

Data Patterns India (DATAPATT)

Defence | 3QFY25 Result Update

BUY

CMP: Rs2,027 | Target Price (TP): Rs2,423 | Upside: 19.5%

February 6, 2025

Performance broadly in line with expectations

Key Points

- Key indicators Revenue, EBITDA, and PAT fell by 16.1%, 10%, and 12.4%, respectively, to Rs. 1.2bn, Rs. 540mn, and Rs. 447 mn (NBIE estimates: Rs. 1.6bn, Rs. 553mn, and Rs. 455 mn), due to a customer's deferral of delivery schedule; nonetheless, overall execution momentum remains high. The export market accounted for a significant share of revenue and order inflow in the 3QFY25. The company is concentrating on developing and designing intellectual property-based products in India, as well as increasing efforts to introduce and increase the presence of indigenous products in international markets. The order book is robust at Rs.11.84 billion, including negotiated orders, with growth in both development and production contracts as of date. The export order book is at Rs. 1.06 billion as of December 31, 2024. Over the next 18 months, the company expects to get fresh orders worth Rs. 20 to 30 bn.
- **Company guidance and Outlook:** The management expects a significant increase in the 4QFY25 and is optimistic about reaching a 25% revenue growth for FY25, while sustaining robust EBITDA margins between 35% and 40%.
- **Estimates and Rating:** Revenue growth, gross margin, and EBITDA margin are projected for FY25, FY26, and FY27 at 10.2%, 23.9%, and 21.5%, respectively; 68.5%, 67.3%, and 68.3%; and 39%, 38.9%, and 37.5%, respectively, consistent with management guidance. The company's trajectory is shifting towards export markets, which is likely to support consistent growth and diversification within its overall order pipeline. Additionally, there is a strategic allocation of funds to enhance product development, with a significant portion directed to expanding R&D capabilities. This approach will help develop next-generation products in accordance with evolving industry requirements and technological advancements. The company has advanced within the value chain by developing integrated systems that utilise reusable building blocks. It is leveraging its capabilities to penetrate international markets including Europe and East Asia while strategically positioning itself against leading OEMs. Moreover, effective implementation to enhance operating leverage, maintaining a net-debt free balance sheet, and ongoing product development to broaden the total addressable market have led to an improved revenue composition. The stock is trading at a 1-year forward P/E of 43.4x, which is below its 2-year average of 62.7x. We maintain a **BUY** rating on DATAPATT and value it at 62x Dec'26E EPS, in line with its 2-year average P/E, supported by a healthy order book and implying an upside of 19.5%.

Est Change	Downward
TP Change	Downward
Rating Change	No Change

Company Data and Valuation Summary

Reuters:	DATP.BO
Bloomberg:	DATAPATT IN
Mkt Cap (Rsbn/US\$bn):	113.5 / 1.3
52 Wk H / L (Rs):	3,655 / 1,751
ADTV-3M (mn) (Rs/US\$):	493.3 / 5.8
Stock performance (%) 1M/6M/1yr:	(18.4) / (31.6) / 7.3
Nifty 50 performance (%) 1M/6M/1yr:	0.3 / (1.9) / 8.1

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	42.4	42.4	42.4
DII's	8.5	8.7	8.8
FII's	15.0	14.4	14.1
Others	34.1	34.5	34.7
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Net Sales	5,198	5,728	7,099	8,623
Growth YoY%	14.6	10.2	23.9	21.5
Gross margin %	68.2	68.5	67.3	68.3
EBITDA	2,216	2,237	2,764	3,237
EBITDA margin %	42.6	39.0	38.9	37.5
Adj PAT	1,817	1,842	2,246	2,543
Growth YoY%	46.5	1.4	21.9	13.2
Adj EPS	32.4	32.9	40.1	45.4
RoCE	12.3	11.2	12.5	12.9
RoE	14.6	13.2	14.4	14.5
RoIC	19.8	16.5	19.9	21.2
P/E	60.7	59.9	49.1	43.4
EV/EBITDA	48.0	47.1	37.5	31.9
P/BV	8.3	7.5	6.7	6.0

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links: [3QFY25 Result](#)

Please refer to the disclaimer towards the end of the document.

