



**DCX SYSTEMS LIMITED**  
CIN: L31908KA2011PLC061686

**An AS 9100D Certified**

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**August 20, 2024**

<b>BSE Limited</b> P J Towers Dalal Street, Fort Mumbai – 400001  <b>Scrip Code – 543650</b>	<b>National Stock Exchange of India Ltd</b> Exchange Plaza, C-1, Block G Bandra Kurla Complex, Bandra (E) Mumbai – 400051  <b>Symbol – DCXINDIA</b>
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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 Tuesday, August 13, 2024, at 4:00 P.M. (IST) for the un-audited Financial Results of the Company for the quarter ended June 30, 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 Q1 FY-25 Earnings Conference Call”

**August 13, 2024**

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



**MANAGEMENT: DR. RAGHAVENDRA RAO – CHAIRMAN &  
MANAGING DIRECTOR  
MR. DIWAKARAI AH N J – CHIEF FINANCIAL OFFICER  
MR. R. SHIVA KUMARA – VICE PRESIDENT,  
OPERATIONS  
MR. NIRAJ KHANDELWAL – DGM, CORPORATE  
AFFAIRS  
MR. PRASANNA KUMAR T S – SR. DGM-FINANCE &  
ACCOUNTS**



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**Moderator:** Ladies and gentlemen, good day and welcome to DCX Systems Limited Q1 FY25 Earnings Conference Call.

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.

As a reminder, all the 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. Please note that this conference is being recorded.

I now hand the conference over to Dr. Raghavendra Rao – Chairman, DCX Systems. Thank you and over to you, Mr. Rao.

**Dr. Rao:** Thank you and good afternoon everyone. Namaste and welcome to all of you for Q1 FY25 Earning Conference Call.

With me, I have our CFO - Mr. Diwakaraiah; and Mr. Shiva Kumar - VP (Operation) and Mr. Niraj - DGM (Corporate Affairs).

I will likely to share some of the recent development with you all. DCX Systems secured a major order worth Rs. 1250 crore from the L&T for the manufacturing and supply of electronic modules. And again, we got one more order for Rs.32.21 crores for supply of cable and wire harness assembly for a domestic and international customer. This contract is through our strong marketing position, manufacturing capability and quality and the commitment.

Further our MOU of supply of service with the Israeli Aerospace, Israeli Aerospace India Service Private Limited which covers the supply and repair, service, spare parts and electronic component. This would leverage our MRO capabilities and the partnership in the industry. In addition to our subsidiary, Raneal Advanced Systems is fully operational, which has improved our supply chain management and cash flows. Moreover, our JV with IAI ELTA Systems, Israel, called NIART Systems, is in advancing the development of obstacle detection system for the railway sector. This cutting-edge product, utilizing radar, using optics, will enhance railway safety and efficiency. We are confident of major market share for this product in India as well as overseas.

Presently, our order book as of 30<sup>th</sup> June is about Rs. 1937 crore. With healthy, we have a very healthy pipeline of orders, the confidence with growing our order book. We are excited about this development, or confidence to grow our Company. At this point, I would like to invite our



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CFO, Mr. Diwakaraiah, who will provide an overview of the Company's Financial Performance. Diwakaraiah, you can take over now. Thank you.

**Diwakaraiah N J:**

Thank you, Dr. Rao. Good afternoon. We appreciate your joining us today as we present a detailed overview of our "Financial and Operational Performance" for the Quarter Ended June 30th, 2024.

First, I will present you with the standalone results followed by the consolidated results for the period ending 30th June 2024.

In Q1 FY25 we achieved a revenue of 138.08 crore, comparable to 170.10 crores achieved during the same period last year. Our EBIT for the quarter reached Rs.11.77 crores down from 18.71 crores in Q1, FY24. The EBIT margin was 8.52% compared to 11% in the corresponding quarter of the previous fiscal year. Our PAT for the quarter stood at 4.51 crores, comparable to Rs.9.85 crores reported in the same quarter for the previous year. EPS for this quarter stood at 0.40.

When it comes to consolidated results, I will present you with the details now:

The total sales on consolidated revenue achieved during Q1 FY25 is recorded at 138.08 crores on a consolidated basis, compared to Rs.170.10 crores recorded during the same quarter last year. Our EBIT for the quarter reached Rs.10.70 crores, down from 18.51 crores, which was recorded in Q1 FY24. The EBIT margin was 7.75% compared to 10.88% in the corresponding quarter of the previous fiscal year. The PAT for the quarter stood at 2.95 crores, compared to 9.60 crores reported in the same quarter of the previous fiscal year.

