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DCX System Limited

About Company

Recommendation: Subscribe

DCX Systems Ltd ("DCX") is a leading Indian players for the manufacture of electronic sub-systems and cable harnesses in terms of manufacturing capability and revenue in the defence, aerospace and railway sector. DCX primarily engaged in system integration and manufacturing a comprehensive array of cables and wire harness assemblies and is also involved in kitting. DCX undertake system integration in areas of radar systems, sensors, electronic warfare, missiles, and communication systems. It is being preferred Indian Offset Partner ("IOP") for foreign original equipment manufacturers ("OEMs") for executing defence manufacturing projects and 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. 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

Price Band	: Rs 197 to 207/- per share
Bid Lot size	: 72 Shares
Issue size	: Rs 500 Cr
Face Value	: Rs 2/-
Min App Amount	: Rs 14904/- at upper band
Issue Period	: 31 st October to 2nd November 2022
Indicative credit of equity shares	: 10-11-2022
Indicative listing date	: 11-11-2022

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View & Recommendation: We believe DCX Systems IPO gives investors a unique opportunity to invest and participate in Indian defence and aerospace multiyear growth story. DCX is a well-positioned private player benefitting from the Make in India program and high export potential company with growing Indian aerospace and defence sector which is poised to attain a value of ~USD 70 billion by 2030. On valuations parse, at upper price (Rs 207/-), the issue is asking for a Mcap of Rs 2002 cr. and based on consolidated FY22 earnings P/E stands at 30x on post-issue equity, which seems the issue is reasonably priced as compared to peers. We are optimistic on DCX, considering its focus on the products development in line with Govt policies like Atmanirbhar & Make in India, high order book followed by expansion into new geographies and with a plan to do forward and backward integration which would strengthen its margins as well its growth going forward. While on risk it's into a capital intensive segment with volatile margins and any changes in the offset defence policies affect the company's growth plans. Hence, considering all the factors we recommend investors to **"SUBSCRIBE FOR LISTING GAINS ONLY"**.

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BASIC FINANCIAL DETAILS				
Particulars Rs (in Cr)	2020	2021	2022 (Consolidated)	Jun'30 (03) (Consolidated)
Equity Share Capital	3.50	3.50	15.48	15.48
Reserves as stated	13.67	43.29	102.11	107.70
Net worth as stated	17.17	46.79	117.59	123.18
Revenue from Operations	449.26	641.16	1102.27	213.25
Revenue Growth (%)	-	42.71%	71.92%	73.50%
EBITDA as stated	45.20	32.48	105.90	24.35
Profit Before Tax	12.87	39.81	75.56	6.47
Net Profit for the period	9.74	29.56	65.61	5.57
EPS (Rs)	1.39	4.22	9.19	0.72
RONW%	56.75%	63.18%	55.79%	4.52%
NAV (Rs)	2.45	6.68	15.19	15.92

Data as on 31st March 2022

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)								
Companies	MCap	FV	Total Revenue FY 2022 (in Cr)	EPS	NAV	P/E	P/Bv	RoNW
DCX Systems Ltd	2002	2	1124.3	9.19	15.19	30.35	3.89	55.8%
BEL	77008	1	15368.18	3.28	16.83	33.84	6.07	19.54%
Data Patterns	6924	2	314.81	19.48	110.72	60.65	11.65	16.40%
Paras Defence	2498	10	185.53	7.78	97.06	74.67	6.62	7.21%
Astra Microwave Product Ltd	2650	2	756.84	4.37	67.61	78.79	4.49	6.5%
Centum Electronics	767	10	787.94	(23.70)	154.07	-	2.87	(26.98)%

Data as on 31st March 2022, Mcap: Cline



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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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