



DCX SYSTEMS LIMITED
CIN: L31908KA2011PLC061686

(Formerly known as DCX Cable Assemblies Pvt Ltd)

An AS 9100D Certified

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BSE Limited P J Towers Dalal Street, Fort Mumbai – 400001 Scrip Code – 543650	National Stock Exchange of India Ltd Exchange Plaza, C-1, Block G Bandra Kurla Complex, Bandra (E) Mumbai – 400051 Symbol – DCXINDIA
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Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Earnings Conference Call

Pursuant to regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to intimate that the Transcript of Earnings Conference Call held on Friday, May 17, 2024, at 4:00 P.M. (IST) for the audited Financial Results for the quarter and year ended March 31, 2024, is attached herewith.

You are requested to kindly take the aforesaid on your record.

Thanking you,

Yours faithfully,

For DCX Systems Limited



Gurumurthy Hegde
Company Secretary, Legal and Compliance Officer



“DCX Systems Limited
Q4 - FY '24 Earnings Conference Call”
May 17, 2024



**MANAGEMENT: DR. RAGHAVENDRA RAO – CHAIRMAN AND
MANAGING DIRECTOR
MR. DIWAKARAIHAH N J – CHIEF FINANCIAL OFFICER
MR. R. SHIVA KUMARA – VICE PRESIDENT,
OPERATION
MR. NIRAJ KHANDELWAL – DGM-CORPORATE
AFFAIRS.**



Moderator:

Ladies and gentlemen, good day and welcome to Q4 and FY24 Conference Call of DCX Systems Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should we need assistance during the conference call, please signal an operator by pressing *, then 0 on your touchtone phone.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. The statements are not the 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 for opening remarks. Thank you and over to you, sir.

Dr. Raghavendra Rao:

Thank you. Namaste and good afternoon, everyone. I extend a warm welcome to all of you for our Q4 and Financial Year 24 Earning Conference Call. Joining me today, our CFO - Mr. Diwakaraiah; Mr. Shiva Kumar - VP Operation and Mr. Niraj - DGM Corporate Affairs. The past quarter and the entire year have been very eventful for us. We have crossed several key milestones in our journey.

In the financial year 24, DCX has achieved, it is the highest revenue and PAT with consolidated revenue of Rs. 1,424 crores and PAT of Rs. 75.78 crores. As part of our backward integration strategy, operating at our EMS subsidiary, Raneal Advanced Systems are on track since beginning from September 2023. In the span of 6 months from its operation, Raneal has achieved the revenue of Rs. 236 crore which is commendable. Sufficient capital has been infused to ensure ample capacity for the next 3-4 years. The PCB manufacturer at Raneal are helping us to have a better control over the quality, supply chain and raw material cost which are vital for our system integration business. Going forward, we aim to create our EMS services to the market for the aerospace and defense sector as well, explore high end applications such as in medical and railways.

Moreover in line with our commitment to innovation, DCX enter into the joint venture agreement with IAI ELTA system, Israel. And we established a JV company in Israel named NIART Systems Limited during this year. This venture is focused on developing cutting edge optical deduction solutions for the railway industry. Utilizing superior radar and optic technology from the ELTA, NIART will be leveraging the existing facility at DCX, Raneal to procure PCB's, cables and subsystems and further strengthening our business visibility. This overseas tie-up would also facilitate access to the global market and positioning us leaders in the railway sector, especially on the safety systems. As a major part of the Rs. 500 crores that we recently raised through QIP in the beginning invested in this JV.

In the recent months, we also witnessed the new contract we signed, we got the purchase order worth about nearly \$2 million from one of the prestigious and top most defense company called Lockheed Martin, US. Having this prestigious brand with our client should open up new



avenues for us. We also won a purchase order from the other overseas new customer cumulating amounting about \$55.13 million. This is the new line we enter on the new geographical penetration. This gives us a confidence with robust and growing order book. During this year, we are awarded a certificate from the recognition of as a Four-Star Export House from Government of India, DGFT.

On other note, we anticipate revenue growth from our MRO, maintenance repair overhauling programs. We recently signed supply and service agreement with Israel Aerospace India Service Private Limited. It is 100% subsidiary of IAI Israel for MRO services, which further strengthens our strategic partnership with IAI and underlines our expansion in domestic and domestic defense opportunity. In conclusion, DCX is well-positioned for the growth with market opportunity globally by leveraging its manufacturing capability and partnering with the global technology players.

Now, I would like to hand over to our CFO, Mr. Diwakaraiah to take you through the company financial performance.

Diwakaraiah N J:

Thank you, Dr. Rao. Hello, good afternoon everyone. It gives me immense pleasure to address you all, especially since this is my first interaction with you all as part of DCX Systems. Let me take this opportunity to take you through our financial and operational performance during the fourth quarter and full year. As highlighted by our CMD during his address, we take pride in announcing that we have achieved the highest turnover in the history of the company during the current financial year. Also, it is heartening to note that the company has well started its journey to become a product company.

Here for the financial highlights of the financial performance of the company on a consolidated basis.. In Quarter 4 FY24, we reported a revenue of Rs. 746 crores representing a growth of 46% as compared to Rs. 510 crores reported during the corresponding quarter in the previous year. Growth was primarily driven by successful execution of order book. EBIT for the quarter reached Rs. 51.91 crores as against Rs. 55.16 crores in Quarter 4 FY23. The PAT for the quarter amounted to Rs. 32.95 crores vis-a-vis Rs. 41.13 crores reported in the corresponding period of the previous financial year.

