



“DCX Systems Limited  
Q2 and H1FY25 Earnings Conference Call”  
November 13, 2024

*E&OE (Errors & Omissions Excepted) – This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 13th November 2024 will prevail.*



**MANAGEMENT: DR. H S RAGHAVENDRA RAO – CHAIRMAN AND  
MANAGING DIRECTOR – DCX SYSTEMS LIMITED  
MR. DIWAKARAI AH N J – CHIEF FINANCIAL OFFICER  
– DCX SYSTEMS LIMITED  
MR. SHIVA KUMAR – VICE PRESIDENT OPERATIONS –  
DCX SYSTEMS LIMITED  
MR. G S MANJUNATH – HEAD OF HR & ADMIN –  
DCX SYSTEMS LIMITED  
MR. PRASANNA KUMAR T. S. – SR. DGM-FINANCE &  
ACCOUNTS, DCX SYSTEMS LIMITED**



*DCX Systems Limited  
November 13, 2024*

**Moderator:** Ladies and gentlemen, good day and welcome to DCX Systems Limited Q2 and H1 FY'25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference call is being recorded.

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

**Dr. Raghavendra Rao:** Thank you. Good afternoon, everyone. Namaste and welcome to our Q2 FY'25 Earnings Conference Call. With me today, Mr. Diwakaraiah, our CFO, Mr. Shiva Kumara, VP Operation, Mr. Manjunath, Head of Corporate Affairs and Mr. Prasanna and Jagadish and our IR team from Adfactor. The last quarter was very eventful for us with several major developments and milestones in our journey. Now, I invite Mr. Shiva Kumara, VP, Operation, to summarize the key recent developments in the company. Over to you.

**Shiva Kumar:** Thank you, sir and good afternoon everyone. I take this moment to update you that we have continued to build our order book through generating new orders during this period. We have secured purchase order from various customers and the list is firstly, ELTA Systems Limited Israel for supply of RF electronic modules amounting to about 18.4 million which is equivalent to INR154 crores.

Then we have from prestigious customers like Lockheed Martin USA for supply of electronic assemblies amounting to 54.8 million which is about INR460 crores. Then from one overseas customer for supply of electronic kits, it is amounting to USD22.3 million which is about INR187 crores, then from overseas and domestic customers for supply of cable and wire harness assemblies and electronic kits and it is totalling to 14.12 million which is about INR117 crores. And execution period for all these orders is about roughly over 12 months.

Then as you are all aware, previously DCX won a large order of INR1,250 crores from Larsen and Toubro Limited India for manufacturing and supply of electronic modules. And this highlights our ability to deliver large scale projects. In addition to these developments and achievements, our wholly own subsidiary Raneal Advanced



*DCX Systems Limited  
November 13, 2024*

Systems is improving its capacity utilization and improving our overall supply chain efficiency as well.

And in a major milestone, Raneal was recently granted industrial license for manufacturing of microwave submodules, for missile subsystems and avionics and defence electronic equipment's and Radar and EWS systems. So with this license, Raneal can even manufacture highly classified and secret products for the defence and aerospace sector and this also opens new doors for us.

Further, Raneal has achieved a breakthrough by securing purchase order from again a prestigious customer Lockheed Martin USA for USD45.2 million which is about INR379 crores for supply of electronic assemblies. And immediately after this order which was followed by again a new order to DCX from Lockheed Martin for 54.8 million as expressed in my earlier list.

And these developments would open new doors for us in the global market and help to carve the path for our future growth. So with the above order inflow, total consolidated order book as on today of DCX is exceeding INR3,000 crores. So with these updates, I would like to hand over again to our CMD sir to take it further. Thank you.

**Dr. Raghavendra Rao:** Thank you Shiva. As evident from the update Shiva has given, we're building our order book on the back of robust demand. It is promising to see that we are increasingly becoming the partner of choice of many global leading big companies for such a critical, sensitive product manufacturer. We believe it mainly due to our focus on our quality delivery capabilities. As you are all aware, in our earlier days our order book was mainly concentrated in one single customer is a large customer.

With our focus and dedication, we have been able to expand our business globally. And adding a reputed customer like Lockheed Martin, AMETEK, Collin Aerospace, Beam Trial, and also the big publicly listed PSU, BEL and L&T. On other note, operations at NIART system, our JV with Elta are progressing well and we are proud to be developing innovative obstacle deduction product for the railway sector. This cutting edge technology product has expected to be a breakthrough in enhancing railway safety and efficiency. We are happy to capitalize on this huge market for this product in India as well as overseas.

Overall, we are pleased to see our ongoing evolution into pure play product company as we aspire to increase our shares of revenue, profitability from our business line. Now, I'd like to turn the floor to our CFO, who will provide an overview of the company financial performance. Diwakar.



**Diwakaraiah N J:**

Thank you, sir. Good afternoon, everybody. We appreciate you are joining us today. As we present a detailed overview of our financial and operational performance for the quarter and half year ended 30th September 2024. In the foregoing, I'll be giving the details of on consolidation basis, you may refer to the consolidation figures. In quarter 2 FY25, we achieved a revenue of INR195.62 crores reflecting a decrease of 36% compared to INR309.12 crores for the same quarter of the previous year.

Our EBIT for the quarter reached INR12.9 crores, which is decreased from INR30.16 crores achieved in quarter 2 FY24. The EBIT margin was 6.59% compared to 9.76% in the corresponding quarter of the previous Fiscal Year. The PAT for the quarter stood at INR5.22 crores compared to INR19.85 crores reported in the same quarter of the previous Fiscal Year. One notable achievement is that in quarter 2 FY25, our net debt is placed at INR69.16 crores, which has significantly decreased compared to INR433.96 crores for the same quarter of the previous year.

Going to H1 FY25 for the 6-month period ended 30th September 2024, I provide the figures which is in H1 FY25, we achieved a revenue of INR333.7 crores reflecting a decrease of 30% compared to INR479.23 crores for the first half of the previous year. Our EBIT for this period has reached INR23.6 crores, which is a decrease from INR48.67 crores in H1 FY24. The EBIT margin was 7.07% compared to 10.16% in the first 6 months of the previous Fiscal Year. The PAT for this period stood at INR8.16 crores compared to INR29.44 crores reported in the same period in the previous Fiscal Year.

As I mentioned, at the end of 30th September 2024, our net debt was at INR69.16 crores which is significantly decreased compared to INR433.96 crores for the same quarter of the previous year. Thank you and with these details, we now invite you to share any questions, feedback or insights as we open for the floor for further discussions. Over to, back to Chorus Calls.

**Moderator:**

Thank you very much, sir. We will now begin the question and answer session. Our first question is from line of Deepak Saha from KR Choksey Shares and Securities. Please go ahead.