3QFY25 performance update: Revenue declined by 16% YoY, primarily due to the deferred delivery of a completed product and delayed receipt of the order. Production/Development/Service contributed 59%/37%/4% of the revenue, respectively. Of which, Radar and Automated Test Equipment contributed 62% and 18% of the revenue, respectively. EBITDA also saw a decline of ~10% YoY due to the deferred payment. However, EBITDA margins improved by 313bps YoY, rising from 43.0% to 46.2%, driven by a more favourable product mix. The APAT decreased by 12.4% YoY, from Rs 510mn to Rs 447mn, due to higher interest expenses. Despite these challenges, the company maintains a net-debt-free balance sheet, with cash, cash equivalents, and investments of Rs5.7bn. Inventory days were higher due to two large contracts for Radars undertaken by the company. One of these contracts will be delivered by March 2025 and the other will be delivered by Q1/Q2FY26. The management is confident about reaching the full year guidance of 25% revenue growth in FY25 while maintaining EBITDA Margins of 35-40%.

Order book position: The company maintains an order book of Rs 11.8bn, including Rs 890mn in negotiated orders, with a 2.5x growth in order inflow to Rs 2.4bn in 3QFY25 compared to 3QFY24, bringing the total for 9MFY25 to Rs 3.2bn. This growth has been driven by both development and production contracts, particularly in the export market, which remains a key focus for expansion. International order books currently stand at Rs 1bn, accounting for 9% of the total, with expectations of an additional Rs 20-30bn in the coming months. In Q3, the company secured a production order for Electronic Warfare Systems worth Rs 800mn, a Radar production order worth Rs 530mn, and an Avionics export order also worth Rs 530mn.

Exhibit 1: 3QFY25 consolidated performance

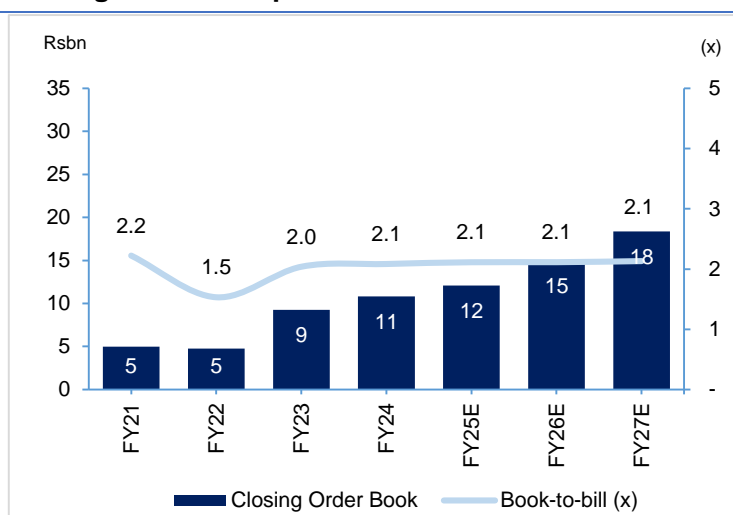
Particulars (Rsmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	FY24	FY25E
Net Sales	897	1,083	1,395	1,823	1,041	910	1,170	2,607	5,198	5,728
YoY Change (%)	31.1	22.8	24.8	(1.5)	16.0	(16.0)	(16.1)	43.0	14.6	10.2
Expenditure										
Raw Material Consumed	402	484	415	507	415	496	785	1,014	1,808	2,710
Changes in Inventory	(80)	(148)	36	5	(127)	(277)	(555)	54	(157)	(904)
Employee Costs	230	257	262	265	288	266	292	384	990	1,230
Other Expenses	66	83	82	116	93	82	108	173	341	456
Total Expenditure	618	676	795	893	669	567	630	1,625	2,982	3,492
EBITDA	279	408	600	930	372	343	540	981	2,216	2,237
YoY Change (%)	31.0	35.0	27.6	26.8	33.4	(15.8)	(10.0)	5.5	28.9	0.9
Margin (%)	31.1	37.6	43.0	51.0	35.7	37.7	46.2	37.7	42.6	39.0
Depreciation	29	31	33	70	31	35	35	89	161	189
Interest	17	23	23	30	30	28	32	32	93	121
Other income	116	108	113	123	123	120	114	120	460	477
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	349	463	657	953	435	400	588	981	2,422	2,403
PBT	349	463	657	953	435	400	588	981	2,422	2,403
Tax	91	125	148	242	107	98	141	216	605	561
ETR (%)	25.9	27.0	22.4	25.4	24.5	24.4	24.0	22.0	25.0	23.3
Reported PAT	258	338	510	711	328	303	447	765	1,817	1,842
Adj. PAT	258	338	510	711	328	303	447	765	1,817	1,842
YoY Change (%)	81.1	60.2	53.0	28.4	26.9	(10.4)	(12.4)	7.6	46.5	1.4
Adj. EPS	4.6	6.0	9.1	12.7	5.9	5.4	8.0	13.7	32.4	32.9

