

In Q2FY25 the company DPIL reported below expectations numbers, Revenue for the quarter de-grew by 16.0% YoY to Rs. 910mn (vs est Rs 1,353mn) Vs last Rs 1,083mn in Q2FY24. Revenue for the quarter was impacted due to deferment of delivery schedule by the customer, of completed products. Gross Margin increased from 69% in quarter ended September 30, 2023 to 76% for the quarter ended September 30, 2024. EBITDA came at Rs 343mn (-16%/-8% YoY/QoQ) (vs est Rs 460mn), Margin came at 37.7% (+5 bps YoY) (vs CEBPL est. of 34.0%), margins improved due to lower staff cost and cost control measures. PAT decreased significantly by -10.4% on YoY basis to Rs 303mn (vs our est. Rs 391mn) and PAT margins came 33.3% (+207bps/176bps YoY/QoQ) vs our est. 28.9%.

- **Well Positioned to benefit make in India opportunity:** DPIL is strategically well-positioned to benefit from the "Make in India" initiative, particularly through its involvement in defense platform modernization and indigenization programs. The company focuses on developing locally manufactured products to replace imported defense systems, which has been a key growth driver. With a rich history in defense modernization, DPIL participates in several high-profile programs, including Aarudhra Radar, Ashwini LLTR, Dharashakti, Mi-17 and Dornier upgrades, Aerostat upgrades, lightweight EW systems, airborne surveillance radar, radar warning receivers, and next-gen systems for LCA Mk-1A and Sukhoi-30MKI platforms. These programs are expected to drive DPIL's core business in the short to medium term. The company is also actively expanding into international markets, supplying products to the UK and Europe, with additional orders expected from other countries. Furthermore, DPIL has strategically positioned itself across the entire value chain, from components and subsystems to complete defense systems, enabling it to capture a broader range of business opportunities within the defense sector.
- **Revenue to grow at healthy rate:** Management has guided around 20-25% top-line growth in FY25 with a margin in the range of 35-40% and expected to deliver a PAT growth of 30%+. Company's DPIL current order book stood Rs 9.7bn (as on Sep 2024) which is ~1.88x of FY24 sales, with an order pipeline of Rs.20bn by FY26, of which Rs.10bn could inflow in FY25. The company planning for additional annual capex of Rs. 150 crore in next two years. The company order book comprises production-45%, development program-64% and service-4%. DPIL currently engages in various programs such as RADAR program with BEL and Avionics & Radar with HAL for LCA/LAH and domier and Early Warning systems with DRDO. Further, it also participates in various programs released by MoD.
- **View and valuation:** We like to maintain our positive view on DPIL, due to large localization opportunities from the defence sector and in-house technology developed in the last 4-5 years making DPIL more competitive over its peers. Further DPIL is 1) Engagement in high growth category product such as Radar, E&W, BrahMos Missile, Avionics etc. in most of the defence modernization programs, 2) Well-Positioned to benefit from Make in India Opportunity, 3) Decent size of order book (~1.88x of FY24 revenue) will support the growth of the company. Following a recent correction in the stock price, we upgraded our rating from SELL to "BUY" rating on the stock with a TP of Rs 2,608, which reflects a valuation of 45x of FY27E EPS after factoring all the positives.

Quarterly performance

Particulars Rs.mn	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Net Sales (incl OOI)	910	1,083	(16.0)	1,041	(12.5)
Material Exp	219	336	(34.8)	288	(24.1)
Gross Profit	691	747	(7.5)	752	(8.1)
Employee Exp	266	257	3.5	288	(7.5)
Other Exp	82	83	(0.5)	93	(11.5)
EBITDA	343	408	(15.8)	372	(7.7)
Depreciation	35	31	13.4	31	12.6
EBIT	308	377	(18.2)	341	(9.6)
Other Income	120	108	11.1	123	(2.2)
Interest Cost	28	23	25.2	30	(4.1)
PBT	400	463	(13.5)	435	(7.9)
Tax	98	125	(21.9)	107	(8.5)
RPAT	303	338	(10.4)	328	(7.7)
APAT	298	339	(12.1)	328	(9.2)
Adj EPS (Rs)	5.4	6.0	(10.4)	5.9	(7.7)

