



“DCX Systems Limited
Q3 & 9M - FY '24 Earnings Conference Call”

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**MANAGEMENT: DR. RAGHAVENDRA RAO – CHAIRMAN AND
MANAGING DIRECTOR – DCX SYSTEMS LIMITED
MR. K S RANGA – WHOLE TIME DIRECTOR & CHIEF
FINANCIAL OFFICER – DCX SYSTEMS LIMITED
MR. R. SHIVA KUMARA – VICE PRESIDENT,
OPERATION – DCX SYSTEMS LIMITED
MR. NIRAJ KHANDELWAL – DGM-CORPORATE
AFFAIRS – DCX SYSTEMS LIMITED**



Moderator: Ladies and gentlemen, Good day and welcome to the Q3 and 9M FY24 Conference Call of DCX Systems Limited.

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 call, please signal an operator by pressing “*” then “0” on your touchtone phone.

This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as in the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. I now hand the conference over to Dr. Raghavendra Rao – Chairman and MD. Thank you and over to you, sir.

Dr. Raghavendra Rao: Thank you. Namaste, Good morning everyone. I extended my warm welcome to all of you for the DCX System Earning Conference Call for the third quarter and the 9 months ended December 31st, 2023.

I would like to start by thanking you, all of you for taking the time to join us in the today's call. With me, our CFO and Whole Time Director – Mr. K S Ranga and VP Operations – Mr. Shiva Kumar and DGM Corporate Affairs – Mr. Niraj Khandelwal. I will likely to provide an overview of your company's recent development.

The recent development, I would like to update the investors and the latest development milestone of your company. As you all aware we are raised our second round of QIP where successfully we raised 500 crores through QIP in January 2024. Majority of the investors from the mutual fund and FIIs and insurance companies and the AIF.

The object of the QIP area is the utilization of funds. As you are aware we had a joint venture with the IAI ELTA systems and DCX and the company called NIART Systems Limited. It's mainly on the railway security, railway obstacle reduction system. It is going very smoothly and company now is going to fund about 209 crores out of this 500 crores of what we raised in the QIP.

This business we are very thrilled and very confidence level is a global technology what this JV is going to acquire and India is the biggest market and as you know railways spending lot of electronic safety system, our railway central government spend lot of allocation funds and this technology it is going to help us, our railway in the three ways.

One is safety of people and the animals on the tracks and the efficiency of the railway and many more to come on this and this product is very unique and presently I can say today as per my knowledge this is only technology available. This is a radar and obstacle based deduction



system can predict it up to the 1 kilometer plus on the range what is there in the track you can see.

All the trials have been success and we are very confident to start the production in next year and things are going very, very positively on this program. So, out of this 500 crore 209 crores goes for this investment. Also, the second 200 crore investment, to invest on our JV's and technology of transfer for Make in India program. This make in India program it is going everywhere in India, especially in our area aerospace and defense.

And you take any program the priority goes to the Indian vendors for the all our MoD has taken a bold decision to make a positive indigenization list that means 500 plus there are 5 positive indignation list has been released by MoD those items cannot be imported from the global supplier. It has to be manufactured in India.

So, we are well within the requirement of Government of India for aerospace and defense and to achieve this target we are working closely with the foreign OEMs to take the technology transfer or the JV's and things are going very positively where we allocated 200 crores on this program.

There are many things in Make in India program. It has to buy Indian, make India and global manufacturer even though global company get PO directly from the G2G government-to-government, there is a DPP 2020 defense procurement policy. It has to be manufacturing minimum 60% of Indian content indigenous content. The opportunity is big, your company is well within the frame of taking this opportunity and required.

As you know we have the state-of-the-art facility and the experience and technology and now we are tied up with the technology or the JVs with the foreign company to take this opportunity and move forward where we are reserving about 200 crore on this program and I will update you the further once it has been document has been signed. We are working closely with the foreign OEMs and maybe the Indian companies and I will update you on the in the further coming days.

Secondly, out of 209 crores on the railway JV, 200 crores plus is going on the technology acquisition of the JV through or DCX or the subsidiary and secondly we spent about the issue expenditure about 13.5 crores and balance about 77 crores we kept as a mainly on the general corpus fund mainly of the two things on the acquisition of MRO Technology and many things isn't there that is also under progress and we are very focused on this 500 crore utilization and plans are ready once I have a paper in hand I will convey to you all the things, but we are fully focused and things are going very positively.

And I'm happy to announce I congratulate my marketing team. The best effort has been done from the last 2 years working with the major world biggest company Lockheed Martin USA. We are working closely about 2 years we are able to conclude the main business with Lockheed



Martin. We received 1 PO. It has been announced yesterday that we got about nearly about \$2 million about 16.5 crores for the electronic assembly.

This is the biggest achievement done by our marketing team and we are expecting more to come because Lockheed is a very big joint in aerospace and defense. I can say as per my knowledge is the number one defense company in the world and they have a many division, many programs and we just taken this opportunity has come to your company and we are focused and whatever they're given order we are fully have a facility and capabilities and everything under control and this 2 million pilot order will be executed successfully and shipped them as per their requirement.

Second good news is, we are working with the other company from last 1.5 years and we got one more export order about 457 crores about \$55 million which has been overseas customers on the electronics side, module side, we are doing the complete process to take this forward and as per the today this 457 maybe in the December or January is getting completed from our side and all the supply chain everything is under control and we got this opportunity. Both are new customers and not only from Israel. we are getting the order from the other country too and it is a big momentum for your company.

