

## Q2FY24 Result Highlights

- **Strong execution in Q2FY24 with focus on improving profiles both on Defence and Civil products** – Revenue grew 22.9% YoY (+20.8% QoQ) to ₹1,083.1mn primarily due to strong execution. Export revenue during the quarter was at ₹16mn. Gross margin expanded by 413 bps YoY and 677 bps QoQ to 69% on account of a significant reduction in raw material cost. EBITDA margin also increased 342bps YoY and 660 bps QoQ to 37.6% as others cost came down. The management expects margin to be in the range of 35-40% for FY24. Other income grew ~6x YoY to ₹108.4mn due to bank deposits and MF investments made by the company. PAT grew 60.5% YoY (+30.8% QoQ) to ₹337.9mn. As per the management, the company is not facing any supply chains concerns due to geopolitical issues. It is expecting gradual reduction in NWC in next 2 yrs.

**Revenue mix for Q2FY24 – 37% was from production contracts, 59% from development contracts and 4% from services**

**Order book as on 30 September 2023 end was at ₹10.032bn, of which 59% was from production contracts, 37% from development contracts and 4% from services.**

**Products wise revenue mix for Q2FY24** – Radars contributed ~69%, Automated Test Equipment (ATE) contributed 1.7%, Electronic warfare contributed 17.3%, Avionics at 7.8% and balance was from Naval systems, services, satellites segments, etc.

**Order inflow declined ~69.3% YoY to ₹1,446mn, of which 64% was from Production contracts, 34% from development contracts and the rest from service.** Export order inflow was at ₹393mn.

- As per the management most of the orders are to be executed in the current year or by 1HFY25 from MoD, DPSUs and DRDO. Export orders are to be delivered in next year. Negotiating contracts were worth ₹7000mn.
- The money raised (₹4.88bn) through QIP will be utilised for new product developments (radar, EW, Communication and satellite). There is a huge opportunity in manufacturing small and micro satellites where India has competitive advantage.
- DPIL is targeting larger opportunities in Radars, EW, Communications systems and satellite business. Manufacturing of Tracking and surveillance radars was done previously but production contracts timeline visibility is not available with the management.
- It is looking at opportunities within India and Exports of Civil and defence products. Currently exports for the company are coming from Europe, UK and South Korea. It is targeting some large European orders in the forthcoming quarters.
- Participated in all the trials for seekers in Brahmos with the system being transferred to DRDO. Also participated in the design of EW systems and radars for Dornier aircrafts for which awaiting flight testing and later expects orders from DRDO/HAL.
- The management expects ₹20-30bn worth orders in the pipeline for the next three to four years, mainly led by radars, electronic warfare, communication systems, satellites, etc
- The company is Net debt free with Cash and investments worth ₹6033mn as on 30 September 2023.

## Important Statistics

Nifty	19,452
Sensex	65,011
MCAP (₹bn)	111.2
52 Week H/L (₹)	2484/996
NSE Code	DATAPATNS
BSE Code	543428
Bloomberg Code	DATAPATT:IN

## Shareholding Pattern Sep'23 (%)

Promoters	42.4
DIIIs	9.6
FIIIs	7.2
Public	40.9

## Financials

Particulars	FY20	FY21	FY22
Revenue	1,561	2,240	3,109
EBITDA	432	920	1,410
EBITDA Margin (%)	27.6	41.1	45.4
Net Profit	210	556	940
EPS (₹)	4.1	10.7	18.1
RoE (%)	13.7	26.7	16.4
RoCE (%)	18.5	26.3	19.0
P/E (x)	527.4	199.7	118.1
EV/EBITDA (x)	259.1	121.2	77.7
P/BV (x)	67.0	49.5	17.9

Particulars	FY23	FY24E	FY25E
Revenue	4,535	6,328	7,614
EBITDA	1,718	2,387	2,981
EBITDA Margin (%)	37.9	37.7	39.2
Net Profit	1,718	2,387	2,981
EPS (₹)	23.9	30.1	39.6
RoE (%)	10.6	13.3	14.4
RoCE (%)	11.4	17.2	20.2
P/E (x)	89.5	65.9	50.0
EV/EBITDA (x)	61.7	44.5	34.4
P/BV (x)	9.5	8.5	8.0

Source: Company, Way2wealth

## Relative Performance

Return (%)	1Yr	3Yr	5Yr
DPIL	48.3	NA	NA
Nifty 50	6.4	52.4	84.7
Sensex	7.0	55.9	83.5

Source: Company, Way2Wealth

## Jayakanth Kasthuri

[jayakanthk@way2wealth.com](mailto:jayakanthk@way2wealth.com)  
Ph:022-4019 2914

**View**

Data Patterns delivered strong revenue in Q2FY24 led by strong focus on catering to the indigenously developed defence products enabled by government focus to improve the Indian Defence industry. The company has been participating in large value tenders with MoD under MAK-I and MAK-II categories. The management expects ₹20-30bn worth orders in the pipeline for the next three to four years, mainly led by radars, electronic warfare, communication systems, satellites, etc. The company prioritises internal development, aiming for a cost-efficient and competitive model. By managing much of the development work internally, it enhances cost structure, potentially offering more attractive prices. Furthermore, it capitalises on substantial work with DRDO. As the share of development orders increases, the company is likely to witness rising share of electronics in defence, 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 50.0x FY25E EPS of ₹39.6.**

