

Data Patterns (India)

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR2,182 **TP: INR2,300 (+5%)** **Neutral**

Revenue deferment hampers performance

Bloomberg	DATAPATT IN
Equity Shares (m)	56
M.Cap.(INRb)/(USDb)	122.2 / 1.4
52-Week Range (INR)	3655 / 1751
1, 6, 12 Rel. Per (%)	-9/-32/-5
12M Avg Val (INR M)	1275

Earnings below estimates

- Data Patterns (DATAPATT) witnessed a revenue decline (down 16% YoY) in 2QFY25, led by ~97% decline in development revenue on account of the deferment of an order. However, the company expects to record revenue growth in 2H, maintaining its FY25 guidance. Despite this, EBITDA margins expanded marginally by 10bp YoY, led by a favorable business mix.
- We maintain our FY25/FY26 EPS estimates in expectation of a strong pickup in 2H. **We reiterate our Neutral rating with a TP of INR2,300 (premised on 45x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	6.3	8.4	10.6
EBITDA	2.7	3.6	4.6
Adj. PAT	2.2	2.9	3.7
EBITDA Margin (%)	42.0	42.5	43.0
Cons. Adj. EPS (INR)	39.1	51.4	65.7
EPS Gr. (%)	20.4	31.6	27.8
BV/Sh. (INR)	274.4	324.8	389.6

Ratios

Net D:E	-0.5	-0.5	-0.5
RoE (%)	15.3	17.2	18.4
RoCE (%)	15.8	17.6	18.8

Valuations

P/E (x)	56	42	33
EV/EBITDA (x)	43	32	24

Shareholding Pattern (%)

As on	Sep-24	Jun-24	Sep-23
Promoter	42.4	42.4	42.4
DII	8.7	8.5	9.6
FII	14.4	15.0	7.2
Others	34.5	34.1	40.9

Note: FII includes depository receipts

Favorable business mix supports margins

- Consolidated revenue declined 16% YoY to INR910m (est. INR1.3b) in 2QFY25, led by strong growth in production/service revenue (up 2x/68% YoY), while development revenue declined 97% YoY. The company posted lower-than-expected revenue in 2QFY25 due to the deferment of the delivery schedule of completed products by a customer.
- Gross margins expanded 700bp YoY to 76%, led by a favorable business mix (execution of high-margin contracts). Employee/other expenses grew 5.5pp/1.4pp YoY to 29.2%/9.1% in 2QFY25.
- Accordingly, EBITDA margins expanded 10bp YoY to 37.7% (est. 38.4%). EBITDA declined 16% YoY to INR343m (est. INR495m). Adjusted PAT declined 10% YoY to INR303m (est. INR419m).
- The order book stood at INR9.7b as of Sep'24 vs. INR10.2b/INR10b in Jun'24/Sep'23.
- In 1HFY25, revenue declined 1% at INR1.9b. However, EBITDA/Adj. PAT increased 4%/6% YoY at INR715m/631m. For 2HFY25, implied Revenue/EBITDA/Adj. PAT growth is 36%/27%/28% YoY, led by strong revenue growth.

Highlights from the management commentary

- Guidance:** DATAPATT guides for ~20-25% revenue growth in FY25, with EBITDA margins of ~35-40%. The company expects revenue growth for 2H, led by deferment of orders.
- Order Intake:** The company witnessed a delay in order inflows, leading to slower-than-anticipated order book growth in 1HFY25. The company has received orders worth ~INR827m in Oct'24 and expects to receive a large order of ~INR2-2.25b in the next couple of months. Overall, it expects ~INR7-8b of order inflow in FY25.
- Capex:** The company expects to incur ~INR1.5b of capex over the next two years. It will construct new testing facilities and set up additional lines for production.