Thank you, we now invite you to share any questions, feedback or insights as we open the floor for discussion. Over to you back.

**Moderator:**

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

**Deepak Saha:**

Sir my first question is, on the NIART part, you have reported in the financial somewhere around 475 crore assets from NIART. So, just trying to understand, have we completely concluded the TOT process, and if you can give a breakup of this particular number of 475 crore assets, and what is the visibility on the NIART, in terms of getting the tender from government, this is my first question.

**Dr. Rao:**

Mr. Deepak, I am not able to hear you properly. Literally, it is breaking, except NIART, I didn't understand anything on this question. Your voice was breaking completely.



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**Deepak Saha:** So, I am saying, in the financials you have mentioned NIART Systems Limited, the total assets for NIART System Limited is around 475 crore. So, just trying to understand, if you can share some color, have we concluded the TOT process from ELTA, and what is the breakup of this asset on the NIART for this 475 crore. Secondly, on the visibility in terms of revenue side or the tender side from NIART, have we started getting any update as far as the tenders or even visibility has started coming in for the tenders?

**Dr. Rao:** Okay, what I understand, I don't know. Okay, see in the QIP, we raised totally of 500 crores and leaving the expenditure of this thing about 480 crores, I believe, you are talking of the QIP utilization?

**Deepak Saha:** No, sir I am not talking QIP allocation, in your financials this year Q1 FY25 for financials that you have shared, there are provisional numbers for the subsidiaries, both in terms of revenue and assets. So, on the assets of NIART System Limited you have mentioned 475 crore worth of asset in NIART as of June 30th, 2024, so we are just trying to understand the breakup of that particular number, and have we concluded the technology transfer process from ELTA?

**Prasanna Kumar T S:** So, what I understood the question is, you want the breakup of the asset of NIART Systems Limited. So, in NIART Systems Limited, there is a non-current assets of Rs.2603.45 million. Majority are predominantly, it consists of 2,512.85 is for intangible, and other is for non-intangible and other financial assets. And one more question you asked, total assets is 475.21 crore, that's what the question I heard, out of that 260.34 crore belongs to non-current assets, and 214.87 crore belongs to current assets, which is involving bank balance, cash and cash equivalent, other financial assets and other current assets. So, total put together it's a 475.21 crore assets which belongs to NIART Systems Limited.

**Deepak Saha:** Okay. So, on the non-current asset size, on the asset side, is there any fixed assets that we have, or it's completely intangible?

**Prasanna Kumar T S:** No, we have fixed assets of around Rs.8.83 crores.

**Deepak Saha:** Okay, largely it's intangible. Sir on these tender side that you were saying in last quarter that, since we are ready for mass production, is there any update that you are getting for the particular product, and as far as possible commercial angle is concerned? Sir, I am asking is there any update on the NIART business side for the proximate tenders that you were talking.

**Dr. Rao:** No, actually let me tell you, this is as you know this is a global technology what we have, it is not only for India. Couple of things, as you know we got 5 number of Proto order, and it has been fully tested and working fine for different countries and different weather conditions, including Indian weather condition, everything. And now still, we are waiting for the big tender now it is in the very positive may be expected very shortly. And there are a lot of process to be



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done in the qualification everything. Now, everything is be done and there is a one, there are some final modification tuning is required for the, which is required for their weather condition which we are working so maybe it will be completed by this month end, the final version. After that there are some reserve order not in India, somewhere else. And reserve orders is given to view some of the portion of order. Then we are also expecting to get a tender from Indian railway also, very shortly, that's what we are working towards, to know what is the status and other thing. And more or less, we are good to go for a bulk orders. To get the tenders from dates and everything is not yet confirmed, but we are fully focused to get the things move as quick as possible now because the product is ready to go.

**Deepak Saha:**

Okay. Sir coming to the operational side, if I see for this particular quarter, Raneal Advanced Systems did a revenue of around 42 crore odd. Now, I assume this is largely for internal consumption, but if I see your gross margin despite having the own utilization from Raneal, that has fallen quite substantially for this particular quarter, if you can share some color, why exactly profit margins are looking especially gross margin is looking so tepid for this quarter?

