



# DCX Systems Limited

Investor Presentation  
Q3 & 9M FY24

Indigenise • Integrate • Manufacture



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# **Company** Overview



# About Us



- Preferred & largest Indian Offset Partner to Israeli Defence Company, IAI, for its offset obligations
- Expanding into other geographies for IOP & non-IOP projects



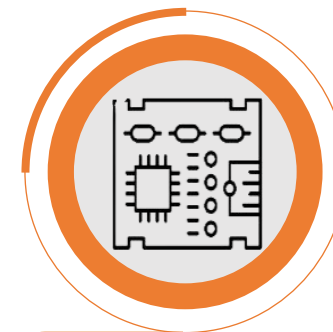
- Diverse mix of domestic & international customers across Israel, US, Korea & India



- 30,000 sq. ft. manufacturing unit, strategically located in SEZ in Bengaluru
- New Raneal EMS 40,000 sq. ft. facility dedicated for EMS



- Unique business model offering end-to-end solutions – cable & wire harness, electronic sub-systems, high-end System Integration & PCB Assembly for Defence & Aerospace sectors



- Expertise in EMS with focus on backward integration in PCBA's through subsidiary, Raneal Advanced Systems – for captive consumption & other markets
- Manufacturing cables & wire harness

# Our History



**2011-12**

- Incorporated as private company
- Fulfilled initial deemed export order

- Granted industrial license by Department of Industrial Policy & Promotion, GoI – manufacture items including microwave & electronic components, assembly & testing of microwave modules

**2015**

- Completed inaugural deemed export order
- Awarded AS-9100:2016 & ISO 9001:2015 certification by DQS Inc.

**2013**

**2018**

- Granted authorization to export Munitions List items to M/s IAI Elta System, Israel, for end use of Indian Air Force & Navy
- Signed lease deed for 6,070 sq. m. of land in Aerospace SEZ Sector, Hitech, Defence & Aerospace Park.

**2020**

- Commissioned new manufacturing facility at Hi-Tech Defence & Aerospace Park SEZ in Bengaluru, Karnataka

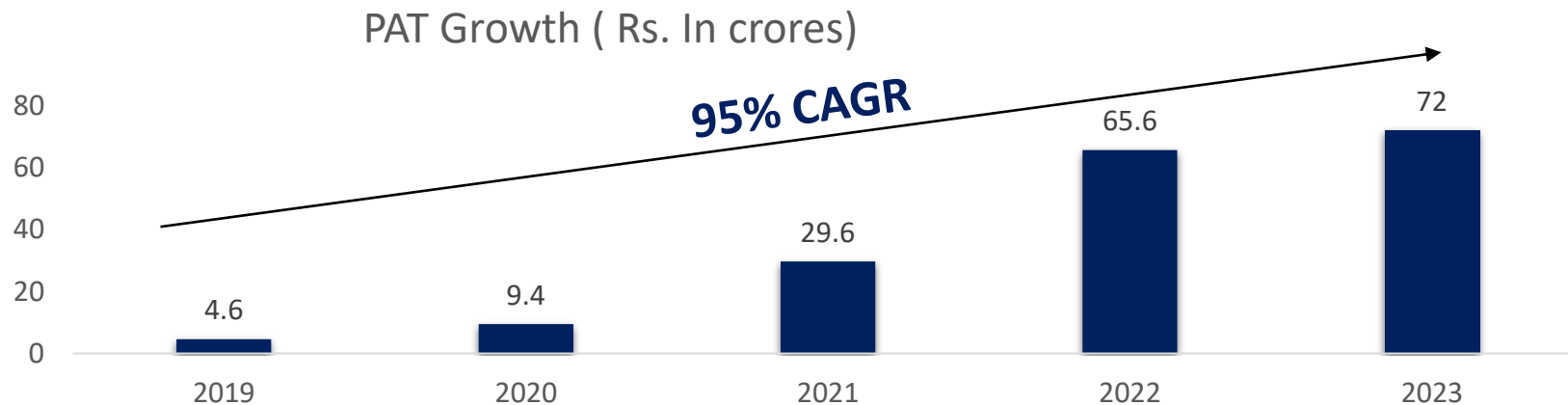
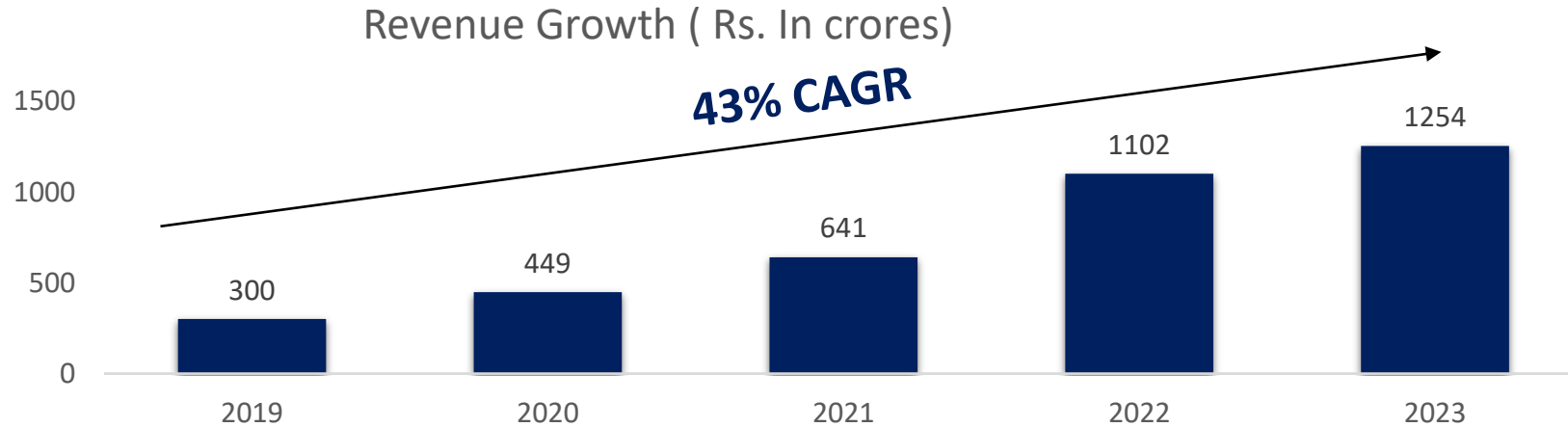
**2022**

