Paras Defence shares have jumped sharply, and two main reasons are behind this move. One, the recent stock split has made the shares cheaper and easier to trade. Two, there’s a strong policy push from the government to boost domestic defence manufacturing. Both these developments have increased investor interest in the stock.

Let’s break down what’s happening and why it matters.

## Stock Split: Make Stock More Accessible

On July 4, 2025, [Paras Defence](https://www.indmoney.com/stocks/paras-defence-and-space-technologies-ltd-share-price) shares went ex-split after a 1:2 stock split, reducing the face value from ₹10 to ₹5.

* The stock opened around ₹858 and closed at ₹933.60
* It hit the 10% upper circuit during the day
* Trading volumes spiked, over 4.7 million shares changed hands

## What does a stock split do?

A stock split doesn’t change the company’s fundamentals or market value. But it:

* Makes the stock more affordable for retail investors
* Improves liquidity, as more people can now trade it
* Increases visibility and participation, especially important for niche sectors like defence tech

## Policy Boost: ₹1.05 Lakh Crore Defence Approvals

A day before the stock split, on July 3, the Defence Acquisition Council (DAC) cleared capital procurement proposals worth ₹1.05 lakh crore.

### Why is this important?

* All approvals were under the Buy (Indian-IDDM) category, meaning only Indian manufacturers are eligible
* The projects include surveillance systems, air defence, and naval upgrades — areas where Paras Defence has active capabilities
* Even though the company wasn’t mentioned by name, investor sentiment turned positive for the entire defence sector

Paras Defence rose nearly 10% intraday on July 3, alongside other defence stocks like BEL, HAL, and Data Patterns.

## Long-Term Projects: Scaling Through Specialisation

Beyond short-term triggers, Paras is laying the groundwork for long-term growth with two major initiatives:

### **Optics Manufacturing Park**

* Paras has signed an MoU with the Maharashtra government to set up India’s first dedicated optics park
* The project involves a planned ₹12,000 crore investment over 2028–2035
* It aims to localise the production of high-precision optics for defence, aerospace, and automotive sectors
* Expected to create 2,000+ direct jobs

#### **Why Optic Park matters:**

India currently imports most defence-grade optics. Localising this could reduce dependence on imports and improve cost and delivery timelines.

### **Entry into Small Arms (Licensed LMG Manufacturing)**

Paras has received approval to manufacture Light Machine Guns, specifically the MK46 and MK48 models, under a license from the Ministry of Home Affairs.

This move expands its product portfolio beyond defence electronics into small arms manufacturing, a space traditionally controlled by government PSUs.

Combined with existing partnerships in drones and surveillance systems (including Israeli collaborations), this move strengthens its alignment with India’s Atmanirbhar Bharat goals.

## Risks to Keep in Mind

While the outlook appears strong, there are key risks investors should consider:

* Execution Risk: Large-scale projects like the ₹12,000 crore optics park will take years to build and scale. Delays in construction, cost overruns, or underutilisation of capacity could impact future returns and weigh on investor sentiment.
* Valuation Sensitivity: The stock has seen a sharp run-up and now trades at relatively high valuation multiples. This leaves little room for disappointment; any slowdown in order inflows or weaker-than-expected financial results could lead to sharp corrections.
* Competitive Pressure: Paras operates in a highly competitive space, going up against large defence PSUs such as BEL and HAL, as well as private players like Tata Advanced, L&T, and Adani Defence. Successfully scaling its newer divisions, especially firearms and optics, without overextending internal resources will be critical to maintaining its growth trajectory.

## Key Takeaways for Investors

* The 1:2 stock split improved affordability and boosted trading volumes
* The ₹1.05 lakh crore DAC approvals created a strong demand outlook for Indian defence manufacturers
* Paras is well-aligned with defence priorities in optics, drones, and firearms
* Long-term bets like the optics park and licensed LMG production offer scale potential, but the earnings impact will take time
* The company had an order book of ₹928 crore as of March 2025, which provides revenue visibility for approximately 2.5 years, based on its FY25 revenue of ₹364.66 crore.
* Valuation already factors in a high-growth future, so execution remains critical.

## Conclusion:

Paras Defence’s stock has surged due to a mix of near-term and structural drivers. The stock split improved affordability and liquidity, while large defence procurement approvals boosted sector sentiment. The company is also making strategic bets with its optics park and entry into small arms manufacturing. With a ₹928 crore order book and strong alignment with India’s defence goals, the outlook is positive. However, future gains will depend on execution, especially for its long-term projects.

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