



# DCX Systems Limited

Investor Presentation  
Q4 & FY24

Indigenise • Integrate • Manufacture



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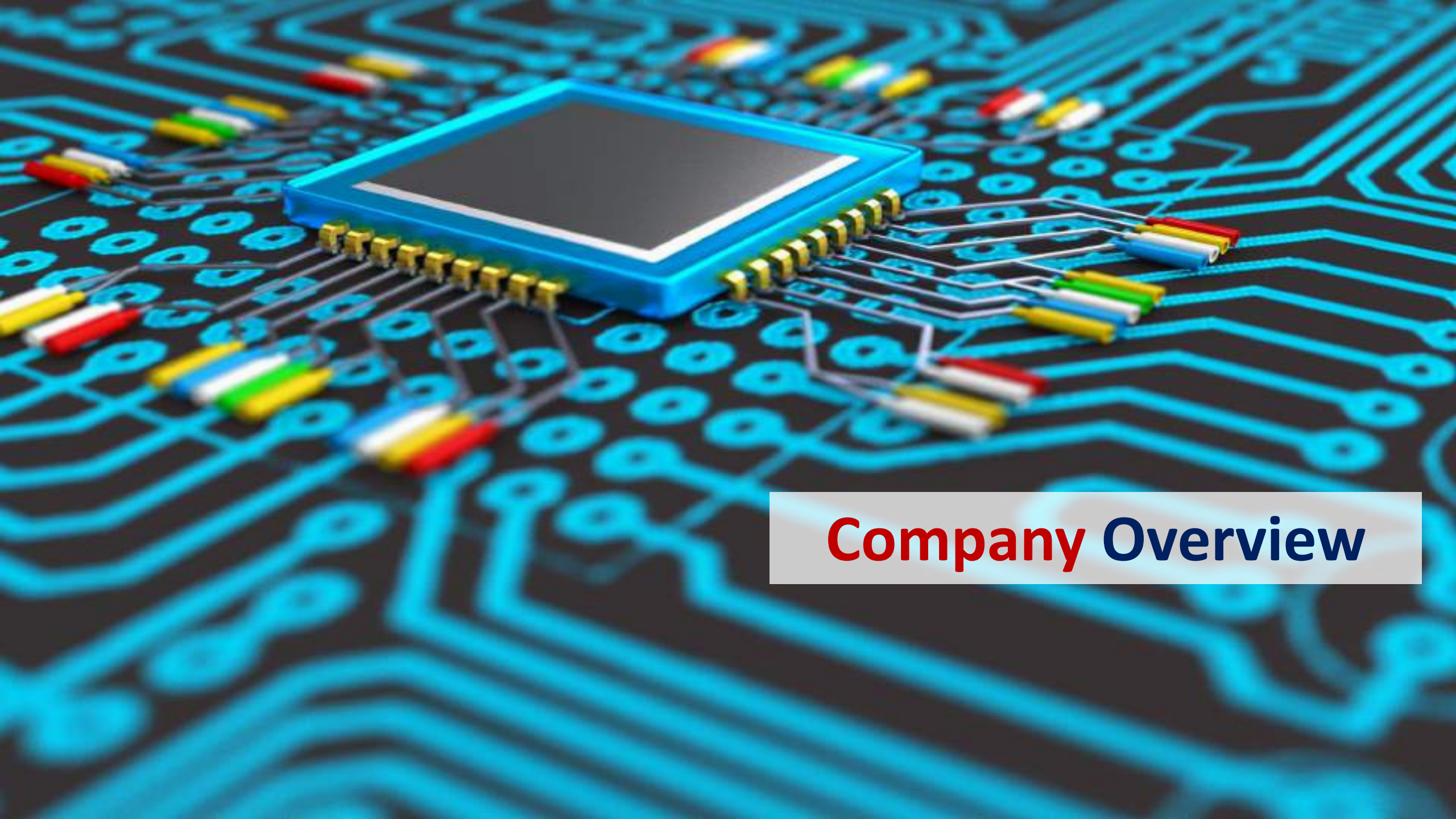
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# Company Overview

# About Us



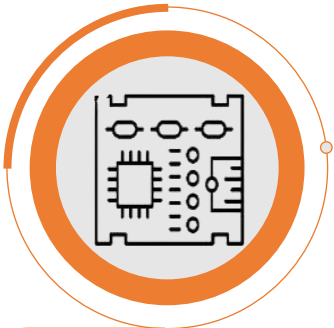
- Preferred & largest Indian Offset Partner to Israeli Defence Company, IAI, for its offset obligations
- Expanding into other geographies for IOP & non-IOP projects



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



- Unique business model offering end-to-end solutions – cable & wire harness, electronic sub-systems, high-end System Integration & PCB Assembly for Defence & Aerospace sectors



- Expertise in EMS with focus on backward integration in PCBA's through subsidiary, Raneal Advanced Systems – for captive consumption & other markets
- Manufacturing cables & wire harness



- 30,000 sq. ft. manufacturing unit, strategically located in SEZ in Bengaluru
- New Raneal EMS 40,000 sq. ft. facility dedicated for EMS



# Our History



## 2011-12

- Incorporated as private company
- Fulfilled initial deemed export order

## 2015

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

## 2020

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

## 2022

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

## 2013

- Completed inaugural deemed export order
- Awarded AS-9100:2016 & ISO 9001:2015 certification by DQS Inc.