Now, I will give you the details for FY24. In FY24, we reported a revenue of Rs. 1,423 crores which shows an increase of 13.59% year-on-year from Rs. 1,253 crores last year. Our EBIT also increased for the year to Rs. 124 crores from Rs. 111 crores in FY23. This represents an increase of 11.68%. Profit after tax for the year reached Rs. 75.78 crores, demonstrating a healthy growth of 5.72% compared to Rs. 7.618 crores in the previous financial year. As at the end of March 24, the net debt of the company has come down to Rs. 270 crores compared to Rs. 504 crores as of March 23. This represents a reduction of 48% over the last one year. The current assets of the company have improved to Rs. 1,750 crores as of 31st March 2024 compared to



Rs. 1,180 crores as of 31st March 2023. This has resulted in a healthy improvement in the current assets ratio to 2.57 as on 31st March 2024, compared to 1.83 as on 31st March 2023.

The net worth of the company has increased from Rs. 566 crores as of 31st March 2023 to Rs. 1,126 crores as at 31st March 2024 which has resulted in a healthy debt equity ratio of 0.24 as at 31st March 2024 compared to 0.89 as on 31st March 2023. This is all from our side. We can now open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Deepak Saha from DR Choksey Finserv Private Limited. Please go ahead.

Deepak Saha: Hi Good Afternoon, So now my first question is now since, Raneal is fully geared up with nearly Rs. 240 crores order of revenue, we have done only in a period of 6 months time. And what I believe we are largely doing high end, high value defense related PCBAs in Raneal. So now when we talk about medical sector or medical devices and other electronic devices, how our strategy going to be, there also are we targeting high value PCBA to deliver low volume and probably on your margin side also higher margin, so how is the opportunity and strategy on the non- defense part for Raneal there?

Dr. Raghavendra Rao: Let me take this question. What we are in the Raneal, presently, we are doing the aerospace and defense. We want to add medical and railways too. You know in the medical sector is coming from thermometer to CT scan equipment. That means Rs. 10 of thermometer to the Rs. 5 crores of CT scan machines. There is a category. In our area, to concentrate on the high value equipment, not for going for a general high volume and low end product because I created a facility for a Class 3 which is as per AS 9000 standard, it is equal into the aerospace and defense, also medical, I concentrate more medium volume and high value program and a complex program specifically to answer your question. And that is our target area. Again, coming back to the railway, already we are very much close to the NIART System and whole bunch of manufacturing even though NIART gets the order from wherever in globally, the manufacturing to be taken place in India about like we want to build completely semi assembly of radars. It is a big complex product. It is a high value product and there are optics there. So those area we are concentrating presently and to answer your specifically, we are concentrating on the high value and the highest complexity, and the more technology driven program we are concentrating on the PCB assembly. Of course, presently, we are not entering to any low value and high volume kind of a business where we have a visibility, we have a particular customer and we have targeted that into the upcoming days. I hope I answered your question.

Deepak Saha: Yes, that that gives lot of clarity and I think that is the way the right forward since we are already doing so good on the high value segment. Sir, my second question is, recently you have signed Israel Aerospace India Services Limited largely for the MRO segment. Now currently, we have probably not meaningful contribution to the overall revenue for MRO, but what is the strategy



behind it, does it give us more visibility in terms of stickier revenue with this kind of tie ups with companies like Israel Aerospace India Services, especially on the MRO side, because I think this is a kind of visible and stable topline that it might contribute. So what is your take on that, sir? And if you can share the strategy behind it?

Dr. Raghavendra Rao:

See. Basically, as you know, MRO is a big business opportunity in India. I am not going to the flight MRO, aircraft MRO, what all this OEM supplied to the India from past 10 years back, those equipment required a upgradation of technology, software upgradation and the hardware upgradation and the repairs is required. So strategy is very clear and the big company itself, they put 25-30 people transfer from Israel to the India. They had a huge facility in Delhi, Gurgaon to take care of separate business unit. There is a CEO, CFO, many engineers, Israelis are coming and sitting, take this opportunity forward. And that means is a big value will be created in MRO, because the value what they bought today in India, it will be huge electronic product has been imported to the border securities and maybe there MRO's are required. It is a part of process, it is required where we are key component where already we are supplying spare, PCB, cables and some of the power supply. Many things we want to do with. That presently as I don't have any PO because now it is the engagement started recently and upcoming days, I am expecting good potential for those business and it is going forward, I am seeing lot of opportunity for DCX, because many program we are the offset partner, we are the manufacturing partner, it is easy for us to repair or upgrade or spare support those things. So this is what we are expecting to get a big boom in the MRO business and MRO is a quite heavy duty business and repair always required for maintenance and repair. I am seeing very potential, which we are in fact in my IPO road show or on my object on the DRHP also, I mentioned my core pump. Of course, we are doing some of these small repairs, the low-level repair of the MRO support we are doing. Now, we want to, there is an opportunity, there is a requirement for India to do the local vendor MRO. It is very much required for our armed forces also which we are join hands with this company.

Deepak Saha:

So now coming to specifically for this quarter, we have delivered stellar topline especially at Rs. 700 crore, but when we are looking on the margin side, so definitely there is certain moderation. So is it largely because of certain product mix that we had to deliver in this particular quarter, which impacted the margin and subsequently, we will see shoot up on the margin front, because now your PCBAs is also fully integrated, generating decent amount of revenue, especially on the captive consumption side, right and we don't have yet started any commercial production. So once both these things come up into the picture, with commercial production on Raneal and also internal consumption for the captive purpose, what kind of margin we are looking ahead and is it the right understanding that product mix probably impacted our margin this quarter?

