Centum Electronics Ltd. (CENELE)

CMP: Rs. 4,859 | Target: Rs. 5,900 (21%) | Target Period: 12 month | BUY

September 23, 2026

Deep capabilities, Strong growth runway...

About the company- Centum Electronics (Centum) is a premier electronics system design and manufacturing (ESDM) company based in Bengaluru. Established in 1993, the company builds high-reliability electronic systems and microelectronics for critical fields like defence, space, aerospace, industrials, semiconductor, railways and healthcare. It partners with marquee entities like Indian Space Research Organisation (ISRO) and Defence Research and Development Organisation (DRDO) to deliver mission-critical parts for satellites, missiles, and radars.

Investment Rationale

- **Decades of trust in regulated, high-barrier segments:** Centum's ~50% of revenue in FY26 is derived from Aerospace, defence and space which are highly critical and regulated segments. The company has decades of experience and relations with DRDO, ISRO and other large PSU defence players wherein Centum has contributed to mission critical products and participated in various missions such as Mangalyaan, Gaganyaan, Chandrayaan -3, etc. Around 70% of its products are single-sourced, while ~30% of revenue comes from customers with relationships exceeding 20 years and another ~40% from customers with 10-20 years relationships.
- **Strong order book and structural sector tailwinds esp. in Defence and Semiconductors:** Backed by structural government support and the "Make in India" program, Centum's standalone order book stood at ~₹1800 crore as on Q1FY27 which grew 32% YoY. About ₹872 crore of order book is constituted by EMS (Build-to-print) while high margin BTS (Build-to-specification) orderbook stood at ~₹925 crore, growing at faster pace of ~42% YoY. Centum has developed various products under BTS which are expected to go into commercialisation beyond FY28. Segment wise, defence and aerospace (~50% of revenue) are in structural growth runway aided by government's indigenisation measures. Transportation and Automotive: 11% of revenue, Healthcare: 7%, Industry & Energy including semiconductor related: 32% support diverse growth runway. Centum provides PCBA & Box builds to semiconductor equipment segment (~17% of revenue in Q1) which has increased from near-zero in FY25 to ~₹100 crore+ in FY26 and shall further scale to ~₹250 crore within 2 years.
- **Profitability expected to witness uptick**: Centum's current revenue mix is EMS dominated with ~72% of its revenue (9-10% EBITDA margin) while high margin BTS (~20%+) contributes balance ~28% which we expect to increase to ~33% by FY28E considering the order book with potential to further scale from thereon. Also, utilization levels are currently low at ~50-60% which shall bring operating leverage factor to play as revenue scales. Separately, Centum has exited the loss-making subsidiaries business which were exerting pressure on consol EBITDA margins.

Rating and Target Price: Management has guided for 25-30% CAGR over medium term accompanied by healthy EBITDA margin of 13-15%. The overhang of European subsidiaries losses is now behind with Centum exiting them while management's focus on core segments shall aid profitability improvement. Valuation to stay rich considering the long-term growth prospects owing to presence in defence, semi-conductor and such other segments. We recommend BUY rating on the stock with target price of 5,900, valuing at PE of 65x FY28E EPS.

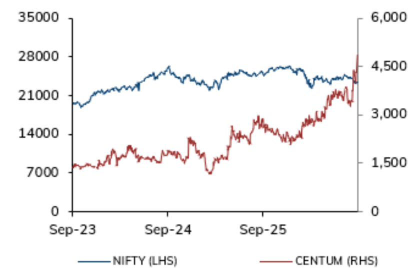
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	7,166
Debt (FY26) - ₹ crore	124
Cash (FY26) - ₹ crore	120
EV (₹ crore)	7170
52-week H/L (₹)	4,898/2,044
Equity capital (₹ crore)	14.8
Face value (₹)	10

Shareholding pattern (%)

Particulars	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	47.0	46.9	46.9	46.8
FII	2.8	2.4	2.4	3.3
DII	19.3	19.9	21.5	19.7
Others	30.9	30.8	29.2	30.2

Price Chart



Key risks

- Geopolitical and supply chain risk
- Execution risk & working capital management in BTS business
- Government orders & policy benefit risk

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Key Financial Summary

Key Financials (Rs. Crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	633	776	973	24.0	1,207	1,544	26.0
EBITDA	79	94	121	23.9	161	219	34.5
EBITDA margin (%)	12.4	12.1	12.4		13.4	14.2	
Adj Net Profit *	36	46	75	43.9	96	134	33.3
EPS (₹) *	28.2	31.0	51.1		65.0	90.8	
P/E(x)	172.3	156.6	95.1		74.8	53.5	
RoCE (%)	16.0	18.1	23.0		26.6	30.0	
RoE (%) *	12.2	10.5	15.2		20.0	22.5	

*Source: Company, ICICI Direct Research: *Adj. for exceptional, 25% tax rate assumed on normalised PBT*

Conviction Pick

ICICI Securities – Retail Equity Research

Company Background

Centum Electronics is an Indian Electronics System Design and Manufacturing (ESDM) company focused on high-reliability and mission-critical electronics across Defence, Aerospace, Space, Industrial & Energy, Transportation & Automotive, Healthcare and Semiconductor Equipment. Founded in 1993, the company has built capabilities spanning product design, engineering, prototyping, manufacturing, testing and system integration, with a customer base comprising global OEMs as well as strategic Indian customers.

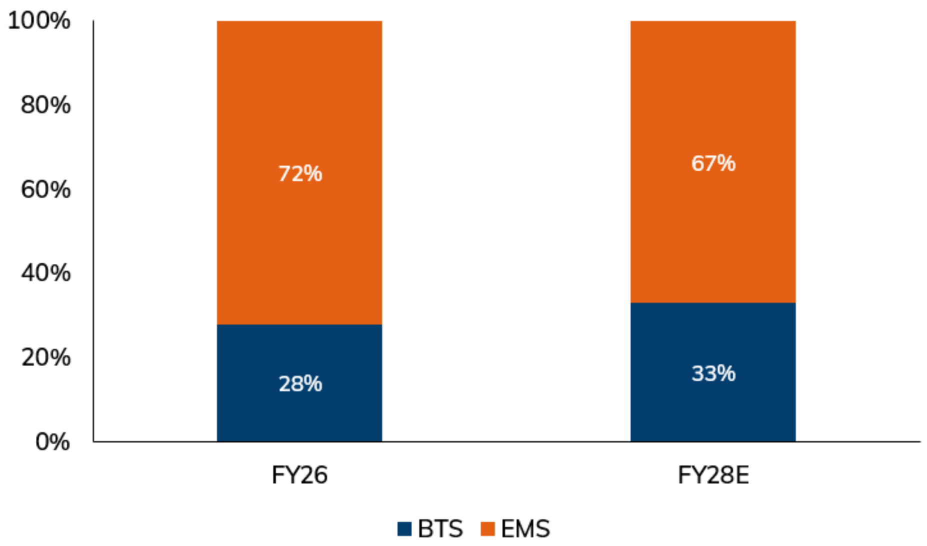
Exhibit 1: Three decades of expertise

Source: Company's investor presentation, Company, ICICI Direct Research

Centum's competitive positioning is particularly relevant in applications where reliability, qualification, traceability and product performance are more important than being the lowest-cost manufacturer. Around 70% of its products are single-sourced, while ~30% of revenue comes from customers with relationships exceeding 20 years and another ~40% from customers with 10-20 years of relationships. This creates significant customer stickiness and provides a relatively strong foundation for repeat business.

