Choice
Institutional Equities

Q1FY27 Result Update

DCX Systems: Weak Q1; Execution and Margin Recovery Remain Key Monitors

SELL

Sector View: Positive

Aug 13, 2026 | CMP: INR 177 | Target Price: INR 150

Expected Share Price Return: -15.3% I Dividend Yield: 0.0% I Potential Downside: 15.3%

Change in Estimates	✗
Change in Target Price	✗
Change in Recommendation	✗

Company Info	
BB Code	DCXINDIA IN EQUITY
Face Value (INR)	2.0
52-wk High/Low (INR)	286/153
Mkt Cap (Bn)	INR 19.8/$ 0.21
Shares o/s (Mn)	111.4
3M Avg. Daily Volume	989,230

Change in CIE Estimates

	FY27E			FY28E		
INR Mn	**New**	**Old**	**Dev. (%)**	**New**	**Old**	**Dev. (%)**
Revenue	8,920	8,920	-	11,150	11,150	-
EBITDA	107	107	-	167	167	-
EBITDAM %	1.2	1.2	-	1.5	1.5	-
PAT	380	380	-	537	537	-
EPS	3.4	3.4	-	4.8	4.8	-

Key Financials

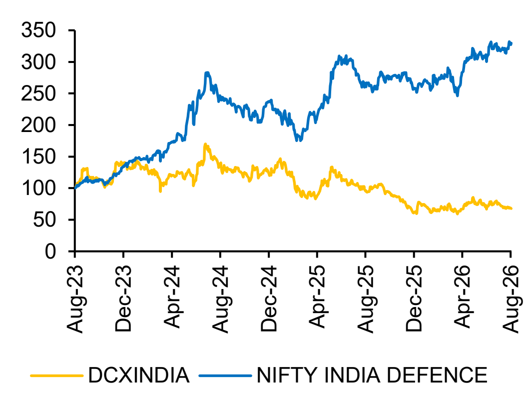
INR Mn	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	10,837	7,433	8,920	11,150	13,938
YoY Growth (%)	(23.9)	(31.4)	20.0	25.0	25.0
EBITDA	46	(171)	107	167	251
EBITDAM (%)	0.4	(2.3)	1.2	1.5	1.8
Adjusted PAT	389	(77)	380	537	690
EPS	3.5	(0.7)	3.4	4.8	6.2
ROE (%)	2.8	(0.5)	2.4	3.3	4.1
ROCE (%)	5.2	0.8	4.0	5.4	6.5
P/E(x)	50.7	N/A	52.0	36.7	28.6
P/BV (x)	1.4	1.3	1.3	1.2	1.2

Shareholding Pattern (%)

	Jun-26	**Mar-26**	**Dec-25**
Promoters	52.17	52.17	52.17
FIIs	1.72	0.83	1.06
DIIs	2.69	2.91	3.64
Public	43.43	44.09	43.15

Relative Performance (%)

	3Yr.	**2Yr.**	**1Yr.**
NIFTY INDIA DEFENCE	229.6	35.1	26.7
DCXINDIA	(32.2)	(51.7)	(29.4)



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Weak Q1; Execution and Margin Recovery Remain Key Monitors

DCX Systems (DCXINDIA) reported a **weak Q1 performance, significantly below our expectation**, with the sharp decline in revenue leading to a sharp deterioration in operating profitability and losses at the consolidated level. **While we assume execution to improve in the next few quarters, the magnitude and pace of margin recovery remain uncertain**. Management expects supply-chain conditions and programme execution to improve, which could support a recovery; however, **we would look for evidence of sustained revenue conversion and margin improvement before turning more constructive.**

We believe order visibility remains a key positive, with DCXINDIA securing **INR 4.77 Bn of fresh orders in this quarter**, taking the order book to **~INR 32.7 Bn (~4.4x FY26 revenue)**. We believe this provides sufficient revenue visibility and **leaves room for a potential recovery if execution normalises**. However, given the weak Q1 performance, we believe the key question is no longer order acquisition but **how soon the existing order book can be converted into revenue and profitable growth**.