Dr. Raghavendra Rao:

I don't know really, which as per I am as a majority shareholder in this company, I am very happy about the performance of the company. I will just give you last year, I done about Rs. 1,253 crores per revenue. This year I done about Rs. 1,423 crores consolidated I am talking, so



there are 14% jump in the revenue. And last time, I have done a PAT of Rs. 71.5 crores, this year I have done Rs. 76 crores PAT that is 5.72% jump. See further, I will tell you, majority you can see there are possibility that PAT can go up.

Of course, you mentioned going forward Raneal is now only just, even though September it started operation, real production started in last 3 months, last quarter only, the regular production. And adding more to the kitty of Raneal, it will increase our PAT definitely from the next quarter too and also maybe my PAT could have much better instead of Rs. 76 crores, much better because of one reason. See, the majority of the billing, about 50% of the billing taken care by in the last quarter within the 3 months quarter, about 750, roughly about Rs. 740 crores. As you all know, what all contract I get from the customer is a heavy-duty PO and a long term in nature, minimum 2-3 years. When we sign the contract with the OEM customer where there is a one class. Because today this is the price, we cannot hold it, electronic price it today.

Today I quoted \$1, maybe this will go further that always 20%, 10% increase becomes \$1, become \$1.2. There is a contract between the customer not with all major customer, have called a material guarantee. Suppose you can see, you have decided a product \$100 you assume is your material cost, this will become \$105, the \$5 we need to get it from customer and majority of this revenue taken place from the January, February, March, there are incremental in the price where we need to buy paying more money, getting it refunded by customers.

Now as you know, we are already in the quarter, we booked for the purchases which have to be accounted within March 31st. Subsequently, we have not claimed back this money from the customer which we have closed on the March month where I cannot go back to the customer every like \$100 more give me, no, the contract every year end, we do the consolidation of this material guarantee. Our CCMT give report, we need to go to customer, hey, look here, you have given me \$100, now it will become \$110, approve me. Then, subsequently I need to raise an invoice and take that money. Of course, there are subsequent prices gone up for the raw materials which we have not claimed back the customer because majority billing take place in this last quarter. Of course, this is not a reduction of margin or PAT it is postponement of margin for a next financial year. So this is what we can expect still in the impact of raw material going increase, still we achieved the Rs. 76 crore, previously the Rs. 71 crores, of course there will be a postponement of PAT, we need to claim back the money from the customer which we are not allowed to bill within March 31st because we need to give a lot of account where we supposed to account which we already purchased the material. So this is the difference and this will go on to postponement of the PAT, not on the impact on the PAT.

Deepak Saha:

That's really helpful sir, So what we are essentially saying is that whatever we have say lost in this quarter is going to come back since the claiming is yet to materialize, this is the right understanding, sir?



Dr. Raghavendra Rao: You are absolutely right. The postponed because you are already purchased, you have to account it. That material cost you assume \$100 has become \$120, that means you \$20 extra I spend that \$20 to be claimed from my customer.

Deepak Saha: Just one last question on the debt side for Krishna sir. Sir, we have reduced our debt quite substantially from Rs. 550 odd crore to nearly Rs. 260 crore odd, nearly 40% to 43% debt reduction we have done. So can we expect a similar level of debt being maintained in the coming years at least in FY25 and FY26?

Dr. Raghavendra Rao: This will vary on the project. See you know before finance answer this question as a business head, even I would like to answer I am also happy that debt reduction has been taken place because what payment terms I have with the suppliers, what payment term I have with the customers. So majority of the customer, I don't work with the higher value PO without advanced money, mobilization advances and depends and if customer pays, my borrowing will reduce. If I need to invest, my borrowing will be going to increase, that depends, I am not doing only one program, it is a general program. I am very happy to announce that, so I started with only one customer. Now, I have another, I added last two years about another 17 international customers, we have different payment terms, different delivery schedule, different. Even though IAI got about 7-8 program, which one they will give priority. Which customer will give delivery schedule? Which material is available on the inventory side or available with the customer, so those things matter. So we cannot tell you that maybe it will maintain the same or going to increase from the borrowing next. Prasanna or Diwakar, you can correct me if I am wrong on this subject. That depends on the program the borrowing is going to take place.

Diwakariah N J: You are absolutely right. That is what we are expecting. Depending upon whatever the program, we are going to do to a particular customer in a particular way, the impact on the debt will be there, that is for sure.

Deepak Saha: So largely probably we are looking for the project wise financing as and when the kind of price is there, we are accordingly probably looking for that debt levels or the financing levels to stay there?

Dr. Raghavendra Rao: Yes and secondly, the biggest advantage what we have received now, I will give you few example, maybe this year, I need to appreciate my supply chain team. They are able to negotiate with our supplier to the better payment terms. Earlier, we need to give advance and get the material, then your borrowing goes up. Now, we are able to get credit terms with a customer based on our credit level and credibility of payment and the relationship, we are able to get good credit terms with the customer. That is going to help us in the long term to reduce our debt.

Moderator: Thank you. The next question is from the line of Dhavan Shah from AlfAccurate Advisors. Please go ahead.



Dhavan Shah: Sir, my question is on the gross margins. You mentioned that we will be claiming the incremental raw material inflation to the client, so how much amount are you going to claim and when are you expecting to receive that?

