

DCX Systems Limited

Where Vision Meets Technology

Corporate Presentation

November 2023



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. In particular, this presentation is not intended to be a prospectus or offer document under the applicable laws of any jurisdiction, including India.*

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. Such contents are in all events not current after the date of this presentation. There is no obligation to update, modify or amend this communication or to otherwise notify the recipient if information, opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. However, the Company may alter, modify or otherwise change in any manner the content of this presentation, without obligation to notify any person of such change or changes. 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.

These materials are being given solely for your information and may not be copied, reproduced or redistributed to any other person in any manner. The distribution of these materials in certain jurisdictions may be restricted by law and persons into whose possession these materials comes should inform themselves about and observe any such restrictions. 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. This presentation is for general information purposes only, without regard to any specific objectives, financial situations or informational needs of any particular person.

Table of Contents



01 **Company Overview**

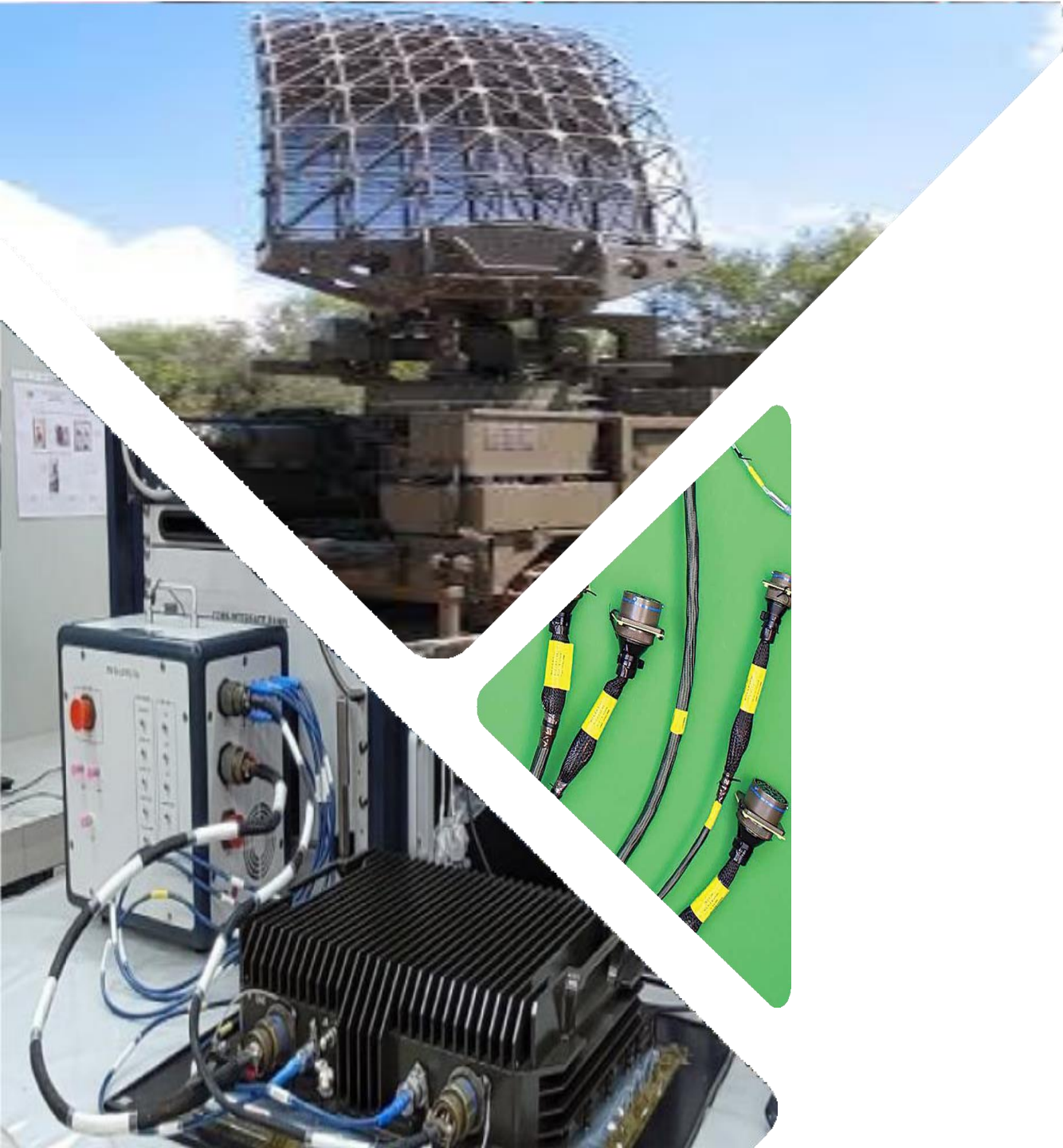
02 **Business Overview**

03 **Industry Overview**

04 **Financial Highlights**

05 **Way Ahead**

06 **Glossary**



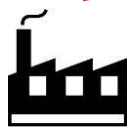
Company Overview



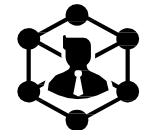
- Diverse mix of domestic and international customers across Israel, US, Korea and India



- 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 (via Wholly Owned Subsidiary)

