



DCX Systems Limited

Investor Presentation
January 2023



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Company Overview

About Us



Among **leading Indian manufacturers** for electronic sub-systems and cable harnesses in terms of manufacturing capabilities and revenues in FY22 in defence and aerospace sector ⁽¹⁾



Preferred IOP for foreign original equipment manufacturers for executing aerospace and defence manufacturing projects ⁽¹⁾



Among largest IOP for ELTA Systems Limited and IAI Group, Israel, for Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies



Among fastest growing companies in Indian defence space with revenue having grown at CAGR of 56.64% between FY20 and FY22

Order book grown from Rs. 1,941.31 Cr., as of March 31, 2020 to **Rs. 2,154 Cr., as of December 31, 2022**



Strategically located Manufacturing facility in Bengaluru, Karnataka and spread over 30,000 square feet



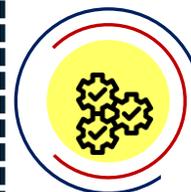
Growing Opportunity- **Indian Aerospace and Defense sector** poised to attain value of **USD 70 Bn by 2030** ⁽¹⁾



Long term relationships with OEM customers with **Sizeable order book**



Diverse mix of domestic and international customers Across Israel, United States, Korea and India



Backward Integration into EMS by investment in wholly owned subsidiary through IPO Proceeds to implement backward integration



Export revenues grew at CAGR of **34.69%** between FY20 to FY22

Key Milestones



2011

- Incorporated as private company

2012

- Executed first direct export order

2013

- Executed first deemed export order
- Awarded AS-9100:2016 and ISO 9001:2015 certification by DQS Inc.

2015

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

2018

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

2020

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

2022

- Raneal Advanced Systems Private Limited incorporated as a wholly-owned subsidiary with objective of backward integration catering to EMS
- Went public – raised Rs. 400 cr in fresh issue

Strong & Experienced Management



Dr. H.S. Raghavendra Rao | Chairman and Managing Director



- Promoter of Company with more than 2 decades of experience in electronics manufacturing and aerospace sectors
- Conferred with honorary doctorate in Business Management by International Peace University, Germany



"Indo-Nepal Ratan Award"

by the Economic Growth Society of India



"Business Leadership Award"

for excellence in defence electronics exports held in Dubai, 2021



"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"

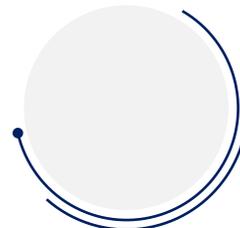
by NRI Welfare Society of India

Sankar Krishnan Ramalingam | Non-Executive Director



- An associate of Indian Institute of Bankers, who holds Bachelor of Science degree from University of Bombay and Diploma in Industrial Chemistry from British Institute, Bombay
- Overall experience of about 26 years in finance sector

Ranga KS | Chief Financial Officer



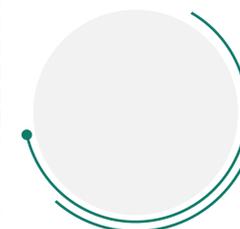
- Qualified Chartered Accountant
- Holds Bachelor's degree in Science from Bangalore University
- Previously associated with Micro Plastics Private Limited and Alpha Design Technologies Private Limited

Shiva Kumara R | Vice President



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

Nagaraj R Dhavaskar | CS, Legal and Compliance Officer



- Holds Bachelor's degree in law from Karnataka State Law University
- Holds Master's degree in commerce and Bachelor's degree in business management from Mangalore University
- Over 5 years of experience in legal compliance & Corporate sectorial services

Key Strengths



Asset Light Business Model with Just-in-Time Inventory leading to higher return ratios

