



DCX Systems Limited

Investor Presentation
Q4 & FY2023

Disclaimer



This presentation has been prepared by DCX Systems Limited (the “Company”) solely for information purposes and does not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment what so ever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.

This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Presentation is expressly excluded.

Certain matters discussed in this Presentation may contain statements regarding the Company’s market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the industry in India and world-wide, competition, the company’s ability to successfully implement its strategy, the Company’s future levels of growth and expansion, technological implementation, changes and advancements, changes in revenue, income or cash flows, the Company’s market preferences and its exposure to market risks, as well as other risks. The Company’s actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Presentation. The Company assumes no obligation to update any forward-looking information contained in this Presentation. Any forward-looking statements and projections made by third parties included in this Presentation are not adopted by the Company and the Company is not responsible for such third party statements and projections.

Table of Contents



01

Company Overview

04

Financial Highlights

02

Business Overview

05

Way Ahead

03

Industry Overview

06

Glossary



Company Overview

About Us



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

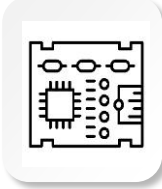


- Unique business model providing **end-to-end solutions** of cable & wire harnesses, electronic sub-systems, high-end **System Integration** and PCB Assembly for Defence & Aerospace Industry



- DCX is a preferred and largest Indian Offset Partner to leading Israeli Defence Company, IAI, for its offset obligations.
- Leveraging to expand into other geographies for both **IOP** and **non-IOP** projects

- Strategically located **Manufacturing facility** in **SEZ** in Bengaluru, spread over 30,000 sq. ft.
- New 40,000 sq. ft. facility in Bengaluru dedicated for **EMS** manufacturing



- Core competency in **electronics manufacturing** with focus on backward integration in PCBA's through 100% subsidiary, Raneal Advanced Systems – both for captive consumption and other markets

Key Milestones



2011-12

- Incorporated as private company
- Executed first direct export order

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

2015

2013

- Executed first 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

2020

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

2023

- Invested about Rs. 6.60 cr through Equity in Raneal Advanced Systems to set up EMS facility

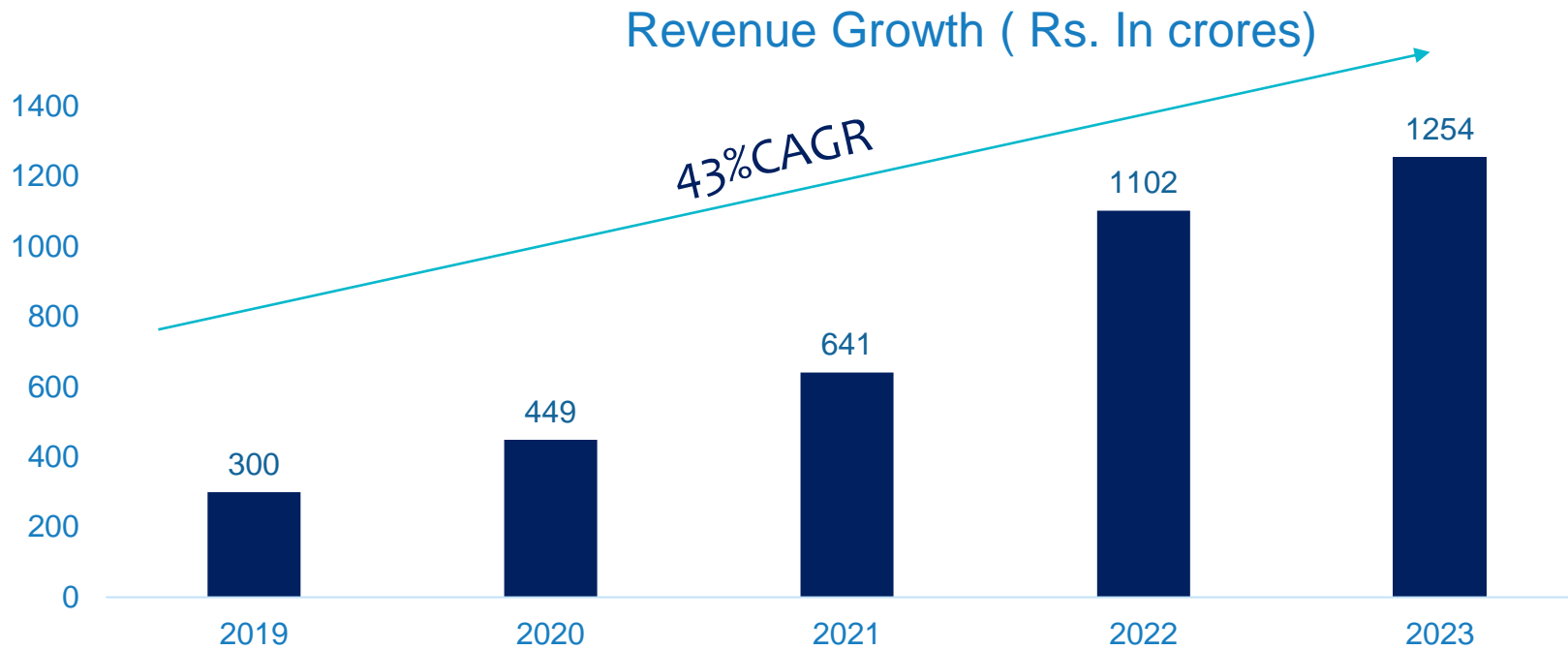
2022

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

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
- **Order book as of March 31, 2023 is Rs. 1,699 crores.**