Valuation and view

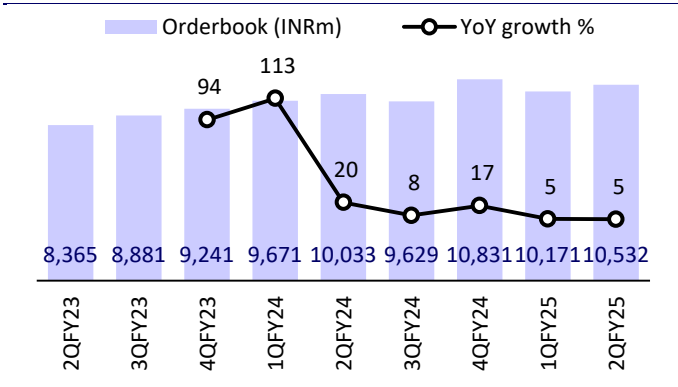
- DATAPATT is likely to witness strong revenue growth in 2HFY25 led by the execution of order in hand and an uptick in order inflows (orders inflow ~INR6-7b expected in 2HFY25).
- We estimate a CAGR of 27%, each in revenue/EBITDA/adj. PAT over FY24-27. We maintain our FY25/FY26 EPS estimates. **We reiterate our Neutral rating with a TP of INR2,300 (premised on 45x FY26E EPS)**, owing to its higher working capital cycle and rich valuations.

Consolidated - Quarterly Earning Model

Y/E March	(INR m)											
	FY24				FY25				FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Gross Sales	897	1,083	1,395	1,823	1,041	910	1,953	2,424	5,198	6,329	1,289	-29
YoY Change (%)	31.2	22.9	24.8	-1.5	16.0	-16.0	40.0	33.0	14.6	21.8	19.0	
Total Expenditure	619	676	795	893	669	567	1,109	1,326	2,982	3,671	794	
EBITDA	278	408	600	930	372	343	845	1,099	2,217	2,658	495	-31
Margins (%)	31.0	37.6	43.0	51.0	35.7	37.7	43.2	45.3	42.6	42.0	38.4	
Depreciation	28	31	33	70	31	35	42	52	162	160	40	
Interest	17	23	23	30	30	28	24	20	93	102	25	
Other Income	116	108	113	123	123	120	135	140	460	519	130	
PBT before EO expense	349	463	657	953	435	400	914	1,167	2,422	2,915	560	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	349	463	657	953	435	400	914	1,167	2,422	2,915	560	
Tax	91	125	148	242	107	98	230	294	605	728	141	
Rate (%)	25.9	27.0	22.4	25.4	24.5	24.4	25.2	25.2	25.0	25.0	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	258	338	510	711	328	303	684	873	1,817	2,187	419	
Adj PAT	258	338	510	711	328	303	684	873	1,817	2,187	419	-28
YoY Change (%)	81.4	60.5	53.0	28.4	26.9	-10.4	34.1	22.8	46.6	20.4	24.0	
Margins (%)	28.8	31.2	36.5	39.0	31.5	33.3	35.0	36.0	35.0	34.6	32.5	