**Dr. Rao:**

Yes, definitely. Raneal, of course whatever we have done for a 42 crore revenue, it is a completely internal consumption. And there is increase in the material value. There are two reasons, one is DCX give a PO and we get a PO from customer to DCX, foreign customer or domestic customer. Then we buy the PCB, printed circuit board from the Raneal. Whatever price has been discussed and agreed both parties has been given. Now when Raneal try to buy the material, of course it's a very old program. This will be about a three years program, we used to buy the some of the board from the outside. Now, from last two quarter, we are majority board we are doing in in-house. There are bill of material, as I mentioned, in the long time also. There are contract between DCX and the foreign OEMs or domestic OEM there is a BoM guarantee. That means any price variation the OEMs has to compensate the money because of the long time program, three years, four years program, once we have a PO this will keep on supply up to two to three years. The variation the electronic price we cannot say, because of the price increase let us say today I quoted \$100 the price become around \$110 we cannot go back to customer for immediately to get the amended PO there is a process. Now DCX has to give a PO to Raneal, Raneal buys the material with a higher price, which we are approved internally we got approved from the OEMs. So, they have to buy, once we bought for Rs.100 material, they spent Rs.110, naturally that material consumption goes because I need to account it in the market. So, that Rs.10, whatever it is additional, it has to get from DCX, in turn DCX has to get from the customer. So, that is a process, how this process works. Once we have a project completion of the program end, we need to go with the complete details. Boss, this is the price you have given earlier, now this is the price got increased, which you approved by email. Now, I need this price to be amended and give the amended PO, then I need to raise a bill. This has happened in the last quarter also, in fact in the March also, little bit price. We need to go, any way one program it is closing very shortly in the month. Then we need to consolidate everything, then we need to go back to customer this is the price, the hike price has been done, then you approved it, as per



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the contract you need to reimburse the money. So, this is called a BoM guarantee material, but Raneal, I cannot it is my own sister concern, I cannot tell you supply as it is no, that has to follow certain process which they are following. Now Raneal whatever spend money, it has to be reimbursed by the foreign OEM or domestic OEM. So, that's the reason Raneal made a more consumption in the raw material consumption has been more. Then this has to be go, maybe we are getting closed in a month time we need to go consolidate report and take this amendment PO and drive another bill for the reimbursement of the money.

**Deepak Saha:** Okay. Thanks for the detailed answer, sir. Just one thing, last quarter since we also faced a similar situation. So, did we get the final number for the last quarter, we had around 740 crore odd revenue, so we also have similar increase in raw material case. So, did we have any number now, how much would be recoverable from the vendors, from the customers, especially?

**Dr. Rao:** Not vendors, I cannot tell the exact number, but we have a quite a good amount of reimbursement we need to get. Presently, we prepared a note and send everything until customer approves. Yes, whatever the sheet has been spent, there is a process and also there is a backend maybe another balance about 500, 600 modules to be completed. I don't know any price further going up, we are still purchasing it. Once we freeze, all the material has come then I can decide. Exactly, I can tell you, maybe in the next couple of weeks, what is our amount presently, is a quite a good amount we need to get it. I don't have a figure exactly now. You are supposed to get last quarter money also, this quarter money also, we need to claim back from the customers.

**Deepak Saha:** Okay. And that should help us in targeting our objective of getting towards double digit EBITDA margin sir?

**Dr. Rao:** I am not sure. I cannot comment on that right now, because customer has to say yes, then only I can tell you, this is going to affect maybe in the next quarter, these figures.

**Deepak Saha:** Okay. And then, sir, on the employee benefit expenses side. If we look at the run rate, this particular quarter we had a little bit higher number earlier that number used to be around 33, 35 million odd every quarter, that has gone up to 49 million this particular quarter. So, have we increased the team size for any particular subsidiaries or anything, if you can share some color how exactly this number has gone up?

**Dr. Rao:** Yes, there is a manpower increase. Also, I given a hike to the current employees. There is a manpower got increased, in the manpower technical side and commercial side. Also existing employees, we need to make yearly hike for March, which we have done, definitely goes up for little bit. That is about 30 lakh, 40 lakh right, Prasanna?



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**Prasanna Kumar T S:** It is a consolidated basis, so we have added a manpower in Raneal and NIART, and we have a hike in DCX, which contributes the hike in employee cost in this quarter as compared to last year, same quarter.

**Deepak Saha:** Okay, sir. Sir one last thing before I fall back on the queue. I know we are quite tight lipped about any kind of guidance, but even as a percentage of the mix, do we expect Raneal to start its commercial production other than DCX and if we can get, say 5%, 6% of the contribution to the overall revenue from Raneal outside DCX, if you can share some color, how the mix should be this year, are we still going to be 85%, 90% on system integration, or we are getting some 4%, 5% additional from Raneal for external customers, that's all from my end, so I will fall back on with queue. Thank you.

