

EDUCATIONAL EQUITY STUDY NOTE

# Data Patterns (India) Ltd.

Defence & Aerospace Electronics

NSE: DATAPATTNS

BSE: 543428

ISIN: INE0IX101010

MARKET CAP

₹18,655 Cr

CMP

₹3,383

P/E RATIO

74.8x

March 2026

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## Company Overview

Data Patterns (India) Ltd. is a vertically integrated defence and aerospace electronics company headquartered in Chennai, Tamil Nadu. The company specialises in the design, development, manufacture, and testing of electronic systems and sub-systems used in strategic and mission-critical applications.

Its product and capability portfolio spans:

- Radar systems and radar sub-systems
- Electronic warfare (EW) systems
- Communication systems including software-defined radios
- Avionics and flight computers
- Space and satellite electronics (ISRO programmes)
- Sonar and underwater electronics
- Embedded computing and mission-critical electronics

### Key Distinction

Data Patterns is one of the very few private Indian companies that designs complete electronic systems for defence from concept to product entirely in-house, including at the chip and board level. This full-stack capability differentiates it from most peers who primarily perform assembly or system integration.

## Market Data Snapshot

| PARTICULARS             | VALUE           |
|-------------------------|-----------------|
| Current Market Price    | ₹3,383          |
| Recent Close Range      | ₹3,332 – ₹3,383 |
| Day High / Low (Recent) | ₹3,447 / ₹3,383 |
| 52-Week High            | ₹3,610          |
| 52-Week Low             | ₹1,373          |
| All-Time High           | ~₹3,610         |
| Market Capitalisation   | ₹18,655 Cr      |
| P/E Ratio               | 74.8x           |
| P/B Ratio               | 12.1x           |
| EV/EBITDA (Mar 2025)    | ~29x            |

### Price Context

The stock is trading near the upper end of its 52-week range, indicating strong market confidence. The 52-week low of ₹1,373 versus current ₹3,383 reflects a significant recovery and re-rating during this period.

## SECTION 03

## Financial Performance

| FISCAL YEAR | REVENUE (₹ CR) | EBITDA (₹ CR) | PAT (₹ CR) |
|-------------|----------------|---------------|------------|
| FY22        | 311            | 141           | 94         |
| FY23        | 453            | 172           | 124        |
| FY24        | 520            | 222           | 182        |
| FY25        | 708            | 275           | 222        |
| <b>TTM</b>  | <b>976</b>     | <b>331</b>    | <b>247</b> |

FY22→FY25 REV CAGR

**~31%**

Strong multi-year scaling

TTM REVENUE

**₹976 Cr**

Approaching ₹1,000 Cr

TTM PAT

**₹247 Cr**

Healthy bottom-line

## SECTION 04

## Growth Analysis

### Revenue Growth

| PERIOD | REVENUE (₹ CR) | YOY GROWTH |
|--------|----------------|------------|
| FY22   | 311            | —          |
| FY23   | 453            | +45.7%     |
| FY24   | 520            | +14.8%     |
| FY25   | 708            | +36.2%     |

### PAT Growth

| PERIOD | PAT (₹ CR) | YOY GROWTH |
|--------|------------|------------|
| FY22   | 94         | —          |
| FY23   | 124        | +31.9%     |
| FY24   | 182        | +46.8%     |
| FY25   | 222        | +22.0%     |

#### Key Observation

Both revenue and profit growth have been strong and consistent. FY24 revenue growth moderated before re-accelerating in FY25. PAT growth has broadly tracked revenue, indicating that profitability is maintained alongside scaling. This is profitable growth, which is a higher quality indicator than revenue expansion alone.

