



“DCX Systems Limited
Q4 FY '25 Earnings Conference Call”

May 28, 2025

E&OE (Errors & Omissions Excepted) – This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 28th May 2025 will prevail.



**MANAGEMENT: DR. RAGHAVENDRA RAO – CHAIRMAN AND
MANAGING DIRECTOR, DCX SYSTEMS LIMITED
MR. DIWAKARAIAH N J – CHIEF FINANCIAL OFFICER,
DCX SYSTEMS LIMITED
MR. SHIVA KUMAR – VICE PRESIDENT (OPERATION),
DCX SYSTEMS LIMITED
MR. PRASANNA KUMAR – SENIOR DGM (FINANCE &
ACCOUNTS), DCX SYSTEMS LIMITED
MR. MANJUNATH G.S. – SENIOR MANAGER (HR &
CORPORATE AFFAIRS), DCX SYSTEMS LIMITED**



*DCX Systems Limited
May 28, 2025*

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY '25 Earnings Conference Call of DCX Systems Limited.

Please note that 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 the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference call is recorded.

I now hand the conference over to Dr. Raghavendra Rao - Chairman and Managing Director of DCX Systems Limited. Thank you and over to you, sir.

Dr. Raghavendra Rao: Thank you. Good evening, everyone. Namaste and welcome to our Q4 Financial Year '25 Earning Conference Call.

Along with me today is our CFO, Mr. Diwakaraiah; Mr. Shiva Kumar – VP Operation; Mr. Prasanna - Senior DGM, Finance & Accounts; Mr. Manjunath – Senior Manager, HR and Corporate Affairs and our IR team, Adfactors.

This year has been filled with several significant development and key milestone. We continue to strengthen our consolidated order book about Rs. 2,855 crore as on 31st March 2025. Further is to highlight the DCX, our subsidiary Raneal continues to be a debt free from last 2 quarters. Also, I wish to convey that recent Government of India introduced RoDTEP scheme, including our SEZ from 1st June 2025. This will benefit DCX in improving the profitability margin.

I would like to highlight that Indian Defense industry has proved its capability in battlefield in the recent fight against terrorism, which made many part of the world looking at India for its defense needs. This shows the importance of the defense and aerospace sector in the ongoing geopolitical situation. In light of this, DCX is focused to develop manufacturing and supply technology advanced product to the Indian Defense Forces and our global customers.

Now I invite Mr. Shiva Kumar - VP Operation to highlight the key development of the company in the last 6 months. Shiva, over to you.

Shiva Kumar: Thank you, sir. Namaste and good afternoon to all. I would like to highlight few key developments of DCX in the recent past. DCX has received several new orders in the last 6 months out of which the most notable ones include the 2 orders from Lockheed Martin Global USA, which is a leading name in the Defense and Aerospace industry with a total order value of about Rs. 840 crores. Further, the next being an order from Elta Systems, Israel for



*DCX Systems Limited
May 28, 2025*

manufacturing and supply of closing weapon systems, module assemblies which is worth about Rs. 483 crores and these achievements clearly reflect our strong growth trajectory and the robust demand we continue to experience. This is truly gratifying to see DCX is increasingly recognized as a preferred partner by leading global players for the delivery of mission critical products. We attribute this success to our unwavering commitment to quality, on-time delivery and production excellence.

Now, I would like to highlight some of the other major developments in the past 6 months. As you are all aware, DCX has entered into a joint venture agreement with Elta Systems, Israel to engage in the development and manufacturing supply of airborne maritime radar systems, fire control radar systems and other radar systems for both airborne and land-based applications under the initiatives of Government's Make in India. Now, the proposed shareholding in this JV company will be Elta Group owning about 63% and DCX owning 37%.

Another important milestone which DCX achieved is the establishment of new domestic tariff area unit both by DCX and its subsidiary Raneal Advanced Systems. This has been set up in view of the increasing domestic requirements.. This manufacturing activities and commercial production of the facility is expected to commence in the few months.

With these updates, I would now like to hand over the floor to our CFO, Mr. Diwakaraiah to walk us through the company's financial performance.

Before that, I would also highlight that recently our subsidiary, Raneal also received a Defense Industrial License from MOD for manufacturing the highest classified project, the top-secret project where which comes under category A classification. This is also a greatest milestone and a feather in the cap of Raneal.

Thank you all and over to you, Diwakaraiah sir.

Diwakaraiah N J:

Thank you very much, Dr. Rao, sir, and thank you, Shiva Kumar. Good evening, everybody. We appreciate you for joining us today as we present a detailed overview of our financial and operational performance for the 4th Quarter and the full year ended 31st March 2025 on consolidation basis.

Coming to Quarter 4 FY '25, the revenue for the quarter stood at Rs. 549.96 crores. EBIT stood at Rs. 30.01 crores in Quarter 4 FY '25 vis-a-vis Rs. 51.91 crores in Quarter 4, FY '24. This is down by 42% on a year-on-year basis. Accordingly, the EBIT margin for the quarter decreased to 5.46% as compared to 6.96% in Quarter 4 FY '24. Profit after tax for the quarter decreased by 37.18% to Rs. 20.7 crores in Quarter 4 FY '25 from Rs. 32.95 crores in Quarter 4 FY '24, which led to a decrease in PAT margin by 66 basis points.