So, we are expanding our marketing base to India, Israel, US and many other European countries. We are doing that. So, this was the update for the recent update development in the company and I'd like to extend my appreciation to the entire DCX team for their dedication and hard work I like you to thank you for our prestigious customer, supplier and banker for their continuous support and especially our technical marketing and the business team at DCX, they have done a lot of effort to acquire this nearly about 475 crores PO and congratulations guys and Shiva and team done a fantastic job and also what I want to express my sincere appreciation to each one of you for your joining us this conference call.

You can always reach out our investor relationship from any additional information Adfactors our IR agency and thank you. Jai Hind, Jai, Karnataka. Now, I'll hand over the call to our CFO and the financial outlook of the finance for the quarter 3and 9 months. Mr. Ranga hand over to you.

K S Ranga:

Thank you sir. Good morning and welcome to the earnings call. I am pleased to provide an overview of our financial performance for the third quarter and 9 months ended 31st December 2023. Starting with the standalone financial in Q3 FY24, our revenue was reported at Rs. 197.98 crores. EBIT for the quarter stands at Rs. 21.28 crores vis-a-vis Rs. 28.99 crores in Q3 FY23.

The EBIT margins however improved raising from 8.14% in Q3 FY23 to 10.75% in Q3 of FY24. The PAT for Q3 FY24 amounted to Rs. 11.89 crores, while PAT margin expanded 115 basis points year-on-year to 6.01%.



Now coming to 9 months performance. For 9 months FY24 our revenue stood at Rs. 677.2 crores as against Rs. 743.08 crores in FY23 for the corresponding period. EBIT for 9 months grew by 25.05% to 70.63 crores compared to 56.48 crores in the corresponding period of FY23. The EBIT margin also improved by 283 basis points to 10.43% from 7.6% in the same period last year. This can be attributed to enhanced operational efficiencies and strategic supply chain measures.

PAT for the 9 months reached Rs. 42.16 crores showcasing a healthy year-on-year growth of 36.33% compared to 30.92 crores in the corresponding period of the previous financial year. The results underscore DCX Systems commitment to sustained growth, operational excellence and prudent financial management. Now I welcome you all for any questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is on the line of Akshada Deo from Vivog Commercial Limited. Please go ahead.

Akshada Deo: Congratulations on Lockheed Order, Just wanted to know more about this as this is your pilot order what type of visibility do you have for your relationship with Lockheed? Do you have this as a potential for repeat orders and any idea or if it increases margins?

Dr. Raghavendra Rao: As you know Lockheed is a very big corporation and taking the entry it is a very, very big challenges, process and the protocols and the security systems many things. Now there is a big potential they are looking for a(Technical/Call drop)

Moderator: Mr. Rao we are not able to hear you. Ladies and gentlemen we seem to have lost the audio from the line of Mr. Rao. Please stay connected while we try to regain the audio. Sorry to interrupt Mr. Rao are you able to hear me.

Dr. Raghavendra Rao: I can hear you.

Moderator: Sir, we are not able to hear your answer to the question.

Dr. Raghavendra Rao: Up to where you have heard?

Moderator: Sir the entire answer. Akshada could you repeat your question.

Akshada Deo: The order that we received for Lockheed the kind of visibility we are looking from Lockheed as a company and any type of margins, what type of margins can we expect going forward from the business?

Dr. Raghavendra Rao: Okay you are talking about the margin and program.



Akshada Deo: Lockheed is your pilot order for now there are \$2 million PO that you have received. I just want to see the kind of visibility you have obviously because Lockheed coming up opens a very large company for you, so what are you planning as a company or what are you foreseeing as a company in terms of business, in terms of margins and can we expect the margins to increase, is this order increases?

Dr. Raghavendra Rao: Potentially that's what I tried to explain I don't know why you cleared that maybe some connection issue. Lockheed is a big opportunity taking entry of big and big potential, make in India program everything is going on the plan and with a margin I can say today cannot give you numbers because it is better than what we are doing in the current situation, what program we are doing with a much complex and the things, better than what we are doing in the margin in the Lockheed is better and opportunity is very big.

Akshada Deo: So sir how would you go about opportunities? Does that mean that you are considered an approved vendor for Lockheed and you're eligible to bid into more of their contracts when they come up? What does the process look like whatever you can share?

Dr. Raghavendra Rao: See, that's what I explained. This is what we got registered it's a centralized vendor code. This will be a one division get enquiry any requirement comes and all the divisions can send us to the particular program to us and India is the biggest customer for Lockheed. They need Indian supplier because of the 60% Indian content they have to offset, the old offset obligation they have to complete. So, these are the big opportunity. Now we have taken an entry and upcoming days looks very positive with this company.

Akshada Deo: What I meant was for NIART Systems the JV that we have done recently, so when do you expect, what type of timeline have you decided as a company that is probable for it to start showing fruit?

Dr. Raghavendra Rao: As I mentioned Proto and trial has been done and just waiting for the bulk order to get into the company and as per my road map and for the potential available most likely our revenues start generating from 24 end to 25.

Akshada Deo: Sir your customers for 'NIART Systems would they be the same customers that you already have or would they be newer ones because I understand this is railways. Would you be looking into?

Dr. Raghavendra Rao: This is the end product with a complete system, it is not a subsystem, it is a complete radar and optical based system. It will be used only in the end application will be railway only. So, it has to be Indian Railways the single customer and also there are other global customer in European and US and also some of the European countries and they will be used only in the government Railway Department. We cannot sell anybody this product is specifically designed for a railway system.



Akshada Deo: Sir, for example, the Kavach tenders that are coming up in the market right now, would this be part of those Kavach tenders or would this be a different tender altogether and at what point in time is this supposed to be placed like is this supposed to be placed during or at the end stage of the railway upgradation tracks?

