levels will stay in the range of **300-400 days** considering the nature of our business.
Trade Payables	Trade payables holding levels have varied over the past three fiscal years. In fiscal 2022, the holding level was **99.25 days**, which was significantly reduced to **70.56 days** in fiscal 2023, reflecting improved payables management. However, in fiscal 2024, trade payables increased sharply to **139.93 days** due to a strategic extension of payment terms and changes in cash management practices, supported by increased cash generation from business operations. The Company assumes that trade payables will stabilize at approximately **140 days** going forward.

2. General Corporate Purposes

Our Company intends to deploy ₹ [●] lakhs, towards general corporate purposes and the business requirements of our Company, as approved by our management, from time to time, subject to such utilization for general corporate purposes not exceeding 25% of the Gross Proceeds in compliance with the circular bearing reference no. NSE/ CML/2022/56 dated December 13, 2022, issued by NSE and circular no. 20221213-47 dated December 13, 2022, issued by BSE.

The general corporate purposes for which our Company proposes to utilise Net Proceeds include, without limitation, funding growth opportunities, business development initiatives, meeting expenses incurred in the ordinary course of business and towards any exigencies or any other purpose, as may be approved by our Board or a duly constituted committee thereof, subject to compliance with applicable law, including provisions of the Companies Act. The quantum of utilisation of funds towards each of the above purposes will be determined by our Board, based on the amount actually available under this head and the business requirements of our Company, from time to time, subject to compliance with applicable law.

In addition to the above, our Company may utilise the Net Proceeds towards other purposes considered expedient and as approved periodically by our Board, subject to compliance with necessary provisions of the Companies Act. Our Company's management shall have flexibility in utilising surplus amounts, if any. Our management will have the discretion to revise our business plan from time to time and consequently our funding requirement and deployment of funds may change. This may also include rescheduling the proposed utilization of Net Proceeds. In the event that we are unable to utilize the entire amount that we have currently estimated for use out of Net Proceeds in a Fiscal, we will utilize such unutilized amount in the subsequent Fiscals.

Monitoring of utilisation of funds

Pursuant to Regulation 173A of the SEBI ICDR Regulations, our Company has appointed ICRA Limited, a credit rating agency registered with the SEBI, as the monitoring agency ("**Monitoring Agency**") by way of an agreement dated October 01, 2024, as the size of our Issue exceeds ₹ 10,000 lakhs. The Monitoring Agency shall submit its report to our Company in the format specified in Schedule XI of the SEBI ICDR Regulations on a quarterly basis, till 100% of the proceeds of the Issue have been utilised. The board of directors and the management of our Company will provide their comments on the findings of the Monitoring Agency as specified in Schedule XI.

Our Company shall, within 45 days from the end of each quarter, upload the report of the Monitoring Agency on our website and also submit the same to the Stock Exchanges.

The report of the Monitoring Agency shall be placed before our Audit Committee on a quarterly basis, promptly upon its receipt. Furthermore, in accordance with Regulation 32(1) of the SEBI Listing Regulations, our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilisation of the proceeds of the Issue from the Objects, as stated above; and (ii) details of category wise variations in the actual utilisation of the proceeds of the Issue from the Objects, as stated above. This information will also be published on our website simultaneously with the interim or annual financial results and explanation for such variation (if any) will be included in our Director's report, after placing the same before the Audit Committee.

Interim use of Net Proceeds

Our Company will have flexibility in deploying the Net Proceeds received by our Company from the Issue in accordance with applicable laws. Pending utilisation of the Net Proceeds towards the purposes described in this section, shall be invested in money market instruments including money market/debt mutual funds, deposits in scheduled commercial banks or in short term debt or long-term debt or cash credit accounts or such other permitted modes as per applicable laws and other instruments as approved by the Board of Directors from time to time.

Other confirmations

In accordance with applicable laws, we undertake to not utilize proceeds from the Issue unless Allotment is made and the corresponding return of Allotment is filed with the RoC and final listing and trading approvals are received from each of the Stock Exchanges. The Net Proceeds shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised as approved by our Board and/ or a duly authorized committee of our Board, from time to time only for such purposes, as permitted under the Companies Act, prescribed Objects as disclosed above and other applicable laws.

Subject to applicable laws, our Board shall determine the quantum of Net Proceeds to be deployed by our Company from the Issue, depending on business opportunities or requirements of our Company from time to time.

Neither of our Promoters, members of the Promoter Group, our directors and the group companies are making any contribution either as part of the Issue or separately in furtherance of the Objects. None of our Promoters, members of the Promoter Group, our Directors and the group companies shall receive any proceeds from the Issue, whether directly or indirectly. Since the Issue is only made to Eligible QIBs, our Promoters, Directors, Key Managerial Personnel or members of Senior Management (including 'key managerial personnel' under the Companies Act) are not eligible to subscribe in the Issue.

CAPITALISATION STATEMENT

The following table sets forth our capitalization and total borrowings, on a consolidated basis, as at March 31, 2024 which has been derived from our Fiscal 2024 Audited Consolidated Financial Statements and as adjusted to give effect to the receipt of the gross proceeds from the Issue. This table should be read in conjunction with the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Information*" beginning on pages 71 and 216, respectively.

(₹ in lakhs)

Particulars	**Pre – Issue**	**Post – Issue***
	As at March 31, 2024	**As Adjusted**
	(Un adjusted)	
Borrowings: -		
Non-current borrowings (including current maturities)	180.13	[●]
Current borrowings	6,280.63	[●]
Total indebtedness (A)	**6,460.76**	[●]
Equity		
Equity Share capital	3,900.00	[●]
Other Equity	40,561.41	[●]
Total Equity attributable to owners (B)	**44,461.41**	[●]
Total Capitalization (C = A+B)	50,922.17	**[●]**
Total Indebtedness/ Total Equity	0.15	**[●]**

Note 1: As per Audited Consolidated Financial Statements of the Company for the year ended on March 31, 2024.

The above terms in the table shall carry the meaning as per Schedule III of the Companies Act, 2013

(*) The corresponding post capitalisation data for each of the amounts given in the above table is not determinable at this stage pending the completion of issue and hence the same have not been provided in the above statement

CAPITAL STRUCTURE

The Equity Share capital of our Company as on the date of this Preliminary Placement Document is set forth below:

	Particulars	Aggregate value at face value (except for securities premium account)
A	**AUTHORIZED SHARE CAPITAL**	
	6,05,00,000 Equity Shares of face value of ₹ 10 each	60,50,00,000
B	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE**	
	3,90,00,061 Equity Shares of face value of ₹ 10 each	39,00,00,610
C	**PRESENT ISSUE IN TERMS OF THIS PRELIMINARY PLACEMENT DOCUMENT**	
	[●] Equity Shares aggregating to ₹ [●] lakh (1)	[●]
D	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE**	
	[●] Equity Shares of face value of ₹ 10 each	[●]
E	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue *(₹ in lakhs)*	17,764.39
	After the Issue (2) (3)	[●]

(1) The Issue has been authorized by the Board of Directors pursuant to its resolution dated August 27, 2024, and the Shareholders pursuant to a special resolution dated September 20, 2024.

(2) The securities premium account after the Issue is calculated on the basis of gross proceeds of the Issue. Adjustments do not include Issue related expenses.

(3) To be determined upon finalization of Issue Price

Equity Share Capital History of our Company

The following table sets forth the history of the Equity Share capital of our Company since incorporation:

Date of allotment	No. of equity shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of allotment	Consideration	Cumulative equity shares
June 16, 2009	50,000	10	10	Initial subscription to Memorandum of Association	Cash	50,000
July 11, 2011	29,50,000	10	10	Rights Issue	Cash	30,00,000
July 15, 2014	20,00,000	10	10	Rights Issue	Cash	50,00,000
September 30, 2015	(20,00,000)	10	-	Cancelled, pursuant to the scheme of amalgamation approved by the Hon'ble High Court of Judicature at Bombay vide its	N.A.	30,00,000

Date of allotment	No. of equity shares allotted	Face value per equity share (₹)	Issue price per equity share (₹)	Nature of allotment	Consideration	Cumulative equity shares
				order dated September 4, 2015		
December 03, 2015	20,10,000	10	-	Pursuant to the scheme of amalgamation approved by the Hon'ble High Court of Judicature at Bombay vide its order dated September 4, 2015	Other than cash	50,10,000
August 20, 2018	5,72,534	10	-	Pursuant to the scheme of amalgamation approved by the National Company Law Tribunal, Mumbai bench vide its order dated June 7, 2018	Other than cash	55,82,534
November 03, 2018	1,00,000	10	1,000	Conversion of compulsorily convertible debentures*	Other than cash	56,82,534
March 24, 2020	2,27,30,136	10	-	Bonus Issue	Other than cash	2,84,12,670
August 13, 2020	507	10	197	Private Placement	Cash	2,84,13,177
March 26, 2021	14,40,000	10	125	Private placement (Pre-IPO Placement)	Cash	2,98,53,177
April 26, 2021	4,00,000	10	125	Private placement (Pre-IPO Placement)	Cash	3,02,53,177
July 29, 2021	7,12,598	10	160	Private placement (Pre-IPO Placement)	Cash	3,09,65,775
September 29, 2021	80,34,286	10	175	Initial Public offering by our Company	Cash	3,90,00,061

**Compulsorily Convertible Debentures allotted on May 18, 2018, June 15, 2018 and July 13, 2018 were converted into Equity Shares on November 3, 2018 by allotment of 100,000 Equity Shares of ₹ 10 each at a share premium of ₹ 990 for an aggregate amount of ₹ 100,000,000.*

Except as stated in "- *Equity Share Capital History of our Company*", our Company has not made any allotment of Equity Shares in the one year immediately preceding the date of this Preliminary Placement Document, including for consideration other than cash.

Preference Shares

As on the date of this Preliminary Placement Document, there are no outstanding preference shares of our Company.

Warrants

As on the date of this Preliminary Placement Document, there are no outstanding warrants issued by our Company.

Employee stock option schemes

Pursuant to a Board resolution dated August 27, 2024 and shareholders approval dated September 20, 2024 the Company has considered and approved the introduction and implementation of 'Paras Defence and Space Technologies - Employee Stock Option Plan 2024' (**"Paras Defence ESOP 2024"**). The Company shall be authorized to issue to the employees under Paras Defence ESOP 2024, not exceeding 7,95,000 (Seven Lakhs Ninety Five Thousand) employee stock options convertible into not more than 7,95,000 (Seven Lakhs Ninety Five Thousand) Shares of face value of ₹10/- (Rupees Ten) each fully paid-up, with each such option to be vested in one or more tranches and conferring a right upon the employee to be issued one share of the Company**.**

The details of ESOP 2024, as on the date of this Preliminary Placement Document, are as under:

Particulars	Number of options
Total number of options	7,95,000
Option granted	Nil
Options vested	Nil
Options exercised	Nil
Total options outstanding	7,95,000

Proposed Allottees in the Issue

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotment shall be made by our Company, in consultation with the Book Running Lead Manager, to Eligible QIBs only, on a discretionary basis.

The names of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, and the percentage of post-Issue share capital that may be held by them is set forth in the section "*Details of Proposed Allottees*" on page 399.

Shareholding Pattern of our Company

The pre-Issue and post-Issue shareholding pattern of our Company is set forth below.

Sr. No.	**Category**	**Pre-Issue^**		**Post-Issue***	
		Number of Equity Shares held	**% of shareholding**	**Number of Equity Shares held****	**% of shareholding**
A.	**Promoter's holding#**				
1.	**Indian**				
	Individual	2,29,87,250	58.94	[●]	[●]
	Corporate	-	-	[●]	[●]
2.	**Foreign**	-	-		
	Sub-total (A)	2,29,87,250	58.94	[●]	[●]
B.	**Non-Promoter's holding**				
1.	**Institutional investors**	16,14,142	4.13	[●]	[●]
2.	**Non-institutional investors**				
	Individual share capital up to ₹ 2 Lakh	1,13,94,383	29.21	[●]	[●]
	Individual share capital in excess of ₹ 2 Lakh	16,38,826	4.20	[●]	[●]
3.	**Foreign Companies**	-	-	[●]	[●]
4.	**Bodies Corporate**	5,47,764	1.40	[●]	[●]
5.	**Any Other** [including Non-resident Indians (NRIs) and clearing members]	8,17,696	2.09	[●]	[●]

Sr. No.	Category	Pre-Issue^		Post-Issue*	
		Number of Equity Shares held	% of shareholding	Number of Equity Shares held**	% of shareholding
	Sub-total (B)	1,60,12,811	41.05	[●]	[●]
C.	**Non-Promoter Non-Public shareholder**				
1.	Custodian/ DR Holder	-	-	[●]	[●]
2.	Employee Benefit Trust	-	-	[●]	[●]
	Sub-total (C)	-	-	[●]	[●]
	Total (A+B+C)	3,90,00,061	100.00	[●]	[●]

#Includes shareholding of the members of the Promoter Group.
^Based on beneficiary position data of our Company as on September 27, 2024.

There are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into Equity Shares as on the date of this Preliminary Placement Document.

Other Confirmations

The Promoters, members of the Promoter Group, the Directors, Key Managerial Personnel and the Senior Management of our Company do not intend to participate in the Issue. No change in control in our Company will occur consequent to the Issue.

Our Equity Shares have been listed for a period of at least one year prior to the date of issuance of AGM notice dated August 27, 2024 to the shareholders for the approval of this Issue.

Our Company shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue.

DIVIDENDS

The declaration and payment of dividends by our Company is governed by applicable provisions of the Companies Act and our Articles of Association. Our Board has approved and adopted a formal dividend distribution policy on February 9, 2023 (“**Dividend Policy**”), in terms of Regulation 43A of the SEBI Listing Regulations. For further information, see the section titled “*Description of the Equity Shares*” beginning on page 203.

In accordance with our Dividend Policy, the Board of Directors of the Company shall consider the financial and other parameters before making any recommendation/declaration for the dividend including net Profits earned by the Company during the relevant financial year, operating cash flow of the Company, profit earned during the year, profit available for distribution, earnings per share (“**EPS**”), working capital requirements, capital expenditure requirement, business expansion and growth, likelihood of crystalization of contingent liabilities, if any, additional investment in subsidiaries and associates of the company, upgradation of technology and physical infrastructure, creation of contingency fund, cost of borrowing, past dividend payout ratio / trends other commercial agreements and such other relevant factor or material events that the Board may deem fit. The dividend for any Financial Year shall normally be paid out of our Company profits for that year arrived at in conformity with the relevant provisions of the Companies Act, 2013. Only in exceptional circumstances, the Board may consider utilizing retained earnings for declaration of dividends, subject to applicable legal provisions.

Our Company has not declared or paid any dividend on the Equity Shares in respect of Fiscals 2024, 2023 and 2022 and since April 1, 2024 until the date of this Preliminary Placement Document.

There is no guarantee that any dividends will be declared or paid in the future. The Equity Shares to be offered in connection with this Issue shall qualify for all dividends, including interim dividend, if any, that is declared in respect of the fiscal in which they have been allotted.

Also see “Statement of Possible Special Tax Benefits” and “Risk Factors” on pages 206 and 34, respectively. Investors are cautioned not to rely on past dividends as an indication of the future performance of our Company or for an investment in the Equity Shares offered in the Issue

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This discussion contains forward-looking statements, that involve risks and uncertainties and reflects our current views with respect to future events and financial performance. We caution investors that our business and financial performance is subject to substantive risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under the sections titled "Forward-Looking Statements" and "Risk Factors" on pages 13 and 34, respectively, and elsewhere in this Preliminary Placement Document. We prepared our Financial Statements in accordance with the Indian Accounting Standards prescribed under section 133 of the Company Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("**Ind AS**"). Ind AS differs in some material respects from US GAAP and IFRS and other accounting principles with which prospective investors may be familiar.*

Unless stated otherwise, all financial information is presented on a consolidated basis, and such financial information corresponding to (i) Fiscals 2024, 2023 and 2022 has been derived from the Audited Consolidated Financial Statements, and (ii) the three months ended June 30, 2024 and June 30, 2023 has been derived from the Unaudited Interim Consolidated Financial Statements. Our financial year ends on March 31 of every year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year.

Certain information in this section includes extracts from a report by Frost & Sullivan, titled 'Defence Sector Analysis' dated September 20, 2024 (the "F&S Report"), which has been exclusively commissioned and paid for by us in connection with this Issue. The relevant industry sources are indicated at all relevant places within this section. For more information, see "Risk Factors — Risks Relating to Business —Third party statistical and industry related data in this Preliminary Placement Document may be incomplete or unreliable and any reliance on such information for making an investment decision in this Issue is subject to inherent risk." on page 34. None of our Company, the Book Running Lead Manager or any other person connected with the Issue has independently verified all the information contained in the F&S Report.

Overview

Paras Defence & Space Technologies offers a wide range of Products & Solutions for Defence & Space Applications. With focus on Defence & Space Sector we have two verticals of our business, namely Optics & Optronic Systems (comprising of Optical Components, Opto-Mechanical Assemblies & Optronic Systems) & Defence Engineering (comprising of Defence Electronics, EMP Protection Solutions & Heavy Engineering).

We are involved in Technologies for Rocket & Missiles, Space & Space Research, Naval Systems, Land & Armoured Vehicles, Electronic Warfare & Surveillance, Electromagnetic Shielding etc., for Defence & Space Applications. Along with this, through our subsidiaries and associate companies, we are involved in technologies such as Drones, RF & Microwave, Anti-Drone Systems, EO/IR Systems for Avionic Platforms, Thermal Solutions for Space & Quantum Communication amongst others.

Paras Defence & Space Technologies has in-house capabilities and facilities to Design, Develop, Manufacture, Integrate and Test various components, sub-systems and systems in the domain of Optics, Electronics, Mechanical, Software, Electrical, RF & Microwave etc. technologies. Our focus on technology development and R&D distinguishes us as a true IDDM company in the Indian defence industry. We have a vibrant team working on developing future technologies and providing cutting-edge solutions for our customers.

We have two manufacturing facilities in Maharashtra, one located at Nerul in Navi Mumbai and the second at Ambernath in Thane. Our Nerul facility is an advanced nano technology machining centre for producing high quality optics, ultra-precision components. Our Nerul facility is engaged in manufacturing of Optics, Optical Systems & Assemblies, Design, Development, Manufacturing and Integration of Electronic Systems and EMP protection products and solutions. Our Ambernath facility is engaged in manufacturing of heavy engineering products such as flow-formed motor tubes, vacuum brazed cold plates, titanium structures and assemblies, large and heavy dynamic structures with built-in automation, indigenously designed and manufactured flow-forming machines and mechanical racks, cabinets and consoles for various defence applications. Our manufacturing facilities at Nerul and Ambernath have been accredited with quality management system certificate for compliance with SAMAR-Level 4, ISO 9001:2015 while our Nerul Facility also has AS9100:2016 certification. We are also in the process of expanding our manufacturing facility located at Nerul in Navi Mumbai, Maharashtra.

Significant factors affecting our results of operations and financial condition

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

Research, Design and Development

Our business depends to a significant degree on our ability to successfully conduct research, design and development with respect to our products. Our capability to do R&D helps us build products tailored to customer requirements and enable our engagement with defence organisation involved in R&D and other organisations, thereby creating a possibility of larger business of developed product or technology. However, this process is both time consuming and costly and involves a high degree of business risk. To develop new products and upgrade existing products, we commit substantial time, funds and other resources. We believe that our growth over the years is attributable to our core capabilities, including our indigenous design and technological capabilities, our ability to invent, design and deliver advanced customer centric offerings (i.e., hardware, software and solutions) and vertically integrated operations. We have an established track record of designing products that have high customer adoption. Our innovation process allows us to evolve product features based on the evolving needs of our customers delivering a superior customer experience with advanced technology. Our investments in research and development for future products could result in higher costs without a proportionate increase in revenues. We undertake research and development based on the customer's specific requirements and the revenue expenditure on research and development is charged in the period in which it is incurred whereas the capital expenditure undertaken in this regard is capitalised when commissioned and included in the Plant, Property and Equipment and depreciated in accordance with the policies stated for Property, Plant and Equipment.

We also undertake research, design and development pursuant to contracts (revenue arrangements) to perform research, design and development activities according to customer specifications as per the order. These costs are direct contract costs arising from such specific orders and are expensed to cost of sales when the corresponding revenue is recognised for such orders. In addition, we must adapt to rapid changes in our industry due to technological advances. The cost of implementing new technologies, upgrading our manufacturing facilities and retaining our research staff could be significant and could adversely affect our profitability.

Technological obsolescence

The components that we use in manufacturing our products are subject to technological obsolescence. Technological obsolescence is subject to a variety of factors, mostly not being in our control, including rapid changes to various hardware and software involved in producing the components required in manufacturing our products. In the event of any significant technological or component obsolescence, we are thereby, required to incur additional costs, which may be at no additional cost to the customer, during the period of warranty, to update or replace the product, encompassing such obsolete component. Although we factor in component obsolescence in our initial project costs or estimates at the time of bidding, our ability to pass on increased costs of newer technologies or components has a direct impact on our profitability and results of operations. Our contracts usually require us to provide warranty without any additional costs for a fixed period of time, typically for a year. The table below shows the provision for warranty for Fiscals 2024, 2023 and 2022, respectively:

Particulars	Fiscal 2024 (₹ lakhs)	Fiscal 2023 (₹ lakhs)	Fiscal 2022(₹ lakhs)
Provision for warranty	NIL	NIL	NIL

Strength of our order book

Our results of operations are affected by the strength of our order book. Our business and growth depend on our ability to qualify for and win bids undertaken by the GoI entities for awarding contracts. The GoI awards contracts on a competitive basis which have the potential to create pricing pressure which in turn exerts pressure on our margins.

Our order book has been increasing year on year, which can be attributed to increasing customer confidence on the company along with favourable Government of India reforms in the sector. Further, we do not carry long term orders in the defence sector, whereas orders received from the space sector are more long term. Investors should not consider our order book as an accurate indicator of our future performance or future revenue. The successful conversion of these orders into revenue and getting new orders will depend on the demand from our customers, which is beyond our control and is subject to uncertainty as well as changes in Government policies and priorities. Going forward, our order book may be affected by delays, cancellations, renegotiations of the contracts as well as the long gestation period in concluding such contracts, if any.

Cost and availability of skilled manpower

We require the application of high levels of technology at key stages of our design, engineering and manufacturing processes and accordingly, depend on our ability to recruit and retain employees who have advanced engineering and technical services skills and who work well with our customers. Our human resource policy focuses on recruiting talented and qualified personnel who would integrate well with our current workforce. We conduct regular training workshops and performance reviews. We endeavour to develop and train our employees in order to facilitate their growth as well as the growth of our operations. If we are unable to recruit and retain a sufficient number of these employees, then our ability to maintain our competitiveness and grow our business could be negatively affected. In addition, because of the highly technical nature of our products, the loss of any significant number of our existing engineering personnel could significantly delay or prevent the achievement of our business objectives, materially harm our business and customer relationships and impair our ability to identify and secure new contracts.

As of June 30, 2024, we had 488 permanent employees. We have also engaged 85 contractual labourers for carrying out various activities such as manpower support services, security and housekeeping as of June 30, 2024. The table below shows the expenses towards salaries, wages and bonus for Fiscals 2024, 2023 and 2023, respectively:

Particulars	Fiscal 2024 (₹ lakhs)	Fiscal 2023 (₹ lakhs)	Fiscal 2022 (₹ lakhs)
Employee Benefit Expenses	3,089.87	2,187.06	1,481.29

We believe that our Company's growth and work environment combined with our employee satisfaction rate has allowed us to attract talent on a large scale. In addition, the presence of varied profiles available in our organisation coupled with high growth potential facilitates higher retention of employees. If there are any labour shortages, it could increase our production cost and hinder our productivity and ability to meet customers' delivery schedules, any or all of which may have an adverse impact on our results of operations.

Raw Material costs

The primary raw materials required for manufacturing of our products are composites, plastics, and electronic components. We also require other raw materials, such as metal and machined parts for manufacturing our products. We procure our raw materials domestically as well as internationally from a wide and diverse network of suppliers, based on our requirements on an on-going basis. The availability and price of raw materials and commodity prices is subject to a number of factors beyond our control including global demand and supply, general economic and political conditions, transportation and labour costs, labour unrest, natural disasters, competition, import duties, fuel prices and availability, power tariffs and currency exchange rates, and there are uncertainties inherent in estimating such variables, regardless of the methodologies and assumptions that we may use. While procuring our raw materials, we factor in the current supply orders as well as the anticipated demand for our products, thereby working on forecasted demand as well. These forecasts are then shared with our supply chain management team so that they can quote the amount of required inventory, based on the information at hand. However, most of these forecasts are only accurate to a certain degree and hence we carry the risk that our anticipated demand may not be met, which may impact our contributions either way. The table below shows our cost of materials consumed as a percentage of our total revenue from operations and our total expenses, for Fiscals 2024, 2023 and 2023, respectively:

Particulars	Fiscal 2024	Fiscal 2023	Fiscal 2022
Cost of material consumed (₹ in lakhs)	12,618.93	9,968.10	7,703.80
As % of our total revenue from operations	49.78	44.82	42.20
As % of our total expenses	57.04	54.27	51.72

Interruption of, or a shortage in the supply of, raw materials required to manufacture our products, may also result in our inability to operate our manufacturing facility at optimal capacities, leading to a decline in production and sales. Most of our procurement contracts with suppliers are at a fixed price with certain of our contracts having an exchange rate variation clause. On account of this, our ability to pass on increased raw material costs is limited. Furthermore, any increase in the cost of raw materials which results in an increase in prices of our products, may reduce demand for our products and thereby affect our margins and profitability.

We operate in a highly regulated industry

The Indian defence industry was previously dominated by Defence Public Sector Units (DPSUs) – defence companies that are owned and controlled completely by the Indian government. These companies were given the mandate to indigenize defence production after Indian independence, but success was limited because the sector was highly regulated with limited private sector participation. This stymied growth because of several reasons, including lack of domestic defence value chains, without which several DPSUs operated inefficiently and could not produce platforms in line with India's expected timelines.

While there are significant barriers to entry to the defence products manufacturing industry such as complex software architecture, stringent regulatory regime, and expectation from customers for product innovation and high-quality standards and stringent specifications, the competitors may win market share from us by providing lower cost solutions to our customers or by offering technologically advanced products. Our success depends on our ability to develop and deliver advanced products, software and solutions, utilizing our proprietary technologies, to help our customers operate more effectively and efficiently. We may incur significant expense in preparing to meet anticipated customer requirements that we may not be able to recover or pass on to our customers. Increased competition may force us to improve our process, technical, product and service capabilities and/or lower our prices or result in loss of customers, which may adversely affect our profitability and market share, in turn, affecting our business, financial condition, results of operations and future prospects. There is no assurance that we will remain competitive with respect to technology, design, quality or cost. In addition, our competitors may develop competing technologies that gain market acceptance before or instead of our products. Our competitors' actions, including expanding manufacturing capacity, expansion of their operations to newer geographies or product segments in which we compete, or the entry of new competitors into one or more of our markets could cause us to lower prices in an effort to maintain our sales volume.

Material Accounting Policies

a) Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standards) Rules, as amended from time to time.

The Consolidated financial statements have been prepared and presented on going concern basis and historical cost basis, except for the following assets and liabilities, which have been measured as indicated below:

- Certain Financial assets and liabilities at fair value (refer accounting policy regarding financial instruments).
- Employee's Defined Benefit Plans measured as per actuarial valuation report.

These financial statements are presented in Indian Rupees, which is the group's functional and presentation currency and all values are rounded off to the nearest lakhs with two decimals, except when otherwise indicated.

b) Basis of consolidation

The consolidated financial statements have been prepared on the following principles of consolidation:

i. The financial statements of the Holding Company and its subsidiaries/ entity where control exists are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, incomes, expenses and cash flows, after fully eliminating intra-group balances and intragroup transactions and any unrealized income and expenses arising from intra Group transactions.

ii. Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. The difference between the cost of investment in the subsidiaries and the Parent's share of net assets at the time of acquisition of control in the subsidiaries is recognised in the consolidated financial statements as goodwill. However, resultant gain (bargain purchase) is recognized in other comprehensive income on the acquisition date and accumulated to capital reserve in equity.

iii. The intra group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

iv. In case of foreign subsidiary, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve (FCTR).

v. The Consolidated Financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. If an entity of the group uses accounting policies other than those adopted in the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's Financial Statements in preparing the Consolidated Financial Statements to ensure conformity with the Group's accounting policies.

vi. For the acquisitions of additional interests in subsidiaries, where there is no change in the control, the Group recognises a reduction to the non-controlling interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of controlling interests, the difference between the cash received from sale or listing of the subsidiary shares and the increase to non-controlling interest is also recognised in equity. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Consolidated Statement of Profit and Loss. Any investment retained is recognised at fair value. The results of subsidiaries acquired or disposed off during the year are included in the Consolidated Statement of Profit and Loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

vii. Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

viii. Investment in Associates has been accounted under the Equity Method as per Ind AS 28 – Investments in Associates and Joint Ventures. The investment in associates is initially recognised at cost. Subsequently, under the equity method, post-acquisition attributable profit/losses and other comprehensive income are adjusted in the carrying value of investment to the extent of the Group's investment in the associates. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

Material accounting policies

(A) Property, Plant and Equipment :

Property, plant and equipment are carried at its cost, net of recoverable taxes, trade discounts and rebate less accumulated depreciation and impairment losses, if any. Cost includes purchase price, borrowing cost, non-refundable taxes or levies and directly attributable cost of bringing the asset to its working condition for its intended use. Expenditure related to plans, designs and drawings of buildings or plant and machinery is capitalized under relevant heads of property, plant and equipment if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. In case of Property, Plant and Equipment, the Group has availed the fair value as deemed cost on the date of Ind AS transition i.e. April 01, 2016.

Property, Plant and Equipment not ready for the intended use on the date of Balance Sheet are disclosed as “Capital Work-in-Progress” and expenses incurred relating to it, net of income earned during the development stage, are disclosed as pre-operative expenses under “Capital Work-in-Progress”.

Property, Plant and Equipment are eliminated from financial statements, either on disposal or when retired from active use. Gains / losses arising in the case of retirement/disposal of Property, Plant and Equipment are recognised in the Consolidated Statement of Profit and Loss in the year of occurrence.

Capital work in progress and Capital advances:

Cost of assets not ready for intended use, as on the Balance Sheet date, is shown as capital work in progress. Advances given towards acquisition of property, plant and equipment outstanding at each Balance Sheet date are disclosed as Other Non-Current Assets.

Depreciation:
Depreciation on property, plant and equipment is provided on straight line method for the year for which the assets have been used as under:

(a) Depreciation on assets is provided over the useful life of assets as prescribed under schedule II of Companies Act, 2013 except Mobile phones where 3 years have been taken.
(b) Leasehold land is amortised over the period of lease.

The asset's residual values, useful lives and method of depreciation are reviewed at each financial year end and are adjusted prospectively, if appropriate.

Depreciation on the Property, Plant and Equipment is provided using straight line method over the useful life of the assets as specified in Schedule II to the Companies Act, 2013 except for following assets where the useful life is different as per technical evaluation than those prescribed in Schedule II are mentioned below-

Particulars	**Useful Life**
Drone Charging Station	2 Years
Drone	3 Years

(B) Intangible Assets and Amortisation:
Intangible Assets are stated at cost, net of accumulated amortization and impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gain or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized as income or expense in the Consolidated Statement of Profit and Loss. In case of Intangible Assets, the Group has availed the fair value as deemed cost on the date of transition i.e. April 01, 2016. The period of amortisation is as under :

Asset	**Period of Amortisation**
Computer Software	6 years
Technical Knowhow	6 years

(C) Impairment of Non-Financial Assets - Property, Plant and Equipment & Intangible Assets:

The Group assesses at each reporting date as to whether there is any indication that any property, plant and equipment and intangible assets or group of assets, called cash generating units (CGU) may be impaired. If any such indication exists the recoverable amount of an asset or CGU is estimated to determine the extent of impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. An impairment loss is recognised in the Consolidated Statement of Profit and Loss to the extent, asset’s carrying amount exceeds its recoverable amount. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount. The recoverable amount is higher of an asset’s fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

(D) Taxes on Income:

Tax expense represents the sum of current tax (including income tax for earlier years) and deferred tax. Tax is recognised in the Consolidated Statement of Profit and Loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in such cases the tax is also recognised directly in equity or in other comprehensive income. Any subsequent change in direct tax on items initially recognised in equity or other comprehensive income is also recognised in equity or other comprehensive income.

Current tax provision is computed for Income calculated after considering allowances and exemptions under the provisions of the applicable Income Tax Laws. Current tax assets and current tax liabilities are off set, and presented as net.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, carry forward tax losses and allowances to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, carry forward tax losses and allowances can be utilised. Deferred tax assets and liabilities are measured at the applicable tax rates. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which the temporary differences can be utilised**.**

(E) Inventories:

Inventories are measured at lower of cost and net realisable value (NRV) after providing for obsolescence, if any. NRV is the estimate selling price in the ordinary course of business, less estimated costs of completion and estimate cost necessary to make the sale. Cost of Inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw materials, stores & spares, packing materials are determined on weighted average basis. The Cost of Work in Progress and Finished Goods is determined on absorption costing methods**.**

(F) Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets -Initial recognition and measurement

All financial assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition of financial assets, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortised cost. Purchase and sale of financial assets are recognized using trade date accounting. However, trade receivables that do not contain a significant financing component are measured at transaction price.

Financial assets - Subsequent measurement

For the purpose of subsequent measurement financial assets are classified in two broad categories:-

a) Financial assets at fair value
b) Financial assets at amortised cost

Where assets are measured at fair value, gains and losses are either recognised entirely in the Consolidated Statement of Profit and Loss (i.e. fair value through profit and loss), or recognised in other comprehensive income (i.e. fair value through other comprehensive income).

A financial asset that meets the following two conditions is measured at amortised cost (net of any write down for impairment) unless the asset is designated at fair value through profit or loss under the fair value option.

a) Business model test: The objective of the Group's business model is to hold the financial asset to collect the contractual cash flow.
b) Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that meets the following two conditions is measured at fair value through other comprehensive income unless the asset is designated at fair value through profit or loss under the fair value option.
a) Business model test: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets.
b) Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

All other financial asset is measured at fair value through profit or loss.

Financial assets - Derecognition
A financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

a) The rights to receive cash flows from the asset have expired, or
b) The Group has transferred its rights to receive cash flow from the asset.

Impairment of Financial Assets

In accordance with Ind AS 109, the Group uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:
a) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
b) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

For trade receivables Group applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.
For other assets, the Group uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used.

Financial Liabilities - Initial recognition and measurement:

The financial Liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
Financial Liabilities - Subsequent measurement:
Financial Liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial Liabilities – Financial guarantee contracts:
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined and the amount recognised less cumulative amortisation.

Financial liability - Derecognition:
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another, from the same lender on substantially

different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

(G) Fair Value:

The Group measures financial instruments at fair value at each Balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy that categorizes into three levels, described as follows, the inputs to valuation techniques used to measure value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 — inputs that are unobservable for the asset or liability

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period and discloses the same.

(H) Investment in Associates:

The Group has elected to recognize its investment in associate at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'.

(I) Revenue Recognition and Other Income:

Sales of goods and services:

The Group derives revenues primarily from sale of products comprising of Defence & Space Applications

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services. Generally, control is transferred upon shipment of goods to the customer or when the goods are made available to the customer, provided transfer of title to the customer occurs and the Group has not retained any significant risks of ownership or future obligations with respect to the goods shipped. Revenue is measured at the amount of consideration which the Group expects to be entitled to in exchange for transferring distinct goods or services to a customer as specified in the contract, excluding amounts collected on behalf of third parties (for example taxes and duties collected on behalf of the government). Consideration is generally due upon satisfaction of performance obligations and a receivable is recognized when it becomes unconditional.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Revenue from rendering of services is recognised over time by measuring the progress towards complete satisfaction of performance obligations at the reporting period.

Contract Balances – Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other Income:
Incentives on exports and other Government incentives related to operations are recognised in the Consolidated Statement of Profit and Loss after due consideration of certainty of utilization/receipt of such incentives.

Interest Income:
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend Income:
Dividend Income is recognised when the right to receive the payment is established.

Rental income:
Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included as other income in the statement of profit or loss.

(J) Foreign currency transactions and translation:
Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Consolidated Statement of Profit and Loss except to the extent of exchange differences which are regarded as an adjustment to interest costs on foreign currency borrowings that are directly attributable to the acquisition or construction of qualifying assets, are capitalized as cost of assets.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).
Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Consolidated Statement of Profit and Loss, within finance costs. All other finance gains / losses are presented in the Consolidated Statement of Profit and Loss on a net basis.
In case of an asset, expense or income where a monetary advance is paid/received, the date of transaction is the date on which the advance was initially recognized. If there were multiple payments or receipts in advance, multiple dates of transactions are determined for each payment or receipt of advance consideration.

(K) Employee Benefits:
Short term employee benefits are recognized as an expense in the Consolidated Statement of Profit and Loss of the year in which the related services are rendered. Contribution to Provident Fund, a defined contribution plan, is made in accordance with the statute, and is recognised as an expense in the year in which employees have rendered services.

The cost of providing gratuity, a defined benefit plans, is determined based on Projected Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each Balance Sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Other costs are accounted in Consolidated Statement of Profit and Loss.

Remeasurements of defined benefit plan in respect of post employment and other long term benefits are charged to the other comprehensive income in the year in which they occur. Remeasurements are not reclassified to Consolidated Statement of Profit and Loss in subsequent periods**.**

(L) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using equivalent period government securities interest rate. Unwinding of the discount is recognised in the Consolidated Statement of Profit and Loss as a finance cost. Provisions are reviewed at each Balance Sheet date and are adjusted to reflect the current best estimate.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. Information on contingent liability is disclosed in the Notes to the Financial Statements. Contingent assets are not recognised in financial statement. However, when the realisation of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognised as an asset.

(M) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable rights to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable rights must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or counterparty.

(N) Business Combination and Goodwill/Capital Reserve:

The Group uses the pooling of interest method of accounting to account for common control business combination and acquisition method of accounting to account for other business combinations.

The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in Other Comprehensive Income (OCI) and accumulated in other equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in other equity as capital reserve, without routing the same through OCI.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within other equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the Consolidated Statement of Profit and Loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In case of Pooling of interest method of accounting, the assets and liabilities of the combining entities recognises at their carrying amounts. No adjustment is made to reflect the fair value or recognise any new assets and liabilities. The financial information in the consolidated financial statements in respect of prior periods restates as if the business combination had occurred from the beginning of the preceding period. The difference, if any, between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and presented separately from other capital reserves.

Transaction costs that the Group incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Principal Components of Income and expenditure

Total Revenue

Our total revenue consists of (a) revenue from operations; and (b) other income

Revenue from operations

Our revenue from operations, primarily comprises of sale of products, sale of services / job work income, and other operating revenue.

Other Income

Our other income primarily includes dividend income from non-current investment, interest income from financial assets measured at amortised cost for fixed deposits with banks, - interest on loans, and- others, rent income, export incentives, gain on financial instruments measured at fair value through profit or loss, profit on sale/ discard of property, plant and equipment, and miscellaneous income

Expenses

Our total expenses comprised of cost of materials consumed, purchase of stock in trade, changes in inventories of finished goods, work in progress and stock in trade, employee benefits expense, finance costs, depreciation and amortisation expense, and other expenses.

Change in inventories of finished goods, stock-in-trade and work-in-progress

Change in inventories of finished goods, stock-in-trade and work-in-progress consists of changes in finished goods, finished goods-in transit, stock in trade, stock in trade in transit, and work-in-progress from the beginning of the year to the end of the year differential, excise duty and cess on opening and closing inventory of finished goods and any exchange fluctuation on translation of inventory.

Employee benefits expense

Employee benefits expense comprises salaries, wages & allowances, contribution to provident and other funds, and welfare and other amenities

Finance Costs

Finance costs comprise of interest expenses on financial liabilities measured at amortised cost, interest expenses on lease liabilities, and other borrowing costs

Other expenses

Our other expenses comprise mainly of:

i. Manufacturing Expenses
   (a) Consumables, Stores and Spares Consumed
   (b) Power and Fuel
   (c) Labour Charges
   (d) Repairs and Maintenance - Others
   (e) Job Processing charges
   (f) Design and Development Charges
   (g) Drone Pilot Training Services
   (h) Other Manufacturing Expenses

ii. Selling and distribution expenses
   (a) Advertisement and Business Promotion
   (b) Packing & Forwarding Expenses
   (c) Freight Outward
   (d) Design & Development Charges

iii. Administrative Expenses
   (a) Insurance
   (b) Rent
   (c) Rates and Taxes
   (d) Printing and Stationery
   (e) Communication Expenses
   (f) Travelling and Conveyance
   (g) Legal and Professional Charges
   (h) Payment to Auditors (Refer Note No. 34.1)
   (i) Security Expenses
   (j) Office Expenses
   (k) Director Sitting fees
   (l) Postages and Courier
   (m) Miscellaneous Expenses

iv. Other Expenses
   (a) Bank Charges
   (b) Bad Debts / Advances written off (Net)
   (c) Provision / (Reversal) for Credit Impaired
   (d) Provision for Expected Credit Loss
   (e) Provision for Doubtful Advances
   (f) Donation
   (g) Corporate Social Responsibility Expenditure (Refer Note No. 38)
   (h) Loss on sale/ discard of Assets (Net)
   (i) Loss on Foreign Currency Fluctuations (Net)
   (j) Late Delivery charges

Depreciation and amortisation expenses

Depreciation and amortisation expenses comprises of depreciation on property, plant and equipment, depreciation on right of use assets, and amortisation on intangible assets.

Results of Operations in our Audited Consolidated Financial Statements prepared under Ind AS

Three-month period Ended June 30, 2024 and June 30, 2023

The following table sets forth certain information with respect to our revenues, expenses and profits, also expressed as a percentage of our total revenue, for the three-month period ended June 30, 2024 and June 30, 2023, as derived from our Unaudited Consolidated Financial Statements:

(₹in lakh)

Particulars	Three month period ended June 30, 2024	% of Total Income	Three month period ended June 30, 2023	% of Total Income	Growth over the Fiscal year %
Revenue from Operations	8,357	99.31%	4,832	98.09%	72.95%
Other Income	58	0.69%	94	1.91%	-38.30%
Total Income	8,415	100.00%	4,926	100.00%	70.83%
Expenses					
Cost of Materials Consumed	2,879	34.21%	1,375	27.91%	109.38%
Purchase of Stock in Trade	480	5.70%	489	9.93%	-1.84%
Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade	540	6.42%	234	4.75%	130.77%
Employee Benefits Expense	883	10.49%	736	14.94%	19.97%
Finance Costs	153	1.82%	71	1.44%	115.49%
Depreciation and Amortisation Expense	365	4.34%	314	6.37%	16.24%
Other expenses	1,163	13.82%	915	18.57%	27.10%
Total expenses	6,463	76.80%	4,134	83.92%	56.34%
Profit /(loss) before tax	1,950	23.17%	783	15.90%	149.04%
Tax Expenses	539	6.41%	202	4.10%	166.83%
Profit for the year	1,411	16.77%	581	11.79%	142.86%
Other Comprehensive Income (net of tax)	9	0.11%	1	0.02%	800.00%
Total Comprehensive Income	1,402	16.66%	580	11.77%	141.72%
Earning Per Share					
(1) Basic (Not Annualised)	3.81	0.05%	1.54	0.03%	147.40%
(2) Diluted (Not Annualised)	3.81	0.05%	1.54	0.03%	147.40%

Revenue

Revenue from operations

Revenue from operations increased by **72.95%**, rising from ₹4,832 lakh for the three-month period ended June 30, 2023, to ₹8,357 lakh for the same period in 2024. This significant growth was primarily driven by a substantial increase in the **Optics and Optronic Systems** segment, where revenue grew from ₹1,914 lakh in Q1 FY 2023-24 to ₹3,857 lakh in Q1 FY 2024-25, reflecting a growth of **101.52%**. Additionally, the **Defence Engineering** segment contributed to this overall growth, with revenue rising from ₹2,918 lakh in Q1 FY2023-24 to ₹4,500 lakh in FY2024-25, representing a **54.22%** increase.

Other Income

Other income decreased by 38.30% from ₹94 Lakh for the Three-month period ended June 30, 2023 to ₹58 Lakh for the Three-month period ended June 30, 2024, This decline is primarily attributed to a significant reduction in interest on other financial assets, which dropped from ₹33.31 lakh in June 2023 to ₹0.09 lakh in June 2024, and rent income, which decreased from ₹12.75 lakh in 2023 to ₹1.05 lakh in 2024. However, interest income from fixed deposits saw a slight increase, from ₹40.02 lakh to ₹41.16 lakh during the same period, and the Company received a government grant of ₹2.49 lakh in June 2024, which was not present in the previous year.

Other income as a percentage of Total Revenue decreased from 1.91% for Three-month period ended June 30, 2023 to 0.69% for Three-month period ended June 30, 2024.

Total Revenue

Total Income increased by 70.83% from ₹4,926 Lakh for the Three-month period ended June 30, 2023 to ₹8,415 Lakh for Three-month period ended June 30, 2024, primarily due to This significant growth was primarily driven by increased demand in the Optics and Optronic Systems segment, which saw substantial growth, along with a strong performance in the Defence Engineering segment. The Company's enhanced execution capabilities, along with improved operational efficiencies, also contributed to the increase in revenue. Additionally, new contracts and the expansion of existing projects in both segments further bolstered overall revenue growth during this period.

Expenses

Cost of materials consumed

Cost of materials consumed increased by 109.38% from ₹1,375 Lakh for the Three-month period ended June 30, 2023 to ₹2,879 Lakh for the Three-month period ended June 30, 2024, primarily due to This significant rise was primarily due to higher production volumes, driven by an increase in orders, especially in the Optics and Optronic Systems and Defence Engineering segments. Additionally, the procurement of raw materials at increased prices and expansion of the product mix contributed to the higher cost of materials consumed.

Purchases of stock in trade

Purchases of stock in trade decreased by 1.84% from ₹489 Lakh for the Three-month period ended June 30, 2023 to ₹480 Lakh for the Three-month period ended June 30, 2024, primarily due to to optimized procurement strategies and a reduction in dependency on external stock purchases. This was achieved through better utilization of in-house resources and enhanced inventory management, leading to fewer purchases of stock in trade while maintaining production levels.

Changes in inventories of finished goods, stock-in-trade, and work-in-progress

Change in Inventories of finished goods, stock-in-trade and work-in-progress increased by 130.77% from ₹234 Lakh for the Three-month period ended June 30, 2023 to ₹540 Lakh for the Three-month period ended June 30, 2024, primarily due to This increase was primarily due to higher production volumes and an accumulation of inventory to meet anticipated demand in upcoming quarters. Additionally, extended production cycles and delays in project deliveries contributed to the build up of work-in-progress and finished goods inventories.

Employee benefits expenses.

Employee benefits expenses increased by 19.97% from ₹736 Lakh in Three-month period ended June 30, 2023 to ₹883 Lakh in Three-month period ended June 30, 2024. Employee benefits expenses as a percentage of Total

Revenue decreased from 14.94% in Three-month period ended June 30, 2023 to 10.49% in Three-month period ended June 30, 2024.

Other expenses

Other expenses increased by 27.10% from ₹915 Lakh in Three-month period ended June 30, 2023 to ₹1,163 Lakh for Three-month period ended June 30, 2024.

Depreciation and amortization expenses

Depreciation and amortization expenses increased by 16.24% from ₹314 Lakh for Three-month period ended June 30, 2023 to ₹365 Lakh for Three-month period ended June 30, 2024. Depreciation for plant and machinery, which forms the largest portion of fixed assets, rose significantly due to the higher asset base. Depreciation on plant and machinery increased from ₹185.55 Lakh in Q1 FY24 to ₹221.68 Lakh in Q1 FY25, a notable increase driven by asset additions.

Finance cost

Finance cost increased by 115.49% from ₹71 Lakh for Three-month period ended June 30, 2023 to ₹153 Lakh for Three-month period ended June 30, 2024. This increase in finance cost expenses was primarily due to the rise in finance costs is closely linked to the increased borrowings needed to fund both expansion initiatives and operational requirements. This reflects the company's strategic efforts to grow and scale its operations while managing the associated costs of financing.

Total expenditure increased by 56.34% from ₹4,134 Lakh in Three-month period ended June 30, 2023 to ₹6,463 Lakh in Three-month period ended June 30, 2024. The increase is primarily attributable to increase in Cost of Materials Consumed: There was a significant rise in the cost of materials consumed from ₹1,375 Lakh to ₹2,879 Lakh. This increase reflects higher material costs associated with increased production or expanded operations.

Higher Depreciation and Amortisation Expense: Depreciation and amortisation expenses increased from ₹314 Lakh to ₹365 Lakh. This rise due to new capital assets added to the company's portfolio .

Increased Finance Costs: Finance costs more than doubled from ₹71 Lakh to ₹153 Lakh. This is a result of increased borrowings, as discussed earlier, to support expansion and operational needs.

Total Expenses as a percentage of Total Revenues was 76.80% in Three-month period ended June 30, 2024 as against 83.92% in Three-month period ended June 30, 2023.

Profit before tax

Our profit before tax increased by 149.04% from ₹783 Lakh in Three-month period ended June 30, 2023 to ₹1,950 Lakh in Three-month period ended June 30, 2024 mainly on account of factors mentioned above.

Tax Expense

Our tax expenses for the three month period ended June 30, 2024 was ₹539 Lakh as compared to ₹202 Lakh in the three-month period ended June 30, 2023, due to This rise is primarily due to a significant increase in profit before tax, which grew from ₹783 Lakh to ₹1950 Lakh. Consequently, the current tax expense surged from ₹201 Lakh to ₹509 Lakh, and deferred tax expenses also increased from ₹1 Lakh to ₹30 Lakh, reflecting adjustments based on higher taxable income and changes in deferred tax liabilities.

Profit after tax

Our profit after tax increased by 142.86% from ₹581 Lakh in Three-month period ended June 30, 2023 to ₹1,411 Lakh in Three-month period ended June 30, 2024. There has been an increase in our profit after tax margins from 11.79% in Three-month period ended June 30, 2023 to 16.77% in Three-month period ended June 30, 2024 mainly on account of This increase is mainly attributable to the substantial contribution of Periscope item sales during Q1 2024, which were achieved with favorable margins. The higher margins from these sales boosted overall profitability and enhanced the profit after tax margins.

Fiscal Years Ended March 31, 2024 and March 31, 2023

The following table sets forth certain information with respect to our revenues, expenses and profits, also expressed as a percentage of our total revenue, for Fiscal 2024 and Fiscal 2023, as derived from our Audited Consolidated Financial Statements:

(₹in lakh)

Particulars	Year ended March 31, 2024	% of Total income	Year ended March 31, 2023	% of Total income	Growth over the Fiscal year %
Revenue from Operations	25,349.82	96.84%	22,242.59	96.43%	13.97%
Other Income	827.17	3.16%	822.43	3.57%	0.58%
Total Income	26,176.99	100.00%	23,065.02	100.00%	13.49%
Expenses					
Cost of Materials Consumed	12,618.93	48.21%	9,968.10	43.22%	26.59%
Purchase of Stock in Trade	2,773.91	10.60%	1,715.45	7.44%	61.70%
Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade	(3,334.35)	(12.74%)	(1,147.30)	(4.97%)	190.63%
Employee Benefits Expense	3,089.87	11.80%	2,187.06	9.48%	41.28%
Finance Costs	543.95	2.08%	671.68	2.91%	(19.02%)
Depreciation and Amortisation Expense	1,336.15	5.10%	1,127.24	4.89%	18.53%
Other expenses	5,095.99	19.47%	3,845.16	16.67%	32.53%
Total expenses	22,124.45	84.52%	18,367.39	79.63%	20.46%
Profit before tax	4,046.85	15.46%	4,684.50	20.31%	(13.61%)
Tax Expenses	1,043.06	3.98%	1,090.46	4.73%	(4.35%)
Profit for the year	3,003.79	11.47%	3,594.04	15.58%	(16.42%)
Other Comprehensive Income (net of tax)	34.18	0.13%	0	0%	100%
Total Comprehensive Income	2,969.61	11.34%	3,594.04	15.58%	-17.37%
Earnings per Equity Shares of Rs.10/- each					
(1) Basic	8.22	0.03%	9.25	0.04%	-11.14%
(2) Diluted	8.22	0.03%	9.25	0.04%	-11.14%

Revenue

Revenue from operations

Revenue from operations increased by 13.97% from ₹22,242.59 Lakh for the Fiscal 2023 to ₹25,349.82 Lakh in Fiscal 2024. This increase in revenue from operations was primarily driven by a 5.34% rise in the sale of products, from ₹21,342.05 Lakh in Fiscal 2023 to ₹22,480.82 Lakh in Fiscal 2024. This growth was attributed to higher demand and improved sales performance in optics, optronic systems, and defence engineering. Revenue from operations as a percentage of Total Revenue was 96.84% for Fiscal 2024 compared to 96.43% for Fiscal 2023. This increase in revenue from operations was primarily driven by the following:

(a) Sale of products increased by 5.34% from ₹ 21,342.05 Lakh for the Fiscal 2023 to ₹ 22,480.82 Lakh in Fiscal 2024. Sale of services included sale of optics and optronic systems, and defence engineering.

(b) Sale of services/job work income increased by 290.99% from ₹732.70 Lakh for the Fiscal 2023 to ₹2,864.77 Lakh in Fiscal 2024.

(c) Other operating revenue decreased by 97.48% from ₹167.84 Lakh for the Fiscal 2023 to ₹4.23 Lakh in Fiscal 2024.

Other Income

Other income increased by 0.58% from ₹ 822.43 Lakh for the Fiscal 2023 to ₹ 827.17 Lakh for the Fiscal 2024, primarily on account of the following:

(a) Dividend income from non-current investment decreased by 47.14% from ₹ 0.70 Lakh for the Fiscal 2023 to ₹0.37 Lakh in Fiscal 2024;

(b) Interest income from fixed deposits with banks measured at amortised cost increased by 14.72% from ₹ 150.86 for the Fiscal 2023 to ₹173.07 Lakh in Fiscal 2024;

(c) Interest on loans measured at amortised cost increased by 12.80% from ₹ 129.50 Lakh for the Fiscal 2023 to ₹146.08 Lakh in Fiscal 2024;

(d) Interest income from other financial instruments measured at amortised cost decreased by 65.27% from ₹ 12.18 Lakh for the Fiscal 2023 to ₹4.23 Lakh in Fiscal 2024;

(e) Rent income decreased by 88.48% from ₹ 51.56 Lakh for the Fiscal 2023 to ₹ 5.94 Lakh in Fiscal 2024;

(f) Export incentives decreased by 55.62% from ₹ 32.45 Lakh for the Fiscal 2023 to ₹ 14.40 Lakh in Fiscal 2024,

(g) Profit on sale/ discard of property, plant and equipment increased by 100.00% from ₹ 0.00 Lakh for the Fiscal 2023 to ₹ 1.21 Lakh in Fiscal 2024

(h) Miscellaneous income increased by 122.57% from ₹ 2.88 Lakh for the Fiscal 2023 to ₹ 6.41 Lakh in Fiscal 2024

Other income as a percentage of Total Revenue decreased from 3.57% for Fiscal 2023 to 3.16% for Fiscal 2024.

Total Income

Total Income increased by 13.49% from ₹ 23,065.02 Lakh for the Fiscal 2023 to ₹26,176.99 Lakh for Fiscal 2024, primarily due to an increase in Revenue from Operations and Other Income as explained above.

Expenses

Purchases of stock-in-trade

Purchases of stock-in-trade increased by 61.70% from ₹ 1,715.45 Lakh for the Fiscal 2023 to ₹ 2,773.91 Lakh for the Fiscal 2024, primarily due to increased inventory levels to meet higher anticipated sales and operational requirements;

Cost of materials consumed

Cost of materials consumed increased by 26.59% from ₹ 9,968.10 Lakh for the Fiscal 2023 to ₹ 12,618.93 Lakh for the Fiscal 2024, primarily due to a rise in material prices and higher production volumes, necessitating more raw materials;

Changes in inventories of finished goods, work in progress and stock in trade

Changes in inventories of finished goods, work in progress and stock in trade increased by 190.63% from ₹ (1,147.30)Lakh for the Fiscal 2023 to ₹(3,334.35)Lakh for the Fiscal 2024, primarily due to an increase in work in progress, driven by higher production output and stockpiling for future demand.

Employee benefits expenses

Employee benefits expenses increased by 41.28% from ₹ 2,187.06 Lakh in Fiscal 2023 to ₹ 3,089.87 Lakh in Fiscal 2024. Employee benefits expenses as a percentage of Total Revenue increased from 9.48% in Fiscal 2023 to 11.80% in Fiscal 2024.

(a) Salaries and Wages - The expense on Salaries and Wages was ₹ 2,885.60 Lakh for the Fiscal 2024 as against ₹ 2,053.77 Lakh in Fiscal 2023 which indicates an increase of 40.50%. This increase was primarily due to higher employee headcount and salary increments.

(b) Contribution to Provident and Other Funds - The contributions made to Contribution to Provident and Other Funds was ₹ 88.53 Lakh for the Fiscal 2024 as against ₹ 53.66 Lakh in Fiscal 2023 which indicates an increase of 64.98% primarily on account higher employee contributions and an increase in the number of eligible employees during the year

(c) Welfare and Other Amenities - The Welfare and Other Amenities expense was ₹ 115.74 Lakh for the Fiscal 2024 as against ₹ 79.63 Lakh in Fiscal 2023 which indicates an increase of 45.35%primarily on account of expanded employee welfare programs and increased expenditures on amenities.

Other expenses

Other expenses increased by 32.53% from ₹ 3845.16 Lakh in Fiscal 2023 to ₹ 5095.99 Lakh for Fiscal 2024. This increase in other expenses was primarily on account of the following:

Manufacturing Expenses

(a) Consumables, Stores and Spares Consumed was ₹ 432.17 Lakh for the Fiscal 2024 as against ₹ 323.04 Lakh in Fiscal 2023 which indicates an increase of 33.78%;

(b) Power and Fuel were ₹ 359.84 Lakh for the Fiscal 2024 as against ₹ 328.32 Lakh in Fiscal 2023 which indicates an increase of 9.60%,

(c) Labour Charges were ₹ 295.29 Lakh for the Fiscal 2024 as against ₹ 278.49 Lakh in Fiscal 2023 which indicates an increase of 6.03%;

(d) Other repairs and maintenance cost was ₹ 196.18 Lakh for the Fiscal 2024 as against ₹ 159.80 Lakh in Fiscal 2023 which indicates an increase of 22.77%;

(e) Job Processing charges were ₹ 400.74 Lakh for the Fiscal 2024 as against ₹ 158.32 Lakh in Fiscal 2023 which indicates an increase of 153.12%;

(f) Design and Development Charges were ₹ 122.51 Lakh for the Fiscal 2024 as against ₹NIL in Fiscal 2023 which indicates an increase of 100%;

(g) Drone Pilot Training Services were ₹ 129.03 Lakh for the Fiscal 2024 as against ₹NIL in Fiscal 2023 which indicates an increase of 100%;

(h) Other Manufacturing Expenses were ₹ 81.15 Lakh for the Fiscal 2024 as against ₹ 94.26 Lakh in Fiscal 2023 which indicates a decrease of 13.91%;

Selling and Distribution Expenses

(a) Advertisement and Business Promotion was ₹ 359.06 Lakh for the Fiscal 2024 as against ₹ 162.21 Lakh in Fiscal 2023 which indicates an increase of 121.36%;

(b) Packing & Forwarding Expenses were ₹ 24.29 Lakh for the Fiscal 2024 as against ₹ 25.33 Lakh in Fiscal 2023 which indicates a decrease of 4.11%;

(c) Freight Outward were ₹ 39.28 Lakh for the Fiscal 2024 as against ₹ 36.10 Lakh in Fiscal 2023 which indicates an increase of 8.81%;

(d) Design & Development Charges were ₹ 15.04 Lakh for the Fiscal 2024 as against ₹ 15.35 Lakh in Fiscal 2023 which indicates a decrease of 2.02%;

Administrative Expenses

(a) Insurance was ₹ 41.05 Lakh for the Fiscal 2024 as against ₹ 40.22 Lakh in Fiscal 2023 which indicates an increase of 2.06%;

(b) Rent was ₹ 86.74 Lakh for the Fiscal 2024 as against ₹ 57.94 Lakh in Fiscal 2023 which indicates an increase of 49.71%;

(c) Rates and Taxes were ₹ 119.19 Lakh for the Fiscal 2024 as against ₹ 549.97 Lakh in Fiscal 2023 which indicates a decrease of 78.33%;

(d) Printing and Stationery was ₹ 20.50 Lakh for the Fiscal 2024 as against ₹ 21.61 Lakh in Fiscal 2023 which indicates a decrease of 5.14%;

(e) Communication Expenses was ₹ 10.85 Lakh for the Fiscal 2024 as against ₹ 8.57 Lakh in Fiscal 2023 which indicates an increase of 26.60%;

(f) Travelling and Conveyance was ₹ 562.92 Lakh for the Fiscal 2024 as against ₹ 418.84 Lakh in Fiscal 2023 which indicates an increase of 34.40%;

(g) Legal and Professional Charges were ₹ 203.87 Lakh for the Fiscal 2024 as against ₹ 186.00 Lakh in Fiscal 2023 which indicates an increase of 9.61%;

(h) Payment to auditors were ₹ 85.35 Lakh for the Fiscal 2024 as against ₹ 74.90 Lakh in Fiscal 2023 which indicates an increase of 13.95%;

(i) Security Expenses were ₹ 33.40 Lakh for the Fiscal 2024 as against ₹ 22.11 Lakh in Fiscal 2023 which indicates an increase of 51.06%;

(j) Office Expenses were ₹ 120.88 Lakh for the Fiscal 2024 as against ₹ 59.95 Lakhs in Fiscal 2023 which indicates an increase of 101.63%;

(k) Director Sitting fees were ₹ 24.00 Lakh for the Fiscal 2024 as against ₹ 28.00 Lakh in Fiscal 2023 which indicates a decrease of 14.29%;

(l) Postages and Courier were ₹ 25.96 Lakh for the Fiscal 2024 as against ₹ 33.54 Lakh in Fiscal 2023 which indicates a decrease of 22.60%;

(m) Miscellaneous expenses were ₹ 146.30 Lakh for the Fiscal 2024 as against ₹ 195.64 Lakh in Fiscal 2023 which indicates a decrease of 25.22%.

Other Expenses

(a) Bank charges were ₹ 246.15 Lakh for the Fiscal 2024 as against ₹ 103.32 Lakh in Fiscal 2023 which indicates an increase of 138.24%;

(b) Bad debts/advances written off were ₹ 147.96 Lakh for the Fiscal 2024 as against ₹ 91.20 Lakh in Fiscal 2023 which indicates an increase of 62.24%;

(c) Provision / (Reversal) for Credit Impaired were ₹ 53.95 Lakh for the Fiscal 2024 as against ₹ (10.35) Lakh in Fiscal 2023 which indicates an decrease of 621.26%;

(d) Provision for Expected Credit Loss was ₹ 522.45 Lakh for the Fiscal 2024 as against ₹ 163.58 Lakh in Fiscal 2023 which indicates an increase of 219.39%;

(e) Provision for Doubtful Advances was ₹ 13.2 Lakh for the Fiscal 2024 as against ₹ NIL in Fiscal 2023 which indicates an increase of 100%;

(f) Donation was ₹ 50.75 Lakh for the Fiscal 2024 as against ₹ 12.81 Lakh in Fiscal 2023 which indicates an increase of 296.05%;

(g) Corporate Social Responsibility Expenditure was ₹ 69.00 Lakh for the Fiscal 2024 as against ₹ 61.25 Lakh in Fiscal 2023 which indicates an increase of 12.65%;

(h) Loss on sale/ discard of Assets was ₹ NIL for the Fiscal 2024 as against ₹ 6.31 Lakh in Fiscal 2023 which indicates a decrease of 100%;

(i) Loss on Foreign Currency Fluctuations were ₹ 10.94 Lakh for the Fiscal 2024 as against ₹ 36.47 Lakh in Fiscal 2023 which indicates a decrease of 70.00%;

(j) Late delivery charges were ₹ 46.00 Lakh for the Fiscal 2024 as against ₹ 102.06 Lakhs in Fiscal 2023 which indicates a decrease of 54.93%;

Depreciation and amortization expenses

Depreciation and amortization expenses increased by 18.53% from ₹ 1,127.24 Lakh for Fiscal 2023 to ₹ 1,336.15 Lakh for Fiscal 2024. The increase in depreciation and amortization expenses was primarily on account of Depreciation for plant and machinery, which forms the largest portion of fixed assets, rose significantly due to the higher asset base.

Finance cost

Finance cost decreased by 19.02% from ₹ 671.68 Lakh for Fiscal 2023 to ₹ 543.95 Lakh for Fiscal 2024. This increase in finance cost expenses was primarily due to the following:

(a) Interest expense on finances was ₹ 351.63 Lakh for the Fiscal 2024 as against ₹ 498.18 Lakh in Fiscal 2023 which indicates a decrease of 29.42%;

(b) Interest expenses on lease liabilities was ₹ 2.72 Lakh for the Fiscal 2024 as against ₹NIL in Fiscal 2023 which indicates an increase of 100%;

(c) Other borrowing costs was ₹ 189.6 Lakh for the Fiscal 2024 as against ₹ 173.50 Lakh in Fiscal 2023 which indicates an increase of 9.28%.

Total Expenses

Total expenses increased by 20.46% from ₹18,367.39 Lakh in Fiscal 2023 to ₹22,124.45 Lakh in Fiscal 2024, primarily due to substantial rise in key expenses categories. Notably, the cost of materials consumed grew by 26.59%, purchases of stock-in-trade surged by 61.70%, and changes in inventories of finished goods and work in progress spiked by 190.63%. Additionally, employee benefits expenses rose by 41.28% and depreciation and amortisation increased by 18.53%. Consequently, total expenses as a percentage of total revenues rose from 79.63% in Fiscal 2023 to 84.52% in Fiscal 2024..

Profit before tax

Our profit before tax decreased by 13.61%, from ₹ 4,684.50 Lakh in Fiscal 2023 to ₹ 4,046.85 Lakh in Fiscal 2024, primarily due to the factors mentioned above.

Tax Expense

Tax expense decreased by 4.35% from ₹ 1,090.46 Lakh in Fiscal 2023 to ₹ 1,043.06 Lakh in Fiscal 2024.

Profit after tax

Our profit after tax decreased by 16.42% from ₹ 3,594.04 Lakh in Fiscal 2023 to ₹ 3,003.79 Lakh in Fiscal 2024 mainly on account of factors mentioned above.

Financial Year 2023 compared with Financial Year 2022

The following table sets forth certain information with respect to our revenues, expenses and profits, also expressed as a percentage of our total revenue, for Fiscal 2023 and Fiscal 2022, as derived from our Audited Financial Statements:

(₹in lakh)

Particulars	Year ended March 31, 2023	% of total income	Year ended March 31, 2022	% of total income	Growth over the Fiscal year %
Revenue from Operations	22,242.59	96.43%	18,256.24	98.40%	21.84%
Other Income	822.43	3.57%	297.17	1.60%	176.75%
Total Income	23,065.02	100.00%	18,553.41	100.00%	24.32%
Expenses					
Cost of Materials Consumed	9,968.10	43.22%	7,703.80	41.52%	29.39%
Purchase of Stock in Trade	1,715.45	7.44%	528.11	2.85%	224.83%
Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade	(1,147.30)	(4.97%)	(56.82)	(0.31%)	1919.18%
Employee Benefits Expense	2,187.06	9.48%	1,481.29	7.98%	47.65%
Finance Costs	671.68	2.91%	783.04	4.22%	(14.22%)
Depreciation and Amortisation Expense	1,127.24	4.89%	1,042.33	5.62%	8.15%
Other expenses	3845.16	16.67%	3,413.93	18.40%	12.63%
Total expenses	18,367.39	79.63%	14,895.68	80.29%	23.31%
Profit before tax	4,684.50	20.31%	3,657.31	19.71%	28.09%
Tax Expenses	1,090.46	4.73%	949.58	5.12%	14.84%
Profit for the year	3,594.04	15.58%	2,707.73	14.59%	32.73%
Other Comprehensive Income (net of tax)	0.00	0.00%	(0.33)	0.00%	(100%)
Total Comprehensive Income	3,594.04	15.58%	2,708.06	14.60%	32.72%

(1) Basic EPS	9.25	0.04%	7.78	0.04%	18.89%
(2) Diluted EPS	9.25	0.04%	7.78	0.04%	18.89%

Revenue

Revenue from operations

Revenue from operations increased by 21.84% from ₹18,256.24 Lakh for the Fiscal 2022 to ₹22,242.59 Lakh in Fiscal 2023. This increase in revenue from operations was primarily driven by a 21.06% rise in product sales, which expanded from ₹17,629.81 Lakh to ₹21,342.05 Lakh, and a 17.75% increase in service income, rising from ₹622.27 Lakh to ₹732.70 Lakh. Additionally, other operating revenue surged by 3934.62%, from ₹4.16 Lakh to ₹167.84 Lakh. Revenue from operations as a percentage of Total Revenue was 96.43% for Fiscal 2023 compared to 98.40% for Fiscal 2022. This increase in revenue from operations was primarily driven by the following:

(a) Sale of products increased by 21.06% from ₹ 17,629.81 Lakh for the Fiscal 2022 to ₹ 21,342.05 Lakh in Fiscal 2023. Sale of services included sale of optics and optronic systems, and defence engineering.

(b) Sale of services/job work income increased by 17.75% from ₹622.27 Lakh for the Fiscal 2022 to ₹732.70 Lakh in Fiscal 2023.

(c) Other operating revenue increased by 3934.62% from ₹4.16 Lakh for the Fiscal 2022 to ₹167.84 Lakh in Fiscal 2023.

Other Income

Other income increased by 176.75% from ₹ 297.17 Lakh for the Fiscal 2022 to ₹ 822.43 Lakh for the Fiscal 2023, primarily on account of the following:

(a) Dividend income from non-current investment increased by 100.00% from ₹NIL for the Fiscal 2022 to ₹0.70 Lakh in Fiscal 2023;

(b) Interest income from fixed deposits with banks measured at amortised cost increased by 14.20% from ₹ 132.10 for the Fiscal 2022 to ₹ 150.86 Lakh in Fiscal 2023;

(c) Interest on loans measured at amortised cost increased by 100% from ₹ NIL for the Fiscal 2022 to ₹129.50 Lakh in Fiscal 2023;

(d) Interest income from other financial instruments measured at amortised cost increased by 580.36% from ₹ 1.79 Lakh for the Fiscal 2022 to ₹12.18 Lakh in Fiscal 2023;

(e) Rent income increased by 212.48% from ₹ 16.50 Lakh for the Fiscal 2022 to ₹ 51.56 Lakh in Fiscal 2023;

(f) Export incentives decreased by 64.18% from ₹ 90.60 Lakh for the Fiscal 2022 to ₹ 32.45 Lakh in Fiscal 2023,

(g) Gain on financial instruments measured at fair value through profit/loss increased by 840.06% from ₹ 47.05 Lakh for the Fiscal 2022 to ₹ 442.30 Lakh in Fiscal 2023

(h) Miscellaneous income decreased by 68.46% from ₹ 9.13 Lakh for the Fiscal 2022 to ₹ 2.88 Lakh in Fiscal 2023

Other income as a percentage of Total Income increased from 1.60% for Fiscal 2022 to 3.57% for Fiscal 2023.

Total Income

Total Income increased by 24.32% from ₹ 18,553.41 Lakh for the Fiscal 2022 to ₹23,065.02 Lakh for Fiscal 2023, primarily due to an increase in Revenue from Operations and Other Income as explained above.

Expenses

Purchases of stock-in-trade

Purchases of stock-in-trade increased by 224.83% from ₹ 528.11 Lakh for the Fiscal 2022 to ₹ 1,715.45 Lakh for the Fiscal 2023, primarily due to higher stock purchases to support increased sales;

Cost of materials consumed

Cost of materials consumed increased by 29.39% from ₹7,703.80 Lakh for the Fiscal 2022 to a loss of ₹ 9,968.10 Lakh for the Fiscal 2023, primarily due to increased production volume;

Changes in inventories of finished goods, work in progress and stock in trade

Changes in inventories of finished goods, work in progress and stock in trade increased by 1919.18% from ₹ (56.82) Lakh for the Fiscal 2022 to ₹ (1,147.30) Lakh for the Fiscal 2023, primarily due to a substantial buildup in inventory levels. This substantial rise was primarily due to an increase in work in progress, driven by higher production output and stockpiling for future demand..

Employee benefits expenses

Employee benefits expenses increased by 47.65% from ₹ 1,481.29 Lakh in Fiscal 2022 to ₹ 2,187.06 Lakh in Fiscal 2023. Employee benefits expenses as a percentage of Total Income increased from 7.98% in Fiscal 2022 to 9.48% in Fiscal 2023.

(d) Salaries and Wages - The expense on Salaries and Wages was ₹ 2,053.77 Lakh for the Fiscal 2023 as against ₹ 1,347.71 Lakh in Fiscal 2022 which indicates an increase of 52.39%. This increase was primarily due to higher employee headcount and salary increments.

(a) Contribution to Provident and Other Funds - The contributions made to Contribution to Provident and Other Funds was ₹ 53.66 Lakh for the Fiscal 2023 as against ₹ 36.78 Lakh in Fiscal 2022 which indicates an increase of 45.89% .This rise is primarily attributed to higher employee contributions and an increase in the number of eligible employees during the year.

(b) Welfare and Other Amenities - The Welfare and Other Amenities expense was ₹ 79.63 Lakh for the Fiscal 2023 as against ₹ 96.80 Lakh in Fiscal 2022 which indicates a decrease of 17.74%. This rise was primarily due to expanded employee welfare programs and increased expenditures on amenities..

Other expenses

Other expenses increased by 12.63% from ₹ 3,413.93 Lakh in Fiscal 2022 to ₹ 3845.16 Lakh for Fiscal 2023. This increase in other expenses was primarily on account of the following:

Manufacturing Expenses

(a) Consumables, Stores and Spares Consumed was ₹ 323.04 Lakh for the Fiscal 2023 as against ₹ 706.68 Lakh in Fiscal 2022 which indicates a decrease of 54.29%;

(b) Power and Fuel were ₹ 328.32 Lakh for the Fiscal 2023 as against ₹ 286.89 Lakh in Fiscal 2022 which indicates an increase of 14.44%,

(c) Labour Charges were ₹278.49 Lakh for the Fiscal 2023 as against ₹ 501.70 Lakh in Fiscal 2022 which indicates a decrease of 44.49%;

(d) Other repairs and maintenance cost was ₹ 159.80 Lakh for the Fiscal 2023 as against ₹ 61.21 Lakh in Fiscal 2022 which indicates an increase of 161.07%;

(e) Job Processing charges were ₹ 158.32 Lakh for the Fiscal 2023 as against ₹ 174.63 Lakh in Fiscal 2022 which indicates a decrease of 9.34%;

(f) Other Manufacturing Expenses were ₹ 94.26 Lakh for the Fiscal 2023 as against ₹ 84.51 Lakh in Fiscal 2022 which indicates an increase of 11.54%;

Selling and Distribution Expenses

(a) Advertisement and Business Promotion was ₹ 162.21 Lakh for the Fiscal 2023 as against ₹ 55.34 Lakh in Fiscal 2022 which indicates an increase of 193.12%;

(b) Packing & Forwarding Expenses were ₹ 25.33 Lakh for the Fiscal 2023 as against ₹ 25.17 Lakh in Fiscal 2022 which indicates an increase of 0.64%;

(c) Freight Outward were ₹ 36.10 Lakh for the Fiscal 2023 as against ₹ 50.55 Lakh in Fiscal 2022 which indicates a decrease of 28.59%;

(d) Design & Development Charges were ₹ 15.35 Lakh for the Fiscal 2023 as against ₹ 1.59 Lakh in Fiscal 2022 which indicates an increase of 865.41%;

Administrative Expenses

(a) Insurance was ₹ 40.22 Lakh for the Fiscal 2023 as against ₹ 36.46 Lakh in Fiscal 2022 which indicates an increase of 10.31%;

(b) Rent was ₹ 57.94 Lakh for the Fiscal 2023 as against ₹ 38.46 Lakh in Fiscal 2022 which indicates an increase of 50.65%;

(c) Rates and Taxes were ₹ 549.97 Lakh for the Fiscal 2023 as against ₹ 30.00 Lakh in Fiscal 2022 which indicates an increase of 1733.23%;

(d) Printing and Stationery was ₹ 21.61 Lakh for the Fiscal 2023 as against ₹ 18.31 Lakh in Fiscal 2022 which indicates an increase of 18.02%;

(e) Communication Expenses was ₹ 8.57 Lakh for the Fiscal 2023 as against ₹ 8.12 Lakh in Fiscal 2022 which indicates an increase of 5.54%;

(f) Travelling and Conveyance was ₹ 418.84 Lakh for the Fiscal 2023 as against ₹ 221.20 Lakh in Fiscal 2022 which indicates an increase of 89.35%;

(g) Legal and Professional Charges were ₹ 186.00 Lakh for the Fiscal 2023 as against ₹ 115.12 Lakh in Fiscal 2022 which indicates an increase of 61.57%;

(h) Payment to auditors were ₹ 74.90 Lakh for the Fiscal 2023 as against ₹ 67.40 Lakh in Fiscal 2022 which indicates an increase of 11.13%;

(i) Security Expenses were ₹ 22.11 Lakh for the Fiscal 2023 as against ₹ 24.55 Lakh in Fiscal 2022 which indicates a decrease of 9.94%;

(j) Office Expenses were ₹ 59.95 Lakh for the Fiscal 2023 as against ₹ 66.65 Lakhs in Fiscal 2022 which indicates a decrease of 10.05%;

(k) Director Sitting fees were ₹ 28.00 Lakh for the Fiscal 2023 as against ₹ 30.50 Lakh in Fiscal 2022 which indicates a decrease of 8.20%;

(l) Postages and Courier were ₹ 33.54 Lakh for the Fiscal 2023 as against ₹ 36.83 Lakh in Fiscal 2022 which indicates a decrease of 8.93%;

(m) Miscellaneous expenses were ₹ 195.64 Lakh for the Fiscal 2023 as against ₹ 108.28 Lakh in Fiscal 2022 which indicates an increase of 80.68%.

Other Expenses

(a) Bank charges were ₹ 103.32 Lakh for the Fiscal 2023 as against ₹ 58.30 Lakh in Fiscal 2022 which indicates an increase of 77.22%;

(b) Bad debts/advances written off were ₹ 91.20 Lakh for the Fiscal 2023 as against ₹ 234.16 Lakh in Fiscal 2022 which indicates a decrease of 61.05%;

(c) Provision / (Reversal) for Credit Impaired was ₹ (10.35) Lakh for the Fiscal 2023 as against ₹ 48.17 Lakh in Fiscal 2022 which indicates a decrease of 121.49%;

(d) Provision for Expected Credit Loss was ₹ 163.58 Lakh for the Fiscal 2023 as against ₹ 147.91 Lakh in Fiscal 2022 which indicates an increase of 10.59%;

(e) Donation was ₹ 12.81 Lakh for the Fiscal 2023 as against ₹ 5.61 Lakh in Fiscal 2022 which indicates an increase of 128.41%;

(f) Corporate Social Responsibility Expenditure was ₹ 61.25 Lakh for the Fiscal 2023 as against ₹ 48.03 Lakh in Fiscal 2022 which indicates an increase of 27.52%;

(g) Loss on sale/ discard of Assets was ₹ 6.31 Lakh for the Fiscal 2023 as against ₹ 5.53 Lakh in Fiscal 2022 which indicates an increase of 14.10%;

(h) Loss on Foreign Currency Fluctuations were ₹ 36.47 Lakh for the Fiscal 2023 as against ₹ 3.07 Lakh in Fiscal 2022 which indicates an increase of 1,087.95%;

(i) Late delivery charges were ₹ 102.06 Lakh for the Fiscal 2023 as against ₹ 113 Lakhs in Fiscal 2022 which indicates a decrease of 9.68%;

Depreciation and amortization expenses

Depreciation and amortization expenses increased by 8.15% from ₹ 1,042.33 Lakh for Fiscal 2022 to ₹ 1,127.24 Lakh for Fiscal 2023. The increase in depreciation and amortization expenses was primarily on account of higher depreciation of Property, Plant, and Equipment, significant growth in depreciation of Investment Property, and increased amortization of Intangible Assets. The rise in Property, Plant, and Equipment depreciation reflects new asset acquisitions.

Finance cost

Finance cost decreased by 14.22% from ₹ 783.04 Lakh for Fiscal 2022 to ₹ 671.68 Lakh for Fiscal 2023. This decreased in finance cost expenses was primarily due to the following:

(a) Interest expense on finances was ₹ 498.18 Lakh for the Fiscal 2023 as against ₹ 651.28 Lakh in Fiscal 2022 which indicates a decrease of 23.51%;

(b) Interest expenses on lease liabilities was ₹ NIL for the Fiscal 2023 as against ₹1.15 in Fiscal 2022 which indicates a decrease of 100%;

(c) Other borrowing costs was ₹ 173.50 Lakh for the Fiscal 2023 as against ₹ 130.61 Lakh in Fiscal 2022 which indicates an increase of 32.84%.

Total Expenses

Total expenditure increased by 23.31% from ₹ 14,895.68 Lakh in Fiscal 2022 to ₹ 18,367.39 Lakh in Fiscal 2023. The increase is primarily attributable to increases in cost of materials, stock purchases, inventory adjustments, and employee benefits.. Total Expenses as a percentage of Total Income was 79.63% in Fiscal 2023 as against 80.29% in Fiscal 2022.

Profit before tax

Our profit before tax increased by 28.09% from ₹ 3,657.31 Lakh in Fiscal 2022 to ₹ 4,684.50 Lakh in Fiscal 2023 mainly on account of factors mentioned above.

Tax Expense

Tax expense increased by 14.84% from ₹ 949.58 Lakh in Fiscal 2022 to ₹ 1,090.46 Lakh in Fiscal 2023.

Profit after tax

Our profit after tax increased by 32.73% from ₹ 2,707.73 Lakh in Fiscal 2022 to ₹ 3,594.04 Lakh in Fiscal 2023 mainly on account of factors mentioned above.

CASH FLOW

Our cash is generated by sales of our products that is used to fund investments and service loans and interest towards borrowings. The table below summarizes our cash flows for the Financial Years 2024, 2023 and 2022:

(₹in lakh)

	Fiscal 2024	Fiscal 2023	Fiscal 2022
Profit before tax as per the Consolidated Statement of Profit and Loss	4,046.85	4,684.50	3,657.31
Operating Profit before working capital changes	5,881.43	6,008.34	5,747.94
Cash (used in)/ Generated from operation	(3,389.18)	5,520.87	2,331.79
Net Cash Flow from Operating Activities - (A)	(4,554.07)	4,572.51	1,151.07
Net Cash Flow from Investing Activities - (B)	(168.50)	962.95	(7,710.59)
Net Cash Flow from Financing Activities - (C)	3,310.37	(4,068.88)	6,309.76
Net increase/Decrease in cash & cash equivalent (A+B+C)	(1,412.20)	1,466.58	(249.76)
Opening Cash and Cash Equivalent	1,710.73	217.97	468.26
Closing Cash and Cash Equivalent	298.17	1,710.73	217.97

Cash flow from/ (used in) operating activities

Net cash from operating activities includes funds generated from our operating activities and net cash inflows or outflows from changes in operating assets and liabilities

Cash used in operating activities for Fiscal 2024 was ₹(4,554.07) Lakh while our net profit before taxation was ₹4,046.85 Lakh. We had an operating profit before working capital changes of ₹ 5,881.43 Lakh. The primary adjustments consisted of depreciation and amortisation expense of ₹ 1,336.15 lakh, Share of loss of Associate Companies of ₹ 5.69 lakh, Interest Income of ₹ (323.38) lakh, Dividend Income of ₹ (0.37) lakh, Finance Costs of ₹ 543.95 lakh, profit on sale of property, plant and equipment of ₹ (1.21) lakh, bad debts/advances written off of ₹ 147.96 lakh, provision of expected credit loss of ₹ 522.45 lakh, provision for credit impaired of ₹ 53.95 lakh, provision for doubtful advances of ₹ 13.20 lakh, Gain on Financial Instruments measured at fair value through profit or loss of ₹ (475.46) lakh, Unrealised Loss on Foreign Currency Transactions and Translation of ₹ 11.65 lakh, trade and other receivables of ₹ (7,318.00) lakh, inventories of ₹ (5,681.56) lakh, trade and other payables of ₹ 3,728.95 lakh and taxes paid of ₹ (1,164.89) lakh.

Cash generated from operating activities for Fiscal 2023 was ₹ 4,572.51 Lakh while our net profit before taxation was ₹ 4,684.50 Lakh. We had an operating profit before working capital changes of ₹ 6,008.34 Lakh. The primary adjustments consisted of depreciation and amortisation expense of ₹ 1,127.24 lakh, Share of loss of Associate Company of ₹ 13.13 lakh, Interest Income of ₹ (292.54) lakh, Dividend Income of ₹ (0.70) lakh, Finance Costs of ₹ 671.68 lakh, loss on sale of property, plant and equipment of ₹ 6.31 lakh, bad debts/advances written off of ₹ 91.20 lakh, provision of expected credit loss of ₹ 163.58 lakh, reversal for credit impaired of ₹ (10.35) lakh, Gain on Financial Instruments measured at fair value through profit or loss of ₹ (442.30) lakh, Unrealised Gain on Foreign Currency Transactions and Translation of ₹ (3.41) lakh, trade and other receivables of ₹ (1,868.71) lakh, inventories of ₹ (2,676.34) lakh, trade and other payables of ₹ 4,057.58 lakh and taxes paid of ₹ 948.36 lakh.

Cash generated from operating activities for Fiscal 2022 was ₹ 1,151.07 Lakh while our net profit before taxation was ₹ 3,657.31 Lakh. We had an operating profit before working capital changes of ₹ 5,747.94 Lakh. The primary adjustments consisted of depreciation and amortisation expense of ₹ 1,042.33 lakh, Interest Income of ₹ (133.89) lakh, Finance Costs of ₹ 783.04 lakh, loss on sale of property, plant and equipment of ₹ 5.53 lakh, bad debts/advances written off of ₹ 234.16 lakh, provision of expected credit loss of ₹ 147.91 lakh, provision for credit impaired of ₹ 48.17 lakh, Gain on Financial Instruments measured at fair value through profit or loss of ₹ (47.05) lakh, Unrealised Loss on Foreign Currency Transactions and Translation of ₹ 10.43 lakh, trade and other receivables of ₹ (4,290.90) lakh, inventories of ₹ 808.33 lakh, trade and other payables of ₹ 66.42 lakh and taxes paid of ₹ 1,180.72 lakh.

Cash flow from/ (used in) investing activities

Net cash used in investing activities was ₹168.50 Lakh for Fiscal 2024, reflecting cash flow used in purchase of property, plant and equipment and capital work in progress of ₹ (2,600.79) lakh, sale of property plant and equipment & asset held for sale of ₹ 18.82 lakh, investment in associate company of ₹ (0.30) lakh, purchase of non-current investments of ₹ (892.45) lakh, sale of optionally convertible preference shares of ₹ 300.00 lakh, inter-corporate deposits given to others of ₹(1,070.00) lakh, inter-corporate deposits repaid by others of of ₹ 1,820.00 lakh, interest income of ₹ 302.22 lakh, dividend income received of ₹ 0.37 lakh and temporary deposits/balances of Initial public offering proceeds/utilized of ₹ 1,953.63 lakh.

Net cash generated from investing activities was ₹962.95 Lakh for Fiscal 2023, reflecting cash flow used in purchase of property, plant and equipment and capital work in progress of ₹ (2,532.63) lakh, sale of property plant and equipment & asset held for sale of ₹ 155.15 lakh, investment in subsidiary company of ₹ (570.00) lakh, investment in associate company of ₹ (47.50) lakh, purchase of non-current investments of ₹ (523.01) lakh, sale of optionally convertible preference shares of ₹ 201.00 lakh, inter-corporate deposits given to others of ₹(1,130.00) lakh, interest income of ₹ 384.04 lakh, dividend income of ₹ 0.70 lakh and temporary deposits/balances of Initial public offering proceeds/utilized of ₹ 5,025.20 lakh.

Net cash used in investing activities was ₹7,710.59 Lakh for Fiscal 2022, reflecting cash flow used in purchase of property, plant and equipment and capital work in progress of ₹ (860.46) lakh, sale of property, plant and equipment & asset held for sale of ₹ 261.43 lakh, investment in associate company of ₹ (4.33) lakh, purchase of non-current investments of ₹ (187.95) lakh, interest income received of ₹ 59.76 lakh and temporary deposits/balances of initial public offering proceeds/utilized of ₹ (6,979.04) lakh.

Cash flow from / (used in) financing activities

Net cash generated from financing activities was ₹3,310.37 Lakh for Fiscal 2024 as a result of proceeds from issue of share to non-controlling interest of ₹ 48.00 Lakh, proceeds from non-current borrowings of ₹ 93.19 Lakh, repayment of non-current borrowings of ₹ (28.17) Lakh, current borrowings of ₹ 4,933.63 Lakh, finance costs of ₹ (462.29) Lakh, and margin money of ₹(1,273.99)Lakh.

Net cash used in financing activities was ₹4,068.88 Lakh for Fiscal 2023 as a result of proceeds from non-current borrowings of ₹ 120.00 Lakh, repayment of non-current borrowings of ₹ (4.89) Lakh, current borrowings of ₹ (2,475.21) Lakh, payment related to initial public offering of ₹ (39.53) Lakh, finance costs of ₹ (594.84) Lakh and margin money of ₹ (1,074.41) Lakh.

Net cash inflow from financing activities was ₹6,309.76 lakh for Fiscal 2022 as a result of proceeds from issue of fresh equity shares of ₹ 15,700.16 Lakh, proceeds from issue of share to non-controlling interest of ₹ 40.00 Lakh, redemption of 0.01% optionally convertible preference shares of ₹ (1,397.00) Lakh, repayment of non-current borrowings of ₹ (3,801.07) Lakh, current borrowings of ₹ (912.83) Lakh, payment related to initial public offering of ₹ (1219.65) Lakh, and margin money of ₹ 22.44 Lakh.

Indebtedness

The total indebtedness as on March 31, 2024, are set as follows:

Contractual Obligations

The following table sets forth a summary of the maturity profile for our Company's outstanding long-term debt obligations including current maturity and short-term and long-term debt as of the periods indicated:

(₹in Lakh)

Particulars	Outstanding as of March 31, 2024
Term Loan	143.22
Working Capital Rupee Loans from Banks	5659.18
Current Maturities of Long-Term Debts	36.91
Loans From Related Parties	9.35

Other Loan	612.10

Maturity profile of Term Loans is as under:

(₹in Lakh)

Financial Year	Amount
2024-25	36.91
2025-26	40.62
2026-27	44.70
2027-28	41.52
2028-29	11.75
2029-30	3.93
2030-31	0.70

There are a number of covenants in our financing agreements that we have entered into with our lenders. Further, some of our financing agreements include conditions and covenants that require us to obtain their consent prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business.

Seasonality

See "***Our Business***" on page 147.

Also see, "*Risk Factors –* ***Our business is subject to seasonal and other fluctuations that may affect our financial performance and business operations***." on page 34.

Unusual or infrequent events or transactions

Except as described in this Preliminary Placement Document, no unusual or infrequent events or transactions have taken place that have in the past or may in the future affect our business operations or future financial performance.

Changes in accounting policy

There have been no changes in our Company's accounting policies during the last three financial years.

Significant Economic Changes

Other than as described above, to the knowledge of our management, there are no other significant economic changes that materially affect or are likely to affect income from continuing operations.

Known trends or uncertainties

Other than as described in the sections "***Risk Factors*"** and **"*Management's Discussion and Analysis of Factors affecting the Financial Condition, Results of Operations***", beginning on pages 34 and 71 respectively, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations.

Related party transactions

We enter into various transactions with related parties. For further information, see "*Related Party Transactions*" beginning on page 33.

Off-Balance Sheet commitments and arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales,

revenue or income from continuing operations

Our business has been affected and we expect that it will continue to be affected by the trends identified above in "***Significant factors affecting our results of operations***" and the uncertainties described in the chapter titled "***Risk Factors***" beginning on pages 71 and 34, respectively. To our knowledge, except as disclosed in this Placement Document, there are no known trends or uncertainties that have or are expected to have a material adverse impact on our income from continuing operations.

Interest coverage ratio

Statement for Interest coverage ratio of the Company for the quarter ended on June 30, 2024 and year ended March 31, 2024, 2023 and 2022.

(₹ in lakhs)

Year	June 30, 2024	Fiscal 2024	Fiscal 2023	Fiscal 2022
Profit before tax (A)	1,950	4,046.85	4,684.50	3,657.31
Depreciation and amortization expense (B)	365	1,336.15	1,127.24	1,042.33
Finance Cost (C)	153	543.95	671.68	783.04
Adjusted Profit (D= A+B+C)	2,468	5,926.95	6,483.42	5,482.68
Finance Costs (E)	153	543.95	671.68	783.04
Interest Coverage Ratio (F= D/E)	16.13	10.90	9.65	7.00

Contingent Liabilities and Capital Commitments

(₹in lakh)

Particulars	As at March 31, 2024
A. Contingent Liabilities (to the extent not provided for)	
Claims against the Company not acknowledged as debts	
Disputed Liabilities in Appeal (No Cash outflow is expected in the near future)	
Income Tax	86.44
GST	15.16
Customs Act	-
Guarantees	
Guarantees given by the Company's Bankers (Bank guarantees are provided under contractual / legal obligation)	15,357.77
Letter Of Credit Outstanding	
Letters of Credit opened in favour of Suppliers (Cash flow is expected on receipt of material from suppliers)	755.84
B. Capital Commitments	
Estimated amount of contracts to be executed on capital account not provided for	1,010.60
Commitment towards EPCG License	-

Except as disclosed above, there are no other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

Quantitative and Qualitative Disclosure of Market Risk

The Group is exposed to market risk, credit risk, liquidity risk and competition and price risk. Risk management is carried out by the Group under policies approved by the Respective Board of Directors. This Risk management plan defines how risks associated with the Group will be identified, analysed, and managed. It outlines how risk management activities will be performed, recorded, and monitored by respective Company in the Group. The basic objective of risk management plan is to implement an integrated risk management approach to ensure all significant areas of risks are identified, understood and effectively managed, to promote a shared vision of risk management and encourage discussion on risks at all levels of the organization to provide a clear understanding of risk / benefit trade-offs, to deploy appropriate risk management methodologies and tools for use in identifying, assessing, managing and reporting on risks, and to determine the appropriate balance between cost and control of risk and deploy appropriate resources to manage/optimize key risks. Activities are developed to provide feedback to management and other interested parties (e.g. Audit committee, Board etc.). The results of these activities ensure that risk management plan is effective in the long term.:

Market Risk and Sensitivity: "Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: foreign currency rate risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits and investments.

The sensitivity analyses in the following sections relate to the position as at March 31, 2024 and March 31, 2023.

Foreign Currency Exchange Risk and Sensitivity: Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities and its Investment. The Group transacts business primarily in USD and Euro. The Group has foreign currency trade payables and receivables and is therefore, exposed to foreign currency exchange risk. The Group regularly reviews and evaluates exchange rate exposure arising from foreign currency transactions.

The following table demonstrates the sensitivity in the USD, GBP, SGD and Euro to the Indian Rupee with all other variables held constant. The impact on the Group’s profit before tax (PBT) due to changes in the fair values of monetary assets and liabilities is given below:

Unhedged Foreign currency exposure As at March 31, 2024	Currency	Amount in FC	Amount in ₹ (in Lakhs)
Investment	USD	11,91,059	993.03
Trade Receivable	USD	6,72,250	560.48
Trade Receivable	EURO	87,112	78.59
Trade Receivable	GBP	49,950	52.59
Trade Payable	USD	49,83,820	4,155.20
Trade Payable	EURO	66,626	60.11
Trade Payable	GBP	27,951	29.43
Trade Payable	SGD	9,614	5.98

Unhedged Foreign currency exposure As at March 31, 2023	Currency	Amount in FC	Amount in ₹ (in Lakhs)
Investment	USD	9,54,642	784.88
Trade Receivable	USD	15,18,432	1,248.41
Trade Receivable	EURO	2,14,422	192.14
Trade Payable	USD	22,01,282	1,809.83
Trade Payable	EURO	1,82,949	163.94
Trade Payable	GBP	23,098	23.53

Foreign Currency Sensitivity

2% increase or decrease in foreign exchange rates will have the following impact on Profit Before Tax (PBT):-

(in Lakhs)

Particulars	2023-24		2022-23	
	2% increase Profit/(Loss)	2% decrease Profit/(Loss)	2% increase Profit/(Loss)	2% decrease Profit/(Loss)
USD	(52.03)	52.03	4.47	(4.47)
EURO	0.37	(0.37)	0.56	(0.56)
GBP	0.46	(0.46)	(0.47)	0.47

SGD	(0.12)	0.12	-	-
(Decrease) / Increase in Profit Before Tax	**(51.32)**	**51.32**	**4.56**	**(4.56)**

Interest Rate Risk and Sensitivity:-

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is having non current borrowings in the form of term loan and current borrowings in the form of working capital and inter corporate deposits. There is a fixed rate of interest in case of vehicle loan and inter corporate deposits and hence, there is no interest rate risk associated with these borrowings. The Group is exposed to interest rate risk associated with term loan and working capital facility due to floating rate of interest.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting year are as follows:

(in Lakhs)

Particulars	As at March 31, 2024	As at March 31, 2023
Term Loan From Banks and Financial Institutions	139.26	115.11
Working Capital Facility	5,659.18	721.92
Closing Balances	**5,798.44**	**837.03**

The table below illustrates the impact of a 2% increase / decrease in interest rates on interest on financial liabilities assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average debt outstanding during the year.

(in Lakhs)

Particulars	2023-24		2022-23	
	2% increase Profit/(Loss)	2% decrease Profit/(Loss)	2% increase Profit/(Loss)	2% decrease Profit/(Loss)
Term Loan From Banks and Financial Institutions	2.79	(2.79)	2.30	(2.30)
Working Capital Facility	113.18	(113.18)	14.44	(14.44)
Decrease / (Increase) in Profit Before Tax	**115.97**	**(115.97)**	**16.74**	**(16.74)**

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

Liquidity Risk :

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Group's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group relies on short term borrowings and operating cash flows in the form of working capital facility to meet its need for fund. The Group does not breach any covenants wherever applicable on any of its borrowing facilities. The Group has access to a sufficient variety of sources of funding as per requirements**.**

Competition and Price Risk

The Group faces competition from local and foreign competitors. Nevertheless, it believes that it has competitive advantage in terms of high quality products and by continuously upgrading its expertise and range of products to meet the needs of its customers.