**Deepak Saha:**

Hi, thanks for the opportunity. Sir my first question is out of the whole host of orders that we have received, there is one particular order that has been received by Raneal Advanced Systems worth of INR387 crores. So just trying to understand, I know that you can't disclose too much of the scope of work, but since it is received by Raneal, does it mean or is it fair to assume that most part of the work would be regarding PCBA



and consequently the margin profile would be much more better for this particular part of the order that has received?

**Dr. Raghavendra Rao:** Let me take this question. See, overall what we try to explain here, of course, as you said, there are many restrictions to disclose the product, what we are doing because of the security reason with NDA with the customer. So the 2 PO, as you can see my declaration is the same as the program like the electronic module assembly we mentioned. More than that, what we are doing in Raneal, what we are doing in DCX, unfortunately, we couldn't able to disclose in this call.

And of course, it is related to their business and also everywhere is PCBA's required, whether it's a DCX making or Raneal making is the same, basic is the printed circuit board. There are other constraints where I cannot explain to more on this thing. Definitely, there is a both side is a PCBA requirement, either PCBA gets from the, for suppose, we got 55 million order for the DCX. Of course, there is a requirement of PCBs. So this order also goes to the - our wholly owned subsidiary, get it converted, comes back for other value addition.

**Deepak Saha:** Okay sir. I get it, fine. And so lately we have seen a lot of discussions happening around QRSAM. So there are big orders that are going to come from BEL. So just trying to understand, do we have any since we have a lot of capabilities around surface-to-air missiles and so this QRSAM is there. So if you can share some color, how we are positioned on this particular opportunity and do you see anything materially coming to us or how can we capitalize on this? If some color you can share on?

**Dr. Raghavendra Rao:** I don't know about this QRSAM program, but, of course, we are closely working with all the major integrator or major OEM in India, including Bharat Electronics. And of course, we are a preferred vendor because we are already proven the earlier for LRSAM program, and they are happy about our supplies, the quality and delivery. So we are just waiting for the opportunity, that is the OEM has to take a call.

Regarding QRSAM, I don't know much about the details. And, of course, we are closely monitoring and following up with all the OEMs, including Bharat Electronics for further. If the order comes, definitely, we hope we will go into part of that program.

**Deepak Saha:** Okay, that's really helpful, sir. Thank you. So coming to the core operations, I mean, we have seen continued pressure on the margin side. And I understand first half is either way not too heavy, but last few quarters, you alluded that there is a material number going to come in terms of some recovery of the raw material cost because of



the BOM guarantee that we have. Any major development that we have seen there and if you can share some number around it?

**Dr. Raghavendra Rao:** Definitely, there is a BOM guarantee. It is our standard policy in the company. And same whether we add many customers, majority we have to follow this it's a company policy and customer also willing to support whether it's in advance or capital equipment or testability, whether it's BOM guarantee standard policy in DCX. So in that, definitely there is a BOM guarantee money to be collected what we spend and to take it to the next quarter consideration.

Unfortunately, we are not able to sit with the customer and do the calculation for this thing because of the many reasons, especially Israeli war is going on. There are many restrictions to fly and we couldn't able to go and finalize the things. And this all, it is a quite a big account to be maintained and go there and sit and explain, show all the proof and everything. So this cannot be done in a call. We have to go personally see. Unfortunately, we couldn't fly to Israel and get this thing done. And once the situation comes to normal, we have to go.

And of course, this money belongs to the company. This is nowhere, whether this quarter or next quarter, it is going to come back to this thing. There is an agreement. It is a gentleman's promise. So we are hoping to get this, go early as possible and get this account settled and bring back whatever we spend extra to be calculated for the next quarter. Hopefully next quarter is going to happen.

**Deepak Saha:** Okay. So one last thing before I fall back on the queue. Since the discussion hasn't happened, I understand. And second half is we are already into the second half. So how is that rising pressure that we already had on the material side? Will it continue to persist for Q3 and Q4? This is one part. And last part is, did we internally calculate any number? And if you can give some rough figure what kind of recovery we are looking for so far till Q2 FY25, what kind of recovery amount we are looking? These are the last two questions before I fall back on the queue?

**Dr. Raghavendra Rao:** Okay. The first question is always, I always mention first and second quarter was in our type of business is dull. It is not new for a DCX. It is last 5, 6 years, this is what's happening. And why you may, maybe my investor had a question that okay, at least, first and second quarter was improved in the last 23, 24, last quarter for the last year. Why it is not? See, I want to highlight everyone here in this thing. So, what you have seen in the last year, whether you take financial year quarter 1, quarter 2, quarter 3, quarter 4, this all accumulated order over a period of 4 years or 3 years.



So, we had a bunch of order about nearly INR2,700 crores in the last 2 years. We are able to accommodate all the material process, licenses and the testability, first article inspection and clearance from the customer and many things, OJT, on job training. Everything has been set in the previous year only. Hence, we are able to deliver on the quarter-quarter increasable. Now, those orders are already executed. What you see in the left out of last 1 year back order, small order and also what we have got nearly now, we have recently covered about almost 3,000, about 2,500 crores order. This will take some time to get the material.

Not only for getting material, to get the material, there is a export license we need to require and clearance has to be done and test setup has to be different and manufacturing process is different. Testability is different. Although licensable is the main criticality here. Then lead time of the component, all put together and this is the delay for first and second quarter. And most likely now we are, what all we received recent and old order, it has come to the good condition where we can definitely do well in the third and fourth quarter. That's what I can able to tell you.

Regarding second question of yours, what is that? Second question you asked regarding the accumulated amount. See, I don't want to - last time also you asked same question. Now I had to repeat the same answer to you, Mr. Choksey team. What you are always asking me, what is the amount, amount? See, until I have a figure with me, whether that figure has been accepted by customer or not, I don't know. We have a full proof. We have many calculations. It is not a over period of about a year what we spend that has to be accumulated.

There are dollar conversion get vary. There are custom clearance get vary. There are many component variation is there. It's a quite good amount until customer gives, yes, this is the money I need to pay, raise the invoice. Till then I'm not able to disclose the name. I should not misguide the investor for this. Suppose, I tell something, something has been approved. If it is more money is fine, if less money it is going to not good to tell until I get a clearance. That's what I try to convey to you.

**Deepak Saha:** Thank you, sir.

**Moderator:** Thank you. Our next question is from line of Shikhar Mundra from Vivog Commercial. Please go ahead. Sorry to interrupt Mr. Shikhar, your voice is not audible.

**Shikhar Mundra:** So, we have roughly around INR1,000 crores of cash on the books right now. So, I mean, how do we plan to use it?