Dr. Raghavendra Rao: Kavach is a different technology and what we are built is a different technology. Kavach work is collision system and nothing to do with Kavach that is Kavach in the entire application. Of course, it is coming under railway safety, but this is a standalone system and this can give you the complete visibility to the driver and this is standalone system. It is going to install in the front of the loco and driver can see any rough weather whether rain or fog or any this thing in day and night you can see anything on the up to 1 and 1.5 kilometer what is there in the man size of the track.

And these technology is entirely different and it is standalone system no infrastructure required are being line and sensors both side should have, but driver will get a complete visibility on his screen and what is there in the track of the man size. We can see the facility.

Coming back to tender and it is a global technology as I mentioned, this is a technology available globally and there's only one company developed this program. Recently there are trials and done with the RDSO and RDSO is very happy about the soft trials and we got the satisfaction report and that is going on the 5 trial what we received the order earlier which we are executing now for the trials and they are happy with the trials and this tender is nothing to do with Kavach this budget it is coming under the what railway budget that railway safety this also may be is going to add up into this railways, are also railway safety. It is not a capital equipment it is a railway safety.

Moderator: Thank you. The next question is on the line of Karan Mehta from Nirzar Securities. Please go ahead.

Karan Mehta: I have got three questions. Firstly, what's your outlook on the order book and on large multi year orders?

Dr. Raghavendra Rao: See up to 31st of December and we had 1,095 crores order book open order confirmed from the PO and recently we added 474 crores PO which has been recently announced 474 crores. Present order book situation is 1,569 crore as per the today's date..

Karan Mehta: Out of this how much is from defense PSUs?

Dr. Raghavendra Rao: This all belongs to defense. We have not started anything on the railway with what we are doing is completely on the defense program. I can say 98% is going on aerospace and defense.

Karan Mehta: This is defense PSUs right? I am asking only of the defense PSU?



Dr. Raghavendra Rao: No. There are mix. Defense PSU there are mix. We have a majority I can say 80% on export orders for a defense company, maybe offset, non-offset many things are there, defense PSU is very little in this, because we executed mainly in December.

Karan Mehta: And sir what will be the revenue contribution 9-month revenue contribution from defense PSUs?

Dr. Raghavendra Rao: About 20% has been contributed by the DPSUs in India for 9 months.

Karan Mehta: Sorry sir can you repeat that?

Dr. Raghavendra Rao: 9 months for the DPSU orders what we executed for 9 months about 20% to 25% goes to DPSUs. Rest is exports.

Karan Mehta: And sir what is your outlook on the order book like how do you see this growing one year down the line?

Dr. Raghavendra Rao: That's what I mentioned we got recently 475 crore PO what we received and there are many more to come. I can tell you the ones we have confirmed PO definitely we will announce it and the pipeline is good and it is requirements are good and our Raneal our 100% subsidiary has been started, now more opportunity for the companies or the PCB also and we are expecting a good pipeline orders.

Karan Mehta: And sir my second question is like what the kind of margin profile that we enjoy in all our business segments and what's the kind of margins that we enjoy in electronics assembly?

Dr. Raghavendra Rao: Looks like I'm not say today for the offset, non offset and the build-to-print business maybe 100 days, 120 days point that increase from the upcoming days, but definitely once there is a build-to-print business and going forward once you become a product company, margins are very good and I can say for this thing about we have a better visibility on the other country penetration we have taken global penetration with the US and I can take about European countries or other division on the Indian territory. So, we have better visibility and better margin on this.

Karan Mehta: Sir, can you provide it business segment wise I mean how much do we enjoy in cable and wire harness business and how much in the EMS business and how much in this offset, non offset?

Dr. Raghavendra Rao: What we have in the present 1,050 crore is offset is about 30% and cable, may be, it is about... segment wise that we will give you I'm not sure in these figures. So, overall, in the pre shipment what we are working for a 1,600 crore roughly we have orders 1,569 crores. In that about 5% on cable and electronic assembly may be about 30%-40% and system integration may be majority about 60% and typically from the new EMS business maybe we started we got some orders that maybe which contribute to about 10%-15%.



- Karan Mehta:** Sir, I was asking on the margin front, margins in all these businesses?
- Dr. Raghavendra Rao:** Margins I cannot talk about margin and cable is a very good margin business and system integration I told you maybe 120 basis point more and PCB about, first time we have started PCB modes, right? We started in payments back and I'm happy with the margin compared to the business that we are doing and we are improving the margins and it will go forward and I cannot give you number exactly what is the percentage margin, but definitely there is a margin improvement.
- Karan Mehta:** And sir lastly on this opportunity from railways, so just wanted to understand who all are our competitors and when can we see this opportunity materializing?
- Dr. Raghavendra Rao:** Number one, there is no competitors as on today globally for this technology, no competitors as per my knowledge available data we have only proven technology in the global level, not for India. There is no competitor for this program, presently and the proven concept as per my knowledge in global technology nobody is there and implementation is already trails are going on, we successfully done the trials and going well, that's what maybe we expect some good amount of PO to come from '24 end and '25 production.
- Moderator:** Thank you. The next question is on the line of Deepak Saha from DR Choksey & Sons Private Limited. Please go ahead.
- Deepak Saha:** Sir, one clarification first of all you said the order book as of now is 1,570 crore, right?
- Dr. Raghavendra Rao:** 1,569 crores, you are right.
- Deepak Saha:** Sir on the PCBA part so on the Raneal Advanced Systems has it started contributing to the commercial production or we are using it for captive consumption so far and on the EBITDA margin side can we attribute on the EBITDA expansion that we witnessed this quarter because of some backward integration coming from Raneal Advanced Systems?
- Dr. Raghavendra Rao:** I have not heard properly anyway what I understand from you Raneal is started in the two months back present order what we have is the majority of the backward internal consumption only and we got direct PO to the Raneal Advanced Systems and for the direct CCA assembly and the majority of the order it is from the main internal consumption and also we start it is a 2-month.
- So, internal consumption is working fine and start building it now and we are having the visibility by March we did a good numbers fairly good numbers from Raneal and now started I can say today Raneal is, the load what you have is a very good load and 80% is the internal consumption 20% we received from the direct orders CCAs.



