



Stakeholders Empowerment Services

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Proxy Advisory Report (Addendum)

DCX Systems Ltd

ABOUT SES

Stakeholders Empowerment Services (SES) is a Corporate Governance Research and Advisory Firm. SES assists Investors to analyze Governance Practices including matters relating to sustainability, prevalent at Listed Entities and empower Investors to undertake meaningful engagement with Investee Entities.

SES SERVICES

E-BRSR Tool: Online web-based platform to create **BRSR Report** by the Company and generate **XBRL** in seamless, cost and time effective manner

Already subscribed by HUL, Maruti, TVS Motors, Kansai Nerolac, CDSL, Hero, L&T, Wipro, Bharat Forge, Reliance Group and many others. [Read More](#)

Contact for Demo – esgdata@sesgovernance.com

SES AIMS:

Designed primarily for Institutional Investors to carry out their stewardship activities in an efficient manner.

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Proxy Advisory:

Advises Investors on the matters that require shareholder approval at Listed Entities and identify Governance Issues.

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ESG Scores:

Analyze sustainability initiatives of Companies based on various environmental, social and governance factors.

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Corporate Governance Score (CGS):

CGS model measures the Company's compliance and also evaluates the Governance Practices with respect To Global Benchmarks. [Read More](#)

E-Ballot:

A web-based, one-stop vote management system to cater to the requirements of Institutional Investors.

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COMPANY INFORMATION

BSE CODE: 543650

NSE SYMBOL: DCXINDIA

ISIN: INE0KL801015

Industry: Aerospace & Defense

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Phone: +91 80 6711 9555

Registered Office: Aerospace SEZ Sector, Plot Nos. 29,30 and 107, Hitech Defence and Aerospace Park, Kavadasanahalli, Bengaluru Rural – 562 110, Karnataka, India

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 9th May, 2026

Notice Date: 9th April, 2026

Notice: [Click here](#)

Annual Report: [FY 2024-25](#)

SES PA Report (Last AGM): [Report](#)

E-VOTING DETAILS

e-Voting Platform: [LINKINTIME](#)

Cut-off Date: 3rd April, 2026

Remote E-voting:

- **Start:** 10th April, 2026
- **Ends:** 9th May, 2026

ADDENDUM REPORT RELEASE DATE: 6th May, 2026

Research Analyst: Pragati Puthran

Conflict Disclosure: SES - No Conflict | Analyst - No Conflict

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



ADDENDUM

There is no change in the SES Recommendation on the proposed resolution. However, there is a change in SES observation and rationale. Shareholders may take note of the Company's clarification and SES' comments thereon.

EXISTING RECOMMENDATION					
S. No	Resolution	Type	SES Observation #	Rec.	Rationale
1	Approval for material related party transactions with ELTX Systems Private Limited, related party of the Company.	O	NC GC TC	<u>AGAINST</u>	<i>Disclosures not in accordance with RPT industry standards; Lack of clarity w.r.t. how a particular transaction falls under the Ordinary course; Inadequate disclosures on the basis of arm's length pricing; No clarity as to how the proposed said related party will meet the proposed RPT obligation.</i>
REVISED RECOMMENDATIONS					
1	Approval for material related party transactions with ELTX Systems Private Limited, related party of the Company.	O	LC GC TC	<u>AGAINST</u>	<i>Inadequate disclosures on the basis of arm's length pricing.</i>

S - Special Resolution | O – Ordinary Resolution; Rec. - Recommendation

LC - Legally Compliant, NC - Legally Non-Compliant, TC - Disclosures & Transparency Concern, GC - Governance Concern

BACKGROUND

SES as per its policy, had emailed its PA Report ([Weblink](#)) to the Company on 24th April, 2026 in respect of the PB of the Company.

Post release of PA Report, SES received an email from the Company on 28th April, 2026. The Company, through the email, provided its view point, which is reproduced at the last in *blue text*.

It may be noted that the email of the Company dated 28th April, 2026 (as per SES policy framed to comply with SEBI Circular dated 3rd August, 2020 [SEBI/HO/IMD/DF1/CIR/P/2020/147](#)) has already been forwarded to SES clients as it is, without any inputs from SES.

