

Data Patterns (India)

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR1,964 TP: INR2,180 (+11%) Neutral

Weak performance due to revenue deferment

Earnings below estimates

- Data Patterns (DATAPATT) witnessed a weak quarter, with revenue declining 16% YoY, largely led by the deferment of order delivery (~INR700m). The service/production revenue declined ~33%/28% YoY while development revenue grew 19% YoY. However, EBITDA margins expanded 310bp YoY, led by a favorable business mix (development revenue mix increase 11pp YoY).
- Despite a weak 9MFY25 (down 8% YoY), the company guides to achieve its full-year revenue growth/EBITDA margin guidance of ~20-25%/35-40%. This indicates a major ramp-up in 4QFY25, implying over 70% YoY revenue growth, while margins may experience a significant dip in 4Q to maintain its FY25 guidance.
- Factoring in the weak 3Q performance, we cut our FY25/FY26 EPS estimates by 7%/5% while largely maintaining our FY27 EPS estimate. **We reiterate our Neutral rating with a TP of INR2,180 (premised on 35x FY27E EPS).**

Higher development revenue mix YoY aids margin expansion

- Consolidated revenue declined 16% YoY to INR1.2b (est. INR1.9b) in 3QFY25. Service/development/production revenue stood at INR47m/INR433m/INR691m, down 33%/up 19%/down28% YoY, respectively.
- In terms of products, Radar/ATE accounted for the largest revenue mix at ~62.3%/17.9%, respectively. In terms of customers, exports played a significant role this quarter, accounting for ~76.8% of the mix vs only 0.9% in 3QFY24.
- Gross margins expanded 21.6pp YoY to 80.3%, led by a favorable business mix. Employee/other expenses grew 6.1pp/3.3pp YoY to 24.9%/9.2% in 3QFY25.
- Accordingly, EBITDA margins expanded 310bp YoY to 46.2% (est. 42.3%). EBITDA declined 10% YoY to INR540m (est. INR815m). Adjusted PAT declined 12% YoY to INR447m (est. INR616m).
- The order book stood at ~INR10.95b as of Dec'24 vs. INR9.7b/INR9.6b in Sep'24/Dec'23. Development/Production accounts for 47% each, while the Service order book constitutes ~6%.
- In 9MFY25, revenue/EBITDA/Adj. PAT declined 8%/2%/3% at INR3.1b/INR1.2b/INR1b.

Highlights from the management commentary

- **Guidance:** DATAPATT maintains its guidance of ~20-25% revenue growth in FY25, with EBITDA margins of ~35-40%. The company also reaffirms its near-term growth outlook, targeting a 20-25% CAGR.
- **Order Intake:** The international order book stands at ~INR1b, with significant new production orders in EW, Radar, and Avionics. Moving forward, order book growth is expected to be driven by repeat contracts and new orders, offering the potential for faster conversions.

Bloomberg	DATAPATT IN
Equity Shares (m)	56
M.Cap.(INRb)/(USD\$b)	109.9 / 1.3
52-Week Range (INR)	3655 / 1751
1, 6, 12 Rel. Per (%)	-16/-30/-4
12M Avg Val (INR M)	1313

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	6.1	8.2	10.3
EBITDA	2.5	3.3	4.2
Adj. PAT	2.0	2.7	3.5
EBITDA Margin (%)	40.1	40.8	41.1
Cons. Adj. EPS (INR)	36.1	48.6	62.2
EPS Gr. (%)	11.4	34.4	28.0
BV/Sh. (INR)	271.5	319.1	380.2

Ratios

Net D:E	-0.5	-0.5	-0.5
RoE (%)	14.2	16.4	17.8
RoCE (%)	14.9	17.0	18.2

Valuations

P/E (x)	54	41	32
EV/EBITDA (x)	41	30	23

Shareholding Pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	42.4	42.4	42.4
DII	8.8	8.7	9.2
FII	14.1	14.4	6.7
Others	34.7	34.5	41.7

Note: FII includes depository receipts

- **Inventory days** increased due to two large radar orders, which tied up ~60-65% of the company's inventory. The company is expected to deliver one project by Mar'25-end and the other by 1HFY26, leading to a significant decline in inventory.