Dr. Raghavendra Rao: No, there are calculations, just we close. There are many data to be collected. Presently, I cannot tell you the numbers because it has not been freezed for not only for material variation. Suppose they told me to do only assembly, we have done extra engineering support and the mechanical support, those workforce also to be quite a good amount of the money to be calculated where not only say given the excel sheet and make it, we need to give lot of engineering data, developmental data, fixture developmental data, many things. Presently, I don't have a figure, it is subsequently this is a very good amount. So what we are expecting roughly about, I cannot tell you the numbers, but it is a good amount of money comes back from the customers. But definitely once we are done, maybe we have kept a target of closing by next month to accumulate all data and forward, not only that I can declare that customer has to approve that. Now, I declare this additional money I need to give proof, I need to give many engineering data, then they will approve, then I am allowed to raise the invoice. This is the process.

Dhavan Shah: And logically, if I look at the last Q4, maybe Q4 FY22 and FY23, we were doing roughly 12%-13% gross margin and now we ended up with 6%. So is it safe to assume that the incremental 6% or 7% gross margin on Rs. 750 odd crores kind of revenue is equal to roughly Rs. 50 odd crore, which can be claimed, and we can maintain the gross margins, is the understanding correct?

Dr. Raghavendra Rao: I cannot promise you that, I cannot have an answer right now. See gross margin also, not only for increase in the gross margin and reducing the margin. There are two ways to think, I am doing 4 vertical businesses, cable, system integration, and PCB and other services like kitting and I have a certain different, different program, different, different profitability. And which year I have done more vertical wise, let us take I do system integration, cable I do more, I will get more profit. That is also matter to increase the PAT, okay that is one vertical wise and major what I see in the rough calculation, majority of 70%-75% of the material cost has gone up which we need to supposed to be claimed back. Presently, I don't have a number, but it is a very fairly good amount of money we need to get it.

Dhavan Shah: Sure Sir, And how does the contract happen, in terms of the raw material with the client, so up to how much percentage of inflation you can claim, is that beyond 5%?

Dr. Raghavendra Rao: There is no limit because today maybe \$1 part, I will give you an example. When the last year after the COVID opened, there is a semiconductor problem, supply chain disturbance, I used to buy one part for \$100, one major part \$100. The part I paid \$450 because of the shortage in the market, the \$450 approved by additional \$350 by customers. You cannot say 1%, 10% more. See, this is not a general commercial program like Class 2 component. This all custom-



made long-term lead time part, LLI parts and has special characters and maybe customer can increase their channels in the same component, many things based on that price. We cannot define, maybe 300 times more or 10%, 1%. Also, they have even though any OEM design major chipset, they have a contract price with the component manufacturers. Let us take Lockheed or anybody produce their, using their option with Intel, their option with IBM, they have another chip manufacturer, they have their own choice and wherever they get a good price, they will use their chipset and design the product. So that is called a contract price before using the component. So those also matter in the raw material cost goes up in many areas, those people cannot maintain the same price, then they have to increase the price which I don't have a control of any part which customer agreed this is called a material guarantee, I have it in writing agreement with most of my major client that any variation in material they have to compensate. So this I cannot say 1% to 2%. There are many examples.

Dhavan Shah: And normally based on the history, let us say, if you claim maybe in May end, how long does it take from the customer side to approve the claim?

Dr. Raghavendra Rao: Normally, this is the process of about a month's time. Not only that they have always extra amount loaded in the PO for emergency process, which they have a previous approval. Once the head of material is approved by the variation on the material cost, maybe in my experience, within 3-4 months we should claim back the money. That depends on the raw material, or if other engineering, so both are different in roughly about 3 months. You can see once we submit valuation, proof, bill, many things we need to give.

Dhavan Shah: And just, one thing is Raneal, I think you mentioned that Raneal has done Rs. 236 crores kind of revenue in the second-half. So this is mainly used for the backward integration. And I think if I look at the fourth quarter raw material consumption, it is roughly Rs. 700 odd crores. So is it safe to assume that we have captively consumed roughly 35% of the raw material from the Raneal?

Dr. Raghavendra Rao: Yes. That is a captive business. You are right.

Dhavan Shah: And how much captive consumption can we do in FY25, this 35% can go up to what level?

Dr. Raghavendra Rao: In this year, captive consumption goes maybe about 70% and 30% in other business.

Dhavan Shah: And what kind of gross margin increment or addition can we look at because of the backward integration?

Dr. Raghavendra Rao: Presently, I don't have any open PO for direct orders which is in the pipeline. So presently, I cannot tell you the number. Maybe next quarter, when we have earning call, I have a better clarity there.



