

Data Patterns (India)

Estimate change	
TP change	
Rating change	

Bloomberg	DATAPATT IN
Equity Shares (m)	56
M.Cap.(INRb)/(USDb)	177.8 / 2.1
52-Week Range (INR)	3444 / 1565
1, 6, 12 Rel. Per (%)	12/58/74
12M Avg Val (INR M)	812

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	5.2	6.7	9.0
EBITDA	2.2	2.8	3.8
Adj. PAT	1.8	2.3	3.1
EBITDA Margin (%)	42.6	42.1	42.5
Cons. Adj. EPS (INR)	32.4	40.6	55.2
EPS Gr. (%)	46.6	25.0	36.1
BV/Sh. (INR)	236.5	276.1	330.3
Ratios			
Net D:E	-0.5	-0.5	-0.5
RoE (%)	14.6	15.8	18.2
RoCE (%)	15.1	16.3	18.6
Valuations			
P/E (x)	98	78	58
EV/EBITDA (x)	77	61	44

Shareholding pattern (%)

As on	Mar-24	Dec-23	Mar-23
Promoter	42.4	42.4	42.4
DII	11.6	9.2	11.6
FII	14.6	6.7	5.1
Others	31.4	41.7	40.9

Note: FII includes depository receipts

CMP: INR3,180

TP: INR2,760 (-13%)

Neutral

Margin expansion drives earnings growth

Earnings below estimates

- Data Patterns (DATAPATT) reported a revenue decline of ~2% YoY in 4QFY24. However, operating performance was healthy (EBITDA margin up 11.4pp YoY) as gross margin improved (up 14pp YoY), aided by a favorable business mix during the quarter.
- Factoring in 4Q results and lower growth guidance for FY25, we cut our FY25/FY26 EPS estimates by 7%/5%. **We reiterate our Neutral rating with a TP of INR2,760 (premised on 50x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Order inflows remain healthy

- Consolidated revenue declined 2% YoY (up 31% QoQ) to INR1.8b (est. INR2.3b), due to a decline in production and service revenue and spillover of delivery of two orders in next quarter.
- EBITDA margins expanded 11.4pp YoY/8pp QoQ to 51% (est. 44.7%), led by a favorable business mix. EBITDA grew 27% YoY/55% QoQ to INR930m (est. INR1b).
- Adjusted PAT grew 29% YoY/39% QoQ to INR711m (est. INR746m).
- The order book stood at INR10.8b as of Mar'24 vs. INR9.6b/INR9.2b in Dec'23/Mar'23, led by strong order inflows of ~INR3b (up 37% YoY) in 4Q.
- For FY24, revenue/EBITDA/adj. PAT grew 15%/29%/47% YoY to INR5.2b/INR2.2b/INR1.8b.

Highlights from the management commentary

- **Guidance:** The company expects to achieve ~20-25% revenue growth in FY25. This is a conservative guidance and revenue growth can exceed this range in FY25. It is targeting over 25% revenue CAGR over the next two to three years. Margins are likely to sustain at ~40%.
- **Capex and new product development:** It will spend INR1b in the next two years to develop infrastructure on the already acquired land. DATAPATT also plans to spend ~INR1b on the development of new products in FY25.
- **Working capital:** Net working capital will decline as and when the mix of production contracts increases. The cash conversion cycle is expected to decline to ~270-280 days in the longer run (from ~432 days in FY24).

Valuation and view

- DATAPATT, a prominent player in the aerospace and defense electronics sector in India, is set to capture a larger share of pie (TAM of ~USD2b as of CY20; a 9% CAGR) with its vast experience, strong core competencies, and robust executional capabilities.
- We estimate a CAGR of 31%/31%/30% in revenue/EBITDA/adj. PAT over FY24-26, driven by robust order book growth (~43% CAGR over FY19-24).
- Factoring in 4Q results and lower growth guidance for FY25, we cut our FY25/FY26 EPS estimates by 7%/5%. **We reiterate our Neutral rating with a TP of INR2,760 (premised on 50x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Consolidated - Quarterly Perf.										(INR m)		
Y/E March	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Gross Sales	684	882	1,118	1,851	897	1,083	1,395	1,823	4,535	5,198	2,304	-21
YoY Change (%)	NA	136.8	88.8	322.2	31.2	22.9	24.8	-1.5	45.9	14.6	24.5	
Total Expenditure	471	580	648	1,117	619	676	795	893	2,816	2,982	1,275	
EBITDA	213	302	470	734	278	408	600	930	1,718	2,217	1,029	-10
Margins (%)	31.1	34.2	42.1	39.6	31.0	37.6	43.0	51.0	37.9	42.6	44.7	
Depreciation	20	21	21	22	28	31	33	70	84	162	42	
Interest	16	12	21	28	17	23	23	30	77	93	35	
Other Income	17	19	19	38	116	108	113	123	92	460	45	
PBT before EO expense	194	287	446	721	349	463	657	953	1,649	2,422	997	
PBT	194	287	446	721	349	463	657	953	1,649	2,422	997	
Tax	52	76	113	168	91	125	148	242	409	605	251	
Rate (%)	26.7	26.6	25.4	23.3	25.9	27.0	22.4	25.4	24.8	25.0	25.2	
Reported PAT	142	211	333	554	258	338	510	711	1,240	1,817	746	
Adj PAT	142	211	333	554	258	338	510	711	1,240	1,817	746	-5
YoY Change (%)	NA	104.4	158.5	517.9	81.4	60.5	53.0	28.4	32.2	46.6	34.8	
Margins (%)	20.8	23.9	29.8	29.9	28.8	31.2	36.5	39.0	27.3	35.0	32.4	

