

### Q4FY23 Result Highlights

- **Better execution enabling strong topline, margins impacted by high raw material cost** – Revenue grew 8.5% YoY (~+66% QoQ) to ₹1,851mn primarily on account of better than expected execution. For FY23, revenue was up 45.9% YoY to ₹4534.5mn. Gross margin has contracted sharply by 720 bps to 57.8% during the quarter. Sequentially also, the gross margin was down 856 bps on account of a significant increase in raw material cost. For FY23, gross margin was at 62.3% (contracted 419 bps YoY). EBITDA margin also contracted 1165 bps YoY and 244 bps QoQ to 39.6% as employee cost and others cost also came in higher than estimates. Thus, on account of lower margins, EBITDA declined 16.1% YoY (+56.0% QoQ) to ₹733.6mn. For FY23, EBITDA margin was down 749 bps to 37.9%, primarily on account of higher raw material costs. For FY23, EBITDA was up 21.8% to ₹1,718mn as contraction in margins has partially negated the impact of strong revenue growth. PAT declined 10.2% YoY (+66.1% QoQ) to ₹553.6mn. For FY23, PAT grew 31.9% YoY to ₹1,239.9mn, mainly led by better revenue growth and execution.

During the quarter, 56% of revenues was from production contracts, 41% from development contracts and 2% from services. For FY23, production constituted ~66% of revenues while ~29% is from development segment. Order book as of FY23 end was at ₹9,241mn, of which 64% were development contracts, 31% were production contracts and 5% were service contracts. Order backlog as on date was at ₹10bn including the orders finalised in Apr'23 and May'23.

Products wise revenue mix for Q4FY23 – Radars contributed ~54%, Automated Test Equipment (ATE) contributed ~18%, Electronic warfare contributed ~15% and balance ~13% was from avionics, services, satellites segments, etc. The company declared a dividend of ₹4.5 per share compared to ₹3.5/- YoY.

- **Total order inflows during FY23 was at ₹9,014mn of which 66% were development orders and 33% were production orders.** The major development orders received during the quarter were radars and electronic warfare worth ₹830mn and ₹530mn, respectively, which are for Dornier aircraft upgrades. The major development orders received during the year includes 1) Radars contract worth ₹4490mn from DRDO, 2) Electronic Warfare contract from DRDO worth ₹530mn, 3) Tank electronics order from DRDO worth ₹345mn.
- The major production orders received during the year was Avionics order from Hindustan Aeronautics worth ₹737mn and Fire Control Systems from Brahmos worth ₹400mn.
- The company has been participating in large value tenders with MoD under MAK-I and MAK-II categories. Also, the company is exploring further opportunities in export markets.
- The money raised through QIP ₹5bn 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
- Advances from customers were at ₹1700mn as of FY23 end, which includes advances received mainly for development contracts. Cash conversion cycle (CCC) was at 275 days as of FY23 end after adjusting advance received from customers.

### Important Statistics

MCAP (₹ bn)	91.1
52 Week H/L (₹)	1767 / 608
NSE Code	DATAPATNS
BSE Code	543428

### Shareholding Pattern Mar'23 (%)

Promoters	42.4
DIIs	11.6
FIIIs	5.1
Public	40.9

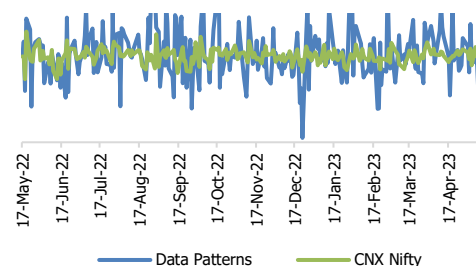
### Financials

Particulars	FY19	FY20	FY21	FY22
Revenue	1,311	1,561	2,240	3,109
EBITDA	256	432	920	1,410
EBITDA Margin (%)	19.5	27.6	41.1	45.4
Net Profit	77	210	556	940
EPS (₹)	1.5	4.1	10.7	18.1
RoE (%)	5.8	13.7	26.7	16.4
RoCE (%)	10.8	18.5	26.3	19.0
P/E (x)	1,094.5	401.4	152.0	89.9
EV/EBITDA (x)	357.3	212.6	99.3	63.4
P/BV (x)	63.4	55.0	40.6	14.7

Particulars	FY23P	FY24E	FY25E
Revenue	4,535	5,643	7,085
EBITDA	1,718	2,197	2,693
EBITDA Margin (%)	37.9	38.9	38.0
Net Profit	1,718	2,197	2,693
EPS (₹)	23.9	29.8	38.4
RoE (%)	10.6	12.6	13.7
RoCE (%)	11.4	16.6	19.3
P/E (x)	68.1	54.6	42.4
EV/EBITDA (x)	50.0	36.5	28.3
P/BV (x)	7.8	7.0	6.6

Source: Company, Way2wealth

### Relative Performance



Source: Company, Way2wealth

**View**

Data Patterns delivered strong revenue in Q4FY23 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 42.4x FY25E EPS of ₹38.4.**