We believe subsidiary losses remain an overhang, with RASPL and NIART reporting losses of **INR 24 Mn and INR 107 Mn**, respectively, in this quarter. NIART is still in the development stage and has yet to commence commercial production, while DCX has invested **significant amount across RASPL and NIART**. We, therefore, remain cautious on the near-term earnings contribution from these businesses.

We **maintain our FY28E estimate**, assuming a gradual improvement in execution and profitability and value DCX Systems at **30x FY28E EPS**, arriving at a **TP of INR 150**. **We acknowledge the potential for a near-term bounce if execution improves faster than expected; however, given the weak starting point, unproven margin recovery and continued subsidiary losses, we believe the current valuation adequately captures the recovery potential. We maintain our 'SELL' rating.**

Weak quarter; performance well below expectation

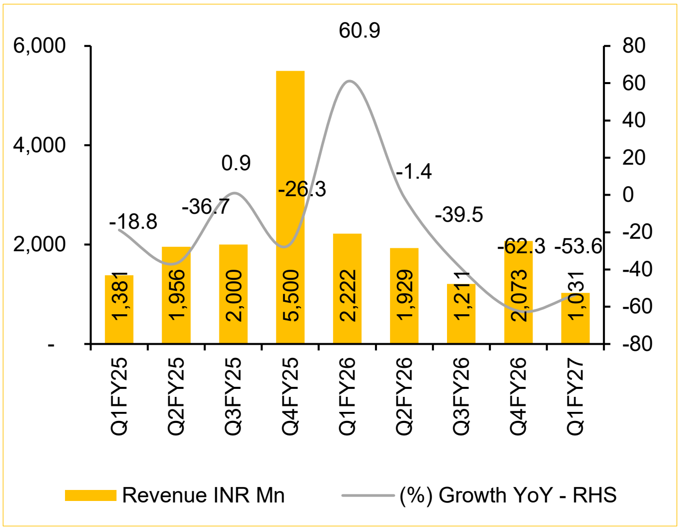
- Revenue for Q1FY27 down 53.6% YoY and 50.2% QoQ at INR 1,031 Mn (vs CIE est. of INR 1,999 Mn)
- EBIDTA came in at INR -106.8 Mn (vs CIE est. of INR -10 Mn). The EBITDA margin stood at -10.4%, contracted by 1,041 bps YoY (vs CIE est. of -0.5%)
- PAT came in at INR -86.6 Mn (vs CIE est. of INR 60 Mn). PAT margin contracted by 913 bps YoY, reaching -8.4% (vs CIE est. of 3%)

Particulars (INR Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Revenue	1,031	2,222	(53.6)	2,073	(50.2)
Material Exp	937	2,053	(54.4)	1,864	(49.7)
Gross Profit	95	169	(43.9)	209	(54.8)
Employee Exp	92	63	46.8	95	(2.9)
Other Exp	109	103	6.0	117	(6.6)
EBITDA	**(107)**	**3**	**N/A**	**(3)**	**N/A**
Other Income	88	148	(40.7)	84	4.3
Depreciation	37	35	4.2	40	(8.6)
EBIT	(57)	115	N/A	41	N/A
Interest Cost	8	9	(8.1)	7	14.5
PBT	(65)	106	N/A	34	N/A
Tax	22	66	(67.0)	36	(40.5)
RPAT	(87)	207	N/A	(24)	N/A
Adj EPS (INR)	**(0.8)**	**0.4**	**N/A**	**(0.0)**	**N/A**

Margin Analysis	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (bps)
Gross Margin (%)	9.2	7.6	158	10.1	(91)
Emp. Exp. % of Sales	8.9	2.8	610	4.6	435
Other Exp. % of Sales	10.6	4.6	596	5.6	496
EBITDA Margin (%)	**(10.4)**	**0.1**	**(1,048)**	**(0.1)**	**(1,022)**
APAT Margin (%)	(8.4)	9.3	(1,771)	(1.2)	(722)

