

Centum Electronics. (Centum)

Defence | Management Meet Update

Not Rated

CMP: Rs2,377 | Target Price (TP): NA | Upside: NA

June 27, 2025

Focused on margin expansion, subsidiary turnaround, and strategic growth

Key Points

- Centum Electronics Limited (CEL) is a leading provider of advanced electronics solutions, catering primarily to the defense, space, aerospace, and industrial segments. With a strong presence in both domestic and international markets, the company specializes in high-reliability systems and electronic manufacturing services (EMS), supported by a robust order book and strategic focus on innovation and operational excellence.
- **Margin Guidance and Growth Outlook for FY26:**
 - Standalone revenue growth: 25-28% (BTS higher, EMS healthy)
 - Consolidated revenue growth: 18-20% (subsidiaries flat)
 - EBITDA margin: '10% at the consolidated level should definitely be possible if Canadian losses are plugged.'
 - Two-year target: 12% consolidated EBITDA margin

Order Book Status as on 31-Mar-25:

- Total: Rs17.36bn
- Standalone: Rs13.30bn (up from Rs11.18bn in the previous year)
- BTS: Rs6.64bn
- EMS: Rs6.65bn
- Growth was primarily driven by the BTS segment, supported by strong demand from defense and space customers.

Working capital increased to 87 days (consolidated), primarily due to higher billings in Q4. The company raised Rs2.10bn through a QIP from marquee investors with the proceeds utilized for debt reduction (Rs1.15bn, including Rs1.10bn repaid), capex, and general corporate purposes.

Order Execution Timeline:

- Build to specification (BTS): 2-2.5 years
- Electronics Manufacturing Services (EMS): <12 months
- Engineering Research & Development in electronics (ER&D): <10-12 months
- Weighted average: 15-18 months

➤ Expansion plans for FY26:

Rs400mn (standalone) has been allocated to enhance BTS and EMS capacities with equipment designed to be interchangeable across both segments.

- **View & Valuation:** CEL reported strong Q4 performance, marked by a sharp turnaround driven by the defense/space (BTS) segment and robust growth in EMS exports. Efforts are underway to address losses from subsidiaries—particularly in Canada—with resolution expected in FY26, which should support improvement in consolidated profitability. The order book and pipeline remain strong, backed by healthy demand in India's defense/space sector and a growing base of global EMS customers, aided by China+1 tailwinds. The company is focused on margin expansion, targeting a 10-12% consolidated EBITDA margin over the next two years. Initiatives around talent management, cost optimization, and strategic capex are in progress. A leadership transition is also in motion with a seasoned CFO stepping in. While the outlook is positive, the company acknowledges some near-term volatility and headwinds in certain subsidiaries, which are being proactively managed.

- **Key downside risks:** Continued losses in overseas subsidiaries (especially Canada), execution delays in defense/space orders, and margin pressures from input costs and customer pricing. Additionally, global demand fluctuations, talent retention during management transition, and effective utilization of recent capex remain critical.

Est Change	NA
TP Change	NA
Rating Change	NA

Company Data and Valuation Summary

Reuters:	CENT.BO
Bloomberg:	CTE IN Equity
Mkt Cap (Rsbn/US\$mn):	31.8 / 368.2
52 Wk H / L (Rs):	2,690 / 1,140
ADTV-3M (mn) (Rs/US\$):	114.7 / 1.3
Stock performance (%) 1M/6M/1yr:	(6.9) / (0.6) / 29.8
Nifty 50 performance (%) 1M/6M/1yr:	1.6 / 6.7 / 5.8

Shareholding	2QFY25	3QFY25	4QFY25
Promoters	58.8	58.8	51.5
DII's	8.5	8.0	15.1
FII's	0.4	1.0	0.8
Others	32.4	32.2	32.6
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY22	FY23	FY24	FY25
Net Sales	7,799	9,230	10,908	11,558
Growth YoY %	(4.6)	18.3	18.2	6.0
Gross margin %	61.3	55.0	59.8	57.7
EBITDA	742	762	859	967
EBITDA margin %	9.5	8.3	7.9	8.4
Adj PAT	69	67	21	92
Growth YoY %	(42.9)	(2.5)	(68.2)	332.2
Adj EPS (Rs)	5.3	5.2	1.7	6.3
RoCE	5.7	3.1	(3.0)	(1.4)
RoE	3.2	3.2	1.0	3.0
RoIC	6.3	3.4	(3.4)	(1.8)
P/E	271.6	278.6	875.6	231.2
EV/EBITDA	28.7	28.0	23.6	22.6
P/BV	9.2	8.9	9.2	5.3

