

India

February 05, 2024 - 1:29 PM

ADD (no change)

Consensus ratings*:	Buy 4	Hold 5	Sell 0
Current price:		Rs1,915	
Target price:	▶	Rs3,000	
Previous target:		Rs3,000	
Up/downside:		56.7%	
InCred Research / Consensus:		28.0%	
Reuters:			
Bloomberg:		DATAPATT IN	
Market cap:		US\$1,293m	
		Rs107,207m	
Average daily turnover:		US\$3.8m	
		Rs318.9m	
Current shares o/s:		56.0m	
Free float:		57.6%	
*Source: Bloomberg			

Key financial forecast

	Mar-24F	Mar-25F	Mar-26F
Net Profit (Rsm)	1,966	2,871	3,793
Core EPS (Rs)	35.11	51.27	67.72
Core EPS Growth	58.5%	46.0%	32.1%
FD Core P/E	54.54	37.35	28.28
Recurring ROE	15.7%	19.7%	21.8%
P/BV (x)	8.04	6.80	5.65
DPS (Rs)	7.13	10.42	13.76
Dividend Yield	0.28%	0.41%	0.54%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	0.9	2.9	36.5
Relative (%)	0.8	(8.1)	15.2

Major shareholders

	% held
Promoter group	42.4
Axis Mutual Fund	2.4
Tata AIA Life Insurance	2.3

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Data Patterns (India) Ltd

New order wins vital for growth to sustain

- 3Q EBITDA up 25% yoy due to the higher-than-expected EBITDA margin of 43%. Retains guidance of 25-30% revenue growth & ~40% EBITDA margin.
- Won new orders worth just Rs990m, taking its total order book to Rs9.6bn (1.8x TTM sales). Expects new order wins worth Rs5-6bn in next 2 quarters.
- New orders wins are crucial for sustained growth. We maintain our ADD rating on the stock with a target price of Rs3,000 (50x Sep 2025F EPS).

Steady execution; product mix shift boosts EBITDA

- Data Patterns reported a strong revenue growth of 25% yoy to Rs1.4bn in 3QFY24, with the growth being primarily driven by production contracts with the DRDO and BrahMos. EBITDA grew 28% yoy to Rs600m. The company posted a higher-than-expected EBITDA margin of 43% vs. 42% yoy due to a better product mix.
- **Maintains guidance:** Data Patterns maintains its guidance, including revenue growth of around 30%, gross margin ranging from 60-65%, EBITDA margin anticipated at ~40%, and an order inflow of Rs6-7bn.

Delay in order finalization is a cause of concern

- Despite the delay in finalizing prospective orders, Data Patterns anticipates signing contracts in the next two months. The company expects to secure new orders worth Rs2-3bn in 4QFY24F, aligning with its FY24F guidance. The company also projects new order wins worth Rs5-6bn in the next two quarters, reflecting confidence in strong future order inflow.
- The company's order book declined in 3QFY24 to Rs9.6bn, just 1.8x its TTM sales.
- It expects strong new order momentum going ahead, expecting new orders worth Rs462m, where negotiations are complete but the orders are yet to be received. Including these orders, the current order book stands at Rs10bn (1.9x TTM sales).
- Data Patterns' order book is well-diversified, with 63% development orders, 33% production orders, and 4% service orders. The higher share of development contracts in the order book is a positive sign for the company, as it could lead to strong production revenue in the future.

Other conference-call highlights

- **Strategic priorities for the next two years:** Data Patterns envisions significant opportunities in radar, electronic warfare, communication, and satellite markets. The company is actively exploring collaborations with domestic players and assessing export markets. It is targeting participation in contracts worth ~Rs30bn in the next three-to-four years.
- **Order book:** The company aims to execute its entire current order book by FY25F, signaling a robust execution outlook. Data Patterns upgrades Dornier (Navy version) for HAL, and ongoing contracts with the DRDO for radars and electronic warfare are in progress. Delivered units are undergoing testing, and further contracts are expected post successful flight testing. Contracts in progress also involve supplying parts for LCA, cockpit displays, missile systems, and radar warning receiver for LCA Mk1A, with potential additional orders hinging on trial outcomes & the Indian Air Force's decisions.
- **Utilization of IPO/QIP proceeds:** Data Patterns intends to utilize the proceeds from its IPO (Rs2.8bn) and QIP (Rs4.9bn) in line with the offer documents. The company has started product development for radars, communication systems, electronic warfare and satellite systems.

Maintain ADD rating with a target price of Rs3,000

- Data Patterns currently trades at 39x its one-year forward EPS (in line with its three-year average P/E). Strong order-booking in the next two-to-three quarters can improve its valuation.
- We maintain ADD rating on the stock with a target price of Rs3,000 (50x Sep 2025F EPS), implying a 57% upside from the CMP. Downside risks: Lower-than-expected new order wins and margins, & any budgetary cut or delay by the government.

