

IPO Note

About Company:

- DCX Systems Limited ("DCX Systems") was incorporated on December 16, 2011. DCX Systems is among the leading Indian players for the manufacture of electronic sub-systems and cable harnesses in terms of manufacturing capability and revenue in the defence and aerospace sector. They are preferred Indian Offset Partner ("IOP") for foreign original equipment manufacturers ("OEMs") for executing defence manufacturing projects.
- DCX Systems primarily engaged in system integration and manufacturing a comprehensive array of cables and wire harness assemblies and is also involved in kitting. They undertake system integration in areas of radar systems, sensors, electronic warfare, missiles, and communication systems. They provide product assembly and system integration services to address customers' requirements.
- DCX Systems is also one of the largest IOP for ELTA Systems Ltd and Israel Aerospace Industries Ltd, System Missiles and Space Division (together, the "IAI Group"), Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies.
- Company's order book has increased from ₹ 1,941.31 crore, as of March 31, 2020 to ₹ 2,369 crore, as of March 31, 2022. As of June 30, 2022, the order book was ₹ 2,563.63 crore to be executed in the Fiscal 2023 to 2025.
- The company operates through their manufacturing facility located at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka.
- As of June 30, 2022, they had 26 customers in Israel, United States, Korea and India, including certain Fortune 500 companies, multinational corporations and start-ups. Their customers include domestic and international OEMs, and private companies and public sector undertakings in India across different sectors, ranging from defence and aerospace to space ventures and railways.



Issue Details:

Fresh Issue of Equity shares aggregating upto ₹ 400 Cr and Offer for sale of Equity Shares aggregating upto ₹ 100 Cr.

Issue size: ₹ 500 Cr

No. of Shares: 25,380,709- 24,154,588 Sh.

Face value: ₹ 2/-

Price band: ₹ 197-207

Bid Lot: 72 Shares and in multiple thereof

Min. Application Amt. @Upper Band (Retail): ₹ 14,904

Min. Application (Retail): 72 Eq. Shares

Max. Application Amt. @Upper Band (Retail): ₹ 193,752

Max. Application (Retail): 936 Eq. Shares

Post Issue Implied Market Cap: ₹ 1,925 – 2,002 Cr

BRLMs: Axis Capital, Edelweiss Financial, Saffron Capital
Registrar: Link Intime India Pvt. Ltd.

Indicative Timetable:

Activity	On or about
Anchor Investor Issue Opens	28-10-2022
Issue Opens	31-10-2022
Issue Closes	02-11-2022
Finalization of Basis of Allotment	07-11-2022
Refunds/Unblocking ASBA Fund	09-11-2022
Credit of equity shares to DP A/c	10-11-2022
Trading commences	11-11-2022

Issue Break-up:

Investor	₹ In Cr	No. of Shares (In Cr.)		% of Allocation
		@Upper	@Lower	
QIB	375	1.81	1.90	75%
NIB	75	0.36	0.38	15%
Retail	50	0.24	0.25	10%
Total	500	8.47	8.93	100%

Shareholding Pattern:

	Pre-Issue	Post-Issue
Promoters	98.20%	73.58%
Promoters Group	-	-
Public	1.80%	26.42%
Total	100%	100%

Listing On: BSE & NSE

Objects of the Issue & Offer Details:

Objects	Amount (₹ Cr.)
Repayment/ prepayment, in full or part, of certain borrowings availed of by the company;	110.00
Funding working capital requirements of the company;	160.00
Investment in the wholly owned Subsidiary, Raneal Advanced Systems Pvt Ltd, to fund its capital expenditure expenses;	44.88
General Corporate Purposes	[•]
Total	[•]

Fresh Issue	₹ Cr	No. of Shares	Weighted Average cost of acquisition (t)
Fresh Issue	₹ 400.00 Cr	Upto 20,304,568 - 19,323,671 Equity Shares	-
The Offer for Sale by:	₹ 150.00 Cr	Upto 7,614,213 - 7,246,376 Equity Shares	-
The Promoter Selling Shareholder:			
NCBG Holdings INC	₹ 50.00 Cr	Upto 2,538,071 - 2,415,458 Equity Shares	5.65
VNG Technology Pvt Ltd	₹ 50.00 Cr	Upto 2,538,071 - 2,415,459 Equity Shares	0.5

Key Financials:

Particulars	Consolidated	Standalone	Consolidated	Standalone	
	FY2022	FY2021	FY2022	FY2021	FY2020
Equity Share Capital	15.48	3.5	15.48	3.5	3.5
Reserves	107.7	46.55	102.11	43.29	13.67
Net worth as stated	123.18	50.05	117.59	46.79	17.17
Revenue from Operations	213.25	122.91	1,102.27	641.16	449.26
Revenue Growth (%)	73.50%	-	71.92%	42.71%	-
Adj. EBITDA as stated	24.35	11.63	105.9	32.48	45.2
Adj. EBITDA (%) as stated	11.05%	9.03%	9.42%	4.75%	9.72%
Profit/Loss Before Tax	6.47	3.8	75.56	39.81	12.87
Net Profit for the period	5.57	3.35	65.61	29.56	9.74
Net Profit (%) as stated	2.53%	2.60%	5.84%	4.33%	2.09%
EPS-Basic & Diluted (₹)	0.72	0.48	9.19	4.22	1.39
RONW(%)	4.52%	6.68%	55.79%	63.18%	56.75%
NAV (₹)	15.92	7.15	15.19	6.68	2.45
ROE (%)	4.52%	6.68%	55.79%	63.18%	56.75%
Adj. ROCE (%) as stated	3.84%	6.80%	16.70%	16.33%	28.86%
Debt-Equity Ratio	4.05	2.25	4.27	2.91	7.8