Strong & Experienced Management



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

- Promoter of Company with over 2 decades of experience in electronics manufacturing & 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

Sankar Krishnan Ramalingam | Non-Executive Director

- An associate of Indian Institute of Bankers, holds Bachelor of Science degree from University of Bombay & 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 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



Nagaraj R Dhavaskar | CS, Legal and Compliance Officer

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



Unique Business Model



Offset / Non-Offset

- Strong relationship with Israeli Defence Companies, built over a Decade
- IOP / Non-IOP partner for Israel / US OEMs to supply wide range of products for Aerospace & Defence



Strong Global Procurement

- Diversified procurement network for better cost efficiencies
- Better supply chain management supported by captive sources



Strong Manufacturing Expertise

- End-to-end integrated solutions
- Catering to various globally acclaimed defence & aerospace companies

End-to-End Integrated Solutions Provider

Build to Print Box Model

- Domain expertise in developing & manufacturing aerospace & defence electronics products on Build to Print Model



Asset Light Model

- Equipment for testing etc. supplied by OEMs, thus facilitating asset light business, despite capital intensive product portfolio

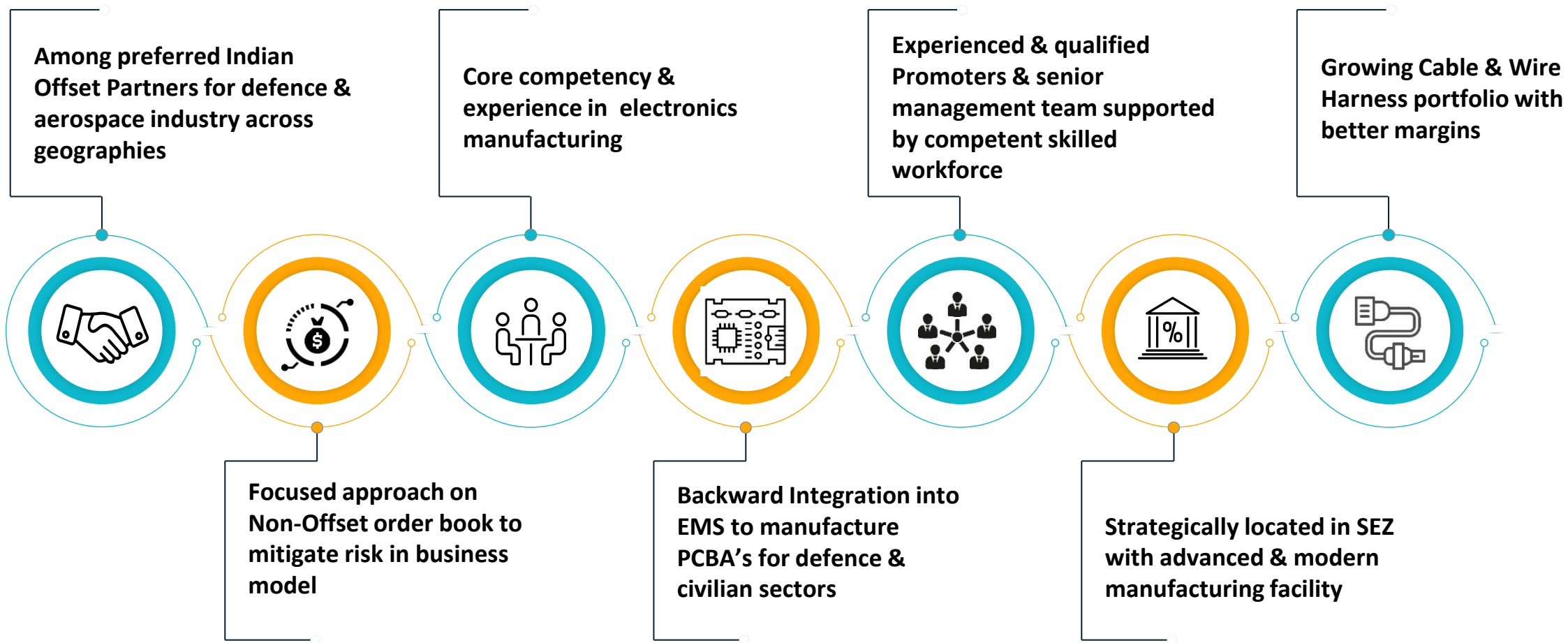


Shift to Product Company

- Focus on transfer of technology from OEM and Make-in-India Product
- Cater to diverse end applications – defence, medical & other civilian sectors