- Dr. Raghavendra Rao:** No, I'm not able to hear you properly. Can you repeat the question?
- Shikhar Mundra:** I say about the cash, there are INR1,000 crores of cash on the books?
- Dr. Raghavendra Rao:** Cash on the books was INR1,000 crores.
- Shikhar Mundra:** Hello. Am I audible?
- Dr. Raghavendra Rao:** We are not able to hear you properly.
- Moderator:** Sorry, Mr. Shikhar your voice is not audible.
- Shikhar Mundra:** I'll join the queue back.
- Moderator:** Sure. Thank you. Our next question is from line of Saumil Shah from Paras Investment. Please go ahead.
- Saumil Shah:** Sir, the previous participant was asking INR1,000 crores of cash we have in books. So, how are we going to utilize it?
- Dr. Raghavendra Rao:** I think it is not INR1,000 crores, it is INR877 crores correct Prasanna?
- Prasanna Kumar:** Yes, sir. Yes. He is asking about the cash and cash equivalent, FD plus current account balance. We can explain on the FD, sir INR877.
- Dr. Raghavendra Rao:** Okay. See, in the INR877 crores what we have FD in the money, I think, Prasanna, you can go ahead for the QIB and other things.
- Prasanna Kumar:** Yes. This cash balance.
- Dr. Raghavendra Rao:** This money, we are going to, we need to pay balance about I think 10 million to our new JV, which out of USD25 million, we paid 15 million. And 10 million is going to the NIART JV in the another, I think next April onwards, 10 million. And also another USD30 million which has to be used for our technology transfer or the - whether it's a JV for a new JV for a different sector that is USD30 million.
- Another portion of about I think INR20, 25 crores, we are seeing some MRO opportunity to acquire a complete technology. And it is majority has been covered and also the - that is the 30 million plus 10 million, 35 million about 25 crores, for 35 million is how much? So this is coming to around 300 crores goes to the JV technology and another about 25 crores for a MRO acquisition INR410 crores and also we want to get some - we are planning something to another investment about the technology





side, about another INR30 crores. So this is a rough figure I can give you for the rest of the amount.

**Saumil Shah:** Okay. And sir out of the total order book of INR3,000 crores how much of this can be executed within say 1 year or how much it is more than 1 year?

**Dr. Raghavendra Rao:** See about, I can say about 50%, it will go on a 1 year as per the today's situation. Of course, this is all new order. We need to - we are working with the supply chain with the foreign suppliers. So roughly in my idea, about 50, 60%, 50% roughly it will go on a 12 month time.

**Saumil Shah:** Within one year, we can complete 50% of this.

**Dr. Raghavendra Rao:** Yes, that's what we are targeting and looks positive.

**Saumil Shah:** And these are all confirmed orders, right? We receive advance against all the orders?

**Dr. Raghavendra Rao:** Of course, we received order, we received advance money and things are in the right direction.

**Saumil Shah:** Okay. I think in the previous call, I think you mentioned L&T order. We are yet to receive advance or something like that in the previous call?

**Dr. Raghavendra Rao:** No, that time April, we received order, advance take delay. We need to give BG. We are already received advance, deployed cash to supplier and Lockheed also we are issued BG, got money, deployed to cash, same thing. It is going on. And these are all big company, nothing to do with advance. It's a PO, confirmed PO. It's a money, it's only commercial transaction.

**Saumil Shah:** Okay. And so last year, we did revenues of INR1,424 crores and this year I think first half is hardly INR340 crores. So, can we expect to surpass this INR1,424 crores this year?

**Dr. Raghavendra Rao:** See INR1,424 last time also half yearly, how much we had done.

**Saumil Shah:** I am just asking about on a full year basis?

**Dr. Raghavendra Rao:** Last year, I'll try to answer your question.

**Diwakaraiah N J:** INR470 crores.

**Dr. Raghavendra Rao:** No, last year for first quarter, we had done. First half, we had done INR470 crores.



**Saumil Shah:** First half was INR479 crores last year.

**Dr. Raghavendra Rao:** I'm not having a figure in my hand INR479 crores, whatever it is. It is first and second half is done. Majority revenue, I think 700 plus happened in the third quarter. So, this is our style of business, this is our material availability, everything. So hopefully, this is not only happening today, it is last 5 years like that. We are also hoping to achieve good revenue on this side, seeing the order book demand and supply chain also got improved now. So, I'm not seeing challenges. We try to do good performance of this year.

**Saumil Shah:** Okay. And sir on the EBITDA margin, can you guide us for this year? What can we expect in terms of EBITDA?

**Dr. Raghavendra Rao:** Presently, see, as I mentioned EBITDA until I close the books on March 31st, I cannot tell you because I have a mix of program. You can see in my recent order, I have a cable order, I have a PCB order, I have a system integration order, I have a kitting order. Whichever product demand come, whichever product is early delivery come, whichever product material availability come. So based on the revenue model, I have a different, different work and different, different profitability in the majority based on the PO.

So, if it is manufacturing, it is different. The cable is a different price. So whichever product goes majority based on that EBITDA I'm going to fix it. So, until I close the books on March 31st, so I cannot able to tell you what is the EBITDA margin and we like to try to improve. Of course, what we received is a different customer, different terms and different margins. And I'm very confident that we will going to achieve more what we are expecting or what we had done earlier and moreover, we have our own Raneal majority of the hand holders for the major value comes from the Raneal and supply chain advance to be managed properly.

So that is the major strength for improving our margins and cable also got increased compared to this thing. So, cable, we have a good margin and try to mix up everything and deliver more. And we want to do better margin and better revenue this year.

**Saumil Shah:** And sir my final question. So last two quarters, we are seeing some selling by promoters in last two quarters. So, can we see further selling by promoters?

**Dr. Raghavendra Rao:** That I'm not able to answer, but of course, it is not a big junk of business. And you can take NCBG. He holds about 24%, 25%. From day one he's 76 years old and I cannot tell him to sell small shares also and it is happening, boss. And it is not like selling and



going back another thing. Wherever requirement was there a little bit, we have to do it. So not major junk of business. And it is shares and it is a small value. It is okay to manage and going on. So Neil is 76 years. NCBG promoter is 76 years old. I cannot hold them back to not to sell. And this is a small 1%, 1.5%. Still, he holds about 25%, 24% something.

**Saumil Shah:** I think even Raghavendra Rao, I mean, that holding is down.

**Dr. Raghavendra Rao:** I am a Raghavendra Rao. I also hold some shares.

**Saumil Shah:** Even your holding has come down.

**Dr. Raghavendra Rao:** I hold directly indirectly. I sold very small share for my personal commitment. Not for a business it's a personal commitment.

**Saumil Shah:** Okay. That's it from my side. Thank you and all the best.

**Dr. Raghavendra Rao:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

**Mihir Manohar:** Yes, hi. Thanks for giving the opportunity. Firstly, I wanted to understand on the possibility of revenue which can be from this year. I mean, there are these two larger orders. One is from L&T and second is from Lockheed Martin. So can you – if you can provide some clarity as to when are these orders expected to start and how could they continue for this year that will be helpful because even the second half becomes quite steep of an expectation for us to match the revenue which was there last year. So yes, just wanted to understand that?