Technology enabled and scalable end-to-end capabilities

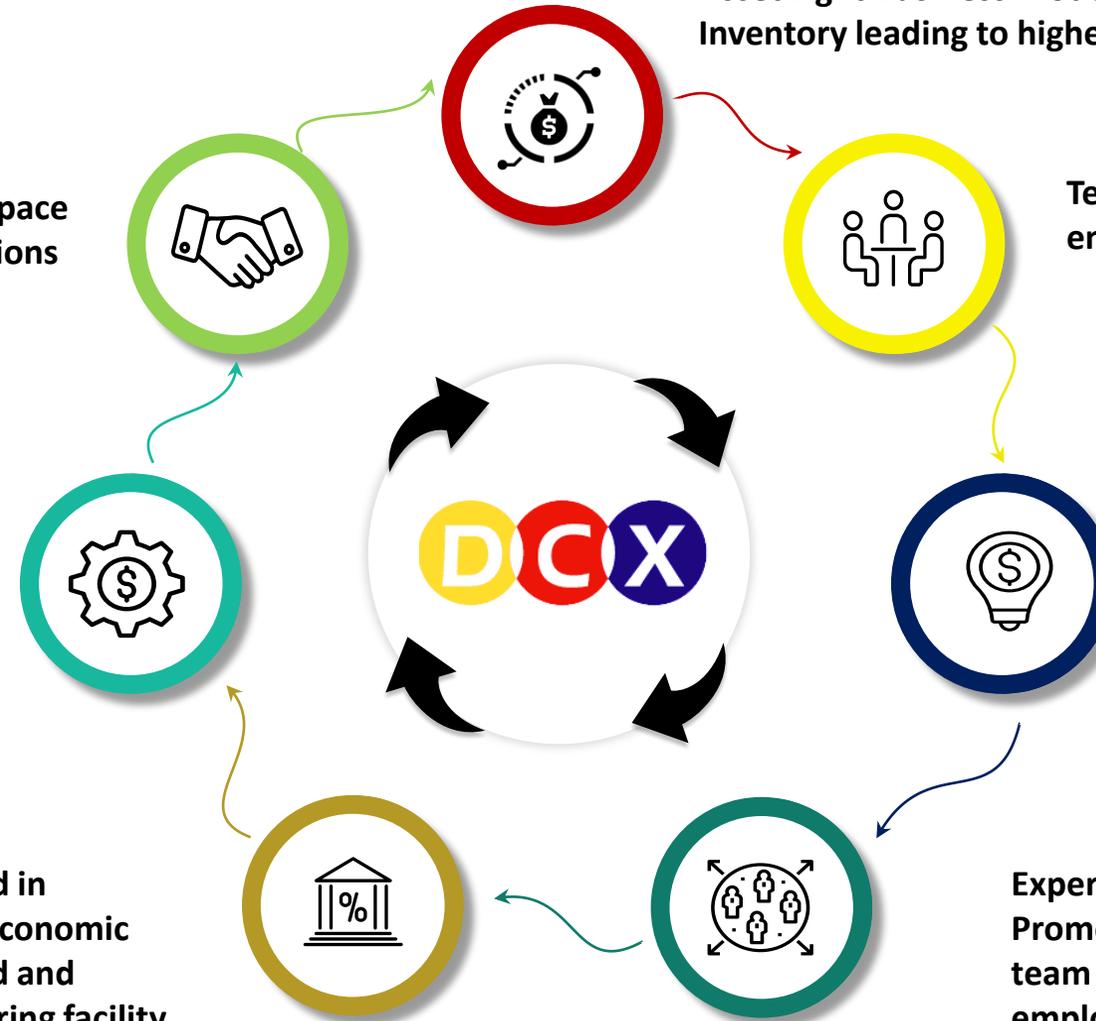
Well-positioned to capitalize on industry tailwinds

Experienced and qualified Promoters and senior management team supported by committed employee base

Strategically located in aerospace Special Economic Zone with advanced and modern manufacturing facility

Business model with visibility of cash flows and ability to mitigate operational and technology risks

Among preferred Indian Offset Partners for defence and aerospace industry with global accreditations



Among largest IOPs for IAI Group, Israel, for Indian defence market



Business Overview

Business Verticals



System Integration Services

System integration services are part of comprehensive array of electronics and electro-mechanical and enclosure assembly



Radar Systems



Missiles



Cable and Wire Harness Assemblies

Manufacture comprehensive array of cables and wire harnesses assemblies such as radio frequency cables, co-axial, mixed signal, power, and data cables



Electronic Warfare



Communication Systems

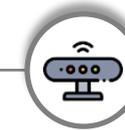


Kitting

Supply assembly ready kits of electronic and electro-mechanical parts



Military Armoured Vehicles



Sensors



Cater to

Photos

Among Preferred IOPs with Global Accreditations



- Among largest IOPs for IAI Group, Israel, for Indian defence market
- Undertake “Build-to-Print” system integration and manufacture cable and wire harness assemblies

Key Certifications



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 defence subsystems that includes microwave components, modules for radar and electronic warfare subsystems, microwave sub-modules, for command and guidance units for missile subsystems only

