

Data Patterns (India) | BUY



Deferment of delivery at customer end impacted performance

Data Pattern 2QFY25 numbers were miss on estimates, mainly on account of deferment of scheduled delivery worth INR 270mn. Hence revenue reported a 16% YoY de-growth to INR 910mn. PAT declined 10% YoY to INR 303mn, partly aided by higher other income and lower tax rate YoY. Order inflow for 2QFY25 too some delay in finalisation resulting in inflows worth INR 453mn (down 69% YoY). However management is confident to reach inflows target of INR 7-8bn (INR 835mn in 1HFY25), largely on back of strong L1 position (orders negotiated but yet to receive) of INR 2.3bn, and orders worth INR 830mn booked in month of Oct'24. Order book as 2QFY25 stands at INR 9.7bn (1.9x TTM sales). Company continues to focus on developing new products that can help company to participate in large tenders thereby expanding its TAM going forward.

- Delivery deferment impacted revenue:** Revenue declined 16% YoY to INR 910mn (JMFe INR 1.1bn). Gross margins expanded to 76% vs 67.7% YoY, likely due to execution mix. EBITDA declined 15.8%YoY at INR 343mn, (JMFe of INR 414mn). EBITDA margin remained flat YoY at 37.7%, (JMFe 36.7%), impacted due to negative operating leverage. PAT declined 10.4% YoY to INR 303mn (JMFe INR 346mn).
- Spent INR 670mn in last 12 months towards product development:** Company has been working towards building complete systems, from building blocks, designed in-house with IP. Product development is mostly in four areas 1) Airborne Radars, 2) Electronic Warfare suites and 3) products for Make II programme (Radars and EW) and 4) Communication systems. Expect to roll out one large product in next 3-4 months which can be targeted to all three forces Army, Navy and Air force.
- Order book stands at INR 9.7bn as on 2QFY25:** Order inflow in 1HFY25 came in at INR 835mn vs INR 2.8bn, which was mainly impacted due to deferment of order finalization. However these orders are expected to be received in 2HFY25. Order book as on 2QFY25 stands at INR 9.7bn (1.9x TTM sales). Orders negotiated and yet to receive till date stands at INR 2.3bn. Key orders bagged includes 1) Avionic order for exports worth INR 157mn, 2) Avionics production order from DRDO worth INR 56mn, 3) Naval system production order from BEL worth INR 20mn etc.
- Maintain Buy with TP of INR 2,860:** We remain positive on stock in long run due to in-house design capabilities, strong order backlog & pipeline, sustained EBITDA margins and focus on product development to increase TAM. However, factoring in continued delay in execution, order inflows and slower pickup in EBITDA margin expansion due to higher contribution of development contracts, we have lowered our EPS estimates by 6.1%/7.9%/11.5% for FY25/26/27E. However, due to steep correction in stock price in last four months we maintain BUY with TP of INR 2,860 valuing it at 50xSep'26E (57x Sep'26 earlier), factoring in continued lower inflows and delayed execution.
- Key risk:** Slowdown in government spending on defence, weak order inflows and delay in new product pickup.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,860
Upside/(Downside)	31.1%
Previous Price Target	3,625
Change	-21.1%

Key Data – DATAPATT IN

Current Market Price	INR2,182
Market cap (bn)	INR122.2/US\$1.4
Free Float	38%
Shares in issue (mn)	55.9
Diluted share (mn)	55.9
3-mon avg daily val (mn)	INR706.5/US\$8.4
52-week range	3,655/1,751
Sensex/Nifty	79,496/24,141
INR/US\$	84.4

Price Performance

%	1M	6M	12M
Absolute	-11.8	-22.4	19.1
Relative*	-9.7	-29.1	-2.8

* To the BSE Sensex

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	4,535	5,198	6,485	8,394	11,008
Sales Growth (%)	45.9	14.6	24.8	29.4	31.1
EBITDA	1,718	2,216	2,588	3,441	4,550
EBITDA Margin (%)	37.9	42.6	39.9	41.0	41.3
Adjusted Net Profit	1,240	1,817	2,071	2,740	3,659
Diluted EPS (INR)	22.2	32.5	37.0	49.0	65.4
Diluted EPS Growth (%)	22.5	46.5	14.0	32.3	33.5
ROIC (%)	26.8	33.5	39.7	41.3	42.4
ROE (%)	14.2	14.6	14.6	16.8	19.0
P/E (x)	98.4	67.2	58.9	44.5	33.4
P/B (x)	10.5	9.2	8.1	6.9	5.8
EV/EBITDA (x)	67.6	52.2	44.3	33.1	24.8
Dividend Yield (%)	0.1	0.3	0.2	0.2	0.3