Valuation and view

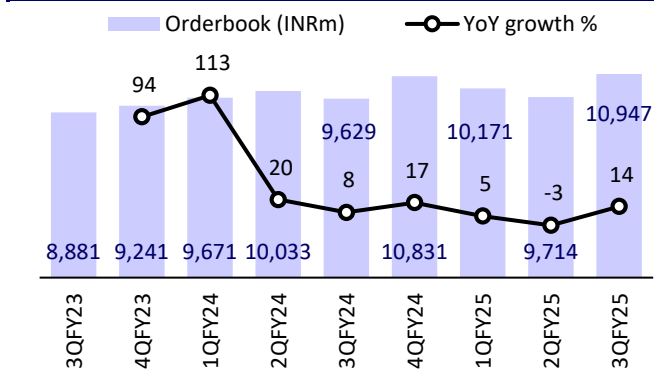
- DATAPATT is likely to witness strong revenue growth in 4QFY25, driven by the fulfillment of differed order deliveries as well as the execution of orders on hand (INR10.95b as of Dec'24).
- The overall macro scenario, driven by favorable government policies and new programs sanctioned by DRDO, along with management's focus on expanding the addressable market and the shift towards complete systems, positions the company well for a positive long-term outlook.
- We estimate a revenue/EBITDA/adj. PAT CAGR of 26%/24%/24% over FY24-27. **We reiterate our Neutral rating with a TP of INR2,180 (premised on 35x FY26E EPS).**

Consolidated - Quarterly Earning Model

Y/E March	(INR m)											
	FY24				FY25				FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			2QE	%
Gross Sales	897	1,083	1,395	1,823	1,041	910	1,170	3,008	5,198	6,129	1,925	-39
YoY Change (%)	31.2	22.9	24.8	-1.5	16.0	-16.0	-16.1	65.0	14.6	17.9	38.0	
Total Expenditure	619	676	795	893	669	567	630	1,804	2,982	3,670	1,111	
EBITDA	278	408	600	930	372	343	540	1,204	2,217	2,459	815	-34
Margins (%)	31.0	37.6	43.0	51.0	35.7	37.7	46.2	40.0	42.6	40.1	42.3	
Depreciation	28	31	33	70	31	35	35	40	162	140	42	
Interest	17	23	23	30	30	28	32	30	93	120	25	
Other Income	116	108	113	123	123	120	114	130	460	487	135	
PBT before EO expense	349	463	657	953	435	400	588	1,264	2,422	2,686	883	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	349	463	657	953	435	400	588	1,264	2,422	2,686	883	
Tax	91	125	148	242	107	98	141	318	605	663	222	
Rate (%)	25.9	27.0	22.4	25.4	24.5	24.4	24.0	25.2	25.0	24.7	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	447	946	1,817	2,023	661	
Adj PAT	258	338	510	711	328	303	447	946	1,817	2,023	661	-32
YoY Change (%)	81.4	60.5	53.0	28.4	26.9	-10.4	-12.4	33.0	46.6	11.4	29.6	
Margins (%)	28.8	31.2	36.5	39.0	31.5	33.3	38.2	31.4	35.0	33.0	34.3	

