

## Subscribe

<b>Issue Detail</b>	
Price Band (Rs)	Rs.555 - 585
Face Value (Rs)	2
Issue Size (Rs)	588.22Cr
Issue Type	Book Building
Minimum lot	25 Shares
Issue Opens	December 14, 2021
Issue Closes	December 16, 2021
Listing on	BSE, NSE

<b>Indicative Timeline</b>	<b>On or before</b>
Finalization of Basis of Allotment	December 21, 2021
Unblocking of Funds	December 22, 2021
Credit of shares to Demat Account	December 23, 2021
Listing on exchange	December 24, 2021

<b>Other Detail</b>	
Book Running Lead Managers	JM Financial Limited, IIFL Securities Limited
Registrar	Link Intime India Private Limited

## DATA PATTERNS (INDIA) LIMITED

### Company Background

Data Patterns (India) Limited ("Data Patterns") was incorporated on November 11, 1998. The company is among the few vertically integrated defence and aerospace electronics solutions provider catering to the indigenously developed defence products industry. Their offerings cater to the entire spectrum of defence and aerospace platforms – space, air, land and sea. The company's manufacturing facility consists of a 100,000 square feet factory built on 5.75 acres of land in Chennai, which has facilities for design, manufacturing, qualification, and life cycle support of high-reliability electronic systems used in defense and aerospace applications. The company is also planning to acquire an additional 2.81 acres of adjacent land for further expansion. As of July 31, 2021, Data Patterns had 760 employees with more than 450 qualified engineers.

### Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.240Cr and Offer for sale of Equity Shares aggregating upto Rs.348.22Cr.

### Issue Objectives

- Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company.
- Funding working capital requirements of the company.
- Upgrading and expanding company's existing facilities at Chennai.
- Meet general corporate purposes.

### IPO Share Allotment Pattern

<b>Category</b>	<b>Allocation</b>	<b>Number of Shares at Rs.555</b>	<b>Number of Shares at Rs.585</b>	<b>Issue Size^ (Rs.Cr)</b>
<b>QIB</b>	50%	51,38,437	50,27,557	294.11
<b>Non-Institutional</b>	15%	15,41,531	15,08,267	88.23
<b>Retail</b>	35%	35,96,906	35,19,290	205.88
<b>Total</b>		<b>1,02,76,874</b>	<b>1,00,55,114</b>	<b>588.22</b>

<sup>^</sup>Issue at upper price band

Source: Company RHP, ACMIL Research

### Outlook and Valuations

Data Patterns provides complete systems and sub-system solutions in domains such as radars, electronic warfare, communication systems, radio frequency and microwave. Its systems have found application in programmes such as Tejas light combat aircraft, light utility helicopter, BrahMos missile, precision approach radar and several electronic intelligence systems. Data Patterns has a proven track record of operational excellence as well as an order book that gives good visibility for the near term. At the upper price band of Rs.585/-, stock is priced at 54.62x its FY21E EPS of Rs.10.71/- (based on fully diluted post issue equity). Hence, we recommend subscribing to the issue only for listing gains.

### Competitive Strengths

Strategic defense & aerospace electronics solutions provider, well-positioned to benefit from the Make in India opportunity.

The Indian defence industry is rapidly evolving into a self-sustaining one with companies and DPSUs moving towards specialising into defence primes, integrators and component suppliers. Similarly, the space industry is expanding with new space participants offering services which were previously offered by the Indian government space organisation such as launch services,

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satellite operations and downstream services. With DPSUs focusing on specialisation and integration and subcomponent manufacture being outsourced to the private industry, there are resultant expanded opportunities for the private sector. Company's focus on building complete systems from the building blocks and sub-systems already developed, provides a higher value addition.

Since inception, Data Patterns has focussed on designing and building their own products. They have extended their product focus across the manufacturing value chain from industrial and test automation to automated test equipment for space systems to developing products and sub-systems for defence and aerospace systems through DRDO. They are focussed on developing complete systems and sub-system solutions in domains such as radars, electronic warfare, communication systems, RF and microwave, Military COTS (such as VME and VPX processor boards, digital receivers, Input/Output modules of many functions and form factors), avionics, missile and torpedo electronics, fire and launch control systems, space based systems and automatic test equipment.

