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**IPO note: DCX Systems Limited - "SUBSCRIBE the issue for listing gains"**

**October 31, 2022**

**Impressive background and business model..**

DCX Systems Limited ("DCX Systems") was incorporated on December 16, 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 the defence and aerospace sector. The Company is preferred Indian Offset Partner ("IOP") for foreign original equipment manufacturers ("OEMs") for executing defence manufacturing projects. The Company undertakes "build-to-print" system integration and manufacture cable and wire harness assemblies for both domestic and international OEMs. As part of its system integration services, the Company's strength includes the manufacturing of complex microwave modules and sub-systems such as transmit receiver modules, receiver subsystems, and antennas used in military applications, space technology and aerospace. The Company is also engaged in manufacturing a comprehensive array of cables and wire harnesses assemblies such as radio frequency co-axial, mixed signal, power, data and communication cables for a variety of uses including communication systems, sensors, surveillance systems, missile systems, military armored vehicle, and other electronic warfare systems.

The Company is led by experienced Promoters and a qualified senior management team with significant experience in the aerospace and defence manufacturing industry. Dr. H.S. Raghavendra Rao, its Individual Promoter, Chairman and Managing Director, has over two decades of experience in electronics manufacturing and in the defence and aerospace sectors.

The Company is also one of the largest IOP for the IAI Group, Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies.

The Company's order book has increased from ₹ 1,941.31 crore, as of March 31, 2020 to ₹ 2,369 crore, as of March 31, 2022. As of June 30, 2022, the order book stood at ₹ 2,563.63 crore to be executed in the Fiscal 2023 to 2025.

The company operates through its manufacturing facilities located at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka.

The Company has established long-term relationships with its key customers and the average period of business relationship with its top three customers is over five years. The Company believes that its long-standing relationship with its customers has enabled it to be among their preferred suppliers.

As of June 30, 2022, the Company had 26 customers in Israel, United States, Korea and India, including certain Fortune 500 companies, multinational corporations and start-ups. The Company's 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.

The Company has a mix of domestic and international customers and certain of its key customers include Elta Systems Limited, Israel Aerospace Industries Limited – System Missiles and Space Division, Bharat Electronics Limited, Astra Rafael Comsys Private Limited, Alpha-Elsec Defense and Aerospace Systems Private Limited, Alpha Design Technologies Private Limited, Astra Microwave Products Limited, Kalyani Rafael Advanced Systems Private Limited, SFO Technologies Private Limited and DCX-Chol Enterprises Inc.

**Investment recommendation and rationale**

DCX is uniquely positioned to partner with major government and Private Indian/ global defence entities, and to independently seize future defence manufacturing and integration related opportunities because of its strong capabilities across the five inter-related segments – System Integration, Cable and Wire Harness Assembly and Electro Mechanical Assembly. The company also plans to expand into MRO and EMS segments in the short term. This broad-based capability mix is highly sought after, especially by foreign OEMs looking for strong offset partners in India for major defence contracts, and is one of the reasons why global defence primes continue

<b>Type of Issue</b>	Fresh issue of Equity shares aggregating upto - ₹400 Crore and Offer for sale of Equity shares aggregating upto ₹100 Crore
<b>No. of shares</b>	24,154,588 Equity shares at the upper end of the price band
<b>Issue date</b>	October 31, 2022 - November 02, 2022
<b>Listing date</b>	November 11, 2022
<b>Price Band</b>	₹197 - ₹207 (Face value: ₹ 2)
<b>Bid lot</b>	72 equity shares and in multiple thereof
<b>Issue structure</b>	QIB - 75%, NIB - 15%, Retail - 10%
<b>Post issue shares</b>	9.67 Crore equity shares at upper end of the price band
<b>Promoters Public</b>	Pre IPO: 98.20 %   Post IPO: 73.58 % Pre IPO: 1.80%   Post IPO: 26.42%
<b>Post issue market cap</b>	₹2,002 Crore at the upper end of the price band
<b>BRLMS</b>	Axis Capital, Edelweiss Financial, Saffron Capital
<b>Registrar to the issue</b>	Link Intime India Pvt. Ltd.

