

Q4FY24 Result Highlights

➤ **Strong sequential performance in Q4FY24** – Revenue grew 30.7% QoQ (-1.5% YoY) to ₹1,822.9mn primarily due to strong execution of own IP orders with diverse revenue spread. Gross margin expanded YoY/QoQ from 57.8%/67.7 to 71.8% on account lower RM cost. EBITDA margin grew YoY/QoQ from 39.6%/43% to 51%. Other income grew 3.2x YoY to ₹122.8mn due to bank deposits and MF investments made by the company. PAT grew 28.4% YoY (+39.5% QoQ) to ₹711mn. As per the management, the company is not facing emerging competition risks and any supply chains concerns due to geopolitical issues. FY24 – Revenue/EBITDA/PAT grew 15%/29%/47% YoY to ₹5.2bn/₹2.2bn/₹1.8bn with EBITDA/Gross margin at 42.6%/68.2%. The management expects margin to be in the range of 35-40% along with Revenue growth of 20-25% and bottomline growth of 40% for FY25. Declared final dividend of ₹6.5 per share (F.V of ₹2/-).

➤ **Revenue mix for Q4FY24 – 52%** was from **production contracts**, **46%** from **development contracts** and **2%** from **services**.

Products wise revenue mix for Q4FY24 – Radars contributed 28%, Automated Test Equipment (ATE) contributed 4%, Electronic warfare contributed 26%, Avionics at 28%, FCS at 8% and balance was from others.

➤ **Order book as on 31 March 2024 was at ₹10.831bn** (bill to book of 2.35x), of which **45%** was from **production contracts**, **51%** from **development contracts** and **4%** from **services**. The company also has received orders worth ₹62.9mn in Q1FY25 so far and negotiated and yet to receive orders worth ₹148mn, thus taking the total order book to ₹10.96bn once completed.

As per the management, the Brahmos Seeker (100% in-house designed) orders likely to be received after trials are completed which will take at least 3-4 months. It expects further orders as the company's infrastructure is in place to deliver quickly.

Current Export order book are worth ₹700mn, with orders (for Radars & EWs) from UK (to be delivered in 2-3 yrs), Europe & South Korea (to be executed in FY25). It prefers not to get into offset contracts since they are low margins and prefers contracts which have products developed with its IP.

➤ **Order inflows grew 36.8% YoY to Rs3025mn, of which 86% was from Production contracts, 8% from development contracts and the rest from service.** Received a major ARUDHRA order from BEL worth Rs1.83bn which is to be executed in 2-3 years. The management expects major Avionics orders from HAL once LCA Mk-1 production line reaches 24 nos per year with the commencement of Nashik unit line. Expects more orders from BEL in next 2 quarters.

The management views order pipeline of ₹20bn subject to market conditions and previous completed orders. It foresees scaling up of MoD contracts going forward.

FY25 order intake guidance of ₹10bn with major orders in Radars, EW suites and communications systems. 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 further orders. It has replaced some parts of cockpits and imported system in LCA and is expecting further orders in FY25.

Important Statistics

Nifty	22,668
Sensex	74,451
MCAP (₹bn)	177.2
52 Week H/L (₹)	3444/1565
NSE Code	DATAPATTNS
BSE Code	543428
Bloomberg Code	DATAPATT:IN

Shareholding Pattern Mar'24 (%)

Promoters	42.4
DIIs	11.6
FIIIs	14.6
Public	31.4

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	12.5
P/E (x)	318.9	188.6	142.9
EV/EBITDA (x)	192.9	124.4	100.0
P/BV (x)	79.0	28.6	15.2

Particulars	FY24P	FY25E	FY26E
Revenue	5,198	6,590	8,349
EBITDA	2,216	2,778	3,270
EBITDA Margin (%)	42.6	42.2	39.2
Net Profit	2,216	2,778	3,270
EPS (₹)	32.4	40.5	51.6
RoE (%)	13.7	15.6	17.6
RoCE (%)	15.3	16.1	17.3
P/E (x)	97.5	78.1	61.3
EV/EBITDA (x)	78.2	60.3	44.1
P/BV (x)	13.4	11.5	9.6