This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS TO COMPANY'S RESPONSE

Company's view: *At the outset, we wish to clarify that the Company operates in a highly specialized and technology-driven manufacturing environment, where procurement of certain capital assets, including plant, machinery and equipment is intrinsically linked to its core business operations. In this context, transactions with ELTX, which acts as a key technology partner and supplier, are undertaken to ensure continuity, standardization and integration of production processes.*

Non-Compliant RPT Policy of the Company

Company's view:

We acknowledge your observation that the Company's RPT Policy does not define the threshold for "material modification." In this regard, we would like to provide the following clarification:

Based on the recommendation of the Audit Committee, the Board of Directors of the Company, at its meeting held on May 27, 2025, duly approved amendments to the RPT Policy, which, inter alia, included a formal definition and threshold for "Subsequent Material Modifications" in line with applicable regulatory requirements and prevailing governance practices.

Subsequent to the Board approval:



- *The amended RPT Policy was appropriately adopted and is currently in force.*
- *The Company duly intimated the stock exchanges regarding the amended policy in compliance with applicable listing regulations on May 27, 2025, through 'Outcome of the Board Meeting':*

<https://www.bseindia.com/xml-data/corpfiling/AttachHis/a4c4e59e-1b47-4ea0-9910-57e70d2818f2.pdf>

We had updated the revised policy on the website on the same day of approval by the Board, however, while revamping the 'Policy' tab of Investor page of the website on a later date, the earlier version of the RPT policy is replaced with later version by inadvertently.

SES Comment: SES in its report, has only highlighted the non-compliance w.r.t. the non-disclosure of the material modification limit.

In response, the Company has stated that it has amended its policy. However, upon review, the updated policy ([Weblink](#)) still does not prescribe or define any quantified threshold or limit for what would constitute a "Material modification."

The policy provides a general description of "Subsequent Material Modifications" and indicates its broad applicability, without establishing any quantitative thresholds. Such a generic assertion doesn't meet the intended regulatory requirement of clearly defining materiality.

In the view of above, the Company's response does not adequately address the concern raised, and there is **no change in SES's original observation**.

Ordinary Course of Business

Ordinary Course of Business

The Company submits that procurement of capital equipment, including specialized plant and machinery, forms an integral and recurring component of its manufacturing and production activities which are project specific in nature and are not general commodities being used by the company for its regular other businesses. Further, such procurement would also have been considered in the specific projects costing as per the company's business plan. Such transactions are incidental and necessary to:

- *maintain operational efficiency,*
- *ensure technological compatibility for the specific projects.*

Accordingly, these transactions, although capital in nature, are carried out in the ordinary course of business, considering the Company's industry, operational model and dependence on group technology platforms.

Clarification on Nature of Fixed Asset Transactions

With respect to the observation on ambiguity regarding "purchase/sale of equipment of capital nature," we clarify that:

- *the proposed transactions primarily relate to acquisition, replacement, upgrade, or transfer of specialized equipment, tools, jigs & fixtures which are directly used in manufacturing and production processes of specific projects;*
- *such assets are not generic capital items but are highly customized and often sourced from or designed in collaboration with group entities to ensure compatibility and efficiency of the products being manufactured and supplied to customers which are project specific.*

SES Comment: SES, in its report, has raised transparency concern due to one of the transactions proposed by the Company is "Purchase/Sale of equipment's in capital nature **such as plant, machinery, equipment, or other fixed assets.**" This description created ambiguity about the specific additional fixed assets being referred to. The Company, in its response has clarified that the proposed transactions primarily relate to the acquisition, replacement, upgrade, or transfer of specialized equipment, **tools, jigs, and fixtures** directly used in the manufacturing and production processes of specific projects.

However, the overall reading of the Company's response does not provide clarity as to how procurement specialized plants which are project specific in nature, falls under ordinary course of business for the Company?

SES understands that the Company operates under a sector which may require specialized plants and Equipments. However, SES opines that the requirement for such assets cannot be directly linked to purchase sale of these assets in ordinary course. The nature of asset



remains specific in nature. SES considering that the Company has clarified the ambiguity w.r.t. other fixed assets adequately, is not raising any concern in this regard. However, SES is highlighting the requirement for better transparency and disclosures in the future.

