"DCX Systems Limited
Q1 FY '24 Earnings Conference Call"
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MODERATOR: **ADFACTORS PR**

Moderator: Ladies and gentlemen, good day and welcome to the DCX Systems Limited Q1 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. The statements are not the guarantee of future performance and involve risks and uncertainties which are difficult to predict. I now hand the conference over to Dr. Raghavendra Rao, Chairman and Managing Director. Thank you and over to you, sir.

Raghavendra Rao: Thank you. Namaste and good evening, everyone. I would like to wish you all very warm welcome to DCX System Limited Earning Conference call for the first quarter ending 30th June 2023. I would like to bring my gratitude to take the time of your valuable time to join this today. I will introduce in my team Mr. Sankarakrishnan, Director and Mr. Ranga, CFO and Mr. Shiva Kumara, VP Operation and also our IR agency Ad Factors. So once again welcome you all for the conference call.

As I mentioned and the company is very clear vision. In the last first call also I mentioned the same thing. There are good development that is happening in the company. First is, I would like to bring it to your all of attention, our own only one subsidiary called RaNeal Advanced Systems. It is fully ready and machineries and building all the things infrastructure wise is fully compliant and ready approved by many of our foreign existing customer and the new customer. The only thing is we need to move the commercial production, we need to get the certain certification done from ISO and AS certification to start the commercial production.

That is well in the track and the audit is going on with the agencies. And this will going to start the production is going to start very shortly maybe in another month's time commercial production is going to start. Secondly, as you are aware, on the many things in the plates of DCX today, and a couple of technological JV, it is happening, the signing will be happening very shortly with the foreign OEMs. And that in taken a very good fast track from the last two three months because you know as you are aware we are working with a big corporation for any technology JVs or technology transfer or the new PO takes a long time longer time now.

I can say we are well positioned to, I can tell you today it will going to happen very shortly, the signing and the global penetration, what we are expecting, it is taking a very good place. And also there is a big development in the Make in India are more than Indian suppliers. Foreign OEMs, they are required a good supplier in India. So DCX is well positioned into that based on the track record of last 12 years on the aerospace and defense company. And Make in India initiative and Make 2, Make 3, Make 4 programs. It is a very big, it's a multi-billion dollar business India is dreaming.

And also you're all may be seeing many foreign OEMs, they are coming to India to grab this opportunity. Of course, there is a, they cannot handle alone in the India, they need partners. Either you can take a technology partner or take a manufacturing partner, or their prime contractor, or a Tier 1 supplier in India. This is the Make in India program, and also DCX is well positioned to take this opportunity, because what they want, the customer wants, mainly on the good track record of the company.

And secondly the good infrastructure, good technical team, also the financial capability to handle such a huge program. Also the DCX got, now today we are full fledged of manufacturing facility so like cable and wire harness also earlier used to do all the cable assembly except OFC optical fiber assemblies now that also we have started. That is a big market now. So we have ordered the equipment that is in on the way, I think next couple of weeks our OFC will be operated. So existing cable we are enhancing our cable facility also for the including OFC.

Secondly as you know that of course we do system integration now we added PCB assembly also in the EMS facility gives complete customer what they want in the one roof solutions. Like we have a cable and wire harness, we have optics, we have a optical cable assemblies and also the PCB assembly and system integration so that that we can supply directly to the MOD for upcoming tenders with the technology taken from the foreign OEMs or we can supply to DPSUs, where they are applying, we are a Tier 1 manufacturing, we are a sub-model suppliers.

So those area is very clear in our pathway. And again, DCX taking many global penetration and things are very bright. And also as you are aware last time I mentioned there is a huge offset backlog of our DOMW 13.5 billion there is no much improvement on the same figure is still like you can check the DOMW website the same way that figures is not in move because that now they are big way they are looking for a Indian supplier we are one of the people in that other foreign OEMs other than Israel like US or the French or other territory. Also they are looking we are in touch with many people and people also contact us because they need a good supplier in India.

So that's what I just want to highlight this all the recent development. So I request our CFO to present the financial performance of the company. I shall be happy to take question from you all for a better understanding of our company and all your question and everything over, I like to highlight few, my closing remarks in the call. Now hand over to Ranga, please present the financials.