Electronic Assemblies

Automatic missile detection radars

HERON unmanned aerial vehicle systems

DCOX has submitted acceptance to act as IOP for Upcoming Offset Projects

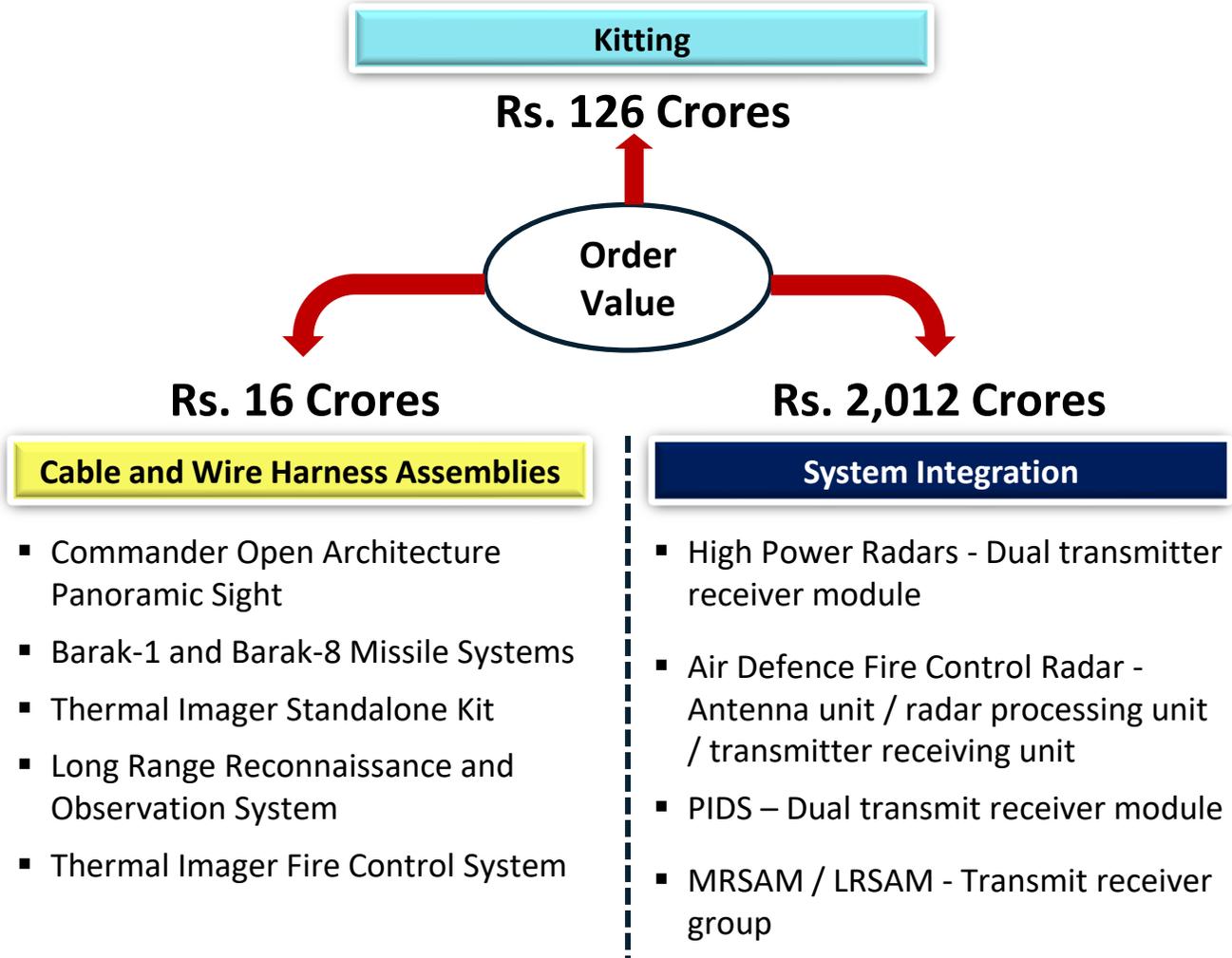
Barak Systems

Medium range maritime reconnaissance aircraft

Short range surface to air missile

Order Book as of December 31, 2022

- Ready kits of electronic and electro-mechanical parts



Cable and Wire Harness Assemblies

- Commander Open Architecture Panoramic Sight
- Barak-1 and Barak-8 Missile Systems
- Thermal Imager Standalone Kit
- Long Range Reconnaissance and Observation System
- Thermal Imager Fire Control System

System Integration

- High Power Radars - Dual transmitter receiver module
- Air Defence Fire Control Radar - Antenna unit / radar processing unit / transmitter receiving unit
- PIDS – Dual transmit receiver module
- MRSAM / LRSAM - Transmit receiver group