#### Various test equipment indigenously designed and developed by the company



Indigenously developed fire control system for the BrahMos missile programme



Designed and developed the second launch pad countdown system for delivery to the Indian government space organization



Designed and developed Primary Surveillance Radar for coastal surveillance for the Indian government space organization



Developed Seaking automated test equipment for INS Shikra



Laser guided bomb kit tester



Satellite bus management system

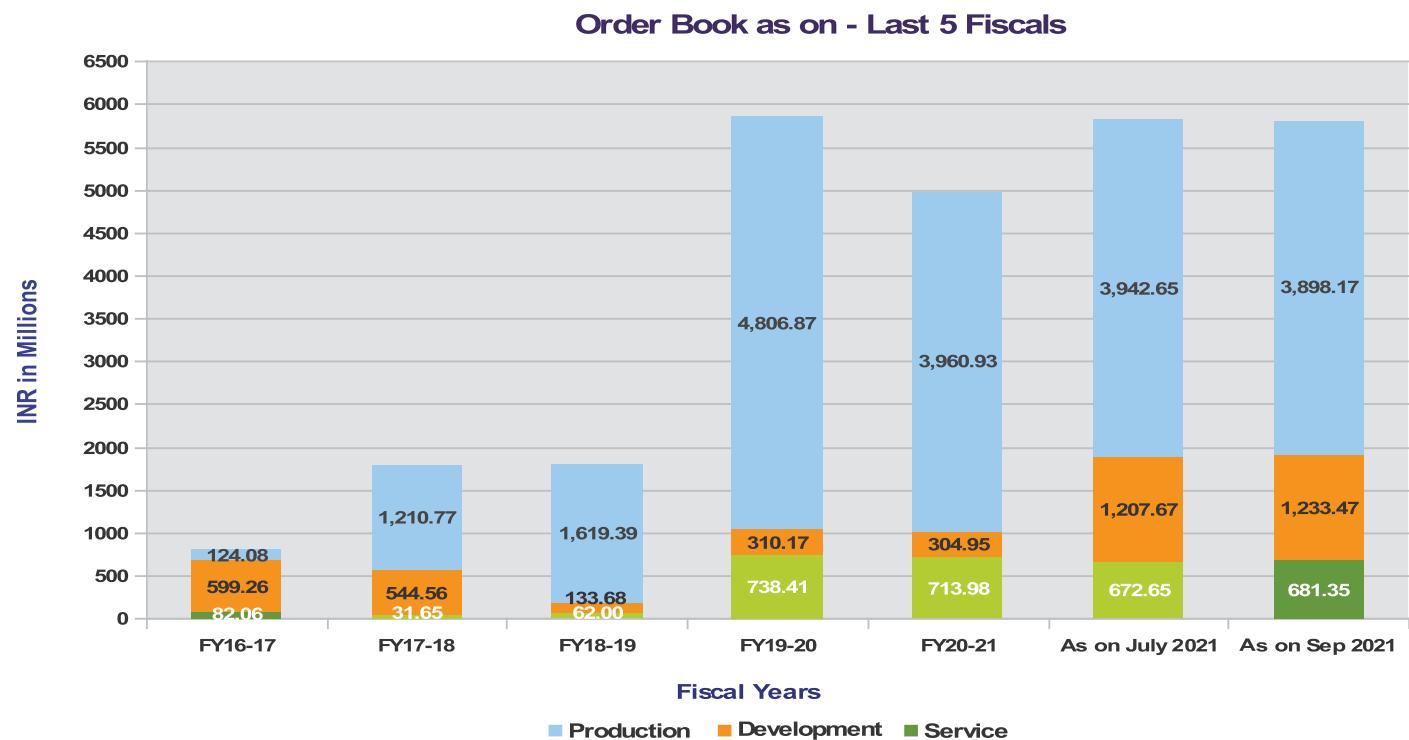


Digital flight control computer

#### Sound order book across product categories supplying to marquee customers in the defence and aerospace industry

As on September 30, 2021, Data Patterns had an order book of Rs.581.30 crore, with orders from several marquee customers in the Indian defence ecosystem, including the Indian government defence ministry, BrahMos, DRDO, the Indian government space organisation, HAL, BEL and a DPSU involved in the missile space. They are currently engaged in the supply of products to several prestigious defence projects in India, including the LCA, the HAL Dhruv, LUH and the BrahMos missile programme. In each of the above projects, their products form critical components, such as the launch systems for the ground based BrahMos missile launcher, flight and safety critical "take me home" displays for the Tejas.