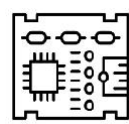


- Unique business model providing **end-to-end solutions** of cable & wire harnesses, electronic sub-systems, high-end **System Integration** and PCB Assembly for Defence & Aerospace Industry. Entered into JV with ELTA Systems Ltd, Israel for Developing Obstacle Detection System for Railway Industry

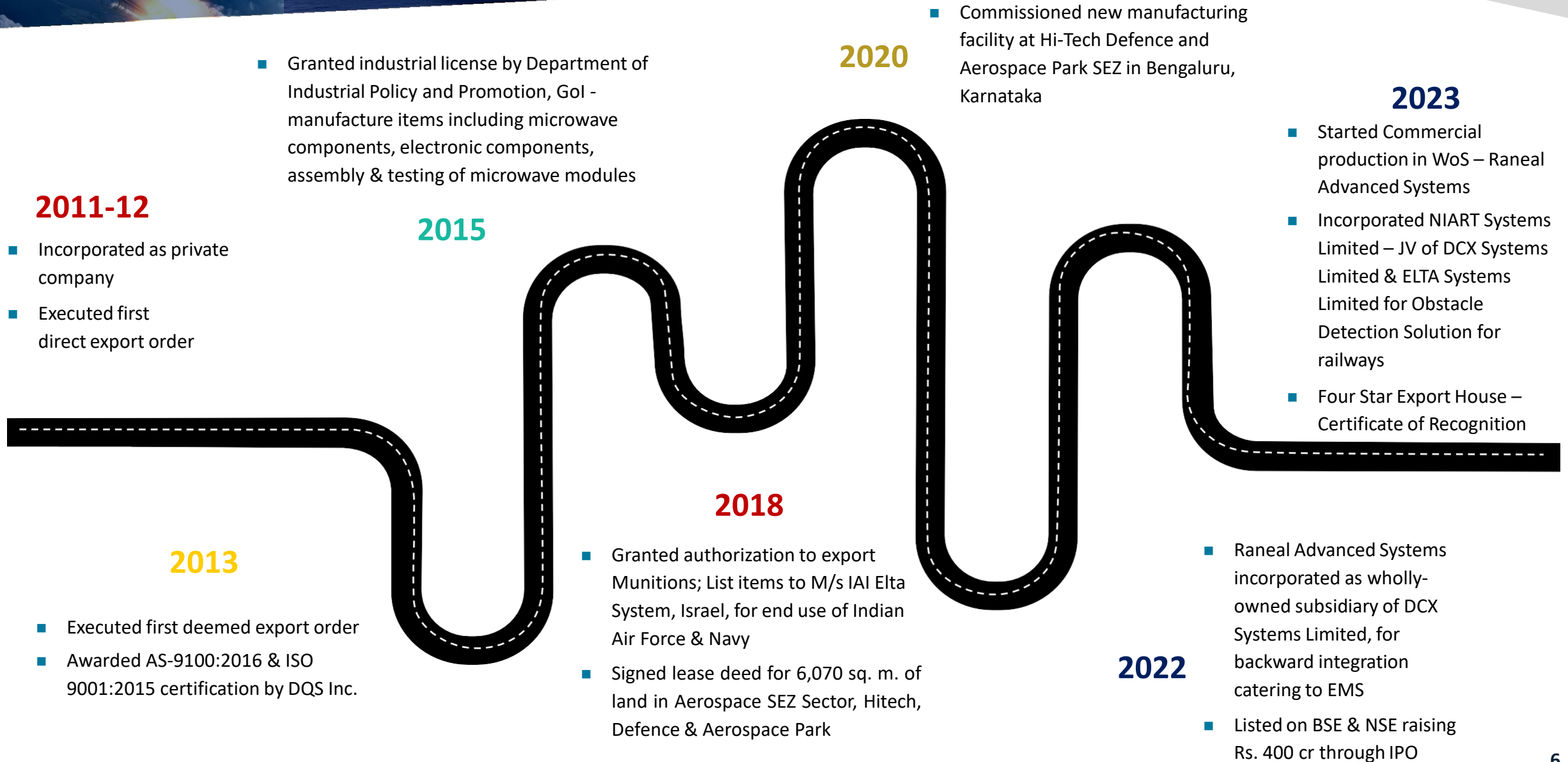


- DCX is the largest Indian Offset Partner to leading Israeli Defence Company, IAI (*Israel Aerospace Industries*), for its offset obligations.
- Leveraging to expand into other geographies for both **Offset** and **Non-Offset** projects