Capital Risk Management

For the purpose of Group's capital management, capital includes issued capital, all other equity reserves and net debts. The primary objective of the Group’s capital management is to maximise shareholders value. The Group manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

Recent Developments

Except as stated in this Preliminary Placement Document, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Preliminary Placement Document which materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

Summary of reservations or qualification or adverse remarks in the auditors’ report in the last five Financial Years immediately preceding the year of filing this Preliminary Placement Document and their impact on the financial statements and financial position of our Company, the correct steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remark

There are no reservations or qualifications or adverse remarks in the auditors’ report in the last five Financial Years immediately preceding the year of filing the Preliminary Placement Document.

INDUSTRY OVERVIEW

Unless otherwise indicated, industry and market data used in this section has been derived from industry report titled "Defence Sector Analysis" (the "F&S Report") prepared and issued by Frost & Sullivan, and exclusively commissioned and paid for by us to understand the industry in which we operate in connection with the Issue. Unless otherwise indicated, financial, operational, industry and other related information derived from the F&S Report and included herein with respect to any particular calendar year/ Fiscal refers to such information for the relevant calendar year/ Fiscal. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. The recipient should not construe any of the contents of the F&S Report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction. While preparing the report, Frost & Sullivan has also sourced information from publicly available sources, including our Company's financial statements available publicly. The data included herein includes excerpts from the F&S Report and may have been reordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the Issue), that has been left out or changed in any manner in the section.

For more information, see "Risk Factors - Industry information included in this Preliminary Placement Document has been derived from an industry report prepared by Frost & Sullivan and exclusively commissioned and paid for by us for such purpose" on page 34. Also see, "Industry and Market Data" on page 12.

Global Macroeconomic Scenario

In 2023, the global economy was projected to grow by 3.1%, a rate expected to remain steady in 2024 before experiencing a modest increase to 3.2% in 2025. The period between 2021 and 2022 saw global banks grappling with a historically high debt burden in the aftermath of COVID-19. In response, central banks implemented stringent monetary policies to curb inflation and address surging commodity prices. The ongoing conflict between Russia and Ukraine further disrupted global supply chains, leading to increased prices for energy and food items. These challenges, along with economic sanctions related to the war, significantly impacted economic activities in Europe. Any further escalation in the conflict could hinder Europe's economic recovery.

Meanwhile, China, the world's largest manufacturing hub, faced a real estate crisis from 2020 to 2023, with property prices declining. However, as the economy reopened, consumer demand began to recover. Chinese authorities responded with various measures, including monetary easing, corporate tax relief, and new vaccination targets for the elderly. To support the real estate sector, the government cracked down on heavily indebted developers, announced stimulus packages, and introduced measures to encourage the completion of unfinished projects. As a result, the sector is now seeing renewed investment from developers and increased demand from buyers.

Globally, headline inflation is expected to decrease from an estimated 6.8% in 2023 to 5.8% in 2024, and further to 4.4% in 2025. This decline is occurring more rapidly than anticipated, thanks to the resolution of supply chain issues and the implementation of tight monetary policies. The reduction in inflation reflects the waning impact of price shocks, particularly in the energy sector, and their influence on core inflation. Additionally, this decrease is supported by a relaxation in labour market pressures, characterized by fewer job openings, a slight rise in unemployment, and greater labour availability, sometimes due to a significant influx of immigrants.

Global GDP Growth Scenario

The global economy began its recovery from the depths of the pandemic as countries lifted lockdowns in 2020 and 2021. The lockdowns had significantly impacted economic activities, leading to a recession in 2020, with GDP growth plummeting to -3.3%. In 2021, supply chain disruptions affected both advanced and low-income developing economies. The rapid spread of the Delta variant and the threat of new variants in mid-2021 further heightened uncertainty in the global economic landscape.

By 2022, global economic activities experienced a sharper-than-expected slowdown. Inflation reached its highest levels in decades, prompting central banks to tighten fiscal policies. The invasion of Ukraine by Russia exacerbated the situation by disrupting the global food supply, which further increased the cost of living.

Despite showing initial resilience in early 2023, marked by a rebound due to reopening and progress in reducing inflation from the previous year's peaks, the global economic situation remained fragile. Economic activity struggled to return to its pre-pandemic trajectory, especially in emerging markets and developing economies, leading to widening regional disparities. Several factors hindered recovery, including the lingering effects of the pandemic, geopolitical tensions, and cyclical factors such as tightening monetary policies to combat inflation, reduced fiscal support amid high debt levels, and extreme weather events. Consequently, global growth declined from 3.5% in 2022 to 3.1% in 2023.

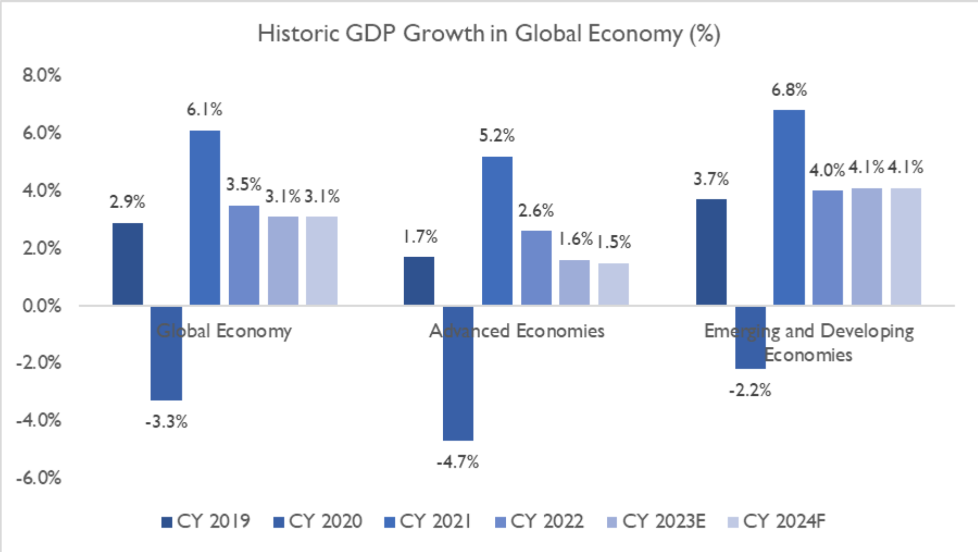


Figure 1: Source – IMF Global GDP Forecast Release 2024

Note: Advanced Economies and Emerging & Developing Economies are as per the classification of the World Economic Outlook (WEO). This classification is not based on strict criteria, economic or otherwise, and it has evolved over time. It comprises of 40 countries under the Advanced Economies including the G7 (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) and selected countries from the Euro Zone (Germany, Italy, France etc.). The group of emerging market and developing economies (156) includes all those that are not classified as Advanced Economies (India, China, Brazil, Malaysia etc.)

In 2023, global GDP growth was estimated at a moderate 3.1%, down from 3.5% in 2022. High inflation and rising borrowing costs have dampened private consumption, while fiscal consolidation has constrained government spending. The slowdown in developed economies is expected to impact GDP growth in 2024, with global GDP projected to remain flat at 3.1%.

Challenges in the housing, banking, and industrial sectors are also affecting global GDP growth. Although inflationary pressures peaked in 2022, they began to ease in 2023, prompting many central banks to consider interest rate cuts. In response to progress on inflation and balancing risks, the U.S. Federal Reserve lowered the target range for the federal funds rate by 50 basis points to 4-3/4 to 5 percent and indicated an additional 50 basis points cut by the end of 2024. Policymakers anticipate four more rate cuts in 2025 and two in 2026.

Between 2020 and 2023, major regions such as Europe, the Middle East & Central Asia, and Sub-Saharan Africa experienced slow growth and recession. However, with the exception of Latin America & The Caribbean, these regions are expected to show resilience and growth in 2024. In contrast, GDP growth in Emerging and Developing Asia, including countries like India, China, Indonesia, and Malaysia, is projected to decline from 5.4% in 2023 to 5.2% in 2024. Similarly, in the United States, GDP growth is expected to decrease from 2.5% in 2023 to 2.1% in

2024.

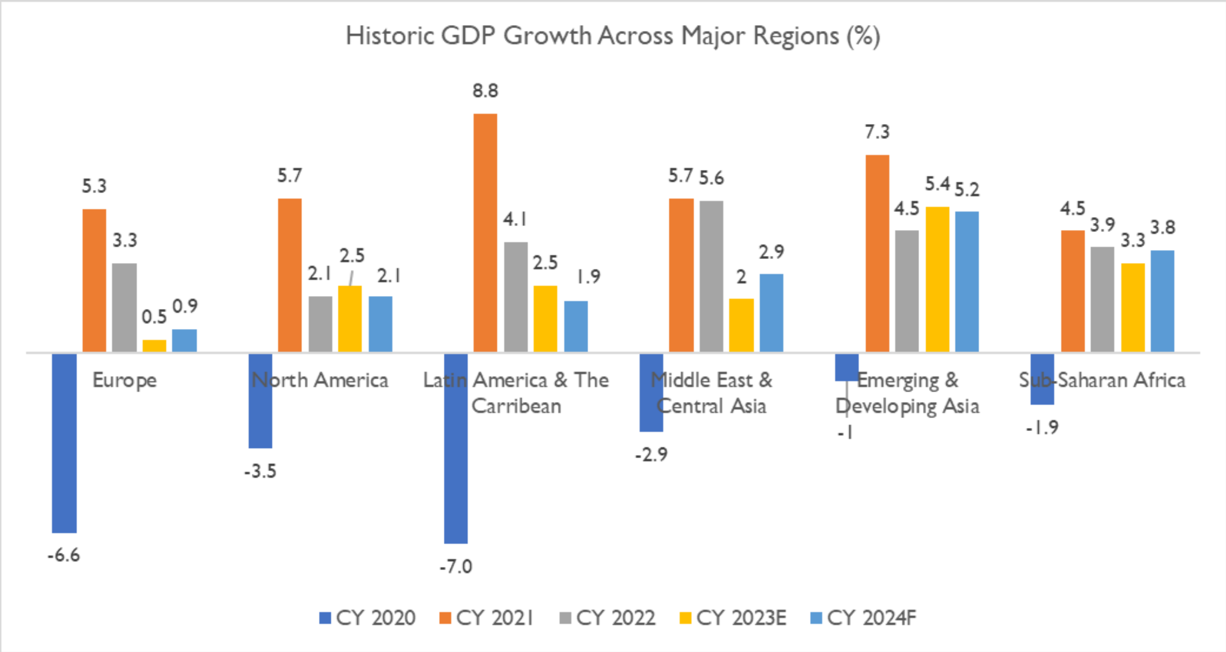


Figure 2: Source-IMF World Economic Outlook January 2024 update.

In 2024, all regions except Emerging and Developing Asia, Latin America & The Caribbean, and the United States are expected to see an increase in GDP growth compared to 2023. Latin America & The Caribbean's GDP growth is projected to decline, primarily due to negative growth in Argentina. In the United States, growth is anticipated to slow to 2.1% in 2024, influenced by the lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening labor market that is expected to reduce aggregate demand.

Europe, which experienced a less robust performance in 2023, is expected to recover in 2024. This recovery is likely to be driven by increased household consumption as the effects of energy price shocks wane and inflation decreases, thereby supporting real income growth. Meanwhile, India and China exceeded growth expectations in 2023, thanks to increased government spending and strong domestic demand, respectively. Sub-Saharan Africa's anticipated growth in 2024 is attributed to the diminishing negative impacts of previous weather shocks and gradual improvements in supply chain issues.

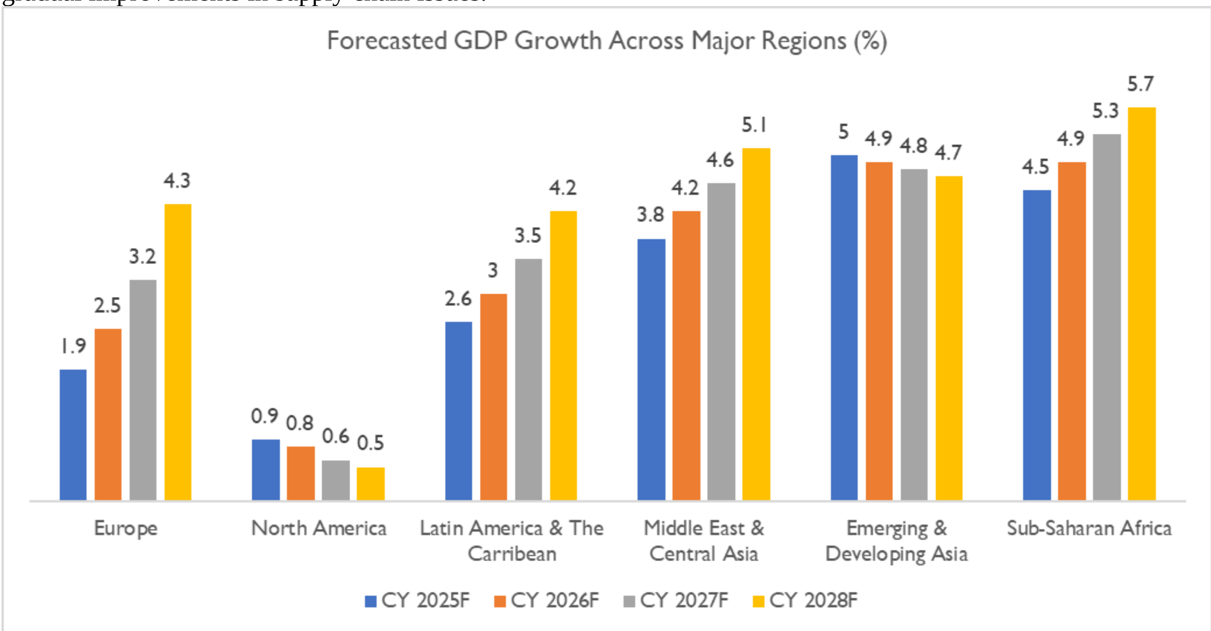


Figure 3: Source-IMF, OECD, and World Bank, D&B Estimates

Growth Outlook

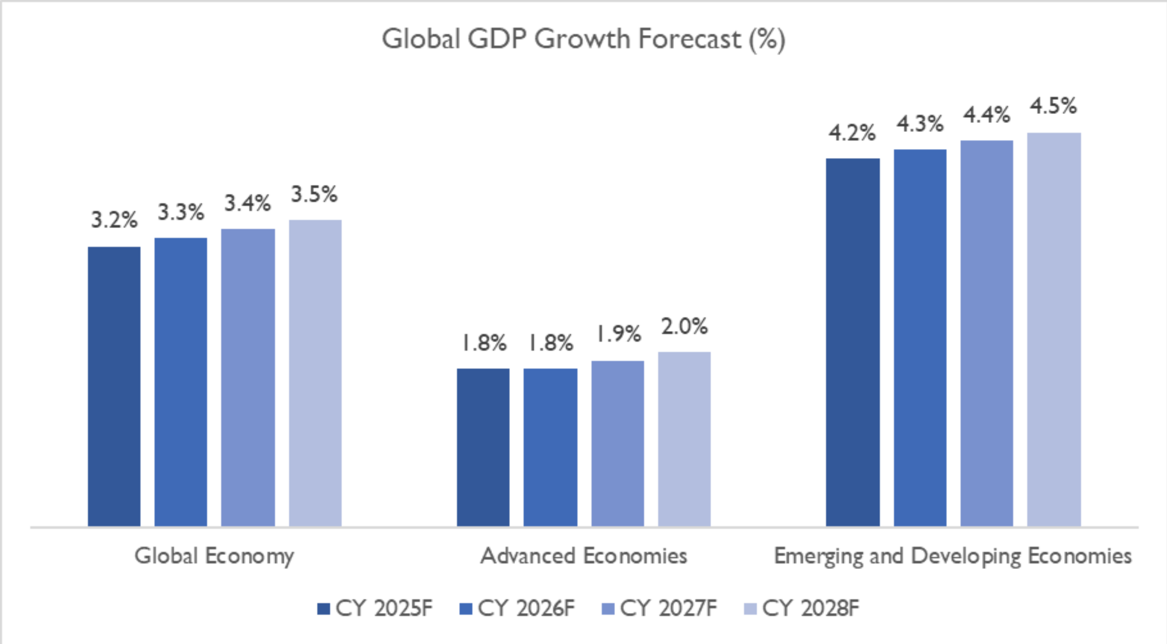


Figure 4: Source – IMF Global GDP Forecast Release 2024, D&B Estimates

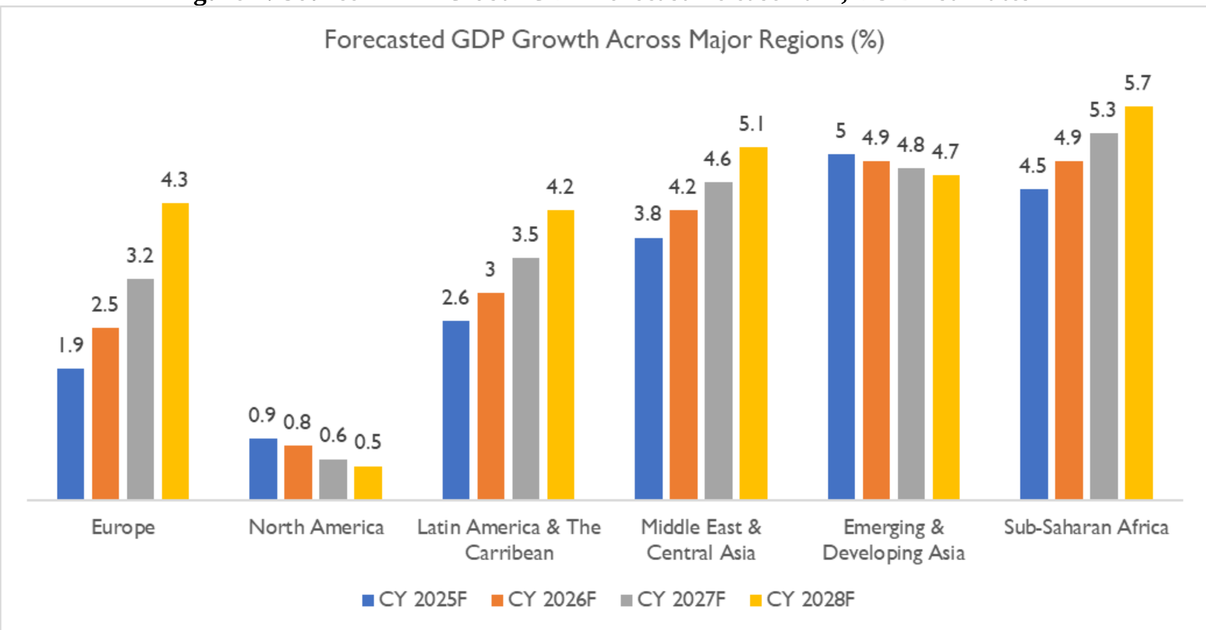


Figure 5: Source-IMF, OECD, and World Bank, D&B Estimates

We hold a more optimistic view of the global economy's prospects compared to the beginning of last year, and with good reason. The global economy successfully avoided a widely anticipated recession in 2023 and is unlikely to experience one in 2024. The U.S. Federal Reserve has initiated a series of interest rate cuts, shifting policymakers' focus to the labour market, now that they are confident inflation is under control.

However, several considerations remain. Firstly, rate cuts are likely to occur following a noticeable deterioration in economic conditions, which typically becomes apparent in data with a delay. Thus, rate cuts may not inherently signal a positive outcome but rather serve as a mechanism to alleviate economic distress. Secondly, for many central banks that have been contending with high inflation, heightened expectations of rate cuts from financial markets could complicate and increase the risks associated with implementing these cuts. Premature easing could potentially reverse the progress made in controlling inflation. If key central banks misjudge their inflation projections once more, it could lead to further complications.

The ongoing violence in the Middle East, which began on October 7^{th} of 2023, continues to escalate, involving not only Israel and the Palestinian territories but also Yemen, Syria, Iraq, Jordan, Iran, and Pakistan. This escalation is largely due to the significant presence of militias and terrorist groups in these regions, resulting in elevated security threats and challenging business operations. A notable impact on commercial activity has been the disruption of shipments through the Red Sea, as attacks by Houthi rebel groups have forced rerouting, thereby increasing shipping costs and extending delivery timelines. This situation has also contributed to volatility in global energy markets. More critically, the escalating conflict has reversed progress made in global supply-side normalization and poses a significant risk to the hard-won global disinflation achievements of 2023, as evidenced by deteriorating supplier delivery times and costs. The global economy is heavily reliant on the success of ongoing ceasefire discussions between Israel and Hamas.

Meanwhile, February marked the second anniversary of the Russia-Ukraine conflict, which currently appears to be at a stalemate. The business impacts outside the immediate conflict zone, particularly in the European Union, have gained prominence. These impacts include immediate concerns about manufacturing performance, the cost of living, and energy security in major European economies, as well as longer-term considerations such as the EU's first serious expansion efforts in years, including Ukraine's bid for membership.

In the Asia-Pacific region, geopolitical tensions are rising, with North Korea issuing new threats through both rhetoric and actions. While this sabre-rattling may not necessarily lead to conflict, it creates an unfavourable environment for business and investment. Overall, geopolitics remains the most significant risk to the global economy, dampening investments, disrupting supply chains, and weakening efforts to combat inflation.

However, there is a silver lining. The heightened geopolitical tensions worldwide have increased the stakes for stability between the U.S. and Mainland China. This is evident in their efforts to defuse tensions in the Middle East, manage North Korea, and Beijing's relatively subdued response to the Democratic Progressive Party's victory in Taiwan's January 2024 elections. Mainland China appears keen to maintain this new equilibrium until its economy fully stabilizes. For the U.S., the outcome of the nomination races and the presidential election in November 2024 will be crucial in determining its foreign policy direction.

INDIAN ECONOMIC SCENARIO

Overview

India's economy showed resilience with GDP growing at estimated 7.6% in FY 2024. The GDP growth in FY 2024 represents a return to pre pandemic era growth path. Even amidast geopolitical uncertainties, particularly those affecting global energy and commodity markets, India continues to remain one of the fastest growing economies in the world.

Country	Real GDP Growth (2023)	Projected GDP Growth 2024
India	7.8%	6.8%
China	5.2%	4.6%
Russia	3.6%	3.2%
Brazil	2.9%	2.2%
United States	2.5%	2.7%
Japan	1.9%	0.9%
Canada	1.1%	1.2%
Italy	0.9%	0.7%
France	0.7%[1]	0.7%
South Africa	0.6%	0.9%
United Kingdom	0.1%	0.5%
Germany	-0.3%	0.2%

Source: The International Monetary Fund

Countries considered include - Largest Developed Economies and BRICS (Brazil, Russia, India, China, and South)

Countries have been arranged in descending order of GDP growth in 2023).

India's economic recovery is being bolstered by several key factors, notably its resilience to external shocks and a rebound in private consumption. This resurgence in private consumption is refocusing attention on domestic demand improvements, which, alongside a revival in export demand, is setting the stage for increased industrial activity. Capacity utilization rates in India's manufacturing sector are on the rise as industries ramp up production volumes. If this momentum continues, India could enter a new capital expenditure cycle. The growth rate in Real GDP during 2023-24 is estimated at 8.2% as compared to 7.0% in 2022-23, driven by strong performances in the manufacturing, mining, and construction sectors. This year-on-year growth increase is also partly attributed to robust investment demand led by public capital expenditure.

Recognizing the need for external stimuli, the Indian government has increased its spending on infrastructure projects, positively impacting economic growth. The central government's capital expenditure saw a 37.4% increase, reaching Rs 10 trillion in the Union Budget 2023-2024. Additionally, financial assistance to states for capital expenditure rose by 30% to Rs 1.3 trillion. The Interim Budget 2024-2025 further enhanced this with an 11.1% increase in capital expenditure outlay to Rs 11.11 trillion, constituting 3.4% of GDP. This has instilled confidence in the private sector, attracting private investment.

On the financial front, the health of major banks has improved, enhancing credit supply. As capacity utilization improves, the corporate sector is expected to demand more credit to fund expansion plans, and the banking industry is well-positioned to meet this demand. The credit growth to the micro, small, and medium enterprise (MSME) sector underscores this improving credit scenario, with credit outstanding to the MSME sector by scheduled commercial banks growing by 12.3% to Rs 22.6 trillion in FY 2023 compared to FY 2022. The Union Government's extended Emergency Credit Linked Guarantee Scheme (ECLGS) has played a crucial role in boosting credit supply.

[1] European Commission

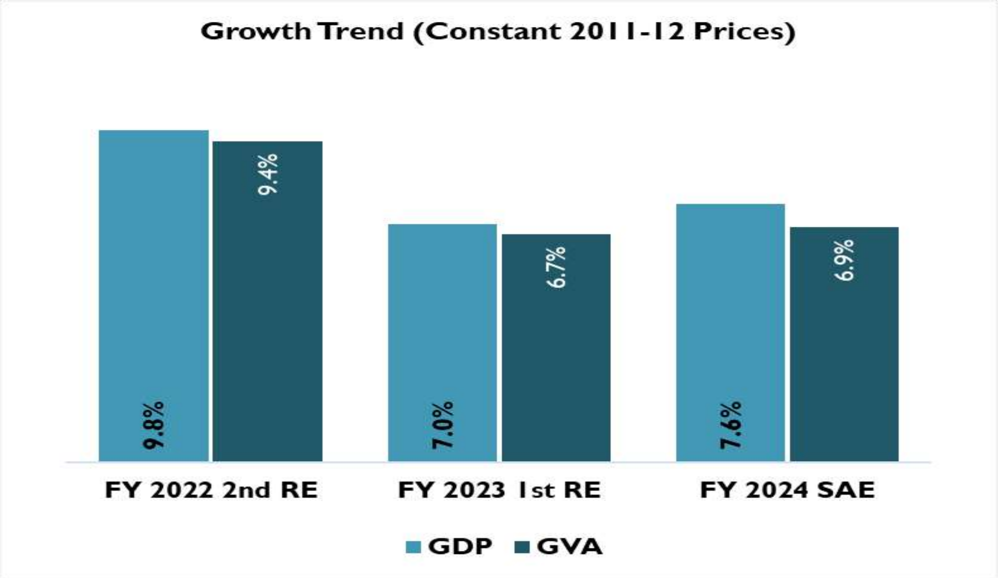
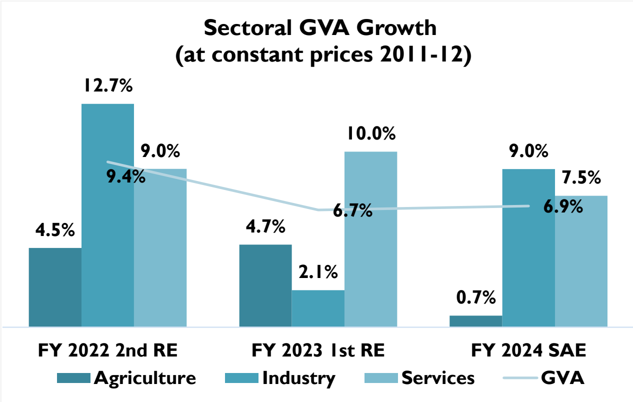


Figure 6: Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics, 2023-24

Sectoral Contribution



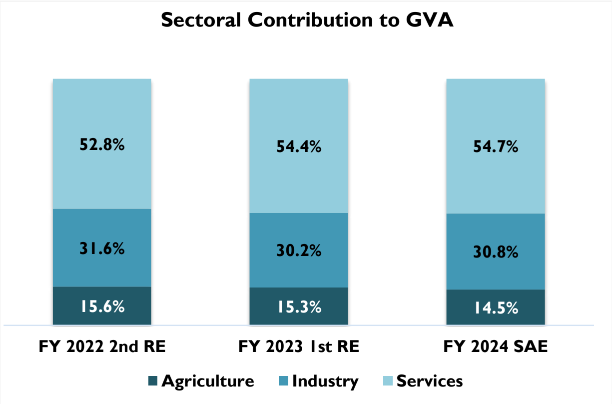


Figure 7: Source: Ministry of Statistics & Programme Implementation (MOSPI)

The sectoral analysis of Gross Value Added (GVA) indicates a robust recovery in the industrial sector, which saw a 9% year-on-year increase in FY 2024, a significant improvement from the 2.1% growth in the previous fiscal year. Within the industrial sector, major economic activities such as mining, manufacturing, and construction experienced substantial growth, with rates of 8.1%, 8.5%, and 10.7% in FY 2024, compared to 1.9%, -2.2%, and 9.44% in FY 2023, respectively. However, the utilities sector experienced a slight moderation in growth, recording a 7.5% increase compared to 10% in the previous year.

In the services sector, the easing of COVID-19 restrictions, progress in vaccination, and an adaptation to living with the virus allowed businesses to gradually return to normalcy in FY 2023. This recovery was supported by a return to pre-pandemic levels of individual mobility. The trade, hotel, transport, communication, and broadcasting segment continued to strengthen, growing by 10% in FY 2023, up from 9% the previous year. However, the second advance estimates for FY 2024 indicate a slowdown in the services sector, the largest component of GDP, with growth decelerating to 7.5% from 10% in FY 2023. This slowdown is largely due to a significant deceleration in the trade, hotel, transport, communication, and broadcasting services, where growth nearly halved from 12% in FY 2023 to 6.5% in FY 2024. This decline is attributed to the normalization of the base effect and a potential reduction in discretionary demand.

Additionally, the financial services, real estate, and professional services sector recorded an 8.21% year-on-year growth, slightly down from 9.05% in the previous year. The public administration and defense services sector also saw a decrease in growth, with a 7.75% increase compared to 8.92% the previous year.

Manufacturing Sector Performance

The performance of the industrial sector, as measured by the Index of Industrial Production (IIP), showed a slight improvement in FY 2024, with a growth rate of 5.8%, up from 5.2% in FY 2023. The manufacturing index, which holds a 77.6% weight in the overall index, grew by 5.5% in FY 2024 compared to 4.7% in the previous fiscal year. The mining sector index also demonstrated a healthy improvement, growing by 7.5% compared to 5.8% in the prior year. Meanwhile, the electricity sector index saw a growth of 7.15%, slightly down from the 8.9% year-on-year growth recorded in FY 2023.

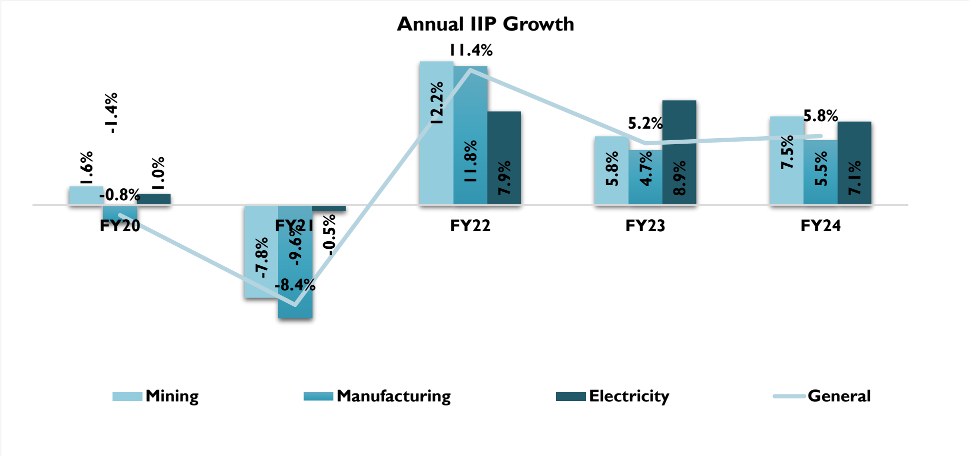


Figure 8: Source: Ministry of Statistics & Programme Implementation (MOSPI)

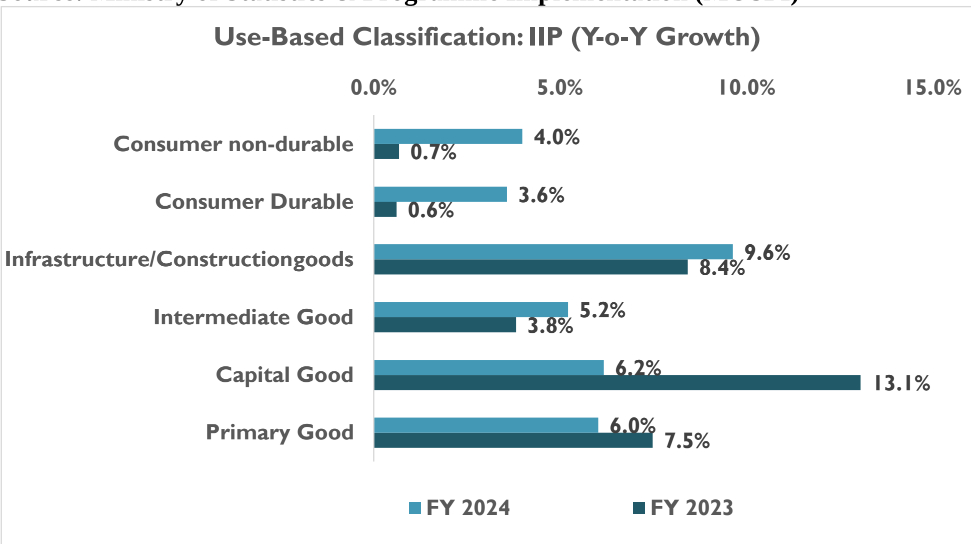


Figure 9: Sources: MOSPI

In terms of use-based classification, all segments except capital goods and primary goods experienced healthy year-on-year growth compared to the previous year. Infrastructure and construction goods, followed by intermediate goods, were notable bright spots. Both consumer non-durable and consumer durable goods observed significant growth over the previous year. However, the modest growth in the IIP suggests a challenging business environment, as global headwinds, high inflation, and monetary tightening have collectively impacted the broader industrial sector's performance.

Inflation Scenario

The inflation rate based on Wholesale Price Index (WPI) exhibited rose to1.3% in the month of April 2024 on the back of steady growth in the prices of primary article which grew by 5% in April 2024 on y-o-y bases. Increasing prices of food articles and energy prices contributed to increasing inflation.

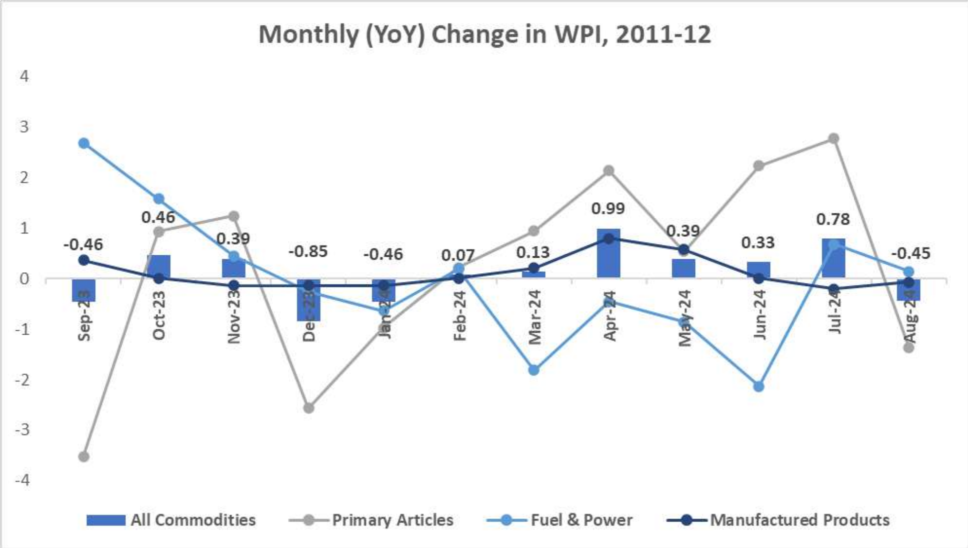


Figure 10: Source: MOSPI, Office of Economic Advisor.

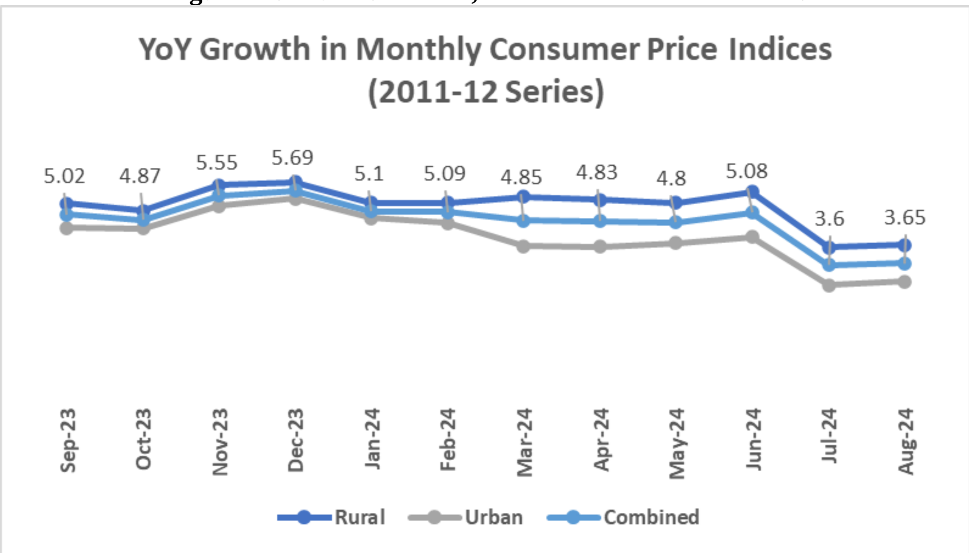


Figure 11: Source: CMIE Economic Outlook

Retail inflation rate (as measured by Consumer Price Index) has slightly increased to 3.65% in August 2024 as compared to 3.6% in July 2024. The CPI inflation for rural and urban for the month of August 2024 was 4.16% and 3.14% against 4.1% and 3.03% respectively in July 2024. Retail inflation moderated during FY 2024 after the peak of 7.4% in July 2023 and it fluctuated between 4.85%-6.83%. CPI measured below 6% tolerance limit of the central bank since September 2023. As a part of anti-inflationary measure, the RBI has hiked the repo rate by 250 bps since May 2022 to current 6.5% while it has been holding the rate at 6.5% since 8 Feb 2023.

Growth Outlook

Looking ahead to 2024, India is projected to achieve a GDP growth rate of 6.8%, making it the fastest-growing major emerging market, significantly surpassing China's 4.6% and Brazil's 2.2%. This strong growth trajectory is expected to continue at an annual rate of 6.5% from 2025 to 2029, underscoring India's solid economic fundamentals and sustained momentum.

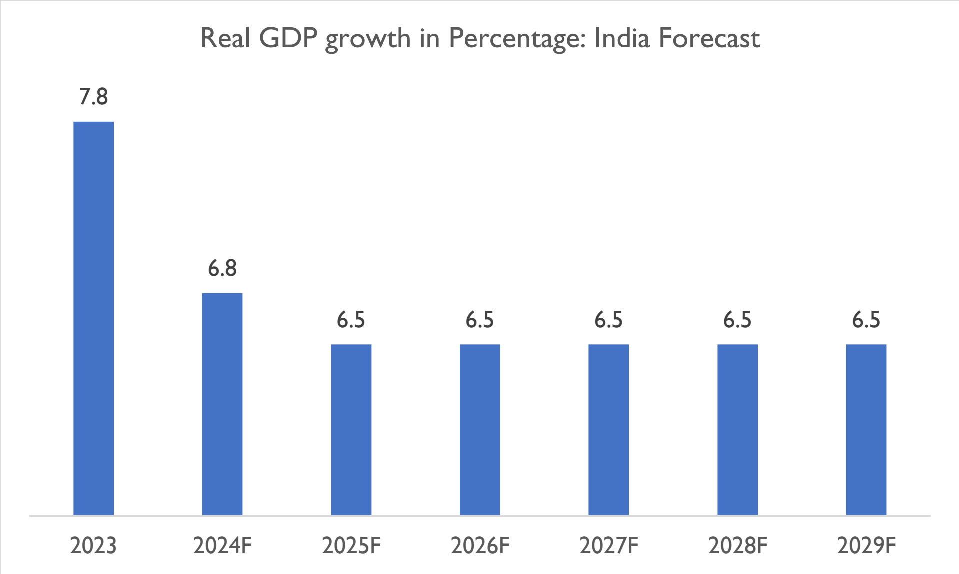


Figure 12: Source - IMF

In the near term, this robust growth in 2024 is accompanied by a slowdown in inflation. Over the medium to long term, several factors are expected to support the economy, including improvements in physical infrastructure, advancements in digital and payment technologies, enhancements in the ease of doing business, and higher quality fiscal expenditure aimed at fostering sustained growth.

On the demand side, improving employment conditions and moderating inflation are anticipated to boost household consumption. The investment cycle is also gaining momentum, driven by sustained government capital expenditure, increased capacity utilization, and rising credit flow. Additionally, there are encouraging signs of improvement in net external demand, as evidenced by the narrowing merchandise trade deficit. Despite supply disruptions, exports recorded positive year-on-year growth in December 2023 and January 2024.

In the interim budget announced on February 1, 2024, the Indian government outlined its vision to uplift the underprivileged and energize infrastructure development, aiming to achieve a 'Viksit Bharat' by 2047. Key highlights of the budget include achieving a fiscal deficit lower than targeted for FY24 and setting a lower-than-expected fiscal deficit target for FY25. The budget also proposes the development of dedicated commodity corridors and port connectivity corridors, along with providing long-term financing at low or zero interest rates to the private sector to enhance R&D in emerging sectors.

India's fiscal discipline is evident in the reduced fiscal deficit of 5.8% for FY24 and a projected 5.1% for FY25, reflecting positive credit outcomes. This demonstrates India's ability to maintain a high-growth trajectory while adhering to its fiscal glide path. Capital expenditure has seen a significant boost for two consecutive years, with the budgeted capital expenditure for 2024/25 at 3.4% of GDP (INR 11.1 trillion/USD 134 billion), marking a 21-year high. Enhancing port connectivity and establishing dedicated commodity corridors for energy, minerals, and cement are strategic moves to boost manufacturing competitiveness, meet export targets, and reduce logistics costs.

However, external demand faces challenges due to recessions in key export partners like the UK and Germany, which together account for over 5% of India's export portfolio. This situation could have a ripple effect on other European countries. Additionally, supply disruptions from the conflict in the Red Sea, causing shipments to reroute through Africa, are impacting sectors reliant on exports to Europe, particularly small businesses operating on thin margins. Although headline inflation moderated to 5.1% in January 2024, a three-month low, volatility in crude prices and uncertainties about food inflation may keep the central bank cautious in the near term.

India's optimistic economic outlook is supported by its demographic dividend, providing a substantial workforce that enhances labor participation and productivity. The growing middle class and urbanization contribute to increased domestic consumption, driven by rising incomes and purchasing power. Extensive investments in infrastructure, including roads, railways, ports, and digital connectivity, are improving productivity and efficiency. Government initiatives like the Smart Cities Mission and PM Gati Shakti are fostering a conducive growth environment. The digital transformation, spurred by initiatives such as Digital India, is creating a tech-driven economy with increased internet penetration, digital payments, and e-governance, fueling growth in sectors like fintech, e-commerce, and digital services. Efforts to position India as a global manufacturing hub through the Make in India and PLI schemes are further enhancing industrial output, exports, and domestic production capabilities. Compared to other major emerging markets facing demographic and economic challenges, India's combination of demographic strengths, policy reforms, and strategic initiatives positions it as a standout performer and a significant driver of global economic growth in the foreseeable future.

THE GLOBAL DEFENCE INDUSTRY

Structure of the Global Defence Industry

A major factor in a country's security policy is its defence and security industrial base (DSIB). This core industrial base has changed dramatically since the Second World War and has recently seen a further major shift after the start of the Ukrainian war. The period following World War 2 saw a clear threat from the Soviet Union and a requirement to be constantly ready to respond to this threat.

This need disappeared after the collapse of the Soviet Union, and defence spending fell to about a third in real terms in the early 1990s. The defence industry has changed radically as a result with 24 of the 100 largest defence companies leaving by 1998[2]. Remaining companies went through a series of consolidating mergers[3]. Conflicts appeared to be limited to largely regional incidents, though the major nations were still involved[4].

A further shift occurred around 2005, with regional conflict being joined by international terrorism to dominate security planning. This led to demands for more flexible defence procurement, focusing on flexible, mobile force structures, relying on strong logistics for worldwide deployment. The pressure on defence budgets continued, forcing changes in development and acquisition processes, and further use of Commercial Off-The-Shelf (COTS) technology.

The Russian invasion of the Ukraine has driven a major rethink of these policies, with a recognition that the threat of large-scale warfare has increased greatly, and a realisation that national DSIBs have been allowed to atrophy. Two years after the Russian attack on Ukraine, it is very clear that the Western Defence Industry is ill-equipped to face the consequences of a large-scale, high-intensity conflict in Europe. The war has changed three decades of procurement policies, production and technological trends that had previously shaped the approach to defence hardware.

The public and private companies that form the DSIB have been traditionally grouped for convenience. A company is said to be a 'prime', or 'systems integrator' if it is frequently the principal responsible delivery agent in a certain military domain or programme. That company, or indeed a completely separate one, could be labelled the 'Original Equipment Manufacturer' (OEM) if it is the business that first designed and manufactured the equipment in question. Supporting the 'prime', 'systems integrator' or 'OEM' is an extensive supply chain providing essential parts or services. The lead levels of these chains are often described as 'second tier' companies contributing towards the generation of defence capabilities. For major items of equipment, there are normally many sub-layers of hundreds of suppliers.

[2] https://media.defence.gov/2022/Feb/15/2002939087/-1/-1/1/STATE-OF-COMPETITION-WITHIN-THE-DEFENCE-INDUSTRIAL-BASE.PDF
[3] https://www.airandspaceforces.com/article/0798industry/
[4] https://www.cevians.com/the-history-of-the-u-s-defence-industrial-base/

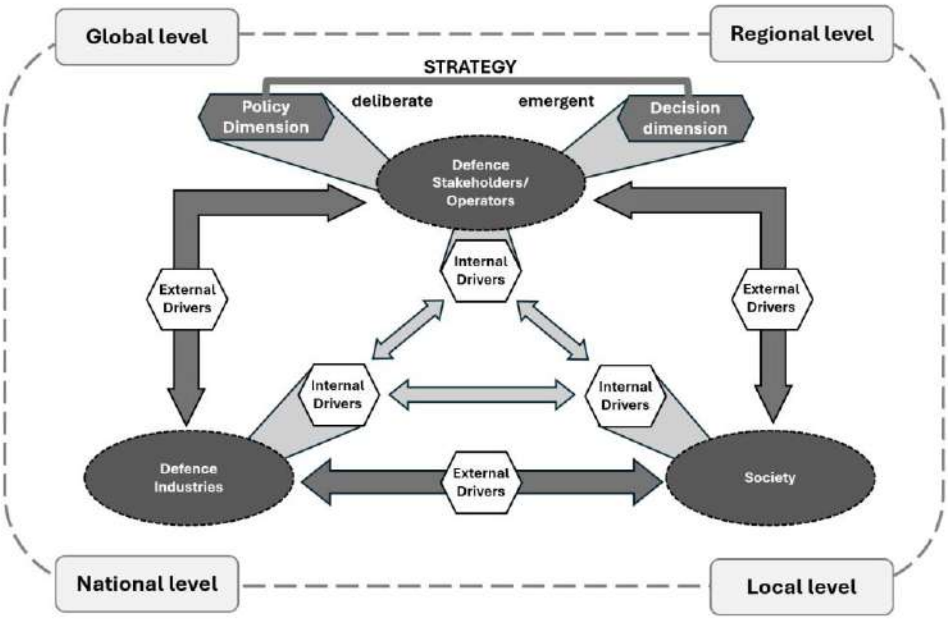


Figure 13:The Defence Industrial Ecosystem (from RUSI Whitehall Report 2-11, 2011)
Primes include companies such as Airbus, BAE Systems, Boeing, Lockheed Martin, Northrop Grumman, Rheinmetall, Nexter, and are the original equipment manufacturers or integrators, responsible for completing and delivering the final product.

A tier 1 supplier manufactures the major sub-assemblies that it then provides to the OEM for assembly and integration. Such companies provide major components such as control systems, landing gear, engines, weapons (e.g. RWS, main guns), sensors (e.g. radar systems).

A tier 2 supplier manufactures subassemblies that it provides to a tier 1 supplier. These products can include items such as airframe structures, armour, flight controls, transmissions.

Tier 3 suppliers manufacture the parts and components that are used by tier 2 companies in their subassemblies. Products such as hydraulic fittings, instrumentation fittings, fasteners and bearings are in this area.

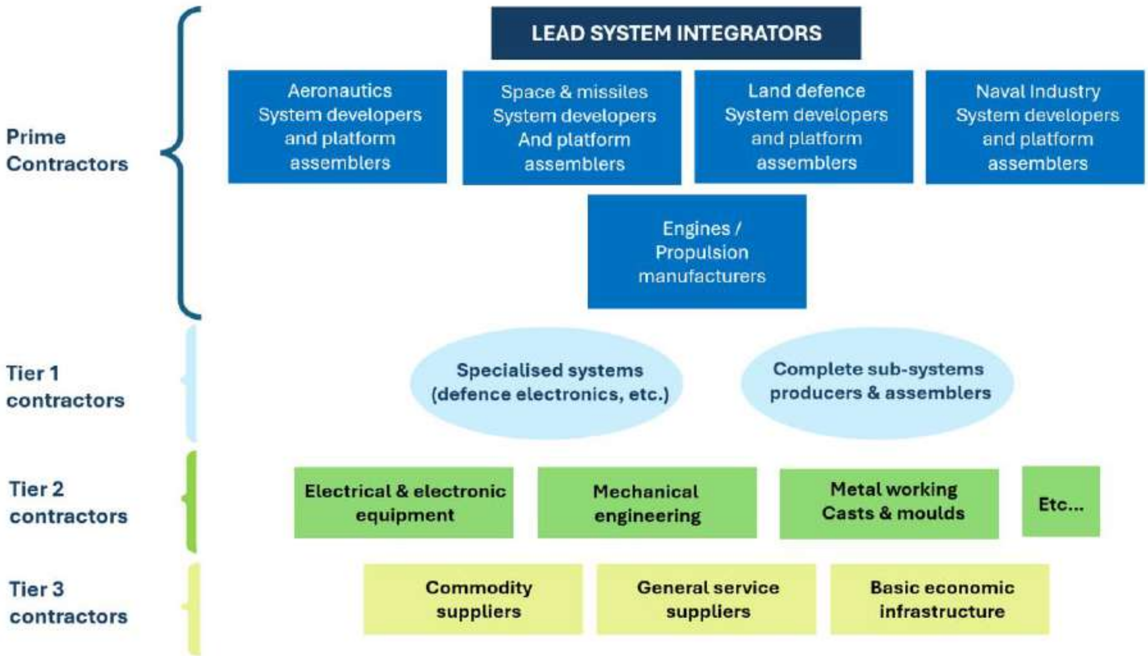


Figure 14: The tiered structure of the defence industry[5]

A company must comply with various regulations to participate in the defence (and aerospace) supply chains. A minimum is to comply with ISO9001 processes, and to develop and test product in accordance with the appropriate military standards in general. For aerospace use, compliance with AS9100 is expected.
There is also great variation among defence suppliers as to the degree of their focus and dependence on the defence and wider security sector. Ownership of the larger defence companies is often by multinational corporations open to investors from around the world. An organisation that may have owners in multiple countries can in turn operate in many countries.

Companies with defence products are, first and foremost, commercial entities with an interest in sales and thus export opportunities. Such exports are regulated at government level to comply with the country's wider security concerns. Defence exports also represent an opportunity to advance diplomatic and economic relationships with the recipient country, as is evident in initiatives such as the US Foreign Military Sales (FMS) program. Equally, purchase of a major item of equipment from a foreign country often requires government level relationships and agreement for longer-term support. Such purchases are more and more often linked with a requirement for offset i.e. local manufacture of elements to an agreed level. This is becoming more important as countries try to redevelop the local DSIB.

Emerging Trends in Defence

Smaller companies encouraged to participate in the defence value chain
Recent political events have increased the risk of major conflict in Europe, and other areas of tension include Taiwan, the South China Sea and the Middle East. National investment in the DSIB is increasing, with higher budgets and a focus on shorter-term solutions for capability gaps. This has led to the purchase of proven systems from foreign countries, but with significant requirements for local manufacture to develop the local industrial base. The performance of different systems in the Ukraine has also led to a shift in focus of investments, with unmanned systems, and counter-unmanned systems rising in priority, as well as core capability such as the production of shells, rockets, missiles and bombs. Smaller companies are being encouraged, especially in the United States of America (USA), the European Union and India to develop advanced concepts in these relatively low-cost areas, with streamlined acquisition processes.

Investments in new technologies on the rise

Investment in transforming manufacturing operations by adopting new technologies such as robotics, additive manufacturing, Internet of Things (IoT), augmented reality or Artificial Intelligence (AI) is key for differentiation and for attracting new customers in the defence sector, given the pressure on budgets and scalability, but can be a hurdle. Supply chain disruption (some resulting from the aftereffects of COVID), regulatory compliance and environmental concerns have also introduced further challenges, with a competition for skilled labour in many countries.

More 'partnering contracts' for tier-2 and tier-3 firms

An increasing use of 'partnering contracts' on contracts. Such contracts are placed with one Prime Contractor who then takes full responsibility for the development and delivery of the equipment according to previously defined time, costs and quality specifications.

The growth of 'risk-sharing partnerships', wherein the development costs of new systems or equipment is distributed across the Prime Contractor and its partners. Under this concept, primes delegate the responsibility for conceptualising, designing, developing and producing a new system to lower-tier companies.

Countering Unmanned Aerial Systems (UAS) attacks

The emergence of drone attacks and the use of mass attacks by Russia in the Ukrainian conflict has led to renewed emphasis on situational awareness and countering such emerging threats. Ad-hoc solutions and up-armouring of Armoured Fighting Vehicles (AFVs), particularly through the provision of stand-off roof covers has resulted, and unmanned reconnaissance is becoming the norm in the close battle to reduce casualties.

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5 https://www.europarl.europa.eu/meetdocs/2009_2014/documents/sede/dv/sede051113comswddefencesmes_/sede051113comswddefencesmes_en.pdf

Detection of drones has emerged as an important area, exploiting both AI in detecting drones in images, and in discriminating between airborne drones and birds in radar imaging. Both Thermal Imaging (TI) and visible frequencies are used, with low-cost solutions being prevalent in the Ukrainian front line.
Local Situational Awareness has been enhanced by effective communications and feedback from locals, which may not be the case in other conflicts, so lessons are limited, other than the need for effective and adaptable radios. Russian forces appear to have suffered from poor equipment, and both sides have used StarLink Satellite communications (SATCOM) effectively.

Effectors to counter drones have ranged from simple shotguns to electronic jamming systems, and more recently to Directed Energy Weapon (DEW) solutions based on lasers as well as RF jamming. Simple solutions have been deployed for local protection, but full solutions with appropriate sensors are expensive and not yet widely deployed, but will proliferate moving forward.

Specific applications such as base protection and border defence are growing in importance, given the prevalence of terrorist threats and UAS systems. Unmanned and automated systems with AI assistance are emerging to complement the lower cost imaging cameras that are now available.

Proliferation of Electronic Warfare (EW) and Protection

The proliferation of cheap drones and the use of wireless control systems has led to an emphasis on electronic warfare to deny the use of such weapons, with mixed success. Developments in directional aerials and in modulation systems has reduced the effect of such jamming, but we are seeing the emergence of fibre-optical or wire guided drones to negate this in short-ranged applications.

The use of GNSS (GPS) has also been largely compromised, resulting in systems such as Excalibur[6] becoming less effective, and denying high-accuracy positional information to artillery systems. Alternative guidance systems are being developed, but precision strike is becoming more difficult under such conditions. Alternative solutions based on land wireless technology, such as eLORAN[7], and on terrain following with terminal homing, or stellar navigation are actively being developed.

Protection has mainly relied on the use of alternative frequencies, as all radio signals can be jammed. The used of advanced modulation, such as Coded Orthogonal Frequency Division Multiplexing (COFDM), frequency hopping and adaptive frequency systems help reduce the probability of detection and defeat simple jamming techniques.

Weaponization of Space and Electro Magnetic Pulse (EMP) hardening

Whilst most countermeasures are land based and affect the receivers of information, the extensive use of military and commercial space surveillance has increased the importance of satellites, and denial of such resources through anti-satellite weapons is becoming possible, though not used. Such information is available at different wavebands, including multispectral, and has been extended to Synthetic Aperture Radar (SAR) to provide a range of images that can be analysed directly or through AI (nascent). Signal analysis and intercept continues to be an area of active development and is important in Signals Intelligence (SIGINT) and unit location functions.

Satellite based communications are now essential for effective battlefield control, providing links at higher levels and high data bandwidths. Militaries use both their own and many commercial SATCOM systems to satisfy the increasing requirement for data exchange, particularly in situations where video information is required. The use of StarLink Internet services has led to examples of the service being jammed, and the supplier threatening to restrict its use under some circumstances. Transmission of both tactical and logistics information by this means is now of core importance.

EMP hardening remains a requirement for critical systems, particularly sensors and communication links, in the event of a major conflict. The importance of this area is likely to increase in the current political climate but requires to be designed in early and is not readily retrofittable.

Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) developments and enhancing Situational Awareness (SA)

[6] https://www.baesystems.com/en/product/excalibur--tell-the-round-where-to-go-ndash-and-it-goes-there
[7] https://www.ursanav.com/solutions/technology/eloran/

Improvements in the reliability of communications both by the use of Mobile Adhoc Networks (MANETs) and the deployment of SATCOM has been a key enabler in the advanced Battlefield Management Systems that are being deployed. The use of AI in an analytical and predictive mode, assessing a range of inputs and exploiting Big Data techniques is developing rapidly.

Situational Awareness had made significant progress through the availability of lower cost thermal imaging sensors, on-platform data fusion and the use of AI to analyse images.

Vehicle, UAV and rotary wing mounted surveillance requirements in the visual and IR bands continue to expand, though the cost of such platforms remains high, given the requirement for image stabilisation and multi-axis control. Systems can integrate other sensors and effectors, such as laser ranging and designation systems, in a busy but developing market.

Trends in SA are towards sensor fusion, open standards for data exchange within and outside platforms, and the provision of lower-cost radars as part of active protection systems, though still commanding a premium.

Other technology trends

The development of laser weapons, particularly for Counter-Unmanned Aerial Vehicle (C-UAV) use, is developing rapidly, and might play to the strengths of several companies operating in the defence electronics and optics segments, being able to build their own solutions especially by developing beam forming and directing sub segments.

Radio Frequency weapons continue to evolve rapidly, with first systems fielded some time ago to defeat the electronics and radio links that are used in drones. Other applications such as crowd irritant effects are relatively easily countered, and seem to have reached limited deployment, with little recent interest.
Higher levels of integration in Health Usage Monitoring Systems (HUMS) to improve vehicle reliability and reduce unnecessary maintenance is a clear trend, and this is now being integrated with other vehicle electronic systems, such as Situational Awareness systems, to create integrated vehicle networks, data processing and storage.

Hypersonic weapons remain a specialised area that is unlikely to be of immediate interest, but significant funds are being deployed to develop such weapons and appropriate countermeasures. Significant challenges remain, despite recent press coverage, and it is a moot point whether this investment might be better spent elsewhere.

THE INDIAN DEFENCE INDUSTRY

Structural Shifts

The Indian defence industry was previously dominated by Defence Public Sector Units (DPSUs) – defence companies that are owned and controlled completely by the Indian government. These companies were given the mandate to indigenize defence production after Indian independence, but success was limited because the sector was highly regulated with limited private sector participation. This stymied growth because of several reasons, including lack of domestic defence value chains, without which several DPSUs operated inefficiently and could not produce platforms in line with India’s expected timelines.

Realizing that indigenization and domestic technology development can be accelerated with the participation of the private sector, the government started facilitating the participation of the private sector through a series of reforms in licensing, foreign direct investment, strategic partnerships, indigenization lists, etc. As a result, several large private Indian industry groups such as Tata, Adani Group, Mahindra, Larsen & Toubro either entered the sector or shored up investments in the sector. Today several of these companies have established themselves as defence primes or tier 1 suppliers, especially through help from foreign defence primes via technology transfer or joint R&D. Today, a vibrant ecosystem of tier 2 and tier 3 suppliers has also been created, with several firms scaling up from component supplier level (tier 3) to subsystem developer/ manufacturer level (tier 2) and positioning themselves well to tap into Indian defence programs. Looking ahead, the private sector is poised to take on an even stronger leadership role in driving the Indian defence industry forward.

Defining Characteristics

Accelerating indigenization through Atmanirbhar Bharat Initiative

The Modi administration has launched a series of initiatives aimed at revitalizing India's defence manufacturing and reducing its reliance on imports. These reforms, implemented under the Make in India and Atmanirbhar Bharat campaigns, address a wide range of institutional, procedural, industrial, and financial aspects within the defence sector.

The Chief of Defence Staff (CDS) advancing indigenous equipment adoption

In 2019, the government introduced the position of Chief of Defence Staff (CDS), hailed as a landmark reform in India's defence since independence. This role was created to enhance coordination and eliminate the siloed functioning of the armed forces. The CDS now heads the newly established Department of Military Affairs (DMA), which has a critical mandate to accelerate defence indigenization. One of the CDS's responsibilities is to encourage the armed forces to adopt more domestically manufactured military equipment.

By creating the CDS and DMA, the government has ensured that the armed forces are key players in indigenous defence projects, addressing historical tensions between the users of military equipment and its developers. So far, the DMA has released five positive indigenisation lists of over 500 items, which will gradually be manufactured within India rather than imported. These lists include major defence platforms like missiles, aircraft, helicopters, ships, and advanced munitions.

Positive indigenization lists

The positive indigenization initiative focuses on the Indian Armed Forces, which include the Army, Navy, and Air Force, exclusively sourcing specified items from domestic manufacturers. These manufacturers may belong to the private sector or Defence Public Sector Undertakings (DPSUs). To facilitate indigenization, DPSUs will explore various avenues under the 'Make' category, emphasizing in-house development or leveraging the capabilities of Micro, Small, and Medium Enterprises (MSMEs) and the private Indian industry. This strategy aims to enhance the economy and attract investments in the defence sector.

Additionally, the initiative seeks to foster the development of design capabilities within the domestic defence industry by engaging academia and research institutions. The Government of India has gradually increased the number of platforms, systems, subsystems, and components designated for indigenization through regular updates to positive indigenization lists.

The First Positive Indigenization List, published in 2020, includes 101 embargoed items, ranging from basic components to advanced weapon systems, such as artillery guns, assault rifles, corvettes, sonar systems, transport aircraft, light combat helicopters (LCHs), and radars. This list also encompasses wheeled armored fighting vehicles (AFVs) and submarines with specified import embargo dates.

The Second Positive Indigenization List, released in 2021, features 108 items to be sourced from indigenous suppliers, covering complex systems, sensors, simulators, weapons, and ammunition. Its implementation is scheduled to occur progressively from December 2021 to December 2025.

The Third Positive Indigenization List, launched in 2022, comprises 101 intricate items, including lightweight tanks, mounted artillery gun systems, guided extended-range rockets, naval utility helicopters, next-generation offshore patrol vessels, radar systems, anti-ship missiles, autonomous underwater vehicles, and unmanned aerial vehicles.

The Fourth Positive Indigenization List, issued in May 2023, includes 101 strategically significant Line Replacement Units (LRUs), subsystems, spares, and components. DPSUs will pursue indigenization through various methods, promoting economic growth and decreasing reliance on imports.
The Fifth Positive Indigenization List, introduced in October 2023, consists of 98 items, including advanced infantry combat vehicles, articulated all-terrain vehicles, remotely piloted airborne vehicles, shipborne unmanned aerial systems, tactical drones, electric light vehicles, precision kill systems, radar systems, chemical agent detection systems, countermeasure systems, camouflage systems, AI-based satellite image analysis, testing equipment, quantum key distribution systems, and various aviation ground support equipment.

Corporatization of Ordnance Factories

Additionally, the government has initiated the corporatization of the Ordnance Factories (OFs), previously run as government units. This reform has transformed 41 OFs into seven independent Defence Public Sector

Undertakings (DPSUs), providing them with more decision-making freedom and accountability. This corporatization is seen as the foundation for further reforms, including potential consolidation, stock exchange listings, or privatization of the DPSUs, should the government choose to pursue these paths.

Acquisition Programs Favouring Indian Companies

To strengthen the domestic industry's participation in the procurement process, the government has revised the arms procurement procedures established in the Defence Acquisition Procedure (DAP), which was previously known as the Defence Procurement Procedure until 2020. A major change in the DAP involves refining the procurement categories to give precedence to domestic manufacturers over foreign entities.

In the first three of the five prioritized procurement categories, the domestic industry is assigned the role of system integrators. This arrangement means that for contracts awarded in these categories, foreign companies will serve primarily as equity partners, while Indian firms take the lead in contract execution. The proportion of foreign equity varies, allowing a maximum of 49 percent in the first category, where the domestic industry is responsible for design and production, and up to 74 percent in the following three prioritized categories.

Prioritised Category	Indigenous Content (IC) Requirement	Tender issued to	Maximum FDI allowed under automatic route
Buy (Indian-IDDM)	Indigenous Design & IC of ≥ 50%	Indian firm	49%
Buy (Indian)	50% IC if Indigenous Design; Otherwise, IC of ≥ 60%	Indian firm	74%
Buy and Make (Indian)	≥50% IC in Make Portion	Indian firm	74%
Buy (Global-Manufacture in India)	IC of ≥50%	Foreign firm	74%
Buy (Global)	Foreign Vendor- NIL Indian Vendor ≥30% IC	Foreign/Indian firm	NA (Foreign); 74% (Indian)

Table [8]1: Prioritised Defence Procurement Categories (Compiled from Ministry of Defence, Defence Acquisition Procedure 2020)

An essential element of the acquisition reforms is the government's initiative to enforce higher levels of indigenous content (IC)—which includes parts, components, raw materials, and software—across procurement categories that favor domestic manufacturers. For the first four prioritized categories, the minimum IC requirement has been raised to 50 percent, a significant increase from the previous 30 percent before the Make in India initiative. The government is also exploring ways to further boost IC in certain categories. In late 2023, the defence minister instructed the CDS and Defence Secretary to collaborate with industry to raise the IC in the Indigenously Designed, Developed, and Manufactured (IDDM) category—the top procurement priority—to at least 60-65 percent.

Beyond expanding the domestic industry's role in manufacturing, the government is encouraging it to invest more in research and development (R&D), an area that has traditionally been led by DRDO and, to a lesser degree, the DPSUs. The 'Make' guidelines under the DPP/DAP have been simplified and extended, while two innovation-focused programs—Innovation for Defence Excellence (iDEX) and the Technology Development Fund (TDF)—have been launched to promote technological advancements.

Moreover, the Union Budget for 2022-23 set aside 25 percent of the R&D budget for the industry, startups, and academic institutions. Following this, the Ministry of Defence identified 18 major projects[9] such as Hypersonic Glide Vehicle, Directed Energy Weapons (300 KW and more), Naval Ship Borne Unmanned Aerial System

[8] https://www.orfonline.org/research/india-s-defence-industry-achievements-and-challenges
[9] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1805135

(NSUAS), Light Weight Tank, Self-Healing Mine Fields, etc. where Indian companies would take the lead in design and development.

Category		Features	Maximum FDI allowed under automatic route
Make	Make-I	Up to 70% government funding for prototype development, subject to a maximum of INR 2.5 billion (approximately US$30 million) per development agency. After successful development, procurement will be through the Buy (Indian-IDDM) route.	49%
	Make-II	Self-funded by the industry for prototype development. After successful development, procurement will be through the Buy (Indian-IDDM) route. Industry can submit a suo-moto proposal.	49%
	Make-III	Primally intended for import substitution of product support of existing weapons systems. Post successful development, procurement through the Buy (Indian) route	74%
iDEX		Primarily intended for startups, individual innovators and MSMEs. Innovators can submit suo-moto proposals. Post successful development, procurement through the Buy (Indian-IDDM) route	49%
TDF		A scheme run by DRDO with funding support. After successful development, procurement will be through the Buy (Indian-IDDM) route.	49%

Table 2[10]: Make and Innovation Categories

Other Measures to Accelerate Defence Investments

Since taking office in 2014, the Modi government has undertaken significant reforms to enhance the ease of doing business, especially for the private sector. A key reform was the relaxation of foreign direct investment (FDI) rules in the defence industry, raising the foreign ownership cap from 26 percent to 49 percent, and later to 74 percent under the automatic approval route. By 2024, this led to FDI inflows of INR 57 billion (approximately US$ 609 million). Additionally, the government streamlined the industrial licensing process, making it easier for private companies to secure approvals with reduced bureaucratic hurdles.
To further support the defence sector, the government established a formal procedure for defence export authorizations, allowed private companies to access government-run testing facilities, and developed two defence industrial corridors. It also launched the Defence Investor Cell, a single-window system to address investor inquiries. Moreover, a policy was introduced to boost the indigenization of parts and components used in defence platforms produced by DPSUs.

Offsets

Since introducing an official defence offset policy in 2005, India has been actively pursuing offsets, though earlier policies did not emphasize technology transfer and R&D capability from foreign to Indian defence firms. The Defence Acquisition Policy (DAP) 2020 seeks to remedy this by shifting the focus from "components" to "technology investments" and "platform exports." DAP 2020 also broadens the avenues for offsets, allowing foreign companies to receive direct credit for transferring key technologies to India's defence industry. Technologies such as electromagnetic rail guns and hypersonic flight-related systems, once reserved only for DPSUs and DRDO, are now accessible to private companies.

Another key change in India's offset policy is the elimination of "offset banking," which previously allowed foreign companies to earn credits for routine business activities in India. To balance the interests of foreign investors, the new policy permits their vendors to fulfil offset obligations on their behalf. Additionally, the indigenous content requirement for the Buy (Indian) and Buy (IDDM) categories has been increased by 10%, providing more opportunities for Indian firms. These adjustments aim to enhance technological advancements within the domestic defence sector and secure a larger share of military contracts for Indian companies, thereby boosting the growth of India's defence industry.

The main goal of the Defence Offset Policy is to leverage capital acquisitions to strengthen India's defence sector by increasing R&D capacity, fostering the growth of related industries like internal security and civil aerospace, and nurturing globally competitive enterprises. Between 2016 and 2019, India signed 21 defence offset contracts

[10] https://www.orfonline.org/research/india-s-defence-industry-achievements-and-challenges

valued at USD 5.67 billion. As of December 2021, the defence ministry fined missile manufacturer MBDA approximately 1 million euros for delays in meeting offset obligations under the Rafale deal. Under the 2016 contract for 36 Rafale jets, worth INR 59,000 crore, about 50% of the contract's value was to be invested in India from September 2019 to 2022.

Defence Exports

Indian defence exports are expected to grow rapidly due to relaxed export restrictions and recent policy changes, along with the increasing capabilities of domestic defence suppliers. The private sector, now leading in defence exports compared to public sector enterprises, is expected to drive future revenue opportunities. Private companies play a key role in fulfilling offset obligations and supporting India's goal of becoming a US$ 5 billion export nation by 2025. Companies like Paras Defence are well-positioned to capitalize on this growth in exports.

According to a report by the India Brand Equity Foundation (IBEF) in November 2021, the Government of India set a target of reaching US$ 25 billion in defence production by 2025, with US$ 5 billion coming from exports. Over the next five years, India aims to export military hardware worth US$ 5 billion. The country's defence exports has increased from US $ 1.39 billion in FY 2018-19 to US $ 2.74 billion in FY 2023-24.

As reported by SIPRI, India's cumulative arms imports decreased by 33% between the periods 2011-2015 and 2016-2020, reflecting successful efforts to enhance local defence capabilities and increase domestic sourcing.
The growth in defence exports from FY 2016-17 to FY 2023-24[11] is shown below.

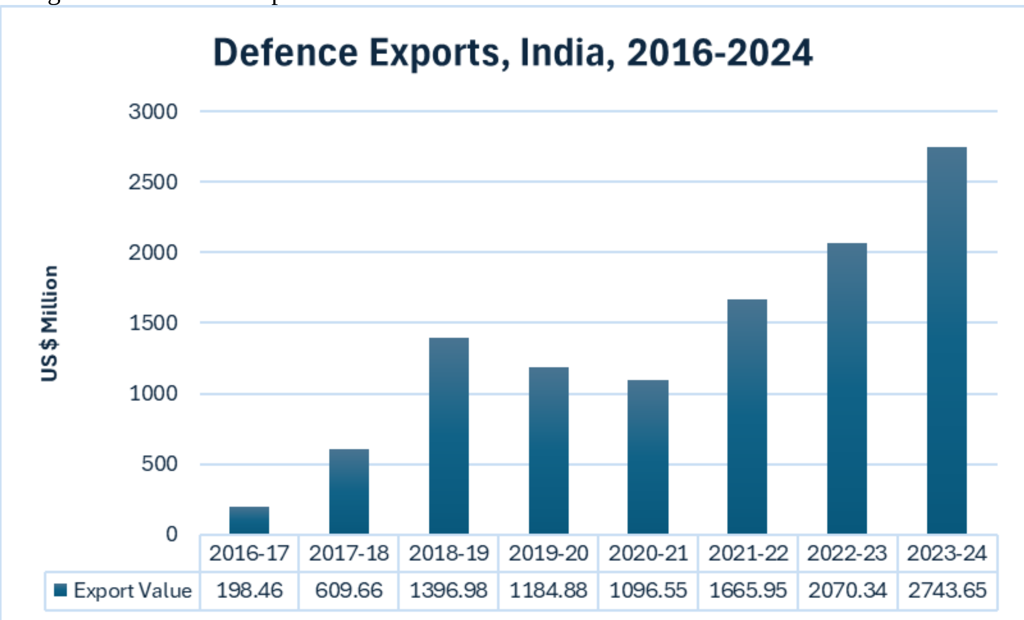


Figure 15: Total value of defence goods exported by India, FY 2016-17 to 2023-24
The target countries for exports include South Africa, Thailand, Azerbaijan, Singapore, Sweden, Seychelles, Indonesia, Estonia, the Philippines, Guinea, Lebanon, Qatar, Iraq, Uruguay, Ecuador, Japan, Egypt, the United States, Finland, Australia, France, Germany, the Netherlands, and Israel.
Recent exports to other countries

- In January 2022, BrahMos Aerospace received a contract, worth USD 374 Million from The Philippines Navy to export shore-based anti-ship missile system to them.
- Bomb suppression blankets, helmets, cartridges, and soft armour panels to Germany.
- Mine protected vehicles, soft armour panels, helmets, over-vests, and civil helicopter protection equipment to the United Arab Emirates (UAE).
- Weapon locating radar systems to Armenia.

[11] https://www.orfonline.org/research/india-s-defence-industry-achievements-and-challenges

- Armenia has signed a deal with India to procure 4 Pinaka batteries and other defence equipment (delivered in July 2023). The deal is worth ₹2,000 crore which is equivalent to ₹21 billion or US$265 million in 2023. Indonesia and Nigeria have also expressed interest in Pinaka multi-barrel rocket launcher.
- Export of radar components to Singapore.
- In September 2017, India secured a military export order for $ 21.07 million for 40,000 pieces of components for artillery guns from the Government of the United Arab Emirates.
- Avionics have been exported to Malaysia for the Sukhoi Su-30MKM.
- One Fast Patrol Vessel and 11 Fast Interceptor boats were exported to Mauritius.
- India has sold domestically developed lightweight torpedoes to Vietnam and Myanmar. In June 2022, India handed over 12 High Speed Guard Boats to Vietnam. These boats were constructed under India's US $100 million Defence Line of Credit to the country, five of them manufactured at L&T Shipyard, India.

Spiral Development Model

The new Defence Acquisition Procedure (DAP) also mentions the potential application of a spiral development model. This mode of procurement may be pursued for projects less than INR 2.5 billion and has an iterative approach, enabling the purchase of minimum order quantities of equipment for field evaluations, and iterating development over time based on feedback from the forces.

The spiral development model offers several advantages that align well with the complexity and evolving nature of large defence projects. It enables better risk management by breaking the development process into smaller, manageable iterations, allowing potential issues to be identified and addressed early. This approach is flexible, accommodating changing requirements and technological advancements, which are common in defence programs. The progressive refinement of features allows for continuous improvement, while cost control is more effective as investment decisions are made phase by phase.

More Defence Programs for Indigenous Companies

In 2022-23, the Ministry of Defence (MoD) approved the Acceptance of Necessity (AoN) for procurement projects totalling INR 2,710 billion (approximately US $32.5 billion), with 99 percent of this allocated for domestic sourcing. By 2023, the value of AoN approvals rose to INR 3,500 billion (about US$42 billion), with the majority planned for manufacturing within India. The MoD estimates that the value of India's domestic defence production will reach INR 3 trillion (approximately US$36 billion) by 2028-29.

Major items receiving AoN approval include light combat helicopters, the MK 1A version of the light combat aircraft, medium-range anti-ship missiles, and the towed gun system. As these proposals, alongside the 500 items identified in the positive indigenization lists, progress into finalized contracts and move toward actual production, the contribution of the domestic defence industry will see a significant boost.

GLOBAL & INDIAN DEFENCE SPENDING

Global Spending Analysis

Geopolitical Context

The growing competition between the United States and China has become a defining feature of global geopolitics. China's expanding military capabilities are altering the power dynamics in the Western Pacific, prompting the US to strengthen its alliances in the region. One notable move has been the establishment of the AUKUS security pact between Australia, the UK, and the US. Meanwhile, countries like Russia and Turkey are demonstrating an increased ability to project their influence abroad, as seen in the high-profile S-400 missile defence deal.

The Russia-Ukraine conflict, which began with Russia's invasion of Ukraine in 2022, has triggered significant global repercussions. Initially thought to be a brief campaign, the war has dragged on, revealing critical flaws in Russia's military strategy, including logistical challenges, poor morale, and outdated equipment. Russia's frequent nuclear threats and its "escalate to de-escalate" doctrine have added a chilling dimension to the conflict. While the outcome of the war remains uncertain, one scenario is that a defeat could shatter Russia's imperial ambitions, plunging the country into internal turmoil. For the US, it is crucial to restore a European balance of power that includes a stable Russia, thus preventing Moscow from forming a permanent alliance with China.

In Europe, the resurgence of large-scale warfare has led to a comprehensive reassessment of defence strategies. Germany, for example, pledged a €100 billion special fund to replenish military stocks and bolster key defence projects, including the Future Combat Air System (FCAS) and the acquisition of F-35 fighter jets.

India, which has long relied on Russia for about 70% of its military arsenal, faces new challenges in securing defence supplies amid international sanctions. Some deals, like the delivery of S-400 systems, have continued thanks to a US waiver, but others, including contracts for naval helicopters and Su-30 MKI aircraft, have stalled. In the Middle East, renewed conflict between Israel and Palestine has disrupted peace efforts, destabilized the region, and strained relationships, particularly between Israel and Egypt and Jordan. The US backs Israel, while Iran supports Hamas and Hezbollah, casting the conflict in terms of US-Israeli influence versus Iranian-backed resistance. Russia and China, aligning more closely with Iran, have been cautious in condemning Hamas, complicating diplomatic efforts and straining US alliances, particularly with European countries that are more sympathetic to the Palestinian cause. This divergence has the potential to reshape the global political landscape and test the unity of Western alliances.

Defence Spending

According to SIPRI, global military expenditure reached an all-time high in 2023, marking the ninth consecutive year of growth and totalling $2443 billion. The 6.8% rise in spending was the largest annual increase since 2009.

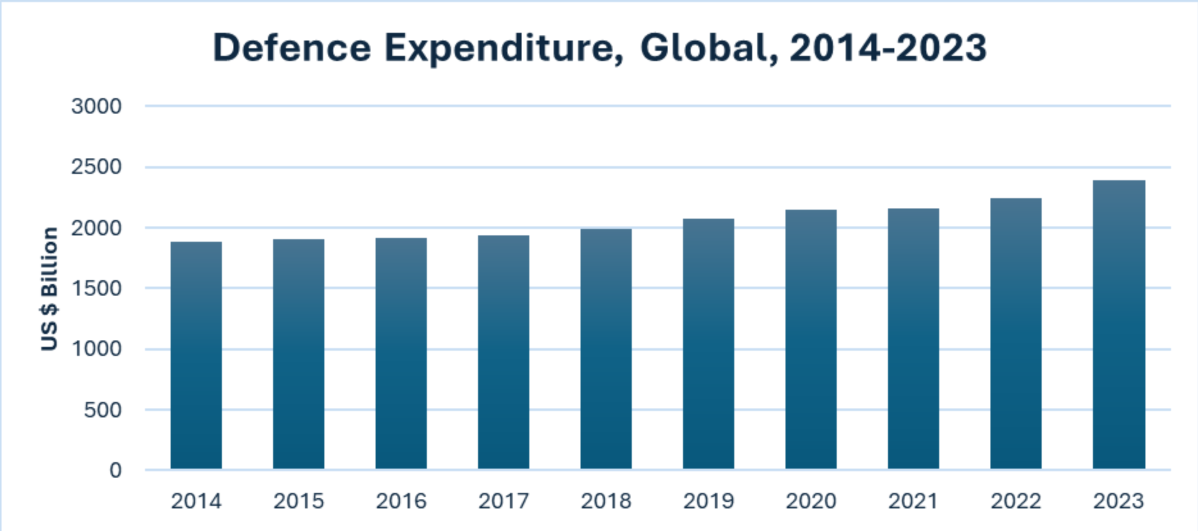


Figure 16: Global Defence Spending (SIPRI Analysis), 2014-2023

The United States and China were the top two contributors, together making up half of the total global expenditure. The ten highest-spending countries accounted for 74% of the total, or $1799 billion—an increase of $105 billion from the previous year. Every country in the top 10 raised its defence budget in 2023.

The US retained its position as the largest military spender, outspending China by a factor of 3:1. China allocated an estimated $296 billion to defence, a 6% increase from 2022, representing 12% of global military spending and half of the defence budget in Asia and Oceania.

Russia's defence budget surged by 24% in 2023, reaching $109 billion, a significant jump of 57% compared to 2014, the year it annexed Crimea. India ranked fourth globally, spending $83.6 billion, a 4.2% increase from 2022 and a 44% rise since 2014. This reflects India's focus on boosting its military readiness, especially amid ongoing tensions with China and Pakistan, and aligns with its push toward self-reliance in defence production. Saudi Arabia was the fifth-largest spender, with its defence budget rising by 4.3% to $75.8 billion, which amounted to 7.1% of its GDP.

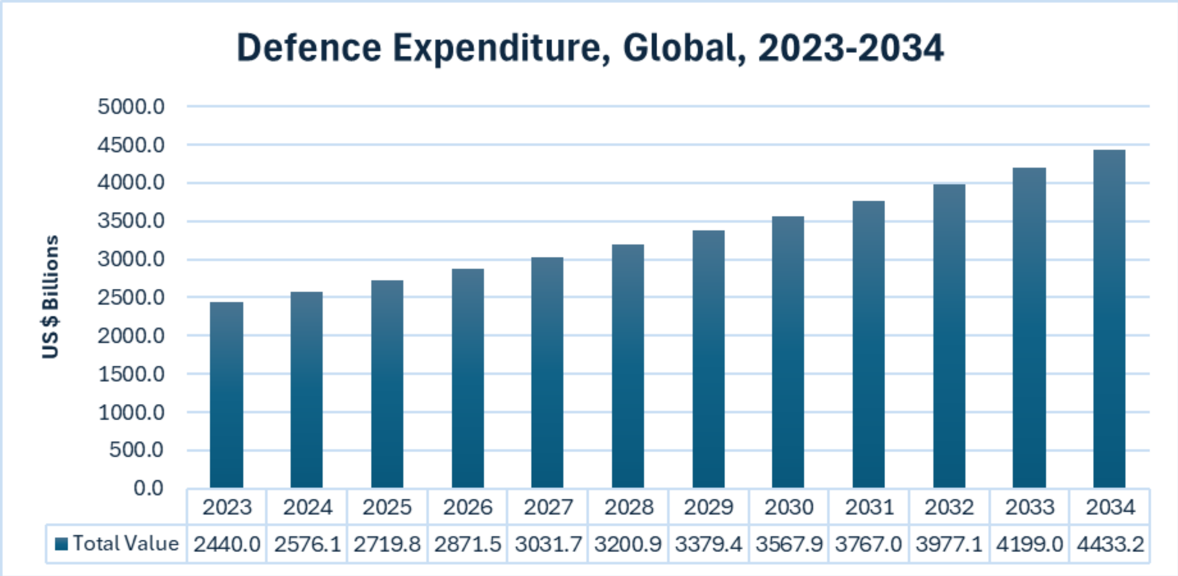


Figure 17:Forecast of Global Defence Expenditure, FY 2023 to 2034. Sources: SIPRI, Frost & Sullivan
The global defence expenditure is expected to grow at a CAGR of 5.61% between 2023 and 2034, and reach US $4433 billion in 2034. The ongoing conflicts in Ukraine-Russia and heightened tensions in the Middle East region have spurred countries to modernize and expand their military capabilities

Indian Defence Spending Analysis
Geopolitical Context

Internal threats

Terrorism in Jammu and Kashmir has posed a significant internal security challenge for India since the late 1980s. However, the government has made notable strides in addressing this issue. Between 2014 and March 2024, terror incidents dropped by 68%[12], from 4,117 attacks (2004-2014) to 1,313 during the later period. Left-Wing Extremism (LWE) has also declined, with Home Ministry data indicating a 50% reduction in violence, a 66% decrease in fatalities, and a 71% drop in security force casualties from 2014 to 2023, compared to the previous decade.

The Northeast region, excluding Manipur, has experienced a similar decline in unrest. Violence dropped by 73%, from 11,121 incidents (2004-2014) to 3,114 (2014-2023)[13]. Deaths among security forces and civilians fell by 71% and 86%, respectively. The Armed Forces Special Powers Act (AFSPA) has been lifted from several districts across the region, including its full removal from Meghalaya and Tripura, and partial removal from Assam, Manipur, Nagaland, and Arunachal Pradesh. The ongoing conflict in Manipur remains a significant obstacle to lasting peace in the Northeast. Since the Meitei-Kuki clashes began in May 2023, over 200 people have lost their lives, with 500 injured and 60,000 displaced.

External threats

Pakistan and China continue to pose persistent external threats to India. In Pakistan's case, the distinction between internal and external threats is often blurred, as terrorists trained in Pakistan are frequently deployed against India in Jammu and Kashmir.

However, China has recently emerged as the more significant threat, driven by its aggressive territorial ambitions, from Ladakh to Arunachal Pradesh. Although the likelihood of another India-Pakistan war in the near future seems low, India must quickly strengthen its military capabilities to address the dual challenges on both its eastern and western borders.

[12] https://indiafoundation.in/articles-and-commentaries/securing-the-nation-against-internal-and-external-threats/
[13] https://indiafoundation.in/articles-and-commentaries/securing-the-nation-against-internal-and-external-threats/

China's collaboration with Pakistan in defence development further complicates matters. The JF-17 fighter, a key aircraft in Pakistan's Air Force, was co-developed with China, and Pakistan has shown interest in acquiring more advanced Chinese fighters, such as the Shenyang FC-31.

China's rapid military expansion is another concern for India. China now boasts the largest naval fleet in the world, with 234 warships, surpassing the U.S. Navy's 219 vessels. This fleet includes larger, heavily armed ships and submarines, as well as corvettes recently assigned to the China Coast Guard.

Adding to India's security concerns are reports of China's interest in establishing a naval base at Hambantota, part of its "String of Pearls" strategy to project power in the Asia-Pacific and Indian Ocean regions. As these external threats grow and potentially converge, it becomes vital for India to enhance its defence capabilities and accelerate the development of advanced indigenous military platforms, driving defence spending.

Defence Spending

India's defence budget has been growing at a rate of 4.2% in the last 5 years, shown below[14]:

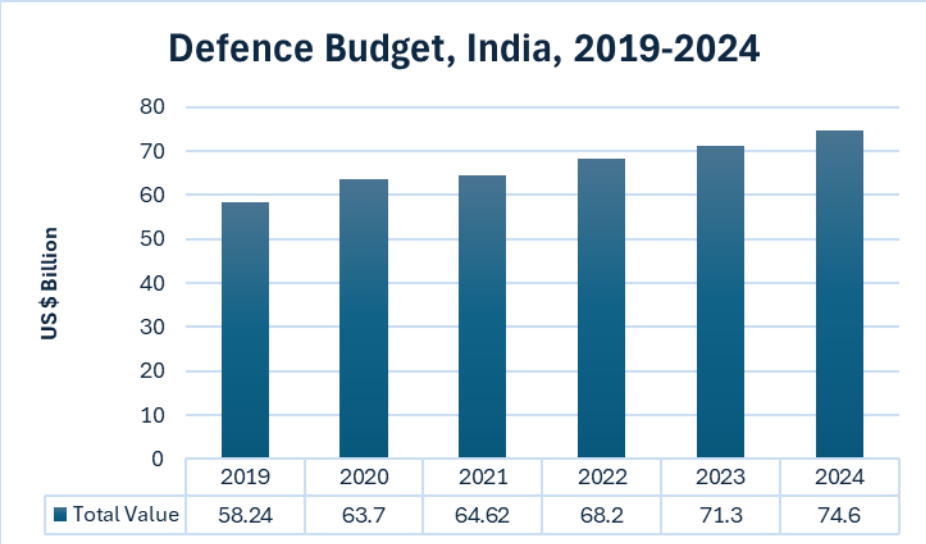
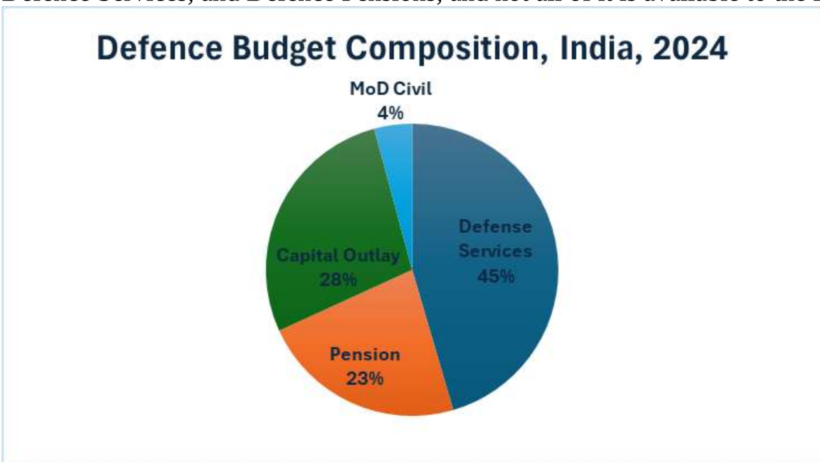


Figure 18: Indian Defence Budget, FY 2019-24. Source: Government of India

The defence budget has four main components: MoD (Civil), Defence Services Revenue, Capital Outlay on Defence Services, and Defence Pensions, and not all of it is available to the industry participants.



Examination of the allocation for different code heads for defence budget of FY 2024 ($ 74.6 B), and their description is the following table:

Code Head	Description	Analysis

[14] India Budget | Ministry of Finance | Government of India

Revenue Expenditure	Defence Services Revenue comprises revenue expenditure of all the 3 services, in addition to expenditure of Ordnance factories, and Research and Development (R&D). The major heads are pay and allowances of serving personnel, transportation, works, stores, special projects, repairs and refits, and miscellaneous expenditure.	• The revenue component amounted to $33.3 / 45% of the total allocation in FY 24. • Most of this budget is not directly available for defence industry participants apart from stores, repairs, and special projects.
Capital Expenditure	The Capital Outlay on Defence Services encompasses all the acquisitions expenditure of the three service in addition to the capital acquisition of ordnance factories, R&D, DGAQA (Director General Quality Audit) and prototype development under the Make procedures.	• The allocated capital expenditure amounted to $20.6 billion / 28 %. in the defence budget • The budget allocation is largely available to the defence industry participant and amounted to $**20.6 billion** /28 %. in the defence budget
MoD (Civil)	MoD (Civil) deals with the expenditure of the civilian personnel in defence services.	• The allocation is not available to the defence industry, and amounted to $3.11 B / 4% in FY 24 budget
Defence Pensions	Defence Pensions is allotted for pension and allowances of retired personnel	• This allocation is not relevant to the market, amounting to $16.95 billion / 23% in FY 24 budget • Various measures are being deliberated to reduce the defence pension outgo which includes increasing the retirement age of the officers and Personnel Below Officers Rank. The move is likely to affect 50,000 personnel and reduce the pension outgo in the medium term

Table 3: Defence budget cost headers and their description

The capital outlay for defence includes expenditure on construction work, machinery, and equipment such as tanks, naval vessels, and aircraft In the 2024-45 Budget, Capital Outlay is set at 28%, remaining below the ideal ratio of 60:40 (revenue to capital expenditure) recommended by the Standing Committee on Defence, with the Army spending over 80% of its budget on revenue expenditure[15].

The Ministry of Defence has also pointed out that there is a shortfall for funding large defence acquisitions. For the period 2021-26, the Ministry estimated to receive $108 billion for capital outlay against the projection of $209.5 billion. Such consistent shortfalls in the capital outlay could hinder the operational readiness and effectiveness of India’s armed forces.

To address the urgent need for modernizing India's armed forces and to mitigate the shortfall in available modernization funds, both the total capital outlay and its modernization components are anticipated to experience significant growth over the next five to ten years.

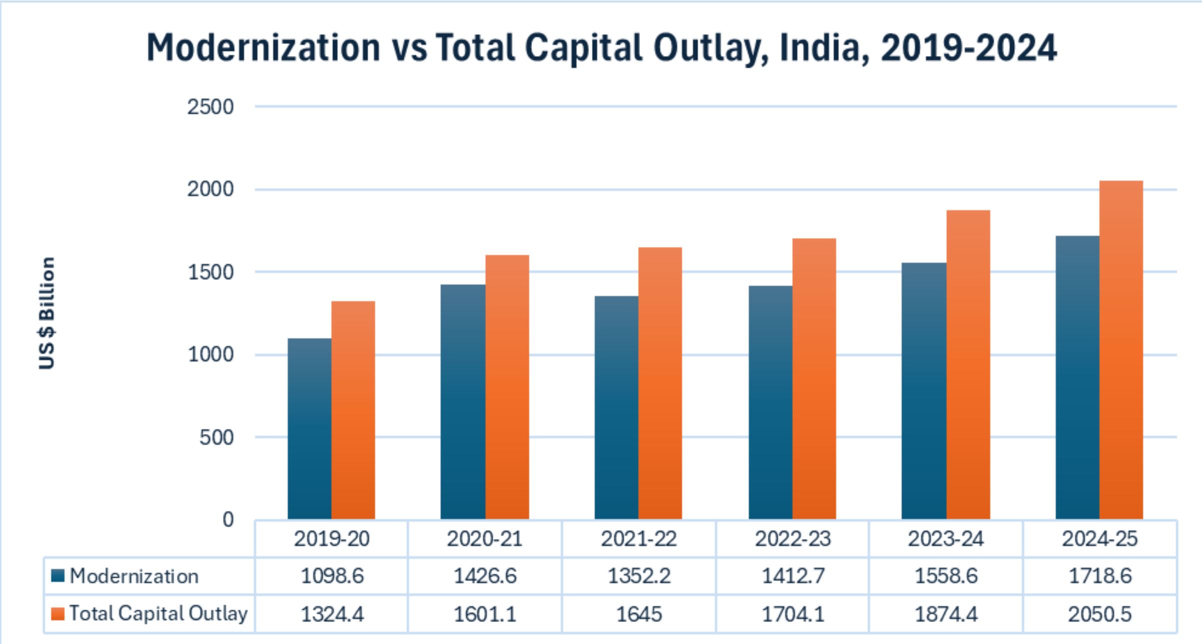


Figure 19: The total capital outlay in defence budget, and the portion used for modernization, FY 2019-2024

The share of the defence budget allocated to R&D has decreased from 4.7% in 2014-15 to 3.8% in 2024-25. Numerous projects by the Defence Research and Development Organization (DRDO) have faced delays, leading to cost overruns, and impacting timely availability of critical capabilities to the armed forces. In the short-medium term, the government is expected to focus on procuring from the private sector, to achieve the dual objectives of indigenization and modernization.

The Agnipath scheme aims to reduce the average service years of armed forces personnel, by recruiting soldiers for a shorter period of four years. Only up to 25% of “Agniveers” will transition to long-term roles, potentially reducing future pension burdens.

Such a scheme that results in reduction of future pension burdens would result in higher appropriations towards the modernization budget, especially for the Indian Army, which currently spends about 70% of its budget on salaries and pensions and only around 8% for modernization.

[15] Demand for Grants 2024-25 Analysis: Defence (prsindia.org)

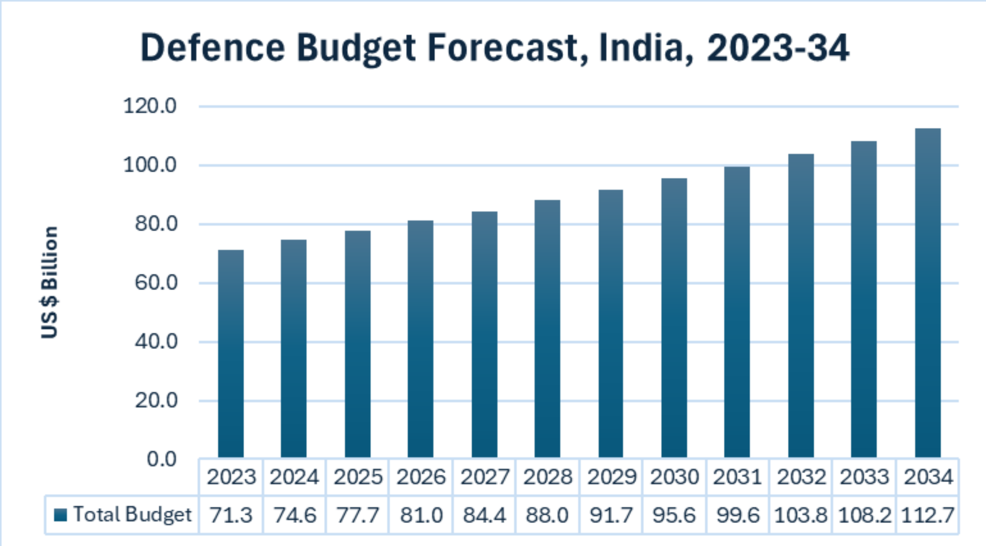


Figure 20: Indian Defence Budget Forecast, FY 2023 to 2034. Sources: Government of India, Frost & Sullivan

India's defence budget is expected to grow at a CAGR of 4.2% between 2023 and 2034, reaching over US $112 billion by 2034. A number of key programs drive the increase in defence budget's capital expenditure, and they include construction of over 100+ warships with the objective of becoming a 175-warship Navy by 2035, expanding fleet of fighter aircrafts to the required squadron strength of 42, and major replacement programs for main battle tanks and infantry combat vehicles.