Source: Company data, JM Financial. Note: Valuations as of 11/Nov/2024

Exhibit 1. Change in estimates

INR mn	Revised			Previous			% change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	6,485	8,394	11,008	6,625	8,737	11,644	-2.1%	-3.9%	-5.5%
EBITDA	2,588	3,441	4,550	2,758	3,741	5,168	-6.2%	-8.0%	-12.0%
EBITDA Margin (%)	39.9%	41.0%	41.3%	41.6%	42.8%	44.4%	-170bps	-180bps	-310bps
Net Profit	2,071	2,740	3,656	2,206	2,975	4,134	-6.1%	-7.9%	-11.5%
EPS (INR)	37.0	49.0	65.4	39.4	53.2	73.9	-6.1%	-7.9%	-11.5%

Source: Company, JM Financial

Exhibit 2. Quarterly Performance

Y/E March (INR mn)	2QFY24	2QFY25	YoY (%)	1QFY25	QoQ (%)	2QFY25	Var (%)
Net Sales	1,083	910	-16.0	1,041	-12.5	1,129	-19.4
Expenditure	676	567	-16.1	669	-15.2	715	-20.6
EBITDA	407	343	-15.8	372	-7.7	414	-17.2
EBITDA (%)	37.6	37.7	10bps	35.7	200bps	36.7	100bps
Other income	108	120	11.1	123	-2.2	118	2.2
Depreciation	30	35	14.5	31	12.6	47	-26.0
EBIT	485	429	-11.7	464	-7.6	485	-11.7
Interest	23	28	25.2	30	-4.1	23	
PBT before Eol	463	400	-13.5	435	-7.9	462	-13.4
Eol	0	0		0		0	
PBT	463	400	-13.5	435	-7.9	462	-13.4
Tax	125	98	-21.9	107	-8.5	115	-15.6
Tax rate (%)	27.0	24.4	-260bps	24.5		25.0	
Tax on Eol (assumed)	0	0		0		0	
PAT	338	303	-10.4	328	-7.7	346	-12.6
EPS (INR)	6.0	5.4	-10.4	12.2	-55.6	6.2	-12.5

Source: Company, JM Financial

Exhibit 3. Cost Breakup

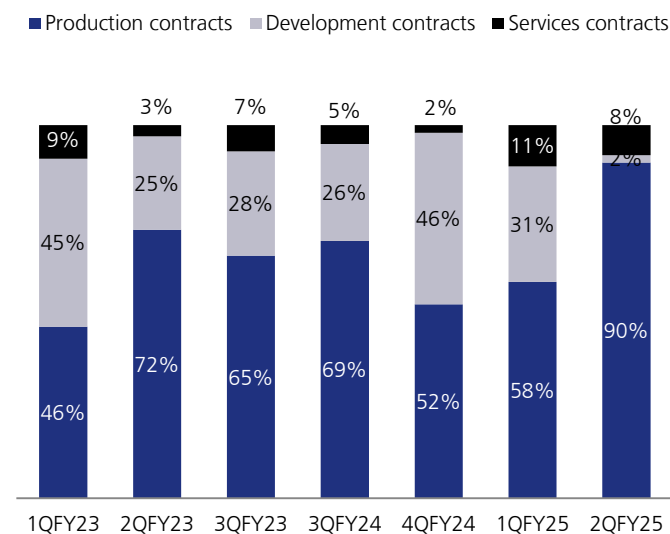
Y/E March (INR mn)	2QFY24	2QFY25	YoY (%)	1QFY25	QoQ (%)	2QFY25	Var (%)
COGS	350	219	-37.5	288	-24.1	327	-33.2
as a % of sales	32.3	24.0	-830bps	27.7	-370bps	29.0	-500bps
Staff Cost	246	266	8.0	288	-7.5	288	-7.6
as a % of sales	22.7	29.2	650bps	27.6	160bps	25.5	370bps
Other Expenditure	79	82	3.8	93	-11.5	99	-17.1
as a % of sales	7.3	9.1	170bps	8.9	10bps	8.8	30bps