Directors & Key Managerial Personnel:

The company was incorporated as “DCX Cable Assemblies Private Limited” on December 16, 2011. Dr. H. S. Raghavendra Rao, NCBG Holdings Inc. and VNG Technology Pvt Ltd are the promoters of the company. The promoters collectively hold an aggregate of 76,000,000 Equity Shares, equivalent to 98.20% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors:

Dr H S Raghavendra Rao is the Promoter, Chairman and Managing Director of the company. He has been the Director of the company since January 16, 2012. His key role in the Company, amongst other things, is to deliver the business plan and conduct the business of the company, ensure client relationship management and coordinate the administrative duties of the company. He has been conferred with an honorary doctorate in business management by the International Peace University, Germany. He has about 21 years of experience in the electronics manufacturing sector and aerospace sector.

Neal Jeremy Castleman is the Non-Independent and Non-executive Director of the company. He has been the Director of the company since March 14, 2012. He has over 2 decades of experience in the electronics manufacturing sector. He has been working with DCX-CHOL Enterprises, Inc as a director (president) since 1997.

Sankarakrishnan Ramalingam is the Whole-time Director of the company. He has been the Director of the company since January 28, 2022. He has about 26 years of experience in the finance sector. He was previously associated with Hindustan Lever Ltd and Syndicate Bank. He has also been the whole-time director of Saffron Capital Advisors Pvt Ltd and Impetus Arthasutra Pvt Ltd.

Kalyanasundaram Chandrasekaran is the Independent Director of the company. He has been the Director of the company since January 28, 2022. He was previously associated with BDA Ltd, Beacon Weir Ltd, Ceeta Springs & Steels Ltd, Associated Construction and Investment Company, LLC, Dubai Lifestyle City and Tracstar Investments Ltd.

Panchangam Nagashayana is the Independent Director of the company. He has been the Director of the company since January 28, 2022. He has more than 30 years of experience in the electronics sector. He was previously associated with Canarie International, Canarie Electornics Inc., Plugmetrix Technologies LLP and Cyberstar Infocom Pvt Ltd. He is currently a whole-time director of Avyaya Technologies Pvt Ltd.

Lathika Siddharth Pai, is the Independent Director of the company. She has been the Director of the company since February 2, 2022. She has 15 years of experience in management consultancy and has been working with Tekinroads Consulting LLP since 2014 as a partner.

Key Managerial Personnel:

Ranga KS is the Chief Financial Officer of the company. He joined the company on December 22, 2021.

Shiva Kumara R is the Vice President of the company. He joined the company on October 1, 2021. He has more than 14 years of experience in Supply Chain Management.

Nagaraj R Dhavaskar is the Company Secretary, Legal and Compliance Officer of the company. He joined the company on December 1, 2021. He has more than 5 years of experience in legal compliance and corporate sectorial services.

Pramod B is the Deputy General Manager- Operations of the company. He joined the company on October 1, 2021. He has more than 14 years of experience in supply chain management.

Anand S is the Deputy General Manager- Supply Chain Management of our Company. He joined the company on August 2, 2021. He has about 14 years of experience in supply chain management.

Kiran Kumar K S is the Manager-Production. He joined the company on October 3, 2018. He has about 8 years of experience in the field of engineering.

Atul Dhondiram Mutthe is the Manager- Quality of the company. He joined the company on December 8, 2021. He has over 9 years of experience in process quality administration and the field of engineering.

Manjunath G S is the Manager- HR and Admin of the company. He has more than 18 years of experience in human resources and administration.

Prasanna Kumar T S is the Deputy General Manager- Finance and Accounts of the company. He joined the company on April 23, 2012. He has about 10 years of experience in finance and accounts.

Rajanikanth K N is the Manager-Logistics of the company. He joined the company on April 23, 2012. He has more than 13 years of experience in logistics.

Business Overview:

DCX Systems Limited (“DCX Systems”) is among the leading Indian players for the manufacture of electronic subsystems and cable harnesses in terms of manufacturing capability and revenue in Fiscal 2022 in the defence and aerospace sector. They are primarily engaged in system integration and manufacturing a comprehensive array of cables and wire harness assemblies and are also involved in kitting. They commenced operations in 2011 and have been a preferred Indian Offset Partner (“IOP”) for foreign original equipment manufacturers (“OEMs”) for executing defence manufacturing projects. They are a rapidly growing company in the Indian defence space and their revenue from operations have grown at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. They are also one of the largest IOP for ELTA Systems Ltd and Israel Aerospace Industries Ltd, System Missiles and Space Division (together, the “IAI Group”), Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies. Over the years, they have expanded their manufacturing capabilities and grown their order book.