The company has evolved from being primarily an electronics manufacturing partner into a more integrated design-to-manufacturing player. Its current business is centred around two segments — Electronic Manufacturing Services (EMS) and Build-to-Specification (BTS). For FY26, EMS accounted for ~72% of standalone revenue, while BTS contributed ~28%.

Exhibit 2: Revenue mix between EMS & BTS



Source: Company's investor presentation, Company, ICICI Direct Research

a) **Electronics Manufacturing services (EMS):** Under EMS, Centum manufactures high-reliability and high-complexity electronics based largely on customer designs. Its capabilities span PCB assemblies, complex box builds, Line Replaceable Units (LRUs), testing and complete system integration. The EMS business typically operates with a 6–9-month execution cycle, requires comparatively lower working capital of ~85-110 days and carries benchmark EBITDA margins of around 9-10%. Management has more recently indicated that, depending on the customer and end market, 10-11% EBITDA margins are a reasonable benchmark for the EMS business.

Exhibit 3: EMS Capabilities

Source: Company's investor presentation, Company, ICICI Direct Research

b) **Built to Spec (BTS):** BTS represents the higher-value part of Centum's portfolio. Unlike conventional EMS, where the customer generally provides the design, Centum participates much earlier in the product lifecycle — from conceptualisation and design through development, qualification, manufacturing and lifecycle support. BTS projects typically have a ~2 to 2.5 years of execution cycle, require higher working capital of ~225-350 days and carry benchmark margins of 20%+, with strategic Defence, Aerospace and Space programmes potentially generating margins in the 18-20%+ range. The longer development cycle makes BTS revenue lumpier than EMS, but it also provides Centum with greater IP ownership, higher customer engagement and significantly better value capture.

Exhibit 4: BTS Capabilities

Source: Company's investor presentation, Company, ICICI Direct Research

Earlier, it also had one more segment ER&D i.e. Engineering research and development which was operated through its subsidiary Adetel which the company exited in FY26.

Exhibit 5: EMS product portfolio

Source: Company's investor presentation, Company, ICICI Direct Research

Exhibit 6: BTS product portfolio

Source: Company's investor presentation, Company, ICICI Direct Research

Business mix by end industry:

a) **Aerospace, Defence & Space (~50% of FY26 revenue):** Aerospace, Defence & Space represent Centum's largest chunk of its revenue, accounting for ~50% of standalone revenue. Centum's capabilities span across radar electronics, electronic warfare, missile electronics, avionics, power electronics, RF/microwave systems, satellite payloads and other mission-critical subsystems. The company has been engaged with India's strategic ecosystem for several years, including ISRO, DRDO and defence PSUs.

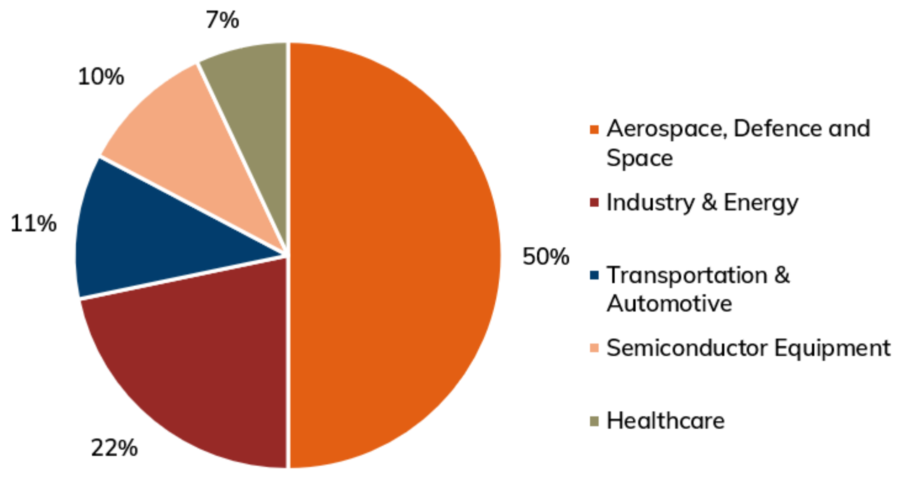
b) **Transportation and Automotive (11% of revenue):** It provides solutions for electric mobility and railway electronics with capabilities spanning to powertrain, electronics, battery management systems, High voltage inverters, and passenger information systems.

c) **Industry & Energy (22% of revenue):** Within this segment it manufactures & assembles products for industrial automation, smart energy and grid infrastructure. Centum has strong capabilities in high-reliability manufacturing for complex industrials.

d) **Healthcare (7% of revenue):** Centum is trusted partner to leading global healthcare equipment OEMs. Its' expertise spans across diagnostic, imaging, radiology, infusion systems, fertility kits and surgical automation.

e) **Semiconductor Equipment (10% of revenue)**: Centum manufactures PCBA & Box builds which remains critical to semiconductor manufacturing equipment i.e. photolithography, etching, etc.

Exhibit 7: Segment wise Revenue (FY26)

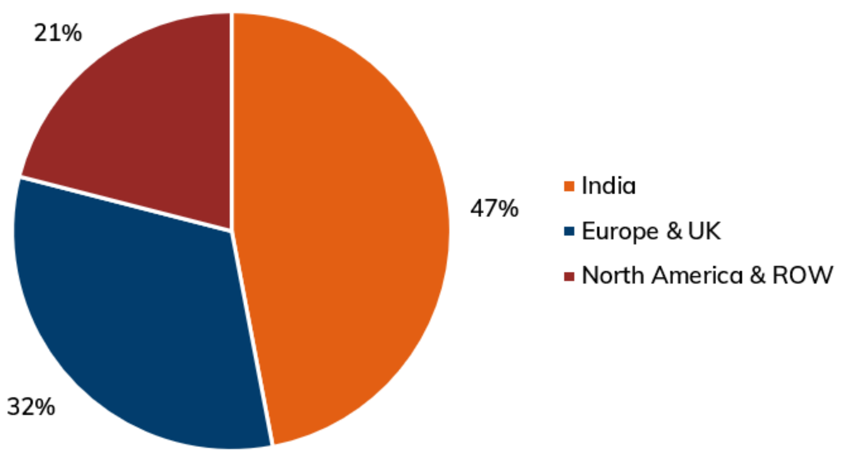


Source: Company's investor presentation, Company, ICICI Direct Research

Revenue split across geographies:

Centum's major portion of revenue comes from exports wherein Europe & UK forms ~32% and North America & others contributes ~21% of revenue while India forms ~47% comes within India.

