

# DCX Systems: Execution Concerns Deepen; Visibility Remains Absent

May 28, 2026 | CMP: INR 212 | Target Price: INR 150

Expected Share Price Return: -31.9% | Dividend Yield: 0.0% | Potential Downside: 31.9%

**SELL**

Sector View: Positive

Change in Estimates	✓✓
Change in Target Price	✓✓
Change in Recommendation	✓✓

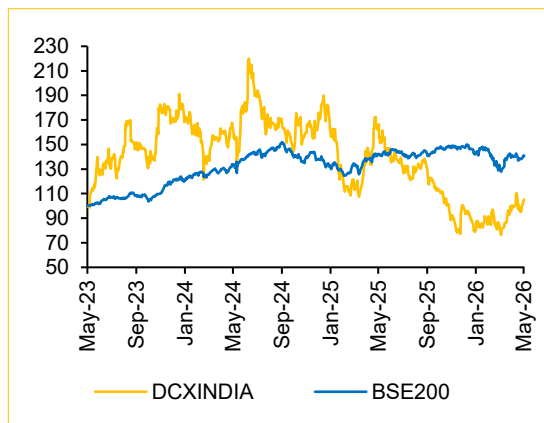
<b>Company Info</b>	
BB Code	DCXINDIA IN EQUITY
Face Value (INR)	2.0
52-wk High/Low (INR)	339/153
Mkt Cap (Bn)	INR 23.6/\$ 0.25
Shares o/s (Mn)	111.4
3M Avg. Daily Volume	4,487,277

<b>Change in CIE Estimates</b>						
	FY27E			FY28E		
INR Mn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	8,920	13,837	(35.5)	11,150	15,636	(28.7)
EBITDA	107	125	(14.4)	167	141	18.6
EBITDAM %	1.2	0.9	30 bps	1.5	0.9	60 bps
PAT	380	562	(32.5)	537	623	(13.9)
EPS	3.4	5.0	(31.9)	4.8	5.6	(14.0)

<b>Key Financials</b>					
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)	60.8	N/A	62.3	44.1	34.3
P/BV (x)	1.7	1.6	1.5	1.5	1.4

<b>Shareholding Pattern (%)</b>				
	Mar-26	Dec-25	Sep-25	
Promoters	52.17	52.17	52.17	
FII's	0.83	1.06	1.48	
DII's	2.91	3.64	3.22	
Public	44.09	43.15	43.14	

<b>Relative Performance (%)</b>			
YTD	3Yr.	2Yr.	1Yr.
BSE 200	(0.7)	5.3	40.9
DCXINDIA	5.1	(34.2)	(36.8)



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## Execution Concerns Deepen; Visibility Remains Absent

DCX Systems reported another weak quarter, with **continued pressure across revenue, margin and profitability**, extending the trajectory of underperformance seen in the past several quarters. The lack of improvement in execution raises concerns around the company's ability to translate its order book into sustainable earnings. More importantly, the **continued absence of engaging with the mgmt. and forward-looking disclosures for multiple quarters**, significantly limits visibility.

While the order book remains healthy at INR 29,840 Mn (4.0x of FY26 revenue), **backlog strength alone provides limited comfort** without consistent execution and margin recovery. A sustained trajectory of **revenue degrowth in the past two years**, along with repeated quarterly misses, indicates that the challenges may be **more structural than cyclical**. With no guidance from the management, assessing earnings trajectory or recovery timelines remains difficult, thereby weakening confidence in operating leverage assumptions.

The only positives continue to be external, including favourable geopolitical dynamics and potential outsourcing opportunities in defence electronics manufacturing. However, this remains to be a **long-term optionality** and is yet to reflect in execution or financial performance. Given the **continued weakness in earnings delivery and limited visibility**, we **downgrade DCX Systems to SELL (from Reduce)** with a **revised target price of INR 150 (30x FY28E EPS)**, implying a considerable downside from the current level. We would turn constructive only upon **clear evidence of execution improvement and margin stabilisation**.