Deepak Saha: Other question is on the NIART JV that we are doing. So, from ELTA how much investment is coming on this entire JV?

Dr. Raghavendra Rao: ELTA has developed this program and 5 years to 7 years they have developed this product. They spent a lot of money on developing and captured the market getting the orders from the railways, Indian Railways and done that.

The total valuation of this company is \$50 million. So, ELTA already invested money, develop the product as product ready growth in that because of Make in India and we want to become a product company because of our relationship. We got an opportunity to become a JV partner.

The total company valuation about 60 million where we put up we acquired 50.1% on paying \$25 million is already invested, but ELTA is not bringing any money into the new JV because already they have the technology worth \$50 million and the technology has been proven there and there is the company, in that we are acquiring 50.1% paying \$25 million.

Deepak Saha: So now DCX systems once this JV starts getting into commercial production as you said from the end of this FY24 or at the beginning of FY25, does DCX System supply its existing capabilities like system integration or PCB is to NIART as well as a supplier?

Dr. Raghavendra Rao: Very good question I love to answer this. See one thing not only for getting the business in NIART in the agreement and the opportunity if any related whether upcoming JV or a new JV all related program like any product you take for the electronics finished product definitely there is a requirement of PCB assembly, cable and harness assembly and box build assembly.

The entire box build assemblies including whatever the PCBA cable harness and these things the NIART the JV companies uses as a DCX as a supplier that means if they get the order of \$100 as per the Indian Content Act also they have to do about 50% to 60% Indian content like entire about I can say we say do \$100 business. So, \$40, \$50 business they have to give it to Indian company because we are a partner, which has to come to DCX . That means we are getting business from my own company only for their requirement.

Deepak Saha: And one last thing is it kind of broader and structural so largely if you see DCX its into system integration right now. Now as you're heading into say NIART then PCBA and a lot of other JV's that also you're exploring.

So how should we look into DCX as a product manufacturing company from a system integration company as a transition and what's your strategy going ahead there would be for this strategic lever or the pivot that is this kind of visible with your approach. So, if you can share some color on this that would be really helpful?

Dr. Raghavendra Rao: Presently, we are a build-to-print company from cable to PCB ecosystem integration we are subsystem company that offers will be still, there is a lot of opportunity in offset business,



Indian offset business also the Indian Make in India program comes and I already started now that also the 60% my business goes. Parallely we want to become a product company too.

There is a offset, there is a Make in India program and sometimes we become supplier to like DPSU or big companies in India or the offset order which is pending since the last another 7 years. There's a big offset backlog is set for the other country. We participate, there then Make in India either DPSU in India or a big companies and where they're supplying same product will become a subsystem company.

Also we want to become a product company where we can supply through the JV through the DPSUs or Indian Armed Forces or export market. So, we are a mix of everything we never say we want to give a complete one stop solution. Once customer comes they can take it from the subsystem and system level also we want to go for a direct product supply to DPSU or through the JVs or prime contractors of the armed forces. This is the idea.

So, overall what all the opportunity we just kept our foot trend either I can supply a CCA cable or systems or subsystems that is the one way of handling the offset and non offset business also the export what they have an internal requirement that is the one build-to-print area.

Second is Make in India program to supply subsystem DPSU or export order and other things will be big companies in India too and we want to become a product company through this NIART for our Railway JV and another what we are planning to do for acquiring the technology with our foreign JV's or the JVs or through the TOT and one is there and we want to capture this OEM market to become a product company.

So, see any product company just takes some product company. They do the design and marketing and manufacturing. They will never do the manufacturing the most. So, they will outsource completely for the manufacturing they concentrate design, development and marketing and getting to the product where, we are already in the manufacturing area. If become a product company, we can have a lot of advantage on the time lines and supply chain system and margin get improved. So, we have a manufacturing expertise in that we are adding a product and complete product can be delivered in the much more on the efficient way to supply to the OEM's or the direct supplies to the end users.

Moderator: Thank you, Sir. The next question is from the line of Rahul Jindal from Samar Wealth. Please go ahead.

Rahul Jindal: How do you intend to make use of your cash and cash equivalent present in balance sheets?

Ranga KS: Cash and cash equivalents it represent basically fixed deposit. These fixed deposits are leaned against bank guarantees issued to the customers. There is a portion of say maybe 150 crores and 200 crores amount is available, which represents a basically the general corporate money which was raised earlier in the first issue that will be used.



We are still scouting for technology, new technology as explained by CMD earlier in his speech. So as and when we get that kind of opportunity the money will be basically utilized for the acquisition of technology and if there is an increase in business which we are anticipating couple of years down the line it can be used for working capital also which is allowed and which is mentioned in the prospectus.

Rahul Jindal: And in terms of aerospace and defense what kind of opportunities you see out there?

Ranga KS: What kind of opportunities is there, why there is an echo what kind of opportunities in defense what is that aerospace and defense?

Rahul Jindal: Sir in terms of aerospace and defense what kind of opportunities we see out there?

Dr. Raghavendra Rao: In the aerospace and defense what opportunity you can see that is the question?

Rahul Jindal: Yes.