Analysis of budgetary allocations to each service branch

The Indian Army has the largest budget among the three services – US $ 42.16 billion, with a significant portion allocated to salaries and pension (totally 70%), leaving limited funds for modernization, which only gets around 8% of Army's budgetary allocation. As per the latest revised estimate of 2023-34, Army's modernization funds accounted for only 20% of the total allocation for modernization in the defence budget, reflecting a shortfall in funds. Yet only 15% of Indian Army's equipment are new generation, against the 30% level that the Army requires. The Army needs additional modernization allocations to carry out the replacement of its 2,400 strong T-72 Ajeya tanks, and the BMP-1/2 Infantry Combat Vehicles.[16]

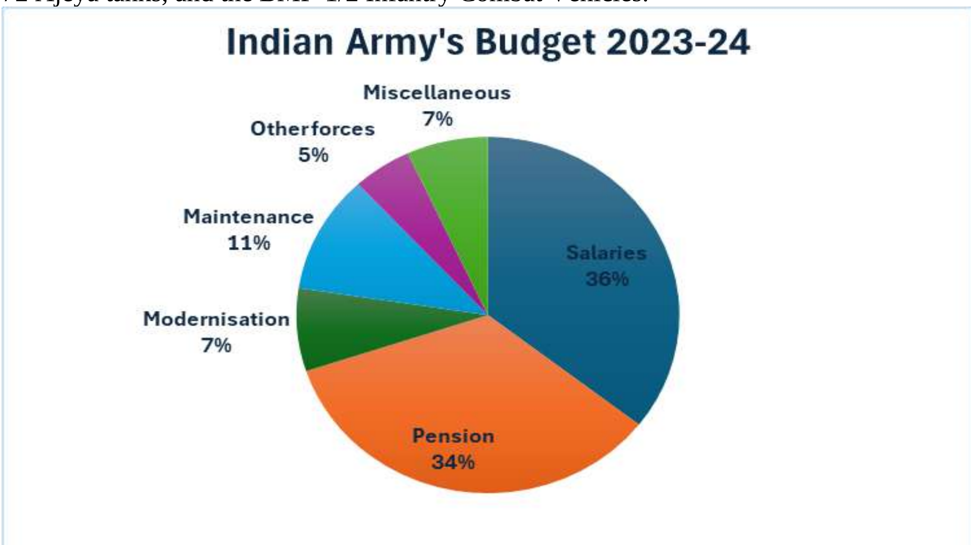


Figure 21: Budget Composition of Indian Army, FY 2023-34 Revised Estimates

The Indian Navy's budget for 2023-24 is around US $12.1 billion. A significant portion of Navy's budget is spent on modernization (48%), with the Navy having multiple programs in the pipeline to induct new warships such as

[16] Demand for Grants 2024-25 Analysis: Defence (prsindia.org)

destroyers, submarines, aircraft carriers. The Navy aims to become a 175-warship navy by 2035, and there has been a significant increase in modernization funding since 2018-19. It is expected to constitute over 37% of the total modernization budget across the service branches.

The Indian Navy has around 43 ships/submarines under construction currently. However, the Standing Committee notes that there's a shortfall of ISR and transport aircraft, both of which have procurement proposals underway.[16]

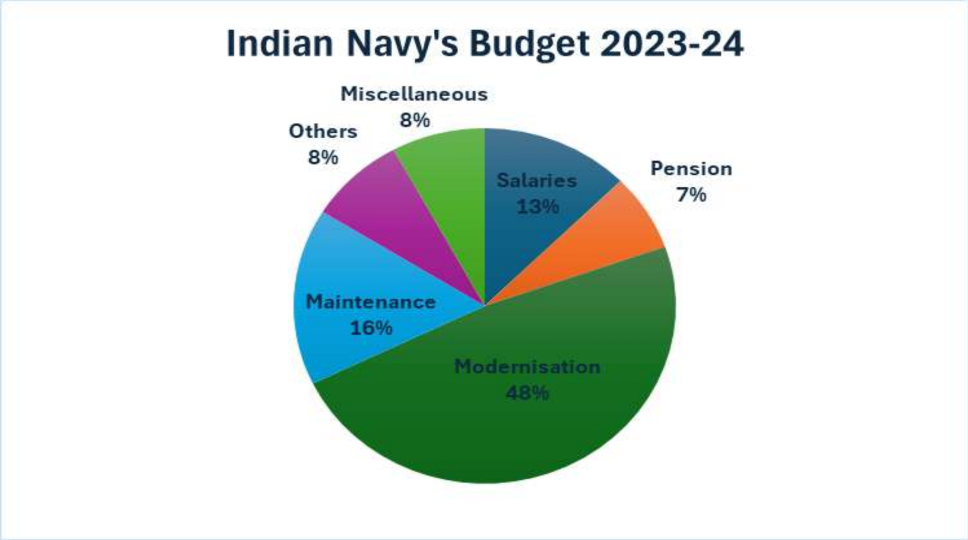


Figure 22: Budget Composition of Indian Navy, FY 2023-24 Revised Estimates

The Indian Air Force's total spending for 2023-24 is estimated at US $15.37 billion, with a significant portion allocated to modernization (43%). Given the sophisticated nature of air weaponry, the Air Force has had to consistently maintain high allocation of funds towards modernization programs.

However, the funds allocated towards modernization is currently insufficient to meet urgent requirements of the Air Force. It currently has only 31 active fighter squadrons against an authorised strength of 42. The current strength of fighter jets may deplete even further, given that the fleet of Mig 21, Jaguar and Mirage 2000 are already overdue for replacement.

The Standing Committee notes that there have been significant delays in procurement of the Light Combat Aircraft – HAL Tejas. It also notes that if the indigenous efforts are unable to provide the Air Force with a satisfactory and timely supply of fifth generation fighters, the government should consider G2G deals to procure 5th gen fighters on urgent basis, similar to how the 36 Rafales were procured. [16]

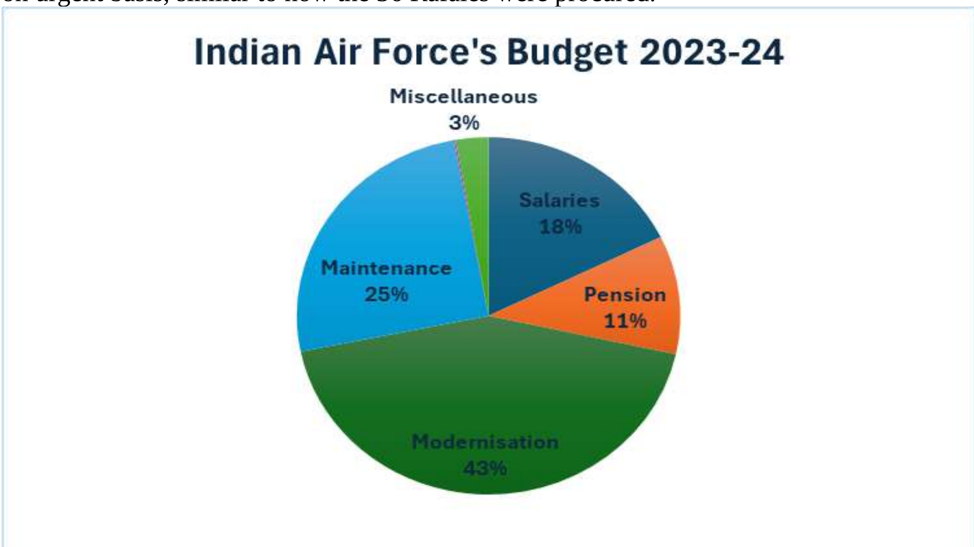


Figure 23: Budget Composition of Indian Air Force, FY 2023-24 Revised Estimates

Major Programs Driving Spending

India is undergoing a significant military modernization, including the acquisition of advanced weaponry such as new rifles, combat aircraft, ammunition, artillery, helicopters, and advanced electronic warfare and air-defence systems. The Indian Army, which has lagged in modernization, plans to complete multiple projects over the next three to seven years. Among these are the indigenous Abhay Infantry Fighting Vehicle (IFV), Arjun MKIII tank, and the TATA Kestrel.

For air operations, 36 Rafale fighter jets were recently acquired, with plans to procure an additional 100 under the strategic partnership model. Additionally, 83 Tejas Mk1 A aircraft will be added to the fleet. The Indian Air Force (IAF) has also recently completed the procurement of Apache and Chinook helicopters from Boeing. By 2035, the IAF aims to deploy 450 fighter jets along its borders with Pakistan and China, with a goal of reaching 42 squadrons. The IAF will further enhance its capabilities with stealthy swarm drones, autonomous unmanned aerial vehicles, and other advanced technologies, moving towards becoming a fully network-centric force.

In terms of naval modernization, as of 2024, India has 50 vessels under construction, including corvettes, aircraft carriers, frigates, destroyers, and submarines. By 2050, the Indian Navy aims to build a fleet of 200 vessels and 500 aircraft to establish a formidable maritime force.

Table 4 - Indian Naval Programmes

IN Programs	Description
Aircraft Carrier Program	• The refitted and modernised former Russian Kiev-class Admiral Gorshkov, commissioned as INS Vikramaditya, is the sole aircraft carrier engaged in flying operations with MiG 29K fixed wing fighter. The modernisation has added a new dimension to the capabilities of the Indian Navy. • INS Vikrant, which was commissioned in September 2022, is India's first indigenous aircraft carrier. The 45,000 vessel has a combination of 30 aircraft, which includes MiG-29K fighters and AEW helicopters (e.g., Kamov Ka-31). • INS Vishal (IAC-3) is a planned aircraft carrier to be built by Cochin Shipyard Limited. Vishal is proposed to be a flat-top carrier with a displacement of 65,000 tonnes and might have a CATOBAR system.
Projects 17 & 17A	• Mazgaon Dock Shipbuilders Limited (MDL) has launched 4 ships of Project 17 stealth frigates that are capable of carrying 2 advanced multi-role helicopters. • The 7 stealth frigates with advanced features and technology upgrades are a part of the Project 17A programme, and are currently under various stages of construction at MDL and GRSE.
Projects 15A & 15B	• Project 15A (Kolkata class) involves the construction of additional Delhi-class guided missile destroyers that have advanced design, stealth, sensors, weapons and land attack capabilities. • Project 15 B (Visakhapatnam class) is an upgraded derivative of its predecessor, the Kolkata class. The first vessel was commissioned in November 2021, with plans to have all four in active service by 2024.
Project 1135.6-Talwar Class	• INS Tej, Tarkash, and Trikand were commissioned as Talwar Class stealth frigates with the replacement of Klub missiles with the BrahMos system. • Two more ships under Talwar class are being built by Goa Shipyard, featuring much higher indigenous content (such as BHEL made 76mm gun and other Indian weapons/sensors).

Project 28 ASW Corvettes	• GRSE, Kolkata has indigenously designed and built 4 stealth Anti-Submarine Warfare (ASW) corvettes with minimised radar profiles for stealth capability.
Carrier Borne Multi Role Fighters	• The 4th generation MiG-29k is now the flagship fighter of the air wing of INS Vikramaditya. Initially, MiG-29K and the naval version of the Tejas were considered for the air wing of the under-construction IAC-1, Vikrant. However, the Indian Navy has begun the search for a Multi-Role Carrier Borne Fighter (MRCBF) for IAC-1. • Global manufacturers have responded to the RFI put out by the Indian Navy, answering questions on technical parameters, level of indigenisation and ToT agreements. Dassault, SAAB, MiG, Boeing, and Lockheed Martin were some of the manufacturers that have been served with the RFI to equip IAC-1, Vikrant, and IAC-2. • The aircraft currently under consideration - Rafale M, F/A-18 Super Hornet, and MiG-29K are twin jet engines, and Gripen is a single engine option. • The MRCBF alternatives are intended to be a temporary solution before the Twin-Engined Deck Based Fighter (TEDBF) initiative is completed. The TEDBF project was sanctioned in 2020, and the Preliminary Design Review (PDR) is expected to be finished by mid-2023. The aircraft will be equipped with GE F414 engines, which are the same engines used in the F/18s. The TEDBF is expected to be introduced by 2031-32.
Maritime Patrol and Recon	• Boeing's Poseidon P-8I, Long Range Maritime Reconnaissance and Anti-Submarine Warfare Aircraft (LRMR & ASW) has been inducted. • With an inventory of 12 P-8I aircraft, the Indian Navy is considering the possibility of acquiring 12 additional aircraft. (Plans have reportedly been shelved, Govt focusing on indigenisation) • The gap between surveillance and reconnaissance has been separated into Medium Range Maritime Reconnaissance (MRMR) and Short-Range Maritime Reconnaissance (SRMR). • The DRDO plans to modify the Airbus C-295 transport aircraft to meet the Indian Navy's requirement for approximately nine Medium Range Maritime Reconnaissance (MRMR) aircraft and the Indian Coast Guard's requirement for about six Multi-Mission Maritime Aircraft (MMMA) • LRDE is developing a lightweight and cost-effective Maritime Surveillance Airborne Radar for evaluation by the Indian Navy for the Indian Navy's Naval Utility Helicopter (NUH) Procurement program
Shallow Water ASW Crafts	• Induction of 16 shallow water ASW crafts has been processed, and the ships will be built indigenously, and is planned to be in active service by 2026.

Amphibious Capability	• The Indian Navy, to augment its amphibious capability, has issued RFI for the procurement of four Landing Platform Dock (LPD), from registered Indian Shipyards. • Multi-role landing platform docks are being considered with private shipyards, such as L&T and Reliance Naval and Engineering Ltd., in the running for the contract.
Fleet Support Ships	• The Indian Navy has exercised the option for one follow-on ship offered in the 2008 order for fleet tankers from the Italian shipbuilder Fincantieri. • The government has also approved the induction of 5 fleet support ships.
Next Generation Missile Vehicles	• The Indian Navy is planning to acquire six advanced missile vessels under the Next Generation Missile Vessels program. These vessels will be equipped with anti-ship or land-attack missiles such as BrahMos. • The total cost of the program is estimated to be ₹ 9,805 crore (US$1.2 billion) for six ships
Software Defined Radio Tactical (SDR-Tac)	• A contract for procurement of SDR-Tac worth over Rs 1,000 crore was signed between Ministry of Defence (MoD) and Bharat Electronics Limited (BEL). The SDR-Tac is a four Channel Multi-mode, Multi Band, 19'' Rack mountable, ship borne Software Defined Radio system. • These systems are designed and developed by a consortium of DRDO, Indian Navy and other domestic agencies and industry.
Acquisition of UAVs	• India is aiming to finalize a historic agreement to buy 31 MQ-9B Predator (Sea Guardian) armed drones from the US under a state-to-state arrangement by March 2023. It is estimated that the procurement would cost around $3 billion. • The Indian government has placed an order for Elbit Systems Hermes 900 StarLiner unmanned aircraft systems (UASs) for the Indian Army and Indian Navy, and the delivery of the UASs will begin in 2024.
Dornier Aircraft (Indian Coast Guard)	• Ministry of Defence and HAL signed a deal for acquiring two Dornier Aircraft for Indian Coast Guard (ICG) with a related Engineering Support package at a total cost of Rs 458.87 crore. The aircraft will be bought under the Buy (Indian) Category.
Trainer aircrafts and ships	• Ministry of Defence signed deals with Hindustan Aeronautics Limited (HAL) and Larsen & Toubro Limited (L&T) to buy 70 HTT-40 Basic Trainer Aircraft & three Cadet Training Ships, at a cost of over Rs 6,800 crore. • The Cabinet also approved the contract with L&T to acquire three Cadet Training Ships from L&T, worth over Rs 3,100 crore under Buy Indian-IDDM (Indigenously Designed, Developed and Manufactured) category.
Multiple equipment purchase – all three branches	• Proposals worth over Rs 70,000 crore for acquiring weapons systems for the military, as part of the Atmanirbhar Bharat policy. The Indian Navy's proposals make up more than Rs 56,000 crore of the total, and mainly consist of the homegrown BrahMos missiles, Shakti EW systems, Utility Helicopters-Maritime and others.

Combat aircraft and helicopter acquisition	• The DAC has approved a budget of Rs 2.23 lakh crore to buy 97 Tejas LCA (Mark 1A) and 156 Prachand LCH • The DAC also approved a proposal of the Indian Air Force to upgrade its Su-30 fighter by HAL
Engineering Support Package	• Defence Ministry signs contract with Bharat Electronics Limited (BEL) - procuring Sarang ESM systems and the related Engineering Support Package from BEL, Hyderabad at a total cost of Rs 412 crore for the Navy.
	• The Ministry of Defence awarded a contract worth more than Rs 1,700 crore to BEL for acquiring 13 Lynx-U2 Fire Control Systems for the Indian Navy under the Buy Indian – IDMM (Indigenously Designed Developed and Manufactured) category. The Lynx-U2 System is a self-made Naval Gun Fire Control System that can precisely track and attack targets in the sea and in the air.
Indian Coast Guard – Training Ship	• Defence Ministry awarded a Rs 310 crore contract to Mazagaon Dock Shipbuilders Ltd (MDL), Mumbai for building one Training Ship for the Indian Coast Guard (ICG) under the Buy (Indian- IDDM) category in New Delhi.
Refitting of submarine INS Shankush	• The Indian Defence Ministry has agreed to a deal with MDL for the Medium Refit with Life Certification (MRLC) of the SSK Class Submarine “INS Shankush” at a total cost of Rs. 2725 Cr.
Project 75I (India) - air-independent propulsion (AIP) submarines	• The Indian Navy’s Project 75 (India), touted as the country’s largest defence acquisition, is a joint venture to build six advanced conventional submarines for the Indian Navy, with a technology partnership between an Indian and a foreign bidder, has seen progress recently • The latest partnership announced for P75 (I) is L&T and Navantia, with Navantia providing the design and AIP system based on its S80 class of submarines. • The project is valued at over 4.8 billion euros (over Rs 43,580 crore)

Table 5 - Indian Air Force Programmes

IAF Programs	Description
Advanced Medium Combat Aircraft (AMCA)	• The HAL Advanced Medium Combat Aircraft (AMCA) is a fifth-generation fighter aircraft development programme. The design agency will be DRDO, and a private industry participant is expected to be hired in the early stages on in the programme. In comparison to previous projects, the inclusion of a private industry participant is a significant change. A total of four prototypes are planned, with the first flight scheduled for 2024-2025. • Since the withdrawal from the Indo-Russian Fifth Generation Fighter Aircraft (FGFA) programme, this is India's only 5th generation aircraft programme.
Tejas Mk I A Light Combat Aircraft (LCA)	• The Cabinet Committee on Security (CCS) cleared the purchase of 83 LCA MK I A (LCA-Tejas) in a deal worth ₹48,000 crore (approximately $7 billion) from the state-run Hindustan Aeronautics Limited (HAL). This is the biggest-

	ever contract awarded to HAL to date. The order comprises 73 fighters and 10 trainers in the next 5 years. The MK 1 A includes upgrades to the Fire Control Radar, EW system, and overall has 40 modifications over and above LCA MK I. This is in addition to initial order of 40 LCA Tejas MK I that am under delivery.
Medium Multi-Role Combat Aircraft Global RFI	• India issued an RFI for procuring 110 fighter aircraft, a program which is often dubbed as MMRCA 2. Six global aviation majors having responded to the RFI for the program. • The six firms involved in bidding for the contract are Boeing (F 18 and F 15), Dassault (Rafale), Lockheed Martin (F 21), Saab (Gripen), Eurofighter (Typhoon), and Russia United Aircraft (MiG-35).
LCA Variant	• After the current acquisition of 83 MK 1 a, there are further plans of inducting around 80 LCA Mark II.
MiG -29 and SU-30 MKI	• After the face off with China, India declared an emergency purchase of 21 MiG -29 and 12 SU-30 MKI from Russia. The MiG -29 are the existing airframes with Russia and the same will be upgraded to meet the same specifications of the current MiG 29 inventory. The SU-30 MKI order is to augments the loss of aircraft which India has suffered in the past due accidents and incidents.
AEW&C Aircraft	• The IAF currently operates IL 76 equipped with Phalcon radar and DRDO Netra aircraft, which uses ERJ 145 as the base platform. The total inventory of around 6 aircraft is woefully short of IAF's requirement. • In December 2020, the DRDO was cleared to modify 6 A320 from the national Indian carrier fleet for AEW role. The planned AEW equipment will be an advancement of the existing Netra radar. The program cost is expected to be $1.5 billion.
AESA/Radars	• DRDO is developing a solid-state gallium arsenide (GaAs) based active electronically scanned array (AESA) radar called Uttam. It is designed to be a low probability of intercept radar and is intended to be installed on the HAL Tejas Mark 1A, HAL Tejas Mark 2, HAL TEDBF, and HAL HLFT-42 aircraft. IAF has already decided to replace the Israeli radar on the LCA Tejas Mark 1A fighter jet with the indigenous Uttam. • Low Level Transportable Radar (LLTR) – Ashwini - ground based rotating Active Phased Array Radar System for air space surveillance. Development and User trials have been completed and accepted for induction by IAF.
Transport Aircraft	• The C 295 program, a joint Tata and Airbus effort, is envisaged to manufacture 56 aircraft in India at a cost of $2 billion, with an additional 15 proposed to be added to the order books. • Additionally, the AN-32 modernisation program will also be a part of the IAF's plans during the period.

	• The latter part of the decade is likely to see an initiation of a new program to acquire medium aircraft for phased replacement of An-32, with the C-295s
Multiple orders from BEL – Equipment and AMC	• BEL Bangalore has signed a contract with the government for supplying EW Suite Equipment for Medium Lift Helicopter (90 Nos.). This equipment is a product of the DRDO lab, Combat Aircraft Systems Development & Integration Centre (CASDIC) • Also, AMC for Akash Missile System for servicing two squadron helicopters. AMS consists of Surveillance Radar, Fire Control Radar, and Control and Command Centre developed by BEL
SU-30MKI Fighter Jets	• Su-30MKI fighter jets: The Indian Air Force has issued a tender to the HAL for buying 12 advanced Su-30MKI fighter jets, which will be manufactured in India with Russian partnership. • The Indian Air Force is also working on a project to upgrade 84 of its Su-30MKI fighters with indigenous weapon systems, advanced radars and avionics
Radar related acquisitions for IAF	• The first contract, valued at over Rs 2,800 crore, is for the delivery of Medium Power Radars (MPR) 'Arudhra' to the Indian Air Force. It is a 4D multi-function phased array radar with electronic steering in both azimuth and elevation for surveillance, detection and tracking of aerial targets. • The second contract, costing around Rs 950 crore, is for 129 DR-118 Radar Warning Receivers (RWR) and will considerably enhance the Electronic Warfare (EW) capabilities of Su-30 MKI. Both projects fall under the Buy Indian – IDMM

Table 6 - Indian Army Programmes

IA Programs	Description
Network-centric Warfare	• Phase 1 of Shakti Artillery, Combat, Command and Control Systems (ACCCS) is completed, with 40% of artillery units equipped with advanced networks. • Tactical Command Control Communication and Information (Tac C3I) systems and Battlefield Surveillance System (BSS) are in the final test phase. EWS, Electronic Signals Intelligence (ELINT), and Air Defence Control and Reporting System (ADC&RS) are in the process of development. Bharat Electronics Limited (BEL) and the Defence and Research Lab at the Centre for AI and Robotics (CAIR) are developing these systems, and it will take 3-to-4 years to for induction of these systems. • The Indian Army also continues to acquire other required elements such as UAVs, weapon locating radars, thermal image intensifiers, night vision systems, and Long-Range Reconnaissance and Observation System (LORROS).

Armour, Artillery and Air Defence	• The Armoured Corps and Mechanised Infantry deployed in the mountains need reinforcement. Roads have been upgraded so that the T-72 tank, and the BMP-2 can be deployed in Ladakh. There is a need to procure a light tank for mechanised forces. A prototype based on the BAE System Combat Vehicle 90 is being evaluated by the DRDO. • T-72 tanks are being upgraded with night vision devices. The indigenous Arjun tank, heavier than the T-90, has a 120 mm gun that can fire APFSDS, HEAT, High Explosive and HESH and the LAHAT missile, which is a semi active laser homing missile with an 8 km range. • In 2019, the 155 mm Dhanush, Howitzer M-777, and the 155 mm self-propelled Vajra were inducted. The long-range Pinaka missile could be inducted in 2022 with user trials underway. • Arjun Mk II is undergoing trials with about 75 modifications. FMBT, codenamed internally as Arjun Mk III is also in development by CVRDE to replace the T-72 fleet. • With 700 BMP-1s in active service, an upgrade is planned for 1,600 BMP-2s with a more powerful 350 HP engine. • Trials for Precision Guided Munitions are being undertaken for artillery upgrades. The Hypersonic BrahMos missile is expected to be inducted by 2022. • The Indian Army is looking to issue tenders for Make in India project to buy the 200 new mounted howitzers. • The Advanced Towed Artillery Gun System (ATAGS) is an indigenous towed 155 mm/52 calibre howitzer that is being developed by ARDE (compatible with Shakti) • DRDO and L&T are developing light tank “Zorawar LT” FRCV, designed to operate at high altitudes which the conventional MBTs aren’t equipped to handle. Indian Army expects to induct 700 of these, which became ready for trials in November 2023. • A 4X4 multi-terrain operative unmanned ground vehicle (UGV) was recently unveiled at an event organized by Army. The Enhanced Collaborative Autonomous Rover System (ECARS) has been developed by Kalyani Strategic Systems Ltd from Pune.
Radars	• Tunnel Detection Radar: Based on Ground Penetration Radar (GPR) technology developed by LRDE with Stepped Frequency Continuous Wave (SFCW) based waveform generation. Hand-held GPR has been reconfigured to meet requirements of BSF. • The Air Defence Tactical Control Radar (ADTCR) is a radar system developed by the DRDO for the Indian Army. It is intended to replace the

	existing INDRA and P19 radars and is designed for volumetric surveillance, detection, tracking, and friend/foe identification of aerial targets of different types. • The QRSAM system is required to provide air defence cover to mechanised columns on the move. Development has been completed and User Trials are in progress. • Air Defence Fire Control Radar (ADFCR) – Atulya - effective point defence against all air threats at short and very short ranges. Design and development and a major portion of the User Trials have been completed. • Tactical Airborne Platform for Aerial Surveillance-Beyond Horizon-201 or TAPAS BH-201 – is a medium-altitude long-endurance UAV being developed by DRDO (similar to Predator) and has completed flight testing, ready for user evaluation trials. Its development has involved Tech Mahindra and MSMEs as well.
Arjun MK-1A MBT	• The defence ministry placed an order worth ₹ 7,523 crore for 118 locally made Arjun Mk-1A tanks • The new tank will come with 72 upgrades over the existing variant including 14 major improvements, enhancing its firepower, mobility and survivability.
High Altitude Tactical Drones - SWITCH	• An Indian company, ideaForge, has secured a $20 million contract from the Army for an unknown quantity of the upgraded version of SWITCH tactical drones, which are designed to operate in high altitude regions like Ladakh.
Multiple equipment acquisition – software systems and communication satellites	• The first deal with BEL is for buying the Automated Air Defence Control and Reporting System 'Project Akashteer' for the Indian Army, which costs Rs 1,982 crore. • The second deal with NSIL, Bengaluru, is for acquiring an advanced Communication Satellite, GSAT 7B, which will offer High Throughput Services to the Indian Army at a total cost of Rs 2,963 crore.
Integrated Electronic Warfare Systems - Himshakti	• Ministry of Defence awarded a contract worth around Rs 3,000 crore to Bharat Electronics Limited (BEL), Hyderabad, for acquiring two Integrated Electronic Warfare Systems under the 'Project Himshakti'

OPPORTUNITIES AND MARKET PROSPECTS

Electro Optic Systems

Deployment of EO systems continues to grow, particularly in the land domain, where lower costs and improved performance of light optical and TI sensors are creating new opportunities. When this is combined with the use of AI and ML to automate intruder and target detection, then the improvements in efficiency and the reduction in crew and staff costs are major drivers.

In general, the performance of EO systems is achieving an adequate level, with focus being more on enhancing signal processing, target detection and reducing cost. Key technologies include the manufacture of the sensor arrays, the optical components, and the image processing software.

Airborne applications are well covered by the major players as part of integrated SA systems for pilots and observers, and for weapon targeting. Developments are likely to be in LWIR sensor arrays and in the application of AI to reduce operator load and to shorten the OODA cycle in air to air and air to ground combat.

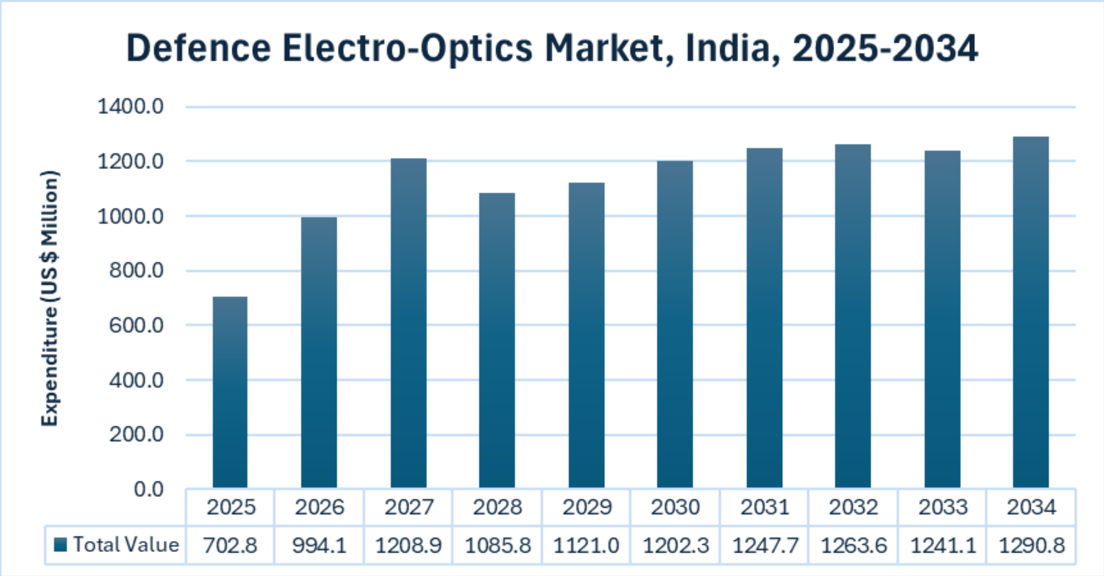


Figure 24: Forecast for Indian Defence Optics Market, FY 2025 to 2034

The Defence Electro-optical and infra-red (EO/IR) payload market in India is expected to grow from $0.702 billion in 2025 to over $1.29 billion in 2034. The cumulative value for this market is valued around US $11.35 billion between 2025 and 2034.

The expansion of Indian Air Force's multirole fighter squadron, with plans for additional orders of Tejas Mark II, and development of indigenous fifth generation fighters – AMCA and TEDBF will be a major growth driver, along with the acquisition and domestic development of ISR aircrafts. The modernization of Indian Army's infantry weapons and armoured vehicles, which will be fitted with Night Vision Sights, are also expected to drive the expenditure on EO/IR[17].

Table 7: Upcoming programs requiring EO/IR payloads

Upcoming Program	Number of platforms with EO/IR payloads
Future Ready Combat Vehicle	~ 1770 (590 units in first phase)
Future Infantry Combat Vehicle	~ 1750 (total)
Light Tank Programme (Zorawar)	~ 354
HAL Twin Engine Deck Based Fighter	~ 70 (Estimated based on future requirements)
HAL AMCA	~ 125
HAL Tejas (Mark 1 & Mark 2)	~ 293
Netra AEWCS (Upgraded Variant)	~ 12

Apart from the above-mentioned programs, there are various indigenous Unmanned Combat Air Vehicle (UCAV) and ISR UAVs that are being developed, such as DRDO Ghatak, DRDO Rustom and HAL CATS Warrior[18]. These programs would likely see orders to the tune of ~200-250 over the long term.

C-UAS Market

This is an area of rapid change in many aspects from sensor through decision making systems to effectors. Sensors include EO systems and radars, with the major challenges being the detection of small targets in a ground clutter environment. Performance of the EO sensors is already adequate, though cost reductions are likely to be necessary for broader deployment, but the target detection challenge remains. AI and ML techniques are the focus of much effort currently to automate the detection of incoming UAVs and drones. A variety of radar types are being deployed in this application, mainly with advanced ESA antennas to reduce SWaP and improve deployability.

[17] Microsoft Word - MOD ACQ WING TPCR 2018

[18] IAF to acquire 6 Tapas drones, lead acquisition for Made-in-India UAVs | External Affairs Defence Security News - Business Standard (business-standard.com)

Again, the target challenge remains, with Doppler techniques generally favoured, but challenged by the differentiation of small drones against birds. Similar learning techniques are being developed as the nature of the threat changes, as seen in the Ukraine.

Decision making systems generally continue to have a human in the loop, but it may be necessary to reconsider this as response times can be very short, given the difficulty of target detection. Again, AI techniques are likely to be needed, but specifically optimised for this application. Integration into tactical and border defence C4I systems is evolving rapidly.

Effectors fall into three categories, projectile, RF and laser.

Projectiles can range from expensive missiles through to shotgun pellets, and can include nets and similar snagging devices to down the incoming drone or UAV threat. Existing gun and missile systems are being used once sensors are updated to permit detection of small UAVs and to respond to reduced reaction times. The cost of missile solutions makes them very unattractive to defeat smaller UAVs and drones, but sometimes are the only solution immediately available to defend high value targets.

RF effectors generally attempt to defeat the onboard electronics, the radio command link, or navigation systems such as GNSS. Significant RF energy is required for the first option, but much less can defeat the link or navigation, given the relative positions of the controller and the target. Work continues on all solutions, and deployed systems range from man portable very local solutions to extensive area defence integrated networks.

Laser weapons are attractive as the cost per shot is extremely low, being essentially the cost of the electricity used in the laser system, but are expensive to develop and deploy and do not yet offer sufficiently high laser power output for full effectiveness. The USA in particular has several programs to develop much higher power lasers using three different technologies, and these are being pursued with urgency. Direction and focus of such lasers in the real world has been difficult in the past, but recent developments have improved the situation.

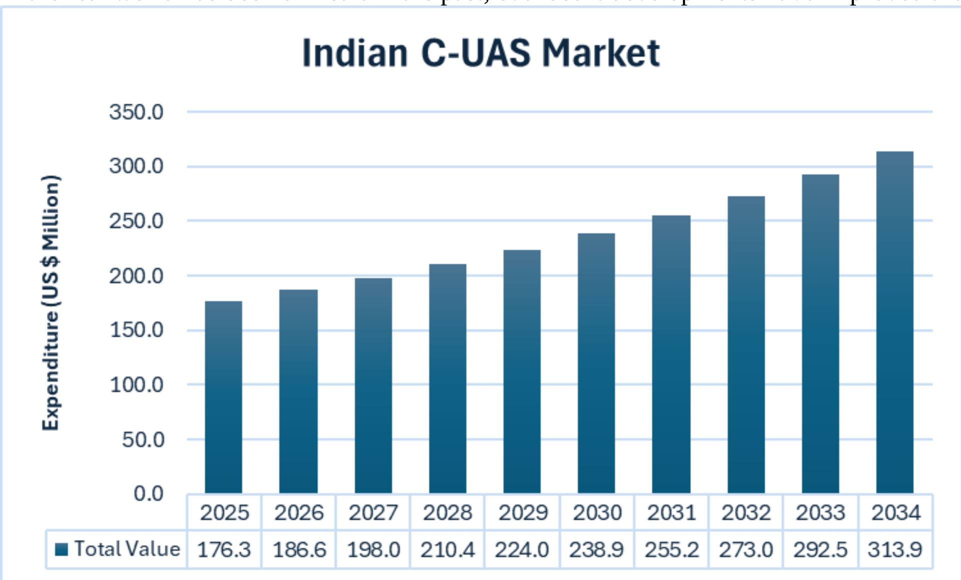


Figure 25: Forecast of Indian Counter UAS Market, FY 2025-2034. The forecast includes only man/vehicle portable systems with soft kill capabilities

The global counter unmanned air systems (C-UAS) market (for all type of platforms) is projected to grow by 5-6x between 2025 and 2034. Indian C-UAS market (for man/vehicle portable systems) is at a nascent stage and is expected to reach US $314 million by 2034, with a total addressable market value of **US $2.368 billion** between 2025 and 2034.

The major driver for growth in this market is the proliferation of asymmetric drone warfare in various armed conflicts across the world. Russia, for example, has invested heavily in electronic warfare (EW) capabilities since the start of the Ukraine-Russia conflict. Reports suggest a distribution of at least one major EW system per 10 km of front, primarily used for non-kinetic defeat of Ukrainian UAS[19].

[19] Meatgrinder: Russian Tactics in the Second Year of Its Invasion of Ukraine (rusi.org)

Indian armed forces have recognised the growing need for investing in C-UAS systems, to protect borders, airbases, armoured vehicles and critical infrastructure. The Indian Air Force has already acquired some systems to protect its airbases[20], and has released RFIs for acquiring additional man-portable and vehicle portable C-UAS systems[21]. The Indian Army has also started acquiring both handheld units and long-range surveillance systems for borders, with Chennai-based Big Bang Boom Solutions (BBBS) winning two contracts from the Army and the Air Force to supply 25 units of long-range "Vajra Sentinel" C-UAS each[22]. The Navy considers drones as lower-level aerial threats, and use conventional air defence systems (hard-kill) for countering drones.

With the Indian government's push for self-reliance in defence manufacturing, there are significant opportunities for local companies to develop and supply C-UAS systems, as the market is still developing. Apart from BBBS, companies such as Axiscades are already supplying man-portable C-UAS to the Indian Army[23].
Apollo Micro Systems has also secured an order for procurement of a Vehicle Mounted Counter Swarm Drone System (VMCSDS) (Version I) under the Make II category of DAP-2020[24].

The recent spike in orders for C-UAS systems, primarily won by smaller private players, indicate growing opportunities for Paras Defence. The trend also shows a preference for C-UAS with soft kill capabilities, as they're generally more efficient and effective in dealing with smaller sized drones. Critical Infrastructure sites (such as airports, nuclear power plants, oil refineries) also prefer microwave-based C-UAS systems as they're less destructive than hard-kill technologies.

Upcoming opportunities include further orders from Indian Army to supply C-UAS systems for border security, expected orders for vehicle mounted C-UAS from both the Army and Air Force[25].

Defence Electronics Market

The Defence Electronics market in India is experiencing significant growth, driven by efforts to boost domestic production and reduce dependence on imports, particularly in light of rising geopolitical tensions with China. The defence electronics sector is set to expand further due to rapid advances in the semiconductor market, with the ongoing global supply-demand imbalance playing a key role. The COVID-19 pandemic intensified reliance on IT infrastructure and reshaped global defence alliances, resulting in increased demand across both industries. India has also been actively working to attract electronic chip manufacturers, as advanced semiconductors are critical for defence applications. Taiwan remains a major global supplier of these components.

A key area of growth for India's defence electronics sector is the development and integration of more advanced Intelligence, Surveillance, and Reconnaissance (ISR) systems, especially radar technologies. Many Indian combat aircraft currently operate with passive electronic scan array radar systems, which will soon be replaced by indigenous Active Electronically Scanned Array (AESA) radar systems. The Electronics and Radar Development Establishment (LRDE) has recently developed an AESA radar for combat aircraft with 95% locally sourced content. Aircraft like the Tejas Mark 1A, Sukhoi Su-30 MkI, and MiG 29-K will transition from passive to ESA radar systems, with new Tejas jets expected to feature AESA technology by default. A similar trend is anticipated for the Indian Navy.

Additionally, evolving threats such as faster missile systems are driving the need for upgrades in surveillance and missile defence radar systems, both on military platforms and at defence bases. Precision approach radars at many bases, now over two decades old, also require modernization. This shift from passive to active scan radar technology will create new opportunities for the production, assembly, and integration of advanced electronic radar systems.

[20] Indian Air Force installs advanced counter-UAS systems for air base protection - Unmanned airspace
[21] RFI-CUAS.pdf (indianairforce.nic.in)
[22] Indian Army, IAF to procure C-UAS with soft-kill capabilities (janes.com)
[23] AXISCADES begins delivery of Advanced Counter Drone Systems under a landmark order of ₹100 crore from the Indian Army - Axiscades
[24] Apollo Micro Systems surges 5% on securing Make II project from Indian Army | News on Markets - Business Standard (business-standard.com)
[25] RFI-FOR-VEHICLE-MOUNTED-CUAS.pdf (indianairforce.nic.in)

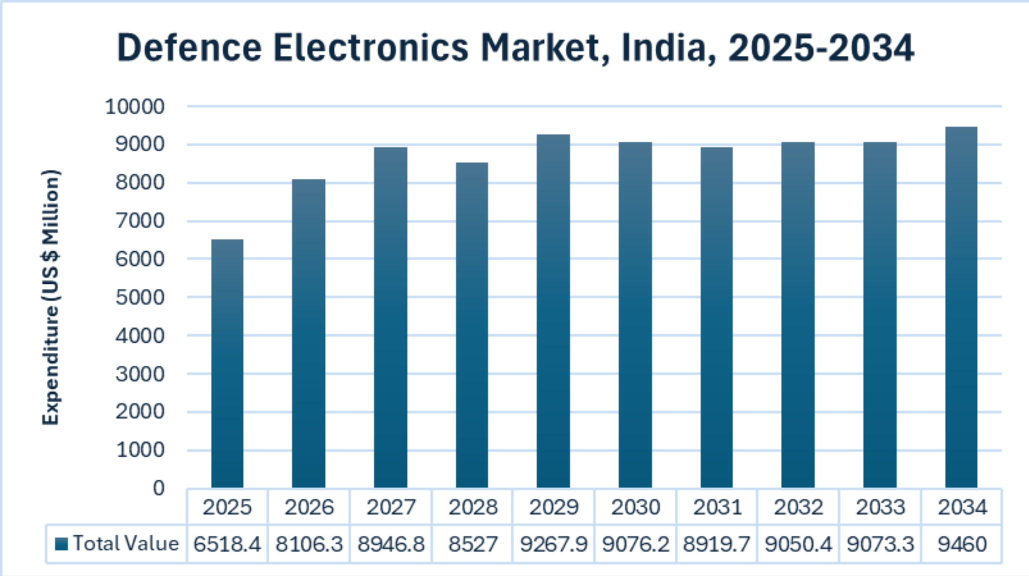


Figure 26: Forecast for Indian Defence Electronics Market, FY 2025 – 2034

The Indian Defence Electronics market is expected to grow from ~ US $6.5 billion in 2025 to ~ US $9.4 billion in 2034. The cumulative market opportunity is expected to be valued around US $86.9 billion between 2025 and 2034.

The Indian government is heavily promoting indigenization in defence electronics, with platforms across land, navy and air pushing for greater indigenous content as major modernization and expansion programs are on schedule.

Defence Electronics make up to 30-35% the cost of most platforms used by the Indian Armed Forces – therefore, platform recapitalization programmes across all three forces such as new combat aircraft acquisition, expansion of submarine and aircraft carrier fleet, and T-72/BMP replacement will be key contributors to future market valuation of this product segment.

The Ministry of Defence is pushing for greater indigenous content in existing programs such as 70% for LCA Tejas, 60% for AIP submarines, 75%+ for aircraft carriers and guided missile destroyers, 50%+ for future infantry combat vehicles. This would result in greater market opportunities for private players, both as direct contractors for the programme and in many sub-contracts from the main contractor (such as BEL, L&T etc). Example: Taneja Aerospace was recently selected as a sub-contractor by BEL for the installation of SARANG Electronic Warfare Suite on 12 units of Kamov-31[26].

Electro Magnetic Pulse (EMP) Protection Market

EMP hardening has become more critical in recent times to protect high-value military platforms, and critical communication networks from EMP attacks. Governments are particularly prioritizing the protection of critical infrastructure like the power grid through collaborative efforts between public and private sectors, following directives to assess vulnerabilities and enhance resilience. There is also a push for translating military-grade EMP defences to civilian applications, addressing both direct threats and broader infrastructural vulnerabilities. The weaponization of space is also driving the demand of EMP hardening from the space sector. Detonating an atomic weapon in space can cause a surge of charged particles to disrupt the functioning of electronics on board satellites, rendering them useless. This is a high growth and specialized sector with only a few companies present.

[26] Microsoft Word - Intimation under Regulation 30. (bseindia.com)

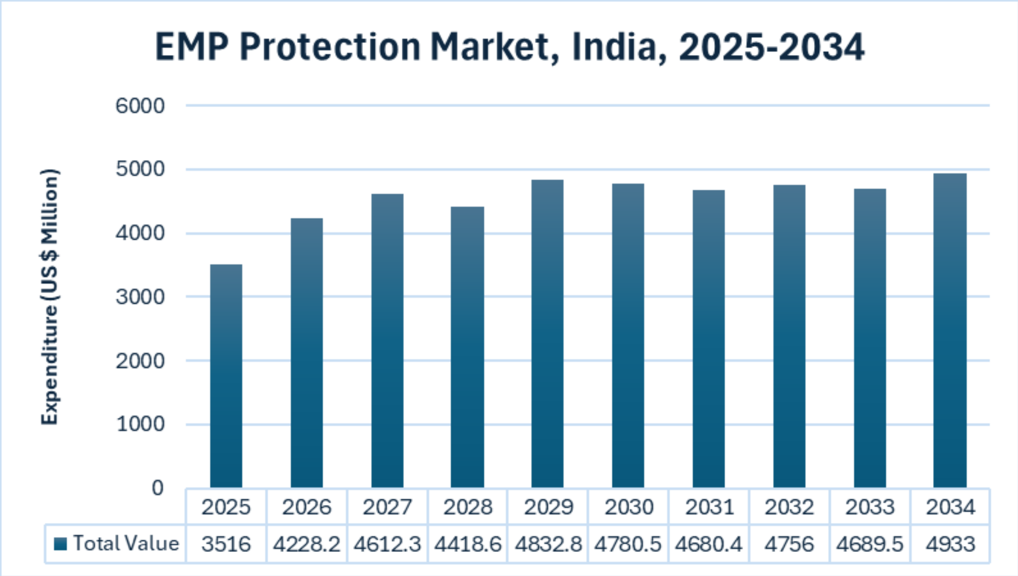


Figure 27: Forecast for Indian Defence Electromagnetic Pulse (EMP) Hardening, FY 2025 to 2034

The EMP Protection segment is closely tied to the Defence Electronics segment. The segment will grow from around US $3.51 billion in 2025 to around US $4.93 billion in 2034, with a cumulative value of over US $45.4 billion in 2034.

Development of advanced EMP Protection technologies such as EMP shields and Faraday cages is expected to be closely integrated to platform design and will demand greater investments in this segment.

China currently possesses EMP weapons such as the high-altitude electromagnetic pulse (HEMP) weapons designed to paralyze electronic infrastructure–such as telecommunications, electronics in military platforms, missile controls and industrial control systems[27]. India is also pursuing research and development in EMP weapons, with DRDO having a program for Directed Energy Weapons, in collaboration with private players[28].

Border Surveillance Market

Border Protection is moving away from traditional fences and walls and towards high technology solutions, that enable more effective monitoring and interdiction of hostiles. Troop limitations and patrol frequencies can be reduced through the adoption of technological solutions such as towers with electro optic payloads, motion sensors and remote weapon systems.

Modern borders are equipped with multi-layered sensor systems, including motion detectors, infrared sensors, seismic sensors, and acoustic detectors. These sensors enhance situational awareness by detecting human movement, vibrations, and even tunnelling activities in remote border regions.

Autonomous towers equipped with cameras, radar, and thermal sensors are being deployed along borders for 24/7 monitoring. These towers are often solar-powered, can operate in extreme conditions, and provide real-time alerts of suspicious activities without human intervention.

High-tech "smart" fences equipped with motion detectors, cameras, and electronic alarms are becoming more common. These fences provide real-time alerts and can be integrated with command centres to monitor illegal crossings or potential intrusions. IoT-enabled devices allow for the integration of multiple surveillance systems, such as cameras, drones, and sensors, into a single, cohesive monitoring network.

Artificial Intelligence (AI) is also transforming border protection with its ability to analyze large volumes of data in real-time. AI-powered cameras and sensors can automatically detect suspicious activities, unauthorized crossings, or potential threats, enabling faster and more accurate responses.

[27] China's High-Altitude Electromagnetic Pulse Weapons: A Threat to US Cybersecurity and Nuclear Deterrence - The Henry M. Jackson School of International Studies (washington.edu)

[28] content.indd (drdo.gov.in)

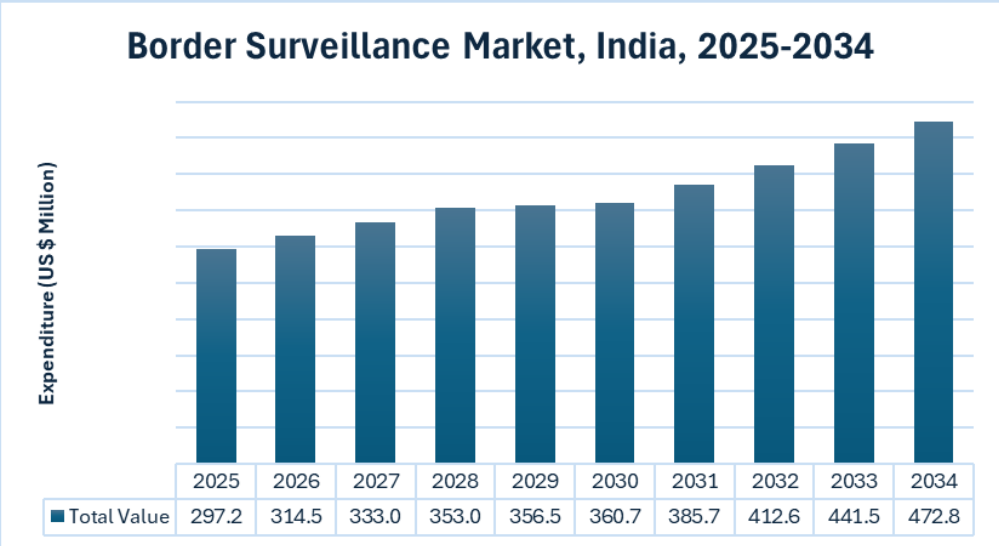


Figure 28: Forecast of India's Border Surveillance Market, FY 2025 to 2034

India's land borders with Pakistan, Bangladesh and Myanmar are major ongoing projects, wherein fencing, surveillance systems (EO/IR and Radar), remote weapons stations and border towers are expected to drive the border surveillance market from around US $297.2 million in 2025 to US $472.8 million in 2034. The total cumulative value of the market is valued to be ~US $5.3 billion between 2025 and 2034.

India's border fencing project with Myanmar is expected to be completed within a decade, with a budget of over $ 3.7 billion (including construction of border roads).

Other borders are expected to be upgraded with EO/IR surveillance systems, Perimeter surveillance radars, border towers with remote controlled weapon stations, similar to the Integrated Fixed Towers being built up along the US-Mexico border. India also plans to put up "smart fences" along certain stretches of its borders with Pakistan[29] and Nepal[30].

POSITIONING OF PARAS DEFENCE

Over the past few years, Paras Defence has consolidated its product portfolio, with a focus on positioning itself well for critical defence programs in India and abroad. A look at the competition in the six key segments – electro optics, defence electronics, EMP hardening, C-UAS, border protection indicates that whilst several competitors exist, few cover the entire breadth of solutions as Paras Defence does.

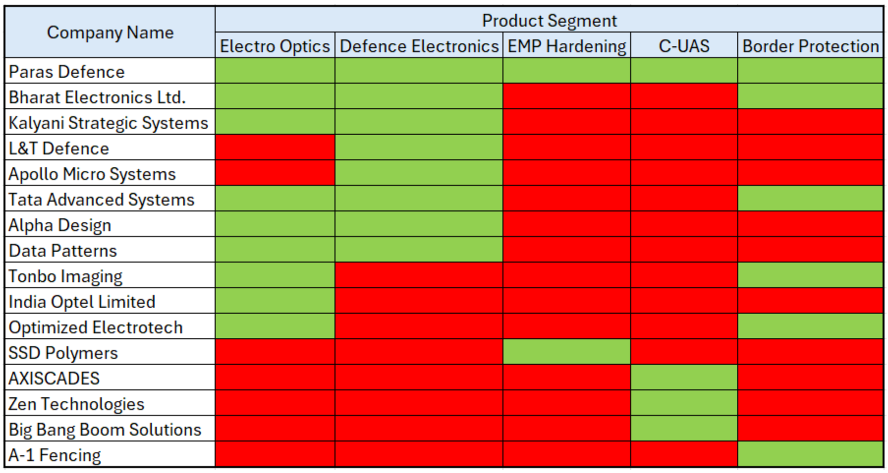


Figure 29: Product Portfolios: Paras Defence and Competitors

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[29] Smart fencing for Indo-Pak border in Gujarat (newindianexpress.com)
[30] indianewsnetwork.com/20201102/indo-nepal-border-to-become-more-secure-with-laser-walls-

Legend	
	Capability Present
	No Capability

Electro-optics is a crucial segment due to its vast opportunities across defence platforms. Nearly every major platform incorporates some form of electro-optic technology—ranging from a single payload on a tactical UAV to multiple systems supporting ISR and targeting on naval vessels. Within the segment, Paras Defence has developed strong niche capabilities – for example – in developing optical periscopes for submarines; the firm is emerging as one of the few companies with this capability; the firm is perhaps the only company in Asia that offers this niche capability, and India's leading supplier. Furthermore, Parad Defence has secured an important contract from the Instrument Research & Development Establishment (IRDE), part of the Ministry of Defence and DRDO. The contract, granted on January 30, 2024, focuses on the design, optimization, fabrication, and qualification of optical periscopes for Integrated Combat Systems (ICS) in submarines. The firm also benefits from its partnership with the leading Israeli firm Controp that excels in the electro optics segment. Other milestone developments in the segment include being the only private Indian company that has developed a hyper-spectral camera, which is suited for space missions.

Defence electronics is another high opportunity segment that Paras Defence is rightly focusing on. As private defence primes and DPSUs in India start focusing more on R&D and specializing in platform and systems development, more electronic sub-assemblies will be procured from companies like Paras Defence. The EMP protection segment is also rapidly growing with several governments emphasizing that electronic equipment used in critical national infrastructure, disaster detection and management systems needs to be EMP hardened. Weaponization of space is driving the development of satellites that are EMP protected and can withstand the barrage of charged particles that might be set off if a nuclear weapon is detonated in space. Frost & Sullivan's survey of the Indian market indicated that Paras Defence perhaps commands the leading position in this segment in the Indian market.

C-UAS and border protection are other segments that are particularly important for India. The wars in Ukraine and Gaza have set new paradigms for the ubiquitous use of FPV drones in combat. Low cost UAS and FPV drones are likely to be favoured munition or ordnance delivery systems for terrorists and the Indian military will have to buy several C-UAS systems to secure its borders and critical national infrastructure. India is also expected to adopt more technologically advanced solutions for border security and the solution developed by Paras Defence seems well suited for that requirement.

Overall, Paras Defence now operates across several interconnected segments, enabling the transfer of technologies between them. This strategic positioning allows for the creation of bespoke, long-term solutions, positioning the company to capitalize on emerging high-value opportunities in India and eventually command a large market share in the segments in which it operates.

BUSINESS

Please read "Financial Information" on page 216 before reading this section. This section should also be read together with "Risk Factors", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Summary Of Financial Information" and "Financial Information" on pages 34, 104, 71, 27 and 216, respectively. This section contains forward-looking statements. Actual results of our Company and our Subsidiaries may differ materially from those expressed in or implied by these forward-looking statements. See "Forward-Looking Statements" on page 13 for a discussion of the risks and uncertainties related to those statements and "Risk Factors" on page 34 for a discussion of certain factors that may affect our business, financial condition, results of operations or cash flows.

Unless stated otherwise, all financial information is presented on a consolidated basis, and such financial information corresponding to (i) Fiscals 2024, 2023 and 2022 has been derived from the Audited Consolidated Financial Statements, and (ii) the three months ended June 30, 2024, and June 30, 2023 has been derived from the Unaudited Interim Consolidated Financial Statements. Our financial year ends on March 31 of every year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year.

Certain information in this section includes extracts from a report by Frost & Sullivan titled 'Defence Sector Analysis' dated September 20, 2024 (the "F&S Report"), which has been exclusively commissioned and paid for by us in connection with this Issue. The relevant industry sources are indicated at all relevant places within this section. For more information, see "Risk Factors — Risks Relating to Business — Industry information included in this Preliminary Placement Document has been derived from an industry report prepared by Frost & Sullivan and exclusively commissioned and paid for by us for such purpose." on page 34. None of our Company, the Book Running Lead Manager or any other person connected with the Issue has independently verified all the information contained in the F&S Report.

Overview

Paras Defence & Space Technologies offers a wide range of Products & Solutions for Defence & Space Applications. With focus on Defence & Space Sector we have two verticals of our business, namely Optics & Optronic Systems (comprising of Optical Components, Opto-Mechanical Assemblies & Optronic Systems) & Defence Engineering (comprising of Defence Electronics, EMP Protection Solutions & Heavy Engineering).

We are involved in Technologies for Rocket & Missiles, Space & Space Research, Naval Systems, Land & Armoured Vehicles, Electronic Warfare & Surveillance, Electromagnetic Shielding etc., for Defence & Space Applications. Along with this, through our subsidiaries and associate companies, we are involved in technologies such as Drones, RF & Microwave, Anti-Drone Systems, EO/IR Systems for Avionic Platforms, Thermal Solutions for Space & Quantum Communication amongst others.

Paras Defence & Space Technologies has in-house capabilities and facilities to Design, Develop, Manufacture, Integrate and Test various components, sub-systems and systems in the domain of Optics, Electronics, Mechanical, Software, Electrical, RF & Microwave etc. technologies. Our focus on technology development and R&D distinguishes us as a true IDDM company in the Indian defence industry. We have a vibrant team working on developing future technologies and providing cutting-edge solutions for our customers.

We have two manufacturing facilities in Maharashtra, one located at Nerul in Navi Mumbai and the second at Ambernath in Thane. Our Nerul facility is an advanced nano technology machining centre for producing high quality optics, ultra-precision components. Our Nerul facility is engaged in manufacturing of Optics, Optical Systems & Assemblies, Design, Development, Manufacturing and Integration of Electronic Systems and EMP protection products and solutions. Our Ambernath facility is engaged in manufacturing of heavy engineering products such as flow-formed motor tubes, vacuum brazed cold plates, titanium structures and assemblies, large and heavy dynamic structures with built-in automation, indigenously designed and manufactured flow-forming machines and mechanical racks, cabinets and consoles for various defence applications. Our manufacturing facilities at Nerul and Ambernath have been accredited with quality management system certificate for compliance with SAMAR-Level 4, ISO 9001:2015 while our Nerul Facility also has AS9100:2016 certification. We are also in the process of expanding our manufacturing facility located at Nerul in Navi Mumbai, Maharashtra.

Head office and manufacturing unit at Nerul, Navi Mumbai

Manufacturing unit at Ambarnath, Thane

We have diversified our products and solutions mainly due to our research and development ("**R&D**") and technical capabilities. Our R&D capabilities include product design, product engineering, product simulation, prototyping and testing. Our R&D activities are mainly undertaken at our centres at Nerul in Navi Mumbai, Maharashtra and Bengaluru, Karnataka. Our R&D centre at Nerul is recognised by DSIR. Our research activities are focused on creating new products and solutions which are customised to meet customer expectations and end-user preferences and also improving our production processes and improving the quality of our existing products. With our R&D capabilities, we are currently developing several new products and solutions, such as Submarine Periscopes, Hyper-Spectral camera for Space, ARINC-818 based avionic display and other technologies. Our focus on R&D distinguishes us as one of the leading IDDM category company in the Indian defence industry. Recently, the Ministry of Defence, Government of India ("**MoD**") has announced the Defence Acquisition Procedure, 2020 ("**Defence Acquisition Procedure**") which focuses on significantly boosting indigenous production and turning India into a global manufacturing hub of weapons and military platforms. This is expected to provide a boost to indigenous defence companies such as ours and we believe that with the expertise and technological know-how that we have, we are poised to take advantage of the expected growth in India's defence industry.

We derive most of our revenues under the contracts from the Government Organisations and associated entities such as defence public sector undertakings and government organizations involved in Defence & Space research. Our customer base includes Government Organisations, notable Indian public and private sector companies along with Foreign Companies. Further, we have partnered with international players such as Controp Precision Technologies, Israel to provide our customers in India with Electro-Optic products and technologies for defence applications. We have been and are currently associated with some of the critical projects in India and abroad.

Our consolidated total income was ₹8,415 lakhs for the three-month period ended June 30, 2024, and ₹26,176.99 lakhs, ₹23,065.02 lakhs and ₹18,553.41 lakhs for the fiscal years ended March 31, 2024, 2023 and 2022 respectively. Our consolidated profit after tax was ₹1,411 lakhs for the three-month period ended June 30, 2024, and ₹3,003.79 lakhs, ₹3,594.04 lakhs and ₹2,707.73 lakhs for the fiscal years ended March 31, 2024, 2023 and 2022 respectively.

Our Strengths

We attribute our growth and continuing success to the following competitive strengths:

We offer a wide range of products and solutions for both defence and space applications

We offer a wide range of products and solutions for defence as well as space applications. As of June 30, 2024, we have a wide range of products and solutions, with multiple variations in each category. For details of our products and solutions portfolio, see "*Our Business - Our Products*" on page 147. We believe that offering high-quality products and operational execution focused on continual improvement supports our ability to offer a wide range of products and solutions.

We are a leading IDDM category private sector company in India which caters to two verticals of our business, namely Optics & Optronic Systems (comprising of Optical Components, Opto-Mechanical Assemblies & Optronic Systems) & Defence Engineering (comprising of Defence Electronics, EMP Protection Solutions & Heavy Engineering). offering one-stop solution to all our customers. We also have the capabilities across C4ISR segment and through our subsidiaries expand our capabilities in the area of RF & Microwave, Thermal Solutions for Space and Quantum Technologies. Further, as a supplier to government organizations involved in space research, our Company has been a part of most of the earth observation and space exploration missions since 2018. Our R&D and technological capabilities have helped us in diversifying our products and solutions. Our collaboration with Controp Precision Technologies, Israel enables us to further expand our products and solutions portfolio.

Our wide range of products and solutions catering to specific customer needs enable us to successfully service core strategic sectors in India such as defence and space in India. This allows our customers to source most of their requirements from a single vendor and enables us to expand our business from our existing customers base, as well as address a larger base of potential customers. Our ability to provide end-to-end solutions to our customers ranging from designing, developing, manufacturing and testing increases our capability to meet specific and exclusive requirements of our customers. Apart from the above, our Company's horizontal integration makes us well positioned to undertake turnkey projects in the defence sector while also being capable of supporting major tier 1 Indian defence suppliers.
Apart from the above, our diverse products and solutions portfolio enables us to distribute our revenue across various verticals instead of excessive dependence on a particular product, vertical or customer.

Strong R&D capabilities with a focus on innovation

We place strong emphasis on R&D, which has helped us develop a wide range of products and solutions in the defence and space sector. We have invested in precision manufacturing infrastructure and human resource in our dedicated R&D centres located at Nerul in Navi Mumbai, Maharashtra, and Bengaluru, Karnataka. Our R&D centre at Nerul is recognised by DSIR. As of June 30, 2024, we have employed 50+ engineers and officers at our R&D centres.

We have had several significant achievements in R&D. For instance, we have successfully developed and delivered technologies/products such as Submarine Periscope, Hyper-Spectral Imaging Camera, Remotely controlled surveillance and defence system amongst others.

Our focus on R&D also distinguishes us as a leading IDDM category company in the Indian defence industry since most of our products and components are designed, developed and manufactured by us in India. We believe R&D will be a crucial strength in remaining competitive in the years to come.

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

Our R&D centre at Nerul is recognised by DSIR and we fall within category of IDDM, the highest category in the priority of categorization under Defence Acquisition Procedure since most of our products and components are designed, developed and manufactured by us in India.

India is witnessing path-breaking reforms in the defence sector. There have been many updates in the Defence Acquisition Procedures in the favour of Make In India and Atmanirbhar Bharat. This procedure focuses on significantly boosting indigenous production and turning India into a global manufacturing hub of Defence Technologies with a focus on Indigenisation. This procedure has been aligned with the vision of the Government's Aatmanirbhar Bharat (Self-Reliant India) initiative and to empower Indian defence industry through 'Make in India' projects. We believe that this policy will provide a significant boost to indigenous manufacturing companies such as ours and that with our domain expertise, R&D Focus and manufacturing capabilities, we are poised to take full benefit of the same. For instance, the Department of Military Affairs, MoD has prepared 5 Positive Indigenisation Lists as of now, which restricts import of various Platforms, Systems and Components, there-by giving a motivation to the Indian & Overseas Industry to manufacture these technologies in India. Some of the products listed in the Import Embargo List such as EMP Racks, EMP filters used for protection of data and power lines within a rack / shelter / room against electro-magnetic pulse or interference are currently manufactured by us. This not only helps us increase our foothold as a supplier for products which are currently manufactured by us, but also gives us an opportunity to expand our existing products portfolio by engaging into new technology development.

In line with the Atmanirbhar Bharat and Make in India initiatives of the Government, We have partnered with Controp Precision Technologies, Israel to provide world-class and proven Electro-Optical Systems for various platforms like Land, Armoured Vehicle, Naval, Aerospace, UAVs and Drones

With it's inherent capabilities, Paras has always been working inline with Govt. of India's initiative of Make In India and Atmanirbhar Bharat. Our all-round capabilities have allowed us to offer home grown technologies by import substitution. This approach has built multiple technical capabilities in the company making us capable of developing cutting edge technologies as well as partner with Global Companies to manufacture their unique technologies in India.

Strong relationships with a diverse customer base

We have a diversified customer base which ranges from Government organizations involved in defence and space research, to various defence public sector undertakings tovarious private Indian companies.. and also international customers We believe that our established heritage of experience in designing, developing and manufacturing components for diverse customers in defence and space sector, has enabled us to develop a deep understanding of the sectors and customers' requirement. Our partnership with overseas technology companies also enables us to serve as manufacturing partner for global customers of such companies.

A key focus of our business is on providing high quality products and solutions which are designed, developed and/or manufactured to meet the specific requirements of our customers at competitive pricing. We are committed to enhancing customer satisfaction by continually improving the effectiveness of our quality management system to drive organisational performance. We upgraded our quality systems to meet AS9100:2016 requirements. We also aim to provide our customers with quality after-sales service by efficiently handling after-sales support requirements. By doing so, we believe that we can deepen our customer relationships and become their preferred suppliers. We are also continually innovating and working on offering value added and technologically advanced products and solutions to our customers. Partnering with our key customers to co-develop products and solutions strengthens our relationship with these customers. Going forward, we believe that there is likely to be an increase in demand for our products and solutions on account of the Government's Atmanirbhar Bharat and Make in India initiatives that is expected to increase defence production in India. Our long-standing relationship with our customers and goodwill in the industry will help us to become their most preferred supplier in a likely event of exponential increase of demand. We have also increased our presence across multiple cities in India for marketing and better serve our customer throughout the project life cycle including after sale services.

We have an experienced management team

Our experienced management team is a major driving force behind the Company's sustained performance. All of our management team members are either with our Company for a long time or are industry veterans bringing in high level of domain expertise and extensive intra-industry relations. The management team is led by our Promoter, Sharad Virji Shah, who is also the Chairman and Non Executive Director of the Board has over 44 years of experience in the industry and Munjal Sharad Shah, our Managing Director, who has over 26 years of experience in the industry.

Further, our key management personnel possess extensive management skills, Technical Expertise, operating experience and industry knowledge and are able to formulate business strategies, take advantage of the market opportunities and also execute them in an effective manner. Our key management personnel are committed to our long-term growth and have shown their ability to steer us through different economic cycles. In addition to our key management team, we believe that our middle management team and our skilled work force comprising of a large number of engineers and skilled employees provide us with the depth of expertise and capabilities required to manage our business. We believe that our qualified and experienced management team and technically skilled employee base have contributed to the growth of our operations and the development of in-house processes and competencies. Through cooperation with leading international companies, we believe that we have not only adopted world class technical know-how but also assimilated international management practices and corporate governance standards in our operations. For details, see the section entitled "*Board of Directors and Senior Management*" beginning on page 160.

Our Business Strategy

Our business strategy emphasizes the following elements:

Strengthen our foothold in India's expanding market

In addition to benefiting from the overall growth that is expected in India's economy and defence and space sector, we believe we can strengthen our foothold in Indian market by continuing to focus on our competitive strengths and increase our market penetration. We believe we can expand our market share by focusing on increasing our products and solutions portfolio, enhancing our existing capabilities and indigenising advance foreign technologies. Recent initiatives of the Government i.e. "Atmanirbhar Bharat Abhiyan", the Defence Acquisition Procedure and "Make in India" reflects its focus on 'self-reliance' wherein indigenisation and innovation is enabled through processes of 'Make', 'Design and Development' and 'Strategic Partnership'. We believe that expanding our products and solutions portfolio by designing, developing and/or manufacturing new products and solutions will enable us to establish new customer bases and enhance business prospects. Apart from the above, we believe that we can also capture an increased market share by expanding our presence across various cities in India, especially from the perspective of marketing and after sales services.

Continue to focus on R&D

We believe that our focus on R&D has been critical to the growth of our business and has improved our ability to cater to specific requirements of our customers. As a result, we are continuously investing in technology, equipment and manpower to achieve customer satisfaction. We believe our focus on innovation and development will be crucial to remaining competitive. We believe that high-quality, innovative and technology-driven products and solutions will provide us with early-mover advantages and higher profit margins and continue to help us to capture unique customer requirements. This will also enable us to become a preferred supplier of our customers, thus giving us the opportunity to consolidate our position with our customers and increase our value for their requirements. As part of our efforts towards R&D, we have set-up two R&D centres at Nerul, Navi Mumbai in Maharashtra and Bengaluru, Karnataka employing 50+ engineers and officers, to undertake research, develop and experiment new designs, technologies and equipment.

We are also constantly exploring opportunities to collaborate with leading overseas technology companies around the world, which among others benefits, allows us to work on next generation technologies. We also intend to increase our product centric R&D by exploring opportunities in designing, engineering and/or manufacturing products such as hyper & ultra spectral cameras for drones and space, UAVs, and anti-drone systems.

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

In order to grow our business, we intend to further diversify our products and solutions portfolio through R&D and partnering with overseas technology companies with specialized technologies in the field of defence and space sector. We believe this will allow us to offer a wider range of products and solutions in response to our customers' needs and thereby strengthen our relationship with our customers across a range of product segments. We also believe that expanding the range of our products and solutions will enable us to further diversify our offerings (thereby reducing reliance on only limited product portfolio) and increase our revenues.

We also continue to pursue growth by expansion into opportunistic areas. We currently have 7 subsidiaries engaged into diverse technologies such as Drones, Anti-Drone Systems, Thermal Solutions for Space Applications, Quantum Technologies and Heavy Engineering Solutions for Railways. These subsidiaries have their respective development teams who are involved into developing diverse solutions which further expands the company's product portfolio. Our partnership with Controp Precision Technologies, Israel introduces us and our customers to a variety of Electro-Optic Systems for Land, Armoured Vehicle, Naval, Aerospace, Drones & UAVs applications.

Increasing our reach in the international market

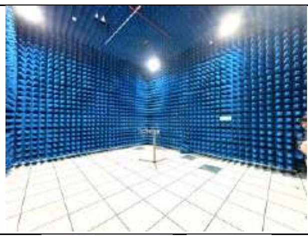
We primarily cater to the requirements of the Indian market. Through our extensive experience and proven track record, we are strongly positioned for providing products and solutions to international customers. We will continue to focus on our existing markets in Israel and South Korea and intend to provide our products and solutions to markets in the United States and Europe. We have recently executed orders from the United States for manufacturing IR Lens and we hope our deliveries will generate further business) We believe that our engagement with suppliers, OEMs and partners under the Make in India program will enable us to interact with a diverse range of foreign customers. We also intend to enter into partnership agreements with experienced individuals/entities to explore business opportunities in new international markets. We have delivered our first optics order from United States of America. We believe that our quality deliveries to our customer, will further increase our exports to the United States, which is one of the biggest optics market in the world.

Our Products

We have made a transition from a component manufacturer to a complete system manufacturer over the past year or more, where we could collaborate our strengths and build complete systems involving Optics, Electronics, Mechanical & Software. These are all integrated systems which do not have any business conflict with our existing customers and offer the company long term business prospects along with year-on-year growth.

Leading Products of the Company are listed below;

Submarine Periscope These are the eyes of the submarine. These are complex optical systems that comprise of multiple optical channels along with precise control and high definition imaging engine.	
Hyper-Spectral Imaging Camera for Defence and Space Applications These are high performance cameras meant for high resolution wide band imaging currently being used for Defence & Space applications	

Electromagnetic Protection Solutions From ElectroMagnetic Pulse (EMP) Protection to High Performance Anechoic/Semi-Anechoic Chambers to Integrated Antenna Test Ranges, We offer wide range of Turnkey Electromagnetic Protection Solutions	
Border Defence System The border defence system comprises of Surveillance Station, Weapon Station and Control Unit which work in tandem to offer prevention of un-authorised entry of personnel across border and secured establishments.	  
Optical Systems for Defence & Aerospace Applications Stabilised Electro-Optical Systems with high end field proven performance on various platforms for Land, Armoured Vehicle, Naval and Avionic Applications	
Optical Cameras for Drones & UAVs High performance, Light Weight cameras for Drones & UAVs	
Avionic Suite for Saras MK-II Complete avionic suite along with Auto-Pilot for Saras MK-II aircraft platform.	

Along with complete integrated systems, we continue to serve our existing customers with components and sub-systems for their integrated systems. We have built our growth strategy in a way that we try and avoid a conflict of business interest with our existing customer.

We retain our position of being No. 1 company manufacturing Optical Components such as IR Lenses, Optical Diffractive Gratings, Optical Domes, Large Size Optics for Space, Gyroscope Components, Metal Mirrors, Opto-Mechanical Assemblies etc.

As an established Defence Electronics Industry, we continue to offer world class Rugged Control Systems, Command & Control Consoles, High Performance Embedded Computers, Rugged Displays, Ruggedised COTS (Commercially Off The Shelf) Systems etc.

In Heavy Engineering division, we offer exclusive Mechanical products such as Flow-formed Tubes, Aluminum Cold Plates, Titanium Assemblies, Large Dynamic Platforms, Racks & Consoles etc.

In our turnkey EMP Protection solutions, we manufacture all the components in-house such as Shielded Doors, EMP Racks, EMP Power Line Filters, Waveguides & Airvents etc.

We have been granted 3 India Patents, one each for EMP Protected Rugged Display, Shock/Vibration Proof Heavy Duty Console and ElectroMagnetic Pulse Protected Rack

Our Customers and Suppliers

We have long standing relationships with most of our customers. Our customer base ranges from, government organizations involved in defence and space research to various defence public sector undertakings. Further, we supply our products and solutions to private companies. However, in such cases, the ultimate end user in most cases is the MoD or the DoS. Additionally, we also serve international customers. Government organizations involved in defence and space research and Defence PSUs are the most significant customers in terms of value of orders.

Typically, the procurement by government related entities takes place through a tender process. In the tender process, the customer initially issues an expression of interest ("**EOI**") publicly and usually on its website. As a response to the EOI, bidders such as our Company, sends proposal bidding for the particular contract, typically without specific price information. Based on such proposals, the customer then issues a request for information ("**RFI**") with specific requirements, pursuant to which only certain suppliers apply who can satisfy such requirements. The customer then issues a request for quotation or tender documents, pursuant to which suppliers send the detailed proposal including the price quote. Thereafter, the customer conducts a technical evaluation and price evaluation. The lowest bidder satisfying the technical criteria (L1 and in some cases L1 and L2) is decided based on all costs including logistics, warranty and servicing. Finally, the customer issues a purchase order based on which the supplier will provide the products and services. Under the terms of the purchase orders we receive, bullet payments are made at the time of delivery on proof of dispatch, proof of receipt and inspection of the products. The final products are delivered as per the delivery schedule under the purchase orders. Our customers mention specifications of the products and we are required to supply the products in accordance with such specifications.
We provide a warranty period for our products (typically 12 months from the date of acceptance of products). Any manufacturing defects in our products during the warranty period are required to be repaired or replaced by us at our expense. Depending on the customer, we are also required to provide performance bank guarantee. Any delay in the supply of goods may lead to the levy of liquidated damages or invocation of the performance bank guarantee by our customers. The value of the performance bank guarantees ranges from 5% to 10% of the contract value.

We undertake procurement of raw materials from various sources with the suppliers selected on a purchase order basis. We are in the industry for over four decades and have a pool of long-standing suppliers. Further, when selecting new suppliers, we take into consideration their reputation, product quality, price, reliability, infrastructure, delivery time and credit terms.

Our Facilities

Manufacturing

As of June 30, 2024, we have two manufacturing facilities located at Ambernath in Thane, Maharashtra and Nerul in Navi Mumbai, Maharashtra.

Location	Work undertaken	Year of commissioning	Leased/owned	Land Area (sq. feet)	Constructed Area (sq. feet)
Ambernath (Thane, Maharashtra)	All mechanical activities in the Company	2009	Long term lease (95 years from May 1, 2008)	232,167	25,428
Nerul (Navi Mumbai, Maharashtra)	All optics activities in the Company and Defence electronics and EMP Solutions activities including all integration activities.	2005	Long term lease (95 years from September 1, 1974)	43,593	20,820

Both of our manufacturing facilities are accredited with quality management system certificates for compliance with ISO 9001:2015 requirements while our Nerul Facility has been accredited for AS9100:2016 certification. Further, each of our manufacturing facilities have the ability to manufacture a wide range of products, which provides us with the necessary flexibility to cater to changing demands in the market, thereby avoiding dependence on any one product category or location.

In addition, for certain of the processes across our business verticals such as laser cutting, anodising, surface treatment and electroplating involved in the manufacturing process of all the products, we outsource such processes to our developed partners and sub-contractors who have dedicated facilities for such processes. We ensure efficiency in our business activities by such outsourcing. Further, as a result of such outsourcing, we maintain spare capacity on our production floor to cater to any urgent requirements of our customers.


Flow-forming Machines


CNC Machine Workshop


CNC Grinding & Polishing Setup


NC Grinding & Polishing Setup


Single Point Diamond Turning Machines


Optical Coating Setup


Cabling & Harnessing Setup


System Integration Setup


All-Round Testing Setup

R&D facilities

Our R&D activities are mainly undertaken at our facilities at Nerul in Navi Mumbai, Maharashtra, and Bengaluru, Karnataka. Our R&D facilities at Nerul, Navi Mumbai is recognised by DSIR.

Our R&D activities are focused on innovating and creating new products and solutions, and also on improving our production processes and the quality of our products and solutions. Our focus on technology development and R&D distinguishes us as a leading IDDM category company in the Indian defence industry as most of our products are designed, developed and manufactured in India. Set forth below are details of our R&D activities:

a. <u>Optics</u>: We are the only Indian company with the design capabilities for space-optics and opto-mechanical assemblies.

b. <u>Electronics</u>: We are involved in extensive research in defence electronics with current efforts in areas including remotely controlled weapon station, electronics time fuze and Arinc-818 based avionic display.

c. <u>Heavy Engineering</u>: We are doing extensive research in flowform shells for *inter alia* space rockets, cold plates, titanium assemblies.

d. <u>EMP</u>: We are involved in R&D activities to develop EMP filters for various Current ratings and signals. Currently, we are involved in research for shielding of DG sets and vehicles etc.

As of June 30, 2024, our R&D team comprises of 50+ engineers and officers and they have in-depth knowledge of the design and engineering of our products. We believe that our R&D team is capable of developing a wide range of products, upgrading products with combat operational capability and operational performance and maintaining a pipeline of products to meet our future needs.

Design & Development Team

We have partnered with Controp Precision Technologies, Israel in order to manufacture their Electro-Optic & Infra-Red (EO/IR) Systems in India for domestic as we as International markets. We might explore this partnership to co-develop products in the future.

Infrastructural Facilities

Electricity

All of our manufacturing facilities, R&D facilities, branch offices and the Registered and Corporate office draw electricity from the local power distribution companies' system. In addition, all of them, are equipped with diesel generators which provide back-up power in certain areas in the event of break downs or power grid failure.

Water

Our water requirements are met by the respective state water boards in Ambernath, Navi Mumbai, Thane, and Bengaluru.

Quality Assurance

We focus on product quality in our manufacturing operations and believe that this is essential for client satisfaction and for sustainable and profitable growth of our Company. We have received an ISO 9001:2015 accreditation for our quality management system and our Nerul facility is accredited for AS9100:2016 certification. Further, our R&D centre at Nerul is recognised by DSIR. Paras has been SAMAR Certified for Level-4 (System for Advance Manufacturing Assessment and Rating (SAMAR) is a benchmark to measure the maturity of defence manufacturing enterprises.) We strive to regularly improve our systems to ensure that we are always in line with the latest technology and changes in national and international standards.

We have established an in-house testing infrastructure, which helps us to monitor our quality management and to meet quality requirements of our customers. As of June 30, 2024, we employed 19 personnel for quality control functions across our operations.

Sales and Marketing

Our marketing strategy is structured as a customer-centric approach wherein our business decisions revolve around the needs of the customer and takes advantage of regular interaction with customers by utilising their feedback and guidance to assess the product's lifecycle and anticipate future applications for our current technologies. Our customer centric approach and our track record of successful projects have earned us a reputation of a dependable partner of our customers for their future programs. We also participate in defence and space exhibitions and conferences and undertake seminars to showcase our products and services as part of our promotional activities.

Human Resources

As of June 30, 2024, we employed 488 full-time employees and 85 contract labourers across India. In addition to our full-time employees, we frequently hire workers on a contractual basis, largely for manufacturing and sales. A breakdown of our full-time employees as of the dates indicated:

Function of Employees	June 30	March 31		
	2024	2024	2023	2022
Operations and Manufacturing	360	348	335	122
R&D	47	40	21	20
Corporate functions and services	60	57	64	35
Sales and marketing	21	20	23	14
Total	488	465	443	191

Our management policies, working environment, career development opportunities and employee benefits are instrumental in maintaining good employee relations and employee retention. We identify, develop and retain our talent through an array of initiatives which include talent acquisition, learning and development, compensation and benefits, employee engagement and performance management. Our Company manages our payroll system and ensures that we adhere to the relevant employment laws and statutory requirements. The team has also implemented a process to evaluate our employees annually based on their performance to ensure that our staff are duly recognized and rewarded for their work.

Insurance

Our operations are subject to risks inherent to the engineering and manufacturing industry, such as work accidents, storm, fire, tempest, earthquake, flood, inundation, explosions including hazards that may cause severe damage, including the physical destruction of property, breakdown of machinery and other force majeure events. We are subject to losses resulting from defects or damages arising during transit of our products.

We maintain insurance coverage, in amounts which we believe are commercially appropriate, including insurance in relation to directors' and officers' liability, storm, fire, tempest and other special perils, all industrial risks, such as leakage and contamination, spontaneous combustion and breakdown of machinery. We also maintain coverage under a marine cargo policy insuring our products during transit.

We believe that our insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance.

Transportation

Typically, our products are shipped directly to our customers. In certain cases, our customers may directly pick the goods at our own facilities. The mode of transportation for a particular shipment include road, water and air to deliver our products to our customers based on mutually agreed terms and conditions and on the urgency, size and value of the order. We have arrangements with local as well as national carriers and transport companies for transportation of products. Further, we also engage third-party logistics services providers to provide support on our transportation requirements.

Health, Safety and Environment

We are committed to following best practices and complying with all applicable health, safety and environmental legislation and other requirements in our operations.

Employee health and safety is of high importance to us. Any mishaps or accidents at our facilities could lead to property damage, production loss, adverse publicity and accident claims. We aim to become a zero-accident organisation and continually take initiatives to reduce the risk of accidents and prevent environmental pollution at our facilities. Additionally, in order to ensure safety at our workplace we carry out regular identification and assessment of risks, accessible first-aid health facilities, siren effectiveness inspection at our plants, conduct awareness sessions to increase staff awareness and promote safe working practices. We also carry out regular fire drills. Our safety management team carries out regular safety inspections of our production facilities to ensure compliance with safety measures. Our production staff are provided with regular training on the operation of production equipment and occupational safety gear. Further, we have been accredited with environment management system and occupational health and safety management system for compliance with ISO 14001:2015 and ISO 45001:2018 requirements, respectively.

The key elements of our safety management initiatives are the formulation and implementation of the health and safety policy, planning of activities to achieve health and safety for our personnel, monitoring and review of performance and external and internal safety audits. Suitable risk mitigating measures are taken in advance to ensure that the business is conducted in a risk conscious manner.

We are subject to extensive health, safety and environmental laws, regulations and production process safety and environmental technical guidelines which govern our processes and facilities.

Property

Our Registered Office and one of the manufacturing facilities is located at D-112, TTC Industrial Area, MIDC, Nerul, Navi Mumbai 400 706, Maharashtra, India, which was leased to us by Maharashtra Industrial Development Corporation for a period of 95 years from September 1, 1974. Our second manufacturing facility situated at Ambernath in Thane, Maharashtra has also been on leasehold basis from Maharashtra Industrial Development Corporation for a period of 95 years from May 1, 2008. Further, our R&D activities are mainly undertaken at our facilities at Nerul in Navi Mumbai, Maharashtra, Maharashtra and Bengaluru, Karnataka. Additionally, our Company also enters into short term leave and license agreements for establishing guest house of our Company.

Intellectual Property

We possess extensive technical knowledge about our products. Our Company has entered into a license agreement dated May 22, 2020 with Council of Scientific and Industrial Research -National Aerospace Laboratories, Bangalore for technology transfer of Bi-Level Positive Airway System.

We have been issued 5 trademarks in India as at June 30, 2024. Our Company have trademark applications under classes 40, 42, 13, 12 and 8 for the trademark registration in relation to our logo i.e. . Further trademark registrations of our corporate logo i.e. under classes 6 have been refused and applications under class 7 and 9 have been abandoned.

We have secured patents for our EMP Protected Rugged Display, Shock/Vibration Proof Heavy Duty Console and Electromagnetic Pulse Protected Rack.

For further details, see "*Risk Factors –Internal Risk Factors – 34. If we fail to keep our technical knowledge and process know-how confidential, we may suffer a loss of our competitive advantage or we may negatively impact the overall implementation of the programme being worked on.*" on page 34 and "*Risk Factors –Internal Risk Factors – 34. Any failure to protect or enforce our rights to own or use trademarks and brand name and identity could have an adverse effect on our business and competitive position*" on page 34.

Corporate Social Responsibility

Our commitment to corporate social responsibility ("**CSR**") is demonstrated in how we conduct our business by providing a safe workplace for our employees, minimizing impact to the environment and being a positive corporate citizen in the communities in which we operate by helping people achieve their ambitions. Our CSR programmes and projects extend beyond monetary contributions and feature carefully planned initiatives, which vary with the needs of the communities in which we operate. Our CSR programmes are focused on the areas of (i) promotion of healthcare and sanitation, where we strive to improve the health and hygiene of society, (ii) promotion of education, where we seek to promote elementary to professional education and support students belonging to weaker sections of society, (iii) empowerment of women, where we seek to promote women empowerment and gender equality, (iv) ensuring environmental sustainability and ecological balance, (v) protecting our national heritage art and culture.

Our CSR activities are guided by our CSR policy ("**CSR Policy**"), which was approved by our Board on March 7, 2020. The CSR Committee is responsible for (a) to formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013; (b) indicate the activities to be undertaken by the Company as specified in the Companies Act; (c) to review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company and the annual CSR plan to the Board; (c) to monitor the CSR activities and compliance with the CSR policy from time to time; (d) to review and implement, if required, any other matter related to CSR activities and applicable laws.

Further to section 135 of the Companies Act, 2013 our Board shall endeavour that we spend at least 2% of the average net profits made during the immediately three preceding financial years on CSR activities. For Fiscals 2024, 2023 and 2022, our CSR expenditures were ₹69.00 lakhs, and ₹61.25 lakhs and 48.03 lakhs respectively.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The composition of our Board of Directors is governed by the provisions of the Companies Act, 2013, the SEBI Listing Regulations and the Articles of Association of our Company. The Articles of Association of our Company provide that our Company is required to have not less than three Directors and not more than fifteen Directors.

The composition of our Board is in conformity with Section 149 of the Companies Act and Regulation 17 of the SEBI Listing Regulations. As on date of this Preliminary Placement Document, our Board consists of six Directors which includes two Executive Directors and four Non-Executive Directors, out of which three are Independent Directors.

The following table sets forth details regarding our Board, as on the date of this Preliminary Placement Document:

Name, address, occupation, term, nationality and DIN	Age (years)	Designation
Sharad Virji Shah **Address**: A-1301, Kalinga, Nirmal Nagar, Mulund Goregaon Link Road, Mulund (West), Mumbai 400 080, Maharashtra, India **Occupation**: Business **Term:** Liable to retire by rotation **Nationality:** Indian **DIN**: 00622001	76	Chairman and Non-Executive Director
Munjal Sharad Shah **Address**: A-1301, Kalinga, Nirmal Nagar, Mulund Goregaon Link Road, Mulund (West), Mumbai 400 080, Maharashtra, India **Occupation**: Business **Term:** Five years with effect from March 14, 2024 to March 13, 2029 **Nationality:** Indian **DIN:** 01080863	47	Managing Director
Shilpa Amit Mahajan **Address**: Hrushikesh, C/101, Swami Samarth Nagar, Lokhandwala Complex, Andheri West, Mumbai 400 053, Maharashtra, India **Occupation**: Business **Term**: Five years with effect from September 29, 2023 to September 28, 2028 **Nationality**: Indian **DIN**: 01087912	45	Whole-time Director
Manmohan Handa	68	Independent Director

Name, address, occupation, term, nationality and DIN	Age (years)	Designation
Address: A 1702, Platinum Heights, Ramprastha Greens, Near Vaishali Metro Station, Vaishali, Ghaziabad – 201010 **Occupation**: Service **Term**: Five years with effect from January 07, 2024 to January 06, 2029 **Nationality**: Indian **DIN**: 06942720		
Hina Amol Gokhale **Address-** B 403, Avalon CHSL, Cliff Avenue, Hiranandani Gardens, Powai, Mumbai 400076 **Occupation**: Service **Term**: Five years with effect from April 1, 2020 to March 31, 2025 **Nationality**: Indian **DIN**: 08712659	66	Independent Director
Suresh Katyal **Address**: House No. 822, Phase-7, Mohali, S.A.S. Nagar, Sector 62, Mohali 160 062, Punjab, India **Occupation**: Service **Term:** Five years with effect from January 5, 2021 to January 4, 2026 **Nationality**: Indian **DIN**: 08979402	68	Independent Director

Brief Profiles of our Directors

Sharad Virji Shah is the Chairman and Non-Executive Director of our Company. He has completed his education up to secondary school certificate level. He had established our predecessor, M/s. Paras Engineering Co. concern in 1979.He has been on the board of our Company since incorporation and has been the Chairman and Non-Executive Director of our Company since June 20, 2009.

Munjal Sharad Shah is the Managing Director of our Company. He has completed his education up to higher secondary certificate level. He has over 26 years of experience in flow forming, special purpose machines and equipment, turnkey mechanical units, titanium structures. He has been on the board of our Company since incorporation and has been the Managing Director of our Company with effect from March 15, 2019 till date.

Shilpa Amit Mahajan is a Whole-time Director of our Company. She has completed her education up to secondary school certificate level and holds a diploma in interior design from Shreemati Nathibai Damodar Thackersay Women’s University, Mumbai. She has been on our Board since June 25, 2018.

Manmohan Handa is an Independent Director of our Company. He holds a bachelor’s degree of science in mechanical engineering from Kurukshetra University and completed post graduate diploma in material management from Indian Institute of Material Management. He has 38 years of experience of working with Bharat Electronics Limited and served as a director of its Bangalore complex.. He has been on our Board since January 8, 2019.

Hina Amol Gokhale, is an Independent Director of our Company. She holds a bachelor's degree in science from Gujarat University and master's degree and a Ph.D. in statistics from University of Pittsburgh. She has over 31 years of work experience in the areas of human resources, experiment design and analysis, policy development and project management. Prior to joining our Company, she has held several positions in DRDO, New Delhi. She served as a visiting faculty at Indian Institute of Technology, Bombay. She has been on our Board since April 1, 2020.

Suresh Katyal is an Independent Director of our Company. He holds a bachelor's degree of science in engineering and a master's degree in business administration from Punjab University. He has 38 years of experience of working with Bharat Electronics Limited and has worked in different areas of product assurance, quality control, testing, telecom and broadcasting and defence. He has been on our Board since Director since January 5, 2021.

Relationship with other Directors and Key Managerial Personnel

Except as disclosed below, none of our Directors and Key Managerial Personnel are related to each other.

Name of the Director	Related to	Nature of Relationship
Sharad Virji Shah	Munjal Sharad Shah	Father
Munjal Sharad Shah	Sharad Virji Shah	Son
	Ami Munjal Shah	Spouse
Shilpa Amit Mahajan	Amit Navin Mahajan	Spouse

Shareholding of Directors in our Company

As per the Articles of Association of our Company, our directors are not required to hold qualification shares.

The following table sets forth details of shareholding of our Directors in our Company as of the date of this Preliminary Placement Document:

Name of the Director	No. of Equity Shares	Percentage (%)
Sharad Virji Shah	72,74,840	18.65
Munjal Sharad Shah	98,58,137	25.28
Shilpa Amit Mahajan	7,00,000	1.79

Borrowing powers of the Board

Pursuant to the special resolution dated November 20, 2023 passed through postal ballot and section 180 (1) (c) of the Companies Act 2013 and other applicable provisions (including statutory modifications thereof), the Board has been authorized to borrow by way of loans/debentures (whether secured or unsecured)/ bonds/deposits/fund based/non fund based limits/guarantee, any sum or sums of money, either in Indian or foreign currency, from time to time, from banks and/or financial institutions and/or multilateral agencies and/or export import banks and/or other creditors which together with the monies already borrowed by the Company shall not exceed in the aggregate at any one time, ₹ 500,00,00,000 (Rupees Five Hundred Crores Only) irrespective of the fact that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart of any specific purpose.

Interests of our Directors

Our executive Directors may be deemed to be interested to the extent of their shareholding and remuneration paid to them for services rendered as a Director of our Company and reimbursement of expenses, if any, payable to them. Further, our Directors may also be deemed to be interested to the extent of remuneration paid to them for services rendered as a Director of our Subsidiaries and reimbursement of expenses, if any, payable to them. For details of remuneration paid to our Director, see "*Board of Directors and Senior Management-Terms of appointment and remuneration of Executive Directors*" and "*Board of Directors and Senior Management - Remuneration of Non-executive and Independent Directors*" on page 160.

Our Directors may also be regarded as interested to the extent of Equity Shares held by them in our Company and Subsidiaries, if any, details of which have been disclosed below under the heading "*Shareholding of Directors in our Company*" on page 160. Our Directors may also be interested to the extent of Equity Shares, if any, held by them or held by the entities in which they are associated as promoters, directors, partners, proprietors or trustees or held by their relatives or that may be subscribed by or allotted to the companies, firms, ventures, trusts in which they are interested as promoters, directors, partners, proprietors, members or trustees, pursuant to the Issue.

Except as stated in the section "*Related Party Transactions*" on page 33, our Directors do not have any other interest in the business of our Company.

Except for Sharad Virji Shah and Munjal Sharad Shah who are the Promoters of our Company, our Directors have no interest in the promotion of our Company as of the date of this Preliminary Placement Document, except in the ordinary course of business.

Other than as disclosed in this Preliminary Placement Document, there are no outstanding transactions other than in the ordinary course of business undertaken by our Company, in which our Directors are interested. Further, except as disclosed in "*Related Party Transactions*" on page 33, our Company has neither availed of any loans from, nor extended any loans to the Directors which are currently outstanding.

Our Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Preliminary Placement Document in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them, except as disclosed in "*Related Party Transactions*" on page 33. Further, as on the date of this Preliminary Placement Document, the Directors have not taken any loans from our Company.

Except as stated in "***Financial Information***" beginning on page 216, our Directors have no interest in any property acquired or proposed to be acquired of or by our Company as on the date of this Preliminary Placement Document or in any transaction by our Company for acquisition of land, construction of buildings and supply of machinery.

Terms of appointment and remuneration of Executive Directors

Munjal Sharad Shah

Munjal Sharad Shah has been re-appointed as the Managing Director of our Company for 5 years with effect from March 14, 2024 pursuant to a resolution passed by our Board on October 20, 2024 and our shareholders on November 20, 2023. Further, the terms and conditions of his appointment as the Managing Director are set forth below:

Particulars	Details
Salary	The basic salary shall be ₹7,00,000/- (Rupees Seven Lakhs Only) per month to ₹9,00,000(Nine Lakhs Only) per month (including perquisites and allowances).
Perquisites	Housing (i.e. unfurnished residential accommodation or House Rent Allowance); · Furnishing at residence; · Supplementary Allowance; · Leave Travel Assistance; · Payment/reimbursement of domiciliary medical expenses for self and family; · Payment/reimbursement of Food Vouchers and Petrol; · Company cars with driver for official use, provision of telephone(s) at

Particulars	Details
	residence; · Payment/reimbursement of telephone expenses; · Housing Loan, Contingency Loan as per rules and policy of the Company; · Earned/privilege leave, Casual/Sick leave as per Company policy prevailing from time to time; · Such other perquisites and allowances as per the policy/rules of the Company in force and/or as may be approved by the Board from time to time
Other terms and Conditions:	Performance Linked Variable Renumeration

Shilpa Amit Mahajan

Shilpa Amit Mahajan has been re-appointed as the Whole-time Director of our Company for 5 years with effect from September 29, 2023 to September 28, 2028, pursuant to a resolution passed by our Board on September 04, 2023 and our Shareholders on September 29, 2023. Further, the terms and conditions of his appointment as the Executive Director & CFO are set forth below:

Particulars	Details
Salary	The basic salary shall be ₹3,00,000/- (Rupees Three Lakhs Only) per month excluding perquisites and allowances with such increments as may be recommended by Nomination and Remuneration Committee and approved by Board subject to a ceiling of ₹5,00,000/-.
Perquisites	Housing (i.e. unfurnished residential accommodation or House Rent Allowance); • Furnishing at residence; • Supplementary Allowance; • Leave Travel Assistance; • Payment/reimbursement of domiciliary medical expenses for self and family; • Payment/reimbursement of Food Vouchers and Petrol; • Company cars with driver for official use, provision of telephone(s) at residence; • Payment/reimbursement of telephone expenses; • Housing Loan, Contingency Loan as per rules and policy of the Company; • Earned/privilege leave, Casual/Sick leave as per Company policy prevailing from time to time; • Such other perquisites and allowances as per the policy/rules of the Company in force and/or as may be approved by the Board from time to time
Other terms and Conditions:	Performance Linked Variable Remuneration

The following table set forth the compensation paid by our Company to the Managing Director and Executive Directors during the period mentioned therein:

(₹ in lakhs)

Name of the Director	Remuneration (Salaries and bonus including contributions made to provident fund)			
	For the period from April 1, 2024 till August 31, 2024	For Fiscal 2024	For Fiscal 2023	For Fiscal 2022
Munjal Sharad Shah	35	84	69	60
Shilpa Amit Mahajan	15	38.36	24.45	16.04

Remuneration of Non-executive and Independent Directors

Our Non- Executive Directors are entitled to receive sitting fees and commission besides reimbursement of actual traveling and other expenses incurred for attending such meetings. Our Non – Executive Directors are entitled to receive ₹50,000/- per meeting for attending every Board Meeting.