Margin Analysis	Q2FY25	Q2FY24	YoY (bps)	Q1FY25	QoQ (bps)
Gross Margin (%)	76.0	69.0	695.6	72.3	367.1
Employee Exp. % of Sales	29.2	23.7	549.6	27.6	160.1
Other Op. Exp % of Sales	9.1	7.6	140.8	8.9	10.8
EBITDA Margin (%)	37.7	37.6	5.1	35.7	196.2
Tax Rate (%)	24.4	27.0	(261.5)	24.5	(17.7)
APAT Margin (%)	32.7	31.3	142.5	31.5	119.1

Source: Company, CEBPL

	Nov 11 th , 2024
CMP (Rs)	2183.0
Target Price (Rs)	2608.0
Potential Downside (%)	19.5

*CMP as on 11th Nov 2024

Company Info

BB Code	DATAPATT IN EQUITY
ISIN	INE01X101010
Face Value (Rs.)	2.0
52 Week High (Rs.)	3654.7
52 Week Low (Rs.)	1757.4
Mkt Cap (Rs bn.)	122.2
Mkt Cap (\$ bn.)	1.45
Shares o/s (Mn.)	55.9
Adj. TTM EPS (Rs)	33.0
FY27E EPS (Rs)	58.9

Shareholding Pattern (%)

	Sep-24	Jun-24	Mar-24
Promoters	42.41	42.41	42.41
FII's	14.39	14.95	14.56
DII's	8.72	8.52	11.58
Public	34.47	34.12	31.44

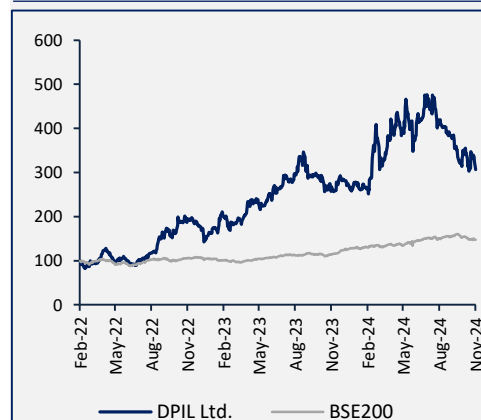
Relative Performance (%)

YTD	33M	24M	12M
BSE 200	47.7	39.1	29.6
DPIL	206.3	57.3	19.2

Year end March (INR bn)

Particular	FY25E	FY26E	FY27E
Revenue	6.54	8.27	10.32
Gross Profit	4.28	5.46	6.86
EBITDA	2.62	3.27	4.13
EBITDA (%)	40.0	39.5	40.0
EPS (INR)	38	46	58

Rebased Price Performance



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Management Call & Other - Highlights