- Raneal Advanced Systems incorporated as wholly-owned subsidiary, for backward integration catering to EMS
- Listed on BSE & NSE raising Rs. 400 cr through IPO

**2023-24**

- Started Commercial production – Raneal Advanced Systems
- Incorporated NIART Systems Limited – WoS of DCX for Obstacle Detection Solution for railways
- 4 Star Export House – Certificate of recognition
- Raised Rs.500 crs via QIP

# Consistent Growth



Consistent growth in top line driven by competent & experienced leadership with focused vision and robust execution capabilities

- Healthy **CAGR of 43%** on revenue growth over the last 5 years
- Strong **CAGR of 95%** in PAT over last 5 years
- **Order book** as of December 31<sup>st</sup>, 2023 is **Rs. 1,095 crores.**

# Strong & Experienced Management



## Dr. H.S. Raghavendra Rao | Chairman & Managing Director

- Promoter of Company with over 3 decades of experience in electronics manufacturing, defence & aerospace sectors
- Conferred with Business Leader of the Year award by ET Ascent



## Ranga KS | Whole Time Director & Chief Financial Officer

- Qualified Chartered Accountant
- Holds Bachelor's degree in Science from Bangalore University
- Previously associated with Micro Plastics Pvt Ltd & Alpha Design Technologies Pvt Ltd



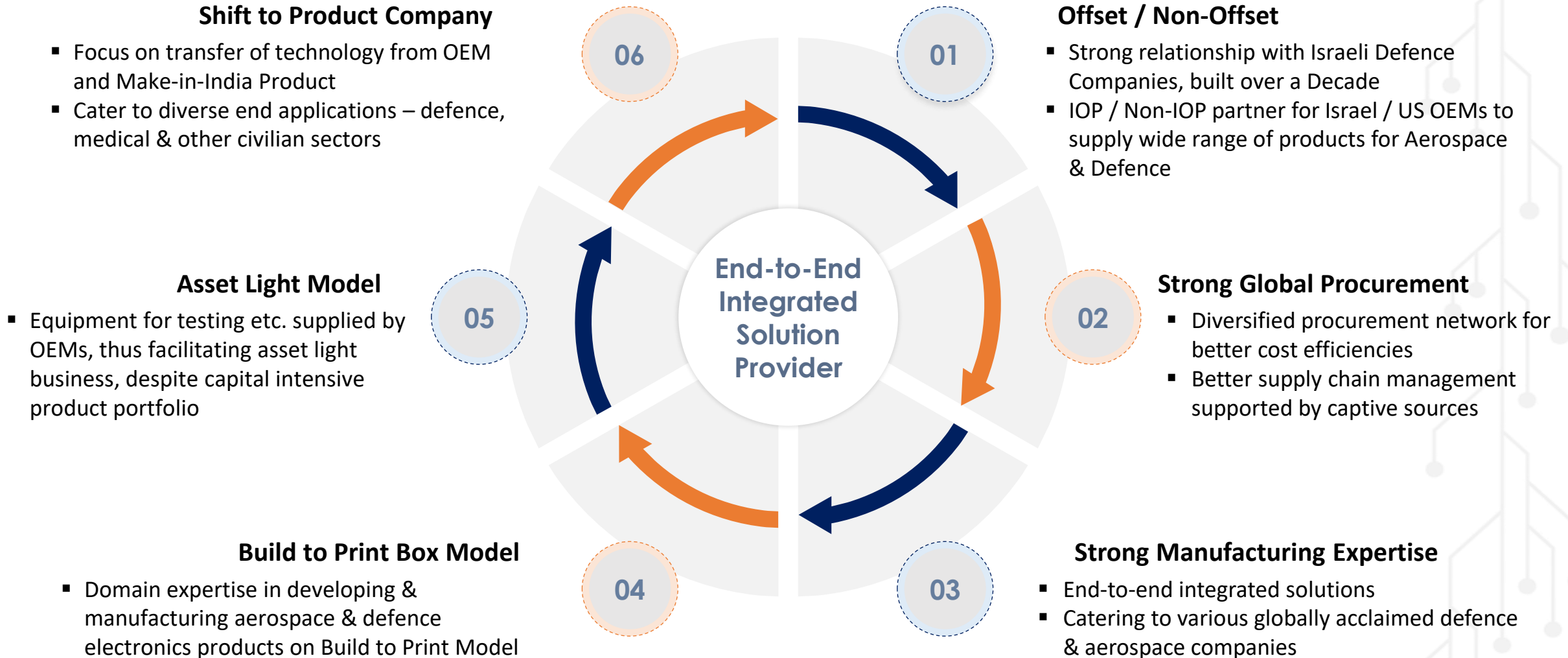
## Shiva Kumara R | Vice President

- Holds Bachelor's degree in engineering (Electronics & Communication) from Visveswaraiah Technological University, Belgaum
- Over 14 years of experience in Supply Chain Management

