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Growth to remain steady as order inflows likely to pick-up...

About the stock: Data Patterns (India) (DPIL) is a vertically integrated defence and aerospace electronics solutions provider

- Company's domain expertise is in development & manufacturing of key electronic systems like radars, electronic warfare, communication systems, avionics, satellite and test equipment's. Customers include MoD, DRDO, DPSUs, private sector players and exports
- Company's order backlog stands at ₹ 730 crore as of March'25

Investment Rationale:

- Operating in high-growth defence electronics segment; moving up the value chain by leveraging existing competencies:** With strong positioning across the high-growth categories of defence electronics (including radars, electronic warfare, avionics, communication systems, satellites etc), the company has been focused on development & production of future-ready systems/sub-systems in these segments as per the requirements from DRDO, PSUs, defence services, private players and international clients. As per the industry reports, electronics contribution has been rising in all the defence platforms considering the requirement of hi-tech & modernised platforms. With huge potential opportunities in future, company has been moving up the value chain and building full products through leveraging existing domain expertise and availability of in-house building blocks. Moreover, company has been working in collaboration with foreign OEMs to explore export potential
- Order-book position remains healthy; execution is expected to pick-up:** Company's execution improved significantly during Q4FY25, in-line with expectations. This was also partially led by completion of pending delivery of some previous orders. Revenue growth of 36% YoY in FY25 was also ahead of expectations. Going ahead, company maintains revenue growth guidance of 20-25% YoY for FY26E with EBITDA margin of 35-40%. Order backlog stands at ₹ 860 crore (including negotiated orders worth Rs 92 crore), declined YoY as orders inflow remained lower this year (Rs 355 crore in FY25 vs Rs 679 crore in FY24). However, management guides pick-up in orders inflows in FY26 and expect Rs 2000-3000 crore of orders over the next 1.5-2 years. Overall orders pipeline remains robust in electronic systems/sub-systems in defence & space domains. Margins are also expected to improve driven by increase in share of production segment and continued focus on operational efficiencies

Rating and Target Price

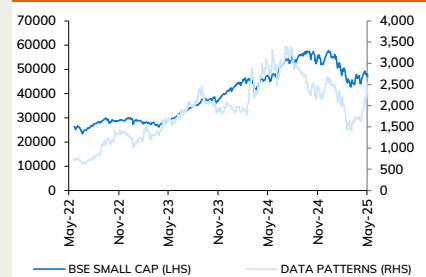
- Strong order-backlog, improving execution and robust pipeline provides healthy growth visibility for the coming period. We estimate revenue CAGR of ~24% over FY25-27E with EBITDA margin sustaining at 39-40%.
- We recommend BUY on Data Patterns with target price of ₹ 3130 per share (based on 52x FY27E EPS)

**Particulars**

Particular	Amount (Rs crore)
Market Capitalisation	15,228
FY25 Gross Debt	0
FY25 Cash	126
EV	15,101
52 Week H/L (Rs)	3655 / 1350
Equity Capital (Rs)	11.2
Face Value (Rs)	2.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	42.4	42.4	42.4	42.4
FII	15.0	14.4	14.1	14.0
DII	8.5	8.7	8.8	7.4
Others	34.1	34.5	34.7	36.2

Price Chart**Key risks**

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials/components

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Key Financial Summary

(Rs crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	311	453	520	708	31.6	875	1,080	23.5
EBITDA	141	172	222	275	24.9	343	429	25.0
EBITDA margin (%)	45.4	37.9	42.6	38.8		39.2	39.7	
Net Profit	94	124	182	222	33.1	272	337	23.2
Diluted EPS (Rs)	16.8	22.1	32.5	39.6		39.6	48.6	
P/E (x)	162.0	122.8	83.8	68.7		56.0	45.2	
EV/EBITDA (x)	98.9	78.7	60.7	49.7		40.2	32.2	
RoCE (%)	23.8	14.8	19.0	20.4		21.5	22.8	
RoE (%)	16.4	10.6	13.7	14.7		15.6	16.6	

Source: Company, ICICI Direct Research

Q4 and FY25 Result Summary

- Revenue increased to Rs. 396.2 crores (+117.4% YoY, ++238.5% QoQ) in Q4FY25, however it was in-line with management expectations
- EBITDA margin was at 37.7% (-1330 bps YoY, -843 bps QoQ), EBITDA was at Rs. 149.5 crore (+60.7% YoY, +176.7% QoQ)
- PAT was up by 60.5% YoY to Rs. 114.1 crore an increase of 155.4% on QoQ basis
- The FY25 revenue is up 36.3% YoY to Rs. 708.4 crores with EBITDA margin standing at 38.8% (vs 42.6% in FY24). EBITDA is at Rs. 275 crore and PAT is up 22.1% YoY to Rs. 221.8 crores

