

Q1FY24 Result Highlights

- **Strong execution continues along with order inflows in Q1FY24** – Revenue grew 31.2% YoY (-51.5% QoQ) to ₹896.9mn primarily due to strong execution. Gross margin contracted by 243 bps to 62.2% during the quarter but within the management range. Sequentially, the gross margin grew 445 bps on account of a significant decrease by ~46% in raw material cost. EBITDA margin also contracted 5bps YoY and 860 bps QoQ to 31% as employee cost and others cost also came in higher. The management expects margin to be in the range of 35-40% for FY24. Other income grew 7x YoY to Rs 116.1mn due to deposits and MF investments made by the company. PAT grew 81.4% YoY (-53.3% QoQ) to ₹258.3mn.

Revenue mix for Q1FY24 – 55% was from production contracts, 39% from development contracts and 7% from services

Order book as on 30 June 2023 end was at ₹9.61bn, of which 33% was from production contracts, 62% from development contracts and 5% from services.

Products wise revenue mix for Q1FY24 - Radars contributed 61%, Automated Test Equipment (ATE) contributed 19%, Electronic warfare contributed 8% and balance 7% was from avionics, services, satellites segments, etc.

Order inflow grew ~3x YoY to ₹1,327mn with 61% from Production contracts, 38% in development contract with the rest in service.

- The major development orders received during the quarter were electronic warfare worth ₹499mn from DRDO.
- The major production orders received during the year was Radar order from a private customer and Export worth ₹614mn.
- The company has been participating in large value tenders with MoD under MAK-I and MAK-II categories. DP's strategy involves a distinctive approach, especially for MAK-1 and MAK-2 programs. The company prioritizes 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. DP has also constructed modular design components that can be reused to address various development needs. This has several benefits: it reduces development costs by avoiding duplication, accelerates solution creation by utilizing existing components, and enhances quality due to prior testing. This strategic direction drives utilization of DP's in-house Indian products to seize market opportunities. The competitive landscape primarily comprises two segments: established Indian conglomerates and emerging small business start-ups. Among these, the larger organizations tend to engage in partnerships with foreign Original Equipment Manufacturers (OEMs) to bolster their product demonstration capabilities. While a significant portion of the value addition is accomplished within India for MAK 1 and MAK 2 programs, a certain fraction could involve imports or technology transfers. It's important to note that while not all competitors are vying for every program or product, competition does exist. The dynamics involve a mix of domestic and international collaborations, with competition arising from varying corners of the industry.

Important Statistics

MCAP (₹ bn)	121.5
52 Week H/L (₹)	2251/ 738
NSE Code	DATAPATTNS
BSE Code	543428

Shareholding Pattern	Jun'23 (%)
Promoters	42.4
DIIs	11.1
FIIIs	5.3
Public	41.2

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)	535.4	202.7	119.9
EV/EBITDA (x)	283.0	132.4	85.0
P/BV (x)	73.4	54.2	19.6

Particulars	FY23	FY24E	FY25E
Revenue	4,535	5,739	7,203
EBITDA	1,718	2,286	2,794
EBITDA Margin (%)	37.9	39.8	38.8
Net Profit	1,718	2,286	2,794
EPS (₹)	23.9	29.7	38.7
RoE (%)	10.6	12.8	13.9
RoCE (%)	11.4	16.8	19.5
P/E (x)	90.9	73.2	56.0
EV/EBITDA (x)	67.7	48.7	37.7
P/BV (x)	10.4	9.3	8.8

Source: Company, Way2wealth

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16th August 2023

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 View – **ACCUMULATE**

- It also has plans to take part in the AMCA, LUH, LCH and Brahmos seeker programme. Also, the company is exploring further opportunities in export markets as it has received some order from Europe & South Korea. It has guided export revenue of US\$ 2-2.5mn for FY24.
- The money raised 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.
- 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.
- Cash and equivalents was at ₹364mn with Cash conversion cycle (CCC) targeted by the management at 294 days.