Key Strengths

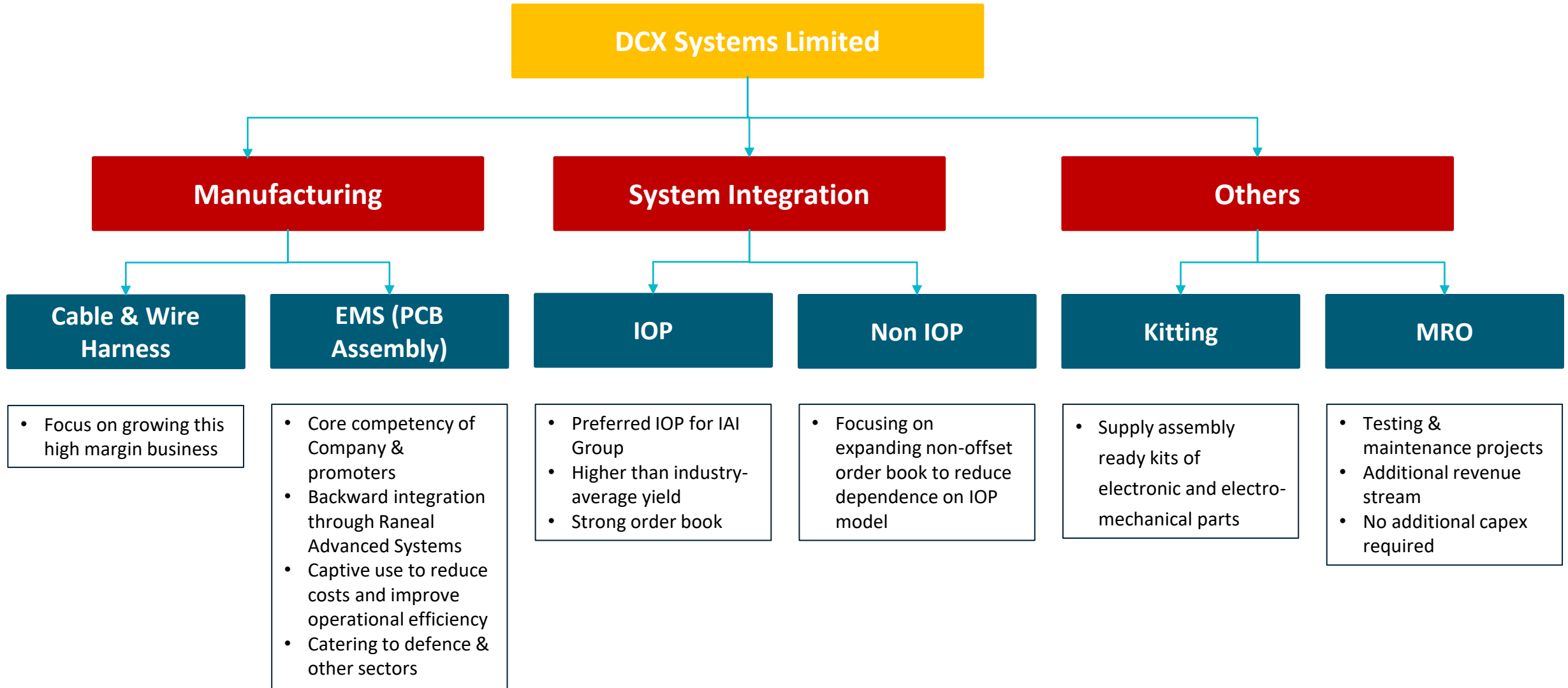


Deeply entrenched company in Aerospace & Defence Industry for the last 12 years as MSME



Business Overview

Business Structure/Model



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

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

Barak Systems

Medium range maritime reconnaissance aircraft

Short range surface to air missile

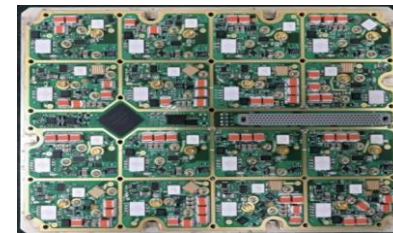
Cables & Wire Harness

- Expertise in complete design & development of complex cables & wire harness
- Caters to electronic warfare and communication systems
- Established portfolio of products covering comprehensive array of cables & wire harnesses assemblies such as radio frequency cables, co-axial, mixed signal, power, & data cables
- Focus on expanding this high-margin business
- Exploring inorganic growth opportunities

