



ALL ABOUT

DOCX

SECTOR - ELECTRONICS

Issue Opens - OCTOBER 31 - NOVEMBER 2

Price Band

₹197 to ₹207

Face Value

₹2

Lot Size

72 SHARES

Issue Size

₹500 CR

Issue Type

BOOK BUILT

RESEARCH@GANESHSTOCK.COM



Important Events

Issue Size

INR 500.00 Cr cr

Fresh Issue

INR400 Cr 19,323,671 Shares

Offer for Sale

INR 100 Cr 48,30,918 Shares

Basis of Allotment

Nov 7, 2022

Initiation of Refunds

Nov 9, 2022

**Credit of Shares to
Demat**

Nov 10, 2022

DCX Systems IPO

Nov 11, 2022

Listing Date

Promoters

- **DR. H S RAGHAVENDRA RAO (CHAIRMAN & MANAGING DIRECTOR)**
- **SANKARAKRISHNAN RAMALINGAM (WHOLE TIME DIRECTOR)**
- **SHIVA KUMARA R (VICE PRESIDENT)**
- **RANGA KS (CHIEF FINANCIAL OFFICER)**





ABOUT COMPANY

- The company was founded in 2011, DCX Systems started its journey as "DCX Cable Assemblies Private Limited". **“DCX System is one of the fastest growing companies in India for systems integrators and cabling and cabling in the defense sector.**
- The company is engaged in system integration and production of the entire assembly line of cables and harnesses and is also engaged in assembly. They are also one of **India's Largest Clearing Partners ("IOP") for ELTA Systems Limited and Israel Aerospace Industries Limited, System Missiles and Space Division (together "IAI Group"), Israel, for the market. Indian defense market for the manufacture of electronic subsystems and assemblies of cables and harnesses.**
- The company's manufacturing plant is located in the SEZ of the High-Tech Defense and Aviation Park in Bengaluru, Karnataka. The facility covers 30,000 square feet and is configured for comprehensive indoor electrical and environmental testing as well as cable handling.





PRODUCT PORTFOLIO

DCX Systems Limited specializes in the **production of cables, harnesses and kits**. They are an extensive supplier and provide protective and reliable products to their customers. **India's defense and aerospace sectors have presented enormous opportunities for the company.**

DCX Systems is India's reputable clearing partner for ELTA Systems Limited, Israel Aerospace Industries Limited, System Missiles and Space Division.

OBJECTS OF THE OFFER

THE NET PROCEEDS FROM THE ISSUE ARE PROPOSED TO BE UTILIZED BY THE COMPANY FOR THE FOLLOWING OBJECTS:

- 1. REFUND / PREPAYMENT, IN WHOLE OR IN PART, OF SOME LOANS USED BY OUR COMPANY.**
- 2. FINANCING OUR COMPANY'S WORKING CAPITAL NEEDS.**
- 3. INVEST IN OUR WHOLLY OWNED SUBSIDIARY, RANEAL ADVANCED SYSTEMS PRIVATE LIMITED, TO FINANCE ITS CAPITAL EXPENDITURE.**
- 4. GENERAL BUSINESS OBJECTIVES.**



TRACK RECORD OF FINANCIAL PERFORMANCE

- REVENUE FROM OPERATIONS FOR FISCAL 2019, 2020 AND 2021 WAS ₹ 299.87CR, ₹ 449.26CR AND ₹ 641.16 CR, RESPECTIVELY.
- THE GROWTH IN THE REVENUE FROM OPERATIONS INCREASED WITH CAGR OF 28%.
- EBITDA WAS ₹ 4.66 CR, ₹ 6.22 CR AND ₹ 10.08 CR FOR THE FINANCIAL YEARS ENDED 2019, 2020 AND 2021, RESPECTIVELY
- DCX HAS POSTED NET PROFITS OF RS. 4.59 CR. , RS. 9.74 AND RS. 29.56 FY22. FOR Q1 OF FY23, IT EARNED A NET PROFIT OF RS. 5.5 CR. ON A TURNOVER OF RS. 213.2 CR.
- EBITDA Margin (EBITDA as a percentage of total revenue was 3.55%, 6.79%, and 1.57% for the FY ended 2019, 2020 and 2021, respectively. 2022 DCX enjoyed 7.61% EBITDA Margins.
- DCX HAS REPORTED AN EPS OF RS. 9.19 AND AN AVERAGE RONW OF 55.79 %.
- DCX ROCE 8.69, 19.19, 4.16 & 13.15 FOR THE FY 19,20,21 & 22 AND DEBT/EQUITY 14.62, 7.8, 2.91, 4.27 FOR THE FY 19, 20, 21& 22.





STRENGTHS

- Among India's preferred clearing partners for Defense and Aerospace industries with global recognition
- End-to-end technology and scalability
- Business model with visibility cash flow and ability to mitigate operational and technological risks
- Strategically located in the Aerospace Special Economic Zone with modern, modern production facilities
- Conveniently located to take advantage of industry advantage
- Stable financial track record
- Experienced and qualified promoter and management team backed by committed staff

RISKS

- Any adverse change in market conditions for electronic subsystems could have a negative impact on our business.
- Business depends on selling our products and services to our primary customers.
- Any change in defense compensation policy or reduction or re-prioritization of funding in the bank India's defense policy, or a delay in the budget process.
- Significant shortages or delays or disruptions in the supply of raw materials may affect the estimated cost, cost and our lead time.



Valuation and Outlook

IN TERMS OF VALUATION, PRICE BAND OF THE ISSUE IS INR 197 - 207 PER SHARE. ON A PRICE RANGE ABOVE INR 207 AND FY 22 EPS OF INR 9.19, THE P/E RATIO IS 22.0X. COMPARED TO THE PUBLICLY TRADED COMPETITOR IN THE INDUSTRY AVERAGE IS 59X. THE DCX SYSTEMS, ACCORDING TO DRHP OF SOME COMPANY IS LISTED WHOSE PE MULTIPLE IS SHOWN IN THIS TABLE.

S.NO.	COMPANY	PE RATIO
1.	BHARAT ELECTRONICS LIMITED	32.36
2.	DATA PATTERNS (INDIA) LIMITED	61.56
3.	PARAS DEFENCE AND SPACE TECH. LTD	84.69
4.	ASTRA MICROWAVE PRODUCTS LTD	73.15
5.	CENTUM ELECTRONICS LTD	43.91

INVESTORS SHOULD ALWAYS INVEST IN A COMPANY WITH A SOLID FINANCIAL RECORD. THIS COMPANY HAS GENERATED STRONG REVENUE GROWTH OVER THE PAST 3 YEARS ALTHOUGH ITS MARGINS ARE LOW, THEY ARE IMPROVING YEAR BY YEAR.

BASED ON ITS FINANCIAL PERFORMANCE, THE ISSUE APPEARS REASONABLY PRICED. INVESTORS MAY CONSIDER INVESTING IN THIS ISSUE FOR THE MED. TO LONG-TERM REWARDS.