Dr. Raghavendra Rao: Potential is very big and that's what I mentioned in my first opening remarks, the company is well positioned and the country needs Indian manufacturers because of the Make in India and the positive Indigenization list issued by MoD and opportunity is very, very big and we are fully ready for supplying the product to the export market and Indian market and it is run through the billions US dollar is the requirement in globally on the defense requirement and majority we are catering to the major countries including Indian DPSU or we can go to the Israel or European market or U.S. market and Indian company we are required definitely to achieve this goal. There is a big internal consumption within India itself for the Make in India program and there are few companies in our area and they have their own style of business, they have their own style of customers and the product wise and I can say today it is a very big opportunity for DCX last 15 year Journey and we are with proper position fully focused and market is huge either you take it in defense and aerospace or from the railway security globally.

Rahul Jindal: I'm interested in gaining clarity regarding Raneal Advanced Systems, could you provide insights into the current figures achievable and the total investment made in this subsidiary this far?

Dr. Raghavendra Rao: NIART JV for a railway the total investment is 25 million only (209 crore) and there is no further investment to acquire the 50.1% we need to put to 209 crores that's all.

Rahul Jindal: What about margin?

Shiva Kumara: You are talking about NIART or Raneal Advanced you are talking about?

Rahul Jindal: From Raneal Advancement what all which you can expect from these JV for these subsidiary?

Dr. Raghavendra Rao: I am not able to hear him properly.



Moderator: Thank you. We'll move on to the next question that is on the line of (Inaudible).

Participant: So I have two questions. One is that what would be the reason for the decline in revenue and whether the spillover whatever we are expecting and we could not execute in Q3, will it come in Q4 and we can see bunch of revenues coming in Q4 and also if you would like to give any revenue and margin guidance for FY25 that is the first question.

Second is that the order book as on December 2023 was 1,095 crore. So I assume that it does not include Lockheed and this 457 crore order. So, now does the order book stand at about 1,400 crores or something?

Dr. Raghavendra Rao: First question, let me answer first. The declining quarter-to-quarter in our business always I say if I do \$100 please don't divide into 4, \$25, \$25. This is my day one pitch and all my investor knows about the style of business and the way things are going in DCX. It is not a 1 year, 2 years last 7 years this is the history and quarter-to-quarter please do not compare in the last quarter we had done high and this quarter also should be high, no.

Overall target has been scheduled has been given for a 12 months for the year this 12 months maybe 3 months will be dull second quarter little bit improved third quarter and fourth quarter is the major things happening in our history. You can see the complete 8 years balance sheet.

Quarter wise requirement how the requirement comes for the quarter wise they will not give you quarter wise schedule. The customer give a year wise schedule. If they give \$100 PO they will mention the 100 number quantity to be distributed into 12 months, but also priority get's changed. I am handling about 7 programs, 8 programs where priority get changed and maybe some priority we have a better margin, we have a some program goes on the lower margin and better margins that is the margin wise.

Third is the quarter wise if you can I know I'm become a quarter wise report announcing. So, maybe last second quarter we've done 310 crore and now we have done about 200 plus crores. That means this order is not cancelled, our schedule has been not postponed and it is exactly rightly said it is going to the next quarter and next quarter we look definitely because March up to we have a visibility complete visibility. Company is secured all the material and production capabilities and now our Raneal has come in the picture. We have a much more control on that.

We definitely fully focused and will achieve what is the 7 years history you can see about the year-on-year my revenue goes up and we are fully focused and we will ensure that we achieve the good numbers in the March ended. So, coming back to your guidance number as I am not having the practice to give a guidance number on upcoming numbers, but all I am declaring that is the number and 24 I cannot give the number. I cannot give that guidance number for 25 also.



Sorry for that because we are not giving any guidance number, but company is fully, I request all my investors please do not compare quarter-to-quarter but company is growing and company is fully focused on the revenue and the PAT improvement, revenue improvement and you can ask me for the 31st of March. So, whatever the company having a goal definitely going to achieve, we are fully ready with that everything has been secured. That's what I can able to mention here in this call. And what was the second question?

Participant: Sir the order book?

Dr. Raghavendra Rao: 31st December, we had 1,095 crores order and adding another export order of Lockheed order you can add 474 crores. So, present order book as on today is 1,569 crores confirmed to you.

Participant: And if I can just squeeze one more question. So, the 457 crore order has it come under offset clause and is it possible for you to reveal the geography that it has come from?

Dr. Raghavendra Rao: Well already wherever I have a permission with Lockheed, I declared and that is also is export order, offset order and rest I'm sorry I'm not allowed to disclose based on the NDA and other things, but this is also going for export order. I can say whether it's offset or non offset I cannot able to disclose, but it's an export order. I don't have a permission with customer to declare the customer name and the project name and is a classified program what we are mentioning it and that's what it is and of course the new client, new customer, new place, that much I can tell you.

Moderator: Thank you. We'll move on to the next question that is on the line of Nitiksha Shah from Anvil Shares and Stock Broking. Please go ahead.

Nitiksha Shah: Sir, I wanted to ask more about the NIART Systems. We have invested 209 crore. So I wanted to know what would be your asset turnover going forward and that is one what is the total size of the opportunity in these systems and what would the revenue that we would expect in FY25 may be partially and then how would it scale up if you could answer?

Dr. Raghavendra Rao: The NIART opportunities runs in billions in the Indian market or the export market because of the global technology. As you rightly said from 24 end or 25 our commercial production we are expecting to start, but again I am telling you I am not able to allow to give guidance number and it is a very big program and good margins in this JV company because we are have become a product company not a build-to-print is a fully product company.