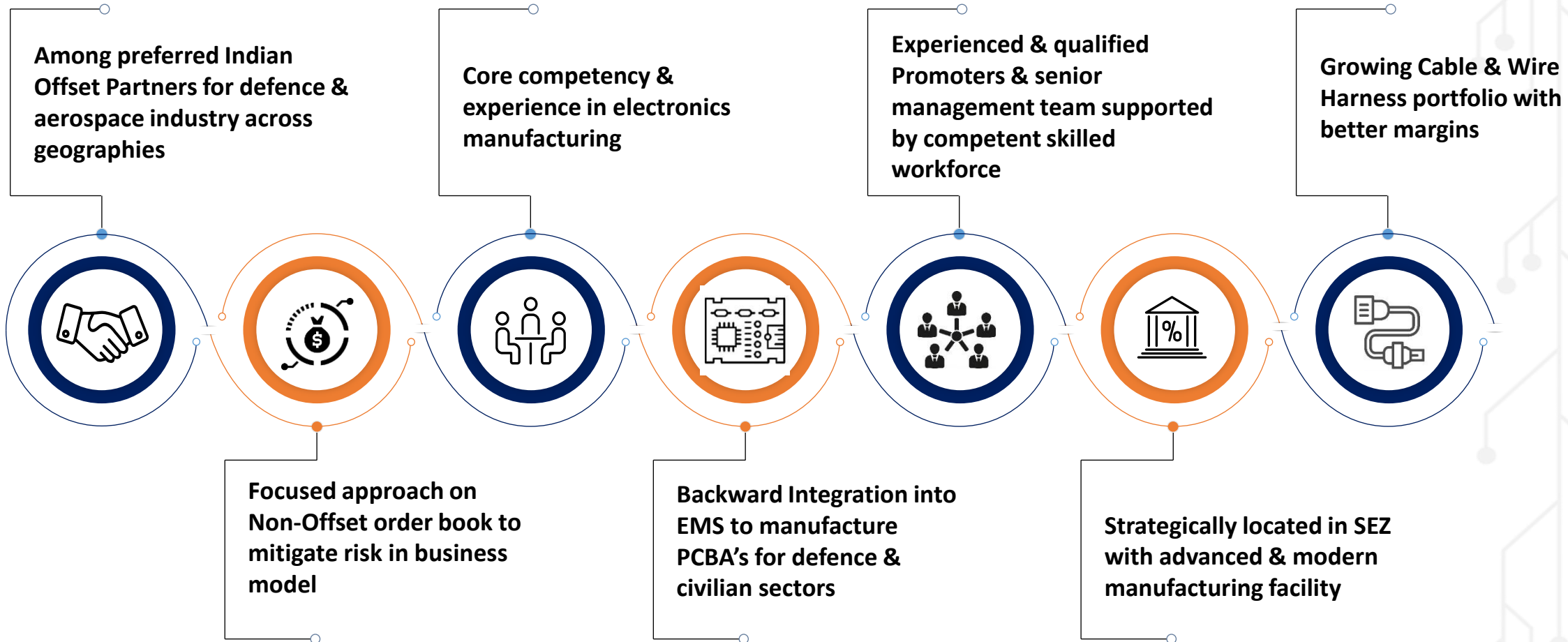




# Unique Business Model



# Key Strengths



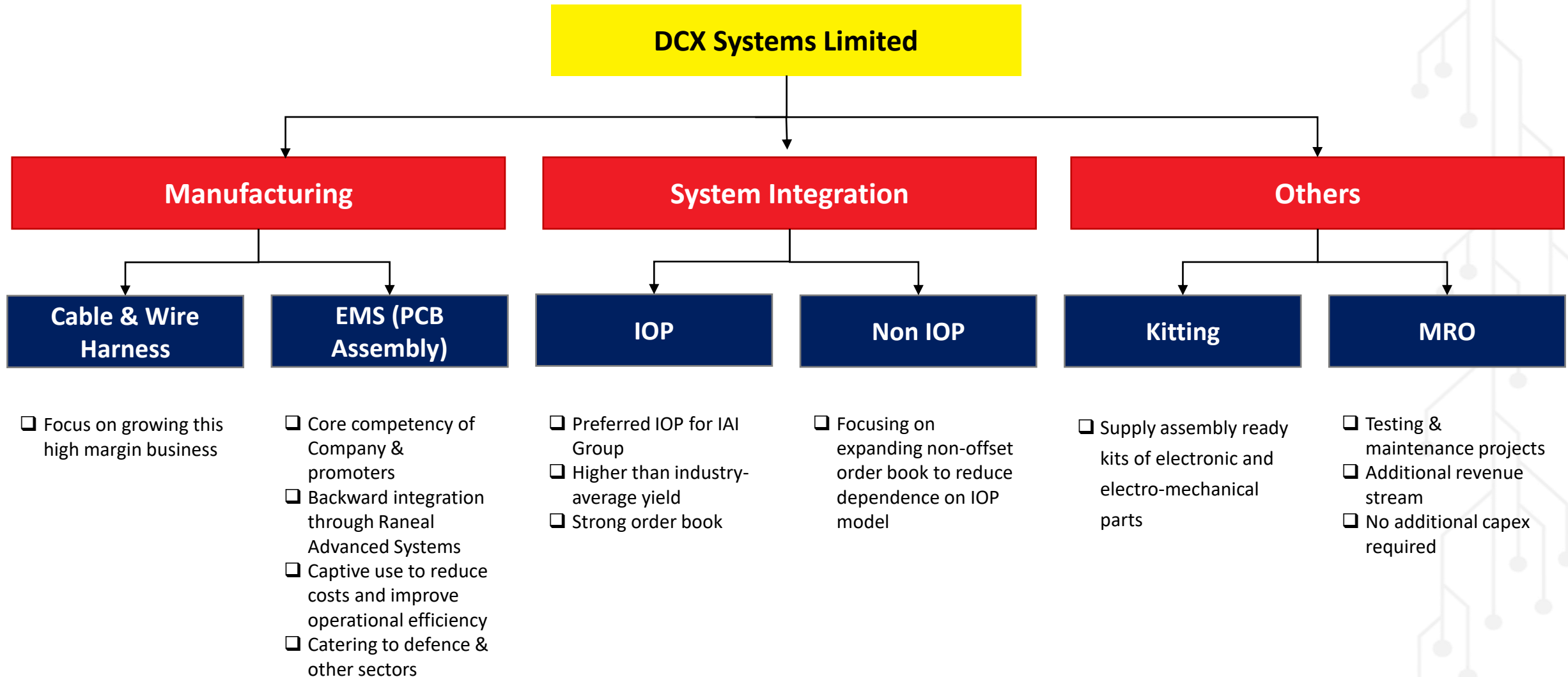
**Deeply entrenched company in Aerospace & Defence Industry for the last 12 years as MSME**



# **Business** Overview



# Business Structure



# Manufacturing



## Cables & Wire Harness

- ❑ Design & development of complex cables & wire harness
- ❑ Cater to electronic warfare & communication systems
- ❑ Established product portfolio covering cables & wire harnesses assemblies, like RF cables, co-axial, mixed signal, power, & data cables
- ❑ Focus on expanding this high-margin business
- ❑ Exploring inorganic growth opportunities

## Backward integration into EMS

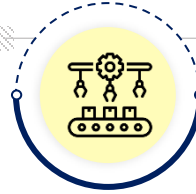
- ❑ Horizontal integration with PCBA
- ❑ Investing in Raneal Advanced Systems to grow PCBA business
- ❑ For captive use and other markets beyond defence & aerospace
- ❑ **Benefits:**
  - Cost control leading to better margins
  - Optimal utilization of working capital
  - Better control over supply chain management
- ❑ **Potential Opportunities**
  - Defence applications
  - Civilian applications – medical devices, electronics



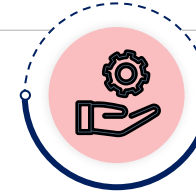
# Electronics Manufacturing Services



## RANEAL ADVANCE SYSTEMS



For Manufacturing, Qualification & Life cycle support of high reliability electronic assemblies



Used in Defence, Aerospace, Industrial Electronics, Medical Electronics, etc.



Leads to better cost control. Supply chain rationalization & resource planning. Improved top line and profitability.



# NIART Systems – Railways Opportunity



## JV with ELTA Systems

- DCX formed JV with ELTA Systems – named NIART Systems Ltd – to develop obstacle detection solutions
- JV to obtain ToT from ELTA & leverage DCX's manufacturing prowess to offer radar & optics products