## 2018

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

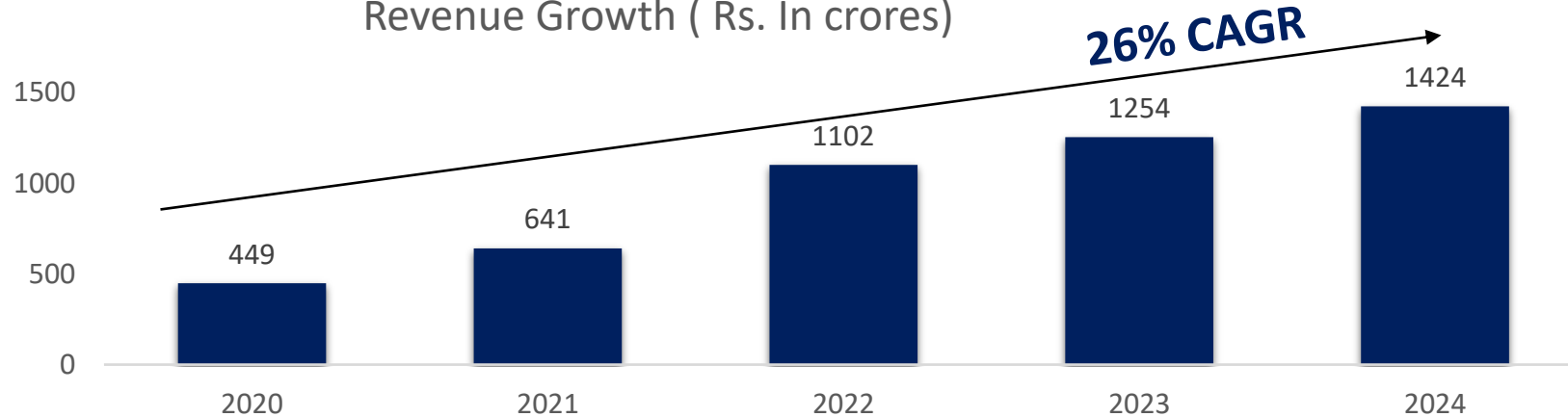
## 2023-24

- Started Commercial production – Raneal Advanced Systems
- Incorporated NIART Systems Limited – WoS of DCX for Obstacle Detection Solution for railways
- 4 Star Export House – Certificate of recognition
- Successfully completed QIP, raised Rs. 500 cr
- Received a purchase contract/order for US\$ 1.99 million from Lockheed Martin, USA

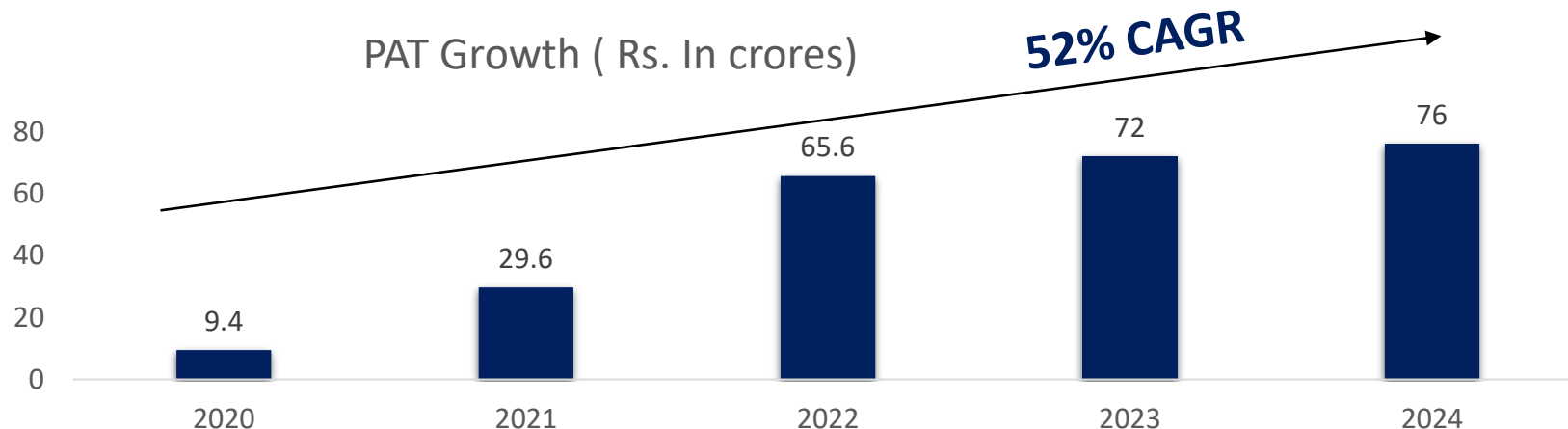
# Consistent Growth



Revenue Growth ( Rs. In crores)



PAT Growth ( Rs. In crores)



Consistent growth in top line driven by competent & experienced leadership with focused vision and robust execution capabilities

- Healthy **CAGR of 26%** on revenue growth over the last 5 years
- Strong **CAGR of 52%** in PAT over last 5 years
- **Order book as of March 31<sup>st</sup>, 2024 is Rs. 801.16 crores.**

# Strong & Experienced Management



## Dr. H.S. Raghavendra Rao | Chairman & Managing Director

- Promoter of Company with over 3 decades of experience in electronics manufacturing, defence & 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 Middy Icons



**"Young Entrepreneur of the Year Award"**

at the 10th International Achievers Summit



**"Excellence Award for Industrial Development"**

by the Indian Economic Development and Research Association



**"Mahatma Gandhi Samman Award"**

by NRI Welfare Society of India

## Diwakaraiah N J | Chief Financial Officer

- Education includes LL.B from Karnataka State Law University, CMA from Institute of Cost Accountants of India, and B.Com from Bangalore University
- Over 35 years of experience in Strategy, Planning & Goal setting, Financials, etc.