And margins are much more better and opportunity is big and I'm not allowed to talk on the guidance number until I have a PO. I cannot able to disclose definitely this is a big program, big opportunity for a global and we have a visibility and where we can once we can able to get the paper on hand I can able to tell you, but trust me this is the very big opportunity global required this stuff of technology and margins are better and order size is I mean the opportunity size in the market is big.



Nitiksha Shah: And one more question on Raneal Advanced Systems, sir can you give us a broad range of probably revenue that we could do in the subsidiary like what would be the size of the kind of revenue over a period of years or any kind of guidance in that respect or any idea in that respect?

Dr. Raghavendra Rao: I can answer like this, and we come out with a EMS background, my team and myself we have a solid 20 years' experience in EMS and my internal consumption is a big program what I am handling it for the upcoming PO there are what we have in order, there is an internal consumption and we invested about 25 crores to 30 crores on the state-of-the-art machinery and I can say today we got global leaders approval to go ahead and facility has come out well and visibility is very good even though our internal consumption is a huge requirement what we are planning to do in upcoming days for the railway or technology transfer JV or offset non offset Make in India. The PCB is a base for any electronic business and also any product you take the majority of 80% to 85% is a cost. Suppose you do \$100 product, \$80, \$85 is our PCB cost you imagine of the size of the business indirectly, but I'm not allowed to give the numbers and I will let you know on the on the March 31st once we close on the balance sheet you will definitely see the every breakdown on our what is our subsidiary balance sheet, but I can tell you this much any electronic you can take 80%, 85% is the PCB cost that the electronic board cost. So that is a major cost on that. So, there just I can tell you that, but we are fully focused because DCX wants PCB assembly in-house because of the requirement and because of I come out with that background as a marketing guy. So, I come out of the order and potential is very big.

Moderator: Thank you. The next question is from the line of Ramsharan Sankar from Shriram AMC. Please go ahead.

Ramsharan Sankar: Hi sir, this is on Raneal Advanced Systems. So far I just want to know how much investment has been made into this particular subsidiary because around 45 crores was sort of earmarked through among that 400 crore IPO and how much of it has been invested for now and also you had mentioned that it has begun for captive use. So, can that be attributed to this quarter's increase in margins?

Dr. Raghavendra Rao: Firstly, that what we are raised in the IPO object of the issue 45 crores it is still not even used single rupee. It is in the fixed deposit, but still my plant is up and run. I will tell you before my IPO as I mentioned because of the emergency demand in the market, customer pushing to start Raneal Advanced Systems in house PCB's, we used our internal accrual and the term loan from the bank. We started an operational this 45 crores we kept in the fixed deposit still, but we invested our own money started the PCB assembly.

And further enhancement we can look at in the upcoming days, but we have not used any IPO money which we are already invested our own money and taken the term loan and started



doing that. I think presently about nearly 30 crores has been invested to set up this Raneal Advanced Systems in full fledged question number one, what is the second question.

Ramsharan Sankar: Among that around it was only 8.5 crores was invested as cash and rest was sort of a term loan that you had taken if I'm not wrong?

Dr. Raghavendra Rao: Yes you are right. We have taken a term loan about 20 crores and put about 10 crore in our margin money and built about 27 crores to 30 crores we invested there.

Ramsharan Sankar: Now that you have already raised the money why do you still maintain the term loan?

Dr. Raghavendra Rao: I think term loan we are planning to close, not only for the issue, but there are some restriction to use the money of IPO money and do that, but we are shortly I think by next month we are closing the term loan with our internal money and not on the object money and internal money we will going to close that 20-27 crore term loan shortly.

Ramsharan Sankar: And my second question was on the margin front, like has Raneal already started attributing towards the increase in margins and how much expansion can we expect going forward?

Dr. Raghavendra Rao: The internal consumption is already started definitely margin get improved in the upcoming days and going forward see let me tell you Raneal has started not only for only internal consumption. We are planning to have at least internal requirement go to 60%-70%, balance 30% we know where all we can able to capture this business and we are intact on that. We are already have some of the PO on hand on the direct PCB's and I can say internal consumption plus external direct order for CCA for PCB assembly to supply about you can say 60% to 70% internal consumption and 30% for outside direct orders is the plan and is growing more than that now.

Moderator: Thank you. The next question is from the line of Tanay Shah from DAM Capital. Please go ahead.

Tanay Shah: Sir congratulations on the two new order wins. I have a couple of questions sorry about harping on the EMS business, but as we know right have we executed any of the captive consumption orders which we've received and on top of that what is the update on the external sales which you're going to be doing right because we had mentioned in the previous concall that we have a medical client approved as well.

So what is the update on the external clients and what are the industries which you're kind of targeting apart from aerospace and defense and the EMS business because it will be pretty critical for our growth and profitability because of the margin delta versus the system integration business.

And that my second question is apart from the new orders which we have announced in the system integration business which is Lockheed and the other export clients what is the update



on or are we confident on winning new clients for this business to drive the core business growth in system integration?

Dr. Raghavendra Rao: Number one if I remember I mentioned my plant has been approved apart from the Raneal has been approved by some of the medical companies, some of the high end engineering company, some of the semiconductor companies or the aerospace and defense. Present what we have order in Raneal one is about internal consumption. It is already started last September to December I think they're done whether it's captured in this quarter and not sure, Ranga you need to mention, we are always not billing DCX.

KS Ranga: 40 crores we have done.

Dr. Raghavendra Rao: Yeah, we've done already 40 crores from Raneal to DCX and it is a good numbers we are going to end up with the March. We are already I think 200 crores we are planning to do in this year roughly about other things and from which already PO has been given and start doing it. See approval setting up a plant and getting the required certificate like from the government clearance, pollution department clearance and after that there are many quality certification, people qualifications then come to the customer visit.