- Dhavan Shah:** And last thing is, we are targeting roughly to increase our non-IOP based revenues. So what is the margin differentiation between IOP and non-IOP and we have ended up roughly Rs. 800 crores kind of the order book as on March. So any breakup can you give between IOP, non-IOP and what kind of numbers can you look at maybe two years down the line?
- Dr. Raghavendra Rao:** See today, in present situation, in our revenue, it is a mix of, I can say, offset order that is in your language, I can say, IOP order may be about 30% and 70% is the non-offset order. And margin is not greatly different between. In non-IOP order, we have some extra coverage for doing some extra work and engineering those things. Compared to IOP, a non-IOP business is little bit more.
- Moderator:** Thank you so much. The next question is from the line of Hiral from Kalpavriksh Capital. Please go ahead.
- Hiral:** Congratulations for the good set of numbers, I have just couple of questions as it got covered by the earlier participant, one, if you can put some light on Lockheed Martin order and what further potential we can see this order business potential from them? And secondly, the order book with this as on date if you can guide on that and the margin which will be a sustainable margin EBITDA margin going forward?
- Dr. Raghavendra Rao:** See now, what we have received Lockheed Martin about nearly \$2 million which we have received for the electronic assembly which we are received and executed successfully. And what we got the result, it is fantastic report. And we expect to get a very good visibility for upcoming PO's and they are very happy about the quality, delivery and many regulatory has been taken care and as per the MOD guidelines, everything, they are very happy. Successfully, we have done 2 million that too in the span of about 3 months we are able to deliver and as a marketing guide, I am very optimistic to get more big business because the big company and they have a lot of requirement in multimillion dollar requirement. I am expecting a very good pipeline order from them very positively, and what is the next question you are asking?
- Hiral:** The order book as on date would be around 800 plus something or it is?
- Dr. Raghavendra Rao:** On March 31st, we had about Rs. 800 crore order book, but I wanted to tell you all my investor we have a healthy pipeline order, so hope to have a conversion very soon which could take care of all the pipeline order, current order book, it will be taken care of next couple of years.
- Hiral:** The second question was on the EBITDA margin. What would be the sustainable EBITDA margin because of the last couple of quarters, weeks, so some dip compared to previous year, so what could be the sustainable EBITDA margin?
- Dr. Raghavendra Rao:** In seeing my business vertical, as you mentioned, we are adding Raneal that is the major strength and we are adding NIART JV on the production size of the railway product and getting



to the other area and the new customer what we are expecting to get some pipeline orders and definitely my investors will not be disappointed for EBITDA in upcoming days.

Hiral: On the debtor part we see that the debtors have increased from Rs. 320 odd crores to Rs. 660 odd crores for the March 31st, 2024. So after adjusting the purchase difference, what we say we booked early some purchase, so if we might adjust like Rs. 50-Rs. 60 crores, till the debtors amount is almost doubled, the receivables I am saying?

Diwakariah N J: If you look at this particular quarter, we have executed orders worth about Rs. 750 crores, which is something like 50% of our annual turnover has got executed in this last quarter which means that my billing in the month of February and March would be much more than Rs. 500 crores. Also, obviously the debtors part will be taken care in this coming year or in the month of April, May, which is in the current month or it will take care of the particular year. That is the main reason for the increase in debtors.

Hiral: And does this increase was due to some seasonality of order or this was now the new benchmark we should consider?

Diwakariah N J: No, it is not any benchmark or anything. It is a particular program which we did in the last quarter. We had to include certain particular orders and the programs which we had to execute. That was the reason why it has got executed in the month of February and March where the debtors would have got, the receivables would have got impacted because of that.

Hiral: But rest will be how much?

Dr. Raghavendra Rao: Exactly, what you are asking see, as our CFO mentioned, the execution about nearly Rs. 500 crores in the February, March, majority bill and your question is still we have not received March 31st. It is showing more receivables, definitely. We cannot expect February, March bill to settle down completely because March 31st you have to show your out is outstanding with customers once maybe already I started receiving more than \$20-\$25 million in the April, May, June this will go because this is the only majority of billing within the last quarter that to in the two months majority about Rs. 500 crores and see the beauty is with my customer, my payment terms and where we are working is very clear and payment comes without any follow up and we are very conclude and clear path. Normally, DCX doesn't touch the PO without advance and also the major payment collection is very clear cut. My customers are fortune 500 companies, they will pay, but because of the accounting policy, I need to book the receivable on March 31st, maybe in the transit, maybe you are booked in the February, maybe product if not even reached the destination where they couldn't able to account and pay. So maybe that is the reason you see more receivable from the customer.

Moderator: Thank you. The next question is from the line of Anand Trivedi from Nepean Capital. Please go ahead.



Anand Trivedi: My question is more around NIART, can you give us an update as to how that is progressing in terms of getting orders from railways?

Dr. Raghavendra Rao: Presently, the product is developed and the demo has been taken care and all the qualification has been done with the customer. And we are expecting getting, this is the government order, it has to go through tender process because of the big requirement and also necessity for the railway and we expect. Now, we are good to go for a mass production and we are waiting for the tender to happen and conclude to be taken and we are just qualified in just last three months. So for the other test, what is pending, what we received the PO in the first five number. Now, everything is satisfied. We need to get the PO tender process maybe after elections. So up to the protocol, we are expecting some tenders.

Anand Trivedi: Ok, And my second question is regarding what you had mentioned that you have received purchase orders of around \$55 million from overseas and customers. Can you give us a little bit more details in terms of who those customers, are they like Lockheed Martin, big customers or what segment of your business are that orders from?

Dr. Raghavendra Rao: Whatever I mentioned \$55 million, it is the same line of mix of cables, mix of PCB's, but unfortunately I don't have a permission to disclose customer name. You can see my disclosure also in the BSE, NSE. Normally, I won't disclose until customer approve. This is all very sensitive program. As you know I do classified program even though sometimes I am not allowed to disclose the customer name. I am sorry for that.

Moderator: Thank you. The next question is from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: So if you see our order book position last few quarters, it is constantly coming down, when we got listed, it was around, in Q4, it was around Rs. 1,700 crore in FY23, then it came down to Rs. 1,500 crore. In Q3 of this previous year, it was at Rs. 1,100 crores. Now, in this current presentation, you have shown it as Rs. 800 crore order book. So what is the reason for constant reduction in order book?