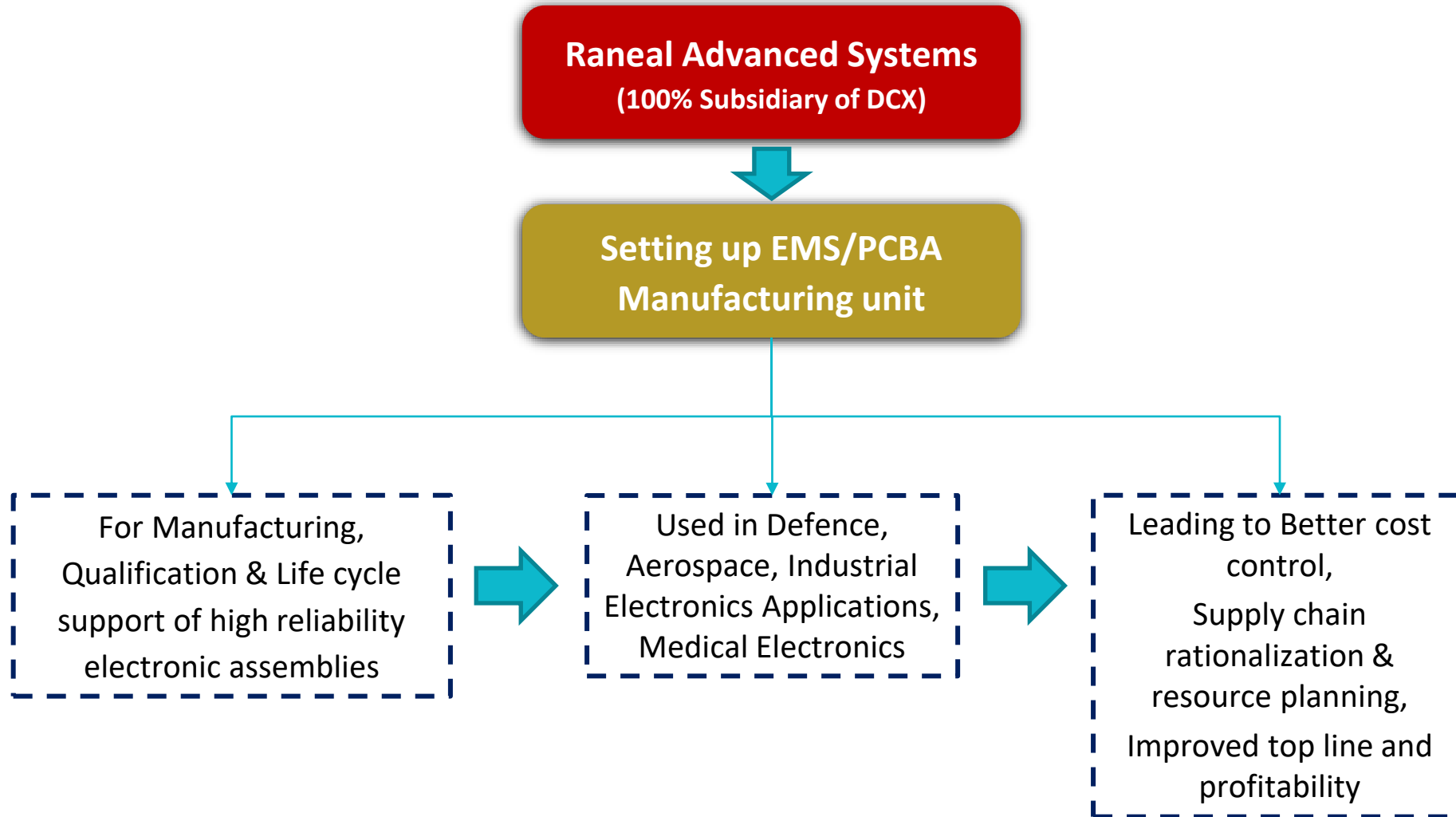


Backward integration into EMS

- Horizontal integration with new verticals like Printed Circuit Board Assembly for aerospace & defence
- Investing in Raneal Advanced Systems – mostly from internal accruals & bank loans – to manufacture PCBAs
- PCBAs for captive consumption and other markets
- **Benefits:**
 - Cost control
 - Optimal utilization of working capital
 - Improved margins
 - Better control over supply chain management
- **Potential Opportunities**
 - Defence applications
 - Civilian applications - medical devices, electronics etc.



Raneal Advanced Systems



Invested about Rs. 6.60 crores through Equity

System Integration



- System integration (SI) services are part of comprehensive array of electronics and electro-mechanical and enclosure assembly
- Services include in-house testing, including vibration & environmental stress testing of complex radio frequency products to ensure high quality final products
- Primarily used in radar, communication, surveillance & missile systems



- Preferred **IOP partner** for foreign OEMs for Classified products
- Focus on penetration into new geographies
- Better Yield compared to the average yield in the industry
- Uncompromised/International quality standards, execution capability, cost competitiveness, high ethical foundation – leading to higher number of **non-IOP projects**
- Share of non-Offset projects growing from ~15% to ~40% – thereby mitigating risk from high dependence on offset projects and with better margins

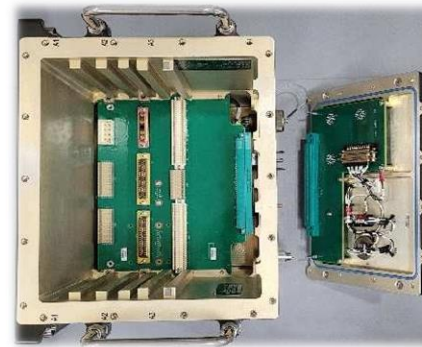
Kitting

- Supply assembly ready kits of electronic and electro-mechanical parts



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



Reputed clientele 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 and its customers jointly monitor and ensure quality of items



