



DCX Systems Limited

Investor Presentation
Q1 FY25

Indigenise • Integrate • Manufacture



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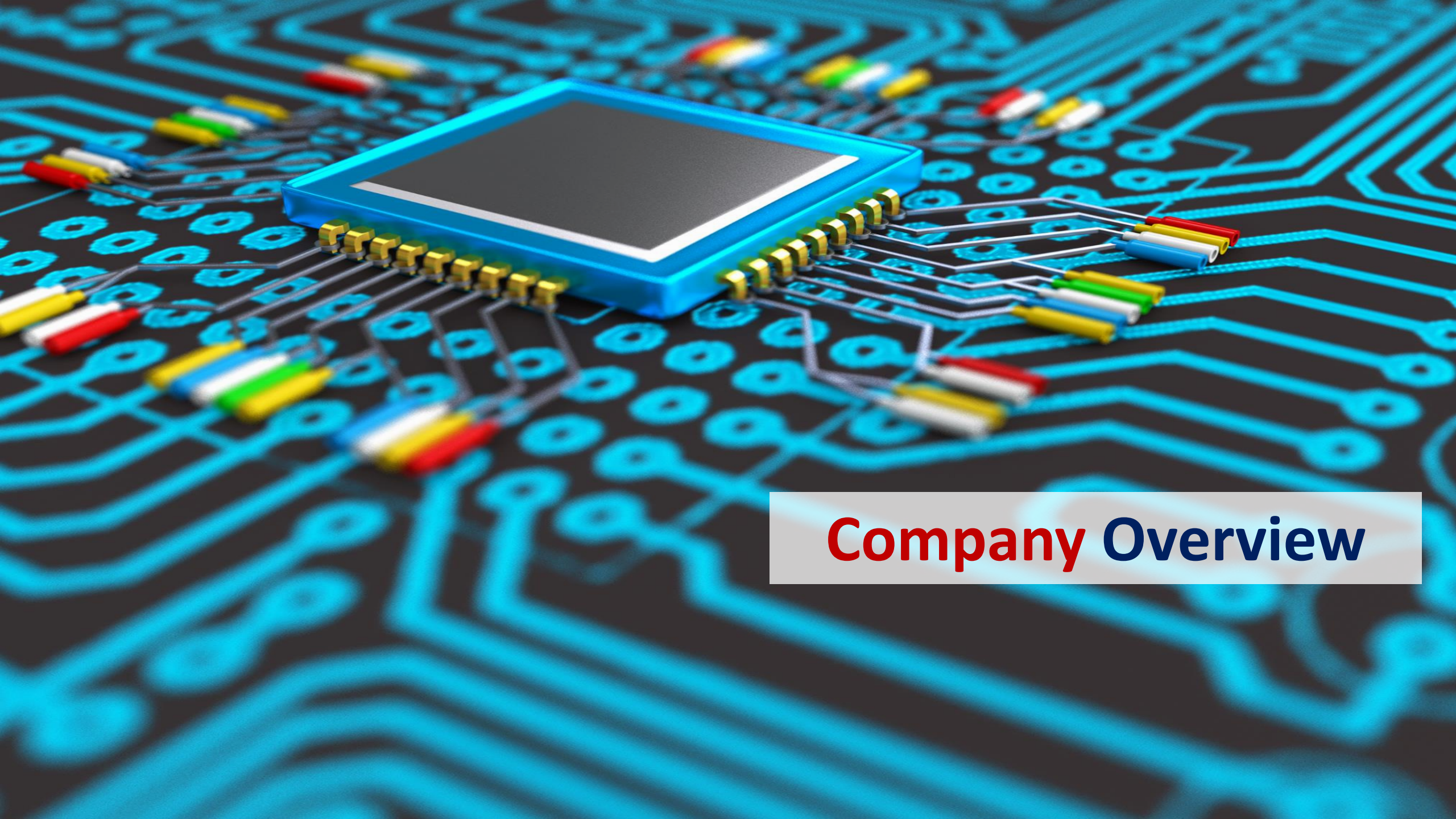
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Company Overview

About Us



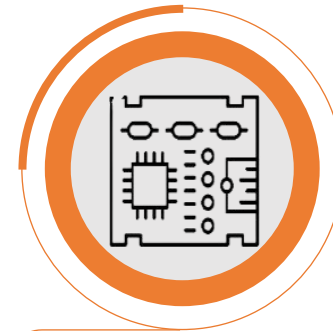
- Preferred & largest Indian Offset Partner to Israeli Defence Company, IAI, for its offset obligations
- Expanding into other geographies for IOP & non-IOP projects



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



- 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



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

Our History



2011-12

- Incorporated as private company
- Fulfilled initial deemed export order

2015

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

2020

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

2022-23

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

2024-25

- Signed Rs. 1,250 Crores contract with L&T India
- Won orders worth Rs. 32.20 crores from domestic & overseas clients