New order wins vital for growth to sustain

Figure 1: Standalone quarterly financials

(Rs. m)	Quarter ended				
	3QFY24	3QFY23	% Chg	2QFY24	% Chg
Net Sales	1,395	1,118	25	1,083	29
EBITDA	600	470	28	408	47
Other income	113	19	511	108	4
PBITDA	713	489	46	516	38
Depreciation	33	21	56	31	7
Interest	23	21	8	23	3
Extraordinary income	-	-	-	-	-
PBT	657	446	47	463	42
Tax	148	113	30	125	18
Reported PAT	510	333	53	338	51
Adjusted PAT	510	333	53	338	51
EBITDA margin (%)	43.0	42.1		37.6	
Earnings per share (Rs)	9.1	6.0	53	6.0	51
Tax rate (%)	22.4	25.4		27.0	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Actuals vs estimates

(Rs. m)	Actuals	InCred estimate	Difference (%)	Bloomberg estimate	Difference (%)
Revenue	1,395	1,600	(12.8)	1,289	8.2
EBITDA	600	646	(7.1)	503	19.4
EBITDA Margin (%)	43	40		39	
Adj. PAT	510	480	6.3	422	20.8
Adj. EPS	9.1	8.6	6.3	7.4	23.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segmental order book



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Historical order book

(Rs m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Order book	4,534	8,365	8,881	9,241	9,671	10,033	9,628
Order flow	456	4,713	1,630	2,212	1,327	1,445	990
OB/Sales (x)	1.3	2.3	2.0	2.0	2.0	2.0	1.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Major orders won in 1QFY24

Product	Customer	Order Type	Value (Rs m)
EW	DRDO	Development	362
Radar	Private customer	Production	357
Radar	Export	Production	327
EW	DRDO	Development	137
Under-water	DRDO	Production	8
Service	DoS	Service	7
			1198
Other orders			129
Total order inflow (1QFY24)			1,327
Sales (1QFY24)			897
Order book (1QFY24)			9,671

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Major orders won in 2QFY24

Product	Customer	Order Type	Value (Rs m)
Avionics	HAL	Production	447
Radar	Export	Development	389
Radar	BEL	Production	321
Avionics	ADA	Production	64
			1221
Other orders			224
Total order inflow (2QFY24)			1,445
Sales (2QFY24)			1,083
Order book (2QFY24)			10,033

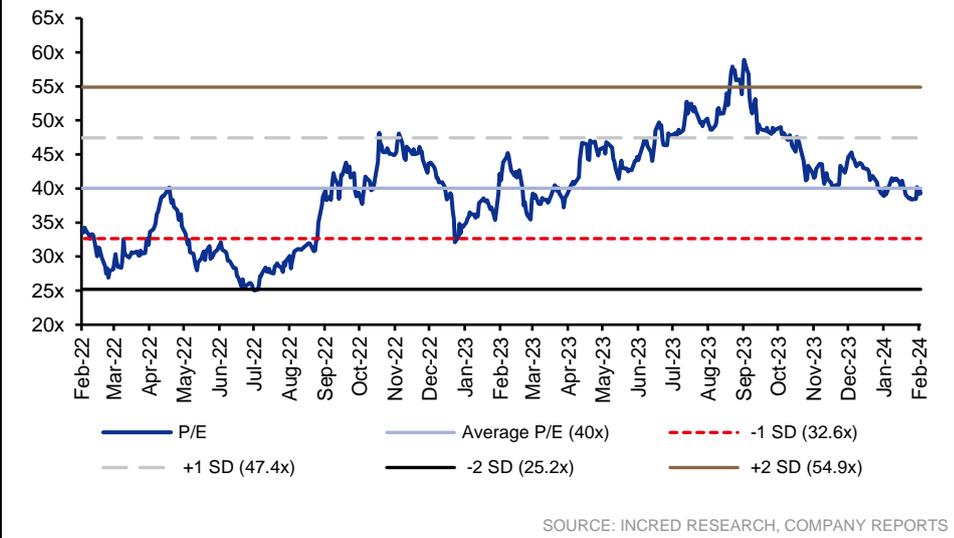
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Major orders won in 3QFY24

Product	Customer	Order Type	Value (Rs m)
Avionics	DRDO	Development	439
Avionics	DoS	Development	101
Avionics	DRDO	Production	167
EW	BEL	Production	42
EW	DRDO	Production	43
Naval system	BEL	Production	40
ATE	BDL	Production	22
			854
Other orders			136
Total order inflow (3QFY24)			990
Sales (3QFY24)			1,395
Order book (3QFY24)			9,628

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: One-year forward P/E – trades near its three-year average P/E of 40x