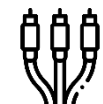
Obsolescence proof Manufacturing as technology coupled with intellectual property rights - both vest with OEM customers



Customers provide equipment required for testing and qualifying customized products



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



As of March 31, 2023, DCX held about ₹ 300cr worth of equipment provided by customers



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

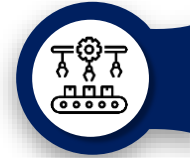
Skillset and technology to manufacture cable and wire harnesses including radio frequency, coaxial, mixed signal, power, data, submersible, twinnax cables, shielded cable harness, flexible cables and open and closed type harnesses



Strategically located in aerospace SEZ with advanced & modern manufacturing facility



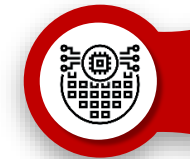
Facility spread over **30,000 square feet** – strategically located in same city as some key domestic customers - **ensuring shorter delivery times**



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**



As a **2-Star Export House**, movement and clearance of goods from customs is facilitated and made easier



Income Tax Benefit is 100% for the first Five years and 50% for the next five years



Being a **MSME**, DCOX is eligible for an **interest subvention of 3%** on the working capital for export orders



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



Industry Overview

Indigenous Industry Drivers



Corporation of Ordnance Factory Board (OFBs)

Budget Allocations



FDI Norms

Positive
Indigenisation List



Indian Offset –
Self Reliant

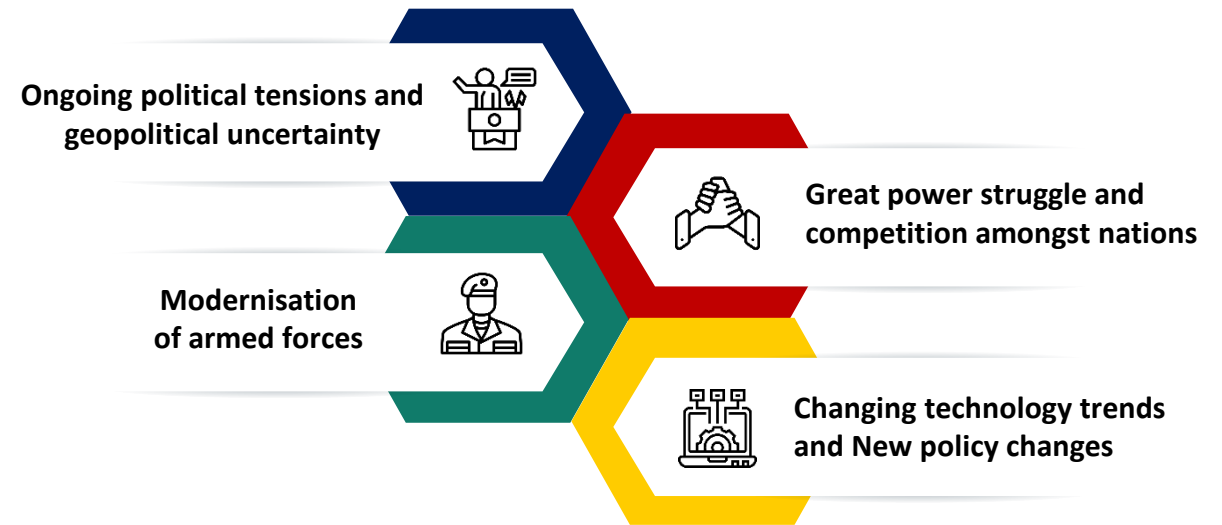
Industry Tailwinds for DCX

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

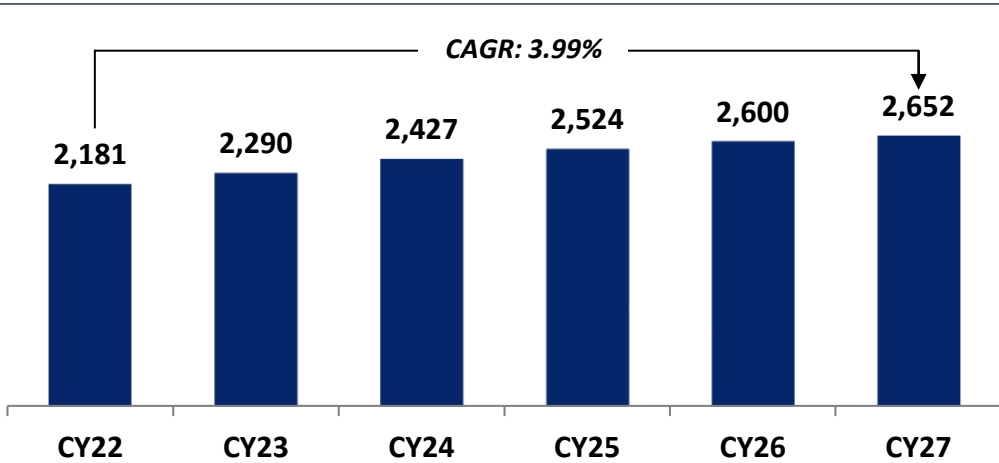
Growing landscape for defence serves as key opportunity for DCX