**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
<b>Revenue</b>	<b>1,083.1</b>	<b>881.6</b>	<b>22.9</b>	<b>896.9</b>	<b>20.8</b>	<b>1,980.0</b>	<b>1,565.3</b>	<b>26.5</b>
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
<b>EBITDA</b>	<b>407.6</b>	<b>301.6</b>	<b>35.1</b>	<b>278.3</b>	<b>46.5</b>	<b>686.3</b>	<b>514.1</b>	<b>33.5</b>
<b>EBITDA Margin (%)</b>	<b>37.6</b>	<b>34.2</b>	<b>342</b>	<b>31.0</b>	<b>660</b>	<b>34.7</b>	<b>32.8</b>	<b>182</b>
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
<b>Net Profit</b>	<b>337.9</b>	<b>210.5</b>	<b>60.5</b>	<b>258.3</b>	<b>30.8</b>	<b>596.2</b>	<b>352.9</b>	<b>68.9</b>
EPS (₹)	6.0	4.1	48.8	4.6	30.8	10.6	6.8	56.6

As % of Sales	Q2FY24	Q2FY23	YoY(BPS)	Q1FY24	QoQ (BPS)	1HFY24	1HFY23	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

8<sup>th</sup> November 2023

CMP – ₹1,982.1/-

 View – **ACCUMULATE**
**Revenue mix skewed towards Development contracts in Q2FY24, +3x YoY**

(%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Production contracts</b>	80	87	82	67	60	46	72	65	56	54	37
<b>Development contracts</b>	14	12	10	13	37	45	25	28	41	39	59
<b>Services contracts</b>	6	1	8	20	3	9	3	7	2	7	4

Source: Company, Way2Wealth

**Order Inflow stood at ₹1,446mn, down 69.3% YoY in Q2FY24**

(%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Production contracts</b>	83	86	83	68	43	98	16	78	22	61	64
<b>Development contracts</b>	13	13	10	13	52	0	84	20	77	38	34
<b>Services contracts</b>	4	1	7	19	5	2	-	2	1	1	2

Source: Company, Way2Wealth

**Order book stood at ₹10.032bn, +20% YoY in Q2FY24**

(%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Production contracts</b>	80	75	67	65	56	61	34	38	31	33	59
<b>Development contracts</b>	6	11	21	22	38	26	59	56	64	62	37
<b>Services contracts</b>	14	14	12	13	6	13	7	6	5	5	4

Source: Company, Way2Wealth

**Product contribution (%) in Q2FY24**

<b>AMC</b>	4.3
<b>Automatic Test Equipment (ATE)</b>	1.7
<b>Avionics</b>	7.8
<b>Electronic Warfare</b>	17.3
<b>Naval System</b>	0.3
<b>Radar</b>	68.8

**Client contribution (%) in Q2FY24**

<b>BEL</b>	0.9
<b>Brahmos</b>	1.3
<b>DoS-ISRO</b>	7.1
<b>MoD</b>	26.9
<b>Exports</b>	1.5
<b>DRDO</b>	56.8
<b>HAL</b>	5.3
<b>Others</b>	0.2

Source: Company, Way2Wealth

**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Production</b>	<b>839</b>	<b>1,452</b>	<b>1,702</b>	<b>2,114</b>	<b>2,993</b>	<b>2,190</b>	<b>2,878</b>
YoY Growth (%)		73.1	17.2	24.2	41.6	(26.8)	31.4
<b>Development</b>	<b>367</b>	<b>-</b>	<b>358</b>	<b>777</b>	<b>1,315</b>	<b>3,876</b>	<b>4,375</b>
YoY Growth (%)		(100.0)	NM	116.9	69.2	194.8	12.9
<b>Service</b>	<b>105</b>	<b>109</b>	<b>179</b>	<b>218</b>	<b>227</b>	<b>262</b>	<b>361</b>
YoY Growth (%)		4.2	64.0	21.5	4.2	15.6	37.8
<b>Revenue</b>	<b>1,311</b>	<b>1,561</b>	<b>2,240</b>	<b>3,109</b>	<b>4,535</b>	<b>6,328</b>	<b>7,614</b>
YoY Growth (%)	16.1	19.1	43.5	38.8	45.9	39.6	20.3
<b>EBITDA</b>	<b>256</b>	<b>432</b>	<b>920</b>	<b>1,410</b>	<b>1,718</b>	<b>2,387</b>	<b>2,981</b>
<b>EBITDA Margin (%)</b>	<b>19.5</b>	<b>27.6</b>	<b>41.1</b>	<b>45.4</b>	<b>37.9</b>	<b>37.7</b>	<b>39.2</b>
<b>Net Profit</b>	<b>77</b>	<b>210</b>	<b>556</b>	<b>940</b>	<b>1,240</b>	<b>1,684</b>	<b>2,219</b>
YoY Growth (%)	71.6	172.6	164.1	69.1	31.9	35.8	31.8
EPS (₹)	1.5	4.1	10.7	18.1	23.9	30.1	39.6
RoE (%)	5.8	13.7	26.7	16.4	10.6	13.3	14.4
RoCE (%)	10.8	18.5	26.3	19.0	11.4	17.2	20.2
Debtor Days	287	270	254	233	308	265	225
Inventory Days	241	186	120	141	155	115	104
Creditor Days	44	56	33	82	92	46	43
Cash Balances	371	15	88	1,771	5,445	4,279	3,118
FCF	138	120	377	121	(567)	(428)	1,168
P/E (x)	1,437.8	527.4	199.7	118.1	89.5	65.9	50.0
EV/EBITDA (x)	435.9	259.1	121.2	77.7	61.7	44.5	34.4
P/BV (x)	77.2	67.0	49.5	17.9	9.5	8.5	8.0
Net Debt/Equity (x)	0.2	0.4	0.1	(0.3)	(0.5)	(0.5)	(0.3)

Source: Company, Way2Wealth

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### Disclosure of Interest Statement DATA PATTERNS (INDIA) LTD (DPIL) as on 08 November 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	
Analyst :	No
Analyst's Relative : Yes / No	Yes ( 5 shares, Date of Buying - 31 Jan 2023)
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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