Particulars (₹ Crore)	As at June 2022 (Consolidated)	FY22 (Consolidated)	FY21 (Stand-alone)	FY20 (Stand-alone)
Revenue from operations	213.25	1,102.27	641.16	449.26
EBITDA	24.35	105.90	32.48	45.20
EBITDA (%)	11.05	9.42	4.75	9.72
Profit before tax	6.47	75.56	39.81	12.87
Net Profit	5.57	65.61	29.56	9.74
PAT margin (%)	2.53	5.84	4.33	2.09
Equity share cap.	15.48	15.48	3.50	3.50
Networth	123.18	117.59	46.79	17.17
Long term debt	35.44	35.44	-	-
Short term debt	462.88	467.18	136.37	133.97
Debt/Equity (x)	4.05	4.27	2.91	7.80
Book value (₹)	15.92	15.19	6.68	2.45
Post IPO EPS (₹)	0.58	6.78	3.06	1.01
P/E (x)#	-	30.5	67.6	204.9
Net Working capital days@	-	195	92	107
RoNW (%)	-	55.79	63.18	56.75
Adj. RoCE (%)	-	16.70	16.33	28.86

Source: Red Herring Prospectus (RHP), # denotes P/E at Post IPO EPS, @ derived from standalone audited financial statements

**to seek out DCX as a key partner to tap the Indian defence market. (Source: RHP).**

At the upper end of the price band of ₹207, the Company's IPO is valued at P/E of 30.5x at post IPO FY22 EPS which we believe is reasonable. We recommend investors to "SUBSCRIBE the issue for listing gains" due to the following factors: a) The Company is among the preferred Indian Offset Partners for the defence and aerospace industry with global accreditations, b) Technology enabled and scalable end-to-end capabilities, c) Business model with visibility of cash flows and ability to mitigate operational and technology risk, d) Strategically located in aerospace SEZ with an advanced and modern manufacturing facility, e) Well-positioned to capitalize on industry tailwinds, f) Track record of consistent financial performance, g) Experienced and qualified Promoters and senior management team supported by a committed employee base, h) the Company has raised Rs. 225 Crore through the anchor investors which instills confidence in the issue.

## Objects of the issue

The Offer comprises a Fresh Issue by the Company and an Offer for Sale by the Promoter Selling Shareholders:

### Fresh issue : ₹400 Crore

Objects	(₹ Crore)
Repayment/ prepayment, in full or part, of certain borrowings availed of by the company;	110.00
Funding incremental working capital requirements;	160.00
Investment in the wholly owned Subsidiary, Raneal Advanced Systems Pvt Ltd, to fund its capital expenditure expenses;	44.88
General Corporate Purposes	-

Source: Red Herring Prospectus (RHP)

### Offer for sale : ₹100 Crore

The offer for sale by	Amount	Equity shares offered in the Offer for sale	Weighted Average cost of acquisition
<b>The Promoter Selling Shareholder</b>	<b>Upto ₹ 100 Crore</b>	<b>48,30,918<sup>^</sup> Equity Shares<sup>#</sup></b>	
NCBG Holdings Inc.	Upto ₹ 50 Crore	2,415,459 <sup>^</sup> Equity Shares <sup>#</sup>	₹5.65
VNG Technology Private Limited	Upto ₹ 50 Crore	2,415,459 <sup>^</sup> Equity Shares <sup>#</sup>	₹0.50

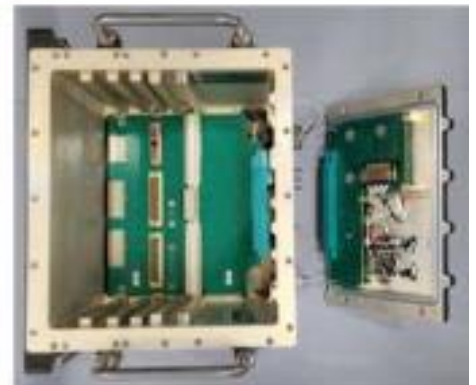
Source: Red Herring Prospectus (RHP), <sup>^</sup> denotes at upper price band; <sup>#</sup> shares are rounded/adjusted to the nearest.

## Company's Products

### System Integration:

DCX Systems undertakes system integration in areas of radar systems, sensors, electronic warfare, missiles, and communication systems. The Company provides product assembly and system integration services to address customers' requirements. System integration services are part of a comprehensive array of electronics and electro-mechanical assembly and enclosure assembly. The Company's purchasing, logistics, inventory control and production engineering groups work together, supported by engineering expertise in both electrical and mechanical assembly. As part of their system integration services, they also do in-house testing, including vibration and environmental stress testing of complex radio frequency products to ensure the quality of their final products to be shipped to their customers, and reliability of their products' functioning under varying environmental conditions.