**Dr. Rao:** Yes, there is a good opportunity for Raneal to get a direct orders, and we are working on it that will be of course, a better margin and with the new customer, and that will be, we are working with many things with the Raneal directly, and we have a good chance to win big bulk of PO, and we are almost confident to get in very shortly that is we are working and secondly, on the existing DCX mix is of course majority is our strength is system integration, and also the cable also is growing now because of the recent order what we received for a 32.5. We expect some of the cable business also in quite a good amount. For the cable business also getting increased, which we are waiting for the lot of pipeline POs to come and looks mix of and also the kitting will be a second biggest opportunity. And maybe this year we have a, of course majority is from the system integration may be about 60%, 70% and rest will be divided, earlier was 98% now we are able to increase other domain. I am not reducing system integration, I am increasing the other domain like cable, PCBA and kitting. So, we are very focused, and opportunities are there in those areas also, we are working on it. Thank you.

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

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

**Mihir Manohar:** Thanks for giving this opportunity, Sir on this claims approval part, I wanted to understand what is the frequency of the claim approval, which happens. Does the customer approve the claims on a quarterly basis, or is it like a six monthly basis or is it like the entire program when it gets completed and then you receive the claims, then the claim overall process happens. So, how is the process over there?

**Dr. Rao:** See what you know our business very well, and this what we received PO, it is a long term PO and heavy duty PO. All POs comes in the big numbers and big quantity. This will go nearly two to three years in the line. So, what is the contract between the OEMs and DCX. Any bill of material variation, price variation in the component they have to reimburse the money when the





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end of the program. Once project completed, and it has to go with that, once we supply completed in the last lot, when we go immediately and tell them that boss, this all the things has been done, this is the extra money we spent. Now on the current program what we are working with one big PO from last three years now, it is getting ended maybe this month, and we are already in the, everything has been accounted and we go with the customer with the final figures. So, that program it will get close, if it is a huge variation suppose they calculated \$30 million we spent \$40 million where they will go on to support the cash flow, not on the PO amendment, they will go into fund you further advances to match that positive cash flow. This is the method we are working and anyway, maybe in the next couple of weeks we are completing one major program it's a very old PO and is getting supply complete, then my team will going to go sit there and get that, its a matter of another one or two months to claim back this money.

**Mihir Manohar:** Okay. So, basically, the positive effect of this claim that should happen next quarter?

**Dr. Rao:** Hopefully, yes.

**Mihir Manohar:** Sure. Sir on the pipeline, if you can provide some color you mentioned about the Raneal, there are some outside orders which are there, other in NIART you are expecting, some orders on the tender side and cable also. If you can throw some color as to, how are you seeing the pipeline and when should one expect the materialization of this pipeline to happen?

**Dr. Rao:** Pipeline is very big; I can say you that much. We cannot tell you the numbers, we don't have practice of mention until we receive the PO. Pipeline is a quite a good deal and now presently, 1937 crores, what we have a PO that, the DCX trial, every day will not get PO every month. We will get only the big POs in the three, four times. And we are expect a very, very healthy pipeline maybe, I don't know exactly very shortly we can expect and good to go. Anyway, you came to know, I will immediately announce that we have PO on the Raneal, or DCX, but is a very healthy and strong pipeline is ready to come.

**Mihir Manohar:** Sure. And we are expecting Raneal outside DCX is also showing good inquiries right?

**Dr. Rao:** And also, like to inform you we are just, I want to like to tell you, we are already getting direct PO, one PO is already received from the foreign customer to Raneal directly. So, first article has been done they are very happy, we expected a big repeated order from there, one of the foreign new customer.

**Mihir Manohar:** Okay, sure understood. Sir, lastly was on the double-digit margins, and we are looking at the backward integration via Raneal plus also entering into products with railways and defense, civil also, looking something so when should we then expect double digit margins to fructify for us at the Company level?



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**Dr. Rao:** That is a target for DCX, that's the reason. See how do we improve margin, what is the action plan for Company of course, I want to increase double digit margin very shortly. There are three things we have taken action, one is for the NIART JV, which is a very good margin in this thing, it has to come. Secondly, immediately we started Raneal Advanced System to improve our margin, and also supply chain consideration, also cash flow to manage easily and start doing it. Thirdly, the cable business, what we are looking for a big way. In fact, cable business is a very good business with double digit margin. So, all areas, this three area we are concentrating, and we are able to succeed for many things, Raneal we got direct order, Raneal is fully operational, the last year one quarter itself they have done about 240 crores and made about 9 crore EBITDA or something. Looks very positive, and the Company is fully focused on the improvement of margin definitely will not disappoint, to give that in fact we are working, the main goal to improve our margins. Yes, we touch the top line, and top line goes very well. And also bottom line also, we have taken many precaution to improve that, like Raneal, cable or NIART JV, or we are working with many foreign OEMs to get the technology transfer and supply to directly MOD, and there are big opportunity in Make in India. So, this is all we are working and only thing is, this all defense related and it is not a normal business. It will take time and in my experience what we are doing is very quick. So, opening a Raneal in one year, start revenue we are on the full fledge of quick turnaround time. So, that is our motto to improve bottom line and the top line both.