- Higher quality products than the present industry standard – to increase track visibility by almost double
- Target domestic as well as export markets in railway sector to prevent crashes

**NIART**

## MOATs / USP

- Company benefits from technical know-how from ELTA while leveraging own manufacturing facilities for existing product portfolio
- Overseas tie-up to help facilitate access to global markets



# System Integration



- ✖ System integration (SI) services include electronics and electro-mechanical and enclosure assembly
- ✖ Covers in-house quality testing, e.g. vibration & environmental stress testing of complex RF products
- ✖ Used in radar, communication, surveillance & missile systems
- ✖ Preferred **IOP partner** for global OEMs for Classified products
- ✖ Focus on penetration into new geographies
- ✖ Better than Industry average Yield
- ✖ International quality standards, execution capability, cost competitiveness, high ethical foundation – leading to increasing **non-IOP projects**
- ✖ Share of non-Offset projects growing from ~15% to ~40% – reducing dependence on offset projects & benefiting margins

# Offset Opportunities



- Among largest IOPs for IAI Group, Israel, for Indian defence market
- “Build-to-Print” System Integration and manufacture cable & wire harness assemblies



Electronic Assemblies



Automatic missile detection radars



Unmanned aerial vehicle systems



Barak Systems



Medium range maritime reconnaissance aircraft



Short range surface to air missile

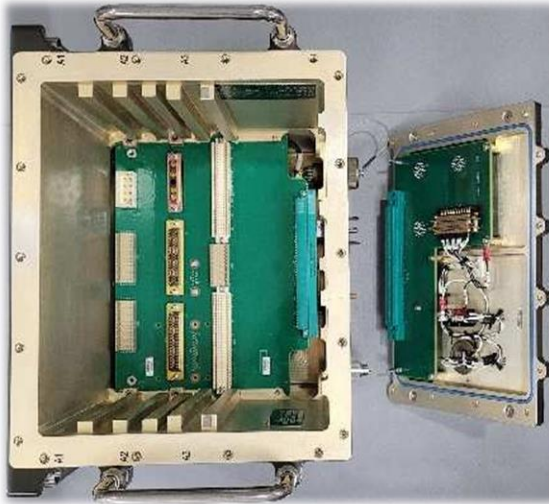
IOP Capability for



- ❖ AS-9100:2016 certification for quality management systems for aviation, space and defense products manufacturing
- ❖ Defence Industrial License from Ministry of Commerce and Industry for manufacture of key products