2013

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

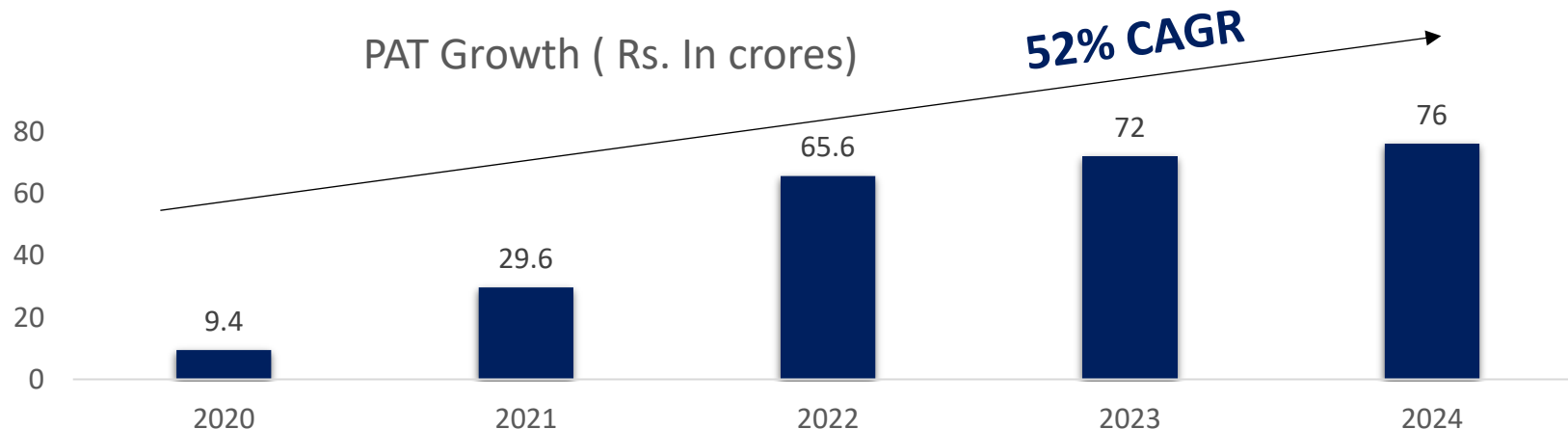
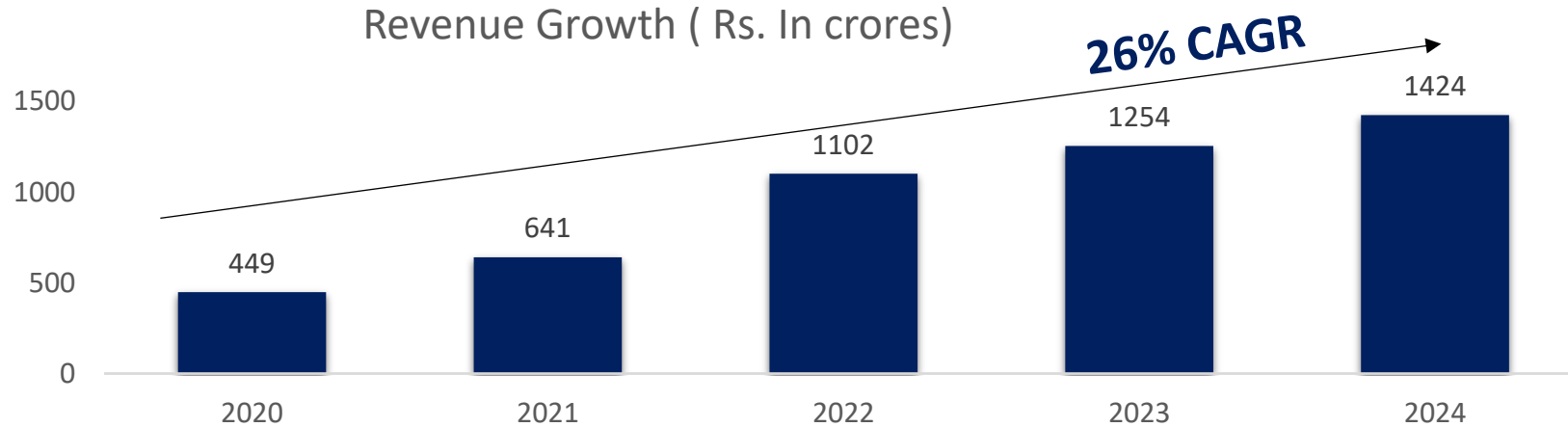
2018

- 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.