Exhibit 8: Revenue split between geographies (FY26)



Source: Company's investor presentation, Company, ICICI Direct Research

Exhibit 9: Manufacturing facilities

Source: *Company's investor presentation*, Company, ICICI Direct Research

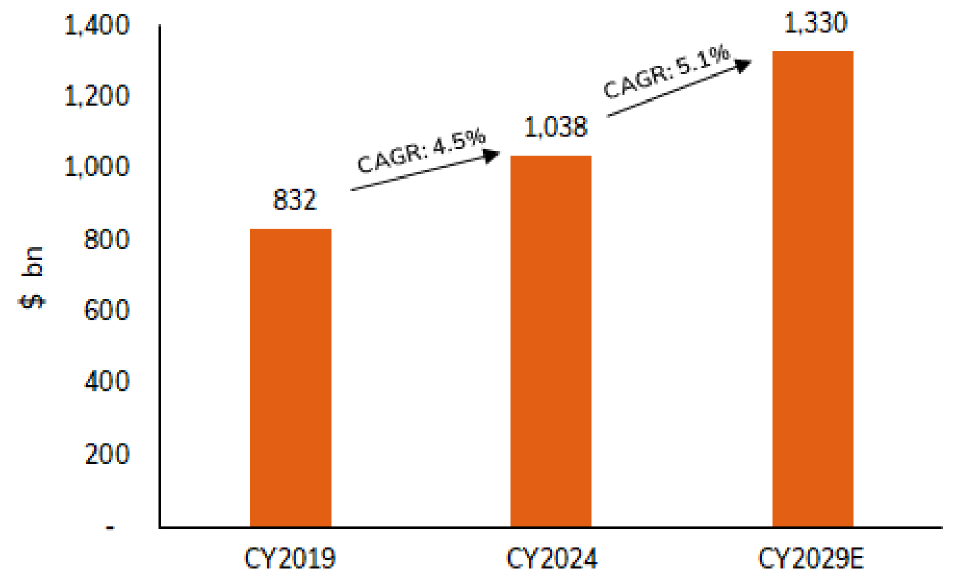
Centum currently operates through two manufacturing facilities located at Bengaluru wherein one facility is specifically dedicated for EMS while other is for BTS. Further it has also done a groundbreaking for a third facility in Bengaluru at KIADB Aerospace Park.

Industry Overview

Global electronics market is witnessing a substantial growth driven by widespread adoption of electronics devices across sectors ranging from consumer electronics, automotive to industrials and healthcare. The global finished electronics market which was valued at ~$2,956 bn in 2024 is expected to grow to ~$3,882 bn by 2029.

Further global Electronics System Design and Manufacturing (ESDM) market stood at $832 bn in 2019 which grew to $1038 bn in 2024 implicating a CAGR of ~4.5% over 2019-2024 which is expected to grow to ~$1,330 bn in 2029E at CAGR of 5.1%. For CY25, global ESDM stood at $1090 bn while the outsourced opportunity i.e. global EMS market stood at $640-650 bn as per reports and projected to grow at 6.6% CAGR to $1200-1250 bn by CY35E.

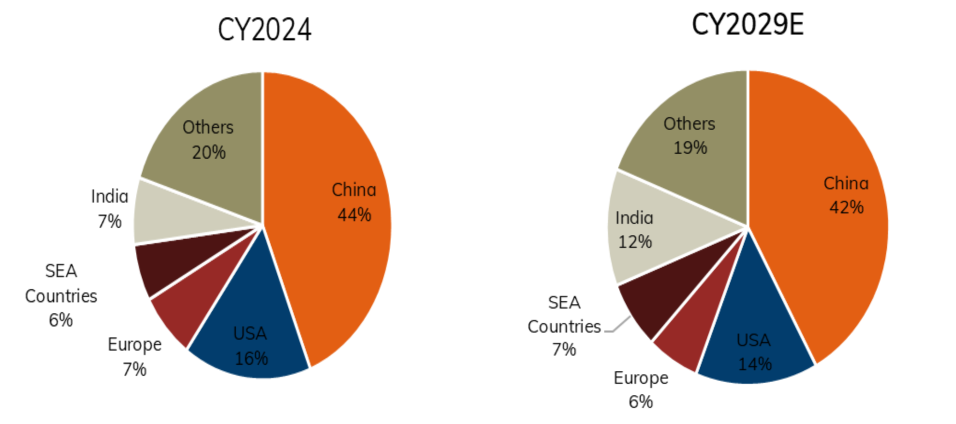
Exhibit 10: Global ESDM Industry



Source: Amber Ent QIP document, Company, ICICI Direct Research

Currently, China dominates the global electronics manufacturing landscape supported by cost advantages, strong technological capabilities and electronics ecosystem. However, post COVID, many countries started adopting ‘China+1’ strategy to diversify supply chains which has opened significant opportunities for countries like India.

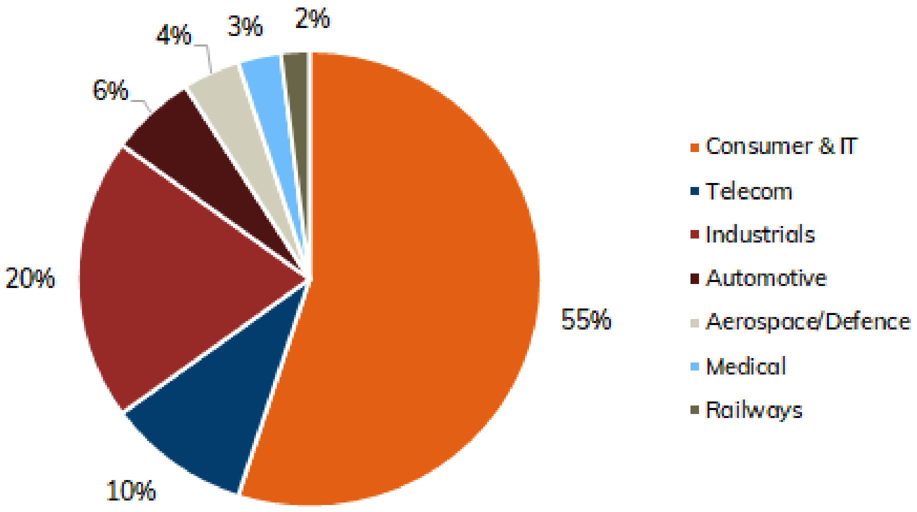
Exhibit 11: India’s position in global ESDM to improve



Source: Amber Ent QIP document, Company, ICICI Direct Research

As depicted in in exhibit above, India’s share in the global ESDM market is expected to rise significantly from 7% in CY2024 to 12% by CY2029, while China’s share is expected to gradually decline from 44% to 42%. Government initiatives such as the Production Linked Incentive (PLI) scheme, improved electronics manufacturing infrastructure along with state government incentives, rising domestic demand, favourable labour costs, and policy support for semiconductor and electronics manufacturing are attracting global OEMs to expand sourcing and production in India.

