

IPO NOTE

Issue Details

Price Band: ₹ 197 to ₹ 207

Issue Opens on: October 31, 2022

Issue Closes on: November 2, 2022

Lot Size: 72 Shares & in Multiples thereafter

Issue Highlights

Issue Size : ₹ 500 Cr.

No of Shares : 24,154,588

Face Value : ₹ 2

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	400
Offer for Sale	100
Total	500

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	75	375
HNI	15	75
Retail	10	50
Total	100	500

* 60% Shares of the QIB Portion to Anchor Investors

Listing

BSE & NSE

Lead Managers

- Edelweiss Financial Services Limited
- Axis Capital Limited
- Saffron Capital Advisors Private Limited

Registrar

Link Intime India Pvt. Ltd.

ANALYST

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COMPANY OVERVIEW

Incorporated in the year 2011, DCX Systems is among the leading Indian players for the manufacture of electronic sub-systems and cable harnesses in terms of manufacturing capability and revenue in Fiscal 2022 in the defence and aerospace sector. They are preferred Indian Offset Partner ("IOP") for foreign original equipment manufacturers ("OEMs") for executing aerospace and defence manufacturing projects. DCX Systems primarily engaged in system integration and manufacturing a comprehensive array of cables and wire harness assemblies and is involved in kitting.

DCX Systems is also one of the largest IOP for ELTA Systems Ltd and Israel Aerospace Industries Ltd, System Missiles and Space Division (together, the "IAI Group"), Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies. They operate through our manufacturing facility located at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka.

Company's order book has increased from Rs.1,941.31 Cr. to Rs.2,369 Cr. from FY20 to FY22. As of June 30, 2022, the order book was Rs. 2,563.63 Cr. to be executed in the Fiscal 2023 to 2025. As of June 30, 2022, they had 26 customers in Israel, United States, Korea and India, including certain Fortune 500 companies, multinational corporations and start-ups. Their customers include domestic and international OEMs, and private companies and public sector undertakings in India across different sectors, ranging from defence and aerospace to space ventures and railways.

HIGHLIGHTS

1. The company is among the preferred Indian Offset Partners for the defence and aerospace industry with global accreditations.
2. Technology enabled and scalable end-to-end capabilities
3. Strategically located in aerospace Special Economic Zone
4. Well-positioned to capitalize on industry tailwinds
5. Track record of consistent financial performance

Objects of the issue

Net proceeds of the fresh issue (Rs.400 Cr.) towards funding the following objects

1. Repayment/ prepayment, in full or part, of certain borrowings availed of by the Company (Rs.110 Cr.)
2. Funding working capital requirements of the Company (Rs.160 Cr.)
3. Investment in the wholly owned Subsidiary, Raneal Advanced Systems Private Limited, to fund its capital expenditure expenses (Rs. 44.88 Cr.) and
4. General corporate purposes

Offer for sale of Equity Shares aggregating upto Rs. 100 Cr. Company will not receive any proceeds from the Offer.

OUR VIEW

DCX Systems is the leading manufacture of electronic sub-systems and cable harnesses in India. It is among the preferred Indian Offset Partners for the defence and aerospace industry with global accreditations. The growing Indian landscape for defence and aerospace serves as a key opportunity for the company.

Company's topline and bottom-line has improved between FY20 to FY22 at CAGR 56.64% and 160% respectively. EBITDA margin has improved from 4.75% in FY20 to 11.05% in FY22. The firm's Net Profit margin has been in the range of 2 to 5.85%.

The issue is priced at a P/BV of 13.00 based on its NAV of Rs.15.92 as of June 30, 2022. At the higher price band of Rs.207, the IPO is reasonably priced at post issue at 31 times FY22 earnings (consolidated) which is within the Industry P/E range from 32x to 85x. If we annualize Q1FY23 earnings, then the asking price is at a P/E of around 72x. There are listed peers like BDL trading at P/E 32x (Lowest) and Paras Defence trading at P/E 84x (Highest) and industry average P/E is 62x.

The growing Indian landscape for defence and aerospace serves as a key opportunity for the Company. The Indian government has banned defence based imports that will boost indigenous manufacturing within India. DCX Systems is preferred IOP for foreign OEMs for executing defence manufacturing projects. With strong rise in topline, decent margins, good airstrip for growth and reasonable valuations, Investors can apply with long-term horizon.

Brief Financials

PARTICULARS	₹ in Million			
	As at June 30, 2022 (Consolidated)	FY '22 (Consolidated)	FY '21 (Standalone)	FY '20 (Standalone)
Total Income	2,202.54	1,243.34	6,832.42	4,652.29
Total Expenditure	2,137.83	10,487.79	6,434.36	4,523.62
EBITDA	173.56	838.73	100.80	305.13
Profit before Tax	64.71	755.55	3,98.06	1,28.67
Profit after Tax	55.68	656.08	295.58	97.44
E.P.S. [diluted (Rs.)]	0.72*	9.19	4.22	1.39
P/E (x) (Diluted)	-	39	-	-
RONW (%)	4.52*	55.79	63.18	56.75

* Not annualised.

PRICE CHART (@ ₹ 72)

LOT SIZE	Amount
207	14,904
414	29,808
621	44,712
828	59,616
1035	74,520
1242	89,424
1449	104,328
1656	119,232
1863	134,136
2070	149,040
2277	163,944
2484	178,848
2691	193,752

[Please go through the RHP for salient features.](#)

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	07/11/2022
Initiation of refunds/unblocking ASBA Fund	09/11/2022
Credit of Equity Shares to demat accounts of Allottees	10/11/2022
Commencement of trading of the Equity Shares on the Stock Exchanges	11/11/2022

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