2023-24

- Incorporated NIART Systems Limited – WoS of DCX for Obstacle Detection Solution for railways
- Started Commercial production – Raneal Advanced Systems
- 4 Star Export House – Certificate of recognition
- Successfully completed QIP, raised Rs. 500 cr
- Received a purchase contract/order for US\$ 1.99 million from Lockheed Martin, USA

Consistent Growth



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

Healthy CAGR of 26% on revenue growth over the last 5 years

Strong CAGR of 52% in PAT over last 5 years

Order book as of June 30th, 2024 is Rs. 1,937 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



"Most Admired Company of the Year"

by ET Ascent



"Business Leader of the Year Award"

by ET Ascent



"Excellence in Defence & Aerospace Award"

by Midday Icons



"Young Entrepreneur of the Year Award"

at the 10th International Achievers Summit



"Excellence Award for Industrial Development"

by the Indian Economic Development and Research Association



"Mahatma Gandhi Samman Award"

by NRI Welfare Society of India

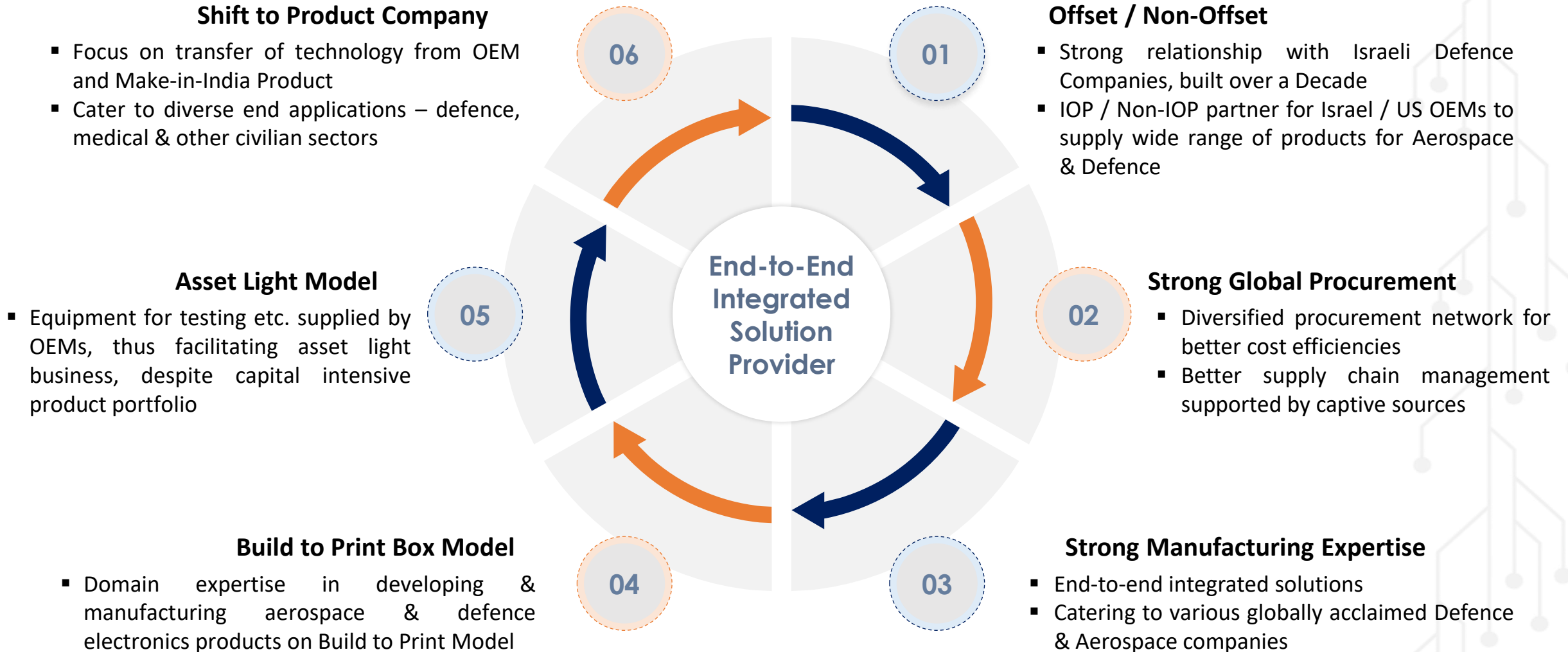
Diwakaraiah N J | Chief Financial Officer & Additional Executive Director

- Education includes LL.B from Karnataka State Law University, CMA from Institute of Cost Accountants of India, and B.Com from Bangalore University
- Over 35 years of experience in Strategy, Planning & Goal setting, Financials, etc.