**Dr. Raghavendra Rao:** Yes, we were on the full action too because both customers required this product urgently. And also, we are also very keen to execute some portion of this order. We are confident to execute some of the, as I mentioned, about 40%, 50% we want to do it in the existing physical year for next year. So, we are on the job. And of course, we can see definitely some of the revenue come from the new order.

**Mihir Manohar:** So, Lockheed Martin, I mean, most orders put together is roughly INR850 crores, INR870 crores and 12 months is the execution period. So, should we consider only 35% of that order coming to execution this year?

**Dr. Raghavendra Rao:** So, I cannot tell you exactly. It is just 10 days, 15 days back, PO. We are working with the supplier and we are hoping to push more for this because there is a demand and it's



a different style of suppliers. Some of the new suppliers, some of the key components, many things are there, but in my view what we reviewed, it is under control and not have much lead time. And also, I like to mention all we have done all the initial supply which we are received in the last year, about USD2 million order. All the qualifications, certification went on very well those hazards is not there for this year. This is only repeat order.

So for the test order, what they are given is working fine and complete transaction is they are happy. That's the reason we are able to get this USD100 million with Raneal and DCX too. So I'm not saying we want to do more on this business because the supply chain also still we have another 6 months to go. I'm not seeing any challenge presently. Of course, it is only 15 days old PO and team is working aggressively. And we are getting very positive response from the supplier to supply about the material as scheduled by us. So, hoping for best now.

**Mihir Manohar:** Sure. So specifically for these two orders, when will the execution from our factory, let's say, the dispatch from our factory can start for these orders? Possibility. I understand that there is uncertainty in doing so, but...

**Dr. Raghavendra Rao:** I'm not at all able to hear you.

**Mihir Manohar:** I am audible now?

**Dr. Raghavendra Rao:** Yes little. Please repeat.

**Mihir Manohar:** So basically, in other words, what I want to understand is that specifically for these two orders, when will the revenue booking start for us? I'm just asking the period as to from which period should one expect a material revenue booking? Which month, I mean, what period for these two orders?

**Dr. Raghavendra Rao:** That's what I explained to you now. This financial year, we try to do something, some percentage for both orders.

**Mihir Manohar:** Okay sure. My second question was just on the margin side. I mean so there are largely two, three reasons. First is this cost calculation, which is taking time. If you can provide some clarity as to if we assume that that full pass-through would have happened, then what could have been the margin for first half?

That would be really helpful because it is getting difficult to understand as to how will the margin span out and even when we see the Raneal revenue, the Raneal revenue for first half is just INR32 crores versus the company-level revenue consolidated revenue



*DCX Systems Limited  
November 13, 2024*

of INR300 crores for first half. So how should we see the Raneal contributing to us because earlier we were expecting that all the backward integration will happen in Raneal, but however, when we see first half it is only INR32 crores. That is the contribution coming from that. So essentially becoming difficult as to how to gauge margins. That's becoming really difficult, sir?

**Dr. Raghavendra Rao:** No. First of all, if DCX goes more revenue, definitely Raneal is going to do the majority supplies. Our own company is able to do only this INR300 crores margin. That portion of that thing is going to come. This quarter, only they are INR32 crores then last quarter, they had done about INR45 crores. Subsequent revenue has come, but, of course, please I'm going to request all the investors.

Once again, I'm telling you every my conference call or media, DCX is not a quarterly business or you cannot see the revenue, you cannot judge for the quarterly of business or revenue or PAT. It has to be please consider for the full 12 months because of the BOM issue, because of the BOM guarantee, because of the mix of product. You cannot take the assessment of one quarter. Our revenue is this which only multiplied by four are these profits. There are many constraints. This is entry barrier is big in this business.

We need to get many things. So today they will release the PO for X amount. And tomorrow the price go, we have a contract. We have to do a lot of things. Suddenly price goes by double by supplier. We need to convey to customer, get the permission that money has to be booked in our books then later I'm going to reclaim. This all is a big process. So I cannot tell you the quarter wise, what is the margin, what is the revenue, for the first and second quarter please consider is always dull.

It is not a history. It is a 5, 6 years history where we started more than INR500 crores revenue. This is happening, but we are going to take the complete 12 months history. You can see all my 5 years balance sheet. My history shows everything. So, this is what I'm requesting communicate to all my stakeholder investor in this call. Please consider for the 12 months. It is a very, very difficult to convey for the quarterly. It is difficult and you will be disappointed. I'm telling you, if you see quarterly.

**Mihir Manohar:** Just third question was on the share warrant side. When I see the cash flow, I mean, cash flow financing activities. There is this INR200 crores of entry which is on the consolidated cash flow, which is issue of warrants. It is there in the console, but not in parent which means, I mean, essentially the issue is towards, I mean, from a subsidiary to an outsider other than DCX. I mean, so what is the transaction if you can explain this issue of share warrants of INR200 crores line item in console?



**Diwakaraiah N J:** Let me explain. This is basically the NIART Systems. It is in the NIART Systems. Rightly you said that it is in the subsidiary. It is not in the main DCX. NIART System has given a share warrants, has issued share warrants to ELTA Systems, who is our JV partner in Israel. This warrant has to kick in and it will happen in the future course of time. That's where the transaction is in the consolidated only.

**Mihir Manohar:** Yes sir.

**Diwakaraiah N J:** Sorry.

**Mihir Manohar:** You were saying something?

**Diwakaraiah N J:** I didn't. This is exactly the same thing. This is from the NIART Systems which has been given to ELTA Systems.

**Mihir Manohar:** Sure. And this last question was on the JV with ELTA side yes, exactly the NIART. So the testing, where is the testing and how so from on the railway side and if you can just provide some color over here, sir, as to at what stage in the Indian railways is the testing currently undergoing? And when should we expect some tendering and some commercialization to happen here?

**Dr. Raghavendra Rao:** See, as you, as earlier explained this, there is a RDS for Lucknow issued PO 2 earlier to ELTA where we are, our JV has not taken place in that time, which they have produced five numbers and it has been installed two number in the - there are two different product, the same product used in the different locos.

One, two number goes to diesel loco which we are already done the tested fully satisfied and we have everything two number full system has been supplied and the final, we are yet to start, I think already started something on the electric loco for the where also we got a very good result.

And from the prototyping and concept proven is the completely through. And only thing is we need to go for a mainly, we are waiting for the bulk tender to happen from the railway and I don't have an exact date when this requirement come, when it is going to tender will be floated, which we are also closely monitoring, following up with the particular division to this thing.

But I'm not having any dates, whether when they are floating inquiry, but product wise has been proven, what all the conditions, specification has been put, it has been taken care. And product is fully ready to deploy into the field.



All the, I think last 3 years hard work done by ELTA team has been proven and given a good result. So at this moment is the update, but it's an R&D company. We keep working towards the upgradation program with other country requirement. So many things happening in the NIART side and we have a very good design team, product team.