Q4 and FY25 Earnings call highlights

- Consolidated order backlog stands at Rs 860 crore as of March' 25 (v/s Rs. 1083 crores in March' 24)
- The management expects an order inflow of Rs. 1000-2000 crores in coming period, particularly from repeat contracts and strategic defence initiatives
- Management guides revenue growth of 20-25% for FY26 with EBITDA margin at 35-40%
- EBITDA margin contracted in FY25, mainly due to higher execution of lower-margin contracts. But margins are expected to improve in the coming periods
- The company is presently concentrating on operational focus in transitioning from a component supplier to integrated system provider along with strengthening project management capabilities to handle large-scale contracts
- Share of production & services in total revenue is expected to increase in coming years as the development orders will convert to production contracts
- The management is also emphasising on sustainable growth through diversified product offerings in radars, EW systems, UAV detection, and secure communications
- The company has made significant investments in R&D with over Rs. 140 crores spent in the past 1.5 years on future-ready technologies like RADARs, Electronic Warfare (EW) systems, and RF seekers.
- In order to capture new opportunities and help in increasing current portfolio offerings the company is planning a capital expenditure of Rs. 150 crores over the next two years
- The management is actively pursuing international markets, especially in Europe and East Asia, leveraging indigenous product development for aiming at export opportunities
- The recently concluded successful flight tests of the BrahMos missile programme have positioned the company for upcoming development and production contracts for Seekers
- The company is also actively exploring joint development with foreign OEMs to create world-class systems for both domestic and export markets.
- The working capital for the company has gone up on account of scaling up revenue and PAT through increasing products in development. Debtors' days stood at 307 days in FY25, which is expected to come down as the execution of more production orders would pick-up
- Company is developing products for UV-based systems, MANPADs, and integrated systems, which are currently in testing. Currently reliant on imports, a focus on local development could greatly benefit the company

Exhibit 1: Q4FY25 and FY25 result snapshot (₹ crore)

Rs Crore	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments	FY25	FY24	YoY(%)
Revenue from operations	396.2	182.3	117.4	117.0	238.5	Execution improved significantly during Q4FY25	708.4	519.8	36.3
Other income	10.6	12.3		11.4			46.3	46.0	
Total Revenue	406.8	194.6		128.4			754.7	565.8	
Raw materials costs	202.3	51.2		23.1			276.1	163.7	
Employees Expenses	29.5	26.5		29.2			114.1	100.3	
Other Expenses	14.9	11.6		10.8			43.2	34.2	
Total Expenditure	246.7	89.3	176.4	63.0	291.6		433.4	298.2	
EBITDA	149.5	93.0	60.7	54.0	176.7		275.0	221.7	24.1
EBITDA margins (%)	37.7	51.0	-1330 bps	46.2	-843 bps	Margins impacted in FY25 due to higher execution of few low-margin contracts	38.8	42.6	-382 bps
Interest	3.1	3.0		3.2			12.1	9.3	
Depreciation	3.9	7.0		3.5			13.9	16.2	
Tax	39.0	24.2		14.1			73.5	60.5	
PAT	114.1	71.1	60.5	44.7	155.4		221.8	181.7	22.1

Source: Company, ICICI Direct Research

Exhibit 2: Operating in high growth categories

Radars

- Surveillance Radars
- Weather Radars
- Coastal Surveillance Radars
- Fire Control Radars


Electronic Warfare

- Surveillance and intelligence gathering ("COMINT and ELINT") & Follow-on Jammers
- Airborne EW Suits consisting of Radar warner and Jammer Pods


Commercial off the Shelves

COTS modules designed in context of reusable building blocks for building Military Electronics systems with a quick turnaround Time


Avionics

- Light Combat Aircraft ("LCA"),
- Intermediate Jet Trainers
- Light Utility Helicopters ("LUH")


Communication ATE and Satellites

- Underwater electronics / Communications / Other Systems
- Automated Test Equipment (ATE)
- Small and Nano Satellites