**Mihir Manohar:** Sure Sir.

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

**Akshada:** Yes, I had a clarification, there is a Lockheed project that was again mentioned in this quarter presentation. Is the old project or is it the new contract that the Company got?

**Dr. Rao:** Old only, this has been Lockheed Martin it is old what we received 2 million PO which we executed in the March, and is updated in the presentation customer list, that's all. We have not received any PO yet.

**Akshada:** Okay, that's just the clarification. L&T order that we have received the 1250 crore agreement, can you tell us how long will this PO last for approximately?

**Dr. Rao:** Which I mentioned, it will take two to three years, and we try to because customer wants urgently. That, this all special component, special process, we are also working with experience, with many because of the team experience now we can able to pull the lead time and everything, we are in the full action plan and customer required yesterday basis, of course there are process, component lead time, so we try to close as quick as possible in the, even though three years I have time, but we kept a target to close it in two years. That was the plan to complete.



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**Akshada:** Okay. Sir we have around 1900 crores of order book, and we are expecting some new POs as well as developments on NIART side. So, why are we not yet optimistic on double digit margin. We will be able to achieve the double digit margin?

**Dr. Rao:** Until we have a PO on the NIART side and the new customer, how can I say today, but I mentioned, to improve our double digit margin we created a Raneal, Raneal is doing well. And also there is a direct order, is a better margin, and also cable is a better margin, which we are already proven and team our BD team has been done fantastic. There are a couple of PO on the line, and that is our motto to immediately to gear up our thing. But I cannot tell you what is the percentage until we get a PO work with the suppliers. There is a process and of course, Company is well, well focused to improve bottom line definitely.

**Akshada:** Okay. And sir your 1900 odd crore order book that we have, that is also roughly a two year target period for completion and deliverables of all the other orders?

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

**Akshada:** ok, Thank you so much.

**Moderator:** Thank you. The next question will be from the line of Vidhit Shah from Spark Private Wealth Management. Please go ahead.

**Vidhit Shah:** Sir my first question was on just a clarification on the BoM guarantee pricing that we are likely to do once the contract ends or the program ends. So, how many of these programs are we going to pass on prices or let say how many programs will be work at one point of time where we have to then pass on price increases?

**Dr. Rao:** Each and every program this clause will be there. This is a standard clause for all the single contract, and it will be applicable for all the programs not only one. Let us have five programs going parallelly, all the program at this clause and one program completed, we need to go with the record and take the reimbursement, after the program complete we keep on going and taking it.

**Vidhit Shah:** So, out of all the program that we are running, only one program reimbursement is likely to come up in the next quarter. The others, we will still have to wait for the end of the program to get the reimbursement, would that be right?

**Dr. Rao:** No, I have not told only one program. There are a couple of program is getting ended, and it has to be claimed back parallelly and next program what we are doing it for this thing, and this will continue. This is not, I cannot say today whether even though price goes up or it will going to reduce today, I have a PO from customer today, whether how much material goes up, we don't



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know. Based on the market availability, emergency, volatility of the electronic component, that depends. Now what all this thing here, and we will going to claim back the program wise, and we supposed to get two, three programs combined for what we supposed to get now.

**Vidhit Shah:**

Okay. So, when do we expect us to realize all the money that we are due to receive?

**Dr. Rao:**

I told you, already I told we are working and one program is getting close in the couple of weeks, we are working the way, that is a major money we supposed to get to 1 or 2 program which we are working and same, I repeatedly telling you this will take two to three months to get the money, we need to present it and ship this thing made a calculation, and many things. Even though freight cost may be vary, insurance we paid more, and the component variation. There are big data to be provided. It is not a small \$1 or \$2 this has to be gone to their approval capacity. This, we are working toward that and I cannot tell you the timeline today, but once program we are getting it done very closely. That is a major amount we are supposed to get for this particular one or two program, this will going to complete this month, maybe next month, we are submitting the document. And this is a process, this has to be continued like this. See, today you should be happy that in some other program you not get BoM guarantee whatever you take the price today and close. So, for our contract to safeguard our margin, we are insisted this clause to put it. So, money comes today or tomorrow for me, I will not lose anything in my pocket. That is the whole focus on these programs.

