DCX Systems Limited

ISIN :INE0KL801015 | NSE :DCXINDIA

Price: 243
Recommendation: Buy
Industry: Aerospace & Defense
Sector: Industrials
Report Date: 16-Apr-2025

DCX Systems Limited is strategically enhancing its market position through initiatives like a joint venture with ELTA Systems to develop railway obstacle detection solutions. The company focuses on cost control, supply chain optimization, and expanding system integration services. With a robust order book and a strategic location in Bengaluru's SEZ, DCX targets significant growth in aerospace and defense, aiming for a 26% revenue CAGR over five years.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1363 Cr	Operating Profit(Year)	29.0 Cr	Operating Profit Margin	2.13 %
Previous Year	1254 Cr	Operating Profit(Quarter)	3.15 Cr	EBITDA Margin	8.51 %
Current Quarter	283 Cr	PAT (Year)	68.1 Cr	Net Profit Margin	4.78 %
Previous Quarter	195 Cr	PAT (Quarter)	11.6 Cr	EPS	4.70
Revenue (QYoY)	198 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	51.8	Sales Growth	14.7 %	Sales Growth	45.13 %
PEG Ratio	0.72	PAT Growth	-5.29 %	Sales Growth QYoY	42.93 %
EV/EBITDA	19.5	EPS Growth	-23.08 %	PAT Growth	13.73 %
P/B	2.39	Dividend Yield	0.00	PAT Growth QYoY	-2.52 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	8.08 %	Promoter	56.8 %	Debt/Equity	0.06
RoA	4.52 %	FII	1.01 %	Debt	64.2 Cr
RoCE	9.27 %	DII	5.39 %	Market Cap	2708 Cr
RoIC	6.64 %	Public	36.8 %	Enterprise value	1884 Cr
		No of Shares	11.1 Cr	Cash Equivalents	888 Cr

source : Company filings

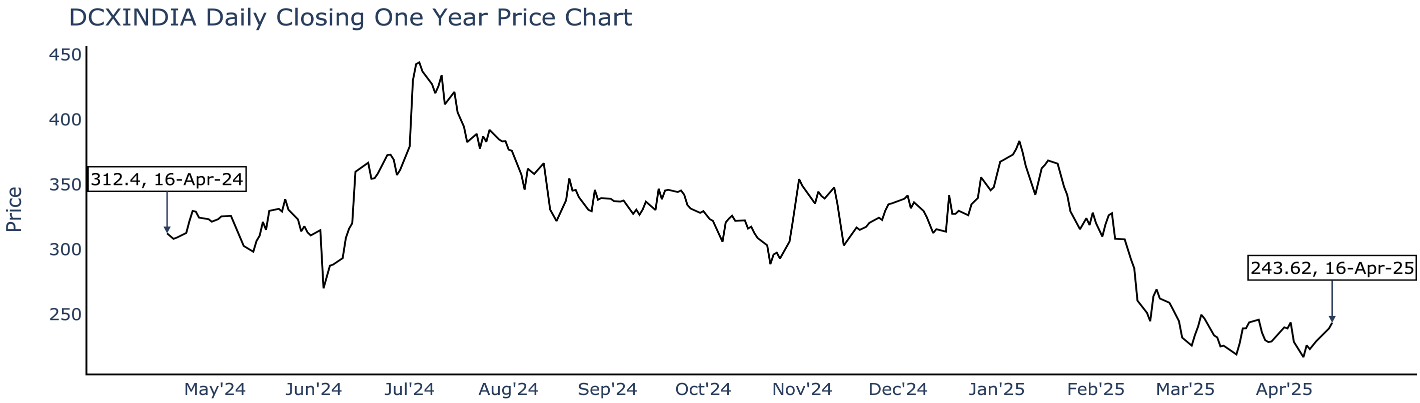
Company's Overview Based on Recent Concall and Performance:

In the recent meeting, DCX Systems Limited outlined several strategic initiatives aimed at enhancing its market position and operational efficiency. A key highlight was the formation of a joint venture with ELTA Systems, named NIART Systems Ltd, to develop advanced obstacle detection solutions for the railway sector. This venture aims to leverage DCX's manufacturing capabilities and ELTA's technical expertise to produce radar and optics products with superior quality, targeting both domestic and export markets. The company emphasized its focus on "better cost control, supply chain rationalization, and resource planning" to improve profitability and top-line growth. Additionally, DCX is expanding its system integration services, which include electronics and electro-mechanical assemblies, to penetrate new geographies and increase its share of non-offset projects from 15% to 40%.

