

## DATA PATTERNS ( NSE)

BUY @	Stop Loss	Target	Duration	Potential
2200-2400	1600 (Closing basis)	3900-5065	1 Year+	62%+

### About the Company:

Data Patterns India Ltd. is a leading electronics and systems provider in India's aerospace and defense sector. Headquartered in Chennai, the company specializes in high-reliability products for critical defense applications. It designs, develops, and manufactures a variety of defense and aerospace electronics, including radar systems, electronic warfare solutions, avionics, and satellite communication systems. The company's offerings include displays for military aircraft, missile systems, ground-based systems, and test equipment tailored for military and industrial needs.

Data Patterns continues to expand its product offerings, recently focusing on innovations in radar and avionics and systems for satellite communications. Its robust R&D capabilities and extensive portfolio in high-tech defense products position it as a key player in supporting India's strategic defense objectives.

### Recent Projects

- 1) 9 Precision Approach Radars delivered to MOD for Army and Navy.
- 2) Delivered COMINT and ELINT systems and self-protection suits for land, mobile and fighter Reconnaissance aircraft and aerostats.
- 3) Developed systems for land, air and satellite platforms.
- 4) Designed and built microsatellites

### Customers

Bharat Electronics Ltd (BEL), Hindustan Aeronautics Limited (HAL), the Indian Space Research Organization (ISRO) and Defense Research and Development Organization (DRDO).

### Capex

The company is planning to spend Rs. 200 crs. on new technology and product development like Microsatellites. Rs 124cr invested on capex in last 5 yrs.; Planning for capex of more than Rs 150 crs over next two years

The company is aiming a revenue growth of 25%+ for FY25 -27

**Fundamental Snapshot:**

Market Cap	₹ 13,643 Cr.	Current Price	₹ 2,437	High / Low	₹ 3,655 / 1,751
Stock P/E	72.3	Book Value	₹ 237	Dividend Yield	0.28 %
ROCE	19.7 %	ROE	14.3 %	Face Value	₹ 2.00
Price to book value	10.3	Debt to equity	0.00	Promoter holding	42.4 %
Industry PE	58.2	Current ratio	3.25	ROE 3Yr	15.8 %
Enterprise Value	₹ 13,254 Cr.	Debt	₹ 3.50 Cr.	PEG Ratio	0.83
Interest Coverage	24.8	Mar Cap 10yrs back		Price to Earning	72.3
OPM 5Year	40.2 %	Return over 5years	%	OPM	43.2 %

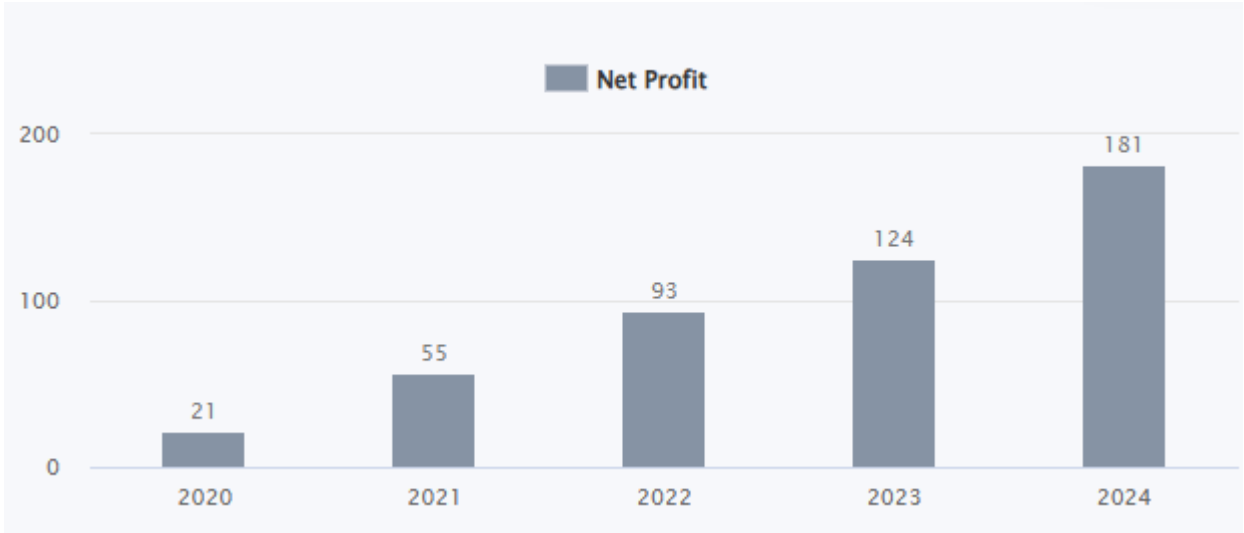
- ❖ ROE 3 Year > 15%
- ❖ OPM 5 Year > 35%
- ❖ Almost Zero Debt Company