## 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





# Unique Business Model



## Shift to Product Company

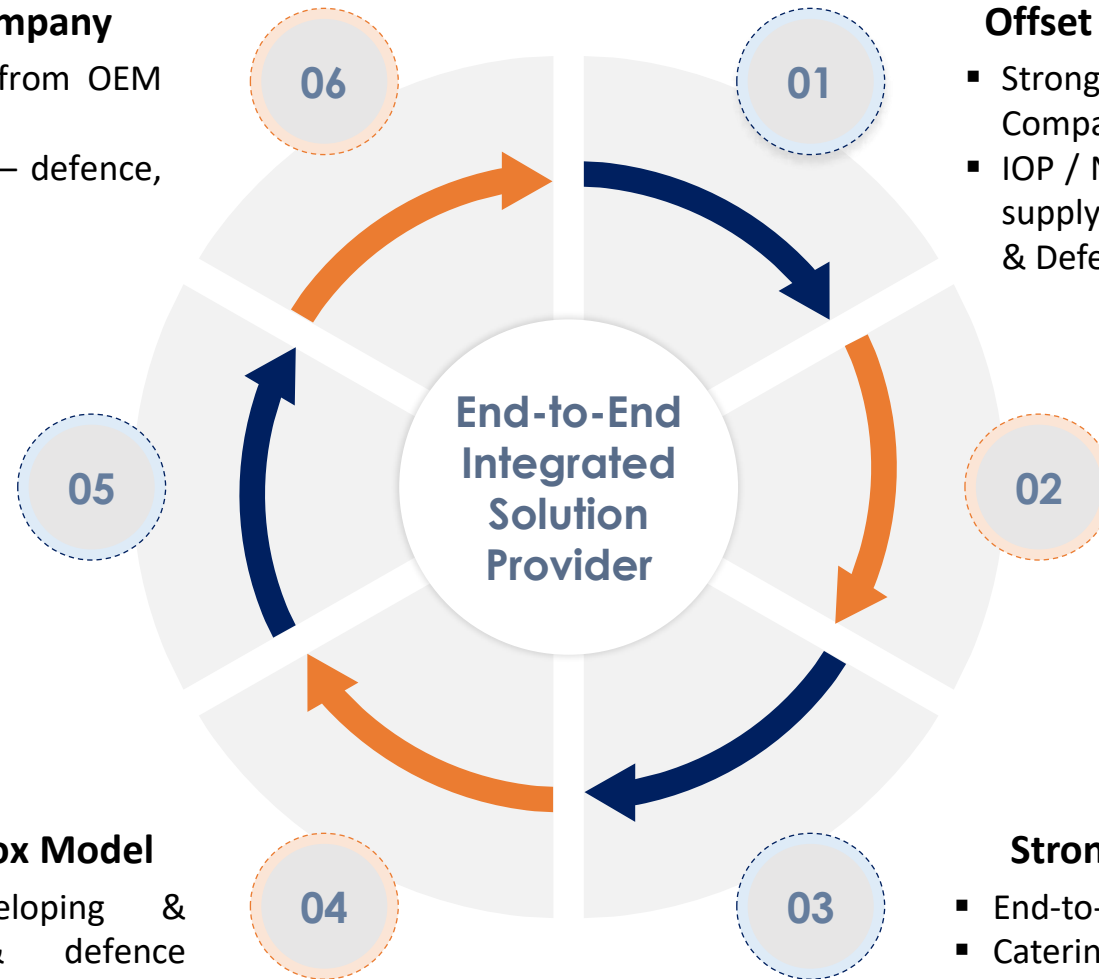
- Focus on transfer of technology from OEM and Make-in-India Product
- Cater to diverse end applications – defence, medical & other civilian sectors

## Asset Light Model

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

## Build to Print Box Model

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



## Offset / Non-Offset

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

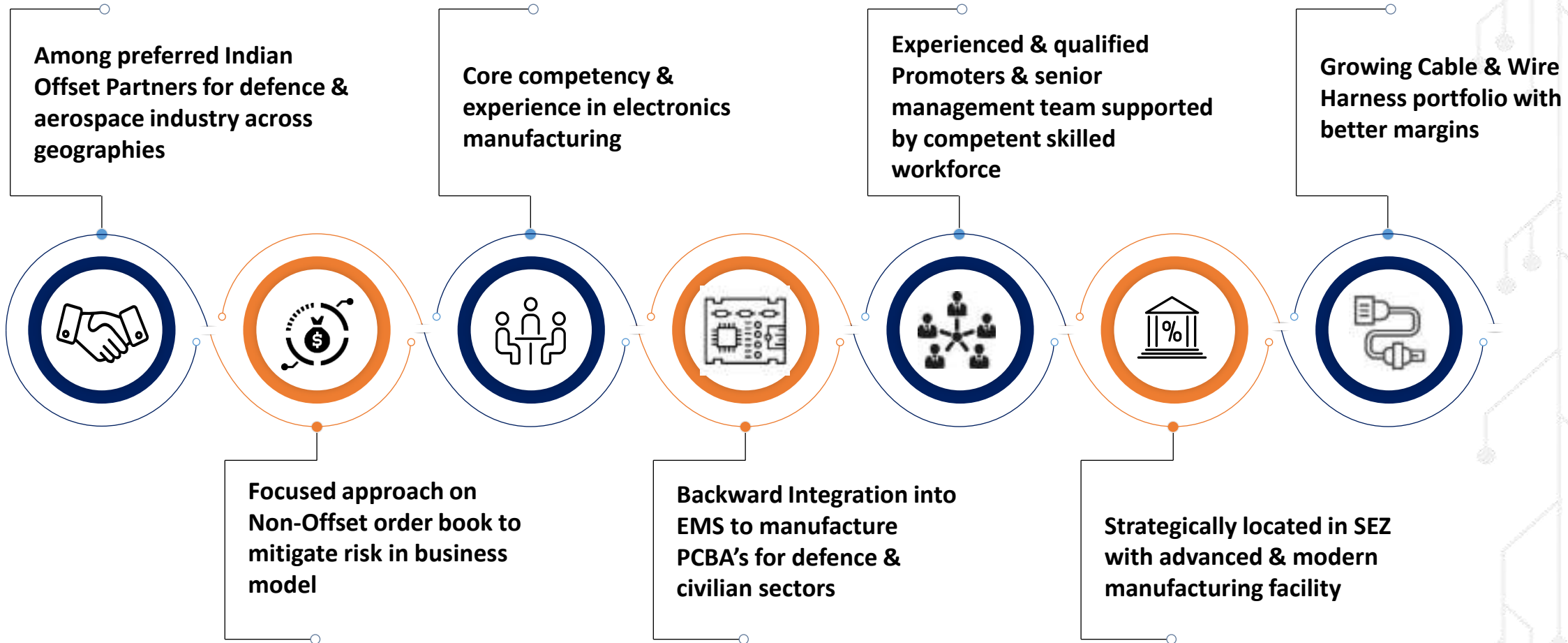
## Strong Global Procurement

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

## Strong Manufacturing Expertise

- End-to-end integrated solutions
- Catering to various globally acclaimed Defence & Aerospace companies