- In-house development of projects strategic in nature to cater future demand. Focusing on product development.
- Management has guided for the FY25 growth for the top-line is 20-25%, EBITDA margins is 35-40%.
- Q2 FY25 revenue was weaker than expected due to a delay in delivery (INR 27 crores).
- Order inflow expected in FY25 is INR 700–800 crores.
- Strong order pipeline, Targeting INR 2,000–3,000 crores in new orders over the next 18–24 months.
- Order book at the end of Q2 stood at INR 971 crores, now increased to INR 1,281 crores (including negotiated orders as of now).
- L1 status for INR 227 crores worth of orders expected within 12 months.
- Capex of INR 150 crores planned over the next 2 years for R&D and infrastructure to support growth.
- Continued focus on radars, electronic warfare, and avionics as key growth areas.
- Emphasis on expanding capabilities to cater to domestic and international defense contracts (including Europe and East Asia).
- Investment in infrastructure and test facilities for large-scale defense systems production. R&D spending focused on developing next-gen products, with a significant portion of funds allocated to research and product development.
- Actively exploring export opportunities (UK, Europe) and targeting larger contracts in defense sectors globally.
- Focus Areas is Airborne radars (self-designed). Electronic warfare systems (both airborne and ground-based). Participation in "Make 2" programs (radars and EW). Communication systems (radios, network radios for Army, Navy, and Air Force). Potential satellite project (delayed for clarity on business opportunity).
- The company is working to stabilize cash flow with more long-term contracts. Quarter-to-quarter delivery smoothing remains a goal.
- Currently Exports account for ~INR 100 crores in sales, with contracts in Europe, South Korea, and the UK.
- Days Sales Outstanding (DSO), Reduced to 243 days (Sept 2023) from 308 days (Mar 2023), due to more production-based contracts.
- The company does not focus on patents but has one patent from a collaboration with NSTL about 10-15 years ago. The company is not pursuing patentable innovations but is focused on building products.
- There are plans to build international marketing bandwidth and recruit globally to support expansion. Although they are getting contracts, they need to focus more on sustained international marketing efforts to grow further.
- Radar Focus: The company has been focusing on GAN (Gallium Nitride) based radars for the last 10 years. Most of their radars, including X-band radars and airborne radars for various defense forces, are GAN-based.
- Dornier 228 Radar: The company delivered a GAN-based airborne radar for the Dornier 228 aircraft in 10 months from the contract date.
- The company is aware of the major projects awarded to HAL, such as the Dornier and LCA (Light Combat Aircraft) helicopters, with a combined value of INR 80,000-90,000 crores.
- The company is targeting projects in the range of INR 5,000–10,000 crores. They are focused on building products for large contracts, and while the timeline for these projects is uncertain, they expect progress in the next 2-3 years.
- The company cannot provide exact timelines for contract awards but expects them within the next 2-3 years. They are working on building products and addressing urgent government needs with international quality standards.
- The company's target market includes large contracts (INR 5,000–10,000 crores or above). The focus is on products for defense applications that meet international standards.
- The company believes it is on the right track and that long-term growth will come from building solid products, IP in India, and international recognition.

Changes in Estimates

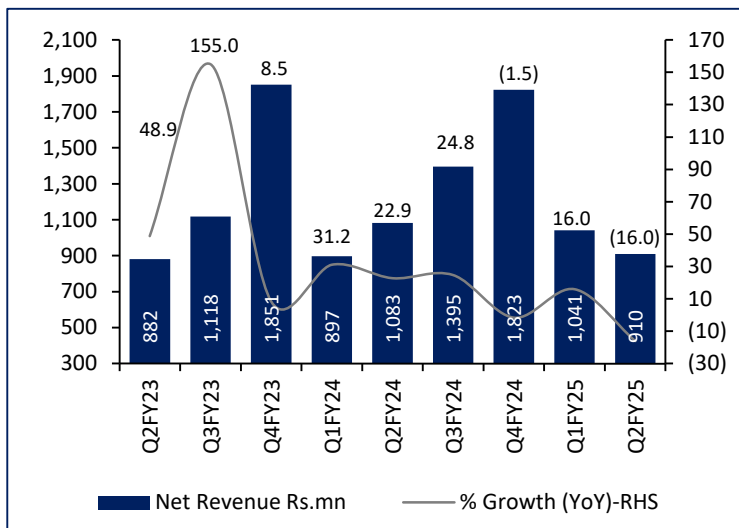
Particulars(Rs.Mn)	Actual	Choice Est.	Deviation(%)
Revenue	910	1,353	(32.7)
EBITDA	343	460	(25.4)
EBITDA Margins(%)	38%	34%	368bps
PAT	303	391	(22.6)

Source: Company, CEBPL

Income Statement (INR Mn.)	FY25E			FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	6,539	6,539	-	8,270	8,799	(6.0)	10,321	10,321	-
EBITDA	2,616	2,751	(4.9)	3,267	3,794	(13.9)	4,128	4,128	-
EBITDA margin(%)	40.0	42.1	-206bps	39.5	43.1	-362bps	40.0	40.0	-
APAT	2,131	2,315	(7.9)	2,597	3,089	(15.9)	3,245	3,245	-
EPS	38.1	41.4	(7.9)	46.4	55.2	(15.9)	58.0	58.0	-