17<sup>th</sup> May 2023

CMP – ₹1628/-

 View – **ACCUMULATE**
**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
<b>Revenue</b>	<b>1,851.0</b>	<b>1,705.4</b>	<b>8.5</b>	<b>1,118.1</b>	<b>65.5</b>	<b>4,534.5</b>	<b>3,108.5</b>	<b>45.9</b>
Cost of Matl	738.5	526.1	40.4	453.2	63.0	1,941.4	915.9	112.0
Inventory Changes	42.9	71.0	(39.6)	(76.9)	(155.8)	(232.2)	(55.2)	320.7
Employee Cost	243.7	171.7	41.9	184.9	31.8	794.9	623.5	27.5
Other Exps	92.3	62.0	48.9	86.5	6.7	312.4	213.9	46.0
<b>EBITDA</b>	<b>733.6</b>	<b>874.6</b>	<b>(16.1)</b>	<b>470.4</b>	<b>56.0</b>	<b>1,718.0</b>	<b>1,410.4</b>	<b>21.8</b>
<b>EBITDA Margin (%)</b>	<b>39.6</b>	<b>51.3</b>	<b>(1,165)</b>	<b>42.1</b>	<b>(244)</b>	<b>37.9</b>	<b>45.4</b>	<b>(749)</b>
Other Income	38.1	25.3	50.6	18.5	105.9	92.2	39.6	132.8
Depreciation	22.2	18.9	17.5	21.1	5.2	84.5	66.3	27.5
Interest Cost	28.1	35.3	(20.4)	21.4	31.3	77.4	109.9	(29.6)
PBT	721.4	845.7	(14.7)	446.4	61.6	1,648.3	1,273.8	29.4
Tax	167.8	229.5	(26.9)	113.2	48.2	408.4	334.1	22.2
<b>Net Profit</b>	<b>553.6</b>	<b>616.2</b>	<b>(10.2)</b>	<b>333.2</b>	<b>66.1</b>	<b>1,239.9</b>	<b>939.7</b>	<b>31.9</b>
EPS (₹)	10.7	11.9	(10.2)	6.4	66.1	23.9	18.1	31.9

As % of Sales	Q4FY23	Q4FY22	YoY(BPS)	Q3FY23	QoQ (BPS)	FY23	FY22	YoY (BPS)
Raw Matl cost	42.2	35.0	720	33.7	856	37.7	27.7	1,000
Gross Margin	57.8	65.0	(720)	66.3	(856)	62.3	72.3	(1,000)
Employee Cost	13.2	10.1	310	16.5	(337)	17.5	20.1	(253)
Other Exps	5.0	3.6	135	7.7	(275)	6.9	6.9	1

Source: Company, Way2Wealth

17<sup>th</sup> May 2023

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 View – **ACCUMULATE**
**Revenue mix skewed towards production contracts in Q4FY23, +8.5% YoY**

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

Source: Company, Way2Wealth

**Order Inflow stood at ₹2,212mn, +3.2x YoY in Q4FY23**

(%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Production contracts</b>	83	86	83	68	43	46	16	78	22
<b>Development contracts</b>	13	13	10	13	52	45	84	20	77
<b>Services contracts</b>	4	1	7	19	5	9	-	2	1

Source: Company, Way2Wealth

**Order book stood at ₹9.24bn**

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

Source: Company, Way2Wealth

**Product contribution (%) in Q4FY23**

<b>Electronic Warfare</b>	8.8
<b>Radar &amp; Radar Processor</b>	32.6
<b>Automatic Test Equipment (ATE)</b>	10.9
<b>Avionics</b>	3.3
<b>Nano Satellite</b>	1.0
<b>Naval System</b>	0.9
<b>AMC/ Service</b>	2.1

Source: Company, Way2Wealth

**Client contribution (%) in Q4FY23**

<b>BEL</b>	1.4
<b>Brahmos</b>	5.0
<b>DoS-ISRO</b>	4.3
<b>DRDO/MoD</b>	72.9
<b>Others</b>	3.3
<b>Exports</b>	13.1

17<sup>th</sup> May 2023

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 View – **ACCUMULATE**
**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23P	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>2,519</b>	<b>3,016</b>
YoY Growth (%)		73.1	17.2	24.2	41.6	(15.8)	19.7
<b>Development</b>	<b>367</b>	<b>-</b>	<b>358</b>	<b>777</b>	<b>1,315</b>	<b>2,889</b>	<b>3,741</b>
YoY Growth (%)		(100.0)	NM	116.9	69.2	119.7	29.5
<b>Service</b>	<b>105</b>	<b>109</b>	<b>179</b>	<b>218</b>	<b>227</b>	<b>235</b>	<b>328</b>
YoY Growth (%)		4.2	64.0	21.5	4.2	3.6	39.6
<b>Revenue</b>	<b>1,311</b>	<b>1,561</b>	<b>2,240</b>	<b>3,109</b>	<b>4,535</b>	<b>5,643</b>	<b>7,085</b>
YoY Growth (%)	16.1	19.1	43.5	38.8	45.9	24.4	25.6
<b>EBITDA</b>	<b>256</b>	<b>432</b>	<b>920</b>	<b>1,410</b>	<b>1,718</b>	<b>2,197</b>	<b>2,693</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>38.9</b>	<b>38.0</b>
<b>Net Profit</b>	<b>77</b>	<b>210</b>	<b>556</b>	<b>940</b>	<b>1,240</b>	<b>1,547</b>	<b>1,992</b>
YoY Growth (%)	71.6	172.6	164.1	69.1	31.9	24.8	28.8
EPS (₹)	1.5	4.1	10.7	18.1	23.9	29.8	38.4
RoE (%)	5.8	13.7	26.7	16.4	10.6	12.6	13.7
RoCE (%)	10.8	18.5	26.3	19.0	11.4	16.6	19.3
Debtor Days	287	270	254	233	308	265	230
Inventory Days	241	186	120	141	155	115	110
Creditor Days	44	56	33	82	92	44	45
Cash Balances	371	15	88	1,771	5,445	3,309	2,473
FCF	138	120	377	121	(567)	(985)	416
P/E (x)	1,094.5	401.4	152.0	89.9	68.1	54.6	42.4
EV/EBITDA (x)	357.3	212.6	99.3	63.4	50.0	36.5	28.3
P/BV (x)	63.4	55.0	40.6	14.7	7.8	7.0	6.6
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 17 May 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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