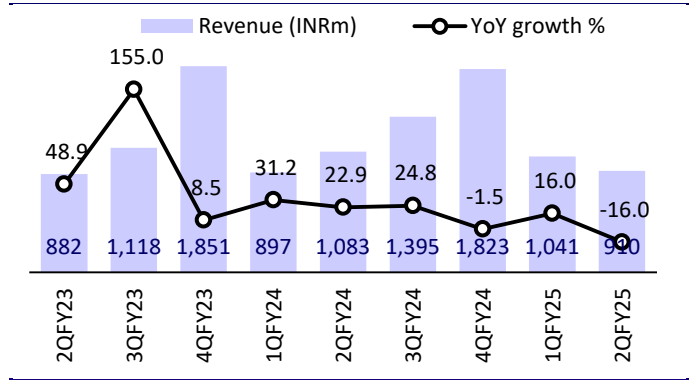
Key Exhibits

Exhibit 1: Consolidated order book trend



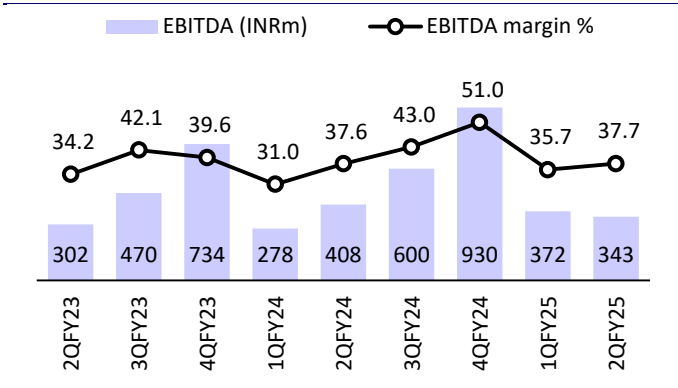
Source: Company, MOFSL

Exhibit 2: Consolidated revenue trend



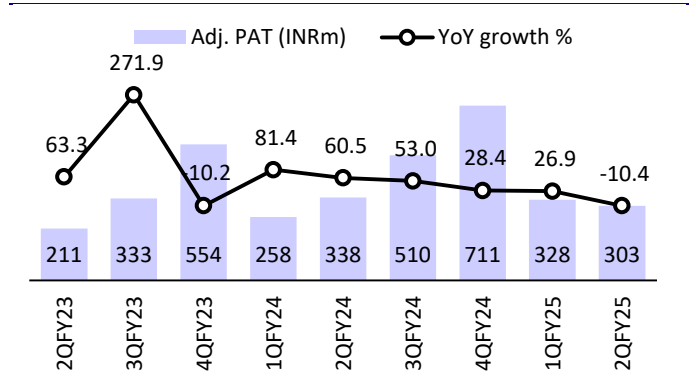
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