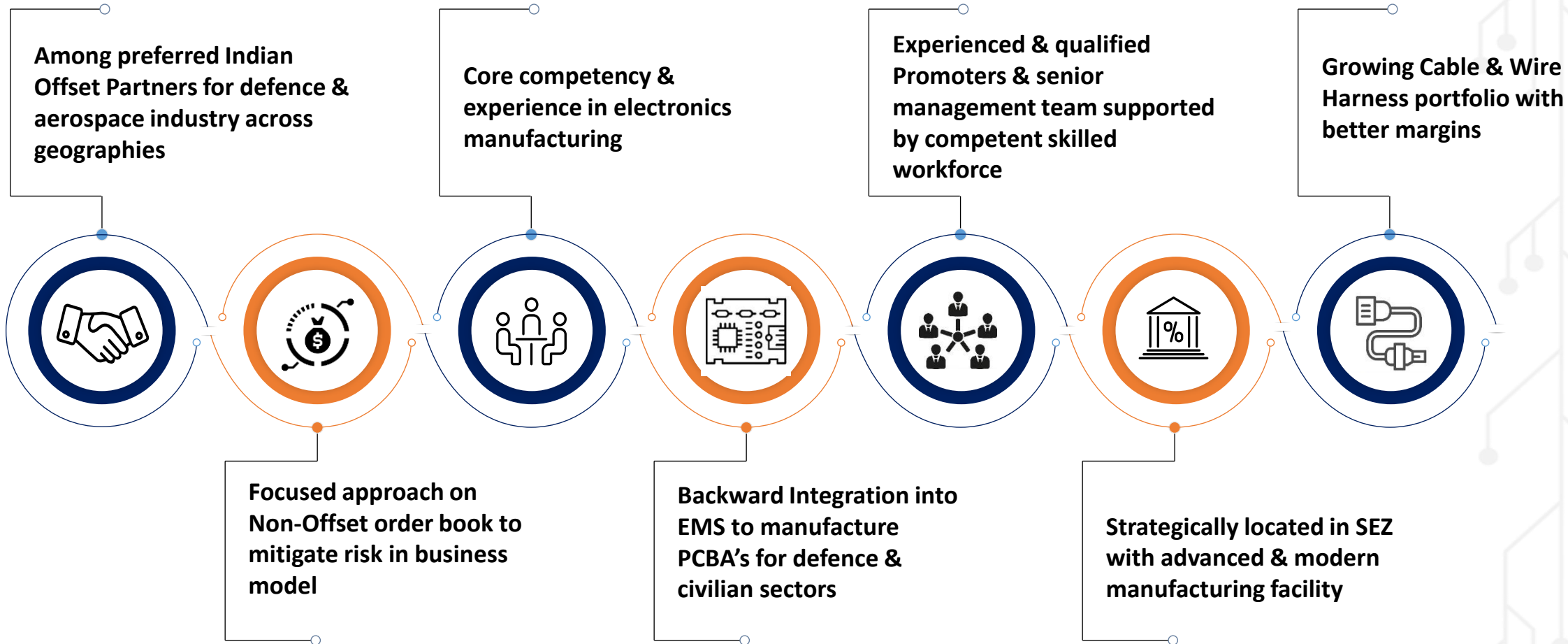
Shiva Kumara R | Vice President

- 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



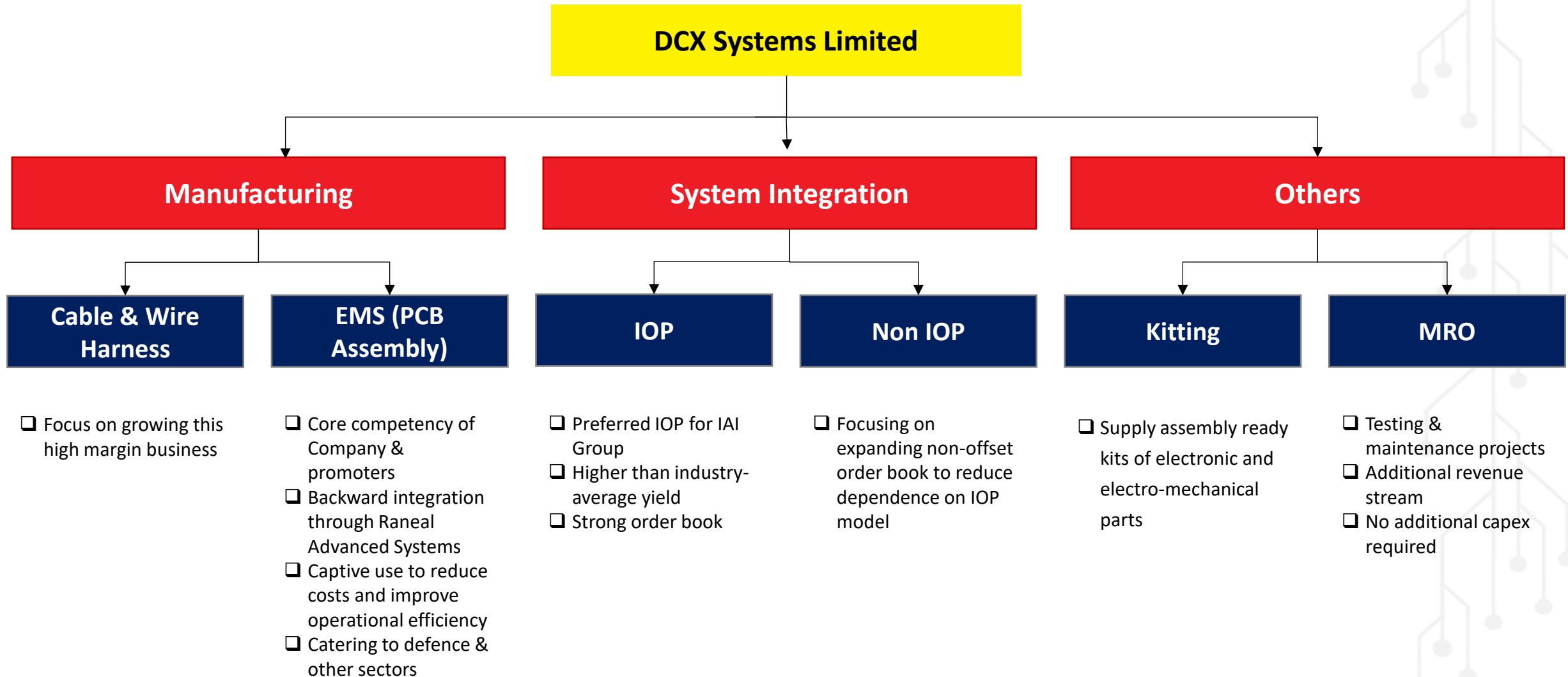
Key Strengths





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

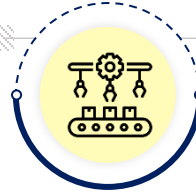
- ❑ Horizontal integration with PCBA
- ❑ Investing in Raneal Advanced Systems to grow PCBA business
- ❑ For captive use and other markets beyond defence & aerospace
- ❑ **Benefits:**
 - Cost control leading to better margins
 - Optimal utilization of working capital
 - Better control over supply chain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



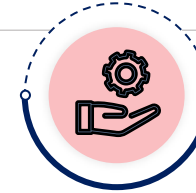
Electronics Manufacturing Services



RANEAL ADVANCED SYSTEMS



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