Source: Company, Nirmal Bang Institutional Equities Research

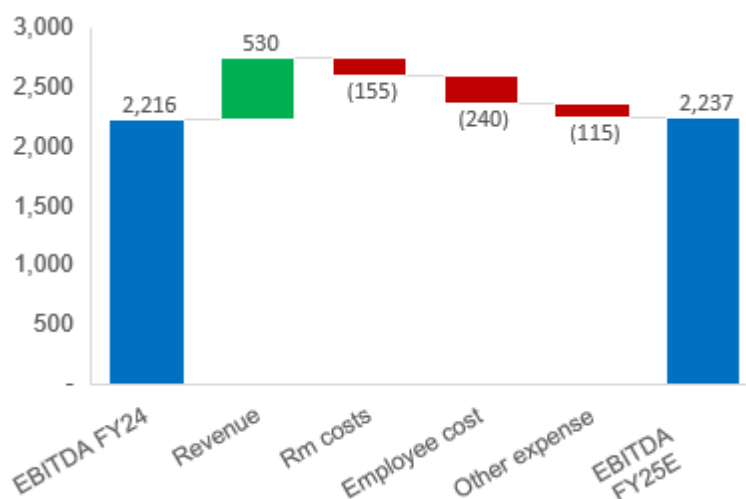
Exhibit 2: Quarterly order book

(Rs mn)	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25	3QFY25	4QFY25E	FY25E
Production	3,191	5,919	3,177	4,874	4,874	4,374	3,886	5,145	5,567	5,567
YoY Growth (%)	15.4	108.1	(5.8)	70.1	70.1	37.0	(34.4)	61.9	14.2	14.2
Development	5,996	3,712	6,066	5,524	5,524	5,391	5,343	5,145	6,415	6,415
YoY Growth (%)	408.6	(24.8)	22.0	(6.6)	(6.6)	(10.1)	43.9	(15.2)	16.1	16.1
Service	484	401	385	433	433	407	486	657	484	484
YoY Growth (%)	(18.0)	(31.5)	(27.7)	(6.2)	(6.2)	(15.9)	21.0	70.5	11.7	11.7
Closing Order Book	9,671	10,032	9,628	10,831	10,831	10,171	9,714	10,947	12,103	12,103
YoY Growth (%)	113.3	19.9	8.4	17.2	17.2	5.2	(3.2)	13.7	11.7	11.7
Order Inflow	1,327	1,444	991	3,026	6,788	381	453	2,403	3,763	7,000
YoY Growth (%)	189.7	(69.4)	(39.3)	36.8	(24.7)	(71.3)	(68.6)	142.5	24.3	3.1
Revenue	897	1,083	1,395	1,823	5,198	1,041	910	1,170	2,607	5,728
YoY Growth (%)	31.1	22.8	24.8	(1.5)	14.6	16.0	(16.0)	(16.1)	43.0	10.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Annual closing order book position


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: EBITDA movement


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Detailed financials

Y/E March (Rsmm)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	Estimates	Variance (%)	FY24	FY25E	YoY (%)
Net Sales	1,395	910	1,170	(16.1)	28.6	1,604	(27.0)	5,198	5,728	10.2
Expenditure										
Raw Material Consumed	415	496	785	89.1	58.3	-	-	1,808	2,710	49.9
Changes in Inventory	36	(277)	(555)	(1,657.6)	NA	-	-	(157)	(904)	NA
Employee Costs	262	266	292	11.3	9.7	-	-	990	1,230	24.2
Other Expenses	82	82	108	31.8	30.8	-	-	341	456	33.8
Total Expenditure	795	567	630	(20.7)	11.1	1,051	(40.0)	2,982	3,492	17.1
EBITDA	600	343	540	(10.0)	57.5	553	(2.4)	2,216	2,237	0.9
EBITDA Margin (%)	43.0	37.7	46.2	313bps	848bps	34.5	1167bps	42.6	39.0	(359)bps
Depreciation	33	35	35	5.2	(0.3)	-	-	161	189	17.4
Interest	23	28	32	37.1	12.4	-	-	93	121	30.1
Other income	113	120	114	0.6	(5.6)	-	-	460	477	3.7
Exceptional Items	-	-	-	-	-	-	-	-	-	-
PBT	657	400	588	(10.6)	46.8	-	-	2,422	2,403	(0.8)
Tax	148	98	141	(4.5)	44.5	-	-	605	561	(7.3)
Reported PAT	510	303	447	(12.4)	47.5	-	-	1,817	1,842	1.4
Adjusted PAT	510	303	447	(12.4)	47.5	455	(1.8)	1,817	1,842	1.4
NPM (%)	36.5	33.3	38.2	162bps	489bps	28.3	981bps	35.0	32.2	(279)bps
EPS (Rs.)	9.1	5.4	8.0	(12.4)	47.5	8.1	(1.8)	32.4	32.9	1.4