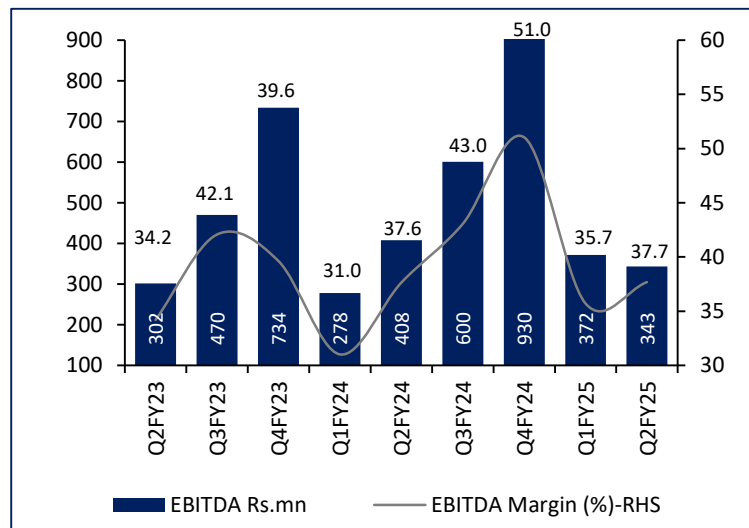
Source: Company, CEBPL

Revenue de-grew by 16% YoY



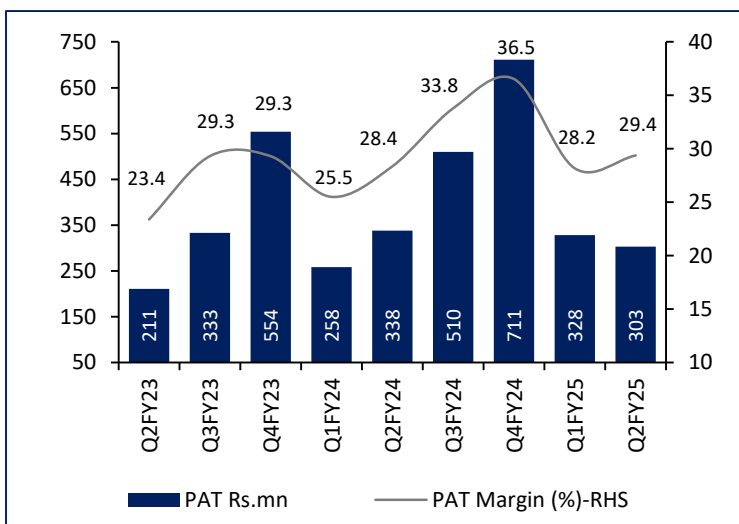
Source: Company, CEBPL

Margin improved 196bps QoQ basis



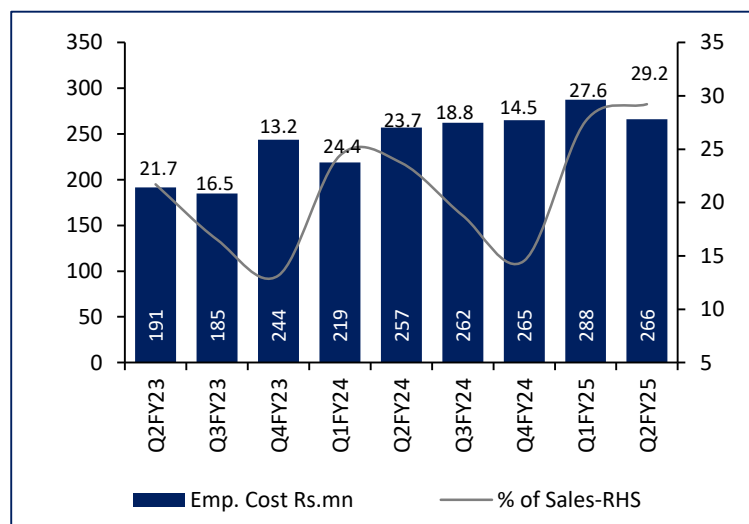
Source: Company, CEBPL

PAT decreased by 10.4% on YoY basis



Source: Company, CEBPL

Emp. Cost Trend



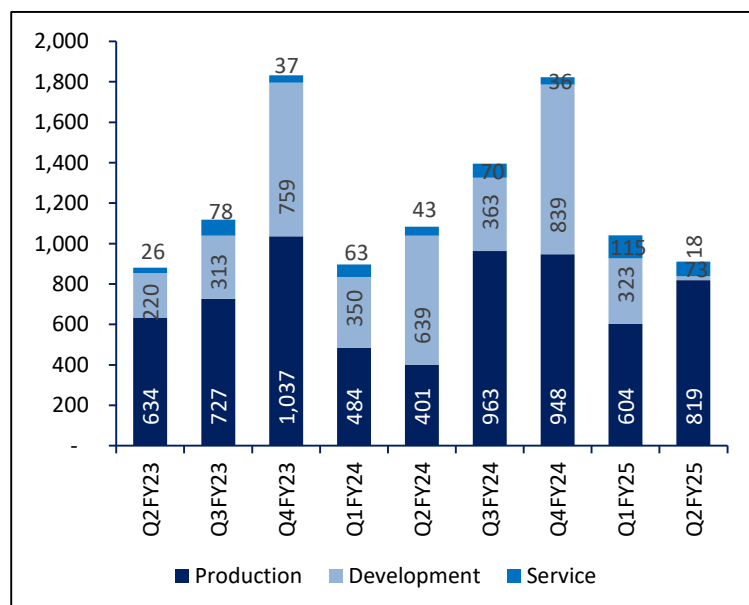
Source: Company, CEBPL

Order Book Position



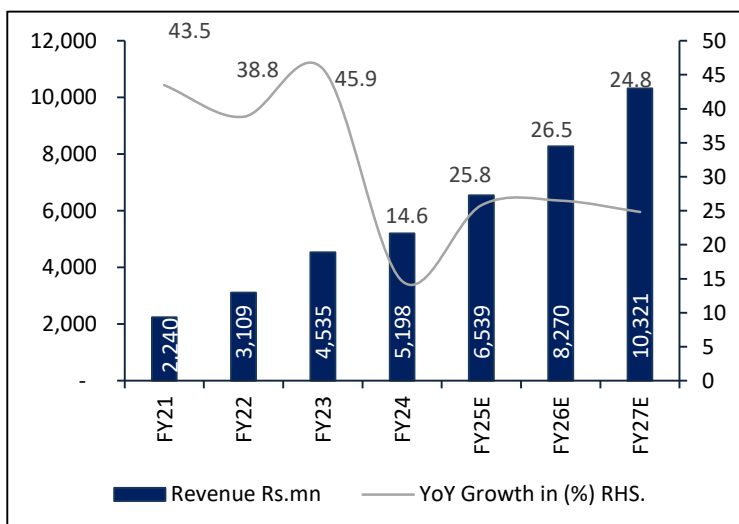