The company possesses capabilities to manufacture complex, high-end and high-power microwave modules which have applications in radars, antennas, electronic warfare systems, receiver sub-systems and missile systems. The Company's capabilities include inspection and test equipment of cable tester, cirrus testers, network analyzer, crimp pull tester, microscope, leak test equipment, high voltage tester, micro-ohm meter, test station for PCBAs, automatic testing equipment for PCBAs and module testing, electrodynamic vibration shaker system, contact retention tester and vernier height gauge.



Source: Red Herring Prospectus (RHP)

### **Cable and Wire Harness Assemblies:**

DCX Systems manufactures a comprehensive array of cables and wire harnesses assemblies such as radio frequency cables, co-axial, mixed signal, power, and data cables for a variety of uses including communication systems, sensors, surveillance systems, missile systems, military armored vehicles, and other electronic warfare systems for the aerospace and defence industries as per their customers' requirements.

### **Fine Wire Cable Assemblies**



Fine cables are light weight, high temperature resistant, radiations resistance, low smoke and zero halogen and strong. Fine wire cable assemblies are extensively used in robotic, aerospace, marine, space and medical applications to obtain high performance.

### **Flex Flat Cable Assemblies**



Designed for board-to-board interconnections, flexible flat cable is a type of cable that is flat in shape and flexible enough to manoeuvre within tight spaces. Flex cable applications are usually used in small and tight spaces. The construction of a flat cable really helps manage cables because of the uniform, flat shape. Usually, a flexible plastic is used in the base where several different conductors are able to be bonded with the surface. The flat cable provides 3 main advantages over a round cable with space-saving design, improved resistance to electromagnetic interference ("EMI") or radio frequency interference and helping to avoid any issues related to wire coupling.

### **Electromagnetic Interference Shielded Cable Harness**



EMI shielded cables, harnesses and assemblies are designed to meet electromagnetic pulses, electromagnetic compatibility, nuclear, biological and chemical and telecommunications electronics material protected from emanating spurious transmissions or TEMPEST solutions, and their shielded solutions have been used in certain commercial airliner landing gear systems, secure communication systems and others.

### **Wired Enclosure**



The company produces high reliability backplane assemblies, and wired enclosures for the defence and aerospace and industrial market. The Company's specialize in complete turnkey custom electronic wired enclosures, sub-racks, system cabinets, and subsystem chassis. Their capabilities enable them to support portable size units to large consoles with up to 100,000 terminations and allow their customers the flexibility to customize their designs to meet the needs of the application.

### **Conduit Assemblies**



Electrical conduits surround electrical wiring to protect from impact, moisture and chemical vapours. A conduit simplifies a wiring installation by providing an unobstructed path for the wiring to run through. Conduit systems can be waterproof and protect sensitive circuits from electromagnetic interference. Special types of conduits can be made to protect wiring from flammable gases and vapours to protect from fire and explosion. Other types of conduits are



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made to be directly encased in concrete, allowing for specialized installation of outlets and networking/phone ports and ease of running the wires through the floor.

### Kitting:

DCX Systems supply assembly ready kits of electronic and electro-mechanical parts and undertake all aspects of procurement including sourcing components from suppliers approved by their customer along with a 'Certificate of Compliance' for traceability, controlled storage of moisture sensitive devices to ensure that customers receive complete, assembly-ready kits when required when they are needed for production. In addition, they also undertake job work services that includes assembly and testing of materials that have been supplied directly by their customers.

Source: Red Herring Prospectus (RHP)

### Revenue from operations as per the business verticals:

Category	Three months ended June 30, 2022		Fiscal 2022		Fiscal 2021		Fiscal 2020	
	Amount (₹ Crore)	% to Total Revenue	Amount (₹ Crore)	% to Total Revenue	Amount (₹ Crore)	% to Total Revenue	Amount (₹ Crore) Total	% to Revenue
System Integration	205.50	96.36%	939.86	85.27%	616.06	96.09%	371.77	82.75%
Cable and Wire Harness Assemblies	6.92	3.24%	29.81	2.70%	19.58	3.05%	33.31	7.42%
Kitting	0.84	0.40%	132.59	12.03%	5.51	0.86%	44.18	9.83%
<b>Total sale of products</b>	<b>213.25</b>	<b>100.00%</b>	<b>1,102.27</b>	<b>100.00%</b>	<b>641.16</b>	<b>100.00%</b>	<b>449.26</b>	<b>100.00%</b>