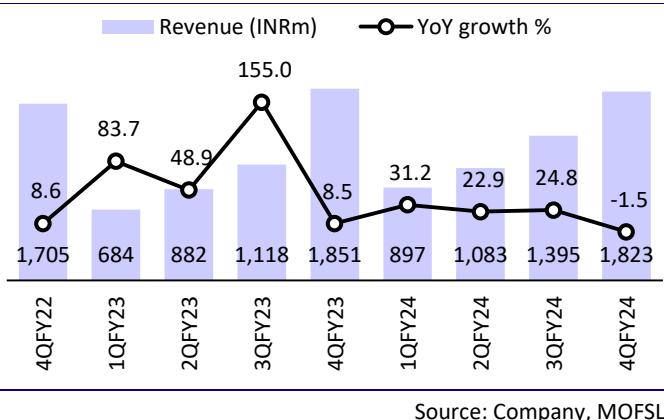
Key Exhibits

Exhibit 1: Consolidated order book trend



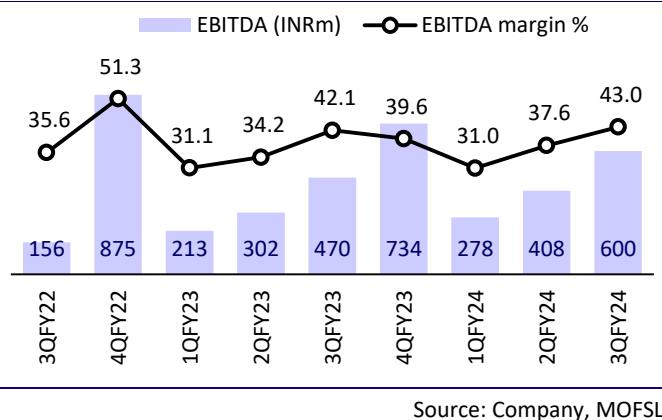
Source: Company, MOFSL

Exhibit 2: Consolidated revenue trend



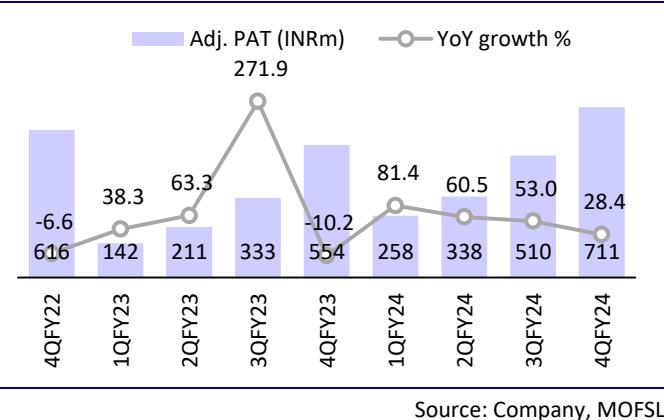
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