Long Standing Relationships with Customers

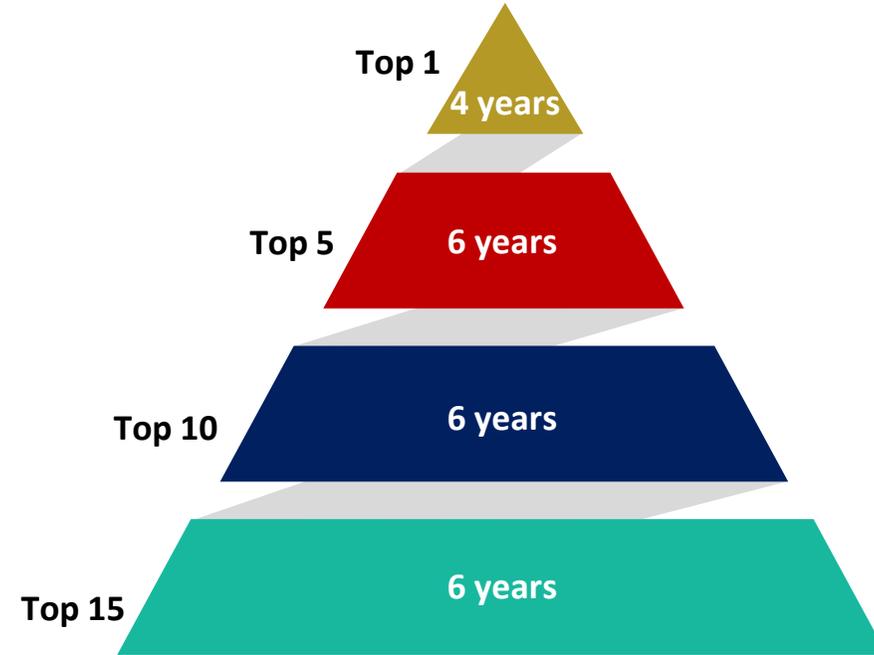


Customers present in **Israel, United States, Korea and India**

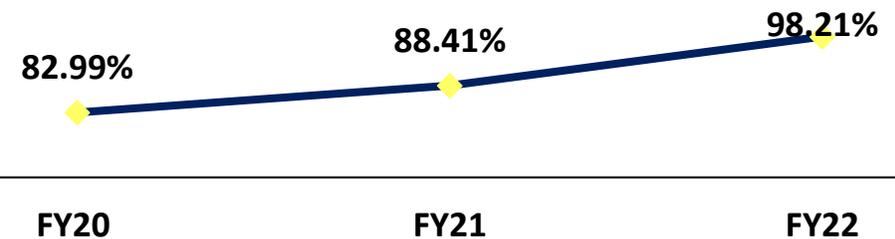


>5 years
Average period of business relationship with top 3 customers

Average Years of Relationship with Suppliers



Repeat Orders from top 3 customers (as % of total orders)



Reputed clientele supporting DCX in various ways



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 and its customers jointly monitor and ensure quality of items



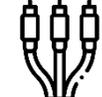
Obsolescence proof Manufacturing as technology coupled with intellectual property rights - both vest with OEM customers



Customers provide equipment required for testing and qualifying customized products



Customers typically reimburse for costs incurred to maintain all buyer furnished equipment

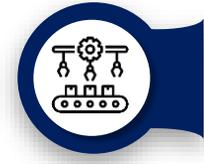


As of December 31, 2022, DCX held about ₹ 250 cr worth of equipment provided by customers

Strategically located in aerospace Special Economic Zone with advanced and modern manufacturing facility



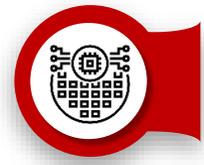
Facility spread over **30,000 square feet** – strategically located in same city as some key domestic customers - **ensuring shorter delivery times**



Facility situated within SEZ that offers duty free imports, exemption from GST and supplies that are zero rated under extant regulations



Set up for complete in-house environmental and electrical testing and contains latest inspection and testing equipment



Undertake **“Build-to-Print” system integration** and **cable and harness prototype manufacturing and testing**



Equipped with advanced machinery and equipment including laser wire maker, controlled torque tools, vacuum pump and desiccator, temperature controlled soldering station among others

System integration services include in-house testing, including vibration & environmental stress testing of complex radio frequency products to ensure high quality final products

Wide ranging In-house capabilities - from complete design & development for cable & wire harness assemblies to extensive wire processing

Technology enabled and scalable end-to-end capabilities



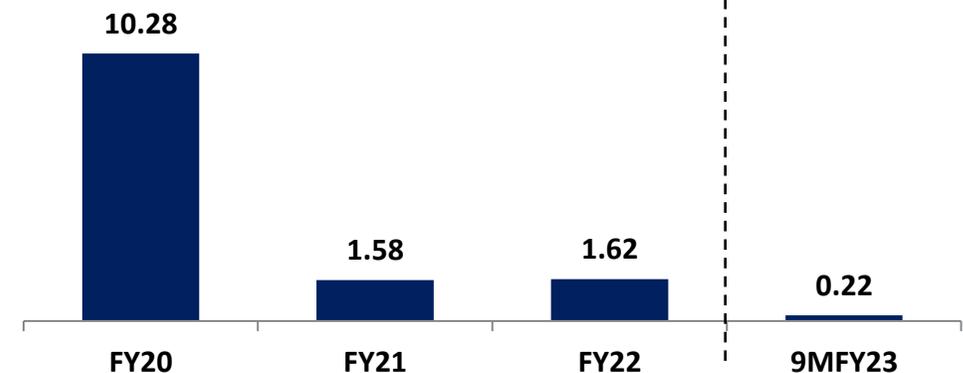
Specialized capabilities across products

Array of electronic, electro-mechanical and wired assemblies, and full-system integration services - can be configured as per customers' requirements

Specializes in manufacturing assemblies used in applications for land, underwater and airborne use

Skillset and technology to manufacture cable and wire harnesses including radio frequency, coaxial, mixed signal, power, data, submergible, twinnax cables, shielded cable harness, flexible cables and open and closed type harnesses

