

March 20, 2025

## Data Patterns India Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	50.00	50.00	[ICRA]A (Positive); reaffirmed
Short-term – Non-fund based – Bank guarantee	625.00	725.00	[ICRA]A1; reaffirmed and assigned for enhanced amount
Long-term – Unallocated limits	75.00	-	-
<b>Total</b>	<b>750.00</b>	<b>775.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reaffirmation for Data Patterns India Limited (DPIL) factors in the expected improvement in the order book position, steady growth in revenues with healthy operating margins, low leverage levels while maintaining strong liquidity position in FY2026. Despite moderation in order inflow in 9M FY2025 at Rs. 323.8 crore (Rs. 678.8 crore in FY2024), the outstanding order book position improved by 14% YoY to Rs. 1,094.7 crore as of December 2024. This translates into order book/operating income (OB/OI) ratio of 2.1 times providing medium-term revenue visibility. Although DPIL's revenues moderated by 8% YoY to Rs. 312.1 crore in 9M FY2025, the company is projected to achieve growth of 15-18% for FY2025 (FY2024: Rs. 519.8 crore) and further likely to grow by 15-20% in FY2026, supported by outstanding order book and expected new orders. The operating margins remained healthy at 40.2% in 9M FY2025 (42.6% in FY2024) on account of execution of certain high margin project and higher usage of the company's intellectual property (IP) in the projects and are likely to be in the range of 35-40% in FY2025 and FY2026. The ratings take into account the limited dependence on debt and sustenance of strong liquidity position, despite capex plans of around Rs. 75-100 crore in FY2025 and Rs. 100-125 crore in FY2026 for infrastructure and product development, which will be fully funded by internal accruals. Backed by low debt levels and absence of debt-funded capex plans, the leverage and coverage metrics are expected to remain comfortable.

The ratings favourably factor in the company's established track record for more than three decades in the design, development and manufacturing of electronic equipment for defence and aerospace sectors. This has supported DPIL in establishing strong relationships with reputed defence organisations in the domestic market, leading to repeat orders. Its growth prospects remain healthy, driven by the Indian Government's focus on indigenisation in the defence sector as a part of the Make in India programme.

The company's working capital intensity (NWC/OI) stood at 127% as of September 2024 (105% as of September 2023) from 76% as of March 2024 as the operations continue to be working capital intensive owing to longer receivable cycle and high inventory levels. Around 30-40% of the revenue booking happens in the last quarter of the fiscal, adding to the elevated working capital indicators at the year end. Phase-wise billing, along with extensive trials and testing for technically critical products before the final acceptance, as well as procurement/stocking of electronic components done to cater to the new and existing orders resulted in elongated inventory days of 570 days as on September 30, 2024 (369 days as of March 2024 and 408 days as on September 30, 2023). Nonetheless, the inventory days are expected to come down significantly as two major orders, which constitute a significant portion of inventory are anticipated to be billed in near term. The NWC/OI is estimated to remain high in the range of 85-95% in the medium term, amid the likely increase in execution of development orders in the medium term (accounting for 47% of pending order book as of December 2024), which entails a longer cash conversion cycle. Nevertheless, DPIL's strong liquidity position acts as a mitigant to an extent. The ratings factor in the long gestation nature of

projects executed by the company, involving design and development of products. There is a relatively high likelihood of projects being deferred due to procedural delays (leading to order deferment), as inherent in the defence industry.

The Positive outlook reflects ICRA's expectation that DPIL will benefit from the expected improvement in order book position resulting in a healthy growth in revenues while sustaining strong operating margins, comfortable debt protection metrics and strong liquidity position.