- Used in Defence, Aerospace, Industrial Electronics, Medical Electronics etc.
- Captive use as well as exports



- Better cost control
- Supply chain rationalization & resource planning
- Improved top line & 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 present industry standard – almost double track visibility
- Target domestic as well as export markets in railway sector

NIART

MOATs / Benefits

- Company benefits from technical know-how from ELTA while leveraging own manufacturing facilities
- NIART will procure SI, Cables & PCBA from DCX
- 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



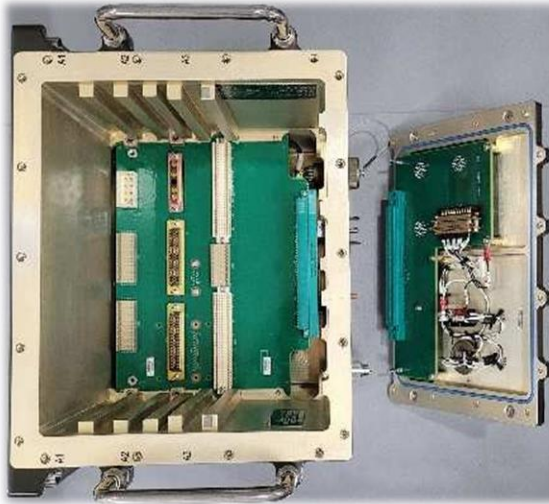
Short range surface to air missile

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 & Increasing 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