Source: Company, Way2wealth

Relative Performance

Return(%)	1Yr	3Yr	5Yr
DPIL	99.0	NA	NA
Nifty 50	23.5	49.2	94.5
Sensex	20.1	47.0	91.8

Source: Company, Way2Wealth

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23rd May 2024

CMP – ₹3,164.8/-

 View – **ACCUMULATE**

- 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. Already spent ₹40mn out of the budgeted spending of ₹1600mn for new product development.
- 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 currently at 356 days due to forward inventory purchases and aims to further bring it down to 270-280 days in next two years.
- Capex for FY24 was at ₹460mn and has guided ₹1-1.5bn for FY25. Already bought 800 acres land adjacent to its factory.
- The company is Net debt free with Cash and investments worth ₹3.93bn as on Mar'24.

View

Data Patterns delivered strong performance in Q4FY24 & FY24 and is expecting further new and repeat orders which is likely to enable it have a topline growth of 20-25%, considering it is a prominent player in the domestic defence and aerospace sector and is set to garner a larger share on the back of its indigenous products, order book and executing capabilities. It is creating enhanced infrastructure to execute future large orders. Export market is another major opportunity in the future with a relatively small order book currently. The management is confident on maintaining a strong margin of +40% as done in previous years. The company has a long history of participating in defence modernisation. It is involved in various defence modernisation programmes such as: Arudhra Radar, Ashwini LLTR, Dharashakti programme, MI-17 Upgrades, Dornier Upgrades, Aerostat upgrades, Lightweight EW requirements, Airborne surveillance radar, Radar Warning Receivers, LCA Mk-IA and Sukhoi-30 platforms etc. which will drive the company core business in the medium to long term. 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 will aid the company to achieve incremental growth. **Hence, we recommend it as a *ACCUMULATE* stock trading at 61.3x FY26E EPS of ₹51.6.**

23rd May 2024

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 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	1,822.9	1,851.0	(1.5)	1,395.1	30.7	5,198.0	4,534.5	14.6
Cost of Matl	507.1	738.5	(31.3)	415.1	22.2	1,808.2	1,941.4	(6.9)
Inventory Changes	4.6	42.9	89.3	35.6	(87.1)	(157.0)	(232.2)	32.4
Employee Cost	265.1	243.7	8.8	262.2	1.1	989.9	794.9	24.5
Other Exps	115.9	92.3	25.6	81.8	41.7	340.7	312.4	9.1
EBITDA	930.2	733.6	26.8	600.4	54.9	2,216.2	1,718.0	29.0
EBITDA Margin (%)	51.0	39.6	1,140	43.0	799	42.6	37.9	475
Other Income	122.8	38.1	222.3	113.0	8.7	460.3	92.2	399.2
Depreciation	69.5	22.2	213.1	33.0	110.6	161.3	84.5	90.9
Interest Cost	30.3	28.1	7.8	23.2	30.6	93.3	77.4	20.5
PBT	953.2	721.4	32.1	657.2	45.0	2,421.9	1,648.3	46.9
Tax	242.2	167.8	44.3	147.5	64.2	605.0	408.4	48.1
Net Profit	711.0	553.6	28.4	509.7	39.5	1,816.9	1,239.9	46.5
EPS (₹)	12.7	10.7	19.0	9.1	39.5	32.4	23.9	35.8

As % of Sales	Q4FY24	Q4FY23	YoY(BPS)	Q3FY24	QoQ (BPS)	FY24	FY23	YoY (BPS)
Raw Matl cost	28.1	42.2	(1,414)	32.3	(424)	31.8	37.7	(593)
Gross Margin	71.9	57.8	1,414	67.7	424	68.2	62.3	593
Employee Cost	14.5	13.2	138	18.8	(425)	19.0	17.5	151
Other Exps	6.4	5.0	137	5.9	49	6.6	6.9	(33)