If customer visit they will come today and tomorrow they will not give order because this all they should get, already they won't want to get disturbed because let us take any company does the medical program they will not going to pull somebody's order and give it to me. So, they have an opportunity. They are interested in our line. There are vendor code, qualification, payment terms, quotations, many process and till now it is too early to expect a PO.

They are all after March and the next financial year we are expecting some good number of POs from the other than aerospace and defense. We are expecting a good order book which my team is already submitted quotation and which maybe small order has been already converted directly and expected from April after their financial year, budget allocation many things and we expect some good outside aerospace and defense orders too.

Tanay Shah: And sir regarding the second question apart from the new plans that you've announced in this quarter, the confidence of winning new clients across geographies to drive the core business growth right in system integration?

Dr. Raghavendra Rao: See, that's what we have done. I don't know as per my knowledge 474 crores is a big number and it has come in the 3, 4 clients and it is in the new line of business, new places, new export order and we are able to convert that into the PO and going forward we can expect more and what we received present is a very small order for them. They have a huge requirement.

So, whether you take it Lockheed or other orders and there is a big, big numbers are their requirement. So, that's what I can say. We are fully focused on the new market. We are



increasing that means we are not reducing our existing orders, but we are increasing the other domain and other area of increasing more clients base.

So, which we are able to succeed in this new last one year we are able to convert and add more customer to the Kitty and the potential is good and opportunity is good and the requirement is good and they need product they need a quality company to deliver this.

Tanay Shah: Sir if I could just squeeze in one last question, so are we confident of achieving our FY23 profitability or possibly even growing above on that in the last quarter?

Dr. Raghavendra Rao: That's what I mentioned always you can see I'm not going to disappoint my investors always DCX taking you can see the chart of 7 years always my gross are going up in the present plan and we are fully geared up and I'm confident I will not disappoint my investors.

Moderator: Thank you. The next question is on the line of Nikhil Chaudhary from KRISP. Please go ahead.

Nikhil Chaudhary: I wanted to understand in this our Raneal facility that we did, can we probably this is the backward integration that we did? Can we probably expect some I know you are not comfortable giving the margin guidance, but can we break away from this 5%, 6% range in the coming quarters can probably can we expect better margins from here on?

Dr. Raghavendra Rao: See, you're spending money, you're bringing new clients to increase your margin and increase your revenue. Definitely there is a margin I cannot tell you whether I do 5%, 6% or 10%, but definitely as a promoter holding nearly 60%, 70%. I want to give more profit to the company. This is my idea, otherwise we could have not taken.

My business was quite good and going through cable and wire harness system integration I'm happy. Why added putting money and taking the new line, new manpower, new certification to improve definitely margin because nowadays what people looks because we are on the classified manufacturing and customer they don't want to outsource many things especially on the electronics for the new client.

They are asking me if you have this facility and I can give this order. So, there are because there is our facility has been approved and industrial license defense license export orders where customer I saw they're comfortable to have one stop solution nothing is going out from the IP and other thing because we are responsible for their IP and other things so which they have the confidence on DCX, but the overall package if you go to the shop and you'll get everything in one shot.

So, like that they are looking for the confidentiality and the supply chain management. There is a requirement and is essential for DCX too because we are not a new guys to start EMS today and do the trials because we had a 20 years solid experience. We know how to handle the line,



select machinery, select equipment, select a client, go and convert them, casting, challenges everything we know 20 years is not a small experience there.

So we decided to go on a mainly to attract more clients so that they're comfortable and improve our margins, improve our business operations and the supply chain system. This is a whole idea. Definitely is a big value addition to the DCX to attract all these things. Definitely the margin get improved and we also try to get many things on the direct order only CCA order through whether DPSU or foreign OEMs. We are working closely and some of them are converted also small value 300 million, 400 million has been converted also and we are well focused on this business.

Nikhil Chaudhary: And also, if i had it correct commercial production in the NIART JV will probably start from financial year 25, right?

Dr. Raghavendra Rao: Yes as on today maybe early, but I don't want to overboard to the conservative level and looks 25 is practical.

Nikhil Chaudhary: So it will be practical provided we have a confirmed PO over there because there will be a order from railways is also important correct because yet we are just?

Dr. Raghavendra Rao: Yes, Of course. See, once you have proven technology, they are given order for a Proto definitely there is a requirement, there is a fund availability, there is a product requirement, a proven product everything is there. Of course, government has to go through their courses, tendering, calling everything is there. considering required on the railway not only for India, we are working with US, we are working with Netherlands many areas we are working.

Nikhil Chaudhary: So probably we would be the front runners in getting any of the tenders that probably come our way in 25 something like that, correct?

Dr. Raghavendra Rao: I don't know what the Indian Railway does and the trials are okay. They have process to approve many processes are there and I am confident that by 25 I should execute not only getting PO. start executing the program revenue should generate from 25. The formality should complete getting PO's and other things should be complete before that.

Moderator: Thank you. The next question is on the line of Akshada Deo from Vivog Commercial Limited. Please go ahead.

Akshada Deo: My further question was on the Make in India subsidiary that you are planning to keep roughly 200 crores for, do you have any definitive plans for the same?

Dr. Raghavendra Rao: We have a definitive plan, but we are not yet signed anything on that and we are talking to the right people and right company to acquire this technology.



Akshada Deo: Sir how did you come on the number of 200 crores to be kept for the Make in India subsidiary then?