Exhibit 12: Global ESDM split across end-industries

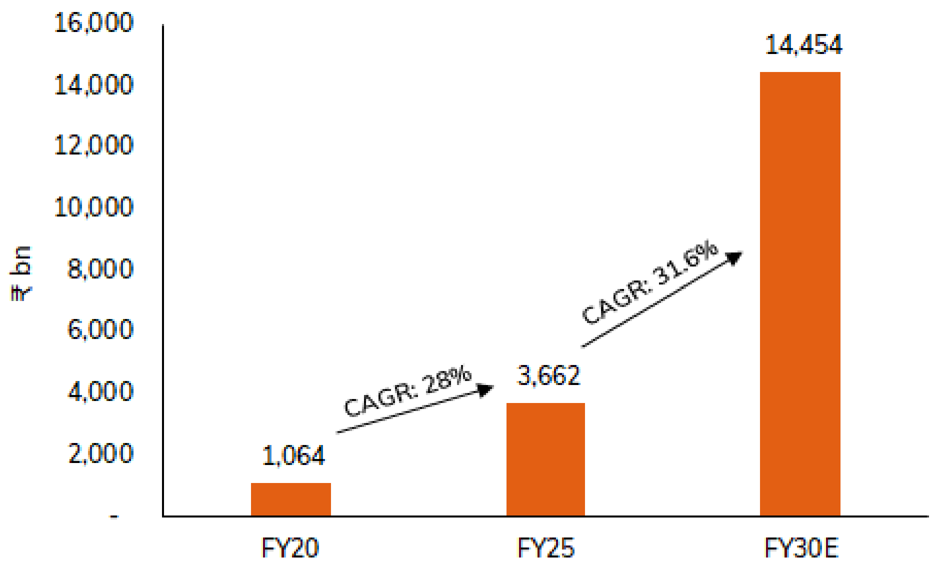


Source: Cyient DLM Quarterly presentation, Company, ICICI Direct Research

Global ESDM market is spread across end industries wherein Centum is largely focused on core sectors including industrials, aerospace/defence, space, medical and railways which in combination make up substantial ~35% of the global ESDM market. For FY26, Centum had ~53% of the business from export while the balance was contributed domestically. Within exports, it has major presence in geographies such as Europe, UK & North America.

India's ESDM market in FY25 was valued at ~₹3,662 bn growing from ~₹1,064 bn in FY20. Going ahead, Indian ESDM market is expected to witness strong growth wherein the industry is expected to reach ~₹14,454 bn in FY30, implying CAGR of 31.6% over FY25-FY30E. This expansion will be fueled by factors like China+1, increased localization, restricting foreign exchange outflow through reducing imports alongside aid through PLI & other incentives from government.

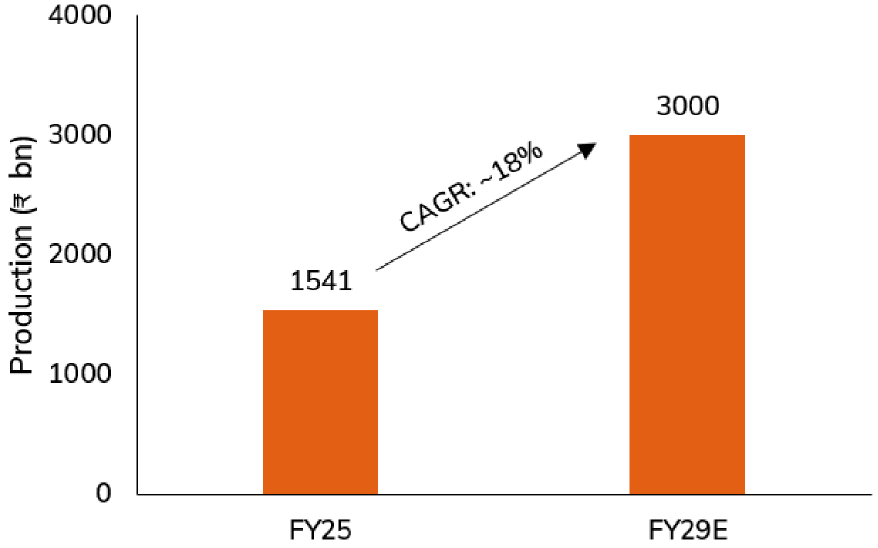
Exhibit 13: Indian ESDM Industry



Source: Amber Ent QIP document, Company, ICICI Direct Research

Currently India's electronic manufacturing remains heavily assembly focused, with minimal inputs on design front. Current end-user industries are highly dominated by mobile phones with ~62.6% of India's ESDM market, while other categories are expected to witness significant growth. This is backed by central and state government incentives while companies are infusing capital to expand their portfolio to industrial, medtech, automotive & other products.

Exhibit 14: Indian Defence Production



Source: Centum's investor presentation, ICICI Direct Research

Indian government has restricted thousands of military items, weapons and vehicle parts from being imported resulting into push for domestic manufacturing. India's defence sector is moving from being import dependence to domestic manufacturing. Atmanirbhar Bharat in defence has been the guiding principle, driving policies that prioritise local design, development, and manufacturing. Government reforms, strategic investments, and industry partnerships have fuelled innovation and strengthened domestic capabilities.

India's domestic defence production is expected to witness strong growth of ~18% CAGR over FY25-FY29E with production moving up from ~₹1541 bn to ~₹3000 bn by FY29E. Apart from this, India's space market is expected to witness CAGR of ~15% over 2025-2033 from $12bn to $44bn as per reports. Centum has strong presence in these mission critical segments with ~50% business derived from Aerospace, defence and space segment which shall be benefitted from strong industry growth.

Investment Rationale

1. Strong capabilities in segments with high entry barriers:

Centum capabilities span to highly regulated and restricted sectors such as aerospace, defence, space electronics and semiconductor equipment. Wherein it takes years of experience to establish strong footholds in these segments. Centum has nearly three decades of experience in these critical sectors while semiconductor equipment being relatively new segment.

Centum has acquired key certifications such as SAMAR L5, ECOVADIS, ISO 13485, IATF 16949, ISO 27001 which remains key for continued order flows going ahead and suggests strong capabilities of Centum in these critical segments.

