

DATA PATTERNS (INDIA) LIMITED

Data Patterns (India) Limited (Data Patterns), having 30 years of experience, is among the few truly vertically integrated end-to-end operators in the Indian defence industry. It offers products catering to the entire spectrum of defence and aerospace platforms such as space, air, land, and sea. Its design and development capabilities have enabled Data Patterns to develop complete systems as well as sub-systems for various strategic defence and aerospace electronics solutions that have found application in various platforms and programmes like Tejas LCA, HAL LUH, BrahMos missile programme, precision approach radars and various communications and electronic intelligence systems. Its order book has grown from ₹182 Cr in FY19 to ₹581 Cr as on 1HFY22.

Positives: (a) Indigenous integrated & strategic defence and aerospace electronics solutions provider benefitting from Make in India opportunity. (b) Innovation focused business model. (c) Sound order book across product categories with marquee customers in the defence and aerospace industry (d) Consistent track record of profitable growth due to a scalable business model.

Investment concerns: (a) High dependence on contracts from the Govt and associated entities like defence PSUs and ISRO. (b) Top 5 customers account for significant portion of revenue. (c) Failure to adhere to provisions of contracts, quality standards, or delay in timelines. (d) Working-capital-intensive operations.

Outlook & Valuation: As per the RHP, Data Patterns is one of the fastest growing companies in Defence and Aerospace Electronics sector in India (~31% revenue CAGR over FY19-21) with excellent margins and return ratios even during pandemic impacted FY21. Its solutions cover the entire spectrum of defence electronics, and it is well placed to partake in land, airborne and naval defence programmes of India, including various modernization programmes. It benefits from strong management capabilities and its strong relations with Defence PSUs, MOD and ISRO which have driven orderbook CAGR of ~60% since FY19. This translates to book to bill of ~2.1x on TTM basis and as per the RHP, the company is expected to be a major participant in at least ₹1,500 Cr worth of contracts over the next three years. At ₹585 per share, the company is commanding TTM P/E of 36x which is lower than trailing multiples of MTAR and Astra Microwave (135x and 43x respectively). We ascribe a "SUBSCRIBE" rating to the IPO.

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	1HFY21	1HFY22
Net Sales	131	156	224	44	96
% chg	--	19.1	43.5	--	116.8
Net Profit	8	21	56	(6)	23
% chg	--	173.3	164.0	--	--
EBITDA (%)	19.5	27.6	41.1	4.3	39.2
EPS (₹)	1.5	4.1	10.7	(1.2)	4.5
P/E (x)	394.1	144.2	54.6	--	--
P/BV (x)	22.8	19.8	14.6	--	--
ROE (%)	5.8	13.7	26.7	--	--
ROCE (%)	6.9	12.3	23.6	--	--
EV/EBITDA	121.4	71.8	33.3	--	--
EV/Sales	23.7	19.8	13.7	--	--

Source: Company, Angel Research; Note: Valuation ratios at upper price band.

Please refer to important disclosures at the end of this report

SUBSCRIBE

Issue Open: Dec 14, 2021

Issue Close: Dec 16, 2021

Issue Details

Face Value: ₹2

Present Eq. Paid up Capital: ₹9.56 cr

Offer for Sale: ₹348 cr

Fresh issue: ₹240 cr

Post Eq. Paid up Capital: ₹10.38 cr

Issue size (amount): ₹588 cr

Price Band: ₹555 - ₹585

Lot Size: 25 shares and in multiple thereafter

Post-issue mkt. cap: * ₹2,892 cr - ** ₹3,035 cr

Promoters holding Pre-Issue: 58.6%

Promoters holding Post-Issue: 45.6%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	45.6%
Others	54.4%

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Company background

Data Patterns (India) Limited is among the few vertically integrated defence and aerospace electronics solutions provider catering to the indigenously developed defence products industry. Its offerings cater to the entire spectrum of defence and aerospace platforms – space, air, land and sea and they have design capabilities across the entire spectrum of strategic defence and aerospace electronics solutions including processors, power, radio frequencies (“RF”) and microwave, embedded software and firmware and mechanical engineering. The company has developed a reusable building block model leading to capabilities/competence across various product domains which aids in achieving better margins and saving on development time for new products. The company has developed products like Tejas LCA, HAL LUH, BrahMos’ missile programmes, tracking radars, among others using the abovementioned building blocks. A large number of its orders are on single vendor basis and are typically not awarded on an open tender basis. Its revenues are largely dependent on contracts from the Govt and associated entities including defence public sector undertakings and government organizations involved in space research. Its order book has grown from ₹182 Cr in FY19 to ₹581 Cr as on 1HFY22.

Issue details

The IPO is made up of offer for sale of 0.60 Cr shares by promoter and selling shareholders aggregating to ₹348 Cr and fresh issue of ₹240 Cr.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter & Group	2,80,19,558	58.64	2,36,70,758	45.62
Public	1,97,64,528	41.36	2,82,15,892	54.38
Total	4,77,84,086	100.00	5,18,86,650	100.00

Source: Company, Angel Research & RHP.

Objectives of the Offer

- ~₹61Cr for prepayment/repayment of all/portion of, outstanding borrowings.
- ~₹95 Cr towards funding working capital requirements.
- ~₹60 Cr towards upgrading and expanding existing facilities at Chennai.
- Balance for general corporate purposes.