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Change in estimates

Particulars (Rs mn)	New			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Sales	5,728	7,099	8,623	6,080	7,429	9,018	(5.8)	(4.4)	(4.4)
EBITDA	2,237	2,764	3,237	2,294	2,804	3,375	(2.5)	(1.4)	(4.1)
Adj. PAT	1,842	2,246	2,543	1,910	2,281	2,656	(3.6)	(1.5)	(4.3)
Adj. EPS	33	40	45	34	41	47	(3.6)	(1.5)	(4.3)

Source: Nirmal Bang Institutional Equities Research

Exhibit 7: Actual performance v/s NBIE & Consensus estimates

Particulars					
2QFY25 (Rs mn)	Actual	Our Estimate	Deviation (%)	Bloomberg Consensus	Deviation (%)
Revenue	1,170	1,604	(27.0)	1,925	(39.2)
EBITDA	540	553	(2.4)	815	(33.7)
PAT	447	455	(1.8)	661	(32.4)

Source: Nirmal Bang Institutional Equities Research

3QFY25 earnings call highlights

■ Revenue and Order Book Performance:

- The management maintains its order book of Rs11.8bn, which includes negotiated orders of Rs890mn. The order inflow of Rs2.4bn in 3QFY25 has seen a 2.5x growth as compared to 3QFY24. This brings the order inflow of 9MFY25 to Rs3.2bn. This growth has been driven by both development and production contracts.
- A substantial amount of revenue and order inflow was driven by the export market. The company is working on expanding its presence in the export markets.
- International order books currently stand at Rs1bn, which is 9% of the total order book and it expects another Rs20-30bn in the coming months.
- In Q3, the company secured a production order for Electronic Warfare Systems worth Rs.800mn, a Radar production order worth Rs.530mn, and an Avionics export order worth Rs.530mn.
- Production/Development/Service contributed 59%/37%/4% of the revenue, respectively. Of which, Radar and Automated Test Equipment contributed to 62% and 18% of the revenue, respectively.
- A 16% decrease in execution was mainly due to delays in deliveries on client request. The management is expecting some clarity in the coming weeks.
- Inventory days were higher due to two large contracts for Radars undertaken by the company. One of these contracts will be delivered by March 2025 and the other will be delivered by Q1/Q2FY26

■ Geographic Expansion and Sectoral Growth:

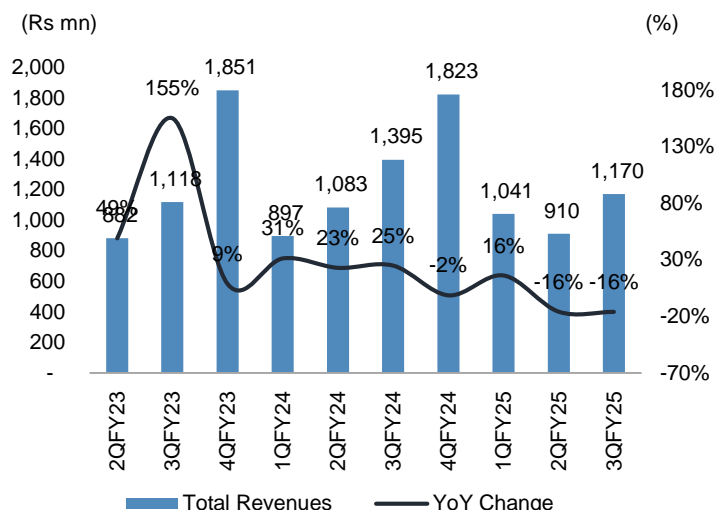
- Drawing on its core strengths, the company has expanded into key global markets like Europe and East Asia, effectively competing with major OEMs. Going forward, it aims to grow its addressable market by focusing on complete systems.
- The company is looking to set up a proper marketing organization to increase focus on exports.
- The company's export operations include supplying subsystems and development deliveries for foreign OEMs, which plan business years in advance. This enables a stable revenue stream on a quarterly and monthly basis, blending capex tender business with growing recurring revenue.