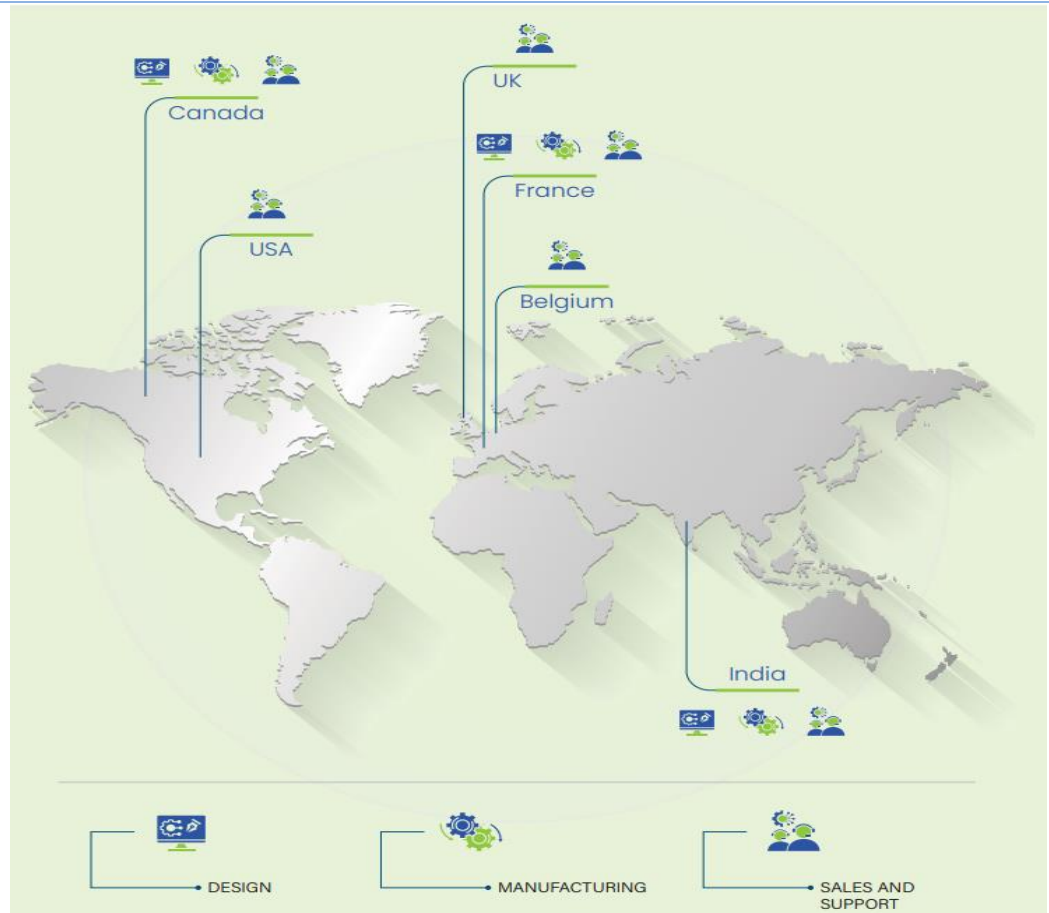
Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

About the company: Founded in 1994 in Bangalore, India, Centum Electronics Limited has evolved into a diversified electronics company with a global footprint across North America, EMEA (Europe, Middle East, and Africa), and Asia. The company offers a wide range of products and services spanning the entire electronics value chain from engineering R&D to manufacturing and aftermarket lifecycle support.

Centum specializes in catering to mission-critical and high-reliability applications supporting global OEMs (original equipment manufacturers) and defense organizations. Over three decades, it has positioned itself as a trusted partner in sectors requiring technological excellence and precision.

Exhibit 1: Geographical presence



Source: Centum Electronics Report, Nirmal Bang Institutional Equities Research

India acts as a major operational base with full-spectrum capabilities. North America (USA & Canada) and Europe (France, Belgium, UK) mainly serve as design hubs and customer-facing offices, ensuring Centum remains close to its international clientele, while leveraging India's manufacturing base.