## Another Disappointing Quarter

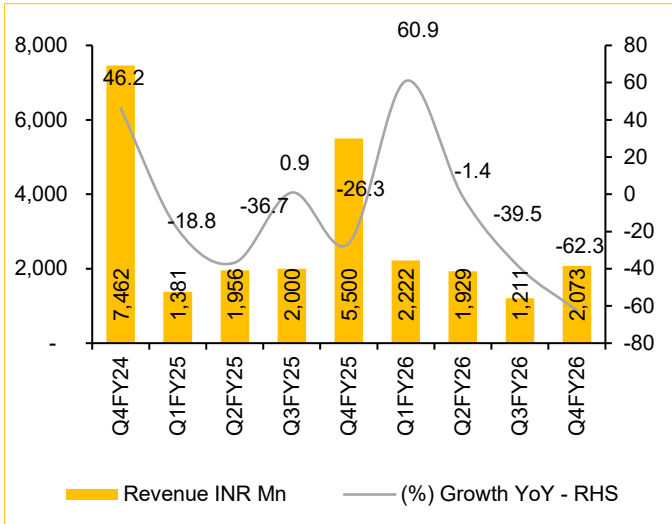
- Revenue for Q4FY26 was down by 62.3% YoY and up by 71.2% QoQ at INR 2,073 Mn (vs CIE estimate of INR 6,050 Mn)
- EBITDA for Q4FY26 stood at INR -2.8 Mn (vs CIE estimate of INR 128 Mn). EBITDA margin stood at -0.1%, contracting by 200 bps YoY (vs CIE estimate of 2.1%)
- PAT stood at INR -2.5 Mn (vs CIE estimate of INR 262 Mn). PATM contracted by 389 bps YoY, reaching -0.1% (vs estimate of 4.3%)

Particulars (INR Mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Revenue	2,073	5,500	(62.3)	1,211	71.2
Material Exp	1,864	5,269	(64.6)	1,070	74.1
Gross Profit	209	231	(9.4)	140	49.1
Employee Exp	95	68	38.6	72	31.8
Other Exp	117	60	94.5	120	(2.2)
<b>EBITDA</b>	<b>(3)</b>	<b>102</b>	<b>N/A</b>	<b>(51)</b>	<b>N/A</b>
Other Income	84	235	(64.2)	107	(21.4)
Depreciation	40	37	7.8	40	1.0
EBIT	41	300	(86.3)	16	159.2
Interest Cost	7	15	(52.6)	9	(20.2)
PBT	34	285	(88.1)	7	403.9
Tax	36	78	(53.1)	31	17.5
RPAT	(3)	207	N/A	(24)	N/A
<b>Adj EPS (INR)</b>	<b>(0.0)</b>	<b>1.9</b>	<b>N/A</b>	<b>(0.2)</b>	<b>N/A</b>

Margin Analysis	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (bps)
Gross Margin (%)	10.1	4.2	589	11.6	(149)
Emp. Exp. % of Sales	4.6	1.2	333	5.9	(137)
Other Exp. % of Sales	5.6	1.1	455	9.9	(423)
<b>EBITDA Margin (%)</b>	<b>(0.1)</b>	<b>1.9</b>	<b>(200)</b>	<b>(4.2)</b>	<b>411</b>
APAT Margin (%)	(0.1)	3.8	(391)	(2.0)	186

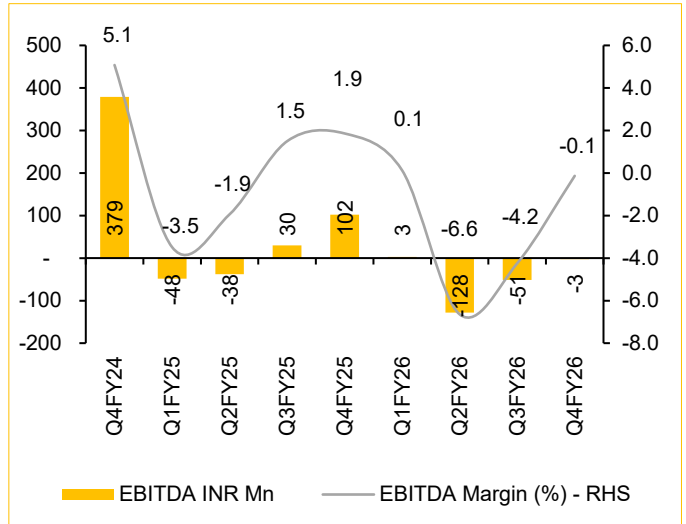
Source: DCXINDIA, Choice Institutional Equities