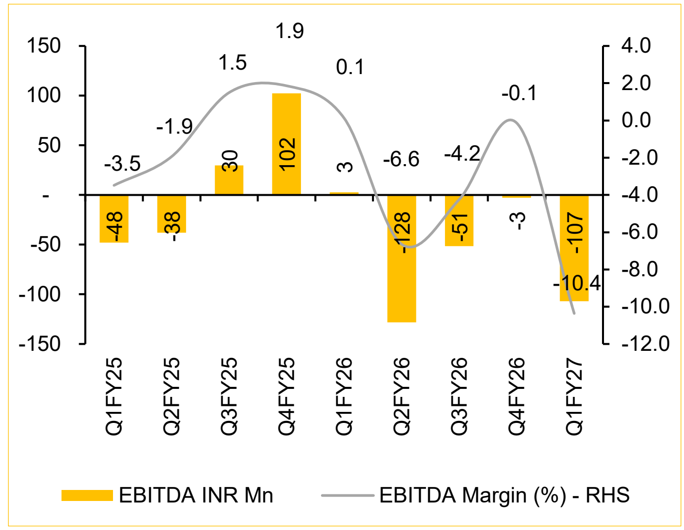
Source: DCXINDIA, Choice Institutional Equities

Revenue down by 53.6% on a YoY basis



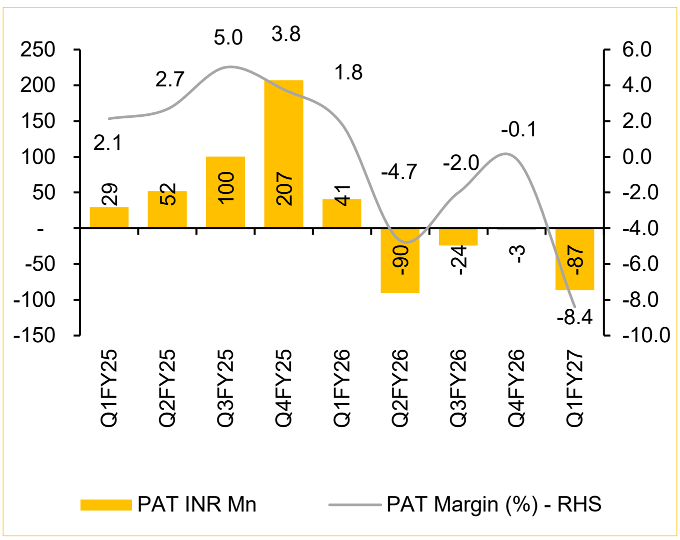
Source: DCXINDIA, Choice Institutional Equities

EBITDA margin trend



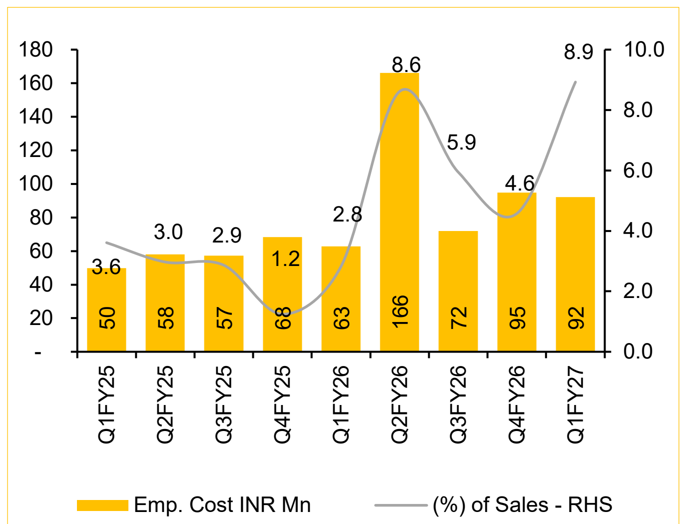
Source: DCXINDIA, Choice Institutional Equities