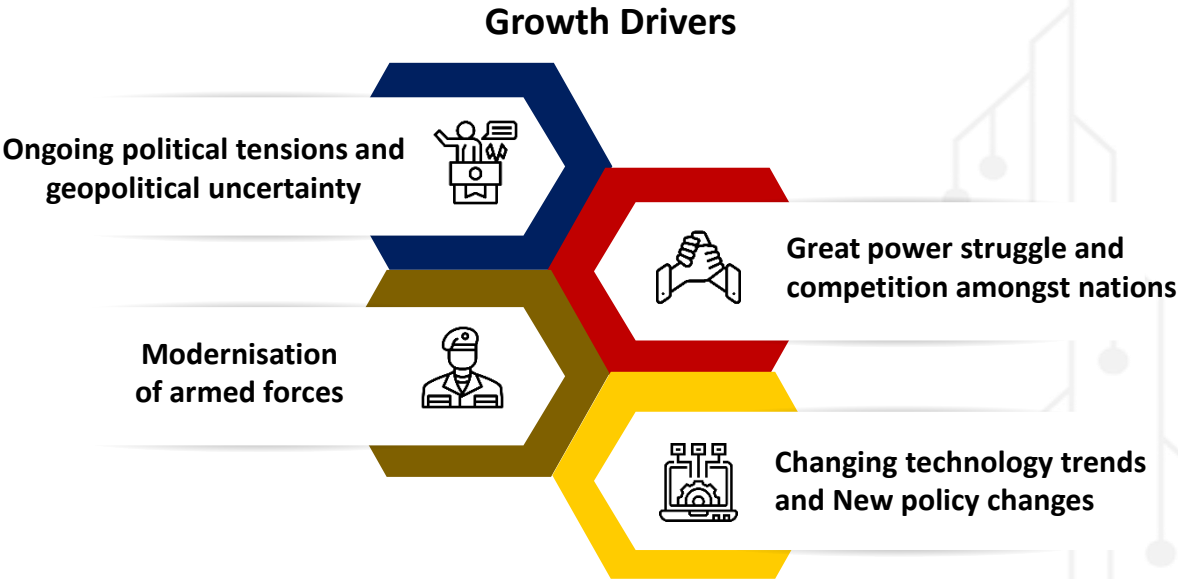
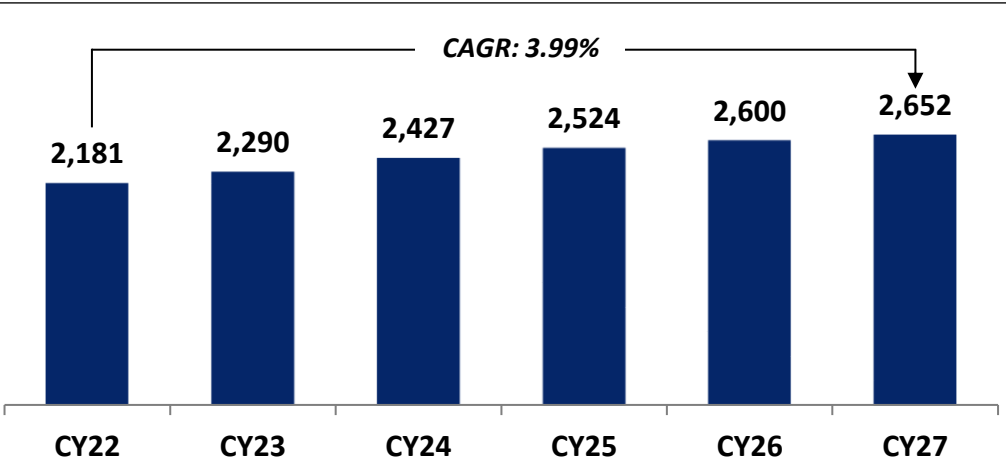
- — — — — → • Positive Indigenization List / Make in India
- — — — — → • Budget Allocation
- — — — — → • Corporation of Ordnance Factory Board (OFBs)
- — — — — → • FDI Norms
- — — — — → • Indian Offset – Self Reliant

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

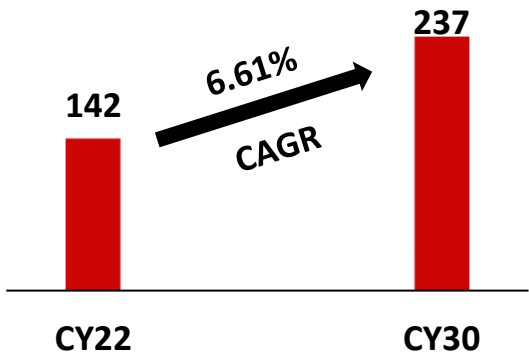
Growing Defence Landscape presents key Opportunities



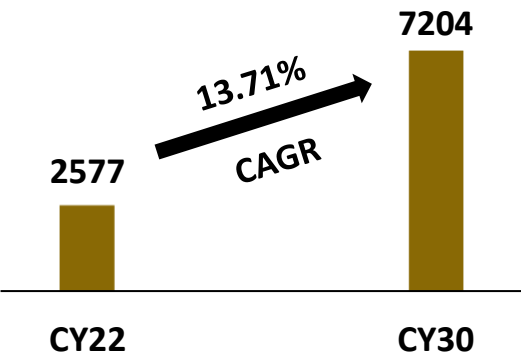
Global Defence Spending Forecast (in USD billion)



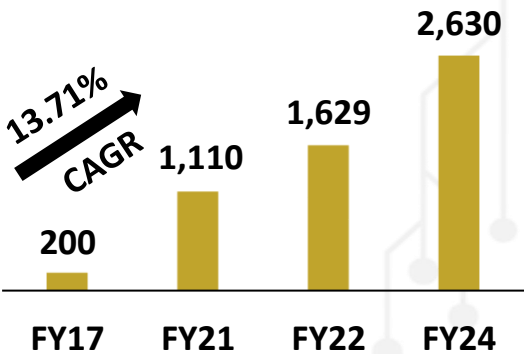
Global Defence Electronics Market (in USD billion)



Indian Defence Electronics Market (in USD million)



Indian Defence Exports (in USD million)