# Key Strengths

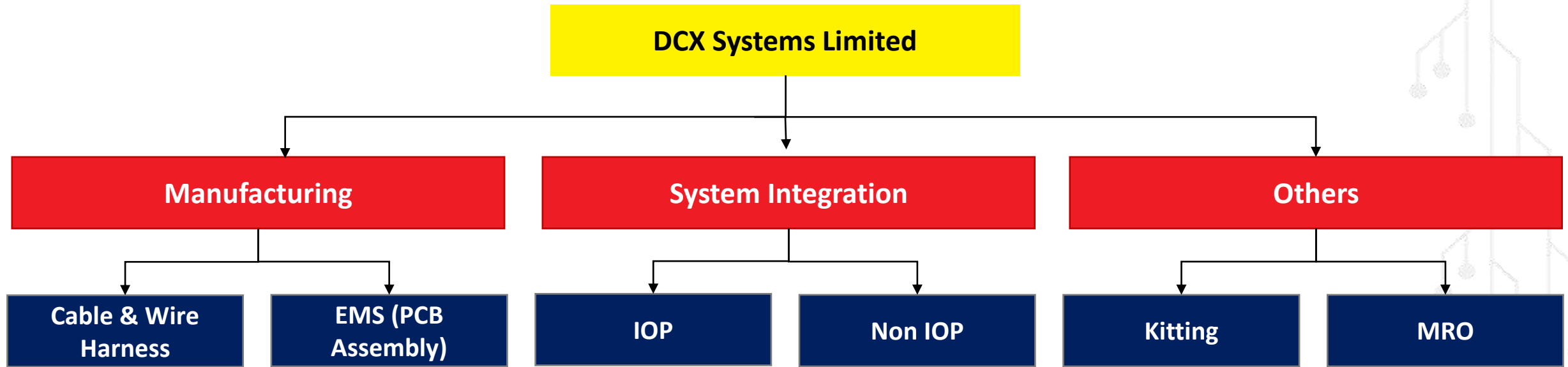


**Deeply entrenched company in Aerospace & Defence Industry for the last 12 years as MSME**



# **Business** Overview

# Business Structure



- ❑ Focus on growing this high margin business

- ❑ Core competency of Company & promoters
- ❑ Backward integration through Raneal Advanced Systems
- ❑ Captive use to reduce costs and improve operational efficiency
- ❑ Catering to defence & other sectors

- ❑ Preferred IOP for IAI Group
- ❑ Higher than industry-average yield
- ❑ Strong order book

- ❑ Focusing on expanding non-offset order book to reduce dependence on IOP model

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

- ❑ Testing & maintenance projects
- ❑ Additional revenue stream
- ❑ No additional capex required

# Manufacturing



## Cables & Wire Harness

- ❑ Design & development of complex cables & wire harness
- ❑ Cater to electronic warfare & communication systems
- ❑ Established product portfolio covering cables & wire harnesses assemblies, like RF cables, co-axial, mixed signal, power, & data cables
- ❑ Focus on expanding this high-margin business
- ❑ Exploring inorganic growth opportunities

## Backward integration into EMS

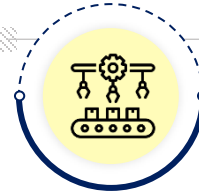
- ❑ Horizontal integration with PCBA
- ❑ Investing in Raneal Advanced Systems to grow PCBA business
- ❑ For captive use and other markets beyond defence & aerospace
- ❑ **Benefits:**
  - Cost control leading to better margins
  - Optimal utilization of working capital
  - Better control over supply chain management
- ❑ **Potential Opportunities**
  - Defence applications
  - Civilian applications – medical devices, electronics



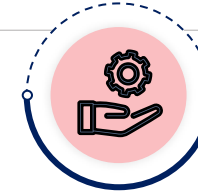
# Electronics Manufacturing Services



## RANEAL ADVANCED SYSTEMS



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



- Used in Defence, Aerospace, Industrial Electronics, Medical Electronics etc.
- Captive use as well as exports



- Better cost control
- Supply chain rationalization & resource planning
- Improved top line & profitability

# NIART Systems – Railways Opportunity



## JV with ELTA Systems

- DCX formed JV with ELTA Systems – named NIART Systems Ltd – to develop obstacle detection solutions
- JV to obtain ToT from ELTA & leverage DCX's manufacturing prowess to offer radar & optics products
- Higher quality products than present industry standard – almost double track visibility upto 1.4 Km
- Target domestic as well as export markets in railway sector

**NIART**

## MOATs / Benefits

- Company benefits from technical know-how from ELTA while leveraging own manufacturing facilities
- NIART will procure SI, Cables & PCBA from DCX
- Overseas tie-up to help facilitate access to global markets

# System Integration



- ✘ System integration (SI) services include electronics and electro-mechanical and enclosure assembly
- ✘ Covers in-house quality testing, e.g. vibration & environmental stress testing of complex RF products
- ✘ Used in radar, communication, surveillance & missile systems
- ✘ Preferred **IOP partner** for global OEMs for Classified products
- ✘ Focus on penetration into new geographies
- ✘ Better than Industry average Yield
- ✘ International quality standards, execution capability, cost competitiveness, high ethical foundation – leading to increasing **non-IOP projects**
- ✘ Share of non-Offset projects growing from ~15% to ~40% – reducing dependence on offset projects & benefiting margins



# Offset Opportunities



- Among largest IOPs for IAI Group, Israel, for Indian defence market
- “Build-to-Print” System Integration and manufacture cable & wire harness assemblies