Key Management Personnel

Srinivasagopalan Rangarajan is the Promoter of the company and is also the Chairman and Managing Director. He has over three decades of experience in business development, corporate affairs, finance, and marketing.

Rekha Murthy Rangarajan is the Whole-time Director of the company. She has been associated with the company since its incorporation. She has over two decades of experience in administration, facility maintenance, human resource and development, process engineering and special projects.

Venkata Subramanian Venkatachalam is the Chief Financial Officer of the company. He is a fellow member of the Institute of the Chartered Accountants of India. He has over two decades of experience in the finance sector.

Exhibit 1: Consolidated Profit & Loss Statement

Y/E March (₹ Cr)	FY2019	FY2020	FY2021	1HFY21	1HFY22
Total operating income	131	156	224	44	96
% chg	--	19.1	43.5	--	116.8
Total Expenditure	106	113	132	43	59
Cost of Materials and Components	49	56	70	16	21
Employee benefits expense	38	42	48	21	28
Other expenses	19	15	13	5	9
EBITDA	26	43	92	2	38
% chg	--	68.9	113.2	--	1,880.1
(% of Net Sales)	19.5	27.6	41.1	4.3	39.2
Depreciation & Amortization	6	5	6	3	3
EBIT	20	38	86	(1)	35
% chg	--	91.4	129.4	--	--
(% of Net Sales)	15.0	24.1	38.6	(1.9)	36.1
Finance costs	11	13	15	7	5
Other income	1	4	3	1	1
(% of Sales)	1.1	2.6	1.2	3.2	0.8
Recurring PBT	9	24	72	(8)	30
% chg	--	173.0	195.6	--	--
Exceptional item	-	-	-	-	-
Tax	3	7	19	(0)	8
PAT (reported)	8	21	56	(6)	23
% chg	--	173.3	164.0	--	--
(% of Net Sales)	5.9	13.5	24.8	(14.3)	24.1
Basic & Fully Diluted EPS (₹)	1.5	4.1	10.7	(1.2)	4.5

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

Y/E March (₹ Cr)	FY2019	FY2020	FY2021	1HFY21	1HFY22
SOURCES OF FUNDS					
Equity Share Capital	2	2	2	2	9
Other equity	131	152	206	146	207
Shareholders' Funds	133	153	208	147	217
Total Loans	67	66	37	57	56
Other liabilities	31	21	37	43	38
Total Liabilities	231	241	282	247	310
APPLICATION OF FUNDS					
Property, Plant and Equipment	29	28	29	28	35
Right-of-use assets	7	5	3	4	2
Capital work-in-progress	-	-	-	-	2
Intangible assets	0	0	1	0	1
Non Current Investments	-	-	-	-	-
Other Non-Current Asset	39	46	34	39	60
Current Assets	202	216	261	241	255
Inventories	87	79	74	91	87
Investments	-	-	-	-	-
Trade receivables	103	116	156	109	135
Cash and Cash equivalents	1	5	14	18	12
Other current assets	12	15	18	22	21
Current Liability	46	55	47	65	45
Net Current Assets	155	161	215	176	209
Total Assets	231	241	282	247	310

Source: Company, Angel Research

Exhibit 3: Consolidated Cash flows

Y/E March (₹cr)	FY2019	FY2020	FY2021	1HFY21	1HFY22
Operating profit	10	28	75	(6)	31
Net changes in working capital	(29)	(26)	(19)	27	(27)
Cash generated from operations	15	16	18	8	7
Direct taxes paid (net of refunds)	(1)	(3)	(19)	(0)	(0)
Net cash flow from operating activities	(4)	15	54	29	10
Purchase of Assets	(1)	(1)	(6)	(2)	(9)
Interest received	1	3	2	1	1
Others	0	0	1	-	(2)
Cash Flow from Investing	0	1	(3)	(0)	(10)
Repayment (long term borrowings)	(2)	1	9	5	(1)
Repayment (short term borrowings)	17	(0)	(37)	(13)	20
Share issue expenses	-	-	-	-	(3)
Interest paid	(11)	(13)	(15)	(7)	(5)
Interest on Lease liabilities	(2)	(2)	(2)	(1)	(1)
Dividend Paid	(0)	(0)	(0)	-	(11)
Cash Flow from Financing	2	(15)	(44)	(17)	(1)
Inc./(Dec.) in Cash	(2)	1	7	12	(1)
Opening Cash balances	2	0	2	2	9
Closing Cash balances	0	2	9	14	8

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	394.1	144.2	54.6
P/CEPS	223.9	114.4	49.7
P/BV	22.8	19.8	14.6
EV/Sales	23.7	19.8	13.7
EV/EBITDA	121.4	71.8	33.3
Per Share Data (Rs)			
EPS (Basic)	1.5	4.1	10.7
EPS (fully diluted)	1.5	4.1	10.7
Cash EPS	2.6	5.1	11.8
Book Value	25.6	29.6	40.0
Returns (%)			
ROE	5.8	13.7	26.7
ROCE	6.9	12.3	23.6
Turnover ratios (x)			
Receivables (days)	287	270	254
Inventory (days)	300	257	204
Payables (days)	55	56	33
Working capital cycle (days)	532	471	425

Source: Company, Angel Research

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