K.S. Ranga: Yes. Thank you. I'm Ranga here. Good evening to everyone. Thanks for attending the earnings call. I'm hereby presenting the numbers for Q1 FY24, vis-a-visQ1 FY23. The operational revenue for the quarter ending Q1 FY24 stood at INR170.10 crores, vis-a-vis is INR213.25 crores for Q1 FY23. EBIT for Q1 FY24 stood at INR18.71 crores, vis-a-vis INR11.64 crores in Q1 FY23. PAT stood at INR9.85 crores in Q1 FY24, vis-a-vis INR5.76 crores in Q1 FY23. The operational revenue dipped by 20.24% when compared to Q1 FY23. EBIT increased by 60.74% of 555 basis points. PAT increased by 71.01%. This is the summary of the financials for the quarter ending Q1 FY24. If you have any queries, I can take on this.

Moderator: Thank you very much. The first question is from the line of Gem, an individual investor. Please go ahead. Gem, the line for you has been unmuted. You may proceed with your question.

Gem: So, in terms of financials, I noticed that during Q1 FY24, there was a reduction in sales year-on-year. So, could you please throw some lights on this as to how the company is taking to face the challenges and make sure that, the group is sustainable over the coming quarters?

K.S. Ranga: See here, Shiv, you will answer or?

Shiva Kumar: Go ahead, Ranga.

Moderator: Sir, we are not getting your audio.

K.S. Ranga: Yes. Sir, this is basically the turnover. Actually, what happens is, this project specific demand will be there. You cannot say, yes, when you compare the numbers with Q1 FY '23 and Q1 FY '24, you will see a dip actually in absolute numbers, but actually, it is not a dip if you ask the demand, what was required to be honored during the quarter Q1 FY '24. And what happens is in our business, when you compare quarter-to-quarter, yes, there will be in one quarter, there will be a dip and another quarter, there will be a increase.

So, when you see a performance over a period of nine months to 12 months, definitely there will be a, we will be back to normal and there will be a growth, when compared to the previous year. The classic example is, when you see '21- '22 and '22- '23, this is what has happened. Suppose in '21- '22, the overall turnover was INR1,102 crores.

When you see '22- '23, the turnover was INR1,253 crores. So giving a growth of around 13.73%. So when you look at on a nine months to 12 months basis, definitely you will see a growth. I don't see any challenge in achieving the growth, what we are looking at.

Gem: In addition to this, would you... Yes, sir. Go ahead…

Raghavendra Rao: To add to Mr. Ranga, Raghvendra here, see, as you are aware from our IPO time and the last earning call, normally you cannot divide our revenue by divided by four. Okay, see what's happening. Normally you can see not only for '20- '21 or the last six years, our history shows first quarter always, first and second quarter, we achieve only 30%, 35% of the total revenue. And the majority it is coming in the third quarter and fourth quarter. I will tell you the reason, why it is happening first quarter down.

See, this all, I have a seven, eight program going in the PO, it is continuing in the area of different company, different this thing. Who are all give a priority of the material requirement for the PO schedule, we will going to do that, the priority wise schedule, where you can see, suppose they are given three years back PO, the priority goes to that customer. Let us take last two years, like Bharat Electronics given the last one year back PO. This will go on a priority of 18 months delivery schedule. Okay, this is one more.

And secondly, as you know, third quarter and fourth quarter, there is a demand for India, there is a demand for the customer also. We also push a lot of things for our revenue coming out from the March, and we do maximum sales in the third quarter and fourth quarter only. These are six years history, not today.

First quarter and second quarter, because March you completed, there is a supply chain, of course, there is a good improvement in supply chain, the chips and other thing has been got improved. And now, we assume we'll close maximum of the March ending, we'll close all the material. Then material has to come for the first quarter, maybe April, May, June, then there is also delivery schedule required from the customer side.

So normally this is happening from last six years, not like we are going to do the revenue will be dipped into this thing. That means, we don't have a PO. Of course, there is a PO, a backlog PO. There is a pipeline PO available. We used to continue like this only because this is not like other programs, where you received a PO in just three months back and execute and close the PO. Also, getting the PO will get a huge value PO.

There is a clear delivery schedule and we have to maintain that, the supply chain system also. Hence, this is a quarter down, quarter revenue was down and increasing in the second and third and fourth. This is natural in our business. I hope we answered. Sankar sir, anything to be added to this?