**Revenue down by 62.3% on a YoY basis**



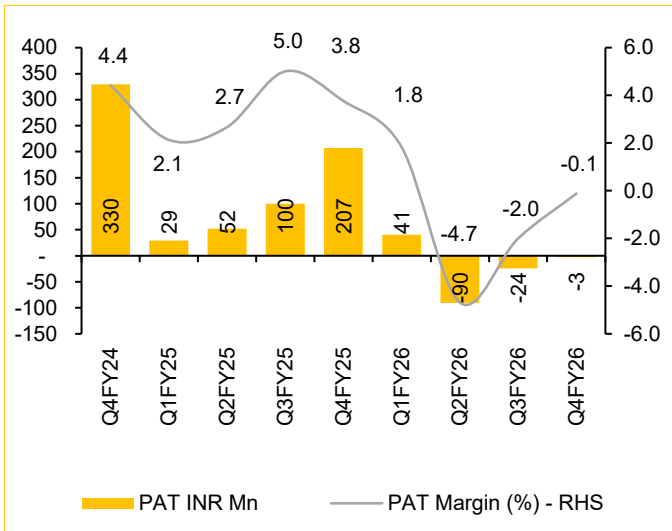
Source: DCXINDIA, Choice Institutional Equities

**EBITDA margin trend**



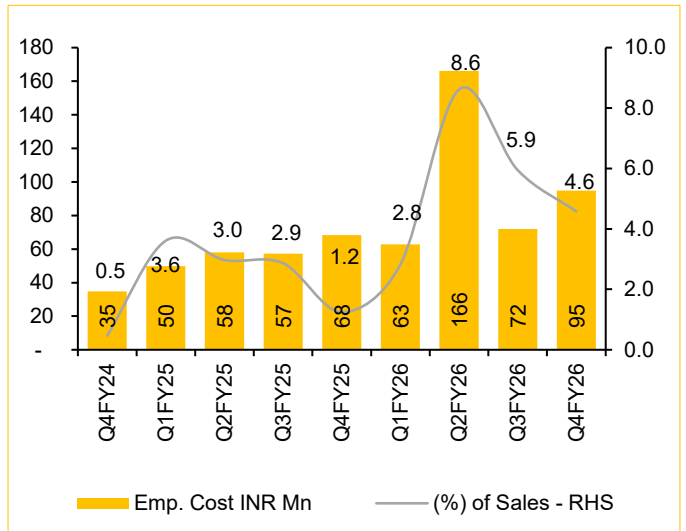
Source: DCXINDIA, Choice Institutional Equities

**RPAT in negative zone since three quarters**



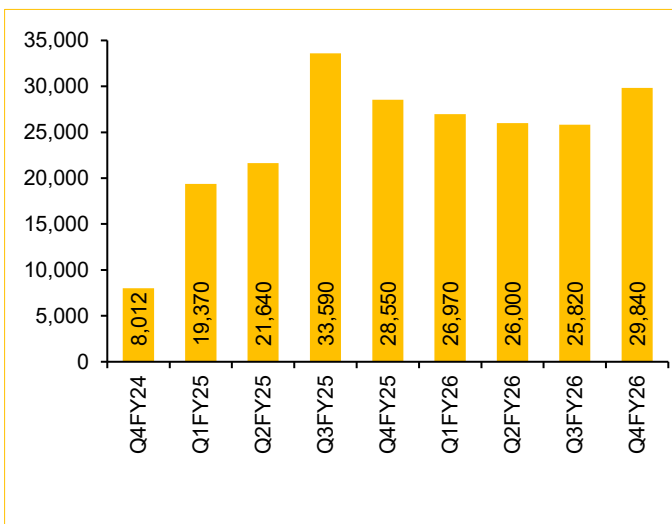
Source: DCXINDIA, Choice Institutional Equities