Capital Expenditure (Rs. Cr)



Flexibility to scale without incurring significant Capex

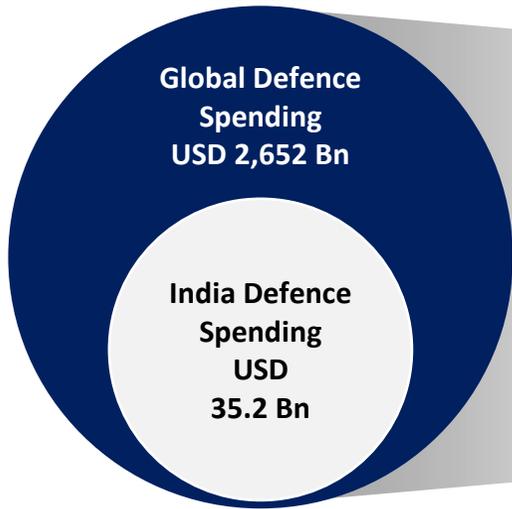
Well-positioned to capitalize on industry tailwinds



Growing defense landscape both in India and Global Markets serves as key opportunity for DCX

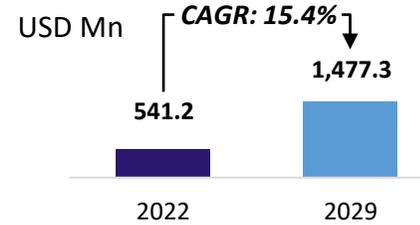
2027 Defence Industry Size

2027 Defence Electronics Size

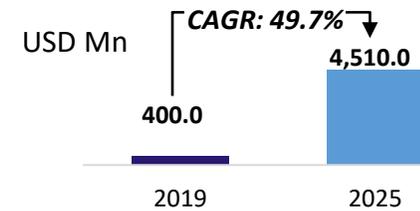


High India market potential for DCX

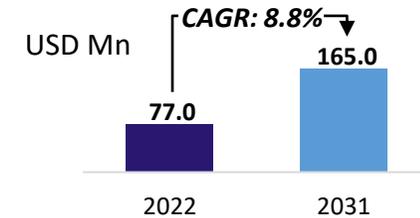
Cable and Wiring Harness Size



EMS Industry Size



MRO Industry Size



Numerous Government Initiatives

Positive Indigenisation List

Defence Acquisition Policy 2020

Corporatisation of Ordnance Factory Board ("OFBs")