And whether you take optic side, radar type or a full product in here, they are working. There are three major thing is happening for the development, upgradation of two other country for autonomous vehicle, which we are already working with some of the testing is going in the Alstom, that has been given some colors now.

So also we are working for upgradation, reduction of cost of material. Many R&D is going on further improvement of the product, everything. Presently, whatever we received order it has been executed and the authority has been very happy about the performance of the product. So this is the latest update what I can tell you now.

**Mihir Manohar:** Sure. That's helpful. And just a last – so this share warrant issue which is there. So does it mean that we are, I mean, earlier we were planning to hold 51% of NIART JV and the JV partner was going to give technology for 49% stake. With the issue of share warrants of cash flow coming in, does it dilute DCX stake in NIART Systems or not?

**Diwakaraiah NJ:** No, it will not. As per the agreement, DCX will have 50.1% of stake. It will continue to have, it will not further dilute any stake. Whatever 49.99% stake is going to be held by ELTA Systems for which the warrants will be utilized at that time.

**Mihir Manohar:** Okay, sure. That's it from my side. Thank you very much.

**Moderator:** Thank you. Our next question is from line of Anuj Jain from Green Portfolio. Please go ahead.

**Anuj Jain:** Hi sir. I just wanted to understand the note the employee count, if you can give a comparative number as to the number of employees as on the year end FY23 and FY24 and currently. If the current number are not available, maybe 30th September is fine.

**Dr. Raghavendra Rao:** No, we didn't understand your question at all. Maybe your voice is not clear.

**Anuj Jain:** Okay, sir, I will repeat. I want to know the number of employees on a consolidated level in the company as on date and a years back figure?



**Dr. Raghavendra Rao:** Okay, present employment, you're talking about the whole company about 200 plus overall. Previous, there were about I think 148 or something, 150. We increased about 50 numbers.

**Anuj Jain:** So, this is on a consolidated level, including the subsidiary?

**Dr. Raghavendra Rao:** Consolidated, yes.

**Dr. Raghavendra Rao:** Including Raneal, including DCX, yes.

**Anuj Jain:** And the next question is the promoter shareholding of NCBG holding INC. Sir, just wanted to know what is their profile? I mean, their background, number one. And number two, are playing any role in you getting the orders from US players like Lockheed Martin?

**Dr. Raghavendra Rao:** This is purely, mainly with the related to the Indian offset. And in my, of course, NCBG, they are in it's an investment vehicle. They have nothing to do with this PO or any connection with the Lockheed Martin. It is purely done the complete 2.5 years hard work by business development team to meet people gone there, met. It is purely generated by DCX India team, business development team. Nobody has involved in this, any our invest company or NCBG, no.

**Anuj Jain:** Right, sir. And, sir, I mean margin is the concern that's why everybody's asking about it. I understand that not be seen on a quarterly basis for the nature of business, but if I look at last year by 2022...

**Moderator:** Sorry to interrupt, Mr. Anuj. Your voice is not audible. Can you please get to a place at a better network reception.

**Anuj Jain:** Sir, my question is regarding the margin. I understand on a quarterly basis, we cannot judge it, but if we look at FY22-23 and then 24, the margin is like 5% or 6% EBITDA margin or operating profit margin. So, my question is, sir, we are into a business where there is entry barrier. All the biggest players which require the most sophisticated technology are our customers and we boast about the technology progress of the company. Yet we are doing a margin of 5% to 6% for the last 3 years.

So, I mean, is it something because we are keeping the price low to get the business and in future it will improve or is it the normal margin that is going to remain for future as well?





**Dr. Raghavendra Rao:** No, actually margin what you are constantly maintaining 5% to 6% and whatever it is. And new client, it will be a better margin, which is the - see problem is now I'm not able to. See, there are margin involved labor, testing and what complexity of testing, what type of environmental test they will ask, what is a special process they will ask. That different, different PCB, different, different product system integration required a lot of skill. Let us take one example.

I will do the one complete module assembly with a 2.5 hours time. One module take about 1 hour. One testing time take about 1 hour. Some product take about 5, 6 hours. The labor hour it will go up. Then once all this thing is there, material cost, labor, infrastructure cost, consumable, material cost, in top of that we load our margin. So, if your bill of material is higher, your assembly cost is more, testing cost is more, naturally your percentage of loading charge will be more.

So, we'll get more margin. So, based on the what product assembly, let us take X, Y customer gives PCB, Y customer gives us a full system integration, other guy gives system integration, cable, PCB. This all combined margin. I cannot able to define today seeing all the complexity, which product I'm shipping. Let us take a cable only for assume INR100 crores. I have a very good margin. I touch 10%, 15%. Suppose I do only for high end volume, I'll do about 4%, 5%, 6%. Which I'm going to do, which is the demand, which is the material availability, what is the customer demand, that depends on the mix of product, what I'm going to ship it.

**Anuj Jain:** So, when we look at the 3 year figure, then all type of product will be involved in the 3 year figure, sir and that is 5% to 6%?

**Dr. Raghavendra Rao:** We had only one customer. Don't compare with a 3 year quarter. We had only one product, we had only one customer. Now I am not doing that time for optical fiber I was not doing, I was not doing the PCB assembly. Then I was not added many customers. I depend on that. Now I had a optical fiber, now I have a Tier 2, now I added many customers. Different customer it is not standard like this guys gives X I need to maintain X. No. I have a different, different margins, different, different types of business. Based on what type of product I do, based on that I will charge. So, 5 years story - that's what this is what I am trying to explain to you.

**Anuj Jain:** Sir I will rephrase it a little bit that will be my last question. So, sir, when currently, when you are putting for a supply to a customer, then what is the operating profit or EBITDA margin you keep in your projection sheet based on which you come to a price that you quote to the customer? If you have a fair margin for different product we would like to hear that sir?



*DCX Systems Limited  
November 13, 2024*

**Dr. Raghavendra Rao:** How can I disclose in the public what margin I'm going to maintain for each product? That is internal process, based on the situation, based on the calculation which I am sitting in the open call and this will be recorded and maybe my competitor can see how I am calculating my margins. This is not fair to answer question.

**Anuj Jain:** Sir, can we see double digit margin in FY26?

**Dr. Raghavendra Rao:** Sorry?

**Anuj Jain:** Can we see double digit margin in double digit in FY26?

**Dr. Raghavendra Rao:** That is my target. That is my target to achieve. Moving towards to the – now in 26, you can see NIART coming. Now, you got your own direct order from the - whether you say Lockheed, whether you say ELBIT[inaudible] we are straight away getting direct order to the Raneal. So, definitely those give more visibility, more push into the revenue or EBITDA, that is our target and also NIART going to start up.

**Anuj Jain:** Understood. I will be on queue. Thank you, sir.

**Moderator:** Thank you. Thank you. Our next question from line of Vidit Shah from Spark Private Wealth Management. Please go ahead.