**Vidhit Shah:**

Understood, sir. And if you could just also help me understand the L&T order, what is the nature of services that we are providing to L&T, is it system integration or is it PCBAs?

**Dr. Rao:**

Whatever, I am allowed to disclose I mentioned in my announcement. More than that, I cannot able to tell you anything, which program, what process that I am not allowed to discuss. What we have mentioned, manufacturing and supply of electronic module. That much only I can tell you.

**Vidhit Shah:**

Okay, understood. And can you shed some light on the MRO program with IAI India, how big this opportunity is and when do we start benefiting from this, when does this start flowing through our financials?

**Dr. Rao:**

This MRO of course the big opportunity you just imagine, foreign Company has come in. Gurgaon started a big way MRO facility in the many engineers, about 30, 40, engineers they have set and about 40-50,000 square feet place they had taken and bought all the equipment everything, of course is a big business. So, we will get, I don't know the value, still I not received the PO, because I am the partner for this complete electronic system to be repaired and sent which we are working. I don't have any numbers in my mind, but looking at as a partner, looking at their investment and interest on this thing. So, definitely is a big opportunity.



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- Vidhit Shah:** So, will we be the sole partner for electronic system or there will be more?
- Dr. Rao:** I am the only partner for this Company for an electronic space and module level supplier, PCB assembly, repair, spares, what all I mentioned will tell you supply and repair, services, spare parts and electronic component and board level repair. I am the only partner today MOU signed by presently, I am the only partner.
- Vidhit Shah:** Okay. So, the MOU has been signed between us and IAI, and we have this?
- Dr. Rao:** ASI not IAI, there is a Indian Company is owned by IAI, Israel Aerospace India Service Private Limited.
- Vidhit Shah:** Okay got it, Understood, thanks for the clarification and all the best.
- Moderator:** Thank you. The next question will be from the line of Rajesh Jain from RK Capital. Please go ahead.
- Rajesh Jain:** Just wanted to know, is your quarter one always weak, and even if it is so, this year the quarter one is weaker than even by your usual standards. So, what are the reasons for that?
- Dr. Rao:** I don't know, quarter one see, as I mentioned for many conference calls, in the road show, on my media interview, and DCX you cannot calculate our revenue Rs.100 divided by 4. So, you can see that my major revenue it is coming in this, let us take example of last 1424 crores revenue for FY23-24 in the nine months, I have done 723, crores. In the first one quarter, it is done by 746 crores, this is not after the IPO. This is seven years history always first, second quarter was, we are not able to dispatch, we need to get material, qualification, licenses, internal testing, stress test, OJT. There are many process, so this will be completed in the first and second quarter. And exactly it will go little bit, medium size in the third quarter and fourth quarter it will go whatever commitment we have a internally commitment of the revenue. It will go that, it is not today this has been history of DCX from last six, seven years. So, this will be like that only and maybe this is going to improve once we have a Raneal, NIART and what we are talking about the technology transfer, it will get all this thing. But presently, for this year also I am looking like this only first, second and third, first and second quarter will be dull only. This has to be very nominal way it will go. And because of the licenses, security clearance, many things on the takes time and the testability and internal process, OJT, training many things are there. Hence, this is a standard practice and of course, it is not new to the market, you also know first and second quarter. Coming back to next last year you have done 170 crore, last quarter is done 170, this 135, this all depends on the availability material where I push maximum 741 crore. Last time I didn't have whatever left out in the March month we done it in the first quarter in the last year. Now, we are maximum we planned and pushed 741 and whatever real production happened for this quarter, we will declare in the 138 crores, that's all the reason.



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**Rajesh Jain:** Okay. Sir, also I wanted to know your 1900 plus crore order book, which you clarified, which will be executed over a two year period. What could be our operating margins on that broad range can you share?

**Dr. Rao:** As you know, I am not allowed to, because I will tell you. Today, let us take example I have \$100 PO my margin assume about Rs.10 ok Rs.10 margin maybe goes up, maybe comes down, based on the operations, based on the process, maybe I negotiate with a better price, with supplier. Our process can be improved now we have our own EMS inside so we have a better visibility but as on today, now we have started procurement of material. We calculated some freight cost, which we had taken from customer, insurance this all depends on how much it will going to happen, until you have a material, build it properly. Till then, we cannot able to figure it out what is exactly for your margins. I hope you understand my difficulty, I cannot tell you the numbers, because practically once you buy the material, convert it, bill it, then only finance can tell boss you have done this thing, this thing, this thing. Today you are asking me, yes, I have a figure what I quoted, quotation prepared and sent, which I cannot disclose now. Maybe this is not relevant, maybe it will go up in my view it should go up. This is the situation now, and this will go into because now based on the experience, based on the supply chain, Make in India, many product to be bought in India, many things are advantage for this orders now.