Now analyzing FY '25 versus FY '24 The operational revenue stood at Rs. 1,083.67 crores in FY '25 and EBIT stood at Rs. 71.27 crores in FY '25, which led to a decrease of 216 basis points



in EBIT margin for the year to 6.58% as compared to 8.74% in FY '24. Profit after tax for the year is at Rs. 38.88 crores compared to Rs. 75.78 crores in the same period of last financial year, a year-on-year decrease of 48.69%. The PAT margin is down by 173 basis points.

Before I conclude and hand over to Dr. Rao, I would like to draw your attention to the two very important takeaways from the operations of Financial Year '25 versus Financial Year '24. As you all would have noticed the cash flow from operations for the period ending 31st March 2025 was recorded at Rs. 443.5 crores compared to Rs. 0.7 crores, which is 70 lakhs for the previous Financial Year. This was possible only due to improved operations during the period under review. The company continues to be debt free which was possible by prudent financial management and operations excellence during the period.

Thank you. We now invite you to share any questions, feedback or insights as we open the floor for discussion. Now, I am passing on the mic to Dr. Rao for his closing remarks. To you sir, Dr. Rao.

Dr. Raghavendra Rao: I think we shall take the question, at the end of this thing, we can have closing remarks. If anybody have any questions, we can answer them.

Moderator: Sure. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Depin Vakil from Phillip Capital. Please go ahead.

Dipen Vakil: Hi, thank you for this opportunity and congratulations on robust order wins in last 6 months. So my first question is again on the lines of the order pipeline and the order wins. Sir, post the recent Operation Sindoor, have you witnessed any increased inquiries coming for Elta Systems or other partners of DCX Systems and what kind of order pipeline are you looking at for FY '26?

Dr. Raghavendra Rao: Basically, as I mentioned, this is the biggest landmark for Indian Defense companies where we have proven our product has been designed well and it is used successfully. Now, the defense requirement for the recent activities happened, of course, there are a lot of requirement not only from India, we are getting big enquiry, big companies are contacting because of the quality product what India delivered to the Indian Defense companies today. And we are having a huge enquiries from the various countries, it is through existing partner and various locations. The product DCX are manufacturing with its partners and other associate is a very key product in the defense systems where we have a lot of requirement and inquiries are coming and of course this has been started very recently. we are participating in almost 50%-60% of their requirement. We bid and give a technical support, give a demo and many things happening. IT looks very promising and even showcase the India's capabilities now. Regarding successful "Operation Sindoor" it has given a really big exposure for Indian defense companies because of the proven products. Going back to the regular business order pipeline, until we received the PO, we never disclose the value until I get a confirmed PO from customer, I will never disclose the volumes but looks very promising. And I am thrilled and getting the inquiries and neutralizing is



*DCX Systems Limited
May 28, 2025*

happening. And definitely we are in a good position in the coming days. I hope I answered your question.

Depin Vakil: Got it, sir. So right now, your current outstanding order book, what will be the execution period for the current outstanding order book and what kind of guidance would you like to give for EBITDA margin for FY '26?

Dr. Raghavendra Rao: This present order book can be, not like previous long lead time, it will be around 2 years maximum. This is the delivery schedule, of course, customer wants early because we have constrained all recent POs, we need to, it is not like the only supply chain it has to be go under the made-to-order patch and get the parts in license. There are a lot of constraint and qualification tests. In my view, in the schedule wise, we are able to complete these in 2 years. This Rs. 2,008 plus Rs. 500 crore, we are able to complete. And definitely, I cannot give you the exact figure, there will be an improvement in the EBITDA margin also all in new POs compared to the earlier one.

Depin Vakil: And any guidance on revenue part?

Dr. Raghavendra Rao: Sorry sir, I won't be able to. Normally, until we sign it off, we will not be able to provide and that is not my practice.

Depin Vakil: Sure, sir. I will get back to the queue for further questions.

Dr. Raghavendra Rao: Thank you.

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

Shikhar: Mr. Ragha Rao, you have done a turnover of Rs. 1,000 crores in March 25 and you made an operating profit of Rs. 5 crores. Is this the business model? What kind of business model do we have this? Because not even 1% EBITDA margin you have in the business after doing a turnover of Rs. 1,000 crores, I have not seen such number, in any of the balance sheet of 4000 listed companies. I have never seen a company which does Hi-Tech product and make a profit of Rs. 5 crores operating. And what kind of business we are into, can you elaborate?

Dr. Raghavendra Rao: See. One thing, it is, I will tell you the main reason, DCX works with a different method with the customers., these are the heavy duty PO. Suppose I get a PO today, then it will get executed in minimum 1.5 years to 2 years. There is a class in the PO what we received from the customer, almost 90% of my customer there is a BOM guarantee class. See, If finalize the price today for raw material, which is major my expenditure, for let us take in the bill of material, \$100 for each product and then after 1 year, it has gone up to \$110. So customer is not going to amend the PO of \$10 immediately. Now, I need to buy \$110 PO, get all the material, then do the reconciliation in the financial year. This is the practice. The \$10, whatever I spend extra, I will get back the



money into my account in the end financial year. This is practice. Because all revenue, if you are going to do keep on amendment in for a 7000–8000-line-item components, so other than amending a PO they don't have any job. So there is an understanding between a company and a supplier. So this money the extra we spend, we have accounted and we will do the consolidation in the year end, take back the money, then definitely our margin will get improved. This is practice.