Electronic Assemblies



Automatic missile detection radars



Unmanned aerial vehicle systems



Barak Systems



Medium range maritime reconnaissance aircraft



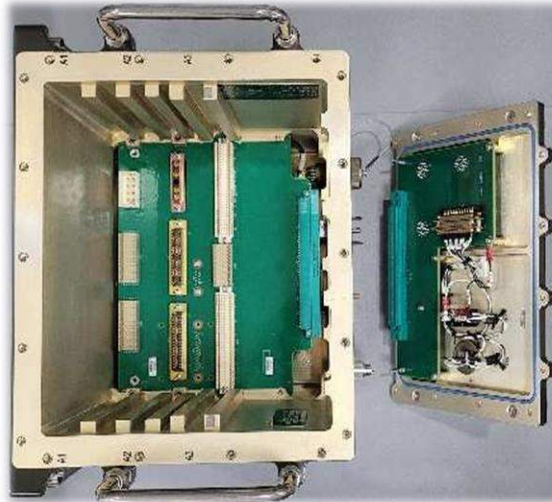
Short range surface to air missile

IOP Capability for



- ❖ 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 key products

# Others

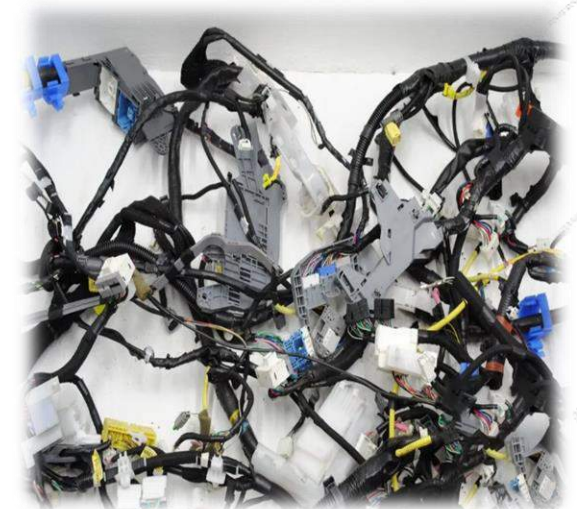


## MRO

- ❑ 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

## Kitting

- ❑ Supply assembly ready kits of electronic and electro-mechanical parts
- ❑ Kitting also reduces inventory levels, space requirements, indirect cost and overhead efficiencies



# Strong & Increasing Customer-base Supporting DCX



## Key Customers



Working closely with clients:


- ✓ For timely execution
- ✓ For 'Just-in-Time' Inventory Management
- ✓ To improve quality of raw materials supplied

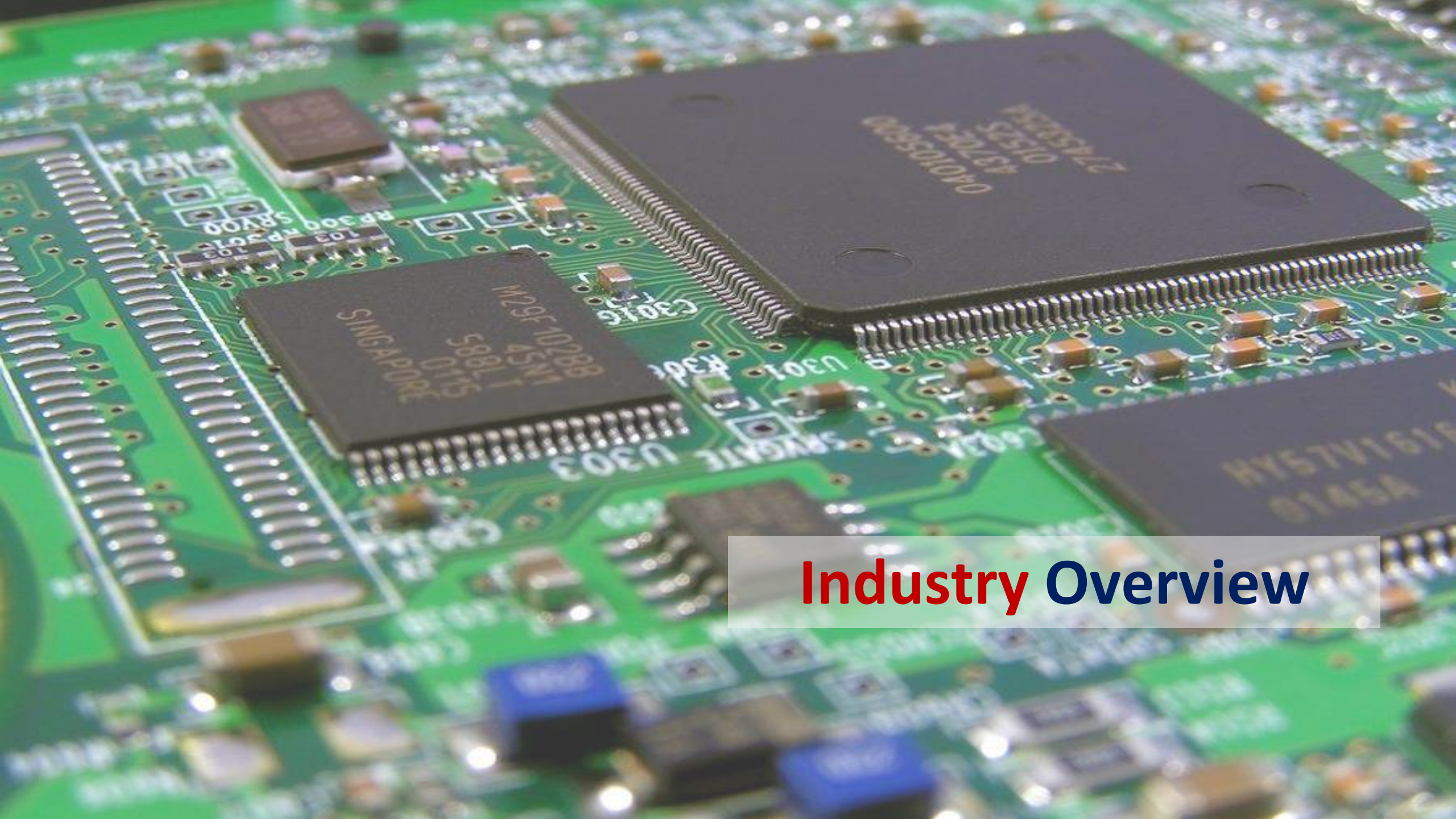
### Operational Efficiencies

 DCX & its customers jointly monitor & ensure products' quality

 Obsolescence proof – technology & IP rights – both with OEM customers

 Customers provide equipment for testing & qualifying customized products

 Customers typically reimburse costs incurred to maintain all buyer furnished equipment