R Sankarakrishnan: You put it, rightly because it historically, we are seeing the last five years that Q1 and Q2 has always been very tepid quarters, mainly on account of two main factors. One is the supply chain, the way globally it is stood that way. And in DCX being a unique model operating in the build to print side of a contracting platform, probably the comparison may not be proper with regard to rest of the companies, which are all in the product game and things like that.

This and the float our intraction with the stakeholders during the IPO, roadshows and in the subsequent call, we have always kept emphasizing this fact theat the our historical has been stood this way and a 25% to 30% happens in the first half and what is important in the model is two things, what we have been able to achieve during the first quarter is a very cautious effort of moving into a theme of improving the operational efficiency and supply chain, so that operational margin continue to keep going up.

And so the first time, we got it to a double digit EBITDA growth during this quarter and we notched up a higher PAT , inspite of the weakened revenue, mainly because of the extraordinary amount of efforts, that we had put on the financial restructuring, with regards to the banking system, on the exposure that has been taken by the DCX. As a theme in FY ’24, we are following a theme of continuing to mprove the operating margin at the EBITDA and PAT level and also, get into the ongoing discussion, which is in a advance phase with our JV partner on the civilian JV, technology JV and also get into a new frontiers of technology platforms, etcetera.

Thus making the new initiative of transforming the model into from a build to print contract manufacture player into a full fledge EMS player from very soon, when the commercial operations happen and also the transform the modeltechnology platform in next 2 years, that is the shift that the whole model is taking, while the standalone growth will continue to be robust including making geographical penetration into larger markets of the globe. Thank you.

Gem: Thank you for those insights, sir. In addition to that, could you also give guidance for the next upcoming three quarters, let's say?

R Sankarakrishnan: As a matter of principle, I think we have maintained, not to venture out into guidance forecast mainly because the supply chain is so volatile globally and there is a lot of pipeline orders, which are getting added. We wouldn't know, what are the major factors that are determined by the global market and with the foreign customers. In order to priorities the project execution, etcetera, all we can say is, you could see the last five years of history

The company has been growing from strength to strength, year after year. In terms of the revenue growth and given the current orders on hand, confirmed POs and also the pipeline that we have been negotiating, which is in advance phase. I think that, company will continue to grow at a very, very reasonable CAGR, positive CAGR and thereby improving the operating margins, etcetera. So as a company, we feel extremely comfortable and confident about our growth for FY '24 also.

Gem: You mentioned order books so...

Moderator: Gem, sir. Sorry to interrupt, we request you to please rejoin the queue if you have further questions.

Gem: Alright, alright, I'll join the queue. Thank you sir, thank you so much. Wish you all the very best.

Raghavendra Rao: Thank you, sir.

Moderator: The next question is from the line of Sanjay Sood, an individual investor. Please go ahead.

Sanjay Sood: Yes. Good evening. I want to know what is the order value from Israel Partners, in terms of percentage?

Raghavendra Rao: Present order book was about, out of 1535, I can say, in the present, Israel will be around 35%-40%, it is coming from Israel.

Sanjay Sood: And what is the frequency of you getting orders from there? Is it annual or quarterly?

Raghavendra Rao: It is not like that, it is a project the way where they get order definitely whether it's offset or non-offset. As I mentioned in the last call we are not only considered by Israelis only for offset order. We do for their internal requirement also and also when they have a requirement when they got a PO, anything they want in the cable and wire harness, PCB assembly system integration and they consider DCX as a priority vendor. We will get, once they have it, and we will get the definitely order from them, no doubt on that.

Sanjay Sood: Okay, and my last question, do you foresee any challenge in terms of supply chain or in terms of your sale going down in next one or two years?

Raghavendra Rao: Supply chain, I cannot say today it is, there is a worse situation in last one year. Definitely there is a big improvement in the supply chain and going forward, it is never go down. It will keep on improving the situation because many companies are reopened, reshifted and there is no factor of fab problem and as on today and we are very clear and supply chain is getting improved year-on-year and there is no much challenge in the supply chain now and going forward too.

Sanjay Sood: One more question I have, how many customers you have added or you have lost during the last six months or something?

Raghavendra Rao: I will let you know very shortly. So that question will be answered very shortly. I will definitely update you on that.