- 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

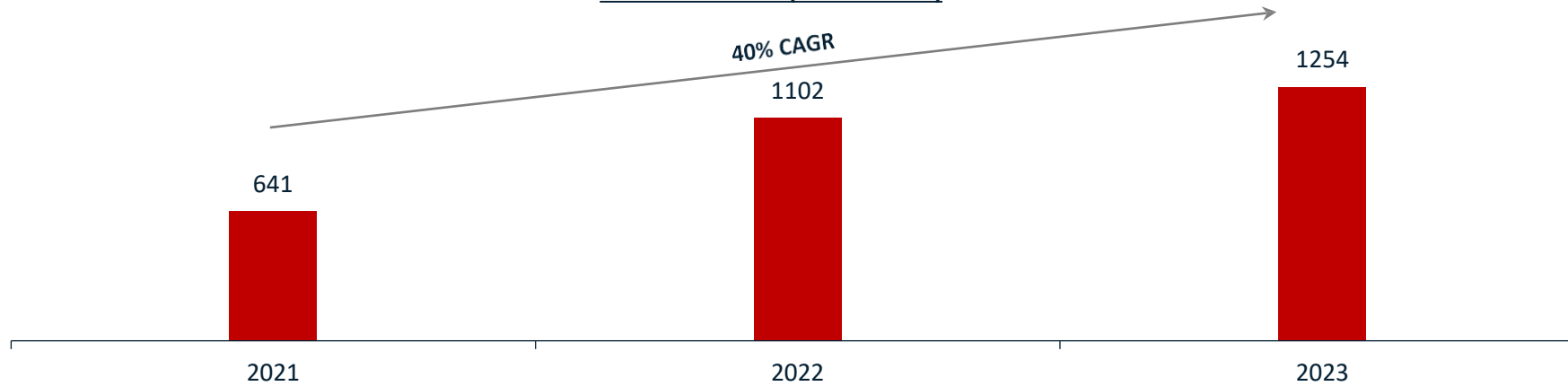


Key Milestones

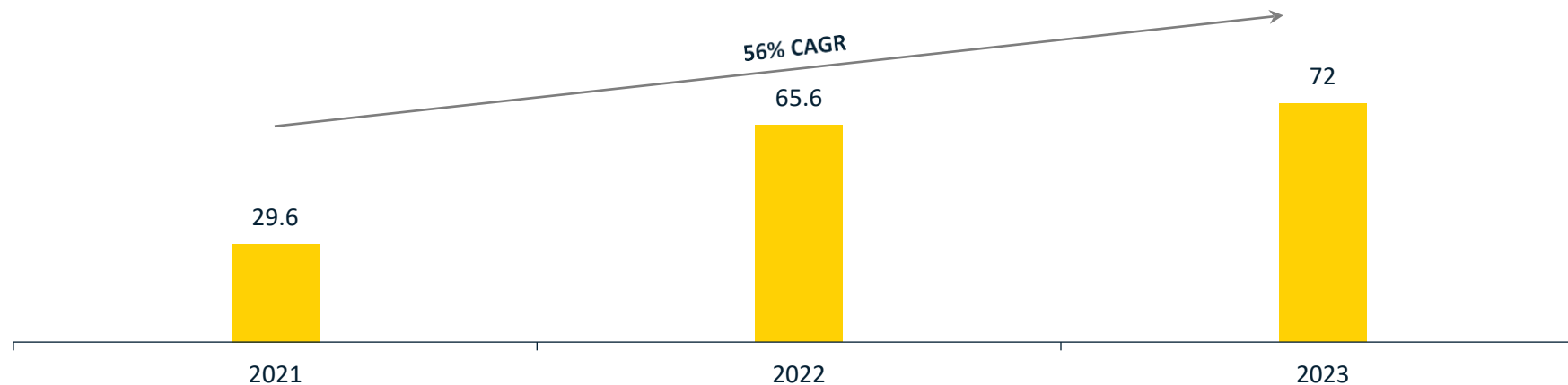


Consistent growth in top line through robust business verticals and execution capabilities

Revenue Growth (Rs. In crores)



PAT Growth (Rs. In crores)



- Healthy **CAGR of 40%** on revenue growth over the last 3 years
- Strong **CAGR of 56%** in PAT over last 3 years
- **Order book** as of September 30th, 2023 is **Rs. 1258 crores.**

Strong & Experienced Management (1/2)



Dr. H.S. Raghavendra Rao | Chairman & 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



"Star Exporter Award – Manufacturer Category"

by Federation of Karnataka Chambers Of Commerce And Industry



"Young Entrepreneur of the Year Award"

at the 10th International Achievers Summit



"Excellence Award for Industrial Development"

by the Indian Economic Development & Research Association



"Mahatma Gandhi Samman Award"

by NRI Welfare Society of India



Excellence Expo Award in Aerospace and Defence Sector

By Bharat 24



"India's Innovative Entrepreneur of the Year"

from International Achievers at Dubai



"India's Greatest Leaders 2023"

By Asia One



"India's Greatest Brands 2023"

By Asia One



Ranga KS | Whole Time Director & Chief Financial Officer

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



Shiva Kumara R | Vice President

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



Nagaraj R Dhavaskar | CS, Legal and Compliance Officer

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



Neal Jeremy Castleman

Non-Independent and Non-Executive Director

- He holds a Bachelor of science degree in chemistry from the University of Southern California
- Director of the Company since March 14, 2012 and has over two decades of experience in the electronics manufacturing sector
- Has been working with DCX-CHOL Enterprises, Inc as a director (president) since 1997



Kalyanasundaram Chandrasekaran

Independent Director

- He is an associate of the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India
- Director of the Company since January 28, 2022
- He was previously associated with BDA Limited, Beacon Weir Limited, Ceeta Springs & Steels Limited, Associated Construction and Investment Company, LLC, Dubai Lifestyle City and Tracstar Investments Limited