Centum's key business segments:

a) Defence & Aerospace:

Centum is a leading industry player for India's DRDO labs and defence PSUs wherein Centum has played a critical role in delivering mission critical electronics on major missiles, radars, electronic warfare and other applications. It's unique microelectronics capability enables the development of lightweight, high reliability electronics for on-board applications.

Currently, Centum's key strategic shift is from supplying individual components and subsystems towards complete systems and system integration. Management has explicitly identified multi-function radar systems, radar subsystems, satellite constellations, avionics, electronic warfare systems, T-90 electronics and drone payloads as key areas of focus.

Undergoing developmental projects within Defence & Aerospace:

- **UHM platform AESA Radar:** Centum has partnered with AESA radar system for Utility Helicopter Maritime (UHM) platform. The programme has an indicative lifetime opportunity of ~₹570 crore. The first phase comprises a ~₹66-67 crore development programme, while the subsequent phase represents ₹500 crore-plus of potential serial production. The development phase is expected to run for roughly two years, after which serial production could extend through FY30-31, subject to successful qualification and programme requirements. As of Q1FY27, the first phase of critical design reviews had been completed and Centum was progressing towards first prototypes. Management expects the first prototypes to be demonstrated in the following year before moving towards serial production.
- **Virupaksha Project:** Virupaksha radar is an advanced, indigenous Active Electronically Scanned Array (AESA) radar system developed by India's DRDO to upgrade the Indian Air Force's Su-30MKI fighter jet fleet. Centum is also developing critical electronics for the Virupaksha radar programme, where it is currently in the product-design phase. Management expects the development orders to be completed around Q4FY27/Q1FY28.
- **TACAN:** Tactical Air Navigation (TACAN) is a secure, ultra-high frequency (UHF) omnidirectional navigation system used primarily by military aircraft, naval ships, and ground stations. Centum Electronics has emerged as a key indigenous developer of TACAN systems for the Indian Armed Forces. Centum signed a joint partnership agreement with state-owned shipbuilder Garden Reach Shipbuilders & Engineers Ltd (GRSE) to develop and modernize next-generation naval navigation systems. Management is also expecting additional orders for the system over the next 1-2 quarters.

b) Space electronics: Centum has been present in the space electronics ecosystem for more than two decades and has progressively moved up the value chain — from niche components to modules, subsystems and now complete payloads.

India's space journey has evolved from building basic capabilities to delivering advanced, globally competitive space technologies. Over the past decade, reforms have opened the sector to private enterprise, startups and global partnerships. India is now expanding its capabilities across launch systems, satellites, space applications and human spaceflight.

India has operationalised four indigenous launch vehicles: Polar Satellite Launch Vehicle (PSLV), Geosynchronous Satellite Launch Vehicle (GSLV), Geosynchronous Satellite Launch Vehicle Mark III (GSLV Mk III), and Small Satellite Launch Vehicle (SSLV). Centum's capabilities include satellite bus electronics, payload electronics, RF and microwave systems, power management, telemetry and other mission-critical electronics. Historically, the company has supplied electronics for multiple ISRO programmes, including Chandrayaan and Mangalyaan.

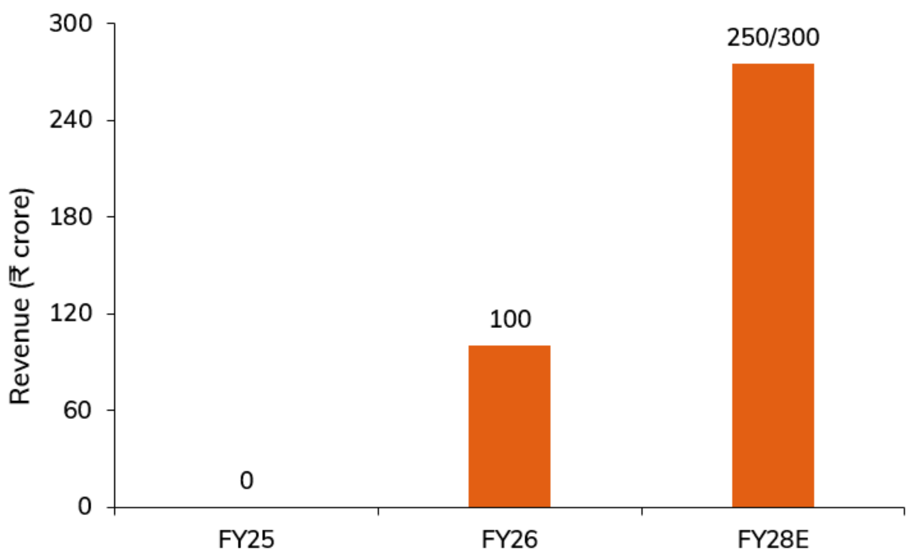
As the opportunity is expanding to private players beyond traditional ISRO programmes, Centum shall be a key beneficiary to gain advantage from these programmes. Centum has already started booking orders from the space-based surveillance (SBS) programme and expects strong order intake from this opportunity going ahead. It is also executing a large electronic-warfare payload programme closely aligned with SBS, with repeat requirements expected after successful deployment.

c) Semiconductor Equipment: Under Indian Semiconductor Mission (ISM), government aims to build a strong semiconductor and display ecosystem, positioning India as a global hub for electronics manufacturing and design, while serving as the nodal agency for the efficient and seamless implementation of semiconductor and display schemes. The Union cabinet has approved next phase of Semicon India Programme (ISM 2.0) with an outlay of ~₹1,27,500 crore to accelerate the development of a robust and resilient semiconductor ecosystem within India.

Under Centum's EMS business, it entered into Semiconductor manufacturing equipment wherein the company manufactures PCBAs, and box builds used in semiconductor equipment employed in processes such as photolithography and etching. It has onboarded a major global semiconductor equipment OEM and has progressively increased the number of products and part numbers supplied.

In FY25 revenue remained negligible which crossed ~₹100 crore in FY26 which the management further expects to more than double to ~$25-30 mn over next 2 years. Management explicitly clarified that semiconductor equipment remains part of EMS and therefore carries an approximately 10-11% benchmark EBITDA margin. However, competition currently remains limited with selective competition from Southeast Asia particularly Malaysia.

Exhibit 15: Revenue from Semiconductor Equipment Segment



Source: Company, ICICI Direct Research

- **Participation in ECMS scheme:** Centum recently secured government's approval under fifth tranche of ECMS scheme for planned investments of ~₹106 crore. The company will use the investment to establish domestic manufacturing capabilities for high-value transducers and filters, supporting India's efforts to reduce dependence on imported electronic components.