The growing Indian landscape for defence and aerospace serves as a key opportunity for DCX Systems. The Indian aerospace and defence sector has poised to attain a value of USD 70 billion by 2030. Recent initiatives like increase in foreign direct investment (“FDI”) in the Indian defence sector from the current 49% to 74% under the automatic route is anticipated to be a key driver and growth opportunity for the market. The Defence Research and Development Organization (“DRDO”) has announced the indigenous development of roughly 108 systems and sub-systems which is expected to generate demand for cables and connectors across the Indian defence environment. The Indian government has also banned approximately 101 items within the defence-based imports segment and have also introduced the 3rd positive indigenization list that bans the import of 780 LRU/components. These initiatives are expected to boost indigenous manufacturing within India. The instating of defence industry corridors across Uttar Pradesh and Tamil Nadu is also poised to improve the market growth dynamics by broadening the opportunities offered to the private sector. All of these in turn, serve as an opportunity for the company to capitalize on the expected growth in this space.

Company’s competitive advantages include their efficiency in operations resulting in timely delivery to their customers, maintaining quality control and product security. This has enabled them to develop long-term and entrenched relationships with their OEM customers that has resulted in growth in their operations and sizeable order book. Their quality management systems will enable their system driven efficiency and continue to attract higher revenues going forward. Given the nature of their operations and industry that they operate in, projects have long lead times and, as such, visibility and predictability of their revenues is high. Company’s order book has increased from ₹ 1,941.31 crore, as of March 31, 2020 to ₹ 2,369 crore, as of March 31, 2022. As of June 30, 2022, the order book was ₹ 2,563.63 crore to be executed in the Fiscal 2023 to Fiscal 2025.

Product Portfolio:

System Integration:

DCX Systems undertake system integration in areas of radar systems, sensors, electronic warfare, missiles, and communication systems. They provide product assembly and system integration services to address customers' requirements. System integration services are part of a comprehensive array of electronics and electro-mechanical assembly and enclosure assembly. Their purchasing, logistics, inventory control and production engineering groups work together, supported by engineering expertise in both electrical and mechanical assembly.

As part of their system integration services, they also do in-house testing, including vibration and environmental stress testing of complex radio frequency products to ensure the quality of their final products to be shipped to their customers, and reliability of their products' functioning under varying environmental conditions.

The company possesses capabilities to manufacture complex, high-end and high-power microwave modules which have applications in radars, antennas, electronic warfare systems, receiver sub-systems and missile systems. Their capabilities include inspection and test equipment of cable tester, cirrus testers, network analyzer, crimp pull tester, microscope, leak test equipment, high voltage tester, micro-ohm meter, test station for PCBAs, automatic testing equipment for PCBAs and module testing, electrodynamic vibration shaker system, contact retention tester and vernier height gauge.

Cable and Wire Harness Assemblies:

DCX Systems manufactures a comprehensive array of cables and wire harnesses assemblies such as radio frequency cables, co-axial, mixed signal, power, and data cables for a variety of uses including communication systems, sensors, surveillance systems, missile systems, military armored vehicles, and other electronic warfare systems for the aerospace and defence industries as per their customers' requirements.

- ***Fine Wire Cable Assemblies:*** Fine cables are light weight, high temperature resistant, radiations resistance, low smoke and zero halogen and strong. Fine wire cable assemblies are extensively used in robotic, aerospace, marine, space and medical applications to obtain high performance.

- ***Flex Flat Cable Assemblies:*** Designed for board-to-board interconnections, flexible flat cable is a type of cable that is flat in shape and flexible enough to manoeuvre within tight spaces. Flex cable applications are usually used in small and tight spaces. The construction of a flat cable really helps manage cables because of the uniform, flat shape. Usually, a flexible plastic is used in the base where several different conductors are able to be bonded with the surface. The flat cable provides 3 main advantages over a round cable with space-saving design, improved resistance to electromagnetic interference ("EMI") or radio frequency interference and helping to avoid any issues related to wire coupling.

- ***Electromagnetic Interference Shielded Cable Harness:*** EMI shielded cables, harnesses and assemblies are designed to meet electromagnet pulses, electromagnetic compatibility, nuclear, biological and chemical and telecommunications electronics material protected from emanating spurious transmissions or TEMPEST solutions, and their shielded solutions have been used in certain commercial airliner landing gear systems, secure communication systems and others.

• **Conduit Assemblies:** Electrical conduits surround electrical wiring to protect from impact, moisture and chemical vapours. A conduit simplifies a wiring installation by providing an unobstructed path for the wiring to run through. Conduit systems can be waterproof and protect sensitive circuits from electromagnetic interference. Special types of conduits can be made to protect wiring from flammable gases and vapours to protect from fire and explosion. Other types of conduits are made to be directly encased in concrete, allowing for specialized installation of outlets and networking/phone ports and ease of running the wires through the floor.