The following tables set forth the details of sitting fees and commission paid by our Company to the Non-Executive Directors of our Company for Fiscal 2022, Fiscal 2023, Fiscal 2024 and for the current Fiscal:

(₹ in lakhs)

Name of Director	Fiscal 2022	Fiscal 2023	Fiscal 2024	For the period from April 1, 2024 till August 31, 2024
Sharad Virji Shah	6.50	6.00	6.00	2.50
Manmohan Handa	6.00	6.00	6.00	2.50
Hina Gokhale	6.00	6.00	6.00	2.50
Suresh Katyal	6.00	6.00	6.00	2.50

Corporate Governance

As on date of this Preliminary Placement Document, our Board consists of six Directors which includes one Managing Director, one Whole-time Director, four Non-Executive Directors out of which three are Independent Directors (including one-woman Independent Director). Our Company is currently in compliance with the corporate governance requirements including in relation to the constitution of Board and committees thereof, as prescribed under the Companies Act and SEBI Listing Regulations.

Committees of the Board of Directors

Our Company has constituted the following seven committees in terms of the SEBI Listing Regulations and the Companies Act, each of which functions in accordance with the relevant provisions of the Companies Act and the SEBI Listing Regulations.

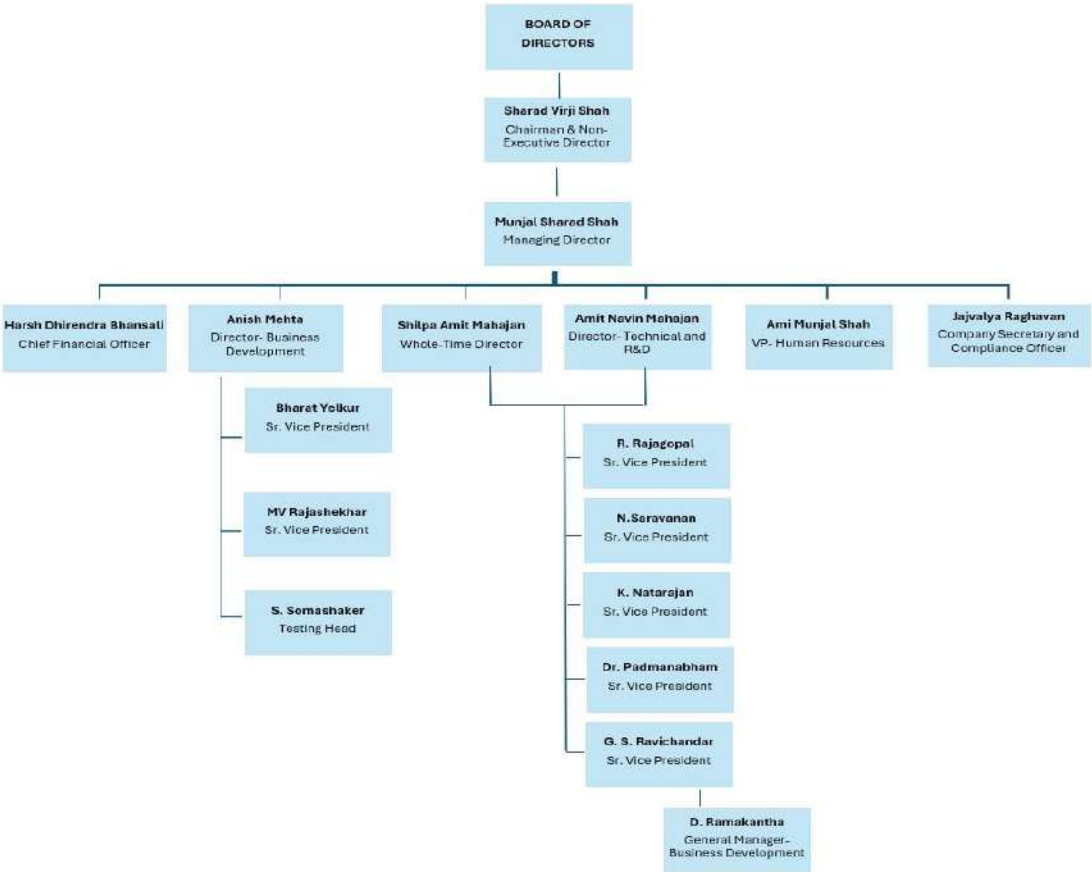
The following table sets forth the members of the aforesaid committees as of the date of this Preliminary Placement Document:

Name of the Committee	Members
Audit Committee	Manmohan Handa (Chairman) Suresh Katyal Munjal Sharad Shah
Nomination and Remuneration Committee	Manmohan Handa (Chairman) Suresh Katyal Sharad Virji Shah
Stakeholders' Relationship Committee	Manmohan Handa (Chairman)

Name of the Committee	Members
	Suresh Katyal Munjal Sharad Shah
Corporate Social Responsibility Committee	Munjal Sharad Shah (Chairman) Manmohan Handa Hina Amol Gokhale
Risk Management Committee	Sharad Virji Shah (Chairman) Munjal Sharad Shah Manmohan Handa Shilpa Amit Mahajan

Management Organization Structure

Set forth below is the organisational structure of our Company, including our Board, Key Managerial Personnel:



Key Managerial Personnel

The following table sets forth the details of our Key Managerial Personnel ("**Key Managerial Personnel**"), other than our Managing Director, and our Whole-time Director whose details are set out in *"Board Of Directors And Senior Management - Brief profiles of our Directors" on page* 160:

Name	Designation
Harsh Dhirendra Bhansali	Chief Financial Officer
Jajvalya Raghavan	Company Secretary and Compliance Officer

For further details of our Managing Director and Whole-time Directors, refer "*Board of Directors and Senior Management*" beginning on page 160.

Senior Management

The following table sets forth the details of our Senior Management, other than our Chief Financial Officer, Harsh Dhirendra Bhansali and our Company Secretary and Compliance Officer, Jajvalya Raghavan:

Name	Designation
Munjal Sharad Shah	Managing Director
Shilpa Amit Mahajan	Whole-Time Director
K. Natarajan	Sr. Vice President – Software Development
MV Rajashekhar	Senior Vice President
N. Sarvanan	Senior Vice President –System Integration
R. Rajagopal	Senior Vice President - Business Development
Anish Hemant Mehta	Director – Business Development
Ami Munjal Shah	Vice President – HR & Admin
Amit Navin Mahajan	Director – Technical and R&D
Bharat Yelkur	Vice President - Marketing
Dr. Padmanabham	Senior Vice President – Electronics
G.S. Ravichandar	Sr. Vice President - Head of Naval Business Developments
D. Ramakantha	General Manager – Business Development
S. Somashaker	Senior Manager – Optics Testing

Shareholding of Key Managerial Personnel and Senior Management

Other than as set forth in "- ***Shareholding of Directors in our Company***", and as disclosed below, none of our Key Managerial Personnel hold any Equity Shares in our Company, as on the date of this Preliminary Placement Document.

Name	Number of Equity Shares	Percentage (%)
Harsh Bhansali	25	Negligible

Shareholding of our Senior Management

Name	Number of securities held	% of paid-up share capital
Ami Munjal Shah	10,13,008	2.60
Amit Navin Mahajan	7,00,000	1.79
Anish Hemant Mehta	14,20,630	3.64

Interest of Key Managerial Personnel and Senior Management

Except as stated in "***Interests of our Directors***" above and in "***Related Party Transactions***" on pages 160 and 33 respectively, and to the extent of the remuneration or benefits to which they are entitled to as per the terms of their appointment and reimbursement of expenses incurred by them in the ordinary course of business and to the extent of the Equity Shares held by them in our Company, and any dividend payable to them and other distributions in respect of such shareholding, our Key Managerial Personnel do not have any other interest in our Company. Our Company does not have any bonus or profit-sharing plan with its Directors, Key Managerial Personnel.

None of our Key Managerial Personnel have been paid any consideration of any nature from our Company, other than their remuneration.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel were selected as member of senior management.

Service contracts with Key Managerial Personnel and Senior Management

Other than statutory benefits upon termination of their employment in our Company on retirement and, none of our Key Managerial Personnel have entered into a service contract with our Company pursuant to which they are entitled to any benefits upon termination of employment.

Related party transactions

For details in relation to the related party transactions entered by our Company during the last three fiscals immediately preceding the date of this Preliminary Placement Document, please refer to the section titled "Related Party Transactions" on page 33. These disclosures made are as per the requirements of Ind AS 24.

Employee stock option plans

Pursuant to a Board resolution dated August 27, 2024 and shareholders approval dated September 20, 2024 the Company has considered and approved the introduction and implementation of 'Paras Defence and Space Technologies - Employee Stock Option Plan 2024' (**"Paras Defence ESOP 2024"**). The Company shall be authorized to issue to the employees under Paras Defence ESOP 2024, not exceeding 7,95,000 (Seven Lakhs Ninety Five Thousand) employee stock options convertible into not more than 7,95,000 (Seven Lakhs Ninety Five Thousand) Shares of face value of ₹10/- (Rupees Ten) each fully paid-up, with each such option to be vested in one or more tranches and conferring a right upon the employee to be issued one share of the Company**.**

The details of ESOP 2024, as on the date of this Preliminary Placement Document, are as under:

Particulars	Number of options
Total number of options	7,95,000
Option granted	Nil
Options vested	Nil
Options exercised	Nil
Total options outstanding	7,95,000

Policy on disclosures and internal procedure for prevention of insider trading

SEBI Insider Trading Regulations applies to us and our employees and requires us to formulate and implement a code of practices and procedures for fair disclosure of unpublished price sensitive information and a code of conduct to regulate, monitor and report trading by designated persons.

Our Company is in compliance with the same and has implemented a code of conduct to regulate, monitor and report trading by Insiders ("***Insider Trading Code***") in accordance with the SEBI Insider Trading Regulations, terms of which the Company Secretary acts as the Compliance Officer of our Company under the aforesaid code of conduct for the Insider Trading Code. The Insider Trading Code is uploaded on the website of the Company at https://www.parasdefence.com/investors

Other confirmations

None of our Promoters or Directors or Key Managerial Personnel or Senior Management have any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

Neither our Company, nor the Directors or Promoters are identified as wilful defaulters or fraudulent borrowers by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters or fraudulent borrowers issued by the RBI.

None of our Promoters or Directors have been declared as fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018.

Neither our Company, nor our Directors, or our Promoters or the companies with which our Promoters are or have been associated as a promoter or a person in control have been debarred from accessing capital markets under any order or direction passed by SEBI or any other governmental authority.

None of the Directors, Promoters, Key Managerial Personnel of our Company intend to subscribe to the Issue.

ORGANISATIONAL STRUCTURE OF OUR COMPANY

Corporate History

Paras Defence and Space Technologies Limited (our "Company" or the "Issuer") was incorporated as 'Paras Flow Form Engineering Limited' under the Companies Act, 1956 pursuant to a certificate of incorporation dated June 16, 2009 issued by the Registrar of Companies, Mumbai at Maharashtra ("RoC"). Our Company received the certificate for commencement of business on July 24, 2009. The name of our Company was changed to "Paras Flowform Engineering Limited" pursuant to a resolution passed by our Shareholders on September 22, 2009 and a fresh certificate of incorporation dated September 25, 2009 was issued by the RoC. Subsequently, the name of our Company was changed to "Paras Defence and Space Technologies Limited" pursuant to a resolution passed by our Shareholders on December 2, 2015, a fresh certificate of incorporation dated January 29, 2016 was issued by the RoC. For details pertaining to the change in our name and the address of our Registered Office, see "General Information" beginning on page 397.

Our Company's CIN is L29253MH2009PLC193352.

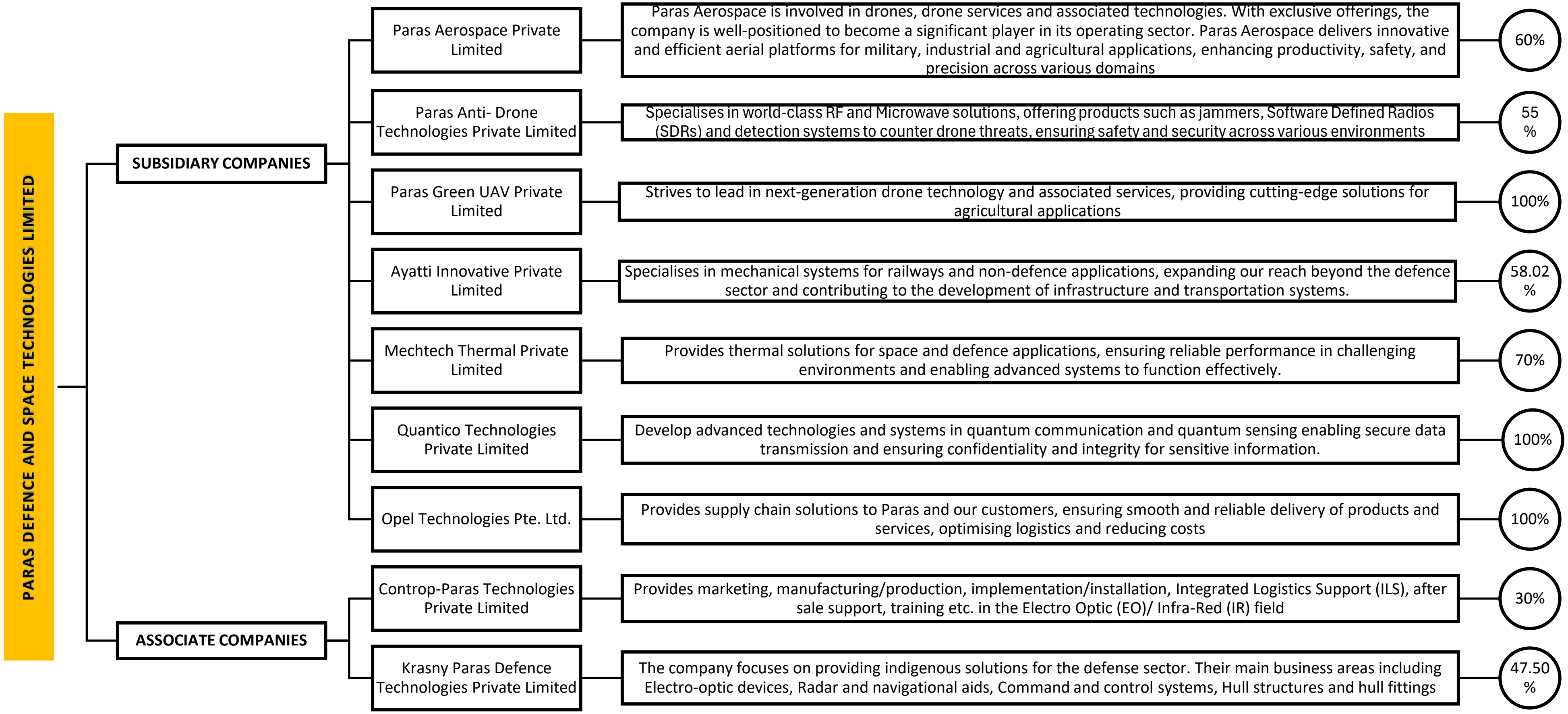
The Registered Office of our Company is located at D-112, TTC Industrial Area, MIDC, Nerul, Navi Mumbai – 400 706, Maharashtra, India

The Equity Shares have been listed and traded on the BSE since October 1, 2021 and on the NSE since October 1, 2021.

Organizational Structure

As of the date of this Preliminary Placement Document, we have seven Subsidiaries, of which six are Indian subsidiaries and one is a foreign subsidiary. The Company has two associate companies. For further details, see "*Definitions and Abbreviations*" and "*Financial Information*" beginning on pages 17 and 216, respectively.

Our organisational structure is set forth below.



Further to the organisational structure disclosed above, we have no holding companies.

SHAREHOLDING PATTERN OF OUR COMPANY

Shareholding pattern of our Company as on June 30, 2024

The following table sets forth the details regarding the equity shareholding pattern of our Company as on June 30, 2024.

Category	Category of shareholder	Number of shareholders	Number of fully paid-up Equity Shares held	Total number of shares held	Shareholding as a % of total number of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of Voting Rights	Total as a % of Total Voting right	No. of Shares pledged or otherwise encumbered		No. of equity shares held in dematerialized form
								No.(a)	As a % of total Shares held(b)	
(A)	Promoters and Promoter Group	8	2,29,87,250	2,29,87,250	58.94	2,29,87,250	58.94	-	-	2,29,87,250
(B)	Public	2,96,493	1,60,12,811	1,60,12,811	41.06	1,60,12,811	41.06	-	-	1,60,12,811
(C)	Non-Promoter-Non Public	-	-	-	-	-	-	-	-	-
(C1)	Shares underlying depository receipts	-	-	-	-	-	-	-	-	-
(C2)	Shares held by employee trusts	-	-	-	-	-	-	-	-	-
	Total	**2,96,501**	**3,90,00,061**	**3,90,00,061**	**100**	**3,90,00,061**	**100**		**-**	**3,90,00,061**

Statement showing shareholding pattern of our Promoters and Promoter Group

The following table sets forth the details regarding the equity shareholding pattern of our Promoters and Promoter Group as on June 30, 2024.

Category	Category of shareholder	Entity Type	Nos. of shareholders	No. of fully paid up equity shares held	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
							No.(a)	As a % of total Shares held(b)	Class eg: X	Total	
A1)	A1) Indian										
(a)	Individuals/Hindu undivided Family	-	-	-	-	58.94	78,02,010	33.94	-	-	2,29,87,250
(b)	Any Other (specify) Bodies Corporate	-	-	-	-	41.06	-	-	-	-	1,60,12,811
	Sub Total A1	-	-	-	-	-	-	-	-	-	-
A2)	A2) Foreign	-	-	-	-	-	-	-	-	-	-
	A=A1+A2	-	-	-	-	100	78,02,010	20.01	-	-	3,90,00,061

Statement showing shareholding pattern of the public Shareholders

The following table sets forth the details regarding the equity shareholding pattern of the public Shareholders as on June 30, 2024:

Category	Category of the Shareholders	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No. of Voting Rights	Total as a % of Total Voting right	No. of Locked in shares		No. of equity shares held in dematerialized form
								No.(a)	As a % of total Shares held(b)	
B1)	**Institutions (Domestic)**									
(a)	Mutual Funds	2	25,087	25,087	0.06	25,087	0.06	-	-	25,087
(b)	Alternate Investment Funds	1	2,500	2,500	0.01	2,500	0.01	-	-	2,500
(c)	NBFCs registered with RBI	1	1,370	1,370	0	1,370	0	-	-	1,370
	Sub Total B1	4	28,957	28,957	0.07	28,957	0.07	-	-	28,957
B2)	Institutions (Foreign)							-	-	
(a)	Foreign Portfolio Investors Category I	10	10,80,256	10,80,256	2.77	10,80,256	2.77	-	-	10,80,256
(b)	Foreign Portfolio Investors Category II	2	79,323	79,323	0.2	79,323	0.2	-	-	79,323
	Sub Total B2	12	11,59,579	1,159,579	2.97	11,59,579	2.97	-	-	11,59,579
B3)	**Central Government/ State Government(s)/ President of India**									
B4)	**Non-Institutions**									
(a)	Directors and their relatives (excluding independent directors and nominee directors)	2	14,00,000	14,00,000	3.59	14,00,000	3.59	-	-	14,00,000
(b)	Investor Education and Protection Fund (IEPF)									
(c)	Resident Individuals holding nominal share capital up to ₹ 2 lakhs	2,90,869	1,15,84,652	1,15,84,652	29.7	1,15,84,652	29.7	-	-	1,15,84,652
(d)	Resident Individuals holding nominal share capital in excess of ₹ 2 lakhs	8	4,09,326	4,09,326	1.05	4,09,326	1.05	-	-	4,09,326

Category	Category of the Shareholders	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	No. of Voting Rights	Total as a % of Total Voting right	No. of Locked in shares		No. of equity shares held in dematerialized form
								No.(a)	As a % of total Shares held(b)	
(e)	Non Resident Indians (NRIs)	2,621	3,21,058	3,21,058	0.82	3,21,058	0.82	-	-	3,21,058
(f)	Bodies Corporate	388	6,33,539	6,33,539	1.62	6,33,539	1.62	-	-	6,33,539
(g)	Foreign Nationals	1	120	120	0	120	0	-	-	120
(h)	**Any Other (specify)**							-	-	
	Body Corporate – LLP	31	1,61,421	1,61,421	0.41	1,61,421	0.41	-	-	1,61,421
	Hindu Undivided Family	2,548	3,11,604	3,11,604	0.80	3,11,604	0.80	-	-	3,11,604
	Clearing Member	7	2,297	2,297	0.01	2,297	0.01	-	-	2,297
	Trust	2	258	258	0.00	258	0.00	-	-	258
	Sub Total B4	2,96,477	14,824,275	1,48,24,275	38.01	1,48,24,275	38.01	-	-	1,48,24,275
	B=B1+B2+B3+B4	2,96,493	16,012,811	16,012,811	41.06	16,012,811	41.06	-	-	1,60,12,811

Statement showing shareholding pattern of the non – Promoter – non-public Shareholder:

The following table sets forth the details regarding the equity shareholding pattern of the non- Promoter- non- public Shareholders as on

Category	Category of the Shareholders	No. of shareholder	No. of fully paid up equity shares held	Total no. shares held	Shareholding % calculated as per SCRR, 1957 As a % of (A+B+C2)	Number of equity shares held in dematerialized form
C1)	Custodian/DR Holder	-	-	-	-	-
C2)	Employee Benefit Trust	-	-	-	-	-

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the Bidding, payment of Application Amount, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below, and Bidders are assumed to have apprised themselves of the same from our Company or the Book Running Lead Manager. Prospective Bidders are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Eligible QIBs that apply in the Issue will be required to confirm and will be deemed to have represented to our Company, the Book Running Lead Manager and their respective directors, officers, agents, employees, counsels, shareholders, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Book Running Lead Manager and their respective directors, officers, employees, counsels, agents, affiliates, and representatives accept no responsibility or liability for advising any Eligible QIBs on whether such Eligible QIB was eligible to acquire the Equity Shares. Also see "Selling Restrictions" and "Transfer Restrictions" beginning on pages 190 and 197, respectively.

Our Company, the Book Running Lead Manager and their respective directors, officers, agents, advisors, shareholders, employees, counsels, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Bidders are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations and shall be solely responsible for compliance with all the applicable provisions of the SEBI Takeover Regulations, the SEBI Insider Trading Regulations, and other applicable laws.

Qualified Institutions Placement

THE ISSUE IS MEANT ONLY FOR ELIGIBLE QIBS ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.

This Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than Eligible QIBs.

The Issue is being made to Eligible QIBs in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 and Section 62 of the Companies Act, 2013 and any other applicable provisions of the Companies Act, 2013 and rules thereunder, through the mechanism of a QIP. Under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, to the extent applicable, our Company, being a listed company in India, may issue Equity Shares to Eligible QIBs, provided that certain conditions are met by such Company. Some of these conditions are set out below:

- our Shareholders have passed a special resolution approving the Issue. Such special resolution *inter alia* must specify (a) that the allotment of Equity Shares is proposed to be made pursuant to a qualified institutions placement and (b) the relevant date for the QIP;

- the explanatory statement to the notice to our Shareholders for convening the general meeting must disclose, among other things, the particulars of the issue including the date of passing the board resolution, the kind of securities being offered and the price at which they are offered, amount which the company intends to raise by way of such securities and the material terms of raising such securities, proposed issue schedule, the purpose or objects of offer, the contribution made by the promoters or directors either as part of the offer or separately in furtherance of the objects, and the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;

- under Regulation 172(1)(b) of the SEBI ICDR Regulations, the Equity Shares of the same class of our Company, which are proposed to be allotted through the Issue on the recognized Stock Exchanges, for a period of at least one year prior to the date of issuance of notice of postal ballot to our shareholders to pass the above-mentioned special resolution; except for Equity Shares allotted during the preceding one year from the date of this Preliminary Placement Document. For details, please see the section titled "*Capital Structure*" beginning on page 66;

- invitation to apply in the Issue must be made through a private placement offer-cum-application letter (i.e., this Preliminary Placement Document) and an Application Form serially numbered and addressed specifically to the Eligible QIBs to whom the Issue is made either in writing or in electronic mode, within 30 days of recording the name of such person in accordance with applicable law; the allotments with respect to any earlier offer or invitation made by our Company shall have been completed;

- in accordance with the SEBI ICDR Regulations, issuance and allotment of Equity Shares shall be made only in dematerialized form;

- our Company shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue;

- our Company shall have completed allotments with respect to any offer or invitation made by our Company, however, our Company may, at any time, make more than one issue of securities to such class of identified persons as may be prescribed;

- our Promoters and Directors are not fugitive economic offenders; and

- an offer to Eligible QIBs will not be subject to a limit of 200 persons. Prior to circulating the private placement offer-cum-application letter (i.e., the Preliminary Placement Document and the Application Form), our Company must prepare and record a list of Eligible QIBs to whom the offer will be made. The qualified institutions placement must be made only to such Eligible QIBs whose names are recorded by the issuer prior to the invitation to subscribe;

- our Company acknowledges that the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the Issue is prohibited;

At least 10% of the Equity Shares issued pursuant to this Issue to Eligible QIBs shall be available for Allocation to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other Eligible QIBs.

Bidders are not allowed to withdraw or revise downwards their Bids after the Issue Closing Date.

Prospective purchasers were required to make certain representations, warranties and undertakings in order to participate in the Issue. Prospective purchasers are deemed to have represented to our Company and the Lead Manager in order to participate in the Issue that they are outside the United States and purchasing the Equity Shares in an in accordance with the applicable laws of the jurisdictions where those offers and sales are made. For details, please refer to the sections titled "***Representations by Investors***", "***Selling Restrictions***" and "***Purchaser Representations and Transfer Restrictions***" beginning on pages 3, 190 and 197, respectively, of this Preliminary Placement Document.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The floor price of the equity shares issued under the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations. The "Relevant Date" referred to above means the date of the meeting in which the Board or duly authorised committee thereof decides to open the Issue and "stock exchange", for the purposes of determination of price, means any of the recognized stock exchanges on which the Equity Shares of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. Further, in accordance with the resolution of our Shareholders passed on September 20, 2024, our Company may offer a discount of not more than 5% on the Floor Price in accordance with the SEBI ICDR Regulations.

The Equity Shares will be Allotted within 365 days from the date of our Shareholder's resolution approving the Issue, being September 20, 2024 and within 60 days from the date of receipt of Application Amount from the Successful Bidders failing which our Company shall refund the Bid Amount in accordance with applicable laws. For details of refund of Application Amount, see the section titled "*Pricing and Allocation – Designated Date and Allotment of Equity Shares*" in the chapter titled "Issue Procedure" beginning on page 175.

The subscription to the Equity Shares offered pursuant to the Issue must be made by Eligible QIBs on the basis of this Preliminary Placement Document and the Placement Document, which shall contain all material information required under applicable law including the information specified in Schedule VII of SEBI ICDR Regulations and the requirements prescribed under PAS Rules and Form PAS-4. This Preliminary Placement Document and the Placement Document are private documents provided to only select Eligible QIBs through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors. Please note that if you do not receive a serially numbered copy of this Preliminary Placement Document addressed to you, you may not rely on this Preliminary Placement Document or Placement Document uploaded on the website of the Stock Exchanges or our Company for making an application to subscribe to Equity Shares pursuant to the Issue with a disclaimer to the effect that it is in connection with an offer to Eligible QIBs and no offer is being made to the public or to any other category of investors. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

The minimum number of allottees with respect to a QIP shall not be less than:

- two, where the issue size is less than or equal to ₹25,000 lakhs; and
- five, where the issue size is greater than ₹25,000 lakhs.

No single Allottee shall be Allotted more than 50% of the Issue Size.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee for the purpose of the Issue. For details of what constitutes "same group" or "common control", see "*Bid Process - Application Form*" in the chapter titled "Issue Procedure" beginning on page 175.

Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of a recognized stock exchange. In addition, purchasers of the Equity Shares Allotted pursuant to the Issue shall comply with the resale restrictions set forth in the sections titled, "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 190 and 197, respectively. Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirements. VCFs and AIFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States, and may not be offered, sold or delivered in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws. The Equity Shares offered in the Issue are being offered and sold only outside the United States in "offshore transactions", as defined in and in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. The Equity Shares are transferable only in accordance with the restrictions described under "*Selling Restrictions*" and "*Transfer Restrictions*" beginning on pages 190 and 197, respectively

The Equity Shares issued pursuant to this Issue have not been and will not be registered, listed, or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Our Company has filed a draft of this Preliminary Placement Document with each of the Stock Exchanges. Our Company has received in-principle approvals from each of the Stock Exchanges under Regulation 28(1)(a) of the SEBI Listing Regulations for the listing of the Equity Shares on the BSE and NSE on October 01, 2024.

We shall also make the requisite filings with the RoC within the stipulated time periods as required under the Companies Act, 2013 and the PAS Rules.

Issue Procedure

1. On the Issue Opening Date, our Company and the Book Running Lead Manager shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to identified Eligible QIBs and the Application Form will be specifically addressed to each such Eligible QIB. In terms of Section 42(3) of the Companies Act, 2013, our Company shall maintain records of the Eligible QIBs in the form and manner as prescribed under the PAS Rules, to whom this Preliminary Placement Document and the serially numbered Application Form have been dispatched or circulated, as the case may be. The list of Eligible QIBs to whom this Preliminary Placement Document and Application Form is delivered will be determined by our Company in consultation with the Book Running Lead Manager, at their sole discretion.

2. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form, which includes the details of the bank account wherein the Application Amount is to be deposited, is addressed to a particular Eligible QIB, no invitation to make an offer to subscribe shall be deemed to have been made to such Eligible QIB.** Even if such documentation were to come into the possession of any person

other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs may submit the Application Form, including any revisions thereof along with the Application Amount and a copy of the PAN card or PAN allotment letter, during the Issue Period to the Book Running Lead Manager. Application Form may be signed physically or digitally, if required under applicable law in the relevant jurisdiction applicable to each Eligible QIB and as permitted under such applicable law. An Eligible QIB may submit an unsigned copy of the Application Form, as long as the Application Amount is paid along with submission of the duly signed Application Form within the Issue Period. Once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and the Application Form is unsigned, it shall be assumed that the person submitting the Application Form and providing necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB is authorised to do so.

4. Eligible QIBs may submit an Application Form, including any revisions thereof, along with the Application Amount transferred to the Escrow Account specified in the Application Form and a copy of the PAN card or PAN allotment letter and/or any other documents mentioned in the Application Form, during the Bid/ Issue Period to the Book Running Lead Manager.

5. Bidders will be required to indicate the following in the Application Form:

- full official name of the Bidder to whom Equity Shares are to be Allotted, complete address, email id, PAN details (if applicable), phone number and bank account details;
- number of Equity Shares Bid for;
- price at which they are agreeable to subscribe to the Equity Shares and the aggregate Application Amount for the number of Equity Shares Bid for;
- details of the beneficiary account maintained by the Depository Participant to which the Equity Shares should be credited pursuant to the Issue;
- Equity Shares held by the Bidder in our Company prior to the Issue; and
- a representation that it is outside the United States acquiring the Equity Shares in an "offshore transaction" as defined in and in reliance on Regulation S, and it has agreed to certain other representations set forth in the Preliminary Placement Document and in the Application Form.

***NOTE**: Eligible FPIs are required to indicate their SEBI FPI registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids were made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.*

6. Eligible QIBs shall be required to make the entire payment of the Application Amount for the Equity Shares Bid for, along with the Application Form, only through electronic transfer to the Escrow Account opened in the name of "*Paras Defence and Space Technologies Limited- QIP 2024 - Escrow Account*" with the Escrow Bank, within the Bid/Issue Period as specified in the Application Form sent to the respective Bidders. Please note that any payment of Application Amount for the Equity Shares shall be made from the bank accounts of the relevant Bidders and our Company shall keep a record of the bank account from where such payment has been received. No payment shall be made in the Issue by the Bidders in cash. Application Amount payable on Equity Shares to be held by joint holders was required to be paid from the bank account of the person whose name appears first in the Application Form. Until Allotment, and the filing of return of Allotment by our Company with the RoC, or receipt of final listing and trading approvals from the Stock Exchanges, whichever is later, Application Amount received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013. Notwithstanding the above, in the event (a) any Bidder is not Allocated Equity Shares in the Issue, (b) the number of Equity Shares Allotted to a Bidder is lower than the

number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, (c) the Application Amount has been arrived at using an indicative price higher than the Issue Price, or (d) any Eligible QIB lowers or withdraws their Bid after submission of the Application Form but on or prior to the Issue Closing Date, the excess Application Amount will be refunded to the same bank account from which it was remitted, in the form and manner set out in "*Refunds*" in the chapter titled "*Issue Procedure*", beginning on page 175.

7. Once a duly completed Application Form is submitted by a Bidder, whether signed or not, and the Application Amount is transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and the Bid cannot be withdrawn or revised downwards after the Bid/ Issue Closing Date. In case of an upward revision before the Bid/ Issue Closing Date, an additional amount shall be required to be deposited towards the Application Amount in the Escrow Account along with the submission of such revised Bid. The Bid/ Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

8. The Eligible QIBs acknowledges that in accordance with the requirements of the Companies Act, 2013, upon Allocation, our Company is required to disclose the names of proposed Allottees and the percentage of their post Issue shareholding in the Placement Document and consents to such disclosure, if any Equity Shares are allocated to it.

9. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders were advised to ensure that any single Bid from them should not exceed the investment limits or maximum number of Equity Shares that could be held by them under applicable laws.

10. Upon receipt of the duly completed Application Form, whether signed or not and the Application Amount in the Escrow Account, on or before the Bid/ Issue Closing Date, our Company shall, in consultation with the Book Running Lead Manager determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue and Allocation. Upon such determination, the Book Running Lead Manager, on behalf of our Company, will send the serially numbered CAN and this Preliminary Placement Document to the Successful Bidders. The dispatch of a CAN, and the Preliminary Placement Document (when dispatched) to a Successful Bidder shall be deemed a valid, binding and irrevocable contract for the Successful Bidders to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate price equivalent to the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. The CAN shall contain details such as the number of Equity Shares Allocated to the Successful Bidders, Issue Price and the aggregate amount received towards the Equity Shares Allocated. In case of Bids being made on behalf of the Eligible QIB where the Application Form is unsigned, it shall be assumed that the person submitting the Application Form and providing necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB is authorised to do so. The Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form. **Please note that the Allocation will be at the absolute discretion of our Company and shall be in consultation with the Book Running Lead Manager.**

11. The Bidder acknowledges that in terms of the requirements of the Companies Act, 2013, upon Allocation, our Company will be required to disclose the names of proposed allottees and the percentage of their post-Issue shareholding in this Preliminary Placement Document and consents to such disclosure, if any Equity Shares are allocated to it.

12. Upon determination of the Issue Price and before Allotment of Equity Shares to the Successful Bidders, the Book Running Lead Manager, shall, on our behalf, send a serially numbered Placement Document either in electronic form or through physical delivery to each of the Successful Bidders who have been Allocated Equity Shares pursuant to dispatch of a serially numbered CAN.

13. Upon dispatch of the serially numbered Placement Document, our Company shall Allot Equity Shares as per the details in the CANs sent to the Successful Bidders. Our Company will inform the Stock Exchanges of the details of the Allotment.

14. After passing the resolution passed by the Board or its committee approving the Allotment and prior to crediting the Equity Shares into the beneficiary account of the Successful Bidders maintained by the Depository Participant, as specified in the records of the depositories or as indicated in their respective Application Form, our Company shall apply to the Stock Exchanges for listing approvals in respect of the Equity Shares Allotted pursuant to the Issue.

15. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the beneficiary accounts of the respective Allottees.

16. Our Company will then apply for the final trading approvals from the Stock Exchanges.

17. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Successful Bidders shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

18. As per applicable law, the Stock Exchanges will notify the final listing and trading approvals, which are ordinarily available on their websites, and our Company may communicate the receipt of the listing and trading approvals to those Eligible QIBs to whom the Equity Shares have been Allotted. Our Company and the Book Running Lead Manager shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Investors are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Eligible Qualified Institutional Buyers

Only Eligible QIBs as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, and not otherwise restricted from participating in the Issue under the applicable law, will be considered as Eligible QIBs. However, with respect to FPIs, only Eligible FPIs applying under Schedule II of the FEMA Rules will be considered as Eligible QIBs. FVCIs are not permitted to participate in the Issue. Currently, QIBs, who are eligible to participate in the Issue and also as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, are set forth below:

- alternate investment funds registered with SEBI;
- Eligible FPIs;
- insurance companies registered with Insurance Regulatory and Development Authority of India;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions; (which are resident in India)
- Mutual Funds registered with SEBI;
- pension funds with minimum corpus of ₹25 crore registered with the Pension Fund Regulatory and Development Authority established under section 3(1) of the Pension Fund Regulatory and Development Authority Act, 2013;
- provident funds with minimum corpus of ₹25 crore;
- public financial institutions; as defined under Section 2(72) of the Companies Act
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India;
- venture capital funds registered with SEBI; and
- systemically important non-banking financial companies.

Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. VCFs and AIFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.

ELIGIBLE FPIS WERE PERMITTED TO PARTICIPATE UNDER SCHEDULE II OF FEMA RULES IN THIS ISSUE. ELIGIBLE FPIS WERE PERMITTED TO PARTICIPATE IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE FPIS DID NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. FVCIS WERE NOT PERMITTED TO PARTICIPATE IN THIS ISSUE.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means common ownership of more than fifty per cent or common control) is not permitted to exceed 10% of our post-Issue Equity Share capital. Further, in terms of the FEMA Rules, the total holding by each FPI including its investor group shall be below 10% of the total post- Issue paid-up Equity Share capital of our Company on a fully diluted basis. Eligible FPIs may invest in such number of Equity Shares in the Issue such that (i) the individual investment of the FPI in our Company does not exceed 10% of the post-Issue paid-up capital of our Company on a fully diluted basis, and (ii) the aggregate investment by FPIs in our Company does not exceed the sectoral cap applicable to our Company on a fully diluted basis.

In case the holding of an FPI including its investor group increases to 10% or more of the total post-Issue paid-up equity capital, on a fully diluted basis, the FPI including its investor group is required to divest the excess holding within five trading days from the date of settlement of the trades resulting in the breach. In the event that such divestment of excess holding is not done within the above prescribed time, the total investment made by such FPI together with its investor group will be re-classified as FDI as per procedure specified by SEBI and the FPI and its investor group will be prohibited from making any further portfolio investment in the Company under the SEBI FPI Regulations. However, in accordance with Regulation 22(4) of the SEBI FPI Regulations, the FPIs who are: (a) appropriately regulated public retail funds; (b) public retail funds where the majority is owned by appropriately regulated public retail fund on look through basis; or (c) public retail funds and investment managers of such foreign portfolio investors are appropriately regulated, the aggregation of the investment limits of such FPIs having common control, shall not be applicable.

Two or more subscribers of ODIs having a common beneficial owner shall be considered together as a single subscriber of the ODI. In the event an investor has investments as a FPI and as a subscriber of ODIs, these investment restrictions shall apply on the aggregate of the FPI and ODI investments held in the underlying company.

Pursuant to the SEBI Circular dated April 5, 2018 (Circular No: IMD/FPIC/CIR/P/2018/61), our Company has appointed NSDL as the designated depository to monitor the level of FPI/NRI shareholding in our Company on a daily basis and once the aggregate foreign investment of a company reaches a cut-off point, which is 3% below the overall limit a red flag shall be activated. SEBI however, pursuant to its Circular dated May 17, 2018 (Circular No: SEBI/HO/IMD/FPIC/CIR/P/2018/81), directed that this system of monitoring foreign investment limits in Indian listed companies be made operational with effect from June 1, 2018. The depository is then required to inform the Stock Exchanges about the activation of the red flag. The Stock Exchanges are then required to issue the necessary circulars/ public notifications on their respective websites. Once a red flag is activated, the FPIs must trade cautiously, because in the event that there is a breach of the sectoral cap, the FPIs will be under an obligation to disinvest the excess holding within five trading days from the date of settlement of the trades.

As per the circular issued by SEBI on November 5, 2019, these investment restrictions shall also apply to subscribers of P-Notes. Two or more subscribers of P-Notes having a common beneficial owner shall be considered together as a single subscriber of the P-Note. In the event an investor has investments as a FPI and as a subscriber of P-Notes, these investment restrictions shall apply on the aggregate of the FPI and P-Note investments held in the underlying company.

Further, the aggregate limit of all FPIs investments, with effect from April 1, 2020, is up to the sectoral cap applicable to the sector in which the Company operates. Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time. The existing aggregate investment limit for FPIs in the Company is 100% of the paid up capital of the Company.

In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Restriction on Allotment.

Pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any Eligible QIB being a promoter, or any person related to, the promoter. QIBs, which have all or any of the following rights, shall be deemed to be persons related to the promoter:

- rights under a shareholders' agreement or voting agreement entered into with the promoters or members of the promoter group;

- veto rights; or

- a right to appoint any nominee director on the board of the Issuer.

Provided, however, that an Eligible QIB which does not hold any Equity Shares in our Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the promoter.

Our Company, the Book Running Lead Manager and any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, advisors or affiliates shall not be liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply.

Eligible QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering a tender offer under the SEBI Takeover Regulations and ensure compliance with applicable laws.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. In case of undersubscription in such portion, such portion or part thereof may be Allotted to other Eligible QIBs.

Note: Affiliates or associates of the Book Running Lead Manager who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

Bid Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the Book Running Lead Manager in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document and the Placement Document. By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the Eligible QIB were deemed to have made all the following representations and warranties and the representations, warranties and agreements made under "***Notice to Investors***", "***Representations by Investors***" and "***Selling Restrictions***" beginning on pages 1 3 and 190, respectively:

1. Each Eligible QIB confirms that it is a QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and is not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. Each Eligible QIB confirms that it is not a Promoter and is not a person related to the Promoter(s), either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter(s) or members of the Promoter Group or persons related to the Promoter(s);

3. Each Eligible QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoters or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender not holding any Equity Shares which shall not be deemed to be a person related to the Promoters;

4. Each Bidder confirms that in the event it is resident outside India, it is an Eligible FPI, having a valid and existing registration with SEBI under the applicable laws in India or a multilateral or bilateral development financial institution, and is eligible to invest in India under applicable law, including the FEMA Rules, as amended, and any notifications, circulars or clarifications issued thereunder, and has not been prohibited by SEBI or any other regulatory authority, from buying, selling, dealing in securities or otherwise accessing the capital markets and is not an FVCI;

5. Each Eligible QIB acknowledges that it has no right to withdraw or revise its Bid downwards after the Bid / Issue Closing Date;

6. Each Bidder confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than the floor of a recognised Stock Exchange;

7. Each Eligible QIB confirms that the Eligible QIB is eligible to Bid and hold Equity Shares so Allotted together with any Equity Shares held by it prior to the Issue, if any. Each Eligible QIB further confirms that the holding of the Eligible QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;

8. Each Eligible QIB confirms that its Bids would not eventually result in triggering a tender offer under the SEBI Takeover Regulations;

9. The Eligible QIB agrees that it will make payment of its Application Amount along with submission of the Application Form within the Issue Period. Each Eligible QIB agrees that once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Bid/Issue Closing Date;

10. The Eligible QIB agrees that although the Application Amount is required to be paid by it along with the Application Form within the Issue Period in terms of provisions of the Companies Act, 2013, our Company reserves the right to Allocate and Allot Equity Shares pursuant to this Issue on a discretionary basis in consultation with the Book Running Lead Manager. The Eligible QIB further acknowledges and agrees that the payment of Application Amount does not guarantee Allocation and/or Allotment of Equity Shares Bid for in full or in part;

11. The Eligible QIB acknowledges that in terms of the requirements of the Companies Act, 2013, upon Allocation, our Company will be required to disclose names as "*proposed Allottees*" and percentage of post-Issue shareholding of the proposed Allottees in this Preliminary Placement Document and such QIB consents of such disclosure, if any Equity Shares are Allocated to it. However, the Eligible QIB further acknowledges and agrees that, disclosure of such details as "*proposed Allottees*" in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of our Company, in consultation with the Book Running Lead Manager;

12. The Eligible QIB confirms that the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:

    a. QIBs "*belonging to the same group*" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and Independent Directors, amongst an Eligible QIB, its subsidiary(ies) or holding company and any other Eligible QIB; and

    b. 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the SEBI Takeover Regulations;

13. The Eligible QIBs acknowledge that no Allocation shall be made to them if the price at which they have Bid for in the Issue is lower than the Issue Price.

14. Each Eligible QIB confirms that it shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

15. Each Eligible FPI, confirms that it will participate in the Issue only under and in conformity with Schedule II of FEMA Rules. Further, each Eligible FPI acknowledges that Eligible FPIs may invest in such number of Equity Shares such that the individual investment of the Eligible FPI or its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than fifty per cent or common control) in our Company does not exceed 10% of the post-Issue paid-up capital of our Company on a fully diluted basis. The Bidder confirms that it, individually or together with its investor group, is not restricted from making further investments in our Company through the portfolio investment route, in terms of Regulation 22(3) of the SEBI FPI Regulations.

16. A representation that such Bidder is outside the United States, is acquiring the Equity Shares in an "offshore transaction" under Regulation S and is not an affiliate of the Company or the Book Running Lead Manager or a person acting on behalf of such an affiliate

Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India and the FDI Policy, investments where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route, as prescribed in the Consolidated FDI Policy.

ELIGIBLE QIBS MUST PROVIDE THEIR NAME, COMPLETE ADDRESS, EMAIL ID, PHONE NUMBER, BANK ACCOUNT DETAILS, BENEFICIARY ACCOUNT DETAILS, PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THEIR BENEFICIARY ACCOUNT IS HELD.

IF SO, REQUIRED BY THE BOOK RUNNING LEAD MANAGER, THE ELIGIBLE QIBS SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BOOK RUNNING LEAD MANAGER TO EVIDENCE THEIR STATUS AS AN "ELIGIBLE QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGER, ESCROW BANK OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE ELIGIBLE QIBS SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE APPLICABLE KNOW YOUR CUSTOMER (KYC) NORMS

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details provided in the Application Form. However, for the purposes of refund of all or part of the Application Amount submitted by the Bidder, the bank details as mentioned in the Application Form from which the Application Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

The submission of an Application Form and payment of the Application Amount pursuant to the Application Form by a Bidder shall be deemed a valid, binding and irrevocable offer for such Bidder and becomes a binding contract on a Successful Bidder upon issuance of the CAN and this Preliminary Placement Document (when dispatched) by our Company (by itself or through the Book Running Lead Manager) in favour of the Successful Bidder.

Submission of Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for along with payment and a copy of the PAN card or PAN allotment letter. Additionally, the Application Form will include details of the relevant Escrow Account into which the Application Amounts was required to be deposited. The Application Amount shall be deposited in the Escrow Account as is specified in the Application Form and the Application Form shall be submitted to the Book Running Lead Manager either through electronic form or through physical delivery at either of the following addresses:

Name of the Book Running Lead Manager	Address	Contact Person	Website and Email	Phone (Telephone)
ITI Capital Limited	ITI House, 36, Dr R K Shirodkar, Marg, Parel, Mumbai 400 012	Mayank Sangani / Ranjana Chabbria	Website: http://www.iticapital.in/ Email: project.shiva@iticapital.in	91 22 6911 3300

The Book Running Lead Manager shall not be required to provide any written acknowledgement of the receipt of the Application Form and the Application Amount.

Bidders Bidding in the Issue shall pay the entire Application Amount along with the submission of the Application Form, within the Issue Period.

Payment of Application Amount

Our Company has opened the "*Paras Defence and Space Technologies Limited- QIP 2024- Escrow Account*" with the Escrow Bank, in terms of the arrangement among our Company, the Book Running Lead Manager and the Escrow Bank. Bidders will be required to deposit the entire Application Amount payable for the Equity Shares applied for through the Application Form submitted by it in accordance with the applicable laws.

Note: Payments are to be made only through electronic fund transfer. Payments through cheques or demand draft or cash shall be rejected. If the payment is not made favouring the "*Paras Defence and Space Technologies Limited-QIP 2024- **Escrow Account***" account within the Issue Period stipulated in the Application Form, the Application Form of the QIB is liable to be cancelled.**

Pending Allotment, our Company undertakes to utilise the amount deposited in "*Paras Defence and Space Technologies Limited - QIP 2024- Escrow Account*" only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of Application Amount if our Company is not able to Allot Equity Shares in the Issue. Notwithstanding the above, in the event a Bidder is not Allocated Equity Shares in the Issue, or the number of Equity Shares Allocated to a Bidder, is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, the excess Application Amount will be refunded to the same bank account from which Application Amount was remitted, in the form and manner set out in "*Refunds*" in the chapter titled "*Issue Procedure*" beginning on page 175.

Permanent Account Number or PAN

Each Bidder should mention its PAN allotted under the Income Tax Act, 1961 in the Application Form and enclose a copy of the PAN card or PAN allotment letter along with the Application Form, to the extent applicable. Applications without this information will be considered incomplete and are liable to be rejected. Bidders should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Bank Account Details

Each Bidder shall mention the details of the bank account from which the payment of Application Amount has been made along with confirmation that such payment has been made from such account.

Pricing and Allocation

There is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares quoted on the stock exchange during the two weeks preceding the Relevant Date. For the purpose of determination of the Floor Price, 'stock exchange' shall mean any of the recognised stock exchanges in which the Equity Shares are listed and in which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. However, our Company may offer a discount of not more than 5% of the Floor Price in accordance with the approval of the Shareholders of our Company accorded through special resolution passed at the AGM of our Company on September 20, 2024, and in terms of Regulation 176(1) of the SEBI ICDR Regulations.

Our Company, in consultation with the Book Running Lead Manager, shall determine the Issue Price, which shall be at or above the Floor Price.

The "Relevant Date" referred to above will be the date of the meeting in which the Board or the committee thereof decides to open the Issue and "stock exchange" means any of the recognized stock exchanges in India on which the Equity Shares of the issuer of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. After finalisation of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Build-up of the Book

The Eligible QIBs shall submit their Bids (including any revision thereof) through the Application Forms within the Issue Period to the Book Running Lead Manager. Such Bids cannot be withdrawn or revised downwards after the Issue Closing Date. The book shall be maintained by the Book Running Lead Manager.

Price Discovery and Allocation

Our Company, in consultation with the Book Running Lead Manager, shall determine the Issue Price, which shall be at or above the Floor Price. However, our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 176 of the SEBI ICDR Regulations as approved by our Shareholders through a resolution dated September 20, 2024.

After finalisation of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the Book Running Lead Manager on a discretionary basis and in compliance with Chapter VI of the SEBI ICDR Regulations.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

In case of cancellations or default by the Bidders, our Company in consultation with Book Running Lead Manager have the right to reallocate the Equity Shares at the Issue Price among existing or new Bidders at their sole and absolute discretion subject to the applicable laws.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL BIDDERS. BIDDERS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AND PAID THE ENTIRE APPLICATION AMOUNT AT OR ABOVE THE ISSUE PRICE WITHIN THE ISSUE PERIOD. NEITHER OUR COMPANY NOR THE BOOK RUNNING LEAD MANAGER ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on receipt of the serially numbered Application Forms and Application Amount, our Company, in consultation with the Book Running Lead Manager, in their sole and absolute discretion, shall decide the Successful Bidders to whom the serially numbered CAN shall be dispatched, pursuant to which the details of the Equity Shares Allocated to them, the Issue Price and the Application Amount for the Equity Shares Allotted shall be notified to such Successful Bidders. The CAN shall also include details of amount to be refunded, if any, to such Bidders. Additionally, the CAN will include the probable Designated Date, being the date of credit of the Equity Shares to the Bidders' account, as applicable to the respective Bidder.

The Successful Bidders would also be sent a serially numbered Placement Document (which will include the names of the proposed Allottees along with the percentage of their post-Issue Shareholding in our Company) either in electronic form or by physical delivery.

The dispatch of the serially numbered CAN and the Placement Document (when dispatched), to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIBs to furnish all details that may be required by the Book Running Lead Manager. Subsequently, our Board will approve the Allotment of the Equity Shares to the Allottees in consultation with the BRLM.

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

By submitting the Application Form, an Eligible QIB would have deemed to have made the representations and warranties as specified in "*Notice to Investors*" beginning on page 1 and further that such Eligible QIB shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to the Issue until such time as the final listing and trading approval is issued by Stock Exchanges.

Designated Date and Allotment of Equity Shares

Subject to the satisfaction of the terms and conditions of the Placement Agreement, our Company will ensure that the Allotment of the Equity Shares is completed by the Designated Date provided in the CAN.

The Equity Shares in the Issue will be issued, and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act. However, no transfer of securities of listed companies in physical form is permitted as per Regulation 40 of the SEBI Listing Regulations.

Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the Successful Bidders' beneficiary demat accounts maintained with the Depository Participant, as indicated in the respective Application Form, our Company will apply for final trading and listing approvals from the Stock Exchanges.

Pursuant to a circular dated March 5, 2010 issued by the SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been allotted more than 5% of the Equity Shares offered in the Issue, viz, the names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Company along with the Placement Document. Our Company shall make the requisite filings with the RoC within the stipulated period as required under the Companies Act, 2013 and the PAS Rules. Further, as required in terms of the PAS Rules, names of the proposed Allottees and the percentage of their post-Issue shareholding in our Company will be disclosed in the Placement Document.

The Escrow Bank shall release the monies lying to the credit of the Escrow Account to our Company upon receipt of notice from the Book Running Lead Manager and the trading and listing approvals of the Stock Exchanges for Equity Shares offered in the Issue and after filing return of Allotment under Form PAS-3 with the RoC.

After finalization of the Issue Price, our Company shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Refunds

In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder withdraws the Bid prior to the Issue Closing Date, any excess Application Amount paid by such Bidder will be refunded to the same bank account from which the Application Amount was remitted, in the form and manner set out in the Refund Intimation. The Refund Amount will be transferred to the relevant Bidders within two Working Days from the issuance of the CAN.

In the event that Equity Shares have been Allocated to Successful Bidders and our Company is unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of the Application Amount, our Company shall repay the Application Amount within 15 days from expiry of 60 days, failing which our Company shall repay that money with interest at such rate and in such manner as prescribed under the Companies Act, 2013. We, at our sole discretion, reserve the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Other Instructions

Right to Reject Applications

Our Company, in consultation with the Book Running Lead Manager, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company in consultation with the Book Running Lead Manager in relation to the rejection of Bids shall be final and binding. In the event the Bid is rejected by our Company, the Application Amount paid by the Bidder shall be refunded to the same bank account from which the Application Amount was remitted by such Bidder. For further details, see "*Bid Process*" – "*Refund*" in the chapter titled "Issue Procedure" beginning on page 175.

Equity Shares in dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Equity Shares Allotted to a Successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Successful Bidder, as indicated in the Application Form.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Company and the Book Running Lead Manager will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on the part of the Bidders.

Release of Funds to our Company

The Escrow Bank shall not release the monies lying to the credit of the "*Paras Defence and Space Technologies- QIP 2024 - Escrow Account*" account to our Company until receipt of notice from the Book Running Lead Manager, the trading and listing approvals of the Stock Exchanges for Equity Shares offered in the Issue and filing of return of Allotment under Form PAS-3 with the RoC.

Placement Agreement

The Book Running Lead Manager has entered into the Placement Agreement dated October 01, 2024, with our Company, pursuant to which the Book Running Lead Manager have agreed, subject to certain conditions, to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription to Equity Shares to be placed with the Eligible QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations, Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, to the extent applicable, as amended and other applicable provisions of the Companies Act and the rules made thereunder. The Placement Agreement contains customary representations, warranties and indemnities from our Company, and it is subject to satisfaction of certain conditions and subject to termination in accordance with the terms contained therein.

This Preliminary Placement Document and the Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares offered pursuant to the Issue, will be offered in India or overseas to the public or any members of the public or any other class of prospective investors, other than Eligible QIBs.

No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares. The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares offered in the Issue are being offered and sold only outside the United States in "offshore transactions", as defined in and in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. For further details, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 190 and 197, respectively.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges.

In connection with the Issue, the Book Running Lead Manager (or its affiliates) may, for their own account, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be offered pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. The Affiliates of the Book Running Lead Manager may purchase Equity Shares and be Allotted Equity Shares for proprietary purposes and not with a view to distribute or in connection with the issuance of P-Notes. For further details, see "*Offshore Derivative Instruments*" beginning on page 8.

From time to time, the Book Running Lead Manager, and its affiliates have been engaged in or may in the future engage in transactions with and perform services, including but not limited to investment banking, advisory, banking, trading services for our Company, its Subsidiaries, its group companies, affiliates and the shareholders of our Company, as well as to their respective affiliates, pursuant to which fees and commissions have been paid or will be paid to the Book Running Lead Manager and its affiliates.

Lock-up

Under the Placement Agreement, our Company undertakes that it will not, for a period commencing the date thereof and ending 90 days from the date of allotment of equity shares pursuant to the Issue ("**Lock-up Period**"), without the prior written consent of the Book Running Lead Manager, do the following:

1. directly or indirectly, offer, issue, contract to issue, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any of the Equity Shares or any securities convertible into or exercisable for the Equity Shares, or

2. enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of the Equity Shares or such other securities, in cash or otherwise), or

3. enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue, offer, sale or deposit of the Equity Shares in any depository receipt facility, or

4. publicly announce any intention to enter into any transaction falling within 1 to 3 above or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of the

Equity Shares in any depository receipt facility or publicly announce any intention to enter into any transaction falling within 1 to 3 above.

In addition, our Company agrees that, without the prior written consent of the Book Running Lead Manager, we shall not, during the Lock-up Period, make any demand for or exercise any right with respect to, the registration of any shares or any other securities of the Company substantially similar to the Equity Shares, including, but not limited to options, warrants or other securities that are convertible into, exercisable or exchangeable for, or that represent the right to receive Shares or any such substantially similar securities, whether now owned or hereinafter acquired.

However, the foregoing restriction shall not be applicable to the (i) the issuance of the Equity Shares pursuant to the Issue; and (iii) any transaction required by law or an order of a court of law or a statutory authority.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document or any offering material and the offering, sale or delivery of Equity Shares in this Issue is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Preliminary Placement Document or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restriction. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

The Issue is being made only to Eligible QIBs. The distribution of this Preliminary Placement Document or any offering material and the offer and sale of the Equity Shares offered in the Issue is restricted by law in certain jurisdictions. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken that would permit the offer and sale of the Equity Shares offered in the Issue to occur in any jurisdiction other than India, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to the Issue in any jurisdiction where action for such purpose is required, except in India. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Therefore, persons who may come into possession of this Preliminary Placement Document are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions.

Each purchaser of the Equity Shares in this Issue will be deemed to have made the representations, warranties, acknowledgments and agreements as described in this section and under "*Notice to Investors*", "*Representations by Investors*" and "*Transfer Restrictions*" beginning on pages 1, 3 and 197, respectively.

Republic of India

This Preliminary Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to Eligible QIBs and is not an offer to the public. This Preliminary Placement Document has not been and will not be registered as a prospectus with the RoC and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction.

Australia

This Preliminary Placement Document does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (Cth) ("Australian Corporations Act") and does not purport to include the information required of a prospectus or disclosure document under the Australian Corporations Act. This Preliminary Placement Document has not been lodged with the Australian Securities and Investments Commission ("**ASIC**") and no steps have been taken to lodge it with ASIC. No offer will be made under this Preliminary Placement Document to any person to whom disclosure is required to be made under Chapter 6D of the Australian Corporations Act. Any offer in Australia of the Equity Shares under this Preliminary Placement Document may only be made to persons who are "sophisticated investors" (within the meaning of section 708(8) of the Australian Corporations Act), "professional investors" (within the meaning of section 708(11) of the Australian Corporations Act) or otherwise pursuant to one or more exemptions under section 708 of the Australian Corporations Act which permit the offer of the Equity Shares without disclosure under Part 6D.2 of the Australian Corporations Act.

As any offer of Equity Shares under this Preliminary Placement Document will be made without disclosure in Australia under Chapter 6D.2 of the Australian Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Australian Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the Equity Shares you undertake to the Company that you will not, for a period of 12 months from the date of issue of the Equity Shares, offer, transfer, assign or otherwise alienate those securities to any person in Australia except in circumstances where disclosure to such person is not required under Chapter 6D.2 of the Australian Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Bahrain

All marketing and offering of the Equity Shares in the Issue has been made and will be made outside the Kingdom of Bahrain. This Preliminary Placement Document and the Equity Shares that shall be offered pursuant to this Preliminary Placement Document have not been registered, filed, approved or licensed by the Central Bank of Bahrain ("**CBB**"), the Bahrain Bourse, the Ministry of Industry, Commerce and Tourism ("**MOICT**") or any other relevant licensing authorities in the Kingdom of Bahrain.

The CBB, the Bahrain Bourse and the MOICT of the Kingdom of Bahrain takes no responsibility for the accuracy of the statements and information contained in this Preliminary Placement Document, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance on any statements or information contained herein. This Preliminary Placement Document is only intended for Accredited Investors as defined by the CBB and the Equity Shares offered by way of private placement may only be offered in minimum subscriptions of USD 100,000 (or equivalent in other currencies). No invitation to the public in the Kingdom of Bahrain to subscribe to the Equity Shares is being made and this Preliminary Placement Document will not be issued to, passed to, or made available to the public generally in the Kingdom of Bahrain. The CBB has not reviewed, nor has it approved this Preliminary Placement Document and any related offering documents or the marketing thereof in the Kingdom of Bahrain. The CBB is not and will not be responsible for the performance of the Equity Shares.

Cayman Islands

No offer or invitation to subscribe for Equity Shares may be made to the public in the Cayman Islands to subscribe for any of the Equity Shares but an invitation or offer may be made to sophisticated persons (as defined in the Cayman Islands Securities Investment Business Law (the "**SIBL**"), high net worth persons (as defined in the SIBL) or otherwise in accordance with the SIBL. This Preliminary Placement Document does not constitute an invitation or offer to the public in the Cayman Islands of the Equity Shares, whether by way of sale or subscription. The Equity Shares are not being offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

Dubai International Financial Centre

This Preliminary Placement Document relates to an Exempt Offer in accordance with the Markets Rules Module of the Dubai Financial Services Authority ("**DFSA**") Rulebook. This Preliminary Placement Document is intended for distribution only to persons of a type specified in the Markets Rules Module. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Preliminary Placement Document nor taken steps to verify the information set forth herein and has no responsibility for this Preliminary Placement Document. The securities to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this Preliminary Placement Document you should consult an authorized financial advisor.

In relation to its use in the DIFC, this Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

European Economic Area

In relation to each Member State of the European Economic Area (each a "**Member State**"), no Equity Shares have been offered or will be offered pursuant to the Issue to the public in that Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation), except that offers of Equity Shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of Lead Managers for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Equity Shares shall result in a requirement for the publication by the Company or the Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this section, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares.

Except for each person who is not a qualified investor and who has notified the Lead Managers of such fact in writing and has received the consent of the Lead Managers in writing to subscribe for or purchase Equity Shares in the Issue, each person in a Relevant State who acquires Equity Shares in the Issue or to whom any offer is made shall be deemed to have represented that it is a "qualified investor" as defined in the Prospectus Regulation.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 5 of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares subscribed for or acquired by it in the Issue have not been subscribed for or acquired on a non-discretionary basis on behalf of, nor have they been subscribed for or acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant State to qualified investors (as so defined) or in circumstances in which the prior consent of the Lead Managers has been obtained to each such proposed offer or resale.

Our Company, the Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

Hong Kong

The Equity Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO has been or will be issued, whether in Hong Kong or elsewhere.

Japan

The Equity Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). The Preliminary Placement Document is not an offer of shares for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used in the Preliminary Placement Document means any person resident in Japan, including any corporation or entity organized under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Republic of Korea

The Equity Shares have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "**FSCMA**"), and the Equity Shares have been and will be offered in Korea as a private placement under the FSCMA. None of the Equity Shares may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "**FETL**"). Furthermore, the purchaser of the Equity Shares shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Equity Shares. By the purchase of the Equity Shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the Equity Shares pursuant to the applicable laws and regulations of Korea.

Kuwait

This document and does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, the Equity Shares in the State of Kuwait. The Equity Shares have not been licensed for offering, promotion, marketing, advertisement or sale in the State of Kuwait by the Capital Markets Authority or any other relevant Kuwaiti government agency. The offering, promotion, marketing, advertisement or sale of the Equity Shares in State of Kuwait on the basis of a private placement or public offering is, therefore, prohibited in accordance with Law No. 7 of 2010 and the Executive Bylaws for Law No. 7 of 2010, as amended, which govern the issue, offer, marketing and sale of financial services/products in the State of Kuwait. No private or public offering of the Equity Shares is or will be made in the State of Kuwait, and no agreement relating to the sale of the Equity Shares will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in the State of Kuwait.

Mauritius

The public of the republic of Mauritius is not invited to subscribe for the interests offered hereby. This memorandum relates to a private placement and does not constitute an offer to the public in Mauritius to subscribe for the interests offered hereby. the interests are only being offered to a limited number of sophisticated investors meeting the eligibility criteria. no regulatory approval has been sought for the offer in Mauritius and it must be distinctly understood that the Mauritius financial services commission does not accept any responsibility for the financial soundness of or any representations made in connection with the issue. The memorandum is for the use only of the named addressee and should not be given or shown to any other person.

Qatar (excluding the Qatar Financial Centre)

This Preliminary Placement Document did not, and was not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Preliminary Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither the Company nor the Lead Managers are authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Preliminary Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Preliminary Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. The persons representing the Lead Managers are, by distributing this document, not advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Preliminary Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Qatar and Qatar Financial Centre

Nothing in this Preliminary Placement Document is intended to constitute, shall be treated as constituting or shall be deemed to constitute, any offer or sale of securities in the State of Qatar or in the Qatar Financial Centre or the inward marketing of securities or an attempt to do business, as a bank, an investment company or otherwise in the State of Qatar or in the Qatar Financial Centre other than in compliance with any laws applicable in the State of Qatar or in the Qatar Financial Centre governing the issue, offering and sale of securities under the laws of the State of Qatar and the Qatar Financial Centre.

This Preliminary Placement Document and any underlying instruments or securities have not been and will not be filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Exchange or any other relevant Qatar governmental body or securities exchange. The Company has not been authorised or licenced by any Qatari governmental body or regulator to market, offer or sell the Equity Shares in the State of Qatar or in the Qatar Financial Centre.

This Preliminary Placement Document is strictly private and confidential. This Preliminary Placement Document is provided on an exclusive basis to the specifically intended recipient of such document, upon that person's request and initiative, and for the recipient's personal use only. It is being distributed to a limited number of qualified investors and must not be provided to any person other than the original recipient. It is not for general circulation in the State of Qatar or the Qatar Financial Centre and may not be reproduced or used for any other purpose. Any distribution of this document by the recipient to third parties in the State of Qatar or the Qatar Financial Centre is not authorised and shall be at the liability of such recipient.

Recourse against the Company and/or its affiliates may be limited or difficult and may have to be pursued in a jurisdiction outside the State of Qatar and/or the Qatar Financial Centre.

Saudi Arabia

This Preliminary Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority ("**CMA**"). The CMA does not make any representation as to the accuracy or completeness of this Preliminary Placement Document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Preliminary Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser.

Singapore

This Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

i. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
ii. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
(b) where no consideration is or will be given for the transfer;
(c) where the transfer is by operation of law;
(d) as specified in Section 276(7) of the SFA; or
(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Sections 309B(1)(a) and 309B(1)(c) of the SFA: We have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the Equity Shares are: (A) prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and (B) Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment: Notice on Recommendations on Investment Products).

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Equity Shares are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Sultanate of Oman

The information contained in this Preliminary Placement Document does not constitute a public offer of securities in Oman as contemplated by the Oman Commercial Companies Law (Sultani Decree 18/2019, as amended) or Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended). This Preliminary Placement Document will only be made available to investors in Oman in accordance with the provisions of Article 139 of the Executive Regulations of the Capital Markets Law (Capital Markets Law Decision No. 1/2009, as amended) (the "**Executive Regulations**") by an entity duly licenced by the Capital Market Authority of Oman to market non-Omani securities in Oman.

This Preliminary Placement Document is strictly private and confidential. It is being provided to a limited number of sophisticated investors solely to enable them to decide whether or not to invest in the Equity Shares outside of Oman, upon the terms and subject to the restrictions set out herein and may not be reproduced or used for any other purpose or provided to any person other than the original recipient. Additionally, this Preliminary Placement Document is not intended to lead to the making of any contract within the territory or under the laws of Oman.

This Preliminary Placement Document has not been (and will not be) filed with the Capital Market Authority of Oman (except in accordance with Article 139 of the Executive Regulations) or any other regulatory authority in Oman and the Capital Market Authority of Oman neither assumes responsibility for the accuracy and adequacy of the statements and information contained in this Preliminary Placement Document nor shall have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

United Arab Emirates (excluding the Dubai International Financial Centre)

This Preliminary Placement Document does not constitute or contain an offer of securities to the general public in the UAE. No offering, marketing, promotion, advertising or distribution (together, "Promotion") of this document or the Equity Shares may be made to the general public in the United Arab Emirates (the "**UAE**") unless: (a) such Promotion has been approved by the UAE Securities and Commodities Authority (the "**SCA**") and is made in accordance with the laws and regulations of the UAE, including SCA Board of Directors' Chairman Decision no. (3/R.M.) of 2017 (the "**Promotion and Introduction Regulations**"), and is made by an entity duly licensed to conduct such Promotion activities in the UAE; or (b) such Promotion is conducted by way of private placement made: (i) only to "Qualified Investors" (excluding "**High Net Worth Individuals**") (as such terms are defined in the Promotion and Introduction Regulations); or (ii) otherwise in accordance with the laws and regulations of the UAE; or (c) such Promotion is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE. None of the SCA, the UAE Central Bank, the UAE Ministry of Economy or any other regulatory authority in the UAE has reviewed or approved the contents of this document nor does any such entity accept any liability for the contents of this document.

United Kingdom

No Shares have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Shares which is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provisions in Article 74 (transitional provisions) of the Prospectus Amendment etc (EU Exit) Regulations 2019/1234, except that it may make an offer to the public in the United Kingdom of any Shares at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Lead Managers for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the UK Prospectus Regulation,

provided that no such offer of the Shares shall require the Company or any Lead Managers to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The Preliminary Placement Document may not be distributed or circulated to any person in the United Kingdom other than to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"); and (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons together being referred to as "relevant persons"). The Preliminary Placement Document is directed only at relevant persons. Other persons should not act on the Preliminary Placement Document or any of its contents. The Preliminary Placement Document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

United States of America

The Equity Shares have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold only outside the United States in '*offshore transactions*', as defined in and in reliance on Regulations S and the applicable laws of the jurisdiction where such offers and sales are made. For further information, see "***Transfer Restrictions***" on page 197.

Other Jurisdictions

The distribution of this Preliminary Placement Document and the offer and sale of the Equity Shares may be restricted by law in certain jurisdictions. Persons into whose possession this Preliminary Placement Document comes are required to inform themselves about, and to observe, any such restrictions to the extent applicable.

TRANSFER RESTRICTIONS

Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any resale, pledge or transfer of Equity Shares.

Pursuant to Chapter VI of the SEBI ICDR Regulations, any resale of Equity Shares Allotted in the Issue, except on the Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsels prior to making any resale, pledge, or transfer of our Equity Shares. In addition to the above, Allotments made to Eligible QIBs, including VCFs and AIFs, in the Issue may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. For more information, see "*Selling Restrictions*" beginning on page 190.

Purchaser Representations and Transfer Restrictions

The Equity Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

By accepting delivery of this Preliminary Placement Document, submitting a bid to purchase the Equity Shares and/or accepting delivery of Equity Shares, you will be deemed to have represented and agreed as follows:

- It is authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations and will comply with all laws, regulations and restrictions (including the selling restrictions contained in this Preliminary Placement Document) which may be applicable in its jurisdiction and it has obtained or will obtain any consent, approval or authorization required for it to purchase and accept delivery of Equity Shares, and it acknowledges and agrees that none of our Company or the BRLM and their respective affiliates shall have any responsibility in this regard.

- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Equity Shares are being issued in "offshore transactions" as defined in, and in reliance on, Regulation S, and such Equity Shares have not been and will not be registered under the U.S. Securities Act.

- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the United States (within the meaning of Regulation S), and it has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States, or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, (ii) such customer is located outside the United States (within the meaning of Regulation S), and (iii) such customer has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States.

- It is aware of the restrictions of the offer, sale and resale of the Equity Shares pursuant to Regulation S.

- It agrees (or it is a broker-deal acting on behalf of a customer that has confirmed to it that such customer agrees) that neither it, nor any of its affiliates, nor any person acting on its behalf, will make any "directed selling efforts" as defined in Regulation S. It acknowledges and agrees that it is not purchasing any Equity Shares as a result of any "directed selling efforts" as defined in Regulation S

- It understands and agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer understands and agrees) that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares, such Equity Shares may be offered, resold, pledged or otherwise transferred in compliance with the U.S. Securities Act and other applicable securities laws only outside the United States in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S or in a transaction otherwise exempt from the registration requirements of the U.S. Securities Act and, in each case, in accordance with all applicable securities laws of the states of the United States and any other jurisdictions in which such offers or sales are made.

- It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares. It is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. It and any accounts for which it is subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company or the BRLM for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) is seeking to subscribe to the Equity Shares in this Issue for investment purposes and not with a view to resell or distribute them and it has no reason to anticipate any change in its circumstances, financial or otherwise, which may cause or require any sale or distribution by it of all or any part of the Equity Shares, (v) have no need for liquidity with respect to the investment in the Equity Shares, and (vi) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Equity Shares. It acknowledges that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. It is seeking to subscribe to the Equity Shares in this Issue for its own investment and not with a view to distribution.

- It has been provided access to this Preliminary Placement Document and will be provided access to the Placement Document which it has read in its entirety.

- It agrees to indemnify and hold our Company and the BRLM harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations and warranties. It will not hold our Company or the BRLM liable with respect to its investment in the Equity Shares. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Where it is subscribing to the Equity Shares for one or more managed accounts, it represents and warrants that it is authorised in writing, by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- It agrees that any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions shall not be recognised by our Company.

It acknowledges that our Company and the BRLM and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements is no longer accurate, it will promptly notify our Company and the BRLM. It agrees that the terms and provisions of the foregoing acknowledgements, representations and agreements shall inure to the benefit of and any document incorporating such acknowledgements, representations and agreements shall be enforceable by our Company, its successors and its permitted assigns, and the terms and provisions hereof shall be binding on its permitted successors in title, permitted assigns and permitted transferees. It understands that these acknowledgments, representations and undertakings are required in connection with United States securities laws and irrevocably authorizes our Company to produce these acknowledgments, representations and undertakings (or any document incorporating them) to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.

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THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the respective websites of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the Book Running Lead Manager or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. BSE and NSE are the significant stock exchanges in India in terms of the number of listed companies, market capitalisation and trading activity.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. On October 3, 2018, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (the "**SCR (SECC) Regulations**"), which regulate *inter alia* the recognition, ownership and governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Regulations along with various rules, byelaws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations and guidelines concerning minimum disclosure requirements by listed companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign portfolio investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

BSE

Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 19, 2005, BSE was incorporated as a company under the Companies Act, 1956. BSE was listed on NSE with effect from February 3, 2017.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000.

Listing and delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, 2013 the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by SEBI including the SEBI ICDR Regulations and the SEBI Listing Regulations, as well as pursuant to the listing agreements entered into by the company with the Stock Exchanges. The SCRA & SCRR empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the SEBI Listing Regulations and byelaws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

Delisting of equity shares from the stock exchanges, whether by way of a compulsory or a voluntary delisting, is governed by the provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021, as amended (the "**Delisting Regulations**"). In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

All listed companies (except exempted public sector undertakings) are required to maintain a minimum public shareholding of 25%. In this regard, SEBI has provided several mechanisms to comply with this requirement. Where the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such the public shareholding having fallen below the 25% threshold. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirements. Our Company is in compliance with this minimum public shareholding requirement.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended (the "**Insider Trading Regulations**") have been notified on January 15, 2015 and came into effect on May 15, 2015, by SEBI to amongst other things, prohibit and penalize insider trading in India and prohibit dealing in the securities of a listed company when in possession of unpublished price sensitive information ("**UPSI**").

The Insider Trading Regulations also impose certain restrictions on the communication of UPSI relating to a company or securities listed or proposed to be listed. In terms of the Insider Trading Regulations, (i) no insider shall communicate, provide or allow access to any UPSI relating to such companies and securities to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of UPSI relating to such companies and securities, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. It also provides disclosure obligations for promoters, employees and directors, with regard to their shareholding in the company, and the changes therein. However, UPSI may be communicated, provided or allowed access to or procured, under certain circumstances specified in the Insider Trading Regulations.

The Insider Trading Regulations define the term "unpublished price sensitive information" to mean any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of its securities and ordinarily includes but not restricted to information relating to the following: (a) financial results; (b) dividends; (c) change in capital structure; (d) mergers, de-mergers, acquisitions, de-listings, disposals and expansion of business and such other transactions; and (e) changes in key managerial personnel. Further, in terms of the Insider Trading Regulations, "generally available information" is defined as information that is accessible to the public on a non-discriminatory basis. An "insider" means any person who is i) a connected person; or ii) in possession of or having access to unpublished price sensitive information. The term "connected person" means any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity, including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holding any position, including a professional or business relationship between himself and the company, whether temporary or permanent, that allows such person, directly or indirectly, to have access to unpublished price sensitive information or is reasonably expected to allow such access.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities (including fiduciaries and intermediaries) that are required to handle UPSI in the course of business operations to establish (i) an internal code of practices and procedures for fair disclosure of UPSI; (ii) an internal code to regulate, monitor and report trading by designated persons and immediate relatives of designated persons; and (iii) a policy for procedures to be adopted by a company in case of any leak of UPSI. There are also initial and continuing shareholding disclosure obligations under the Insider Trading Regulations.

Further, the board of directors or head(s) of the listed entities are required to maintain a structured digital database containing, inter alia, the nature of UPSI, the names of such persons who have shared the UPSI and the names of persons with whom such UPSI is shared under the SEBI Insider Trading Regulations.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the NIFTY 50 of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise circuit breakers. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.
The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Settlement

In accordance with the circular dated September 7, 2021, issued by SEBI, at any time on or after January 1, 2022, a Stock Exchanges may choose to offer T+1 settlement cycle after giving an advance notice of at least one month. Thereafter, the Stock Exchanges transitioned into T+1 rolling settlement cycle with effect from January 27, 2023, and all trades executed in any securities in the equity segment are to be settled on a T+1 basis. Further, pursuant to a circular dated March 21, 2024, SEBI issued the framework for implementing the beta version of the T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle for certain stocks with a limited number of brokers.

Trading Hours

Trading on both BSE and NSE normally occurs from Monday to Friday between 9:15 a.m. IST and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9.00 a.m. IST to 9.15 a.m. IST that has been introduced). BSE and NSE are closed on public holidays.

Internet-Based Securities Trading and Security Trading using Wireless Technology Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated under applicable law. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of NSE.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE online trading facility in 1995. This 100% automated screen-based trading in securities was put into practice nationwide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work. In the year 2014, BSE introduced its new generation trading platform BOLT Plus. NSE has a fully automated trading system called NEAT, which operates on strict time/price priority besides enabling efficient trade.

Depositories

The Depositories Act, 1996 provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. Further, SEBI has framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 in relation to, among other things, the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners.

SEBI Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the "**SEBI Takeover Regulations**") in relation to substantial acquisition of shares and takeovers. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the SEBI Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The SEBI Takeover Regulations prescribes certain thresholds or trigger points in the shareholding that a person or entity (along with persons acting in concert with such person or entity) has in the listed Indian company, which give rise to certain obligations on the part of the acquirer. Acquisition of shares or voting rights up to a certain threshold prescribed under the SEBI Takeover Regulations mandate specific disclosure requirements, while acquisitions (direct or indirect, along with persons acting in concert with such acquirer) crossing particular thresholds may result in the acquirer having to make an open offer for the shares of the target company.

Buy-back

A company may buy-back its shares subject to compliance with the requirements of Section 68 of the Companies Act, 2013, as amended and the SEBI (Buy-back of Securities) Regulations 2018, as amended. Under Section 68 of the

Companies Act, 2013, as amended, a company may buy-back its shares out of its free reserves or securities premium account or the proceeds of the issue of any shares or other specified securities, other than proceeds of an earlier issue of the same kind of shares or same kind of other specified securities.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is the information relating to the Equity Shares including a brief summary of certain provisions of the Memorandum of Association and Articles of Association and the Companies Act, 2013. The prospective investors are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

Share Capital

The authorised share capital of our Company is ₹ 6,050.00 lakhs comprising of 6,05,00,000 Equity Shares (of face value of ₹10 each). As on the date of this Preliminary Placement Document, the issued, subscribed and paid-up capital of our Company is ₹ 3900.0061 lakhs comprising of 3,90,00,061 Equity Shares (of face value of ₹10 each). The Equity Shares are listed on BSE and NSE.

Dividends and Reserve

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the annual general meeting of its shareholders. The shareholders have the right to decrease but not increase the dividend amount recommended by the board of directors. Dividends are generally declared as a percentage of par value (on per share basis) and distributed and paid to shareholders. The Companies Act, 2013 provides that shares of the same class of a company must receive equal dividend treatment. These distributions and payments are required to be paid to or claimed by shareholders within 30 days of the date of declaration of dividend. The Companies Act, 2013 states that any dividends that remain unpaid or unclaimed after that period are to be transferred to a special bank account within seven days from the date of expiry of the period of 30 days. Any dividend amount that remains unclaimed for seven years from the date of such transfer is to be transferred by the company to a fund, called the Investor Education and Protection Fund, created by the Government of India.

The Articles of Association of our Company provide that the Board may set aside, out of the profits of the Company, such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applied for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Board may, from time to time, think fit. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the Equity Shares of the Company.

Capitalisation of profits

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits the board of directors of a company to issue fully paid up bonus shares to its members out of (a) the free reserves of our company, (b) the securities premium account, or (c) the capital redemption reserve account. However, a company may capitalize its profits or reserves for issue of fully paid up bonus shares, provided: (a) its authorized by articles, (b) it has been, on the recommendation of the board of directors, approved by the Shareholders in a general meeting, (c) it has not defaulted in payment of interest or principal in respect of public deposits or debt securities issued by it, (d) it has not defaulted on payment of statutory dues, (e) there are no partly paid shares. The issue of bonus shares once declared cannot be withdrawn.

Any issue of bonus shares by a listed company would be subject to the SEBI ICDR Regulations. The relevant SEBI ICDR Regulations prescribe that no company shall make a bonus issue of equity shares if it has outstanding fully or partly convertible debt instruments at the time of making the bonus issue, unless it has made reservation of the equity shares in the same class in favour of the holders of the outstanding convertible debt instruments in proportion to the convertible part thereof and the equity shares reserved for the holders of fully or partly convertible debt instruments shall be issued at the time of conversion of such convertible debt instruments on the same terms or same proportion on which the bonds were issued. Further, for issuance of such bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures. The declaration of bonus shares in lieu of a dividend cannot be made. The bonus issuance shall be made out of free reserves built out of genuine profits or share premium collected in cash only. The reserves created by revaluation of fixed assets cannot be capitalised. Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees, such as contributions to provident funds, gratuities and/or bonuses.

The Articles of Association of our Company provide that the Company may resolve to apply the securities premium account and the capital redemption reserve account or any other permissible reserve account in paying up of unissued Equity Shares to be issued to the Shareholders of the Company as fully paid bonus shares.

Alteration of share capital

Under the provisions of the Companies Act, 2013, a company may increase its share capital by issuing new shares on such terms and with such rights as it, by action of its shareholders in a general meeting may determine. The board of directors of a company is entitled to make private placement and preferential issue of equity shares, debentures, preference shares or any other instruments to such class of persons as the board of directors may deem fit.

According to Section 62(1)(a) of the Companies Act 2013, such new shares shall be offered to existing shareholders in proportion to the amount paid-up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer or as may be permitted by applicable law) within which the offer, if not accepted, will be deemed to have been declined. After such date, the board may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to the Shareholders. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person. Under the provisions of Section 62(1)(c) of the Companies Act, 2013, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed, and a special resolution to that effect is passed by our shareholders in a general meeting. Further, the Companies (Share Capital and Debentures) Rules, 2014 prescribe that price of shares to be issued on preferential basis by a listed company need not be determined by the valuation report of the registered valuer.

In accordance with the Articles of Association and the provisions of the Companies Act, 2013, the Company may issue the following kinds of shares: (a) Equity share capital: (i) with voting rights; and/or (ii) with differential rights as to dividend, voting or otherwise in accordance with the Companies Act, 2013; and (b) Preference share capital. Further, subject to the provisions of the Companies Act, 2013 and the Articles of Association, the shares in the capital of the Company shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par (subject to the compliance with the provision of the Companies Act, 2013) or at a discount and at such time as they may from time to time think fit and with sanction of the Company in the general meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Board thinks fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. The Board may issue and allot shares of the Company as payment in full or in part, for any property purchased by the Company or in respect of goods sold or transferred or machinery or appliances supplied or for services rendered to the Company in the acquisition and/or in the conduct of its business; and any shares which may be so allotted may be issued as fully paid up shares and if so issued shall be deemed as fully paid up shares. Subject to the provisions of the Companies Act, 2013, the Company in its general meetings may, by an ordinary resolution, from time to time: (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (b) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination; (c) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum so however, that in the sub- division the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share Is derived; or; (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of share capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this article shall not be deemed to be a reduction of share capital within the meaning of the Companies Act, 2013. Subject to the provisions of section 55, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are to be redeemed on such terms and in such manner as the company before the issue of the shares may, by special resolution, determine.

General meetings

There are two types of general meetings of shareholders: (i) AGM; and (ii) EGM. A company must hold its AGM within six months after the expiry of each Fiscal provided that not more than 15 months shall elapse between the AGM and next one, unless extended by the RoC at its request for any special reason for a period not exceeding three months. The board of directors of the company may convene an EGM when necessary or at the request of shareholders in accordance with the Companies Act, 2013.

As per the provisions of the Companies Act, 2013 and the Articles of Association, all general meetings other than annual general meeting shall be called extraordinary general meeting. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. The quorum for a general meeting shall be as provided in Section 103 of the Companies Act, 2013. The Chairperson of the Company shall preside as Chairperson at every general meeting of the Company.

Voting rights

Every member present in person shall have one vote on a show of hands, and on poll, the member present in person or by proxy shall have one vote for each Share of our Company held by him, subject to any rights or restrictions for the time being attached to any class or classes of Shares. Any member entitled to attend and vote at a general meeting may do so either personally or through his duly constituted attorney or through another person as a proxy on his behalf, for that meeting.

The instrument appointing a proxy is required to be lodged with the Company at least 48 hours before the time of the meeting. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given provided no intimation in writing of the death, revocation or transfer shall have been received at the registered office of our Company before the general meeting.

No member is entitled to exercise any voting rights at any meeting of our Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which our Company has exercised any right of lien.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are subject to securities transaction tax (levied on and collected by the stock exchanges on which such equity shares are sold), however, are exempt from stamp duty. Our Company has entered into an agreement for such depository services with the Depositories. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. The registrar and transfer agent shall maintain a register in which every transfer or transmission of shares will be entered. In addition to complying with the Companies Act, 2013 and the other applicable laws, the Company is also required to comply with the provisions of the SEBI Listing Regulations for effecting the transfer of shares. In terms of the SEBI Listing Regulations, except in case of transmission or transposition of Equity Shares, requests for effecting transfer of shares shall not be processed unless the shares are held in dematerialized form with a depository and that transmission or transposition of securities held in physical or dematerialised form shall be effected only in dematerialised form. The Equity Shares shall be freely transferable, subject to applicable laws.

Buy-back

Our Company may buy back its own shares or other specified securities subject to the provisions of the Companies Act and any related guidelines issued in connection therewith.

Directors

The Articles of Association provide that the number of Directors on the Board shall not be less than 3 and not more than 15, unless otherwise determined by the Company in a General Meeting.

Winding up

Our Articles of Association provide that subject to the provisions of the Companies Act, 2013 and the Rules made thereunder, if the Company shall be wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, 2013, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not. For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

TAXATION

STATEMENT OF POSSIBLE TAX BENEFITS

To,

The Board of Directors
Paras Defence and Space Technologies Limited
D-112, TTC Industrial Area,
MIDC, Nerul, Mumbai City,
Navi Mumbai,
Maharashtra – 400706, India
(Referred as the "Company")

ITI Capital Limited
ITI House, 36,
Dr R K Shirodkar Marg, Parel,
Mumbai 400 012

(Referred as the "Book Running Lead Manager" or "BRLM")

Dear Sirs/Madams,

Sub: Qualified institutions placement of equity shares of face value of ₹10 each ("Equity Shares") under Chapter VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations") and applicable provisions of the Companies Act, 2013, and the rules framed thereunder, each as amended (the "Companies Act") by Paras Defence and Space Technologies Limited (the "Company", and such qualified institutions placement, the "Issue")

1. This certificate is issued in accordance with the terms of our arrangement letter dated October 01, 2024 executed between us, the Company and the BRLM for the purpose of the proposed issue.

2. We, the current statutory auditors of the Company, namely, Chaturvedi & Shah LLP, Chartered Accountants, have been requested by the Company to provide confirmation for possible special tax benefits to the Company, its shareholders and its material subsidiary, under direct tax and indirect tax laws presently in force in India and in Singapore, as amended and read with the rules, circulars and notifications, applicable for financial year 2023-24 in the context of the Issue in accordance with the SEBI ICDR Regulations.

3. The aforesaid Statement (defined below) also covers possible special tax benefits in the hands of Opel Technologies PTE Limited (incorporated in Singapore) (Wholly owned Subsidiary) (Material Subsidiary), under direct and indirect tax laws presently in force in the Singapore, applicable for the financial year ending March 31, 2024.

4. The accompanying statement in **Annexure – 1** ("**the Statement**") contains the summary of possible special tax benefits available to the Company, its material subsidiary and its shareholders under the direct tax and indirect tax laws presently in force in the respective country and, as amended ("**Taxation Laws**") and the rules, regulations, circulars and notifications issued in connection with the Taxation Laws, each as amended and as applicable to the Assessment Year 2024-25 relevant to the financial year 2023-24 in respect of Company and its material subsidiary.

5. Several of these benefits are dependent on the Company or its material subsidiary or its shareholders, as the case may be, fulfilling the conditions prescribed under the relevant statutory provisions. Hence, the ability of the Company and/or its material subsidiary and /or its shareholders to derive the possible special tax benefits is dependent upon their fulfilling such conditions, if any, which are based on business imperatives the Company or its material subsidiaries or its shareholders, face in the future, the Company or its material subsidiary or its shareholders may or may not choose to fulfil such conditions for availing possible special tax benefits.

6. This certificate of possible special tax benefits is required as per Schedule VII (18) of the SEBI ICDR Regulations. While the term 'tax benefits' has not been defined under the SEBI ICDR Regulations, it is assumed that with respect to tax benefits available to the Company and/or its material subsidiary and /or its shareholders, the same would include those benefits as enumerated in the Annexure - 1. Any benefits under the Taxation Laws other than those specified in the Annexure - 1 are considered to be general tax benefits available to the Company and/or its material subsidiary and /or its shareholders, and therefore not covered within the ambit of the Statement. Further,

any benefits available under any other Laws within or outside India, except for those specifically mentioned in the Annexure - 1, have not been examined and covered by the Statement.

Management's Responsibility for the Statement

7. The Management of the Company is responsible for preparation and maintenance of the Statement and other records supporting its contents, to give complete and correct information regarding possible Special Tax Benefits available to the Company and/or its material subsidiary and /or its shareholders under the provisions of the applicable direct and indirect tax laws, as amended, applicable for financial year 2023-2024. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

8. The Management is responsible for identifying and ensuring that the Company complies with the law and regulations applicable to its activities and details provided for verification are correct.

9. The Management is also responsible for ensuring that the Company complies with the requirements of the SEBI ICDR Regulations the Companies Act, 2013 and other applicable guidelines.

Auditor's Responsibility

10. It is our responsibility to report whether the Statement prepared by the Company, presents, in all material respects, the possible Special Tax Benefits available to the Company and/or its material subsidiary and /or its shareholders as of date, in accordance with the respective tax laws as at the March 31, 2024.

11. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

12. Insofar as possible special tax benefits under direct and indirect tax laws in the Singapore as applicable to Opel Technologies PTE Limited, is concerned, we have relied on the certificate dated, September 20, 2024 issued by MGI N Rajan Associates without independently verifying the correctness of the certificate or content therein.

13. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements.

Opinion

14. According to the information and explanations provided to us and based on certificate received from Statutory Auditor of Opel Technologies PTE. Limited and the representation obtained from the Company, we are of the view that as on March 31, 2024, the possible Special Tax Benefits available to the Company, its material subsidiary and the shareholders of the Company under the applicable tax laws in India and Singapore are given in the Statement, applicable for the financial year 2023-24 and relevant to the assessment year 2024-25, presently in force in the respective country.

15. The Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue. Further, we shall in no way be liable or responsible to any shareholder or subscriber for placing reliance upon the contents of the Statement. Also, any tax information included in this written communication was not intended or written to be used, and it cannot be used by the Company or the investor, for the purpose of avoiding any penalties that may be imposed by any regulatory, governmental taxing authority or agency. Neither we are suggesting nor advising the investors to invest money based on the statement. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Further, we also do not assume responsibility towards the investors and third parties who may or may not invest relying on the Statement.

16. We do not express any opinion or provide any assurance on whether:

- The Company and its material subsidiary and its shareholders will continue to obtain these benefits in the future;
- The conditions prescribed for availing the benefits have been/would be met; and

- The revenue authorities/courts will concur with the views expressed herein.

17. The contents of the enclosed Statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. We have relied upon the information and documents of the Company being true, correct, and complete and have not audited or tested them. Our view, under no circumstances, is to be considered as an audit opinion under any regulation or law. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our Firm or any of our partners or affiliates, shall not be responsible for any loss, penalties, surcharges, interest or additional tax or any tax or non-tax, monetary or non-monetary, effects or liabilities (consequential, indirect, punitive or incidental) before any authority / otherwise within or outside India arising from the supply of incorrect or incomplete information of the company.

Restriction on Use

18. We consent to the inclusion of the above information or any extract thereof in the Placement Documents to be filed by the Company with the BSE Limited and the National Stock Exchange of India Limited ("**Stock Exchanges**"), or any other authority and such other documents as may be prepared in connection with the Issue.

19. This certificate has been issued as per the term of arrangement letter as referred above in the connection with the Issue and may be relied upon by the BRLM appointed in connection with the Issue and may be submitted to the Stock Exchanges and any other regulatory or statutory authority in respect of the Issue. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

20. We also authorise BRLM to deliver this letter to SEBI, the Stock Exchanges or any other governmental or regulatory authority as may be required or in seeking to establish a defence in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

21. Terms capitalized and not defined herein shall have the same meaning as ascribed to them in the Placement Documents, as applicable

For Chaturvedi & Shah LLP
Chartered Accountants
Firm Registration Number: 101720W / W100355

Rupesh Shah
Partner
Membership Number: 117964
UDIN: 24117964BKFYEV4566

Place: Mumbai
Date: October 01, 202

ANNEXURE -1

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY, ITS SHAREHOLDERS AND ITS MATERIAL SUBSIDIARY UNDER THE APPLICABLE TAX LAWS IN INDIA AND SINGAPORE

The information provided below sets out the possible special tax benefits available to the Company, its material subsidiary and its shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares of the Company, under the current Taxation Laws presently in force in India and Singapore.

Several of these benefits are dependent on the Company / its material subsidiary /shareholders fulfilling the conditions prescribed under the relevant Taxation Laws. Hence, the ability of the Company/ its material subsidiary / shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business / commercial imperatives, the Company/ its material subsidiary / shareholders may or may not choose to fulfil.

The information provided below sets out the possible special tax benefits available to the Company, its material subsidiary and its shareholders under the applicable Tax Laws applicable for the Financial year 2024-25 and relevant to the assessment year 2025-2026.

1. Possible Special Tax Benefits available to the Company

(i) Direct Taxes:

Lower corporate tax rate under section 115BAA of the Income-tax Act, 1961 ('the Act')

As per section 115BAA of the Act as inserted vide the Taxation Laws (Amendment) Act, 2019 with effect from FY 2019-20 relevant to AY 2020-21, a domestic Company has an option to pay income tax in respect of its total income at a concessional tax rate of 22% (plus surcharge of 10% and cess) provided the Company does not avail of specified exemptions/ incentives/ deductions or set-off of losses/ unabsorbed depreciation etc., claims depreciation in the prescribed manner and complies with the other conditions specified in section 115BAA of the Act.

In case a Company opts for section 115BAA of the Act, the provisions of Minimum Alternate Tax ("MAT") under section 115JB of the Act would not be applicable and MAT credit of the earlier year(s) will not be available for set-off.

The option needs to be exercised in the prescribed manner in a particular AY on or before the due date of filing the income-tax return for such AY. The option once exercised shall apply to subsequent AYs and cannot be subsequently withdrawn for the same or any other AY. Further, if the conditions mentioned in section 115BAA of the Act are not satisfied in any AY, the option exercised shall become invalid in respect of such AY and subsequent AYs, and the other provisions of the Act shall apply as if the option under section 115BAA had not been exercised.

The Company has opted to apply section 115BAA of the Act from the Financial Year 2019-2020 (Assessment Year 2020-2021).

(ii) Indirect Taxes:

There are no special indirect tax benefits available to the Company.

2. Possible Special tax benefits (Direct and Indirect taxes) available to the Material Subsidiary, namely Opel Technologies PTE. Limited

The company has obtained certification from the Statutory Auditors, Singapore registered Chartered Accountants, of Opel Technologies PTE. Limited and as per the said certification, no special tax benefits **(Direct and Indirect taxes)** are available to Opel Technologies PTE. Limited, as per the Singapore tax laws.

3 Possible Special Tax benefits available to Shareholders

(i) Direct Taxes

There are no special direct tax benefits available to the shareholders for investing in the shares of the Company.

(ii) Indirect Taxes:

There are no special indirect tax benefits available to the Shareholders.

Notes:

1. This Statement does not discuss any tax benefits in the country outside India of an investment in the Equity Shares. The subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible special tax benefits and consequences that apply to them.

2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

3. All the above benefits are as per the current IT Act. Accordingly, any change or amendment in the laws /regulations, which when implemented would impact the same.
4. This Statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor.

5. No assurance is provided that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from timeto time. We do not assume responsibility to update the views consequent to such changes.

For Paras Defence and Space Technologies Limited

Munjal Sharad Shah
Managing Director
DIN: - 1080863

Place: Navi Mumbai
Date: October 01, 2024

LEGAL PROCEEDINGS

We are involved in various legal proceedings from time to time, mostly arising in the ordinary course of business. These legal proceedings are primarily in the nature of tax disputes, criminal and civil proceedings, which are pending before various adjudicating forums.

