

Q1FY25 Result Highlights

- **Strong core performance in Q1FY25 inline with management estimates** – Revenue grew 16% YoY (- 42.9% QoQ) to ₹1,040.8mn due to robust performance in core segment and delivery of executed orders inline with management estimates. Gross margin expanded YoY from 62.2% to 72.3% on account lower RM cost. EBITDA margin grew YoY from 31% to 35.7%. Other income grew 6% YoY to ₹123.1mn due to bank deposits and MF investments made by the company. PAT grew 26.9% YoY to ₹327.9mn as the focus is on in-house development of strategic products for which it has already spent ₹540mn out of the QIP amount of ₹4.88bn raised.
- The company has moved up the value chain by developing comprehensive systems using reusable building blocks and leveraging existing strengths. It has delivered COMINT & ELINT systems and self-protection suits for land, mobile and fighter reconnaissance aircraft & aerostats, which have huge potential and expects orders for these platforms in the coming years, hence has guided of revenue growth of 20-25% and margin of 35-40% for FY25.
- **Revenue mix for Q1FY25 – 58%** was from **production contracts**, **31%** from **development contracts** and **11%** from **services**.
Products wise revenue mix for Q1FY25 – Radars contributed 13%, Automated Test Equipment (ATE) contributed 7%, Electronic warfare contributed 32%, Avionics at 28%, FCS at 7% and balance was from others.
- The management is positive on its futures orders considering, the Indian government allocation of ₹6.2tn towards the Defence sector for FY25, the highest ever defence budget, representing 12.9% of total budget. The Defence budget includes ₹1.7tn for capital outlay, with ₹1.1tn specifically for domestic capital procurement. The government is aiming for an annual defence production target of ₹3tn and exports of ₹500bn by end-FY29.
- **Order book as on 30 June 2024 was at ₹10.171bn** of which **43%** was from **production contracts**, **53%** from **development contracts** and **4%** from **services**.
- **Order inflow de-grew 36.8% YoY to ₹381mn, on anticipated lines due to elections, of which 54% was from Production contracts, 40% from development contracts** and the rest from service. Historically, it has seen the bulk of its revenue come in Q4, but for FY25, it anticipates a stronger performance in 2HFY25 compared to 1HFY25.
- The company received orders worth ₹264.3mn from DRDO, including service contracts and radar from Department of Space (DoS) worth ₹24mn and an export order in Avionics worth ₹20mn.
- Management anticipates an order inflow of ₹10bn for FY25. The majority of these orders are expected in 2HFY25 and it will include repeat orders for radars, electronic warfare, avionics and communication systems. The company is working with DRDO on various programs, particularly in the areas of communication & electronic warfare (EW) systems like COMINT & ELINT systems. It anticipates repeat orders when they are in the production phase. It is developing an order for underwater systems in collaboration with DRDO labs NPOL and NSTL, focusing on Sonar & torpedoes, with delivery expected in FY25/26. It views huge potential from the Sukhoi-30 upgrade and Uttam like Radars products.

Important Statistics

Nifty	24,936
Sensex	81,664
MCAP (₹ bn)	181.7
52 Week H/L (₹)	3655/1735
NSE Code	DATAPATTNS
BSE Code	543428
Bloomberg Code	DATAPATT:IN

Shareholding Pattern Jul'24 (%)

Promoters	42.4
DIIs	8.5
FIIIs	15.0
Public	34.1

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)	327.2	193.5	146.7
EV/EBITDA (x)	197.9	127.7	102.7
P/BV (x)	81.1	29.3	15.6

Particulars	FY24	FY25E	FY26E
Revenue	5,198	6,624	8,397
EBITDA	2,216	2,787	3,395
EBITDA Margin (%)	42.6	42.1	40.4
Net Profit	2,216	2,787	3,395
EPS (₹)	32.4	42.7	51.8
RoE (%)	13.7	16.8	17.9
RoCE (%)	15.3	18.7	17.6
P/E (x)	100.1	76.1	62.7
EV/EBITDA (x)	80.3	63.8	53.0
P/BV (x)	13.7	11.7	9.8