Centum Electronics' planned investment is expected to strengthen its capabilities in specialised electronic components and support demand from sectors including defence, aerospace and space electronics. The company is also expected to benefit from policy support aimed at expanding domestic production of critical electronic components.

2. Exit from overseas subsidiaries to help reallocate capital and improve financials:

Centum acquired a 51% controlling stake in France-based Adetel Group in 2016, with the transaction completed in July 2016. The strategic rationale was to expand Centum's international presence, strengthen its design capabilities, access new customers and combine design capabilities with Centum's high-technology manufacturing platform.

This acquisition gave Centum access to engineering capabilities and customers across Europe and North America. However, the expected economics and synergies did not fully materialise.

Over time, the overseas businesses became a drag on consolidated profitability. Management has subsequently acknowledged that the overseas subsidiaries were masking the stronger performance of the Indian business.

Centum decided to deconsolidate its subsidiaries with discontinuation of the Canadian operations. Also, French subsidiary entered court supervised restructuring in FY26. In June 2026, the French court approved the transfer of substantially all operating businesses and employees of Centum T&S Group and certain subsidiaries to MBDA and SII. Centum consequently lost control and deconsolidated the businesses, effective 4 June 2026. The remaining entities subsequently entered liquidation proceedings.

Under its EMS business, Centum is now integrating engineering capability with its Indian manufacturing platform to engage customers earlier in the product-development cycle to build bridge between existing design services and EMS manufacturing. The objective is to win programs at the design stage, undertake NPI/prototyping and subsequently manufacture the product in India. This can potentially increase wallet share, improve customer stickiness and create a manufacturing revenue stream from designs that Centum itself helped develop.

Centum is not necessarily abandoning the engineering capability that it acquired through Adetel. In essence, the restructuring removes the drag of the overseas engineering structure while allowing Centum to retain the strategic value of engineering and integrate it with India's growing EMS platform. If DLM (design led manufacturing) succeeds, Centum can potentially move from being an EMS manufacturer to a higher-value design-to-manufacturing partner, with higher customer stickiness, greater wallet share and better margins.

3. Margins expected to witness uptick:

Centum's historical consolidated margins remained in the range of 8 to 10%, however standalone business garnered margins of ~12%. Overall financial performance was dragged owing to loss from subsidiaries & lower utilisation levels.

We expect Centum's margins to witness uptick owing to several factors;

a) **BTS portfolio to witness strong growth:**
Centum's current portfolio is dominated by EMS business wherein ~72% of standalone business is derived from EMS products. This business carriers relatively lower EBITDA margins when compared to BTS business. EMS business carries margins of ~9-10% while BTS business operates at much higher EBITDA margins of ~20%+. While BTS currently contributes ~28% of revenue management expects strong growth in this segment. Further there are several BTS programmes under developmental phase such as HAL's AESA radar, TACAN programme, etc. which once run into production phase shall ultimately result into margin expansion.

b) **Utilization levels to improve:**
Centum's utilization levels at its two facilities ranges between ~50-60%. These utilization levels are expected to improve going ahead with growth picking up which shall ultimately result into higher operating leverage leading

to margin expansion.

c) **Exit from overseas subsidiaries:**

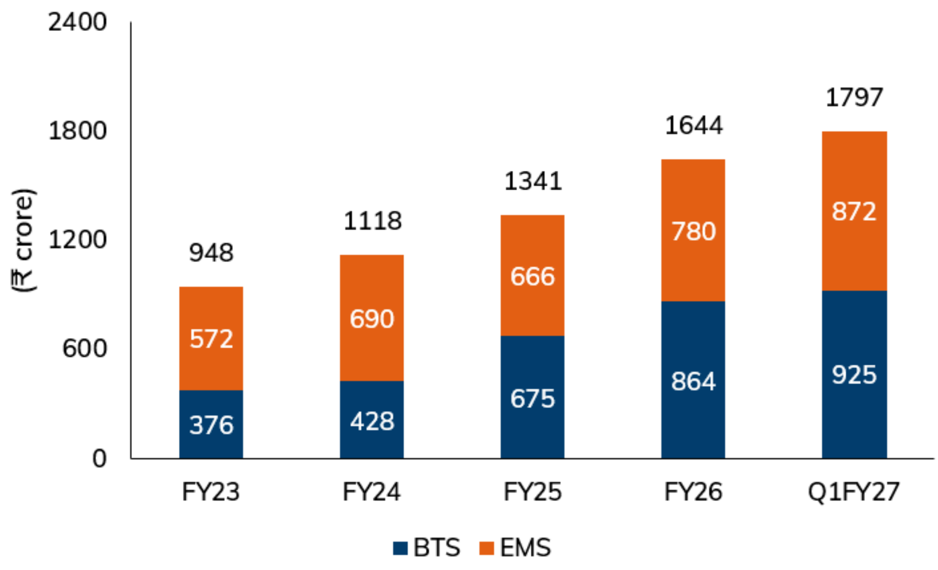
Overseas subsidiaries posed pressure to profitability, while standalone financials remained profitable over the historical years however losses from subsidiaries exerted pressure on overall consolidated financial statements. As company has exited those businesses, we expect profitability over EBITDA & PAT to improve going ahead.

4. Order book witnessing steady and strong momentum:

Centum's order book compounded by CAGR of ~20.2% over FY23-FY26. Wherein standalone orderbook in FY23 stood at ₹948 crore which grew to ₹1645 crore in FY26 while in Q1FY27 order book stood at ₹1797 crore.

More importantly order book mix shows a much better picture wherein in FY23, the mix in order book between BTS and EMS was 40:60 which in FY26 represents the ratio of 53:47. These represents that the order inflow from BTS which is more complex and carries higher margins in gaining traction. However, as these orders have longer gestation period of ~2 to 2.5 years, revenue shall take some time to recognize. Further the company is working on developmental projects for AESA radars, TACAN, Space based programmes which shall further strengthen the order book.

Exhibit 16: Strong Order Book



Source: Company, ICICI Direct Research

Quarterly order inflow remained strong in Q1FY27 reporting order inflows of ~₹360 crores wherein BTS orderbook grew by 40% YoY much ahead of EMS order book which grew by 23% YoY.

Further, recently Centum has secured a $3.22 mn (~₹30.5 crore) export order from a global OEM for advanced electronic systems, strengthening its position in the defence and aerospace sector. Management in Q1FY27 call mentioned about active discussions for export BTS order which if closed shall be meaningful to revenue and margins.