Shikhar: So now, I come to know that you claim extra cost of your raw material and it comes subsequently. Is that correct?

Dr. Raghavendra Rao: Yes.

Shikhar: So for 2023-2024, you must have raised a lot of equals. Your EBITDA margins have been like this from last so many years. Operating profits are so low. So where has that money gone? Why is it not reflected in 2025 accounts for a money received in 2022 or outstanding of FY22 or FY21 or FY24? Where is it getting then? Where is that money?

Dr. Raghavendra Rao: Now, your question, really, I didn't understand in the finance language. Prasanna, you understand what they are talking?

Prasanna Kumar: Yes. The sir is asking what about the 2020-21 turnover? There also we should have some BoM guarantee that should be reflected in the financial now.

Shikhar: See what I want to know Dr. Raghavendra Rao, you have been running your business last 4 years,, now, I want to know how much money you made in 4 years and how much money you have raised through capital? If you have not raised the money through capital, so what you have done, you are showing profit is only your other income. Because of the money you have raised from the shareholders is Rs. 400 or Rs. 450 or whatever price and that is only a financial profit you are showing, and your loan diabetes is nil so not paying interest . So you are not doing any business for making money? You are doing business only by raising the money and that is all interest income you have generated? By doing Rs. 1,000 crores turnover, Rs. 800, Rs. 1,500 crore turnover last year '24 in this year Rs. 1,400 crore also when we discuss, you said that in the subsequent year, you will get that money. Now in '25 also, the accounts are reflecting same. So what is the accumulated amount which you have to receive? As of '25, is it Rs. 500 crores or Rs. 200 crores or Rs. 100 crores for which you have raised the debit notes, how much you have to receive because you are not reflecting the true fair view of your accounts?

Dr. Raghavendra Rao: Now, it is not raised invoice yet for what we spend extra money. There is a process. There is, once the closure will be done every year in the March, it is not subsequent amount in the last 2-3 years. So now, whatever, let us take, we had one long-term PO or 4 years PO that PO has been closed from our side. We executed, then there is an engineering task, bill of material warranty, OJT task, engineering task. It has to be calculated and submitted to the customer. Then we will get the money back.



*DCX Systems Limited
May 28, 2025*

- Shikhar:** So when will you, so how much is money which you need to claim?
- Dr. Raghavendra Rao:** No, that has to be. Already, due to war situation, my team couldn't travel to Israel. Last March also, we are supposed to get the right bill for this March. This year also, due to various reasons because project got closed only last month, we have to reconsideration, my team went, given the conservation report, then it has to be approved by finance. Once that is approved by their customer, 2-3 customers have to approve not only for one customer, it has to be consolidated, then most likely, maybe in the next quarter, maybe in this quarter, maybe we will go into close once the amount.
- Shikhar:** Dr. Ragha Rao, this reply we have been hearing from you from the last many con-calls. So we don't buy this argument. Listen to me first. Listen to me now. If you have so many customers, so you should by now know how much money you are going to get. Because you are not doing any business according to us, You are just buying some raw material and supplying them, which is also s not reflected in the true fair view of your accounts. As your shareholder we should know what my company is doing? How much money the company is making ?
- Dr. Raghavendra Rao:** Once I have to get approved from the customer, then only I can declare. There are constraints.
- Shikhar:** I have never seen a balance sheet like this before. I have been investing from 1983, last 40-50 years. And I have studied more than 4000 balance sheets, but I never seen a balance sheet like this in Hi-Tech business. In a Hi-Tech business with a client like L&T and foreign clients, a business model by which you don't show any profit? And money is being paid, shareholder's money is being used to do your business and there is no money on it. Even if you had utilized that money 5% on a bank FD, they would have generated more money than by doing this business. I don't understand any of your business? Who is your competitor? What kind of business you are into? When we try to ask to Mr. Shiva Kumar to understand the operations, he does not know, you people don't come on the line. I try talking to you many times to understand your business, but you people don't give time to shareholders. I want to visit your factory, but you don't allow . So how do we work? Now, you have so many people on the con-call. Ask anybody who has understood your business because you have been giving same con-call, same conference call. You read your conferences call, Can you make anything out of it? there is nothing. There is no business model.
- Dr. Raghavendra Rao:** No, if you allow me to speak, I will tell you a few words.
- Shikhar:** Please tell me, sir.
- Dr. Raghavendra Rao:** Now, I am not aware you are trying to reach me. I am hearing your name first time.
- Shikhar:** No, I have talked to Mr. Shiva Kumar and your CFO.



