

CMP: INR 1,407

Rating: Buy

Target Price: INR 5,714

Stock Info

BSE	532329
Bloomberg	DTI IN
Sector	IT Services & Consulting
Face Value (INR)	10
Equity Capital (INR Mn)	48.7
Mkt Cap (INR Mn)	7390
52w H/L (INR)	2,310/622
Avg Yearly Vol (in 000')	5.4

Shareholding Pattern %

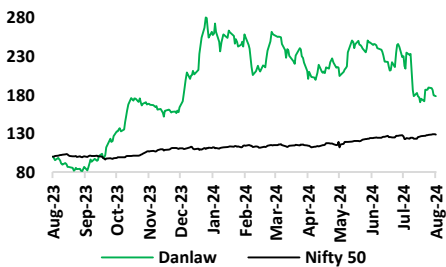
(As on June, 2024)

Promoters	61.9
Others	38.1

Stock Performance (%)

	1m	3m	12m
Danlaw	-8.1	-3.04	99.4
Nifty	4.6	11.2	28.5

Danlaw Vs Nifty



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Danlaw Technologies Ltd. (Danlaw) is a premier provider of engineering solutions for the automotive and aerospace industries, specializing in embedded systems, telematics, and IoT. With a robust presence in the U.S., Europe, and Asia, Danlaw serves a diverse clientele, including OEMs, Tier-1 suppliers, and technology firms. The company's strengths include software and hardware development for connected vehicle ecosystems, vehicle network communication, diagnostics, and test automation tools. Its proprietary telematics platform is gaining traction among automotive manufacturers for connected car solutions.

Strong clientele In India, Danlaw supplies leading companies like Eicher Motor Ashok Leyland, RE, M&M with V2V, V2X, and LCV data logging solutions.

Revenue mix: Sale of Products ~93% and Sale of Services ~7%.

Investment Rationale

Danlaw's OBD-II Solutions: Unlocking Fleet Management Potential in India: Danlaw, a leader in connected car technology, utilizes its DataLogger OBD-II devices and Bitbrew cloud platform to enhance ALD ProFleet, an advanced connected car solution. By integrating Vinli's cloud-connected platform, ALD ProFleet provides real-time vehicle data to fleet managers and drivers, boosting fleet management efficiency, utilization, and driver experience. Danlaw's DataLoggers transmit encrypted vehicle data to a secure cloud, where it is processed to deliver comprehensive fleet services via a customizable portal and mobile app. This presents a significant opportunity in India's growing connected vehicle market. Strong clientele like M&M & AL for the DataLogger.

Technocrat Promoter: Mr. Raju Dandu, Founder & Chairman of Danlaw Technologies Ltd., has over 40 years in the automotive industry, witnessing its shift from manual to electric and software-driven vehicles. With a Bachelor's in Electrical Engineering from India and a Master's from the USA, he has significantly contributed to Danlaw's growth from a startup to a global leader in automotive technology. His technical expertise and innovative vision have made Danlaw a trusted partner for OEMs and technology companies worldwide.

Opportunity in the EV business: The Indian government's push towards electric vehicles through initiatives like "Make in India" and anticipated 47.9% YoY growth in EVs presents significant opportunities for Danlaw. The company's focus on EV electronics and infrastructure aligns well with these national trends, offering potential for substantial growth in this sector.

Expanding EMS Capabilities: Danlaw plans to launch several new products in ADAS and vehicle diagnostics over the next 2-3 years, potentially boosting revenue. The EMS segment, which currently makes up 50% of their revenue, is expected to grow due to rising demand. Danlaw's expertise in V2V and V2X communication systems stems from extensive testing and experience with Level-1 OEMs. The company now operates 7 manufacturing lines for EMS systems, following the acquisition of a plant from Titan Time Products.

Localization in Manufacturing: By expanding its manufacturing capacity in Goa and aligning with the "Make in India" initiative, Danlaw is positioned to meet growing domestic and global demands for vehicle electrification and infrastructure needs. This strategic alignment helps in reducing import dependency and fostering research innovation in EV technology.