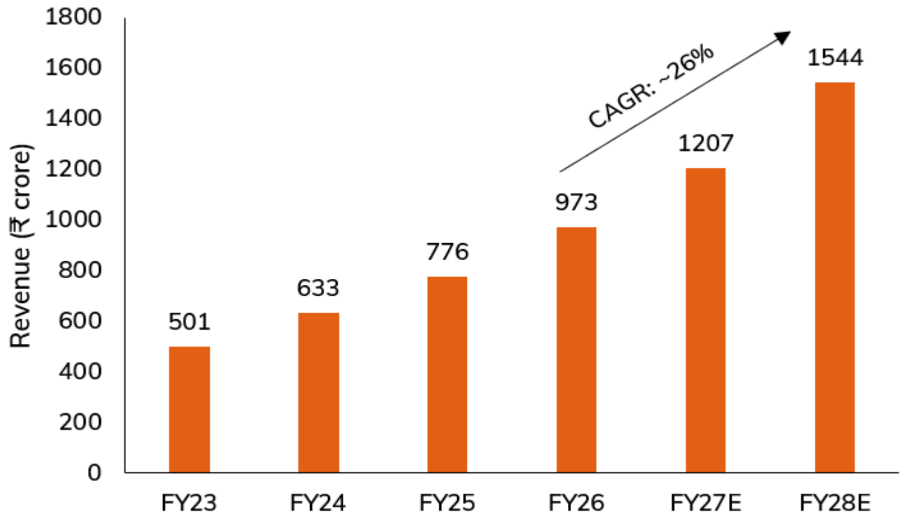
Overall, strong orderbook and healthy order inflows provide strong long term revenue visibility.

Key Financial Summary

Revenues to grow at CAGR of 26% over FY26-28E...

Centum's standalone revenue grew at a CAGR of 25% over FY23-26 to ₹973 crore. Going ahead, we expect revenue to grow at ~26% CAGR over FY26-28E to ₹1,544 crore, backed by strong order book (₹1,797 crore in Q1FY27) and higher growth from BTS segment.

Exhibit 17: Revenues to grow at 26% CAGR during FY26-28E

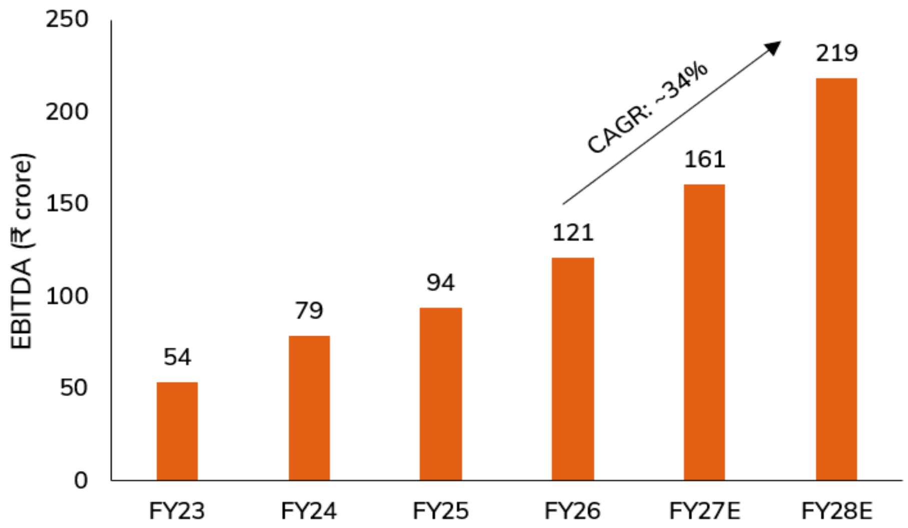


Source: Company, ICICI Direct Research

EBITDA margins to expand led by improved mix...

EBITDA grew at a CAGR of 31% over FY23-26 to ₹121 crore, with margins improving from 10.7% to 12.4%. We expect EBITDA to grow at ~34% CAGR over FY26-FY28E to ₹219 crore, with margins expanding to 14.2% backed by increasing revenue contribution from BTS & improving capacity utilization. Wherein we expect share from BTS business to move from ~28% in FY26 to ~33% by FY28E. Currently, BTS forms 53% of the order book. Also, developmental programmes such as AESA radar and TACAN could expand margins beyond FY28.

Exhibit 18: EBITDA margins to further expand, led by BTS

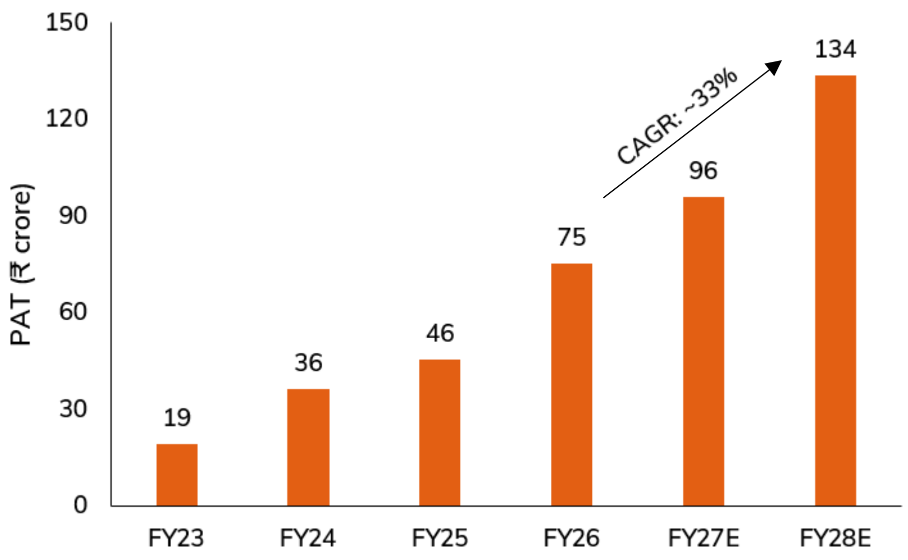


Source: Company, ICICI Direct Research

PAT to grow at CAGR of 33% over FY26-28E...

Adjusted PAT grew at a CAGR of 57% over FY23-26 to ₹75 crore. We expect PAT to grow at ~33% CAGR to ₹134 crore in FY28E, supported by healthy topline growth along with margin expansion.

Exhibit 19: Adj. PAT to grow at CAGR of ~33%

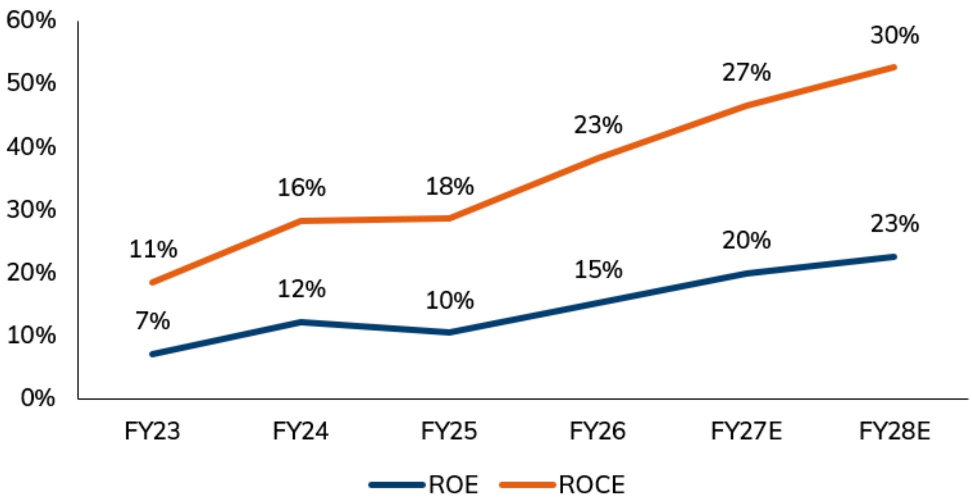


Source: Company, ICICI Direct Research

Return profile to further improve led by better profitability...