*In terms of our Company's "Policy for Determination of Materiality of Events/information" ("**Materiality Policy**") framed in accordance with Regulation 30 of the SEBI Listing Regulations, there are no outstanding litigations involving our Company that have been disclosed to the Stock Exchanges, and accordingly, there is no such outstanding litigation involving our Company that requires disclosure in this Preliminary Placement Document.*

However, solely for the purpose of the Issue, our Company has disclosed in this section, to the extent applicable (i) all outstanding criminal proceedings involving our Company, our Subsidiaries, our Directors and our Promoters; (ii) all outstanding actions by statutory or regulatory authorities against our Company, our Subsidiaries, our Directors and our Promoters; (iii) outstanding civil proceedings against our Company, our Subsidiaries, our Promoters and our Directors which involve an amount equivalent to or above ₹155.09 lakhs, which is 5% *of average of absolute value of profit or loss after tax for 3 years ("**Materiality Threshold**"); (iv) consolidated disclosure of the direct and indirect tax matters involving the Company and our Subsidiaries; and (v) any other outstanding litigation involving our Company , our Subsidiaries, our Directors and our Promoters wherein the amount involved cannot be determined or is below the Materiality Threshold, but an adverse outcome of which could materially and adversely affect the reputation, operations or financial position of our Company.*

Except as disclosed in the Preliminary Placement Document (i) There is no litigation or legal action pending or taken by any ministry or department of the government or a statutory authority against any of our Promoters during the last three years immediately preceding the year of circulation of this Preliminary Placement Document and no directions have been issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action; (ii) there are no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 in the last three years immediately preceding the year of circulation of this Preliminary Placement Document involving our Company or our Subsidiaries, nor are there any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document involving our Company or our Subsidiaries; (iii) there are no defaults in repayment of (a) statutory dues; (b) debentures and interests thereon; (c) deposits and interests thereon; and (d) loan obtained from any bank or financial institution and interest thereon by our Company, as of the date of this Preliminary Placement Document; (iv) there are no material frauds committed against us in the last three years; (v) there are no defaults in annual filing of our Company under the Companies Act, 2013 and the rules made thereunder; (vi) there are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operations; or (vii) there are no reservations, qualifications or adverse remarks of auditors in the last five Fiscal Years immediately preceding the year of circulation of this Preliminary Placement Document.

It is clarified that for the purposes of the above, pre-litigation notices received by any of our Company, our Subsidiaries, our Directors and/or our Promoters from third parties (excluding statutory / regulatory /governmental authorities or notices threatening criminal action) shall, not be considered as litigation proceedings till such time that any of our Company, our Subsidiaries, our Directors and/or our Promoters, are impleaded as parties in any such litigation proceedings before any court, tribunal or governmental authority, or is notified by any governmental, statutory or regulatory authority of any such proceeding that may be commenced.

Capitalised terms used herein shall, unless otherwise specified, have the meanings ascribed to such terms in this section.

A. LITIGATIONS INVOLVING OUR COMPANY

i. Outstanding criminal proceedings

Criminal proceedings against our Company

As on the date of this Preliminary Placement Document, there are no pending criminal proceedings filed against our Company.

Criminal proceedings initiated by our Company

As on the date of this Preliminary Placement Document, there are no pending criminal proceedings filed against our Company.

Other material proceedings

Civil proceedings against our Company

As on the date of this Preliminary Placement Document, there are no pending material civil proceedings filed by our Company which have been considered material in accordance with the Materiality Policy.

Civil proceedings initiated by our Company

As on the date of this Preliminary Placement Document, there are no pending civil proceedings initiated by our Company.

ii. Outstanding actions by Statutory Authorities or Regulatory Authorities

As on the date of this Preliminary Placement Document, there are no outstanding actions initiated by Statutory Authorities or Regularity Authorities against our Company.

iii. Outstanding tax proceedings

As on the date of this Preliminary Placement Document, there are no outstanding tax proceedings involving our Company except as listed below.

Nature of case	Number of cases	Amount Involved (in ₹ lakhs)
Direct Tax	6	88.26
Indirect Tax	2	15.16

B. LITIGATIONS INVOLVING OUR SUBSIDIARIES

i. Outstanding Criminal Litigations involving our Subsidiaries

Criminal proceedings against our Subsidiaries

As on the date of this Preliminary Placement Document, there are no pending criminal proceedings filed against our Subsidiaries.

Criminal proceedings by our Subsidiaries

As on the date of this Preliminary Placement Document, there are no pending criminal proceedings filed by our Subsidiaries.

ii. Other material proceedings involving by our Subsidiaries

Civil proceedings against our Subsidiaries

As on the date of this Preliminary Placement Document, there are no outstanding material civil litigations initiated against our Subsidiaries.

Civil litigations by our Subsidiaries

As on the date of this Preliminary Placement Document, there are no outstanding material civil litigations initiated against our Subsidiaries.

iii. Outstanding actions by Statutory Authorities or Regulatory Authorities involving our Subsidiaries

As on the date of this Preliminary Placement Document, there are no outstanding actions initiated by Statutory Authorities or Regularity Authorities against our Subsidiaries.

iv. Outstanding Tax proceedings involving our Subsidiaries

As on the date of this Preliminary Placement Document, there are no outstanding tax proceedings involving our Company

C. Litigation involving our Directors

Material civil proceedings involving our Directors

(i) Civil Proceedings filed by our Directors

As on the date of this Preliminary Placement Document, there are no outstanding material civil proceedings by our Directors.

(ii) Civil Proceedings filed against our Directors

As on the date of this Preliminary Placement Document, there are no outstanding material civil proceedings against our Directors.

Criminal proceedings involving our Directors

A. ***Criminal Matters filed by our Directors***

As on the date of this Preliminary Placement Document, there are no outstanding criminal proceedings by our Directors.

B. ***Criminal Matters filed against our Directors***

As on the date of this Preliminary Placement Document, there are no outstanding criminal proceedings by our Directors.

Actions taken by statutory or regulatory authorities against our Directors

As on the date of this Preliminary Placement Document, there are no pending actions taken by statutory or regulatory authorities against our Directors.

D. LITIGATIONS INVOLVING OUR PROMOTERS

i. Criminal proceedings involving our Promoters

Criminal proceedings against our Promoters

As on the date of this Preliminary Placement Document, there are no outstanding criminal proceedings initiated against our Promoters.

Criminal proceedings initiated by our Promoters

As on the date of this Preliminary Placement Document, there are no outstanding criminal proceedings initiated by our Promoters.

ii. Other material proceedings involving by our Promoters

Civil proceedings against our Promoters

As on the date of this Preliminary Placement Document, there are no outstanding criminal proceedings initiated by our Promoters.

Civil proceedings initiated by our Promoters

As on the date of this Preliminary Placement Document, there are no outstanding civil proceedings initiated by our Promoters.

iii. Outstanding actions by Statutory or Regulatory authorities against our Promoters

As on the date of this Preliminary Placement Document, there are no outstanding actions by Statutory or Regulatory authorities against our Promoters

iv. Outstanding tax proceedings against our Promoters

As on the date of this Preliminary Placement Document, there are no outstanding tax proceedings involving our Promoters.

E. Inquiries, inspections, or investigations under the Companies Act initiated or conducted in the last three years

There have been no inquiries, inspections or investigations initiated or conducted against our Company or our Subsidiaries under the Companies Act, 1956 or the Companies Act, 2013 in the last three years immediately preceding the year of issue of this Preliminary Placement Document, nor have there been any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document involving our Company or our Subsidiaries.

F. Details of acts of material frauds committed against our Company in the last three years, if any, and if so, the action taken by our Company

There have been no material frauds committed against our Company in the last three years preceding the date of this Preliminary Placement Document.

G. Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of statutory dues; debentures and interests thereon; deposits and interest thereon; and loan from any bank or financial institution and interest thereon

Our Company has no dues payable to holders of any debentures and interest thereon, deposits and interest thereon and loans and interest thereon from any bank or financial institution. Further, our company has no outstanding default in repayment of statutory dues.

H. Details of defaults in annual filing of our Company under the Companies Act, 2013 and the rules made thereunder

As on the date of this Preliminary Placement Document, our Company has not made any default in filings of our Company under the Companies Act, 2013 and the rules made thereunder.

I. Details of significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operation.

As on date of this Preliminary Placement Document, there are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operation.

STATUTORY AUDITORS

Chaturvedi & Shah LLP, Chartered Accountants, are the current independent Statutory Auditors with respect to our Company as required by the Companies Act, 2013 and in accordance with the guidelines prescribed by ICAI. In terms of the provisions of Section 139 of the Companies Act, 2013, Chaturvedi & Shah LLP, Chartered Accountants, were appointed as our Company's Statutory Auditors pursuant to a resolution adopted by our Shareholders at the annual general meeting held on September 29, 2023 for a period of five years, from Fiscal 2024 to 2028.

Chaturvedi & Shah LLP, Chartered Accountants, have audited the Fiscal 2024 Audited Consolidated Financial Statements, Fiscal 2023 Audited Consolidated Financial Statements and Fiscal 2022 Audited Consolidated Financial Statements and have issued their audit reports on such financial statements which are included in this Preliminary Placement Document in "*Financial Information*" on page 216.

The Unaudited Consolidated Financial Results have been subjected to limited review by Statutory Auditors and are included in this Preliminary Placement Document in "*Financial Information*" beginning on page 216.

FINANCIAL INFORMATION

Independent Auditor's Review Report on Unaudited Consolidated Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,

The Board of Directors of
Paras Defence and Space Technologies Limited

1. We have reviewed the accompanying statement of unaudited consolidated financial results of **Paras Defence and Space Technologies Limited** ("the Parent") and its subsidiaries (the parent and its subsidiaries together refer to as "the Group"), and its share of the net profit/(loss) after tax and total comprehensive income of its associates for the quarter ended June 30, 2024 ("the statement"), being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, ("the Listing Regulation"), as amended.

2. This statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34") as prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the statement based on our review.

3. We conducted our review of the statement in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making enquiries, primarily of Parent's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the circular no. CIR/CFD/CMD1/44/2019 issued by the Securities and Exchange Board of India under Regulation 33 (8) of the Listing Regulations, as amended, to the extent applicable

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4. The statement includes the results of the following entities:

List of subsidiaries:

1. Paras Aerospace Private Limited
2. Paras Anti Drone Technologies Private Limited
3. Paras Green UAV Private Limited (Formerly known as Paras Green Optics Private Limited)
4. Ayatti Innovative Private Limited
5. OPEL Technologies PTE Ltd (incorporated and place of business at Singapore)
6. Mechtech Thermal Private Limited
7. Quantico Technologies Private Limited

List of Associates:

1. Krasny Paras Defence Technologies Private Limited
2. Controp Paras Technologies Private Limited

5 Based on our review conducted as above and procedures performed as stated in paragraph 3 above and based on the consideration of the review report of the other auditors referred to in paragraph 6 below, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited consolidated financial results, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Other Matters

6 We did not review the interim financial information of 2 subsidiaries, included in the unaudited consolidated financial results, whose interim financial information reflect total revenue of Rs. 758 Lakhs, total net (loss) after tax Rs. (21) Lakhs and total comprehensive income of Rs. (21) Lakhs for the quarter ended June 30, 2024, as considered in the statement. These interim financial information have been reviewed by other auditors, whose reports have been furnished to us by the Management and our conclusion on the statement, in so far as it relates to the amount and disclosures included in respect of these subsidiaries is based solely on the reports of the other auditors and procedures performed by us as stated in paragraph 3 above.

Our conclusion on the statement is not modified in respect of the above matter with respect to our reliance on the work done and the reports of other auditors.

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7 The statement includes unaudited financial information of 2 associates which reflects Group's share of net loss after tax of Rs. (2) Lakhs and total comprehensive income of Rs. (2) Lakhs for the quarter ended June 30, 2024. These unaudited financial information as certified by the Management has been furnished to us by the Management and our conclusion on the statement, in so far as it relates to the financial information of above associates are based solely on such unaudited financial information. According to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our conclusion on the statement is not modified in respect of the above matter.

For CHATURVEDI & SHAH LLP
Chartered Accountants
Registration No. 101720W/W100355

R. Shah.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Rupesh Shah
Partner
Membership No. 117964
UDIN No.: 24117964BKFYDV8107

Place: Mumbai
Date: August 5, 2024

PARAS DEFENCE & SPACE TECHNOLOGIES LIMITED

Corporate & Registered Office :
D-112, TTC Indl. Area, Nerul, Navi Mumbai - 400 706, India | Tel : +91-22-6919 9999 | Fax : +91-22-6919 9990
CIN : L29253MH2009PLC193352 | E-mail : business@parasdefence.com | Web : www.parasdefence.com

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Statement of Unaudited Consolidated Financial Results for the Quarter ended June 30, 2024

(Rs. in Lakhs, except per equity share data)

	PARTICULARS	Quarter Ended			Year Ended
		30-Jun-24	31-Mar-24	30-Jun-23	31-Mar-24
		Unaudited	Audited (Refer Note 2)	Unaudited	Audited
1	**Income**				
	a) Revenue from Operations	8,357	7,969	4,832	25,350
	b) Other Income	58	548	94	827
	Total Income	**8,415**	**8,517**	**4,926**	**26,177**
2	**Expenses**				
	a) Cost of Materials Consumed	2,879	4,063	1,375	12,619
	b) Purchase of Stock-in-Trade	480	1,477	489	2,774
	c) Changes in Inventories of Finished Goods, Work-in-Progress and Stock- in-Trade	540	(1,218)	234	(3,334)
	d) Employee Benefits Expense	883	826	736	3,090
	e) Finance Costs	153	226	71	544
	f) Depreciation and Amortisation Expense	365	339	314	1,336
	g) Other Expenses	1,163	1,596	915	5,095
	Total Expenses	**6,463**	**7,309**	**4,134**	**22,124**
3	**Profit Before Share of (Loss) / Profit of Associates, Exceptional Items and tax (1-2)**	**1,952**	**1,208**	**792**	**4,053**
4	Share of (Loss) /Profit of Associates	(2)	3	(9)	(6)
5	**Profit Before exceptional Items and Tax (3+4)**	**1,950**	**1,211**	**783**	**4,047**
6	Exceptional Items	-	-	-	-
7	**Profit Before Tax (5-6)**	**1,950**	**1,211**	**783**	**4,047**
8	**Tax Expenses**				
	Current tax	509	328	201	1,257
	Deferred Tax	30	33	1	(103)
	Income Tax for Earlier Years	-	(110)	-	(110)
9	**Profit for the period / year (7-8)**	**1,411**	**960**	**581**	**3,003**
10	**Other Comprehensive Income (OCI)**				
	(a) Items that will not be reclassified to profit or loss				
	(i) Re-measurement Losses on Defined benefit Plans	12	42	2	48
	(ii) Tax Effect on above	(3)	(10)	(1)	(12)
	(b) Items that will be reclassified to profit or loss				
	(i) Foreign Currency Translation Reserve	(0)	(1)	0	(2)
	(ii) Tax Effect on above	-	-	-	-
	Total Other Comprehensive Income (Net of Tax)	**9**	**31**	**1**	**34**
11	**Total Comprehensive Income for the period / year (9-10)**	**1,402**	**929**	**580**	**2,969**
12	**Net Profit attributable to**				
(a)	Owners of the Company	1,485	997	601	3,206
(b)	Non-Controlling Interest	(74)	(37)	(20)	(203)
13	**Other Comprehensive Income attributable to**				
(a)	Owners of the Company	9	31	1	34
(b)	Non-Controlling Interest	-	-	-	-
14	**Total Comprehensive Income attributable to**				
(a)	Owners of the Company	1,476	966	600	3,172
(b)	Non-Controlling Interest	(74)	(37)	(20)	(203)
15	**Paid-up Equity Share Capital** (Face Value per share : Rs. 10/- each)	3,900	3,900	3,900	3,900
16	**Other Equity excluding Revaluation Reserve as per Balance sheet**				**36,379**
17	**Earnings Per Share (of Rs. 10/- each)**				
	a) Basic (Not Annualised) *	3.81*	2.56*	1.54*	8.22
	b) Diluted (Not Annualised) *	3.81*	2.56*	1.54*	8.22

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PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Notes :

1 The aforesaid Unaudited Consolidated Financial Results for the quarter ended June 30, 2024 ("Financial Results") of the Company have been reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on August 5, 2024.

2 The Financial Results includes the figures for the quarter ended March 31, 2024 are the balancing figures between audited figures of full financial year and the published year to date figures up to the nine months ended December 31, 2023 .

3 The figures for the corresponding previous periods/ year have been regrouped/rearranged wherever necessary, to make them comparable.

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MUMBAI
CHARTERED ACCOUNTANTS

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

For Paras Defence and Space Technologies Limited

Munjal Shah
Managing Director
DIN : 01080863
Date - August 5, 2024
Place - Navi Mumbai

Unaudited Consolidated Segment Information for the Quarter ended June 30,2024

Segment wise Revenue, Results, Assets & Liabilities

(Rs. in Lakhs)

PARTICULARS	Quarter Ended			Year Ended
	30-Jun-24	31-Mar-24	30-Jun-23	31-Mar-24
	Unaudited	Audited (Refer Note 2)	Unaudited	Audited
1. Segment Revenue				
a. Optics and Optronic Systems	3,857	1,161	1,914	6,939
b. Defence Engineering	4,500	6,808	2,918	18,411
Revenue from Operations	**8,357**	**7,969**	**4,832**	**25,350**
2. Segment Results				
a. Optics and Optronic Systems	2,322	409	1,191	3,224
b. Defence Engineering	514	1,121	254	3,608
Total	**2,836**	**1,530**	**1,445**	**6,832**
i) Finance Cost	(153)	(226)	(71)	(544)
ii) Other Unallocable Expenditure	(789)	(644)	(676)	(3,062)
iii) Unallocable Income	58	548	94	827
iv) Share of (Loss) / Profit of Associates	(2)	3	(9)	(6)
Profit Before Exceptional Items and Tax	**1,950**	**1,211**	**783**	**4,047**
Less : Exceptional Items	-	-	-	-
Profit Before Tax	**1,950**	**1,211**	**783**	**4,047**
3. Segment Assets				
a. Optics and Optronic Systems	24,925	22,984	22,989	22,984
b. Defence Engineering	30,958	30,574	21,717	30,574
c. Unallocable	9,134	10,415	9,592	10,415
Total Segment Assets	**65,017**	**63,973**	**54,298**	**63,973**
4. Segment Liabilities				
a. Optics and Optronic Systems	3,286	3,577	835	3,577
b. Defence Engineering	6,276	5,822	4,006	5,822
c. Unallocable	9,734	10,246	7,495	10,246
Total Segment Liabilities	**19,296**	**19,645**	**12,336**	**19,645**

A **Notes to Consolidated Segment Information for the Quarter June 30, 2024 :**

As per Indian Accounting Standard 108 'Operating Segments', the chief operating decision maker of the Company has identified following reportable segments of its business:

a <u>Optics & Optronic Systems:</u>

- Optical Components and Sub-Systems like Space Optics/Gratings/Mirrors, Infra-Red Lenses for Night Vision Devices, Opto-mechanical Assemblies and Precision Diamond Turned components etc.

-Opto-Electronic Systems comprising of Submarine Periscope, hyperspectral camera etc.

-EO/IR Systems.

b <u>Defence Engineering:</u>

- Defence Electronics compromising of Defence Automation & Control systems, Rugged Command & Control Consoles, Avionic suite etc

- Heavy Engineering comprising of Flow Formed Rockets/ Missile Motor Tubes, Electromechanical assemblies, Remote Controlled Border Defence System and Turnkey projects.

-Electromagnetic Pulse Protection Solutions.

c <u>Unallocated</u>

Consists of other income, expenses, assets and liabilities which cannot be directly identified to any of the above segments.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of **PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associates, which comprise the Consolidated Balance sheet as at March 31, 2024, and the Statement of Consolidated Profit and Loss (including Other Comprehensive Income), the Statement of Consolidated Changes in Equity and the Statement of Consolidated Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of material accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of other auditors on separate financial statements and on the other financial information of a subsidiaries and associates, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the Consolidated State of Affairs of the Group and of its associates as at March 31, 2024 and their Consolidated Profit including Other Comprehensive Income, the Consolidated Statement of Changes in Equity and their Consolidated Cash Flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associates in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and other auditors in terms of their reports referred to in "Other Matter" paragraph below is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the year ended March 31, 2024. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report. We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the Consolidated Financial Statements section of our report, including in relation to that matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying Consolidated Financial Statements.

Key Audit Matter	**How our audit addressed the key audit matter**
1) Revenue:	
During the year, the Holding Company's revenue from operation has been increased by 8.47%. Revenue is recognized when control of the underlying products have been transferred along with satisfaction of performance obligation. The terms of sales arrangements, including the timing of transfer of control and delivery specifications, create complexity and judgment in determining sales revenues. Significant Risk exists that revenue is recognized without substantial transfer of control and is not in accordance with IND AS115 'Revenue from contracts with customers', resulting into recognition of revenue in incorrect period. Refer Note No. 1.4 (I) and 28 to the Consolidated Financial Statements.	We assessed the Holding Company's processes and controls for recognizing revenue as part of our audit. Our audit procedures included the following: • Assessing the systems related to invoicing and measurement as well as other relevant systems supporting the accounting of revenue. • Performed sample tests of individual sales transaction and traced to sales invoices, sales orders shipping documents and other related documents. In respect of the samples selected, tested that the revenue has been recognized as per the sales orders; • Verifying the completeness of disclosure in the Consolidated Financial Statements as per Ind AS 115.

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2) Inventories	
As of March 31, 2024, inventories appear in the Holding Company's Standalone Financial Statements for an amount of Rs. 14,081.29 Lakhs constitutes 22.01% of the total assets of the Consolidated Financial Statements. Inventories are valued at the lower of cost and net realizable value The Holding Company may recognize an inventory allowance if inventory items are damaged, if the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased. We considered this matter as key audit matter due to the: • Significance of the inventories balance. • Complexities involve in determining quality of inventories and quantities on hand due to the number, weight, diversity of inventory, storage, Valuation procedure including of obsolete inventories. Refer note no. 1.4 (E) and 10 to the Consolidated Financial Statements.	Our audit procedure included, among others: • Reviewing the Holding Company's process and procedure for physical verification of the Inventories, identification of non-moving and obsolete items and accounting for the same. • Obtaining the physical inventory count reports of the Management of Holding company as per verification plan and discussing with the Management about the Control checks performed by them • Assessing the methods used to value inventories and ensuring the consistency of accounting methods. • Testing, by sampling, the effectiveness of the controls set up by Management to prevent or detect possible errors in valuation of inventories. • Analyzing the Holding company's assessment of net realizable value and calculations for stock obsolescence. • Verifying the completeness of disclosure in the Consolidated Financial Statements as per Ind AS 2. • Obtaining representation letter from the management as per SA 580 (revised) – Written representations.

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Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the management discussion & analysis and director's report included in the annual report but does not include the Consolidated Financial Statements and our auditor's report thereon. The above information is expected to be made available to us after the date of this auditor's report.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiary companies and associates not audited by us, is traced from their respective financial statements audited by the other auditors.

When we read the above other information, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

Management responsibilities for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of the Act that give a true and fair view of the Consolidated Financial Position, Consolidated Financial Performance including Other Comprehensive Income, Consolidated Cash Flows and the Consolidated Statement of Changes in Equity of the Group and its associates in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Act read with relevant rules issued thereunder.

The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates and to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its associates is responsible for overseeing the financial reporting process of the Group and of its associates.

Auditors' Responsibility for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of its associates to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and of its associates to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Consolidated Financial Statements of such entities included in the Consolidated Financial Statements of which we are the independent auditors. For the other entity included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the Consolidated Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Consolidated Financial Statements may be influenced.

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CHATURVEDI & SHAH LLP * MUMBAI * CHARTERED ACCOUNTANTS

Other Matter

(a) We did not audit the financial statements of two subsidiary companies, whose financial statements reflect total assets of Rs. 1,910.58 Lakhs as at March 31, 2024, total revenues of Rs. 2,675.03 Lakhs and net cash outflows amounting to Rs. 13.70 Lakhs for the year ended on that date and the financial statements of an associate company which reflect Group's share of net (loss) after tax of Rs. (4.38) Lakhs and total comprehensive income of Rs. (4.38) Lakhs for year ended March 31, 2024 as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these aforesaid subsidiaries and an associate, and our report in terms of sub- section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and an associate is based solely on the reports of the other auditors.

Our opinion on the Consolidated Financial Statements as above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

(b) The Statement also includes unaudited financial information of 1 Subsidiary whose financial statements/information reflect total assets of Rs. 28.78 Lakhs as at March 31, 2024, total revenue of Rs. Nil and cash inflow of Rs. 1.57 Lakhs for the year ended March 31, 2024, as considered in the Statement. The Statement also includes the Group's share of net loss after tax of Rs. (1.31) Lakhs and total comprehensive income of Rs. (1.31) Lakh for the year ended March 31, 2024, as considered in the Statement in respect of an Associate Company. These unaudited financial statement/ information as certified by the Management has been furnished to us by the Management and our opinion on the Statement, in so far as it relates to the financial information of this subsidiary and an associate is based solely on such unaudited financial information. According to the information and explanations given to us by the Management, this financial information is not material to the Group.

Our opinion on the Consolidated Financial Statements as above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to financial statements/other financial information as certified by the management.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, based on our audit, we give in the "**Annexure A**" a statement on the matters specified in paragraph 3(xxi) of the Order.

2. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements, referred in the Other Matters paragraph above we report, to the extent applicable, that, we report, that:

CHATURVEDI & SHAH MUMBAI CHARTERED ACCOUNTANTS

a. We/the other auditors, whose reports we have relied upon, have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements.

b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books.

c. The Consolidated Balance Sheet, the Statement of Consolidated Profit and Loss (Including other comprehensive income), the Statement of Consolidated Changes in Equity and the Statement of Consolidated Cash Flows dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Consolidated Financial Statements.

d. In our opinion, the aforesaid Consolidated Financial Statements comply with the Ind AS prescribed under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.

e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2024 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiaries and associate incorporated in India, none of the directors of the Group companies including its associate, incorporated in India, is disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164 (2) of the Act.

f. With respect to the adequacy of the internal financial controls with reference to Consolidated Financial Statements and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B",** which is based on our reports of the Holding Company and subsidiaries Companies incorporated in India, to whom internal financial controls with reference to financial statements is applicable.

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the managerial remuneration for the year ended March 31, 2024 has been paid or provided by the Holding Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act.

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Consolidated Financial Statements disclose the impact of pending litigations on the Consolidated financial position of the Group and its associates as referred to in Note No. 36 to the Consolidated Financial Statements;

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ii. The Group and its associates did not have any material foreseeable losses on long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries and associates company incorporated in India.

iv. (a) The respective Managements of the Company and its subsidiaries and its associates, which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to other auditor of such subsidiary and associate company, that to the best of their knowledge and belief, as disclosed in the notes to the Consolidated Financial Statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or any of such subsidiaries and associates to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or any of such subsidiaries or associates ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The respective Managements of the Company and its subsidiaries and its associates, which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to other auditor of such subsidiary and associate companies, that to the best of their knowledge and belief, as disclosed in the notes to the Consolidated Financial Statements, no funds have been received by the Company or any of such subsidiaries or associates from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company or any of such subsidiaries shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on our audit procedure conducted that are considered reasonable and appropriate in the circumstances, nothing has come to our attention that cause us to believe that the representation given by the management under paragraph (h) (iv) (a) & (b) above, contain any material misstatement.

v. The Group and its associates has not declared or paid any dividend during the year.

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vi. Based on our examination which included test checks and based on the other auditors' reports of its subsidiary company and an associate company which are companies incorporated in India whose financial statements have been audited under the Act, the Parent, its subsidiary companies and associate companies incorporated in India have used accounting software for maintaining their respective books of account for the year ended 31st March, 2024, which have a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the respective software.

Further, during the course of our audit, we and the respective other auditors, whose reports have been furnished to us by the Management of the Parent, have not come across any instance of the audit trail feature being tampered with in respect of the accounting software.

vii. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from 1st April, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended 31st March, 2024.

For **CHATURVEDI & SHAH LLP**
Chartered Accountants
Firm Reg. No. 101720W / W100355

R. Shah

CHATURVEDI & SHAH LLP
MUMBAI
CHARTERED ACCOUNTANTS

Rupesh Shah
Partner
Membership No. 117964
UDIN No.: 24117964BKFYDG6010

Navi Mumbai
Date: May 25, 2024

"ANNEXURE A" TO THE INDEPENDENT AUDITORS' REPORT"

(Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' section of our report of even date to the members of PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED on the Consolidated Financial Statements for the year ended March 31, 2024)

According to the information and explanations given to us and based on the CARO Reports issued by us and the auditors of respective Companies, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks given by the respective auditors in their CARO reports of the said companies included in the Consolidated Financial Statements except mentioned below.

S. No	Name of the entities	CIN	Holding/ Subsidiary/ Joint Venture Company	Clause number of the CARO report which is unfavorable or qualified or adverse
1	Ayatti Innovative Private Limited	U28139PN2018PTC178147	Subsidiary Company	Clause vii(a) and xvii
2	Paras Aerospace Private Limited	U74999MH2019PTC413219	Subsidiary Company	Clause xvii
3	Paras Green UAV Private Limited	U74900MH2018PTC316487	Subsidiary Company	Clause xvii
4	Paras Anti-drone Technologies Private Limited	U74999MH2019PTC321808	Subsidiary Company	Clause xvii
5	Quantico Technologies Private Limited	U62013MH2023PTC416451	Subsidiary Company	Clause xvii

For **CHATURVEDI & SHAH LLP**
Chartered Accountants
Firm Reg. No. 101720W / W100355

R. Pshal.

CHATURVEDI & SHAH LLP
MUMBAI
CHARTERED ACCOUNTANTS

Rupesh Shah
Partner
Membership No. 117964
UDIN No.: 24117964BKFYDG6010

Navi Mumbai
Date: May 25, 2024

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date on Consolidated Financial Statements of PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED for the year ended March 31, 2024)

Report on the Internal Financial Controls With reference to Consolidated Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Consolidated Financial Statements of **PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries, which are companies incorporated in India, as of March 31, 2024 in conjunction with our audit of the Consolidated Financial Statements of the Holding Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls with reference to Consolidated Financial Statements based on the internal control criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to Consolidated Financial Statements of the Holding Company and its subsidiaries, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards of Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these Consolidated Financial Statements was established and maintained and if such controls operated effectively in all material respects.

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Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these Consolidated Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to these Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to these Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on internal financial controls with reference to these Consolidated Financial Statements.

Meaning of Internal Financial Controls with reference to Consolidated Financial Statements

A company's internal financial control with reference to Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to Consolidated Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

Inherent Limitations of Internal Financial Controls with reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to Consolidated Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Consolidated Financial Statements to future periods are subject to the risk that the internal financial control with reference to Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CHATURVEDI & SHAH LLP
MUMBAI
CHARTERED ACCOUNTANTS

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Holding Company and its subsidiaries, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls system with reference to these Consolidated Financial Statements and such internal financial controls with reference to these Consolidated Financial Statements were operating effectively as at March 31, 2024, based on the internal control with reference to Consolidated Financial Statements criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **CHATURVEDI & SHAH LLP**
Chartered Accountants
Firm Reg. No. 101720W / W100355

R. Shah

CHATURVEDI & SHAH LLP
MUMBAI
CHARTERED ACCOUNTANTS

Rupesh Shah
Partner
Membership No. 117964
UDIN No.: 24117964BKFYDG6010

Navi Mumbai
Date: May 25, 2024

Paras Defence And Space Technologies Limited
Consolidated Balance Sheet as at March 31, 2024
(All amounts in Rupees Lakhs, unless otherwise stated)

	PARTICULARS	Note No.	As at March 31, 2024		As at March 31, 2023	
I.	**ASSETS**					
1)	**Non Current Assets**					
(a)	Property, Plant and Equipment	2	17,817.81		14,523.53	
(b)	Capital Work in Progress	2	445.80		451.89	
(c)	Investment property	3	-		1,697.22	
(d)	Intangible Assets	4	107.86		88.18	
(e)	Goodwill		644.60		644.60	
(f)	Financial Assets					
	i) Investments	5	2,214.11		1,150.59	
	ii) Trade Receivables	6	51.27		43.96	
	iii) Loans	7	3.39		1.59	
	iv) Other Financial Assets	8	1,966.18		1,171.88	
(g)	Non Current Tax Assets		6.57		0.27	
(h)	Deferred Tax Assets (Net)	22	5.25		3.83	
(i)	Other Non Current Assets	9	607.12	23,869.96	768.36	20,545.90
2)	**Current Assets**					
(a)	Inventories	10	15,020.66		9,339.10	
(b)	Financial Assets					
	i) Trade Receivables	11	19,794.19		14,987.13	
	ii) Cash and Cash Equivalents	12	298.17		1,710.73	
	iii) Bank Balances other than (ii) above	13	842.89		2,316.83	
	iv) Loans	14	395.93		1,144.61	
	v) Other Financial Assets	15	120.13		50.94	
(c)	Other Current Assets	16	3,630.92	40,102.89	1,958.84	31,508.18
	TOTAL ASSETS			63,972.85		52,054.08
II.	**EQUITY AND LIABILITIES**					
	EQUITY					
(a)	Equity Share Capital	17	3,900.00		3,900.00	
(b)	Other Equity	18	40,561.41		37,424.97	
	Equity attributable to Owners			44,461.41		41,324.97
	Non Controlling Interest			(133.83)		20.41
	Total Equity			44,327.58		41,345.38
	LIABILITIES					
1)	**Non Current Liabilities**					
(a)	Financial Liabilities					
	i) Borrowings	19	143.22		94.58	
	ia) Lease Liabilities	20	85.13		-	
(b)	Provisions	21	303.57		200.41	
(c)	Deferred Tax Liabilities (Net)	22	2,040.04	2,571.96	2,118.75	2,413.74
2)	**Current Liabilities**					
(a)	Financial Liabilities					
	i) Borrowings	23	6,317.54		1,367.53	
	ia) Lease Liability	20	34.48		-	
	ii) Trade Payables	24				
	(A) Total Outstanding dues of Micro enterprises and small enterprises		1,078.15		292.71	
	(B) Total Outstanding dues of creditors other than Micro enterprises and small enterprises		5,019.92		2,319.16	
	iii) Other Financial Liabilities	25	606.14		483.22	
(b)	Other Current Liabilities	26	3,154.38		3,019.59	
(c)	Provisions	27	15.00		25.00	
(d)	Current Tax Liabilities (Net)		847.70	17,073.31	787.75	8,294.96
	TOTAL EQUITY AND LIABILITIES			63,972.85		52,054.08
	Material Accounting Policies	1				
	Notes to the Consolidated Financial Statements	2 to 48				

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

RUPESH SHAH
Partner
Membership No. 117964

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

JAIVALYA RAGHAVAN
Company Secretary
Membership No: F11942

Date: May 25, 2024

Paras Defence And Space Technologies Limited
Statement of Consolidated Profit and Loss for the year ended March 31, 2024
(All amounts in Rupees Lakhs, unless otherwise stated)

	PARTICULARS	Note No.	For the Year ended March 31, 2024	For the Year ended March 31, 2023
1	Revenue From Operations	28	25,349.82	22,242.59
2	Other Income	29	827.17	822.43
3	**Total Income (1+2)**		26,176.99	23,065.02
4	**Expenses**			
	Cost of Materials Consumed		12,618.93	9,968.10
	Purchase of Stock in Trade		2,773.91	1,715.45
	Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade	30	(3,334.35)	(1,147.30)
	Employee Benefits Expense	31	3,089.87	2,187.06
	Finance Costs	32	543.95	671.68
	Depreciation and Amortisation Expense	33	1,336.15	1,127.24
	Other Expenses	34	5,095.99	3,845.16
	Total Expenses		**22,124.45**	**18,367.39**
5	**Profit Before Share of Loss of Associates, Exceptional Items and tax (3-4)**		**4,052.54**	**4,697.63**
6	Share of loss of Associates		5.69	13.13
7	**Profit Before exceptional Items and Tax (5-6)**		**4,046.85**	**4,684.50**
8	Exceptional Items		-	-
9	**Profit Before Tax (7-8)**		**4,046.85**	**4,684.50**
10	**Tax Expenses :**			
	Current Tax		1,256.79	1,185.41
	Deferred Tax	22	(103.32)	(30.21)
	Income Tax for Earlier Years		(110.41)	(64.74)
			1,043.06	**1,090.46**
11	**Profit for the Year (9-10)**		**3,003.79**	**3,594.04**
12	**Other Comprehensive Income**			
(i)	**Items that will not be reclassified to profit or loss**			
	Remeasurement Losses on Defined Benefit Plans		48.47	8.13
	Tax Effect on above		(12.20)	(2.05)
(ii)	**Items that will be reclassified to Profit or Loss**			
	Exchange differences in translating the financial statement of a foreign operation		(2.09)	(6.08)
	Total Other Comprehensive Income (Net of Tax)		**34.18**	-
	Total Comprehensive Income for the Year (11-12)		**2,969.61**	**3,594.04**
13	**Profit attributable to**			
	Owners of the Company		3,206.01	3,605.86
	Non-Controlling Interest		(202.22)	(11.82)
14	**Other Comprehensive Income attributable to**			
	Owners of the Company		34.18	-
	Non-Controlling Interest		-	-
15	**Total Comprehensive Income attributable to**			
	Owners of the Company		3,171.83	3,605.86
	Non-Controlling Interest		(202.22)	(11.82)
16	**Earnings per Equity Share of Rs. 10/- each**	35		
	Basic (Rs.)		8.22	9.25
	Diluted (Rs.)		8.22	9.25
	Material Accounting Policies	1		
	Notes to the Consolidated Financial Statements	2 to 48		

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

R.Rshah

RUPESH SHAH
Partner
Membership No. 117964

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

JAJVALYA RAGHAVAN
Company Secretary
Membership No: F11942

Date: May 25, 2024

Paras Defence And Space Technologies Limited

Statement of Consolidated Changes in Equity for the year ended March 31, 2024

(All amounts in Rupees Lakhs, unless otherwise stated)

A. EQUITY SHARE CAPITAL

Particulars	Balance as at April 01, 2022	Changes during the Year	Balance as at March 31, 2023	Changes during the Year	Balance as at March 31, 2024
Equity Share Capital	3,900.00	-	3,900.00	-	3,900.00

B. OTHER EQUITY

Particulars	Attributable to Equity Holders of Parent							
	Reserves and Surplus					Item of Other Comprehensive Income		Total
	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Revaluation Reserve	Foreign Currency Translation Reserve	Remeasurements of Defined Benefit Plans	
Balance as at April 01, 2022	**(808.36)**	**17,835.17**	**11.92**	**12,648.56**	**4,183.09**	**0.54**	**44.62**	**33,915.54**
Reversal of Deferred Tax (IPO related expenses)	-	(35.39)	-	-	-	-	-	(35.39)
Movement In Non Controlling Interest	-	-	-	(61.04)	-	-	-	(61.04)
Total Comprehensive Income for the year	-	-	-	3,605.86	-	6.08	(6.08)	3,605.86
Balance as at March 31, 2023	**(808.36)**	**17,799.78**	**11.92**	**16,193.38**	**4,183.09**	**6.62**	**38.54**	**37,424.97**
Balance as at April 01, 2023	(808.36)	17,799.78	11.92	16,193.38	4,183.09	6.62	38.54	37,424.97
Reversal of Deferred Tax (IPO related expenses)	-	(35.39)	-	-	-	-	-	(35.39)
Movement In Non Controlling Interest	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	-	3,206.01	-	2.09	(36.27)	3,171.83
Balance as at March 31, 2024	**(808.36)**	**17,764.39**	**11.92**	**19,399.39**	**4,183.09**	**8.71**	**2.27**	**40,561.41**

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

R. Shah

RUPESH SHAH
Partner
Membership No. 117964

Date: May 25, 2024

For and/on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

AJIVALYA RAGHAVAN
Company Secretary
Membership No: F11942

Paras Defence And Space Technologies Limited
Statement Of Consolidated Cash Flows for the year ended March 31, 2024
(All amounts in Rupees Lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2023
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before Tax as per the Consolidated Statement of Profit and Loss		**4,046.85**		4,684.50
ADJUSTED FOR :				
Depreciation and Amortisation Expense	1,336.15		1,127.24	
Share of loss of Associate Companies	5.69		13.13	
Interest Income	(323.38)		(292.54)	
Dividend Income	(0.37)		(0.70)	
Finance Costs	543.95		671.68	
(Profit)/ Loss on sale of Property, Plant and Equipment (Net)	(1.21)		6.31	
Bad Debts / Advances written off (Net)	147.96		91.20	
Provision for Expected Credit Loss	522.45		163.58	
Provision / (Reversal) for Credit Impaired	53.95		(10.35)	
Provision for Doubtful Advances	13.20		-	
Gain on Financial Instruments measured at fair value through profit or loss	(475.46)		(442.30)	
Unrealised Loss / (Gain) on Foreign Currency Transactions and Translation (Net)	11.65	1,834.58	(3.41)	1,323.84
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		5,881.43		6,008.34
ADJUSTMENTS FOR :				
Trade and Other Receivables	(7,318.00)		(1,868.71)	
Inventories	(5,681.56)		(2,676.34)	
Trade and Other Payables	3,728.95	(9,270.61)	4,057.58	(487.47)
CASH (USED IN) / GENERATED FROM OPERATIONS		(3,389.18)		5,520.87
Direct Taxes Including Interest (Paid)		(1,164.89)		(948.36)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES		(4,554.07)		4,572.51
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment, Intangible Assets, Capital Work-in-Progress		(2,600.79)		(2,532.63)
Sale of Property, Plant and Equipment & Asset held for Sale		18.82		155.15
Investment in Subsidiary Companies		-		(570.00)
Investment in Associate Company		(0.30)		(47.50)
Purchase of Non Current Investment		(892.45)		(523.01)
Sale of Optionally Convertible Preference Shares		300.00		201.00
Inter- Corporate Deposit given to Others		(1,070.00)		(1,130.00)
Inter- Corporate Deposits Repaid by Others		1,820.00		-
Interest Income		302.22		384.04
Dividend Income		0.37		0.70
Temporary deposits / Balances of Initial Public Offering Proceeds / Utilized		1,953.63		5,025.20
NET CASH (USED IN) / GENERATED FROM INVESTING ACTIVITIES		(168.50)		962.95
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceed from Issue of share to Non Controlling Interest		48.00		-
Proceed from Non Current Borrowings		93.19		120.00
Repayment of Non Current Borrowings		(28.17)		(4.89)
Current Borrowings (Net)		4,933.63		(2,475.21)
Payment related to Initial Public Offering		-		(39.53)
Finance Costs		(462.29)		(594.84)
Margin Money (Net)		(1,273.99)		(1,074.41)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES		3,310.37		(4,068.88)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,412.20)		1,466.58
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,710.73		217.97
Pursuant to the acquisition of Subsidiary Company (Refer Note No. 46)		-		26.17
Effect of Exchange rate on Cash and Cash Equivalents		(0.36)		0.01
CASH AND CASH EQUIVALENTS AT END OF YEAR (Refer Note No. 12.1)		298.17		1,710.73

Changes in Liabilities arising from financing activities on account of Non-Current and Current Borrowings

Particulars	March 31, 2024	March 31, 2023
OPENING BALANCE OF LIABILITIES ARISING FROM FINANCING ACTIVITIES	1,462.11	3,107.95
Add : Pursuant to the acquisition of Subsidiary Company (Refer Note No. 46)	-	714.26
Add : Changes from Cash Flow from Financing Activities (Net)	4,998.65	(2,360.10)
CLOSING BALANCE OF LIABILITIES ARISING FROM FINANCING ACTIVITIES	6,460.76	1,462.11

(i) The above Statement of Cash Flows has been prepared under the "Indirect Method" as set out in Ind AS - 7 "Statement of Cash Flows".
(ii) Figures in brackets indicate Outflows.
(iii) Previous Year's figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year.

As per our Report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

RUPESH SHAH
Partner
Membership No. 117964

Date: May 25, 2024

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

JAIVALYA RAGHAVAN
Company Secretary
Membership No: F11942

CHATURVEDI & SHAH LLP
MUMBAI
CHARTERED ACCOUNTANTS

Paras Defence And Space Technologies Limited
Notes to the Consolidated Financial Statements for the year ended March 31, 2024
(All amounts in Rupees Lakhs, unless otherwise stated)

1.1 Corporate Information

The consolidated financial statements comprise of Paras Defence & Space Technologies Limited ("the Company" or "Holding Company"), its subsidiaries and associates, as detailed in Note No. 43, for the year ended March 31, 2024. The Company is a public limited Company domiciled and incorporated in India under the Indian Companies Act, 1956. The registered office of the Company is situated at D-112, TTC industrial area, Nerul, Navi Mumbai- 400706. The Group is involved in design, development, manufacturing, testing & commissioning of products, systems and solutions for Defence & Space Applications. The shares of the Holding company are publicly traded on the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India.

The financial statements of the Group for the year ended March 31, 2024 were approved and adopted by board of directors in their meeting held on May 25, 2024.

1.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standards) Rules, as amended from time to time.

The Consolidated financial statements have been prepared and presented on going concern basis and historical cost basis, except for the following assets and liabilities, which have been measured as indicated below:

- Certain Financial assets and liabilities at fair value (refer accounting policy regarding financial instruments).
- Employee's Defined Benefit Plans measured as per actuarial valuation report.

These financial statements are presented in Indian Rupees, which is the group's functional and presentation currency and all values are rounded off to the nearest lakhs with two decimals, except when otherwise indicated.

1.3 Principles of Consolidation

The consolidated financial statements have been prepared on the following principles of consolidation:

i) The financial statements of the Holding Company and its subsidiaries/ entity where control exists are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, incomes, expenses and cash flows, after fully eliminating intra-group balances and intragroup transactions and any unrealized income and expenses arising from intra Group transactions.

ii) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. The difference between the cost of investment in the subsidiaries and the Parent's share of net assets at the time of acquisition of control in the subsidiaries is recognised in the consolidated financial statements as goodwill. However, resultant gain (bargain purchase) is recognized in other comprehensive income on the acquisition date and accumulated to capital reserve in equity.

iii) The intra group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

iv) In case of foreign subsidiary, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve (FCTR).

v) The Consolidated Financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. If an entity of the group uses accounting policies other than those adopted in the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's Financial Statements in preparing the Consolidated Financial Statements to ensure conformity with the Group's accounting policies.

vi) For the acquisitions of additional interests in subsidiaries, where there is no change in the control, the Group recognises a reduction to the non-controlling interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of controlling interests, the difference between the cash received from sale or listing of the subsidiary shares and the increase to non-controlling interest is also recognised in equity. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Consolidated Statement of Profit and Loss. Any investment retained is recognised at fair value. The results of subsidiaries acquired or disposed off during the year are included in the Consolidated Statement of Profit and Loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

vii) Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

viii) Investment in Associates has been accounted under the Equity Method as per Ind AS 28 – Investments in Associates and Joint Ventures. The investment in associates is initially recognised at cost. Subsequently, under the equity method, post-acquisition attributable profit/losses and other comprehensive income are adjusted in the carrying value of investment to the extent of the Group's investment in the associates. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

1.4 Material Accounting policies

(A) Property, Plant and Equipment :

Property, plant and equipment are carried at its cost, net of recoverable taxes, trade discounts and rebate less accumulated depreciation and impairment losses, if any. Cost includes purchase price, borrowing cost, non refundable taxes or levies and directly attributable cost of bringing the asset to its working condition for its intended use. Expenditure related to plans, designs and drawings of buildings or plant and machinery is capitalized under relevant heads of property, plant and equipment if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. In case of Property, Plant and Equipment, the Group has availed the fair value as deemed cost on the date of Ind AS transition i.e. April 01, 2016.

Property, Plant and Equipment not ready for the intended use on the date of Balance Sheet are disclosed as "Capital Work-in-Progress" and expenses incurred relating to it, net of income earned during the development stage, are disclosed as pre-operative expenses under "Capital Work-in-Progress".

Property, Plant and Equipment are eliminated from financial statements, either on disposal or when retired from active use. Gains / losses arising in the case of retirement/disposal of Property, Plant and Equipment are recognised in the Consolidated Statement of Profit and Loss in the year of occurrence.

Capital work in progress and Capital advances:

Cost of assets not ready for intended use, as on the Balance Sheet date, is shown as capital work in progress. Advances given towards acquisition of property, plant and equipment outstanding at each Balance Sheet date are disclosed as Other Non-Current Assets.

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Depreciation:

Depreciation on property, plant and equipment is provided on straight line method for the year for which the assets have been used as under:

(a) Depreciation on assets is provided over the useful life of assets as prescribed under schedule II of Companies Act, 2013 except Mobile phones where 3 years have been taken.

(b) Leasehold land is amortised over the period of lease.

The asset's residual values, useful lives and method of depreciation are reviewed at each financial year end and are adjusted prospectively, if appropriate.

Depreciation on the Property, Plant and Equipment is provided using straight line method over the useful life of the assets as specified in Schedule II to the Companies Act, 2013 except for following assets where the useful life is different as per technical evaluation than those prescribed in Schedule II are mentioned below-

Particulars	Useful Life
Drone Charging Station	2 Years
Drone	3 Years

(B) **Intangible Assets and Amortisation:**

Intangible Assets are stated at cost, net of accumulated amortization and impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gain or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized as income or expense in the Consolidated Statement of Profit and Loss. In case of Intangible Assets, the Group has availed the fair value as deemed cost on the date of transition i.e. April 01, 2016. The period of amortisation is as under :

Asset	Period of amortisation
Computer Software	6 Years
Technical Know-how	6 Years

(C) **Impairment of Non-Financial Assets - Property, Plant and Equipment & Intangible Assets:**

The Group assesses at each reporting date as to whether there is any indication that any property, plant and equipment and intangible assets or group of assets, called cash generating units (CGU) may be impaired. If any such indication exists the recoverable amount of an asset or CGU is estimated to determine the extent of impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. An impairment loss is recognised in the Consolidated Statement of Profit and Loss to the extent, asset's carrying amount exceeds its recoverable amount. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

(D) **Taxes on Income:**

Tax expense represents the sum of current tax (including income tax for earlier years) and deferred tax. Tax is recognised in the Consolidated Statement of Profit and Loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in such cases the tax is also recognised directly in equity or in other comprehensive income. Any subsequent change in direct tax on items initially recognised in equity or other comprehensive income is also recognised in equity or other comprehensive income.

Current tax provision is computed for Income calculated after considering allowances and exemptions under the provisions of the applicable Income Tax Laws. Current tax assets and current tax liabilities are off set, and presented as net.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, carry forward tax losses and allowances to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, carry forward tax losses and allowances can be utilised. Deferred tax assets and liabilities are measured at the applicable tax rates. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which the temporary differences can be utilised.

(E) **Inventories:**

Inventories are measured at lower of cost and net realisable value (NRV) after providing for obsolescence , if any. NRV is the estimate selling price in the ordinary course of business, less estimated costs of completion and estimate cost necessary to make the sale. Cost of Inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw materials, stores & spares, packing materials are determined on weighted average basis. The Cost of Work in Progress and Finished Goods is determined on absorption costing methods.

(F) **Financial Instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets -Initial recognition and measurement

All financial assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition of financial assets, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortised cost. Purchase and sale of financial assets are recognized using trade date accounting. However, trade receivables that do not contain a significant financing component are measured at transaction price.

Financial assets - Subsequent measurement

For the purpose of subsequent measurement financial assets are classified in two broad categories:-
a) Financial assets at fair value
b) Financial assets at amortised cost
Where assets are measured at fair value, gains and losses are either recognised entirely in the Consolidated Statement of Profit and Loss (i.e. fair value through profit and loss), or recognised in other comprehensive income (i.e. fair value through other comprehensive income).

A financial asset that meets the following two conditions is measured at amortised cost (net of any write down for impairment) unless the asset is designated at fair value through profit or loss under the fair value option.

a) Business model test: The objective of the Group's business model is to hold the financial asset to collect the contractual cash flow.

b) Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that meets the following two conditions is measured at fair value through other comprehensive income unless the asset is designated at fair value through profit or loss under the fair value option.

a) Business model test: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets.

b) Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

All other financial asset is measured at fair value through profit or loss.

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Financial assets - Derecognition

A financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

a) The rights to receive cash flows from the asset have expired, or

b) The Group has transferred its rights to receive cash flow from the asset.

Impairment of Financial Assets

In accordance with Ind AS 109, the Group uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:

a) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

b) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

For trade receivables Group applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.

For other assets, the Group uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used.

Financial Liabilities - Initial recognition and measurement:

The financial Liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial Liabilities - Subsequent measurement:

Financial Liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial Liabilities - Financial guarantee contracts:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined and the amount recognised less cumulative amortisation.

Financial liability - Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another, from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

(G) Fair Value:

The Group measures financial instruments at fair value at each Balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy that categorizes into three levels, described as follows, the inputs to valuation techniques used to measure value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 — inputs that are unobservable for the asset or liability

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period and discloses the same.

(H) Investment in Associates:

The Group has elected to recognize its investment in associate at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'.

(I) Revenue Recognition and Other Income:

Sales of goods and services:

The Group derives revenues primarily from sale of products comprising of Defence & Space Applications

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services. Generally, control is transferred upon shipment of goods to the customer or when the goods are made available to the customer, provided transfer of title to the customer occurs and the Group has not retained any significant risks of ownership or future obligations with respect to the goods shipped.

Revenue is measured at the amount of consideration which the Group expects to be entitled to in exchange for transferring distinct goods or services to a customer as specified in the contract, excluding amounts collected on behalf of third parties (for example taxes and duties collected on behalf of the government). Consideration is generally due upon satisfaction of performance obligations and a receivable is recognized when it becomes unconditional.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Revenue from rendering of services is recognised over time by measuring the progress towards complete satisfaction of performance obligations at the reporting period.

Contract Balances - Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other Income:

Incentives on exports and other Government incentives related to operations are recognised in the Consolidated Statement of Profit and Loss after due consideration of certainty of utilization/receipt of such incentives.

Interest Income:

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend Income:

Dividend Income is recognised when the right to receive the payment is established.

Rental Income:

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included as other income in the statement of profit or loss.

(J) Foreign currency transactions and translation:

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Consolidated Statement of Profit and Loss except to the extent of exchange differences which are regarded as an adjustment to interest costs on foreign currency borrowings that are directly attributable to the acquisition or construction of qualifying assets, are capitalized as cost of assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Consolidated Statement of Profit and Loss, within finance costs. All other finance gains / losses are presented in the Consolidated Statement of Profit and Loss on a net basis.

In case of an asset, expense or income where a monetary advance is paid/received, the date of transaction is the date on which the advance was initially recognized. If there were multiple payments or receipts in advance, multiple dates of transactions are determined for each payment or receipt of advance consideration.

(K) Employee Benefits:

Short term employee benefits are recognized as an expense in the Consolidated Statement of Profit and Loss of the year in which the related services are rendered. Contribution to Provident Fund, a defined contribution plan, is made in accordance with the statute, and is recognised as an expense in the year in which employees have rendered services.

The cost of providing gratuity, a defined benefit plans, is determined based on Projected Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each Balance Sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Other costs are accounted in Consolidated Statement of Profit and Loss.

Remeasurements of defined benefit plan in respect of post employment and other long term benefits are charged to the other comprehensive income in the year in which they occur. Remeasurements are not reclassified to Consolidated Statement of Profit and Loss in subsequent periods.

(L) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using equivalent period government securities interest rate. Unwinding of the discount is recognised in the Consolidated Statement of Profit and Loss as a finance cost. Provisions are reviewed at each Balance Sheet date and are adjusted to reflect the current best estimate.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. Information on contingent liability is disclosed in the Notes to the Financial Statements. Contingent assets are not recognised in financial statement. However, when the realisation of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognised as an asset.

(M) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable rights to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable rights must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or counterparty.

(N) Business Combination and Goodwill/Capital Reserve:

The Group uses the pooling of interest method of accounting to account for common control business combination and acquisition method of accounting to account for other business combinations.

The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in Other Comprehensive Income (OCI) and accumulated in other equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in other equity as capital reserve, without routing the same through OCI.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within other equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the Consolidated Statement of Profit and Loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In case of Pooling of interest method of accounting, the assets and liabilities of the combining entities recognises at their carrying amounts. No adjustment is made to reflect the fair value or recognise any new assets and liabilities. The financial information in the consolidated financial statements in respect of prior periods restates as if the business combination had occurred from the beginning of the preceding period. The difference, if any, between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and presented separately from other capital reserves.

Transaction costs that the Group incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

1.5 Key accounting estimates and judgements

The preparation of the Group's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Depreciation/amortisation and useful lives of property, plant and equipment/intangible assets:

Property, plant and equipment/intangible assets are depreciated/amortised over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/ amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation/ amortisation for future periods is revised if there are significant changes from previous estimates.

b) Provisions:

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

c) Defined benefit obligation:

The cost of post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, expected rate of return on assets and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

d) Income Tax:

Respective Companies reviews at each balance sheet date the carrying amount of deferred tax assets. The factors used in estimates may differ from actual outcome which could lead to an adjustment to the amounts reported in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax losses or tax credits can be utilised. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets. This requires assumptions regarding future profitability, which is inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets and consequential impact in the statement of profit and loss.

e) Recoverability of trade receivables:

Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

f) Impairment of Non-Financial Assets:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's Fair Value or Cash Generating Units (CGU) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements for the year ended March 31, 2024
(All amounts in Rupees Lakhs, unless otherwise stated)

Note: 2 Property, Plant and Equipment

Particulars	Freehold-Land	Leasehold- Land	Buildings	Plant and Machinery	Furniture and Fixtures	Vehicles	Office Equipment	Computer	Right of Use Assets (Building)	Total
Balance as at April 01, 2022	-	5,463.32	2,403.02	8,728.98	424.61	403.76	271.87	121.48	-	17,817.04
Addition pursuant to acquisition of Subsidiary Company (Refer Note No. 46)	-	-	-	366.81	5.87	-	0.39	-	-	373.07
Additions for the Year	-	-	284.43	1,109.21	125.09	-	111.58	26.71	-	1,657.02
Disposals / Adjustment	-	-	-	-	-	10.85	32.31	10.51	-	53.67
Balance as at March 31, 2023	-	5,463.32	2,687.45	10,205.00	555.57	392.91	351.53	137.68	-	19,793.46
Additions for the Year	-	-	76.90	2,353.66	85.39	50.86	145.20	66.27	126.84	2,905.12
Reclassification from investment property	377.82	-	1,835.34	-	-	-	-	-	-	2,213.16
Disposals / Adjustment	-	-	-	-	7.50	5.98	2.75	12.87	-	29.10
Balance as at March 31, 2024	377.82	5,463.32	4,599.69	12,558.66	633.46	437.79	493.98	191.08	126.84	24,882.64
Depreciation										
Balance as at April 01, 2022	-	487.02	522.64	2,751.28	126.04	255.30	122.26	66.32	-	4,330.86
Depreciation for the Year	-	81.17	100.76	657.68	34.44	40.35	43.30	24.58	-	982.28
Disposals / Adjustment	-	-	-	-	-	6.85	27.49	8.87	-	43.21
Balance as at March 31, 2023	-	568.19	623.40	3,408.96	160.48	288.80	138.07	82.03	-	5,269.93
Depreciation for the Year	-	81.17	124.94	792.46	54.96	37.53	82.96	39.66	8.80	1,222.48
Reclassification from investment property	-	-	583.91	-	-	-	-	-	-	583.91
Disposals / Adjustment	-	-	-	-	0.71	5.41	2.06	3.31	-	11.49
Balance as at March 31, 2024	-	649.36	1,332.25	4,201.42	214.73	320.92	218.97	118.38	8.80	7,064.83
Net Carrying Value										
Balance as at March 31, 2023	-	4,895.13	2,064.05	6,796.04	395.09	104.11	213.46	55.65	-	14,523.53
Balance as at March 31, 2024	377.82	4,813.96	3,267.44	8,357.24	418.73	116.87	275.01	72.70	118.04	17,817.81

2.1 Property, Plant and Equipment include assets pledged / hypothecated as security (Refer note no. 19 and 23).

2.2 Vehicles, having carrying value of Rs. 55.29 lakhs (March 31, 2023 : Rs. 85.69 lakhs), are registered in the name of the Directors or erstwhile Directors of the Company or of entities that has since been amalgamated with the Company in pursuance to the scheme of amalgamation.

2.3 Refer Note No. 36 (B) for contractual commitments for the acquisition of Property, Plant and Equipments.

2.4 Capital Work in Progress includes

Particulars	As at March 31, 2024	As at March 31, 2023
Building under Construction	52.58	9.38
Plant and Machinery	334.81	442.51
Others	58.41	-
Total	445.80	451.89

2.5 Capital Work in Progress ageing schedule as at March 31, 2024 is as follows:

Particulars	Amount in Capital Work in Progress for the period of				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Project in progress	398.52	-	47.28	-	445.80
Project temporarily suspended	-	-	-	-	-
Total	398.52	-	47.28	-	445.80

Capital Work in Progress ageing schedule as at March 31, 2023 is as follows:

Particulars	Amount in Capital Work in Progress for the period of				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Project in progress	404.61	47.28	-	-	451.89
Project temporarily suspended	-	-	-	-	-
Total	404.61	47.28	-	-	451.89

2.6 The Group does not have any Capital work in progress, whose completion is overdue or exceeded its cost compared to its original plan.

2.7 Building includes cost of shares in Co-operative society of Rs. 750 (March 31, 2023: Rs. 750).

2.8 In accordance with the Indian Accounting Standards -36 on "Impairment of Assets", the management during the year carried out an exercise of identifying the assets that may have been impaired in respect of each cash generating unit in accordance with the said Ind AS. On the basis of the review carried out by the management, there was no impairment loss on Property, Plant, and Equipment during the year ended March 31, 2024.

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Notes to the Consolidated Financial Statements for the year ended March 31, 2024
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Note: 3 Investment property

Particulars	Land	Buildings	Total
Costs:			
As at April 01, 2022	**377.82**	**1,835.34**	**2,213.16**
Additions for the year	-	-	-
As at March 31, 2023	**377.82**	**1,835.34**	**2,213.16**
Reclassified to property, plant and equipment	377.82	1,835.34	2,213.16
As at March 31, 2024	-	-	-
Depreciation			
As at April 01, 2022	-	**429.96**	**429.96**
Depreciation for the year	-	85.98	85.98
As at March 31, 2023	-	**515.94**	**515.94**
Depreciation for the year	-	67.97	67.97
Reclassified to property, plant and equipment	-	583.91	583.91
As at March 31, 2024	-	-	-
Net Carrying Value			
Balance as at March 31, 2023	**377.82**	**1,319.40**	**1,697.22**
Balance as at March 31, 2024	-	-	-

3.1 **The Company's Investment Properties as at March 31, 2023 consist of Land and Building**

3.2 **Income /(Loss) from Investment Properties generating Rental Income**

Particulars	As at March 31, 2024	As at March 31, 2023
Rental Income derived from investment properties	-	40.00
Direct Expenses	-	-
Income arising from investment properties before depreciation	-	40.00
Depreciation	-	(85.98)
Loss from Investment properties (Net)	-	**(45.98)**

3.3 **Leasing arrangements**

During the year, the Holding company has entered into lease rent agreement on January 15, 2024 with one of its subsidiary company Mechtech Thermal Private Limited and for the purpose of consolidation the same investment property is reclassified to property, plant and equipment as per IND AS- 40 Investment Property.

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Note: 4 Intangible Assets

Particulars	Computer Software*	Process Technology / Technical know-How*	TOTAL
Balance as at April 01, 2022	25.60	309.14	334.74
Additions for the Year	50.35	-	50.35
Balance as at March 31, 2023	75.95	309.14	385.09
Additions for the Year	65.38	-	65.38
Balance as at March 31, 2024	141.33	309.14	450.47
Amortisation			
Balance as at April 01, 2022	10.84	227.09	237.93
Amortisation charge for the Year	7.46	51.52	58.98
Balance as at March 31, 2023	18.30	278.61	296.91
Amortisation charge for the Year	17.64	28.06	45.70
Balance as at March 31, 2024	35.94	306.67	342.61
Net Carrying Amount			
Balance As at March 31, 2023	57.65	30.53	88.18
Balance As at March 31, 2024	105.39	2.47	107.86

* Other than self generated

Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements for the year ended March 31, 2024
(All amounts in Rupees Lakhs, unless otherwise stated)

Note: 5 Non Current Investment

Particulars	Number of Shares		Face	As at	As at
	March 31, 2024	March 31, 2023	Value	March 31, 2024	March 31, 2023
(Unquoted, Fully Paid Up)					
A. Investment in Equity Instruments					
i) Associate Companies (Carried at Cost)					
Krasny Paras Defence Technologies Private Limited	5,22,500	5,22,500	10	34.32	38.70
Controp Paras Technologies Private Limited	3,000	-	10	0.00	-
ii) Others (Carried at fair value through Profit & Loss)					
NKGSB Co- Operative Bank Limited	2,84,550	2,70,500	10	28.46	27.01
Highlander Aviation Limited	87,953	87,953	NIS 0.01	993.03	784.88
FFS Industries Private Limited	9,90,000	-	10	1,158.30	-
Hindustan Agri Drones and Spacex Limited	1	1	10	0.00	0.00
B. Investment in 0.01% Optionally Convertible Preference Shares (Carried at fair value through Profit & Loss)					
FFS Industries Private Limited	-	2,87,838	100	-	300.00
Total				2,214.11	1,150.59

Particulars	As at March 31, 2024	As at March 31, 2023
Aggregate Amount of Unquoted Investments	2,214.11	1,150.59
Aggregate Amount of Quoted Investments and Market Value	-	-
Investments Carried at fair value through Profit and Loss	2,179.79	1,111.89
Investment Carried at Cost	34.32	38.70

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Notes to the Consolidated Financial Statements for the year ended March 31, 2024

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Note: 6. Trade receivables

Particulars	As at March 31, 2024	As at March 31, 2023
Unsecured, Considered Good	51.27	43.96
Total	**51.27**	**43.96**

6.1 For ageing of Non current Trade Receivables refer Note no. 11.2

Note: 7. Other Non-current Financial Assets- Loans

Particulars	As at March 31, 2024	As at March 31, 2023
(Unsecured, Considered Good)		
Loans to Employees	3.39	1.59
Total	**3.39**	**1.59**

Note: 8. Other Non-current Financial Assets

Particulars	As at March 31, 2024	As at March 31, 2023
Fixed Deposits with Banks held as Margin Money	1,966.18	1,171.88
Total	**1,966.18**	**1,171.88**

Note: 9. Other Non-current Assets

Particulars	As at March 31, 2024	As at March 31, 2023
(unsecured)		
Capital Advances		
- Considered Good	471.55	682.06
- Considered Doubtful	13.20	-
	484.75	**682.06**
Less: Provision for Doubtful Advances	13.20	-
	471.55	**682.06**
Prepaid Expenses	60.06	42.64
Security Deposits	75.51	43.66
Total	**607.12**	**768.36**

Note: 10 Inventories

Particulars	As at March 31, 2024	As at March 31, 2023
Raw Materials	5,717.05	3,313.60
Raw Materials In Transit	2.19	48.62
Work-in-Progress	8,271.27	5,694.87
Finished Goods	413.67	12.77
Finished Goods In Transit	109.50	-
Stores, Spares and Consumables	259.43	269.24
Stock in Trade	173.14	-
Stock in Trade in Transit	74.41	-
Total	**15,020.66**	**9,339.10**

10.1 For basis of valuation Refer Accounting Policy refer Note No. 1.4 (E)

10.2 For Inventories hypothecated as security refer Note No 19 and 23

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Notes to the Consolidated Financial Statements for the year ended March 31, 2024

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 11 Trade Receivables

Particulars	As at March 31, 2024	As at March 31, 2023
(Unsecured)		
Considered Good	20,456.89	15,736.40
Significant Increase in Credit Risk	787.15	177.97
Credit Impaired	91.77	37.82
	21,335.81	15,952.19
Less: Provision for Expected Credit Loss	1,449.85	927.24
Less: Provision for credit impaired	91.77	37.82
Total	19,794.19	14,987.13

11.1 For Hypothecated as security refer Note No. 19 and 23

11.2 Trade Receivables Ageing Schedules (Non current and Current Trade Receivables) as at March 31, 2024 and March 31, 2023 are as below :-

As at March 31, 2024

Particulars	Not due	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 Months to 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade receivables – considered good	4,984.28	7,762.17	1,691.06	4,958.87	1,111.78	-	20,508.16
Undisputed Trade Receivables – which have significant increase in credit risk	-	-	218.40	1.96	107.46	459.33	787.15
Undisputed Trade Receivables – credit impaired	-	-	-	-	-	91.77	91.77
Disputed Trade receivables –considered good	-	-	-	-	-	-	-
Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Sub Total	4,984.28	7,762.17	1,909.46	4,960.83	1,219.24	551.10	21,387.08
Less: Provision for Expected Credit Loss							1,449.85
Less: Provision for Credit Impaired	-	-	-	-	-	91.77	91.77
Total							19,845.46

As at March 31, 2023

Particulars	Not due	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 Months to 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade receivables – considered good	1,606.86	7,126.04	4,853.93	1,652.93	540.60	-	15,780.36
Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	1.25	27.68	149.04	177.97
Undisputed Trade Receivables – credit impaired	-	-	-	-	-	37.82	37.82
Disputed Trade receivables –considered good	-	-	-	-	-	-	-
Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Sub Total	1,606.86	7,126.04	4,853.93	1,654.18	568.28	186.86	15,996.15
Less: Provision for Expected Credit Loss							927.24
Less: Provision for Credit Impaired	-	-	-	-	-	37.82	37.82
Total							15,031.09

Note: 12 Cash and Cash Equivalents

Particulars	As at March 31, 2024	As at March 31, 2023
Cash and Cash Equivalents		
Balances with Banks in Current Accounts/ Cash Credit Account	286.16	1,695.27
Cash in hand	12.01	10.46
Cheque in Hand	-	5.00
Total	298.17	1,710.73

12.1 For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents comprise the following:

Particulars	As at March 31, 2024	As at March 31, 2023
Balances with Banks in Current Accounts/ Cash Credit Account	286.16	1,695.27
Cash on hand	12.01	10.46
Cheque in Hand	-	5.00
Total	298.17	1,710.73

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Notes to the Consolidated Financial Statements for the year ended March 31, 2024

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Note: 13 Bank Balances Other Than Cash And Cash Equivalents

Particulars	As at March 31, 2024	As at March 31, 2023
Balances with Bank in Monitoring Agency & Escrow Account	0.16	453.79
Fixed Deposits with Bank*	-	1,500.00
Fixed Deposits with Banks Pledged as Margin Money	842.73	363.04
Total	**842.89**	**2,316.83**

*Temporary deposits of IPO Proceeds

Note: 14 Loans

Particulars	As at March 31, 2024	As at March 31, 2023
(Unsecured, Considered Good)		
Intercorporate Deposits		
- Related Party (Refer Note No. 14.1 and 37)	280.00	-
- Others (Refer Note No. 14.1)	100.00	1,130.00
Loans to Employees	15.93	14.61
Total	**395.93**	**1,144.61**

14.1 Above Inter Corporate Deposits are given for Working Capital Requirements

Note: 15. Other Current Financial Assets

Particulars	As at March 31, 2024	As at March 31, 2023
(Unsecured, Considered Good)		
Interest Receivables	35.68	15.23
Security Deposits	52.49	33.88
Other Receivables	31.96	1.83
Total	**120.13**	**50.94**

Note: 16 Other Current Assets

Particulars	As at March 31, 2024	As at March 31, 2023
Advances to Suppliers, Considered Good	2,708.03	1,548.07
Balances with Government Authorities	717.48	210.30
Export Incentive Receivables	5.19	10.99
Prepaid Expenses	198.88	187.22
Others *	1.34	2.26
Total	**3,630.92**	**1,958.84**

* Others includes Export scripts in hand

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Note: 17 Equity Share Capital

Particulars	As at March 31, 2024	As at March 31, 2023
Authorised		
6,05,00,000 (March 31, 2023 : 6,05,00,000) Equity Shares of Rs.10/- each.	6,050.00	6,050.00
	6,050.00	6,050.00
Issued, Subscribed and Paid up		
3,90,00,061 (March 31, 2023 : 3,90,00,061) Equity Shares of Rs.10/- each fully paid up	3,900.00	3,900.00
Total	**3,900.00**	3,900.00

17.1 Reconciliation of Equity Shares outstanding at the beginning and at the end of the year:

Particulars	As at March 31, 2024		As at March 31, 2023	
	No. of Shares	Amount	No. of Shares	Amount
Shares outstanding at the beginning and end of the year	3,90,00,061	3,900.00	3,90,00,061	3,900.00

17.2 The Holding Company had raised Rs. 17,077.85 Lakhs through Initial Public Offer (IPO) in the Financial Year 2021-22. As on March 31, 2024, the Company has utilized Rs. 17,077.85 Lakhs for the purpose for which it has been raised and as on March 31, 2024 there was no unspent amount.

17.3 Details of Shareholders holding more than 5% shares of the Company:

Name of Shareholders	As at March 31, 2024		As at March 31, 2023	
	No of Shares held	Percentage held	No of Shares held	Percentage held
Mr. Munjal Sharad Shah	98,58,137	25.28%	98,58,137	25.28%
Mr. Sharad Virji Shah	72,74,840	18.65%	72,74,840	18.65%

17.4 Details of shares held by promoters and promotor group in the Company.

Name of Shareholders	As at March 31, 2024		As at March 31, 2023		% Changes From
	No of Shares held	Percentage held	No of Shares held	Percentage held	March 31, 2023 to March 31, 2024
Mr. Munjal Sharad Shah	98,58,137	25.28%	98,58,137	25.28%	0.00%
Mr. Sharad Virji Shah	72,74,840	18.65%	72,74,840	18.65%	0.00%
Mrs. Ami Munjal Shah	10,13,008	2.60%	10,13,008	2.60%	0.00%
Mr. Anish Hemant Mehta	14,20,630	3.64%	14,20,630	3.64%	0.00%
Mrs. Kaajal Harsh Bhansali	14,20,630	3.64%	14,20,630	3.64%	0.00%
Ms. Anushka Munjal Shah	10,00,000	2.56%	10,00,000	2.56%	0.00%
Ms. Jiwanshi Munjal Shah	10,00,000	2.56%	10,00,000	2.56%	0.00%
Mrs. Niranjana Sharad Shah	5	0.00%	5	0.00%	0.00%

17.5 Rights of Equity Shareholders

The Holding Company has only one class of equity shares having a face value of Rs. 10/- per share. Each shareholder is eligible for one vote per share held. In the event of liquidation of the Holding Company, the equity shareholders will be entitled to receive any of remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholder.

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Note: 18 Other Equity

Particulars	As at March 31, 2024	As at March 31, 2024	As at March 31, 2023	As at March 31, 2023
Capital Reserve				
Balance as per last Balance Sheet		**(808.36)**		**(808.36)**
Securities Premium				
Balance as per last Balance Sheet	17,799.78		17,835.17	
Less: Reversal of Deferred Tax (IPO related Expenses)	(35.39)		(35.39)	
		17,764.39		**17,799.78**
Revaluation Reserve				
Balance as per last Balance Sheet		**4,183.09**		**4,183.09**
General Reserve				
Balance as per last Balance Sheet		**11.92**		**11.92**
Retained Earnings				
Balance as per last Balance Sheet	16,193.38		12,648.56	
Add: Share in Non Controlling Interest	-		(61.04)	
Add: Profit after tax for the Year	3,206.01		3,605.86	
		19,399.39		**16,193.38**
Other Comprehensive Income (OCI)				
Balance as per last Balance Sheet	45.16		45.16	
Add: Movement in OCI (Net) during the Year	(34.18)		-	
		10.98		45.16
Total		40,561.41		37,424.97

Note No. 18.1 Nature And Purpose Of Reserves

Capital Reserves

The Capital Reserve was created pursuant to the scheme of amalgamation of Mechvac India Limited and Concept Shapers & Electronics Private Limited. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

Securities Premium

Securities Premium was created when shares were issued at premium. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

Revaluation Reserve

Revaluation Reserve was created for revaluation of Land and Building. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

General Reserve

The General Reserve shall be utilised in accordance with the provisions of the Companies Act, 2013.

Retained Earnings

Retained Earnings represent the accumulated Profits / (losses) made by the group over the years.

Other Comprehensive Income

Other Comprehensive Income (OCI) represents the amount recognised in other equity consequent to remeasurement of Defined Benefit Plan and Foreign Currency Translation Reserve.

Note: 19 Non Current Borrowings

Particulars	As at March 31, 2024	As at March 31, 2023
Secured		
Term Loan		
- From a Bank	143.22	94.58
Total	143.22	94.58

19.1 The term loan from bank includes:

i) Vehicle Loan of Rs. 27.54 lakhs (March 31, 2023 : Rs. NIL) and Rs. 4.98 lakhs (March 31, 2023 : Rs. NIL) included in current maturity of Long Term Debts in Note No. 23 taken by Holding Company against lien on respective vehicles and loan are repayable in 60 to 84 monthly installment and carry interest rate varying from 8.15% p.a to 8.50% p.a.

ii) Vehicle loan of Rs. 6.64 lakhs (March 31, 2023: Rs. Nil) and Rs. 1.71 lakhs (March 31, 2023 : Rs. NIL) included in current maturity of long Term Debts in Note No. 23 taken by Subsidiary Company is secured against lien on respective vehicle and is repayable in 51 Equal Monthly Installment ending on 07th June 2028 carrying an interest rate @ 8.40 % p.a.

iii) Term loan of Rs.109.04 Lakhs (31st March, 2023 : 94.58 Lakhs) and Rs. 30.22 lakhs (March 31, 2023 : Rs. 20.53 Lakhs) included in current maturity of long Term Debts in Note No. 23 taken by subsidiary company is secured by Hypothecation Charge on Property, Plant and Equipment of the Company and further secured by collateral security of Fixed Deposits and is guaranteed by Directors in their personal capacity. Out of the above Term loan of Rs. 44.18 Lakhs is repayable in 54 equal monthly installments ending on 13th September 2028 carrying an interest rate @ 9.90% p.a, Term Loan of Rs.95.08 Lakhs is repayable in 45 equal monthly installments ending on 31st December 2027 carrying an interest rate @ 9.90% p.a

Maturity profile of Term Loans is as under:

Financial Year	Amount
2024-25	36.91
2025-26	40.62
2026-27	44.70
2027-28	41.52
2028-29	11.75
2029-30	3.93
2030-31	0.70

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Note: 20 Lease Liabilities

Particulars	As at March 31, 2024	As at March 31, 2023
Lease Liabilities:		
Non-current	85.13	-
Current	34.48	-
Total	**119.61**	-

20.1 The balance sheet shows the following amounts relating to leases:

Particulars	As at March 31, 2024	As at March 31, 2023
Right-of-use assets (included in PPE):		
Office Premises	118.04	-
Total	118.04	-

Additions to the Right-of-Use assets during the year ended March 31, 2024 were Rs. 126.84 Lakhs (March 31,2023: Rs. NIL).

20.2 Amounts recognized in the statement of profit and loss

The statement of profit and loss shows the following amounts relating to leases:

Particulars	Notes	As at March 31, 2024	As at March 31, 2023
Depreciation charge of right-of-use assets			
Office Premises	2	8.80	-
Total		8.80	-

Particulars	Notes	As at March 31, 2024	As at March 31, 2023
Interest expense (included in finance costs)	32	2.72	-
Expense relating to short-term leases (included in other expenses)	34	86.74	-

The cash outflow for the leases for the year ended March 31, 2024 was Rs. NIL (March 31, 2023 : Rs. NIL)

20.3 The following is the movement in lease liabilities during the year :

Particulars	As at March 31, 2024	As at March 31, 2023
Opening Balance	-	-
Addition during the year	116.89	-
Finance cost accrued during the year	2.72	-
Payment of lease liabilities	-	-
Closing Balance	**119.61**	-

20.4 The following is the contractual maturity profile of lease liabilities:

Particulars	As at March 31, 2024	As at March 31, 2023
Less than one year	44.28	-
One year to five years	92.80	-
More than five years	-	-
Closing Balance	**137.08**	-

20.5 Lease liabilities carry an effective interest rate of 9.25% p.a. The lease terms is for a period 5 years.

Note: 21 Non-Current Provision

Particulars	As at March 31, 2024	As at March 31, 2023
Provision for Gratuity (Refer Note No. 31.1)	303.57	200.41
Total	303.57	200.41

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Note: 22 Income Tax

22.1 Current Tax

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Current Tax	1,256.79	1,185.41
Income Tax for Earlier Years	(110.41)	(64.74)
Total	1,146.38	1,120.67

22.2 The major components of Tax Expense for the year ended March 31, 2024 & March 31, 2023 are as follows:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Recognised in the Consolidated Statement of Profit and Loss		
Current Tax (Refer Note No. 22.1)	1,146.38	1,120.67
Deferred Tax:-Relating to origination and reversal of temporary differences	(103.32)	(30.21)
Total	1,043.06	1,090.46

22.3 Reconciliation between Tax Expense and Accounting Profit multiplied by tax rate for the year ended March 31, 2024 & March 31, 2023:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Accounting Profit Before Tax	4,046.85	4,684.50
Applicable tax rate (in %)	25.17%	25.17%
Computed Tax Expenses	1,018.51	1,178.99
Tax effect on account of:		
Property, Plant and Equipment, Intangible Assets and Assets Held for Sale	37.11	(33.21)
Expenses not allowed under Income Tax Act	31.86	40.93
Deduction allowed under Income Tax Act	(38.41)	(36.85)
Brought Forward Loss adjusted in case of Indian Subsidiaries	-	(3.68)
Current Year Loss adjusted in case of Subsidiaries and Associates Companies	124.71	-
Others	(20.31)	9.03
Income Tax for Earlier Years	(110.41)	(64.74)
Income tax Expenses recognised in the Consolidated Statement of Profit and Loss	1,043.06	1,090.46

22.4 Deferred Tax Liabilities relates to the following :

Particulars	Balance Sheet			Statement of Profit and Loss & Other Equity	
	As at March 31, 2024	As at March 31, 2023	Pursuant to the acquisition of Subsidiary Company	For the year ended March 31, 2024	For the year ended March 31, 2023
Property, Plant and Equipment, Intangible Assets, Assets Held for Sale and Investment Property	2,419.28	2,418.05	(0.52)	1.23	(86.17)
Financial Instrument-assets	(122.89)	(116.88)	-	(6.01)	72.73
Lease Liabilities	(30.10)	-	-	(30.10)	-
IPO issue expenses	(70.76)	(106.15)	-	35.39	35.39
Items disallowed as per Income Tax Act, 1961	(155.49)	(76.27)	-	(79.22)	(15.25)
Deferred Tax Liabilities / (Assets)	2,040.04	2,118.75	(0.52)	(78.71)	6.70

22.5 Deferred Tax Assets relates to the following :

Particulars	Balance Sheet		Statement of Profit and Loss	
	As at March 31, 2024	As at March 31, 2023	For the year ended March 31, 2024	For the year ended March 31, 2023
Property, Plant and Equipment and Intangible Assets	(1.65)	3.74	(5.39)	3.48
Items disallowed as per Income Tax Act, 1961	6.52	0.09	6.43	0.09
Unabsorbed Depreciation	0.38	-	0.38	-
Deferred Tax Assets	5.25	3.83	1.42	3.57

22.6 Reconciliation of Deferred Tax Liabilities (Net):

Particulars	As at March 31, 2024	As at March 31, 2023
Opening Balance at the beginning of the year	2,114.92	2,112.31
Pursuant to the acquisition of Subsidiary Company	-	(0.52)
Deferred Tax Expenses/(Income) recognised in the Consolidated Statement of Profit and Loss	(103.32)	(30.21)
Deferred Tax Expenses/(Income) recognised in OCI	(12.20)	(2.05)
Deferred Tax Expenses/(Income) recognised in Securities Premium	35.39	35.39
Closing Balance at the end of the year	2,034.79	2,114.92

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Note: 23 Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2024	As at March 31, 2023
Secured		
Working Capital Rupee Loans from Banks	5,659.18	721.92
Current Maturities of Long Term Debts	36.91	20.53
Unsecured		
Loans From Related Parties (Refer Note No. 37)	9.35	15.10
Other Loan	612.10	609.98
Total	**6,317.54**	**1,367.53**

23.1 The working capital Loans from banks includes:

(i) Rs. 1,385.15 lakhs (March 31, 2023: Rs. NIL) taken by Holding Company, secured by way of hypothecation of stocks & book-debts and further secured by collateral mortgage of 1) Plot no. 108 A, survey no. 261, IDA, Cherlapally, Dist. Ranga reddy, Hyderabad-500062. 2) Plot no. D112, TTC Industrial Area, MIDC, Shiravane, Nerul, Navi Mumbai 400076, 3) Penthouse No. 11, 13th & 14th floors, A Wing, Maruti Paradise, Sector No. 15 at CBD Belapur, Navi Mumbai - 400614 owned by Mr Munjal Shah and 4) Plot no. M-6, MIDC, Additional Ambernath Industrial Area, Ambernath-421506, Maharashtra, India.The above loans carries interest rate @ ROI @PLR i.e 9.75%.

(ii) Rs. 1,782.86 (March 31, 2023: NIL) taken by Holding Company, secured by Pari Passu Charge on all existing and future current assets and movable fixed assets and Collateral mortgage of 1) Plot no. 108 A, survey no. 261, IDA, Cherlapally, Dist. Ranga reddy, Hyderabad-500062. 2) Plot no. D112, TTC Industrial Area, MIDC, Shiravane, Nerul, Navi Mumbai 400076, 3) Penthouse No. 11, 13th & 14th floors, A Wing, Maruti Paradise, Sector No. 15 at CBD Belapur, Navi Mumbai - 400614 owned by Mr Munjal Shah and 4) Plot no. M-6, MIDC, Additional Ambernath Industrial Area, Ambernath-421506, Maharashtra, India. The above loans carries interest rate @ 3m MCLR + 2.4% p.a

(iii) Rs. 188.27 lakhs (March 31, 2023: Rs. NIL) taken by Holding Company, secured by Pari Passu Charge on all existing and future current assets and movable fixed assets and Collateral mortgage of 1) Plot no. 108 A, survey no. 261, IDA, Cherlapally, Dist. Ranga reddy, Hyderabad-500062. 2) Plot no. D112, TTC Industrial Area, MIDC, Shiravane, Nerul, Navi Mumbai 400076 and 3) Plot no. M-6, MIDC, Additional Ambernath Industrial Area, Ambernath-421506, Maharashtra, India. The above loans carries interest rate @ Repo rate plus spread 2.65% p.a.

(iv) Rs. 2,055.88 Lakhs (31st March 2023: Rs. 721.92 Lakhs) taken by Subsidiary company and is secured by all existing and future current assets of the Company and Movable Fixed Assets situated at Navi Mumbai and further secured by lien on Fixed Deposits and are guaranteed by directors in their personal capacity. The above loans carries interest rate @ MCLR+/- 0.65 and PLR-6.60%.

(v) The Bank Overdraft of Rs. 247.02 Lakhs (31st March 2023: Rs. Nil) taken by Subsidiary company and is secured by hypothecation of all existing and future current assets of the Company and Property, Plant and Equipment and further secured by lien on Fixed Deposits and are guaranteed by directors in their personal capacity and Corporate Guarantee given by Paras defence and space technologies limited (holding Company). The above loans carries interest rate @ 12% p.a .

23.2 The working capital facility of subsidiary company referred to above is guaranteed by directors in their personal capacity.

23.3 Unsecured borrowings are interest free and repayable on demand.

Note: 24 Trade Payables

Particulars	As at March 31, 2024	As at March 31, 2023
Micro, Small and Medium Enterprises	1,163.42	300.90
Others	4,934.65	2,310.97
Total	**6,098.07**	**2,611.87**

24.1 Disclosures of the Micro, Small And Medium Enterprises Development Act, 2006

Micro, Small and Medium Enterprises (MSME) under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information as available with the Company and the required disclosures are given below :

	Particulars	As at March 31, 2024	As at March 31, 2023
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year	1,163.42	300.90
(ii)	Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	15.58	13.84
(iii)	The amount of interest paid, along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv)	The amount of interest due and payable for the year	-	-
(v)	The amount of interest accrued and remaining unpaid at the end of the accounting year	15.58	13.84
(vi)	The amount of Further interest remaining due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

24.2 Trade Payables Ageing Schedules are as follows:

As at March 31, 2024

Particulars	Not due	Outstanding from due date of payment as at March 31, 2024				Total
		Less than 1 Year	1 - 2 Years	2 - 3 Years	More than 3 years	
MSME	710.07	452.10	1.16	0.09	-	1,163.42
Others	1,459.20	3,168.58	183.19	115.70	7.98	4,934.65
Disputed - MSME	-	-	-	-	-	-
Disputed - Others	-	-	-	-	-	-
Total	**2,169.27**	**3,620.68**	**184.35**	**115.79**	**7.98**	**6,098.07**

As at March 31, 2023

Particulars	Not due	Outstanding from due date of payment as at March 31, 2023				Total
		Less than 1 Year	1 - 2 Years	2 - 3 Years	More than 3 years	
MSME	127.26	168.11	4.42	1.11	-	300.90
Others	1,037.88	1,153.93	71.05	42.94	5.17	2,310.97
Disputed - MSME	-	-	-	-	-	-
Disputed - Others	-	-	-	-	-	-
Total	**1,165.14**	**1,322.04**	**75.47**	**44.05**	**5.17**	**2,611.87**

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Note: 25 Other Current Financial Liabilities

Particulars	As at March 31, 2024	As at March 31, 2023
Interest Accrued and due	15.60	13.84
Interest Accrued but not due	69.32	64.27
Creditors for Capital Goods	152.91	113.44
Security Deposit	1.55	1.25
Other Payables *	366.76	290.42
Total	606.14	483.22

* Other Payables mainly includes outstanding liability for expenses and payable to employees.

Note: 26 Other Current Liabilities

Particulars	As at March 31, 2024	As at March 31, 2023
Advances from Customers	2,994.75	2,955.49
Statutory Liabilities	76.37	64.10
Unearned Revenue	83.26	-
Total	3,154.38	3,019.59

Note 27 Current Provision

Particulars	As at March 31, 2024	As at March 31, 2023
Provision for Gratuity (Refer Note No. 31.1)	15.00	25.00
Total	15.00	25.00

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Note: 28 Revenue From Operations

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Sale of Products	22,480.82	21,342.05
Sale of Services / Job Work Income	2,864.77	732.70
Other Operating revenue	4.23	167.84
Total	**25,349.82**	**22,242.59**

28.1 Revenue Disaggregation by type of Products and Services as follows :

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Optics and Optronic Systems	6,939.18	10,553.94
Defence Engineering	18,410.64	11,688.65
Total	**25,349.82**	**22,242.59**

28.2 Revenue disaggregation by geography is as follows:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
India	21,768.69	18,726.94
Outside India	3,581.13	3,515.65
Total	**25,349.82**	**22,242.59**

28.3 Contract balances

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Trade Receivables	19,845.46	1,559.04
Contract Liabilities (Refer Note No. 26)	2,994.75	2,955.49
Unearned Revenue (Refer Note No. 26)	83.26	-
Total	**22,923.47**	**4,514.53**

28.4 The amount of Rs. 2705.36 lakhs is the revenue recognised from contract liabilities. Increase/(decrease) in contract liability is mainly on account of advance receipt from customers and revenue recognized during the year.

28.5 Reconciliation of Revenue from Operations with Contract Price:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Contract Price	25,356.20	22,248.58
Reduction towards variable considerations components *	6.38	5.99
Total	**25,349.82**	**22,242.59**

*Reduction towards variable considerations comprises components of volume discounts

28.6 Transaction price allocated to the remaining performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2024 amounts to Rs. 1,988.12 Lakhs (March 31,2023 : Nil).

28.7 The management of the Group expects that above unsatisfied performance obligation will be fully recognised as revenue during the next reporting year.

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Note: 29 Other Income

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Dividend Income from Non Current Investment	0.37	0.70
Interest Income from Financial assets measured at amortised cost		
- Fixed Deposits with Banks	173.07	150.86
- Interest on loans	146.08	129.50
- Others	4.23	12.18
Rent Income	5.94	51.56
Export Incentives	14.40	32.45
Gain on Financial Instruments measured at fair value through profit or loss	475.46	442.30
Profit on sale/ discard of Property, Plant and Equipment	1.21	-
Miscellaneous Income	6.41	2.88
Total	**827.17**	**822.43**

Note: 30 Changes In Inventories of Finished Goods, Work-In-Progress and Stock-In-Trade

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Closing Inventories		
Finished Goods	413.67	12.77
Finished Goods-in Transit	109.50	-
Stock in Trade	173.14	-
Stock in Trade in Transit	74.41	-
Work-in-Progress	8,271.27	5,694.87
	9,041.99	**5,707.64**
Opening Inventories		
Finished Goods	12.77	95.17
Work-in-Progress	5,694.87	4,465.17
	5,707.64	**4,560.34**
Increase in Inventories	**(3,334.35)**	**(1,147.30)**

Note: 31 Employee Benefits Expense

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Salaries, Wages & Allowances	2,885.60	2,053.77
Contribution to Provident and Other Funds	88.53	53.66
Welfare and Other Amenities	115.74	79.63
Total	**3,089.87**	**2,187.06**

31.1 As per Ind AS - 19 "Employee Benefits", the disclosures of Employee Benefits as defined in the Ind AS are given below :

	Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
(a)	**Contribution to Defined Contribution Plan, recognised as expense for the year are as under**		
	Employer's Contribution to Provident Fund and ESIC	33.57	23.01

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(b) Defined Benefit Plan -

Funded - Holding Company

The employees' Gratuity Fund is managed by the Life Insurance Corporation of India. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Unfunded - One of the Subsidiary Company

The employees Gratuity Fund Scheme of the Company is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Particulars	As at March 31, 2024	As at March 31, 2023
Actuarial Assumptions		
Mortality Table	Indian Assured Lives Mortality (2012-14) Ult	Indian Assured Lives Mortality (2012-14) Ult
Salary growth	9.00%	9.00%
Discount rate	7.19%	7.39%
Withdrawal Rate	11.00%	11.00%

Particulars	As at March 31, 2024	As at March 31, 2023
Movement in present value of Defined Benefit Obligation		
Defined Benefit Obligations at the beginning of the year	250.51	153.99
Current Service Cost	37.97	19.37
Interest Cost	18.52	10.53
Actuarial Loss	48.47	8.13
Benefits Paid	(4.96)	(3.63)
Liability Transferred In/ Acquisitions	-	62.12
Defined Benefit Obligations at the end of the year	**350.51**	**250.51**
Movement in present value of plan assets		
Fair value at the beginning of the year	25.10	-
Employer Contribution	9.93	25.10
Interest Income	1.85	-
Benefits Paid	(4.96)	-
Return on Plan Assets, Excluding Interest Income	0.02	-
Fair value at the end of the year	**31.94**	**25.10**
Expense recognised in the Statement of Profit and Loss		
Current Service Cost	35.98	19.37
Interest on Defined Benefit Obligations	16.67	10.53
Total included in "Remuneration and Benefits to Employees"	**52.65**	**29.90**
Amount recognised in Other Comprehensive Income		
Components of Actuarial (gain)/loss on obligations		
Due to changes in financial assumptions	3.97	(8.68)
Due to changes in demographic assumptions	-	-
Due to experience adjustments	44.50	16.81
Total	**48.47**	**8.13**

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(c) Fair Value of assets

Particulars	As at March 31, 2024	As at March 31, 2023
Life Insurance Corporation of India	31.94	25.10

(d) Net Liability recognised in balance sheet

Particulars	As at March 31, 2024	As at March 31, 2023
Present Value of Obligations at the end of the year	350.51	250.51
Less : Fair Value of Plan Assets at the end of the year	31.94	25.10
Net Liability recognised in balance sheet	318.57	225.41

(e) The estimate of rate of escalation in Salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other retirement factors including supply and demand in the employment market. The above information is certified by the actuary.

31.2 Sensitivity Analysis

Particulars	As at March 31, 2024	As at March 31, 2023
	Effect on Gratuity Increase / (Decrease)	
Discount Rate + 100 basis points	(19.33)	(14.40)
Discount Rate - 100 basis points	21.52	16.09
Salary Escalation Rate + 100 basis points	17.94	15.76
Salary Escalation Rate - 100 basis points	(16.42)	(14.23)
Withdrawal Rate + 100 basis points	(1.74)	(2.29)
Withdrawal Rate - 100 basis points	1.90	2.51

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the Projected Unit Credit method at the end of reporting period, which is the same as that applied in calculating the defined obligation liability recognized in the balance sheet.

31.3 Expected payments towards contributions to Gratuity in future years :

Year Ended	Expected Payment
March 31, 2025	53.26
March 31, 2026	40.31
March 31, 2027	36.53
March 31, 2028	33.32
March 31, 2029	33.26
March 31, 2030 and above	407.26

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31.4 Risk exposures

These plans typically expose the company to actuarial risks as, Salary Risk, Discount Rate, Employee Turnover rate/Withdrawal rate, Mortality / Disability.

Salary Risk

Salary escalation & attrition rate are considered as advised by the Holding Company; they appear to be in line with the industry practice considering promotion and demand & supply of the employees.

Discount rate

In case the yield on the government bonds drops in the future period then it may result in increase in the liability.

Employee Turnover rate/Withdrawal rate

If the actual withdrawal rate in the future turns out to be more or less than expected then it may result in increase in the liability.

Mortality / Disability

Maturity Analysis of Benefit Payments is undiscounted cash flows considering future salary, attrition & death in respective year for members as mentioned above.

Details of Asset-Liability Matching Strategy:-

Gratuity benefits liabilities of the Holding Company are Funded. There are no minimum funding requirements for a Gratuity benefits plan in India and there is no compulsion on the part of the Holding Company to fully or partially pre-fund the liabilities under the Plan. The trustees of the plan have outsourced the investment management of the fund to insurance companies which are regulated by IRDA. Due to the restrictions in the type of investments that can be held by the fund, it may not be possible to explicitly follow an asset-liability matching strategy to manage risk actively in a conventional fund.

31.5 The average duration of the defined benefit plan obligation at the end of the reporting period is 9.00 years (March 31, 2023 : 9.00 years).