# Others

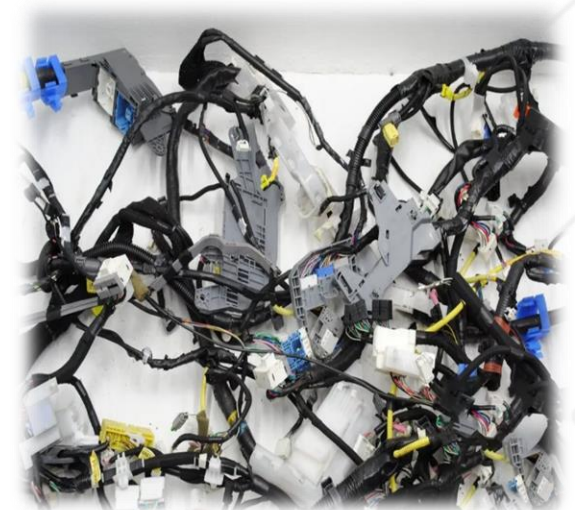


## MRO

- ❑ Sizeable opportunity in Maintenance, Repair & Overhaul
- ❑ DCX would be in better position to offer MRO services as it has in-house testing machinery provided by OEMs
- ❑ Additional stream of revenue with better margins
- ❑ No additional capex involved

## Kitting

- ❑ Supply assembly ready kits of electronic and electro-mechanical parts
- ❑ Kitting also reduces inventory levels, space requirements, indirect cost and overhead efficiencies



# Strong Customer-base Supporting DCX



## Key Customers



Working closely with clients:

- ✓ For timely execution
- ✓ For 'Just-in-Time' Inventory Management
- ✓ To improve quality of raw materials supplied

## Operational Efficiencies



DCX & its customers jointly monitor & ensure products' quality



Obsolescence proof – technology & IP rights – both with OEM customers



Customers provide equipment for testing & qualifying customized products



Customers typically reimburse costs incurred to maintain all buyer furnished equipment





# Industry Overview



# Indigenous Industry Drivers



## Atma Nirbhar Bharat

- Positive Indigenization List / Make in India
- Budget Allocation
- Corporation of Ordnance Factory Board (OFBs)
- FDI Norms
- Indian Offset – Self Reliant

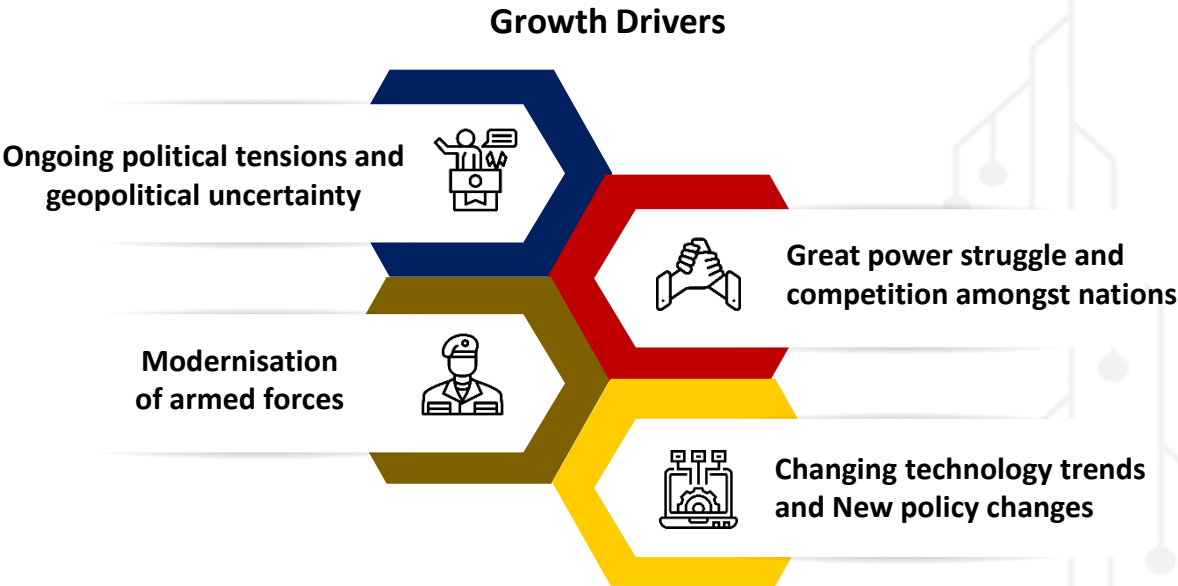
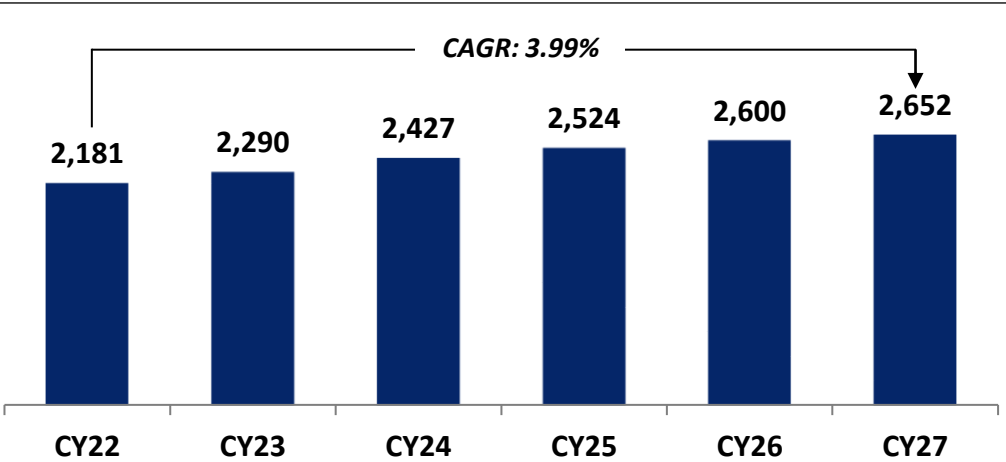
### Industry Tailwinds:

