

Q3FY24 Result Highlights

- **Strong performance in Q3FY24 with diverse revenue spread –** Revenue grew 24.8% YoY (+28.8% QoQ) to ₹1,395.1mn primarily due to strong execution with diverse revenue spread. Gross margin expanded by 135bps YoY and declined 131 bps QoQ to 67.7% on account of sequential cost inflation in raw material. EBITDA margin grew 96bps YoY and 540bps QoQ to 43% as others cost came down by 5.4%. The management expects margin to be in the range of 20-25% for FY24. Other income grew 6.1x YoY to ₹113mn due to bank deposits and MF investments made by the company. PAT grew 53% YoY (+50.8% QoQ) to ₹509.7mn. As per the management, the company is not facing any supply chain concerns due to geopolitical issues and is actively working for succession plans with new HR personnel.

- **Revenue mix for Q3FY24 – 69% was from production contracts, 26% from development contracts and 5% from services.**

Products wise revenue mix for Q3FY24 – Radars contributed ~21%, Automated Test Equipment (ATE) contributed ~5%, Electronic warfare contributed 26%, Avionics at ~22%, FCS at 17.2% and balance was from others.

- **Order book as on 31 December 2023-end was at ₹96.28bn, of which 63% was from production contracts, 33% from development contracts and 4% from services. The management had negotiated and yet to receive orders worth ₹336.4mn, thus taking the total order book to ₹10.09bn once completed.**

As per the management, the Brahmos Seeker small orders is to be executed with billing likely in Q4FY24 or Q1FY25. Final trials are awaited which is likely to happen in next few months. It expects further orders as the company's infrastructure is in place to deliver quickly.

DPIL is working on Radars & EW units for Dornier upgrade with initial test flight completed and expects repeat order on the same.

Current Export order book was worth ₹800-900mn, with orders from UK (to be delivered in 2-3 yrs), Europe & South Korea (to be executed in FY25).

- **Order inflow declined 39.3% YoY to ₹991mn, of which 63% was from Production contracts, 33% from development contracts and the rest from service.**

DPIL currently engages in various programs such as RADAR program with BEL and Export order worth- ₹+10bn, Avionics with HAL order worth- ₹4.47bn and Early Warning systems with DRDO worth – ₹5.84bn. Further, it also participates in various programs released by MoD. It is actively participating in DRDO and DPSU orders and will transition to direct MoD order gradually in next few years. It expects to receive Rudra & Himshakti orders from BEL as negotiations are in progress.

The management expects orders worth ₹6-8bn in the next two quarters. It expects Simulator product production orders and as DRDO has initiated new single vendor programmes, the company views favourable order inflows in Q4FY24 or Q1FY25. It also is seeing green shoots in repeat development orders for the company.

DPIL has build in-house designed EW products, the funds allocated in the Interim Budget 2024 for Sukhoi upgrade is likely to favour the company for

Important Statistics

Nifty	21,927
Sensex	72,187
MCAP (₹ bn)	105.7
52 Week H/L (₹)	2484/1137
NSE Code	DATAPATNS
BSE Code	543428
Bloomberg Code	DATAPATT:IN

Shareholding Pattern Dec'23 (%)

Promoters	42.4
DIIs	9.6
FIIIs	7.2
Public	40.9

Financials

Particulars	FY21	FY22	FY23
Revenue	2,240	3,109	4,535
EBITDA	920	1,410	1,718
EBITDA Margin (%)	41.1	45.4	37.9
Net Profit	556	940	1,718
EPS (₹)	9.9	16.8	22.1
RoE (%)	26.7	16.4	10.6
RoCE (%)	26.3	19.0	11.4
P/E (x)	190.3	112.5	85.3
EV/EBITDA (x)	115.2	73.8	58.4
P/BV (x)	47.1	17.1	9.1

Particulars	FY24E	FY25E	FY26E
Revenue	5,313	6,131	6,850
EBITDA	2,097	2,589	3,047
EBITDA Margin (%)	39.5	42.2	44.5
Net Profit	2,097	2,589	3,047
EPS (₹)	30.1	39.6	48.5
RoE (%)	11.8	13.9	15.7
RoCE (%)	14.4	16.3	17.8
P/E (x)	62.7	47.7	38.9
EV/EBITDA (x)	60.9	42.2	29.8
P/BV (x)	8.2	6.9	5.7

Source: Company, Way2wealth

Relative Performance

Return (%)	1Yr	3Yr	5Yr
DPIL	27.8	NA	NA
Nifty 50	23.4	46.9	100.5
Sensex	19.3	42.3	97.1

Source: Company, Way2Wealth

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5th February 2024

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further orders. It has replaced some parts of cockpits and imported system in LCA and is expecting further orders in FY25.