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue from operations	519.8	708.4	874.9	1,080.5
% Growth	14.6	36.3	23.5	23.5
Other income	46.0	46.3	53.3	62.4
Total Revenue	519.8	708.4	874.9	1,080.5
% Growth	14.6	36.3	23.5	23.5
Total Raw Material Costs	164	276	346	427
Employee Expenses	100	114	137	164
other expenses	34	43	49	60
Total Operating Expenditure	298.2	433.4	531.7	651.1
EBITDA	221.7	275.0	343.2	429.4
% Growth	29.0	24.1	24.8	25.1
Interest	9	12	12	12
PBDT	258	309	384	480
Depreciation	16	14	22	31
PBT before Exceptional Items	242	295	363	449
Total Tax	61	74	91	112
PAT before MI	182	222	272	337
PAT	181.7	221.8	272.0	336.7
% Growth	46.6	22.1	22.6	23.8
EPS	32.5	39.6	48.6	60.1

Source: Company, ICICI Direct Research

Exhibit 4: Cash Flow Statement

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	182	222	272	337
Depreciation	16	14	22	31
Interest	9	12	12	12
Cash Flow before WC changes	207	248	306	379
Changes in inventory	(74)	(52)	(75)	(92)
Changes in debtors	(16)	(198)	(123)	(110)
Changes in loans & Advances	-	-	-	-
Changes in other current assets	(20)	0	(14)	(17)
Net Increase in Current Assets	(96)	(267)	(211)	(219)
Changes in creditors	7	34	19	15
Changes in provisions	1	1	1	1
Net Inc in Current Liabilities	224	(73)	63	68
Net CF from Op activities	335	(93)	158	229
Changes in deferred tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(101)	(112)	(170)	(170)
Net CF from Inv activities	(438)	(138)	(133)	(96)
Dividend and Dividend Tax	(31)	(34)	(42)	(52)
Net CF from Fin Activities	(35)	(50)	(54)	(64)
Net Cash flow	(137)	(281)	(29)	69
Opening Cash/Cash Equivalent	545	407	126	98
Closing Cash/ Cash Equivalent	407	126	98	166

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	11.2	11.2	11.2	11.2
Reserve and Surplus	1,313	1,497	1,727	2,012
Total Shareholders funds	1,324	1,508	1,739	2,023
Other Non Current Liabilities	2.1	14.3	2.0	2.0
Total Debt	-	-	-	-
Total Liabilities	1,342	1,562	1,751	2,036
Gross Block	191	225	358	528
Acc: Depreciation	70	84	106	137
Net Block	121	141	252	391
Capital WIP	7	13	50	50
Total Fixed Assets	198	296	444	584
Non Current Assets	93	91	113	139
Inventory	267	319	393	485
Debtors	399	596	719	829
Other Current Assets	58	58	72	88
Cash	407	126	98	166
Total Current Assets	1,139	1,125	1,307	1,595
Current Liabilities	50	84	103	118
Provisions	10	12	10	10
Total Current Liabilities	350	277	339	408
Net Current Assets	789	848	968	1,187
Total Assets	1,342	1,562	1,751	2,036

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data				
Diluted EPS	32.5	39.6	48.6	60.1
Cash per Share	119.6	80.9	57.9	52.3
BV	236.5	269.4	310.6	361.4
Dividend per share	5.6	6.0	7.4	9.3
Dividend payout ratio	17%	15%	15%	15%
Operating Ratios(%)				
EBITDA Margin	42.6	38.8	39.2	39.7
PAT Margin	35.0	31.3	31.1	31.2
Asset turnover	0.4	0.5	0.5	0.5
Debtors Turnover Ratio	1.3	1.4	1.3	1.4
Creditors Turnover Ratio	11.2	10.6	9.4	9.8
Return Ratios(%)				
RoIC	22.4	18.9	19.6	21.5
RoNW	13.7	14.7	15.6	16.6
RoCE	19.0	20.4	21.5	22.8
Valuation Ratios				
EV / EBITDA	60.7	49.7	40.2	32.2
P/E	83.8	68.7	56.0	45.2
EV / Net Sales	25.9	19.3	15.8	12.8
Sales / Equity	0.4	0.5	0.5	0.5
Market Cap / Sales	27.2	19.9	16.1	13.1
Price to Book Value	11.5	10.1	8.8	7.5
Solvency Ratios				
Debt / Equity	-	-	-	-
Current Ratio	11.8	10.0	10.0	10.5
Quick Ratio	7.5	6.7	6.7	6.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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