In FY24, Data Patterns’ financial performance continued its upward trajectory. For Q4 FY24 alone, revenue reached ₹1,823 million, with net profits growing by 28% year-over-year to ₹711 million. The company’s gross profit margins improved to 71.9% from 57.8% in Q4 FY23. Furthermore, Data Patterns maintained an order book valued at ₹10,831 million by the close of FY24, reflecting its strengthened position in defense production and advanced electronics systems.

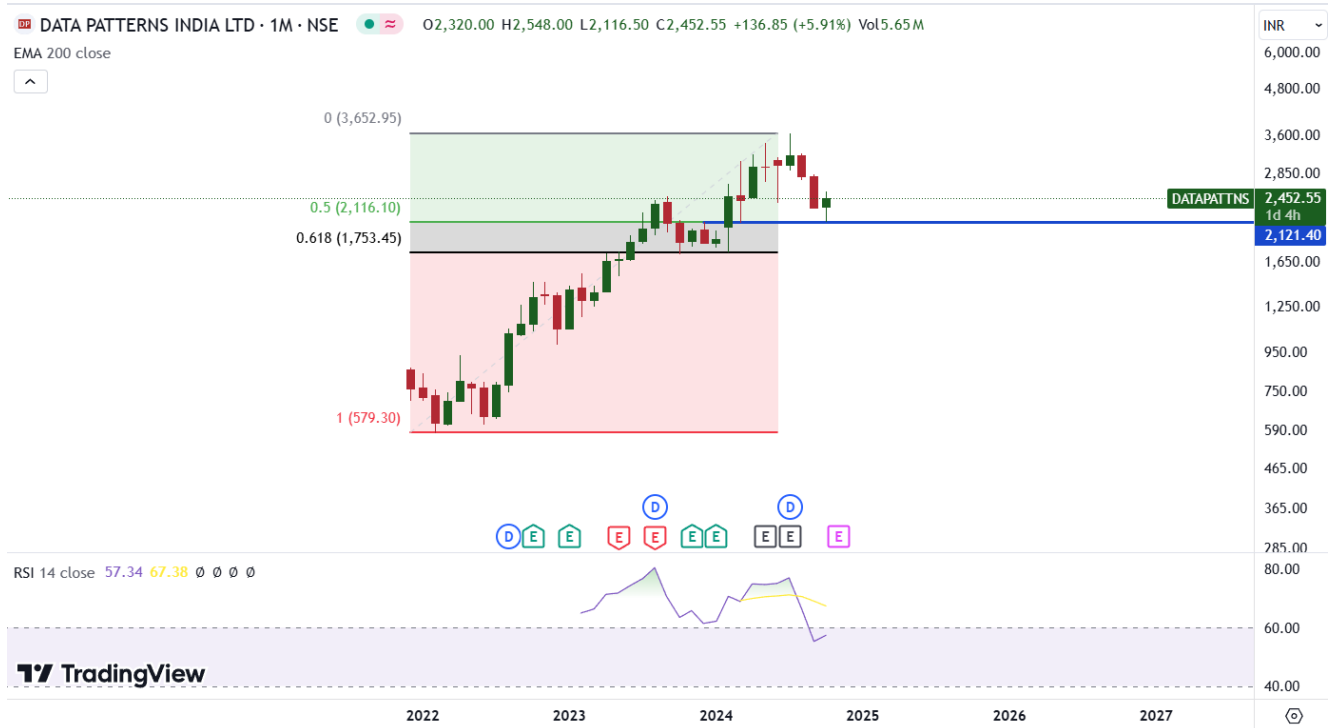


- ❖ Consistent Increasing Growth in Revenue and Net Profit (YoY)