- The money raised (₹4.88bn) through QIP will be utilised for new product developments (radar, EW, Communication and satellite) in the next 2-3 yrs. It is allocating it in a judicious manner by redesigning the old products to new products (like MK- 2- Radars) with enhanced efficiency.
- DPIL is targeting larger opportunities in Radars, EW, Communications. It is looking at opportunities within India and Exports of Civil and defence products. It is targeting some large European orders in the forthcoming quarters.
- Net W.C days is currently at 330 days and aims to further bring it down to 240-270 days in next few years.
- Capex for FY24 guided at ₹1bn with FY25 capex to be decided based on orders and infrastructure positions.
- The company is Net debt free with Cash and investments worth ₹6.9bn as on Jan'24.

View

Data Patterns delivered strong performance in Q3FY24 as it is supported by MoD which has doubled its procurement from local vendors. This move from MoD directly benefits the company, supported by, participating in most of the defence modernisation programmes, under Make in India opportunity and de-risked from the uncertainty as the company builds the products against imported products. The company has a long history of participating in defence modernisation. It is involving in defence modernization programme such as: Arudhra Radar, Ashwini LLTR, Dharashakti programme, MI-17 Upgrades, Dornier Upgrades, Aerostat upgrades, Lightweight EW requirements, Airborne surveillance radar, Radar Warning Receivers, Next Gen completely wide open for LCA Mk-IA and Sukhoi-30 platforms etc. these programs will drive the company core business short to medium term. The company actively exploring export markets, supplied to UK & Europe and expects more orders from other countries. The company strategically positioned itself from component/subsystem level production to whole system level production as the share of development orders increases, leading to improvement in margins and entry in new segments which will aid the company to achieve incremental growth. **Hence, we recommend it as a *ACCUMULATE* stock trading at 38.9x FY26E EPS of ₹48.5.**

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Revenue	1,083.1	881.6	22.9	896.9	20.8	1,980.0	1,565.3	26.5
Cost of Matl	483.6	466.5	3.7	402.4	20.2	886.0	749.6	18.2
Inventory Changes	(147.9)	(156.8)	(5.7)	(63.7)	132.2	(228.0)	(198.3)	15.0
Employee Cost	257.0	191.4	34.3	218.9	17.4	486.5	363.7	33.8
Other Exps	82.8	78.9	4.9	61.0	35.7	149.2	136.2	9.5
EBITDA	407.6	301.6	35.1	278.3	46.5	686.3	514.1	33.5
EBITDA Margin (%)	37.6	34.2	342	31.0	660	34.7	32.8	182
Other Income	108.4	18.5	485.9	116.1	(6.6)	224.5	35.5	532.4
Depreciation	30.7	21.3	44.1	28.4	8.1	59.5	41.1	44.8
Interest Cost	22.6	12.2	85.2	17.2	31.4	39.8	27.7	43.7
PBT	462.7	286.6	61.4	348.8	32.7	811.5	480.8	68.8
Tax	124.8	76.1	64.0	90.5	37.9	215.3	127.9	68.3
Net Profit	337.9	210.5	60.5	258.3	30.8	596.2	352.9	68.9
EPS (₹)	6.0	4.1	48.8	4.6	30.8	10.6	6.8	56.6

As % of Sales	Q3FY24	Q3FY23	YoY(BPS)	Q2FY24	QoQ (BPS)	9MFY24	9MFY23	YoY (BPS)
Raw Matl cost	31.0	35.1	(413)	37.8	(677)	33.2	35.2	(199)
Gross Margin	69.0	64.9	413	62.2	677	66.8	64.8	199
Employee Cost	23.7	21.7	202	24.4	(68)	24.6	23.2	134
Other Exps	7.6	8.9	(130)	6.8	84	7.5	8.7	(117)