Panchangam Nagashayana

Independent Director

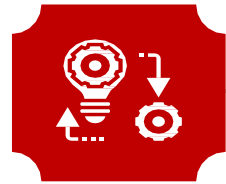
- He holds Bachelor's of engineering (electronics) degree from Gulbarga University
- Director of the Company since January 28, 2022 and has more than 30 years of experience in the electronic sector.
- In the past, he was associated with Canarie International, Canarie Electronics Inc., Plugmetrix Technologies LLP and Cyberstar Infocom Private Limited



Lathika Siddharth Pai

Independent Director

- She holds a bachelor of engineering (electronics) degree from Bangalore University as well as master's degree in science from the Rochester Institute of Technology
- Director of the Company since February 2, 2022 with 15 years of experience in management consultancy
- Has been working with Tekinroads Consulting LLP since 2014 as a partner



Offset / Non-Offset

- Strong relationship with Israeli Defence Companies, built over a Decade
- Partner for Israel / US OEMs to supply wide range of products for Aerospace & Defence for both Offset and Non-Offset Programs



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



Build to Print Turnkey 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

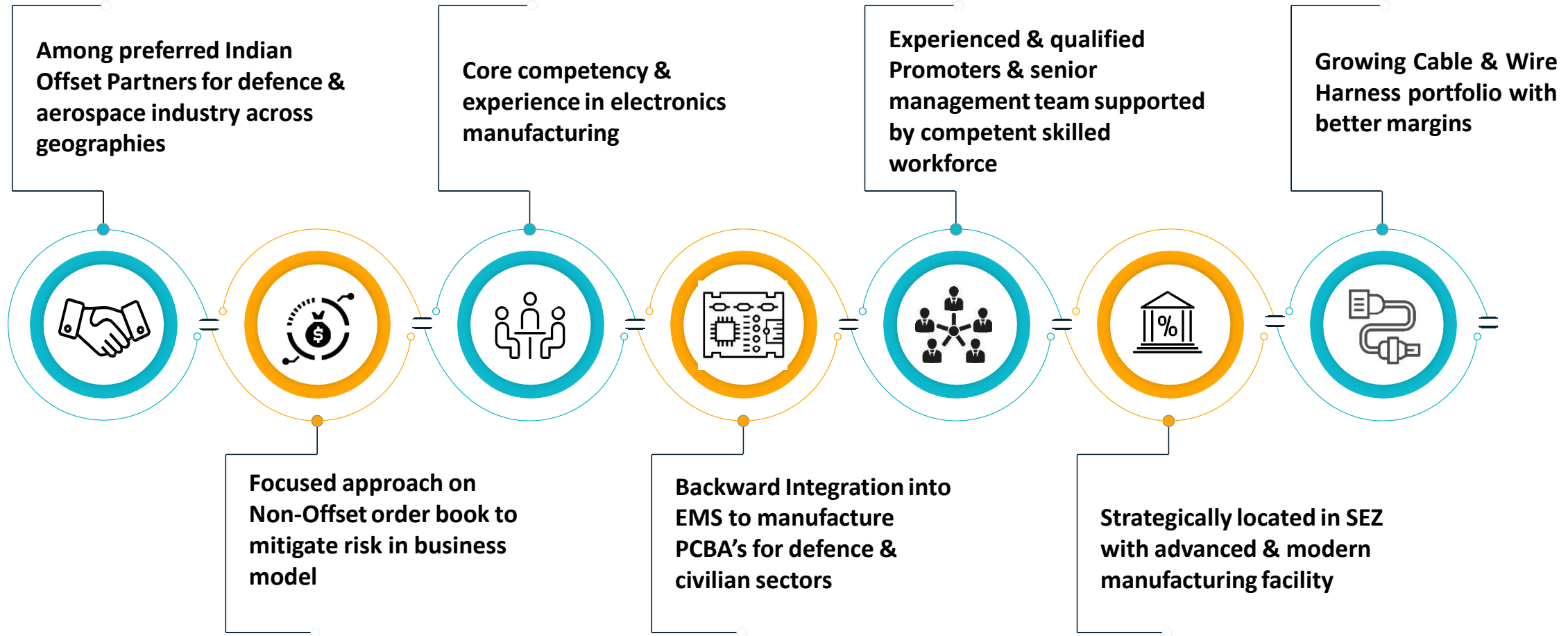


Transformation to Product Company

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



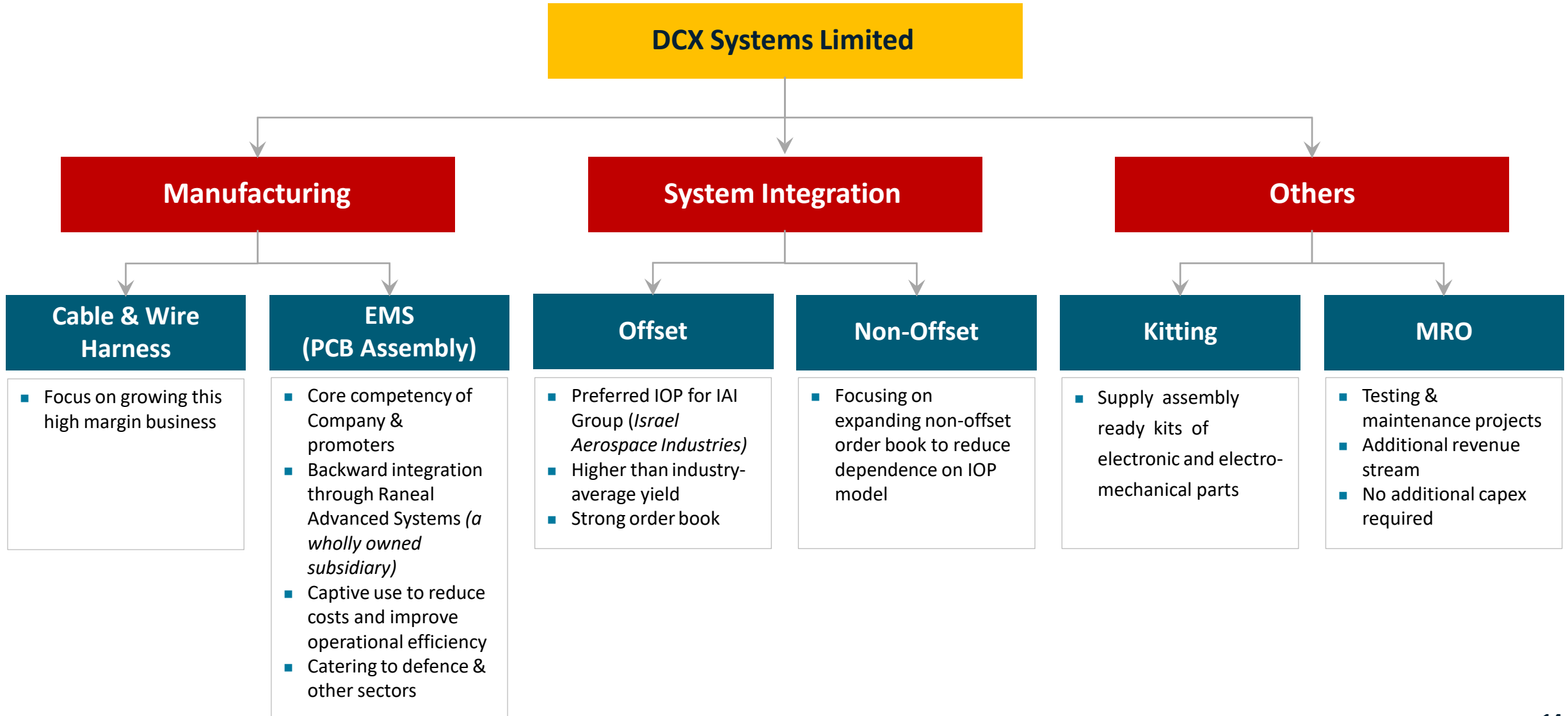
Key Strengths – End to End Solution Provider