# Research Report – Data Patterns India Ltd- 30-Oct-2024



## Technical Chart View:



- ❖ On Monthly chart, Stock taking Support @ Fibo Ratio 0.50
- ❖ 2200- 2400 Price range looking great addition to long term portfolio

## Research Report – Data Patterns India Ltd- 30-Oct-2024

Over the past five years, Data Patterns (India) Ltd. has shown significant growth and stability, largely driven by its focused investment in high-quality products and strategic positioning in the defense and aerospace sectors. Here's a snapshot of their financial performance:

1. **Revenue Growth:** Between FY19 and FY21, Data Patterns recorded a compound annual growth rate (CAGR) of 30.7% in revenue, climbing from ₹1,311 million in FY19 to ₹2,240 million by FY21. This growth has been driven by its increasing order book, capitalizing on India's "Make in India" initiative, and expanding defense and aerospace needs.
2. **Profitability:** The company has maintained high profitability with rising gross and EBITDA margins. For FY21, the gross margin was around 68.9%, with an EBITDA margin exceeding 40%. This is a result of their cost-effective, vertically integrated business model and advanced production facilities. Data Patterns also consistently reported increasing profits, which were influenced by key contracts with DRDO, HAL, and BEL.
3. **Order Book and Cash Flow:** Data Patterns' order book has expanded from ₹1,787 million in FY18 to around ₹5,770 million by late FY21. Their cash flow has been robust, supported by high operational efficiency and a low leverage ratio, which reflects their strong balance sheet and cash flow generation.
4. **Return Ratios:** The return on capital employed (ROCE) and return on equity (ROE) have also seen substantial improvement, with ROCE rising to approximately 34.69% in FY21. The company's conservative financial management approach and high operational margins have contributed to this strong performance.

These strong financial results reflect Data Patterns' strategic emphasis on developing indigenous defense technology and achieving a diversified, balanced order book with both private and government contracts. The company is positioned well for continued growth in India's expanding defense sector.

### Risk & Concern:

Data Patterns India Ltd. faces several risks and concerns that span short- and medium-term challenges, largely due to the unique characteristics of the defense electronics industry and India's regulatory landscape:

1. **Regulatory Dependency:** The company's performance heavily depends on defense policies and government procurement regulations. This reliance can expose the company to risks if policies shift or defense budgets are reallocated due to political or economic factors. Delays in government project approvals can also lead to revenue deferrals and impact cash flows
2. **Supply Chain Vulnerabilities:** The defense electronics sector requires specific, high-grade components, and disruptions in the global supply chain can hinder production timelines. The ongoing global semiconductor shortage and reliance on international suppliers could impact Data Patterns' ability to meet delivery schedules, pressuring both operational efficiency and margins
3. **Operational and Execution Risks:** With a growing order book, the company must scale its production capabilities, which requires effective resource allocation, efficient project management, and adherence to timelines. Failure to execute contracts on time can result in penalties, reputational damage, and financial setbacks
4. **Intense Competition and Innovation Demands:** Competing against both domestic players like Bharat Electronics and international companies requires Data Patterns to continually innovate. Investment in

R&D is essential to stay competitive, yet it also represents a financial risk if technological advancements or new products do not yield a sufficient return on investment

5. **Geopolitical and Currency Risks:** As defense spending can fluctuate in response to geopolitical dynamics, shifts in India's defense priorities could affect order volumes and contract renewals. Additionally, currency volatility impacts costs for imported components, potentially increasing expenses and reducing profitability if not effectively managed.

Mitigating these risks involves enhancing supply chain flexibility, strengthening contract management practices, closely monitoring policy developments, and investing in R&D to stay competitive in the defense electronics landscape.

### **Disclosures:**

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