**Employee cost trend**



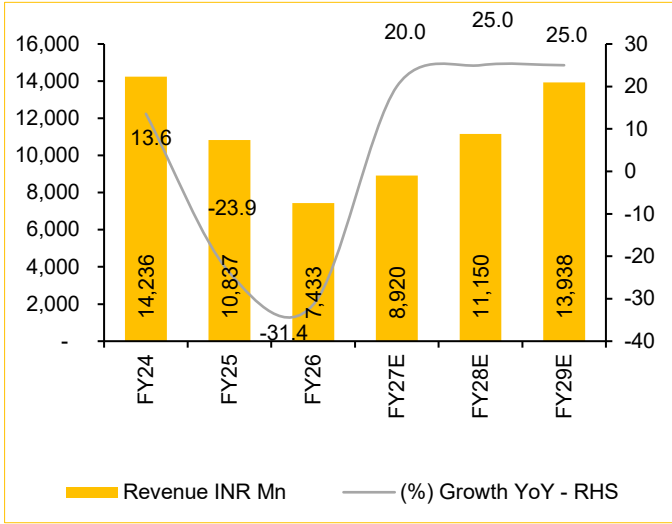
Source: DCXINDIA, Choice Institutional Equities

**Order book trend**



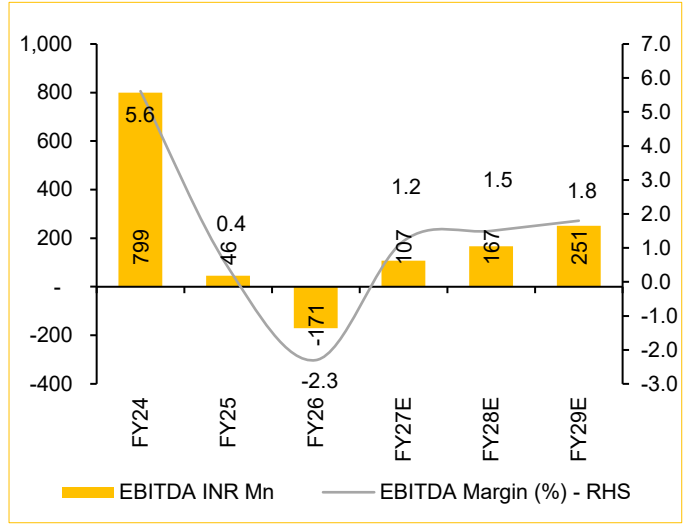
Source: DCXINDIA, Choice Institutional Equities

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



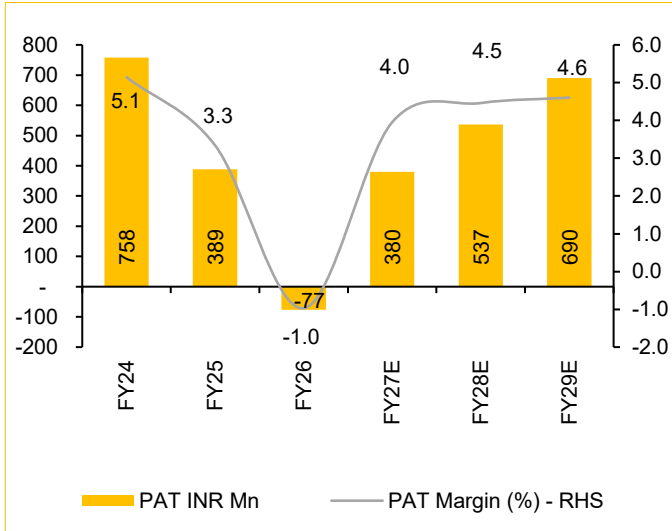
Source: DCXINDIA, Choice Institutional Equities

**EBITDA margin improvement anticipated**



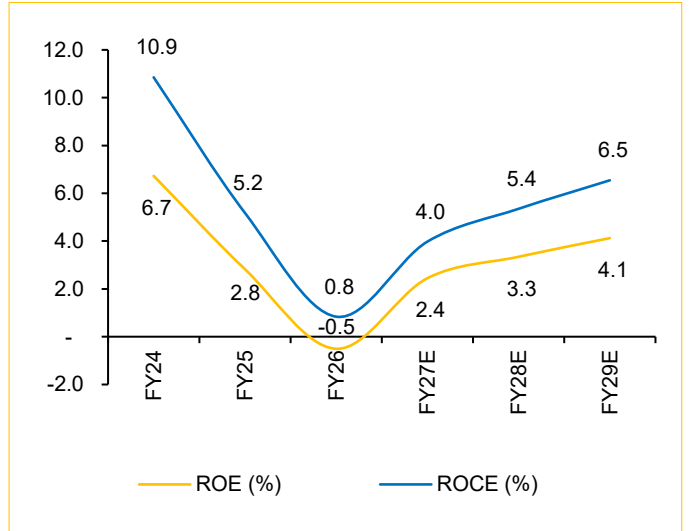
Source: DCXINDIA, Choice Institutional Equities