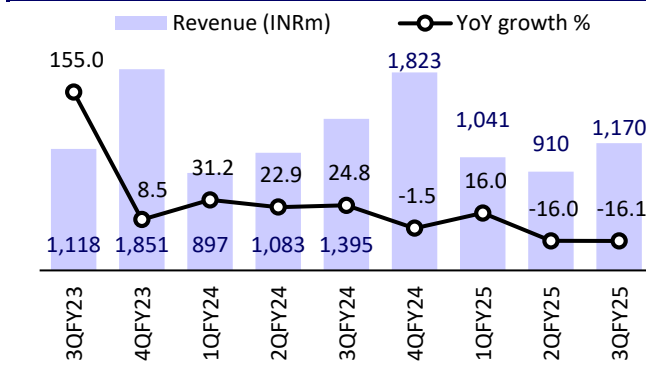
Key Exhibits

Exhibit 1: Consolidated order book trend



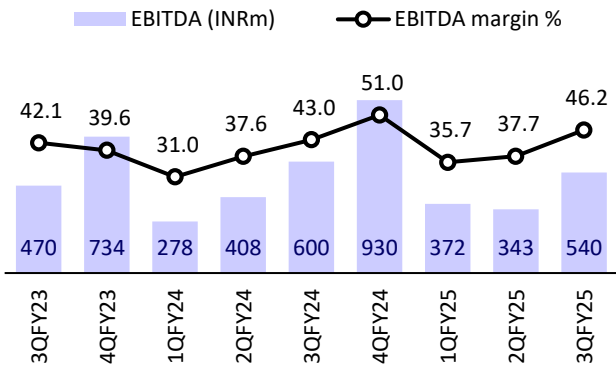
Source: Company, MOFSL

Exhibit 2: Consolidated revenue trend



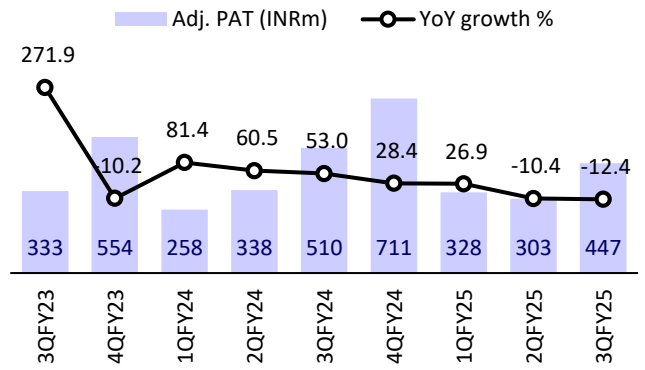
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