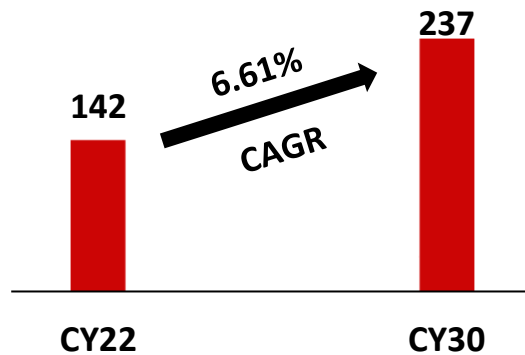
Growth Drivers



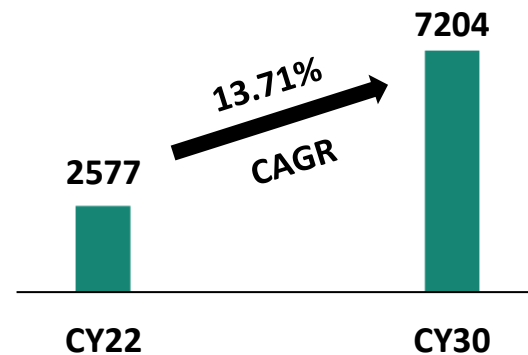
Global Defence Spending Forecast (in USD billion)



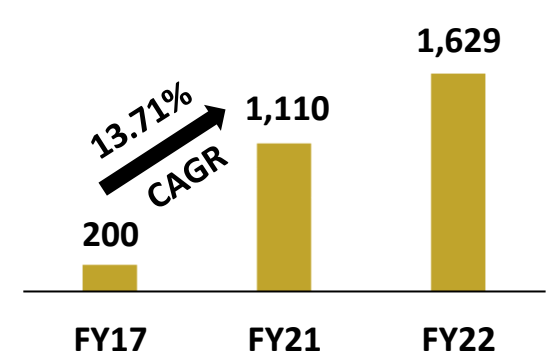
Global Defence Electronics Market (in USD billion)



Indian Defence Electronics Market (in USD million)



Indian Defence Exports (in USD million)



Well-positioned to capitalize on industry tailwinds

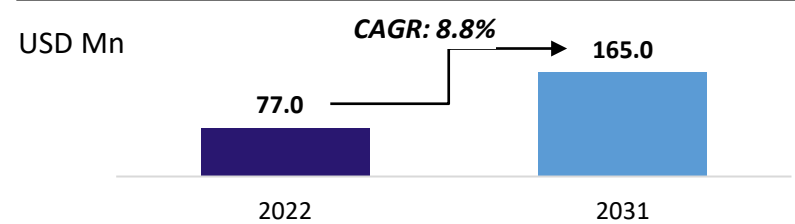
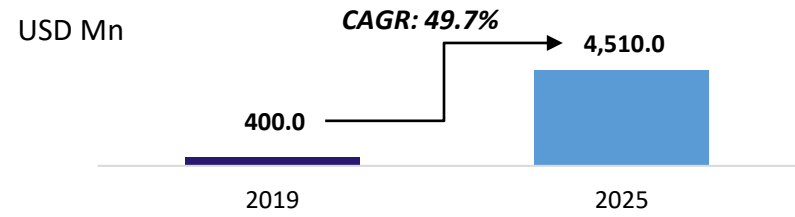
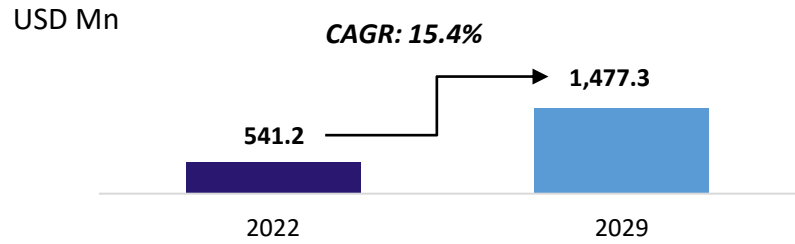