Source: Red Herring Prospectus (RHP)

### Competitive advantages

#### 1) Among the preferred Indian Offset Partners for the defence and aerospace industry with global accreditations

DCX Systems is a preferred Indian Offset Partners ("IOP") for foreign OEMs for executing defence manufacturing projects. The Company undertakes "build-to-print" system integration and manufacture cable and wire harness assemblies for both domestic and international OEMs. The Company is also one of the largest IOP for the IAI Group, Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies. The Company holds a number of key certifications that include AS-9100:2016 certification for quality management systems for aviation, space and defences products manufacturing and their Defence Industrial License from the Ministry of Commerce and Industry, GoI for the manufacture of defence subsystems that includes microwave components, modules for radar and electronic warfare subsystems, microwave sub-modules, for command and guidance units for missile subsystems only. The Company also adheres to global standards and have obtained various global certifications. The Company's global certifications help them serve their customers' stringent quality specifications and assists in new customer acquisition.

As part of their system integration services, the Company's strength includes the manufacturing of complex microwave modules and sub-systems such as transmit receiver modules, receiver subsystems, and antennas used in military applications, space technology and aerospace. The Company is also engaged in manufacturing a comprehensive array of cables and wire harnesses assemblies such as radio frequency co-axial, mixed signal, power, data and communication cables for a variety of uses including communication systems, sensors, surveillance systems, missile systems, military armoured vehicle and other electronic warfare systems.

#### The information regarding the various projects that DCX Systems have been involved in, as of June 30, 2022:

Product / Description	Vertical	Offset Value (₹ Crore)
MRSAM / LRSAM - Transmit receiver group module	System Integration	1,444.70
PIDS – Dual transmit receiver module	System Integration	402.02
Air Defence Fire Control Radar - Antenna unit/radar processing unit/transmitter receiving unit	System Integration	100.79
High Power Radars - Dual transmitter receiver module	System Integration	51.84
Thermal Imager Fire Control System	Cable and wire harness	17.81
Long Range Reconnaissance and Observation System	Cable and wire harness	9.08
Thermal Imager Standalone Kit	Cable and wire harness	6.56
Barak-1 and Barak-8 Missile Systems	Cable and wire harness	5.10
Commander Open Architecture Panoramic Sight	Cable and wire harness	3.54

Source: Red Herring Prospectus (RHP)



DCX Systems has submitted their acceptance to act as the IOP for upcoming projects for several electronic assemblies, automatic missile detection radars, HERON unmanned aerial vehicle systems, Barak systems, medium range maritime reconnaissance aircraft and short-range surface to air missile. The Company has over the years, established and refined their agile assembly, configuration, and testing processes to maintain their focus on quality products and timing of delivery to their customers. The Company has a team of skilled professionals with experience in the field of engineering, supply chain management, human resources and administration, finance and legal compliance to address the requirements of the customers. The Company aids their customers by performing activities, including sourcing, purchasing and logistics and development of vendor eco-system both domestically and globally. They have also developed a set of vendors domestically in areas of mechanical components, test fixtures, high-end packaging, special coatings and chemical conversions.

## **2) Technology enabled and scalable end-to-end capabilities**

As part of their system integration services, DCX Systems also do in-house testing to ensure the quality of their final products, and reliability of their products' functioning under varying environmental conditions. The Company also specialises in manufacturing assemblies that are used in applications for land, underwater and airborne use. The Company also manufactures test cables, large mechanical jigs and fixtures, and testing programs to meet desired requirements of customer in testing and qualifying the product. In addition, their products are also subjected to various quality assurance tests.