Kitting:

DCX Systems supply assembly ready kits of electronic and electro-mechanical parts and undertake all aspects of procurement including sourcing components from suppliers approved by their customer along with a 'Certificate of Compliance' for traceability, controlled storage of moisture sensitive devices to ensure that customers receive complete, assembly-ready kits when required when they are needed for production. In addition, they also undertake job work services that includes assembly and testing of materials that have been supplied directly by their customers.

Order Book:

Particulars	3 Months ended June 30,				Fiscal					
	2022		2021		2022		2021		2020	
	Consolidated		Standalone		Consolidated		Standalone			
	Amount ₹ cr)	% to Total Order Book	Amount (₹ Cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book
System Integration	2,429.99	94.79%	2,451.12	89.22%	2,230.28	94.14%	2,559.22	89.64%	1,893.81	97.56%
Cable and Wire Harness Assemblies	13.63	0.53%	57.68	2.10%	21.83	0.92%	47.18	1.65%	390.09	2.01%
Kitting	120.02	4.68%	238.1	8.68%	116.9	4.94%	248.62	8.71%	8.42	0.43%
Total	2,563.63	100.00%	2,746.89	100.00%	2,369.00	100.00%	2,855.01	100.00%	1,941.31	100.00%

Revenue from Operations:

Particulars	3 Months ended June 30,				Fiscal					
	2022		2021		2022		2021		2020	
	Consolidated		Standalone		Consolidated		Standalone			
	Amount ₹ cr)	% to Total Order Book	Amount (₹ Cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book
System Integration	205.5	96.36%	108.11	87.95%	939.87	85.27%	616.07	96.09%	371.77	82.75%
Cable and Wire Harness Assemblies	6.92	3.24%	4.29	3.49%	29.81	2.70%	19.58	3.05%	33.31	7.42%
Kitting	0.84	0.40%	10.52	8.56%	132.59	12.03%	5.51	0.86%	44.18	9.83%
Total	213.25	100.00%	122.91	100.00%	1,102.27	100.00%	641.16	100.00%	449.26	100.00%

Particulars	3 Months ended June 30,				Fiscal					
	2022		2021		2022		2021		2020	
	Consolidated		Standalone		Consolidated		Standalone			
	Amount ₹ cr)	% to Total Order Book	Amount (₹ Cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book	Amount ₹ cr)	% to Total Order Book
Export	100.32	47.06%	56.12	45.66%	611.69	55.73%	380.12	59.59%	337.17	76.45%
Domestic	112.86	52.96%	66.8	54.34%	485.97	44.27%	257.76	40.41%	103.84	23.55%
Total	213.18	100.00%	122.92	100.00%	1,097.67	100.00%	637.87	100.00%	441.01	100.00%

Particulars	3 Months ended June 30,		Fiscal		
	2022	2021	2022	2021	2020
	Consolidated	Standalone	Consolidated	Standalone	
	Amount (₹ Cr)	Amount (₹ Cr)	Amount (₹ Cr)	Amount (₹ Cr)	Amount (₹ Cr)
Revenue from Operations					
- Sale of Products	213.18	122.92	1,097.67	637.87	441.01
- Sale of Services	0.07	0.01	1.75	0.46	1.58
Other Operating Revenue					
MEIS Incentive			2.86	2.83	6.68
Total	213.25	122.91	1,102.27	641.16	449.26

Business Strategies:

Strengthen the system integration operations and further expand the cable and wire harness assembly business

They plan to work with OEMs in Israel and the US that have cutting-edge technology in fields like radars, electronic warfare, missile systems, sensors, and communication systems in order to grow within their current verticals. The spread of increasingly sophisticated intelligence, surveillance, and reconnaissance technologies, particularly radar systems, is another factor driving the development of defence electronics in India and the integration opportunities associated with it. Many Indian combat aircraft still use passive radar technologies. In the future, indigenous active electronically scanned array radar systems will take the place of passive radars. Thus, opportunities for the production, assemblage, and integration of electronic radar modules as well as associated cabling will arise with the transition from passive to active radar solutions. Based on its current skills, the organisation plans to take advantage of this additional opportunity.

In order to more effectively meet the needs of international clients, they also want to increase the size of their current cable and wire harness assembly activities. Their intended expansion will primarily target industries like telecom, medicine, electricity, industry, and the automotive industry, among others, because they provide large volume business as well as high EBITDA and profit after tax margins.

Focus on adjacent industry verticals leading to expansion of customer base

EMS and Maintenance, Repair, and Overhaul ("MRO") services are two related industry verticals on which DCX Systems plans to concentrate its efforts. They are in a good position to take advantage of these segments' potential for growth. They want to concentrate on the goods listed by the Ministry of Defence, GoI, on the Positive Indigenization List, since these will present chances for knowledge transfer. One of the major aspects that is projected to drive the market for hardware components is the transfer of technology. Due to the widespread usage of connectors and cables in turnkey and subsystem assembly, an increase in technology transfer contracts on a national and international level is anticipated to enhance demand for cables and connectors. In terms of defence offsets, technology transfer agreements offer a significant advantage. This could provide manufacturing enterprises in India with opportunity to investigate foreign markets. They are currently considering their choices for transferring technology, particularly from important markets they service, like Israel and the United States.