PAT in a negative zone for the fourth consecutive quarter



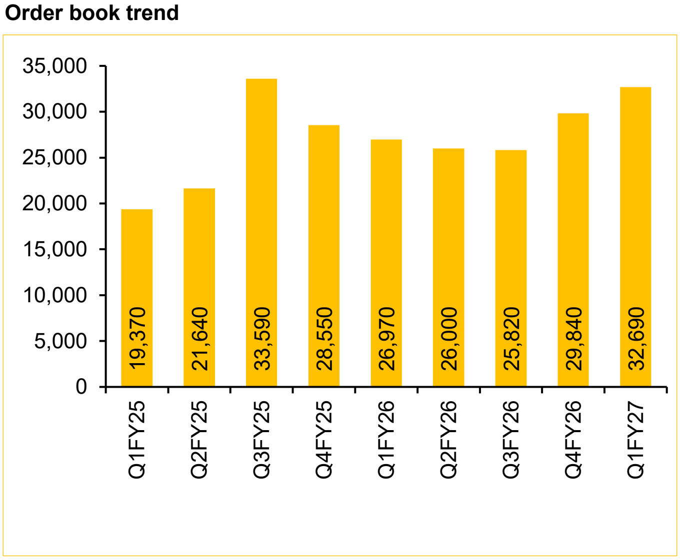
Source: DCXINDIA, Choice Institutional Equities

Employee cost trend



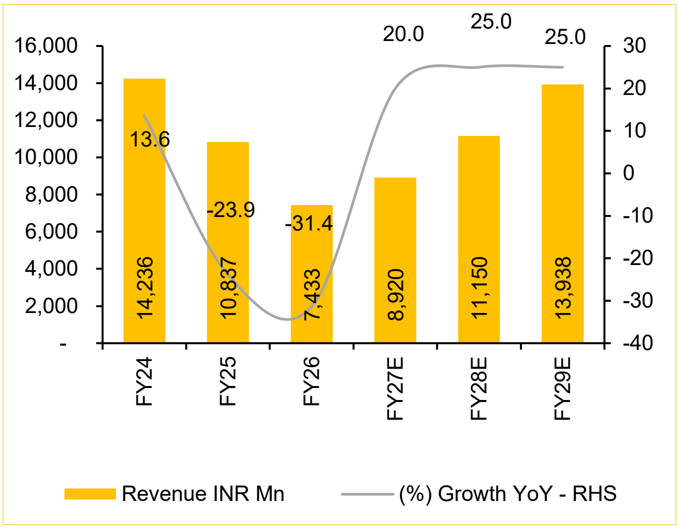
Source: DCXINDIA, Choice Institutional Equities

Order book trend



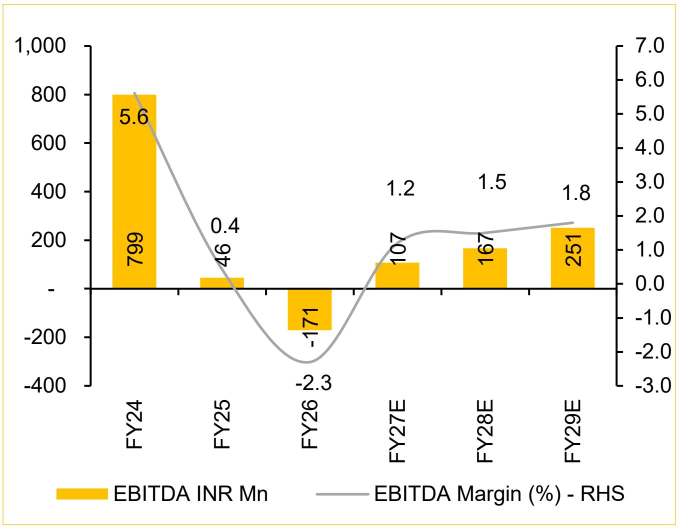
Source: DCXINDIA, Choice Institutional Equities