- Application of EMS products in civilian & other sectors like medical devices
- Transfer of Technology to develop products

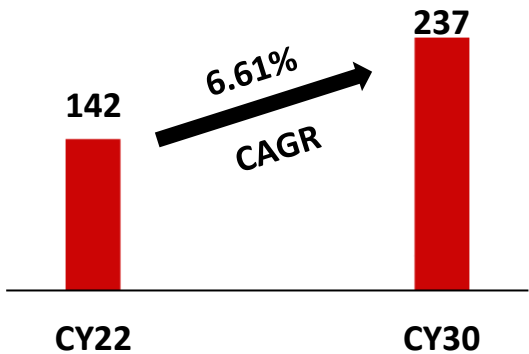
# Growing Defence Landscape presents key Opportunities



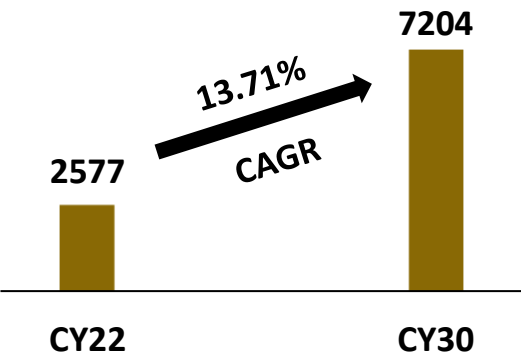
Global Defence Spending Forecast (in USD billion)



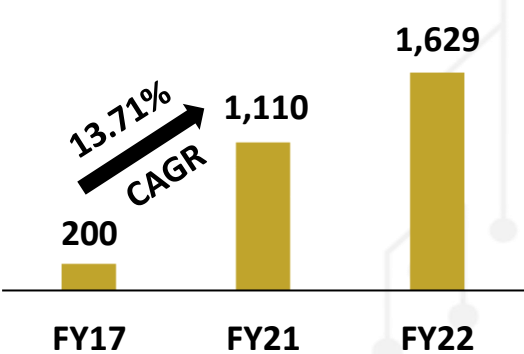
Global Defence Electronics Market (in USD billion)



Indian Defence Electronics Market (in USD million)



Indian Defence Exports (in USD million)

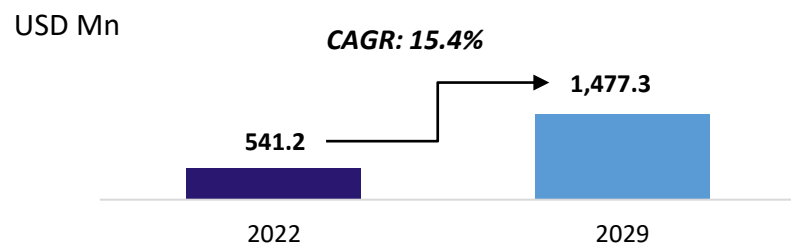


# Well-placed to Capitalize on Industry Tailwinds

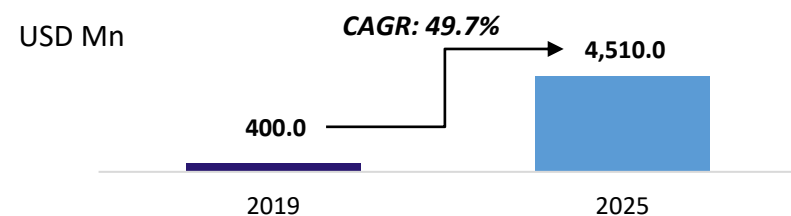


## High India market potential for DCX

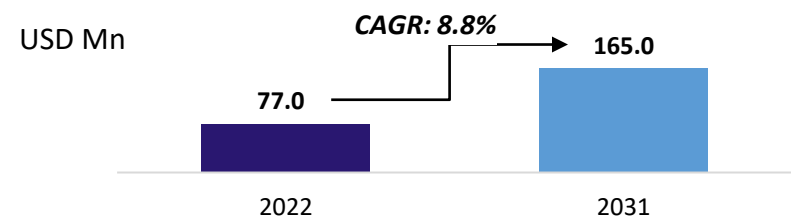
### Cable & Wire Harness Industry Size



### EMS Industry Size



### MRO Industry Size



### Numerous Government Initiatives

Positive Indigenisation List

Defence Acquisition Policy 2020

Corporatization of Ordnance Factory Board ("OFBs")