**Rajesh Jain:** Ok sir, ok Thank you so much.

**Moderator:** Thank you very much. The next follow up question will be from a line of Deepak Saha from DR Choksey Finserv Private Limited. Please go ahead.

**Deepak Saha:** So, I have one follow up, in the QIP money in one of the previous calls also you alluded to the fact we were in the advance talks with some other companies or OEM, or DPSUs for forming JV, what is the development on that side, if you can give some color?

**Dr. Rao:** See, regarding QIP money, we are already sent about 10 million first installment to NIART JV, rest another goes 5 million, maybe this month, another 10 million to be sent in next four months, as per the schedule goes. Balance money what we raise about 200 crore for the technology transfer and defense JV and, I may give good news shortly.

**Deepak Saha:** Okay, so that's fine. One last thing, on the overall size, for the revenue we ended up, FY23 somewhere in 1200 crore, FY24 1400 crore, FY25 I understand it is subject to lot of POs also that flew in what kind of numbers we are targeting for the year, FY25 internally, I don't want the concrete number, any range, if you can also give that is going to be helpful sir. Thank you.

**Dr. Rao:** As you know, I don't have a practice to give a guidance number. And you know the DCX, you are all my respect to my all my shareholders, you know where every day we started with cable, then system integration. So, after the IPO, we are geared up with EMS, NIART, and now maybe



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a technology transfer or Make in India program. Business wise, we are growing. Definitely, growth part is good, but I cannot give you the right now the numbers of my guidance number. I am sorry about it, but definitely we are working to get a more of course, that is my ambition, to grow further and have an internal target to achieve more PAT and more revenue in fact. And this is what Make in India also giving a lot of boost to do everything. And we are also establishing our wings to many other countries too. So, to bring technology, bring more customer, we are able to succeed in that. So, I am look very positive, and Company is fully focused, and I am very happy about the progress, what is happening in either NIART or Raneal or DCX or the technology transfer and the opportunity in India for defense. So, we are in good path and pipeline is very, very strong. This is very, very important ya.

**Deepak Saha:** Okay, sir one last thing. If I can, on the NIART side, you said you are targeting global market that's fine, if you can share some color with the Indian Railway authorities, if we have interacted and what kind of response we are getting for the obstacle detection equipment that we are planning to come up with. So, on the domestic side, what kind of feedback sir you are getting?

**Dr. Rao:** I don't know, still I not able to understand the audio is very bad.

**Deepak Saha:** I will repeat my question. Sir, I am saying on the NIART side for the obstacle detection equipment that we are building, we have definitely interacted a lot, and is lot of market on the global side, but on the domestic side, with Indian Railway authorities, what is the response from the domestic side for the particular obstacle detection equipment that we are coming up with. How is the response you are getting from the domestic market. Thank you, that's my last question.

**Dr. Rao:** Very happy about the product, and more than expected we are delivering and we are, that's what we spend a lot of money, time, and we expect very big business. But till on the tender comes, we don't know when bulk tender comes, and the performance wise, they are very, very happy.

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

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

**Mihir Manohar:** Sir, wanted to understand on the receivable side as of March 24, we had 670 crores of receivables. This was because bulk of our execution had happened in the month of March. So, what is the receivables position now, is there a realization which has happened from receivables?

**Prasanna Kumar T S:** Can you please repeat the question again.



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**Mihir Manohar:** So, our receivables as on March '24, stood at 670 crores and this was because bulk of the execution happened in the last month, and then you get billing, and then the money was yet to come. So, if you can just get a clarity what is the receivables which are pending now, that will be helpful.

**Prasanna Kumar T S:** Sir, both quarter receivables, whatever the pending we have already received. The receivables would be for the present quarter only, the pending receivables which is going to collect in a monthly basis as per the schedule, 30 days, 15 days like that only, there is no huge outstanding receivables in our books.

**Mihir Manohar:** Okay, sure. So, again, this has fallen up now. Just wanted to understand this L&T order. When should one expect the L&T execution to start?

**Dr. Rao:** Sorry?

**Mihir Manohar:** L&T order which is there the 1250 crores of order from L&T. So, when the execution of this order will start?