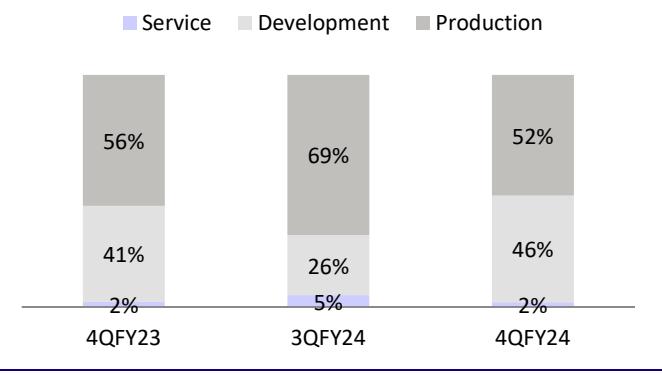
Source: Company, MOFSL

Exhibit 4: Consolidated Adj. PAT trend



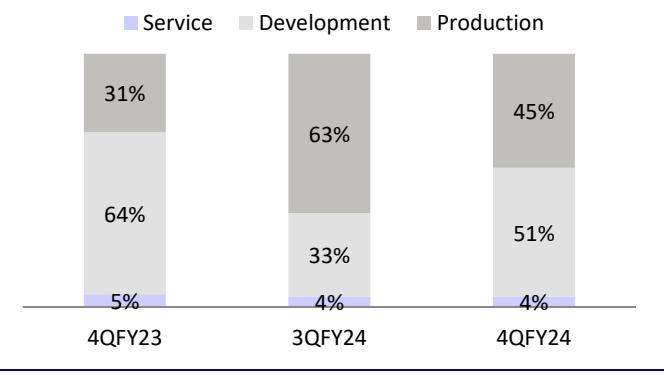
Source: Company, MOFSL

Exhibit 5: Segment revenue mix



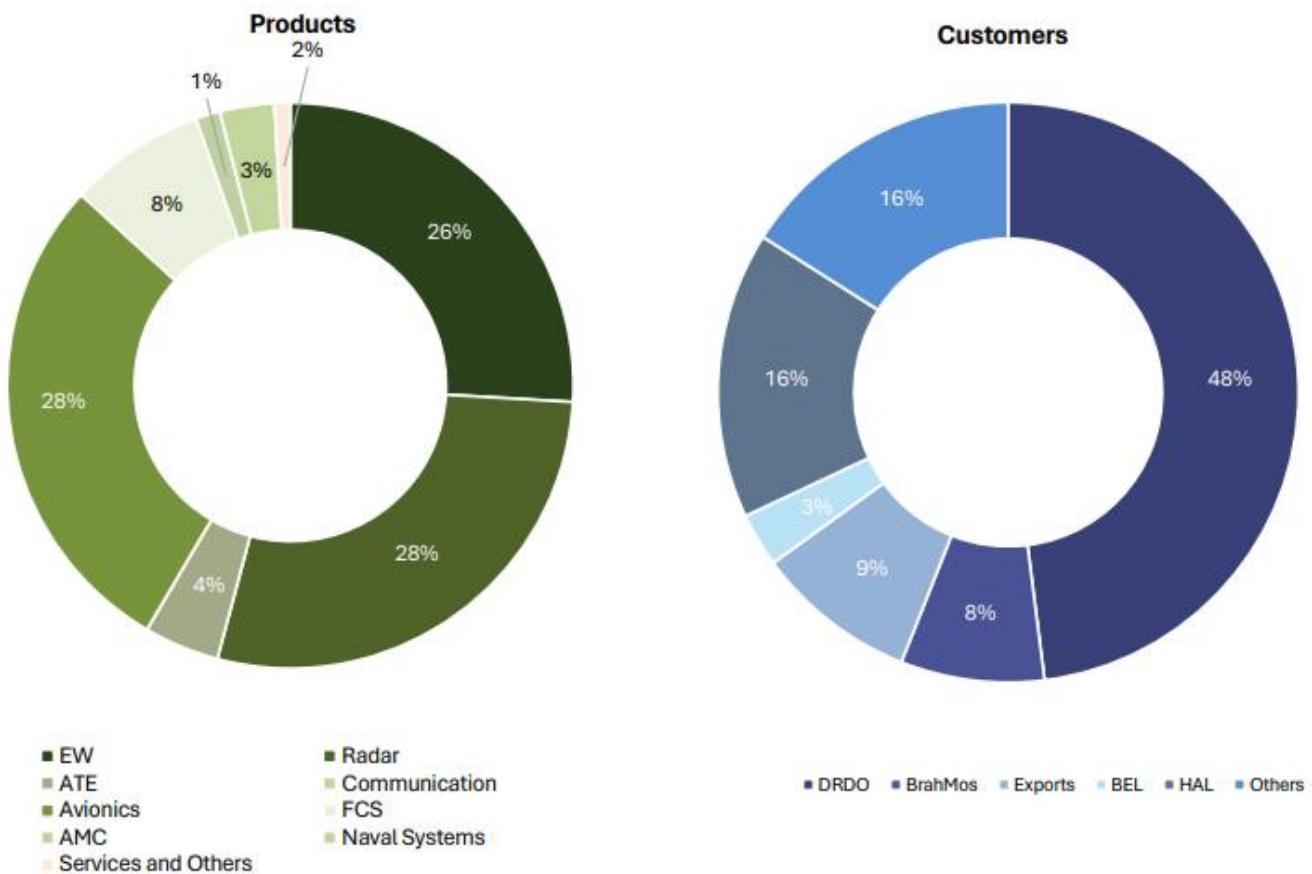