Source: Company, Way2Wealth

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View – **ACCUMULATE**

Revenue mix skewed towards Production contracts in Q4FY24

(%)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Production contracts	82	67	60	46	72	65	56	54	37	69	52
Development contracts	10	13	37	45	25	28	41	39	59	26	46
Services contracts	8	20	3	9	3	7	2	7	4	5	2

Source: Company, Way2Wealth

Order Inflow stood at ₹3,025mn,+36.8% YoY in Q4FY24

(%)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Production contracts	83	68	43	98	16	78	22	61	64	43	86
Development contracts	10	13	52	0	84	20	77	38	34	55	8
Services contracts	7	19	5	2	-	2	1	1	2	1	6

Source: Company, Way2Wealth

Order book stood at ₹10.831bn,+17.2% YoY in Q4FY24

(%)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Production contracts	67	65	56	61	34	38	31	33	59	63	45
Development contracts	21	22	38	26	59	56	64	62	37	33	51
Services contracts	12	13	6	13	7	6	5	5	4	4	4

Source: Company, Way2Wealth

Product contribution (%) in Q4FY24

EW	26
Radar	28
ATE	4
Avionics	28
Communications	3
FCS	8
AMC	1
Naval Systems & Others	2

Source: Company, Way2Wealth

Client contribution (%) in Q4FY24

DRDO	48
Brahmos	8
Exports	9
BEL	3
HAL	16
Others	16

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 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24P	FY25E	FY26E
Production	839	1,452	1,702	2,114	2,993	2,807	3,367	3,798
YoY Growth (%)		73.1	17.2	24.2	41.6	(6.2)	20.4	12.8
Development	367	-	358	777	1,315	2,183	2,995	4,282
YoY Growth (%)		(100.0)	NM	116.9	69.2	66.0	36.8	43.0
Service	105	109	179	218	227	212	228	269
YoY Growth (%)		4.2	64.0	21.5	4.2	(6.4)	7.4	18.0
Revenue	1,311	1,561	2,240	3,109	4,535	5,198	6,590	8,349
YoY Growth (%)	16.1	19.1	43.5	38.8	45.9	14.6	26.8	26.7
EBITDA	256	432	920	1,410	1,718	2,216	2,778	3,270
EBITDA Margin (%)	19.5	27.6	41.1	45.4	37.9	42.6	42.2	39.2
Net Profit	77	210	556	940	1,240	1,817	2,268	2,891
YoY Growth (%)	71.6	172.6	164.1	69.1	31.9	46.5	24.8	27.5
EPS (₹)	1.4	3.8	9.9	16.8	22.1	32.4	40.5	51.6
RoE (%)	5.8	13.7	26.7	16.4	10.6	13.7	15.6	17.6
RoCE (%)	10.8	18.5	26.3	19.0	12.5	15.3	16.1	17.3
Debtor Days	287	270	254	233	308	280	275	250
Inventory Days	241	186	120	141	155	187	145	130
Creditor Days	44	56	33	82	92	111	108	105
Cash Balances	371	15	88	1,771	5,478	3,927	5,618	6,624
FCF	138	120	377	140	(567)	934	1,331	684
P/E (x)	2,295.7	842.0	318.9	188.6	142.9	97.5	78.1	61.3
EV/EBITDA (x)	693.9	411.9	192.9	124.4	100.0	78.2	60.3	44.1
P/BV (x)	123.2	107.0	79.0	28.6	15.2	13.4	11.5	9.6
Net Debt/Equity (x)	0.2	0.4	0.1	(0.3)	(0.5)	(0.3)	(0.3)	(0.2)

Source: Company, Way2Wealth

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Disclosure of Interest Statement DATA PATTERNS (INDIA) LTD (DPIL) as on 23 May 2024

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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Investment Banking relationship with company covered	NIL

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