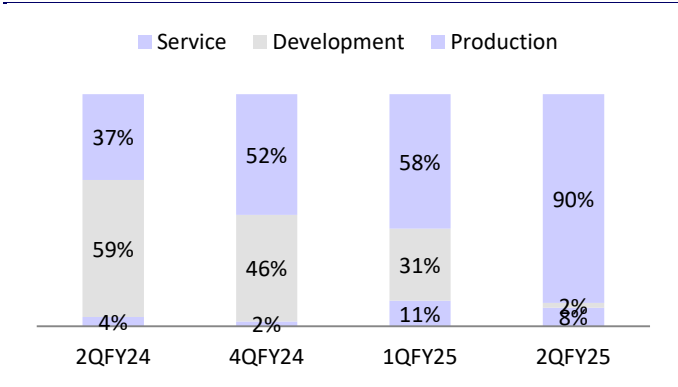
Source: Company, MOFSL

Exhibit 4: Consolidated Adj. PAT trend



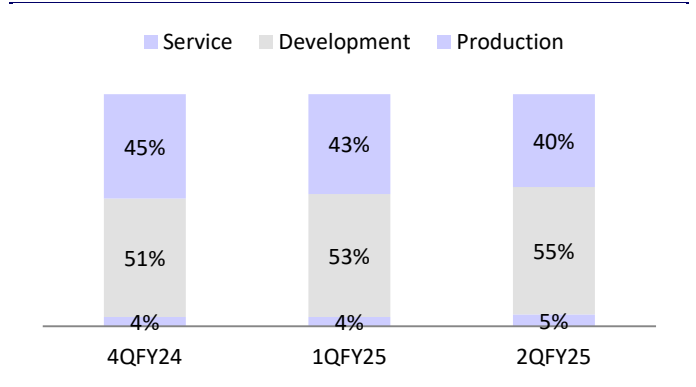
Source: Company, MOFSL

Exhibit 5: Segment revenue mix



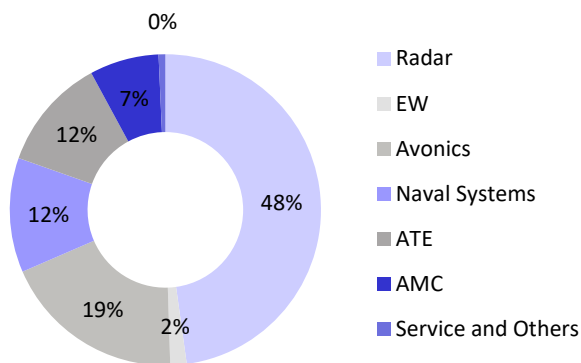
Source: Company, MOFSL

Exhibit 6: Segment order book mix



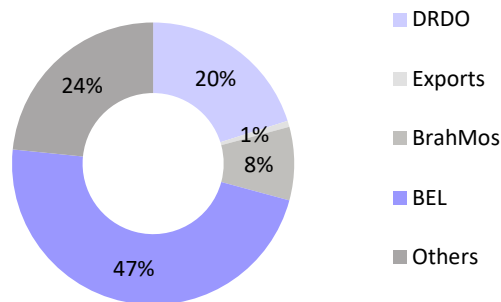
Source: Company, MOFSL

Exhibit 7: Product-wise revenue break-up in 2QFY25



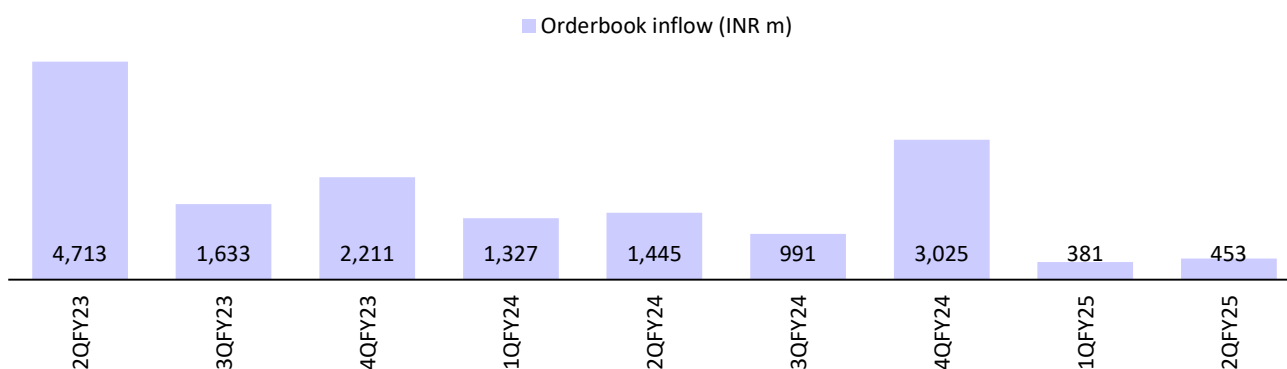
Source: Company, MOFSL

Exhibit 8: Customer mix revenue break-up in 2QFY25



Source: Company, MOFSL

Exhibit 9: DATAPATT's order inflow breakup



Source: MOFSL, Company

Exhibit 10: Major orders received by DATAPATT in 2QFY25/1HFY25

Major order received in Q2FY25

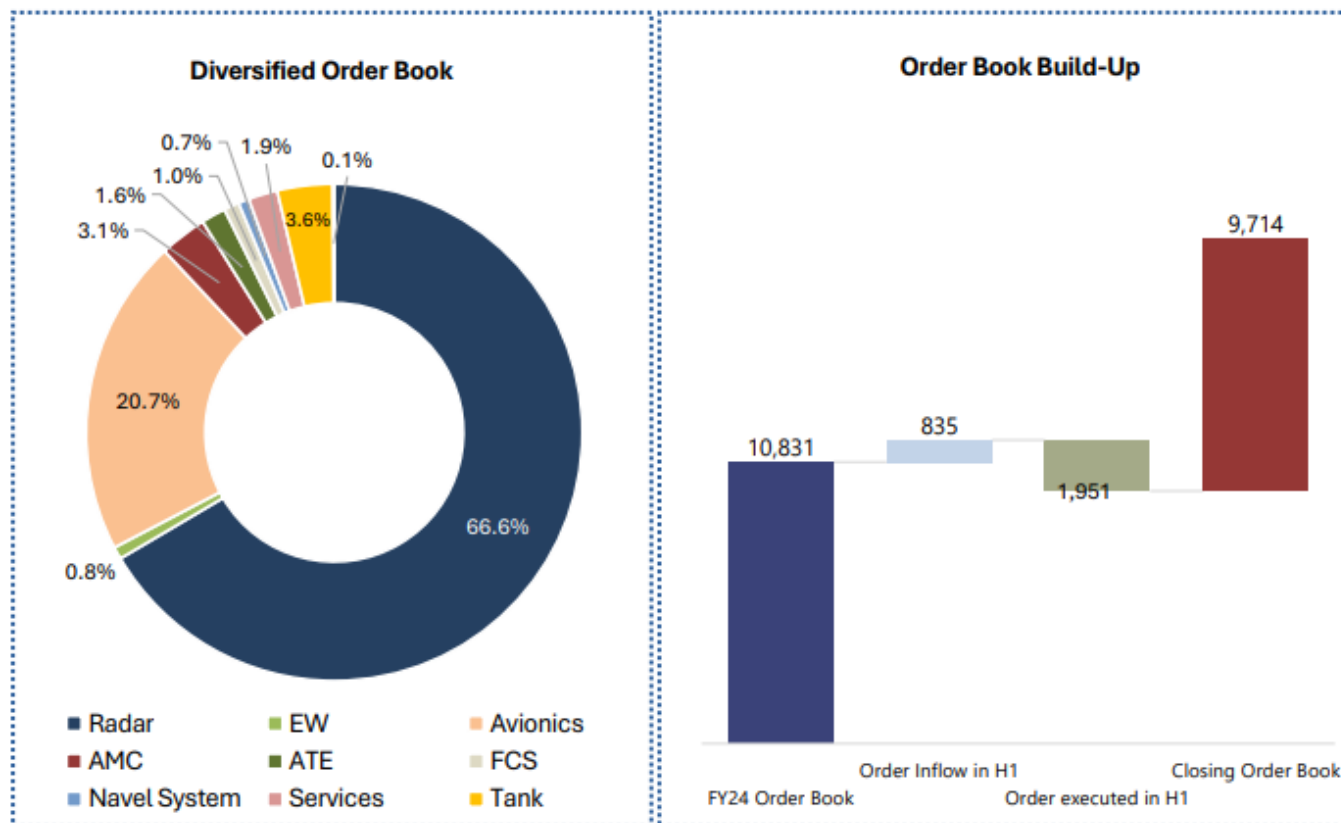
Product	Customer	Order Type	Value (Rs Mn)
AVIONICS	Export	Production	157
AVIONICS	DRDO	Production	56
Naval system	BEL	Production	20
ATE	DoS	Production	14
AMC	Brahmos	Service	14