Indian Offset – Self Reliant

Only Indian Company with capability of entire range of products

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



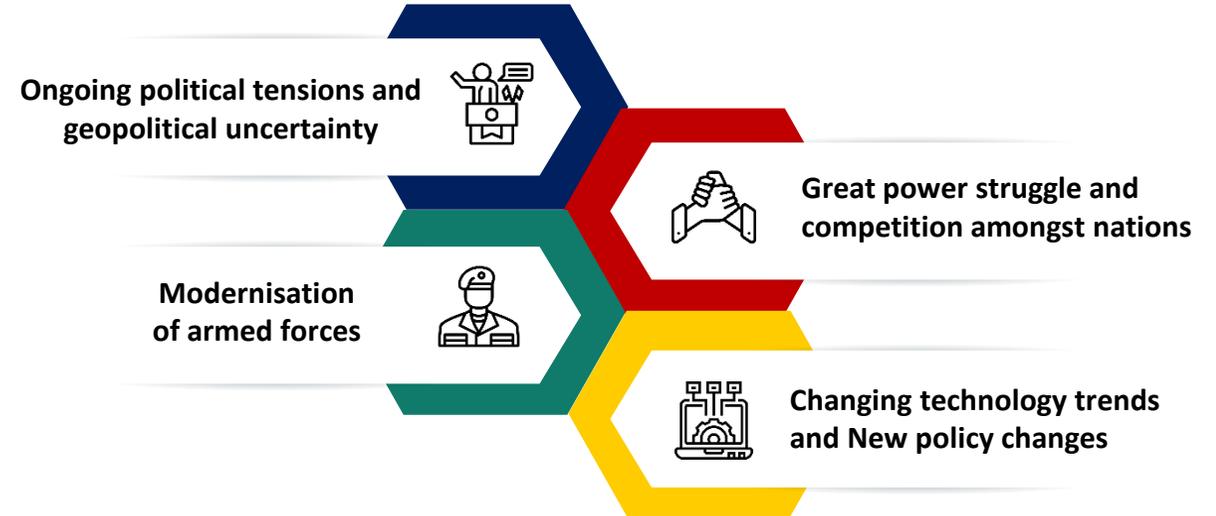
Industry Overview



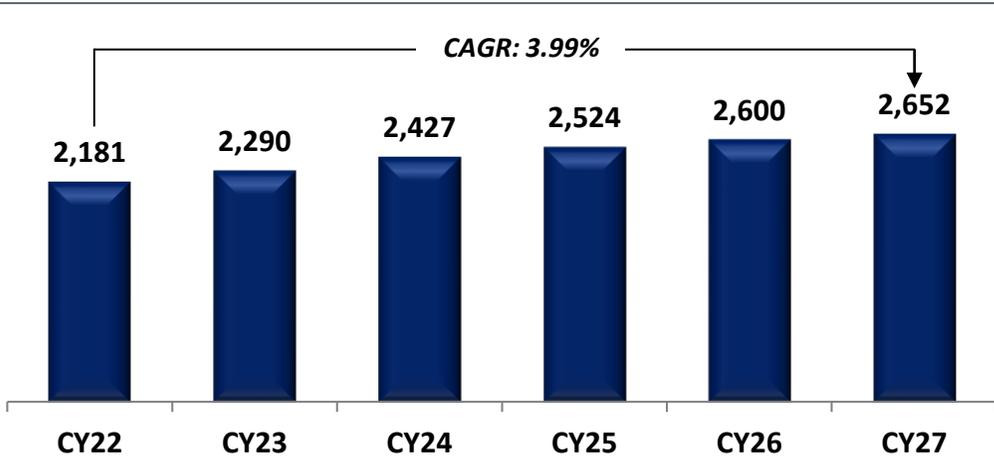
Growing landscape for defence serves as key opportunity for DCX



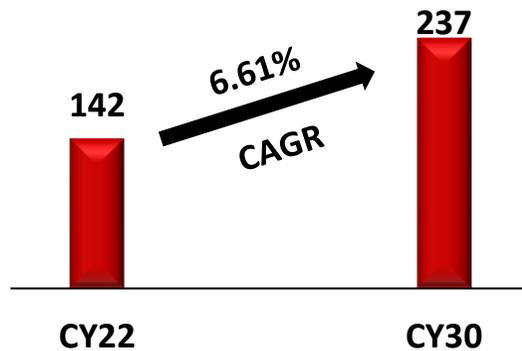
Growth Drivers



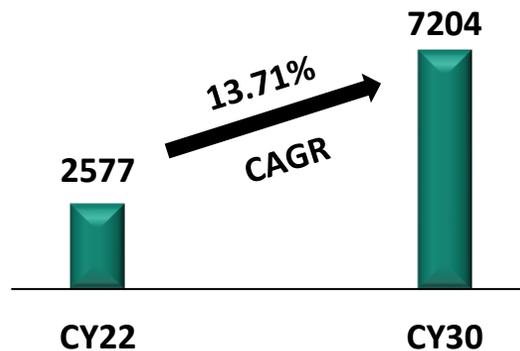
Global Defence Spending Forecast (in USD billion)



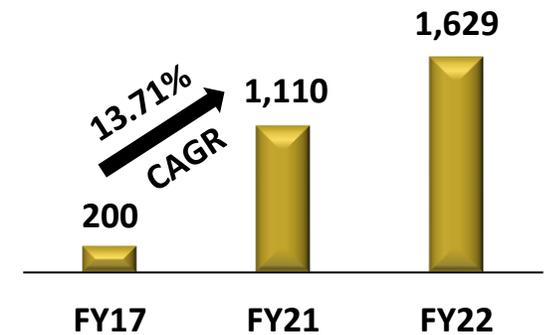
Global Defence Electronics Market (in USD billion)



Indian Defence Electronics Market (in USD million)



Indian Defence Exports (in USD million)



Indigenous Industry Drivers



Corporation of Ordnance Factory Board (OFBs)



DCOX is well positioned to take advantage of various initiatives introduced by Government of India



Financial Highlights



Q3 FY23 Financial Highlights



Particulars (Rs. Crs.)	Standalone			Consolidated
	Q3 FY23	Q3 FY22	Y-o-Y (%)	Q3 FY23
Revenue from Operations	355.95	417.18	(14.68%)	355.95
Raw Material Expenses	322.01	388.40		322.01
Employee Cost	2.66	2.43		2.66
Other Operating expenses (Incl. FX Loss)	8.22	6.23		8.27
FX Loss	4.87	3.57		4.90
Total Expenditure (Incl. FX Loss)	332.89	397.06	(16.16%)	332.94
EBITDA (Excluding Other Income & FX Loss)	27.94	23.70	17.89%	27.91
EBITDA Margin %	7.85%	5.68%	217 bps	7.84%
Other Income	6.41	9.47		6.41
Depreciation	0.48	0.56		0.48
Interest	9.02	2.71		9.15
Profit Before Tax	19.97	26.33	(24.15%)	19.79
Tax	2.68	8.12		2.68
Profit After Tax	17.29	18.21	(5.05%)	17.11
PAT Margin	4.77%	4.27%	50 bps	4.72%
Basic EPS	1.96	2.60		1.94