SES is of the view that such details should have been disclosed in the notice to enable shareholders to make an informed decision. Nonetheless, in light of the above clarification, **the concern raised under this head stands addressed.**

Non-compliance with RPT Industry Standards:

Company's view:

We have inadvertently missed to cover the statement on the review of MD and CFO certificate by the Audit Committee in the explanatory statement and the same shall be published through the corrigendum immediately.

SES Comment: SES, in its report, raised a compliance concern due to the absence of the requisite disclosure. However, the Company has stated that the same will be published through a corrigendum shortly.

Currently, the Company has published the corrigendum to the notice. ([Weblink](#))

In the interim, shareholders may take note of the clarification provided by the Company. **Accordingly, the concern raised under this head stands addressed.**

Sustainability

Company's view:

Nature and Basis of the Proposed RPT Quantum

The approval sought for ₹ 2,000 Crores is:

- *not based on a single financial year's expected transactions, but*
- *represents an enabling approval, for instance, issuing a purchase order considering the aggregate value of transactions which are expected to be executed over multiple years as per project requirements and business plans.*

The nature of transactions includes:

1. *Purchase/Sale of raw materials / semi-finished / finished goods/products*
2. *Availing and rendering of various operational, technical, managerial and support services*
3. *Purchase/Sale of equipment's in capital nature such as plant, machinery, equipment, or other fixed assets.*
4. *Other operating revenue/other income/recovery of expenses includes recovery or reimbursement of shared expenses, cost allocations, or earning of incidental income.*

Given the integrated nature of operations envisaged under the JV structure, these transactions are interdependent, recurring and scalable over time and therefore require an overarching approval framework.

Status of the JV and Ability to Execute:

While it is correct that the JV has not commenced revenue-generating operations as of FY 2025–26, this is attributable to the initial project development and implementation phase, which includes:

- *setting up infrastructure and operational capabilities,*
- *onboarding technical and managerial resources and*
- *establishing supply chain and production systems.*

The Company submits that:

- *During the initial period of the JV, the Company is expected to issue/receive purchase orders during the FY 2026-27 for the projects which are to be executed over multiple years and this approval is sought for enabling such transactions.*
- *the JV has been established with defined capital commitments, technical collaboration and business transfer arrangements from its partners;*
- *initial transactions (including procurement of equipment and services) are foundational in nature, preceding revenue generation; and such transactions have gestation period of one year or more.*
- *the ramp-up of operations is phased, with revenue visibility expected in subsequent periods.*



Context of Quantum vis-à-vis Current Revenue:

The comparison of the proposed RPT limit with the Company's FY 2024–25 consolidated revenue may not fully reflect the commercial substance of the arrangement, as:

- the approval is forward-looking and multi-year in nature as expressed above in point 2,*
- the JV is expected to contribute to future scale-up of business operations, thereby expanding the overall revenue base.*

Accordingly, the proposed quantum should be viewed as a strategic enabling limit, rather than an indicator of immediate transaction volume.

SES Comment: SES, in its report, raised a transparency concern due to inadequate disclosure on how a newly established related party intends to fulfil its obligations under the proposed RPTs.

The Company, in its response, has provided comparative clarity in this regard. The Company has clarified that the transactions may not be expected to be executed within a period of 1 year. While SES understands the justification provided by the Company. It recommends that the Company should provide better clarity in this regard. A shareholder, while assessing such approvals, may expect the disclosures to be provided in such a manner that clarifies all the aspects of the transaction, including such nuances. However, as the holistic reading has provided that the transactions will be supported through the future scale-up of business operations. The concern raised by SES in this regard remains addressed.

Further, the Company, in its response, has stated that, *"The approval sought for ₹2,000 Crores is: not based on a single financial year's expected transactions, but represents an enabling approval, for instance, issuing a purchase order considering the aggregate value of transactions which are expected to be executed over multiple years as per project requirements and business plans."*

SES notes with concern that, the Company has stated that, the approval sought is not limited to a single financial year; however, it has simultaneously sought an omnibus approval and further declared in the Postal Ballot notice that *"The transaction is proposed to be executed during the financial year FY 2026–27 and does not extend beyond the said financial year. Accordingly, no further financial year-wise break-up is applicable."*

These statements appear contradictory and create ambiguity regarding the true nature, scope, and duration of the proposed transaction. SES would have sought clarification w.r.t. this inconsistency. As if the transaction is planned for multiple years, the Company ought to have presented a clearly defined and specific transaction proposal. However, the wholistic reading provides a picture that the Company has merely anticipated that this transaction limit may be executed over multiple years. Moreover, considering the business and the sector where the Company operates, SES is not raising any concern in this regard.