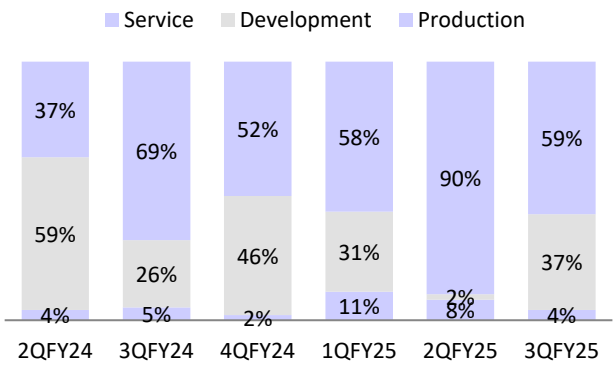
Source: Company, MOFSL

Exhibit 4: Consolidated Adj. PAT trend



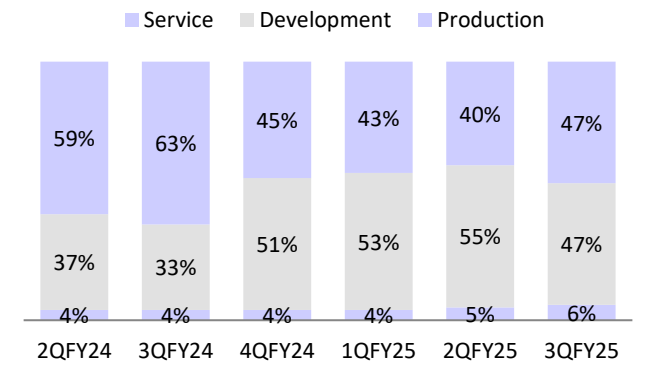
Source: Company, MOFSL

Exhibit 5: Segment revenue mix



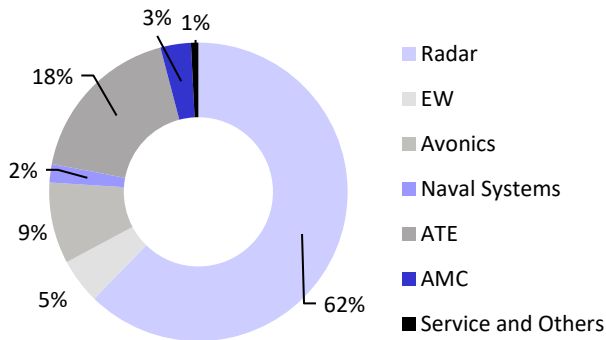
Source: Company, MOFSL

Exhibit 6: Segment order book mix



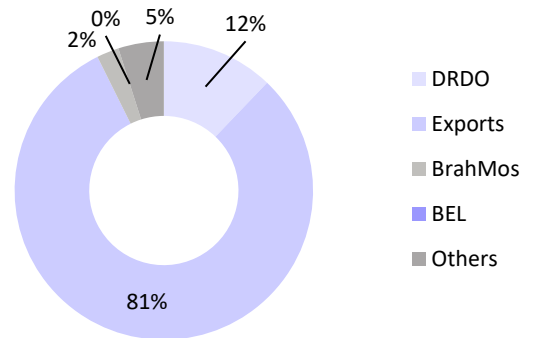
Source: Company, MOFSL

Exhibit 7: Product-wise revenue break-up in 3QFY25



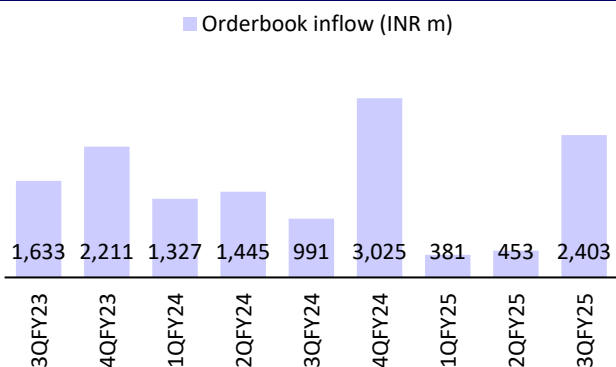
Source: Company, MOFSL

Exhibit 8: Customer mix revenue break-up in 3QFY25



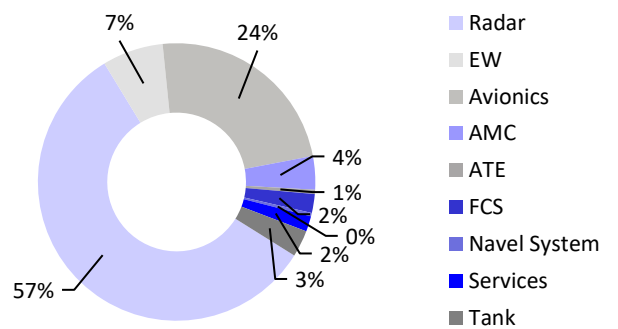
Source: Company, MOFSL

Exhibit 9: DATAPATT's order inflow breakup



Source: Company, MOFSL

Exhibit 10: Product-wise order book mix % in 3QFY25



Source: Company, MOFSL

Exhibit 11: Major orders received by DATAPATT in 3QFY25/9MFY25

Major order received in Q3FY25

Product	Customer	Order Type	Value (Rs Mn)
EW	DPSU	Production	798
Radar	MOD	Production	531
AVIONICS	Export	Production	530
FCS	Brahmos	Development	144
AVIONICS	ADA	Development	103

Major order received in 9MFY25

Product	Customer	Order Type	Value (Rs Mn)
EW	DPSU	Production	798
Radar	MOD	Production	531
AVIONICS	Export	Production	530
AVIONICS	Export	Production	157
FCS	Brahmos	Development	144
ATE	DRDO	Production	113
AVIONICS	ADA	Development	103

Source: MOFSL, Company



Highlights from the management commentary

Industry scenario

- The Indian government allocated INR6.8t for the defense budget in FY25-FY26, reflecting a 9.5% increase from the previous year.
- A significant INR1.8t has been designated to enhance military capabilities, with 70% of the modernization budget dedicated to domestically produced weapons and equipment.

Operating performance

- While the company faced certain delivery deferments from customers, the overall execution momentum remains strong.
- In 3QFY25, a substantial portion of the revenue and order book was driven by the export market.
- The company achieved an improvement in gross margin to 80% in Q3, up by 1260 bp, driven by a favorable product mix.
- The company took on two large contracts for radars with very low margins to build capability and demonstrate product capabilities.
- The total impact of the deferment of contacts was ~INR700m.

Guidance

- The company maintains its revenue guidance of ~20-25% growth over the next two to three years while maintaining EBITDA margins at around 35-40% for the full year.
- The company anticipates a major ramp-up in 4QFY25 and remains optimistic about delivering strong growth. It is firmly on track to achieve its full-year growth guidance.
- The company reports higher margins when producing systems domestically in India, compared to exporting complete systems.
- The management is strategically deploying funds to accelerate product development with a substantial portion allocated to expanding its R&D capabilities.
- Moving forward, the company will focus on growing the addressable market, with an emphasis on manufacturing complete systems.

