

## DCX CONCALL NOTES MAR 2024

- 4 Vertical business:- Cable, System integration, PCB, Kitting
- DETAILS FOR FY24. In FY24, 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. 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. 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.

### DCX subsidiaries and joint ventures:-

1. **Raneal advanced system** for **Electronic manufacturing and PCB manufacturing**:- This subsidiary **started only 6 months before** (Revenue contribution:- 236 crore) high end, high value defense related PCBs manufactured in Raneal advanced system for Aerospace and defense presently. Plan to add Medical devices and electronic devices pcbs in near future. Concentrating on the high value and the highest complexity pcbs only (not low value and high volume).
2. **Joint venture company NIART SYSTEMS** established this year in ISRAEL:- focused on developing cutting edge **optical deduction solutions for the railway industry**. This product is different from KAVACH. KAVACH is basically anti collision system for train running on same track but Optical detection system for detecting Animals/humans from 1 km away by driver. **Product is ready, Tender based system from government, Expecting to win tender after election**. This product already used in Netherland, Usa and European country. No such product available in the world in 1km range. After bulk production starts, **it can be huge** as electronics upgradation budget of Indian railways is 34000 crore. QIP Of 500 crore of which 210 crore used in this Joint venture.
3. Tied up this year with ISRAEL AEROSPACE INDIA (IAI) LIMITED for **MAINTENANCE AND REPAIR** for defense equipments and provide spare support. MRO in India will save time, Turn faster. Basically will repair radar, Antennas etc. Presently, Only one indian company -DCX with IAI for repair.

### Promoter statement:-

“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. 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.”

4. QIP raised about Rs. 200 crores for purchase of new technology to set up defense line in India. Good progress, Expecting announcement in next 2 months.

### 1. Why EBITDA margin came down this quarter?

- RAW material price went up which have not been claimed by the customer till now due to billing cycle. It will be claimed from customer in next quarter. It is just postponement of the Profit after tax, not on the impact on the PAT. Material Guarantee with customer to pay for the increase in material price.
- We are getting Backward integrated which will also increase our margins
- Exact statement by promoter on margins:-

“The postponed because you are already purchased, you have to account it. That material cost you assume \$100 has become \$120, that means \$20 extra I spend that \$20 to be claimed from my customer.”

“ material guarantee, I have it in writing agreement with most of my major client that any variation in material they have to compensate.”

### 2. Debt reduced from 550 to 260 crore ,will it be same in future or debt will be reduced more?

- Majority of the customer company doesn't work without advance money means no need to invest our money ,Investing company money will increase debt. But also depend on project to project, If required for a high value customer borrowing (debt) can be increased to invest money in product. Added last two years about another 17 international customers, we have different payment terms, different delivery schedule For each customer. So ,Debt can change according to the project.
- Supply side also trying to get material on credit to reduce debt. Negotiated with our supplier to the better payment term, Earlier was giving advance to get material ,now getting on credit which reduces debt.

### 3. Lockheed martin order status:-

- Lockheed Martin order about nearly \$2 million which we have received for the electronic assembly which we received and executed successfully. Fantastic feedback received from Lockheed martin after execution of order.

### 4. Order book size :-

- Promoter statement:-

“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.”

- Order book size reduced from last year (At the time of IPO -1700 crore order book, Presently 800 crore order book) Why?

Company only gets heavy Orders like 500 crores, 1000 crores .Order execution needs time. So, Not possible to get order every month. Will get only few orders but big orders. Earlier, big order takes around 2 year to fulfil. Our orders are controlled, licensed and have high security issues, It needs time. Now as customer base increased ,Backward integrated, execution will be fast, expecting 4-5 big Orders every year. Pipeline visibility is very good. It will be going to take care of another couple of years for our revenue. Lockheed order 450 crore completed in 3 months only.

5. Receivable increased again why?

Billing mostly done in feb,march so increased,Promoter said will take care in future.Will get money in may/june.

➤ Promoter statement:-

“My customers are fortune 500 companies, they will pay, but because of the accounting policy, I need to book the receivable on March 31<sup>st</sup>”.

6. Future guidance,if any ?

➤ Promoter said we do not give guidance but I can assure you healthy growth.Operating margin will also be improved.

➤ Promoter statement:-

“Now we have our 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.”

7. Quarterly results always shows cyclicality,Q4 is best quarter in terms of revenue,why?

Because of order lead time,if we get order in Q1,Revenue starts to jump in only in Q2/Q3.This will improve as DCX gets bigger.

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