Source: Company, MOFSL

Exhibit 6: Segment order book mix



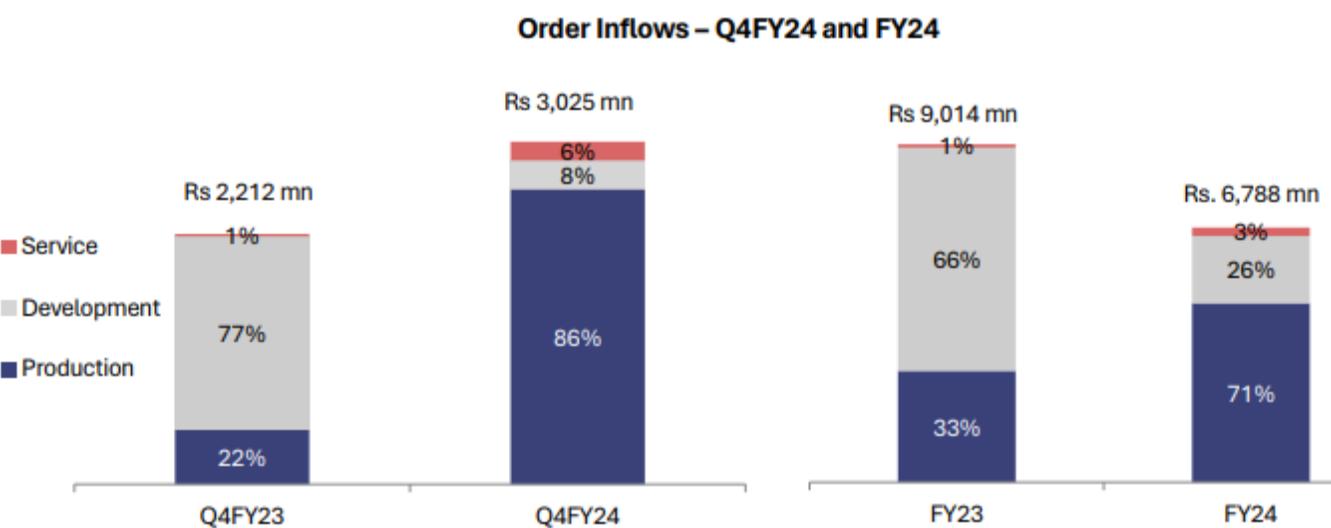
Source: Company, MOFSL

Exhibit 7: DATAPATT's product-wise and customer-wise revenue break-up (4QFY24)