## SECTION 05

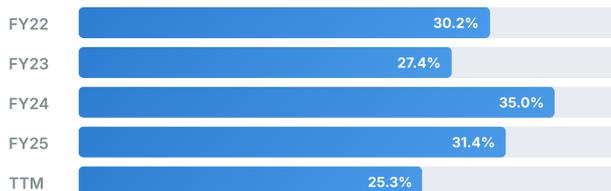
## Margin Analysis

| YEAR | EBITDA MARGIN | PAT MARGIN |
|------|---------------|------------|
| FY22 | 45.3%         | 30.2%      |
| FY23 | 38.0%         | 27.4%      |
| FY24 | 42.7%         | 35.0%      |
| FY25 | 38.8%         | 31.4%      |
| TTM  | 33.9%         | 25.3%      |

### EBITDA Margin Trend



### PAT Margin Trend



### Margin Interpretation

Margins remain significantly higher than most manufacturing and capital goods companies. Even TTM EBITDA margin of 33.9% is exceptional by industrial standards. The profile reflects high-value product design, engineering complexity, and niche positioning. Some TTM moderation may relate to product mix shifts or scaling effects and is worth monitoring.

## SECTION 06

## Balance Sheet Position

| PARTICULARS                    | VALUE (MAR 2025) |
|--------------------------------|------------------|
| Net Worth (Shareholder Equity) | ₹1,508 Cr        |
| Long-Term Borrowings           | ₹0               |
| Cash & Bank Balances           | ₹126 Cr          |
| Debt Position                  | Nearly Zero      |



### Balance Sheet Quality

Near-zero debt eliminates solvency risk and provides flexibility for R&D investment, working capital management, capacity expansion, and absorbing execution-cycle delays without financial stress. This is a significant quality differentiator.

## SECTION 07

# Cash Flow Analysis

| PARTICULARS                     | FY25    |
|---------------------------------|---------|
| Cash Flow from Operations (CFO) | -₹90 Cr |
| Net Cash Flow                   | -₹50 Cr |

### ⚠ Important Observation

Despite strong accounting profitability (PAT ₹222 Cr), operating cash flow for FY25 was negative at -₹90 Cr. This is one of the most significant items to study and monitor.

In defence and project-based businesses, such divergence can occur due to:

- Higher working capital requirements during execution ramp-up
- Inventory build-up for upcoming deliveries
- Receivable stretch from government and institutional clients
- Milestone-linked billing and payment patterns

### Educational Takeaway

This is a good example of why equity analysis must go beyond the P&L statement. A company can report healthy net profit while generating negative operating cash. Studying cash flow alongside income provides a more complete picture.

## SECTION 08

# Return Ratios

RETURN ON EQUITY (ROE)

**15.2%**

Decent, not leverage-driven

RETURN ON CAPITAL EMPLOYED

**21.0%**

Healthy capital efficiency

ROCE at 21% reflects strong operational capital efficiency. Since the company has negligible debt, returns are generated almost entirely from core business operations rather than financial leverage — a positive quality indicator.

ROE at 15.2% is moderate. With growing equity base and limited leverage, ROE may appear lower than leveraged peers, but the quality of returns is higher because it is sustainable.

## SECTION 09

## EPS & Valuation

| METRIC    | VALUE  | OBSERVATION |
|-----------|--------|-------------|
| FY25 EPS  | ₹39.62 | Growing     |
| P/E Ratio | 74.8x  | Premium     |
| P/B Ratio | 12.1x  | Premium     |
| EV/EBITDA | ~29x   | Premium     |

The stock trades at premium multiples reflecting expectations of sustained earnings growth, strong sector tailwinds, confidence in the company's technology moat, and scarcity value for a quality private-sector defence electronics company.

### Valuation Sensitivity

At ~75x earnings, the stock carries meaningful valuation sensitivity. Even modest disappointments in order inflows, growth, or cash flow could lead to significant price adjustments. Conversely, strong execution can further support the premium.