Cable & Wire Harness Industry Size

EMS Industry Size

MRO Industry Size

High India market potential for DCX



- 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

Q4 FY23 Financial Highlights



Particulars (Rs. Crs.)	Standalone			Consolidated
	Q4 FY23	Q4 FY22	Y-o-Y (%)	Q4 FY23
Revenue from Operations	510.55	374.04	36.50%	510.55
Raw Material Expenses	456.08	323.03		456.06
Employee Cost	2.76	3.05		2.78
Other Operating expenses (Incl. FX Loss)	5.86	11.47		5.86
FX Loss	3.97	8.62		3.95
Total Expenditure (Incl. FX Loss)	464.70	337.55	37.67%	464.70
EBITDA (Excluding Other Income & FX Loss)	49.82	45.11	10.45%	49.80
EBITDA Margin %	9.76%	12.06%		9.75%
Other Income	9.70	1.05		9.71
Depreciation	0.40	0.57		0.40
Interest	4.75	5.01		4.73
Profit Before Tax	50.40	31.96	57.72%	50.44
Tax	9.31	(0.47)		9.31
Profit After Tax	41.09	32.42	26.74%	41.13
PAT Margin	8.05%	8.67%		8.06%
Basic EPS	4.25	4.29		4.25

FY23 Financial Highlights



Particulars (Rs. Crs.)	Standalone			Consolidated
	FY23	FY22	Y-o-Y (%)	FY23
Revenue from Operations	1253.63	1102.27	13.73%	1253.63
Raw Material Expenses	1119.22	1000.59		1119.20
Employee Cost	10.50	8.67		10.51
Other Operating expenses (Incl. FX Loss)	40.00	26.03		40.25
FX Loss	29.10	16.88		29.10
Total Expenditure (Incl. FX Loss)	1169.72	1035.28	12.99%	1169.96
EBITDA (Excluding Other Income & FX Loss)	113.01	83.88	34.73%	112.76
EBITDA Margin %	9.01%	7.61%		8.99%
Other Income	29.54	22.06		29.55
Depreciation	1.82	2.18		1.82
Interest	25.53	11.32		25.63
Profit Before Tax	86.10	75.56	13.95%	85.77
Tax	14.09	9.95		14.09
Profit After Tax	72.01	65.61	9.75%	71.68
PAT Margin	5.74%	5.95%		5.72%
Basic EPS	8.47	9.19		8.44

FY23 Standalone Balance Sheet



Rs. in Crores	Mar-23	Mar-22
Total Equity & Liabilities		
Shareholders Funds	567.06	117.60
Share Capital	19.34	15.48
Other Equity	547.71	102.12
Non Controlling Interest	0.00	0.00
Non Current Liabilities	1.24	36.48
Long-Term Borrowings	0.00	35.44
Lease Liabilities	0.00	0.00
Other Financial Liabilities	0.00	0.00
Provisions	1.24	1.04
Current Liabilities	643.53	788.54
Short term Borrowings	503.71	467.18
Lease Liabilities	0.00	0.00
Trade Payables – Total	134.11	96.51
Other Financial Liabilities	1.10	0.69
Other Current Liabilities	4.55	215.32
Provisions	0.05	0.04
Current Tax Liabilities (Net)	0.00	8.80
Total Equity & Liabilities	1211.83	942.62

Rs. in Crores	Mar-23	Mar-22
Total Assets		
Non Current Assets	31.12	18.92
Property, plant & Equipment	10.82	10.79
Right of use Assets	4.30	3.81
Other Intangible Assets	0.04	0.05
Capital WIP	1.86	0.00
Other Financial Assets	3.07	0.32
Deferred Tax Assets	4.37	3.80
Other Non-Current Assets	0.05	0.05
Investments	6.60	0.10
Current Assets	1180.71	923.69
Inventories	228.51	27.25
FA - Trade Recievables	319.53	69.49
FA - Cash & cash equivalents	10.54	188.38
FA - Bank balances	580.88	611.84
FA - Other Financial Assets	2.12	5.07
Other Current Assets	37.74	21.66
Current Tax Asset	1.39	0.00
Total Assets	1211.83	942.62

FY23 Standalone Cash Flow Statement

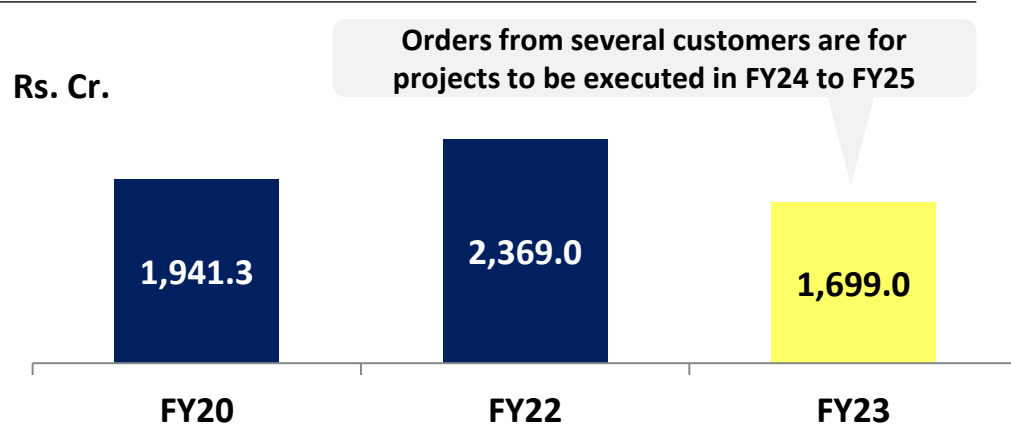


Rs. in Crores	Mar-21	Mar-22	Mar-23
Net Profit Before Tax	39.81	75.56	86.10
Adjustment:-			
Depreciation	2.43	2.18	1.82
Interest Expenses	4.74	7.24	18.71
Interest Income	-22.40	-22.02	-29.40
Excess of cost over fair value of investments	0.02	-	-
Profit on Sale of Fixed Asset	0.00	0.00	(0.13)
Operating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