Strengthen relationships with the existing customers and expand customer base

DCX Systems has a comprehensive business model with strict adherence to quality standards and timeline based deliveries which in their experience enables them to offer end-to-end solutions to OEMs. They have established longterm relationships with their customers, which has led to recurring business engagements with such customers. In Fiscal 2020, 2021, 2022 and in the 3 months ended June 30, 2021 and June 30, 2022, repeat orders from Top-3 customers amounted to ₹ 1,611.09 crore, ₹ 2,524.12 crore, ₹ 2,326.60 crore, ₹ 2,404.59 crore and ₹ 2,381.15 crore, respectively and accounted for 82.99%, 88.41%, 98.21%, 87.54% and 92.88%, respectively, of their total orders.

Business Strategies:

They plan to continue to focus on strengthening their existing relationships with their customers with a view of entering into more sophisticated, higher value projects with them. Their focus area is on the 209 items identified for indigenous manufacturing announced by GoI and advanced technology for civilian applications. They intend to focus on certain items within this list for the transfer of technology including long-range glide bombs and small UAVs for surveillance.

Penetrate into new geographies through an increase in exports

Owing to relaxation of export limitations and policy changes, Indian defence exports are expected to rise rapidly. This is supported by the expanding capabilities of Indian defence suppliers. In comparison to defence public sector entities, the private sector now dominates Indian defence exports, which is expected to drive income prospects. They are well positioned to capture this expected growth in exports. Their export revenues grew at a CAGR of 34.69% between Fiscal 2020 to Fiscal 2022.

Over the years, they have supplied electronic sub-systems, cable and wire harness assemblies primarily to Israel, the United States and Korea. They intend to expand their international operations to enhance their global presence in the aerospace and defence sectors. They intend to enter new markets such as Europe where they can provide cost and operational advantages to their customers, and where they will be able to distinguish themselves from other companies with similar offerings. In Europe, a higher number of NATO members met the Alliance's guideline aim of spending at least 2% of GDP on their military in 2020, compared to just 9 countries in 2019. Further, spending on defence is expected to increase with the ongoing conflict between Ukraine and Russia.

They are focused on expanding the verticals that they will cater to and also implement forward and backward integration strategies. Given their design and manufacturing capabilities, there is significant potential for them to move into newer geographies and markets. They intend to identify opportunities in such overseas jurisdictions and tie up with local partners to utilise their existing product portfolio and further develop products suitable for meeting the respective country's native requirements.

Continue to improve operational efficiencies through economies of scale, supply chain rationalization and effective resource planning

DCX Systems intends to continue to maintain and improve their operational efficiencies, with a focus on their supply chain. In addition, they also intend to focus on cycle time reduction by adopting advanced technologies that will also result in process optimization, increasing company's capacity to undertake more projects and thereby increase their revenues and margins. They intend to continue to maintain flexibility in their manufacturing lines for their different business verticals.

Further, they intend to leverage technology to effectively utilise their machinery through digital solutions, enabling effective monitoring of machines, allowing them to study shop floor patterns to address potential bottlenecks, thereby improving their output efficiency.

Business Strategies:

Pursue inorganic growth through selective acquisitions

DCX Systems intends to pursue inorganic growth opportunities through selective strategic acquisitions in the aerospace and defence segment to complement the scale of their operations and growth in recent periods. They are currently engaged in discussions for opportunities that will enable them to gain access to new technologies, geographies, categories and an opportunity for EMS.

They are also exploring potential opportunities for expansion of their operations in the railways sector. They have entered into non-disclosure agreements and are undertaking due diligence of the acquisition targets. On satisfactory conclusion of the diligence exercise, they would enter into definitive agreements after the approval of their Board and the shareholders, if required. Currently, while they have identified potential target for acquisition, they have not entered into any definitive agreements.

Customer Base:

<input type="checkbox"/> Elta Systems Ltd. <input type="checkbox"/> Israel Aerospace Industries Ltd – System Missiles and Space Division <input type="checkbox"/> Astra Rafael Comsys Pvt Ltd. <input type="checkbox"/> Astra Microwave Products Ltd. <input type="checkbox"/> Kalyani Rafael Advanced Systems Pvt Ltd. <input type="checkbox"/> SFO Technologies Pvt Ltd. <input type="checkbox"/> DCX-Chol Enterprises Inc.	<input type="checkbox"/> Bharat Electronics Ltd. <input type="checkbox"/> Alpha-Elsec Defense and Aerospace Systems Pvt Ltd. <input type="checkbox"/> Alpha Design Technologies Pvt Ltd. <input type="checkbox"/> Centum Adeno India Pvt Ltd.
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The company operates through their manufacturing facility located at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka. Their facility is spread over an area of 30,000 square feet and is set up for complete in-house environmental and electrical testing and wire processing.

As of June 30, 2022, they had 26 customers in Israel, United States, Korea and India, including certain Fortune 500 companies, multinational corporations and start-ups. Their customers include domestic and international OEMs, and private companies and public sector undertakings in India across different sectors, ranging from defence and aerospace to space ventures and railways.