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



Business Overview



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

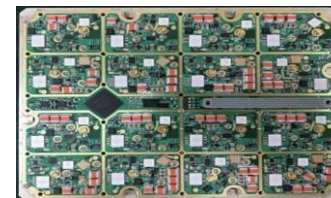
Cables & Wire Harness

- 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
(100% Subsidiary of DCX)

**EMS/PCBA Manufacturing
unit**

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

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

Leading to Better cost control,
Supply chain rationalization & resource
planning,
Improved top line and profitability

Invested about Rs. 6.60 crores through Equity

- 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, International quality standards, execution capability, cost competitiveness, ethical foundation – leading to higher number of **non-IOP projects**
- We believe that the Share of non-Offset projects is going to grow – thereby mitigating risk from high dependence on offset projects and with better margins

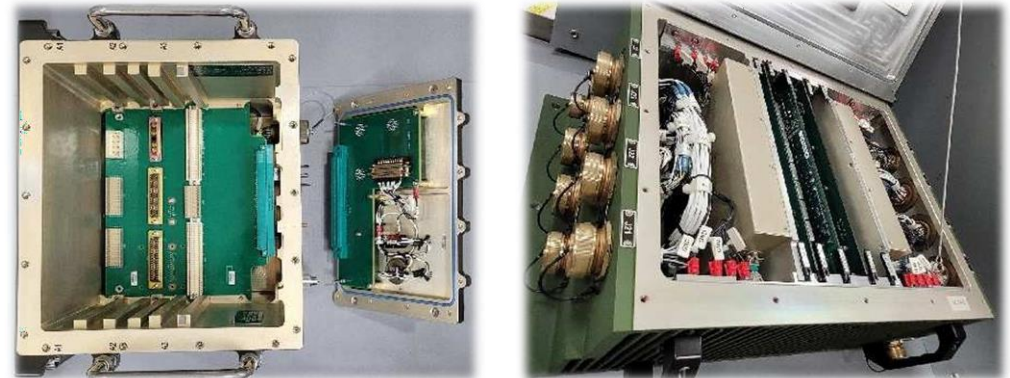
Kitting

- 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





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

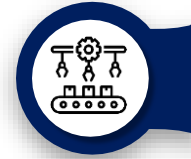
Skillset and technology to manufacture cable and wire harnesses including radio frequency, coaxial, mixed signal, power, data, submergible, twinnax cables, shielded cable harness, flexible cables and open and closed type harnesses