# Industry Overview

# Indigenous Industry Drivers



## Atma Nirbhar Bharat

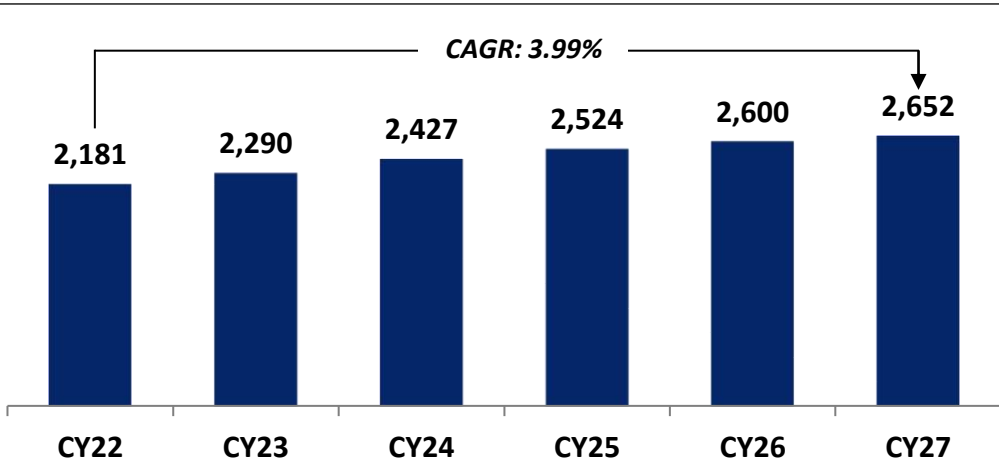
- Positive Indigenization List / Make in India
- Budget Allocation
- Corporation of Ordnance Factory Board (OFBs)
- FDI Norms
- Indian Offset – Self Reliant

- Industry Tailwinds:**
- Application of EMS products in civilian & other sectors like medical devices
  - Transfer of Technology to develop products

# Growing Defence Landscape presents key Opportunities



Global Defence Spending Forecast (in USD billion)



## Growth Drivers

Ongoing political tensions and geopolitical uncertainty



Modernisation of armed forces

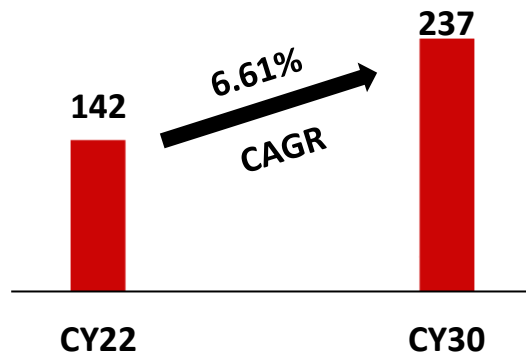


Great power struggle and competition amongst nations

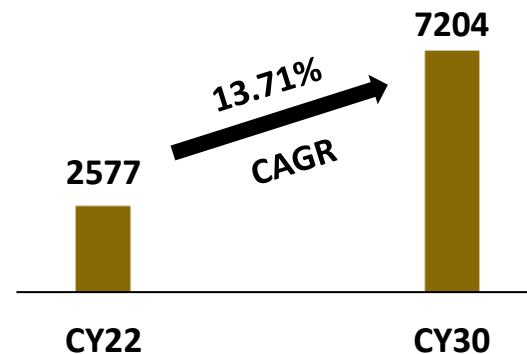


Changing technology trends and New policy changes

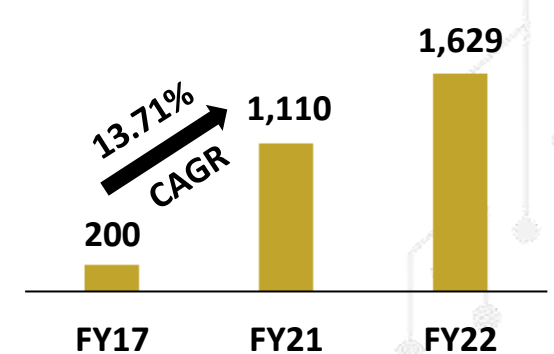
Global Defence Electronics Market (in USD billion)



Indian Defence Electronics Market (in USD million)



Indian Defence Exports (in USD million)

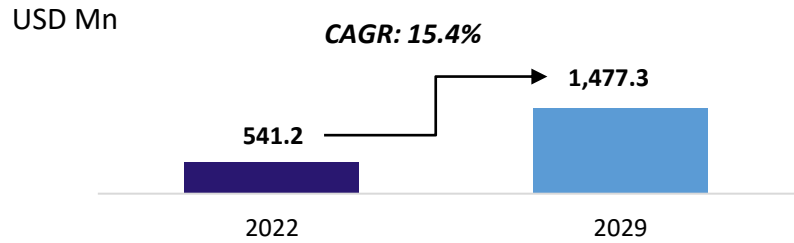


# Well-placed to Capitalize on Industry Tailwinds

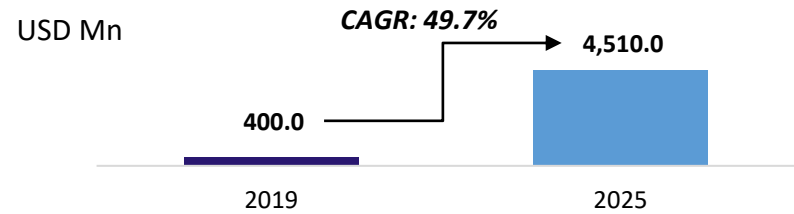


## High India market potential for DCX

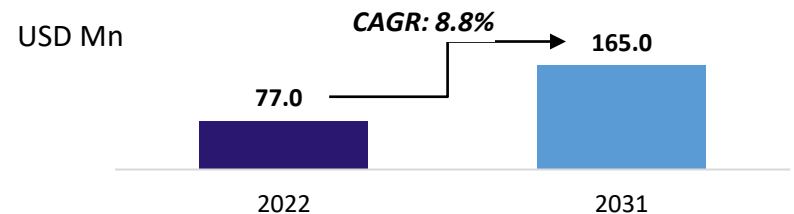
**Cable & Wire Harness Industry Size**



**EMS Industry Size**



**MRO Industry Size**



- Numerous Government Initiatives**
- Positive Indigenisation List
  - Defence Acquisition Policy 2020
  - Corporatization of Ordnance Factory Board ("OFBs")
  - Indian Offset – Self Reliant