Source: MOFSL, Company

Exhibit 8: DATAPATT's order inflow breakup



Source: MOFSL, Company

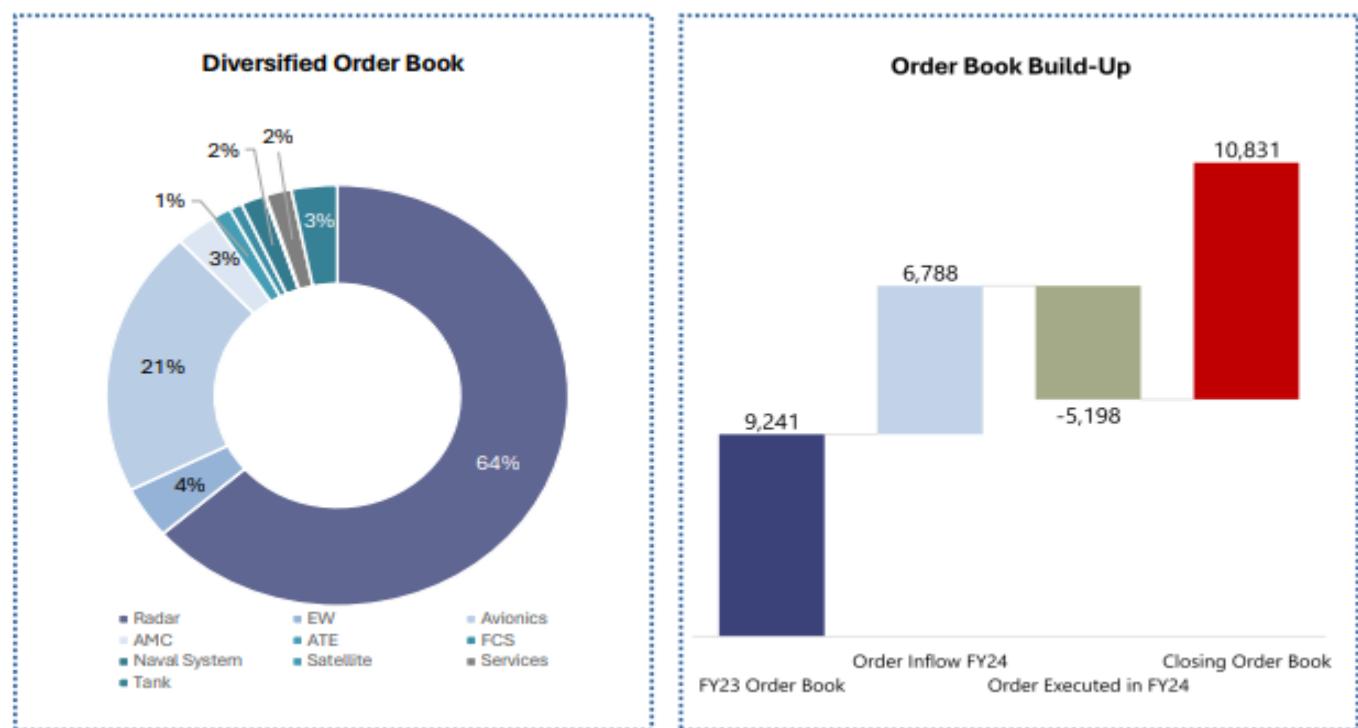
Exhibit 9: Major orders received by DATAPATT in 4QFY24/FY24

Major order received in Q4FY24				Major order received in FY24			
Product	Customer	Order Type	Value (Rs mn)	Product	Customer	Order Type	Value (Rs mn)
Radar	BEL	Production	1,827.8	Radar	BEL	Production	1827.8
Avionics	Export	Production	517.6	Avionics	Export	Production	517.6
EW	DRDO	Development	177.4	Avionics	HAL	Production	446.9
Naval	BEL	Production	114.3	Avionics	DRDO	Development	439.1
AMC	IMD	Service	106.6	EW	DRDO	Development	362.0
FCS	BrahMos	Development	73.3	Radar	Export	Production	326.9
Avionics	ADA	Production	67.7	Radar	BEL	Production	321.3
EW	DRDO	Production	23.6	Radar	Export	Development	235.0