Order book

- The international order book stands at INR1b as of 31 Dec'24.
- In 3QFY25, the company secured production orders for EW worth INR800m, Radar worth INR530m, and Avionics export worth INR530.
- The market order book does not follow an annual cycle; it typically takes several years to develop.
- However, the conversion rate to contracts could accelerate in the near future, with growth driven by repeat contracts and new orders.

Others

- Inventory days were elevated as the company proceeded with two larger orders for radar, with ~60-65% of its inventory tied up in these orders. Once these orders are completed, inventory is expected to decrease substantially.
- The company generally avoids inventory-based contracts due to their complexity but took on two larger orders to develop expertise and proficiency in designing and constructing complete systems.
- The company has experienced a shift in order intake, with some product-related decision-making taking longer than expected. However, none of those contracts have been lost.
- The company is working internally to develop products that meet export standards before reintroducing them to the international market. This strategy follows a medium- to long-term approach.
- Indian businesses generate higher EBITDA margins compared to exports business.
- There have been delays in executing orders due to financial constraints within the government and delays in government clearances. However, as these issues are resolved, the company expects to be involved in many more programs.
- Additionally, DRDO has received approval for several new programs, with the necessary funding already sanctioned.

Valuation and view

- DATAPATT is likely to witness strong revenue growth in 4QFY25, driven by the fulfillment of differed order deliveries along with the execution of orders on hand (INR10.95b as of Dec'24).
- The overall macro scenario, driven by favorable government policies and new programs sanctioned by DRDO, along with management's focus on growing the addressable market and the shift towards complete systems, positions the company well for a positive long-term outlook.
- We estimate a revenue/EBITDA/adj. PAT CAGR of 26%/24%/24% over FY24-27. We reiterate our Neutral rating with a TP of INR2,180 (premised on 35x FY26E EPS).

Exhibit 12: Changes to our estimates

Earnings change (INR m)	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	6,337	8,431	10,583	6,129	8,170	10,290	-3%	-3%	-3%
EBITDA	2,644	3,558	4,498	2,459	3,333	4,229	-7%	-6%	-6%
Adj. PAT	2,176	2,858	3,639	2,023	2,720	3,481	-7%	-5%	-4%

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	6,129	8,170	10,290
Change (%)	19.1	43.5	38.8	45.9	14.6	17.9	33.3	26.0
RM Cost	561	704	861	1,709	1,637	1,851	2,573	3,293
Employees Cost	411	472	604	795	1,003	1,175	1,487	1,842
Other Expenses	157	144	233	312	342	644	776	926
Total Expenditure	1,129	1,320	1,698	2,816	2,982	3,670	4,836	6,061
% of Sales	72.4	58.9	54.6	62.1	57.4	59.9	59.2	58.9
EBITDA	432	920	1,410	1,718	2,217	2,459	3,333	4,229
Margin (%)	27.6	41.1	45.4	37.9	42.6	40.1	40.8	41.1
Depreciation	55	56	66	84	162	140	221	270
EBIT	377	864	1,344	1,634	2,055	2,319	3,112	3,959
Int. and Finance Charges	133	145	110	77	93	120	114	108
Other Income	41	26	40	92	460	487	613	772
PBT bef. EO Exp.	284	745	1,274	1,649	2,422	2,686	3,611	4,623
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	284	745	1,274	1,649	2,422	2,686	3,611	4,623
Total Tax	74	190	334	409	605	663	891	1,141
Tax Rate (%)	26.0	25.4	26.2	24.8	25.0	24.7	24.7	24.7
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	211	556	940	1,240	1,817	2,023	2,720	3,481
Adjusted PAT	211	556	940	1,240	1,817	2,023	2,720	3,481
Change (%)	173.4	163.9	69.1	31.9	46.6	11.4	34.4	28.0
Margin (%)	13.5	24.8	30.2	27.3	35.0	33.0	33.3	33.8