- Moderator:** Sorry to interrupt you, sir, but we request you to rejoin the queue for follow up questions. Thank you.
- Dr. Raghavendra Rao:** One second, I will finish the talk, please. We will talk separately. I am available anytime You can visit or I can come to Bombay. I will make you my business understand, explain you not in this call. It will take time. I need to write and show some presentation, then will you understand. I am very much available on the call. We will definitely connect back to you.
- Shikhar:** Yes.
- Moderator:** Thank you. We will take our next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Hello. Good evening, sir. some questions will be somewhat related to previous participant's question. So I just wanted to understand what is the margin that we get in our business because as you were saying there is money that we are supposed to be claimed, so could you just quantify how much money is that? Because right now, on Rs. 1,000 crores, we have eventually not made any profit in terms of operating income, whatever other income we have gotten is from assuming the Rs. 1,000 crores that we have in the bank with us. So the number one question, what is the money that we are left to claim? And secondly, is it getting reflected in trade receivables because some parts should be getting reflected in your trade receivables, right, sir? And going forward like what do we see our FY '26 because I think for FY '25, we were hoping to do the revenue that we did in FY '24, not has the revenue come nor has the operating profit come. At least a technological company like us who is doing so much research should have double digit margin, We have not even cracked 5% margin in this current year. So I would really love for you to just explain these point, sir. Thank you.
- Dr. Raghavendra Rao:** Already I mentioned until there is money to be collected from the customer side, until they are given, of course, we need to get good amount of money until they say, suppose I said Rs. 100, I will get, I will get Rs. 50, this will not be correct on my part to tell you the wrong figures. Once it is approved, we are on top priority and working on it to get back the money. I cannot tell you the exact amount to how much I am getting back today. Please allow us a month's time we are in the process of closing everything. There are many processes to be taken place because it is not a small money we are talking. Please allow me in that. Secondly, we are not a product owned company for your kind information. We want to become a product company. We are in the process of becoming a product company. We are a build to print company and customer gives everything to us. They will give advance money, they will give you test equipment, they will give you technology, they will give assembly instruction. We buy the component, assemble the PCB, do the cabling, do the system integration, export it and do. And I completely understand, don't compare us with OEM's, the product owned company which they have taken 20 years to develop a product. We are in the Aerospace and Defense, everybody in Aerospace and Defense has 30%-40% margins. It is not that we are 10 years old company, we started growing, we needed time to grow up, become a product.. Otherwise, two JVs, would not be happening. Our



margin will not go up like 20% or 30%. In the current situation and improvement, we are working continuously on getting our profitability hike. Currently, you are seeing the balance sheet and you will not be able to get what is the BOM guarantee, the class I cannot avoid. I need to accept that class. This business model is like that. It has to be spent, then claim back. It is not in receivables in our books because we have not raised the invoice yet. Until customers give a clearance, only then, the invoice is raised and it will come on the books. Please allow us time. We are trying to work out, conclude the BOM guarantee task, get back the money and start doing it. So it is not like I am telling you from tomorrow, I will do, next year I will do, 15 double digit margin. It is not easy in our business because everything is secured here. And you are telling about you are earning only FD money. It is not completely on the IPO money or QIP money. There are other income, our money and the customer advance. Other money also, interest also part of the parcel, but maybe it is not appearing in the balance sheet sitting on other income. There are indirectly benefit to the advance money which customer pays where my finance is going to take care of earning more profit to the company. This is the schedule. And it is not simple to understand as rightly said, somebody in the previous call, my business model, it is not easy to understand. It took me to take about a year to explain to some of the key investors and I don't mind explaining when we plan to come to Mumbai or you guys can come here. I can give you the complete presentation, how my business work, how I am doing the business, how I am improving the margins, what is my plan? Definitely I can explain to that.

Darshil Jhaveri:

Sir, I understand that and I am not trying to say that why the money is claimed. I think that everyone understands. But if it would be really helpful, there could be some quantification to it, right, sir, because just from an investor's perspective, we are seeing, I understand that okay there was 5% margin and Q4 supposed to be one of the best quarters for us historically and in that we do not see a margin. So that just raises a question. So in terms of financial statements, it should get reflected somewhere right? Even if in notes to accounts or even in a presentation because that money, as you said, is rightfully ours, right? Even if we have to claim it, we might not get full of it. We get out of the Rs. 100 that you extra spend, we might get Rs. 50 or maybe even Rs. 35, but at least a portion of it is rightfully ours. So we need to know at least the investors as a whole, the community will appreciate it if that mentioned how much it is so that we can, you could even put a line adjusted EBITDA that would be this much would be given that would give us a truer picture of the finances because on the look of it, it just comes off that our operations are not generating profit which is what me and the previous participant of a lot of investors are looking at, sir. So I would really appreciate it if you could just release a press release or maybe after the call, just inform the investor this is the money that we are left to be claimed. I am sure you would be having the record of it and the number 2 question is maybe it is an accounting question, maybe the CFO sir can help us if this money, we have not showing this year, but if this money is just expensed out right now, when it comes next year or maybe next to next year, values is reflected. Is it reflected in the revenue? Because if it is reflected in the revenue, then how much of the current year revenue is comprising of our expenses of last year that is also supposed to be clarified?