Moderator: Thank you. The next question is from the line of Janmajay Gandhi from IVG Trust. Please go ahead.

Janmajay Gandhi: Good afternoon, sir. I wanted to ask about the PCB production that you are planning to do, sir. How much benefit you'll get from the operating margins?

Raghavendra Rao: On the EMS you're talking?

Yes, sir. And the PCB assembly. And also the facility detector. See, that is also that depends on the margins, operating margins, there is a captive business involved. We are expecting direct view on the direct order to come. That also depends on the country to country, customer to customer. And overall, in the EMS area, you, very well it is going on the market. And I'm not dreaming that into those areas, because I concentrate only aerospace and defense, maximum medical and railways.

So looks very, apart from the captive business, like to be a good jump in the operational margins, definitely. And till now, we have worked out, we are working with some existing customer for the quotation for PCB assembly direct order. Still, nothing has been materialized and because my, I cannot say my Raneal is fully ready, tomorrow I can start the production because the AS certification has to be pending.

So definitely there is a good operating margin can be expected from the EMS. Yes, you are right, we can get the good margin. But today I don't have any PO on hand for the direct PO because facility has to get ready and certification has to be ready. But definitely there is a good jump in the operational income in the EMS business.

But today I cannot tell you, in the overall I can imagine the market going on, and we can see many companies are announcing. It is about likely to be about 10%, 10%, 12% margin in the present scenario showing in the other EMS. And for me, I may get a little more because of aerospace and defense and the class facility and yet to confirm that. I'm sorry about it, but I don't have a PO right now.

Janmajay Gandhi: Sir, and your raw material cost, what I assume, your internal consumption would be how much from the entire sale from the PCB? Your requirement, your internal requirement?

Raghavendra Rao: So, internal, see, present revenue of DCX, we buy closely about 90% of our value is a PCB value, 85% to 90%. Let us take, I've done INR1,000 crores. Your INR800 crores, INR850 crores was the printed circuit board by value.

Janmajay Gandhi: So, sir, that would be a quite a significant jump in the EBITDA margin going forward?

Raghavendra Rao: Yes. That is the major case.

Janmajay Gandhi: From the third, from the second quarter, I guess, because the production would be starting from September, I guess.

Raghavendra Rao: September is a little tight. We are targeting to start in October first week. The certification will get in the September mid so we are willing to start in the first week of October.

K.S. Ranga: In fact you can see in fourth quarter

K.S. Ranga: Yes. Real impact you want to see on the margins, you can see in the fourth quarter.

Janmajay Gandhi: And, sorry sir the last question, the other income is showing a significant jump this quarter. What is the reason and is it sustainable or what is the source of this income?

K.S. Ranga: The interest rates, as you know, when compared to the previous quarter, the rates are better now. Interest on deposits, the average realization is almost more by 150 to 175 basis points. That has resulted in increasing revenue. One second one is there is a one-time income of LD, liquidated damages reversal by a customer, which has been mentioned in the – this one also, results.

Raghavendra Rao: So last quarter, to explain more on technically on the LD, which one of my customer has been deducted by LD about INR1.21 cores actually went and we given explanation we fought for that and given there is no mistake from our side. So that it has been reversed to our --it has been paid this quarter other income content of mainly on the interest income secondly on this INR1.25 crores is a little money has been major income coming from the towards the fixed deposit.

And it is built sustainable. Yes, it is always our pattern is going on. And as you know, DCX doesn't make any business in without getting the customer advance. This is our policy. Once we keep on getting advances, this will be a FD will be keep remaining same and until and unless whatever we are getting the financial benefit from the government or other thing, till that continue, this other income also is sustainable.

Moderator: Thank you. The next question is from the line of Sampanth Nayar from Tiger Asset. Please go ahead.

Sampanth Nayar: So my question is on order – so currently we have order book of INR1535 crores. So like what is the time duration for the execution of this order?

Raghavendra Rao: This present order, this may takes about another 12 months, Shiva?

Shiva Kumara 12 to 18 months.

Sampanth Nayar: Okay and one more question. So we were expecting some big order inflow, if I am correct. So what happened to that?

Raghavendra Rao: And that's what in my first, in the starting remarks, this thing only I mentioned. And that is very well positioned. And any time it is to be expected, with not only that, there are many things that are happening in the good way. And expected, because see, one thing I like to request everyone here.