**Vidit Shah:** Hi, good evening and thanks for taking my question. I just first needed a clarification on the two orders that we won from Lockheed. Are they related as in, is it a similar product where the PCB has been done by Raneal worth INR380 crores and the integration is done by DCX or are they two different orders?

**Dr. Raghavendra Rao:** They are two different orders. One, 45 million got the Raneal directly. Another 55 million got it directly from DCX. They are two different orders.

**Vidit Shah:** Okay, and could you, sir, clarify what the internal consumption or the revenue for Raneal was in the first half of this year, please?

**Dr. Raghavendra Rao:** Sorry, can you please repeat?

**Vidit Shah:** What was the revenue for Raneal in 1H?

**Dr. Raghavendra Rao:** What is the revenue?

**Vidit Shah:** For Raneal the subsidiary for us, what is the amount of revenue it did?

**Prasanna Kumar:** Yes, revenue for the first half for the Raneal Advanced Systems Limited is INR74.30 crores.



- Vidit Shah:** Okay, of which INR34 crores was in the second quarter, you mentioned?
- Prasanna Kumar:** Yes.
- Vidit Shah:** Got it. And sir we saw last month that the railways has floated about INR3,200 crores of orders for LiDAR systems to enhance track safety. I was wondering if NIART is participating in this tender and if so, then, how do we, like, how much of a stance do we stand?
- Dr. Raghavendra Rao:** No, we are not participating in this tender because the different product which is not related to either Kavach or LiDAR program, what you're mentioning for the optics camera, which we are not in that business. We are purely on the obstacle detection system. Presently, only one company in the world developed, that is our NIART system. So that tender has not been floated yet.
- Vidit Shah:** Got it. And sir you mentioned about 30 million, USD25 million or USD30 million that we've kept aside for a technology transfer. Now, it's been some time that the QIPs happened. We were wondering how many sort of technologies are under consideration. I know eventually we will invest only in one, but how many sort of partners are you looking at and talking to narrow down on one and what is the timeline that we can expect on this?
- Dr. Raghavendra Rao:** Presently, what we finalized based on the -- what product they have, what is the business they are in India, what is the benefit to our company? So this is the three concept we are evaluated. Hence, we decided to take a technology transfer or JV. So it has been already initiated and JV agreement has been finalized. Our board is approved, their board is approved. There are some governmental clearances required for that company to move forward, which we are going to expect by December hopefully, to have this technology or JV to be executed. Max, by December, we are expecting to close this.
- Only one company are working, which is finalized. Based on the, what addition valuation, how this is going to help DCX, not only for their books, indirectly how DCX can benefit it. So if they are to do Make in India, they have to outsource to DCX 50% to 60% to DCX and Raneal. Keeping that all this calculation, we finalized the JV opportunity and gone ahead. And we are just waiting for the final approval from their government side to sign the JV agreement. Hopefully, this is going to happen by December.



**Vidit Shah:**

Okay. Understood. And this is the last one from me. So if you think medium term 3 years to 5 years, what do you think is the potential for just the DCX business, excluding the Raneal Advanced Systems and NIART, what is the potential that revenue that you can generate from your current space that you're operating in and give it the market opportunities out there, excluding all the technology transfers that we are looking to do, just the base business. What is the sort of profile that we are we are anticipating?

**Dr. Raghavendra Rao:**

See, opportunity, if you take existing business, only DCX and Raneal. Raneal is a part of support. So, any electronic component without PCB cannot go. Instead of earlier, I used to buy from the subcontract outsource. Now I have built my own. Keeping DCX and Raneal, of course, in the existing business, not to talk about NIART, not to talk about the JV. I agree with you. So the existing potential of business in the ongoing business, there are two businesses is in front of our eye.

One is the pending offset order. You can see you can log into DOMW for the offset obligation about is huge. It's about USD12 billion dollars. It's already our government has been given order to the foreign OEM. They are supposed to do 30% of those in India. So not I cannot expect all the 12 billion. There are many investment vehicles. Many things are there. In that we assume there are USD4 billion is electronics. So USD4 billion is electronic. In the pouch of USD4 billion we are very confident because recently what we have received PO from the Lockheed Martin, the portion of those offset order only.

Similarly, we are working with other OEMs where they have offset obligation other than the US and other than Israel. We are working with other country, too, which they have a many, many offset pending. That is our existing business what we can able to expect from that business. We are fully concentrated and working for that. Secondly, you can see the new policy of defence procurement policy. DPP 2020. Any product if government they will float RFI, they'll float a RFQ or G2G program or G2C program. The 50% to 60% of those business, it has to be done in India. So those potential is very, very big. These are two opportunity.

This will fit into our existing business, leaving technology transfer or JV or railway. This is a huge business. It will go into we expect one is 30% of offset, which you have a huge offset backlog with foreign OEM. Second is the new upcoming business in the - towards they will win the order for RFI. They'll give a technology to the big company where we become a supplier for those or sometime maybe we become a prime contractor, this is a big opportunity is in front of our eyes. That is the main concentration for us.



- Vidit Shah:** Okay. Understood. Thank you so much and all the best.
- Moderator:** Thank you. Our next question is from line of Himanshu Dugar from SafeGainz Financial Advisors. Please go ahead.
- Himanshu Dugar:** Thanks for the opportunity. Sir one question I have around the BOM discussion. Is there any timeline before the discussion has to take place? And usually, you have already mentioned in the previous call as well, that it just happens once.
- Moderator:** Sorry to interrupt Mr. Himanshu, your voice is not audible. Can you please get to a network.
- Dr. Raghavendra Rao:** Not able to hear it.
- Himanshu Dugar:** Is it better?
- Moderator:** Yes. Please go ahead.
- Himanshu Dugar:** Yes, sir my question is about the BOM calculation update. So like I think we just got it completed in July-August period and we are already doing that. It's already mentioned that we...
- Moderator:** Your voice is not audible.
- Himanshu Dugar:** Is this better?
- Dr. Raghavendra Rao:** No, still I'm not able to hear you properly. You're breaking.
- Himanshu Dugar:** I'm in the handset only now. Is this better?
- Dr. Raghavendra Rao:** Go ahead little better. Please go ahead.
- Himanshu Dugar:** Sir on the BOM discussion, I just want to know if there is any timeline that is usually like within this much time we need to renegotiate on the interest of BOM or if there is some kind of delay like it happened this time. Usually, does it get timed out or something? It's a question of increasing the price?
- Dr. Raghavendra Rao:** Little bit I'm able to hear you. You are talking about the BOM guarantee. It has been mentioned in the each and every contract with OEMs. There is no such timeline to claim back the money. And once, what is the condition with foreign OEMs? They are all large corporate. What they will release? First, they have approval. Let us take they have a USD100 million approval.



They'll release the PO. Suppose you assume your 900 million is the BOM cost, which is definitely goes up because two, three program. If it is go up by another 100K, every time they're not going to amend the PO because it has to go to the top level. What is the guarantee means? What all the money you spend for the extra, which has been approved by the customer. We have to calculate everything. In the year end, we need to go and submit the report.