**Only Indian Company with capability of entire range of products**

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



# Financial Highlights



# Q4 FY24 Financial Highlights



Particulars (Rs. Crs.)	Standalone					Consolidated
	Q4 FY24	Q4 FY23	Y-o-Y (%)	Q3 FY24	Q-o-Q (%)	Q4 FY24
<b>Revenue from Operations</b>	<b>746.19</b>	<b>510.55</b>	<b>46.15%</b>	<b>197.98</b>	<b>276.90%</b>	<b>746.20</b>
Raw Material Expenses	709.98	456.08		178.79		701.08
Employee Cost	2.81	2.76		3.19		3.47
Other Operating expenses (Incl. FX Gain/Loss)	3.25	5.86		5.15		3.78
<b>Total Expenditure (Incl. FX Gain/Loss)</b>	<b>716.03</b>	<b>464.70</b>		<b>187.13</b>		<b>708.33</b>
Other Income	13.95	9.70		11.01		16.30
Depreciation	0.95	0.40		0.58		2.27
<b>EBIT</b>	<b>43.16</b>	<b>55.15</b>	<b>(21.74%)</b>	<b>21.28</b>	<b>102.82%</b>	<b>51.91</b>
<b>EBIT Margin</b>	<b>5.78%</b>	<b>10.80%</b>	<b>(502 bps)</b>	<b>10.75%</b>	<b>(497 bps)</b>	<b>6.96%</b>
Interest	8.14	4.75		7.07		8.78
<b>Profit Before Tax</b>	<b>35.02</b>	<b>50.40</b>		<b>14.21</b>		<b>43.13</b>
Tax	9.08	9.31		2.32		10.18
<b>Profit After Tax</b>	<b>25.94</b>	<b>41.09</b>	<b>(36.87%)</b>	<b>11.89</b>	<b>118.17%</b>	<b>32.95</b>
<b>PAT Margin</b>	<b>3.48%</b>	<b>8.05%</b>	<b>(457 bps)</b>	<b>6.01%</b>	<b>(253 bps)</b>	<b>4.42%</b>
<b>Basic EPS</b>	<b>2.39*</b>	<b>4.25</b>				<b>3.04*</b>

\* Weighted average number of Shares after allotment to QIB

# FY24 Financial Highlights



Particulars (Rs. Crs.)	Standalone			Consolidated
	FY24	FY23	Y-o-Y (%)	FY24
<b>Revenue from Operations</b>	<b>1423.40</b>	<b>1253.63</b>	<b>13.54%</b>	<b>1423.58</b>
Raw Material Expenses	1328.92	1119.22		1316.63
Employee Cost	12.06	10.50		13.90
Other Operating expenses (Incl. FX Gain/Loss)	12.34	40.00		13.16
<b>Total Expenditure (Incl. FX Gain/Loss)</b>	<b>1353.33</b>	<b>1169.72</b>		<b>1343.69</b>
Other Income	46.21	29.54		49.65
Depreciation	2.48	1.82		5.13
<b>EBIT</b>	<b>113.79</b>	<b>111.63</b>	<b>1.93%</b>	<b>124.41</b>
<b>EBIT Margin</b>	<b>7.99%</b>	<b>8.90%</b>	<b>(91 bps)</b>	<b>8.74%</b>
Interest	28.39	25.53		29.80
<b>Profit Before Tax</b>	<b>85.40</b>	<b>86.10</b>		<b>94.61</b>
Tax	17.30	14.09		18.83
<b>Profit After Tax</b>	<b>68.10</b>	<b>72.01</b>	<b>(5.42%)</b>	<b>75.78</b>
<b>PAT Margin (%)</b>	<b>4.78%</b>	<b>5.74%</b>	<b>(96 bps)</b>	<b>5.32%</b>
<b>Basic EPS</b>	<b>6.83*</b>	<b>8.47</b>		<b>7.61*</b>

\* Weighted average number of Shares after allotment to QIBs

# March '24 Standalone Balance Sheet



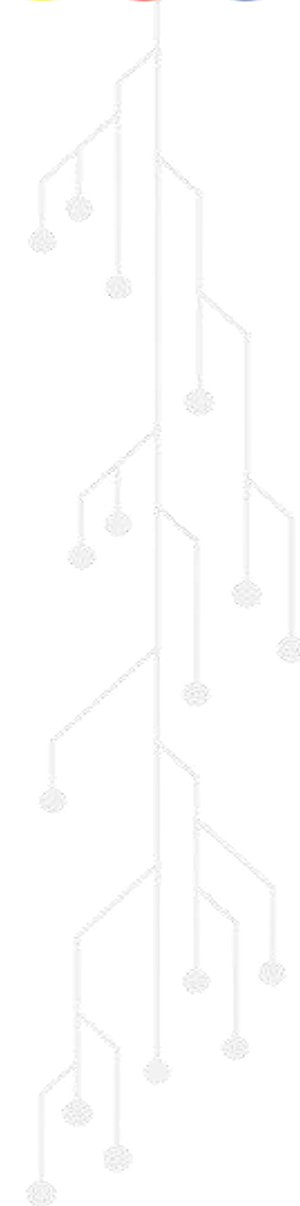
Rs. in Crores	Mar-24	Mar-23
<b>Total Equity &amp; Liabilities</b>		
<b>Shareholders Funds</b>	<b>1118.91</b>	<b>567.06</b>
Share Capital	22.28	19.35
Other Equity	1096.63	547.71
Non Controlling Interest	0.00	0.00
<b>Non Current Liabilities</b>	<b>1.84</b>	<b>1.24</b>
Long-Term Borrowings	0.00	0.00
Lease Liabilities	0.00	0.00
Other Financial Liabilities	0.00	0.00
Provisions	1.84	1.24
<b>Current Liabilities</b>	<b>681.32</b>	<b>643.53</b>
Short term Borrowings	265.31	503.71
Lease Liabilities	0.00	0.00
Trade Payables – Total	380.14	134.11
Other Financial Liabilities	1.67	1.10
Other Current Liabilities	32.28	4.55
Provisions	0.07	0.05
Current Tax Liabilities (Net)	1.85	0.00
<b>Total Equity &amp; Liabilities</b>	<b>1802.07</b>	<b>1211.83</b>