Dr. Raghavendra Rao: Of course, not 200 crore because we you raised about 500 crores and the 209 crores goes to NIART rest is issue expenditure minus at about 15 crores and rest is available about 200 to 250 crores. My budget is to only to acquire where I suit that requirement then allocation was there and I'm able to succeed. I'm looking for that size of company where my capacity should have a \$25 \$30 million where it is required.

Akshada Deo: Sir can you just walk me through your acquisition process? So for example, if you have 200 crores, 250 crore budget, what kind of overall capital return would you expect from the acquisition for it to make sense for the company?

Dr. Raghavendra Rao: See, we are talking to them. There are many processes. Once we need to have a JV agreement, their business plan and everything has to go through, but putting 30 million as an investor like you and me we expected good returns of the ROI and ROCE as a very good because we are going in a product based company for a better margin and presently until business plan comes we cannot able to tell you on the ROA, ROC, but see this is not only look at for a 2 year, 3 years what we have is JV. Suppose you have a JV someone for a high end technology required for India. So, those area should be in the long term and once you purchase the technology.

Akshada Deo: So can you give me the same example with NIART then how did you come for that?

Dr. Raghavendra Rao: Sorry.

Akshada Deo: For NIART because that is now a part of our acquisition. So what ROA's or ROCs for long term, I'm not talking 2 years, 3 years I'm talking 5 years, 10 years that you've computed that probably should come from this JV?

Ranga KS: The payback period we are always negotiating the payback period should be somewhere between 3 years to 5 year. It will be within that 3 year to 5 years both wherever we are looking at acquisition and wherever we have signed the JV the payback period will be between 3 years to 5 year.

Akshada Deo: And sir the locomotive products that you have identified as an opportunity. Can you give a very rough size and opportunity size for the same for the Indian landscape anyway?

Dr. Raghavendra Rao: See, we cannot because there is no tender floated official tender in the railway and the budget has been 34,000 crore for only upgradation of technology and we expect, India got 14,000 locos in the track and they are enhancing furthermore and we look very high potential. I'm not expecting all 14,000 comes to me and we looks very positive number good number, satisfaction number and present until I have a inquiry.



Let us take railway decided to upgrade 1,500 or 3,000 or 5,000 number in a period of 5 years. We cannot tell you the numbers what they have planned, what is the allocation and other things, but there are money available, product available there is a requirement. That's what I am seeing in the overall market and global time and where we are working with many big companies directly indirectly looks very high potential, but until I have a requirement from the government Indian Railways so I cannot able to tell you the potential, potential is big.

I can say potential is big and we can achieve very good numbers in upcoming days, very good margins and the PAT and other revenue that much business plan is ready, and we are hopefully get some inquiries or tenders we are working with many things in the global level. We will update you on that.

Moderator: Thank you. Ladies and gentlemen, we'll be taking the last question that is on the line of Deepak Saha from DR Choksey & Sons Private Limited. Please go ahead.

Deepak Saha: Sir, one thing what is some Raneal Advanced Systems so is it like in the December quarter you have done 40 crore captive consumption or it is so far 40 crore is the number for Raneal?

Dr. Raghavendra Rao: 40 crores for the quarter.

Deepak Saha: And you are expecting it to go up to 200 crore by March 24, right?

Dr. Raghavendra Rao: But they have an order of 220 crores and hopefully we are planning to push that.

Deepak Saha: One last thing on the on the Raneal we don't want to give any guidance and just trying to understand, let's say tomorrow if we get a huge order been in Raneal depending upon the SMT lines, if you can share how many SMT lines we have and are we geared up for any kind of large order if we get from the PCBA. Is Raneal geared up to deliver to those external orders say 500 crores or a 1,000 crore order that we get, so are we geared up for those kind of execution?

Dr. Raghavendra Rao: We presently Raneal we have a two SMT line and fully automatic line, high end line from Fuji and in my area in the aerospace and defense and the high end engineering the area what our policy and concentration do and the present line of business if I get 500 crore orders I will tell you a very simple example how my business works. So, let us take you've done a 40 crore revenue for this, how many board Shiva you deliver 40 crore roughly?

Shiva Kumar: About 170.

Dr. Raghavendra Rao: This is the numbers we are talking that means each board what our plant has been set up. We are not doing low value of the PCB. We take high end both like high mix and the low volume medium volume and the high value each board what we handle Rs. 30 lakh, Rs. 40 lakh each for where it will use only aerospace and defense.



Even though I can get 500 crore order I can close it within the 3 months order because the value of PCB is high. May be surprised if I do 200 crore, 300 crore normally in my EMS background you required 700, 800 people you required about 10 SMT line run in a 24 hours way. In my area of business no.

I have a 2 SMT line is enough to touch almost 2,000 crore revenue very easily because my area of business I am concentrating business. I am not doing any electrical business or any other small value business on the PCB. I'm not in that area. We are only concentrating high end engineering, aerospace and defense we concentrate to handle that.

There are many people, big company that takes care from automobile or the railway or many things. In my area, I am doing only for aerospace and defense. The idea is to build more revenue more profitability reduce the CAPEX and maintain this because my internal consumption support for that. So, that is the idea and capacity wise it should not be a problem where we concentrate the business.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was our last question. For further questions you may please contact the company's IR team. I now hand the conference over to Dr. Raghavendra Rao – Chairman and MD for his closing comments.

Dr. Raghavendra Rao: Thank you very much. I want to extend my appreciation to the entire DCX System team, their dedication and hard work, I like to thank you our prestigious customers, suppliers and bankers for the continued support. Also I want to express my sincere appreciation to each one of you for joining us this conference call. You can always reach out our IR Agency Adfactor for any query we love to take the questions. Once again Jai Hind, Jai Karnataka, Namaste.

Moderator: Ladies and gentlemen, on behalf of DCX Systems Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.