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Source: MOFSL, Company

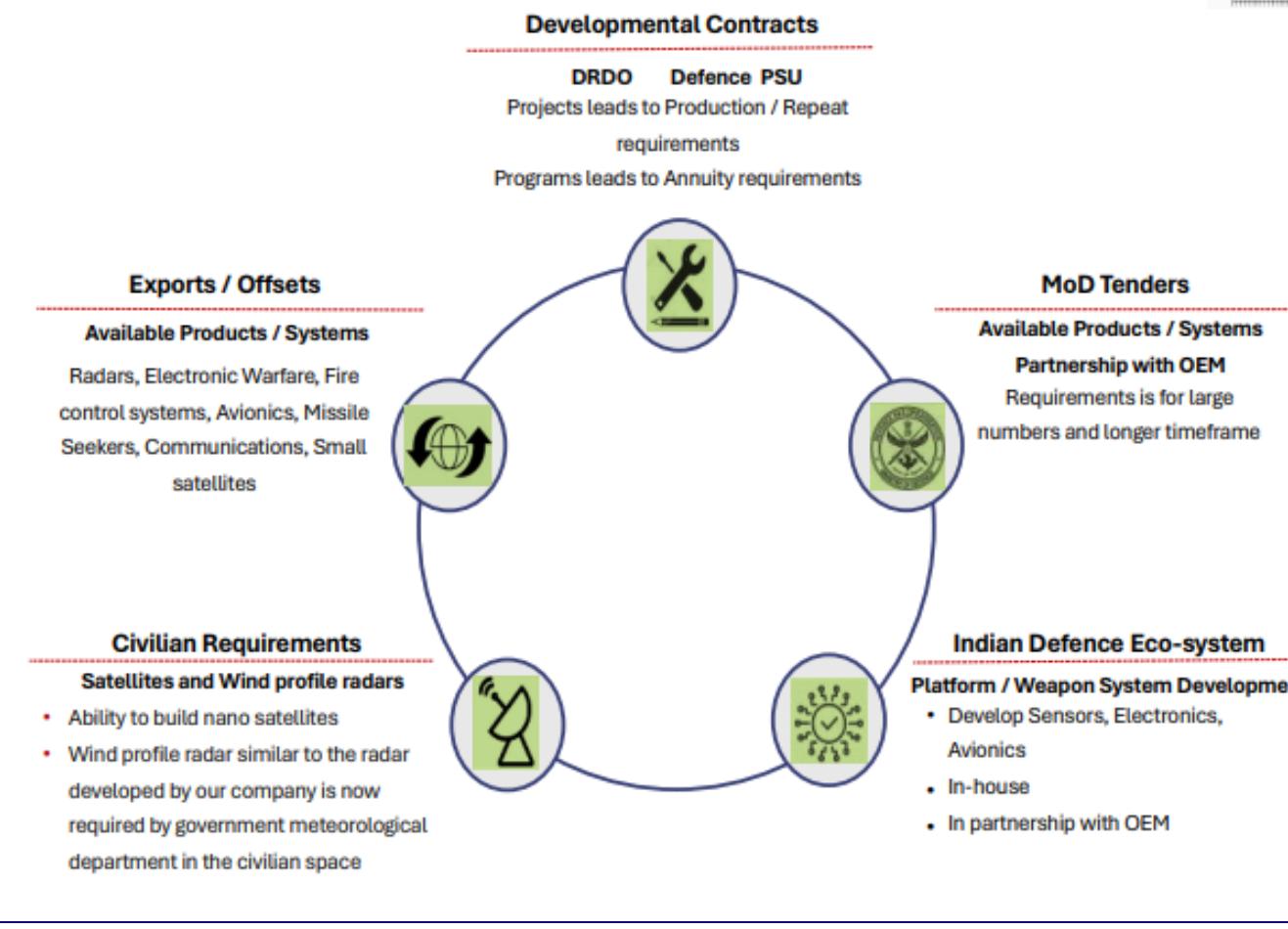
Exhibit 10: DATAPATT's has strong order book of ~INR10.8b as on Mar'24



Source: MOFSL, Company

Exhibit 11: DATAPATT caters to diverse market

DATA PATTERNS



Source: MOFSL, Company

Exhibit 12: DATAPATT is operating in high growth categories



Source: MOFSL, Company



Highlights from the management commentary

Operating performance

- The company was not able to meet internal guidance of ~INR5.4b of revenue in FY24 as two orders are not yet delivered due to pending inspection.
- Inventory has gone up due to advanced procurement of materials for contracts deliverable in FY25.
- The company has cash and liquid investments of ~INR7.5b as on Mar'24.

Guidance

- DATAPATT expects to achieve ~20-25% revenue growth in FY25. This is a conservative guidance and revenue growth can exceed this range in FY25. It is targeting over 25% revenue CAGR over the next two to three years.
- The company expects INR10b of order inflows in FY25. It has visibility for a healthy order book (~INR20-30b over next two years).
- It expects to sustain margins at ~40%.
- The demand outlook remains strong. The company is witnessing opportunities in multiple categories.
- Net working capital will keep on going down as and when the mix of production contracts increases. The cash conversion cycle is expected to reduce to ~270-280 days in the longer run.

MoD contracts

- DATAPATT has successfully developed and delivered nine precision approach radars to the Ministry of Defense (MoD) for the Air Force and Indian Navy requirements.
- It will continue to engage with DRDO going ahead. But the scale-up in business will come from MoD contracts. The company is engaging with MoD over a few large orders.
- The company is only looking at business with healthy margins.
- Revenue will grow substantially from MoD contracts, but margins will be relatively lower. However, the company has developed its own products instead of using IP of foreign companies, which will help it earn better margins in MoD projects.

Margins

- DATAPATT's margins vary contract to contract.
- It has been able to earn better margin than peers because it has invested heavily in product development in the last several years. Development expenses were ~20-25% of sales in FY24.
- Going ahead, the company expects to sustain margins at ~40%.
- There are two contracts in hand, where margins are relatively lower. For the rest of the contracts, margins are healthy.
- For the INR10b projects expected in FY25, the company expects margins to be in line the previous two years.

Capex

- It has already brought 800 acres of land adjacent to its current factory. It will spend INR1b on the development of infrastructure over this area in the next two years.