Dr. Raghavendra Rao: See normally in our area, in my 25 years experience, some company get PO every month, every twice, they keep on adding. In my last 12 years history, my POs will be heavy PO. It will come minimum, I can say Rs. 500 to Rs. 1,000, Rs. 1,500 to Rs. 2,000 crores, one single PO. It will be executed in two years. In the duration of the PO release, in the current situation, earlier I used to get yearly 2 PO's 2 customers. Now, we cannot expect the PO every month or every quarter to add on to the book because there are a lot of process, controlled, license issue. Even though I quoted assume millions of dollars, so those has to be approved by the board, security, many reasons. So normal in case, it has been improved compared to the last two years, we are able to get because my customer base also got increased as India as well as the overseas base, now I can say, yearly we can say about 4-5 big POs is going to come. So naturally earlier quarterly it has been reduced. That means new PO has been not added. See, suddenly I have one, recently



I got about Rs. 469-Rs. 470 crores PO and we are working for the last 6-7 months like that PO comes and we naturally in the exact quarter I need to declare, so today March 31st I declare today my order book was a different situation, maybe I am expecting some pipeline order, it will go up. So we cannot add every month PO in this in our business. Yearly maximum 4-5 POs come because now we increase our customer base, maybe I am expecting. That is what I told our pipeline visibility is very good. It will be going to take care of another couple of years for my revenue. So those things and we are really focused and I need an order book more than anything to sustain and keep our things rolled and we are fully concentrated and we are confident that not to hit any visibility of the order book. The only thing is healthy, we have healthy position and taking full concentration on the customer wise and the order book wise and visibility wise. I am very happy that the way DCX is moving forward for a visibility of next 5 years and there is no problem for that.

Saumil Shah: And so in terms of revenue, sir, any guidance for this financial year?

Dr. Raghavendra Rao: Sorry we are not having a practice to give a guidance number, we will see from next financial year.

Saumil Shah: If not quantitative, sir, any qualitative guidance, maybe high teens or mid teens, something you can guide to our shareholders?

Dr. Raghavendra Rao: Healthy growth, that much I can tell you. Definitely I do. You can see my performance from last 7 years, always my graph goes up. Year to year, there is a growth. And I never reduce the either PAT or revenue, but in overall business opportunity where we enhance the facility and financial strength and the quality what we delivered adding more customer. So it will be in the very healthy book.

Saumil Shah: And in terms of operating margin also, we can expect better than the current year?

Dr. Raghavendra Rao: Yes, definitely because you are in the, now you have your own in-house facility. You have a venture into the railways product company and also you are getting to some other program for a product. So we have definitely, that is our aim to increase our margins definitely. This is the only way to add more services to increase so that is for Raneal. Now, cable also we have, a new line has been added for optical cables. We expect definitely growth for the increase and improve our EBITDA.

Moderator: Thank you. The next question is from the line of Vidit Shah from Spark Private Wealth Management. Please go ahead.

Vidit Shah: Sir, two questions, the first one was on the cost, so basically on the raw material inflation, you spoke that we have to pass on some costs to the customers in the next 3-4 months. Given that 70% to 80% of our costs are PCBA's and integrated circuits, if you could just guide us what has been the inflation over the last one year or so, it could be quite helpful?



Dr. Raghavendra Rao: No, that cannot be a comparison percentage as I mentioned. This will be, let us take last two years is very nominal amount. So this year maybe, you can see from three years our consumption ratio was same, now suddenly dropped by this year that means I spend more on material. That means the cost of the parts has gone up. So that depends on availability. There is no such eventful nature in this business. That depends. So we cannot tell you. You can see last 3 years, there is no, we are maintaining the same. That means much increment will not be done. So this year, there are some couple of program not only for material costs, there are other financial spending has happened like gigs, fixtures and the CAPEX which has to be refunded from the customer side. This has to be looked into that, engineering costs, many things are there.

Vidit Shah: And my second question was on, so we had in the QIP raised about Rs. 200 crores for purchase of new technology to set up defense line in India. Where are we on that? Any update that you could share with us on that?

Dr. Raghavendra Rao: It is very interesting and things are going much more expectation of DCX. We are in very positive and we will tell you very shortly the brief, maybe next couple of one or two months, we will announce that to all my investors and it is in well within our radar and things are going very smoothly and this will happen very shortly. I will let you know.

Vidit Shah: And sir, if you could just explain the MRO agreement with IAI and how it functions and what is the sort of revenue we can make in this segment given that it is a relatively new vertical, so what is the potential that we have?

Dr. Raghavendra Rao: So India, it is a big potential, no OEM started MRO in full fledge in India. Only IAI started MRO their full facility, their own subsidiary in India. So definitely when foreign company come and put 25-30 people in senior level sitting in Delhi and having a 30,000-40,000 square feet in the Gurgaon area. That means it is a high potential they have a figure, but it is a very good business, but I don't know exact what is my portion of the PO. So MRO you can see in the net, it is running in the billions. In the MRO, looking for that, see earlier MRO is to go to other country, get it repaired and come. Now there are Indian companies including DCX, we have a technology to repair and service those parts. So that is going in the larger volume kind of a thing now. That is the reason OEMs, IAI they started their own subsidiary and start doing the MRO within India to save time, to keep turn around, turn fast, where they need a supplier, so I have done many program with them, many prestigious program. I have all the facility and the experience. Those chance have given me chance to associate it with them and presently I don't have a figure, but this is for an extra income to the DCX. That much I can tell you and also I want to tell you there is no extra investment either CAPEX or anything to be invested extra for this. Everything will be sufficient what we have today.