Rs. in Crores	Mar-24	Mar-23
<b>Total Assets</b>		
<b>Non Current Assets</b>	<b>51.34</b>	<b>31.12</b>
Property, plant & Equipment	28.00	10.82
Right of use Assets	4.30	4.30
Other Intangible Assets	0.03	0.04
Capital WIP	0.00	1.87
Other Financial Assets	3.73	3.07
Deferred Tax Assets	2.38	4.37
Other Non-Current Assets	0.05	0.05
Investments	12.85	6.60
<b>Current Assets</b>	<b>1750.73</b>	<b>1,180.71</b>
Inventories	125.42	228.51
FA - Trade Recievables	667.07	319.53
FA - Cash & cash equivalents	15.43	10.54
FA - Bank balances	819.33	580.88
FA - Other Financial Assets	0.00	2.12
Other Current Assets	123.48	37.74
Current Tax Asset	0.00	1.39
<b>Total Assets</b>	<b>1802.07</b>	<b>1,211.83</b>

# Standalone Cash Flow Statement



Rs. in Crores		
Particulars	Mar-23	Mar-24
Net Profit Before Tax	86.10	85.40
Adjustment:-		
Depreciation	1.82	2.48
Interest Expenses	18.71	23.90
Interest Income	(29.40)	(43.24)
Excess of cost over fair value of investments	-	-
Profit on Sale of Fixed Asset	(0.13)	0.00
<b>Operating Profit before Working Capital Changes</b>	<b>77.11</b>	<b>68.54</b>
Changes In working Capital	(637.61)	(54.73)
<b>Cash Generated from Operations</b>	<b>(560.51)</b>	<b>13.81</b>
Tax Paid	(25.15)	(13.06)
<b>Cash From Operating Activities</b>	<b>(585.65)</b>	<b>0.75</b>
<b>Cash Flow from Investing Activities</b>	<b>18.83</b>	<b>19.22</b>
<b>Cash from Financing Activities</b>	<b>358.02</b>	<b>223.37</b>
<b>Net Cash Inflow / Outflow</b>	<b>(208.81)</b>	<b>243.34</b>
Opening Cash & Cash Equivalents	800.22	591.42
<b>Closing Cash &amp; Cash Equivalent</b>	<b>591.42</b>	<b>834.76</b>



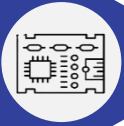


**Way Ahead**

# De-Risking Strategies



## Backward Integration into EMS



- PCBAs manufacturing through subsidiary, Raneal Advanced Systems
- Leading to lower costs & bolster supply chain
- Additional revenue stream

## New Geographies Penetration



- Expand global presence in aerospace & defence
- Total Offset Obligation pending with foreign OEMs as per DOMW is ~ USD 13.21 bn, of which DCX is targeting opportunity size of ~ USD 1 bn

## Grow Share of Non-Offset Projects



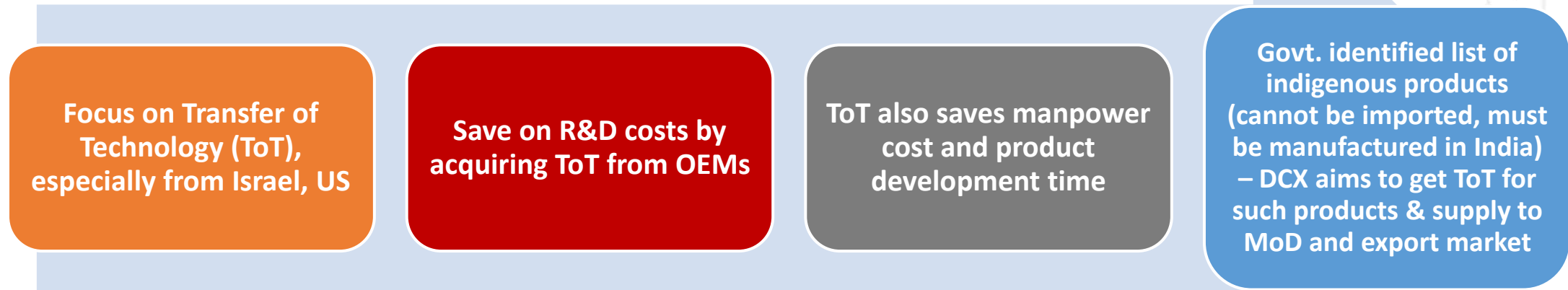
- Tap into new opportunities in Railways through NIART Systems
- High quality deliverables leading to more opportunities with OEMs
- Growing revenue from non-offset projects, full turnkey solutions

## Grow Cable & Wire Harness Business



- Focus on growing this product portfolio
- Better margin business

# Move Towards Product Company



**Faster commercialization of Products & Technology**

**JV with global OEM's on Civilian technology to cater to Indian and Global Customers, e.g. NIART Systems**



# Key Recent Developments



-  DCX Systems received a purchase contract/order for US\$ 1.99 million (which is equivalent to Rs. 16.53 crore) from M/s. Lockheed Martin Corporation, USA
-  The Company received a purchase contract/order for export orders from overseas customers valued at approximately US\$ 55.13million (which is equivalent to Rs. 457.58 crore)
-  Raised Rs. 500 crores in January 2024 through QIP, comprising of Institutional investors like MF, FII, and IC for Investment in Subsidiary – NIART Systems Limited and Investment in JVs/Subsidiaries
-  DCX Systems further plans to improve its supply chain efficiency, cost efficiency, with better profit margins by focusing on new verticals like Make in India – JVs and ToT



# Glossary



Term	Description
DAP	Defence Acquisition Policy
DOMW	Defence Offset Management Wing
EMS	Electronic Manufacturing Services
PCBA	Printed Circuit Board Assembly
FDI	Foreign Direct Investment
IOP	Indian Offset Partner

Term	Description
IPC	Institute for Printed Circuit
LRSAM	Long Range Surface-to-Air Missiles
MoD	Ministry of Defence
MRO	Maintenance, Repair and Overhaul
MRSAM	Medium Range Surface-to-Air Missiles
OFB	Ordnance Factory Board
T-o-T	Transfer of Technology

# Thank You

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