DCX Systems is led by experienced Promoters and a qualified senior management team with significant experience in the aerospace and defence manufacturing industry. Dr. H.S. Raghavendra Rao, their Individual Promoter, Chairman and Managing Director, has over 2 decades of experience in electronics manufacturing and in the defence and aerospace sectors. Neal Jeremy Castleman, their Non-Independent and Non-executive Director, has a vast experience of more than 2 decades in the field of electronic manufacturing sectors. Their senior management team have demonstrated ability to anticipate and capitalize on changing market trends, manage, and grow their operations and leverage and deepen customer relationships.

Competitive Strengths:

Among the preferred Indian Offset Partners for the defence and aerospace industry with global accreditations

For the purpose of carrying out projects involving the defence manufacturing industry, DCX Systems is a favoured Indian Offset Partner ("IOP") for global OEMs. They provide cable and wire harness assemblies and engage in "build-to-print" system integration for both domestic and foreign OEMs. They are also one of the biggest IOPs for the IAI Group, Israel, manufacturing electronic subsystems and cable and wire harness assemblies for the Indian defence sector. In addition to their Defense Industrial License from the Ministry of Commerce and Industry, GoI for the manufacturing of defence subsystems microwave components, modules for radar and electronic warfare subsystems, microwave sub-modules, for command and guidance units for missile subsystems only, they also hold a number of other important certifications like the AS-9100:2016 certification for quality management systems for manufacturing defence products. Additionally, they follow international standards and hold a number of global certifications. Their global certifications enable them to meet the exacting quality requirements of their clients and aid in attracting new clients.

The information regarding the various projects that DCX Systems have been involved in, as of June 30, 2022:

Product / Description	Vertical	Offset Value (₹ Cr)
MRSAM / LRSAM - Transmit receiver group module	System Integration	1,444.70
PIDS — Dual transmit receiver module	System Integration	402.02
Air Defence Fire Control Radar - Antenna unit/radar processing unit/ transmitter receiving unit	System Integration	100.79
High Power Radars - Dual transmitter receiver module	System Integration	51.84
Thermal Imager Fire Control System	Cable and wire harness	17.81
Long Range Reconnaissance and Observation System	Cable and wire harness	9.08
Thermal Imager Standalone Kit	Cable and wire harness	6.56
Barak-1 and Barak-8 Missile Systems	Cable and wire harness	5.1
Commander Open Architecture Panoramic Sight	Cable and wire harness	3.54

Their expertise in producing sophisticated microwave modules and subsystems, such as transmit receiver modules, receiver subsystems, and antennas utilised in aerospace, space technology, and military applications, is a key component of their system integration services. A wide range of cables and wire harness assemblies, including radio frequency coaxial, mixed signal, power, data, and communication cables, are also manufactured by them. These cables are used for a variety of applications, including communication systems, sensors, surveillance systems, missile systems, military armoured vehicles, and other electronic warfare systems.

Competitive Strengths:

Technology enabled and scalable end-to-end capabilities

DCX Systems also does in-house testing as part of their system integration services to guarantee the quality of their final goods and the reliability of their products' functioning under a variety of environmental circumstances. They also specialise in manufacturing assembly for applications that are used on land, in the water, and in the air. In addition, they manufacture test cables, large mechanical jigs and fixtures, and testing programmes to meet desired requirements of customer in testing and qualifying the product. Additionally, numerous quality assurance tests are performed on their products.

Customers that use the company's system integration and cable and wire harness services are given a 12-month warranty. They have supplied more than 10,000 units throughout the past three fiscal years and the three months ending June 30, 2022, and to yet, no warranty claims have been filed. To fulfil the high manufacturing standards of the aerospace and defence industries, their operations are accredited with IPC-A-610 for electronic assemblies, IPC-620 for cable and wire harness assemblies, and J-STD-001 for soldered electrical and electronic assemblies.

Company's scalability is demonstrated by revenues. The revenue from operations have increased at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. Further, in Fiscal 2020, 2021 and 2022, and in the 3 months ended June 30, 2022, their capital expenditure towards additions to fixed assets (property, plant and equipment's and intangible assets) were ₹ 10.28 crore, ₹ 1.58 crore, ₹ 1.62 crore, ₹ 0.02 crore, and ₹ 0.05 crore, respectively.

Business model with visibility of cash flows and ability to mitigate operational and technology risk

As long as their OEM clients own the technology and the intellectual property rights, the company's manufacturing operations will not become obsolete. Additionally, their internal team keeps track of the obsolescence factor and gives OEM customers input for appropriate action, such as drop-in replacements.

Their product portfolio backed by their system integration and manufacturing capabilities has led to their order book growing from 45 orders aggregating ₹ 1,941.31 crore, as of March 31, 2020 to 48 orders aggregating ₹ 2,369 crore, as of March 31, 2022. As of June 30, 2022, their order book comprised 42 orders and was ₹ 2,563.63 crore with orders from several customers for projects to be executed in Fiscal 2023 and Fiscal 2025.