Major order received in H1FY25

Product	Customer	Order Type	Value (Rs Mn)
AVIONICS	Export	Production	157
AMC	MOD	Service	140
ATE	DRDO	Production	113
Radar	DRDO	Development	76
AVIONICS	DRDO	Production	56
Radar	DRDO	Development	54
Naval system	DRDO	Development	21
Avionics	Export	Production	20

Source: MOFSL, Company

Exhibit 11: DATAPATT has a strong order book of ~INR9.7b as of Sep'24



Source: MOFSL, Company



Highlights from the management commentary

Operating performance

- Revenue for the quarter was lower due to a deferment of scheduled delivery by a customer of a completed product worth INR275m. This was a delivery to a government company.
- The company will focus on getting more contracts so that any impact on any one or two contracts will not hamper the performance of the company.
- Margins for 1H expanded, led by operational efficiency and a more favorable product mix.

Guidance

- The company maintains revenue growth guidance of ~20-25% for FY25, with EBITDA margins of ~35-40%.
- The company has developed its product portfolio and expects to grow at a fast pace going forward.

Order book

- Order book stood at ~INR9.7b as of Sep'24.
- The company witnessed a delay in order inflows, leading to slower-than-anticipated order book growth in 1HFY25, which the company expects to pick up during 2HFY25.
- The company has received orders worth ~INR827m in Oct'24. Order book as of the date stood at ~INR12.8b (including negotiated orders). The company expects to receive a large order of ~INR2-2.2b in the next couple of months.

- Overall, it expects ~INR7-8b of order inflow in FY25.
- The company has a strong order book in the pipeline at INR20-30b over the next 18 months.
- The company has some orders from East Asia as well as Europe. Currently, it does not have any orders from Israel.

Capex

- The company expects to incur a capex of ~INR1.5b over the next two years. The company will invest in products and technology going forward.
- The company already has land. It will now construct testing facilities and set up an additional line for production.

Others

- The company exports to Europe, South Korea, and the UK. It continues to have a strong focus on the Indian market.
- Currently, most of the sales in India are made to government companies, while export sales are for private companies.
- The company is building world-class products and infrastructure as well as broadening its TAM. This strategy might take some time but will support growth in the longer run.
- Radars, electronic warfare, and avionics are the key strength areas of the company. It has done significant product development in these areas.
- The company is continuously recruiting talent to enable it to address new product developments and ensure sufficient trained resources are available for the planned growth. The total headcount stood at 1,504 with ~1,020 engineers.