DCX is actively pursuing diversification through backward integration into Electronics Manufacturing Services (EMS) via its subsidiary, Raneal Advanced Systems. This move is expected to enhance cost control, optimize working capital, and improve supply chain management. The company is also exploring inorganic growth opportunities to expand its high-margin cable and wire harness business, which caters to electronic warfare and communication systems. Furthermore, DCX is capitalizing on its strong relationships with global OEMs to secure new contracts, as evidenced by recent multi-million dollar orders from Lockheed Martin and ELTA Systems. The company is also focusing on maintenance, repair, and overhaul (MRO) services as an additional revenue stream with minimal capital expenditure.

Looking ahead, DCX is poised for significant growth, driven by its strategic initiatives and robust order book, which stands at Rs. 3,359 crores as of December 2024. The company is targeting a healthy CAGR of 26% in revenue and 52% in PAT over the next five years. DCX's strategic location in a Special Economic Zone (SEZ) in Bengaluru, coupled with its advanced manufacturing facilities, positions it well to capitalize on the growing demand in the aerospace and defense sectors. The company is also focusing on technology transfer from OEMs to save on R&D; costs and expedite product development, particularly for indigenous products identified by the government.

While DCX's strategic initiatives present a positive outlook, there are areas for improvement. The company could further enhance its operational efficiencies by investing in advanced technologies and automation. Additionally, expanding its presence in civilian sectors such as medical electronics could diversify its revenue streams and reduce dependency on defense contracts. Strengthening its global footprint through strategic partnerships and collaborations could also provide a competitive edge. Overall, DCX's comprehensive approach to growth and diversification, coupled with its focus on quality and innovation, positions it well for future success.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Apollo Micro Sys	3703.90	66.08	7.04%	-7.67%	62.46%	16.19%	82.39%
DCX Systems	2696.68	51.56	8.08%	44.84%	43.00%	14.10%	-2.02%
Bharat Electron	213591.68	42.80	26.27%	25.32%	38.65%	20.00%	52.51%
Data Pattern	10525.01	58.83	14.26%	28.59%	-16.11%	47.49%	-12.38%

Aspect	Commentary
Revenue	The company shows a strong revenue increase, with a 14.7% YoY growth and a 45.13% QoQ growth, indicating robust sales performance. This growth is driven by strategic initiatives and market expansion efforts, positioning the company well for future revenue gains.
Profit & Loss	Despite a 5.29% decline in PAT YoY, the company maintains profitability with a 13.73% QoQ PAT growth. This suggests effective cost management and operational efficiency improvements, although challenges remain in sustaining annual profit growth.
Profitability Matrix	The company exhibits moderate profitability with an operating profit margin of 2.13% and a net profit margin of 4.78%. The EBITDA margin of 8.51% reflects stable earnings before interest, taxes, depreciation, and amortization, supporting financial health.
Valuation Matrix	The valuation metrics indicate a high trailing P/E of 51.8, suggesting market optimism about future earnings. A PEG ratio of 0.72 implies potential undervaluation relative to growth, while EV/EBITDA of 19.5 and P/B of 2.39 reflect reasonable valuation.
Growth (YoY)	Year-over-year growth shows mixed results, with sales up 14.7% but PAT down 5.29%. EPS decline of 23.08% highlights earnings pressure, yet strategic initiatives aim to reverse this trend, focusing on long-term growth and profitability improvements.
Growth (QoQ)	Quarter-over-quarter growth is strong, with sales up 45.13% and PAT up 13.73%. However, a slight PAT decline of 2.52% QYoY suggests some volatility. The company is leveraging strategic initiatives to sustain and enhance quarterly growth momentum.
Capital Allocation	The company demonstrates prudent capital allocation with RoE at 8.08% and RoCE at 9.27%. Low debt/equity ratio of 0.06 indicates conservative leverage, supporting financial stability and flexibility for future investments and growth opportunities.
Holdings	Promoter holding is strong at 56.8%, indicating confidence in the company's prospects. Public holding at 36.8% and institutional holdings suggest balanced ownership, providing stability and potential for strategic partnerships and investor engagement.
Leverage	The company maintains a low debt/equity ratio of 0.06, reflecting minimal leverage and strong financial health. With cash equivalents of 888 Cr, the company is well-positioned to fund growth initiatives and manage financial obligations effectively.