9M FY23 Financial Highlights



Particulars (Rs. Crs.)	Standalone			Consolidated
	9M FY23	9M FY22	Y-o-Y (%)	9M FY23
Revenue from Operations	743.08	728.24	2.04%	743.09
Raw Material Expenses	663.15	677.56		663.14
Employee Cost	7.73	5.61		7.73
Other Operating expenses (Incl. FX Loss)	34.14	14.56		34.39
FX Loss	25.14	8.27		25.14
Total Expenditure (Incl. FX Loss)	705.02	697.73	1.05%	705.27
EBITDA (Excluding Other Income & FX Loss)	63.21	38.78	63.01%	62.96
EBITDA Margin %	8.51%	5.32%	319 bps	8.47%
Other Income	19.83	21.01		19.83
Depreciation	1.42	1.61		1.42
Interest	20.78	6.31		20.90
Profit Before Tax	35.70	43.61	(18.13%)	35.34
Tax	4.78	10.41		4.78
Profit After Tax	30.92	33.20	(6.85%)	30.56
PAT Margin	4.05%	4.43%	(38 bps)	4.01%
Basic EPS	3.82	4.74		3.77

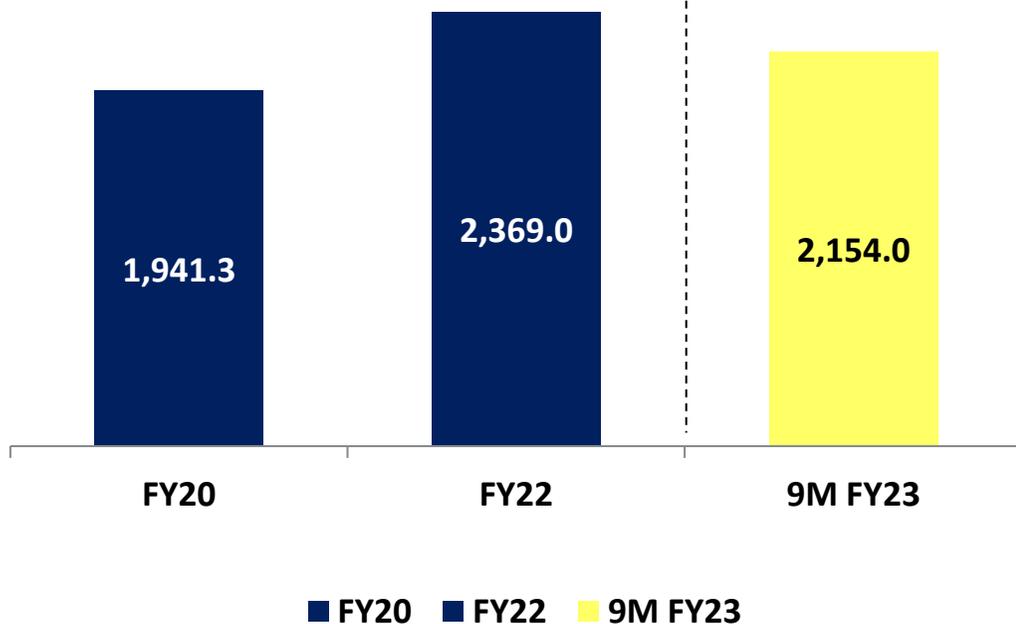
Strong and Growing Order Book



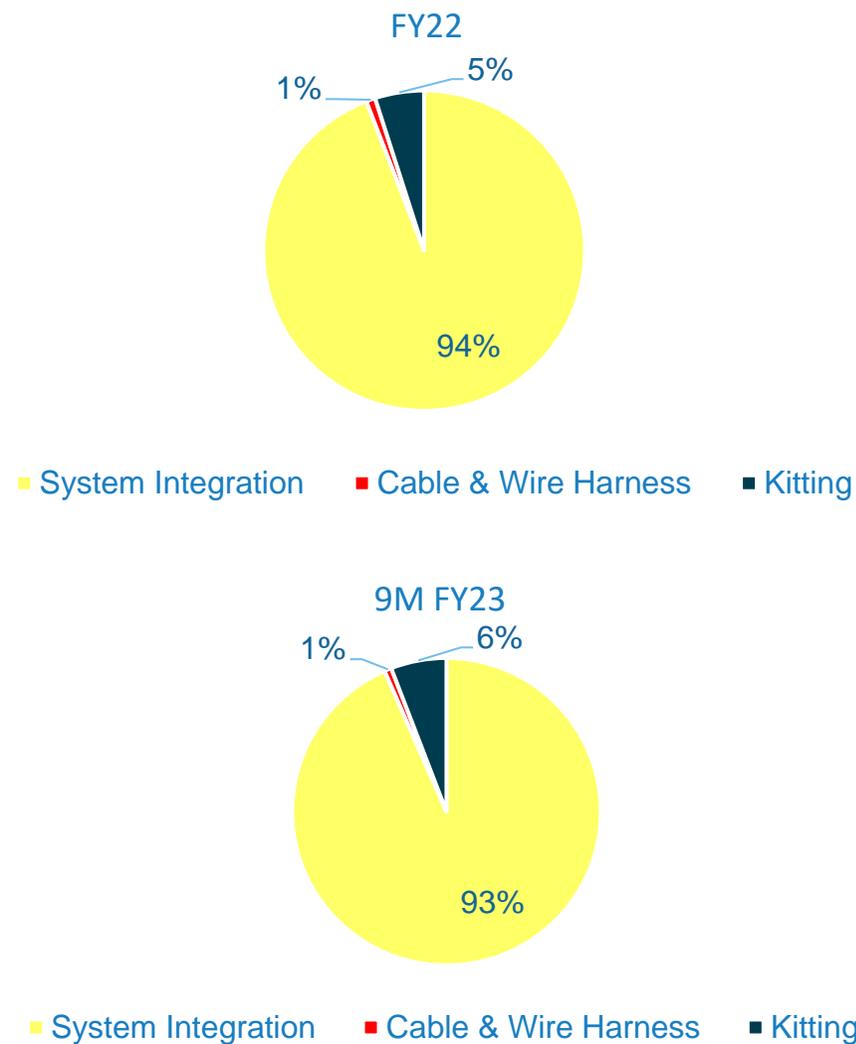
Sizeable order book – DCX order book has grown from 45 orders (FY20) to 48 Orders (FY22)