So this is not like where we are working with the general companies or these companies are very very big and it's all restricted many restriction on the each and every clearance, because they are world leaders of the aerospace and defense company. It is was more than the delay and whatever, this is the process. So finally we all done everything and any moment I may announce very shortly on this is a very big news I want to give it to the market.

I know people are waiting there is a delay from our side or the customer side, but this is the process we have to follow this. Now I will just there is a lot of development in taking place in between and very, very shortly. We will go into let you know very shortly very shortly, we will go on to announce the good news to all my investors. And thank you for the patience. I know it was a long pending with this thing, but we are also eagerly waiting. And now everything is done only that PO has to sign and come out. It is any moment we are expecting.

Sampanth Nayar: So, just to be precise, we are expecting in this financial year only right?

Raghavendra Rao: Yes definitely well before that, well before that.

Sampanth Nayar: Okay, so one more question. So, we are like focusing on indigenization, we want our revenue to be more important, like focus on India also. So, like where are we in that front?

Raghavendra Rao: See, that's what I mentioned more than Make in India program is a multi-billion dollar program. And even though you can target about 1% of this total revenue, it will be runs in a nearly billion dollars. Okay, now, Make in India more than Indian companies the foreigner want a good company, good partner in India to set up their facility, take a technology, produce and supply to MOD.

There are two ways of businesses. One is a technology transfer to us and we become a prime and supply to MOD directly or there are DPSU Defense Public Sectors like Bharat Electronics, HAL, well and the BDL and other thing. They are a master system integrator and we become a supplier to them, that is what where we are sitting here and the cable and wire harness, optical cable, and also PCB assembly, and also the system integration, those technology using those foreign technology and supply to our DPSU or MOD. That is the big business in Make in India.

And wherever our Prime Minister goes and making a, bringing a lot of company to India, like a GE or go to France many thing happening in Make in India and also it is not only for in the board and things is happening practically in whether in DOMW or MOD or DRDO and things are very promising and you can see the potential where DRDO is delivering or Bharat

Electronics is delivering it, HAL is delivering it. We have a company, I will tell you, the big, where DCX is sitting in the gold mine today for Make in India.

And we have -- see Bharat Electronics and all these big DPSU, they will not do cable, they will not do small system integration, they will not do PCB assembly. This is a big junk of business. So, they do master system integration, we do all the sub-module assembly to them, that is the expertise we come out with that. So, very, very few company in India to take this opportunity and OEMs are looking.

First they will see what is your growth story of last 10 years, what is the sustainability of my industry in the defense and aerospace, what is your financial capability, what is your due-diligence of the company and what is your capabilities, what are the things you can give it to the one-shop solution like cable, wire harness and PCB assembly and system integration. Those things we are very well fit into this thing.

That's the reason I can tell you today there are monthly, there are two, three foreign companies they are visiting DCX. Two, three companies, the foreign company, big OEMs are coming and visiting DCX to make the qualification and take this forward. So, this is a big opportunity and only thing is, now there is a offset is parallelly going on and Make in India and the Tier 1 supplier or the technology partner or supply to MOD is well, well it is designed for DCX today trust me.

Sampanth Nayar: Great, great. So also one more question like we are focusing on technology transfer. Also is there focus on doing R&D on developing coming up with our own technology?

Raghavendra Rao: See, normally it is not like R&D. Suppose you have a JV with a company, since you have a JV, you sit in India. Okay, R&D is not full-fledged R&D. Okay, the product development, see any product required a little modification, otherwise it will be outdated. So, there are little R&D with the support of OEMs. There are R&D required to improve version of, suppose, let us take the U.S they made it for their atmosphere, they are all the GPS and other thing. There are, India required some special guidance.

That all we are planning to do it with, along with the JV company. Yes, there are not like scratch to from scratch, we need to start and finish. There are finished product comes, there is a technology come, little bit R&D, of course, we need to maintain the R&D in the light manner-- lighter manner, which we are not going to spend years-on-years. These R&Ds improve the technology as per the setting up -- the suitable for Indian atmosphere, that's what we need to keep it.

Sampanth Nayar: Great, sir. Thank you so much and hope like instead of getting technology, we become you transfer of technology.

Raghavendra Rao: Yes, we are only well within the plan and going on.

Sampanth Nayar: Thank you.