Vidit Shah: But we don't have a number on the percentage share that we can take from, let us say, IAI?



- Dr. Raghavendra Rao:** No, there is no number there. It is not an open contract. I am authorized person. They appointed an authorized person and the PO also runs against volume. How many model to be repaired, How many antenna to be repaired. Those things we don't have a contract yet. Once it is there start coming PO and we will let you know. There is no value mentioned here in the contract.
- Vidit Shah:** How many authorized people will be there?
- Dr. Raghavendra Rao:** Presently, DCX is only one guy assigned with the company for electronics as per my knowledge.
- Moderator:** Thank you. The next question is from the line of Karan Mehta from Nirzar Securities.. Please go ahead.
- Karan Mehta:** Sir, my first question is our company wants to improve margins by focusing on Make in India program and transfer of technology. So how much margin improvement can we expect from these measures and also from which company are we looking to have this transfer of technology? And what will be the terms of arrangement for this?
- Dr. Raghavendra Rao:** See, transfer of technology, one is already done with IAI ELTA for a railway JV, technology whole product design and developed by IAI, ELTA System, Israel which we have already signed the JV. So definitely the margins are very good because compared to build to print, or a product company, you can see many product company and margins are much higher. That is one thing I want to highlight here. And going forward in existing business, there are two ways. One is we are adding many new customers in the pipeline, also we have added many additional work like PCB in-house facility and the program, qualification, testing areas. Those things are thought more value addition, so going forward, this is our major concentrate and Make in India, of course that is another big program in India. We are working with another big company to have a JV or technology transfer. Maybe I will let you know very shortly and the QIP also we raised for the Rs. 200 crores for that reason that as mentioned, I am going to let you know, but the margins definitely, see there are comparison, your supplier is a different margin, your partner is a different margin. You are part of the program, you have become an OEM company and directly you are going to supply to MOD or DPSUs, many things are there. So that is the confidence level we have, on the strategy and the JVs on the facility, what we had done. Definitely, that is the main concentrate to improve our revenue plus margin both.
- Karan Mehta:** And my second question is what was the size of order book and revenue from PSU defense and ELTA in Q4 versus Q3 and how will both of these shape up going forward?
- Dr. Raghavendra Rao:** Q3 what is early, see now whatever we present, Rs. 800 crore is not only ELTA, there is no ELTA. There is small portion of ELTA. What we have this new PO, open PO is a different customer where I am not in a position to disclose the customer name. This is also about again 60%-70% of the export and 30% of the domestic area. In the pipeline order also, it is big numbers in the exports and in percentage wise maybe 60%-40% kind of a thing. And always now we have taken



many clients in our board and majority of the international customer and also we increase the domestic customer too. I will let you know. It is very difficult to answer your question at this moment until I get a signed PO and many things, but definitely we are in the right path of expand our business to other countries and other areas. So it is good, but ELTA in the present order book also it is fairly divided to about 3-4 customers.

Karan Mehta: Sir, just want to broadly understand, going forward, do we expect PSU defense order book to grow from these levels?

Dr. Raghavendra Rao: Yes, definitely.

Karan Mehta: Like a very healthy growth from PSU Defense segment, right?

Dr. Raghavendra Rao: Yes, DPSUs, of course, that is the private sector DPSUs. Both are on the radar.

Moderator: Thank you. The next question is from the line of Karan Sanwal from Niveshaay. Please go ahead.

Karan Sanwal: Sir, I have a question like what was the bifurcation of revenue between our business segments, system integration cables and also on the basis of geographical segments, the domestic and the export market for FY24?

Dr. Raghavendra Rao: No, we are not I think prepared, Prasanna, I don't know yesterday only we done that and what is the, we want segment wise. Can we take this question later, please?

Karan Sanwal: Sure. Also another question was we have developed this JV with ELTA, so wanted to understand like if ELTA has deployed the obstacle detection system in any market before and also what are the other types of similar systems available in the market and where are the systems deployed just to get the opportunity size of the business?

Dr. Raghavendra Rao: Actually this already, the particular system developed first for India, last five years, already last two years they got PO of five numbers. They have supplied one number for demo. They want modification. Everything has been done, so finally has been deployed, finally approved all the tests and everything good to go and also they are working with the other country too like Netherland and also they are working with some European company, also in the US they are working. And also the product availability, as on today there is no such product available in the world based on this range. There are similar programs, but the achievement of the distance and the precision and those things, is the only technology available for the world in the view of all this due diligence what we have done in our knowledge, and it is only system is available this particular program. And potential is huge in very big in the world market and is a global technology, what we sign and Indian market, I will just tell you, we have about 15,000 locomotive in India running around in our track and the budget is electronic upgradation budget is about Rs. 34,000 crores. So there is a big opportunity. That is the reason this ELTA has been get into this business. I also feel because I am investing about Rs. 210 crore, I also



done lot of due diligence before signing the papers. So team and everything done due diligence, then only convinced, then we accept this, putting this money and huge potential. Matter of fact, we need to have bulk production to start. So then we can really is a game changer of DCX.

Karan Sanwal: And one last question like did you say that the offset contracts account for around 70% of the revenue in FY24?