Indian Offset – Self Reliant

Only Indian Company with capability of entire range of products

Capability Matrix	EMS	System Integration	Cable & Wire Harness Assembly	Electro-Mechanical Assembly	MRO
DCX Systems Limited	✓	✓	✓	✓	✓





# **Financial Highlights**

# Q3 FY24 Financial Highlights



	Standalone				
Particulars (Rs. Crs.)	Q3 FY24	Q3 FY23	Y-o-Y (%)	Q2 FY24	Q-o-Q (%)
<b>Revenue from Operations</b>	<b>197.98</b>	<b>355.95</b>	<b>(44.38%)</b>	<b>309.12</b>	<b>(35.96%)</b>
Raw Material Expenses	178.79	322.01		283.54	
Employee Cost	3.19	2.66		3.08	
Other Operating expenses (Incl. FX Gain/Loss)	5.15	8.22		3.47	
<b>Total Expenditure (Incl. FX Gain/Loss)</b>	<b>187.13</b>	<b>332.89</b>		<b>290.09</b>	
Other Income	11.01	6.41		12.09	
Depreciation	0.58	0.48		0.48	
<b>EBIT</b>	<b>21.28</b>	<b>28.99</b>	<b>(26.60%)</b>	<b>30.64</b>	<b>(30.56%)</b>
<b>EBIT Margin</b>	<b>10.75%</b>	<b>8.14%</b>	<b>261 bps</b>	<b>9.91%</b>	<b>84 bps</b>
Interest	7.07	9.02		6.24	
<b>Profit Before Tax</b>	<b>14.21</b>	<b>19.97</b>		<b>24.40</b>	
Tax	2.32	2.68		3.99	
<b>Profit After Tax</b>	<b>11.89</b>	<b>17.29</b>	<b>(31.20%)</b>	<b>20.41</b>	<b>(41.74%)</b>
<b>PAT Margin</b>	<b>6.01%</b>	<b>4.86%</b>	<b>115 bps</b>	<b>6.60%</b>	<b>(59 bps)</b>
<b>Basic EPS</b>	<b>1.23</b>	<b>1.96</b>		<b>2.11</b>	

# 9M FY24 Financial Highlights



	Standalone		
Particulars (Rs. Crs.)	9M FY24	9M FY23	Y-o-Y (%)
<b>Revenue from Operations</b>	<b>677.20</b>	<b>743.08</b>	<b>(8.87%)</b>
Raw Material Expenses	618.95	663.15	
Employee Cost	9.26	7.73	
Other Operating expenses (Incl. FX Gain/Loss)	9.10	34.14	
<b>Total Expenditure (Incl. FX Gain/Loss)</b>	<b>637.31</b>	<b>705.02</b>	
Other Income	32.26	19.83	
Depreciation	1.53	1.42	
<b>EBIT</b>	<b>70.63</b>	<b>56.48</b>	<b>25.05%</b>
<b>EBIT Margin</b>	<b>10.43%</b>	<b>7.60%</b>	<b>283 bps</b>
Interest	20.25	20.78	
<b>Profit Before Tax</b>	<b>50.38</b>	<b>35.70</b>	<b>41.11%</b>
Tax	8.23	4.78	
<b>Profit After Tax</b>	<b>42.16</b>	<b>30.92</b>	<b>36.33%</b>
<b>PAT Margin</b>	<b>6.22%</b>	<b>4.16%</b>	<b>206 bps</b>
<b>Basic EPS</b>	<b>4.36</b>	<b>3.82</b>	



# Sept '23 Standalone Balance Sheet



Rs. in Crores		
Total Equity & Liabilities	Mar-23	Sep-23
<b>Shareholders Funds</b>	<b>567.06</b>	<b>592.64</b>
Share Capital	19.35	19.35
Other Equity	547.71	573.29
Non Controlling Interest	0.00	0.00
<b>Non Current Liabilities</b>	<b>1.24</b>	<b>1.30</b>
Long-Term Borrowings	0.00	0.00
Lease Liabilities	0.00	0.00
Other Financial Liabilities	0.00	0.00
Provisions	1.24	1.30
<b>Current Liabilities</b>	<b>643.53</b>	<b>498.21</b>
Short term Borrowings	503.71	408.97
Lease Liabilities	0.00	0.00
Trade Payables – Total	134.11	45.32
Other Financial Liabilities	1.10	4.62
Other Current Liabilities	4.55	39.07
Provisions	0.05	0.23
Current Tax Liabilities (Net)	0.00	0.00
<b>Total Equity &amp; Liabilities</b>	<b>1211.83</b>	<b>1092.15</b>

Rs. in Crores		
Total Assets	Mar-23	Sep-23
<b>Non Current Assets</b>	<b>31.12</b>	<b>35.19</b>
Property, plant & Equipment	10.82	13.46
Right of use Assets	4.30	4.30
Other Intangible Assets	0.04	0.04
Capital WIP	1.87	0.00
Other Financial Assets	3.07	3.37
Deferred Tax Assets	4.37	5.37
Other Non-Current Assets	0.05	0.05
Investments	6.60	8.60
<b>Current Assets</b>	<b>1,180.71</b>	<b>1,056.96</b>
Inventories	228.51	75.02
FA - Trade Recievables	319.53	213.83
FA - Cash & cash equivalents	10.54	16.79
FA - Bank balances	580.88	639.54
FA - Other Financial Assets	2.12	0.00
Other Current Assets	37.74	111.73
Current Tax Asset	1.39	0.05
<b>Total Assets</b>	<b>1,211.83</b>	<b>1,092.15</b>