Analyst viewpoint: DCX Systems Limited is well-positioned for growth in the short to mid-term due to its robust strategic initiatives and impressive quarterly performance. With a commendable 45.13% QoQ sales growth and a 13.73% QoQ PAT increase, the company demonstrates strong momentum driven by strategic partnerships and expansions into new geographies. The joint venture with ELTA Systems and backward integration into EMS underscore its proactive approach to market expansion and cost efficiency. Despite a high trailing P/E ratio of 51.8, market sentiment remains optimistic, supported by a strong 0.72 PEG ratio suggesting undervaluation relative to growth. The company's prudent capital allocation, marked by a low debt/equity ratio of 0.06, provides stability and flexibility for future investments.

Conversely, while the company shows promising potential, it faces challenges in sustaining its year-over-year profit growth, as evidenced by a 5.29% YoY decline in PAT. Nevertheless, DCX's commitment to enhancing operational efficiencies, coupled with a strategic focus on diversifying revenue streams beyond defense, indicates a sound trajectory for long-term profitability. Its significant promoter holding at 56.8% further reflects confidence in its growth outlook, with plans to capture a larger market share through innovations like advanced railway detection solutions. With these strategic moves, DCX Systems Limited stands to gain a competitive edge in the aerospace and defense sectors.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (hereinafter referred to as the Regulations).

1. GOALZEN CAPITAL SERVICES PRIVATE LIMITED is a SEBI-Registered Research Analyst having SEBI registration number INH000013448. GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"), the research entity, is engaged in providing research services on securities and information on personal financial products. This Research Report (called Report) is prepared and distributed by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with brand name 'GoalFi' (brand name trademarked to research analyst and company director 'Robin Arya') and used by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with mutual consent.

2. GOALZEN CAPITAL SERVICES PRIVATE LIMITED, its partners, employees, directors or agents, do not have any material adverse disciplinary history as on the date of publication of this report.

3. I, Robin Arya, author/s and the name/s in this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any financial interest in the subject company.

4. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.

5. I, Robin Arya, do not hold this stock as part of my investment portfolio at the date of recommendation. I/analysts in the Company have not traded in the subject stock thirty days preceding this research report and will not trade within five days of publication of the research report as required by regulations.

6. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received any compensation from the subject company in the past twelve months. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not been engaged in market making activity for the subject company.

7. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Analyst Certification:

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclaimers:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.

The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of GOALZEN CAPITAL SERVICES PRIVATE LIMITED. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject GOALZEN CAPITAL SERVICES PRIVATE LIMITED to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees responsible for any such misuse and further agrees to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be` suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of GOALZEN CAPITAL SERVICES PRIVATE LIMITED only.

GOALZEN CAPITAL SERVICES PRIVATE LIMITED has a contractual arrangement with a vendor - Smallcase Technologies Private Limited (STPL) whereby STPL provides technology solutions and related back-end infrastructure along with support for back-office related operations & processes. STPL does not provide any investment advice or recommendation nor does it make any claim of returns or performance with respect to any advice or recommendation.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Terms & Conditions:

These Terms and Conditions govern the use of the research subscription services provided by GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"). By subscribing to our services, you agree to these terms, if you disagree with any part of the terms, you must not use our services.

Payment and Renewal:

The subscription fee is non-refundable. No such requests over email or any other channel requesting for refund or for pro-rata refund will be acknowledged if smallcase constituents or research provided is accessed by the user. Please do not subscribe if you disagree with any part of the terms. Subscription renewals will be charged the standard rate unless otherwise notified.

Limitation of Liability:

GoalFi provides research based on data and analysis. The subscriber acknowledges that all investment decisions carry inherent risks, and GoalFi shall not be liable for any losses incurred based on our research.

No Investment Advice:

The content provided under the subscription is purely for informational purposes and should not be construed as investment advice. GoalFi, being a SEBI Registered Research Analyst (RA), provides research insights and not investment advisory services.

Termination:

GoalFi reserves the right to terminate the subscription at any time due to non-compliance with these terms or any other reasons deemed appropriate by us and no refund will be made.

No Guarantee: While we strive to provide accurate and reliable research, there is no guarantee on the returns or performance of the recommendations. Investing in securities involves risks, and there's the potential for losing money.

Review and Update: Our research products are reviewed and updated periodically to reflect the latest market conditions and insights. However, market conditions can change rapidly, and there's no guarantee that the conditions on which recommendations and insights are based will remain the same.

Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony

Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

Customer having any query/feedback/ clarification/ In case of grievances for
any of the services rendered by GOALZEN CAPITAL SERVICES PRIVATE LIMITED, write to hello@goalfi.app

Website: goalfiresearch.smallcase.com