Customers of the company often pay back the costs required to keep all equipment provided by the buyer in working condition for use in manufacturing and evaluating the items. As of June 30, 2022, company had equipment valued at 93.24 crore that had been given to them by their clients; this equipment may be used for related projects with the consent of those clients. Prior to the start of the project, the customers of the suppliers are chosen and approved by them for that specific project. Together, the business and its client oversee and guarantee the quality of the products. To ensure effective project execution, its customers also offer technical training to their staff.

Competitive Strengths:

Strategically located in aerospace SEZ with an advanced and modern manufacturing facility

In 2020, DCX Systems commissioned their new manufacturing facility at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka. Their 30,000 square foot facility is situated in the same city as their most important domestic clients, guaranteeing faster delivery times. Digital security cameras, alarm systems, and restricted access control for each industrial division are used to secure the building. Their plant is located inside a SEZ, which grants them access to duty-free imports, GST exemption, and supplies that are exempt from taxation under current legislation. Being located in a SEZ guarantees that they are also exempt from state government charges and that their operations qualify for single-window clearance by the appropriate authority.

Advanced machinery and equipment, such as a laser wire maker, an automatic wire cutting and stripping machine, a coaxial stripping machine, crimp tools, controlled torque tools, a vacuum pump and desiccator, a tin welding machine, and a temperature-controlled soldering station are all available at the company's facility. Their facility is equipped with the most recent inspection and testing tools and is set up for comprehensive internal environmental and electrical testing. Their production line and tools adhere to the IPC's (Institute for Printed Circuit) standards.

Well-positioned to capitalize on industry tailwinds

As a result of their operating history and the experience of their management team, DCX Systems has among other businesses built a leadership position in the Indian aerospace and defence industry in the area of system integration business. They are well-positioned to benefit from the expansion of these sectors because to their extensive knowledge of and understanding of the aerospace and defence industries, notably in India. Their connections with OEMs provide them a competitive edge when it comes to winning government contracts. They are well-positioned to benefit from different efforts of the GoI as a holder of a Defence Industrial Licence for microwave modules for radar and electronic warfare sub-systems, as well as microwave modules for command and guidance units for missile sub-systems.

Track record of consistent financial performance

DCX Systems has been delivering consistent financial performance, despite the impact of the COVID-19 pandemic on their business operations. In Fiscal 2020, 2021 and 2022 and in the 3 months ended June 30, 2021 and June 30, 2022, their revenue from operations were ₹ 449.26 crore, ₹ 641.16 crore ₹ 1,102.27 crore, ₹ 122.91 crore and ₹ 213.25 crore, respectively. The revenue from operations grew at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. The total assets have grown from ₹ 698.85 crore, as of March 31, 2020 to ₹ 942.62 crore, as of March 31, 2022, respectively and was ₹ 763.41 crore, as of June 30, 2021 and ₹ 1,011.61 crore, as of June 30, 2022.

Competitive Strengths:

Experienced and qualified Promoters and senior management team supported by a committed employee base

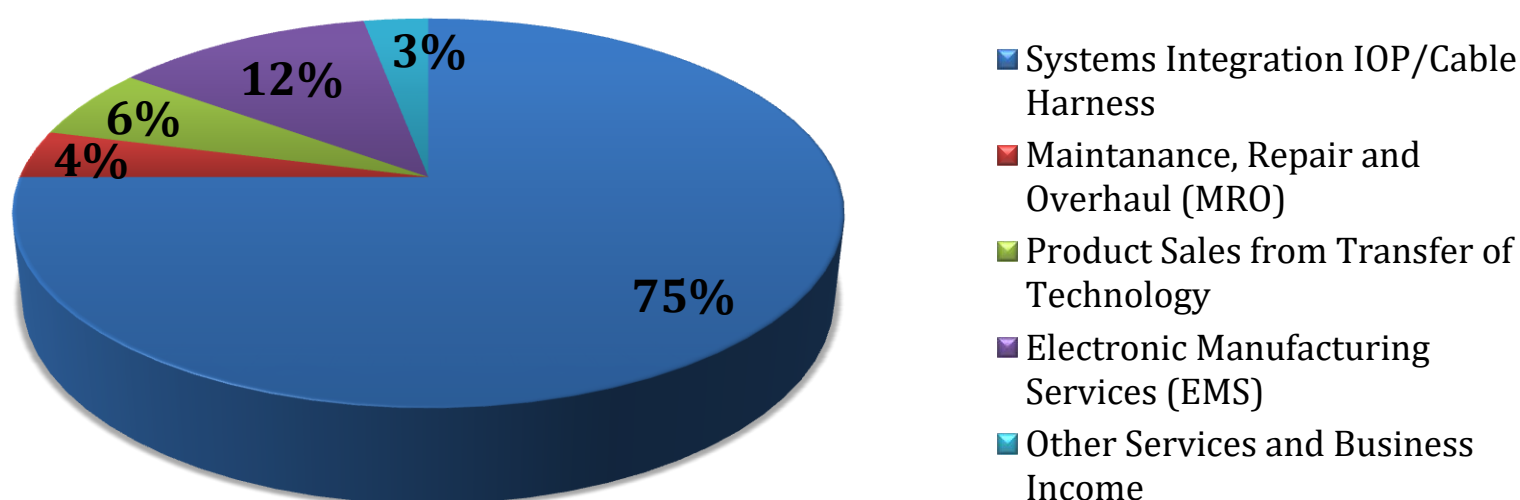
A senior management team with extensive industry knowledge works for DCX Systems. Dr. H.S. Raghavendra Rao, their promoter, chairman, and managing director, is a seasoned professional with more than 20 years of expertise in electronic manufacturing as well as in the defence and aerospace industries. Neal Jeremy Castleman, their non-independent and non-executive director, has been working in the electronics industry since 1997 and has a wealth of manufacturing knowledge. Their Key Managerial Personnel team is made up of a variety of management executives who bring to the table significant business expertise in fields like finance and accounts, supply chain management, logistics, production, quality, and human resources. This puts them in a good position to take advantage of both current and future growth opportunities.