## SECTION 10

## Order Book Analysis

| PARTICULARS            | VALUE      |
|------------------------|------------|
| Firm Order Book        | ₹737 Cr    |
| Under Negotiation      | ₹552 Cr    |
| Total Visible Pipeline | ~₹1,289 Cr |

### Positives

- Reasonable near-term revenue visibility
- Negotiation pipeline adds potential upside
- Defence procurement cycles allow meaningful conversion

### Considerations

- Firm order book of ₹737 Cr is modest vs. TTM revenue of ₹976 Cr
- Negotiation pipeline conversion not guaranteed
- Fresh inflows critical for sustaining growth expectations

## SECTION 11

## Shareholding Pattern

| CATEGORY        | HOLDING (%) | OBSERVATION |
|-----------------|-------------|-------------|
| Promoters       | 42.41%      | Stable      |
| FII / FPI       | 12.78%      | Present     |
| Public / Others | Balance     | —           |

Promoter holding at 42.41% indicates meaningful founder alignment with the business. FII participation at 12.78% reflects institutional interest. The structure appears stable, which is a supportive governance indicator.

## Competitive Landscape

| COMPANY                  | PRIMARY FOCUS                     | TYPE            |
|--------------------------|-----------------------------------|-----------------|
| Bharat Electronics (BEL) | Defence electronics, radars, EW   | PSU / Large     |
| Astra Microwave          | RF and microwave sub-systems      | Private / Mid   |
| Paras Defence            | Defence optics, countermeasures   | Private / Small |
| Centum Electronics       | Aerospace and defence electronics | Private / Mid   |
| Zen Technologies         | Defence training simulators       | Private / Mid   |

### Data Patterns' Advantages

- Full-stack in-house design from chip to system level
- IP ownership for most products
- Higher profitability margins than most peers
- Multi-domain presence (radar, EW, space, sonar, avionics)

### Competitive Risks

- BEL has significantly larger scale and deeper relationships
- Niche peers may compete in selected sub-systems
- Global OEMs may enter India through partnerships or FDI

## Business Strengths

### Niche Positioning

Operates in a specialised defence electronics segment with high technical entry barriers, long qualification cycles, and limited domestic competition at the full-stack design level.

### Strong Growth Record

Revenue grew from ₹311 Cr in FY22 to ₹708 Cr in FY25, with TTM at ₹976 Cr. PAT grew from ₹94 Cr to ₹222 Cr in the same period.

### High Profitability

EBITDA margins consistently in the 34–45% range and PAT margins in the 25–35% range, reflecting high-value, engineering-intensive product economics.

### Clean Balance Sheet

Near-zero debt, net worth of ₹1,508 Cr, and ₹126 Cr in cash provides financial stability and operational flexibility.

### Sector Tailwinds

India's defence indigenisation push, Atmanirbhar Bharat, positive indigenisation lists, and growing defence budget create a powerful structural demand environment.

### Technology Depth

In-house chip-to-system design capability across radar, EW, communication, space, sonar, and avionics — a rare breadth for a private Indian company.

## SWOT Analysis

### STRENGTHS

- Full-stack defence electronics design capability
- Strong historical growth in revenue and profit
- High EBITDA and PAT margins
- Near-zero debt balance sheet
- Healthy return ratios (ROCE 21%)
- Multi-domain product portfolio

### WEAKNESSES

- Negative operating cash flow in FY25
- Premium valuation (P/E 74.8x, P/B 12.1x)
- Order book modest relative to market cap
- Revenue can be lumpy (project-based)
- Concentrated client base (mostly government)

### OPPORTUNITIES

- Defence indigenisation and import substitution
- Growing Indian defence budget
- Deeper platform participation (LCA Mk2, AMCA)
- Defence export potential
- Space sector privatisation
- Private sector gaining share from PSUs

### THREATS

- Government procurement delays
- Budget allocation changes
- Competition from BEL and established players
- Valuation de-rating risk
- Technology obsolescence risk
- Key management dependency