Dr. Raghavendra Rao: No, that is not offset order vice versa, then offset was 30% non-offset was 70%.

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

Akshada Deo: I only had one question. And the Rs. 300 crores of QIP, which was kept for the company to be utilized, how was it utilized then finally?

Dr. Raghavendra Rao: QIP has been done totally raised by Rs. 500 crores.

Akshada Deo: And we decided to keep 200 for acquisition and 300 for the company?

Dr. Raghavendra Rao: Rs. 210 goes to our NIART JV and the balance will be used for our defense JV or technology transfer. So that will be around Rs. 200 plus we will be going to utilize that. So that is the allotment of the money. That yet to be utilized, that JV amount to be utilized.

Akshada Deo: So how much was just for paying down the debt. Have you utilized this to repay some of the debt?

Dr. Raghavendra Rao: In the QIP, you are not allowed to touch other than the object of the issue, correct?

Akshada Deo: Right.

Dr. Raghavendra Rao: We have raised Rs. 500 crores. Apart from the issue expenditure, we utilized only \$10 million of Rs. 85 crores to the NIART JV. Balance, everything will be there is a fixed deposit done in the bank. Once as the money requirement comes for only two object, we keep on using it other than a GCP.

Moderator: Thank you. The next question is from the line of Sunaina Chhabria from Chola Securities. Please go ahead.

Sunaina Chhabria: Just I have two questions. The first is relating to the order book and the second is relating to the operating margin. So just to clarify the last receipt of order was in the start of Feb from Lockheed Martin and the geographical expansion that was given. So beyond that in Q4, we have not received any orders and the order book stands at Rs. 800 crores. Is that right?

Dr. Raghavendra Rao: Yes. I think I already explained this question in the previous call.



Sunaina Chhabria: And my second question is that when we look at the quarterly results that have been there, there is a level of cyclical where we usually see Q4 having the best revenue as well as the best EBITDA margin. So is this cyclical going to continue existing in the future? If you could just elaborate on why it happen? And if you could just give maybe some kind of numerical guidance for the EBITDA margin since there was a contraction in the margin this time?

Dr. Raghavendra Rao: See almost from, not only for today, last 7 years when I grow from Rs. 25 crores to Rs. 1,400 crores, my revenue cannot be divided quarterly because of the three reasons, one is the component lead time, it is not off shelf component available in the shelf where you can buy whenever you want. This all specially made by component. That is the reason when the product want, my customer want a product, they will give a PO for the near minimum one year time, before they want material, they had to release the PO today for next year, number one. Number two, this all custom made parts, 95% of the component what we used in the product is all custom made. Suppose I got the PO in March, April. Once I get the material in the next six months. So first quarter, second quarter don't expect the same revenue. All components where we placed in the April, we given PO next July, August will get the component we need to produce and keep supplying. That is the reason you will have only on the graph goes by third and fourth quarter more. This is the history of DCX, not only many defense companies are like this in the same similar company of ours, so we cannot divide like Rs. 100 crores, divide by Rs. 25 crores every month. No, because of the long lead item part, custom made part, license, testing for the export license and our MOD to clear our each and every export what we are doing, we need to take NOC. Then, other country has to take an export license this all process and mainly lead time of the component. When you pay today, they will deliver after 4 months, 5 months, 6 months like that. That is the reason second and third quarter always we have a jump in the revenue.

Sunaina Chhabria: So this is the trend that we would be seeing going forward?

Dr. Raghavendra Rao: Maybe, in upcoming days, maybe improve in mostly next year, we see some of the repeated components where we have a better visibility and control. Maybe next, I am not telling that next quarter comes, maybe the second quarter onwards, things will be much better control on the previous quarter also. So this will go like that and definitely it will get improved every quarter which we don't want to take a load in the entire thing in the last quarter. It is for easy everything. We are also working with suppliers. Somehow, now they have an idea of what DCX product doing, what component they want, customer decides. So we have some improvement definitely going forward.

Sunaina Chhabria: And just a final thing you could touch upon if the EBITDA margin, so we have seen in the EBITDA margins for the quarter which is Q4 of FY24 as well as FY24 compared to FY23, there has been a contraction. If you could just let us know that if there was any issue that you faced in this particular quarter going forward, will those problems persist or this was just a kind of a speed



bump in the road, if you could just touch upon that and if you could just give some sort of revenue guidance on the operating margins going forward?

Dr. Raghavendra Rao: If I understand your question properly, you are asking for the last four quarter to this fourth quarter revenue, your EBITDA has come down, that is what you are telling?

Sunaina Chhabria: Yes, EBITDA margin, the margin

Dr. Raghavendra Rao: No, this I already explained this. You joined later; I believe. I have given nearly 15 minutes, I have given explanation, these engineering cost, component variation, which we cannot claim back, I already answered this question earlier.

Moderator: Thank you. Ladies and gentlemen, we would take that as our last question for today. I would now like to hand the conference over to Dr. Raghavendra Rao for closing comments.

Dr. Raghavendra Rao: Thank you all of you for a continued trust and support and for taking the time to join us today on this call. I wanted to extend my appreciation to the entire DCX team for their hard work and dedication. I like to thank our prestigious investors, customers, suppliers, bankers and auditor for this continued support and thank Adfactor to support on this. Thank you. Jai hind. Jai Karnataka. Thank you Everyone.

Moderator: Thank you members of the management. On behalf of DCX Systems that concludes this conference. Thank you for joining us, you may now disconnect your lines.