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
Preference Capital	0	0	0	0	0	0	0	0
Total Reserves	1,518	2,062	5,641	11,559	13,130	15,092	17,755	21,181
Net Worth	1,535	2,079	5,745	11,671	13,242	15,204	17,867	21,293
Minority Interest	0	0	0	0	0	0	0	0
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	15,204	17,867	21,293
Gross Block	447	425	634	1,176	1,629	2,389	3,141	3,616
Less: Accum. Deprn.	113	93	159	243	405	545	767	1,037
Net Fixed Assets	334	332	475	933	1,224	1,843	2,374	2,579
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	14,071	17,097	21,826
Inventory	794	737	1,198	1,930	2,668	2,282	2,679	3,428
Account Receivables	1,156	1,559	1,983	3,825	3,988	4,198	5,260	6,625
Cash and Bank Balance	15	88	1,771	5,445	3,927	5,446	6,298	8,172
Loans and Advances	655	569	1,460	1,647	2,009	2,145	2,859	3,601
Curr. Liability & Prov.	805	826	1,230	2,671	3,676	3,804	4,694	5,928
Account Payables	173	120	416	431	501	567	788	1,008
Other Current Liabilities	506	560	570	2,107	3,028	3,065	3,676	4,630
Provisions	126	146	244	134	146	173	230	290
Net Current Assets	1,815	2,128	5,182	10,175	8,916	10,268	12,402	15,898
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	2,148	2,460	5,830	11,678	13,242	15,204	17,867	21,293

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	36.1	48.6	62.2
Cash EPS	31.2	71.9	19.4	23.6	35.3	38.6	52.5	67.0
BV/Share	180.6	244.6	110.7	208.4	236.5	271.5	319.1	380.2
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	3.0	2.1	1.6
Valuation (x)								
P/E	79.3	30.1	108.5	88.8	60.6	54.4	40.5	31.6
Cash P/E	63.0	27.3	101.4	83.1	55.6	50.9	37.4	29.3
P/BV	10.9	8.0	17.8	9.4	8.3	7.2	6.2	5.2
EV/Sales	11.1	7.6	32.3	22.9	19.9	16.6	12.4	9.6
EV/EBITDA	40.1	18.5	71.1	60.6	46.7	41.5	30.3	23.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
FCF per share	14.4	45.2	2.3	-9.9	8.5	21.7	7.3	22.6
Return Ratios (%)								
RoE	14.7	30.7	24.0	14.2	14.6	14.2	16.4	17.8
RoCE	15.2	28.9	24.6	14.8	15.1	14.9	17.0	18.2
RoIC	13.7	28.6	31.7	25.7	26.0	27.1	31.0	31.7
Working Capital Ratios								
Fixed Asset Turnover (x)	3.5	5.3	4.9	3.9	3.2	2.6	2.6	2.8
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	450	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	3.7	3.6	3.7
Interest Cover Ratio	2.8	6.0	12.2	21.2	22.0	19.4	27.4	36.7
Net Debt/Equity	0.4	0.1	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	284	745	1,274	1,649	2,422	2,686	3,611	4,623
Depreciation	55	56	66	84	162	140	221	270
Interest & Finance Charges	108	123	70	-15	-367	-368	-499	-664
Direct Taxes Paid	-28	-190	-284	-409	-605	-663	-891	-1,141
(Inc)/Dec in WC	-283	-299	-624	-1,482	-218	168	-1,283	-1,622
CF from Operations	136	435	503	-173	1,394	1,964	1,159	1,466
Others	-2	-1	0	0	0	0	0	0
CF from Operating incl EO	134	434	503	-173	1,394	1,964	1,159	1,466
(Inc)/Dec in FA	-12	-50	-382	-383	-920	-750	-750	-200
Free Cash Flow	123	384	121	-555	473	1,214	409	1,266
(Pur)/Sale of Investments	0	0	0	0	0	0	0	0
Others	26	137	-796	-1	-1,319	487	613	772
CF from Investments	14	88	-1,178	-384	-2,239	-263	-137	572
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	-120	-114	-108
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	-181	-170	-164
Inc/Dec of Cash	12	73	1,683	3,675	-1,518	1,520	852	1,874
Opening Balance	3	15	88	1,771	5,445	3,927	5,446	6,298
Closing Balance	15	88	1,771	5,445	3,927	5,446	6,298	8,172

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

NOTES

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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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