Valuation and view

- DATAPATT, a prominent player in the aerospace and defense electronics sector in India, is set to capture a larger share of the pie (TAM of ~USD2b as of CY20; clocking ~9% CAGR), led by its robust product portfolio, vast experience, strong core competencies, and robust execution capabilities.
- DATAPATT is likely to witness strong revenue growth in 2HFY25, led by the execution of order in hand and an uptick in order inflows (orders inflow ~INR6-7b expected in 2HFY25). Margins will further expand, led by the strong operating leverage at play.
- We estimate a CAGR of 27% each in revenue/EBITDA/adj. PAT over FY24-27. We maintain our FY25/FY26 EPS estimates. We reiterate our Neutral rating with a TP of INR2,300 (premised on 45x FY26E EPS), owing to its higher working capital cycle and rich valuations.

Exhibit 12: Changes to our estimates

Earnings change (INR m)	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	6,450	8,682	6,329	8,431	-2%	-3%
EBITDA	2,738	3,690	2,658	3,583	-3%	-3%
Adj. PAT	2,239	2,974	2,187	2,879	-2%	-3%

Financials and valuations

Consolidated - Income Statement								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	1,561	2,240	3,109	4,535	5,198	6,329	8,431	10,583
Change (%)	19.1	43.5	38.8	45.9	14.6	21.8	33.2	25.5
RM Cost	561	704	861	1,709	1,637	2,012	2,782	3,493
Employees Cost	411	472	604	795	1,003	1,164	1,534	1,884
Other Expenses	157	144	233	312	342	496	531	656
Total Expenditure	1,129	1,320	1,698	2,816	2,982	3,671	4,848	6,033
% of Sales	72.4	58.9	54.6	62.1	57.4	58.0	57.5	57.0
EBITDA	432	920	1,410	1,718	2,217	2,658	3,583	4,551
Margin (%)	27.6	41.1	45.4	37.9	42.6	42.0	42.5	43.0
Depreciation	55	56	66	84	162	160	276	338
EBIT	377	864	1,344	1,634	2,055	2,498	3,307	4,213
Int. and Finance Charges	133	145	110	77	93	102	102	102
Other Income	41	26	40	92	460	519	632	794
PBT bef. EO Exp.	284	745	1,274	1,649	2,422	2,915	3,837	4,905
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	284	745	1,274	1,649	2,422	2,915	3,837	4,905
Total Tax	74	190	334	409	605	728	958	1,224
Tax Rate (%)	26.0	25.4	26.2	24.8	25.0	25.0	25.0	25.0
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	211	556	940	1,240	1,817	2,187	2,879	3,681
Adjusted PAT	211	556	940	1,240	1,817	2,187	2,879	3,681
Change (%)	173.4	163.9	69.1	31.9	46.6	20.4	31.6	27.8
Margin (%)	13.5	24.8	30.2	27.3	35.0	34.6	34.2	34.8

Consolidated - Balance Sheet								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	17	17	104	112	112	112	112	112
Total Reserves	1,518	2,062	5,641	11,559	13,130	15,256	18,079	21,704
Net Worth	1,535	2,079	5,745	11,671	13,242	15,368	18,191	21,816
Total Loans	606	372	92	7	0	0	0	0
Deferred Tax Liabilities	8	9	-8	0	0	0	0	0
Capital Employed	2,148	2,460	5,830	11,678	13,242	15,368	18,191	21,816
Gross Block	447	425	634	1,176	1,629	2,389	3,141	3,616
Less: Accum. Deprn.	113	93	159	243	405	565	841	1,179
Net Fixed Assets	334	332	475	933	1,224	1,824	2,299	2,437
Goodwill on Consolidation	0	0	0	0	0	0	0	0
Capital WIP	0	0	173	14	481	471	469	194
Total Investments	0	0	0	557	2,622	2,622	2,622	2,622
Current Investments	0	0	0	557	2,622	2,622	2,622	2,622
Curr. Assets, Loans&Adv.	2,620	2,954	6,411	12,847	12,591	14,409	17,684	22,693
Inventory	794	737	1,198	1,930	2,668	2,205	2,897	3,636
Account Receivables	1,156	1,559	1,983	3,825	3,988	4,335	5,428	6,814
Cash and Bank Balance	15	88	1,771	5,445	3,927	5,655	6,408	8,539
Loans and Advances	655	569	1,460	1,647	2,009	2,215	2,951	3,704
Curr. Liability & Prov.	805	826	1,230	2,671	3,676	3,958	4,883	6,130
Account Payables	173	120	416	431	501	616	852	1,069
Other Current Liabilities	506	560	570	2,107	3,028	3,164	3,794	4,763
Provisions	126	146	244	134	146	178	237	298
Net Current Assets	1,815	2,128	5,182	10,175	8,916	10,451	12,801	16,563
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	2,148	2,460	5,830	11,678	13,242	15,368	18,191	21,816