Source: Company, JM Financial

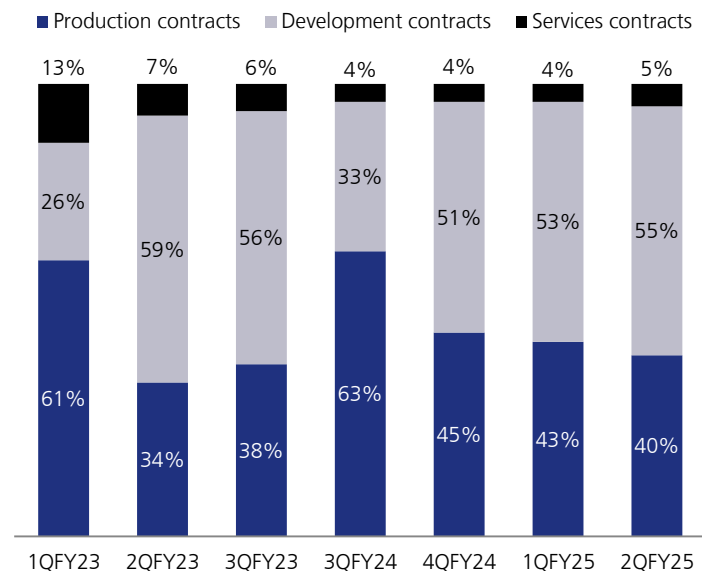
Exhibit 4. Segmental Performance

Y/E March (INR mn)	2QFY24	2QFY25	YoY (%)	1QFY25	QoQ (%)
Production contracts	401	819	104	604	36
% of net sales	37%	90%		58%	
Development contracts	639	18	-97.2	323	-94.4
% of net sales	59%	2%		31%	
Services contracts	43	73	68.1	114	-36.4
% of net sales	4%	8%		11%	

Source: Company, JM Financial

Exhibit 5. Production contract accounted for highest contribution in revenue

Source: Company, JM Financial

Exhibit 6. Development contracts continues to hold major portion in order book

Source: Company, JM Financial

Key conference call highlights

- **Guidance:** Maintained revenue growth guidance of 20-25% growth for FY25, with EBITDA margins of 35-40% on sustainable level. Expects order inflows of INR 20-30bn in next 18-24 months.
- Revenues were weaker than expected due to deferment of scheduled delivery by customer worth INR 270mn.
- Proceeds from QIP- Utilizing the proceeds from QIP towards development of new product which will expand the TAM for companies. Most of the money has been utilized for procurement of materials for the product development.
 - Expect to roll out one large product in next 3-4 months which can be targeted to all three forces Army, Navy and Airforce.
 - Spend INR 670mn in last 12 months of which majority was toward material procurement.
 - Product development is mostly in four areas 1) Airborne Radars, 2) Electronic Warfare suites and 3) products for Make II programme (Radars and EW) and 4) Communication systems.
 - Company was also looking to enter into satellites space but has postpone the plan as it is looking for more clarity on business perspective.
- **Capex:** To incur capex of INR 1.5bn towards infrastructure development over next couple of years
- Order inflows were lower due to delay in order finalization and expected to be received in 2HFY25.
 - L1 in orders worth INR 2.3bn which it expects to receive in next 3-4 months
 - Expects order inflows for radars, EW suites and few repeat orders.