Moderator: Thank you. The next question is from the line of Tirth Gosar with Svan Investments. Please go ahead. Hi, sir.

Tirth Gosar: Good evening sir. So my question is regarding the working capital. So, last quarter you mentioned that you are expecting our inventories and trade receivables to reduce this quarter. So please, could you clarify on that?

K.S. Ranga: Yes, Yes. The inventory, if you remember, one minute, I'll just open the numbers and... So the inventory, and... So the inventory, if you remember, one minute, I'll just open the numbers and... So the inventory as on 31st March, if you see was INR2,285 crores, sorry INR228.51 crores vis-à-vis INR203.93 crores. Out of INR228 crores, the split of INR228 crores is INR84.66 crores is raw materials and INR143.85 crores finished goods.

Now when you compare this with the current quarter closing stock, the finished goods has come down from INR143.85 crores to INR13.97 crores. So, almost entire FG we have exhausted. The raw material stock is was 84 vis-a-visINR190 crores in the current quarter ending Q1 FY’24. So, the FG whatever was there has been fully sold. This is the position as on Q1 FY’24.

Tirth Gosar: Okay, sir and on the trade receivable side?

K.S. Ranga: On the receivable side one minute. On receivable side, as on Q4 FY’23, it was INR319.53 crores. As on Q1 FY’24, it was INR149.32 crores. There is a considerable reduction in receivables.

Tirth Gosar: Thank you sir.

Moderator: Thank you. The next question is from the line of Preeti Sharma from Invest First Advisors. Please go ahead.

Preeti Sharma: Yes. Hello. Can you hear me?

Moderator: You are audible, ma'am. You may proceed with your question.

Preeti Sharma: Thank you sir for the opportunity. I have a couple of questions. So, firstly, with respect to the OFC business business, my question was that the current OFC facility that we started, so how much percentage of the products that we use fall under this category and what is the revenue potential for the same

And secondly, with respect to the same business, since the government has imposed an anti-dumping duty for five years on import of optical fibers, so will it have an impact on our OFC business?

Raghavendra Rao: This is OFC business we have just started. It is not a big facility. In the existing facility, we need to add a few crores of capex. And this is not replacing with our regular cable, this has been some of the special cables used in the very sensitive area in radars or design system, there are mix of technology has been used both the normal cable and of the OFC cables and coming to the, of course, there is a big market for the OFC 2.

And we are just talking to --we have just installed our facility. And as I mentioned, certification is going on for OFC2. And there are a couple of inquiries, a couple of demand from the customer side to have the OFC facility apart from the existing cable business.

And we are not till -- we have received, of course, there are a couple of RFQs. We are working on it very recently. We received after we presented to our customers and existing and new customers. There are big opportunity and existing my competitors are doing well. I can say, in the area of percentage of OFC business in the comparison with other my competitor and requirements I can say about 40% it is more demand than 40% to 60%, 60% is our regular cable and 30% to 40% is the ratio what we are targeting. And there's a clear visibility.

Coming back to your anti-duty dumping on this case, as you know, we are not in the area of domestic area and we are sitting in SEZ, 100% what all import raw material is 100% duty-free. If I'm going to export outside of the country, which we are doing it from our export-oriented unit. There is no question of paying anti-dumping duty or duty to be paid extra, nothing like that. And whatever we are importing from the customs, we are 100% duty-free unit, where we are exporting back to other countries. I hope I answered your question.

Preeti Sharma: Yes, that was quite helpful. So secondly, my question was related to the EMS business. So since the EMS facility that we've recently established, what is the current status of it? Like, the funding that is available, is it sufficient or do we need to raise more funds? And with respect to the recent support that we've received from the government for the development of electronic manufacturing in India, how do we see ourselves benefiting from this post-commencement of the facility?

Raghavendra Rao: Definitely we are a benefit for this EMS. And regarding funding, as on today, we roughly invested about INR40 crores to INR45 crores from our own source till we are kept for the IPO money in the bank and for expansion plan. Presently, we don't require any fund for the enhancing or require more fund on the capex requirement. It is sufficient to what we have today and also what we reserve for the upcoming programs.