- Dr. Raghavendra Rao:** One first question, I will tell you what is the possibility, why we are not possible to mention somewhere in the note, I will check, but again I am not comfortable. Suppose Rs. 100 I supposed to get, I will get only Rs. 35, maybe it will go into Rs. 60 or Rs. 30. I don't want anyway; you check the possibility of that. And suppose Prasanna, this variation of BOM variations coming on the operational income only, right because we purchased.
- Prasanna Kumar:** Yes, it is operational income only.
- Darshil Jhaveri:** So in the current Rs. 1,000 crores, does it have any last year's income?
- Dr. Raghavendra Rao:** No.
- Darshil Jhaveri:** So only this current year, we are not supposed to claim.
- Dr. Raghavendra Rao:** Yes, 1.5 years, we need to reconcile and claim for the same
- Darshil Jhaveri:** And just one last question on my note just last one.
- Moderator:** Sir, sorry to interrupt you.
- Darshil Jhaveri:** Just last one if I can?
- Moderator:** Sir, but we request you to rejoin the queue for follow-up question. We have other participants waiting for their turn. Thank you. The next question is from the line of Aditya Trivedi from Nepean Capital. Please go ahead.
- Aditya Trivedi:** So for NIART systems, what is the current status of product qualification for the radar-based safety systems in Indian Railways and has any pile testing or prototype approval been achieved and what is the anticipated timeline for certification in the first commercial order?
- Dr. Raghavendra Rao:** NIART is, as you know, we are already received the 5 number order. It is deployed from last 1.5 years. Trials are going on and they asked for some more modification in last 7 months. We already deployed two systems as per the requirement from the RDSO site and in the diesel loco. All the tests are passed, only one last test that to 50% is through One fog test is pending. That hopefully is going to complete in this upcoming fog season. And as on today, we have completed all the tasks, the complete requirement modification for the railway which RDSO we have done it and final test is pending that only the product is ready, we need to have a fog season and do the final test and take the certificate. This is the trials. Upcoming program is the upgradation of railway for only not on the CAPEX side and the upgradation of electronic. There is good amount of money allocated by India Railway Government. And we are expecting the tender very shortly. We are working on that. Till now, we don't have idea on date and the quantity, but we are closely monitoring on this. And we participated in just Metro in the last system and there are lot of, of course, the international exhibition happened in last week in Delhi and RDSO team, Railway,



Senior Board member team, also some of the foreign company had come and see our demo and everything, they are happy. We are also working with some other global company for the good requirement of these systems, may be about 240 systems we are working for other country, and we just received a specification which our product is getting matched. Most likely, we will go and submit our proposal to them by the end of this month or first week of this month. In fact, it is happening directly in my Israel team is handling with other country and they come and saw the demo in Alstom what we have done, and they saw the demo in Israel. They are happy about the product. Again, the same spec can be matched their requirement also. I think 250 number, the set they are looking which we are submitting proposal. That is the recent development that happened in the last 10 days back. This is an update on the NIART.

Aditya Trivedi: And if you could just highlight both from a domestic and export perspective for the locomotive business, what is the total addressable market and EBITDA margin profile of the opportunity?

Dr. Raghavendra Rao: Market in India is big, as you know about nearly 15,000 locos what we have it in India. So we don't know what is, in my view whatever we heard from the other sources and other thing Government of India, it is very serious on the railway safety. And we expect it to get in overall in next 5 years about 5000-6000 locos to be deployed our product and in my view, it will take some months to get the, not 5000-6000 at a time inquiry, maybe small bulk order comes and in 5 years, we are expecting to 5000-6000 locos to be installed our product which we are confident. That is the reason we put a lot of effort and money. The effort and the demo has succeeded. And other country, we have a total visibility in the next 3 years, about 1750 units per other country. So overall looks, India is a big market. We are a bigger size of locos, and we are working on that. But presently the price, very competitive price what we are working and as I mentioned this is our own product, got a very good PBT margin in this and looks to be promising.

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

Vidit Shah: Hi, thanks for taking my question, sir. Sir, my first question is on the process that we follow when we quote the pricing to our customers, if you could just help us understand what sort of margins that you all look at even a range will do specific margins at this time will be different by different products and customers? Or what sort of range of margins do you look at when quoting prices to customers for particular peers?

Dr. Raghavendra Rao: As you know, we are doing 4 vertical of business, one is a cable business where I cannot say exactly the normal typical, of course, how do I put it. In margins, it is an open call and it will be recorded, everybody, my competitor can listen and understand my costing but still, there are four verticals. Cable is a double digit margin what we quote and the PCB within a 10%, , then go to the system integration, the value brought, normally our casting work from the based on the bill of material complexity of the product. It will go to 5%-12% sometimes and also the fitting may be dust. We are doing for the kitting electronic inspection, casting. It may be about the range of about 7%-8%. This is what is calculated. I cannot tell you that. That depends. See, today, I cannot tell you my cost is this much. See, some of the modules are complex assembly, some of the



models got special test requirements, some of them are environmental test that depends on the product what customer comes with me. Based on that my margin, assembly cost, loading and the complexity of the delivery, everything matters. Any special licenses, special chemical test should be done. That depends. Normally, cable, I can say it will go on a double digit and go this system integration about 8%-10%. That depends. And I cannot say this is the product is my fixed. No, because I do multiple programs, different castings and of course, how we improve our margin. That is number one to capture more customer and do more value addition and less work to the customer where they can give us the PO and BOM and also there is a Make in India program and 50% individually content to be buy in India, so this all-possible thing to improve our margin.