Source: Company, CMIE, CEBPL

Revenue Mix



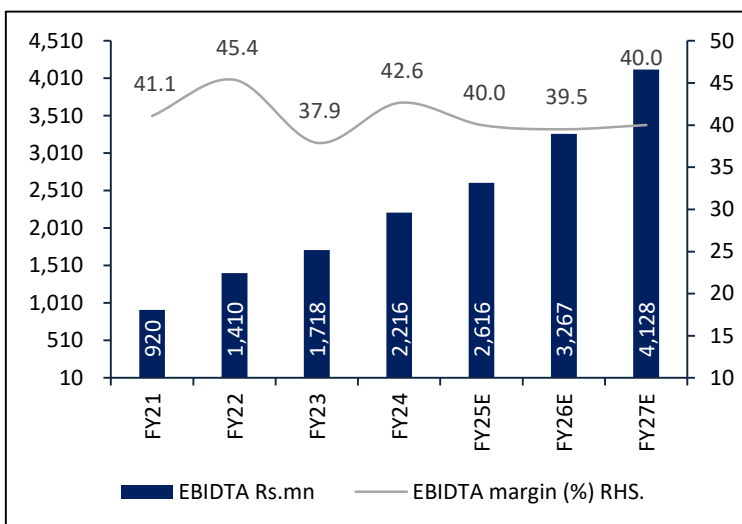
Source: Company, CEBPL

Significant Revenue to grow over FY24-27E



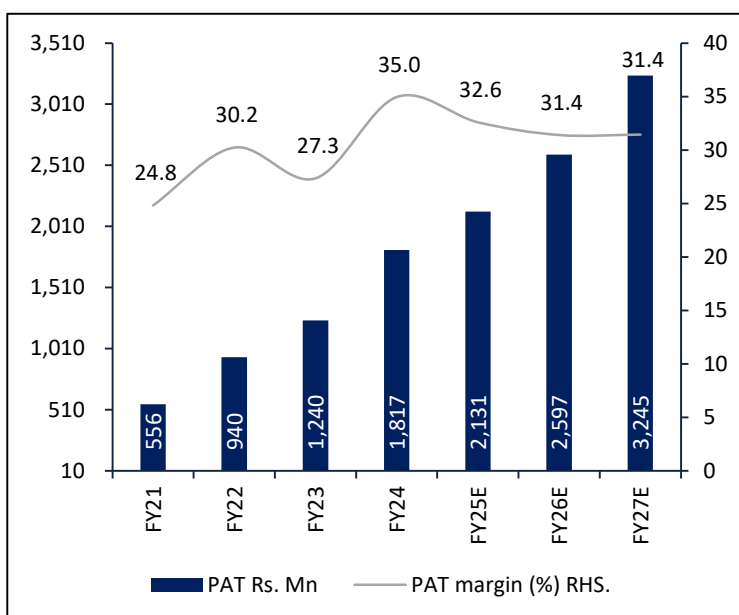
Source: Company, CEBPL

EBIDTA margin to improve led by better mix



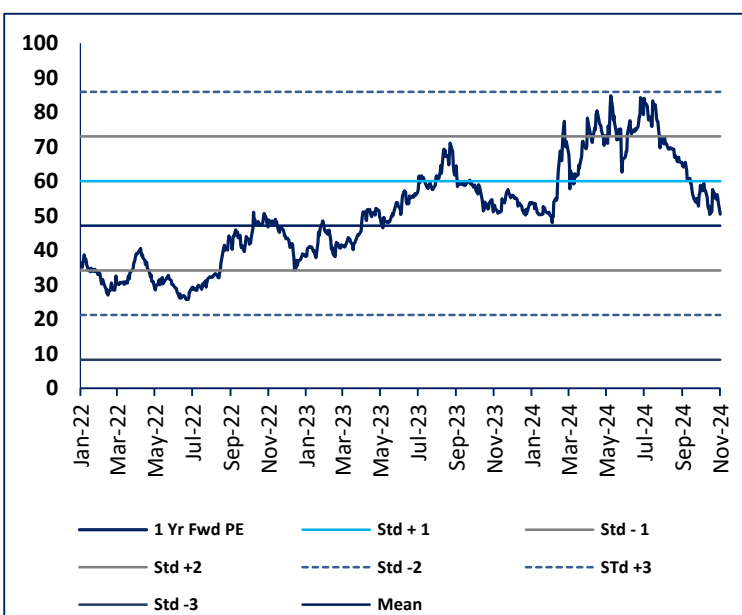
Source: Company, CEBPL

Profit After Tax Trend



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

Income statement (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,535	5,198	6,539	8,270	10,321
Gross profit	2,825	3,547	4,283	5,458	6,863
EBITDA	1,718	2,216	2,616	3,267	4,128
Depreciation	85	161	187	263	305
EBIT	1,634	2,055	2,429	3,004	3,823
Interest expense	77	93	98	103	108
Other Income (Including EO Items)	92	460	510	560	610
Reported PAT	1,240	1,817	2,131	2,597	3,245
Minority Interest	-	-	-	-	-
Adjusted PAT	1,240	1,817	2,131	2,597	3,245
EPS (Rs)	22	32	38	46	58
NOPAT	1,229	1,542	1,822	2,254	2,868