And present capacity in the -- in our language I can say, I can, whatever our machinery I put for the state of the Six Sigma machine, it can give you about both line put together about nearly 2 lakh CPH that is 2 lakh component per hour can produce and give a delivery. And normally in the EMS, nobody like to load about more than 70% to 80%, customer doesn't like to have more than 70% to 80% load. So in that calculate everything, this is the line what we have sufficient.

We can build, I can say today in the volume, when our area, we can do easily for nearly a billion business we can do in the existing line and the existing, the model, what we are having it today for we can go ahead and we have sufficient line, sufficient manpower and no further capex is required in this junction now. And of course, there are some of the expecting some of the new orders where we can have to invest some of them, which we have already money in the bank and the capex.

Preeti Sharma: Okay, got it sir. Thank you so much for your detailed answer. The last question would be related to the debt reduction plan. So could you just lay down the steps for the reduction of debt for the coming years?

K.S. Ranga: Whatever debt you see, it is for working capital. We don't have any long-term debt in our balance sheet. It is only working capital. So working capital is required to execute the order.

Preeti Sharma: Got it, sir. That's it. Thank you so much, sir, for your answers.

K.S. Ranga: Thank you.

Moderator: Thank you. The next question is from the line of Karan Sanwal from Niveshaay. Please go ahead.

Karan Sanwal: Sir, I wanted to understand how much material that the product we produce are imported, how much raw material is imported, and if we are planning to source it locally?

Raghavendra Rao: No, actually in the present scenario, we buy locally about 80%. 80% we buy locally and 20% we import.

Karan Sanwal: Okay, and also do we saw the commercial aerospace business in our wire harness segment?

Raghavendra Rao: Sorry, can you please repeat your question please?

Karan Sanwal: Yes, so I was asking whether we serve the commercial aerospace business in the wire harness business?

Raghavendra Rao No. let me answer technically on this. See, the commercial, aircraft is always we called as Class 3, okay, whether you take it as a commercial aircraft or a military aircraft or fight controls, what all we produce this will be suitable for Class 3 that is for a defined for a AF 9100 standard. And of course, the commercial aircraft also looking for this Class 3 facility only, there is not much difference between the commercial aircraft or military aircraft. So where our facility can able to deliver for the commercial aircraft too and civilian aircraft which we are also working to acquire more inquiry on this and in fact that is in inline.

Karan Sanwal: So what should be your margin in the wire harness segment, if you could say?

Raghavendra Rao: In the past history, Shankar sir?

R. Sankarakrishnan: Cable wire harness is a very small significant portion of our revenue. I think, out of the INR170 crores, may be we did about INR3.87 crores business was the cable and wire harness. Normally, cable and wire harness depending upon the project and the complication that are involved in the harnesses, ranges anywhere between about 20% to 25% kind of EBITDA margins.

And going forward, we are continuing to put lot of thrust and the energy improving the overall quantum of cable and wire harness business from FY '24 and beyond.

Karan Sanwal: Right. Great. Thank you so much and all the very best.

Raghavendra Rao: Thank you.

R. Sankarakrishnan: Thank you.

Moderator: Thank you. As we have no further questions, I would now like to hand the conference over to Dr. Raghavendra Rao for closing comments. Over to you, sir.

Raghavendra Rao: Thank you. I would like to thank you, entire team of DCX System for this effort and hard work and dedication with the company. We are fully focused. And thank you all, Shiva, Ranga, Shankar sir. And I appreciate my joining the conference call. Also like to highlight to my dearest investor and please I want to make a special announcement here. Ours is a very 100% risk-free model, risk mitigation. What all we build, we ensure payment will be paid back to our company. And our PAT is reserved for that.

And also, we are working with a defense company, and there are certain Indian defense clearance, also the foreign OEMs, they are big corporations. This will be more than the time expected and approvals and the clearance and the security clearance take place. My only humble request to my investors, dear investors, please, please bear with us. DCX is only focused on the revenue model and especially myself and my team, other than at DCX, we don't have any other business.

Completely myself and team is fully dedicated, 24/7, we work for DCX, for all your growth, all our growth. That's what I want to request, and please bear with us for any delay or something like that, and it's the defense industry, but DCX is going to come out all the delays what will happen in the way that a supply chain issue or the technology transfer or the JV or the new PO now everything is in under control. Very shortly I will give you the good news. Please bear with us till then and thank you so much. Jai Hind.

Moderator: Thank you. On behalf of DCX Systems Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.