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 **4-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**, DCX 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



New Initiatives

Growth Strategy: Manufacturing and Joint Ventures with Global Leaders



DCX's growth journey is fortified by strategic joint ventures that epitomize its commitment to innovation and expansion

EMS - RANEAL

- Raneal plays a role in fulfilling a key portion of the Integrated manufacturing to provide total solution to OEM's for supply of complete product by DCX as a backward integration in the Aerospace & Defence sector for both captive business as well as directly to the global OEM's. As a standalone business unit, market opportunities for EMS are huge in the Non-Defence area like Railways, Industrial Electronics, Medical, Strategic Electronics etc., and Raneal is gearing up to stabilize and expand its presence to cater to all the above segments of the Industry which provides a clear visibility of growth, and this vertical is very promising and emerging in India.

ELTA-DCX JV

- This joint venture encompasses direct supply to Indian and Global Railway market to improve the safety and efficiency in the Railways operations, with DCX serving as a prime equipment supply integrator. This partnership adds substantial value in the form of additional business for its present business verticals.
- Market potential in India alone for these products is over \$3BN and over \$4BN for other global market.
- With the recent budgeted amount of Rs.34,000 Cr. by GOI for safety upgrades in the Railways gives a major boost and confidence in this business

JV's and/or Technology Acquisition

- The company is engaged in discussions with leading technology players globally for JV's and/or acquisition of technology and product to be made in India under Aatmanirbhar Bharat and Make-In-India initiatives.



Industry Overview

Corporation of Ordnance Factory Board (OFBs)



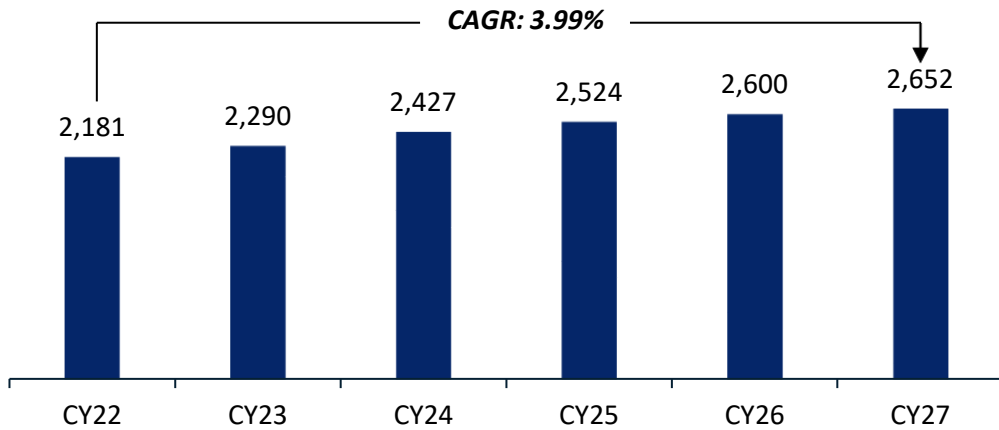
Industry Tailwinds for DCX

- 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



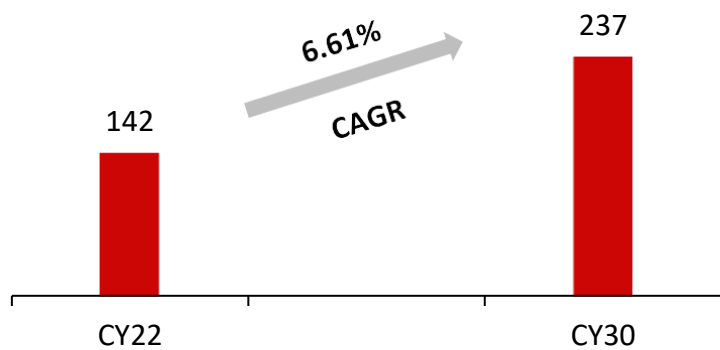
Global Defence Spending Forecast (in USD billion)