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	4,535	5,198	6,485	8,394	11,008	
Sales Growth	45.9%	14.6%	24.8%	29.4%	31.1%	
Other Operating Income	0	0	0	0	0	
Total Revenue	4,535	5,198	6,485	8,394	11,008	
Cost of Goods Sold/Op. Exp	1,709	1,651	2,192	2,938	3,853	
Personnel Cost	795	990	1,187	1,487	1,912	
Other Expenses	312	341	519	529	694	
EBITDA	1,718	2,216	2,588	3,441	4,550	
EBITDA Margin	37.9%	42.6%	39.9%	41.0%	41.3%	
EBITDA Growth	21.8%	29.0%	16.8%	33.0%	32.2%	
Depn. & Amort.	85	161	180	229	241	
EBIT	1,634	2,055	2,407	3,211	4,308	
Other Income	92	460	471	561	693	
Finance Cost	77	93	110	109	109	
PBT before Excep. & Forex	1,649	2,422	2,768	3,663	4,892	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,649	2,422	2,768	3,663	4,892	
Taxes	409	605	698	923	1,233	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	1,240	1,817	2,071	2,740	3,659	
Adjusted Net Profit	1,240	1,817	2,071	2,740	3,659	
Net Margin	27.3%	35.0%	31.9%	32.6%	33.2%	
Diluted Share Cap. (mn)	55.9	55.9	55.9	55.9	55.9	
Diluted EPS (INR)	22.2	32.5	37.0	49.0	65.4	
Diluted EPS Growth	22.5%	46.5%	14.0%	32.3%	33.5%	
Total Dividend + Tax	182	364	207	274	366	
Dividend Per Share (INR)	3.2	6.5	3.7	4.9	6.5	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	1,648	2,422	2,768	3,663	4,892	
Depn. & Amort.	85	161	180	229	241	
Net Interest Exp. / Inc. (-)	-7	-202	-289	-452	-584	
Inc (-) / Dec in WCap.	-1,412	-213	-670	-1,288	-2,054	
Others	48	-144	0	0	0	
Taxes Paid	-534	-631	-698	-923	-1,233	
Operating Cash Flow	-173	1,394	1,292	1,229	1,263	
Capex	-395	-460	-500	-600	-600	
Free Cash Flow	-568	934	792	629	663	
Inc (-) / Dec in Investments	0	0	0	0	0	
Others	-117	-1,779	471	561	193	
Investing Cash Flow	-512	-2,239	-29	-39	-407	
Inc / Dec (-) in Capital	5,000	0	0	0	0	
Dividend + Tax thereon	-182	-336	-207	-274	-366	
Inc / Dec (-) in Loans	-60	0	0	0	0	
Others	-399	-338	-110	-109	-109	
Financing Cash Flow	4,359	-673	-317	-383	-475	
Inc / Dec (-) in Cash	3,675	-1,518	946	807	381	
Opening Cash Balance	1,771	5,445	3,927	4,873	5,680	
Closing Cash Balance	5,445	3,927	4,873	5,680	6,061	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	11,671	13,242	15,106	17,572	20,865	
Share Capital	112	112	112	112	112	
Reserves & Surplus	11,559	13,130	14,994	17,460	20,753	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	7	0	0	0	0	
Def. Tax Liab. / Assets (-)	-7	23	23	23	23	
Total - Equity & Liab.	11,671	13,265	15,129	17,595	20,888	
Net Fixed Assets	1,134	1,983	2,231	2,601	2,960	
Gross Fixed Assets	1,305	2,257	2,757	3,357	3,957	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	184	346	526	755	997	
Capital WIP	14	72	0	0	0	
Investments	557	2,622	2,622	2,622	3,122	
Current Assets	12,652	12,313	13,365	16,443	20,175	
Inventories	1,930	2,668	2,221	2,875	3,770	
Sundry Debtors	3,825	3,988	4,708	5,979	7,841	
Cash & Bank Balances	5,445	3,927	4,873	5,680	6,061	
Loans & Advances	212	0	142	184	241	
Other Current Assets	1,241	1,731	1,421	1,725	2,262	
Current Liab. & Prov.	2,671	3,652	3,089	4,071	5,368	
Current Liabilities	431	501	355	460	603	
Provisions & Others	2,241	3,151	2,733	3,611	4,765	
Net Current Assets	9,981	8,661	10,277	12,372	14,807	
Total - Assets	11,671	13,265	15,129	17,595	20,888	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	27.3%	35.0%	31.9%	32.6%	33.2%	
Asset Turnover (x)	0.5	0.4	0.5	0.5	0.6	
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0	
RoE	14.2%	14.6%	14.6%	16.8%	19.0%	

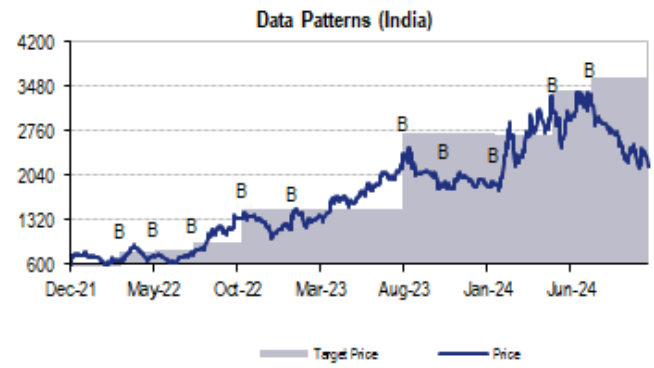
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	208.7	236.7	270.1	314.2	373.0	
ROIC	26.8%	33.5%	39.7%	41.3%	42.4%	
ROE	14.2%	14.6%	14.6%	16.8%	19.0%	
Net Debt/Equity (x)	-0.5	-0.5	-0.5	-0.5	-0.4	
P/E (x)	98.4	67.2	58.9	44.5	33.4	
P/B (x)	10.5	9.2	8.1	6.9	5.8	
EV/EBITDA (x)	67.6	52.2	44.3	33.1	24.8	
EV/Sales (x)	25.6	22.2	17.7	13.6	10.3	
Debtor days	308	280	265	260	260	
Inventory days	155	187	125	125	125	
Creditor days	56	61	33	34	34	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-Mar-22	Buy	800	
24-May-22	Buy	830	3.8
3-Aug-22	Buy	950	14.5
1-Nov-22	Buy	1,500	57.9
30-Jan-23	Buy	1,500	0.0
22-Aug-23	Buy	2,720	81.3
6-Nov-23	Buy	2,720	0.0
2-Feb-24	Buy	2,700	-0.7
22-May-24	Buy	3,415	26.5
30-Jul-24	Buy	3,625	6.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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