■ Order Pipeline and Growth Prospects:

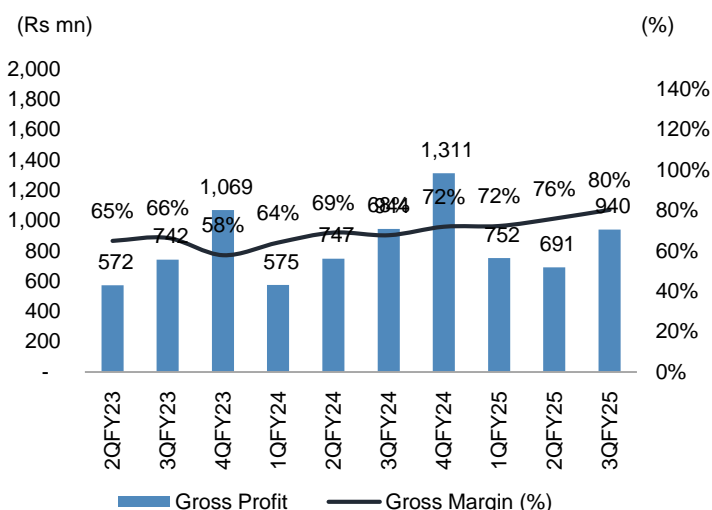
- The management has hinted that overall, the company has participated in major programs, with its products being accepted, and the related bids are expected to take place soon.
- The company is actively participating in several upcoming defence contracts, including army contracts, though projections are uncertain until tenders open and L1 status is determined. While some planned contracts for this year and next have been delayed due to external factors, they remain live, with tenders expected to be released within the next 5-8 months.
- Major programs have faced delays due to government clearances and funding, but DRDO has sanctioned several new programs where the company is well-positioned, especially in EW and complete system capabilities. Approved products are awaiting user acceptance. The company is working closely with DRDO and has engaged with the Ministry of Defence to encourage domestic procurement over imports.

■ QIP Allocation:

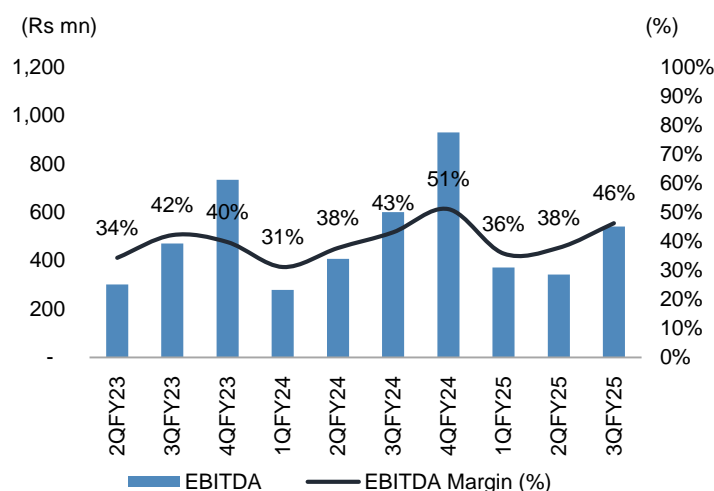
- The company raised Rs5bn through QIP, of which it has spent Rs0.8bn on radars, UW suite, software development radars.

Exhibit 8: Revenue decreased by 16% YoY


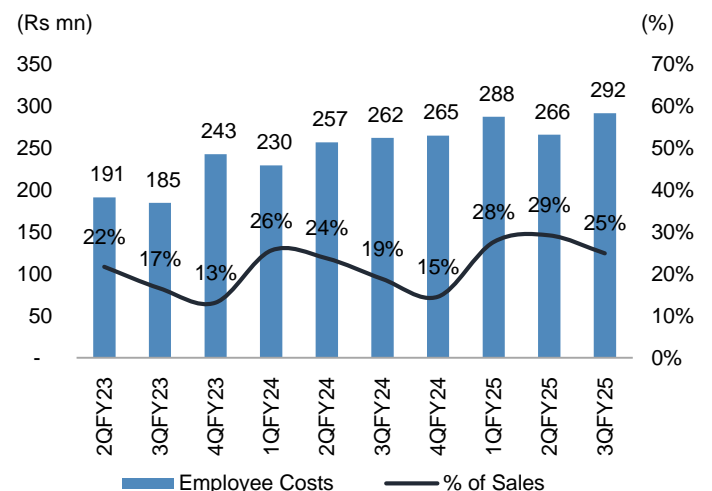
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Gross margin of 80%