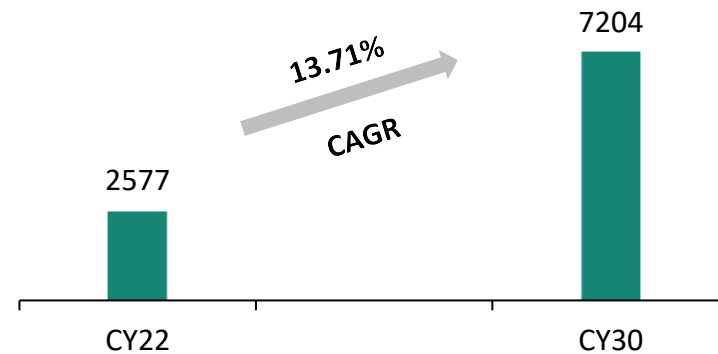
Growth Drivers



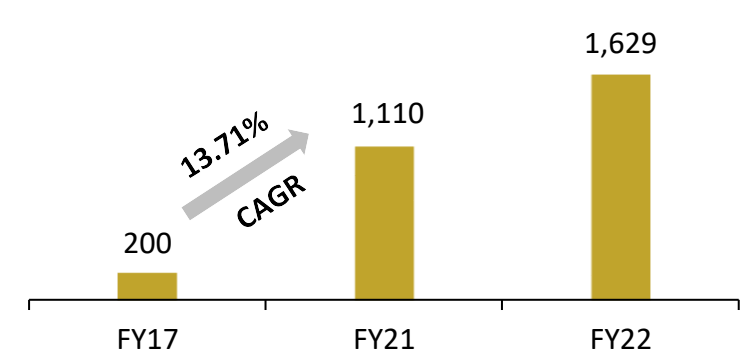
Global Defence Electronics Market (in USD billion)



Indian Defence Electronics Market (in USD million)



Indian Defence Exports (in USD million)



Well-positioned to capitalize on industry tailwinds



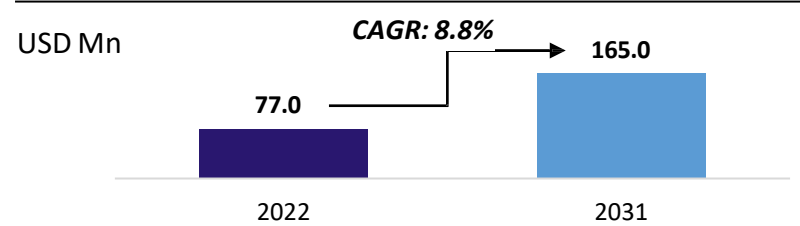
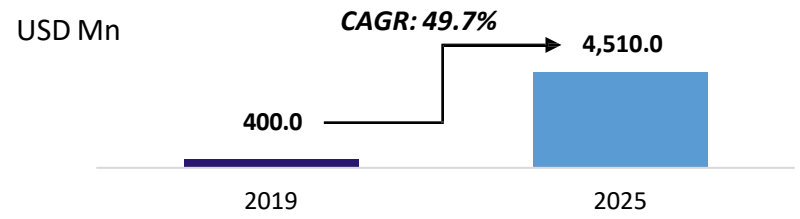
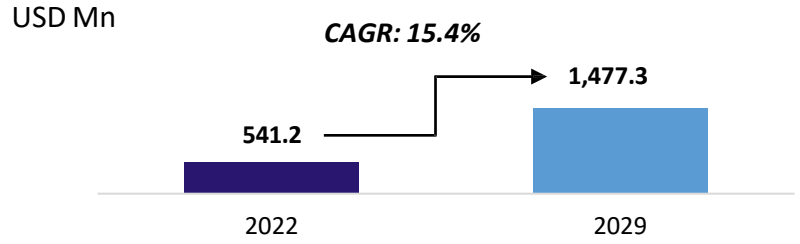
High India market potential for DCX