Source: Company, Way2wealth

Relative Performance

Returns (%)	1Yr	3Yr	5Yr
DPIL	62.2	NA	NA
Nifty 50	26.4	53.4	127.1
Sensex	22.9	55.3	120.6

Source: Company, Way2wealth

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 31st July 2024

CMP – ₹3,247.4/-

 View – **ACCUMULATE**

- The company has ~+100 export orders, mainly from the UK, Israel, South Korea and Europe. It is targeting larger opportunities in Radars, EW, Communications. It is targeting some large European orders in the forthcoming quarters. Radar delivery for Europe and South Korea will start in Q3FY25. It is looking at opportunities within India and Exports of Civil and defence products.
- The company is shifting from using DRDO's building blocks to directly addressing the Ministry of Defence (MoD) requirements. This involves developing and participating in tenders for full systems rather than partial components, focusing on larger orders and comprehensive systems. The company is focusing on developing various radar systems, including fire control radars, expanded radar capabilities and smaller radars for UAVs while ensuring cost competitiveness through in-house intellectual property (IP). It is also sprucing up its electronic warfare products and military communication equipment to meet the needs of the Army, Air Force and Navy, to reduce reliance on imports and enhance indigenous capabilities. Increased intangible assets to ₹400mn due to product development for better market presence. It's experiencing delays in fulfilling orders for HAL and BEL, specifically for machine computers & avionics.
- The focus on reducing component imports and increasing the use of in-house-manufactured products as it prioritises IP protection and cybersecurity to improve margins. It maintains strict internal controls, including extensive firewalls, mirrored servers and regular third-party security audits.
- The company is Net debt free with Cash and investments worth ₹6.7bn as on 30Jun24.

View

Data Patterns has made a good start to FY25 and is expecting repeat orders of its developed products 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 increasing focus on new products 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 margin of 35-40%. The company has strategically positioned itself from component/subsystem level production to whole system level production as the share of development orders increases and with directly addressing the Ministry of Defence (MoD) requirements it is likely to get larger orders which improve the margins aiding the company to achieve incremental growth on a long term basis. **Hence, we recommend it as a ACCUMULATE stock trading at 62.7x FY26E EPS of ₹51.8.**

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 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	1,040.8	896.9	16.0	1,822.9	(42.9)	5,198.0	4,534.5	14.6
Cost of Matl	415.1	402.4	3.2	507.1	(18.1)	1,808.2	1,941.4	(6.9)
Inventory Changes	(126.7)	(63.7)	(98.9)	4.6	(2,854.3)	(157.0)	(232.2)	32.4
Employee Cost	287.5	218.9	31.3	265.1	8.4	989.9	794.9	24.5
Other Exps	93.1	61.0	52.6	115.9	(19.7)	340.7	312.4	9.1
EBITDA	371.8	278.3	33.6	930.2	(60.0)	2,216.2	1,718.0	29.0
EBITDA Margin (%)	35.7	31.0	469	51.0	(1,531)	42.6	37.9	475
Other Income	123.1	116.1	6.0	122.8	0.2	460.3	92.2	399.2
Depreciation	30.9	28.4	8.8	69.5	(55.5)	161.3	84.5	90.9
Interest Cost	29.5	17.2	71.5	30.3	(2.6)	93.3	77.4	20.5
PBT	434.5	348.8	24.6	953.2	(54.4)	2,421.9	1,648.3	46.9
Tax	106.6	90.5	17.8	242.2	(56.0)	605.0	408.4	48.1
Net Profit	327.9	258.3	26.9	711.0	(53.9)	1,816.9	1,239.9	46.5
EPS (₹)	5.9	4.6	26.9	12.7	(53.9)	32.4	23.9	35.8