- Vidit Shah:** Understood. Sir, could you help us quantify the amount of external sales Raneal has done in FY '25?
- Dr. Raghavendra Rao:** Sorry.
- Vidit Shah:** What is the external sales that Raneal has done in FY '25, not the capital consumption by the parent, but how much of Raneal business has been selling PCBAs to external customers?
- Dr. Raghavendra Rao:** External, maybe around Rs. 350-Rs. 380 crores, I am not having exact figure with me, about Rs. 380 crores.
- Vidit Shah:** So we have won an order from Lockheed in Raneal of about Rs. 380 crores that has been fully given and satisfied?
- Dr. Raghavendra Rao:** Still there are some small pending amounts, but 90% is completed.
- Vidit Shah:** And sir, just one last bookkeeping question is, we have seen an increase in intangible assets and other current liabilities by about Rs. 270- Rs. 300 crores, if you could just help us understand what has led to this increase in what balance sheet items?
- Prasanna Kumar:** Sir, I will take this question, Prasanna here. Whatever you have seen in the balance sheet, the Rs. 280 crores, intangible that belongs to NIART. That is the intangible property of NIART, for whatever that R&D has done from their end for this product. That has been capitalized as an intangible and it is in the balance sheet.
- Vidit Shah:** And what about the other current liabilities? That has gone up from Rs. 32 crores to Rs. 385 crores ?
- Dr. Raghavendra Rao:** This consolidated balance sheet contains the details of 3 companies which has closing, month end payables, trade payables, salaries, other expenditures and statutory reduce, all these are compressing to current liabilities.



*DCX Systems Limited
May 28, 2025*

- Vidit Shah:** And trade payables, isn't that line?
- Prasanna Kumar:** Yes, sorry. Trade payables have shown separately. Sorry, it is year-end expenditure, like employee benefit expenditure, gratuity, EL provisions, all these provisions which are all under current liabilities.
- Vidit Shah:** But sir that would be the same last year as well, right? So if the line was Rs. 32 crores last year why has that increased to Rs. 385 crores at the end of March 25?
- Prasanna Kumar:** No, last year it was not there because the NIART started operating from May 2024 and Raneal has started its operation from September 2024.
- Vidit Shah:** So are we saying we have Rs. 380 crores of payable because of expenses in these two subsidiaries?
- Prasanna Kumar:** Yes, of course, DCX and its two subsidiaries.
- Moderator:** Sir, we request you to rejoin the queue.
- Vidit Shah:** Yes. I will get back in the queue. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Mohit Bansal from Sama Partners. Please go ahead. Mr. Mohit, your line is unmuted. You can go ahead. Since the line from the current participant is not reachable, we will move to the next question. The next question is from the line of Sunil Kabra from CAP Sight Advisors. Please go ahead.
- Sunil Kabra:** Hi sir, thanks for an opportunity. I just wanted to know that, as you said, the locomotive product business for 5000-6000 locos going forward, are we looking at on the railway safety side, which is very high today in terms of allocation by the railway towards the TCAS are we looking at some opportunity of our products?
- Dr. Raghavendra Rao:** Yes, safety system only. Yes, you are right.
- Sunil Kabra:** As you rightly said that you are not a product company right now, can you throw some light on TCAS product which is under way under your R&D or somewhere in your company?
- Dr. Raghavendra Rao:** NIART basically is a product company that is radar-based obstacle deduction system. 4 years back, Elta started this, Israeli company and, Elta is the fifth largest expert in the radar company. They use the technology of radar and optics and their algorithm and use their technology. They have developed this product for railway safety which we have taken about 50.1% majority there investing about \$25 million and we are a partner for this. This company does completely on the railway security. This will go into an optical reduction system. This is a 100% OEM product.



*DCX Systems Limited
May 28, 2025*

This has its own mileage and as on today, in our knowledge world doesn't have any other product to meet this kind requirement, so this is the product company what we are having today.

Sunil Kabra: Thank you.

Moderator: Thank you. The next question is from the line of Mohit Bansal from Sama Partners. Please go ahead.

Mohit Bansal: Good afternoon and thank you for taking my question. Sir, my first question is regarding the recently announced JV on radar with Elta, sir, any guidance on CAPEX and when you are planning to go live on that?

Dr. Raghavendra Rao: The JV, what we have signed with the Elta System is right to manufacture and develop and supply to the armed forces. One is the airborne radars, ground radar, counter UAS system and many types of product related to radar and sensor what we are planning to manufacture in India. This product is not a newly developed product. This product capabilities are proven worldwide. We signed the JV and within 11 months we target to start the operation in this company. We are in the process of setting up a plant, finalizing the CAPEX and everything. And 11 months is the target to achieve this operation to be started in this JV company. So again is a product company.

Mohit Bansal: But have you finalized the numbers, sir, in terms of what CAPEX you are going to put up and how you are going to finance?

Dr. Raghavendra Rao: No, actually in the company, we are putting our capital as cash and there are CAPEX requirement like building, plant equipment and many things. Still we are under finalization. Most likely, in the next 10 days, we will finalized numbers because there are many test equipment, we are working with the supplier to, price negotiation is going on and this will be about totally Rs. 200 crore, not Rs. 150 crores. Exact number will come to know only in next 10-15 days. It is the CAPEX, we are putting that to the building CAPEX, test equipment. There are certain key equipments to be bought. Still another 10-15 days, we will finalize with the supplier whom to buy, what is the final price and this is the situation. By 11 months now, we will want to go live on this new JV company.