Currently, Centum's capital efficiency ratios are strong with ROE at 15% and ROCE at 23% as of FY26. Going ahead, with revenue growth and margin expansion, return profile is expected to improve further.

Exhibit 20: Return ratios to improve



Source: Company, ICICI Direct Research

Key Risk and Concerns

Geopolitical & supply-chain risks:

Given its global customer base and dependence on international supply chains, Centum remains exposed to geopolitical developments and supply-chain disruptions. Escalation of geopolitical tensions could disrupt supply chain and result in higher commodity and component costs, elevated freight expenses, longer lead times and currency volatility, potentially impacting margins and execution timelines.

Long execution cycle of BTS orders:

BTS orders are typically large, lumpy and involve long execution cycles, with project timelines often extending beyond 2-2.5 years. While BTS carries higher margins than EMS, the longer project cycle increases execution risk and can result in uneven revenue recognition and cash-flow generation. Delays in customer approvals, development milestones or project execution could further defer revenue conversion from the order book.

Working capital intensity

Centum's current business mix comprises ~72% EMS and ~28% BTS, with EMS typically being less working-capital intensive than the BTS business. As the contribution of BTS increases, the company's working-capital requirements could rise, particularly given the longer execution cycles and higher inventory/receivables associated with large BTS programs. A faster-than-expected shift towards BTS could therefore exert pressure on cash flows and return ratios.

Export concentration:

Centum has a significant export-oriented business, with ~53% of revenue currently generated from international markets. While the company is expected to remain export-led, its exposure to global customers and markets makes it susceptible to changes in international demand, trade policies, tariffs and geopolitical developments. Any disruption to key export markets could adversely affect growth and order execution.

Financial Summary

Exhibit 21: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**776**	**973**	**1,207**	**1,544**
% Growth	22.6	25.4	24.0	28.0
Other income	7	16	8	7
Total Revenue	**783**	**989**	**1,214**	**1,551**
Employee Expenses	125	132	157	198
Other expenses	557	720	889	1,128
Total Operating Expenditure	682	852	1,045	1,326
Operating Profit (EBITDA)	**94**	**121**	**161**	**219**
% Growth	19.5	28.4	33.3	35.7
Interest	19	17	16	17
PBDT	75	104	145	202
Depreciation	20	20	24	29
PBT before Exceptional Items	62	100	129	179
Adjusted PAT	**46**	**75**	**96**	**134**
% Growth	25.6	65.0	27.2	39.7
EPS	**31.0**	**51.1**	**65.0**	**90.8**

Source: Company, ICICI Direct Research

Exhibit 22: Cash Flow Statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	46	-117	96	134
Depreciation	20	20	24	29
Interest	19	17	16	17
Non-Cash Impairment charge	-46	154	-	-
Cash Flow before WC changes	**39**	**73**	**136**	**180**
(Inc)/dec in Current Assets	-153	-119	-156	-260
Changes in creditors	106	90	80	160
Other current liabilities	-68	4	-4	-7
Inc/(dec) in CL and Provisions	39	94	76	153
Net CF from Operating activities	**-76**	**48**	**56**	**72**
(Purchase)/Sale of Fixed Assets	**-25**	**-40**	**-61**	**-71**
Others	-	-	-	-
Net CF from Investing activities	**-25**	**-40**	**-61**	**-71**
Dividend	-9	-7	-7	-8
Others	185	6	-4	-6
Net CF from Financing Activities	**176**	**-1**	**-11**	**-14**
Net Cash flow	75	7	-16	-12
Opening Cash/Cash Equivalent	36	113	120	104
Closing Cash/ Cash Equivalent	**112**	**120**	**104**	**92**

Source: Company, ICICI Direct Research

Exhibit 23: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	15	15	15	15
Reserve and Surplus	544	417	513	646
Total Shareholders' funds	**558**	**432**	**527**	**661**
Minority Interest	-	-	-	-
Total Debt	97	123	129	132
Other liabilities	5	4	5	5
Total Liabilities	**661**	**559**	**661**	**799**
Gross Block	217	263	323	393
Acc: Depreciation	113	129	153	183
Net Block	105	134	170	211
Capital WIP	8	-	-	-
Total Fixed Assets	112	134	170	211
Non-Current Assets (Incl. Intangible)	190	27	31	38
Inventory	327	457	534	664
Debtors	317	307	390	508
Other Current Assets	42	42	39	49
Cash	113	120	104	92
Total Current Assets	799	926	1,067	1,313
Current Liabilities	441	528	606	763
Net Current Assets (Ex Cash)	471	518	565	642
Total Assets	**661**	**559**	**661**	**799**

Source: Company, ICICI Direct Research

Exhibit 24: Ratio Analysis ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	31.0	-79.4	65.0	90.8
Cash per Share	76.7	81.4	70.9	62.6
BV	379.7	292.7	357.7	448.5
Dividend per share	6.0	5.1	5.0	5.5
Operating Ratios (%)				
EBITDA Margin	12.1	12.4	13.4	14.2
PAT Margin	5.9	-12.0	7.9	8.7
Return Ratios (%)				
RoE	10.5	15.2	20.0	22.5
RoCE	18.1	23.0	26.6	30.0
Valuation Ratios (x)				
EV / EBITDA	75.8	59.3	44.6	33.0
P/E	156.6	95.1	74.8	53.5
Market Cap / Sales	9.1	7.2	5.9	4.6
Price to Book Value	17.6	20.9	16.3	12.5
Working Capital Management Ratios				
Inventory Days	224.5	217.9	240.0	235.0
Debtors Days	126.4	117.1	118.0	120.0
Creditors Days	122.3	118.1	119.0	121.0
Asset turnover	3.3	3.4	3.4	3.5
Solvency Ratios (x)	228.5	216.9	239.0	234.0
Debt / Equity	0.2	0.3	0.2	0.2
Current Ratio	1.4	1.4	1.5	1.5
Quick Ratio	0.7	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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