## Key rating drivers and their description

### Credit strengths

**Strong financial risk profile and liquidity position** – Although DPIL's revenues moderated by 8% YoY to Rs. 312.1 crore in 9M FY2025, the company is expected to achieve growth of 15-18% for FY2025 (FY2024: Rs. 519.8 crore) and further likely to grow by 15-20% in FY2026, supported by its outstanding order book and expected new orders. The operating margins remained healthy at 40.2% in 9M FY2025 (42.6% in FY2024) on account of execution of certain high margin project and higher usage of the company's intellectual property (IP) in the projects and are likely to be in the range of 35-40% in FY2025 and FY2026. ICRA notes the low leverage levels while maintaining strong liquidity position, despite capex plans of around Rs. 75-100 crore in FY2025 and Rs. 100-125 crore in FY2026 for infrastructure and product development, which will be fully funded by internal accruals. Backed by low debt levels and absence of debt-funded capex plans, the leverage and coverage metrics are expected to remain comfortable.

**Healthy outstanding order book providing medium-term revenue visibility** – Despite moderation in order inflow in 9M FY2025 at Rs. 323.8 crore (Rs. 678.8 crore in FY2024), the outstanding order book position improved by 14% YoY to Rs. 1,094.7 crore as of December 2024. This translates into OB/OI ratio of 2.1 times providing medium-term revenue visibility. The development contracts contribute to around 47% of the total order book outstanding as on December 31, 2024, which is likely to lead to an increase in production contracts and support its revenue in the medium and long term. Notwithstanding the healthy order book, timely execution of such orders would remain critical to achieve revenue growth and profitability on the expected lines. DPIL's growth prospects remain healthy, driven by the Indian Government's focus on indigenisation in the defence sector as a part of the Make in India programme.

**Vast experience of management team; established relationships with reputed clientele in defence sector** – DPIL has an established track record of more than three decades in the design, development and manufacturing of electronic equipment for the defence and aerospace industries, which has helped it to establish strong relationships with its customers and suppliers. Its established relationships with reputed defence organisations in the domestic market enabled it to secure repeat orders from a majority of them. The major customers include the Ministry of Defence (MoD), Defence Research and Development Organisation (DRDO), BrahMos Aerospace Private Limited, Bharat Electronics Limited (BEL), Hindustan Aeronautics Limited (HAL), Electronic Corporation of India Ltd (ECIL) and units operated by the Indian Space Research Organisation (ISRO).

### Credit challenges

**High working capital-intensive nature of operations** – The company's working capital intensity (NWC/OI) stood at 127% as of September 2024 (105% as of September 2023) from 76% as of March 2024 as the operations are working capital intensive in nature owing to longer receivable cycle and high inventory levels. Around 30-40% of the revenue booking happens in the last quarter of the fiscal, adding to the elevated working capital indicators at the year end. Phase-wise billing, along with extensive trials and testing for technically critical products before the final acceptance, as well as procurement/stocking of electronic components done to cater to the new and existing orders resulted in an elongated inventory days of 570 days as on September 30, 2024 (369 days as of March 2024 and 408 days as on September 30, 2023). Nonetheless, the inventory days are expected to come down significantly as two major orders, which constitute a significant portion of inventory are anticipated to be billed in the near term. The NWC/OI is projected to remain high in the range of 85-95% in the medium term, amid the likely increase

in execution of development orders in the medium term (accounting for 47% of pending order book as of December 2024), which entails a longer cash conversion cycle. Nevertheless, DPIL's strong liquidity position acts as a mitigant to an extent.

**Long gestation period of product development; susceptible to regulatory changes in defence segment** – The research and development (R&D) cycle of defence products and solutions is long and could stretch for several years. Moreover, DPIL offers products and solutions that form a part of the larger delivery system manufactured by other system integrators with the end customer being the MoD. This elongates the cycle further. The company's operations are exposed to the inherent regulatory risks in the defence segment, including relatively high likelihood of projects being deferred due to procedural delays (leading to order deferment).