Mohit Bansal: So will we get an update on the exchanges in terms of when you finalize these numbers?

Dr. Raghavendra Rao: I don't know whether it is exchanged. Well, we can have, maybe next quarter conference or I don't know whether it is related to this thing, but we will definitely inform you what is the capacity and other things, yes, definitely.

Mohit Bansal: Sir, one last question on in NIART side, sir, what I wanted to understand was this in NIART technology that we have, the use case is only for railways or it can be used for other manned and unmanned vehicles?



*DCX Systems Limited
May 28, 2025*

- Dr. Raghavendra Rao:** Presently, what we have developed is railway only and there are multiple uses. But we don't want to think as of now. We want to concentrate railway business because this is a big business opportunity. This radar can be used in multiple areas. But presently, we are concentrating only on the railway safety.
- Mohit Bansal:** Thanks for taking the question, sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from Invest Well. Please go ahead.
- Abhishek Jain:** Hello. So the thing is that can you tell me give my kind of CAPEX you are looking for your joint venture with Elta for the radar systems and what kind of opportunity is there and what kind of revenue and operating margin that you expect here for the next 5 years?
- Dr. Raghavendra Rao:** CAPEX, it is under negotiation with the supplier. We got a CAPEX list till that as we finalize. Anyway, it is just one month that this development is taking place, and we have a complete list what all that to be purchased until we are not aware of the that is what I explained in the previous call. The previous person asked the question and yet to finalize the CAPEX. There are CAPEX, of course, requirement at least has come. We are working with the supplier to get the code and prepare it and will let you know once it is finalized, maybe in another 15 days, we will come to know what is the CAPEX investment on this.
- Abhishek Jain:** What I am saying is that, sir, there is business model before getting into the joint venture. So any tentative figures you could have provided would have been good. What kind of investments you are looking into kind of approximate sort of?
- Dr. Raghavendra Rao:** The opportunity, it is in the billions, because today, the business plan and the projection and that type of inquiry we are getting for a finished product with the technology, of course, the product company which Elta developed last 25-30 years back, that is completely transfer of technology took place and started. And this is a big market, of course, in India itself and the export market for some other countries also possible. And figures look very mind-blowing, it runs in billions, but we are starting the plant in next 11 months. There are many opportunities coming with this JV.
- Abhishek Jain:** Alright, sir, no issues. Thank you very much about this thing and what kind of CAPEX that we are looking in our company, basic company, DCX Systems?
- Dr. Raghavendra Rao:** That is what I said. CAPEX was still having to be finalized. We are working with supplier and yet to finalize the prices and what all the equipment to buy it and it will take some more time to finalize the capacity. I will let you know very shortly.
- Abhishek Jain:** So you are saying this thing about the joint venture that we are getting into with the Elta. I am talking about the DCX Systems, do we need any more capacity CAPEX?



*DCX Systems Limited
May 28, 2025*

- Dr. Raghavendra Rao:** Sorry, I thought the JV only. Prasanna, what is the CAPEX?
- Prasanna Kumar:** Sir, as of now, we are not forcing any CAPEX for this year. But if the new projects or if we have any new project and project demands, then only we will be going for the CAPEX. Other than the small yearly CAPEX of some 10-25 lakhs towards the placement of computers or worn out machinery, we do not foresee any CAPEX in DCX for this year.
- Abhishek Jain:** Alright.
- Moderator:** Sir, sorry to interrupt you, but we request you to rejoin the queue for follow-up question. Thank you. The next question is from the line of Shashi Prasad from Invest Ventures. Please go ahead.
- Shashi Prasad:** Raoji, you announced in the earlier concall that we have to sign the partnership deed with Aerospace Services India for the MRO business in Delhi?
- Dr. Raghavendra Rao:** Correct.
- Shashi Prasad:** What is the status of the MRO business at present for DCX Systems?
- Dr. Raghavendra Rao:** Yes. As you said, we signed the MoU with ASI for their partner for electronic assemblies and other things. And of course, they have some requirement recently got it. It has to pass through us. Still, there is a lot of process to be done at my customer end. They are working on it and compared to last year, it is moving little bit faster now because that MRO is required very urgently. We are part of that business and of course, I have not received any input from them. This is the feedback I got and this business is going to start shortly.
- Shashi Prasad:** My second question is that this ASI and Elta System have participated with Bharat Dynamics Limited and BEL and they have got very big orders of around Rs. 2,200 crores and Rs. 1,500 crores or so. Are we expecting a follow-up order from them?
- Dr. Raghavendra Rao:** Yes, we are definitely part of that. Already, I executed this order through BEL for the LRSM and if the BEL got the order and we are the only Indian supplier for their complete electronic module for them. If they get the order, definitely I will get back-to-back order.
- Shashi Prasad:** We have already got the order.
- Moderator:** Sorry to interrupt you, but we request you to rejoin the queue for follow up questions. Thank you. The next question is from the line of Jash Bhurjee, who is an Individual Investor. Please go ahead.
- Jash Bhurjee:** Yes, hello. So you mentioned the intangible assets are Rs. 220 odd crores for NIART, but we are not expecting any revenue from NIART in the next 1 or 2 years minimum, right?