The company provides 12 months warranty to their customers for their system integration and cable and wire harness services. The Company has supplied over 10,000 units in the last 3 Fiscals and in the 3 months ended June 30, 2022 and have to date not incurred any warranty claims. The Company's operations are certified with IPC-A-610 for electronic assemblies, IPC-620 for cable and wire harness assemblies and J-STD-001 for soldered electrical and electronic assemblies to meet the quality manufacturing standards of the aerospace and defence industry. Company's scalability is demonstrated by revenues. The revenue from operations have increased at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. Further, in Fiscal 2020, 2021 and 2022, and in the 3 months ended June 30, 2022, their capital expenditure towards additions to fixed assets (property, plant and equipment's and intangible assets) were ₹ 10.28 crore, ₹ 1.58 crore, ₹ 1.62 crore, ₹ 0.02 crore, and ₹ 0.05 crore, respectively.

## **3) Business model with visibility of cash flows and ability to mitigate operational and technology risk**

The Company's product portfolio is backed by its system integration and manufacturing capabilities has led to its order book growing from 45 orders aggregating ₹ 1,941.31 Crore, as of March 31, 2020 to 48 orders aggregating ₹ 2,369 Crore, as of March 31, 2022. As of June 30, 2022, the Company's order book comprised 42 orders and was ₹ 2,563.63 Crore with orders from several customers for projects to be executed in Fiscal 2023 to Fiscal 2025.

The Company believes its competitive advantages include efficiency in operations resulting in timely delivery to customers, maintaining quality control and product security. This has enabled its Company to develop long-term and entrenched relationships with OEM customers that has resulted in growth in the operations and sizeable order book.

The Company's manufacturing activity is obsolescence-proof as the technology coupled with intellectual property rights, both vest with its OEM customers. Further, the Company's in-house team monitors the obsolescence factor and provides feedback to its OEM customers for suitable action including drop-in replacements. The Company's OEM customers also provide training at their facilities to its employees. In the Company's system integration projects that are high value, intellectual property-sensitive and classified, we perform risk mitigation including handling of its finished goods under special standard operating procedure provided by customers which includes a dedicated vehicle with freight forwarders to escort the consignment from its premises to dedicated area in airport. This enables security of classified products till they reach the end-customer in various locations. For certain products which do not meet the required specification after subjecting them for the defined testing processes, we are able to rectify the failure based on available technical data and its expertise. For products where the failure cannot be identified with available technical data and those that require core design data for further analysis, the Company's OEM customers permits the Company to ship the product in an as-is condition which improves the Company's inventory position and ensures cash flows. The Company's capital expenditure requirement on such projects significantly reduces as its customers provides with equipment required for testing and qualifying the customised products. The Company's customers typically reimburse it for the costs incurred to maintain all buyer furnished equipment to use in manufacturing and qualifying the products in serviceable condition. As of June 30, 2022, the Company held ₹ 93.23 Crore worth of equipment provided to the Company by its customers, and such equipment can be used for similar projects, subject to approval from such customers.

Suppliers of its raw materials for a particular project are approved and determined by customers prior to commencement of the project. The Company and its customer jointly monitor and ensure the quality of items. The Company's customers also provide technical training to its employees to ensure efficient project execution.

## **4) Strategically located in aerospace Special Economic Zone with an advanced and modern manufacturing facility**

In 2020, the Company commissioned its new manufacturing facility at the Hi-Tech Defence and Aerospace Park SEZ in Bengaluru, Karnataka. The Company's facility is spread over an area of 30,000 square feet and is located in the same city as its key domestic customers which ensures shorter delivery times. The facility is secured by digital security cameras coupled with alarm systems with restricted access control for individual manufacturing divisions. The Company's facility is situated within a SEZ that offers it duty free imports, exemption from GST and supplies that are zero rated under extant regulations. Being situated in an SEZ ensures that we are also not subject to levies imposed by the state government and the Company's operations are eligible for single-window clearance by the relevant authority.

The Company's facility is equipped with advanced machinery and equipment including laser wire maker, automatic wire cutting and stripping machine, coaxial stripping machine, crimp tools, controlled torque tools, vacuum pump and desiccator, tinned welding machine and temperature controlled soldering station. The Company's facility is set up for complete in-house environmental and electrical testing and contains the latest inspection and testing equipment. The Company's manufacturing line and equipment meets the standards prescribed by the Institute for Printed Circuit ( "IPC" ). The Company manages its operations through an enterprise resource planning system. A majority of its finished goods are handled under special standard operating procedure mandated by its customers which includes transporting the consignment from its premises to the airport with a dedicated vehicle with freight forwarders. This enables security of classified products till it reaches the customers in various locations.