Source: Company, Way2Wealth

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 View – **ACCUMULATE**
Revenue mix skewed towards Production contracts in Q3FY24

(%)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Production contracts	87	82	67	60	46	72	65	56	54	37	69
Development contracts	12	10	13	37	45	25	28	41	39	59	26
Services contracts	1	8	20	3	9	3	7	2	7	4	5

Source: Company, Way2Wealth
Order Inflow stood at ₹991mn,down 39.3% YoY in Q3FY24

(%)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Production contracts	86	83	68	43	98	16	78	22	61	64	43
Development contracts	13	10	13	52	0	84	20	77	38	34	55
Services contracts	1	7	19	5	2	-	2	1	1	2	1

Source: Company, Way2Wealth
Order book stood at ₹96.28bn,+8% YoY in Q3FY24

(%)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Production contracts	75	67	65	56	61	34	38	31	33	59	63
Development contracts	11	21	22	38	26	59	56	64	62	37	33
Services contracts	14	12	13	6	13	7	6	5	5	4	4

Source: Company, Way2Wealth
Product contribution (%) in Q3FY24

Radar	20.6
EW	26.0
Avionics	21.9
FCS	17.2
ATE	4.8
AMC	4.7
Others	4.8

Client contribution (%) in Q3FY24

MoD	32.8
HAL	17.8
DRDO	17.1
Brahmos	25.9
BEL	3.2
DoS	0.9
Export	0.9
Others	1.4

Source: Company, Way2Wealth

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FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Production	839	1,452	1,702	2,114	2,993	2,897	3,178	3,437
YoY Growth (%)		73.1	17.2	24.2	41.6	(3.2)	9.7	8.1
Development	367	-	358	777	1,315	2,170	2,675	3,095
YoY Growth (%)		(100.0)	NM	116.9	69.2	65.0	23.3	15.7
Service	105	109	179	218	227	246	278	318
YoY Growth (%)		4.2	64.0	21.5	4.2	8.5	13.0	14.4
Revenue	1,311	1,561	2,240	3,109	4,535	5,313	6,131	6,850
YoY Growth (%)	16.1	19.1	43.5	38.8	45.9	17.2	15.4	11.7
EBITDA	256	432	920	1,410	1,718	2,097	2,589	3,047
EBITDA Margin (%)	19.5	27.6	41.1	45.4	37.9	39.5	42.2	44.5
Net Profit	77	210	556	940	1,240	1,686	2,218	2,717
YoY Growth (%)	71.6	172.6	164.1	69.1	31.9	36.0	31.6	22.5
EPS (₹)	1.5	4.1	10.7	18.1	23.9	30.1	39.6	48.5
RoE (%)	5.8	13.7	26.7	16.4	10.6	11.8	13.9	15.7
RoCE (%)	10.8	18.5	26.3	19.0	11.4	14.4	16.3	17.8
Debtor Days	287	270	254	233	308	295	275	250
Inventory Days	241	186	120	141	155	160	145	135
Creditor Days	44	56	33	82	92	45	40	38
Cash Balances	371	15	88	1,771	5,445	3,079	3,727	3,811
FCF	138	120	377	121	(567)	88	1,193	489
P/E (x)	1,369.7	502.4	190.3	112.5	85.3	62.7	47.7	38.9
EV/EBITDA (x)	414.3	246.3	115.2	73.8	58.4	60.9	42.2	29.8
P/BV (x)	73.5	63.8	47.1	17.1	9.1	8.2	6.9	5.7
Net Debt/Equity (x)	0.2	0.4	0.1	(0.3)	(0.5)	(0.5)	(0.3)	(0.2)

Source: Company, Way2Wealth

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Disclosure of Interest Statement DATA PATTERNS (INDIA) LTD (DPIL) as on 05 February 2023

Name of the Security	DATA PATTERNS (INDIA) LTD (DPIL)
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	Yes (5 shares, Date of Buying - 31 Jan 2023)
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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