Note: 32 Finance Costs

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Interest Expenses on Financial Liabilities measured at amortised cost	351.63	498.18
Interest Expenses on Lease Liabilities	2.72	-
Other Borrowing Costs (Refer Note No. 32.1)	189.60	173.50
Total	**543.95**	**671.68**

32.1 Above includes, Interest of Rs. 55.34 lakhs (March 31, 2023: Rs. 63.89 Lakhs) on late payment of Advance Tax.

Note: 33 Depreciation and Amortisation Expenses

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Depreciation of Property, Plant and Equipment (Refer Note No. 2)	1,222.48	982.28
Depreciation of Investment Property (Refer Note No. 3)	67.97	85.98
Amortisation of Intangible Assets (Refer Note No. 4)	45.70	58.98
Total	**1,336.15**	**1,127.24**

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Note: 34 Other Expenses

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
MANUFACTURING EXPENSES		
Consumables, Stores and Spares Consumed	432.17	323.04
Power and Fuel	359.84	328.32
Labour Charges	295.29	278.49
Repairs and Maintenance - Others	196.18	159.80
Job Processing charges	400.74	158.32
Design and Development Charges	122.51	-
Drone Pilot Training Services	129.03	-
Other Manufacturing Expenses	81.15	94.26
	2,016.91	**1,342.23**
SELLING AND DISTRIBUTION EXPENSES		
Advertisement and Business Promotion	359.06	162.21
Packing & Forwarding Expenses	24.29	25.33
Freight Outward	39.28	36.10
Design & Development Charges	15.04	15.35
	437.67	**238.99**
ADMINISTRATIVE EXPENSES		
Insurance	41.05	40.22
Rent	86.74	57.94
Rates and Taxes	119.19	549.97
Printing and Stationery	20.50	21.61
Communication Expenses	10.85	8.57
Travelling and Conveyance	562.92	418.84
Legal and Professional Charges	203.87	186.00
Payment to Auditors (Refer Note No. 34.1)	85.35	74.90
Security Expenses	33.40	22.11
Office Expenses	120.88	59.95
Director Sitting fees	24.00	28.00
Postages and Courier	25.96	33.54
Miscellaneous Expenses	146.30	195.64
	1,481.01	**1,697.29**
OTHER EXPENSES		
Bank Charges	246.15	103.32
Bad Debts / Advances written off (Net)	147.96	91.20
Provision / (Reversal) for Credit Impaired	53.95	(10.35)
Provision for Expected Credit Loss	522.45	163.58
Provision for Doubtful Advances	13.20	-
Donation	50.75	12.81
Corporate Social Responsibility Expenditure (Refer Note No. 38)	69.00	61.25
Loss on sale/ discard of Assets (Net)	-	6.31
Loss on Foreign Currency Fluctuations (Net)	10.94	36.47
Late Delivery charges	46.00	102.06
	1,160.40	**566.65**
Total	**5,095.99**	**3,845.16**

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34.1 Break-up of Payment to Auditors :

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
For Statutory Audit	45.75	43.77
For Quarterly Review Fees	24.00	17.50
For Tax Audit	11.00	9.00
For Certification charges	4.00	4.20
For Reimbursement of Expenses	0.60	0.43
Total	**85.35**	**74.90**

Note: 35 Earnings Per Share

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Basic Earnings Per Share		
Profit for the Year	3,206.01	3,605.86
Weighted average number of Equity Shares (Nos.)	3,90,00,061	3,90,00,061
Basic Earnings Per Share of Rs.10/- each	8.22	9.25
Diluted Earnings Per Share		
Amount available for calculation of Diluted EPS	3,206.01	3,605.86
Weighted average number of Equity Shares (Nos.)	3,90,00,061	3,90,00,061
Add : Potential number of Equity Shares	-	-
No. of shares used for calculation of Diluted EPS	3,90,00,061	3,90,00,061
Diluted Earnings Per Share of Rs.10/- each	8.22	9.25

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Note:36 Contingent Liabilities And Commitments

	Particulars	As at March 31, 2024	As at March 31, 2023
A	**Contingent Liabilities** (to the extent not provided for)		
	Claims against the Company not acknowledged as debts		
I	**Disputed Liabilities in Appeal (No Cash outflow is expected in the near future)**		
	INCOME TAX*	86.44	86.44
	GST	15.16	15.16
	CUSTOMS ACT	-	16.54
II	**GUARANTEES**		
	Guarantees given by the Company's Bankers	15,357.77	9,999.25
	(Bank guarantees are provided under contractual / legal obligation)		
III	**LETTER OF CREDIT OUTSTANDING**		
	Letters of Credit opened in favour of Suppliers	755.84	154.60
	(Cash flow is expected on receipt of material from suppliers)		
B	**Capital Commitments :**		
	Estimated amount of contracts to be executed on capital account not provided for	1,010.60	834.83
	Commitment towards EPCG License	-	296.12

*During the FY 2020-21, Holding Company has received the assessment order u/s 143(3) from the Income Tax department, however since there were errors in the said order, the Company has filed the rectification application under section 154 of the Income Tax Act, 1961, accordingly no contingent liability disclosed for the same.

C Management is of the view that the above litigation will not impact significantly the financial position of the group.

Note: 37 Related Party Disclosures :

In accordance with the requirements of Ind AS 24, on related party disclosures, name of the related party, related party relationship, transactions and outstanding balances including commitments where control exists and with whom transactions have taken place during reporting year, are as detailed below:

List of Related Parties :

I **Associate**
i Krasny Paras Defence Technologies Private Limited
ii Controp Paras Technologies Private Limited (w.e.f. July 31, 2023)

II **Key Managerial Personnel**
i Mr. Sharad Shah (Non-Executive Director)
ii Mr. Munjal Sharad Shah (Managing Director)
iii Mrs. Shilpa Amit Mahajan (Whole-time Director)
iv Mr. Harsh Bhansali (Chief Financial Officer)
v Mr. Hemalkumar Hirenbhai Sagalia (till December 13 2023)
vi Ms. Jajvalya Raghavan (w.e.f. February 09, 2024)
vii Mr. Ajit Sharma (till December 17, 2022)

III **Key Managerial Personnel Relatives**
i Mrs. Ami Munjal Shah
ii Mrs. Niranjana Shah
iii Mrs. Kaajal Bhansali
iv Mr. Anish Mehta
v Mr. Amit Mahajan

IV **Enterprises in which key managerial personnel and their relatives are able to exercise significant influence with whom transactions have taken place during the year :**
i Defspace Technologies Private Limited

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A. Transactions with Related Parties :

Nature of Transactions	Name of the Related Parties	2023-24	2022-23
Transactions with Associates:			
Purchase of Investment	Krasny Paras Defence Technologies Private Limited	-	47.50
	Controp Paras Technologies Private Limited	0.30	-
Lease Rent Deposits Received	Krasny Paras Defence Technologies Private Limited	-	0.75
	Controp Paras Technologies Private Limited	0.30	-
Income - Lease Rent	Krasny Paras Defence Technologies Private Limited	2.64	2.16
	Controp Paras Technologies Private Limited	0.30	-
Reimbursement of expenses on their behalf	Krasny Paras Defence Technologies Private Limited	-	1.20
Transactions with other Related Parties:			
Director Sitting Fees	Mr. Sharad Shah	6.00	6.00
Managerial Remuneration	Mr. Munjal Sharad Shah	84.00	69.00
	Mrs. Shilpa Amit Mahajan	38.36	24.45
	Mr. Harsh Bhansali	48.00	36.83
	Mr. Ajit Sharma	-	10.40
	Mr. Hemalkumar Hirenbhai Sagalia	12.53	0.15
	Ms. Jajvalya Raghavan	4.34	-
Salary to relatives	Mrs. Kaajal Bhansali	36.00	33.00
	Mrs. Ami Munjal Shah	60.00	41.00
	Mr. Amit Mahajan	48.00	24.86
	Mr. Anish Mehta	36.00	29.18
Rent Expense	Mr. Munjal Sharad Shah	6.00	6.00
Loans Taken		60.25	82.45
Loans Repaid		66.00	72.85
Loans Taken	Mr. Amit Mahajan	-	10.00
Loans Repaid		-	10.00
Income - Lease Rent	Defspace Technologies Private Limited	3.00	3.00
Purchase of Goods		553.21	-
Intercorporate Deposit taken by the Company		-	100.00
Intercorporate Deposit repaid by Company		-	100.00
Interest on Intercorporate Deposit taken		-	1.30
Intercorporate Deposit given		855.00	-
Intercorporate Deposit repaid		575.00	-
Interest on Intercorporate Deposit given		62.79	-

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Notes to the Consolidated Financial Statements March 31, 2024
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B. Balances with Related Parties:

Name of the Related Parties	As at March 31, 2024	As at March 31, 2023
Balances with Associate Companies:		
Investment		
Krasny Paras Defence Technologies Private Limited	52.25	52.25
Controp Paras Technologies Private Limited	0.30	-
Lease rent receivable		
Krasny Paras Defence Technologies Private Limited	1.77	-
Security Deposits (Current Financial Liabilities)		
Krasny Paras Defence Technologies Private Limited	0.75	0.75
Controp Paras Technologies Private Limited	0.30	-
Balances with other Related Parties:		
Current-Borrowings - Loan		
Mr. Munjal Sharad Shah	9.35	15.10
Other Payable (Rent Payable)		
Mr. Munjal Sharad Shah	-	0.45
Other Payables (Salary Payable)		
Mr. Munjal Sharad Shah	4.90	-
Mrs. Ami Munjal Shah	3.48	-
Mrs. Shilpa Mahajan	2.21	0.27
Mr. Harsh Bhansali	3.54	-
Mrs. Kaajal Bhansali	2.09	-
Mr. Amit Mahajan	1.04	0.86
Mr. Anish Mehta	4.17	0.07
Mr. Hemalkumar Hirenbhai Sagalia	-	1.03
Ms. Jajvalya Raghavan	1.51	-
Trade Payable		
Defspace Technologies Private Limited	17.18	-
Advance to Supplier		
Defspace Technologies Private Limited	527.08	-
Security Deposits (Current Financial Liabilities)		
Defspace Technologies Private Limited	0.50	0.50
Intercorporate Deposits Given		
Defspace Technologies Private Limited	280.00	-
Interest Receivable		
Defspace Technologies Private Limited	20.70	-

C. Compensation to Key Management Personnel of the Company

Particulars	2023-24	2022-23
Nature of transaction		
Short-term employee benefits	187.23	140.83
Post-employment benefits	22.08	(1.22)
Total compensation to Key Management Personnel	**209.31**	**139.61**

Note :38 Expenditure related to Corporate Social Responsibility (CSR) as per Section 135 of the Companies Act, 2013 read with Schedule VII.

a. CSR amount required to be spent as per Section 135 of the Companies Act, 2013 read with Schedule VII thereof by the Holding Company during the year is Rs. 66.49 lakhs (March 31, 2023 : Rs. 53.37 lakhs)

b. Expenditure incurred related to Corporate Social Responsibility is Rs. 69.00 Lakhs (March 31, 2023 : Rs 61.25 Lakhs)

c. Amount shortfall Rs Nil (March 31, 2023: Rs Nil)

Details of Expenditure incurred towards CSR given below:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Environmental Sustainability and Animal Welfare	20.00	21.25
Health Care, Sanitation and providing Drinking Water	10.00	40.00
Promoting Education	35.00	-
Reducing inequalities faced by socially and economically backward groups	4.00	-
TOTAL	**69.00**	**61.25**

38.1 During the year ended, the Company has contributed above amount and received certificates / management confirmation stating that unspent amount of Rs.51.15 lakh will be utilised within 6 months towards objects.

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 39 FAIR VALUES

39.1 Financial Instruments by category:

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial assets and liabilities that are recognised in the financial statements.

a) Financial Assets / Liabilities measured at Fair Value:-

Particulars	As at March 31, 2024	As at March 31, 2023
Financial Assets designated at Fair Value through profit and loss:-		
- Investments	2,179.79	1,111.89

b) Financial Assets / Liabilities designated at Amortised Cost:-

Particulars	As at March 31, 2024		As at March 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets :				
Financial Assets designated at Amortised Cost:-				
- Trade Receivables	19,845.46	19,845.46	15,031.09	15,031.09
- Cash and cash equivalents	298.17	298.17	1,710.73	1,710.73
- Bank Balance other than Cash and Cash Equivalents	842.89	842.89	2,316.83	2,316.83
- Loans	399.32	399.32	1,146.20	1,146.20
- Others	2,086.31	2,086.31	1,222.82	1,222.82
Total	23,472.15	23,472.15	21,427.67	21,427.67
Financial Liabilities :				
Financial Liabilities designated at Amortised Cost:-				
- Borrowings	6,460.76	6,460.76	1,462.11	1,462.11
- Trade Payable	6,098.07	6,098.07	2,611.87	2,611.87
- Lease Liabilities	119.61	119.61	-	-
- Other Financial Liabilities	606.14	606.14	483.22	483.22
Total	13,284.58	13,284.58	4,557.20	4,557.20

39.2 Fair Valuation techniques used to determine Fair Value

The Group maintains procedures to value its financial assets or financial liabilities using the best and most relevant data available. The Fair Values of the financial assets and liabilities are included at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the Fair Values:

i) Fair Value of Cash and Cash Equivalents, Other Bank Balances, Trade Receivable, Trade Payables, Current Loans, Current Borrowings, and other Current Financial Assets and Liabilities are approximate at their carrying amounts largely due to the short-term maturities of these instruments.

ii) The fair values of Non-Current Borrowings and Margin money are approximate at their carrying amount due to interest bearing features of these instruments.

iii) The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

39.3 Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:-

i) **Level 1** :- Quoted prices / published Net Assets Value (unadjusted) in active markets for identical assets or liabilities. It includes fair value of financial instruments traded in active markets and are based on quoted market prices at the Balance Sheet date and financial instruments like mutual funds for which Net Assets Value is published by mutual fund operators at the Balance Sheet date.

ii) **Level 2** :- Inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). It includes fair value of the financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on the Group specific estimates. If all significant inputs required to fair value an instrument are observable then instrument is included in level 2.

iii) **Level 3** :- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table provides hierarchy of the fair value measurement of Group's asset and liabilities, grouped into Level 1 (Quoted prices in active markets), Level 2 (Significant observable inputs) and Level 3 (Significant unobservable inputs) as described below:

Particulars	As at March 31, 2024		
	Level 1	Level 2	Level 3
Financial Assets			
Financial Assets designated at Fair Value through profit and loss:-			
Investments in Equity of Co-operative Bank	-	-	# 28.46
Investment in Equity Shares	-	-	2,151.33

Particulars	As at March 31, 2023		
	Level 1	Level 2	Level 3
Financial Assets			
Financial Assets designated at Fair Value through profit and loss:-			
Investments in Equity of Co-operative Bank	-	-	# 27.01
Investment in Equity Shares	-	-	784.88
Investment in 0.01% Optionally Convertible Preference Shares	-	-	300.00

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Following table describes the valuation techniques used and key inputs to valuation for level 3 of the fair value hierarchy as at March 31, 2024 and March 31, 2023

Particulars	As at March 31, 2024	Valuation Technique	Input used
Financial Assets designated at fair value through profit and loss:-			
- Investment in unlisted equity shares	993.03	Based on professional valuer's certificate	Market approach- Comparable Transactions Multiple Method
- Investment in unlisted equity shares	1,158.30	Based on professional valuer's certificate	Enterprises Value/ discounted cash flow

Particulars	As at March 31, 2023	Valuation Technique	Input used
Financial Assets designated at fair value through profit and loss:-			
- Investment in unlisted equity shares	784.88	Based on professional valuer's certificate	Market approach- Comparable Transactions Multiple Method
- Investment in 0.01% Optionally Convertible Preference Shares	300.00	Based on professional valuer's certificate	Enterprises Value/ discounted cash flow

since the investments under level 3 of the fair value hierarchy as at March 31, 2024 and March 31, 2023 category are not material, therefore the disclosure for the same is not given.

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Note: 40 FINANCIAL RISK MANAGEMENT - OBJECTIVE AND POLICIES

The Group is exposed to market risk, credit risk, liquidity risk and competition and price risk. Risk management is carried out by the Group under policies approved by the Respective Board of Directors. This Risk management plan defines how risks associated with the Group will be identified, analysed, and managed. It outlines how risk management activities will be performed, recorded, and monitored by respective Company in the Group. The basic objective of risk management plan is to implement an integrated risk management approach to ensure all significant areas of risks are identified, understood and effectively managed, to promote a shared vision of risk management and encourage discussion on risks at all levels of the organization to provide a clear understanding of risk / benefit trade-offs, to deploy appropriate risk management methodologies and tools for use in identifying, assessing, managing and reporting on risks, and to determine the appropriate balance between cost and control of risk and deploy appropriate resources to manage/optimize key risks. Activities are developed to provide feedback to management and other interested parties (e.g. Audit committee, Board etc.). The results of these activities ensure that risk management plan is effective in the long term.

40.1 Market Risk and Sensitivity:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: foreign currency rate risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits and investments.

The sensitivity analysis relate to the position as at March 31, 2024 and March 31, 2023

(a) Foreign Currency Exchange Risk and Sensitivity

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities and its Investment. The Group transacts business primarily in USD and Euro. The Group has foreign currency trade payables and receivables and is therefore, exposed to foreign currency exchange risk. The Group regularly reviews and evaluates exchange rate exposure arising from foreign currency transactions.

The following table demonstrates the sensitivity in the USD, GBP, SGD and Euro to the Indian Rupee with all other variables held constant. The impact on the Group's profit before tax (PBT) due to changes in the fair values of monetary assets and liabilities is given below:

Unhedged Foreign currency exposure As at March 31, 2024	Currency	Amount in FC	Amount in INR
Investment	USD	11,91,059	993.03
Trade Receivable	USD	6,72,250	560.48
Trade Receivable	EURO	87,112	78.59
Trade Receivable	GBP	49,950	52.59
Trade Payable	USD	49,83,820	4,155.20
Trade Payable	EURO	66,626	60.11
Trade Payable	GBP	27,951	29.43
Trade Payable	SGD	9,614	5.98

Unhedged Foreign currency exposure As at March 31, 2023	Currency	Amount in FC	Amount in INR
Investment	USD	9,54,642	784.88
Trade Receivable	USD	15,18,432	1,248.41
Trade Receivable	EURO	2,14,422	192.14
Trade Payable	USD	22,01,282	1,809.83
Trade Payable	EURO	1,82,949	163.94
Trade Payable	GBP	23,098	23.53

Foreign Currency Sensitivity

2% increase or decrease in foreign exchange rates will have the following impact on Profit Before Tax (PBT):-

Particulars	2023-24		2022-23	
	2% increase Profit/(Loss)	2% decrease Profit/(Loss)	2% increase Profit/(Loss)	2% decrease Profit/(Loss)
USD	(52.03)	52.03	4.47	(4.47)
EURO	0.37	(0.37)	0.56	(0.56)
GBP	0.46	(0.46)	(0.47)	0.47
SGD	(0.12)	0.12	-	-
(Decrease) / Increase in Profit Before Tax	**(51.32)**	**51.32**	**4.56**	**(4.56)**

(b) Interest Rate Risk and Sensitivity :-

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is having non current borrowings in the form of term loan and current borrowings in the form of working capital and inter corporate deposits. There is a fixed rate of interest in case of vehicle loan and inter corporate deposits and hence, there is no interest rate risk associated with these borrowings. The Group is exposed to interest rate risk associated with term loan and working capital facility due to floating rate of interest.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting year are as follows:

Particulars	As at March 31, 2024	As at March 31, 2023
Term Loan From Banks and Financial Institutions	139.26	115.11
Working Capital Facility	5,659.18	721.92
Closing Balances	**5,798.44**	**837.03**

The table below illustrates the impact of a 2% increase / decrease in interest rates on interest on financial liabilities assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average debt outstanding during the year.

Particulars	2023-24		2022-23	
	2% increase Profit/(Loss)	2% decrease Profit/(Loss)	2% increase Profit/(Loss)	2% decrease Profit/(Loss)
Term Loan From Banks and Financial Institutions	2.79	(2.79)	2.30	(2.30)
Working Capital Facility	113.18	(113.18)	14.44	(14.44)
Decrease / (Increase) in Profit Before Tax	**115.97**	**(115.97)**	**16.74**	**(16.74)**

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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40.2 Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

a) Trade Receivables:-

The Group measures the expected credit loss of trade receivables, which are subject to credit risk, based on historical trend, industry practices and the business environment in which the entity operates and adjusted for forward looking information. Loss rates are based on actual credit loss experience and past trends.

The Group has used practical expedient by computing the expected credit loss allowance for trade receivables based on provision matrix. The provision matrix taken into account historical credit loss experience and adjusted for forward looking information. The expected credit loss allowance is based on ageing of the days the receivables are due.

The following table summarizes the Gross carrying amount of the trade receivables and provision made.

Particulars	As at March 31, 2024		As at March 31, 2023	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
Trade Receivables	21,387.08	1,541.62	15,996.15	965.06

The following table summarizes the changes in the Provisions made for the receivables:

Particulars	As at March 31, 2024	As at March 31, 2023
Opening Balances	965.06	810.94
Provided during the year	576.56	154.12
Reversed during the year	-	-
Closing Balances	**1,541.62**	**965.06**

b) Financial Instruments and Cash Deposits:-

The Group considers factors such as track record, size of the institution, market reputation and service standards to select the banks with which balances are maintained. Credit risk from balances with bank is managed by the Group's finance department. Investment of surplus funds are also managed by finance department. The Group does not maintain significant cash in hand. Excess balance of cash other than those required for its day to day operations is deposited into the bank.

For other financial instruments, the finance department assesses and manage credit risk based on internal assessment. Internal assessment is performed for each class of financial instrument with different characteristics.

40.3 Liquidity Risk :

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Group's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group relies on short term borrowings and operating cash flows in the form of working capital facility to meet its need for fund. The Group does not breach any covenants wherever applicable on any of its borrowing facilities. The Group has access to a sufficient variety of sources of funding as per requirements.

The below table summaries the maturity profile of the Group's financial liability :

Particulars	Maturity				
	On Demand	Less than 1 Year	1 to 5 Years	More than 5 years	Total
March 31, 2024					
Non current borrowings	-	36.91	138.59	4.63	180.13
Current Borrowings	6,280.63	-	-	-	6,280.63
Trade Payable	-	6,098.07	-	-	6,098.07
Lease Liability	-	34.48	85.13	-	119.61
Other Financial Liabilities	-	606.14	-	-	606.14
Total	**6,280.63**	**6,775.60**	**223.72**	**4.63**	**13,284.58**
March 31, 2023					
Non current borrowings	-	20.53	94.58	-	115.11
Current Borrowings	1,347.00	-	-	-	1,347.00
Trade Payable	-	2,611.87	-	-	2,611.87
Other Financial Liabilities	-	483.22	-	-	483.22
Total	**1,347.00**	**3,115.62**	**94.58**	-	**4,557.20**

40.4 Competition and Price Risk

The Group faces competition from local and foreign competitors. Nevertheless, it believes that it has competitive advantage in terms of high quality products and by continuously upgrading its expertise and range of products to meet the needs of its customers.

Note: 41 Capital Risk Management

For the purpose of Group's capital management, capital includes issued capital, all other equity reserves and net debts. The primary objective of the Group's capital management is to maximise shareholders value. The Group manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Group monitors capital using gearing ratio, which is net debt divided by total capital (equity plus net debt). Net debt are non-current and current debts as reduced by cash and cash equivalents. Equity comprises all components including other comprehensive income.

Particulars	March 31, 2024	March 31, 2023
Total Debt	6,460.76	1,462.11
Less: Cash and cash equivalent	298.17	1,710.73
Net Debt	**6,162.59**	**(248.62)**
Equity	44,461.41	41,324.97
Total Capital (Equity + Net Debt)	**50,624.00**	**41,076.35**
Gearing ratio	**12.17%**	**NA**

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Note: 42 SEGMENT REPORTING

A. Segment information as per Indian Accounting Standard - 108 - "Operating Segments" :

As per Indian Accounting Standard 108 'Operating Segments', the chief operating decision maker of the Company has identified following reportable segments of its business:

Considering the present product-centric nature of operations, the product categories in the order book and future business plans, during the year, the CODM has adopted a new enhanced approach towards monitoring and allocation of the resources to the business, accordingly during the year, the Company has identified two segments, namely "Optics and Optronic Systems" and "Defence Engineering" as against "Heavy Engineering", "Defence & Space Optics" and "Defence Electronics" till March 31, 2023. The figures for the previous year have been regrouped to make them comparable with those of the current year.

Segment comprise of:

Optics & Optronic Systems:

- Optical Components and Sub-Systems like Space Optics/Gratings/Mirrors, Infra-Red Lenses for Night Vision Devices, Opto-mechanical Assemblies and Precision Diamond Turned components etc.

-Opto-Electronic Systems comprising of Submarine Periscope, hyperspectral camera etc.

-EO/IR Systems.

Defence Engineering:

- Defence Electronics compromising of Defence Automation & Control systems, Rugged Command & Control Consoles, Avionic suite etc.
- Heavy Engineering comprising of Flow Formed Rockets/ Missile Motor Tubes, Electromechanical assemblies, Remote Controlled Border Defence System and Turnkey projects.
-Electromagnetic Pulse Protection Solutions.

Unallocated

Consists of other income, expenses, assets and liabilities which cannot be directly identified to any of the above segments.

I Segment wise Revenue

Particulars	For the Year ended March 31, 2024	For the Year ended March 31, 2023
Segment Revenue		
a. Optics and Optronic Systems	6,939.18	10,553.94
b. Defence Engineering	18,410.64	11,688.65
Revenue From Operations	**25,349.82**	**22,242.59**
Segment Results		
a. Optics and Optronic Systems	3,223.69	5,694.24
b. Defence Engineering	3,608.42	1,786.34
Total	**6,832.11**	**7,480.58**
i) Finance Costs	(543.95)	(671.68)
ii) Other unallocable expenditure	(3,062.79)	(2,933.70)
iii) Unallocable Income	827.17	822.43
iv) Share of loss of Associates	(5.69)	(13.13)
Profit before exceptional items and Tax	**4,046.85**	**4,684.50**
Exceptional items	-	-
Profit Before Tax	**4,046.85**	**4,684.50**

II **Segment wise Assets and Liabilities:**

Particulars	As at March 31, 2024	As at March 31, 2023
Segment Assets		
a. Optics and Optronic Systems	22,984.21	20,847.63
b. Defence Engineering	30,574.00	20,956.39
c. Unallocable	10,414.64	10,250.06
Total	**63,972.85**	**52,054.08**
Segment Liabilities		
a. Optics and Optronic Systems	3,576.51	903.15
b. Defence Engineering	5,821.81	4,819.54
c. Unallocable	10,246.95	4,986.01
Total	**19,645.27**	**10,708.70**

III **Other Informations**

Particulars	For the Year ended March 31, 2024	For the Year ended March 31, 2023
Capital Expenditure	2,600.79	2,532.63
Depreciation	1,336.15	1,127.24
Non-cash Expenses other than Depreciation	737.56	250.74

B. **Segment Identification, Reportable Segments and definition of each segment :**

a. **Reportable Segments:**

The chief operating decision maker monitors the operating results of its Business Segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the internal reporting system and is measured consistently with profit or loss in the financial statements. Operating segment have been identified on the basis of the nature of products / services and have been identified as per the quantitative criteria specified in Ind AS.

b. **Primary / Secondary Segment Reporting Format:**

i. The risk-return profile of the group's business is determined predominantly by the nature of its products. Accordingly, the business segments constitute the Primary Segments for disclosure of segment information.

ii. Revenue disaggregation by geography (Refer Note No. 28.2)

iii. No Non-Current Assets of the Group is located outside India as on March 31, 2024 and March 31, 2023

iv. **Segment revenue, results, assets and liabilities:**

Revenue and results have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which is related to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable".

Segment assets and segment liabilities represent assets and liabilities in respective segments. Segment assets include all operating assets used by the operating segment and mainly includes Property, Plant and Equipment , trade receivable, inventories and other receivables. Segment liabilities primarily include trade payables and other liabilities. Common assets and liabilities which cannot be allocated to any of the segments are shown as a part of unallocable assets and liabilities.

v. **Information about major customers:**

Revenue from operations include Rs. 11,674.11 Lakhs, (March 31, 2023 : Rs. 10,674.78 Lakhs) from three customers (March 31, 2023: three customers) having more than 10% of the total revenue.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 43 Interests in other entities

43.1 The consolidation of financial statements of the Group includes subsidiaries listed in the table below:

	Name	Principal Place of Business	% Equity interest	
			As at March 31, 2024	As at March 31, 2023
A	**Indian subsidiaries**			
	Paras Aerospace Private Limited	India	60.00%	60.00%
	Paras Green UAV Private Limited (Formerly Known as Paras Green Optics Private Limited)	India	100.00%	100.00%
	Paras Anti-Drone Technologies Private Limited	India	55.00%	55.00%
	Ayatti Innovative Private Limited	India	58.02%	58.02%
	Quantico Technologies Private Limited	India	100.00%	-
	Mechtech Thermal Private Limited	India	70.00%	-
B	**Overseas Subsidiary**			
	OPEL Technologies PTE Ltd	Singapore	100.00%	100.00%

43.2 The consolidation of financial statements of the Group includes Associates listed in the table below:

Name	Principal Place of Business	% Equity interest	
		As at March 31, 2024	As at March 31, 2023
Krasny Paras Defence Technologies Private Limited	India	47.50%	47.50%
Controp Paras Technologies Private Limited	India	30.00%	-

The summarised financial information below represents amount shown in associate financial statements prepared as per equity accounting purposes.

Krasny Paras Defence Technologies Private Limited

Particulars	As at March 31, 2024	As at March 31, 2023
Current Assets	81.19	69.37
Current Liabilities	61.10	29.28
Net Current Assets/(Liabilities)	**20.09**	**40.09**
Non-Current Assets	52.17	42.57
Non-Current Liabilities	-	1.18
Net Non-Current Assets /(Liabilities)	**52.17**	**41.39**

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Revenue	64.24	41.64
Profit/(Loss) for the Year	(9.21)	(27.65)
Other Comprehensive Income	-	-
Total Comprehensive Income	**(9.21)**	**(27.65)**

Reconciliation of the above summarised financial information to the carrying amount of interest in Krasny Paras Defence Technologies Private Limited recognised in the Consolidated Financial Statements

Particulars	As at March 31, 2024	As at March 31, 2023
Net Assets of the Associate	72.26	81.48
Proportion of the Group's ownership interest in Krasny Paras Defence Technologies Private Limited	47.50%	47.50%
Carrying amount of the Group's interest in Krasny Paras Defence Technologies Private Limited	**34.32**	**38.70**

Particulars	As at March 31, 2024	As at March 31, 2023
Reconciliation to carrying amounts		
Opening net assets	38.70	4.33
Loss for the year	(4.38)	(13.13)
Other comprehensive income	-	-
Investment	-	47.50
Closing net assets	**34.32**	**38.70**

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

(All amounts in Rupees lakhs, unless otherwise stated)

Controp Paras Technologies Private Limited

Particulars	As at March 31, 2024	As at March 31, 2023
Current Assets	0.65	-
Current Liabilities	4.00	-
Net Current Assets/(Liabilities)	**(3.35)**	-
Non-Current Assets	-	-
Non-Current Liabilities	-	-
Net Non-Current Assets /(Liabilities)	-	-

Particulars	As at March 31, 2024	As at March 31, 2023
Revenue	-	-
Profit/(Loss) for the Year	(4.35)	-
Other Comprehensive Income	-	-
Total Comprehensive Income	**(4.35)**	-

Reconciliation of the above summarised financial information to the carrying amount of interest in Controp Paras Technologies Private Limited recognised in the Consolidated Financial Statements

Particulars	As at March 31, 2024	As at March 31, 2023
Net Assets of the Associate	(3.35)	-
Proportion of the Group's ownership interest in Controp Paras Technologies Private Limited	30.00%	-
Carrying amount of the Group's interest in Controp Paras Technologies Private Limited	-	-

Particulars	As at March 31, 2024	As at March 31, 2023
Reconciliation to carrying amounts		
Opening net assets	-	-
Loss for the year	(1.31)	-
Other comprehensive income	-	-
Investment	0.30	-
Closing net assets	-	-

Note: 44 PROVISION

Disclosures as required by Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets":-

Movement in provisions:-

Nature of provision	Provision for Expected Credit loss on Trade Receivables	Provision for Credit Impaired	Provision for Doubtful advances	Total
As at April 01, 2022	**762.77**	**48.17**	-	**810.94**
Provision during the Year	164.47	-	-	164.47
Provision Reversed during the Year	-	(10.35)	-	(10.35)
As at March 31, 2023	**927.24**	**37.82**	-	**965.06**
Provision during the Year	522.61	53.95	13.20	589.76
As at March 31, 2024	**1,449.85**	**91.77**	**13.20**	**1,554.82**

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PARAS DEFENCE AND SPACE TECHNOLOGIES

Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements March 31, 2024
(All amounts in Rupees lakhs, unless otherwise stated)

Note : 45 Disclosures Mandated by Schedule III by way of Additional Information - March 31, 2024

Name of the entity	As at March 31, 2024		For the Year ended March 31, 2024					
	Net assets (Total Assets minus Total Liabilities)		Share in Profit or Loss		Other Comprehensive Income		Total Comprehensive Income	
	As % of net consolidated net assets	Amount	As % of net consolidated profit or loss	Amount	As % of net consolidated profit or loss	Amount	As % of net consolidated profit or loss	Amount
Parent								
Paras Defence and Space Technologies Ltd.	100.46%	44,664.84	106.78%	3,423.50	106.11%	(36.27)	106.79%	3,387.23
Indian subsidiaries								
Paras Aerospace Private Limited	-0.25%	(113.22)	-6.72%	(215.31)	-	-	-6.79%	(215.31)
Paras Green UAV Private Limited (Formerly Known as Paras Green Optics Private Limited)	0.00%	(1.78)	-0.13%	(4.14)	-	-	-0.13%	(4.14)
Paras Anti- Drone Technologies Private Limited	0.10%	44.55	-2.30%	(73.60)	-	-	-2.32%	(73.60)
Ayatti Innovative Private Limited	-0.57%	(255.37)	-5.84%	(187.26)	-	-	-5.90%	(187.26)
Quantico Technologies Private Limited	0.02%	8.70	-0.04%	(1.30)	-	-	-0.04%	(1.30)
Mechtech Thermal Private Limited	-0.01%	(4.54)	-0.45%	(14.54)	-	-	-0.46%	(14.54)
Indian Associate								
Krasny Paras Defence Technologies Private Limited	-	-	-0.14%	(4.38)	-	-	-0.14%	(4.38)
Controp Paras Technologies Private Limited	-	-	-0.04%	(1.31)	-	-	-0.04%	(1.31)
Overseas subsidiary								
OPEL Technologies PTE Ltd	0.43%	190.84	2.51%	80.51	-	-	2.54%	80.51
Non Controlling Interest	0.30%	133.83	6.31%	202.22	-	-	6.38%	202.22
Adjustments arising out of Consolidation	-0.46%	(206.44)	0.05%	1.62	-6.11%	2.09	0.12%	3.71
	100.00%	**44,461.41**	**100.00%**	**3,206.01**	**100.00%**	**(34.18)**	**100.00%**	**3,171.83**

NOTE: 46 Business Combination

Acquisition during the Previous year ended March 31, 2023

Summary of acquisition

In connection with acquisition of stake in Ayatti Innovative Private Limited incorporated in India. (The entity is engaged in manufacturing, processing of iron, Mild Steel, Stainless Steel Fabrication, handling and assembly work procuring and in the manufacturing of steel parts of train coaches and benches). The said Company have become subsidiary of the Company.

Purchase Consideration

During the previous year, Paras Defence and Space Technologies Limited has acquired 52.97 % stake in Ayatti Innovative Private Limited for a consideration of Rs. 570.00 Lakhs by acquiring 12,39,128 shares for an Issue Price of Rs. 46 per share (Face Value Rs. 10 each) from the selling shareholders. Hence, Ayatti Innovative Private Limited being a Subsidiary of the Company with effect from October 06, 2022. The Holding Company further acquired shares of Ayatti Innovative Private Limited resulting into a total investment of Rs. 699.20 Lakhs i. e 15,20,000 shares at an Issue Price of Rs. 46 each by virtue of which Holding Company stake increased to 58.02 %.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Ayatti Innovative Private Limited as at the date of acquisition were:

Particulars	Fair Value recognised on acquisition
Assets	
Property, plant and equipment	373.07
Other Non Current Financial Assets	3.90
Non Current tax assets	0.64
Other Non Current Assets	30.18
Trade receivable	84.79
Cash and cash equivalents	26.17
Other Bank Balances	0.52
Other current assets	164.63
Deferred tax assets	0.53
	684.43
Liabilities	
Borrowings	714.26
Trade payable	56.11
Current financial liabilities	17.72
Other current liabilities	37.17
	825.26
Net identifiable assets at fair value	**(140.83)**

Calculation of Goodwill

Particulars	Amount in Lakhs
Consideration transferred	570.00
Less:- Net Identifiable assets acquired	(74.60)
Goodwill	**644.60**

The Holding Company has identified and recognised Goodwill of Rs. 644.60 Lakhs which has been shown under the head of Non Current Assets in compliance with the respective provisions of Ind AS 103 "Business Combination".

Non-controlling Interest:-

For non-controlling interest in Ayatti, the Group elected to recognise the non-controlling interest at its proportionate share of the acquired net identifiable assets.

Purchase Consideration - Outflow of cash to acquire subsidiaries, net of cash acquired

Particulars	Amount in Lakhs
Consideration transferred	570.00
Less:- Balances Acquired (Included in cash flow from investing activities)	
Cash and Cash Equivalents	26.17
Other Bank Balances	0.52
Net inflow of Cash - Investing Activities	**543.31**

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements March 31, 2024
(All amounts in Rupees lakhs, unless otherwise stated)

Note : 47 Other Statutory Information

i) There are no balances outstanding on account of any transaction with companies strike off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.

ii) The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.

iii) The Group does not have any such transaction which is not recorded in the books of account surrendered or disclosed as income during the year in the tax assessments under the Income-tax act, 1961.

iv) No proceeding has been initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

v) The Group is not declared wilful defaulter by any bank or financial institution or other lender

vi) The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise)that the Intermediary shall: (a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

vii) The Group has not received any fund from any person(s) or entity(s), including entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or (b) Provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

viii) There is no charge or satisfaction which is yet to be registered with Registrar of Companies beyond the statutory period.

Note: 48 Previous Year's figures have been regrouped / rearranged wherever necessary, to make them comparable with those of current year.

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

R. P Shah

RUPESH SHAH
Partner
Membership No. 117964

Date: May 25, 2024

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

HARSH BHANSALI
Chief Financial Officer

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

SHARAD SHAH
Chairman and Director
DIN: 00622001

JAIVALYA RAGHAVAN
Company Secretary
Membership No: F11942

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of **PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associate, which comprise the Consolidated Balance sheet as at March 31, 2023, and the Statement of Consolidated Profit and Loss (including Other Comprehensive Income), the Statement of Consolidated Changes in Equity and the Statement of Consolidated Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of other auditor on separate financial statements and on the other financial information of a subsidiaries and associate, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the Consolidated State of Affairs of the Group and of its associate as at March 31, 2023 and their Consolidated Profit including Other Comprehensive Income, the Consolidated Statement of Changes in Equity and their Consolidated Cash Flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associate in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and other auditors in terms of their reports referred to in "Other Matter" paragraph below is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements.

CHATURVEDI & SHAH LLP CHARTERED ACCOUNTANTS MUMBAI

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report. We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the Consolidated Financial Statements section of our report, including in relation to that matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying Consolidated Financial Statements.

Key Audit Matter	How our audit addressed the key audit matter
1) Revenue:	
During the year, the Holding Company's revenue from operation has been increased by 19.04%. Revenue is recognized when control of the underlying products have been transferred along with satisfaction of performance obligation. The terms of sales arrangements, including the timing of transfer of control and delivery specifications, create complexity and judgment in determining sales revenues. Significant Risk exists that revenue is recognized without substantial transfer of control and is not in accordance with IND AS115 'Revenue from contracts with customers', resulting into recognition of revenue in incorrect period.	We assessed the Holding Company's processes and controls for recognizing revenue as part of our audit. Our audit procedures included the following: • Assessing the systems related to invoicing and measurement as well as other relevant systems supporting the accounting of revenue. • Performed sample tests of individual sales transaction and traced to sales invoices, sales orders shipping documents and other related documents. In respect of the samples selected, tested that the revenue has been recognized as per the sales orders; • Verifying the completeness of disclosure in the financial statements as per Ind AS 115.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

2) Inventories	
As of March 31, 2023, inventories appear in the Holding Company's Financial Statements for an amount of Rs. 9,149.35 Lakhs constitutes 18.18% of the total assets of the Holding Company. Inventories are valued at the lower of cost and net realizable value The Holding Company may recognize an inventory allowance if inventory items are damaged, if the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased. We considered this matter as key audit matter due to the: • Significance of the inventories balance. • Complexities involve in determining quality of inventories and quantities on hand due to the number, weight, diversity of inventory, storage, Valuation procedure including of obsolete inventories. Refer note no. 1.3 (H) and 9 to the Financial Statements.	Our audit procedure included, among others: • Reviewing the Holding Company's process and procedure for physical verification of the Inventories, identification of non-moving and obsolete items and accounting for the same. • Obtaining the physical inventory count reports of the Management of Holding company as per verification plan and discussing with the Management about the Control checks performed by them • Assessing the methods used to value inventories and ensuring the consistency of accounting methods. • Testing, by sampling, the effectiveness of the controls set up by Management to prevent or detect possible errors in valuation of inventories. • Analyzing the Holding company's assessment of net realizable value and calculations for stock obsolescence. • Verifying the completeness of disclosure in the Financial Statements as per Ind AS 2. • Obtaining representation letter from the management as per SA 580 (revised) – Written representations.

CHATURVEDI & SHAH LLP
CHARTERED ACCOUNTANTS
MUMBAI

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the management discussion & analysis and director's report included in the annual report but does not include the Consolidated Financial Statements and our auditor's report thereon. The above information is expected to be made available to us after the date of this auditor's report.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiary companies and associate not audited by us, is traced from their respective financial statements audited by the other auditors.

When we read the above other information, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and the consolidated statement of changes in equity of the Group and its associate in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Act read with relevant rules issued thereunder.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and its associate and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Continuation sheet...

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate and to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate is responsible for overseeing the financial reporting process of the Group and of its associate.

Auditors' Responsibility for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements

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or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and of its associate to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Consolidated Financial Statements of such entities included in the Consolidated Financial Statements of which we are the independent auditors. For the other entity included in the consolidated financial statements, which have been audited by other auditors, such other auditors remains responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

We did not audit the financial statements of two subsidiary companies, whose financial statements reflect total assets of Rs. 1,885.62 Lakhs as at March 31, 2023, total revenues of Rs. 2,790.89 Lakhs and net cash inflows amounting to Rs. 33.58 Lakhs for the year ended on that date and the financial statements of an associate company which reflect Group's share of net (loss) after tax of Rs. (13.13) Lakhs and total comprehensive

CHATURVEDI & SHAH LLP * MUMBAI * CHARTERED ACCOUNTANTS * income of Rs. (13.13) Lakhs for year ended March 31, 2023 as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these aforesaid subsidiaries and an associate, and our report in terms of sub- section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and an associate is based solely on the reports of the other auditors.

Our opinion on the Consolidated Financial Statements as above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, based on our audit, we give in the "Annexure A" a statement on the matters specified in paragraph 3(xxi) of the Order.

2. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements, referred in the Other Matters paragraph above we report, to the extent applicable, that, we report, that:

a. We / the other auditors, whose reports we have relied upon, have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements.

b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books.

c. The Consolidated Balance Sheet, the Statement of Consolidated Profit and Loss (Including other comprehensive income), the Statement of Consolidated Changes in Equity and the Statement of Consolidated Cash Flows dealt with by this Report are in agreement with the books of account.

d. In our opinion, the aforesaid Consolidated Financial Statements comply with the Ind AS prescribed under Section 133 of the Act.

e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2023 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiaries and associate incorporated in India, none of the directors of the Group companies including its associate, incorporated in India, is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.

CHATURVEDI & SHAH LLP * MUMBAI * CHARTERED ACCOUNTANTS

f. With respect to the adequacy of the internal financial controls with reference to Consolidated Financial Statements and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B"**, which is based on our reports of the Holding Company and subsidiaries Companies incorporated in India, to whom internal financial controls with reference to financial statements is applicable.

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

   In our opinion and to the best of our information and according to the explanations given to us, the managerial remuneration for the year ended March 31, 2023 has been paid or provided by the Holding Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act.

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Consolidated Financial Statements disclose the impact of pending litigations on the Consolidated financial position of the Group and its associate as referred to in Note No. 36 to the Consolidated Financial Statements;

   ii. The Group and its associate did not have any material foreseeable losses on long-term contracts including derivative contracts for which there were any material foreseeable losses.

   iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries and associate company incorporated in India.

   iv. (a) The respective Managements of the Company and its subsidiaries and its associate, which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to other auditor of such subsidiary and associate company, that to the best of their knowledge and belief, as disclosed in the notes to the Consolidated Financial Statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or any of such subsidiaries and associate to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or any of such subsidiaries or associate ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

CHATURVEDI & SHAH LLP * MUMBAI * CHARTERED ACCOUNTANTS

(b) The respective Managements of the Company and its subsidiaries and its associate, which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to other auditor of such subsidiary and associate company, that to the best of their knowledge and belief, as disclosed in the notes to the Consolidated Financial Statements, no funds have been received by the Company or any of such subsidiaries or associate from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company or any of such subsidiaries shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on our audit procedure conducted that are considered reasonable and appropriate in the circumstances, nothing has come to our attention that cause us to believe that the representation given by the management under paragraph (h) (iv) (a) & (b) above, contain any material misstatement.

v. The Group and its associate has not declared or paid any dividend during the year.

vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable with effect from April 1, 2023 to the Company and its subsidiaries and its associate, which are companies incorporated in India, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For **CHATURVEDI & SHAH LLP**
Chartered Accountants
Firm Reg. No. 101720W / W100355

Anuj Bhatia
Partner
Membership No. 122179
UDIN No.: 23122179BGQWTV2183

Mumbai
Date: May 16, 2023

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

"ANNEXURE A" TO THE INDEPENDENT AUDITORS' REPORT"

(Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' section of our report of even date to the members of PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED on the Consolidated Financial Statements for the year ended March 31, 2023)

According to the information and explanations given to us and based on the CARO Reports issued by us and the auditors of respective Companies, to which reporting under CARO is applicable, we report that there are no qualifications or adverse remarks given by the respective auditors in their CARO reports of the said companies included in the Consolidated Financial Statements except mentioned below.

S. No	Name of the entities	CIN	Holding/ Subsidiary/ Joint Venture Company	Clause number of the CARO report which is unfavorable or qualified or adverse
1	Ayatti Innovative Private Limited	U28139PN2018PTC178147	Subsidiary Company	Clause vii(a) and xvii

For **CHATURVEDI & SHAH LLP**
Chartered Accountants
Firm Reg. No. 101720W / W100355

Anuj Bhatia
Partner
Membership No. 122179
UDIN No.: 23122179BGQWTV2183

Mumbai
Date: May 16, 2023

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date on Consolidated Financial Statements of PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED for the year ended March 31, 2023)

Report on the Internal Financial Controls With reference to Consolidated Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Consolidated Financial Statements of **PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries, which are companies incorporated in India, as of March 31, 2023 in conjunction with our audit of the Consolidated Financial Statements of the Holding Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls with reference to Consolidated Financial Statements based on the internal control criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to Consolidated Financial Statements of the Holding Company and its subsidiaries, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards of Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these Consolidated Financial Statements was established and maintained and if such controls operated effectively in all material respects.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to these Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to these Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on internal financial controls with reference to these Consolidated Financial Statements.

Meaning of Internal Financial Controls with reference to these Consolidated Financial Statements

A company's internal financial control with reference to these Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to these Consolidated Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

Inherent Limitations of Internal Financial Controls with reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to these Consolidated Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Consolidated Financial Statements to future periods are subject to the risk that the internal financial control with reference to Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CHATURVEDI & SHAH LLP
MUMBAI
CHARTERED ACCOUNTANTS

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Holding Company and its subsidiaries, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls system with reference to these Consolidated Financial Statements and such internal financial controls with reference to these Consolidated Financial Statements were operating effectively as at March 31, 2023, based on the internal control with reference to Consolidated Financial Statements criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **CHATURVEDI & SHAH LLP**
Chartered Accountants
Firm Reg. No. 101720W / W100355

Anuj Bhatia
Partner
Membership No. 122179
UDIN No.: 23122179BGQWTV2183

Mumbai
Date: May 16, 2023

CHATURVEDI & SHAH LLP * MUMBAI * CHARTERED ACCOUNTANTS

Paras Defence And Space Technologies Limited
Consolidated Balance Sheet as at March 31, 2023
(All amounts in Rupees Lakhs, unless otherwise stated)

	PARTICULARS	Note No.	As at March 31, 2023		As at March 31, 2022	
I.	**ASSETS**					
1)	**Non Current Assets**					
(a)	Property, Plant and Equipment	2	14,523.53		13,486.18	
(b)	Capital Work in Progress	2	451.89		49.88	
(c)	Investment property	3	1,697.22		1,783.20	
(d)	Intangible Assets	4	88.18		96.81	
(e)	Goodwill	47	644.60		-	
(f)	Financial Assets					
	i) Investments	5	1,150.59		351.91	
	ii) Loans	6	1.59		-	
	iii) Other Financial Assets	7	1,215.54		83.88	
(g)	Non Current Tax Assets		0.27		2.95	
(h)	Deferred Tax Assets (Net)	20	3.83		-	
(i)	Other Non Current Assets	8	724.70	20,501.94	171.67	16,026.48
2)	**Current Assets**					
(a)	Inventories	9	9,339.10		6,662.76	
(b)	Financial Assets					
	i) Trade Receivables	10	15,031.09		12,297.74	
	ii) Cash and Cash Equivalents	11	1,710.73		217.97	
	iii) Bank Balances other than (ii) above	12	2,316.83		7,376.10	
	iv) Loans	13	1,144.61		6.63	
	v) Other Financial Assets	14	50.94		239.00	
(c)	Other Current Assets	15	1,958.84		2,790.02	
			31,552.14		**29,590.22**	
(d)	Assets held for Sale	43	-	31,552.14	151.00	29,741.22
	TOTAL ASSETS			52,054.08		45,767.70
II.	**EQUITY AND LIABILITIES**					
	EQUITY					
(a)	Equity Share Capital	16	3,900.00		3,900.00	
(b)	Other Equity	17	37,424.97		33,915.54	
	Equity attributable to Owners			41,324.97		37,815.54
	Non Controlling Interest			20.41		37.42
	Total Equity			41,345.38		37,852.96
	LIABILITIES					
1)	**Non Current Liabilities**					
(a)	Financial Liabilities					
	(i) Borrowings	18	94.58		-	
	(ii) Other Financial Liabilities	19	-		10.05	
(b)	Deferred Tax Liabilities (Net)	20	2,118.75		2,112.31	
(c)	Provisions	21	200.41		133.34	
(d)	Other non current Liabilities	22	-	2,413.74	12.33	2,268.03
2)	**Current Liabilities**					
(a)	Financial Liabilities					
	i) Borrowings	23	1,367.53		3,107.95	
	ii) Trade Payables	24				
	(A) Total Outstanding dues of Micro enterprises and small enterprises		292.71		128.96	
	(B) Total Outstanding dues of creditors other than Micro enterprises and small enterprises		2,319.16		1,398.24	
	iii) Other Financial Liabilities	25	483.22		357.93	
(b)	Other Current Liabilities	26	3,019.59		60.96	
(c)	Provisions	27	25.00		20.65	
(d)	Current Tax Liabilities (Net)		787.75	8,294.96	572.02	5,646.71
	TOTAL EQUITY AND LIABILITIES			52,054.08		45,767.70
	Significant Accounting Policies	1				
	Notes to the Consolidated Financial Statements	2 to 49				

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

ANUJ BHATIA
Partner
Membership No. 122179

Date: May 16, 2023

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

HEMANT KUMAR SAGALIA
Company Secretary
Membership No: FCS7620

Paras Defence And Space Technologies Limited

Statement of Consolidated Profit and Loss for the year ended March 31, 2023

(All amounts in Rupees Lakhs, unless otherwise stated)

	PARTICULARS	Note No.	For the Year ended March 31, 2023	For the Year ended March 31, 2022
1	Revenue From Operations	28	22,242.59	18,256.24
2	Other Income	29	822.43	297.17
3	**Total Income (1+2)**		**23,065.02**	**18,553.41**
4	**Expenses**			
	Cost of Materials Consumed		9,968.10	7,703.80
	Purchase of Stock in Trade		1,715.45	528.11
	Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade	30	(1,147.30)	(56.82)
	Employee Benefits Expense	31	2,187.06	1,481.29
	Finance Costs	32	671.68	783.04
	Depreciation and Amortisation Expense	33	1,127.24	1,042.33
	Other Expenses	34	3,845.16	3,413.93
	Total Expenses		**18,367.39**	**14,895.68**
5	**Profit Before Share of Loss of Associates, Exceptional Items and tax (3-4)**		**4,697.63**	**3,657.73**
6	Share of loss of Associates		13.13	0.42
7	**Profit Before exceptional Items and Tax (5-6)**		**4,684.50**	**3,657.31**
8	Exceptional Items		-	-
9	**Profit Before Tax (7-8)**		**4,684.50**	**3,657.31**
10	**Tax Expenses :**			
	Current Tax		1,185.41	1,009.46
	Deferred Tax	20	(30.21)	(59.88)
	Income Tax for Earlier Years		(64.74)	-
			1,090.46	949.58
11	**Profit for the Year (9-10)**		**3,594.04**	**2,707.73**
12	**Other Comprehensive Income**			
(i)	**Items that will not be reclassified to profit or loss**			
	Remeasurement Losses on Defined Benefit Plans		8.13	1.05
	Tax Effect on above		(2.05)	(0.26)
(ii)	**Items that will be reclassified to Profit or Loss**		-	-
	Exchange differences in translating the financial statement of a foreign operation		(6.08)	(1.12)
	Total Other Comprehensive Income (Net of Tax)		-	**(0.33)**
	Total Comprehensive Income for the Year (11-12)		3,594.04	**2,708.06**
13	**Profit attributable to**			
	Owners of the Company		3,605.86	2,704.31
	Non-Controlling Interest		(11.82)	3.42
14	**Other Comprehensive Income attributable to**			
	Owners of the Company		-	(0.33)
	Non-Controlling Interest		-	-
15	**Total Comprehensive Income Attributable to**			
	Owners of the Company		3,605.86	2,704.64
	Non-Controlling Interest		(11.82)	3.42
16	**Earnings per Equity Share of Rs. 10/- each**	35		
	Basic (Rs.)		9.25	7.78
	Diluted (Rs.)		9.25	7.78
	Significant Accounting Policies	1		
	Notes to the Consolidated Financial Statements	2 to 49		

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

ANUJ BHATIA
Partner
Membership No. 122179

Date: **May 16, 2023**

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

HEMAL KUMAR SAGALIA
Company Secretary
Membership No: FCS7620

Paras Defence And Space Technologies Limited

Statement of Consolidated Changes in Equity for the year ended March 31, 2023

(All amounts in Rupees Lakhs, unless otherwise stated)

A. EQUITY SHARE CAPITAL

Particulars	Balance as at April 01, 2021	Changes during the Year	Balance as at March 31, 2022	Changes during the Year	Balance as at March 31, 2023
Equity Share Capital	2,985.31	914.69	3,900.00	-	3,900.00

B. OTHER EQUITY

Particulars	Attributable to Equity Holders of Parent							
	Reserves and Surplus					Item of Other Comprehensive Income		
	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Revaluation Reserve	Foreign Currency Translation Reserve	Remeasurements of Defined Benefit Plans	Total
Balance as at April 01, 2021	**(808.36)**	**4,315.35**	**11.92**	**9,931.35**	**4,183.09**	**(0.58)**	**45.41**	**17,678.18**
Issue of Equity Shares (Ref Note No. 16.2, 16.3 and 16.4)	-	14,785.47	-	-	-	-	-	14,785.47
Expenses related to Issue of Equity Shares (Net of Taxes)	-	(1,265.65)	-	-	-	-	-	(1,265.65)
Movement In Non Controlling Interest	-	-	-	12.90	-	-	-	12.90
Total Comprehensive Income for the year	-	-	-	2,704.31	-	1.12	(0.79)	2,704.64
Balance as at March 31, 2022	**(808.36)**	**17,835.17**	**11.92**	**12,648.56**	**4,183.09**	**0.54**	**44.62**	**33,915.54**
Balance as at April 01, 2022	(808.36)	17,835.17	11.92	12,648.56	4,183.09	0.54	44.62	33,915.54
Reversal of Deferred Tax (IPO related expenses)	-	(35.39)	-	-	-	-	-	(35.39)
Movement In Non Controlling Interest	-	-	-	(61.04)	-	-	-	(61.04)
Total Comprehensive Income for the year	-	-	-	3,605.86	-	6.08	(6.08)	3,605.86
Balance as at March 31, 2023	**(808.36)**	**17,799.78**	**11.92**	**16,193.38**	**4,183.09**	**6.62**	**38.54**	**37,424.97**

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

ANUJ BHATIA
Partner
Membership No. 122179

Date: May 16, 2023

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

HEMAL KUMAR SAGALIA
Company Secretary
Membership No. FCS7620

PARAS DEFENCE AND SPACE TECHNOLOGIES LTD. *

Paras Defence And Space Technologies Limited
Statement Of Consolidated Cash Flows for the year ended March 31, 2023
(All amounts in Rupees Lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2022
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before Tax as per the Consolidated Statement of Profit and Loss		4,684.50		3,657.31
ADJUSTED FOR :				
Depreciation and Amortisation Expense	1,127.24		1,042.33	
Share of loss of Associate Company	13.13		-	
Interest Income	(292.54)		(133.89)	
Dividend Income	(0.70)		-	
Finance Costs	671.68		783.04	
Loss on sale of Property, Plant and Equipment (Net)	6.31		5.53	
Bad Debts / Advances written off (Net)	91.20		234.16	
Provision for Expected Credit Loss	163.58		147.91	
(Reversal) / Provision for Credit Impaired	(10.35)		48.17	
Gain on Financial Instruments measured at fair value through profit or loss	(442.30)		(47.05)	
Unrealised (Gain) / Loss on Foreign Currency Transactions and Translation (net)**	(3.41)	1,323.84	10.43	2,090.63
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		6,008.34		5,747.94
ADJUSTMENTS FOR :				
Trade and Other Receivables	(1,868.71)		(4,290.90)	
Inventories	(2,676.34)		808.33	
Trade and Other Payables	4,057.58	(487.47)	66.42	(3,416.15)
CASH GENERATED FROM OPERATIONS		5,520.87		2,331.79
Direct Taxes including Interest (Paid)		(948.36)		(1,180.72)
NET CASH GENERATED FROM OPERATING ACTIVITIES		4,572.51		1,151.07
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment, Intangible assets, Capital Work-in-Progress and Intangible Assets under Development		(2,532.63)		(860.46)
Sale of Property, Plant and Equipment & Asset held for Sale		155.15		261.43
Investment in Subsidiary Company		(570.00)		-
Investment in Associate Company		(47.50)		(4.33)
Purchase of Non current Investment		(523.01)		(187.95)
Sale of Non current Investment		201.00		-
Inter- Corporate Deposit given		(1,130.00)		-
Interest Income		384.04		59.76
Dividend Income		0.70		-
Temporary deposits / Balances of Initial Public Offering Proceeds / Utilized		5,025.20		(6,979.04)
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES		962.95		(7,710.59)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceed from issue of Fresh Equity Shares		-		15,700.16 *
Proceed from issue of share to Non Controlling Interest		-		40.00
Redemption of 0.01% Optionally Convertible Preference Shares		-		(1,397.00)
Proceed from Non Current Borrowings		120.00		-
Repayment of Non Current Borrowings		(4.89)		(3,801.07)
Current Borrowings (Net)		(2,475.21)		(2,122.29)
Payment related to Initial Public Offering		(39.53)		(1,219.65) *
Finance Costs		(594.84)		(912.83)
Margin Money (Net)		(1,074.41)		22.44
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES		(4,068.88)		6,309.76
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,466.58		(249.76)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		217.97		468.26
Pursuant to the acquisition of Subsidiary Company (Refer Note No. 47)		26.17		-
Effect of Exchange rate on Cash and Cash Equivalents		0.01		(0.53)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Refer Note No. 11.1)		1,710.73		217.97

*Does not include Rs. 3,017.85 Lakhs received towards offer for sale of 17,24,490 equity shares of Rs. 10/- by the Selling Shareholders and through IPO and proportionate expenses for the same.

** On account of translation of foreign subsidiaries

Changes in Liabilities arising from financing activities on account of Non-Current and Current Borrowings

Particulars	March 31, 2023	March 31, 2022
OPENING BALANCE OF LIABILITIES ARISING FROM FINANCING ACTIVITIES	3,107.95	10,604.87
Add : Pursuant to the acquisition of Subsidiary Company (Refer Note No. 47)	714.26	-
Add : Changes from Cash Flow from Financing Activities (Net)	(2,360.10)	(7,320.37)
Add : Change in Fair Value	-	(176.55)
CLOSING BALANCE OF LIABILITIES ARISING FROM FINANCING ACTIVITIES	1,462.11	3,107.95

(i) The above Statement of Cash Flows has been prepared under the "Indirect Method" as set out in Ind AS - 7 "Statement of Cash Flows".

(ii) Figures in brackets indicate Outflows.

(iii) Previous Year's figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year.

As per our Report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No: 101720W/W100355)

ANUJ BHATIA
Partner
Membership No. 122179

Date: May 16, 2023

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

HEMAL KUMAR SAGALIA
Company Secretary
Membership No.: FCS7620

1.1 Corporate Information

The consolidated financial statements comprise of Paras Defence & Space Technologies Limited ("the Company" or "Holding Company") , its subsidiaries and associate, as detailed in Note No. 44, for the year ended March 31, 2023. The Company is a public limited Company domiciled and incorporated in India under the Indian Companies Act, 1956. The registered office of the Company is situated at D-112, TTC industrial area, Nerul, Navi Mumbai- 400706. The Group is involved in design, development, manufacturing, testing & commissioning of products, systems and solutions for Defence & Space Applications. On October 01, 2021, the equity shares of the Holding Company have been listed on the BSE Limited and National Stock Exchange of India Limited.

The financial statements of the Group for the year ended March 31, 2023 were approved and adopted by board of directors in their meeting held on May 16, 2023.

1.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standards) Rules, as amended from time to time.

The Consolidated financial statements have been prepared and presented on going concern basis and historical cost basis, except for the following assets and liabilities, which have been measured as indicated below:

- Certain Financial assets and liabilities at fair value (refer accounting policy regarding financial instruments).
- Employee's Defined Benefit Plans measured as per actuarial valuation report.

These financial statements are presented in Indian Rupees, which is the group's functional and presentation currency and all values are rounded off to the nearest lakhs with two decimals, except when otherwise indicated.

1.3 Principles of Consolidation

The consolidated financial statements have been prepared on the following principles of consolidation:

i) The financial statements of the Holding Company and its subsidiaries/ entity where control exists are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, incomes, expenses and cash flows, after fully eliminating intra-group balances and intragroup transactions and any unrealized income and expenses arising from intra Group transactions.

ii) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. The difference between the cost of investment in the subsidiaries and the Parent's share of net assets at the time of acquisition of control in the subsidiaries is recognised in the consolidated financial statements as goodwill. However, resultant gain (bargain purchase) is recognized in other comprehensive income on the acquisition date and accumulated to capital reserve in equity.

iii) The intra group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

iv) In case of foreign subsidiary, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve (FCTR).

v) The Consolidated Financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. If an entity of the group uses accounting policies other than those adopted in the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's Financial Statements in preparing the Consolidated Financial Statements to ensure conformity with the Group's accounting policies.

vi) For the acquisitions of additional interests in subsidiaries, where there is no change in the control, the Group recognises a reduction to the non-controlling interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of controlling interests, the difference between the cash received from sale or listing of the subsidiary shares and the increase to non-controlling interest is also recognised in equity. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Consolidated Statement of Profit and Loss. Any investment retained is recognised at fair value. The results of subsidiaries acquired or disposed off during the year are included in the Consolidated Statement of Profit and Loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

vii) Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

viii) Investment in Associates has been accounted under the Equity Method as per Ind AS 28 – Investments in Associates and Joint Ventures. The investment in associates is initially recognised at cost. Subsequently, under the equity method, post-acquisition attributable profit/losses and other comprehensive income are adjusted in the carrying value of investment to the extent of the Group's investment in the associates. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

1.4 Significant Accounting policies

(A) Property, Plant and Equipment :

Property, plant and equipment are carried at its cost, net of recoverable taxes, trade discounts and rebate less accumulated depreciation and impairment losses, if any. Cost includes purchase price, borrowing cost, non refundable taxes or levies and directly attributable cost of bringing the asset to its working condition for its intended use. Expenditure related to plans, designs and drawings of buildings or plant and machinery is capitalized under relevant heads of property, plant and equipment if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. In case of Property, Plant and Equipment, the Group has availed the fair value as deemed cost on the date of Ind AS transition i.e. April 01, 2016.

Property, Plant and Equipment not ready for the intended use on the date of Balance Sheet are disclosed as "Capital Work-in-Progress" and expenses incurred relating to it, net of income earned during the development stage, are disclosed as pre-operative expenses under "Capital Work-in-Progress".

Property, Plant and Equipment are eliminated from financial statements, either on disposal or when retired from active use. Gains / losses arising in the case of retirement/disposal of Property, Plant and Equipment are recognised in the Consolidated Statement of Profit and Loss in the year of occurrence.

Capital work in progress and Capital advances:
Cost of assets not ready for intended use, as on the Balance Sheet date, is shown as capital work in progress. Advances given towards acquisition of property, plant and equipment outstanding at each Balance Sheet date are disclosed as Other Non-Current Assets.

Depreciation:
Depreciation on property, plant and equipment is provided on straight line method for the year for which the assets have been used as under:

(a) Depreciation on assets is provided over the useful life of assets as prescribed under schedule II of Companies Act, 2013

(b) Leasehold land is amortised over the period of lease.

The asset's residual values, useful lives and method of depreciation are reviewed at each financial year end and are adjusted prospectively, if appropriate.

Depreciation on the Property, Plant and Equipment is provided using straight line method over the useful life of the assets as specified in Schedule II to the Companies Act, 2013 except for following assets where the useful life is different as per technical evaluation than those prescribed in Schedule II are mentioned below-

Particulars	Useful Life
Drone Charging Station	2 Years
Drone	3 Years

(B) Intangible Assets and Amortisation:

Intangible Assets are stated at cost, net of accumulated amortization and impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gain or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized as income or expense in the Consolidated Statement of Profit and Loss. In case of Intangible Assets, the Group has availed the fair value as deemed cost on the date of transition i.e. April 01, 2016. The period of amortisation is as under :

Asset	Period of amortisation
Computer Software	6 Years
Technical Know-how	6 Years

(C) Investment Property:
Investment property is held for long term rental income and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs and net of recoverable taxes, trade discounts and rebates. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation on investment properties is provided using straight line method over the estimated useful lives as specified in Schedule II to the Companies Act, 2013. Residual values, useful lives and method of depreciation of investment properties are reviewed at each financial year end and are adjusted prospectively, if appropriate. The effects of any revision are included in the Consolidated Statement of Profit and Loss when the changes arises.

Though the Group measures investment properties using cost based measurement, the fair value of investment property is disclosed in the notes.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in Consolidated Statement of Profit and Loss in the period of de-recognition.

(D) Borrowing Cost:

Borrowing costs specifically relating to the acquisition or construction of qualifying assets that necessarily takes a substantial period of time to get ready for its intended use are capitalized (net of income on temporarily deployment of funds) as part of the cost of such assets. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. For general borrowing used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the respective Companies that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a year does not exceed the amount of borrowing cost incurred during that year. All other borrowing costs are expensed in the year in which they occur.

(E) Impairment of Non-Financial Assets - Property, Plant and Equipment & Intangible Assets:

The Group assesses at each reporting date as to whether there is any indication that any property, plant and equipment and intangible assets or group of assets, called cash generating units (CGU) may be impaired. If any such indication exists the recoverable amount of an asset or CGU is estimated to determine the extent of impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. An impairment loss is recognised in the Consolidated Statement of Profit and Loss to the extent, asset's carrying amount exceeds its recoverable amount. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

(F) Government Grants and Subsidy:

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the respective Companies will comply with the conditions attached to them, and (ii) the grant/subsidy will be received. When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognised by deducting the grant from the value of respective asset to arrive at carrying amount.

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(G) Taxes on Income:

Tax expense represents the sum of current tax (including income tax for earlier years) and deferred tax. Tax is recognised in the Consolidated Statement of Profit and Loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in such cases the tax is also recognised directly in equity or in other comprehensive income. Any subsequent change in direct tax on items initially recognised in equity or other comprehensive income is also recognised in equity or other comprehensive income.

Current tax provision is computed for Income calculated after considering allowances and exemptions under the provisions of the applicable Income Tax Laws. Current tax assets and current tax liabilities are off set, and presented as net.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, carry forward tax losses and allowances to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, carry forward tax losses and allowances can be utilised. Deferred tax assets and liabilities are measured at the applicable tax rates. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which the temporary differences can be utilised.

(H) Inventories:

Inventories are measured at lower of cost and net realisable value (NRV) after providing for obsolescence , if any. NRV is the estimate selling price in the ordinary course of business, less estimated costs of completion and estimate cost necessary to make the sale. Cost of Inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw materials, stores & spares, packing materials are determined on weighted average basis. The Cost of Work in Progress and Finished Goods is determined on absorption costing methods.

(I) Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets -Initial recognition and measurement

All financial assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition of financial assets, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortised cost. Purchase and sale of financial assets are recognized using trade date accounting. However, trade receivables that do not contain a significant financing component are measured at transaction price.

Financial assets - Subsequent measurement

For the purpose of subsequent measurement financial assets are classified in two broad categories:-
a) Financial assets at fair value
b) Financial assets at amortised cost
Where assets are measured at fair value, gains and losses are either recognised entirely in the Consolidated Statement of Profit and Loss (i.e. fair value through profit and loss), or recognised in other comprehensive income (i.e. fair value through other comprehensive income).

A financial asset that meets the following two conditions is measured at amortised cost (net of any write down for impairment) unless the asset is designated at fair value through profit or loss under the fair value option.

a) Business model test: The objective of the Group's business model is to hold the financial asset to collect the contractual cash flow.

b) Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that meets the following two conditions is measured at fair value through other comprehensive income unless the asset is designated at fair value through profit or loss under the fair value option.

a) Business model test: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets.

b) Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

All other financial asset is measured at fair value through profit or loss.

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Financial assets - Derecognition

A financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

a) The rights to receive cash flows from the asset have expired, or

b) The Group has transferred its rights to receive cash flow from the asset.

Impairment of Financial Assets

In accordance with Ind AS 109, the Group uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:

a) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

b) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

For trade receivables Group applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.

For other assets, the Group uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used.

Financial Liabilities - Initial recognition and measurement:

The financial Liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial Liabilities - Subsequent measurement:

Financial Liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial Liabilities - Financial guarantee contracts:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined and the amount recognised less cumulative amortisation.

Financial liability - Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another, from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

(J) **Fair Value:**

The Group measures financial instruments at fair value at each Balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy that categorizes into three levels, described as follows, the inputs to valuation techniques used to measure value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 — inputs that are unobservable for the asset or liability

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period and discloses the same.

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(K) Investment in Associate:

The Group has elected to recognize its investment in associate at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'.

(L) Revenue Recognition and Other Income:

Sales of goods and services:

The Group derives revenues primarily from sale of products comprising of Defence & Space Applications

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services. Generally, control is transferred upon shipment of goods to the customer or when the goods are made available to the customer, provided transfer of title to the customer occurs and the Group has not retained any significant risks of ownership or future obligations with respect to the goods shipped.

Revenue is measured at the amount of consideration which the Group expects to be entitled to in exchange for transferring distinct goods or services to a customer as specified in the contract, excluding amounts collected on behalf of third parties (for example taxes and duties collected on behalf of the government). Consideration is generally due upon satisfaction of performance obligations and a receivable is recognized when it becomes unconditional.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Revenue from rendering of services is recognised over time by measuring the progress towards complete satisfaction of performance obligations at the reporting period.

Contract Balances - Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other Income:

Incentives on exports and other Government incentives related to operations are recognised in the Consolidated Statement of Profit and Loss after due consideration of certainty of utilization/receipt of such incentives.

Interest Income:

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend Income:

Dividend Income is recognised when the right to receive the payment is established.

Rental income:

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included as other income in the statement of profit or loss.

(M) Foreign currency transactions and translation:

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Consolidated Statement of Profit and Loss except to the extent of exchange differences which are regarded as an adjustment to interest costs on foreign currency borrowings that are directly attributable to the acquisition or construction of qualifying assets, are capitalized as cost of assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Consolidated Statement of Profit and Loss, within finance costs. All other finance gains / losses are presented in the Consolidated Statement of Profit and Loss on a net basis.

In case of an asset, expense or income where a monetary advance is paid/received, the date of transaction is the date on which the advance was initially recognized. If there were multiple payments or receipts in advance, multiple dates of transactions are determined for each payment or receipt of advance consideration.

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(N) Employee Benefits:

Short term employee benefits are recognized as an expense in the Consolidated Statement of Profit and Loss of the year in which the related services are rendered. Contribution to Provident Fund, a defined contribution plan, is made in accordance with the statute, and is recognised as an expense in the year in which employees have rendered services.

The cost of providing gratuity, a defined benefit plans, is determined based on Projected Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each Balance Sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Other costs are accounted in Consolidated Statement of Profit and Loss.

Remeasurements of defined benefit plan in respect of post employment and other long term benefits are charged to the other comprehensive income in the year in which they occur. Remeasurements are not reclassified to Consolidated Statement of Profit and Loss in subsequent periods.

(O) Lease:

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an options to extend the lease if the Group is reasonably certain to exercise that options; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that options. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

The Group as a lessee

The Group's lease asset classes primarily consist of leases for land and buildings. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: (i) the contract involves the use of an identified asset (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.
Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Group as a lessor

Leases for which the Group is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right- of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

(P) Research and Development:

Revenue expenditure on Research and Development is charged in the year in which it is incurred. Capital Expenditure for Research and Development is capitalised when commissioned and included in the Plant, Property and Equipment and depreciated in accordance with the policies stated for Property, Plant and Equipment.

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(Q) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using equivalent period government securities interest rate. Unwinding of the discount is recognised in the Consolidated Statement of Profit and Loss as a finance cost. Provisions are reviewed at each Balance Sheet date and are adjusted to reflect the current best estimate.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. Information on contingent liability is disclosed in the Notes to the Financial Statements. Contingent assets are not recognised in financial statement. However, when the realisation of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognised as an asset.

(R) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Group. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Group.

(S) Cash and cash equivalents:

Cash and cash equivalents in the Balance Sheet comprise cash at banks, cash on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(T) Earnings per share:

Basic earnings per share is computed using the net profit or loss for the year attributable to the shareholders' and weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed using the net profit or loss for the year attributable to the shareholders' and weighted average number of equity and potential equity shares outstanding during the year including share options, convertible preference shares and debentures, except where the result would be anti-dilutive. Potential equity shares that are converted during the year are included in the calculation of diluted earnings per share, from the beginning of the year or date of issuance of such potential equity shares, to the date of conversion.

(U) Current / Non-current classification:

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.
The Group has presented non-current assets and current assets before equity, non-current liabilities and current liabilities in accordance with Schedule III, Division II of Companies Act, 2013 notified by Ministry of Corporate Affairs (MCA).

An asset is classified as current when it is:
a) Expected to be realised or intended to be sold or consumed in normal operating cycle,
b) Held primarily for the purpose of trading,
c) Expected to be realised within twelve months after the reporting period, or
d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when it is:
a) Expected to be settled in normal operating cycle,
b) Held primarily for the purpose of trading,
c) Due to be settled within twelve months after the reporting period, or
d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.
The operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Deferred tax assets and liabilities are classified as non-current assets and liabilities. The Group has identified twelve months as its operating cycle.

(V) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable rights to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable rights must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or counterparty.

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(W) Asset Held for Sale:

Non-Current Assets are classified as Held for Sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable from the date of classification, management are committed to the sale and the asset is available for immediate sale in its present condition. Non-Current Assets are classified as Held for Sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less cost to sell. Any resulting impairment loss is recognised in the Consolidated Statement of Profit and Loss as a separate line item. On classification as Held for Sale, the assets are no longer depreciated. Assets and liabilities classified as Held for Sale are presented separately as current items in the Balance Sheet.

(x) Business Combination and Goodwill/Capital Reserve:

The Group uses the pooling of interest method of accounting to account for common control business combination and acquisition method of accounting to account for other business combinations.

The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in Other Comprehensive Income (OCI) and accumulated in other equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in other equity as capital reserve, without routing the same through OCI.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within other equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the Consolidated Statement of Profit and Loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In case of Pooling of interest method of accounting, the assets and liabilities of the combining entities recognises at their carrying amounts. No adjustment is made to reflect the fair value or recognise any new assets and liabilities. The financial information in the consolidated financial statements in respect of prior periods restates as if the business combination had occurred from the beginning of the preceding period. The difference, if any, between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and presented separately from other capital reserves.

Transaction costs that the Group incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

1.5 Key accounting estimates and judgements

The preparation of the Group's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Depreciation/amortisation and useful lives of property, plant and equipment/intangible assets:

Property, plant and equipment/intangible assets are depreciated/amortised over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/ amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation/ amortisation for future periods is revised if there are significant changes from previous estimates.

b) Provisions:

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

c) Defined benefit obligation:

The cost of post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, expected rate of return on assets and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

d) Income Tax:

Respective Companies reviews at each balance sheet date the carrying amount of deferred tax assets. The factors used in estimates may differ from actual outcome which could lead to an adjustment to the amounts reported in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax losses or tax credits can be utilised. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets. This requires assumptions regarding future profitability, which is inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets and consequential impact in the statement of profit and loss.

e) Impairment of financial assets:

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

f) **Recoverability of trade receivables:**
Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

g) **Contingencies:**
Management has estimated the possible outflow of resources at the end of each annual financial year, if any, in respect of contingencies/claim/litigations against the Group as it is not possible to predict the outcome of pending matters with accuracy.

h) **Impairment of Non-Financial Assets:**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's Fair Value or Cash Generating Units (CGU) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

1.6 Standards Issued But Not Effective

On March 31, 2023, the Ministry of Corporate Affairs (MCA) has notified Companies (Indian Accounting Standards) Amendment Rules, 2023. This notification has resulted into amendments in the following existing accounting standards which are applicable to Company from April 1, 2023:

Ind AS 101 – First-time Adoption of Indian Accounting Standards
Ind AS 102 – Share-based Payment
Ind AS 103 – Business Combinations
Ind AS 107 – Financial Instruments Disclosures
Ind AS 109 – Financial Instruments
Ind AS 115 – Revenue from Contracts with Customers
Ind AS 1 – Presentation of Financial Statements
Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
Ind AS 12 – Income Taxes
Ind AS 34 - Interim Financial Reporting

Application of above amended standards are not expected to have any significant impact on the Group Financial Statements.

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Notes to the Consolidated Financial Statements for the year ended March 31, 2023
(All amounts in Rupees Lakhs, unless otherwise stated)

Note: 2 Property, Plant and Equipment

Particulars	Freehold-Land	Leasehold- Land	Buildings	Plant and Machinery	Furniture and Fixtures	Vehicles	Office Equipment	Computer	Right of Use Assets (Building)	Total
Balance as at April 01, 2021	377.82	5,463.32	4,179.89	8,295.44	302.39	403.76	184.12	86.26	13.18	19,306.18
Additions for the Year	-	-	58.47	447.10	126.52	-	87.75	35.22	-	755.06
Disposals / Adjustment	-	-	-	13.56	4.30	-	-	-	13.18	31.04
Reclassification as investment property (Refer Note No. 3)	377.82	-	1,835.34	-	-	-	-	-	-	2,213.16
Balance as at March 31, 2022	-	5,463.32	2,403.02	8,728.98	424.61	403.76	271.87	121.48	-	17,817.04
Addition persuant to acquisition of subsidiary Company (Refer Note No. 47)	-	-	-	366.81	5.87	-	0.39	-	-	373.07
Additions for the Year	-	-	284.43	1,109.21	125.09	-	111.58	26.71	-	1,657.02
Disposals / Adjustment	-	-	-	-	-	10.85	32.31	10.51	-	53.67
Balance as at March 31, 2023	-	5,463.32	2,687.45	10,205.00	555.57	392.91	351.53	137.68	-	19,793.46
Depreciation										
Balance as at April 01, 2021	-	405.85	767.10	2,178.69	97.81	210.34	88.68	43.42	1.10	3,792.99
Depreciation for the Year	-	81.17	156.84	580.79	31.92	44.96	33.58	22.90	6.59	958.75
Disposals / Adjustment	-	-	-	8.20	3.69	-	-	-	7.69	19.58
Reclassification as investment property	-	-	401.30	-	-	-	-	-	-	401.30
Balance as at March 31, 2022	-	487.02	522.64	2,751.28	126.04	255.30	122.26	66.32	-	4,330.86
Depreciation for the Year	-	81.17	100.76	657.68	34.44	40.35	43.30	24.58	-	982.28
Disposals / Adjustment	-	-	-	-	-	6.85	27.49	8.87	-	43.21
Balance as at March 31, 2023	-	568.19	623.40	3,408.96	160.48	288.80	138.07	82.03	-	5,269.93
Net Carrying Value										
Balance as at March 31, 2022	-	4,976.30	1,880.38	5,977.70	298.57	148.46	149.61	55.16	-	13,486.18
Balance as at March 31, 2023	-	4,895.13	2,064.05	6,796.04	395.09	104.11	213.46	55.65	-	14,523.53

2.1 Property, Plant and Equipment include assets pledged / hypothecated as security (Refer note no. 18 and 23).

2.2 Vehicles, having carrying value of Rs. 85.69 lakhs (March 31, 2022 : Rs. 121.84 lakhs), are registered in the name of the Directors or erstwhile Directors of the Company or of entities that has since been amalgamated with the Company in pursuance to the scheme of amalgamation.

2.3 Refer Note No. 36 (B) for contractual commitments for the acquisition of Property, Plant and Equipments.

2.4 Capital Work in Progress includes

Particulars	As at March 31, 2023	As at March 31, 2022
Building under Construction	9.38	2.60
Plant and Machinery	442.51	47.28
Total	**451.89**	**49.88**

2.5 Capital Work in Progress ageing schedule as at March 31, 2023 is as follows:

Particulars	Amount in Capital Work in Progress for the period of				
	Less than 1 year	1-2 years	2-3 Years	More than 3 years	Total
Project in progress	404.61	47.28	-	-	451.89
Project temporarily suspended	-	-	-	-	-
Total	**404.61**	**47.28**	-	-	**451.89**

Capital Work In Progress ageing schedule as at March 31, 2022 is as follows:

Particulars	Amount in Capital Work in Progress for the period of				
	Less than 1 year	1-2 years	2-3 Years	More than 3 years	Total
Project in progress	49.88	-	-	-	49.88
Project temporarily suspended	-	-	-	-	-
Total	**49.88**	-	-	-	**49.88**

2.6 The Group does not have any Capital work in progress, whose completion is overdue or exceeded its cost compared to its original plan.

2.7 Building includes cost of shares in Co-operative society of Rs. 750 (March 31, 2022: Rs. 750).

2.8 In accordance with the Indian Accounting standards -36 on "Impairment of Assets", the management during the year carried out an exercise of identifying the assets that may have been impaired in respect of each cash generating unit in accordance with the said Ind AS. On the basis of the review carried out by the management, there was no impairment loss on Property, Plant, and Equipment during the year ended March 31, 2023.

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Note: 3 Investment property

Particulars	Land	Buildings	Total
Costs:			
As at April 01, 2021	-	-	-
Reclassified from property, plant and equipment	377.82	1,835.34	2,213.16
As at March 31, 2022	**377.82**	**1,835.34**	**2,213.16**
Addition	-	-	-
As at March 31, 2023	**377.82**	**1,835.34**	**2,213.16**
Depreciation			
As at April 01, 2021	-	-	-
Reclassified from property, plant and equipment	-	401.30	401.30
Depreciation	-	28.66	28.66
As at March 31, 2022	-	**429.96**	**429.96**
Depreciation	-	85.98	85.98
As at March 31, 2023	-	**515.94**	**515.94**
Net Carrying Value			
Balance as at March 31, 2022	**377.82**	**1,405.38**	**1,783.20**
Balance as at March 31, 2023	**377.82**	**1,319.40**	**1,697.22**

3.1 The Group's Investment Properties as at March 31, 2023 consist of Land and Building

3.2 Income /(Loss) from Investment Properties generating Rental Income

Particulars	As at March 31, 2023	As at March 31, 2022
Rental Income derived from investment properties	40.00	16.00
Direct Expenses	-	2.38
Income arising from investment properties before depreciation	40.00	13.62
Depreciation	85.98	28.66
Loss from Investment properties (Net)	**(45.98)**	**(15.04)**

3.3 Leasing arrangements

The Holding Company has decided to terminate the above lease agreement in the month of January, 2023 and presently the property is vacant and as the intention of the management to earn rentals, therefore the same property is classified as Investment Property.

Particulars	As at March 31, 2023	As at March 31, 2022
Within one year	-	48.80
Later than one year but not later than five years	-	200.43
Total	-	**249.23**

3.4 The Fair Values of the properties are Rs. 2,730.00 Lakhs (March 31, 2022: Rs. 2,520.00 Lakhs). This valuation is based on the valuations performed by an registered valuer. The main inputs used are the rental growth rates and a study of the micro market in discussion with industry experts or local brokers. The fair value measurement for the investment property has been categorized as a level 3 fair value based on the inputs to the valuation techniques used.

3.5 The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties for repairs, maintenance and enhancement.

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(All amounts in Rupees Lakhs, unless otherwise stated)

Note: 4 Intangible Assets

Particulars	Computer Software*	Process Technology / Technical know-How*	TOTAL
Balance as at April 01, 2021	23.57	309.14	332.71
Additions for the Year	2.03	-	2.03
Balance as at March 31, 2022	25.60	309.14	334.74
Additions for the Year	50.35	-	50.35
Balance as at March 31, 2023	75.95	309.14	385.09
Amortisation			
Balance as at April 01, 2021	7.44	175.57	183.01
Amortisation charge for the Year	3.40	51.52	54.92
Balance as at March 31, 2022	10.84	227.09	237.93
Amortisation charge for the Year	7.46	51.52	58.98
Balance as at March 31, 2023	18.30	278.61	296.91
Net Carrying Amount			
Balance As at March 31, 2022	14.76	82.05	96.81
Balance As at March 31, 2023	57.65	30.53	88.18

* Other than self generated

(All amounts in Rupees Lakhs, unless otherwise stated)

Note: 5 Non Current Investment

Particulars	Number of Shares		Face	As at	As at
	March 31, 2023	March 31, 2022	Value	March 31, 2023	March 31, 2022
(Unquoted, Fully Paid Up)					
A. Investment in Equity Instruments					
i) Associate Company (Carried at Cost)					
Krasny Paras Defence Technologies Pvt Ltd	5,22,500	47,500	10	38.70	4.33
ii) Others (Carried at fair value through Profit & Loss)					
NKGSB Co- Operative Bank Limited	2,70,500	50,000	10	27.01	5.00
Highlander Aviation Limited	87,953	10,357	NIS 0.01	784.88	41.31
Hindustan Agri Drones and Spacex Limited (Rs. 10)	1	-	10	0	-
B. Investment in 0% Optionally Convertible Security					
(Carried at fair value through Profit & Loss)					
Highlander Aviation Limited #	-	-	-	-	301.27
C. Investment in 0.01% Optionally Convertible Preference Shares					
(Carried at fair value through Profit & Loss)					
FFS Industries Private Limited	2,87,838	-	100	300.00	-
Total				**1,150.59**	**351.91**

Converted into Equity Shares

Particulars	As at March 31, 2023	As at March 31, 2022
Aggregate Amount of Unquoted Investments	1,150.59	351.91
Aggregate Amount of Quoted Investments and Market Value	-	-
Investments Carried at fair value through Profit and Loss	1,111.89	347.58
Investment Carried at Cost	38.70	4.33

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Notes to the Consolidated Financial Statements for the year ended March 31, 2023

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 6. Other Non-current Financial Assets- Loans

Particulars	As at March 31, 2023	As at March 31, 2022
Loans to Employees	1.59	-
Total	1.59	-

Note: 7. Other Non-current Financial Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Fixed Deposits with Banks held as Margin Money	1,171.88	62.88
Security Deposits	43.66	21.00
Total	1,215.54	83.88

Note: 8. Other Non-current Assets

Particulars	As at March 31, 2023	As at March 31, 2022
(Unsecured, Considered Good)		
Capital Advances	682.06	167.09
Prepaid Expenses	42.64	4.58
Total	724.70	171.67

Note: 9 Inventories

Particulars	As at March 31, 2023	As at March 31, 2022
Raw Materials	3,313.60	1,478.86
Raw Materials In Transit	48.62	354.95
Work-in-Progress	5,694.87	4,465.17
Finished Goods	12.77	95.17
Stores, Spares and Consumables	269.24	266.88
Stores, Spares and Consumables In Transit	-	1.73
Total	9,339.10	6,662.76

9.1 For basis of valuation Refer Accounting Policy Note No. 1.4 (H)

9.2 For Inventories hypothecated as security (Refer Note No 18 and 23)

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 10 Trade Receivables

Particulars	As at March 31, 2023	As at March 31, 2022
(Unsecured)		
Considered Good	15,780.36	12,973.50
Significant Increase in Credit Risk	177.97	87.01
Credit Impaired	37.82	48.17
	15,996.15	13,108.68
Less: Provision for Expected Credit Loss	927.24	762.77
Less: Provision for credit impaired	37.82	48.17
Total	**15,031.09**	**12,297.74**

10.1 For Hypothecated as security (Refer Note No. 18 and 23)

10.2 Trade Receivables Ageing Schedules as at March 31, 2023 and March 31, 2022 are as below :-

As at March 31, 2023

Particulars	Not due	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 Months to 1 year	1-2 Years	2-3 years	More than 3 years	
Undisputed Trade receivables – considered good	1,606.86	7,126.04	4,853.93	1,652.93	540.60	-	**15,780.36**
Undisputed Trade Receivables –which have significant increase in credit risk	-	-	-	1.25	27.68	149.04	**177.97**
Undisputed Trade Receivables –credit impaired	-	-	-	-	-	37.82	**37.82**
Disputed Trade receivables –considered good	-	-	-	-	-	-	-
Disputed Trade Receivables –which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Sub Total	**1,606.86**	**7,126.04**	**4,853.93**	**1,654.18**	**568.28**	**186.86**	**15,996.15**
Less: Provision for Expected Credit Loss							927.24
Less: Provision for Credit Impaired	-	-	-	-	-	37.82	37.82
Total	**1,606.86**	**7,126.04**	**4,853.93**	**1,654.18**	**568.28**	**149.04**	**15,031.09**

As at March 31, 2022

Particulars	Not due	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 Months to 1 year	1-2 Years	2-3 years	More than 3 years	
Undisputed Trade receivables – considered good	5,281.64	3,682.88	3,130.14	761.51	61.41	55.92	**12,973.50**
Undisputed Trade Receivables –which have significant increase in credit risk	-	-	0.16	4.69	13.08	69.08	**87.01**
Undisputed Trade Receivables –credit impaired	-	-	-	12.53	0.15	35.49	**48.17**
Disputed Trade receivables –considered good	-	-	-	-	-	-	-
Disputed Trade Receivables –which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Sub Total	**5,281.64**	**3,682.88**	**3,130.30**	**778.73**	**74.64**	**160.49**	**13,108.68**
Less: Provision for Expected Credit Loss							762.77
Less: Provision for Credit Impaired	-	-	-	12.53	0.15	35.49	48.17
Total	**5,281.64**	**3,682.88**	**3,130.30**	**766.20**	**74.49**	**125.00**	**12,297.74**

Note: 11 Cash and Cash Equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Cash and Cash Equivalents		
Balances with Banks in Current Accounts/ Cash Credit Account	1,695.27	199.88
Cash in hand	10.46	18.09
Cheque in Hand	5.00	-
Total	**1,710.73**	**217.97**

11.1 For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents comprise the following:

Particulars	As at March 31, 2023	As at March 31, 2022
Balances with Banks in Current Accounts/ Cash Credit Account	1,695.27	199.88
Cash on hand	10.46	18.09
Cheque in Hand	5.00	-
Total	**1,710.73**	**217.97**

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PARAS DEFENCE AND SPACE TECHNOLOGIES LTD.

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 12 Bank Balances Other Than Cash And Cash Equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Balances with Bank in Monitoring Agency & Escrow Account	453.79	378.99
Fixed Deposits with Bank*	1,500.00	6,600.00
Fixed Deposits with Banks Pledged as Margin Money	363.04	397.11
Total	2,316.83	7,376.10

*Temporary deposits of IPO Proceeds

Note: 13 Loans

Particulars	As at March 31, 2023	As at March 31, 2022
(Unsecured, Considered Good)		
Inter Corporate Deposits	1,130.00	-
Loans to Employees	14.61	6.63
Total	1,144.61	6.63

13.1 Above Inter Corporate Deposits were given for Working Capital Requirements

Note: 14. Other Current Financial Assets

Particulars	As at March 31, 2023	As at March 31, 2022
(Unsecured, Considered Good)		
Interest Receivables	15.23	106.73
Security Deposits	33.88	122.54
Other Receivables	1.83	9.73
Total	50.94	239.00

Note: 15 Other Current Assets

Particulars	As at March 31, 2023	As at March 31, 2022
Advances to Suppliers, Considered Good	1,548.07	2,451.14
Balances with Government Authorities	210.30	230.44
Export Incentive Receivables	10.99	26.47
Prepaid Expenses	187.22	65.37
Others *	2.26	16.60
Total	1,958.84	2,790.02

* Others includes Export scripts in hand

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Note: 16 Equity Share Capital

Particulars	As at March 31, 2023	As at March 31, 2022
Authorised		
6,05,00,000 (March 31, 2022 : 5,09,20,000) Equity Shares of Rs.10/- each.	6,050.00	5,092.00
Nil (March 31, 2022: 9,58,000) Preference Shares of Rs. 100/- each.	-	958.00
	6,050.00	**6,050.00**
Issued, Subscribed and Paid up		
3,90,00,061 (March 31, 2022 : 3,90,00,061) Equity Shares of Rs.10/- each fully paid up	3,900.00	3,900.00
Total	**3,900.00**	**3,900.00**

16.1 Reconciliation of Equity Shares outstanding at the beginning and at the end of the year:

Particulars	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	Amount	No. of Shares	Amount
Shares outstanding at the beginning of the year	3,90,00,061	3,900.00	2,98,53,177	2,985.31
Add: Issue of Equity Shares (Refer Note No. 16.2 & 16.3 & 16.4)	-	-	91,46,884	914.69
Shares outstanding at the end of the year	**3,90,00,061**	**3,900.00**	**3,90,00,061**	**3,900.00**

16.2 During the previous year, the Holding Company allotted 4,00,000 equity shares, Face Value of Rs.10 each at a premium of Rs.115/- per share on preferential basis. The expenses of Rs. 0.12 lakhs has been adjusted against Securities Premium.

16.3 During the previous year, the Holding Company allotted 7,12,598 equity shares of face value of Rs. 10 each at a premium of Rs. 150/- per share on preferential basis. The expenses of Rs. 1.35 lakhs has been adjusted against Securities Premium.

16.4 During the previous year, The Holding Company has completed its Initial Public Offering (IPO) of 97,58,776 equity shares of face value of Rs.10 each for cash at an issue price of Rs. 175 per equity share aggregating to Rs. 17,077.85 Lakhs, consisting of Fresh Issue of 80,34,286 equity shares amounting to Rs. 14,060.00 Lakhs and an offer for sale of 17,24,490 equity shares amounting to Rs. 3,017.85 Lakhs by the Selling Shareholders. The Holding Company has incurred Rs. 1,778.23 Lakhs as IPO related expenses which are proportionately allocated between the Holding Company and Selling Shareholders as per respective offer size. The Holding Company's share of these expenses amounting to Rs. 1,264.18 Lakhs (net of deferred tax) has been adjusted against Securities Premium. On October 1, 2021, the equity shares of the Holding Company have been listed on the BSE Limited and National Stock Exchange of India Limited.

As at March 31, 2023, an untilised IPO proceeds amounting to Rs. 1,500.00 Lakhs (March 31, 2022 : Rs. 6,600.00 lakhs) is temporarily invested in term deposits with scheduled commercial bank and Rs. 398.50 Lakhs (March 31, 2022: Rs. 325.03 lakhs) are lying with monitoring agency account.

The above un-utilized amount of which was due to be spent for the purchase of machinery and equipment during the fiscal year 2023, in respect of which the Holding Company Board of Directors at their meeting held on March 29, 2023 proposed to spend by fiscal year 2024 for purchase of machinery and equipment and construction of building / civil work; which has since been approved by the shareholders of the Holding Company through the e-voting postal ballot dated May 03, 2023 .

16.5 Details of Shareholders, holding more than 5% shares of the Company:

Name of Shareholders	As at March 31, 2023		As at March 31, 2022	
	No of Shares held	Percentage held	No of Shares held	Percentage held
Mr. Sharad Virji Shah	72,74,840	18.65%	72,74,840	18.65%
Mr. Munjal Sharad Shah	98,58,137	25.28%	98,58,137	25.28%

16.6 Details of shares held by promoters and promotor group in the Company.

Name of Shareholders	As at March 31, 2023		As at March 31, 2022		% Changes From
	No of Shares held	Percentage held	No of Shares held	Percentage held	March 31, 2022 to March 31, 2023
Mr. Sharad Virji Shah	72,74,840	18.65%	72,74,840	18.65%	0.00%
Mr. Munjal Sharad Shah	98,58,137	25.28%	98,58,137	25.28%	0.00%
Mrs. Ami Munjal Shah	10,13,008	2.60%	10,13,008	2.60%	0.00%
Mr. Anish Hemant Mehta	14,20,630	3.64%	14,20,630	3.64%	0.00%
Mrs. Kaajal Harsh Bhansali	14,20,630	3.64%	14,20,630	3.64%	0.00%
Ms. Anushka Munjal Shah	10,00,000	2.56%	10,00,000	2.56%	0.00%
Ms. Jiwanshi Munjal Shah	10,00,000	2.56%	10,00,000	2.56%	0.00%
Mrs. Niranjana Sharad Shah	5	0.00%	5	0.00%	0.00%

16.7 Rights of Equity Shareholders

The Holding Company has only one class of equity shares having a face value of Rs. 10/- per share. Each shareholder is eligible for one vote per share held. In the event of liquidation of the Holding Company, the equity shareholders will be entitled to receive any of remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholder.

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Note: 17 Other Equity

Particulars	As at March 31, 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2022
Capital Reserve				
Balance as per last Balance Sheet		(808.36)		(808.36)
Securities Premium				
Balance as per last Balance Sheet	17,835.17		4,315.35	
Add: On Issue of Equity shares (Refer Note No. 16.2 & 16.3 and 16.4)	-		14,785.47	
Less: Expenses incurred for issue of Equity Shares (net of Taxes)*	-		(1,265.65)	
Less:Reversal of deferred Tax (IPO related Expenses)	(35.39)		-	
		17,799.78		17,835.17
Revaluation Reserve				
Balance as per last Balance Sheet		4,183.09		4,183.09
General Reserve				
Balance as per last Balance Sheet		11.92		11.92
Retained Earnings				
Balance as per last Balance Sheet	12,648.56		9,931.35	
Add: Share In Non Controlling Interest	(61.04)		12.90	
Add: Profit after tax for the Year	3,605.86		2,704.31	
		16,193.38		12,648.56
Other Comprehensive Income (OCI)				
Balance as per last Balance Sheet	45.16		44.83	
Add: Movement in OCI (Net) during the Year	-		0.33	
		45.16		45.16
Total		37,424.97		33,915.54

* Include Rs Nil (March 31, 2022: Rs 35.00 Lakhs) paid to auditor

Note No. 17.1 Nature And Purpose Of Reserves

Capital Reserves

The Capital Reserve was created pursuant to the scheme of amalgamation of Mechvac India Limited and Concept Shapers & Electronics Private Limited. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

Securities Premium

Securities Premium was created when shares were issued at premium. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

Revaluation Reserve

Revaluation Reserve was created for revaluation of Land and Building. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

General Reserve

The General Reserve shall be utilised in accordance with the provisions of the Companies Act, 2013.