Of course, before purchasing, they will go into let us take they consider USD1 per one part. It has to be considered as another USD1 extra. We're going to send that mail to them, take a concurrence. Boss, you consider USD1. Now it is going to cost you USD2. Please approve me. They will do the approval. Then, we'll buy the parts. It is in book, my expense in my book. In the end of March, we'll close the books from our books. We will go to their place and give all this thing and claim back it. So, this is the process. Every year, every month boss today you have USD1 extra. You amend the PO. No, nothing will work like that.

So that is the understanding between the company. Also, there are if it is too much money, even though sometimes we will go to take the finance cost also for some of the critical components that much our OMEs are that much flexible. Suppose I spend money today, I will get the money. Let us take, I spend money in April, USD100. I'm going to claim back in next March or April. So, they will go on to bear the finance cost also.

This is a very transparently we are working with the customer. We'll tell Boss, this is the money which is we invested this much. This is the cost for you. So that much we have to give, go and claim. There is no such timeline. This is the process.

**Himanshu Dugar:** Just a follow up on this. If there is a case where the agreement doesn't happen, wherein you claim for an amount, but they are coming with a low amount. Has there been such a situation in the past and in that case, do you proceed further? Are you further renegotiating? I think you have to accept whatever they are finally giving?

**Dr. Raghavendra Rao:** I'm not able to hear you.

**Himanshu Dugar:** Sir, my question is, if after the negotiation, so yes, you are claiming, say 100.

**Dr. Raghavendra Rao:** No, you are fully breaking. I'm not able to hear you.

**Himanshu Dugar:** Yes, I'll try to be a little slower. The point is, if you make the claim of say INR100 rupees and should the customer come out...



**Dr. Raghavendra Rao:** Please rejoin, Please rejoin. I am not able to hear you properly it is breaking lot of noise.

**Himanshu Dugar:** I will rejoin the queue.

**Moderator:** Thank you. Next is a follow-up question from the line of Shikhar Mundra from Vivog Commercial. Please go ahead.

**Shikhar Mundra:** Hi, sir. So, in continuation to the previous participant, in the past has such a situation risen and when we went to the customer with the BOM guarantee, so has he like completely honoured or there has been some sort of negotiation which happens?

**Dr. Raghavendra Rao:** No, BOM guarantee, see, first we'll prepare a quotation. We'll give a breakdown. Then go to customer. Some of the key component, high value component, every OEM have a contract price with their component suppliers. There is a special price pass on to us. They will authorize me to buy from that source. If that price goes up, they will go into compensate the money, which has been out of.

Suppose I quoted USD1. When I purchased the USD1.25, that also they'll going to compensate. This is called a bill of material guarantee. 70% of the bill of material value is about the high value. It has been controlled by the OEM because they have a contract price with the manufacturer, semiconductor manufacturer. Balance 30% pass use and small value or mechanics, everything I will finalize. If that price goes up, I will go into submit the proof and get the reimbursement done. This is the process.

**Shikhar Mundra:** All right. And interest cost is also included in the process?

**Dr. Raghavendra Rao:** No, what I try to explain, suppose he invested USD1 million today for the variation, huge variation happen in the April, but you're going to climb back the money in the next April only. Who will pay the 1 year interest? That much also sometimes normally we won't, it's not going to happen like that. Normally in that time, they'll pay us an extra advance to manage this cash flow. Okay. Suppose normally any PO you see, suppose then USD100 million PO, you need a cash flow positive cash flow of 10 million. Normally they pay about USD12 million. So that money can be used, invest and do.

If worst case, if nothing money is the last lot have a delay, we need to invest. Sometime it is too much delay. I will charge finance cost also. This is also - that means we are working with our OEM is so humble to consider our request. If it is really money going from my end, this is what I try to explain.



**Shikhar Mundra:** Got it. Thank you. And for the product developed in NIART, it has been approved by the Indian Railways?

**Dr. Raghavendra Rao:** Yes.

**Shikhar Mundra:** Okay. So now we are just waiting for the tender to float and then we can commercialize it.

**Dr. Raghavendra Rao:** Yes, you are absolutely right.

**Shikhar Mundra:** All right. And are we only targeting the Indian Railways or we are also looking at the overseas, other countries railways for that?

**Dr. Raghavendra Rao:** Good question. But for me, India is both over there, but definitely we are working with the other country like Netherlands, US and also some of the other Europe country we are working, but India is a very, very big market. Majority, I think they have a 15,000, 16,000 locos in the whole India. It is a big market. India is a big market. So, they are working directly with other countries also like Netherlands, European Union, US also, we are developing something, but India is a major concentration. As of now, today, India is because you see a lot of accident, people are losing life and losing time and efficiency they are losing. Our product is well positioned in this requirement.

**Shikhar Mundra:** I mean, quality-wise, it might be positioned what [inaudible].

**Moderator:** Sorry Mr. Shikhar your voice broke. Can you please repeat your question. No, it's still not audible.

**Shikhar Mundra:** Is it better now?

**Dr. Raghavendra Rao:** Yes.

**Shikhar Mundra:** Yes. So, quality-wise, I understand our product is very appropriate, but what about the cost-wise like how does it fit in the bit of for the Indian railways? Is it possible to share the economics of the product like what's the cost?

**Dr. Raghavendra Rao:** No, presently, I am not able to share the price. And definitely, each loco it is going to cost you, in my knowledge about INR15 crores. If you're going to hit a gate, hit an elephant, hit a something, what is the damage it'll create to the loco? Definitely and also indirectly, fuel efficiency and also the track damage, insurance claim back, life damage, this system is peanut for those compared to those expenditure. What we are giving is a, this all can be prevented in this our device. This will be and also overall, forget about accident, everything touch wood, nothing happens.





In the, the movement of the vehicle, now it has been a lot of strain in the engine where a fog visibility is not there. Driver has to reduce and unnecessary you are burning fuel. If you put our system, the efficiency is getting much more, 40% of more efficiency you can generate. So capital investment for railway it is not a big deal. And also we - that means we are not charging over. What are the market, the price, what is the expenditure? Of course, it's a very complex, very high dedicated product and a high-end product where you can cover about up to 1.5 kilometer.

Definitely there are beautiful, expensive radar optics and algorithm is used. Of course it's expensive, but compared to those losses and what railway is gaining is much, much. Cost benefit analysis is huge back to the users and I'm not seeing is very expensive.

**Shikhar Mundra:** Got it. Thanks a lot and best of luck for the future.

**Moderator:** Thank you. Our next question is from line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

**Mihir Manohar:** Yes, hi thanks for giving the opportunity. Sir, I wanted to understand, why there is such a large seasonality in the business 4Q such a large quarter, is it that the manufacturing itself takes place in 4Q or the manufacturing happens all throughout the year and then the approval comes in 4Q? I mean, just wanted to understand the large seasonality which is there?