Cable & Wire Harness Industry Size

EMS Industry Size

MRO Industry Size

Indian Company with capability of entire range of products



Numerous Government Initiatives

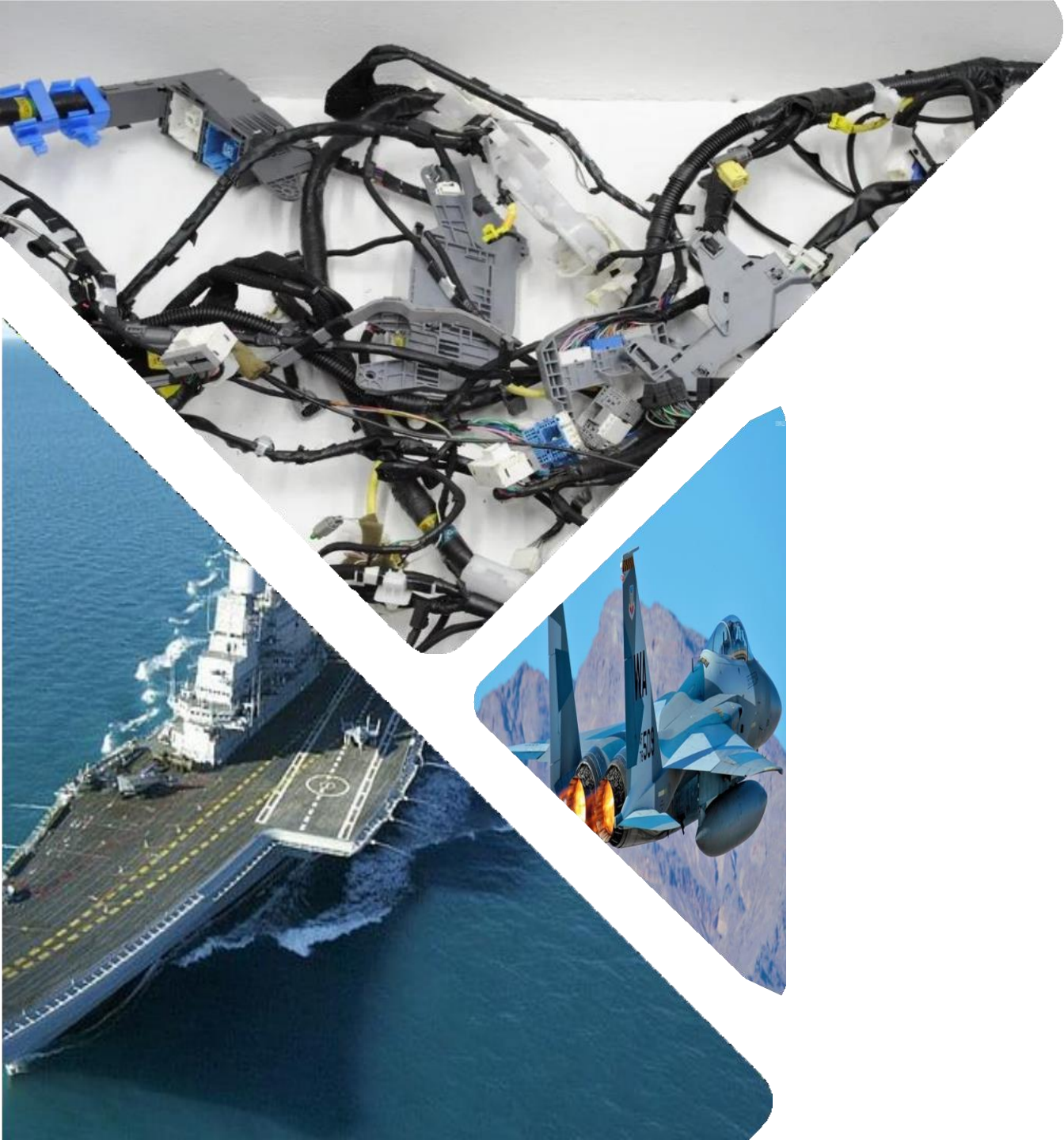
Positive Indigenisation List

Defence Acquisition Policy 2020

Corporatization of Ordnance Factory Board ("OFBs")

Indian Offset – Self Reliant

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



Financial Highlights

Q2 FY24 Financial Highlights



Particulars (Rs. Crs.)	Standalone				
	Q2 FY24	Q2 FY23	Y-o-Y (%)	Q1 FY24	Q-o-Q (%)
Revenue from Operations	309.12	173.88	77.78%	170.10	81.73%
Raw Material Expenses	283.54	151.01		156.62	
Employee Cost	3.08	2.64		2.99	
Other Operating expenses (Incl. FX Gain/Loss)	3.47	10.33		2.62	
Total Expenditure (Incl. FX Gain/Loss)	290.09	163.98	76.90%	162.23	78.82%
Other Income	12.09	6.43		11.30	
Depreciation	0.48	0.48		0.47	
EBIT	30.64	15.85	93.37%	18.71	63.81%
EBIT Margin	9.91%	9.11%	80 bps	11.00%	(109 bps)
Interest	6.24	6.78		6.94	
Profit Before Tax	24.40	9.07	169.04%	11.77	107.28%
Tax	3.99	1.20		1.92	
Profit After Tax	20.41	7.87	159.28%	9.85	107.24%
PAT Margin	6.60%	4.53%	207 bps	5.79%	81 bps
Basic EPS	2.11	1.02		1.02	

H1 FY24 Financial Highlights



Particulars (Rs. Crs.)	Standalone		
	H1 FY24	H1 FY23	Y-o-Y (%)
Revenue from Operations	479.23	387.13	23.79%
Raw Material Expenses	440.15	341.14	
Employee Cost	6.07	5.07	
Other Operating expenses (Incl. FX Gain/Loss)	6.09	25.92	
Total Expenditure (Incl. FX Gain/Loss)	452.31	372.14	21.55%
Other Income	23.39	13.43	
Depreciation	0.95	0.94	
EBIT	49.35	27.49	79.51%
EBIT Margin	10.30%	7.10%	320 bps
Interest	13.18	11.75	
Profit Before Tax	36.17	15.74	129.84%
Tax	5.91	2.10	
Profit After Tax	30.26	13.64	121.90%
PAT Margin	6.31%	3.52%	279 bps
Basic EPS	3.13	1.76	

H1 FY24 Standalone Balance Sheet



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

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

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 Equivalent	416.62	549.33	800.22
Closing Cash & Cash Equivalent	549.33	800.22	591.42



Way Ahead

- ✓ Commenced operations from September 2023 - Wholly owned Subsidiary Raneal Advanced Systems Private Limited's facility to manufacture Printed Circuit Board Assemblies (PCBAs)
- ✓ Established a Joint Venture between DCX Systems Limited and ELTA Systems Limited for Obstacle Detection Solutions for Railway Industry.
- ✓ Four Star Export House – Certificate of Recognition
- ✓ Upgraded Credit Rating – From **“BBB”** to **“A-”**



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

Aerospace SEZ Sector, Plot No 29, 30 & 107, Hi-Tech Defence & Aerospace Park,
KIADB Industrial Area, Devanahalli, Bangalore, Karnataka 562110. INDIA

Contact : Mr. Niraj Khandelwal

DGM-Corporate Affairs

Email: niraj@dcxindia.com

www.dcxindia.com