## 5) Track record of consistent financial performance

DCX Systems has been delivering consistent financial performance, despite the impact of the COVID-19 pandemic on their business operations. In Fiscal 2020, 2021 and 2022 and in the 3 months ended June 30, 2021 and June 30, 2022, their revenue from operations were ₹ 449.26 crore, ₹ 641.16 crore ₹ 1,102.27 crore, ₹ 122.91 crore and ₹ 213.25 crore, respectively. The revenue from operations grew at a CAGR of 56.64% between Fiscal 2020 and Fiscal 2022. The total assets have grown from ₹ 698.85 crore, as of March 31, 2020 to ₹ 942.62 crore, as of March 31, 2022, respectively and was ₹ 763.41 crore, as of June 30, 2021 and ₹ 1,011.61 crore, as of June 30, 2022.

## 6) Experienced and qualified Promoters and senior management team supported by a committed employee base

DCX Systems possess a qualified senior management team with considerable industry experience. Their Promoter, Chairman and Managing Director, Dr. H.S. Raghavendra Rao, is an industry veteran with over 2 decades of experience in electronic manufacturing and in the defence and aerospace sectors. Their Non-Independent and Non-executive Director, Neal Jeremy Castleman, has been involved in the electronics industry since 1997 and possesses extensive electronics manufacturing experience. The Company's Key Managerial Personnel team includes a combination of management executives who bring in significant business expertise including in the areas of finance and accounts, supply chain management, logistics, production, quality, and human resources, which positions them well to capitalize on the current and future growth opportunities.

(Source: Red Herring Prospectus)

## Competition

DCX Systems operates in the highly competitive system integration and cable and wire harness assemblies industry. To remain competitive in their markets which varies by geographic areas and type of products manufactured, they must continuously strive to reduce their costs of production, transportation and distribution and improve their operating efficiencies. The Company competes with both domestic and international companies, primarily on the basis of product quality, technology, cost, delivery and service, as well as quality and depth of senior level relationships as well as the operating level relationships.

The Company's current product portfolio allows them to cater to various segments in the system integration, wires and cable harnesses and kitting verticals and as a result, they compete with various companies for each of their business verticals. The Company's main competitors include Data Patterns, Astra Microwave Products, Centum Electronics, Bharat Electronics, and Paras Defence and Space Technologies. Certain of these entities are also their customers.

## Key risks

**1) High client concentration risk:** The Company's business is dependent on the sale of products and services to its key customers. The Company's top three customers accounted for 73.26%, 86.90%, 80.55%, 85.70% and 96.83% of its revenue from operations in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022, respectively. The loss of one or more such customers or a reduction in their demand for its products could adversely affect its business, results of operations, financial condition and cash flows. The Company is dependent on a limited number of key customers and in particular ELTA Systems Limited and Israel Aerospace Industries Limited, System Missiles and Space Division (together, the "IAI Group"), for a significant portion of its revenues. The Company is also one of the largest Indian Offset Partner ("IOP") for the IAI Group, Israel, for the Indian defence market for manufacture of electronic sub-systems and cable and wire harness assemblies. (Source: RHP)

**2) The Company's revenue from operations depends significantly on offset defence contracts:** Any changes in the offset defence policy or a decline or reprioritisation of funding in the Indian defence budget, or delays in the budget process could adversely affect its ability to grow or maintain its sales, earnings, and cash flow. In Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2021 and June 30, 2022, the Company's revenue from the offset defence contracts was ₹ 433.13 Crore, ₹ 601.48 Crore, ₹ 956.51 Crore, ₹ 103.83 Crore and ₹ 137.63 Crore, respectively representing 97.86%, 94.23%, 87.00%, 84.47% and 64.54% of the Company's total revenue from sale of products and services, respectively in such periods. The Company expects to continue to derive most of the Company's revenue from operations from work performed under such offset contracts. Any changes in the government policy in connection with offset defence contracts could have an adverse impact on its sales, earnings and cash flows.

For example, under the Defence Acquisition Procedure 2020 ("DAP 2020"), provisions on offsets would be applicable to 'Buy (Global)' categories of procurement, where the estimated acceptance on necessity cost is ₹ 2000 Crore or more. Indian vendors, participating in the 'Buy (Global)' categories of procurement, who achieve 30% indigenous content in 'Buy (Global)' category do not have to discharge their offset obligations. The DAP 2020 further exempts defence procurement through inter-governmental agreements, foreign military sales and ab initio single vendor cases from the offset obligation which is a deviation from the previous defence acquisition procedure. Additionally, the Defence Acquisition Council may also consider a partial or full waiver of the offset obligations. Further, even in cases where offset is triggered, the avenues for discharging them have been reduced. The 'investment in kind' avenue in terms of provision of equipment through the non-equity route, which was introduced in the DPP-2013, no longer remains a valid avenue.