**Dr. Raghavendra Rao:** Please come again. I didn't understand your question.

**Mihir Manohar:** Yes, sure. So, what I'm asking is, why is there such a large seasonality in the business at 4Q ends up happening almost...

**Dr. Raghavendra Rao:** Can you please go a little bit slow? Why is large?

**Mihir Manohar:** Why is there such a large seasonality in the business? I mean, so when we see for your company, I mean close to 70% of the revenue ends up getting recognized in fourth quarter. So does it mean that the manufacturing or the assembly takes place in fourth quarter or is it that you assemble the products for the entire year and then the approval happens from the customer in 4Q? How does it work? I mean I wanted to understand around that?

**Dr. Raghavendra Rao:** Thank you so much for this question. I was waiting for this question to answer. See, there are three major thing in this thing. Why only last quarter revenues up? Suppose I received a Lockheed Martin order today in the month of, let us take when it is the last month in October, November. The lead time of the component it is long for a aerospace



*DCX Systems Limited  
November 13, 2024*

and defence company. Nobody has a stock to such a, let us take each chip cost you USD200, USD300. They will produce the chipset of the semiconductor special process with the against advance. They'll produce and give it to us.

That is the main manufacturing time goes with the only LLA items, long lead item and critical item. This is the one concept. After getting this because of the national security and many things are there. This all custom parts are majority of the major chipset from import from the US or the Singapore or the other distributor in India. They have to take a special license to supply to us. Once they receive my P.O, they will apply for the license. I need to mention the end use certification, then process. This all parallelly goes.

By the time parts ready, it will get mainly on the manufacturing of the high expensive part and critical part and the export license. After that, we are getting it minimum you take any semiconductor in the aerospace and defence. It will take minimum about 20, 22 weeks to get the part. This is standard, earliest lead time without any COVID effect, without anything, normal course of business. That is number one.

Number two, after we getting, it is not like bulk production start, everything start together and make in one shot and ship. No. first we have to get the component. There are in component level only, there are a lot of procedures and including storage, including inspection, including individual component testing, qualification of those components, then go to production. So let us take, you need to do 10,000 board. You cannot produce 10,000.

Even though you have a capacity, you cannot do that. There are first article inspection has to be done, approved by our QA. Then customer has to come to do the OJT for each program, for a new program, on job training for a company. It's a different testing. Then we need to get the customer supported ATE, that is automatic test equipment. It has to come there, install, do the FIA in that system, what we produce. It's a lengthy process. This will go into take about almost 5 to 6 months to get your regular production. It is not a constraint of production or money or any manpower constraint, nothing.

It is a related to the - the timings of how there is a PO, how we place the customer and how much day is required to manufacturing those parts. And regulatory process has to not only private company, government has to give a clearance to ship the parts. This is a lengthy process. And that's the reason when we had a earlier 3 years PO, you can see jump on every quarter. When recent PO, you can decrease the quarterly because we are not secure the part. So now onwards, of course, there's the last 2 years, there's a



COVID and other problem. No, those areas clear now is a regular process is going to happen.

So, this is the process compared to other general manufacturing, like general manufacturing, you'll get a component to big, do the manufacturing ship. This will not work out in aerospace and defence, is a restricted part, restricted environment, many things are there. That's the reason we'll all close from April to go to the last quarter and do the manufacturing. Once it is clearance there, it is not a manufacturing time. It will go automatically. This is the process.

**Mihir Manohar:** So basically, the components that you need to procure, those components you receive in the last quarter of the calendar year and that is where you end up having revenue in last quarter of India's financial year, right?

**Dr. Raghavendra Rao:** That depends. Some parts may come in the second quarter, some parts in the third quarter. Majority, when in the normally in the other country, they will release the PO in December end because they have allocation. They'll release the PO in December. They plan the PO in allocation in December. January, February, they start releasing the PO. Unfortunately, we are in the financial year end. Naturally, it sits on the last quarter. It's a coincidence. It is sitting in our last quarter.

**Mihir Manohar:** Understood. And just one question was there on the BOM side. I understand that a lot of questions have been there on the BOM side. If I assume that the BOM issue was not there for first half, then what could have been the gross margins and EBITDA margins in a normalized scenario? That will be helpful.

**Dr. Raghavendra Rao:** You can see what all we see are in the last, if it is a regular program, it will run in what we declared in the 7% 8% in the EBITDA side. It is going to continue like that. The consumption goes up. Bill of material, if you spend money, you have to calculate. And naturally, material costs and towards the conversion will get reduced.

**Mihir Manohar:** Okay, sure. So close to, I mean, what you are saying, the impact in the first half is close to INR25 crores to INR30 crores on the BOM side. Specifically, that is the amount which is hanging around?

**Dr. Raghavendra Rao:** No, I'm not taking a number now. Don't mention INR30 crores, INR40 crores. I'm not taking any number. I'm not mentioning till I get a confirmation from all customers. I cannot disclose those numbers.

**Mihir Manohar:** Sure, sir, sure. And just one last question on the full year revenue, sir. I mean, given the fact that L&T, these orders will come in execution in 3Q, 4Q? Broadly, what should



we consider, just from a full year perspective because earlier we were expecting some growth to happen in FY25. So how to consider revenue now, sir?

**Dr. Raghavendra Rao:** No, see, that's what we try to explain. What is the recent PO we received? We are planned to achieve about 35% to 40% for this financial year. How much L&T, how much Lockheed, how much other people, I cannot tell you. Based on, see, these are all new POs, boss. These are all very new PO.

Even though we are not even released the PO from our side for the recent orders. It is received just two weeks back. There is a process, negotiate with supplier, negotiate payment terms and get the many things are there. So, our, of course, there is an internal target, big target. We kept it and better to achieve more. That's what the company wants to do that.

**Mihir Manohar:** Sure, sure. And just one last question, if you can throw some color on the pipeline?

**Moderator:** Sorry to interrupt Mr. Mihir we request you to get in touch with the company for any follow ups. Thank you.

**Dr. Raghavendra Rao:** Yes. Go ahead last question Mr. Mihir we don't want to disappoint you. Please go ahead.

**Moderator:** Sir, his line is disconnected.

**Dr. Raghavendra Rao:** It's okay.

**Moderator:** So that was our last question. Would you like to give any closing comments, sir?

**Dr. Raghavendra Rao:** Yes. Any, any other question you can check anybody?

**Moderator:** No, sir. That was our last question.

**Dr. Raghavendra Rao:** Okay. Thank you very much. I like to express my heartfelt appreciation to our team, customer, investor, banker, supplier, auditor, secretarial team and all other stakeholders for their firm support and coordination. Thank you for being with us today. Together, we are well positioned for ongoing success and value creation in this every, in this ever progressive environment. For any additional question, please contact Adfactor, our IR team. Thank you so much. Jai Hind and Jai Karnataka.

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