# Standalone Cash Flow Statement



Rs. in Crores	Mar-21	Mar-22	Mar-23
Net Profit Before Tax	39.81	75.56	86.10
Adjustment:-			
Depreciation	2.43	2.18	1.82
Interest Expenses	4.74	7.24	18.71
Interest Income	-22.40	-22.02	-29.40
Excess of cost over fair value of investments	0.02	-	-
Profit on Sale of Fixed Asset	0.00	0.00	(0.13)
<b>Operating Profit before Working Capital Changes</b>	<b>24.60</b>	<b>62.95</b>	<b>77.11</b>
Changes In working Capital	92.57	-184.37	-637.61
<b>Cash Generated from Operations</b>	<b>117.17</b>	<b>-121.42</b>	<b>-560.51</b>
Tax Paid	-3.18	-12.60	-25.15
<b>Cash From Operating Activities</b>	<b>113.98</b>	<b>-134.03</b>	<b>-585.65</b>
<b>Cash Flow from Investing Activities</b>	<b>21.07</b>	<b>20.70</b>	<b>18.83</b>
<b>Cash from Financing Activities</b>	<b>-2.34</b>	<b>364.22</b>	<b>358.02</b>
<b>Net Cash Inflow / Outflow</b>	<b>132.71</b>	<b>250.89</b>	<b>-208.81</b>
Opening Cash & Cash Equivalents	416.62	549.33	800.22
<b>Closing Cash &amp; Cash Equivalent</b>	<b>549.33</b>	<b>800.22</b>	<b>591.42</b>





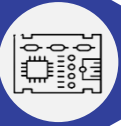
**Way Ahead**



# De-Risking Strategies



## Backward Integration into EMS



- PCBAs manufacturing through subsidiary, Raneal Advanced Systems
- Leading to lower costs & bolster supply chain
- Additional revenue stream

## New Geographies Penetration



- Expand global presence in aerospace & defence
- Total Offset Obligation pending with foreign OEMs as per DOMW is ~ USD 13.21 bn, of which DCX is targeting opportunity size of ~ USD 1 bn

## Grow Share of Non-Offset Projects



- Tap into new opportunities in Railways through NIART Systems
- High quality deliverables leading to more opportunities with OEMs
- Growing revenue from non-offset projects, full turnkey solutions

## Grow Cable & Wire Harness Business



- Focus on growing this product portfolio
- Better margin business

# Move Towards Product Company



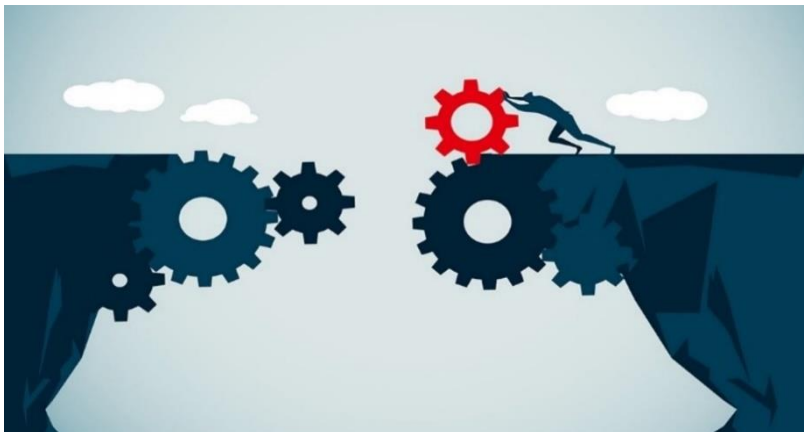
Technology Driven Product Company

Focus on acquiring Technology through JVs / getting the Transfer of Technology (ToT)

Save on R&D costs by acquiring ToT / JVs from OEMs

ToT also saves manpower cost and product development time

Govt. released Positive Indigenization list for Make in India Program in the Defence sector which (cannot be imported, must be manufactured in India) – DCX aims to get ToT for such products & supply to MoD/DPSUs and export market



Faster commercialization of Products & Technology

JV with global OEM's on Civilian technology to cater to Indian and Global Customers, e.g. NIART Systems

# Key Recent Developments



- ✈️ Raised Rs. 500 crores in the month of Jan - 2024 by way of QIP comprising of Institutional investors like MF, FII, and IC.
- ✈️ The object of fund raise was:
  - ✈️ Investment in Subsidiary – NIART Systems Limited (DCX – ELTA)
  - ✈️ Investment in JVs/Subsidiaries
- ✈️ DCX Systems further plans to improve its supply chain efficiency, cost efficiency, with better profit margins by focusing on new verticals.



# Glossary



Term	Description
DAP	Defence Acquisition Policy
DOMW	Defence Offset Management Wing
EMS	Electronic Manufacturing Services
PCBA	Printed Circuit Board Assembly
FDI	Foreign Direct Investment
IOP	Indian Offset Partner

Term	Description
IPC	Institute for Printed Circuit
LRSAM	Long Range Surface-to-Air Missiles
MoD	Ministry of Defence
MRO	Maintenance, Repair and Overhaul
MRSAM	Medium Range Surface-to-Air Missiles
OFB	Ordnance Factory Board
T-o-T	Transfer of Technology

# Thank You

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