## Key Risk Factors

| RISK FACTOR          | SEVERITY | WHY IT MATTERS                               |
|----------------------|----------|--|
| Valuation Risk       | High     | At ~75x P/E, limited margin of safety        |
| Cash Flow Risk       | High     | FY25 CFO negative despite strong PAT         |
| Order Inflow Risk    | Medium   | Growth requires continuous order wins        |
| Execution Risk       | Medium   | Defence projects face qualification delays   |
| Key-Man Risk         | Medium   | Founder-led with concentrated leadership     |
| Client Concentration | Medium   | Revenue depends on government entities       |
| Market Sentiment     | Medium   | High-PE stocks sensitive to sentiment shifts |

### Most Critical Risks

The two most important risk factors are **valuation sensitivity** and **cash flow quality**. A company trading at premium multiples with negative operating cash flow has less room for error.

## SECTION 16

## Financial Scorecard

|                          |  |             |
|--------------------------|--|-------------|
| Revenue Growth           |  | Strong      |
| Profit Growth            |  | Strong      |
| EBITDA Margin            |  | Strong      |
| PAT Margin               |  | Strong      |
| Balance Sheet            |  | Excellent   |
| Debt Profile             |  | Excellent   |
| ROCE                     |  | Good        |
| ROE                      |  | Good        |
| Cash Flow Quality        |  | Weak (FY25) |
| Valuation Comfort        |  | Premium     |
| Order Visibility         |  | Moderate    |
| Overall Business Quality |  | High        |

## SECTION 17

## Key Monitorables

| #  | MONITORABLE                                | WHY IT MATTERS             |
|----|--|----------------------------|
| 1  | Order inflow (quarterly)                   | Growth sustainability      |
| 2  | Conversion of ₹552 Cr negotiation pipeline | Revenue visibility         |
| 3  | Operating cash flow trend                  | Earnings quality           |
| 4  | Working capital movement                   | Cash conversion efficiency |
| 5  | EBITDA and PAT margin trajectory           | Profitability durability   |
| 6  | Revenue execution vs. TTM run-rate         | Growth continuity          |
| 7  | Promoter holding stability                 | Governance confidence      |
| 8  | New programme or platform wins             | Long-term pipeline         |
| 9  | Capacity expansion progress                | Revenue capacity ceiling   |
| 10 | Management commentary and guidance         | Forward outlook signal     |

## Educational Summary

### What Is Attractive

- ▶ Strong and consistent revenue and profit growth
- ▶ Best-in-class operating margins for the sector
- ▶ Near-zero debt with healthy net worth
- ▶ Niche, full-stack design capability
- ▶ Strategic alignment with India's defence indigenisation
- ▶ Healthy ROCE driven by operations, not leverage

### What Requires Caution

- ▶ Premium valuation at ~75x P/E and ~12x P/B
- ▶ Negative operating cash flow in FY25
- ▶ Order book adequate but not overwhelming vs. market cap
- ▶ Revenue can be lumpy due to project-based nature
- ▶ Key-man and client concentration risks exist
- ▶ High-PE stocks vulnerable to sentiment corrections

#### EDUCATIONAL ASSESSMENT

### Strong Business, Premium Valuation

The underlying business quality is high. The company has demonstrated strong growth, maintained healthy profitability, and operates in a sector with powerful structural tailwinds. However, the current valuation already reflects much of this optimism. Cash flow quality and order inflow momentum remain the most important areas to study and track going forward.

| PARAMETER        | ASSESSMENT  |
|------------------|-------------|
| Business Quality | High        |
| Revenue Growth   | Strong      |
| Profit Growth    | Strong      |
| Margins          | Strong      |
| Balance Sheet    | Strong      |
| Debt Profile     | Excellent   |
| ROCE             | Good        |
| ROE              | Good        |
| Cash Flow        | Weak (FY25) |
| Valuation        | Premium     |
| Order Visibility | Moderate    |
| Sector Tailwind  | Strong      |

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