- Apart from this, the company will continue to spend (~INR1b) on product development. However, it does not capitalize the cost and this expense directly hits P&L. It will focus on key areas such as radars, electronic warfare suite, and communication equipment.

Others

- There is a delay in another order from Bharat Electronics, which the company expects to receive over the next couple of quarters.
- DATAPATT will have to create infrastructure for executing some of the larger contracts.
- 4Q is always the strongest quarter for the company. Employee expenses/other expenses as a percentage of sales vary QoQ due to seasonality in business.
- It has an export order book of more than INR700m. These are all offset contracts, which have been developed by the company with local IP.

Valuation and View

- DATAPATT, a prominent player in the aerospace and defense electronics sector in India, is set to capture a larger share of pie (TAM of ~USD2b as of CY20; registering a 9% CAGR) on the back of its vast experience, strong core competencies, and robust executional capabilities.
- We estimate a CAGR of 31%/31%/30% in revenue/EBITDA/adjusted PAT over FY23-26, driven by robust order book growth (at ~43% CAGR over FY19-24).
- Factoring in 4QFY24 results, we cut our FY25/FY26 EPS estimates by 7%/5%. **We reiterate our Neutral rating with a TP of INR2,760 (premised on 50x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Exhibit 13: Changes to our estimates

Earnings change (INR m)	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	7,413	9,699	6,653	8,957	-10%	-8%
EBITDA	3,069	4,103	2,801	3,807	-9%	-7%
Adj. PAT	2,436	3,253	2,272	3,092	-7%	-5%

Financials and valuations

Consolidated - Income Statement								(INRm)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	1,311	1,561	2,240	3,109	4,535	5,198	6,653	8,957
Change (%)	NA	19.1	43.5	38.8	45.9	14.6	28.0	34.6
RM Cost	489	561	704	861	1,709	1,637	2,196	2,956
Employees Cost	367	411	472	604	795	1,003	1,231	1,630
Other Expenses	199	157	144	233	312	342	426	564
Total Expenditure	1,055	1,129	1,320	1,698	2,816	2,982	3,852	5,150
% of Sales	80.5	72.4	58.9	54.6	62.1	57.4	57.9	57.5
EBITDA	255	432	920	1,410	1,718	2,217	2,801	3,807
Margin (%)	19.5	27.6	41.1	45.4	37.9	42.6	42.1	42.5
Depreciation	59	55	56	66	84	162	204	253
EBIT	197	377	864	1,344	1,634	2,055	2,597	3,554
Int. and Finance Charges	108	133	145	110	77	93	93	93
Other Income	15	41	26	40	92	460	532	672
PBT bef. EO Exp.	104	284	745	1,274	1,649	2,422	3,036	4,132
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	104	284	745	1,274	1,649	2,422	3,036	4,132
Total Tax	27	74	190	334	409	605	764	1,040
Tax Rate (%)	25.6	26.0	25.4	26.2	24.8	25.0	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	77	211	556	940	1,240	1,817	2,272	3,092
Adjusted PAT	77	211	556	940	1,240	1,817	2,272	3,092
Change (%)	NA	173.4	163.9	69.1	31.9	46.6	25.0	36.1
Margin (%)	5.9	13.5	24.8	30.2	27.3	35.0	34.1	34.5

Consolidated - Balance Sheet								(INRm)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	17	17	17	104	112	112	112	112
Preference Capital	0	0	0	0	0	0	0	0
Total Reserves	1,312	1,518	2,062	5,641	11,559	13,130	15,351	18,388
Net Worth	1,329	1,535	2,079	5,745	11,671	13,242	15,463	18,500
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	601	606	372	92	7	0	0	0
Deferred Tax Liabilities	9	8	9	-8	0	0	0	0
Capital Employed	1,940	2,148	2,460	5,830	11,678	13,242	15,463	18,500
Gross Block	423	447	425	634	1,176	1,629	2,264	2,791
Less: Accum. Deprn.	59	113	93	159	243	405	609	862
Net Fixed Assets	365	334	332	475	933	1,224	1,654	1,928
Goodwill on Consolidation	0	0	0	0	0	0	0	0
Capital WIP	0	0	0	173	14	481	346	319
Total Investments	0	0	0	0	557	2,622	2,622	2,622
Current Investments	0	0	0	0	557	2,622	2,622	2,622
Curr. Assets, Loans & Adv.	2,410	2,620	2,954	6,411	12,847	12,591	15,028	18,818
Inventory	867	794	737	1,198	1,930	2,668	2,406	3,077
Account Receivables	1,029	1,156	1,559	1,983	3,825	3,988	4,557	5,767
Cash and Bank Balance	3	15	88	1,771	5,445	3,927	5,736	6,839
Loans and Advances	511	655	569	1,460	1,647	2,009	2,329	3,135
Curr. Liability & Prov.	835	805	826	1,230	2,671	3,676	4,186	5,188
Account Payables	159	173	120	416	431	501	672	905
Other Current Liabilities	606	506	560	570	2,107	3,028	3,327	4,031
Provisions	71	126	146	244	134	146	187	252
Net Current Assets	1,575	1,815	2,128	5,182	10,175	8,916	10,841	13,630
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	1,940	2,148	2,460	5,830	11,671	13,242	15,463	18,500