Revenue expected to expand 23.3% CAGR over FY26–29E



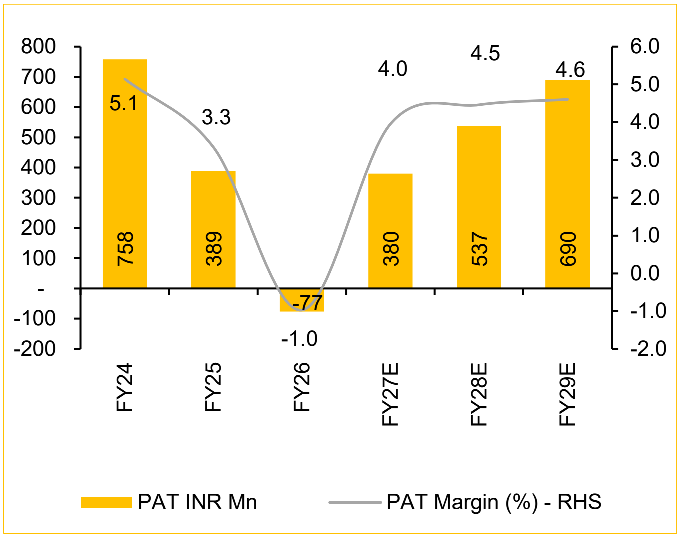
Source: DCXINDIA, Choice Institutional Equities

EBITDA margin improvement anticipated



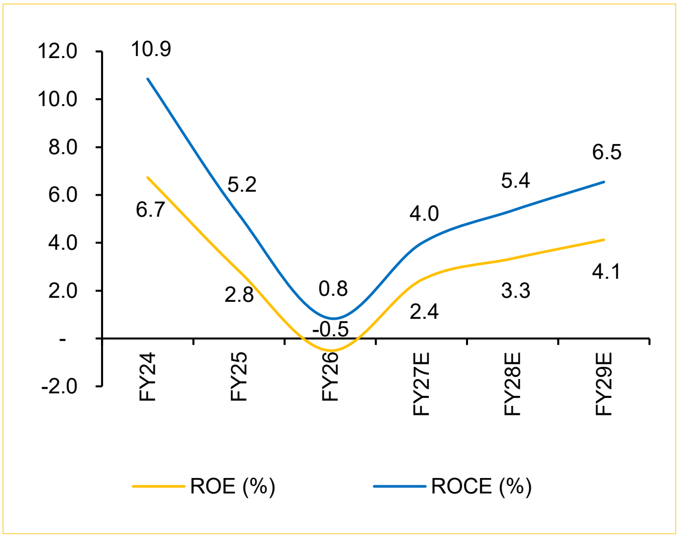
Source: DCXINDIA, Choice Institutional Equities

PAT projected to bounce back



Source: DCXINDIA, Choice Institutional Equities

ROE & ROCE trend



Source: DCXINDIA, Choice Institutional Equities

Income Statement (Consolidated – INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	10,837	7,433	8,920	11,150	13,938
Gross Profit	477	648	865	1,093	1,380
EBITDA	**46**	**(171)**	**107**	**167**	**251**
Other Income	800	451	677	880	1,056
Depreciation	134	153	167	189	212
EBIT	713	127	617	859	1,095
Interest Expense	109	33	33	33	33
PBT	604	94	584	826	1,062
Reported PAT	389	(77)	380	537	690
EPS	**3.5**	**(0.7)**	**3.4**	**4.8**	**6.2**

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenue (%)	(23.9)	(31.4)	20.0	25.0	25.0
EBITDA (%)	(94.2)	N/A	N/A	56.3	50.0
PAT (%)	(48.7)	N/A	N/A	41.4	28.6
Margin Ratios					
EBITDA Margin (%)	0.4	(2.3)	1.2	1.5	1.8
PAT Margin (%)	3.3	(1.0)	4.0	4.5	4.6
Performance Ratios					
ROE (%)	2.8	(0.5)	2.4	3.3	4.1
ROCE (%)	5.2	0.8	4.0	5.4	6.5
Turnover Ratio (Days)					
Inventory	97	264	220	210	200
Debtors	56	66	64	62	60
Payables	34	103	90	80	70
Cash Conversion Cycle (Days)	119	227	194	192	190
Financial Stability Ratios					
Net Debt/Equity (x)	(0.7)	(0.5)	(0.5)	(0.5)	(0.4)
Valuation Metrics					
Outstanding Shares (Mn)	111.4	111.4	111.4	111.4	111.4
Price (INR)	177	177	177	177	177
Market Cap (INR Mn)	19,714	19,717	19,717	19,717	19,717
P/E (x)	50.7	N/A	52.0	36.7	28.6
EV (INR Mn)	9,679	12,068	11,432	11,903	19,717
EV/EBITDA (x)	209.9	(70.5)	106.8	71.2	78.6
BVPS	123.5	135.8	139.2	144.1	150.3
P/BV (x)	1.4	1.3	1.3	1.2	1.2