Retained Earnings

Retained Earnings represent the accumulated Profits / (losses) made by the group over the years.

Other Comprehensive Income

Other Comprehensive Income (OCI) represents the amount recognised in other equity consequent to remeasurement of Defined Benefit Plan and Foreign Currency Translation Reserve.

Note: 18 Non Current Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Term Loan		
- From a Bank	94.58	-
Total	94.58	-

18.1 The above term loan of Rs.115.11 Lakhs (including Current maturities of long term debts in Note No. 23) is secured by Hypothecation Charge on Property, Plant and Equipment of the Subsidiary Company and further secured by collateral security of Fixed Deposit and is guaranteed by Directors in their personal capacity. The loan is repayable in 57 equal monthly installments ending in December 31, 2027. The term loan carries interest rate @ 8.25% p.a.

- Maturity profile of Term Loans is as under:

Financial Year	Amount
2023-2024	20.53
2024-2025	22.36
2025-2026	24.34
2026-2027	26.49
2027-2028	21.39

Note: 19 Other Non-Current Financial Liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Security Deposit	-	10.05
Total	-	10.05

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(All amounts in Rupees lakhs, unless otherwise stated)

Note: 20 Income Tax

20.1 Current Tax

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Current Tax	1,185.41	1,009.46
Income Tax for Earlier Years	(64.74)	-
Total	1,120.67	1,009.46

20.2 The major components of Tax Expense for the year ended March 31, 2023 & March 31, 2022 are as follows:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Recognised in the Consolidated Statement of Profit and Loss		
Current Tax (Refer Note No. 20.1)	1,120.67	1,009.46
Deferred Tax:-Relating to origination and reversal of temporary differences	(30.21)	(59.88)
Total	1,090.46	949.58

20.3 Reconciliation between Tax Expense and Accounting Profit multiplied by tax rate for the year ended March 31, 2023 & March 31, 2022:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Accounting Profit Before Tax	4,684.50	3,657.31
Applicable tax rate (in %)	**25.17%**	**25.17%**
Computed Tax Expenses	1,178.99	920.47
Tax effect on account of:		
Property, Plant and Equipment, Intangible Assets and Assets Held for Sale	(33.21)	30.99
Expenses not allowed under Income Tax Act	40.93	40.81
Deduction allowed under Income Tax Act	(36.85)	(38.55)
Brought Forward Loss adjusted in case of Indian Subsidiaries	(3.68)	(1.75)
Others	9.03	(2.39)
Income Tax for Earlier Years	(64.74)	-
Income tax Expenses recognised in the Consolidated Statement of Profit and Loss	**1,090.46**	**949.58**

20.4 Deferred Tax Liabilities relates to the following :

Particulars	Balance Sheet			Statement of Profit and Loss & Other Equity	
	As at March 31, 2023	Pursuant to the acquisition of Subsidiary Company	As at March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022
Property, Plant and Equipment, Intangible Assets, Assets Held for Sale and Investment Property	2,418.05	(0.52)	2,504.74	(86.17)	(14.35)
Financial Instrument-assets	(116.88)	-	(189.61)	72.73	(34.90)
IPO issue expenses	(106.15)	-	(141.54)	35.39	(141.54)
Items disallowed as per Income Tax Act, 1961	(76.27)	-	(61.02)	(15.25)	(10.89)
Deferred Tax Liabilities / (Assets)	**2,118.75**	**(0.52)**	**2,112.57**	**6.70**	**(201.68)**

20.5 Deferred Tax Assets relates to the following :

Particulars	Balance Sheet		Statement of Profit and Loss	
	As at March 31, 2023	As at March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022
Property, Plant and Equipment and Intangible Assets	3.74	0.26	3.48	-
Items disallowed as per Income Tax Act, 1961	0.09	-	0.09	-
Deferred Tax Assets	**3.83**	**0.26**	**3.57**	**-**

20.6 Reconciliation of Deferred Tax Liabilities (Net):

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Balance at the beginning of the year	2,112.31	2,313.99
Pursuant to the acquisition of Subsidiary Company	(0.52)	-
Deferred Tax Expenses/(Income) recognised in the Consolidated Statement of Profit and Loss	(30.21)	(59.88)
Deferred Tax Expenses/(Income) recognised in OCI	(2.05)	(0.26)
Deferred Tax Expenses/(Income) recognised in Securities Premium	35.39	(141.54)
Closing Balance at the end of the year	**2,114.92**	**2,112.31**

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Note: 21 Non-Current Provision

Particulars	As at March 31, 2023	As at March 31, 2022
Provision for Gratuity (Refer Note No. 31.1)	200.41	133.34
Total	200.41	133.34

Note: 22 Other Non Current liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Unamortised Portion of Security deposit	-	12.33
Total	-	12.33

Note: 23 Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Working Capital Rupee Loans from Banks	721.92	3,044.25
Current Maturities of Long Term Debts	20.53	-
Buyers Credit	-	58.20
Unsecured		
Loans From Related Parties (Refer Note No. 37)	15.10	5.50
Other Loan	609.98	-
Total	1,367.53	3,107.95

23.1 The working capital Loans from banks includes:

(i) Rs. NIL (March 31, 2022: Rs. 1473.14 Lakhs) secured by way of hypothecation of stocks & book-debts and further secured by collateral security of Plant & Machinery and Land & Building on plot no. M-6, MIDC, Additional Ambernath Industrial Area, Ambernath-421506, Maharashtra, India of the Holding Company.

(ii) Rs. NIL (March 31, 2022: Rs. 1439.49 Lakhs) taken by Holding company, secured by Pari Passu Charge on all existing and future current assets / movable fixed assets and Collateral Security of 1) Premises no. 103, 1st floor, Veena Industrial Premises Co-op soc. Ltd, Plot no. B-61, Veera Desai Road, Andheri W, Mumbai 400058. 2) Unit no. 115, 1st floor, Veena Industrial Premises Co-op Soc Ltd, Plot no. B 61, Veera Desai Road, Andheri W, Mumbai-400058. 3) Unit no. 209B, 2nd floor, Veena Industrial Premises Co-op Soc Ltd, Plot no. B 61, Veera Desai Road, Andheri W, Mumbai- 400058. 4) Plot no. 108 A, survey no. 261, IDA, Cherlapally, Dist. Ranga reddy, Hyderabad-500062. 5) Plot no. D112, TTC Industrial Area, MIDC, Shiravane, Nerul, Navi Mumbai 400706, 6) Additional Mortgage on Penta house No. 11, 13th & 14th floors, A Wing, Maruti Paradise, Sector No. 15 at CBD Belapur, Navi Mumbai - 400614 owned by Mr Munjal Shah.

(iii) Rs.721.92 Lakhs (March 31, 2022: Rs.189.82 Lakhs) is secured by all existing and future current assets of one of the Subsidiary Company and Property, Plant and Equipment of the Subsidiary Company situated at Navi Mumbai and further secured by lien on Fixed Deposits. working capital facilities carries interest rate @ MCLR+/- 0.65 and PLR-7.5%.

23.2 The working capital facility of subsidiary company referred to above is guaranteed by directors in their personal capacity.

23.3 Unsecured borrowings are interest free and repayable on demand.

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 24 Trade Payables

Particulars	As at March 31, 2023	As at March 31, 2022
Micro, Small and Medium Enterprises	300.90	135.92
Others	2,310.97	1,391.28
Total	**2,611.87**	**1,527.20**

24.1 Disclosures of the Micro, Small And Medium Enterprises Development Act, 2006

Micro, Small and Medium Enterprises (MSME) under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information as available with the Company and the required disclosures are given below :

	Particulars	As at March 31, 2023	As at March 31, 2022
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year	300.90	135.92
(ii)	Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	13.84	4.40
(iii)	The amount of Interest paid, along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv)	The amount of Interest due and payable for the year	-	-
(v)	The amount of interest accrued and remaining unpaid at the end of the accounting year	13.84	4.40
(vi)	The amount of Further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

24.2 Trade Payables Ageing Schedules are as follows:

As at March 31, 2023

Particulars	Not due	Outstanding from due date of payment as at March 31, 2023				
		Less than 1 Year	1 - 2 Years	2 - 3 Years	More than 3 years	Total
MSME	127.26	168.11	4.42	1.11	-	300.90
Others	1,037.88	1,153.93	71.05	42.94	5.17	2,310.97
Disputed - MSME	-	-	-	-	-	-
Disputed - Others	-	-	-	-	-	-
Total	**1,165.14**	**1,322.04**	**75.47**	**44.05**	**5.17**	**2,611.87**

As at March 31, 2022

Particulars	Not due	Outstanding from due date of payment as at March 31, 2022				
		Less than 1 Year	1 - 2 Years	2 - 3 Years	More than 3 years	Total
MSME	72.89	53.22	0.99	8.82	-	135.92
Others	609.30	605.16	59.21	75.89	41.72	1,391.28
Disputed - MSME	-	-	-	-	-	-
Disputed - Others	-	-	-	-	-	-
Total	**682.19**	**658.38**	**60.20**	**84.71**	**41.72**	**1,527.20**

Note: 25 Other Current Financial Liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Interest Accrued and due	13.84	4.36
Interest Accrued but not due	64.27	43.65
Creditors for Capital Goods	113.44	51.88
Security Deposit	1.25	0.50
Other Payables *	290.42	257.54
Total	**483.22**	**357.93**

* Other Payables mainly includes outstanding liability for expenses and payable to employees.

Note: 26 Other Current Liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Advances from Customers	2,955.49	32.36
Statutory Liabilities	64.10	25.16
Others *	-	3.44
Total	**3,019.59**	**60.96**

* Received against Assets classified as Held for Sale and Unamortised portion of Security Deposit.

Note 27 Current Provision

Particulars	As at March 31, 2023	As at March 31, 2022
Provision for Gratuity (Refer Note No. 31.1)	25.00	20.65
Total	**25.00**	**20.65**

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Note: 28 Revenue From Operations

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Sale of Products	21,342.05	17,629.81
Sale of Services / Job Work Income	732.70	622.27
Other Operating revenue	167.84	4.16
Total	22,242.59	18,256.24

28.1 Revenue Disaggregation by type of Products and Services as follows :

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Heavy Engineering	6,882.31	4,185.58
Defence & Space Optics	7,135.72	9,237.22
Defence Electronics	8,224.56	4,833.44
Total	22,242.59	18,256.24

28.2 Revenue disaggregation by geography is as follows:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
India	18,726.94	15,931.96
Outside India	3,515.65	2,324.28
Total	22,242.59	18,256.24

28.3 Reconciliation of Revenue from Operations with Contract Price:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Contract Price	22,248.58	18,246.23
Exchange rate variance linked consideration (Net)	-	10.01
Reduction towards variable considerations components *	5.99	-
Total	22,242.59	18,256.24

*Reduction towards variable considerations comprises components of volume discounts

Note: 29 Other Income

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest Income from Financial assets measured at amortised cost		
Fixed Deposits with Banks	150.86	132.10
Interest on loans	129.50	-
Others	12.18	1.79
Rent Income	51.56	16.50
Export Incentives	32.45	90.60
Dividend Income	0.70	-
Gain on Financial Instruments measured at fair value through profit or loss	442.30	47.05
Miscellaneous Income	2.88	9.13
Total	822.43	297.17

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Note: 30 Changes In Inventories of Finished Goods, Work-In-Progress and Stock-In-Trade

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Closing Inventories		
Finished Goods	12.77	95.17
Work-in-Progress	5,694.87	4,465.17
	5,707.64	**4,560.34**
Opening Inventories		
Finished Goods	95.17	396.82
Work-in-Progress	4,465.17	4,072.33
Stock in Trade	-	34.37
	4,560.34	**4,503.52**
(Increase) in Inventories	(1,147.30)	(56.82)

Note: 31 Employee Benefits Expense

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries, Wages & Allowances	2,053.77	1,347.71
Contribution to Provident and Other Funds	53.66	36.78
Welfare and Other Amenities	79.63	96.80
Total	2,187.06	1,481.29

31.1 **As per Ind AS - 19 "Employee Benefits", the disclosures of Employee Benefits as defined in the Ind AS are given below :**

	Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
(a)	**Contribution to Defined Contribution Plan, recognised as expense for the year are as under**		
	Employer's Contribution to Provident Fund and ESIC	23.01	6.75

(b) **Defined Benefit Plan - Funded**

The employees' Gratuity Fund is managed by the Life Insurance Corporation of India. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Particulars	Gratuity (Funded) As at March 31, 2023	Gratuity (Unfunded) As at March 31, 2022
Actuarial Assumptions		
Mortality Table	Indian Assured Lives Mortality (2012-14) Ult	Indian Assured Lives Mortality (2012-14) Ult
Salary growth	9.00%	9.00%
Discount rate	7.39%	6.84%
Withdrawal Rate	11.00%	11.00%

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Particulars	Gratuity (Funded) As at March 31, 2023	Gratuity (Unfunded) As at March 31, 2022
Movement in present value of Defined Benefit Obligation		
Defined Benefit Obligations at the beginning of the year	153.99	134.13
Current Service Cost	19.37	20.37
Interest Cost	10.53	9.54
Actuarial Loss	8.13	1.05
Benefits Paid	(3.63)	(11.10)
Liability Transferred In/ Acquisitions	62.12	-
Defined Benefit Obligations at the end of the year	**250.51**	**153.99**
Movement in present value of plan assets		
Fair value at the beginning of the year	-	-
Employer Contribution	25.10	-
Fair value at the end of the year	**25.10**	-
Expense recognised in the Statement of Profit and Loss		
Current Service Cost	19.37	20.37
Interest on Defined Benefit Obligations	10.53	9.54
Total included in "Remuneration and Benefits to Employees"	**29.90**	**29.91**
Amount recognised in Other Comprehensive Income		
Components of Actuarial (gain)/loss on obligations		
Due to changes in financial assumptions	(8.68)	1.26
Due to changes in demographic assumptions	-	(8.25)
Due to experience adjustments	16.81	8.04
Total	8.13	1.05

(c) Fair Value of assets

Particulars	Gratuity (Funded) As at March 31, 2023	Gratuity (Unfunded) As at March 31, 2022
Life Insurance Corporation of India	25.10	-

(d) Net Liability recognised in balance sheet

Particulars	Gratuity (Funded) As at March 31, 2023	Gratuity (Unfunded) As at March 31, 2022
Present Value of Obligations at the end of the year	250.51	153.99
Less : Fair Value of Plan Assets at the end of the year	25.10	-
Net Liability recognised in balance sheet	225.41	153.99

(e) The estimate of rate of escalation in Salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other retirement factors including supply and demand in the employment market. The above information is certified by the actuary.

31.2 **Sensitivity Analysis**

Particulars	As at March 31, 2023 Effect on Gratuity Increase / (Decrease)	As at March 31, 2022 Effect on Gratuity Increase / (Decrease)
Discount Rate + 100 basis points	(14.40)	(9.16)
Discount Rate - 100 basis points	16.09	10.37
Salary Escalation Rate + 100 basis points	15.76	11.37
Salary Escalation Rate - 100 basis points	(14.23)	(10.36)
Withdrawal Rate+100 basis points	(2.29)	(1.69)
Withdrawal Rate-100 basis points	2.51	1.86

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the Projected Unit Credit method at the end of reporting period, which is the same as that applied in calculating the defined obligation liability recognized in the balance sheet.

31.3 Expected payments towards contributions to Gratuity in future years :

Year Ended	Expected Payment
March 31, 2023	36.99
March 31, 2024	24.74
March 31, 2025	27.90
March 31, 2026	25.28
March 31, 2027	22.56
March 31, 2028 and above	313.92

31.4 Risk exposures

These plans typically expose the company to actuarial risks as, Salary Risk, Discount Rate, Employee Turnover rate/Withdrawal rate, Mortality / Disability.

Salary Risk

Salary escalation & attrition rate are considered as advised by the Holding Company; they appear to be in line with the industry practice considering promotion and demand & supply of the employees.

Discount rate

In case the yield on the government bonds drops in the future period then it may result in increase in the liability.

Employee Turnover rate/Withdrawal rate

If the actual withdrawal rate in the future turns out to be more or less than expected then it may result in increase in the liability.

Mortality / Disability

Maturity Analysis of Benefit Payments is undiscounted cash flows considering future salary,attrition & death in respective year for members as mentioned above.

Details of Asset-Liability Matching Strategy:-

Gratuity benefits liabilities of the Holding Company are Funded. There are no minimum funding requirements for a Gratuity benefits plan in India and there is no compulsion on the part of the Holding Company to fully or partially pre-fund the liabilities under the Plan. The trustees of the plan have outsourced the investment management of the fund to insurance companies which are regulated by IRDA. Due to the restrictions in the type of investments that can be held by the fund, it may not be possible to explicitly follow an asset-liability matching strategy to manage risk actively in a conventional fund.

The expected payments towards contributions to the defined benefit plan is within one year.

Note: 32 Finance Costs

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest Expenses on Financial Liabilities measured at amortised cost	498.18	651.28
Interest Expenses on Lease Liabilities	-	1.15
Other Borrowing Costs (Refer Note No. 32.1)	173.50	130.61
Total	671.68	783.04

32.1 Above includes, Interest of Rs. 63.89 lakhs (March 31, 2022: Rs. 58.12 Lakhs) on late payment of Advance Tax.

Note: 33 Depreciation And Amortisation Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Depreciation of Property, Plant and Equipment (Refer Note No. 2)	982.28	958.75
Depreciation of Investment Property (Refer Note No. 3)	85.98	28.66
Amortisation of Intangible Assets (Refer Note No. 4)	58.98	54.92
Total	1,127.24	1,042.33

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Note: 34 Other Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
MANUFACTURING EXPENSES		
Consumables, Stores and Spares Consumed	323.04	706.68
Power and Fuel	328.32	286.89
Labour Charges	278.49	501.70
Repairs and Maintenance - Others	159.80	61.21
Job Processing charges	158.32	174.63
Other Manufacturing Expenses	94.26	84.51
	1,342.23	**1,815.62**
SELLING AND DISTRIBUTION EXPENSES		
Advertisement and Business Promotion	162.21	55.34
Packing & Forwarding Expenses	25.33	25.17
Freight Outward	36.10	50.55
Design & Development Charges	15.35	1.59
	238.99	**132.65**
ADMINISTRATIVE EXPENSES		
Insurance	40.22	36.46
Rent	57.94	38.46
Rates and Taxes	549.97	30.00
Printing and Stationery	21.61	18.31
Communication Expenses	8.57	8.12
Travelling and Conveyance	418.84	221.20
Legal and Professional Charges	186.00	115.12
Payment to Auditors (Refer Note No. 34.1)	74.90	67.40
Security Expenses	22.11	24.55
Office Expenses	59.95	66.65
Director Sitting fees	28.00	30.50
Postages and Courier	33.54	36.83
Miscellaneous Expenses	195.64	108.28
	1,697.29	**801.88**
OTHER EXPENSES		
Bank Charges	103.32	58.30
Bad Debts / Advances written off (Net)	91.20	234.16
(Reversal)/ Provision for Credit Impaired	(10.35)	48.17
Provision for Expected Credit Loss	163.58	147.91
Donation	12.81	5.61
Corporate Social Responsibility Expenditure (Refer Note No. 38)	61.25	48.03
Loss on sale/ discard of Assets (Net)	6.31	5.53
Loss on Foreign Currency Fluctuations (Net)	36.47	3.07
Late Delivery charges	102.06	113.00
	566.65	**663.78**
Total	**3,845.16**	**3,413.93**

34.1 Break-up of Payment to Auditors :

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
For Statutory Audit	43.77	39.06
For Quarterly Review Fees	17.50	17.50
For Tax Audit	9.00	9.00
For Certification charges	4.20	1.40
For Reimbursement of Expenses	0.43	0.44
Total	**74.90**	**67.40**

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(All amounts in Rupees lakhs, unless otherwise stated)

Note: 35 Earnings Per Share

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Basic Earnings Per Share		
Profit for the Year	3,605.86	2,707.73
Weighted average number of Equity Shares (Nos.)	3,90,00,061	3,47,95,258
Basic Earnings Per Share of Rs.10/- each	9.25	7.78
Diluted Earnings Per Share		
Amount available for calculation of Diluted EPS	3,605.86	2,707.73
Weighted average number of Equity Shares (Nos.)	3,90,00,061	3,47,95,258
Add : Potential number of Equity Shares	-	-
No. of shares used for calculation of Diluted EPS	3,90,00,061	3,47,95,258
Diluted Earnings Per Share of Rs.10/- each	9.25	7.78

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Note:36 Contingent Liabilities And Commitments

	Particulars	As at March 31, 2023	As at March 31, 2022
A	**Contingent Liabilities (to the extent not provided for) Claims against the Company not acknowledged as debts**		
I	**Disputed Liabilities in Appeal (No Cash outflow is expected in the near future)**		
	INCOME TAX*	86.44	86.44
	GST	15.16	-
	CUSTOMS ACT	16.54	12.00
II	**GUARANTEES**		
	Guarantees given by the Company's Bankers	9,999.25	1,987.03
	(Bank guarantees are provided under contractual / legal obligation)		
III	**LETTER OF CREDIT OUTSTANDING**		
	Letters of Credit opened in favour of Suppliers	154.60	392.70
	(Cash flow is expected on receipt of material from suppliers)		
B	**Capital Commitments :**		
	Estimated amount of contracts to be executed on capital account not provided for	834.83	232.72
	Commitment towards EPCG License	296.12	349.69

*During the FY 2020-21, Holding Company has received the assessment order u/s 143(3) from the Income Tax department, however since there were errors in the said order, the Company has filed the rectification application under section 154 of the Income Tax Act, 1961, accordingly no contingent liability disclosed for the same.

C Management is of the view that the above litigation will not impact significantly the financial position of the group.

Note:37 Related Party Disclosures :

In accordance with the requirements of Ind AS 24, on related party disclosures, name of the related party, related party relationship, transactions and outstanding balances including commitments where control exists and with whom transactions have taken place during reporting year, are as detailed below:

List of Related Parties :

I **Associate**
i Krasny Paras Defence Technologies Private Limited

II **Key Managerial Personnel**
i Mr. Sharad Shah (Non-Executive Director)
ii Mr. Munjal Sharad Shah (Managing Director)
iii Mrs. Shilpa Amit Mahajan (Whole-time Director)
iv Mr. Harsh Bhansali (Chief Financial Officer)
v Mr. Ajit Sharma (till December 17, 2022)
vi Mr. Hemalkumar Hirenbhai Sagalia (w.e.f March 29, 2023)

III **Key Managerial Personnel Relatives**
i Mrs. Ami Munjal Shah
ii Mrs. Niranjana Shah
iii Mrs. Kaajal Bhansali
iv Mr. Anish Mehta
v Mr. Amit Mahajan

IV **Enterprises in which key managerial personnel and their relatives are able to exercise significant influence with whom transactions have taken place during the year :**
i Defspace Technologies Private Limited
ii Drona Studios Private Limited

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A. Transactions with Related Parties :

Nature of Transactions	Name of the Related Parties	2022-23	2021-22
Transactions with Associate:			
Purchase of Investment	Krasny Paras Defence Technologies Private Limited	47.50	4.75
Lease Rent Deposits Received		0.75	-
Income - Lease Rent		2.16	-
Reimbursement of expenses on their behalf		1.20	-
Transactions with other Related Parties:			
Director Sitting Fees	Mr. Sharad Shah	6.00	6.50
Managerial Remuneration	Mr. Munjal Sharad Shah	69.00	60.00
	Mrs. Shilpa Amit Mahajan	24.45	16.04
	Mr. Harsh Bhansali	36.83	24.19
	Mr. Ajit Sharma	10.40	13.50
	Mr. Hemalkumar Hirenbhai Sagalia	0.15	-
Salary to relatives	Mrs. Kaajal Bhansali	33.00	24.85
	Mrs. Ami Munjal Shah	41.00	36.00
	Mr. Amit Mahajan	24.86	16.40
	Mr. Anish Mehta	29.18	21.15
Rent Expense	Mr. Munjal Sharad Shah	6.00	5.10
Lease Rent	Defspace Technologies Private Limited	3.00	0.25
Lease Rent Deposits Received		-	0.50
Interest on Loan Taken		1.30	-
Loans Taken	Mr. Munjal Sharad Shah	82.45	1,466.35
	Mr. Amit Mahajan	10.00	-
	Defspace Technologies Private Limited	100.00	-
Loans Repaid	Mr. Munjal Sharad Shah	72.85	2,371.27
	Mr. Amit Mahajan	10.00	-
	Defspace Technologies Private Limited	100.00	
Sales	Drona Studios Private Limited	-	68.30

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B. Balances with Related Parties:

Name of the Related Parties	As at March 31, 2023	As at March 31, 2022
Balances with Associate Companies:		
Investment		
Krasny Paras Defence Technologies Private Limited	52.25	4.75
Security Deposits (Current Financial Liabilities)		
Krasny Paras Defence Technologies Private Limited	0.75	-
Balance with other Related Parties:		
Current-Borrowings - Loan		
Mr. Munjal Sharad Shah	15.10	5.50
Other Payable (Rent Payable)		
Mr. Munjal Sharad Shah	0.45	0.45
Other Payables (Salary & Director Sitting Fees Payable)		
Mr. Munjal Sharad Shah	-	2.24
Mrs. Ami Munjal Shah	-	2.40
Mrs.Shilpa Mahajan	0.27	1.30
Mr. Harsh Bhansali	-	0.03
Mrs. Kaajal Bhansali	-	0.50
Mr. Amit Mahajan	0.86	1.25
Mr. Anish Mehta	0.07	0.15
Mr. Ajit Sharma	-	1.03
Mr. Sharad Virji Shah	-	0.45
Mr. Hemalkumar Hirenbhai Sagalia	1.03	-
Trade Receivable		
Drona Studios Private Limited	-	54.28
Security Deposits (Current Financial Liabilities)		
Defspace Technologies Private Limited	0.50	0.50
Other Receivable		
Defspace Technologies Private Limited	-	0.30

C. Compensation to Key Management Personnel of the Company

Particulars	2022-23	2021-22
Nature of transaction		
Short-term employee benefits	140.83	113.73
Post-employment benefits	(1.22)	3.76
Total compensation to Key Management Personnel	139.61	117.49

Note :38 Expenditure Related To Corporate Social Responsibility (CSR) As Per Section 135 Of The Companies Act, 2013 Read With Schedule VII.

a. CSR amount required to be spent as per Section 135 of the Companies Act, 2013 read with Schedule VII thereof by the Holding Company during the year is Rs. 53.37 lakhs (March 31, 2022 : Rs. 47.34 lakhs)

b. Expenditure incurred related to Corporate Social Responsibility is Rs. 61.25 Lakhs (March 31, 2022 : Rs 48.03 Lakhs)

c. Amount shortfall Rs Nil (March 31, 2022: Rs Nil)

Details of Expenditure incurred towards CSR given below:

PARTICULARS	For the year ended March 31, 2023	For the year ended March 31, 2022
Environmental Sustainability and Animal Welfare	21.25	46.76
Health Care, Sanitation and providing Drinking Water (Refer Note no 38.1)	40.00	1.27
TOTAL	**61.25**	**48.03**

38.1 During the year, the Holding company has contributed Rs. 61.25 lakhs to charitable trusts, which has provided a certificate stating that entire amount of Rs. 61.25 lakhs was utilised towards its objects.

(All amounts in Rupees lakhs, unless otherwise stated)

Note:39 FAIR VALUES

39.1 Financial Instruments by category:

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial assets and liabilities that are recognised in the financial statements.

a) Financial Assets / Liabilities measured at Fair Value:-

Particulars	As at March 31, 2023	As at March 31, 2022
Financial Assets designated at Fair Value through profit and loss:-		
- Investments	1,111.89	347.58

b) Financial Assets / Liabilities designated at Amortised Cost:-

Particulars	As at March 31, 2023		As at March 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets :				
Financial Assets designated at Amortised Cost:-				
- Trade Receivables	15,031.09	15,031.09	12,297.74	12,297.74
- Cash and cash equivalents	1,710.73	1,710.73	217.97	217.97
- Bank Balance other than Cash and Cash Equivalents	2,316.83	2,316.83	7,376.10	7,376.10
- Loans	1,146.20	1,146.20	6.63	6.63
- Others	1,266.48	1,266.48	322.88	322.88
Total	**21,471.33**	**21,471.33**	**20,221.32**	**20,221.32**
Financial Liabilities :				
Financial Liabilities designated at Amortised Cost:-				
- Borrowings	1,462.11	1,462.11	3,107.95	3,107.95
- Trade Payable	2,611.87	2,611.87	1,527.20	1,527.20
- Other Financial Liabilities	483.22	483.22	367.98	367.98
Total	**4,557.20**	**4,557.20**	**5,003.13**	**5,003.13**

39.2 Fair Valuation techniques used to determine Fair Value

The Group maintains procedures to value its financial assets or financial liabilities using the best and most relevant data available. The Fair Values of the financial assets and liabilities are included at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the Fair Values:

i) Fair Value of Cash and Cash Equivalents, Other Bank Balances, Trade Receivable, Trade Payables, Current Loans, Current Borrowings, and other Current Financial Assets and Liabilities are approximate at their carrying amounts largely due to the short-term maturities of these instruments.

ii) The fair values of Non-Current Borrowings and Margin money are approximate at their carrying amount due to interest bearing features of these instruments.

iii) The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

39.3 Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:-

i) **Level 1** :- Quoted prices / published Net Assets Value (unadjusted) in active markets for identical assets or liabilities. It includes fair value of financial instruments traded in active markets and are based on quoted market prices at the Balance Sheet date and financial instruments like mutual funds for which Net Assets Value is published by mutual fund operators at the Balance Sheet date.

ii) **Level 2** :- Inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). It includes fair value of the financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on the Group specific estimates. If all significant inputs required to fair value an instrument are observable then instrument is included in level 2.

iii) **Level 3** :- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table provides hierarchy of the fair value measurement of Group's asset and liabilities, grouped into Level 1 (Quoted prices in active markets), Level 2 (Significant observable inputs) and Level 3 (Significant unobservable inputs) as described below:

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(All amounts in Rupees lakhs, unless otherwise stated)

Particulars	As at March 31, 2023		
	Level 1	Level 2	Level 3
Financial Assets			
Financial Assets designated at Fair Value through profit and loss:-			
Investments in Equity of Co-operative Bank	-	-	# 27.01
Investment in Equity Shares	-	-	784.88
Investment in 0.01% Optionally Convertiable Preference Shares	-	-	300.00

Particulars	As at March 31, 2022		
	Level 1	Level 2	Level 3
Financial Assets			
Financial Assets designated at Fair Value through profit and loss:-			
Investments in Equity of Co-operative Bank	-	-	# 5.00
Investment in Equity Shares & 0% Optionally Convertible Security	-	-	342.58

Following table describes the valuation techniques used and key inputs to valuation for level 3 of the fair value hierarchy as at March 31, 2023 and March 31, 2022

Particulars	As at March 31, 2023	Valuation Technique	Input used
Financial Assets designated at fair value through profit and loss:-			
- Investment in unlisted equity shares	784.88	Based on professional valuer's certificate	Market approach-Comparable Transactions Multiple Method
- Investment in 0.01% Optionally Convertiable Preference Shares	300.00	Based on professional valuer's certificate	Enterprises Value/ discounted cash flow

Particulars	As at March 31, 2022	Valuation Technique	Input used
Financial Assets designated at fair value through profit and loss:-			
- Investment in unlisted equity shares & 0% Optionally Convertible Security	342.58	Based on professional valuer's certificate	Enterprises Value/ revenue Multiple Method

since the investments under level 3 of the fair value hierarchy as at March 31, 2023 and March 31, 2022 category are not material, therefore the disclosure for the same is not given.

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Note: 40 FINANCIAL RISK MANAGEMENT - OBJECTIVE AND POLICIES

The Group is exposed to market risk, credit risk, liquidity risk and Competition and Price Risk. Risk management is carried out by the Group under policies approved by the Respective Board of Directors. This Risk management plan defines how risks associated with the Group will be identified, analysed, and managed. It outlines how risk management activities will be performed, recorded, and monitored by respective Company in the Group. The basic objective of risk management plan is to implement an integrated risk management approach to ensure all significant areas of risks are identified, understood and effectively managed, to promote a shared vision of risk management and encourage discussion on risks at all levels of the organization to provide a clear understanding of risk / benefit trade-offs, to deploy appropriate risk management methodologies and tools for use in identifying, assessing, managing and reporting on risks, and to determine the appropriate balance between cost and control of risk and deploy appropriate resources to manage/optimize key risks. Activities are developed to provide feedback to management and other interested parties (e.g. Audit committee, Board etc.). The results of these activities ensure that risk management plan is effective in the long term.

40.1 Market Risk and Sensitivity:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: foreign currency rate risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits and investments.

The sensitivity analysis relate to the position as at March 31, 2023 and March 31, 2022

(a) **Foreign Currency Exchange Risk and Sensitivity**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities and its Investment. The Group transacts business primarily in USD and Euro. The Group has foreign currency trade payables and receivables and is therefore, exposed to foreign currency exchange risk. The Group regularly reviews and evaluates exchange rate exposure arising from foreign currency transactions.

The following table demonstrates the sensitivity in the USD, GBP, SGD and Euro to the Indian Rupee with all other variables held constant. The impact on the Group's profit before tax (PBT) due to changes in the fair values of monetary assets and liabilities is given below:

Unhedged Foreign currency exposure As at March 31, 2023	Currency	Amount in FC	Amount in INR
Investment	USD	9,54,642	784.88
Trade Receivable	USD	15,18,432	1,248.41
Trade Receivable	EURO	2,14,422	192.14
Trade Payable	USD	22,01,282	1,809.83
Trade Payable	EURO	1,82,949	163.94
Trade Payable	GBP	23,098	23.53

Unhedged Foreign currency exposure As at March 31, 2022	Currency	Amount in FC	Amount in INR
Investment	USD	4,51,908	342.58
Trade Receivable	USD	8,65,930	656.43
Trade Receivable	EURO	4,13,931	350.44
Trade Receivable	USD	15,23,924	1,155.24
Trade Payable	EURO	47,285	40.03
Trade Payable	GBP	17,871	17.79
Trade Payable	SGD	10,248	5.74

Foreign Currency Sensitivity

2% increase or decrease in foreign exchange rates will have the following impact on Profit Before Tax (PBT):-

Particulars	2022-23		2021-22	
	2% increase Profit/(Loss)	2% decrease Profit/(Loss)	2% increase Profit/(Loss)	2% decrease Profit/(Loss)
USD	4.47	(4.47)	(3.12)	3.12
EURO	0.56	(0.56)	6.21	(6.21)
GBP	(0.47)	0.47	(0.36)	0.36
SGD	-	-	(0.11)	0.11
Increase / (Decrease) in Profit Before Tax	**4.56**	**(4.56)**	**2.62**	**(2.62)**

(b) **Interest Rate Risk and Sensitivity :-**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is having non current borrowings in the form of term loan. Also, the Group is having current borrowings in the form of working capital and and inter corporate deposits. There is a fixed rate of interest in case of vehicle loan and inter corporate deposits and hence, there is no interest rate risk associated with these borrowings. The Group is exposed to interest rate risk associated with term loan and working capital facility due to floating rate of interest.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting year are as follows:

Particulars	As at March 31, 2023	As at March 31, 2022
Term Loan From Banks and Financial Institutions	115.11	-
Working Capital Facility	721.92	3,044.25
Closing Balances	**837.03**	**3,044.25**

The table below illustrates the impact of a 2% increase / decrease in interest rates on interest on financial liabilities assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average debt outstanding during the year.

Particulars	2022-23		2021-22	
	2% increase Profit/(Loss)	2% decrease Profit/(Loss)	2% increase Profit/(Loss)	2% decrease Profit/(Loss)
Term Loan From Banks and Financial Institutions	2.30	(2.30)	-	-
Working Capital Facility	14.44	(14.44)	60.89	(60.89)
(Increase) / Decrease in Profit Before Tax	**16.74**	**(16.74)**	**60.89**	**(60.89)**

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(All amounts in Rupees lakhs, unless otherwise stated)

40.2 Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

a) Trade Receivables:-

The Group measures the expected credit loss of trade receivables, which are subject to credit risk, based on historical trend, industry practices and the business environment in which the entity operates and adjusted for forward looking information. Loss rates are based on actual credit loss experience and past trends.

The Group has used practical expedient by computing the expected credit loss allowance for trade receivables based on provision matrix. The provision matrix taken into account historical credit loss experience and adjusted for forward looking information. The expected credit loss allowance is based on ageing of the days the receivables are due.

The following table summarizes the Gross carrying amount of the trade receivables and provision made.

Particulars	As at March 31, 2023		As at March 31, 2022	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
Trade Receivables	15,996.15	965.06	13,108.68	810.94

The following table summarizes the changes in the Provisions made for the receivables:

Particulars	As at March 31, 2023	As at March 31, 2022
Opening Balances	810.94	614.70
Provided during the year	154.12	196.24
Closing Balances	**965.06**	**810.94**

b) Financial Instruments and Cash Deposits:-

The Group considers factors such as track record, size of the institution, market reputation and service standards to select the banks with which balances are maintained. Credit risk from balances with bank is managed by the Group's finance department. Investment of surplus funds are also managed by finance department. The Group does not maintain significant cash in hand. Excess balance of cash other than those required for its day to day operations is deposited into the bank.

For other financial instruments, the finance department assesses and manage credit risk based on internal assessment. Internal assessment is performed for each class of financial instrument with different characteristics.

40.3 Liquidity Risk :

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Group's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group relies on short term borrowings and operating cash flows in the form of working capital facility to meet its need for fund. The Group does not breach any covenants wherever applicable on any of its borrowing facilities. The Group has access to a sufficient variety of sources of funding as per requirements.

The below table summaries the maturity profile of the Group's financial liability :

Particulars	Maturity				
	On Demand	Less than 1 Year	1 to 5 Years	More than 5 years	Total
March 31, 2023					
Term Loan from Bank	-	20.53	94.58	-	115.11
Short Term Borrowings	1,347.00	-	-	-	1,347.00
Trade Payable	-	2,611.87	-	-	2,611.87
Other Financial Liabilities	-	483.22	-	-	483.22
Total	**1,347.00**	**3,115.62**	**94.58**	-	**4,557.20**
March 31, 2022					
Short Term Borrowings	3,049.75	58.20	-	-	3,107.95
Trade Payable	-	1,527.20	-	-	1,527.20
Other Financial Liabilities	-	357.93	-	10.05	367.98
Total	**3,049.75**	**1,943.33**	-	**10.05**	**5,003.13**

40.4 Competition and Price Risk

The Group faces competition from local and foreign competitors. Nevertheless, it believes that it has competitive advantage in terms of high quality products and by continuously upgrading its expertise and range of products to meet the needs of its customers.

Note: 41 Capital Risk Management

For the purpose of Group's capital management, capital includes issued capital, all other equity reserves and net debts. The primary objective of the Group's capital management is to maximise shareholders value. The Group manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Group monitors capital using gearing ratio, which is net debt divided by total capital (equity plus net debt). Net debt are non-current and current debts as reduced by cash and cash equivalents and non current bank deposits. Equity comprises all components including other comprehensive income.

Particulars	March 31, 2023	March 31, 2022
Total Debt	1,462.11	3,107.95
Less: Cash and cash equivalent	1,710.73	217.97
Less: Non current Bank Deposits	163.46	62.88
Net Debt	**(412.08)**	**2,827.10**
Equity	41,324.97	37,815.54
Total Capital (Equity + Net Debt)	**40,912.89**	**40,642.64**
Gearing ratio	**NA**	**6.96%**

Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements March 31, 2023
(All amounts in Rupees lakhs, unless otherwise stated)

NOTE: 42 SEGMENT REPORTING

A. Segment information as per Indian Accounting Standard - 108 - "Operating Segments" :

As per Indian Accounting Standard 108 'Operating Segments', the chief operating decision maker of the Company has identified following reportable segments of its business:

(i) Heavy Engineering segment
(ii) Defence & Space Optics
(iii) Defence Electronics

I Segment wise Revenue

Particulars	For the Year ended March 31, 2023	For the Year ended March 31, 2022
Segment Revenue		
a. Heavy Engineering	6,882.31	4,185.58
b. Defence & Space Optics	7,135.72	9,237.22
c. Defence Electronics	8,224.56	4,833.44
Revenue From Operations	**22,242.59**	**18,256.24**
Segment Results		
a. Heavy Engineering	1,956.68	530.98
b. Defence & Space Optics	3,941.08	5,085.32
c. Defence Electronics	1,582.82	676.26
Total	**7,480.58**	**6,292.56**
i) Finance Costs	(671.68)	(783.04)
ii) Other unallocable expenditure	(2,933.70)	(2,148.96)
iii) Unallocable Income	822.43	297.17
iv) Share of loss of Associates	(13.13)	(0.42)
Profit before exceptional items and Tax	**4,684.50**	**3,657.31**
Exceptional items	-	-
Profit Before Tax	**4,684.50**	**3,657.31**

II Segment wise Assets and Liabilities:

Particulars	As at March 31, 2023	As at March 31, 2022
Segment Assets		
a. Heavy Engineering	11,925.66	9,806.15
b. Defence & Space Optics	19,184.16	18,093.46
c. Defence Electronics	10,694.20	6,293.15
d. Unallocable	10,250.06	11,574.94
Total	**52,054.08**	**45,767.70**
Segment Liabilities		
a. Heavy Engineering	736.95	181.36
b. Defence & Space Optics	822.71	719.00
c. Defence Electronics	4,163.03	645.77
d. Unallocable	4,986.01	6,368.61
Total	**10,708.70**	**7,914.74**

III Other Informations

Particulars	For the Year ended March 31, 2023	For the Year ended March 31, 2022
Capital Expenditure	2,532.63	860.46
Depreciation	1,127.24	1,042.33
Non-cash Expenses other than Depreciation	250.74	430.24

B. Segment Identification, Reportable Segments and definition of each segment :

a. Reportable Segments:

The chief operating decision maker monitors the operating results of its Business Segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the internal reporting system and is measured consistently with profit or loss in the financial statements. Operating segment have been identified on the basis of the nature of products / services and have been identified as per the quantitative criteria specified in Ind AS.

b. Primary / Secondary Segment Reporting Format:

i. The risk-return profile of the group's business is determined predominantly by the nature of its products. Accordingly, the business segments constitute the Primary Segments for disclosure of segment information.

ii. Revenue disaggregation by geography (Refer Note No. 28.2)

iii. No Non-Current Assets of the Group is located outside India as on March 31, 2023 and March 31, 2022

IV Segment Composition:

a. Heavy Engineering segment is engaged in manufacturing and sale of Flow Formed Rockets/ Missile Motor Tubes , Submarine periscope, Electromechanical assemblies and Turnkey projects.

b. Defence & Space Optics Segment comprises of manufacturing and sale of Infra Red Lenses for Night Vision Devices, Space Optics/Gratings/Mirrors, integrated opto mechanical Assemblies and Precision Diamond Turned components.

c. Defence Electronics Segment comprises of Defence Automation & Control systems, Rugged Command & Control Consoles, EMP Solutions and Aerospace subsystems and accessories.

d. Unallocated:- Consists of other income, expenses, assets and liabilities which can not be directly identified to any of the above segments.

V Segment revenue, results, assets and liabilities:

Revenue and results have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which is related to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable".

Segment assets and segment liabilities represent assets and liabilities in respective segments. Segment assets include all operating assets used by the operating segment and mainly includes Property, Plant and Equipement , trade receivable, inventories and other receivables. Segment liabilities primarily include trade payables and other liabilities. Common assets and liabilities which cannot be allocated to any of the segments are shown as a part of unallocable assets and liabilities.

VI Information about major customers:

Revenue from operations include Rs. 10,674.78 Lakhs, (March 31, 2022 : Rs. 6,386.51 Lakhs) from three customers (March 31, 2022: two customers) having more than 10% of the total revenue.

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PARAS DEFENCE AND SPACE TECHNOLOGIES LTD.

(All amounts in Rupees lakhs, unless otherwise stated)

Note:43 ASSETS HELD FOR SALE

Description of the assets held for sale	As at March 31, 2023	As at March 31, 2022
Flat - Guest House	-	151.00
Total	-	151.00

Note: 44 Interests in other entities

44.1 The consolidation of financial statements of the Group includes subsidiaries listed in the table below:

	Name	Principal Place of Business	% Equity interest	
			As at March 31, 2023	As at March 31, 2022
A	**Indian subsidiaries**			
	Paras Aerospace Private Limited	India	60.00%	60.00%
	Paras Green Optics Private Limited	India	100.00%	100.00%
	Paras Anti-Drone Technologies Private Limited	India	55.00%	55.00%
	Ayatti Innovative Private Limited	India	58.02%	-
B	**Overseas Subsidiary**			
	OPEL Technologies PTE Ltd	Singapore	100.00%	100.00%

44.2 The consolidation of financial statements of the Group includes Associate listed in the table below:

Name	Principal Place of Business	% Equity interest	
		As at March 31, 2023	As at March 31, 2022
Krasny Paras Defence Technologies Private Limited	India	47.50%	47.50%

The summarised financial information below represents amount shown in associate financial statements prepared as per equity accounting purposes.

Particulars	As at March 31, 2023	As at March 31, 2022
Current Assets	69.37	9.53
Current Liabilities	29.28	0.42
Net Current Assets/(Liabilities)	**40.09**	**9.12**
Non-Current Assets	42.57	-
Non-Current Liabilities	1.18	-
Net Non-Current Assets	**41.39**	-

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue	41.64	-
Profit/(Loss) for the Year	(27.65)	(0.88)
Other Comprehensive Income	-	-
Total Comprehensive Income	**(27.65)**	**(0.88)**

Reconciliation of the above summarised financial information to the carrying amount of interest in Krasny Paras Defence Technologies Private Limited recognised in the Consolidated Financial Statements

Particulars	As at March 31, 2023	As at March 31, 2022
Net Assets of the Associate	81.48	9.12
Proportion of the Group's ownership interest in Krasny Paras Defence Technologies Private Limited	47.50%	47.50%
Carrying amount of the Group's interest in Krasny Paras Defence Technologies Private Limited	**38.70**	**4.33**

Particulars	As at March 31, 2023	As at March 31, 2022
Reconciliation to carrying amounts		
Opening net assets	4.33	-
Loss for the year	(13.13)	(0.42)
Other comprehensive income	-	-
Investment	47.50	4.75
Closing net assets	**38.70**	**4.33**

PARAS DEFENCE AND SPACE TECHNOLOGIES LTD. ★

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Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements March 31, 2023
(All amounts in Rupees lakhs, unless otherwise stated)

Note: 45 PROVISION

Disclosures as required by Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets":-
Movement in provisions:-

Nature of provision	Provision for Expected Credit loss on Trade Receivables	Provision for Credit Impaired	Total
As at April 01, 2021	**614.70**	-	**614.70**
Provision during the Year	148.07	48.17	196.24
As at March 31, 2022	**762.77**	**48.17**	**810.94**
Provision during the Year	164.47	-	164.47
Provision Reversed during the Year	-	(10.35)	(10.35)
As at March 31, 2023	**927.24**	**37.82**	**965.06**

Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements March 31, 2023
(All amounts in Rupees lakhs, unless otherwise stated)

Note : 46 Disclosures Mandated by Schedule III by way of Additional Information - March 31, 2023

Name of the entity	As at March 31, 2023		For the Year ended March 31, 2023					
	Net assets (Total Assets minus Total Liabilities)		Share in Profit or Loss		Other Comprehensive Income		Total Comprehensive Income	
	As % of net consolidated net assets	Amount	As % of net consolidated profit or loss	Amount	As % of net consolidated profit or loss	Amount	As % of net consolidated profit or loss	Amount
Parent								
Paras Defence and Space Technologies Ltd.	99.97%	41,313.00	99.64%	3,592.82	-100%	(6.08)	99.47%	3,586.74
Indian subsidiaries								
Paras Aerospace Private Limited	0.25%	102.09	0.38%	13.83	-	-	0.38%	13.83
Paras Green Optics Private Limited	0.01%	2.36	0.01%	0.48	-	-	0.01%	0.48
Paras Anti- Drone Technologies Private Limited	0.04%	18.15	0.38%	13.54	-	-	0.38%	13.54
Ayatti Innovative Private Limited	-0.16%	(68.13)	-1.55%	(55.85)			-1.55%	(55.85)
Indian Associate								
Krasny Paras Defence Technologies Private Limited	-	-	-0.36%	(13.13)	-	-	-0.36%	(13.13)
Overseas subsidiary								
OPEL Technologies PTE Ltd	0.26%	108.24	1.17%	42.35	-	-	1.17%	42.35
Non Controlling Interest	-0.05%	(20.41)	0.33%	11.82	-	-	0.33%	11.82
Adjustments arising out of Consolidation	-0.32%	(130.33)	0.00%	-	100%	6.08	0.17%	6.08
	100.00%	41,324.97	100.00%	3,605.86	0.00%	-	100.00%	3,605.86

NOTE: 47 Business Combination

Acquisition during the year ended March 31, 2023

Summary of acquisition

In connection with acquisition of stake in Ayatti Innovative Private Limited incorporated in India. (The entity is engaged in manufacturing, processing of iron, Mild Steel, Stainless Steel Fabrication, handling and assembly work procuring and in the manufacturing of steel parts of train coaches and benches). The said Company have become subsidiary of the Company.

Purchase Consideration

During the year, Paras Defence and Space Technologies Limited has accquired 52.97 % stake in Ayatti Innovative Private Limited for a consideration of Rs. 570.00 Lakhs by acquiring 12,39,128 shares for an Issue Price of Rs. 46 per share (Face Value Rs. 10 each) from the selling shareholders. Hence, Ayatti Innovative Private Limited being a Suibsidiary of the Company with effect from October 06, 2022. The Holding Company further acquired shares of Ayatti Innovative Private Limited resulting into a total investment of Rs. 699.20 Lakhs i. e 15,20,000 shares at an Issue Price of Rs. 46 each by virtue of which Holding Company stake increased to 58.02 % .

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Ayatti Innovative Private Limited as at the date of acquisition were:

Particulars	Fair Value recognised on acquisition
Assets	
Property, plant and equipment	373.07
Other Non Current Financial Assets	3.90
Non Current tax assets	0.64
Other Non Current Assets	30.18
Trade receivable	84.79
Cash and cash equivalents	26.17
Other Bank Balances	0.52
Other current assets	164.63
Deferred tax assets	0.53
	684.43
Liabilities	
Borrowings	714.26
Trade payable	56.11
Current financial liabilities	17.72
Other current liabilities	37.17
	825.26
Net identifiable assets at fair value	**(140.83)**

Calculation of Goodwill

Particulars	Amount in Lakhs
Consideration transferred	570.00
Less:- Net Identifiable assets acquired	(74.60)
Goodwill	**644.60**

The Holding Company has identified and recognised Goodwill of Rs. 644.60 Lakhs which has been shown under the head of Non Current Assets in compliance with the respective provisions of Ind AS 103 "Business Combination".

Non-controlling Interest:-

For non-controlling interest in Ayatti, the Group elected to recognise the non-controlling interest at its proportionate share of the acquired net identifiable assets.

Purchase Consideration - Outflow of cash to acquire subsidiaries, net of cash acquired

Particulars	Amount in Lakhs
Consideration transferred	570.00
Less:- Balances Acquired (Included in cash flow from investing activities)	
Cash and cash equivalents	26.17
Other bank balances	0.52
Net inflow of cash - Investing activities	**543.31**

Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements March 31, 2023
(All amounts in Rupees lakhs, unless otherwise stated)

Note : 48 Other Statutory Information

i) There are no balances outstanding on account of any transaction with companies strike off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.

ii) The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.

iii) The Group does not have any such transaction which is not recorded in the books of account surrendered or disclosed as income during the year in the tax assessments under the Income-tax act, 1961.

iv) No proceeding has been initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

v) The Group is not declared wilful defaulter by any bank or financial institution or other lender

vi) The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise)that the Intermediary shall: (a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

vii) The Group has not received any fund from any person(s) or entity(s), including entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or (b) Provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Note: 49 Previous Year's figures have been regrouped / rearranged wherever necessary, to make them comparable with those of current year.

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

ANUJ BHATIA
Partner
Membership No. 122179

Date: May 16, 2023

CHATURVEDI & SHAH LLP
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For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

PARAS DEFENCE AND SPACE TECHNOLOGIES LTD.

HARSH BHANSALI
Chief Financial Officer

HEMAL KUMAR SAGALIA
Company Secretary
Membership No: FCS7620

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of **PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associate, which comprise the Consolidated Balance sheet as at March 31, 2022, and the Statement of Consolidated Profit and Loss (including Other Comprehensive Income), the Statement of Consolidated Changes in Equity and the Statement of Consolidated Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of other auditor on separate financial statements and on the other financial information of a subsidiary and associate, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and of its associate as at March 31, 2022 and their consolidated profit including other comprehensive income, the consolidated statement of changes in equity and their consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associate in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements.

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MUMBAI
CHARTERED ACCOUNTANTS

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the year ended March 31, 2022. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report. We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the Consolidated Financial Statements section of our report, including in relation to that matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying Consolidated Financial Statements.

Key Audit Matter	**How our audit addressed the key audit matter**
1) Revenue:	
During the year, the revenue from operation has been increased by 27.37%. Revenue is recognized when control of the underlying products have been transferred along with satisfaction of performance obligation. The terms of sales arrangements, including the timing of transfer of control and delivery specifications, create complexity and judgment in determining sales revenues. Risk exists that revenue is recognized without substantial transfer of control and is not in accordance with Ind AS115 'Revenue from contracts with customers', resulting into recognition of revenue in incorrect period.	We assessed the processes and controls for recognizing revenue as part of our audit. Our audit procedures included the following: • Assessing the systems related to invoicing and measurement as well as other relevant systems supporting the accounting of revenue. • Performed sample tests of individual sales transaction and traced to sales invoices, sales orders shipping documents and other related documents. In respect of the samples selected, tested that the revenue has been recognized as per the sales orders; • Verifying the completeness of disclosure in the Consolidated Financial Statements as per Ind AS 115.

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Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information in the annual report but does not include the Consolidated Financial Statements and our auditor's report thereon. The above information is expected to be made available to us after the date of this auditor's report.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the above other information, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, the consolidated statement of changes in equity and consolidated cash flows of the Group and its associate in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Act read with relevant rules issued thereunder.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and its associate and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and its associate or to cease operations, or has no realistic alternative but to do so.

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The respective Board of Directors of the companies included in the Group and of its associate is responsible for overseeing the financial reporting process of the Group and of its associate.

Auditors' Responsibility for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and of its associate to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Consolidated Financial Statements of such entities included in the Consolidated Financial Statements of which we are the independent auditors. For the other entity included in the Consolidated Financial Statements, which have been audited by other auditor, such other auditor remains responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

We did not audit the financial statements of one subsidiary, incorporated in Singapore, whose financial statements reflect total assets of Rs. 379.07 Lakhs as at March 31, 2022, total revenues of Rs. 1912.38 Lakhs and net cash inflows amounting to Rs. 16.18 Lakh for the year ended on that date and the financial statements of an associate company which reflect Group's share of net (loss) after tax of Rs. (0.42) Lakh and total comprehensive income of Rs. (0.42) Lakh for year ended March 31, 2022. These financial statements have been audited by other auditors whose report have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these aforesaid subsidiary and associate, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and associate is based solely on the report of the other auditors.

Our opinion above on the Consolidated Financial Statements is not modified in respect of the above matter.

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Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements of an associate, as noted in the 'other matters' paragraph, we report, to the extent applicable, that:

a. We/the other auditors whose report we have relied upon, have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

c. The Consolidated Balance Sheet, the Statement of Consolidated Profit and Loss (Including other comprehensive income), the Statement of Consolidated Changes in Equity and the Statement of Consolidated Cash Flows dealt with by this Report are in agreement with the books of account.

d. In our opinion, the aforesaid Consolidated Financial Statements comply with the Ind AS prescribed under Section 133 of the Act.

e. On the basis of the written representations received from the directors of the Holding Company and its subsidiaries, companies incorporated in India, as on March 31, 2022 and taken on record by the Board of Directors of the Holding Company and its subsidiaries and the report of the statutory auditor of an associate, none of the directors of the Group Companies and its associate, companies incorporated in India, is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.

f. With respect to the adequacy of the internal financial controls with reference to consolidated financial statements and the operating effectiveness of such controls, refer to our separate Report in **"Annexure A",** which is based on our reports of the Group Company and the report of the statutory auditor of an associate, companies incorporated in India, to whom internal financial controls with reference to financial statements is applicable.

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

   In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid / provided by the Holding Company to its directors during the year is in accordance with the provisions of section 197 of the Act. Subsidiaries and an associate Company has not paid any remuneration to directors.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Consolidated Financial Statements disclose the impact of pending litigations on the Consolidated financial position of the Group and its associate as referred to in Note No. 37 to the Consolidated Financial Statements;

ii. The Group and its associate did not have any material foreseeable losses on long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Group and associate company incorporated in India.

iv. (a) The respective Managements of the Company and its subsidiaries and its associate, which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to other auditor of such associate, that to the best of their knowledge and belief, as disclosed in the notes to the Consolidated Financial Statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or any of such subsidiaries or associate to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company or any of such subsidiaries or associate ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The respective Managements of the Company and its subsidiaries and its associate, which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to other auditor of such associate, that to the best of their knowledge and belief, as disclosed in the notes to the Consolidated Financial Statements, no funds have been received by the Company or any of such subsidiaries or associate from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company or any of such subsidiaries or associate shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on our audit procedure conducted that have been considered reasonable and appropriate in the circumstances, nothing has come to our attention that cause us to believe that the representation given by the management under paragraph (h) (iv) (a) & (b) contain any material misstatement.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

v. The Group and its associate has not declared or paid any dividend during the year.

2. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us and the auditors of associate Company included in the Consolidated Financial Statements of the Company, to which reporting under CARO is applicable, provided to us by the Management of the Company, we report that there are no qualification or adverse remarks by the respective auditors in the CARO report of the said Companies included in the Consolidated Financial Statements.

For **CHATURVEDI & SHAH LLP**
Chartered Accountants
Firm Reg. No. 101720W / W100355

R. KORIA
Partner
Membership No. 35629
UDIN No.: 22035629AKDHYH7424

Mumbai
Date: May 20, 2022

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date on Consolidated Financial Statements of PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED for the year ended March 31, 2022)

Report on the Internal Financial Controls with reference to Consolidated Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to consolidated financial statements of **PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group")and its associate, which are companies incorporated in India, as of March 31, 2022 in conjunction with our audit of the Consolidated Financial Statements of the Holding Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Group and its associate, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements of the Group and its associate, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards of Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to these consolidated financial statements included obtaining an understanding of internal financial controls with reference to these consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on internal financial controls system with reference to these Consolidated Financial Statements.

Meaning of Internal Financial Controls with reference to these Consolidated Financial Statements

A company's internal financial control with reference to these consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to these consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

Inherent Limitations of Internal Financial Controls with reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to these Consolidated Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CHATURVEDI & SHAH LLP * MUMBAI * CHARTERED ACCOUNTANTS

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Group and its associate, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls system with reference to these Consolidated Financial Statements and such internal financial controls with reference to these Consolidated Financial Statements were operating effectively as at March 31, 2022, based on the internal financial control with reference to Consolidated Financial Statements criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matter

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to these Consolidated Financial Statements of the Holding Company, in so far as it relates to separate financial statements of an associate company, incorporated in India, is based solely on the corresponding report of the auditors of such associate company incorporated in India. Our opinion is not modified in respect of the above matter.

For **CHATURVEDI & SHAH LLP**
Chartered Accountants
Firm Reg. No. 101720W / W100355

R. KORIA
Partner
Membership No. 35629
UDIN No.: 22035629AKDHYH7424

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Mumbai
Date: May 20, 2022

Paras Defence And Space Technologies Limited
Consolidated Balance Sheet as at March 31, 2022
(All amounts in Rupees Lakhs, unless otherwise stated)

	PARTICULARS	Note No.	As at March 31, 2022		As at March 31, 2021	
I.	**ASSETS**					
1)	**Non Current Assets**					
(a)	Property, Plant and Equipment	2	13,486.18		15,513.19	
(b)	Capital Work in Progress	2	49.88		51.12	
(c)	Investment property	3	1,783.20		-	
(d)	Intangible Assets	4	96.81		149.70	
(e)	Financial Assets					
	i) Investments	5	351.91		112.58	
	ii) Other Financial Assets	6	83.88		189.62	
(f)	Non Current Tax Assets		2.95		0.28	
(g)	Other Non Current Assets	7	171.67	16,026.48	52.37	16,068.86
2)	**Current Assets**					
(a)	Inventories	8	6,662.76		7,471.09	
(b)	Financial Assets					
	i) Trade Receivables	9	12,297.74		9,485.46	
	ii) Cash and Cash Equivalents	10	217.97		468.26	
	iii) Bank Balances other than (ii) above	11	7,376.10		363.35	
	iv) Loans	12	6.63		4.92	
	v) Other Financial Assets	13	239.00		62.32	
(c)	Other Current Assets	14	2,790.02		1,939.35	
			29,590.22		19,794.75	
(d)	Assets held for Sale	44	151.00	29,741.22	411.99	20,206.74
	TOTAL ASSETS			45,767.70		36,275.60
II.	**EQUITY AND LIABILITIES**					
	EQUITY					
(a)	Equity Share Capital	15	3,900.00		2,985.31	
(b)	Other Equity	16	33,915.54		17,678.18	
	Equity attributable to Owners			37,815.54		20,663.49
	Non Controlling Interest			37.42		6.90
	Total Equity			37,852.96		20,670.39
	LIABILITIES					
1)	**Non Current Liabilities**					
(a)	Financial Liabilities					
	(i) Borrowings	17	-		2,552.94	
	(ii) Lease Liabilities	18	-		5.93	
	(iii) Other Financial Liabilities	19	10.05		-	
(b)	Deferred Tax Liabilities (Net)	20	2,112.31		2,313.99	
(c)	Provisions	21	133.34		119.33	
(d)	Other non current Liabilities	22	12.33	2,268.03	-	4,992.19
2)	**Current Liabilities**					
(a)	Financial Liabilities					
	i) Borrowings	23	3,107.95		8,051.93	
	ii) Lease Liabilities	24	-		6.22	
	iii) Trade Payables	25				
	(A) Total Outstanding dues of Micro enterprises and small enterprises		128.96		93.43	
	(B) Total Outstanding dues of creditors other than Micro enterprises and small enterprises		1,398.24		1,438.72	
	iv) Other Financial Liabilities	26	357.93		271.10	
(b)	Other Current Liabilities	27	60.96		60.75	
(c)	Provisions	28	20.65		14.80	
(d)	Current Tax Liabilities (Net)		572.02	5,646.71	676.07	10,613.02
	TOTAL EQUITY AND LIABILITIES			45,767.70		36,275.60
	Significant Accounting Policies	1				
	Notes to the Consolidated Financial Statements	2 to 49				

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

R. KORIA
Partner
Membership No. 35629

Place: Mumbai
Date: May 20, 2022

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

AJIT SHARMA
Company Secretary
Membership No. F10165

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Paras Defence And Space Technologies Limited
Statement of Consolidated Profit and Loss for the year ended March 31, 2022
(All amounts in Rupees Lakhs, unless otherwise stated)

	PARTICULARS	Note No.	For the Year ended March 31, 2022	For the Year ended March 31, 2021
1	Revenue From Operations	29	18,256.24	14,332.99
2	Other Income	30	297.17	127.55
3	**Total Income (1+2)**		**18,553.41**	**14,460.54**
4	**Expenses**			
	Cost of Materials Consumed		7,703.80	5,986.72
	Purchase of Stock in Trade		528.11	1,348.71
	Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade	31	(56.82)	(804.40)
	Employee Benefits Expense	32	1,481.29	1,173.77
	Finance Costs	33	783.04	1,240.93
	Depreciation and Amortisation Expense	34	1,042.33	965.36
	Other Expenses	35	3,413.93	2,288.44
	Total Expenses		**14,895.68**	**12,199.53**
5	**Profit Before Share of Profit / (Loss) of Associate, Exceptional Items and tax (3-4)**		**3,657.73**	**2,261.01**
6	Share of loss of Associate		(0.42)	-
7	**Profit Before exceptional Items and Tax (5-6)**		**3,657.31**	**2,261.01**
8	Exceptional Items		-	-
9	**Profit Before Tax (7-8)**		**3,657.31**	**2,261.01**
10	**Tax Expenses :**			
	Current Tax		1,009.46	728.57
	Deferred Tax	20	(59.88)	(46.17)
			949.58	**682.40**
11	**Profit for the Year (9-10)**		**2,707.73**	**1,578.61**
12	**Other Comprehensive Income**			
(i)	**Items that will not be reclassified to profit or loss**			
	Remeasurement Losses / (Gains) on Defined Benefit Plans		1.05	(41.87)
	Tax Effect on above		(0.26)	10.54
(ii)	**Items that will be reclassified to Profit or Loss**		-	-
	Exchange differences in translating the financial statement of a foreign operation		(1.12)	0.39
	Total Other Comprehensive Income (Net of Tax)		**(0.33)**	**(30.94)**
	Total Comprehensive Income for the Year (11-12)		**2,708.06**	**1,609.55**
13	**Profit attributable to**			
	Owners of the Company		2,704.31	1,572.56
	Non-Controlling Interest		3.42	6.05
14	**Other Comprehensive Income attributable to**			
	Owners of the Company		(0.33)	(30.94)
	Non-Controlling Interest		-	-
15	**Total Comprehensive Income Attributable to**			
	Owners of the Company		2,704.64	1,603.50
	Non-Controlling Interest		3.42	6.05
16	**Earnings per Equity Share of Rs. 10/- each**	36		
	Basic (Rs.)		7.78	5.55
	Diluted (Rs.)		7.78	5.55
	Significant Accounting Policies	1		
	Notes to the Consolidated Financial Statements	2 to 49		

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

R. KORIA
Partner
Membership No. 35629

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: May 20, 2022

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

AJIT SHARMA
Company Secretary
Membership No. F10165

Paras Defence And Space Technologies Limited

Statement of Consolidated Changes in Equity For the Year Ended March 31, 2022

(All amounts in Rupees Lakhs, unless otherwise stated)

A. EQUITY SHARE CAPITAL

Particulars	Balance as at April 01, 2020	Changes during the Year	Balance as at March 31, 2021	Changes during the Year	Balance as at March 31, 2022
Equity Share Capital	2,841.26	144.05	2,985.31	914.69	3,900.00

B. OTHER EQUITY

Particulars	Attributable to Equity Holders of Parent							
	Reserves and Surplus					Item of Other Comprehensive Income		
	Capital Reserve	Securities Premium	General Reserve	Retained Earnings	Revaluation Reserve	Foreign Currency Translation Reserve	Remeasurements of Defined Benefit Plans	Total
Balance as at April 01, 2020	**(808.36)**	**2,661.70**	**11.92**	**8,358.79**	**4,183.09**	**(0.19)**	**14.08**	**14,421.03**
Issue of Equity Shares (Ref Note No 15.5)	-	1,656.95	-	-	-	-	-	1,656.95
Expenses related to Issue of Equity Shares	-	(3.30)	-		-	-	-	(3.30)
Total Comprehensive Income for the year	-	-	-	1,572.56	-	(0.39)	31.33	1,603.50
Balance as at March 31, 2021	**(808.36)**	**4,315.35**	**11.92**	**9,931.35**	**4,183.09**	**(0.58)**	**45.41**	**17,678.18**
Balance as at April 01, 2021	(808.36)	4,315.35	11.92	9,931.35	4,183.09	(0.58)	45.41	17,678.18
Issue of Equity Shares (Ref Note No. 15.2, 15.3 and 15.4)	-	14,785.47	-	-	-	-	-	14,785.47
Expenses related to Issue of Equity Shares (Net of Taxes)	-	(1,265.65)	-	-	-		-	(1,265.65)
Movement In Non Controlling Interest	-	-	-	12.90	-	-	-	12.90
Total Comprehensive Income for the year	-	-	-	2,704.31	-	1.12	(0.79)	2,704.64
Balance as at March 31, 2022	**(808.36)**	**17,835.17**	**11.92**	**12,648.56**	**4,183.09**	**0.54**	**44.62**	**33,915.54**

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

R. KORIA
Partner
Membership No. 35629

Place: Mumbai
Date: May 20, 2022

CHATURVEDI & SHAH LLP * MUMBAI * CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

AJIT SHARMA
Company Secretary
Membership No. F10165

Paras Defence And Space Technologies Limited
Statement Of Consolidated Cash Flows for the Year Ended March 31, 2022
(All amounts in Rupees Lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2021
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before Tax as per the Consolidated Statement of Profit and Loss		3,657.31		2,261.01
ADJUSTED FOR :				
Depreciation and Amortisation Expense	1,042.33		965.36	
Interest Income	(133.89)		(24.34)	
Finance Costs	783.04		1,240.93	
(Profit)/Loss on sale of Property, Plant and Equipment (Net)	5.53		(3.88)	
Impairment loss on Assets held for sale	-		7.16	
Bad Debts / Advances written off (Net)	234.16		13.08	
Provision for Expected Credit Loss	147.91		115.30	
Provision for Credit Impaired	48.17		-	
Reversal of Provision for Doubtful Advance	-		(50.00)	
Gain on Financial Instruments measured at fair value through profit or loss	(47.05)		-	
Unrealised Loss / (Gain) on Foreign Currency Transactions (net)	10.43		(7.32)	
Lease Liability Reversal	-	2,090.63	(0.29)	2,256.00
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		5,747.94		4,517.01
ADJUSTMENTS FOR :				
Trade and Other Receivables	(4,290.90)		(317.69)	
Inventories	808.33		(1,428.07)	
Trade and Other Payables	66.42	(3,416.15)	(1,649.26)	(3,395.02)
CASH GENERATED FROM OPERATIONS		2,331.79		1,121.99
Direct Taxes Paid (Including Interest)		(1,180.72)		(693.46)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,151.07		428.53
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment and Capital Work-in-Progress		(860.46)		(532.49)
Sale of Property, Plant and Equipment & Asset held for Sale		261.43		6.11
Proceeds from sale of Investment in Subsidiaries Companies		-		0.85
Investment in Associate Company		(4.33)		-
Purchase of Investment		(187.95)		(107.58)
Interest Income		59.76		6.72
Temporary deposits / Balances of Initial Public Offering Proceeds		(6,979.04)		-
NET (CASH USED) IN INVESTING ACTIVITIES		(7,710.59)		(626.39)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceed from Issue of Fresh Equity Shares		15,700.16	*	1,797.70
Proceed from Issue of share to Non Controlling Interest		40.00		
Proceed from 0.01% Optionally Convertible Preference Shares		-		2,999.00
Redemption of 0.01% Optionally Convertible Preference Shares		(1,397.00)		(1,602.00)
Proceed from Non Current Borrowings (Term Loans)		-		14.22
Repayment of Non Current Borrowings		(3,801.07)		(527.80)
Current Borrowings (Net)		(2,122.29)		(789.47)
Payment related to Initial Public Offering		(1,219.65)	*	(148.01)
Lease Liabilities		-		(7.30)
Finance Costs		(912.83)		(1,056.79)
Margin Money (Net)		22.44		(141.64)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES		6,309.76		537.91
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(249.76)		340.05
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		468.26		125.36
Effect of Exchange rate on Cash and Cash Equivalents		(0.53)		2.85
CASH AND CASH EQUIVALENTS AT END OF YEAR (Refer Note No. 10.1)		217.97		468.26

* Do not include Rs. 3,017.85 Lakhs received towards offer for sale of 17,24,490 equity shares of Rs. 10/- by the Selling Share holders through Initial Public Offering related proportionate expenses for the same.

Changes in Liabilities arising from financing activities on account of Non-Current and Current Borrowings

Particulars	March 31, 2022	March 31, 2021
OPENING BALANCE OF LIABILITIES ARISING FROM FINANCING ACTIVITIES	10,604.87	10,332.35
Add : Changes from Cash Flow from Financing Activities (Net)	(7,320.37)	93.95
Add : Change on account of processing fees	-	2.02
Add : Change in Fair Value	(176.55)	176.55
CLOSING BALANCE OF LIABILITIES ARISING FROM FINANCING ACTIVITIES	3,107.95	10,604.87

CHATURVEDI & SHAH LLP
MUMBAI
CHARTERED ACCOUNTANTS

(i) The above Statement of Cash Flows has been prepared under the "Indirect Method" as set out in Ind AS - 7 "Statement of Cash Flows".
(ii) Figures in brackets indicate Outflows.
(iii) Previous Year's figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year.

As per our Report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

R. KORIA
Partner
Membership No. 35629

Place: Mumbai
Date: May 20, 2022

For and on behalf of Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

HARSH BHANSALI
Chief Financial Officer

SHARAD SHAH
Chairman and Director
DIN: 00622001

AJIT SHARMA
Company Secretary
Membership No. F10165

1.1 Corporate Information

The consolidated financial statements comprise of Paras Defence & Space Technologies Limited ("the Company" or "Holding Company") , its subsidiaries and associate, as detailed in Note No. 45, for the year ended March 31, 2022. The Company is a public limited Company domiciled and incorporated in India under the Indian Companies Act, 1956. The registered office of the Company is situated at D-112, TTC industrial area, Nerul, Navi Mumbai. The Group is involved in design, development, manufacturing, testing & commissioning of products, systems and solutions for Defence & Space Applications. On October 1, 2021, the equity shares of the Holding Company have been listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The financial statements of the Group for the year ended March 31, 2022 were approved and adopted by board of directors in their meeting held on May 20, 2022.

1.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standards) Rules, as amended from time to time.

The Consolidated financial statements have been prepared and presented on going concern basis and historical cost basis, except for the following assets and liabilities, which have been measured as indicated below:

- Certain Financial assets and liabilities at fair value (refer accounting policy regarding financial instruments).
- Employee's Defined Benefit Plans measured as per actuarial valuation report.

These financial statements are presented in Indian Rupees, which is the group's functional and presentation currency and all values are rounded off to the nearest lakhs with two decimals, except when otherwise indicated.

1.3 Principles of Consolidation

The consolidated financial statements have been prepared on the following principles of consolidation:

i) The financial statements of the Holding Company and its subsidiaries/ entity where control exists are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, incomes, expenses and cash flows, after fully eliminating intra-group balances and intragroup transactions and any unrealized income and expenses arising from intra Group transactions.

ii) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. The difference between the cost of investment in the subsidiaries and the Parent's share of net assets at the time of acquisition of control in the subsidiaries is recognised in the consolidated financial statements as goodwill. However, resultant gain (bargain purchase) is recognized in other comprehensive income on the acquisition date and accumulated to capital reserve in equity.

iii) The intra group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

iv) In case of foreign subsidiary, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve (FCTR).

v) The audited financial statements of foreign subsidiaries have been prepared in accordance with the Generally Accepted Accounting Principle of its Country of Incorporation or Ind AS.

vi) The Consolidated Financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. If an entity of the group uses accounting policies other than those adopted in the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's Financial Statements in preparing the Consolidated Financial Statements to ensure conformity with the Group's accounting policies.

vii) (d) For the acquisitions of additional interests in subsidiaries, where there is no change in the control, the Group recognises a reduction to the non-controlling interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of controlling interests, the difference between the cash received from sale or listing of the subsidiary shares and the increase to non-controlling interest is also recognised in equity. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Consolidated Statement of Profit and Loss. Any investment retained is recognised at fair value. The results of subsidiaries acquired or disposed off during the year are included in the Consolidated Statement of Profit and Loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

viii) Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

ix) Investment in Associates has been accounted under the Equity Method as per Ind AS 28 – Investments in Associates and Joint Ventures.

1.4 Significant Accounting policies

(A) Property, Plant and Equipment :

Property, plant and equipment are carried at its cost, net of recoverable taxes, trade discounts and rebate less accumulated depreciation and impairment losses, if any. Cost includes purchase price, borrowing cost, non refundable taxes or levies and directly attributable cost of bringing the asset to its working condition for its intended use. Expenditure related to plans, designs and drawings of buildings or plant and machinery is capitalized under relevant heads of property, plant and equipment if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. In case of Property, Plant and Equipment, the Group has availed the fair value as deemed cost on the date of Ind AS transition i.e. 1st April, 2016.

Property, Plant and Equipment not ready for the intended use on the date of Balance Sheet are disclosed as "Capital Work-in-Progress" and expenses incurred relating to it, net of income earned during the development stage, are disclosed as pre-operative expenses under "Capital Work-in-Progress".

Property, Plant and Equipment are eliminated from financial statements, either on disposal or when retired from active use. Gains / losses arising in the case of retirement/disposal of Property, Plant and Equipment are recognised in the Consolidated Statement of Profit and Loss in the year of occurrence.

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Capital work in progress and Capital advances:

Cost of assets not ready for intended use, as on the Balance Sheet date, is shown as capital work in progress. Advances given towards acquisition of property, plant and equipment outstanding at each Balance Sheet date are disclosed as Other Non-Current Assets.

Depreciation:

(a) Depreciation on the Property, Plant and Equipment is provided using straight line method over the useful life of the assets as specified in Schedule II to the Companies Act, 2013 except for following assets where the useful life is different as per technical evaluation than those prescribed in Schedule II are mentioned below-

Particulars	Useful Life
Drone and Charging Station	2 Years

(b) Leasehold land is amortised over the period of lease.

Depreciation on property, plant and equipment which are added / disposed off during the year is provided on pro-rata basis with reference to the date of addition / deletion. Freehold land is not depreciated.

The asset's residual values, useful lives and method of depreciation are reviewed at each financial year end and are adjusted prospectively, if appropriate.

(B) Intangible Assets and Amortisation:

Intangible Assets are stated at cost, net of accumulated amortization and impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gain or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized as income or expense in the Consolidated Statement of Profit and Loss. In case of Intangible Assets, the Group has availed the fair value as deemed cost on the date of transition i.e. 1st April, 2016.The period of amortisation is as under :

Asset	Period of amortisation
Computer Software	6 Years
Technical Know-how	6 Years

(C) Investment Property:

Investment property is held for long term rental income and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs and net of recoverable taxes, trade discounts and rebates. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation on investment properties is provided using straight line method over the estimated useful lives as specified in Schedule II to the Companies Act, 2013. Residual values, useful lives and method of depreciation of investment properties are reviewed at each financial year end and are adjusted prospectively, if appropriate. The effects of any revision are included in the Consolidated Statement of Profit and Loss when the changes arises.
Though the Group measures investment properties using cost based measurement, the fair value of investment property is disclosed in the notes.
Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in Consolidated Statement of Profit and Loss in the period of de-recognition.

(D) Borrowing Cost:

Borrowing costs specifically relating to the acquisition or construction of qualifying assets that necessarily takes a substantial period of time to get ready for its intended use are capitalized (net of income on temporarily deployment of funds) as part of the cost of such assets. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. For general borrowing used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a year does not exceed the amount of borrowing cost incurred during that year. All other borrowing costs are expensed in the year in which they occur.

(E) Impairment of Non-Financial Assets - Property, Plant and Equipment & Intangible Assets:

The Group assesses at each reporting date as to whether there is any indication that any property, plant and equipment and intangible assets or group of assets, called cash generating units (CGU) may be impaired. If any such indication exists the recoverable amount of an asset or CGU is estimated to determine the extent of impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. An impairment loss is recognised in the Consolidated Statement of Profit and Loss to the extent, asset's carrying amount exceeds its recoverable amount. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

(F) Government Grants and Subsidy:

The Group is entitled to subsidy from DSIR (Department of Scientific & Industrial Research), Ministry of Science & Technology for the difference between the normal rate of interest @12% and the concessional rate of interest @ 3% on financial assistance received from DSIR, subject to prompt repayment of the principal and interest thereon. Government grants are recognized only if there is reasonable assurance that the grant will be received and all the conditions attached there to shall be complied with and are adjusted against the finance costs.

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(G) Taxes on Income:

Tax expense represents the sum of current tax (including income tax for earlier years) and deferred tax. Tax is recognised in the Consolidated Statement of Profit and Loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in such cases the tax is also recognised directly in equity or in other comprehensive income. Any subsequent change in direct tax on items initially recognised in equity or other comprehensive income is also recognised in equity or other comprehensive income.

Current tax provision is computed for Income calculated after considering allowances and exemptions under the provisions of the applicable Income Tax Laws. Current tax assets and current tax liabilities are off set, and presented as net.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, carry forward tax losses and allowances to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, carry forward tax losses and allowances can be utilised. Deferred tax assets and liabilities are measured at the applicable tax rates. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which the temporary differences can be utilised.

(H) Inventories:

Inventories are measured at lower of cost and net realisable value after providing for obsolescence , if any. NRV is the estimate selling price in the ordinary course of business, less estimated costs of completion and estimate cost necessary to make the sale. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Cost of raw materials, stores & spares, packing materials are determined on weighted average basis. The Cost of Work in Progress and Finished Goods is determined on absorption costing methods.

(I) Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets -Initial recognition and measurement

All financial assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition of financial assets, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortised cost.

Financial assets - Subsequent measurement

For the purpose of subsequent measurement financial assets are classified in two broad categories:-
a) Financial assets at fair value
b) Financial assets at amortised cost
Where assets are measured at fair value, gains and losses are either recognised entirely in the Consolidated Statement of Profit and Loss (i.e. fair value through profit and loss), or recognised in other comprehensive income (i.e. fair value through other comprehensive income).

A financial asset that meets the following two conditions is measured at amortised cost (net of any write down for impairment) unless the asset is designated at fair value through profit or loss under the fair value option.

a) Business model test: The objective of the Group's business model is to hold the financial asset to collect the contractual cash flow.

b) Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that meets the following two conditions is measured at fair value through other comprehensive income unless the asset is designated at fair value through profit or loss under the fair value option.

a) Business model test: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets.

b) Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

All other financial asset is measured at fair value through profit or loss.

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Financial assets - Derecognition

A financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

a) The rights to receive cash flows from the asset have expired, or

b) The Group has transferred its rights to receive cash flow from the asset.

Impairment of Financial Assets

In accordance with Ind AS 109, the Group uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:

a) The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

b) Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

For trade receivables Group applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.

For other assets, the Group uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used.

Financial Liabilities - Initial recognition and measurement:

The financial Liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial Liabilities - Subsequent measurement:

Financial Liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial Liabilities - Financial guarantee contracts:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined and the amount recognised less cumulative amortisation.

Financial liability - Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another, from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

(j) **Fair Value:**

The Group measures financial instruments at fair value at each Balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy that categorizes into three levels, described as follows, the inputs to valuation techniques used to measure value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 — inputs that are unobservable for the asset or liability

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period and discloses the same.

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(K) Investment in Associate:

The Group has elected to recognize its investment in associate at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'.

(L) Revenue Recognition and Other Income:

Sales of goods and services:

The Group derives revenues primarily from sale of products comprising of Defence & Space Applications

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services. Generally, control is transfer upon shipment of goods to the customer or when the goods is made available to the customer, provided transfer of title to the customer occurs and the Group has not retained any significant risks of ownership or future obligations with respect to the goods shipped.

Revenue is measured at the amount of consideration which the Group expects to be entitled to in exchange for transferring distinct goods or services to a customer as specified in the contract, excluding amounts collected on behalf of third parties (for example taxes and duties collected on behalf of the government). Consideration is generally due upon satisfaction of performance obligations and a receivable is recognized when it becomes unconditional.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Revenue from rendering of services is recognised over time by measuring the progress towards complete satisfaction of performance obligations at the reporting period.

Contract Balances - Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other Income:

Incentives on exports and other Government incentives related to operations are recognised in the Consolidated Statement of Profit and Loss after due consideration of certainty of utilization/receipt of such incentives.

Interest Income:

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend Income:

Dividend income is recognised when the right to receive the payment is established.

Rental income:

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included as other income in the statement of profit or loss.

(M) Foreign currency transactions and translation:

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Consolidated Statement of Profit and Loss except to the extent of exchange differences which are regarded as an adjustment to interest costs on foreign currency borrowings that are directly attributable to the acquisition or construction of qualifying assets, are capitalized as cost of assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Consolidated Statement of Profit and Loss, within finance costs. All other finance gains / losses are presented in the Consolidated Statement of Profit and Loss on a net basis.

In case of an asset, expense or income where a monetary advance is paid/received, the date of transaction is the date on which the advance was initially recognized. If there were multiple payments or receipts in advance, multiple dates of transactions are determined for each payment or receipt of advance consideration.

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(N) **Employee Benefits:**

Short term employee benefits are recognized as an expense in the Consolidated Statement of Profit and Loss of the year in which the related services are rendered. Contribution to Provident Fund, a defined contribution plan, is made in accordance with the statute, and is recognised as an expense in the year in which employees have rendered services.

The cost of providing gratuity, a defined benefit plans, is determined based on Projected Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each Balance Sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Other costs are accounted in Consolidated Statement of Profit and Loss.

Remeasurements of defined benefit plan in respect of post employment and other long term benefits are charged to the other comprehensive income in the year in which they occur. Remeasurements are not reclassified to Consolidated Statement of Profit and Loss in subsequent periods.

(O) **Lease:**

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an options to extend the lease if the Group is reasonably certain to exercise that options; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that options. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that crate an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease. The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

The Group as a lessee

The Group's lease asset classes primarily consist of leases for land and buildings. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: (i) the contract involves the use of an identified asset (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.
Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Group as a lessor

Leases for which the Group is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right- of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

(P) **Research and Development:**

Revenue expenditure on Research and Development is charged in the year in which it is incurred. Capital Expenditure for Research and Development is capitalised when commissioned and included in the Plant, Property and Equipment and depreciated in accordance with the policies stated for Property, Plant and Equipment.

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(Q) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using equivalent period government securities interest rate. Unwinding of the discount is recognised in the Consolidated Statement of Profit and Loss as a finance cost. Provisions are reviewed at each Balance Sheet date and are adjusted to reflect the current best estimate.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. Information on contingent liability is disclosed in the Notes to the Financial Statements. Contingent assets are not recognised in financial statement. However, when the realisation of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognised as an asset.

(R) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Group. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Group.

(S) Cash and cash equivalents:

Cash and cash equivalents in the Balance Sheet comprise cash at banks, cash on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(T) Earnings per share:

Basic earnings per share is computed using the net profit or loss for the year attributable to the shareholders' and weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed using the net profit or loss for the year attributable to the shareholders' and weighted average number of equity and potential equity shares outstanding during the year including share options, convertible preference shares and debentures, except where the result would be anti-dilutive. Potential equity shares that are converted during the year are included in the calculation of diluted earnings per share, from the beginning of the year or date of issuance of such potential equity shares, to the date of conversion.

(U) Current / Non-current classification:

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.
The Group has presented non-current assets and current assets before equity, non-current liabilities and current liabilities in accordance with Schedule III, Division II of Companies Act, 2013 notified by Ministry of Corporate Affairs (MCA).

An asset is classified as current when it is:
a) Expected to be realised or intended to be sold or consumed in normal operating cycle,
b) Held primarily for the purpose of trading,
c) Expected to be realised within twelve months after the reporting period, or
d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when it is:
a) Expected to be settled in normal operating cycle,
b) Held primarily for the purpose of trading,
c) Due to be settled within twelve months after the reporting period, or
d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.
The operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Deferred tax assets and liabilities are classified as non-current assets and liabilities. The Group has identified twelve months as its operating cycle.

(V) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable rights to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable rights must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or counterparty.

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(W) Asset Held for Sale:

Non-Current Assets are classified as Held for Sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable from the date of classification, management are committed to the sale and the asset is available for immediate sale in its present condition. Non-Current Assets are classified as Held for Sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less cost to sell. Any resulting impairment loss is recognised in the Consolidated Statement of Profit and Loss as a separate line item. On classification as Held for Sale, the assets are no longer depreciated. Assets and liabilities classified as Held for Sale are presented separately as current items in the Balance Sheet.

1.5 Key accounting estimates and judgements

The preparation of the Group's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Depreciation/amortisation and useful lives of property plant and equipment/intangible assets:

Property, plant and equipment/intangible assets are depreciated/amortised over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/ amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation/ amortisation for future periods is revised if there are significant changes from previous estimates.

b) Provisions:

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

c) Defined benefit obligation:

The cost of post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, expected rate of return on assets and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

d) Income Tax:

The Group's tax jurisdiction is India. Significant judgements are involved in estimating budgeted profits for the purpose of paying advance tax, determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions.

e) Impairment of financial assets:

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

f) Revenue:

The application of Accounting Standard on Revenue Recognition involves use of key judgements with respect to multiple elements deliverables, timing of revenue recognition, accounting of discounts, incentives, etc. The Management has reviewed such accounting treatment and is satisfied about its appropriateness in terms of the relevant Ind AS.

g) Recoverability of trade receivables:

Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

h) Contingencies:

Management has estimated the possible outflow of resources at the end of each annual financial year, if any, in respect of contingencies/claim/litigations against the Group as it is not possible to predict the outcome of pending matters with accuracy.

1.6 Standards Issued But Not Effective

On March 23, 2022, the Ministry of Corporate Affairs (MCA) has notified Companies (Indian Accounting Standards) Amendment Rules, 2022. This notification has resulted into amendments in the following existing accounting standards which are applicable to Group from April 1, 2022.

Ind AS 101 – First time adoption of Ind AS
Ind AS 103 – Business Combination
Ind AS 109 – Financial Instrument
Ind AS 16 – Property, Plant and Equipment
Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets
Ind AS 41 – Agriculture

Application of above amended standards are not expected to have any significant impact on the Group's financial statements.

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PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

Paras Defence and Space Technologies Limited
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Note: 2 Property, Plant and Equipment

Particulars	Freehold-Land	Leasehold- Land	Buildings	Plant and Machinery	Furniture and Fixtures	Vehicles	Office Equipment	Computer	Right of Use Assets (Building)	Total
Balance as at April 01, 2020	377.82	5,463.32	3,708.69	8,041.18	282.61	397.76	165.20	60.74	19.73	18,517.05
Additions	-	-	657.95	254.26	30.49	15.44	30.04	25.52	13.18	1,026.88
Disposals / Adjustment	-	-	-	-	3.51	9.44	-	-	19.73	32.68
Transfer to Held for Sale	-	-	186.75	-	7.20	-	11.12	-	-	205.07
Balance as at March 31, 2021	377.82	5,463.32	4,179.89	8,295.44	302.39	403.76	184.12	86.26	13.18	19,306.18
Additions	-	-	58.47	447.10	126.52	-	87.75	35.22	-	755.06
Disposals / Adjustment	-	-	-	13.56	4.30	-	-	-	13.18	31.04
Transfer to investment properties (Refer Note No. 3)	377.82	-	1,835.34	-	-	-	-	-	-	2,213.16
Balance as at March 31, 2022	-	5,463.32	2,403.02	8,728.98	424.61	403.76	271.87	121.48	-	17,817.04
Depreciation										
Balance as at April 01, 2020	-	324.68	630.60	1,638.47	74.32	172.82	68.54	24.48	4.38	2,938.29
Depreciation for the Year	-	81.17	165.09	540.22	27.77	45.25	25.41	18.94	6.61	910.46
Disposals / Adjustment	-	-	-	-	1.57	7.73	-	-	9.89	19.19
Transfer to Held for Sale	-	-	28.59	-	2.71	-	5.27	-	-	36.57
Balance as at March 31, 2021	-	405.85	767.10	2,178.69	97.81	210.34	88.68	43.42	1.10	3,792.99
Depreciation for the Year	-	81.17	156.84	580.79	31.92	44.96	33.58	22.90	6.59	958.75
Disposals / Adjustment	-	-	-	8.20	3.69	-	-	-	7.69	19.58
Transfer to investment properties (Refer Note No. 3)	-	-	401.30	-	-	-	-	-	-	401.30
Balance as at March 31, 2022	-	487.02	522.64	2,751.28	126.04	255.30	122.26	66.32	-	4,330.86
Net Carrying Value										
Balance as at March 31, 2021	377.82	5,057.47	3,412.79	6,116.75	204.58	193.42	95.44	42.84	12.08	15,513.19
Balance as at March 31, 2022	-	4,976.30	1,880.38	5,977.70	298.57	148.46	149.61	55.16	-	13,486.18

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PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED ★

Paras Defence and Space Technologies Limited
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2.1 Property, Plant and Equipment include assets pledged / hypothecated as security (Refer note no. 17 and 23).

2.2 Vehicles, having carrying value of Rs. 121.84 lakhs (March 31, 2021 : Rs. 162.44 lakhs), are registered in the name of the Directors or erstwhile Directors of the Company or of entities that has since been amalgamated with the Company in pursuance to the scheme of amalgamation.

2.3 Refer Note No. 37 (B) for contractual commitments for the acquisition of Property, Plant and Equipments.

2.4 Capital Work in Progress includes

Particulars	As at March 31, 2022	As at March 31, 2021
Building under Construction	2.60	51.12
Plant and Machinery	47.28	-
TOTAL	49.88	51.12

2.5 Details of Pre-operative Expenses included as part of Capital Work In Progress are as under:

Particulars	As at March 31, 2022	As at March 31, 2021
Employee Benefits Expense	-	5.14
Finance Costs	-	46.21
Pre-operative Expenses for the year	-	51.35
Add : Pre-operative Expenses upto Previous Year	-	35.31
	-	86.66
Less: Allocated during the year to Property, Plant and Equipment	-	86.66
TOTAL	-	-

2.6 Capital Work In Progress ageing schedule as at March 31, 2022 is as follows:

Particulars	Amount in Capital Work in Progress for the period of				
	Less than 1 year	1-2 years	2-3 Years	More than 3 years	Total
Project in progress	49.88	-	-	-	49.88
Project temporarily suspended	-	-	-	-	-
TOTAL	49.88	-	-	-	49.88

Capital Work In Progress ageing schedule as at March 31, 2021 is as follows:

Particulars	Amount in Capital Work in Progress for the period of				
	Less than 1 year	1-2 years	2-3 Years	More than 3 years	Total
Project in progress	51.12	-	-	-	51.12
Project temporarily suspended	-	-	-	-	-
TOTAL	51.12	-	-	-	51.12

2.7 The Group does not have any Capital work in progress, whose completion is overdue or exceeded its cost compared to its original plan.

2.8 Building includes cost of shares in Co-operative society of Rs. 750 (March 31, 2021: Rs. 750) .

2.9 In accordance with the Indian Accounting standards -36 on "Impairment of Assets", the management during the year carried out an exercise of identifying the assets that may have been impaired in respect of each cash generating unit in accordance with the said Ind AS. On the basis of the review carried out by the management , there was no impairment loss on Property, Plant and Equipment during the year ended March 31, 2022.

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PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED ★

(All amounts in Rupees Lakhs, unless otherwise stated)

Note: 4 Intangible Assets

Particulars	Computer Software*	Process Technology / Technical know-How*	TOTAL
Balance as at April 01, 2020	23.41	309.14	332.55
Additions	0.16	-	0.16
Balance as at March 31, 2021	23.57	309.14	332.71
Additions	2.03	-	2.03
Balance as at March 31, 2022	25.60	309.14	334,74
Amortisation			
Balance as at April 01, 2020	4.06	124.05	128.11
Amortisation charge for the Year	3.38	51.52	54.90
Balance as at March 31, 2021	7.44	175.57	183.01
Amortisation charge for the Year	3.40	51.52	54.92
Balance as at March 31, 2022	10.84	227.09	237.93
Net Carrying Amount			
Balance As at March 31, 2021	16.13	133.57	149.70
Balance As at March 31, 2022	14.76	82.05	96.81

* Other than self generated

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Note: 3 Investment property

Particulars	Land	Buildings	Total
Costs:			
As at April 01, 2020			
Addition	-	-	-
As at March 31, 2021	-	-	-
	-	-	-
Transferred from property, plant and equipment	377.82	1,835.34	2,213.16
Addition	-	-	-
As at March 31, 2022	377.82	1,835.34	2,213.16
Depreciation			
As at April 01, 2020			
Depreciation	-	-	-
As at March 31, 2021	-	-	-
	-	-	-
Transferred from property, plant and equipment	-	401.30	401.30
Depreciation	-	28.66	28.66
As at March 31, 2022	-	429.96	429.96
Net Carrying Value			
Balance as at March 31, 2021	-	-	-
Balance as at March 31, 2022	377.82	1,405.38	1,783.20

3.1 The Group's Investment Properties as at March 31, 2022 consist of Land and Building

3.2 **Income /(Loss) from Investment Properties generating Rental Income**

Particulars	As at March 31, 2022	As at March 31, 2021
Rental Income derived from investment properties	16.00	-
Direct Expenses	2.38	-
Income arising from investment properties before depreciation	13.62	-
Depreciation	28.66	-
Loss from Investment properties (Net)	(15.04)	-

3.3 **Leasing arrangements**

The above Investment Properties are given for a term of 10 years with a non- cacellable for a period of 5 years. The future rental income in respect of above lease arrangement are as under:

Particulars	As at March 31, 2022	As at March 31, 2021
Within one year	48.80	-
Later than one year but not later than five years	200.43	-
Total	249.23	-

3.4 The Fair Values of properties are Rs. 2,520.00 Lakhs (March 31, 2021: Rs. NIL). This valuation is based on the valuations performed by a registered valuer. The main inputs used are the rental growth rates and a study of the micro market in discussion with industry experts. Resulting fair value estimate for investment property are included in level 3 fair value based on the inputs to the valuation techniques used.