Balance sheet (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Net worth	11,671	13,242	15,373	17,970	21,215
Minority Interest	-	-	-	-	-
Deferred tax	-	23	23	23	23
Total debt	-	-	50	100	150
Other liabilities & provisions	1,414	150	783	466	625
Total Net Worth & liabilities	13,084	13,416	16,229	18,559	22,013
Net Fixed Assets	1,120	1,206	1,769	2,256	2,451
Capital Work in progress	14	72	500	500	500
Investments	557	2,622	-	-	-
Cash & bank balance	5,445	3,927	5,485	6,039	6,837
Loans & Advances & other assets	861	1,632	2,223	2,729	3,406
Net Current Assets	10,533	7,885	11,737	13,074	15,656
Total Assets	13,084	13,416	16,229	18,559	22,013
Capital Employed	11,671	13,242	15,423	18,070	21,365
Invested Capital	6,225	9,315	9,938	12,031	14,528
Net Debt	(5,445)	(3,927)	(5,435)	(5,939)	(6,687)
FCFF	(498)	2,746	(1,848)	04	(317)

Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	(103)	2,992	(1,098)	754	183
Capex	(395)	(247)	(750)	(750)	(500)
FCF	(498)	2,746	(1,848)	04	(317)
CFI	(3,832)	(2,239)	84	(536)	(300)
CFF	4,381	(425)	(48)	(53)	(58)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	45.9	14.6	25.8	26.5	24.8
EBITDA	21.8	29.0	18.0	24.9	26.4
PAT	32.0	46.5	17.3	21.8	25.0
Margin ratios (%)					
EBITDA	37.9	42.6	40.0	39.5	40.0
PAT	27.3	35.0	32.6	31.4	31.4
Performance Ratios (%)					
OCF/EBITDA (X)	(0.1)	1.4	(0.4)	0.2	0.0
OCF/IC	(1.6)	32.1	(11.0)	6.3	1.3
RoE	10.6	13.7	13.9	14.5	15.3
ROCE	14.0	15.5	15.7	16.6	17.9
Turnover Ratios (Days)					
Inventory	155	187	180	141	142
Debtor	307.9	280.0	250.0	251.0	252.0
Other Current Assets (days)	48	56	18	18	18
Payables (days)	34.7	35.2	42.0	43.0	44.0
Other Current Liab & Provns (days)	67	211	57	57	56
Cash Conversion Cycle	409	278	349	311	312
Financial Stability ratios (x)					
Net debt to Equity	(0.5)	(0.3)	(0.4)	(0.3)	(0.3)
Net debt to EBITDA	(3.2)	(1.8)	(2.1)	(1.8)	(1.6)
Interest Cover	21.1	22.0	24.8	29.2	35.4
Valuation metrics					
Fully diluted shares (mn)	56	56	56	56	56
Price (Rs)	2183	2183	2183	2183	2183
Market Cap(Rs. Mn)	1,22,213	1,22,213	1,22,213	1,22,213	1,22,213
PE(x)	99	67	57	47	38
EV (Rs.mn)	1,16,768	1,18,286	1,16,778	1,16,274	1,15,526
EV/EBITDA (x)	68	53	45	36	28
Book value (Rs/share)	208	237	275	321	379
Price to BV (x)	10.5	9.2	7.9	6.8	5.8
EV/OCF (x)	-1,139	40	-106	154	632

Source: Company, CEBPL

Historical recommendations and target price: Data Pattern (India) Limited



Data Pattern (India) Limited

1.	10-08-2023	Neutral,	Target Price Rs.2,174
2.	09-11-2023	ADD,	Target Price Rs.2,174
3.	03-02-2024	ADD,	Target Price Rs.2,174
4.	22-05-2024	SELL,	Target Price Rs.2,638
5.	31-07-2024	SELL,	Target Price Rs.3,035
6.	11-11-2024	BUY,	Target Price Rs.2,608

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BUY	The security is expected to generate greater than or = 15% over the next 24 months
HOLD	The security expected to show upside or downside returns by 14% to -5% overhead 24 months
SELL	The security expected to show Below -5% next 24 months

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