Further, as the Company has clearly mentioned in its notice that the approval is for 1 year, i.e. FY 2026-27 and is omnibus in nature. Accordingly, the Company has to seek the shareholders' approval every year, as required under the applicable laws. Hence, SES is not raising any concern in this regard.

The concern raised under this head **remains addressed**.

Basis of Arm's Length Pricing**Company's view:****Basis of Pricing for Capital Transactions**

The Company would like to clarify that pricing of capital assets is determined through a structured and multi-layered approach, depending on the nature of the asset and availability of comparable benchmarks:

- Comparable Uncontrolled Price (CUP) / Market Benchmarking: Wherever identical or similar assets are available in the market, pricing is benchmarked against third-party quotations, vendor price lists, or recent comparable transactions with unrelated parties.*
- Cost-Plus / Replacement Cost Methodology: In cases involving specialized or customized equipment (particularly those sourced from group technology partners), pricing is derived based on cost structures, including design, engineering and integration costs, along with a reasonable mark-up consistent with industry practices.*



- [Internal Technical and Commercial Evaluation](#): All such transactions undergo internal assessment by technical and finance teams to evaluate reasonableness, utility and alignment with business requirements.

Clarification on Independent Valuation:

We acknowledge SES's concern regarding the apparent ambiguity in our earlier disclosure. In this regard, we clarify as follows:

- Independent valuation is not uniformly mandatory for all capital transactions, particularly where:
 - reliable external market benchmarks are available, or
 - transactions are repetitive in nature and comparable third-party data exists.
- However, the Company adopts a principle-based approach and accordingly, Independent valuation / external expert reports will be obtained in cases where:
 - the transaction is material in value,
 - involves unique or non-standard assets,
 - lacks reliable market comparables, or
 - requires significant management judgment in determining fair value.
- For routine or standardized capital procurements supported by market data, internal benchmarking is considered sufficient and aligned with industry practice.

SES Comment: SES, in its report, has raised governance and transparency concerns due to inadequate disclosure regarding the basis for determining arm's length pricing for one of the proposed transactions, namely the "*purchase/sale of equipment of a capital nature such as plant, machinery, equipment, or other fixed assets.*"

In response, the Company has outlined a structured and multi-layered approach, depending on the nature of the asset and the availability of comparable benchmarks, and has further clarified its approach to obtaining external valuation reports.

However, SES questions one thing here: Can capital assets like plants be valued through market benchmarking?

The Company has also mentioned that while considering taking an independent valuation report, the Company considers "*the transaction is material in value*". SES agrees with the same; however, the word material is not defined or quantified anywhere, and it remains subjective. Accordingly, a shareholder may never be able to assess whether the Company will be getting an independent valuation report for the purchase or sale of any such plant or equipment of a capital nature or not. Further, SES opines that, if the valuation report is not taken upfront while seeking shareholders' approval and Company intends to seek the valuation later, the Company should disclose the method of valuation to be followed adequately, which helps the shareholders to assess the overall transaction.

Accordingly, as there still remains lack of clarity in this regard. The concern raised by SES under this head remains the same and there is **no change under this head**.

Based on the above, there is no change in SES recommendation. However, the shareholders may take note of the Company's response.

COMPANY'S EMAIL

Dear Sir/Madam,

Please find enclosed the Company's response/remarks to your report shared with us on Friday, April 24, 2026. Please inform for any clarification or additional information's.

Attached Document - [Weblink](#)

Thanks & Regards,

Company Secretary, Legal and Compliance Officer

Disclaimer Sources

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, Sustainability Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage with the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

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All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: The Company has not met statutory compliance requirements

FC – Fairness Concern: The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

GC – Governance Concern: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

TC - Disclosures & Transparency Concern: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information



Stakeholders Empowerment Services

SEBI Reg. No. INH000000016

CIN No. -

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