Profit & Loss

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	4,535	6,284	9,094	12,039
Gross Profit	2,825	4,085	5,911	7,826
Operating EBITDA	1,718	2,555	3,837	5,085
Depreciation And Amortisation	(85)	(143)	(202)	(273)
Operating EBIT	1,634	2,411	3,635	4,812
Financial Income/(Expense)	15	202	182	230
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)				
Profit Before Tax (pre-EI)	1,649	2,614	3,817	5,042
Exceptional Items				
Pre-tax Profit	1,649	2,614	3,817	5,042
Taxation	(409)	(648)	(946)	(1,249)
Exceptional Income - post-tax				
Profit After Tax	1,240	1,966	2,871	3,793
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	1,240	1,966	2,871	3,793
Recurring Net Profit	1,240	1,966	2,871	3,793
Fully Diluted Recurring Net Profit	1,240	1,966	2,871	3,793

Balance Sheet

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	5,445	5,171	5,164	5,310
Total Debtors	3,825	5,165	7,225	9,236
Inventories	1,930	2,582	3,613	4,618
Total Other Current Assets	591	591	591	591
Total Current Assets	11,791	13,510	16,593	19,754
Fixed Assets	1,134	1,662	2,164	2,843
Total Investments	557	1,114	1,670	2,506
Intangible Assets				
Total Other Non-Current Assets	864	864	864	864
Total Non-current Assets	2,555	3,639	4,698	6,212
Short-term Debt	7	27	47	67
Current Portion of Long-Term Debt				
Total Creditors	431	689	997	1,154
Other Current Liabilities	2,103	2,927	4,235	5,442
Total Current Liabilities	2,541	3,643	5,279	6,664
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities				
Total Provisions	134	172	249	330
Total Liabilities	2,675	3,815	5,528	6,994
Shareholders Equity	11,671	13,334	15,763	18,972
Minority Interests				
Total Equity	11,671	13,334	15,763	18,972

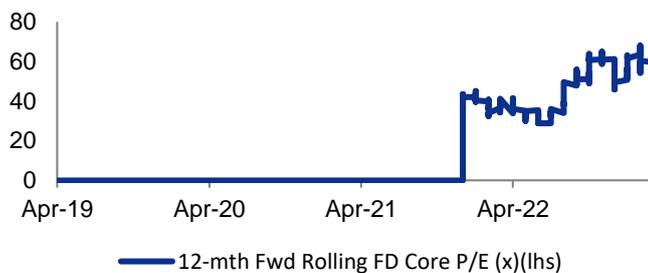
Cash Flow

(Rs mn)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	1,718	2,555	3,837	5,085
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(1,504)	(873)	(1,397)	(1,570)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	133	81	87	93
Net Interest (Paid)/Received	(77)	(81)	(87)	(93)
Tax Paid	(409)	(648)	(946)	(1,249)
Cashflow From Operations	(139)	1,034	1,494	2,266
Capex	(549)	(671)	(705)	(951)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(205)	(557)	(557)	(835)
Cash Flow From Investing	(754)	(1,228)	(1,262)	(1,787)
Debt Raised/(repaid)	(61)	20	20	20
Proceeds From Issue Of Shares	4,878			
Shares Repurchased				
Dividends Paid	(191)	(303)	(442)	(584)
Preferred Dividends				
Other Financing Cashflow	(60)	202	182	217
Cash Flow From Financing	4,567	(80)	(240)	(346)
Total Cash Generated	3,675	(274)	(7)	133
Free Cashflow To Equity	(953)	(174)	253	499
Free Cashflow To Firm	(815)	(112)	320	572

Key Ratios

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	45.9%	38.6%	44.7%	32.4%
Operating EBITDA Growth	21.8%	48.7%	50.2%	32.5%
Operating EBITDA Margin	37.9%	40.7%	42.2%	42.2%
Net Cash Per Share (Rs)	97.11	91.86	91.38	93.62
BVPS (Rs)	208.41	238.11	281.49	338.79
Gross Interest Cover	21.11	29.67	41.80	51.72
Effective Tax Rate	24.8%	24.8%	24.8%	24.8%
Net Dividend Payout Ratio	15.4%	15.4%	15.4%	15.4%
Accounts Receivables Days	233.75	261.08	248.65	249.52
Inventory Days	333.93	374.39	355.22	356.46
Accounts Payables Days	86.72	92.87	96.63	93.16
ROIC (%)	39.3%	41.5%	50.1%	52.2%
ROCE (%)	19.6%	19.3%	24.9%	27.6%
Return On Average Assets	11.4%	11.2%	14.0%	15.1%

12-mth Fwd Rolling FD Core P/E (x)



Key Drivers

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Order backlog (Rs m)	9,241	12,457	14,863	15,824
Order inflows (Rs m)	9,014	9,500	11,500	13,000
OB/Sales (x)	2	2	2	1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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