View

Data Patterns delivered strong revenue in Q1FY24 led by both production and development contracts. It is among the few vertically integrated defence and aerospace electronics solutions provider catering to the indigenously developed defence products industry. 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. 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 56.0x FY25E EPS of ₹38.7.**

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
Revenue	896.9	683.8	31.2	1,851.0	(51.5)	4,534.5	3,108.5	45.9
Cost of Matl	402.4	283.1	42.1	738.5	(45.5)	1,941.4	915.9	112.0
Inventory Changes	(63.7)	(41.5)	53.5	42.9	(248.5)	(232.2)	(55.2)	320.7
Employee Cost	218.9	175.0	25.1	243.7	(10.2)	794.9	623.5	27.5
Other Exps	61.0	54.7	11.5	92.3	(33.9)	312.4	213.9	46.0
EBITDA	278.3	212.5	31.0	733.6	(62.1)	1,718.0	1,410.4	21.8
EBITDA Margin (%)	31.0	31.1	(5)	39.6	(860)	37.9	45.4	(749)
Other Income	116.1	17.0	582.9	38.1	204.7	92.2	39.6	132.8
Depreciation	28.4	19.8	43.4	22.2	27.9	84.5	66.3	27.5
Interest Cost	17.2	15.5	11.0	28.1	(38.8)	77.4	109.9	(29.6)
PBT	348.8	194.2	79.6	721.4	(51.6)	1,648.3	1,273.8	29.4
Tax	90.5	51.8	74.7	167.8	(46.1)	408.4	334.1	22.2
Net Profit	258.3	142.4	81.4	553.6	(53.3)	1,239.9	939.7	31.9
EPS (₹)	5.0	2.7	81.4	10.7	(53.3)	23.9	18.1	31.9

As % of Sales	Q1FY24	Q1FY23	YoY(BPS)	Q4FY23	QoQ (BPS)	FY23	FY22	YoY (BPS)
Raw Matl cost	37.8	35.3	243	42.2	(445)	37.7	27.7	1,000
Gross Margin	62.2	64.7	(243)	57.8	445	62.3	72.3	(1,000)
Employee Cost	24.4	25.6	(119)	13.2	1,124	17.5	20.1	(253)
Other Exps	6.8	8.0	(120)	5.0	181	6.9	6.9	1

Source: Company, Way2Wealth

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 View – **ACCUMULATE**
Revenue mix skewed towards production contracts in Q1FY24, +33.4% YoY

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

Source: Company, Way2Wealth

Order Inflow stood at ₹1,327mn, 2.9x YoY in Q1FY24

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

Source: Company, Way2Wealth

Order book stood at ₹9.61bn, +113% YoY in Q1FY24

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

Source: Company, Way2Wealth

Product contribution (%) in Q1FY24

AMC	7.0
Automatic Test Equipment (ATE)	19.0
Avionics	5.0
Electronic Warfare	8.0
Radar	61.0

Client contribution (%) in Q1FY24

BEL	0.3
Brahmos	12.0
DoS-ISRO	8.0
MoD	31.0
Exports	14.0
DRDO	34.0
HAL	1
Others	0.2

Source: Company, Way2Wealth

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 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Production	839	1,452	1,702	2,114	2,993	2,491	2,998
YoY Growth (%)		73.1	17.2	24.2	41.6	(16.8)	20.4
Development	367	-	358	777	1,315	2,996	3,856
YoY Growth (%)		(100.0)	NM	116.9	69.2	127.8	28.7
Service	105	109	179	218	227	252	349
YoY Growth (%)		4.2	64.0	21.5	4.2	11.1	38.5
Revenue	1,311	1,561	2,240	3,109	4,535	5,739	7,203
YoY Growth (%)	16.1	19.1	43.5	38.8	45.9	26.6	25.5
EBITDA	256	432	920	1,410	1,718	2,286	2,794
EBITDA Margin (%)	19.5	27.6	41.1	45.4	37.9	39.8	38.8
Net Profit	77	210	556	940	1,240	1,539	2,011
YoY Growth (%)	71.6	172.6	164.1	69.1	31.9	24.1	30.7
EPS (₹)	1.5	4.1	10.7	18.1	23.9	29.7	38.7
RoE (%)	5.8	13.7	26.7	16.4	10.6	12.8	13.9
RoCE (%)	10.8	18.5	26.3	19.0	11.4	16.8	19.5
Debtor Days	287	270	254	233	308	263	229
Inventory Days	241	186	120	141	155	113	109
Creditor Days	44	56	33	82	92	45	44
Cash Balances	371	15	88	1,771	5,445	3,518	2,661
FCF	138	120	377	121	(567)	(719)	839
P/E (x)	1,459.6	535.4	202.7	119.9	90.9	73.2	56.0
EV/EBITDA (x)	476.3	283.0	132.4	85.0	67.7	48.7	37.7
P/BV (x)	84.5	73.4	54.2	19.6	10.4	9.3	8.8
Net Debt/Equity (x)	0.2	0.4	0.1	(0.3)	(0.5)	(0.4)	(0.3)

Source: Company, Way2Wealth

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Disclosure of Interest Statement DATA PATTERNS (INDIA) LTD (DPL) as on 16 August 2023

Name of the Security	DATA PATTERNS (INDIA) LTD (DPL)
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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