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	9.1	24.8	65.4	18.1	22.1	32.4	40.6	55.2
Cash EPS	16.0	31.2	71.9	19.4	23.6	35.3	44.2	59.7
BV/Share	156.3	180.6	244.6	110.7	208.4	236.5	276.1	330.3
DPS	0.0	0.0	0.0	0.0	0.7	0.9	0.9	1.0
Payout (%)	0.0	0.0	0.0	0.0	3.2	2.8	2.2	1.8
Valuation (x)								
P/E	351.0	128.4	48.7	175.6	143.6	98.0	78.4	57.6
Cash P/E	199.3	101.9	44.2	164.1	134.5	90.0	71.9	53.2
P/BV	20.3	17.6	13.0	28.7	15.3	13.4	11.5	9.6
EV/Sales	21.1	17.7	12.2	52.6	38.0	33.0	25.5	18.8
EV/EBITDA	108.2	64.0	29.7	115.8	100.2	77.4	60.6	44.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-6.5	14.4	45.2	2.3	-9.9	8.5	25.4	10.4
Return Ratios (%)								
RoE	11.6	14.7	30.7	24.0	14.2	14.6	15.8	18.2
RoCE	16.3	15.2	28.9	24.6	14.8	15.1	16.3	18.6
RoIC	15.1	13.7	28.6	31.7	25.7	26.0	30.0	34.4
Working Capital Ratios								
Fixed Asset Turnover (x)	3.1	3.5	5.3	4.9	3.9	3.2	2.9	3.2
Asset Turnover (x)	0.7	0.7	0.9	0.5	0.4	0.4	0.4	0.5
Inventory (Days)	647	517	382	508	412	595	400	380
Debtor (Days)	287	270	254	233	308	280	250	235
Creditor (Days)	118	112	62	176	92	112	112	112
Leverage Ratio (x)								
Current Ratio	2.9	3.3	3.6	5.2	4.8	3.4	3.6	3.6
Interest Cover Ratio	1.8	2.8	6.0	12.2	21.2	22.0	27.8	38.1
Net Debt/Equity	0.5	0.4	0.1	-0.3	-0.5	-0.5	-0.5	-0.5

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	104	284	745	1,274	1,649	2,422	3,036	4,132
Depreciation	59	55	56	66	84	162	204	253
Interest & Finance Charges	93	108	123	70	-15	-367	-439	-578
Direct Taxes Paid	-11	-28	-190	-284	-409	-605	-764	-1,040
(Inc)/Dec in WC	-289	-283	-299	-624	-1,482	-218	-117	-1,685
CF from Operations	-45	136	435	503	-173	1,394	1,920	1,081
Others	0	-2	-1	0	0	0	0	0
CF from Operating incl EO	-45	134	434	503	-173	1,394	1,920	1,081
(Inc)/Dec in FA	-10	-12	-50	-382	-383	-920	-500	-500
Free Cash Flow	-55	123	384	121	-555	473	1,420	581
(Pur)/Sale of Investments	0	0	0	0	0	0	0	0
Others	15	26	137	-796	-1	-1,319	532	672
CF from Investments	4	14	88	-1,178	-384	-2,239	32	172
Issue of Shares	0	0	0	3,000	0	0	0	0
Inc/(Dec) in Debt	27	-132	-300	-283	-85	-7	0	0
Interest Paid	0	0	-145	-89	-77	-93	-93	-93
Dividend Paid	-4	-4	-3	-111	-39	-50	-50	-56
Others	0	0	0	-159	4,432	-522	0	0
CF from Fin. Activity	23	-136	-449	2,359	4,231	-673	-144	-149
Inc/Dec of Cash	-18	12	73	1,683	3,675	-1,518	1,809	1,104
Opening Balance	21	3	15	88	1,771	5,445	3,927	5,736
Closing Balance	3	15	88	1,771	5,445	3,927	5,736	6,839

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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