- Dr. Raghavendra Rao:** Yes, one year at least, you can say the R&D company, the product has been mature now and until we get, to take proper revenue in my view in books, next year it should start.
- Jash Bhurjee:** So don't you think onboarding such a huge asset on our books without any significant revenue recognition immediately is not good for the company?
- Prasanna Kumar:** I will take this question. Sir, this company is incorporated in Israel and as per IFRS and as per Ind AS also, we have to recognize this as an asset and this has been recognized as per approved accounting principles.
- Moderator:** Thank you, sir. The next question is from the line of Venkat, an Individual Investor. Please go ahead. Mr. Venkat, your line is unmuted. Please go ahead.
- Venkat:** Sorry, ma'am, I was speaking under the muted. So my question is, what is the timeline? See that where we have to get the pending amount from the Israel, right? Israel side some 2-3 customers, right, is there in made ETA, ETA means what is the target end deadline to receive that money back? So whatever the starting two questions now, so what is the deadline for that?
- Dr. Raghavendra Rao:** In my view, months' time, 1 to 1.5 months' time, it has to be reconsidered. The old PO, we need to, it is a 4 years old PO project got closed and there are lot of reconciliation to take place and of course we submitted, there are questions, there are answers, there are proof has been given from our side. And in my view, it will take in 1 to 1.5 months max to get our things settled there.
- Venkat:** So it will reflect in our Q1 results, sir FY '26 Q1 results?
- Dr. Raghavendra Rao:** I want to push for Q1 results. In fact, we will definitely, that is always my target.
- Moderator:** Thank you. We will take our next question from the line of Sahib Singh Choudhary, an Individual Investor. Please go ahead.
- Sahib Singh Choudhary:** Hello. Good afternoon, sir.
- Dr. Raghavendra Rao:** Good afternoon.
- Sahib Singh Choudhary:** Sir, my question is regarding operating margin. Somebody earlier asked the same question, this year operating margin is almost 0. Last year, it was 6% and in the question of low margin, we have responded that there are certain costs which to be recovered from the customer and until and unless it is confirmed from the customer end, you will not account for the same. But if I look into your last year conference, same question was raised about your decreasing in the operating margin and you have responded the same reply that the certain cost you have to recover from the customer and until confirm that you have not accounted for. My question is that do you have recovered any amount during the Financial Year '24-25 related to the previous year? Over to you, sir?



- Prasanna Kumar:** No, we have not accounted any BOM guarantee in 2023-24.
- Sahib Singh Choudhary:** This recovery within a year, then how this recovery is reliable and we can expect that money ever will be realized or will be settled if any amount with the customer you are not able to settle in a year, then how we expect that this amount will be recovered in future?
- Dr. Raghavendra Rao:** See, there are amount to be settled in two ways. One is ongoing PO, starting from 3 years to ongoing PO, we used to get settlement. When the PO is getting settled in the 3 years, there is maybe first year, there is a small variation, second year, maybe not there, third year, more variation. So until all this accumulated and go with the end program, that is what I mentioned in the same call until one major project in 2-3 customer got closed, the old PO got closed. We need to reconcile everything and give a report. Maybe in 1 year, the last 3 years, you are mentioning that no claim, no. There are claims, again increased, got a repeated order. Same thing has come. This whole cycle takes place. Now, every year we used to claim, because we are able to unclaimed the major amount in the last year due to the PO is getting exacted for this recent year. So this all, it is a matter of not only component variation, maybe I spend more on NRE, more on special equipment, more on testing equipment, more on timing. It has to be calculated given them for approval. So maybe some of the program, it will get settled in every financial year. Now, some of the program is getting closed, then it will be settled in the 1 year, 1.5 year like that. So of course, this is what we are looking for this amount is 2-3 customer, it is a long-term PO, large PO, we are supposed to get it settled. That is the reason for this year, last year and this year will take little time, and this will go into anyway. This has been submitted and not only this thing, COVID has come, we couldn't travel, then war started, we couldn't travel and PO got closed. All these are reason that it got delayed. So now everything is settled, we have given PO from our side. Once customer approve, we will get back our money.
- Moderator:** Thank you, sir. Ladies and gentlemen, in the interest of time, we will take this as our last question. Please get in touch with the IR for further queries. I now hand the conference over to Dr. Raghavendra Rao for closing comments. Over to you, sir. Please go ahead.
- Dr. Raghavendra Rao:** Thank you. I want to sincerely thank for our team, investor, partner and all stakeholders for their unwavering support and cooperation. We truly appreciate your presence and involvement. For any additional question, please don't hesitate to contact our Compliance Officer, Mr. Gurumurthy and our Corporate Affair in-charge Mr. Manjunath and Adfactor for any queries. Again, I am telling you, we are here to answer your questions. Please don't hesitate and we are very much reachable and Gurumurthy and Manjunath are available. Please contact them for any query and we are ready to answer whatever you want. We welcome to our factory also, sit with us, understand our business and I want you to have clarity on my business. We don't mind spending time with you and giving more explanation and this is what I want to conclude my remarks. Thank you. Jai Hind.
- Moderator:** Thank you. on behalf of DCX Systems Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.