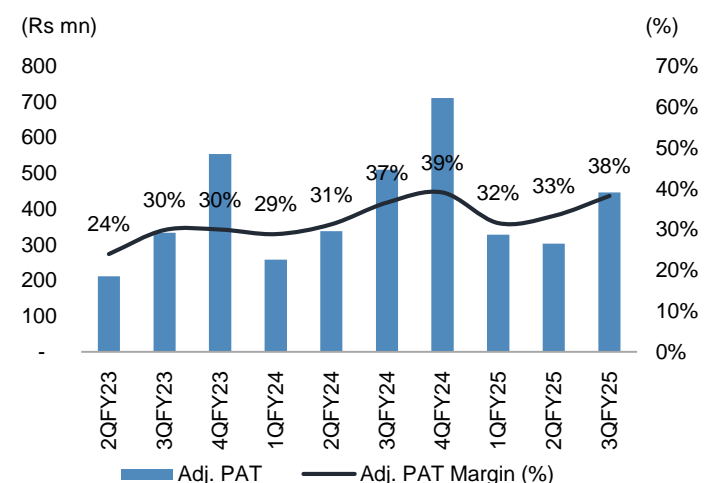
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: EBITDA margin at 46%


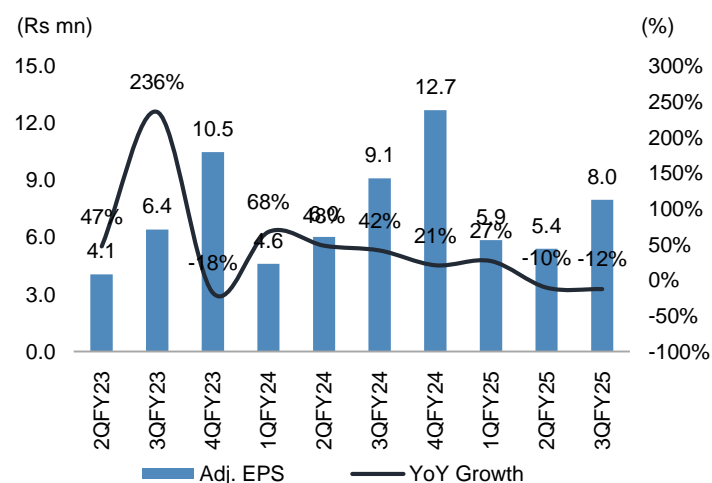
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Employee cost at 25% of sales