Competition:

System integration and cable and wire harness assemblies are two industries where DCX Systems competes fiercely. They must constantly work to cut their production, transportation, and distribution costs and boost their operating efficiencies if they want to stay competitive in their marketplaces, which vary by geographic regions and the types of items produced. They compete with both domestic and foreign businesses primarily on the basis of product quality, technology, cost, delivery, and service, as well as on the basis of the depth and calibre of their operating-level and senior-level contacts.

Due to the company's present product portfolio's ability to serve different market segments in the system integration, wires and cable harnesses, and kitting business verticals, they compete with different businesses in each of these markets. Their main competitors include Data Patterns Pvt Ltd, Astra Microwave Products Ltd, Centum Electronics Ltd, Bharat Electronics Ltd, and Paras Defence and Space Technologies Ltd. Certain of these entities are also their customers.

DCX Business Strategy Growth Focus Fiscal 2022-26



Competitive Profile:

Peer Entity/Capability Matrix	System Integration	Cable & Wire Harness Assembly	MRO	EMS	Electro Mechanical Assembly
DCX Systems Ltd	✓	✓	✓	✓	✓
Astra Microwave Products Ltd	✓	x	✓	✓	✓
Alpha Design Technologies Pvt Ltd	✓	x	✓	x	✓
Bharat Electronics Ltd — Bangalore	✓	x	✓	x	✓
Centum Electronics	x	x	x	✓	✓
Cyient DIM Pvt Ltd	✓	✓	x	✓	✓
Sasmos HET Technologies	x	✓	x	x	x
Almphenol Interconnect India Pvt Ltd	x	✓	x	x	x
Data Patterns	✓	x	x	✓	✓
Hela Systems Pvt Ltd	✓	x	✓	x	✓
Kaynes Technology India	x	x	x	✓	x
Rossel Techsys	✓	✓	x	✓	✓
Apollo Micro Systems	x	x	x	✓	✓
Paras Defence	✓	x	x	✓	✓

Financial Data for Companies, Fiscal 2022:

Company	Revenue (₹ Cr)	Net Profit (₹ Cr)	Net Profit/Revenue (%)	EBITDA	EBITDA Margin (%)	ROCE (%)	ROE (%)
Data Patterns	311.00	94.00	30.20%	141.00	45.40%	24.00%	33.00%
Astra Microwave Products	735.00	40.00	5.40%	94.90	12.90%	15.90%	8.80%
Apollo Micro Systems	243.90	14.60	6.10%	38.50	15.80%	11.60%	4.50%
Centum Electronics	353.00	11.80	3.30%	48.30	13.70%	11.70%	4.40%
Paras Defence	182.50	26.90	14.80%	51.90	28.40%	10.40%	9.30%
BEL	15314.00	2349.00	15.30%	3309.00	21.60%	26.20%	19.60%
DCX Systems	1102.00	65.61	5.95%	83.90	7.60%	13.20%	55.80%

Comparison with Listed Industry Peers:

Name of the Company	Consolidated/ Standalone	Face Value	CMP (27 th October 2022)	Revenue from Operations (₹ Cr.)	EPS	NAV (₹)	P/E	RONW (%)
DCX Systems Ltd	Standalone	2	NA	1,124.33	9.19	15.19	[●]	55.80%
Listed Peers								
Bharat Electronics Ltd	Consolidated	1	₹ 107.85	15,599.72	3.28	16.83	32.88	19.50%
Data Patterns (India) Ltd	Consolidated	2	₹ 1338.60	314.81	19.48	110.72	68.72	16.40%
Paras Defence and Space Technologies	Consolidated	10	₹ 644.70	185.53	7.78	97.06	82.87	7.20%
Astra Microwave Products Ltd	Consolidated	2	₹ 308.10	756.84	4.37	67.61	70.50	6.50%
Centum Electronics Ltd	Consolidated	10	₹ 599.05	787.96	-23.7	154.07	NA	-26.90%

Outlook:

We recommend to **SUBSCRIBE** this IPO for **listing gains**.

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Source: RHP (Red Herring Prospectus)

(For Additional & Detailed information, please refer RHP.)

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