Source: DCXINDIA, Choice Institutional Equities

Balance Sheet (Consolidated – INR Mn)

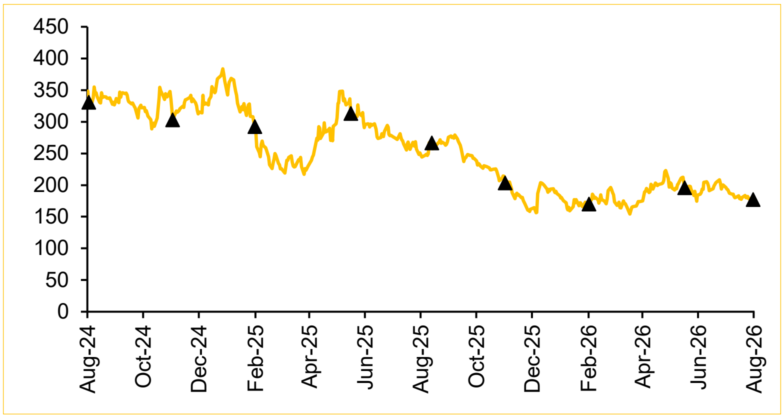
Particular	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	13,752	15,130	15,510	16,046	16,737
Total Debt	0.2	-	-	-	-
Otr Long Term Liab.	52	45	45	45	45
Trade Payables	1,012	2,101	2,199	2,444	2,673
Other Curr. Liabilities	4,225	3,759	5,000	6,137	7,531
Total Liabilities	**19,041**	**21,035**	**22,754**	**24,672**	**26,985**
Net Fixed Assets	693	703	736	767	805
Otr. Non-curr. Asset	2,837	4,192	4,660	5,223	5,939
Inventories	2,890	5,370	5,377	6,415	7,637
Trade Receivables	1,652	1,344	1,564	1,894	2,291
Cash & Bank Bal.	10,035	7,648	8,285	7,813	7,241
Other Current Assets	934	1,777	2,133	2,559	3,071
Total Assets	**19,041**	**21,035**	**22,754**	**24,672**	**26,985**
Capital Employed	13,752	15,130	15,510	16,046	16,737
Net Debt	(10,035)	(7,648)	(8,285)	(7,813)	(7,241)
FCFF	1,959	(1,506)	1,137	125	177

Cash Flows (INR Bn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	4,959	23	1,337	345	427
Cash Flows from Investing	(2,386)	(1,081)	(668)	(783)	(966)
Cash Flows from Financing	(946)	260	(33)	(33)	(33)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Net Profit Margin	3.6%	(1.0)%	4.3%	4.8%	5.0%
Asset Turnover (x)	0.6	0.4	0.4	0.5	0.5
Financial Leverage (x)	1.4	1.4	1.5	1.5	1.6
ROE	**2.8%**	**(0.5)%**	**2.4%**	**3.3%**	**4.1%**

Source: DCXINDIA, Choice Institutional Equities

Historical share price chart: DCX Systems Ltd. (DCXINDIA)



Date	Rating	Target Price
Aug 14, 2024	BUY	470
Nov 14, 2024	BUY	372
Feb 12, 2025	HOLD	317
May 28, 2025	SELL	260
Aug 25, 2025	REDUCE	275
Nov 13, 2025	REDUCE	225
Feb 13, 2026	REDUCE	170
May 28, 2026	SELL	150
Aug 13, 2026	SELL	150

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

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