The breakup of the order book in each of the 5 previous Fiscals and as on September 30, 2021 is as below:



#### **Innovation focused business model**

Since inception, they have focused on in-house development and manufacturing capabilities lead by innovation and design and development efforts. As on September 30, 2021, they had more than 500 engineers, many of whom serve in both design and development departments. They have in the past initiated development of several projects, such as military grade processor modules, cockpit displays, actuator controllers for missiles and torpedoes, flight control computers, digital receivers and Up/Down converters for radars, with an aim to utilise these components in subsequent projects.

They design and develop a number of building blocks similar in specifications to imported modules to allow them to compete in local tenders of DRDO for military commercial-off-the-shelf ("COTS") products. Some of their present programmes include:

- Airborne phased array radar,
- Frequency hopping radio relays,
- Next generation EW products,
- Integrated EW solution for national security, etc.

#### **Modern certified manufacturing facility of international standards**

Company's in-house design and development capabilities are complemented by their 100,000 sq.ft. manufacturing facility located on 5.75 acres of land at the SIPCOT Information Technology Park, Siruseri, Chennai, which has facilities for design, manufacturing, qualification and life cycle support of high reliability electronic systems used in defence and aerospace applications. Their facility allows them to be self-sufficient in their requirement of high quality and high complexity production while ensuring functional testing for all their products using internally developed automatic testing equipment..

#### **Strong Financial performance:**

Data Patterns is one of the fastest growing companies in the Defence and Aerospace Electronics sector in India with excellent margins and return ratios. In the last three years (FY19-21), The company's revenue and profitability has grown at a CAGR of 34% and 168% respectively. Further, during the same period, the company's operating profit has grown at a CAGR of 87%. Moreover, company's operating margin improved from 20.5% in FY19 to 42.2% in FY21. Data Patterns has a strong balance sheet with a debt-equity ratio of 0.16x as on FY21. Further, as on FY21, company's ROE and ROCE stands at 26.8% and 34.7% respectively.

## Financial Snapshot

Particulars (Rs.Mn)	FY19	FY20	FY21	6MFY21
Equity share capital	17	17	17	93.5
Net worth	1,326	1,532	2,075	2,163
Revenue from Operations	1,311	1,561	2,240	965
EBITDA	270	473	946	386
EBITDA Margin	20.5%	30.3%	42.2%	40%
Net Profit	77	211	556	232
Net Profit Margin	5.8%	13.5%	24.8%	24%
Diluted EPS (Rs)	2	5	12	5
ROE(%)	5.8	13.7	26.7	10.7^
ROCE(%)	12.4	23.3	34.7	13.4^

<sup>\*</sup> Not annualised

Source: Company RHP, ACMIL Research

## Comparison with Listed Peers FY21

Company	Standalone/ Consolidated	Revenue from operations (Rs.Mn)	EPS	NAV	P/E	ROE(%)
Data Patterns (India) Ltd	Restated	2,240	11.89	44.38	54.62^	26.7
MTAR Technologies Ltd	Consolidated	2,464	16.99	154.99	83.56	9.6
Astra Microwave Products Ltd	Consolidated	6,409	3.33	64.51	51.28	5.1
Centum Electronics Ltd	Consolidated	8,174	13.31	173.14	34.90	5.4
Bharat Electronics Ltd	Consolidated	141,086	8.62	45.39	23.49	18.9
Paras Defence and Space Technologies Limited	Consolidated	1,433	5.55	52.98	139.59	7.6

\* P/E Ratio has been computed based on the closing market price as on November 26,2021. ^P/E Ratio has been computed based on the Issue price and FY21 earnings fully diluted post issue equity.

Source: Company RHP, ACMIL Research

## Risks and Concerns

- Most of contracts usually bagged by the company are fixed-price contracts and requires the company to pay liquidated damages for delay in delivery and/or quality issues.
- The defence projects/programmes are known for long delays from time of conceived/announced to awarding and completion.

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