Strong R&D: Danlaw's focus on research and development in connected vehicle technologies and EV electronics positions it at the forefront of industry advancements. Its commitment to innovation supports its growth prospects and enhances its competitive edge.

Strategic Partnerships: Danlaw has formed key partnerships with Tier-1 suppliers and tech firms to improve its products and broaden its market presence.

Outlook and valuation

Danlaw Technologies India Ltd offers a strong investment opportunity, driven by its strategic alignment with government initiatives and a strong focus on emerging technologies such as EVs and smart infrastructure. With robust R&D capabilities and a proven track record in embedded systems, telematics (Strong clientele like Ford & GM), and IoT, Danlaw is well-positioned to capitalize on the rapid growth of the global automotive electronics and telematics market. Given these factors and its ability to navigate market dynamics and global challenges, we expect the stock could potentially 3-4x over the next two years. **We value Danlaw at a PE of 40x to its FY26e EPS of INR 142.8, which yields a target price of INR 5,714 per share. We assign a Buy rating on the stock.**

Exhibit 1 : Financial Performance

Particulars (INR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Revenue	278.1	1215.8	1671.4	2109.8	4400	7300
Profit After Tax	-26.9	42.8	72.5	222.3	434	700
PAT Margin	-9.66	7.83	4.34	10.53	9.86	9.6%

Source: Arihant Research, Company Filings

Other Rationale

Electronics Manufacturing: The growth of India's electronics manufacturing sector, supported by government incentives such as the PLI Scheme, presents opportunities for Danlaw. As the industry expands, Danlaw's manufacturing facilities and capabilities will enable it to support OEMs and Tier-1 suppliers efficiently.

Telematics and V2X Solutions: Danlaw's expertise in telematics and Vehicle-to-Everything (V2X) communication technology offers significant advantages in enhancing road safety and vehicle efficiency. These technologies are crucial for the development of smart cities and ADAS, areas where Danlaw is actively involved.

Smart Infrastructure and ITS: Investments in Intelligent Transportation Systems (ITS) and smart infrastructure in India provide a strong growth avenue. Danlaw's involvement in connected vehicle technology and its membership in ITS India Forum position it to benefit from these national and international standards and infrastructure improvements.

Growth in Connected Vehicle Market: Danlaw's cutting-edge telematics platform and software solutions are increasingly being adopted by top automotive OEMs, positioning the company to capitalize on the expanding connected vehicle sector.

Geographic Expansion: Danlaw is extending its presence into emerging markets like Asia-Pacific, where the rapidly growing automotive industry presents a significant customer base.

Product: Danlaw Technologies India Ltd offers a range of advanced products to enhance vehicle connectivity and management. Their Telematics Products include a 2G Telematics Control Unit (TCU) for collecting CAN data from vehicle ECUs and a high-end 4G TCU with AIS-140 certification, designed for fleet management with rugged IP67 protection. The Data Logger is an IoT device that securely collects and transmits vehicle and sensor data via cellular or Bluetooth. Their Body Control Products feature BCUs that manage and monitor electronic accessories in the vehicle body, while their Testing Products comprise a sophisticated PC application for ECU diagnostics and flashing via USB, as well as live data monitoring.

Key Risks: Danlaw faces several market challenges, including intense competition from larger players in the automotive and aerospace sectors. Regulatory changes related to data privacy, emissions, and vehicle safety could impact operations, while rapid technological advancements pose a risk of making existing products obsolete if innovation does not keep pace. Additionally, as Danlaw expands globally, it may encounter geopolitical risks such as trade wars, tariffs, and currency fluctuations.

Industry Outlook: The global automotive electronics and telematics market is projected to grow at about 15% CAGR over the next five years, driven by the rise in connected car technologies, electrification, and ADAS, along with stricter emissions and safety regulations. Danlaw, with its expertise in embedded systems and telematics, is well-positioned to benefit from these trends. Its strong presence in the U.S. and European markets and growing recognition in India offer significant growth opportunities as automotive manufacturers invest in advanced vehicle technologies.

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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