3.5 The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties for repairs, maintenance and enhancement.

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PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

(All amounts in Rupees Lakhs, unless otherwise stated)

Note: 5 Non Current Investment

Particulars	Number of Shares		Face Value (In Rs.)	As at March 31, 2022	As at March 31, 2021
	March 31, 2022	March 31, 2021			
(Unquoted, Fully Paid Up)					
A. Investment in Equity Instruments					
i) Associate Company (Carried at Cost)					
Krasny Paras Defence Technologies Pvt Ltd	47,500	-	10	4.33	-
ii) Others (Carried at fair value through Profit & Loss)					
NKGSB Co- Operative Bank Limited	50,000	50,000	10	5.00	5.00
Highlander Aviation Limited	10,357	10,357	NIS 0.01	41.31	34.69
B. Investment in 0% Optionally Convertible Security (Carried at fair value through Profit & Loss)					
Highlander Aviation Limited	-	-	-	301.27	72.89
Total				**351.91**	**112.58**

	As at March 31, 2022	As at March 31, 2021
Aggregate Amount of Unquoted Investments	351.91	112.58
Aggregate Amount of Quoted Investments and Market Value	-	-
Investments Carried at fair value through Profit and Loss	347.58	112.58
Investment Carried at Cost	4.33	-

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(All amounts in Rupees lakhs, unless otherwise stated)

Note: 6. Other Non-current Financial Assets

Particulars	As at March 31, 2022	As at March 31, 2021
Fixed Deposits with Banks held as Margin Money	62.88	119.03
Security Deposits	21.00	70.59
Total	**83.88**	**189.62**

Note: 7. Other Non-current Assets

Particulars	As at March 31, 2022	As at March 31, 2021
(Unsecured, Considered Good)		
Capital Advances	167.09	48.02
Prepaid Expenses	4.58	4.35
Total	**171.67**	**52.37**

Note: 8 Inventories

Particulars	As at March 31, 2022	As at March 31, 2021
Raw Materials	1,478.86	626.27
Raw Materials in Transit	354.95	1,921.28
Work-in-Progress	4,465.17	4,072.33
Finished Goods	95.17	396.82
Stores, Spares and Consumables	266.88	420.02
Stock in Trade	-	34.37
Stores, Spares and Consumables in Transit	1.73	-
Total	**6,662.76**	**7,471.09**

8.1 For basis of valuation Refer Accounting Policy Note No. 1.4 (H)
8.2 For inventories hypothecated as security (Refer Note No 17 and 23)

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PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 9 Trade Receivables

Particulars	As at March 31, 2022	As at March 31, 2021
(Unsecured)		
Considered Good	12,973.50	9,910.38
Significant increase in Credit Risk	87.01	189.78
Credit Impaired	48.17	-
	13,108.68	10,100.16
Less: Provision for Expected Credit Loss	762.77	614.70
Less: Provision for credit impaired	48.17	-
Total	12,297.74	9,485.46

9.1 For Hypothecated as security (Refer Note No. 17 and 23)

Trade Receivables Ageing Schedules as at March 31, 2022 and March 31, 2021 are as below :-

As at March 31, 2022

Particulars	Not due	Outstanding for following periods from due date of payment					
		Less than 6 months	6 Months to 1 year	1-2 Years	2-3 years	More than 3 years	Total
Undisputed Trade receivables – considered good	5,281.64	3,682.88	3,130.14	761.51	61.41	55.92	12,973.50
Undisputed Trade Receivables –which have significant increase in credit risk	-	-	0.16	4.69	13.08	69.08	87.01
Undisputed Trade Receivables –credit impaired	-	-	-	12.53	0.15	35.49	48.17
Disputed Trade receivables –considered good	-	-	-	-	-	-	-
Disputed Trade Receivables –which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Sub Total	5,281.64	3,682.88	3,130.30	778.73	74.64	160.49	13,108.68
Less: Provision for Credit Impaired	-	-	-	12.53	0.15	35.49	48.17
Less: Provision for Expected Credit Loss							762.77
Total	5,281.64	3,682.88	3,130.30	766.20	74.49	125.00	12,297.74

As at March 31, 2021

Particulars	Not due	Outstanding for following periods from due date of payment					
		Less than 6 months	6 Months to 1 year	1-2 Years	2-3 years	More than 3 years	Total
Undisputed Trade receivables –considered good	6,710.78	2,100.18	507.16	294.06	214.60	83.61	9,910.39
Undisputed Trade Receivables –which have significant increase in credit risk	-	-	1.01	9.55	19.52	159.69	189.77
Undisputed Trade Receivables –credit impaired	-	-	-	-	-	-	-
Disputed Trade receivables –considered good	-	-	-	-	-	-	-
Disputed Trade Receivables –which have significant increase in credit risk	-	-	-	-	-	-	-
Disputed Trade Receivables – credit impaired							-
Sub Total	6,710.78	2,100.18	508.17	303.61	234.12	243.30	10,100.16
Less: Provision for Expected Credit Loss							614.70
Total	6,710.78	2,100.18	508.17	303.61	234.12	243.30	9,485.46

Note: 10 Cash and Cash Equivalents

Particulars	As at March 31, 2022	As at March 31, 2021
Cash and Cash Equivalents		
Balances with Banks in Current Accounts	199.88	465.19
Cash in hand	18.09	3.07
Total	217.97	468.26

10.1 For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents comprise the following:

Particulars	As at March 31, 2022	As at March 31, 2021
Balances with Banks in Current Accounts	199.88	465.19
Cash on hand	18.09	3.07
Total	217.97	468.26

(All amounts in Rupees lakhs, unless otherwise stated)

Note: 11 Bank Balances Other Than Cash And Cash Equivalents

Particulars	As at March 31, 2022	As at March 31, 2021
Balances with Bank in Monitoring Agency & Escrow Account	378.99	-
Fixed Deposits with Bank*	6,701.05	100.00
Fixed Deposits with Banks Pledged as Margin Money	296.06	263.35
Total	7,376.10	363.35

*Temporary deposits of IPO Proceeds

Note: 12 Loans

Particulars	As at March 31, 2022	As at March 31, 2021
(Unsecured, Considered Good)		
Loans to Employees	6.63	4.92
Total	6.63	4.92

Note: 13. Other Current Financial Assets

Particulars	As at March 31, 2022	As at March 31, 2021
(Unsecured, Considered Good)		
Interest Receivables	106.73	32.61
Government Grant Receivables	-	11.00
Security Deposits	122.54	18.59
Other Receivables	9.73	0.12
Total	239.00	62.32

Note: 14 Other Current Assets

Particulars	As at March 31, 2022	As at March 31, 2021
Advances to Suppliers, Considered Good	2,451.14	1,729.15
Balances with Government Authorities	230.44	102.82
Export Incentive Receivables	26.47	42.33
Prepaid Expenses	65.37	64.99
Others *	16.60	0.06
Total	2,790.02	1,939.35

* Others includes Export scripts in hand

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Note: 15 Equity Share Capital

Particulars	As at March 31, 2022	As at March 31, 2021
Authorised		
50,920,000 (March 31, 2021 : 30,510,000) Equity Shares of Rs.10/- each.	5,092.00	3,051.00
958,000 (March 31, 2021: 2,999,000) Preference Shares of Rs. 100/- each.	958.00	2,999.00
	6,050.00	6,050.00
Issued		
39,000,061 (March 31, 2021 : 30,253,177) Equity Shares of Rs.10/- each fully paid up	3,900.00	3,025.31
Subscribed and Paid up		
39,000,061 (March 31, 2021 : 29,853,177) Equity Shares of Rs.10/- each fully paid up	3,900.00	2,985.31
Total	3,900.00	2,985.31

15.1 Reconciliation of Equity Shares outstanding at the beginning and at the end of the year:

	As at March 31, 2022		As at March 31, 2021	
	No. of Shares	Amount	No. of Shares	Amount
Shares outstanding at the beginning of the year	2,98,53,177	2,985.31	2,84,12,670	2,841.26
Add: Issue of Equity Shares (Refer Note No. 15.2 & 15.3 & 15.4 and 15.5)	91,46,884	914.69	14,40,507	144.05
Shares outstanding at the end of the year	3,90,00,061	3,900.00	2,98,53,177	2,985.31

15.2 On April 26, 2021, the Holding Company allotted 400,000 equity shares, Face Value of Rs.10 each at a premium of Rs.115/- per share on preferential basis. The expenses of Rs. 0.12 lakhs has been adjusted against Securities Premium.

15.3 On July 9, 2021, the Holding Company allotted 7,12,598 equity shares of face value of Rs. 10 each at a premium of Rs. 150/- per share on preferential basis. The expenses of Rs. 1.35 lakhs has been adjusted against Securities Premium.

15.4 The Holding Company has completed its Initial Public Offering (IPO) of 9,758,776 equity shares of face value of Rs.10 each for cash at an issue price of Rs. 175 per equity share aggregating to Rs. 17,077.85 Lakhs, consisting of Fresh Issue of 80,34,286 equity shares amounting to Rs. 14,060.00 Lakhs and an offer for sale of 1,724,490 equity shares amounting to Rs. 3,017.85 Lakhs by the Selling Shareholders. The Holding Company has incurred Rs. 1,778.23 Lakhs as IPO related expenses which are proportionately allocated between the Holding Company and Selling Shareholders as per respective offer size. The Holding Company's share of these expenses amounting to Rs. 1,264.18 Lakhs (net of deferred tax) has been adjusted against Securities Premium. On October 1, 2021, the equity shares of the Holding Company have been listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

As at March 31, 2022, an untilised IPO proceeds amounting to Rs. 6,600.00 Lakhs is temporarily invested in term deposits with scheduled commercial bank and Rs. 325.03 Lakhs are lying with monitoring agency account.

15.5 During the previous year, the Holding Company allotted 507 and 1,440,000 Equity shares, face value of Rs. 10 each at a premium of Rs. 187 and Rs. 115 per share on preferential basis respectively.

15.6 2,53,12,670 (March 31, 2021 : 2,53,12,670) Shares were alloted in last five years pursuant to the schemes of Amalgamation and Bonus issue for the consideration other than cash.

15.7 Details of Shareholders, holding more than 5% shares of the Company:

Name of Shareholders	As at March 31, 2022		As at March 31, 2021	
	No of Shares held	Percentage held	No of Shares held	Percentage held
Mr. Sharad Virji Shah	72,74,840	18.65%	85,24,840	28.56%
Mr. Munjal Sharad Shah	98,58,137	25.28%	97,42,630	32.64%
Mrs. Ami Munjal Shah	10,13,008	2.60%	19,41,580	6.50%

15.8 Details of shares held by promoters in the Company.

Name of Shareholders	As at March 31, 2022		As at March 31, 2021		% Changes From
	No of Shares held	Percentage held	No of Shares held	Percentage held	March 31, 2021 to March 31, 2022
Mr. Sharad Virji Shah	72,74,840	18.65%	85,24,840	28.56%	-9.90%
Mr. Munjal Sharad Shah	98,58,137	25.28%	97,42,630	32.64%	-7.36%
Mrs. Ami Munjal Shah	10,13,008	2.60%	19,41,580	6.50%	-3.91%
Mr. Anish Hemant Mehta	14,20,630	3.64%	14,20,630	4.76%	-1.12%
Mrs. Kajaal Harsh Bhansali	14,20,630	3.64%	14,20,630	4.76%	-1.12%
Ms. Anushka Munjal Shah	10,00,000	2.56%	10,00,000	3.35%	-0.79%
Ms. Jiwanshi Munjal Shah	10,00,000	2.56%	10,00,000	3.35%	-0.79%
Mrs. Niranjana Sharad Shah	5	0.00%	5	0.00%	0.00%

15.9 Rights of Equity Shareholders

The Holding Company has only one class of equity shares having a face value of Rs. 10/- per share. Each shareholder is eligible for one vote per share held. In the event of liquidation of the Holding Company, the equity shareholders will be entitled to receive any of remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholder.

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Note: 16 Other Equity

Particulars	As at March 31, 2022	As at March 31, 2022	As at March 31, 2021	As at March 31, 2021
Capital Reserve				
Balance as per last Balance Sheet		(808.36)		(808.36)
Securities Premium				
Balance as per last Balance Sheet	4,315.35		2,661.70	
Add: On issue of Equity shares (Refer Note No. 15.2 & 15.3 & 15.4 and 15.5)	14,785.47		1,656.95	
Less: Expenses incurred for issue of Equity Shares (net of Taxes)*	(1,265.65)		(3.30)	
		17,835.17		4,315.35
Revaluation Reserve				
Balance as per last Balance Sheet		4,183.09		4,183.09
General Reserve				
Balance as per last Balance Sheet		11.92		11.92
Retained Earnings				
Balance as per last Balance Sheet	9,931.35		8,358.79	
Add: Movement in Non Controlling Interest	12.90		-	
Add: Profit after tax for the Year	2,704.31		1,572.56	
		12,648.56		9,931.35
Other Comprehensive Income (OCI)				
Balance as per last Balance Sheet	44.83		13.89	
Add: Movement in OCI (Net) during the Year	0.33		30.94	
		45.16		44.83
Total		33,915.54		17,678.18

* Include Rs 35,00 Lakhs paid to auditor (March 31, 2021: Rs. Nil)

Note No. 16.1 Nature And Purpose Of Reserves

Capital Reserves
The Capital Reserve was created pursuant to the scheme of amalgamation of Mechvac India Limited, Concept Shapers & Electronics Private Limited. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

Securities Premium
Securities Premium was created when shares were issued at premium. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

Revaluation Reserve
Revaluation Reserve was created for revaluation of Land and Building. It shall be utilised in accordance with the provisions of the Companies Act, 2013.

General Reserve
The General Reserve shall be utilised in accordance with the provisions of the Companies Act, 2013.

Retained Earnings
Retained Earnings represent the accumulated Profits / (losses) made by the group over the years.

Other Comprehensive Income
Other Comprehensive Income (OCI) represents the amount recognised in other equity consequent to remeasurement of Defined Benefit Plan and Foreign Currency Translation Reserve.

Note: 17 Non Current Borrowings

Particulars	As at March 31, 2022	As at March 31, 2021
Secured		
Term Loans *		
- From Banks	-	1,889.35
- From Financial Institution	-	663.59
Total	-	2,552.94

* Net of Processing Fees of Rs. NIL (March 31, 2021 : Rs.5.13 Lakhs)

17.1 The Term loans from banks by the Holding Company referred to above aggregating to Rs. NIL (March 31,2021 : Rs. 1890.38 Lakhs) and Rs. NIL (March 31,2021 : Rs. 765.17 Lakhs) included in current maturity of long Term Debts in Note No. 23 includes:

(i) Rs. NIL (March 31, 2021 : Rs. 756.93 lakhs) was secured by way of Equitable mortgage of Land and Building on Plot no. M-6, Additional Ambernath industrial area, Ambernath-421506, Maharashtra, India (Measuring 21569 sq mtrs) and further secured by collateral security of plant and machinery.

(ii) Rs. NIL (March 31, 2021 : Rs. 177.50 lakhs) was secured by the Equitable mortgage of Shed constructed on Plot No. M6, MIDC Additional Ambernath Industrial Area, situated at Village Jambivali, Ambernath 421506 and further secured by collateral security of plant and machinery.

(iii) Rs. NIL (March 31, 2021 :Rs.150.94 lakhs) was secured by Hypothecation of Flow Forming Machine and further secured by collateral security of plant and machinery.

(iv) Rs. NIL (March 31, 2021 :Rs. 65.91 lakhs) was hypothecated by Vacuume Epoxy Resin and Dosing Machine and further secured by collateral security of plant and machinery.

(v) Rs. NIL (March 31, 2021 : Rs. 248.63 lakhs) was secured by Equitable mortgage of Shed constructed on Plot No. M6, MIDC Additional Ambernath Industrial Area, situated at Village Jambivali, Ambernath 421506 and further secured by collateral security of plant and machinery present and future.

(vi) Rs. NIL (March 31, 2021 : Rs.1140.12 lakhs) was secured by Pari Passu Charge on all existing and future current assets / movable fixed assets of the Company and further secured by Collateral Security of 1) Premises no. 103, 1st floor, veena industrial premises Co-operative Society Limited, Plot no. B-61, veera desai road, Andheri W, Mumbai 400058. 2) Unit no. 115, 1st floor, veena industrial premises Co-operative Society Limited, Plot no. B 61, 400058. 3) Unit no. 2098, 2nd floor, veena industrial premises Co-operative Society Limited, Plot no. B 61, 400058. 4) Plot no. 108 A, survey no. 261, IDA, Cherlapally, Dist. Ranga reddy, Hyderabad-500062. 5) Plot no. D112, TTC Industrial Area, MIDC, Shiravane, Nerul, Navi Mumbai 400076.

(vii) Rs. NIL (March 31, 2021 : Rs.115.52 lakhs) was secured by the way of Hypothecation of specific vehicle financed.These vehicle loan accounts are in the name of directors / erstwhile director of the Companies or of entities that have since been amalgamated with the company in pursuance to the scheme of amalgamation.

17.2 The Term loans from financial institution by the Holding Company referred to above aggregating to Rs. NIL (March 31, 2021 : Rs. 667.69 Lakhs) and Rs. NIL (March 31, 2021 : Rs. 142.89 Lakhs) included in current maturity in Note No. 23 includes:

(i) Rs. NIL (March 31, 2021 : Rs.111.79 lakhs) was secured by the mortgage on 101, Kalinga Nirmal Nagar, MGLR, Dmart, Mulund (W), Mumbai 400080, owned by Mr Sharad Shah.
(ii) Rs. NIL (March 31, 2021 : Rs. 51.53 lakhs) was secured by the mortgage on 101, Kalinga Nirmal Nagar, MGLR, Dmart, Mulund (W), Mumbai 400080, owned by Mr Sharad Shah.
(iii) Rs. NIL (March 31, 2021 : Rs. 473.50 lakhs) was secured by 396/397A , TTC Industrial Area, Mahape, Navi Mumbai 400710, owned by Mr Sharad Shah.
(iv) Rs. NIL (March 31, 2021 : Rs. 171.22 lakhs) was secured by way of hypothecation/exclusive charge on specific Equipment finance.
(v) Rs. NIL (March 31, 2021 : Rs.2.54 lakhs) was secured by the way of Hypothecation of specific vehicle financed.These vehicle loan accounts were in the name of directors / erstwhile director of the Company or of entities that has since been amalgamated with the company in pursuance to the scheme of amalgamation.

17.3 The Term loans from financial institution of Rs. NIL (March 31, 2021 : Rs. 244.79 lakhs) was secured by Flat no. 604/605, Nirmal nagar kalinga CHSL, Nirmal nagar, Line road, D mart, Mulund W, Mumbai, Maharashtra India 400080 and included in liabilities directly associated with Assets classified as Held for Sale in Refer Note No. 23.

17.4 The Term loans referred to above were guaranteed by some of the directors, erstwhile directors and their relative in their personal capacities.

17.5 During the year, the Holding company has pre- closed and repaid all the Non- current borrowings including current maturities to the banks and financial institutions.

Note: 18 Lease Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Lease Liabilities	-	5.93
Total	-	5.93

18.1: **The following is the movement in lease liabilities during the year :**

Particulars	As at March 31, 2022	As at March 31, 2021
Opening Balance	12.15	16.21
Add: Addition during the year	-	13.18
Add: Finance cost accrued during the year	1.15	1.59
Less: Payment of lease Liabilities	7.80	7.30
Less: Reversal of Lease Liabilities pursuant to cancellation of agreement	5.50	11.53
Closing Balance	-	12.15

18.2: **The following is the contractual maturity profile of lease liabilities:**

Particulars	As at March 31, 2022	As at March 31, 2021
Less than one year	-	6.22
One year to Five years	-	5.93
More than five years	-	-
Total	-	12.15

Note: 19 Other Non-Current Financial Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Security Deposit	10.05	-
Total	10.05	-

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Note: 21 Non-Current Provision

Particulars	As at March 31, 2022	As at March 31, 2021
Provision for Gratuity (Refer Note No. 52)	133.34	119.33
Total	133.34	119.33

Note: 22 Other Non Current liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Unamortised Portion of Security deposit	12.33	-
Total	12.33	-

Note 23 Current Financial Liabilities - Borrowings

Particulars	As at March 31, 2022	As at March 31, 2021
Secured		
Working Capital Rupee Loans from Banks	3,044.25	4,319.82
Current Maturities of Long Term Debts	-	1,003.34
Liabilities directly associated with Assets classified as Held for Sale	-	244.79
Buyers Credit	58.20	-
Unsecured	-	
NIL (March 31, 2021: 13,97,000)- 0.01% Optionally Convertible Preference Shares of Rs. 100/- each	-	1,573.56
Loans From Related Parties (Refer Note No. 38)	5.50	910.42
	5.50	2,483.98
Total	3,107.95	8,051.93

23.1 The working capital Loans from banks includes:

(i) Rs. 1473.14 Lakhs (March 31, 2021: Rs. 1506.85 Lakhs) secured by way of hypothecation of stocks & book-debts and further secured by collateral security of Plant & Machinery and Land & Building on plot no. M-6, MIDC, Additional Ambernath Industrial Area, Ambernath-421506, Maharashtra, India of the Holding Company.

(ii) Rs. 1439.49 Lakhs (March 31, 2021 Rs. 2810.97 Lakhs) taken by Holding Company, secured by Pari Passu Charge on all existing and future current assets / movable fixed assets and Collateral Security of 1) Premises no. 103, 1st floor, veena industrial premises Co-op soc. Ltd, Plot no. B-61, veera desai road, Andheri W, Mumbai 400058. 2) Unit no. 115, 1st floor, veena industrial premises Co-op Soc Ltd, Plot no. B 61, 400058. 3) Unit no. 209B, 2nd floor, veena industrial premises Co-op Soc Ltd, Plot no. B 61, 400058. 4) Plot no. 108 A, survey no. 261, IDA, Cherlapally, Dist. Ranga reddy, Hyderabad-500062. 5) Plot no. D112, TTC Industrial Area, MIDC, Shiravane, Nerul, Navi Mumbai 400076, 6) Additional Mortgage on Pentahouse No. 11, 13th & 14th floors, A Wing, Maruti Paradise, Sector No. 15 at CBD Belapur, Navi Mumbai - 400614 owned by Mr Munjal Shah.

(iii) Rs.189.82 Lakhs (March 31, 2021: Rs. Nil) is secured by all existing and future current assets of the Subsidiary Company and Property, Plant and Equipment of the Subsidiary Company situated at Navi Mumbai and lien on fixed deposits Rs. 100 lakhs of the Subsidiary Company. The working facilities carries interest rate @ MCLR+0.65.

23.2 The Working Capital Rupee loans referred to above are guaranteed by some of the directors, erstwhile directors and their relatives in their personal capacities.

23.3 During the previous year, the Company issued and allotted 29,99,000, 0.01% Optionally Convertible Preference Shares ('OCPS') having face value of Rs. 100/- each at par, pursuant to the Subscription Cum Share Holders Agreement ("SSHA") dated 5th August, 2020. SSHA agreement amended and the parties entered into Amendment And Conditional Termination Agreement dated 28th January, 2021. During the year the Company has redeemed remaining OCPS and major terms and condition were as below.

i) The OCPS carry a coupon rate of 0.01% per annum and coupon shall accrue and be payable annually on 30th June post a moratorium period of 2 years from the date of allotment.
ii) The Company, with the written consent of the investor can redeem / purchase the OCPS @ 20% p.a. IRR to the investor.

iii) The investor has right to convert the OCPS in to fully paid up equity shares of the Company at a pre money valuation arrived by applying PE multiple of 5 to profit after tax (PAT) for the period of 12 months prior to 48 months from the date of disbursement of funds (for 50% of the OCPS) and/or PE multiple of 6 to profit after tax (PAT) for the period of 12 months prior to 60 months from the date of disbursement of funds (for balance 50% of the OCPS) at any time after the end of the respective financial years up to 84 months from the date of disbursal of funds. The conversion option shall be exercised by the investor any time after 48 months and/or 60 months after the date of disbursal of funds.

iv) If the fully Diluted stake of the investor exceeds 30% of the fully Diluted paid up capital, then in compliance with the applicable provisions of the Companies Act, 2013, the investor shall convert only such number of OCPS so as to keep the investors stake less than or equal to 30% of the fully Diluted paid up capital. The Balance unconverted OCPS shall be redeemed by the Company or purchased by the promoters so as to give investor an IRR of 20% p.a.

v) (A) In case the Company attracts fresh round of funding before redemption of the OCPS held by the Investor ("Funding Round"), the requisite proportion of the proceeds of the Funding Round shall forthwith be utilized by the Company to redeem the OCPS held by the Investor, at a price which shall provide the Investor an IRR of 20% p.a. on the consideration paid by the Investor for the purchase of the OCPS.

(B) In case of IPO:
a. At any time Prior to the filing of the updated draft of the red herring prospectus with SEBI in relation to the Offer, on receiving the final observations from SEBI on the DRHP ("Updated DRHP Filing"), the Company shall undertake the Pre-IPO Placement (in part or in full) and use the requisite proportion of the proceeds of such Pre-IPO Placement towards redemption of the outstanding Subscription Preference Shares held by the Investor and the Investor shall, at the request of the Company, forthwith offer the Subscription Preference Shares held by it for redemption, at a price which shall provide the Investor an IRR of 20% p.a. on the consideration paid by the Investor for the purchase of the Subscription Preference Shares ("Redemption").

b. Simultaneously with or immediately before/after the Redemption and in any event, prior to the Updated DRHP Filing, the Promoters shall purchase the Subscription Equity Shares or procure a third party purchaser who shall purchase the entire Subscription Equity Shares from the Investor, at such a price which shall provide the Investor an IRR of 20% p.a. on the consideration paid by the Investor for the Subscription Equity Shares ("Transfer").

c. The Holding Company shall not proceed with the filing of red herring prospectus in the IPO unless the Redemption and Transfer, under sub causes (a) and (b), above is completed."

vi) In the event of option to convert the OCPS is not being exercised or the Investor Opts to convert only a portion of the OCPS then the unconverted OCPS shall be bought back in eight (8) equal quarterly installments starting from 60 months after the date of disbursement of funds.

Details of OCPS holding more than 5% of OCPS of the Company.

Name of Shareholders	As at March 31, 2022		As at March 31, 2021	
	No of OCPS held	Percentage held	No of Shares held	Percentage held
Maharashtra Defence and Aerospace Venture Fund through its Investment Manager namely M/s. IDBI Capital Markets & Securities Limited	-	-	13,97,000	100%

Reconciliation of OCPS outstanding at the beginning and at the end of the year:

Particulars	As at March 31, 2022		As at March 31, 2021	
	No. of OCPS	Amount	No. of OCPS	Amount
Shares outstanding at the beginning of the year	13,97,000	1,397.00	-	-
Add: Issue of Preference Shares	-	-	29,99,000	2,999.00
Less: Redemption of Preference Shares*	(13,97,000)*	(1,397.00)	(16,02,000)#	(1,602.00)
Shares outstanding at the end of the year	-	-	13,97,000	1,397.00

* During the year, Pursuant to the resolution passed by the Board of Directors in its meeting held on April 26, 2021 & July 29, 2021 and consented by the Preference Shareholders, the Holding Company has redeemed 4,39,000 & 9,58,000 0.01 % Optionally Convertible Preference Shares of Rs. 100 each at a premium of Rs. 14.40 & 19.25 per share out of the proceeds of fresh equity shares of the Holding Company, respectively.

\# During the previous year, Pursuant to the resolution passed by the Board of Directors in its meeting held on March 26, 2021 and consented by the Preference Shareholders, the Holding Company has redeemed 16,02,000 0.01 % Optionally Convertible Preference Shares of Rs. 100 each at a premium of Rs. 12.40 per share out of the proceeds of fresh equity shares of the Holding Company.

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Note: 24 Lease Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Lease Liabilities	-	6.22
Total	-	6.22

Note: 25 Trade Payables

Particulars	As at March 31, 2022	As at March 31, 2021
Micro, Small and Medium Enterprises	135.92	93.89
Others	1,391.28	1,438.26
Total	1,527.20	1,532.15

25.1 Disclosures of the Micro, Small And Medium Enterprises Development Act, 2006

Micro, Small and Medium Enterprises (MSME) under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information as available with the Company and the required disclosures are given below :

Particulars		As at March 31, 2022	As at March 31, 2021
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year	135.92	93.89
(ii)	Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	4.40	2.93
(iii)	The amount of interest paid, along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv)	The amount of interest due and payable for the year	-	-
(v)	The amount of interest accrued and remaining unpaid at the end of the accounting year	4.40	2.93
(vi)	The amount of Further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Trade Payables Ageing Schedules are as follows:

As at March 31, 2022

Particulars	Not due	Outstanding from due date of payment as at March 31, 2022				
		Less than 1 Year	1 - 2 Years	2 - 3 Years	More than 3 years	Total
MSME	72.89	53.22	0.99	8.82	-	135.92
Others	609.30	605.16	59.21	75.89	41.72	1,391.28
Disputed - MSME	-	-	-	-	-	-
Disputed - Others	-	-	-	-	-	-
Total	682.19	658.38	60.20	84.71	41.72	1,527.20

As at March 31, 2021

Particulars	Not due	Outstanding from due date of payment as at March 31, 2021				
		Less than 1 Year	1 - 2 Years	2 - 3 Years	More than 3 years	Total
MSME	31.00	52.16	9.49	1.24	-	93.89
Others	627.03	483.64	222.57	25.87	79.15	1,438.26
Disputed - MSME	-	-	-	-	-	-
Disputed - Others	-	-	-	-	-	-
Total	658.03	535.80	232.06	27.11	79.15	1,532.15

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Note 26 Other Current Financial Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Interest Accrued and due	4.36	2.93
Interest Accrued but not due	43.65	62.86
Creditors for Capital Goods	51.88	37.42
Security Deposit	0.50	-
Other Payables *	257.54	167.89
Total	357.93	271.10

* Other Payables mainly includes outstanding liability for expenses and payable to employees.

Note: 27 Other Current Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
Advances from Customers	32.36	9.04
Statutory Liabilities	25.16	28.71
Others *	3.44	23.00
Total	60.96	60.75

* Received against Assets classified as Held for Sale and Unamortised portion of Security Deposit.

Note 28 Current Provision

Particulars	As at March 31, 2022	As at March 31, 2021
Provision for Gratuity (Refer Note No. 32)	20.65	14.80
Total	20.65	14.80

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Note: 20 Income Tax

20.1 Current Tax

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Current Tax	1,009.46	728.57
Total	**1,009.46**	**728.57**

20.2 The major components of Tax Expense for the year ended March 31, 2022 & March 31, 2021 are as follows:

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Recognised in the Consolidated Statement of Profit and Loss		
Current Tax (Refer Note No. 20.1)	1,009.46	728.57
Deferred Tax:-Relating to origination and reversal of temporary differences	(59.88)	(46.17)
Total	**949.58**	**682.40**

20.3 Reconciliation between Tax Expense and Accounting Profit multiplied by tax rate for the year ended March 31, 2022 & March 31, 2021:

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Accounting Profit Before Tax	3,657.31	2,261.01
Applicable tax rate (in %)	**25.17%**	**25.17%**
Computed Tax Expenses	920.47	569.05
Tax effect on account of:		
Property, Plant and Equipment, Intangible Assets, Assets Held for Sale and Investment Property	30.99	(39.27)
Expenses not allowed under Income Tax Act	40.81	182.77
Deduction allowed under Income Tax Act	(38.55)	(23.64)
Brought Forward Loss adjusted in case of Indian Subsidiaries	(1.75)	(6.23)
Others	(2.39)	(0.28)
Income tax Expenses recognised in the Consolidated Statement of Profit and Loss	**949.58**	**682.40**

20.4 Deferred Tax Liabilities / (Assets) relates to the following :

Particulars	Balance Sheet		Statement of Profit and Loss & Other Equity	
	As at March 31, 2022	As at March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021
Property, Plant and Equipment, Intangible Assets, Assets Held for Sale and Investment Property	2,504.48	2,518.83	(14.35)	(13.61)
Financial Instrument-assets	(189.61)	(154.71)	(34.90)	(29.02)
IPO issue expenses	(141.54)	-	(141.54)	-
Items disallowed as per Income Tax Act, 1961	(61.02)	(50.13)	(10.89)	7.00
Deferred Tax Liabilities / (Assets)	**2,112.31**	**2,313.99**	**(201.68)**	**(35.63)**

20.5 Reconciliation of Deferred Tax Liabilities (Net):

Particulars	As at March 31, 2022	As at March 31, 2021
Opening Balance at the beginning of the year	2,313.99	2,349.62
Deferred Tax Expenses/(Income) recognised in the Consolidated Statement of Profit and Loss	(59.88)	(46.17)
Deferred Tax Expenses/(Income) recognised in OCI	(0.26)	10.54
Deferred Tax Expenses/(Income) recognised in Securities Premium	(141.54)	-
Closing Balance at the end of the year	**2,112.31**	**2,313.99**

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Note: 29 Revenue From Operations

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Sale of Products	17,629.81	14,186.43
Sale of Services / Job Work Income	622.27	146.56
Other Operating revenue	4.16	-
TOTAL	18,256.24	14,332.99

29.1 Revenue Disaggregation by type of Products and Services as follows :

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Heavy Engineering	4,185.58	3,777.51
Defence & Space Optics	9,237.22	6,493.45
Defence Electronics	4,833.44	4,062.03
TOTAL	18,256.24	14,332.99

29.2 Revenue disaggregation by geography is as follows:

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
India	15,931.96	11,915.47
Outside India	2,324.28	2,417.52
TOTAL	18,256.24	14,332.99

29.3 Reconciliation of Revenue from Operations with Contract Price:

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Contract Price	18,246.23	14,259.25
Exchange rate variance linked consideration (Net)	10.01	79.33
Reduction towards variable considerations components *	-	5.59
TOTAL	18,256.24	14,332.99

*Reduction towards variable considerations components of volume discounts

Note: 30 Other Income

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest Income from Financial assets measured at amortised cost		
On Fixed Deposits with Banks	132.10	22.19
On Others	1.79	2.15
Rent Income	16.50	-
Export Incentives	90.60	47.36
Reversal of Provision for Doubtful Advance	-	50.00
Profit on sale of Property, Plant and Equipment (Net)	-	3.88
Gain on Financial Instruments measured at fair value through profit or loss	47.05	-
Miscellaneous Income	9.13	1.97
TOTAL	297.17	127.55

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Note: 31 Changes In Inventories Of Finished Goods, Work-in-Progress and Stock-in-Trade

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Closing Inventories		
Finished Goods	95.17	396.82
Work-in-Progress	4,465.17	4,072.33
Stock in Trade	-	34.37
	4,560.34	**4,503.52**
Opening Inventories		
Finished Goods	396.82	629.82
Work-in-Progress	4,072.33	3,060.23
Stock in Trade	34.37	9.07
	4,503.52	**3,699.12**
(Increase) / Decrease in Inventories	**(56.82)**	**(804.40)**

Note: 32 Employee Benefit Expenses

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries, Wages & Allowances	1,347.71	1,061.19
Contribution to Provident and Other Funds	36.78	37.91
Welfare and Other Amenities	96.80	74.67
TOTAL	**1,481.29**	**1,173.77**

32.1 As per Ind AS - 19 "Employee Benefits", the disclosures of Employee Benefits as defined in the Ind AS are given below :

	Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
(a)	**Contribution to Defined Contribution Plan, recognised as expense for the year are as under**		
	Employer's Contribution to Provident Fund and ESIC	6.75	5.88

(b) Defined Benefit Plan - Unfunded

The employees Gratuity Fund Scheme of the Company is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Particulars	As at March 31, 2022	As at March 31, 2021
Actuarial Assumptions		
Mortality Table	Indian Assured Lives Mortality (2012-14) Ult	Indian Assured Lives Mortality (2012-14) Ult
Salary growth	9.00%	9.00%
Discount rate	6.84%	6.97%
Withdrawal Rate	11.00%	7.00%

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Particulars	As at March 31, 2022	As at March 31, 2021
Movement in present value of Defined Benefit Obligation		
Defined Benefit Obligations at the beginning of the year	134.13	144.96
Current Service Cost	20.37	21.97
Interest Cost	9.54	9.95
Actuarial Loss / (Gain)	1.05	(41.87)
Benefits Paid	(11.10)	(0.88)
Defined Benefit Obligations at the end of the year	**153.99**	**134.13**
Non- Current - Rs. 133.34 lakhs (March 31, 2021 Rs. 119.33 Lakhs)		
Current - Rs. 20.65 lakhs (March 31, 2021 Rs. 14.80 Lakhs)		
Expense recognised in the Statement of Profit and Loss		
Current Service Cost	20.37	21.97
Interest on Defined Benefit Obligations	9.54	9.95
Total included in "Remuneration and Benefits to Employees"	**29.91**	**31.92**
Remeasurements (recognised in Other Comprehensive Income)		
Effect of changes in financial assumptions	1.26	(2.92)
Effect of changes in demographic assumptions	(8.25)	-
Effect of experience adjustments	8.04	(38.95)
Amount recognised in OCI, at the end of the Year	**1.05**	**(41.87)**

(c) Net Defined Benefit Obligations / (Assets) reconciliation

Present Value of Obligations at the end of the year	153.99	134.13
Less : Fair Value of Plan Assets at the end of the year	-	-
Net Obligations / (Assets) recognised at the end of the year	153.99	134.13

(d) The estimate of rate of escalation in Salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other retirement factors including supply and demand in the employment market. The above information is certified by the actuary.

32.2 Sensitivity Analysis

Particulars	As at March 31, 2022 Effect on Gratuity Increase / (Decrease)	As at March 31, 2021 Effect on Gratuity Increase / (Decrease)
Discount Rate + 100 basis points	(9.16)	(10.29)
Discount Rate - 100 basis points	10.37	11.90
Salary Escalation Rate + 100 basis points	11.37	7.42
Salary Escalation Rate - 100 basis points	(10.36)	(6.43)
Withdrawal Rate+100 basis points	(1.69)	0.57
Withdrawal Rate-100 basis points	1.86	(0.74)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the Projected Unit Credit method at the end of reporting period, which is the same as that applied in calculating the defined obligation liability recognized in the balance sheet.

32.3 Expected payments towards contributions to Gratuity in future years :

Year Ended	Expected Payment
31st March, 2023	20.66
31st March, 2024	13.02
31st March, 2025	14.89
31st March, 2026	17.99
31st March, 2027	15.32
31st March, 2028 and above	63.07

32.4 Risk exposures

These plans typically expose the company to actuarial risks as, Salary Risk, Discount Rate, Employee Turnover rate/Withdrawal rate, Mortality / Disability.

Salary Risk

Salary escalation & attrition rate are considered as advised by the company; they appear to be in line with the industry practice considering promotion and demand & supply of the employees.

Discount rate

In case the yield on the government bonds drops in the future period then it may result in increase in the liability.

Employee Turnover rate/Withdrawal rate

If the actual withdrawal rate in the future turns out to be more or less than expected then it may result in increase in the liability.

Mortality / Disability

Maturity Analys is of Benefit Payments is undiscounted cash flows considering future salary,attrition & death in respective year for members as mentioned above.

Note: 33 Finance Costs

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest Expenses on Financial Liabilities measured at amortised cost	651.28	1,175.10
Interest Expenses on Lease Liabilities	1.15	1.58
Other Borrowing Costs (Refer Note No. 33.1)	130.61	64.25
Total	**783.04**	**1,240.93**

33.1 Above includes, Interest of Rs. 58.12 lakhs (March 31, 2021: Rs. 50.03 Lakhs) on late payment of Advance Tax.

Note: 34 Depreciation And Amortisation Expenses

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Depreciation of Property, Plant and Equipment (Refer Note No. 2)	958.75	910.46
Depreciation of Investment Property (Refer Note No. 3)	28.66	-
Amortisation of Intangible Assets (Refer Note No. 4)	54.92	54.90
Total	**1,042.33**	**965.36**

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Note: 35 Other Expenses

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
MANUFACTURING EXPENSES		
Consumables, Stores and Spares Consumed	706.68	364.14
Power and Fuel	286.89	247.98
Labour Charges	501.70	388.70
Repairs and Maintenance - Others	61.21	85.30
Job Processing charges	174.63	131.75
Other Manufacturing Expenses	84.51	49.98
	1,815.62	1,267.85
SELLING AND DISTRIBUTION EXPENSES		
Advertisement and Business Promotion	55.34	30.76
Packing & Forwarding Expenses	25.17	15.94
Freight Outward	50.55	24.19
Others	1.59	2.86
	132.65	73.75
ADMINISTRATIVE EXPENSES		
Insurance	36.46	36.89
Rent	38.46	33.32
Rates and Taxes	30.00	21.48
Printing and Stationery	18.31	11.61
Communication Expenses	8.12	6.45
Travelling and Conveyance	221.20	83.19
Legal and Professional Charges	115.12	105.37
Payment to Auditors (Refer Note No. 35.1)	67.40	61.75
Security Expenses	24.55	24.53
Office Expenses	66.65	36.38
Director Sitting fees	30.50	21.00
Postages and Courier	36.83	24.41
Miscellaneous Expenses	108.28	126.54
	801.88	592.92
OTHER EXPENSES		
Bank Charges	58.30	67.34
Bad Debts / Advances written off (Net)	234.16	13.08
Provision for Credit Impaired	48.17	-
Provision for Expected Credit Loss	147.91	115.30
Donation	5.61	1.23
Corporate Social Responsibility Expenditure (Refer Note 39)	48.03	53.50
Impairment loss on Assets held for sale	-	7.16
Loss on sale/ discard of Assets	5.53	-
Loss on Foreign Currency Fluctuations (Net)	3.07	21.18
Late Delivery charges	113.00	75.13
	663.78	353.92
Total	3,413.93	2,288.44

35.1 Break-up of Payment to Auditors :

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
For Statutory Audit	39.06	35.75
For Quarterly Review Fees	17.50	-
For Tax Audit	9.00	6.00
For Certification charges	1.40	-
For Reimbursement of Expenses	0.44	-
For Other Service *	-	20.00
TOTAL	67.40	61.75

* Fee for the restated consolidated financial information

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Note: 36 Earnings Per Share

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Basic Earnings Per Share		
Profit for the year	2,707.73	1,578.61
Weighted average number of Equity Shares (Nos.)	3,47,95,258	2,84,36,662
Basic Earnings Per Share of Rs.10/- each	7.78	5.55
Diluted Earnings Per Share		
Amount available for calculation of Diluted EPS	2,707.73	1,578.61
Weighted average number of Equity Shares (Nos.)	3,47,95,258	2,84,36,662
Add : Potential number of Equity Shares	-	-
No. of shares used for calculation of Diluted EPS	3,47,95,258	2,84,36,662
Diluted Earnings Per Share of Rs.10/- each	7.78	5.55

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NOTE:37 CONTINGENT LIABILITIES AND COMMITMENTS

	Particulars	As at March 31, 2022	As at March 31, 2021
A	**Contingent Liabilities (to the extend not provided for) Claims against the Company not acknowledged as debts**		
I	**Disputed Liabilities in Appeal (No Cash outflow is expected in the near future)**		
	INCOME TAX*	86.44	88.74
	CUSTOMS ACT	12.00	12.00
II	**GUARANTEES**		
	Guarantees given by the Company's Bankers (Bank guarantees are provided under contractual / legal obligation)	1,987.03	2,122.21
III	**LETTER OF CREDIT OUTSTANDING**		
	Letters of Credit opened in favour of Suppliers	392.70	547.99
B	**Capital Commitments :**		
	Estimated amount of contracts to be executed on capital account not provided for	232.72	62.34
	Commitment towards EPCG License	349.69	349.69

*During the previous year, Holding ompany has received the assessment order u/s 143(3) from the Income Tax department, however since there were errors in the said order, the Company has filed the rectification application under section 154 of the Income Tax Act, 1961, accordingly no contingent liability disclosed for the same.

C Management is of the view that the above litigation will not impact significantly the fianancial position of the group.

NOTE:38 RELATED PARTY DISCLOSURES :

In accordance with the requirements of Ind AS 24, on related party disclosures, name of the related party, related party relationship, transactions and outstanding balances including commitments where control exits and with whom transactions have taken place during reporting year, are as detailed below:

List of Related Parties :

I **Associate**
i Krasny Paras Defence Technologies Private Limited (w.e.f. January 10, 2022)

II **Key Managerial Personnel**
i Mr. Sharad Shah (Non-Executive Director)
ii Mr. Munjal Sharad Shah (Managing Director)
iii Mrs. Shilpa Amit Mahajan (Whole-time Director)
iv Mr. Harsh Bhansali (Chief Financial Officer)
v Mr. Ajit Sharma (Company Secretary)

III **Key Managerial Personnel Relatives**
i Mrs. Ami Munjal Shah
ii Mrs. Niranjana Shah
iii Mrs. Kajal Bhansali
iv Mr. Anish Mehta
v Mr. Amit Mahajan

IV **Enterprises in which key managerial personnel and their relatives are able to exercise significant influence with whom transactions have taken place during the year :**
i Defspace Technologies Private Limited
ii Drona Studios Private Limited

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A. **Transactions with Related Parties :**

Nature of Transactions	Name of the Related Parties	2021-22	2020-21
Transactions with Associate:			
Purchase of Investment	Krasny Paras Defence Technologies Private Limited	4.75	-
Transactions with other Related Parties:			
Director Sitting Fees	Mr. Sharad Shah	6.50	5.00
Managerial Remuneration	Mr. Munjal Sharad Shah	60.00	60.27
	Mrs. Shilpa Amit Mahajan	16.04	13.72
	Mr. Harsh Bhansali	24.19	18.03
	Mr. Ajit Sharma	13.50	10.58
Salary to relatives	Mrs. Kajal Bhansali	24.85	15.43
	Mrs. Ami Munjal Shah	36.00	34.85
	Mr. Amit Mahajan	16.40	14.15
	Mr. Anish Mehta	21.15	9.78
Advance to Employee Recovered	Mr. Anish Mehta	-	2.76
Rent Expense	Mr. Munjal Sharad Shah	5.10	4.80
Lease Rent	Defspace Technologies Private Limited	0.25	-
Loans Taken	Mr. Munjal Sharad Shah	1,466.35	435.79
	Mr. Sharad Shah	-	7.00
Loans Repaid	Mr. Munjal Sharad Shah	2,371.27	985.52
	Mr. Sharad Shah	-	24.97
Sales	Drona Studios Private Limited	68.30	-

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NOTE:40 FAIR VALUES

40.1 Financial Instruments by category:

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial assets and liabilities that are recognised in the financial statements.

a) Financial Assets / Liabilities measured at Fair Value:-

Particulars	As at March 31, 2022	As at March 31, 2021
Financial Assets designated at Fair Value through profit and loss:-		
- Investments	347.58	112.58

b) Financial Assets / Liabilities designated at Amortised Cost:-

Particulars	As at March 31, 2022		As at March 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets :				
Financial Assets designated at Amortised Cost:-				
- Trade Receivables	12,297.74	12,297.74	9,485.46	9,485.46
- Cash and cash equivalents	217.97	217.97	468.26	468.26
- Bank Balance other than Cash and Cash Equivalents	7,376.10	7,376.10	363.35	363.35
- Loans	6.63	6.63	4.92	4.92
- Others	322.88	322.88	251.94	251.94
TOTAL	20,221.32	20,221.32	10,573.93	10,573.93
Financial Liabilities :				
Financial Liabilities designated at Amortised Cost:-				
- Borrowings	3,107.95	3,107.95	10,604.87	10,604.87
- Lease Liabilities	-	-	12.15	12.15
- Trade Payable	1,527.20	1,527.20	1,532.15	1,532.15
- Other Financial Liabilities	367.98	367.98	271.10	271.10
TOTAL	5,003.13	5,003.13	12,420.27	12,420.27

40.2 Fair Valuation techniques used to determine Fair Value

The Group maintains procedures to value its financial assets or financial liabilities using the best and most relevant data available. The Fair Values of the financial assets and liabilities are included at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the Fair Values:

i) Fair Value of Cash and Cash Equivalents, Other Bank Balances, Trade Receivable, Trade Payables, Current Loans, Current Borrowings, and other Current Financial Assets and Liabilities are approximate at their carrying amounts largely due to the short-term maturities of these instruments.

ii) The fair values of Non-Current Borrowings and Margin money are approximate at their carrying amount due to interest bearing features of these instruments.

iii) The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

40.3 Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:-

i) **Level 1 :-** Quoted prices / published Net Assets Value (unadjusted) in active markets for identical assets or liabilities. It includes fair value of financial instruments traded in active markets and are based on quoted market prices at the Balance Sheet date and financial instruments like mutual funds for which Net Assets Value is published by mutual fund operators at the Balance Sheet date.

ii) **Level 2 :-** Inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). It includes fair value of the financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on the Group specific estimates. If all significant inputs required to fair value an instrument are observable then instrument is included in level 2.

iii) **Level 3 :-** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table provides hierarchy of the fair value measurement of Group's asset and liabilities, grouped into Level 1 (Quoted prices in active markets), Level 2 (Significant observable inputs) and Level 3 (Significant unobservable inputs) as described below:

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Particulars	As at March 31, 2022		
	Level 1	Level 2	Level 3
Financial Assets			
Financial Assets designated at Fair Value through profit and loss:-			
Investments in Equity of Co-operative Bank	-	-	# 5.00
Investment in Equity Shares & 0% Optionally Convertible Security	-	-	342.58

Particulars	As at March 31, 2021		
	Level 1	Level 2	Level 3
Financial Assets			
Financial Assets designated at Fair Value through profit and loss:-			
Investments in Equity of Co-operative Bank			# 5.00
Investment in Equity Shares & 0% Optionally Convertible Security	-	-	107.58

Following table describes the valuation techniques used and key inputs to valuation for level 3 of the fair value hierarchy as at March 31, 2022 and March 31, 2021

Particulars	As at March 31, 2022	Valuation Technique	Input used
Financial Assets designated at fair value through profit and loss:-			
- Investment in unlisted equity shares & 0% Optionally Convertible Security	342.58	Based on professional valuer's certificate	Enterprises Value/ revenue Multiple Method

Particulars	As at March 31, 2021	Valuation Technique	Input used
Financial Assets designated at fair value through profit and loss:-			
- Investment in unlisted equity shares & 0% Optionally Convertible Security	107.58	Based on professional valuer's certificate	Revenue Multiple Method

since the investments under level 3 of the fair value hierarchy as at March 31, 2022 and March 31, 2021 category are not material, therefore the disclosure for the same is not given.

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NOTE: 41 FINANCIAL RISK MANAGEMENT - OBJECTIVE AND POLICIES

The Group is exposed to market risk, credit risk and liquidity risk. Risk management is carried out by the Group under policies approved by the Board of Directors. This Risk management plan defines how risks associated with the Group will be identified, analysed, and managed. It outlines how risk management activities will be performed, recorded, and monitored by respective Company in the Group. The basic objective of risk management plan is to implement an integrated risk management approach to ensure all significant areas of risks are identified, understood and effectively managed, to promote a shared vision of risk management and encourage discussion on risks at all levels of the organization to provide a clear understanding of risk / benefit trade-offs, to deploy appropriate risk management methodologies and tools for use in identifying, assessing, managing and reporting on risks, and to determine the appropriate balance between cost and control of risk and deploy appropriate resources to manage/optimize key risks. Activities are developed to provide feedback to management and other interested parties (e.g. Audit committee, Board etc.). The results of these activities ensure that risk management plan is effective in the long term.

41.1 Market Risk and Sensitivity:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: foreign currency rate risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits and investments.

The sensitivity analysis relate to the position as at March 31, 2022 and March 31, 2021

Foreign Currency Exchange Risk and Sensitivity

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities and its Investment. The Group transacts business primarily in USD and Euro. The Group has foreign currency trade payables and receivables and is therefore, exposed to foreign currency exchange risk. The Group regularly reviews and evaluates exchange rate exposure arising from foreign currency transactions.

The following table demonstrates the sensitivity in the USD, GBP, SGD, AED and Euro to the Indian Rupee with all other variables held constant. The impact on the Group's profit before tax (PBT) due to changes in the fair values of monetary assets and liabilities is given below:

Unhedged Foreign currency exposure As at March 31, 2022	Currency	Amount in FC	Rs In Lakhs
Investment	USD	4,51,908	342.58
Trade Receivable	USD	8,65,930	656.43
Trade Receivable	EURO	4,13,931	350.44
Trade Payable	USD	15,23,924	1,155.24
Trade Payable	EURO	47,285	40.03
Trade Payable	GBP	17,871	17.79
Trade Payable	SGD	10,248	5.74

Unhedged Foreign currency exposure As at March 31, 2021	Currency	Amount in FC	Rs In Lakhs
Investment	USD	1,47,497	107.58
Trade Receivable	USD	10,62,620	781.08
Trade Receivable	EURO	2,42,283	208.60
Trade Receivable	AED	88,200	17.59
Trade Payable	USD	10,09,557	742.07
Trade Payable	EURO	61,841	53.24
Trade Payable	GBP	9,081	9.17

(a) Foreign Currency Sensitivity

2% increase or decrease in foreign exchange rates will have the following impact on Profit Before Tax (PBT):-

Particulars	2021-22		2020-21	
	2% increase-Profit/(Loss)	2% decrease-Profit/(Loss)	2% increase-Profit/(Loss)	2% decrease-Profit/(Loss)
USD	(3.12)	3.12	2.93	(2.93)
EURO	6.21	(6.21)	3.11	(3.11)
GBP	(0.36)	0.36	(0.18)	0.18
SGD	(0.11)	0.11	-	-
AED	-	-	0.35	(0.35)
Increase / (Decrease) in Profit Before Tax	2.62	(2.62)	6.21	(6.21)

(b) Interest Rate Risk and Sensitivity :-

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is having non current borrowings in the form of term loan. Also, the Group is having current borrowings in the form of working capital, Optionally convertible Preference Shares and and inter corporate deposits. There is a fixed rate of interest in case of vehicle loan, optionally convertible preference shares and inter corporate deposits and hence, there is no interest rate risk associated with these borrowings. The Group is exposed to interest rate risk associated with term loan and working capital facility due to floating rate of interest.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting year are as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
Term Loan From Banks and Financial Institutions	-	3,421.66
Working Capital Facility	3,044.25	4,319.82
Closing Balances	3,044.25	7,741.48

The table below illustrates the impact of a 2% increase / decrease in interest rates on interest on financial liabilities assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average debt outstanding during the year.

Particulars	2021-22		2020-21	
	2% increase-Profit/(Loss)	2% decrease-Profit/(Loss)	2% increase-Profit/(Loss)	2% decrease-Profit/(Loss)
Term Loan From Banks and Financial Institutions	-	-	(68.43)	68.43
Working Capital Facility	60.89	(60.89)	(86.40)	86.40
Increase / (Decrease) in Profit Before Tax	60.89	(60.89)	(154.83)	154.83

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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NOTE: 41 FINANCIAL RISK MANAGEMENT - OBJECTIVE AND POLICIES

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41.1 Market Risk and Sensitivity:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: foreign currency rate risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits and investments.

The sensitivity analysis relate to the position as at March 31, 2022 and March 31, 2021

Foreign Currency Exchange Risk and Sensitivity

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities and its investment. The Group transacts business primarily in USD and Euro. The Group has foreign currency trade payables and receivables and is therefore, exposed to foreign currency exchange risk. The Group regularly reviews and evaluates exchange rate exposure arising from foreign currency transactions.

The following table demonstrates the sensitivity in the USD, GBP, SGD, AED and Euro to the Indian Rupee with all other variables held constant. The impact on the Group's profit before tax (PBT) due to changes in the fair values of monetary assets and liabilities is given below:

Unhedged Foreign currency exposure As at March 31, 2022	Currency	Amount in FC	Rs in Lakhs
Investment	USD	4,51,908	342.58
Trade Receivable	USD	8,65,930	656.43
Trade Receivable	EURO	4,13,931	350.44
Trade Payable	USD	15,23,924	1,155.24
Trade Payable	EURO	47,285	40.03
Trade Payable	GBP	17,871	17.79
Trade Payable	SGD	10,248	5.74

Unhedged Foreign currency exposure As at March 31, 2021	Currency	Amount in FC	Rs in Lakhs
Investment	USD	1,47,497	107.58
Trade Receivable	USD	10,62,620	781.08
Trade Receivable	EURO	2,42,283	208.60
Trade Receivable	AED	88,200	17.59
Trade Payable	USD	10,09,557	742.07
Trade Payable	EURO	61,841	53.24
Trade Payable	GBP	9,081	9.17

(a) **Foreign Currency Sensitivity**

2% increase or decrease in foreign exchange rates will have the following impact on Profit Before Tax (PBT):-

Particulars	2021-22		2020-21	
	2% increase- Profit/(Loss)	2% decrease- Profit/(Loss)	2% increase- Profit/(Loss)	2% decrease- Profit/(Loss)
USD	(3.12)	3.12	2.93	(2.93)
EURO	6.21	(6.21)	3.11	(3.11)
GBP	(0.36)	0.36	(0.18)	0.18
SGD	(0.11)	0.11	-	-
AED	-	-	0.35	(0.35)
Increase / (Decrease) in Profit Before Tax	2.62	(2.62)	6.21	(6.21)

(b) **Interest Rate Risk and Sensitivity :-**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is having non current borrowings in the form of term loan. Also, the Group is having current borrowings in the form of working capital, Optionally convertible Preference Shares and and inter corporate deposits. There is a fixed rate of interest in case of vehicle loan, optionally convertible preference shares and inter corporate deposits and hence, there is no interest rate risk associated with these borrowings. The Group is exposed to interest rate risk associated with term loan and working capital facility due to floating rate of interest.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting year are as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
Term Loan From Banks and Financial Institutions	-	3,421.66
Working Capital Facility	3,044.25	4,319.82
Closing Balances	3,044.25	7,741.48

The table below illustrates the impact of a 2% increase / decrease in interest rates on interest on financial liabilities assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average debt outstanding during the year.

Particulars	2021-22		2020-21	
	2% increase- Profit/(Loss)	2% decrease- Profit/(Loss)	2% increase- Profit/(Loss)	2% decrease- Profit/(Loss)
Term Loan From Banks and Financial Institutions	-	-	(68.43)	68.43
Working Capital Facility	60.89	(60.89)	(86.40)	86.40
Increase / (Decrease) in Profit Before Tax	60.89	(60.89)	(154.83)	154.83

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

MUMBAI CHATURVEDI & SHAH LLP CHARTERED ACCOUNTANTS

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

(All amounts in Rupees lakhs, unless otherwise stated)

41.2 Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

a) Trade Receivables:-

The Group measures the expected credit loss of trade receivables, which are subject to credit risk, based on historical trend, industry practices and the business environment in which the entity operates and adjusted for forward looking information. Loss rates are based on actual credit loss experience and past trends.

The Group has used practical expedient by computing the expected credit loss allowance for trade receivables based on provision matrix. The provision matrix taken into account historical credit loss experience and adjusted for forward looking information. The expected credit loss allowance is based on ageing of the days the receivables are due.

The following table summarizes the Gross carrying amount of the trade receivables and provision made.

Particulars	As at March 31, 2022		As at March 31, 2021	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
Trade Receivables	13,108.68	810.94	10,100.16	614.70

The following table summarizes the changes in the Provisions made for the receivables:

Particulars	As at March 31, 2022	As at March 31, 2021
Opening Balances	614.70	499.40
Provided during the year	196.08	115.30
Closing Balances	810.78	614.70

b) Financial Instruments and Cash Deposits:-

The Group considers factors such as track record, size of the institution, market reputation and service standards to select the banks with which balances are maintained. Credit risk from balances with bank is managed by the Group's finance department. Investment of surplus funds are also managed by finance department. The Group does not maintain significant cash in hand. Excess balance of cash other than those required for its day to day operations is deposited into the bank.

For other financial instruments, the finance department assesses and manage credit risk based on internal assessment. Internal assessment is performed for each class of financial instrument with different characteristics.

41.3 Liquidity Risk :

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Group's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group relies on short term borrowings and operating cash flows in the form of suppliers credit and working capital to meet its need for fund. The Group does not breach any covenants wherever applicable on any of its borrowing facilities. The Group has access to a sufficient variety of sources of funding as per requirements.

The below table summaries the maturity profile of the Group's financial liability :

Particulars	Maturity				
	On Demand	Less than 1 Year	1 to 5 Years	More then 5 years	Total
March 31, 2022					
Short Term Borrowings	3,049.75	58.20	-	-	3,107.95
Trade Payable		1,527.20	-	-	1,527.20
Other Financial Liabilities	-	357.93	-	10.05	367.98
Total	3,049.75	1,943.33	-	10.05	5,003.13
March 31, 2021					
Non Current Borrowings	-	1,248.13	2,045.40	512.68	3,806.21
Lease Liabilities	-	6.22	5.93	-	12.15
Short Term Borrowings	5,230.24	1,573.56	-	-	6,803.80
Trade Payable	-	1,532.15	-	-	1,532.15
Other Financial Liabilities	-	271.10	-	-	271.10
Total	5,230.24	4,631.16	2,051.33	512.68	12,425.41

41.4 Competition and Price Risk

The Group faces competition from local and foreign competitors. Nevertheless, it believes that it has competitive advantage in terms of high quality products and by continuously upgrading its expertise and range of products to meet the needs of its customers.

NOTE: 42 CAPITAL RISK MANAGEMENT

For the purpose of Group's capital management, capital includes issued capital, all other equity reserves and debts. The primary objective of the Group's capital management is to maximise shareholders value. The Group manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Group monitors capital using gearing ratio, which is net debt divided by total capital (equity plus net debt). Net debt are non-current and current debts as reduced by cash and cash equivalents, other bank balances, non current bank deposits. Equity comprises all components including other comprehensive income.

The Group monitors capital using gearing ratio, which is net debt divided by total capital (equity plus net debt).

Particulars	March 31, 2022	March 31, 2021
Total Debt	3,107.95	10,610.00
Less: Cash and cash equivalent	217.97	468.26
Less: Other Bank Balances	7,376.10	363.35
Less: Non current Bank Deposits	62.88	119.03
Net Debt	(4,549.00)	9,659.36
Equity	37,815.54	20,663.49
Total Capital (Equity + Net Debt)	33,266.54	30,322.85
Gearing ratio	-	31.86%

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Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements March 31, 2022
(All amounts in Rupees lakhs, unless otherwise stated)

NOTE: 43 SEGMENT REPORTING

A. Segment information as per Indian Accounting Standard - 108 - "Operating Segments" :
The chief operating decision maker (CODM) has identified following reportable segments of its business.
a. Heavy Engineering
b. Defence & Space Optics
c. Defence Electronics

I Segment wise Revenue

Particulars	For the Year ended March 31, 2022	For the Year ended March 31, 2021
Segment Revenue		
a. Heavy Engineering	4,185.58	3,777.51
b. Defence & Space Optics	9,237.22	6,493.45
c. Defence Electronics	4,833.44	4,062.03
Revenue From Operations	**18,256.24**	**14,332.99**
Segment Results		
a. Heavy Engineering	530.98	565.44
b. Defence & Space Optics	5,085.32	3,910.27
c. Defence Electronics	676.26	460.33
Total	6,292.56	4,936.04
i) Finance Costs	(783.04)	(1,240.93)
ii) Other unallocable expenditure	(2,148.96)	(1,561.65)
iii) Unallocable Income	297.17	127.55
Profit before exceptional items and Tax	3,657.73	2,261.01
Exceptional items	-	-
Profit Before Tax	3,657.73	2,261.01

II Segment wise Assets and Liabilities:

	As at March 31, 2022	As at March 31, 2021
Segment Assets		
a. Heavy Engineering	9,806.15	11,810.57
b. Defence & Space Optics	18,093.46	16,630.94
c. Defence Electronics	6,293.15	3,757.91
d. Unallocable	11,574.94	4,076.18
Total	**45,767.70**	**36,275.60**
Segment Liabilities		
a. Heavy Engineering	181.36	248.81
b. Defence & Space Optics	719.00	717.65
c. Defence Electronics	645.77	565.32
d. Unallocable	6,368.61	14,073.43
Total	**7,914.74**	**15,605.21**

III Other Informations

	For the Year ended March 31, 2022	For the Year ended March 31, 2021
Capital Expenditure	860.46	532.49
Depreciation	1,042.33	965.36
Non-cash Expenses other than Depreciation	430.24	128.38

B. Segment Identification, Reportable Segments and definition of each segment :

a. Reportable Segments:
The chief operating decision maker monitors the operating results of its Business Segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the internal reporting system and is measured consistently with profit or loss in the financial statements. Operating segment have been identified on the basis of the nature of products / services and have been identified as per the quantitative criteria specified in Ind AS.

b. Primary / Secondary Segment Reporting Format:
i. The risk-return profile of the group's business is determined predominantly by the nature of its products. Accordingly, the business segments constitute the Primary Segments for disclosure of segment information.

ii. Revenue disaggregation by geography (Refer Note No. 29.2)

iii. No Non-Current Assets of the Group is located outside India as on March 31, 2022 and March 31, 2021

IV Segment Composition:
a. Heavy Engineering segment is engaged in manufacturing and sale of Oxygen Concentrator, Flow Formed Rockets/ Missile Motor Tubes, Radar Array cooling assemblies for Naval Applications and Turnkey projects.

b. Defence & Space Optics Segment comprises of manufacturing and sale of Infra Red Lenses for Night Vision Devices, Space Optics/Gratings/Mirrors, Reflex Sights and Precision Diamond Turned components.

c. Defence Electronics Segment comprises of Defence Automation & Control systems, Rugged Command & Control Consoles and EMP Solutions.

V Segment revenue, results, assets and liabilities:

Revenue and results have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which is related to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable".

Segment assets and segment liabilities represent assets and liabilities in respective segments. Segment assets include all operating assets used by the operating segment and mainly includes Property, Plant and Equipement , trade receivable, inventories and other receivables. Segment liabilities primarily include trade payables and other liabilities. Common assets and liabilities which cannot be allocated to any of the segments are shown as a part of unallocable assets and liabilities.

VI Information about major customers:
Revenue from operations include Rs. 6386.51 Lakhs, (March 31, 2021 : 6716.69 Lakhs) from two customers (March 31, 2021: three customers) having more than 10% of the total revenue.

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NOTE:44 ASSETS HELD FOR SALE

Description of the assets held for sale	As at March 31, 2022	As at March 31, 2021
Flat - Guest House	-	250.65
Furniture & Fixtures	-	4.49
Office Equipments	-	5.85
Flat - Guest House (Refer Note No. 44.1)	151.00	151.00
Total	**151.00**	**411.99**

44.1 During the previous year, the Board of Directors of Holding Company had decided to sell the guest house situated in Kalina and accordingly classified the said asset under the heading of 'Asset Held for Sale'. The Company had received an initial advance of Rs. 2.00 lakh against the sale of the said property, however, due to the global pandemic situation and other financial obligations, the buyer was unable to make the balance payment. It is likely to complete the transaction during the Financial Year 2022-23

NOTE: 45 Interests in other entities

45.1 The consolidation of financial statements of the Group includes subsidiaries listed in the table below:

	Name	Principal Place of Business	% Equity Interest	
			As at March 31, 2022	As at March 31, 2021
A	**Indian subsidiaries**			
	Paras Aerospace Private Limited (Formerly known as Paras Aerospace Solutions Private Limited)	India	60%	60%
	Paras Green Optics Private Limited	India	100%	100%
	Paras Anti-Drone Technologies Private Limited (Formerly know as Paras Strategic Technologies Private Limited)	India	55%	55%
B	**Overseas Subsidiary**			
	OPEL Technologies PTE Ltd (Formerly known as Paras Space Technologies PTE Ltd)	Singapore	100%	100%

45.2 The consolidation of financial statements of the Group includes Associate listed in the table below:

Name	Principal Place of Business	% Equity Interest	
		As at March 31, 2022	As at March 31, 2021
Krasny Paras Defence Technologies Private Limited	India	47.50%	-

The summarised financial information below represents amount shown in associate financial statements prepared as per equity accounting purposes.

Particulars	As at March 31, 2022	As at March 31, 2021
Current Assets	9.53	-
Current Liabilities	0.42	-

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue	-	-
Profit/(Loss) for the Year	(0.88)	-
Other Comprehensive Income	(0.88)	-
Total Other Comprehensive Income	(0.88)	-

Reconciliation of the above summarised financial information to the carrying amount of interest in Krasny Paras Defence Technologies Private Limited recognised in the Consolidated Financial Statements

Particulars	As at March 31, 2022	As at March 31, 2021
Net Assets of the Associate	9.12	-
Proportion of the Group's ownership interest in Krasny Paras Defence Technologies Private Limited	47.50%	-
Carrying amount of the Group's interest in Krasny Paras Defence Technologies Private Limited	4.33	-

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(All amounts in Rupees lakhs, unless otherwise stated)

NOTE: 46 PROVISION

Disclosures as required by Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets":-
Movement in provisions:-

Nature of provision	Provision for Expected Credit loss on Trade Receivables	Provision for Credit Impaired	Provision for Doubtful Advance	Total
As at April 01, 2020	**499.40**	**-**	**50.00**	**549.40**
Provision during the Year	115.30	-		115.30
Provision reverse during the Year			(50.00)	(50.00)
As at March 31, 2021	**614.70**	**-**	**-**	**614.70**
Provision during the Year	147.91	48.17	-	196.08
Provision Reversed during the Year	-	-	-	-
As at March 31, 2022	**762.61**	**48.17**	**-**	**810.78**

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Paras Defence and Space Technologies Limited
Notes to the Consolidated Financial Statements March 31, 2022
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Note : 47 Disclosures Mandated by Schedule III by way of Additional Information - March 31, 2022 and March 31, 2021

Name of the entity	As at March 31, 2022		For the Year ended March 31, 2022					
	Net assets (Total Assets minus Total Liabilities)		Share in Profit or Loss		Other Comprehensive Income		Total Comprehensive Income	
	As % of net consolidated net assets	Amount	As % of net consolidated profit or loss	Amount	As % of net consolidated profit or loss	Amount	As % of net consolidated profit or loss	Amount
Parent								
Paras Defence and Space Technologies Ltd.	99.86%	37,761.65	99.50%	2,690.86	-239.39%	0.79	99.46%	2,690.07
Indian subsidiaries								
Paras Aerospace Private Limited (formerly known as Paras Aerospace Solutions Private Limited)	0.23%	88.27	0.07%	2.00	-	-	0.07%	2.00
Paras Green Optics Private Limited	0.00%	1.88	0.00%	0.08	-	-	0.00%	0.08
Paras Anti- Drone Technologies Private Limited (formerly known as Paras Strategic Technologies Private Limited)	0.01%	4.62	0.22%	5.83	-	-	0.22%	5.83
Indian Associate								
Krasny Paras Defence Technologies Pvt Ltd			-0.02%	(0.42)	-	-	-0.02%	(0.42)
Overseas subsidiary								
OPEL Technologies PTE Ltd (Formerly known as Paras Space Technologies PTE Ltd)	0.16%	59.18	0.09%	2.40	-	-	0.09%	2.40
Non Controlling Interest	-0.10%	(37.42)	-0.13%	(3.42)	-	-	-0.13%	(3.42)
Adjustments arising out of Consolidation	-0.17%	(62.64)	0.26%	6.98	339.39%	(1.12)	0.30%	8.10
	100.00%	37,815.54	100.00%	2,704.31	100.00%	(0.33)	100.00%	2,704.64

Name of the entity	As at March 31, 2021		For the Year ended March 31, 2021					
	Net assets (Total Assets minus Total Liabilities)		Share in Profit or Loss		Other Comprehensive Income		Total Comprehensive Income	
	As % of net consolidated net assets	Amount (Rs. in Lakhs)	As % of net consolidated profit or loss	Amount (Rs. in Lakhs)	As % of net consolidated profit or loss	Amount (Rs. in Lakhs)	As % of net consolidated profit or loss	Amount (Rs. in Lakhs)
Parent								
Paras Defence and Space Technologies Ltd.	99.87%	20,637.07	95.90%	1,508.12	101.26%	31.33	96.01%	1,539.45
Indian subsidiaries								
Paras Aerospace Private Limited (formerly known as Paras Aerospace Solutions Private Limited)	-0.07%	(13.72)	0.27%	4.23	-	-	0.26%	4.23
Paras Green Optics Private Limited	0.01%	1.79	0.74%	11.57	-	-	0.72%	11.57
Paras Anti- Drone Technologies Private Limited (formerly known as Paras Strategic Technologies Private Limited)	-0.01%	(1.20)	0.62%	9.69	-	-	0.60%	9.69
Overseas subsidiary								
OPEL Technologies PTE Ltd (Formerly known as Paras Space Technologies PTE Ltd)	0.27%	55.63	3.31%	51.98	-	-	3.24%	51.98
Non Controlling Interest	-0.03%	(6.90)	-0.38%	(6.05)	-	-	-0.38%	(6.05)
Adjustments arising out of Consolidation	-0.04%	(9.18)	-0.44%	(6.98)	-1.26%	(0.39)	-0.46%	(7.37)
	100.00%	20,663.49	100.00%	1,572.56	100.00%	30.94	100.00%	1,603.50

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

NOTE : 48 Other Statutory Information

i) There are no balances outstanding on account of any transaction with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.

ii) The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.

iii) The Group does not have any such transaction which is not recorded in the books of account surrendered or disclosed as income during the year in the tax assessments under the Income-tax act, 1961.

iv) No proceeding has been initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

v) The Group is not declared wilful defaulter by any bank or financial institution or other lender

vi) The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise)that the Intermediary shall: (a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

vii) The Group has not received any fund from any person(s) or entity(s), including entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or (b) Provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

NOTE: 49 Previous Year's figures have been regrouped / rearranged wherever necessary, to make them comparable with those of current year.

As per our report of even date
For Chaturvedi & Shah LLP
Chartered Accountants
(Firm Registration No. 101720W/W100355)

R. KORIA
Partner
Membership No. 35629

CHATURVEDI & SHAH LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: May 20, 2022

For and on behalf of the Board of Directors

MUNJAL SHAH
Managing Director
DIN: 01080863

PARAS DEFENCE AND SPACE TECHNOLOGIES

SHARAD SHAH
Chairman and Director
DIN: 00622001

HARSH BHANSALI
Chief Financial Officer

AJIT SHARMA
Company Secretary
Membership No. F10165

GENERAL INFORMATION

Our Company was incorporated as “Paras Flow Form Engineering Limited”, on as a private limited company under the Companies Act, 1956 at Mumbai, pursuant to a certificate of incorporation dated June 16, 2009, issued by the RoC. Subsequently, the name of our Company was changed to “Paras Flowform Engineering Limited” pursuant to a resolution passed by our Shareholders in an extraordinary general meeting held on September 22, 2009, to rectify the name of our Company, and a fresh certificate of incorporation, dated September 25, 2009, was issued by the RoC. Further, the name of our Company was changed to “Paras Defence and Space Technologies Limited” pursuant to a resolution passed by our Shareholders in an extraordinary general meeting held on December 2, 2015, to reflect the business of our Company as stated in the MoA, and a fresh certificate of incorporation, dated January 29, 2016, was issued by the RoC.

1. Our Registered and Corporate Office is located at D-112, TTC Industrial Area, MIDC, Nerul, Mumbai City, Navi Mumbai, Maharashtra – 400706, India

2. The CIN of our Company is L29253MH2009PLC193352

3. The website of our company is www.parasdefence.com

4. Our authorized capital is ₹ 605,000,000 divided into 60,500,000 Equity Shares of ₹ 10 each. As on the date of this Preliminary Placement Document, the issued, subscribed and paid-up share capital of our Company is ₹ 390,000,610 comprising of 39,000,061 Equity Shares of ₹ 10 each. For further details please see section “Capital Structure” beginning on page 66.

5. The Equity Shares have been listed and traded on the BSE and on the NSE.

6. Our Company has received in-principal approvals to list the Equity Shares to be issued pursuant to the Issue from each BSE and NSE on October 01, 2024, under Regulation 28(1) of the SEBI Listing Regulations.

7. The Issue was authorised and approved by the Board pursuant to the resolution dated August 27, 2024, and by our Shareholders pursuant to the special resolution dated September 20, 2024.

8. In compliance with Regulation 173A of the SEBI ICDR Regulations, our Company has appointed ICRA Limited as the Monitoring Agency, for monitoring the utilisation of the proceeds in relation to the Issue. The Monitoring Agency will submit its report to us on a quarterly basis in accordance with the SEBI ICDR Regulations.

9. Copies of our Memorandum of Association and Articles of Association will be available for inspection between 11:00 am to 5:00 pm on all working days (that is, except Sundays and Public Holidays) during the Issue Period at our Registered Office.

10. Except as disclosed in this Preliminary Placement Document, our Company has obtained all necessary consents, approvals and authorisations as may be required in connection with the Issue.

11. Except as disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operation” beginning on page 71, there has been no material change in the financial position of our Company since June 30, 2024, the last date of the Unaudited Consolidated Financial Results prepared in accordance with applicable accounting standards included in this Preliminary Placement Document.

12. Except as disclosed in this Preliminary Placement Document, there are no material litigation or arbitration proceedings against or affecting us, or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue. For further details, see “Legal Proceedings” beginning on page 211.

13. As on the date of this Preliminary Placement Document, M/s. Chaturvedi & Shah LLP, Chartered Accountants, having Firm Registration No. 101720W / W100355are the statutory auditors of our Company.

14. The Issue will not result in a change in control of our Company.

15. Our Company is in compliance with the minimum public shareholding requirements as required under the SEBI Listing Regulations and Rule 19A of the SCRR.

16. The Floor Price is ₹ 1096.35 per Equity Share, calculated in accordance with the provisions of Chapter VI of the SEBI ICDR Regulations, as certified by the Statutory Auditors. Our Company may offer a discount of not more than 5% on the Floor Price in accordance with the approval of our Board resolution dated August 27, 2024 and the shareholders resolution dated September 20, 2024 and Regulation 176(1) of the SEBI ICDR Regulations.

17. Our Company and the Book Running Lead Manager accept no responsibility for statements made otherwise than in this Preliminary Placement Document and anyone placing reliance on any other source of information, including websites of our Company and our Subsidiaries, would be doing so at their own risk.

18. Jajvalya Raghavan is the Company Secretary and Compliance Officer of our Company. Her details are as follows:

Jajvalya Raghavan
Company Secretary and Compliance Officer
Address: D-112, TTC Industrial Area,
MIDC, Nerul, Mumbai City,
Navi Mumbai, Maharashtra – 400706, India
Tel: +91 22 6919 9999
Email: cs@parasdefence.com

DETAILS OF PROPOSED ALLOTTEES

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotment shall be made at the sole and absolute discretion of our Company, in consultation with the Book Running Lead Manager, to Eligible QIBs.

The names of the proposed Allottees and the percentage of post-Issue capital that may be held by them is set forth below. These details of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, will be included in the Placement Document to be sent to such proposed Allottees.

S. No.	Name of the proposed Allottees	Percentage of the post-Issue share capital held (%)(1)(2)(3)
1.	[●]	[●]
2.	[●]	[●]
3.	[●]	[●]
4.	[●]	[●]
5.	[●]	[●]
6.	[●]	[●]
7.	[●]	[●]
8.	[●]	[●]
9.	[●]	[●]
10.	[●]	[●]

(1) *Based on beneficiary position as on [●].*

(2) *Subject to receipt of funds and Allotment in the Issue. The above table has been intentionally left blank and shall be updated in the Placement Document.*

(3) *The post-Issue shareholding (in percentage terms) of the proposed Allottees will be disclosed on the basis of their respective PAN, except in case of Mutual Funds, insurance companies, and Eligible FPIs (investing through different sub accounts having common PAN across such sub accounts) wherein their respective DP ID and Client ID will be considered.*

DECLARATION

Our Company certifies that all relevant provisions of Chapter VI read with Schedule VII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on our Company's business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by:

____

Munjal Sharad Shah
Managing Director
DIN: 01080863

Date: October 01, 2024
Place: Navi-Mumbai

DECLARATION

We, the Board of Directors of the Company, certify that:

(i) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules thereunder does not imply that payment of dividend or interest or repayment of preference shares or debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the Issue shall be used only for the purposes and objects indicated in this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

Signed by:

____

Munjal Sharad Shah
Managing Director
DIN: 01080863

Date: October 01, 2024
Place: Navi Mumbai

I am authorized by the Board of Directors/Management Committee, *vide* resolution number 20 dated [], 2024 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

____

Harsh Dhirendra Bhansali
Chief Financial Officer

Date: October 01, 2024
Place: Navi Mumbai

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

CIN: L29253MH2009PLC193352
Registered and Corporate Office: D-112, TTC Industrial Area, MIDC, Nerul,
Navi Mumbai - 400706, Maharashtra, India
Tel: +91 22 6919 9999
Website: www.parasdefence.com

DETAILS OF COMPLIANCE OFFICER

Jajvalya Raghavan
Company Secretary & Compliance Officer
D-112, TTC Industrial Area, MIDC, Nerul,
Navi Mumbai - 400706, Maharashtra, India
Tel: +91 22 6919 9999
Email: cs@parasdefence.com

BOOK RUNNING LEAD MANAGER

ITI Capital Limited
ITI House, 36, Dr R K Shirodkar, Marg, Parel,
Mumbai 400 012, India

STATUTORY AUDITORS OF OUR COMPANY

M/s. Chaturvedi & Shah LLP
912, Tulsiani Chambers,
212, Nariman Point, Mumbai - 400021

LEGAL COUNSEL TO THE ISSUE
As to Indian law

M/s. Crawford Bayley & Co
State Bank Building, 4th floor
NGN Vaidya Marg, Fort
Mumbai – 400 023,
Maharashtra, India

SPECIAL INTERNATIONAL LEGAL COUNSEL TO THE LEAD MANAGER

Dentons US LLP
2000, McKinney Avenue
Suite 1900 Dallas,
Texas 75201,
United States of America

SAMPLE APPLICATION FORM

Paras	**Corporate Identity Number:** L29253MH2009PLC193352 **Registered and Corporate Office:** D-112, TTC Industrial Area, MIDC, Nerul, Navi Mumbai - 400706, Maharashtra, India **Telephone No**.: +91 22 6919 9999 **Email**: business@parasdefence.com; **Website:** www.parasdefence.com **Company Secretary and Compliance Officer**: Jajvalya Raghavan **LEI Code**: 3358009CCJBJYJS8VK65	**APPLICATION FORM** Form No.: Date:

Name of the Bidder: ____

QUALIFIED INSTITUTIONS PLACEMENT OF [●] EQUITY SHARES OF FACE VALUE ₹ 10 EACH (THE "EQUITY SHARES") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE ("ISSUE PRICE") AGGREGATING TO APPROXIMATELY ₹ [●] LAKHS UNDERTAKEN IN ACCORDANCE WITH CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED (THE "COMPANIES ACT"), READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES"), AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT AND THE RULES MADE THEREUNDER BY PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED (THE "COMPANY") (HEREINAFTER REFERRED TO AS THE "ISSUE"). THE APPLICABLE FLOOR PRICE OF THE EQUITY SHARES IS ₹ [●] AND OUR COMPANY MAY OFFER A DISCOUNT OF UP TO 5% ON THE FLOOR PRICE, AS APPROVED BY THE SHAREHOLDERS

Only Qualified Institutional Buyers ("QIBs") as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and which are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; or (b) restricted from participating in the Issue under the SEBI ICDR Regulations and other applicable laws, including foreign exchange related laws; and (c) hold a valid and existing registration under the applicable laws in India (as applicable), and (d) are eligible to invest in the Issue and submit this Application Form. In addition to the above, with respect to the Issue, Eligible QIBs shall consist of (i) QIBs which are resident in India; and (ii) Eligible FPIs (as defined herein below) participating through Schedule II of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ("FEMA Non-Debt Rules"), can submit this Application Form.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or securities laws any state of the United States and, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares are being offered and sold only outside the United States in 'offshore transactions' as defined in, and in reliance on Regulation S under the U.S. Securities Act ("Regulation S") and the applicable laws of the jurisdiction where those offers and sales are made.

The Equity Shares of the Company have not been and will not be registered, listed or otherwise qualified in any jurisdiction except India and may not be offered or sold, and Bids may not be made by persons in any jurisdiction, except in compliance with the applicable laws of such jurisdictions. You should note and observe the solicitation and distribution restrictions contained in the sections titled "*Selling Restrictions*" in the accompanying preliminary placement document dated October 01, 2024 (the "PPD"). See "*Transfer Restrictions*" in the PPD for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

ELIGIBLE FPIS ARE PERMITTED TO PARTICIPATE IN THIS ISSUE, THROUGH THE PORTFOLIO INVESTMENT SCHEME UNDER SCHEDULE II OF THE FEMA RULES, SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF ELIGIBLE FPIS DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. PURSUANT TO PRESS NOTE NO. 3 (2020 SERIES), DATED APRIL 17, 2020, ISSUED BY THE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, GOVERNMENT OF INDIA, AND RULE 6 OF THE FEMA RULES, INVESTMENTS BY AN ENTITY OF A COUNTRY WHICH SHARES LAND BORDER WITH INDIA OR WHERE THE BENEFICIAL OWNER OF SUCH INVESTMENT IS SITUATED IN OR IS A CITIZEN OF SUCH COUNTRY, MAY ONLY BE MADE THROUGH THE GOVERNMENT APPROVAL ROUTE. ALLOTMENTS MADE TO AIFS AND VCFs IN THE ISSUE SHALL REMAIN SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO EACH OF THEM RESPECTIVELY, INCLUDING THE FEMA RULES. OTHER ELIGIBLE NON-RESIDENT QIBS SHALL PARTICIPATE IN THE ISSUE UNDER SCHEDULE I OF FEMA RULES. FVCIs ARE NOT PERMITTED TO PARTICIPATE IN THE ISSUE.

To,
The Board of Directors
Paras Defence and Space Technologies Limited
D-112, TTC Industrial Area, MIDC,
Nerul, Navi Mumbai - 400706,
Maharashtra, India

Dear Sirs,

On the basis of the serially numbered PPD of the Company and subject to the terms and conditions contained therein, and in this Application Form, we hereby submit our Application Form for the Allotment of the Equity Shares in the Issue, at the terms and price indicated below. We confirm that we have a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to us in accordance with Chapter VI of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, and all other applicable laws, including any reporting obligations and the terms and conditions mentioned in the PPD and this Application Form. We confirm that we are an Eligible QIB as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; and (b) restricted from participating in the Issue under the applicable laws, including SEBI ICDR Regulations. We are not a Promoter of the Company (as defined in the SEBI ICDR Regulations), or any person related to the Promoters of the Company, directly or indirectly Further, we confirm that we do not have any right under a shareholders' agreement or voting agreement entered into with Promoters or persons related to Promoters of the Company, veto rights or right to appoint any nominee director on the board of directors of the Company.

STATUS (Please tick for applicable category)			
FI	Scheduled Commercial Bank and Financial Institutions	**IC**	Insurance Companies
MF	Mutual Funds	**VCF**	Venture Capital Funds
NIF	National Investment Fund	**FPI**	Foreign Portfolio Investor*
IF	Insurance Funds	**AIF**	Alternative Investment Funds**
SI-NBFC	Systematically Important Non – Banking Financial Companies	**OTH**	Others ________________ (Please specify)

Total shares currently held by QIB or QIBs belonging to the same group or those who are under common control. For details of what constitutes "same group" or "common control", see "Application Form" under Issue Procedure section of the Preliminary Placement Document.
**Foreign portfolio investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended, other than individuals, corporate bodies and family offices who are not allowed to participate in the Issue.*
*** Sponsor and Manager should be Indian owned and controlled.*

We confirm that we are either a QIB which is resident in India, or an Eligible FPI, participating through Schedule II of the FEMA Rules or a multilateral or bilateral development financial institution eligible to invest in India under applicable law. We specifically confirm that our Bid for the Allotment of the Equity Shares is not in violation to the amendment made to Rule 6(a) of the FEMA Rules by the Central Government on April 22, 2020. We confirm that we are neither an AIF or VCF whose sponsor and manager is not Indian owned and controlled in terms of the FEMA Rules, nor an FVCI. We confirm that the signatory is authorized to apply on behalf of the Bidder and the Bidder has all the relevant approvals for applying in the Issue.

We confirm that the Bid size / aggregate number of the Equity Shares applied for by us, and which may be Allocated to us thereon will not exceed the relevant regulatory or approved limits and further confirm that our Bid will not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**"). We confirm that, in relation to our application, each foreign portfolio investor ("**FPI**") as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended (other than individuals, corporate bodies and family offices), and including persons who have been registered under these regulations (such FPIs, "**Eligible FPIs**"), have submitted a separate Application Form, and asset management companies of mutual funds have specified the details of each scheme for which the application is being made along with the Bid Amount and number of shares to be Allotted under each scheme. We undertake that we will sign all such documents, provide such documents and do all such acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Equity Shares that may be Allotted to us. We note that the Company is entitled, in consultation with ITI Capital Limited (the "**BRLM**"), in its sole discretion, to accept or reject this Application Form without assigning any reason thereof.

We hereby agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the provisions of the memorandum of association and articles of association of the Company, applicable laws and regulations, the terms of the PPD, Placement Document and the confirmation of allocation note ("**CAN**"), when issued and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below, subject to receipt of Application Form and the Bid Amount towards the Equity Shares that may be allocated to us. The amount payable by us as Bid Amount for the Equity Shares applied for has been/will be remitted to the designated bank account set out in this Application Form through electronic mode, along with this Application Form prior to the Issue Closing Date and such Bid Amount has been /will be transferred from a bank account maintained in our name. We acknowledge and agree that we shall not make any payment in cash or cheque. We are aware that (i) Allocation and Allotment in the Issue shall be at the sole discretion of the Company, in consultation with the Book Running Lead Manager; and (ii) in the event that Equity Shares that we have applied for are not Allotted to us in full or at all, and/or the Bid Amount is in excess of the amount equivalent to the product of the Equity Shares that will be Allocated to us and the Issue Price, or the Company is unable to issue and Allot the Equity Shares offered in the Issue or if there is a cancellation of the Issue, or in case of rejection of Bids or non-allocation of Equity Shares or the listing of the Equity Shares does not occur in the manner described in the PPD, the Placement Document, the SEBI ICDR Regulations and other applicable laws, the Bid Amount or a portion thereof, as applicable, will be refunded to the same bank account from which the Bid Amount was paid by us. Further, we agree to comply with the rules and regulations that are applicable to us, including in relation to the lock-in and transferability requirements. In this regard, we authorize the Company to issue instructions to the depositories for such lock-in and transferability requirements, as may be applicable to us.

We further acknowledge and agree that (i) our names, addresses, nationalities, contact details, email IDs, PAN, bank account details and the number of Equity Shares Allotted, along with other relevant information as may be required, will be recorded by the Company in the format prescribed in terms of the PAS Rules; (ii) in the event that any Equity Shares are Allocated to us in the Issue, we are aware pursuant to the requirements under Form PAS-4 of the PAS Rules that our names (as proposed Allottees) and the percentage of our post-Issue shareholding in the Company will be disclosed in the Placement Document, and we are further aware that disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Company, in consultation with the Book Running Lead Manager; and (iii) in the event that Equity Shares are Allotted to us in the Issue, the Company will place our name in the register of members of the Company as a holder of such Equity Shares that may be Allotted to us and in the Form PAS-3 filed by the Company with the Registrar of Companies, Mumbai at Maharasthra (the "**RoC**") as required in terms of the PAS Rules. Further, we are aware and agree that if we, together with any other QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in the Issue, the Company shall be required to disclose our name, along with the names of such other Allottees and the number of Equity Shares Allotted to us and to such other Allottees, on the websites of BSE Limited and the National Stock Exchange of India Limited (the "**Stock Exchanges**") and we consent to such disclosures. In addition, we confirm that we are eligible to invest in Equity Shares under the SEBI ICDR Regulations, circulars issued by the Reserve Bank of India ("**RBI**") and other applicable laws.

By signing and/or submitting this Application Form, we hereby confirm and agree (i) that the representations, warranties, acknowledgements and agreements as provided in the sections entitled *"Notice to Investors", "Representations by Investors", "Issue Procedure", "Selling Restrictions"* and "*Transfer Restrictions* " of the PPD and (ii) the terms, conditions and agreements mentioned herein are true and correct and acknowledge and agree that these representations and warranties are given by us for the benefit of the Company and the Book Running Lead Manager, each of whom is entitled to rely on, and is relying on, these representations and warranties in consummating the Issue.

By signing and/or submitting this Application Form, we hereby represent, warrant, acknowledge and agree as follows: (1) we have been provided with a serially numbered copy of the PPD along with the Application Form, have read it in its entirety including in particular, the section entitled "*Risk Factors*" therein and we have relied only on the information contained in the PPD and not on any other information obtained by us either from the Company, the Book Running Lead Manager or from any other source, including publicly available information; (2) we will abide by the PPD and the Placement Document, this Application Form, the CAN, when issued, and the terms, conditions and agreements contained therein; (3) that if Equity Shares are Allotted to us pursuant to the Issue, we shall not sell such Equity Shares otherwise than on the floor of a recognised stock exchange in India for a period of one year from the date of Allotment; (4) we will not have the right to withdraw our Bid or revise our Bid downwards after the Issue Closing Date; (5) we will not trade in the Equity Shares credited to our beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchange; (6) Equity Shares shall be Allocated and Allotted at the sole and absolute discretion of the Company, in consultation with the Book Running Lead Manager, and the submission of this Application Form and payment of the corresponding Bid Amount by us does not guarantee any Allocation or Allotment of Equity Shares to us in full or in part; (7) in terms of the requirements of the Companies Act, upon Allocation, the Company will be required to disclose names and percentage of our post-Issue shareholding of the proposed Allottees in the Placement Document; however, disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Company, in consultation with the Book Running Lead Manager; (8) the number of Equity Shares Allotted to us pursuant to the Issue, together with other Allottees that belong to the same group or are under common control as us, shall not exceed 50% of the Issue and we shall provide all necessary information in this regard to the Company and the Book Running Lead Manager. For the purposes of this representation: The expression 'belong to the same group' shall derive meaning from Regulation 180(2) of the SEBI ICDR Regulations, i.e., entities where (i) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (ii) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors, among the Eligible QIBs, its subsidiary or holding company and any other QIB; and 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations; (9) if we are participating in the Issue as an Eligible FPI, we are not an individual, corporate body, or family office; and (10) We agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the provisions of the memorandum of association and articles of association of the Company, applicable laws and regulations, the terms of the PPD and the Placement Document, this Application Form, the CAN upon its issuance and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below.

By signing and/or submitting this Application Form, we further represent, warrant and agree that we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of the prospective investment in the Equity Shares and we understand the risks involved in making an investment in the Equity Shares. No action has been taken by us or any of our affiliates or representatives to permit a public offering of the Equity Shares in any jurisdiction. We satisfy any and all relevant suitability standards for investors in Equity Shares, have the ability to bear the economic risk of our investment in the Equity Shares, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to our investment in Equity Shares and are able to sustain a complete loss of our investment in the Equity Shares.

We acknowledge that once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Bid Amount has been transferred to the Escrow Account (as detailed below), such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and this Application Form is unsigned, we confirm that we are authorized to submit this Application Form and provide necessary instructions for transfer of the Bid Amount to the Escrow Account, on behalf of the Eligible QIB.

We acknowledge that the Equity Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. **By signing this Application Form and checking the applicable box above, we hereby represent that we are located outside the United States and purchasing Equity Shares in an "offshore transaction" as defined in, and in reliance on Regulation S and the applicable laws of the jurisdictions where such offers and sales are made. We confirm that we hereby make all the applicable representations, warranties and agreements as set forth in the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions*" in the PPD.**

BIDDER DETAILS (In Block Letters)			
NAME OF BIDDER*			
NATIONALITY			
REGISTERED ADDRESS			
CITY AND CODE			
COUNTRY			
PHONE NO.		**FAX NO.**	
MOBILE NO.			
EMAIL ID			

BIDDER DETAILS (In Block Letters)	
FOR ELIGIBLE FPIs**	SEBI FPI REGISTRATION NO.
FOR MF	SEBI MF REGISTRATION NO
FOR AIFs***	SEBI AIF REGISTRATION NO.
FOR VCFs***	SEBI VCF REGISTRATION NO.
FOR SI-NBFC	RBI REGISTRATION DETAILS
FOR INSURANCE COMPANIES	IRDAI REGISTRATION DETAILS.

**Name should exactly match with the name in which the beneficiary account is held. Bid Amount payable on Equity Shares applied for by joint holders shall be paid from the bank account of the person whose name appears first in the application. Mutual Fund Bidders are requested to provide details of the bids made by each scheme of the Mutual Fund. Each Eligible FPI is required to fill a separate Application Form. Further, any discrepancy in the name as mentioned in this Application Form with the depository records would render the application invalid and liable to be rejected at the sole discretion of the Company and the BRLM.*
*** In case you are an Eligible FPI holding a valid certificate of registration and eligible to invest in the Issue, please mention your SEBI FPI Registration Number.*
**** Allotments made to AIFs and VCFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. AIFs and VCFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.*

NO. OF EQUITY SHARES BID FOR		PRICE PER EQUITY SHARE (RUPEES)		APPLICATION AMOUNT (RUPEES)	
(In Figures)	(In Words)	(In Figures)	(In Words)	(In Figures)	(In Words)

NO. OF EQUITY SHARES BID FOR	(In Figures)	
	(In Words)	
PRICE PER EQUITY SHARE (RUPEES)	(In Figures)	
	(In Words)	
APPLICATION AMOUNT (RUPEES)	(In Figures)	
	(In Words)	

DEPOSITORY ACCOUNT DETAILS									
Depository Name (Please ✓)		National Security Depository Limited							Central Depository Services (India) Limited
Depository Participant Name									
DP – ID	I	N							
Beneficiary Account Number									(16-digit beneficiary account. No. to be mentioned above)

PAYMENT DETAILS | REMITTANCE BY WAY OF ELECTRONIC FUND TRANSFER
By 3.00 p.m. (IST), [●], ("Issue Closing Date")

BANK ACCOUNT DETAILS FOR PAYMENT OF BID AMOUNT THROUGH ELECTRONIC FUND TRANSFER			
Name of the Account	Paras Defence and Space Technologies Limited - QIP 2024 Escrow A/c	**Account Type**	Escrow Account
Name of Bank	Kotak Mahindra Bank Limited	**Address of the Branch of the Bank**	5 C/ Ii, Mittal Court,224, Nariman Point,Mumbai, Maharashtra - 400 021.
Account No.	0249887462	**IFSC**	KKBK0000958
LEI Number	335800E6GTTXKHXE2I75	**Email**	charchit.batham@kotak.com

The Bid Amount should be transferred pursuant to the Application Form. All payments must be made only by way of electronic funds transfer, in favour of **Paras Defence and Space Technologies Limited - QIP 2024 Escrow Account**. Payment of the entire Bid Amount should be made along with the Application Form on or before the closure of the Bid/Issue Period, i.e., prior to the Issue Closing Date. **The payment for subscription to the Equity Shares Allotted in the Issue shall be made only from the bank account of the person subscribing to the Equity Shares and in case of joint holders, from the bank account of the person whose name appears first in the Application Form.**

The Bidders are responsible for the accuracy of the bank account details mentioned below and acknowledge that the successful processing of refunds if, any, shall be dependent on the accuracy of the bank account details provided by them. The Company and the Book Running Lead Manager shall not be liable in any manner for refunds that are not processed due to incorrect bank account details.

RUPEE BANK ACCOUNT DETAILS (FOR REMITTANCE)			
Bank Account Number		IFSC Code	
Bank Name		Bank Branch Address	

DETAILS OF CONTACT PERSON			
Name:			
Address:			
Tel. No:		Fax No:	
Mobile No.	____ Email: ____		

OTHER DETAILS	
PAN	
Date of Application	
Signature of Authorised Signatory (may be signed either physically of digitally)	

ENCLOSURES ATTACHED
☐ Copy of PAN Card or PAN allotment letter**
☐ FIRC
☐ Copy of the SEBI registration certificate as a Mutual Fund
☐ Copy of the SEBI registration certificate as an Eligible FPI
☐ Copy of the SEBI registration certificate as an AIF
☐ Copy of the SEBI registration certificate as a VCF
☐ Certified copy of certificate of registration issued by the RBI as an SI-NBFC/ a scheduled commercial bank
☐ Copy of the IRDAI registration certificate
☐ Intimation of being part of the same group
☐ Certified true copy of the power of attorney
☐ Other, please specify __________________

**A physical copy of the Application Form and relevant documents as required to be provided along with the Application Form shall be submitted as soon as practicable.*
***Please note that the Bidder should not mention the GIR number or any other identification number instead of the PAN, unless the Bidder is exempted from requirement of obtaining a PAN under the Income-tax Act, 1961, as the application is liable to be rejected on this ground.*

Note 1: Capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the PPD.
Note 2: This Application Form may be rejected if any information provided is incomplete or inadequate, at the discretion of the Bank in consultation with the BRLM.

The Application Form and the PPD sent to you and the Placement Document which will be sent to you in electronic form, are specific to you and you may not distribute or forward the same and are subject to the disclaimers and restrictions contained or accompanying these documents.

(Note: The format of the Application Form included herein above is indicative and for the illustrative purposes only and no Bids in this Issue can be made through the sample Application Form. The Bank, in consultation with the BRLM, shall identify Eligible QIBs and circulate serially numbered copies of this Preliminary Placement Document and the Application Form, specifically addressed to such Eligible QIBs. Any application to be made in the Issue should be made only upon receipt of serially numbered copies of this Preliminary Placement Document and the Application Form and not on the basis of the indicative format above.)