**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
<b>EBITDA</b>	<b>46</b>	<b>(171)</b>	<b>107</b>	<b>167</b>	<b>251</b>
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
<b>EPS</b>	<b>3.5</b>	<b>(0.7)</b>	<b>3.4</b>	<b>4.8</b>	<b>6.2</b>

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
<b>Growth Ratios</b>					
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
<b>Margin Ratios</b>					
EBITDA Margin (%)	0.4	(2.3)	1.2	1.5	1.8
PAT Margin (%)	3.3	(1.0)	4.0	4.5	4.6
<b>Performance Ratios</b>					
ROE (%)	2.8	(0.5)	2.4	3.3	4.1
ROCE (%)	5.2	0.8	4.0	5.4	6.5
<b>Turnover Ratio (Days)</b>					
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
<b>Financial Stability Ratios</b>					
Net Debt/Equity (x)	(0.7)	(0.5)	(0.5)	(0.5)	(0.4)
<b>Valuation Metrics</b>					
Outstanding Shares (Mn)	111.4	111.4	111.4	111.4	111.4
Price (INR)	212	212	212	212	212
Market Cap (INR Mn)	23,654	23,657	23,657	23,657	23,657
P/E (x)	60.8	N/A	62.3	44.1	34.3
EV (INR Mn)	13,619	16,009	15,373	15,844	23,657
EV/EBITDA (x)	295.3	(93.6)	143.6	94.7	94.3
BVPS	123.5	135.8	139.2	144.1	150.3
P/BV (x)	1.7	1.6	1.5	1.5	1.4

Source: DCXINDIA, Choice Institutional Equities

## Balance Sheet (Consolidated – INR Mn)

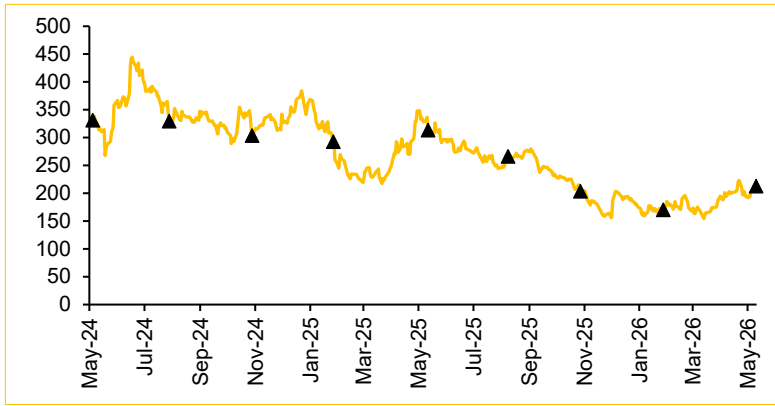
Particular	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	13,752	15,130	15,510	16,046	16,737
Total Debt	0.2	-	-	-	-
Otr Long Term Liab.	52	45	45	45	45
Trade Payables	1,012	2,101	2,199	2,444	2,673
Other Curr Liabilities	4,225	3,759	5,000	6,137	7,531
<b>Total Liabilities</b>	<b>19,041</b>	<b>21,035</b>	<b>22,754</b>	<b>24,672</b>	<b>26,985</b>
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
<b>Total Assets</b>	<b>19,041</b>	<b>21,035</b>	<b>22,754</b>	<b>24,672</b>	<b>26,985</b>
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
<b>ROE</b>	<b>2.8%</b>	<b>(0.5)%</b>	<b>2.4%</b>	<b>3.3%</b>	<b>4.1%</b>

Source: DCXINDIA, Choice Institutional Equities

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



Date	Rating	Target Price
May 20, 2024	BUY	470
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

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<b>Large Cap*</b>	
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
<b>Mid &amp; Small Cap*</b>	
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
<b>Other Ratings</b>	
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
<b>Sector View</b>	
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 &amp; Small Cap: Less Than INR 20,000 Cr Market Cap

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