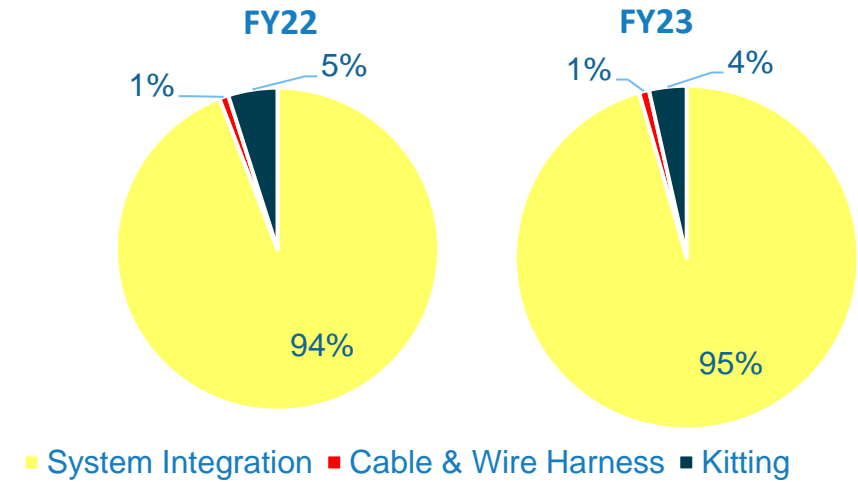
Order Book Position



Sizeable order Book



Segmental Split of Order Book



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

Kitting

- Ready kits of electronic and electro-mechanical parts

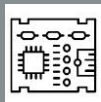
System Integration

- 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



Way Ahead

Backward Integration into EMS



- PCBAs manufacturing through wholly owned subsidiary, Raneal Advanced Systems
- Leading to lower costs and bolster supply chain

New Geographies Penetration



- Expand global presence in aerospace & defence
- Total Offset Obligation pending with foreign OEMs as per DOMW is ~ USD 13.25 bn, of which DCX is targeting an opportunity size of ~ USD 1 bn.

Grow Share of Non-Offset Projects



- High quality deliverables leading to more opportunities with OEMs
- Growing revenue from non-offset projects full turnkey solutions

Expand Cable & Wire Harness Business



- Focus on growing this product portfolio
- Better margin business

Move Towards Product Company

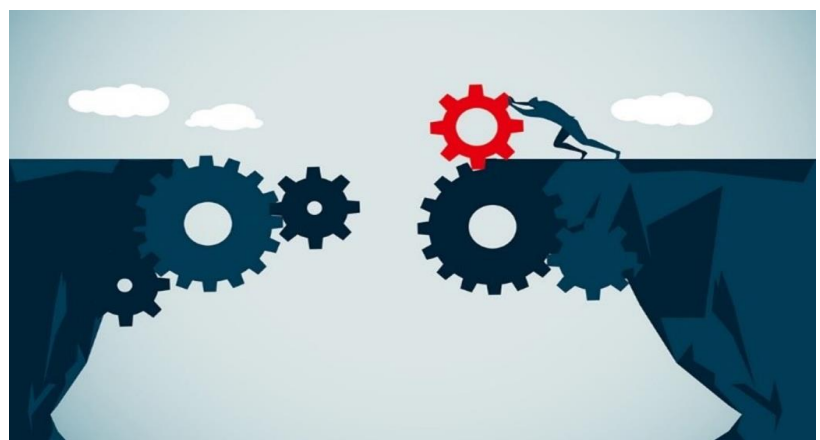


Focus on Transfer of Technology (ToT), especially from Israel, US

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

Recent & Expected Developments



- By end of third quarter FY2023, problems related to dollar exposure and restatement have been resolved, and DCX Systems has well-defined understanding of its business prospects for next three to five years
- DCX has successfully obtained revised sanction from majority of its bankers, with a reduction of margin money for bank guarantees from 100% to 30%
- Upgraded Credit Rating – From **“BBB”** to **“A-”**
- Headwinds from global supply chain constraints are easing up, and DCX has been strategizing a well-defined supply chain plan to overcome any obstacles for smooth delivery of products based on current and future orders
- 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

Company :

DCX Systems Limited
Mr. Nagaraj R Dhavaskar

www.dcxindia.com

Investor Relations Advisors :

Adfactors PR Pvt. Ltd.
Mr. Amit Sharma
Amit.sharma@adfactorspr.com

Mr. Rahul Trivedi
rahul.trivedi@adfactorspr.com

www.adfactorspr.com