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: PAT margin at 38%


Source: Company, Nirmal Bang Institutional Equities Research

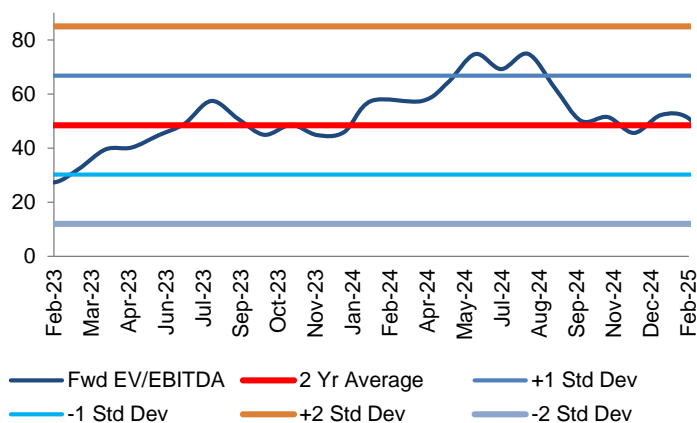
Exhibit 13: EPS down by 12% YoY


Source: Company, Nirmal Bang Institutional Equities Research

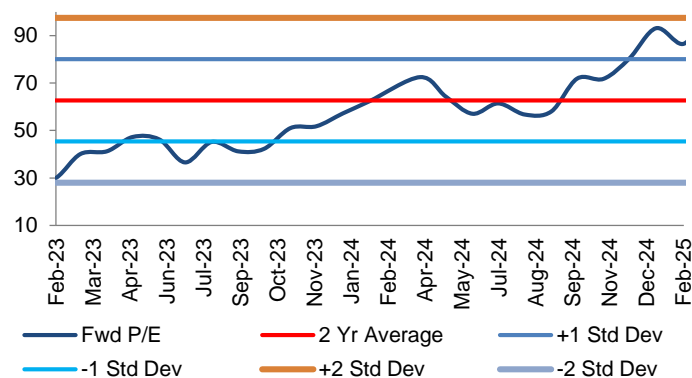
Exhibit 14: Valuation summary

Particulars	(Rs mn)
Dec'26 EPS	39.1
Target multiple (x)	62.0
Value per share (Rs)	2,423
CMP (Rs)	2,027
Upside / (downside) %	19.5%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Rolling valuation charts


Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

Financial Statements
Exhibit 16: Income statement

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	4,534	5,198	5,728	7,099	8,623
Growth YoY%	45.9	14.6	10.2	23.9	21.5
Gross profit	2,825	3,547	3,922	4,777	5,893
Gross margin %	62.3	68.2	68.5	67.3	68.3
Staff costs	794	990	1,230	1,456	1,885
% of sales	17.5	19.0	21.5	20.5	21.9
Other expenses	312	341	456	556	772
% of sales	6.9	6.6	8.0	7.8	9.0
EBITDA	1,719	2,216	2,237	2,764	3,237
Growth YoY%	22.0	28.9	0.9	23.6	17.1
EBITDA margin %	37.9	42.6	39.0	38.9	37.5
Depreciation	85	161	189	264	339
EBIT	1,634	2,055	2,047	2,500	2,897
Interest	77	93	121	60	60
Other income	92	460	477	440	424
PBT (bei)	1,649	2,422	2,403	2,880	3,261
PBT	1,649	2,422	2,403	2,880	3,261
ETR	25%	25%	23%	22%	22%
PAT	1,240	1,817	1,842	2,246	2,543
Adj PAT	1,240	1,817	1,842	2,246	2,543
Growth YoY%	32.0	46.5	1.4	21.9	13.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Balance sheet

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	112	112	112	112	112
Reserves	11,558	13,130	14,598	16,388	18,414
Net worth	11,670	13,242	14,710	16,500	18,526
Long term debt	7	29	29	29	29
Short term debt	18	7	7	7	7
Total debt	25	35	35	35	35
Net debt	(5,453)	(3,892)	(5,006)	(6,618)	(7,094)
Other non-current liabilities	1,307	21	21	21	21
Total Equity & Liabilities	14,349	16,918	19,454	22,008	24,512
Gross block	1,090	1,519	2,269	3,019	3,769
Accumulated depreciation	177	313	502	767	1,106
Net Block	912	1,206	1,766	2,252	2,663
CWIP	14	72	72	72	72
Intangible and others	20	427	427	427	427
Other non-current assets	901	926	926	926	926
Investments	188	278	278	278	278
Trade receivables	3,825	3,988	2,982	3,112	3,733
Inventories	1,930	2,668	4,535	4,862	5,859
Cash & Cash Equivalents	5,478	3,927	5,041	6,653	7,129
Other current assets	1,083	3,426	3,426	3,426	3,426
Total current assets	12,315	14,009	15,984	18,053	20,146
Trade payables	431	501	1,569	2,334	2,811
Other current liabilities	815	2,995	2,995	2,995	2,995
Total current liabilities	1,263	3,502	4,570	5,335	5,812
Total Assets	14,349	16,918	19,454	22,008	24,512

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Cash flow

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,649	2,422	2,403	2,880	3,261
Depreciation	85	161	189	264	339
Interest	-	93	121	60	60
Other adjustments	41	(439)	(477)	(440)	(424)
Change in Working capital	(2,580)	(992)	207	308	(1,140)
Tax paid	(534)	(631)	(561)	(634)	(717)
Operating cash flow	(172)	1,394	1,883	2,438	1,379
Capex	(385)	(460)	(750)	(750)	(750)
Free cash flow	(557)	934	1,133	1,688	629
Other investing activities	(3,443)	(1,779)	-	-	-
Investing cash flow	(3,828)	(2,239)	(750)	(750)	(750)
Issuance of share capital	-	-	-	-	-
Movement of Debt	-	(77)	-	-	-
Dividend paid (incl DDT)	4,380	(252)	(374)	(457)	(517)
Other financing activities	-	(97)	356	380	364
Financing cash flow	4,380	(425)	(19)	(77)	(153)
Net change in cash flow	381	(1,271)	1,114	1,612	476
Opening C&CE	1,771	2,152	881	5,041	6,653
Closing C&CE	2,152	881	5,041	6,653	7,129