## Background

### Company and Directors

The company was incorporated as "DCX Cable Assemblies Private Limited" on December 16, 2011. Dr. H. S. Raghavendra Rao, NCBG Holdings Inc. and VNG Technology Pvt Ltd are the promoters of the company. The promoters collectively hold an aggregate of 76,000,000 Equity Shares, equivalent to 98.20% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

### Brief Biographies of Directors

**Dr. H S Raghavendra Rao** is the Promoter, Chairman and Managing Director of the company. He has been the Director of the company since January 16, 2012. His key role in the Company, amongst other things, is to deliver the business plan and conduct the business of the company, ensure client



relationship management and coordinate the administrative duties of the company. He has been conferred with an honorary doctorate in business management by the International Peace University, Germany. He has about 21 years of experience in the electronics manufacturing sector and aerospace sector.

**Neal Jeremy Castleman** is the Non-Independent and Non-executive Director of the company. He has been the Director of the company since March 14, 2012. He has over 2 decades of experience in the electronics manufacturing sector. He has been working with DCX-CHOL Enterprises, Inc as a director (president) since 1997.

**Sankar Krishnan Ramalingam** is the Whole-time Director of the company. He has been the Director of the company since January 28, 2022. He has about 26 years of experience in the finance sector. He was previously associated with Hindustan Lever Ltd and Syndicate Bank. He has also been the whole-time director of Saffron Capital Advisors Pvt Ltd and Impetus Arthasutra Pvt Ltd.

**Kalyanasundaram Chandrasekaran** is the Independent Director of the company. He has been the Director of the company since January 28, 2022. He was previously associated with BDA Ltd, Beacon Weir Ltd, Ceeta Springs & Steels Ltd, Associated Construction and Investment Company, LLC, Dubai Lifestyle City and Tracstar Investments Ltd.

**Panchangam Nagashayana** is the Independent Director of the company. He has been the Director of the company since January 28, 2022. He has more than 30 years of experience in the electronics sector. He was previously associated with Canarie International, Canarie Electronics Inc., Plugmetrix Technologies LLP and Cyberstar Infocom Pvt Ltd. He is currently a whole-time director of Avyaya Technologies Pvt Ltd.

**Lathika Siddharth Pai** is the Independent Director of the company. She has been the Director of the company since February 2, 2022. She has 15 years of experience in management consultancy and has been working with Tekinroads Consulting LLP since 2014 as a partner.

#### **Key Managerial Personnel**

**Ranga KS** is the Chief Financial Officer of the company. He joined the company on December 22, 2021.

**Shiva Kumara R** is the Vice President of the company. He joined the company on October 1, 2021. He has more than 14 years of experience in Supply Chain Management.

**Nagaraj R Dhavaskar** is the Company Secretary, Legal and Compliance Officer of the company. He joined the company on December 1, 2021. He has more than 5 years of experience in legal compliance and corporate sectorial services.

**Pramod B** is the Deputy General Manager- Operations of the company. He joined the company on October 1, 2021. He has more than 14 years of experience in supply chain management.

**Anand S** is the Deputy General Manager- Supply Chain Management of the Company. He joined the company on August 2, 2021. He has about 14 years of experience in supply chain management.

**Kiran Kumar K S** is the Manager-Production. He joined the company on October 3, 2018. He has about 8 years of experience in the field of engineering.

**Atul Dhondiram Mutthe** is the Manager- Quality of the company. He joined the company on December 8, 2021. He has over 9 years of experience in process quality administration and the field of engineering.

**Manjunath G S** is the Manager- HR and Admin of the company. He has more than 18 years of experience in human resources and administration.

**Prasanna Kumar T S** is the Deputy General Manager- Finance and Accounts of the company. He joined the company on April 23, 2012. He has about 10 years of experience in finance and accounts.

**Rajanikanth K N** is the Manager-Logistics of the company. He joined the company on April 23, 2012. He has more than 13 years of experience in logistics.



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