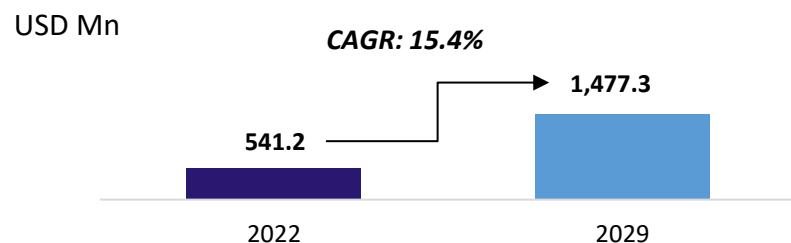


Well-placed to Capitalize on Industry Tailwinds

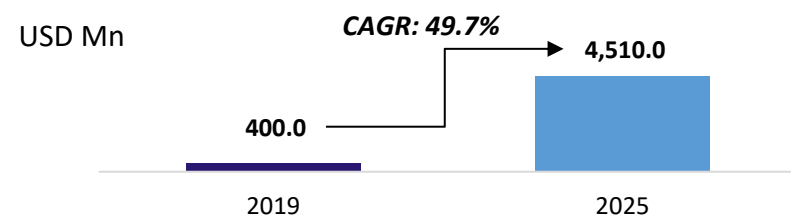


High India market potential for DCX

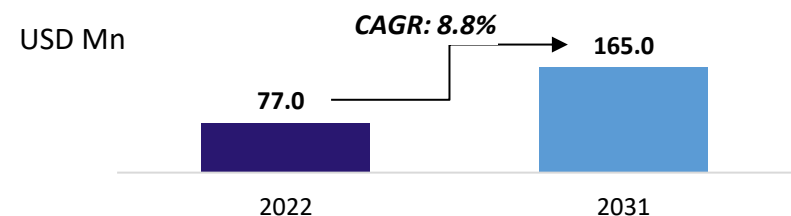
Cable & Wire Harness Industry Size



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 (PCBA)	System Integration	Cable & Wire Harness Assembly	Electro-Mechanical Assembly	MRO
DCX Systems Limited	✓	✓	✓	✓	✓



Financial Highlights

Q1 FY25 Financial Highlights



	Standalone					Consolidated
Particulars (Rs. Crs.)	Q1 FY25	Q1 FY24	Y-o-Y (%)	Q4 FY24	Q-o-Q (%)	Q1 FY25
Revenue from Operations	138.08	170.10	(18.82%)	746.19	(81.50%)	138.08
Raw Material Expenses	134.77	156.62		709.98		134.40
Employee Cost	3.36	2.99		2.81		4.99
Other Operating expenses (Incl. FX Gain/Loss)	3.07	2.62		3.25		3.50
Total Expenditure (Incl. FX Gain/Loss)	141.20	162.23	(12.96%)	716.03	(80.28%)	142.89
Other Income	16.20	11.30		13.95		18.32
Depreciation	1.31	0.47		0.95		2.81
EBIT	11.77	18.71	37.09%	43.16	(72.73%)	10.70
EBIT Margin	8.52%	11.00%	(248 bps)	5.78%	(301 bps)	7.75%
Interest	4.91	6.94		8.14		5.41
Profit Before Tax	6.86	11.77		35.02		5.29
Tax	2.35	1.92		9.08		2.35
Profit After Tax	4.51	9.85	54.21%	25.94	(82.61%)	2.94
PAT Margin	3.27%	5.79%	(252 bps)	3.48%	(252 bps)	2.13%
Basic EPS	0.40	1.02		2.39*		0.26

* Weighted average number of Shares after allotment to QIB

FY24 Financial Highlights



	Standalone			Consolidated
Particulars (Rs. Crs.)	FY24	FY23	Y-o-Y (%)	FY24
Revenue from Operations	1423.40	1253.63	13.54%	1423.58
Raw Material Expenses	1328.92	1119.22		1316.63
Employee Cost	12.06	10.50		13.90
Other Operating expenses (Incl. FX Gain/Loss)	12.34	40.00		13.16
Total Expenditure (Incl. FX Gain/Loss)	1353.33	1169.72		1343.69
Other Income	46.21	29.54		49.65
Depreciation	2.48	1.82		5.13
EBIT	113.79	111.63	1.93%	124.41
EBIT Margin	7.99%	8.90%	(91 bps)	8.74%
Interest	28.39	25.53		29.80
Profit Before Tax	85.40	86.10		94.61
Tax	17.30	14.09		18.83
Profit After Tax	68.10	72.01	(5.42%)	75.78
PAT Margin (%)	4.78%	5.74%	(96 bps)	5.32%
Basic EPS	6.83*	8.47		7.61*