### Environmental and social risks

The entity is exposed to supply chain disruption due to environmental events and limited supplier base, risks related to waste disposal, pollution risks owing to the hazardous waste, which is the by-product of the manufacturing process and cost of compliance with pollution control regulations. In terms of social risks, it is vulnerable to availability of skilled technical talent, safety hazards for manufacturing operations, defects in products, which could lead to loss in reputation/business, etc.

### Liquidity position: Strong

DPIL's liquidity position is strong with free cash and liquid investments of around Rs. 557.5 crore as on September 30, 2024, and limited principal repayment obligations. The company is planning to incur a capex of around Rs. 75-100 crore in FY2025 and Rs. 100-125 crore in FY2026 towards infrastructure and product development, which will be funded through internal accruals. The average non-fund based limit utilisation for the last 12 months ending November 2024 remained at 84%, with an average cushion of around Rs. 200.0 crore in non-fund based limits.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if the company demonstrates a sustained improvement in its working capital cycle, along with healthy growth in its scale of operations while maintaining its operating profitability, leverage and strong liquidity position.

**Negative factors** – Negative pressure on DPIL's ratings could arise if there is a significant decline in order intake/earnings or a material increase in the leverage, or a considerable elongation in working capital cycle, impacting the company's liquidity position on a sustained basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

Data Patterns (India) Limited (previously Indus Teqsite Private Limited) is a defence and aerospace electronics solutions provider catering to the indigenously developed defence products industry with in-house design and development capabilities. The major products manufactured consist of radars, communication systems, electronic warfare suite, various electronic equipment for BrahMos programme, avionics, small satellites, automated test equipment (ATE) for defence and aerospace systems, commercial off-the-shelf (COTS) modules. It also generates service income by providing annual maintenance for the products manufactured and repair services. The company has a track record of more than three decades in the defence and aerospace electronics industry. DPIL has a manufacturing facility at SIPCOT IT Park, Chennai.

### Key financial indicators (audited)

DPIL	FY2023	FY2024	9M FY2025*
Operating income	453.5	519.8	312.1
PAT	124.0	181.7	107.7
OPBDIT/OI	38.5%	42.6%	40.2%
PAT/OI	27.3%	35.0%	34.5%
Total outside liabilities/Tangible net worth (times)	0.2	0.3	-
Total debt/OPBDIT (times)	0.0	0.0	-
Interest coverage (times)	22.6	23.8	14.0

Source: Company, ICRA Research; \*Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Current (FY2025)			Chronology of rating history for the past 3 years								
			FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 20, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term fund-based limits (CC)	Long term	50.00	[ICRA]A (Positive)	Jul 12, 2024	[ICRA]A (Positive)	Oct 23, 2023	[ICRA]A (Stable)	Nov 30, 2022	[ICRA]A- (Stable)	-	-
Short-term non-fund based limits (BG)	Short term	725.00	[ICRA]A1	Jul 12, 2024	[ICRA]A1	Oct 23, 2023	[ICRA]A1	Nov 30, 2022	[ICRA]A2+	-	-
Long-term - Unallocated limits	Long term	-	[ICRA]A (Positive)	Jul 12, 2024	[ICRA]A (Positive)	-	-	-	-	-	-
Proposed fund-based Limits	Long term	-	-	-	-	-	-	-	-	Mar 15, 2022	[ICRA]A- (Stable)
Proposed non-fund based limits	Short term	-	-	-	-	-	-	-	-	Mar 15, 2022	[ICRA]A2+
Short-term fund-based limits (WC DL)	Short term	-	-	-	-	-	-	Nov 30, 2022	[ICRA]A2+	-	-
Short-term non-fund based limits (ILC/FLC)	Short term	-	-	-	-	-	-	Nov 30, 2022	[ICRA]A2+	-	-

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash credit	Simple

**Short-term – Non-fund based – Bank guarantee**

Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term – Fund-based – Cash credit	NA	NA	NA	50.00	[ICRA]A (Positive)
NA	Short-term – Non-fund based – Bank guarantee	NA	NA	NA	725.00	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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