**Dr. Rao:** We are yet to get the dates from the component suppliers. Just we got a month back PO, month back PO, there are process we need to get advance money, we need to release PO there is a big process, but we are plan to start as quick as possible. But I cannot tell you the exact date, but we are in the focus, because this is not a regular product where you can bring material from market, start tomorrow and go. There are a lot of support, licenses, component lead time, special process, many things but, we have experience, and once we have the proper dates from the supplier, mainly on component, so then we can think of the dates, as on day when I am going to start this, really I don't know, but we want to start as quick as possible in my I need to review with a complete, even though we are not even placed the PO for component, some of the component, so we are still working and maybe we have a clarity by next month when we are going to start the production.

**Mihir Manohar:** Sure. Will anything be possible for this financial year?

**Dr. Rao:** Yes, that's what our plan. And we will see what is the thing, we are on the Yes, I want to do this year only some of the quantity, at least to start moving around. So, that is a target, but still, we need to get confirmation on the lead time of component. So, hopefully I am going to start, some quantity.

**Mihir Manohar:** Sure. And just lastly on this claim. So, sorry to harp on this, but this claim side, claims reconciliation and all. Just wanted to understand what is our frequency of reconciliation, does the reconciliation happen on every quarterly basis, or does it happen on any monthly basis or





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does it happen only after the project gets completed because we are having large projects of two to three years. So, what is the frequency of reconciliation?

**Dr. Rao:** That depends how much is the, it is a small money it will go to the end project. It will be a huge money it will be supported by cash flow. If it is a project like we bought some jigs, we bought from fixture, we bought some extra jigs, which is away from the program. There is a NRE, there is a compound that will go sit on the end of the program. But is a huge let us take \$100 gone for \$200 they will support the cash flow with the supporting document. So, variation, see boss this all, 80 million, 90 million, 120 million. To get a PO, it has to go to the number one person in the board approval. So, they cannot have a authority to change any PO by one guy to change the PO it has to go. Because this is the large PO it has to be signed by the top level. They cannot do everything amendment, and they will go on the program wise. Then they had to amend the PO, then we need to raise a bill, then we need to claim back the money. And this is a regular process, this is not new to us, this is happening from last seven, eight years. It is not new to us, because the program what we are running through, the more consumption, now Raneal has to claim back from DCX. DCX has to claim back from the end customer. So, normally three portion one is, it will happen midway, it will happen in the, the last of the program, end of the program, that depends on the cash flow.

**Mihir Manohar:** Ok, Understood

**Moderator:** Thank you. The next question will be from the line of Praveen Gramle from Ananya Research. Please go ahead.

**Praveen Gramle:** Thanks for the opportunity, sir, Most of my questions have been answered. I just wanted to understand on the tax parts, so the coming year, what will be the tax rate it will, that's all from my end thank you.

**Prasanna Kumar T S:** So, tax part in what angle they are asking, I do not know. In the standalone basis, we are in SEZ, and we have completed first five years. So, as per section 10 AA, we are eligible for the tax benefit of 50% for the program, or for the project which we are doing direct exports, rest of the things, it will be as usual, normal tax rate. When it comes to Raneal it is 15% flat tax rate, plus cess and surcharge applicable.

**Praveen Gramle:** Okay, they have any bulk.

**Dr. Rao:** Raneal is irrespective of export, irrespective of domestic, correct Prasanna for 15%?

**Prasanna Kumar T S:** Yes, for Raneal it is immaterial. So, it's a standard rate.

**Praveen Gramle:** ok, got it sir, Thank you so much.



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**Moderator:** Thank you very much. The last follow up question will be from the line of Deepak Saha from DR Choksey Finserv Private Limited. Please go ahead.

**Deepak Saha:** Sir, please can you give any broad number on the order pipeline, how is the order pipeline is looking?

**Dr. Rao:** It is really healthy. I told you I cannot give the numbers. See normally, when I got a PO within 24 hours, you will come to know. I will never even though see, the process I need to check legal had to check if PO is okay. I will not even wait immediately announce. But one thing I can tell you all my dearest investors, pipelines are very, very healthy, very good.

**Deepak Saha:** Thank you sir understood and all the best for the rest of the year.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Dr. Raghavendra Rao for closing comments.

**Dr. Raghavendra Rao:** Thank you all for your continued trust and support and taking the time to join us today on this call. I want to extend my appreciation to the entire DCX team for their dedication and hard work. I would also like to thank for our prestigious investors, customers, suppliers, bankers and auditor for this continued support. And I want to tell you, in the last DCX is fully focused. Opportunity is very good, and Company is fully focused on the business and pipelines orders are very good. Visibility is very good and also, we extend our all our arms to wherever possible on the other areas like India and other countries. And please, please have the complete visibility on DCX. We are fully focused, and we are 100% confidence to get more, more orders and will grow this Company in big way. Thank you so much for all your support. Jai Hind, Jai Karnataka, thank you all.

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