* Weighted average number of Shares after allotment to QIBs

March '24 Standalone Balance Sheet



Rs. in Crores	Mar-24	Mar-23
Total Equity & Liabilities		
Shareholders Funds	1118.91	567.06
Share Capital	22.28	19.35
Other Equity	1096.63	547.71
Non Controlling Interest	0.00	0.00
Non Current Liabilities	1.84	1.24
Long-Term Borrowings	0.00	0.00
Lease Liabilities	0.00	0.00
Other Financial Liabilities	0.00	0.00
Provisions	1.84	1.24
Current Liabilities	681.32	643.53
Short term Borrowings	265.31	503.71
Lease Liabilities	0.00	0.00
Trade Payables – Total	380.14	134.11
Other Financial Liabilities	1.67	1.10
Other Current Liabilities	32.28	4.55
Provisions	0.07	0.05
Current Tax Liabilities (Net)	1.85	0.00
Total Equity & Liabilities	1802.07	1211.83

Rs. in Crores	Mar-24	Mar-23
Total Assets		
Non Current Assets	51.34	31.12
Property, plant & Equipment	28.00	10.82
Right of use Assets	4.30	4.30
Other Intangible Assets	0.03	0.04
Capital WIP	0.00	1.87
Other Financial Assets	3.73	3.07
Deferred Tax Assets	2.38	4.37
Other Non-Current Assets	0.05	0.05
Investments	12.85	6.60
Current Assets	1750.73	1,180.71
Inventories	125.42	228.51
FA - Trade Recievables	667.07	319.53
FA - Cash & cash equivalents	15.43	10.54
FA - Bank balances	819.33	580.88
FA - Other Financial Assets	0.00	2.12
Other Current Assets	123.48	37.74
Current Tax Asset	0.00	1.39
Total Assets	1802.07	1,211.83

Standalone Cash Flow Statement



(Rs. in Crores)		
Particulars	Mar-23	Mar-24
Net Profit Before Tax	86.10	85.40
Adjustment:-		
Depreciation	1.82	2.48
Interest Expenses	18.71	23.90
Interest Income	(29.40)	(43.24)
Excess of cost over fair value of investments	-	-
Profit on Sale of Fixed Asset	(0.13)	0.00
Operating Profit before Working Capital Changes	77.11	68.54
Changes In working Capital	(637.61)	(54.73)
Cash Generated from Operations	(560.51)	13.81
Tax Paid	(25.15)	(13.06)
Cash From Operating Activities	(585.65)	0.75
Cash Flow from Investing Activities	18.83	19.22
Cash from Financing Activities	358.02	223.37
Net Cash Inflow / Outflow	(208.81)	243.34
Opening Cash & Cash Equivalents	800.22	591.42
Closing Cash & Cash Equivalent	591.42	834.76

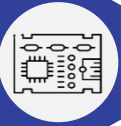


Way Ahead

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



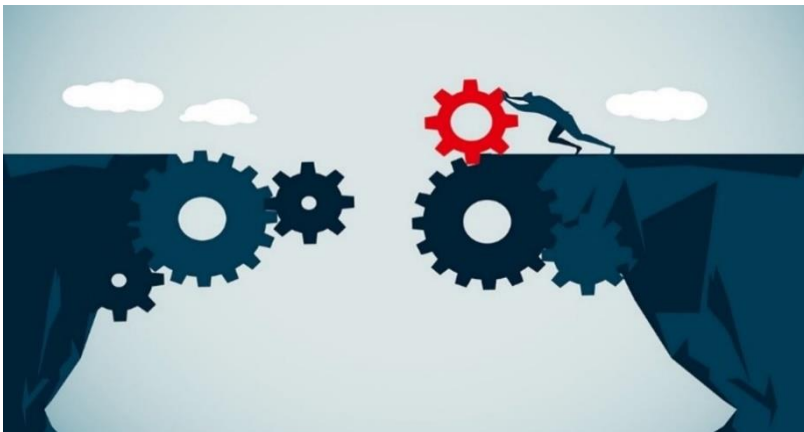
Technology Driven Product Company

Focus on Transfer of Technology (ToT), especially from Israel, US

Save on R&D costs by acquiring ToT from OEMs

ToT also saves manpower cost and product development time

Govt. identified list of indigenous products (cannot be imported, must be manufactured in India) – DCX aims to get ToT for such products & supply to MoD 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



-  DCX Systems signed agreement with L&T India worth Rs. 1,250 crore for manufacture & supply of electronic modules
-  Company won orders worth Rs. 32.21 crore from various domestic & overseas customers, for supply of cable & wire harness assemblies
-  DCX Systems entered supply & services agreement with Israel Aerospace India Services Pvt Ltd for supply & repair of spare parts & electronic components
-  Company received a purchase contract/order for US\$ 1.99 million (equivalent to Rs. 16.53 crore) from M/s. Lockheed Martin Corporation, USA
-  Company received a purchase contract/order for export orders from overseas customers valued at approximately US\$ 55.13 million (which is equivalent to Rs. 457.58 crore)

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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