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	24.8	65.4	18.1	22.1	32.4	39.1	51.4	65.7
Cash EPS	31.2	71.9	19.4	23.6	35.3	41.9	56.4	71.8
BV/Share	180.6	244.6	110.7	208.4	236.5	274.4	324.8	389.6
DPS	0.0	0.0	0.0	0.7	0.9	1.1	1.0	1.0
Payout (%)	0.0	0.0	0.0	3.2	2.8	2.8	1.9	1.5
Valuation (x)								
P/E	88.1	33.4	120.6	98.6	67.3	55.9	42.5	33.2
Cash P/E	69.9	30.4	112.6	92.3	61.8	52.1	38.7	30.4
P/BV	12.1	8.9	19.7	10.5	9.2	8.0	6.7	5.6
EV/Sales	12.3	8.4	35.9	25.6	22.3	18.0	13.4	10.5
EV/EBITDA	44.4	20.5	79.1	67.7	52.2	42.9	31.6	24.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
FCF per share	14.4	45.2	2.3	-9.9	8.5	24.5	5.0	26.7
Return Ratios (%)								
RoE	14.7	30.7	24.0	14.2	14.6	15.3	17.2	18.4
RoCE	15.2	28.9	24.6	14.8	15.1	15.8	17.6	18.8
RoIC	13.7	28.6	31.7	25.7	26.0	29.2	32.4	33.0
Working Capital Ratios								
Fixed Asset Turnover (x)	3.5	5.3	4.9	3.9	3.2	2.6	2.7	2.9
Asset Turnover (x)	0.7	0.9	0.5	0.4	0.4	0.4	0.5	0.5
Inventory (Days)	517	382	508	412	595	400	380	380
Debtor (Days)	270	254	233	308	280	250	235	235
Creditor (Days)	112	62	176	92	112	112	112	112
Leverage Ratio (x)								
Current Ratio	3.3	3.6	5.2	4.8	3.4	3.6	3.6	3.7
Interest Cover Ratio	2.8	6.0	12.2	21.2	22.0	24.5	32.5	41.4
Net Debt/Equity	0.4	0.1	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	284	745	1,274	1,649	2,422	2,915	3,837	4,905
Depreciation	55	56	66	84	162	160	276	338
Interest & Finance Charges	108	123	70	-15	-367	-417	-531	-692
Direct Taxes Paid	-28	-190	-284	-409	-605	-728	-958	-1,224
(Inc)/Dec in WC	-283	-299	-624	-1,482	-218	193	-1,597	-1,632
CF from Operations	136	435	503	-173	1,394	2,123	1,029	1,694
Others	-2	-1	0	0	0	0	0	0
CF from Operating incl EO	134	434	503	-173	1,394	2,123	1,029	1,694
(Inc)/Dec in FA	-12	-50	-382	-383	-920	-750	-750	-200
Free Cash Flow	123	384	121	-555	473	1,373	279	1,494
(Pur)/Sale of Investments	0	0	0	0	0	0	0	0
Others	26	137	-796	-1	-1,319	519	632	794
CF from Investments	14	88	-1,178	-384	-2,239	-232	-118	594
Issue of Shares	0	0	3,000	0	0	0	0	0
Inc/(Dec) in Debt	-132	-300	-283	-85	-7	0	0	0
Interest Paid	0	-145	-89	-77	-93	-102	-102	-102
Dividend Paid	-4	-3	-111	-39	-50	-62	-56	-56
Others	0	0	-159	4,432	-522	0	0	0
CF from Fin. Activity	-136	-449	2,359	4,231	-673	-163	-158	-158
Inc/Dec of Cash	12	73	1,683	3,675	-1,518	1,728	753	2,130
Opening Balance	3	15	88	1,771	5,445	3,927	5,655	6,408
Closing Balance	15	88	1,771	5,445	3,927	5,655	6,408	8,539

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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