As % of Sales	Q1FY25	Q1FY24	YoY(BPS)	Q4FY24	QoQ (BPS)	FY24	FY23	YoY (BPS)
Raw Matl cost	27.7	37.8	(1,005)	28.1	(36)	31.8	37.7	(593)
Gross Margin	72.3	62.2	1,005	71.9	36	68.2	62.3	593
Employee Cost	27.6	24.4	322	14.5	1,308	19.0	17.5	151
Other Exps	8.9	6.8	214	6.4	259	6.6	6.9	(33)

Source: Company, Way2Wealth

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View – **ACCUMULATE**

Revenue mix skewed towards Production contracts in Q1FY25

(%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Production contracts	67	60	46	72	65	56	54	37	69	52	58
Development contracts	13	37	45	25	28	41	39	59	26	46	31
Services contracts	20	3	9	3	7	2	7	4	5	2	11

Source: Company, Way2Wealth

Order Inflow stood at ₹381mn,-71.3% YoY in Q1FY25

(%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Production contracts	68	43	98	16	78	22	61	64	43	86	54
Development contracts	13	52	0	84	20	77	38	34	55	8	40
Services contracts	19	5	2	-	2	1	1	2	1	6	7

Source: Company, Way2Wealth

Order book stood at ₹10.171bn,+5.2% YoY in Q1FY25

(%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Production contracts	65	56	61	34	38	31	33	59	63	45	43
Development contracts	22	38	26	59	56	64	62	37	33	51	53
Services contracts	13	6	13	7	6	5	5	4	4	4	4

Source: Company, Way2Wealth

Product contribution (%) in Q1FY25

EW	32
Radar	13
ATE	7
Avionics	28
Communications	11
FCS	7
Naval Systems ,AMC& Others	2

Source: Company, Way2Wealth

Client contribution (%) in Q1FY25

DRDO	35
Brahmos	15
Exports	4
BEL	9
HAL	19
Others	18

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 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Production	839	1,452	1,702	2,114	2,993	2,807	3,387	3,809
YoY Growth (%)		73.1	17.2	24.2	41.6	(6.2)	21.2	12.5
Development	367	-	358	777	1,315	2,183	2,999	4,297
YoY Growth (%)		(100.0)	NM	116.9	69.2	66.0	36.9	43.3
Service	105	109	179	218	227	212	238	291
YoY Growth (%)		4.2	64.0	21.5	4.2	(6.4)	12.1	22.3
Revenue	1,311	1,561	2,240	3,109	4,535	5,198	6,624	8,397
YoY Growth (%)	16.1	19.1	43.5	38.8	45.9	14.6	27.4	26.8
EBITDA	256	432	920	1,410	1,718	2,216	2,787	3,395
EBITDA Margin (%)	19.5	27.6	41.1	45.4	37.9	42.6	42.1	40.4
Net Profit	77	210	556	940	1,240	1,817	2,391	2,901
YoY Growth (%)	71.6	172.6	164.1	69.1	31.9	46.5	31.6	21.3
EPS (₹)	1.4	3.8	9.9	16.8	22.1	32.4	42.7	51.8
RoE (%)	5.8	13.7	26.7	16.4	10.6	13.7	16.8	17.9
RoCE (%)	10.8	18.5	26.3	19.0	12.5	15.3	18.7	17.6
Debtor Days	287	270	254	233	308	280	281	248
Inventory Days	241	186	120	141	155	187	148	127
Creditor Days	44	56	33	82	92	111	113	102
Cash Balances	371	15	88	1,771	5,478	3,927	5,532	6,597
FCF	138	120	377	140	(567)	934	1,771	2,606
P/E (x)	2,355.6	864.0	327.2	193.5	146.7	100.1	76.1	62.7
EV/EBITDA (x)	712.0	422.6	197.9	127.7	102.7	80.3	63.8	53.0
P/BV (x)	126.4	109.8	81.1	29.3	15.6	13.7	11.7	9.8
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 31 July 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
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