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Key ratios

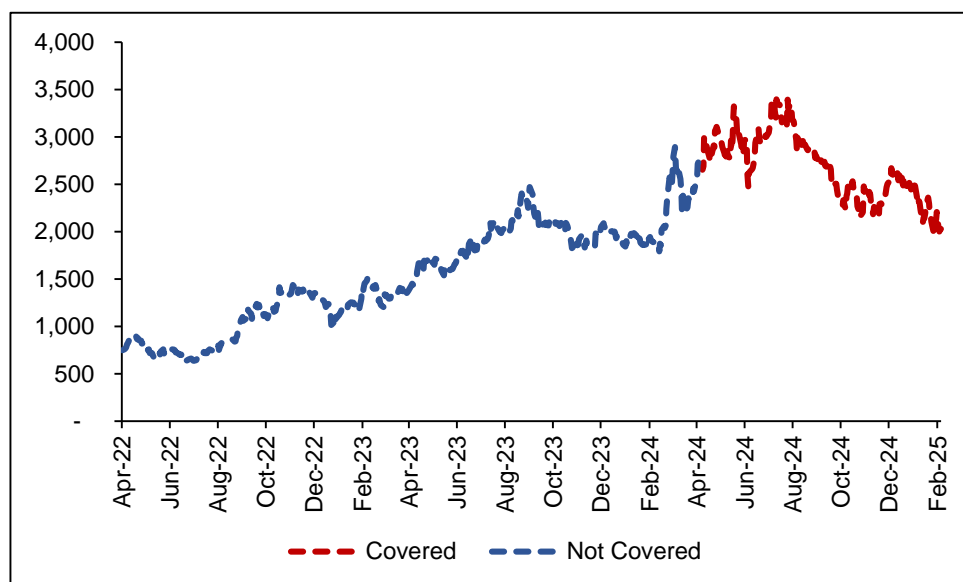
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Per share (Rs)					
Adj EPS	22.1	32.4	32.9	40.1	45.4
Book value	208.4	236.5	262.7	294.6	330.8
DPS	4.5	6.6	6.7	8.2	9.2
Valuation (x)					
P/Sales	24.3	21.2	19.3	15.5	12.8
EV/EBITDA	61.0	48.0	47.1	37.5	31.9
P/E	89.0	60.7	59.9	49.1	43.4
P/BV	9.5	8.3	7.5	6.7	6.0
Return ratios (%)					
RoCE	14.0	12.3	11.2	12.5	12.9
RoCE (pre-tax)	18.7	16.5	14.6	16.0	16.5
RoE	14.2	14.6	13.2	14.4	14.5
RoIC	23.9	19.8	16.5	19.9	21.2
Profitability ratios (%)					
Gross margin	62.3	68.2	68.5	67.3	68.3
EBITDA margin	37.9	42.6	39.0	38.9	37.5
PAT margin	27.3	35.0	32.2	31.6	29.5
Liquidity ratios (%)					
Current ratio	9.7	4.0	3.5	3.4	3.5
Quick ratio	8.2	3.2	2.5	2.5	2.5
Solvency ratio (%)					
Net Debt to Equity ratio	(0.5)	(0.3)	(0.3)	(0.4)	(0.4)
Turnover ratios					
Fixed asset turnover ratio (x)	5.4	3.9	3.0	2.7	2.5
Debtor days	234	200	190	160	158
Inventory days	334	300	289	250	248
Creditor days	87	95	100	120	119
Net Working capital days	481	405	379	290	287

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
5 April 2024	Hold	2,693	2,755
22 May 2024	Hold	3,176	3,226
18 July 2024	Hold	3,152	3,017
31 July 2024	Hold	3,284	3,124
11 October 2024	Buy	2,497	3,051
12 November 2024	Buy	2,186	2,881
10 January 2025	Buy	2,234	2,651
06 February 2025	Buy	2,027	2,423

Rating track graph



DISCLOSURES

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Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

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