Rs. Cr.

Orders from several customers are for projects to be executed in FY23 to FY25



Segmental Split of Order Book





Way Ahead

Way Ahead



Strengthen system integration operations and expand cable & wire harness assembly business

- Collaborate with OEMs in Israel & US
- Focus on high volume & high margin sectors

Strengthen relationships with existing customers and expand customer base

- High-value contracts, grow wallet share & cross selling
- Horizontal integration with new verticals like EMS for aerospace & defence

Continue improving operational efficiencies through economies of scale, supply chain rationalization and resource planning

- Vertical integration – MES & MRO
- Digital solutions for monitoring and output efficiency



Focus on adjacent industry verticals – EMS & MRO – leading to expansion of customer base

- Focus on products in positive indigenization list of T-o-T opportunities
- Evaluating T-o-T options from Israel & US

Penetrate new geographies through exports

- Expand global presence in aerospace & defence
- Enter new markets (eg. Europe)

Inorganic growth through selective acquisitions

- Gain access to new technologies & EMS opportunities
- Collaborate on new verticals & growing customer-base
- Faster commercialization of products & technology

Backward Integration into EMS

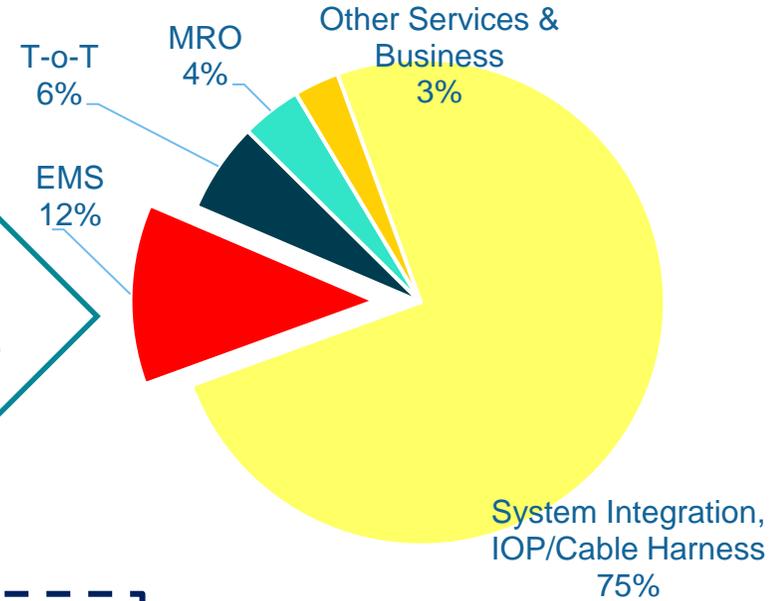


DCX to invest Rs. 45 cr in
(Invested Rs. 2.10 cr till Dec '22)

Raneal Advanced Systems
(100% Subsidiary of DCX)

To set up EMS
manufacturing unit

Strategy – Revenue
Mix Target for FY26



For Design, Development,
Manufacturing, Qualification
& Life cycle support of high
reliability electronics and
electro-mechanical systems

Used in Industrial
Electronics Applications,
Medical Electronics,
Defence, Aerospace

Leading to Better cost
controls,
Higher Efficiencies,
Additional revenue
stream

Glossary



Term	Description
DAP	Defence Acquisition Policy
EMS	Electronic Manufacturing Services
F&S Report	Frost & Sullivan Report (dated March 29,2022)
FDI	Foreign Direct Investment
IOP	Indian Offset Partner
IPC	Institute for Printed Circuit

Term	Description
LRSAM	Long Range Surface-to-Air Missiles
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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