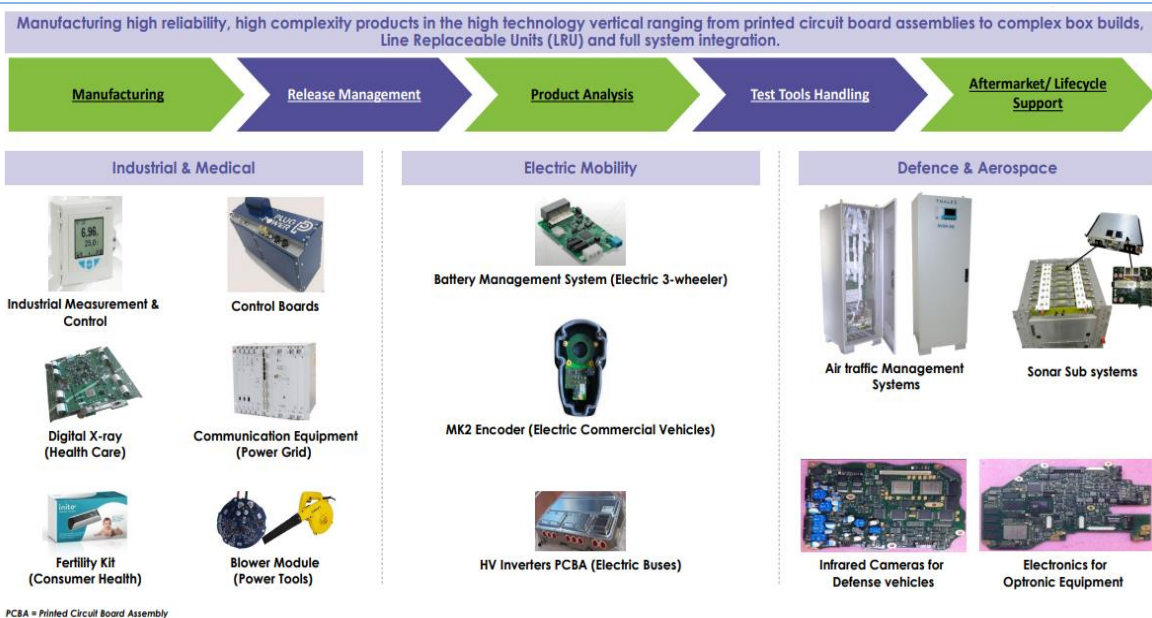
Exhibit 2: Competitive strengths



Source: Centum Electronics Presentation, Nirmal Bang Institutional Equities Research

Centum Electronics operates through three integrated verticals: Engineering R&D Services (ER&D), Electronic Manufacturing Services (EMS), and Build to Specification (BTS).

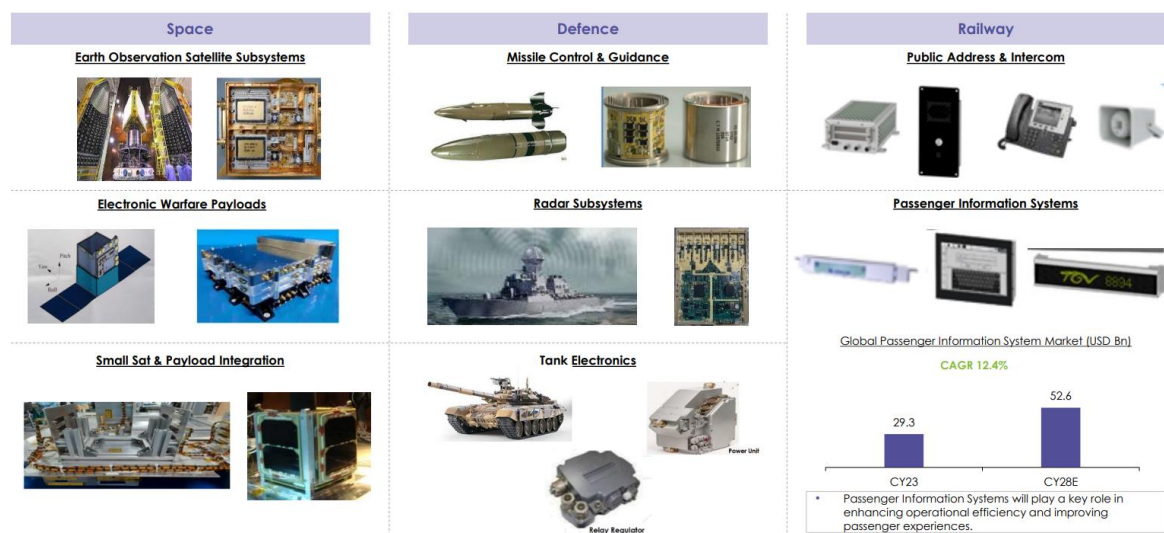
Exhibit 3: Electronic Manufacturing Services



Source: Centum Electronics Presentation, Nirmal Bang Institutional Equities Research

The **EMS** business, which accounts for 50% of revenue, delivers high-reliability, low-to-medium volume manufacturing solutions for complex electronics products. Centum manufactures everything from printed circuit board assemblies to fully integrated subsystems. The company's customer-centric approach emphasizes quality, flexibility, and time-to-market, making it well-suited to industries requiring stringent compliance and robust product lifecycle management. The margins in this segment are better than ER&D but lower than BTS.

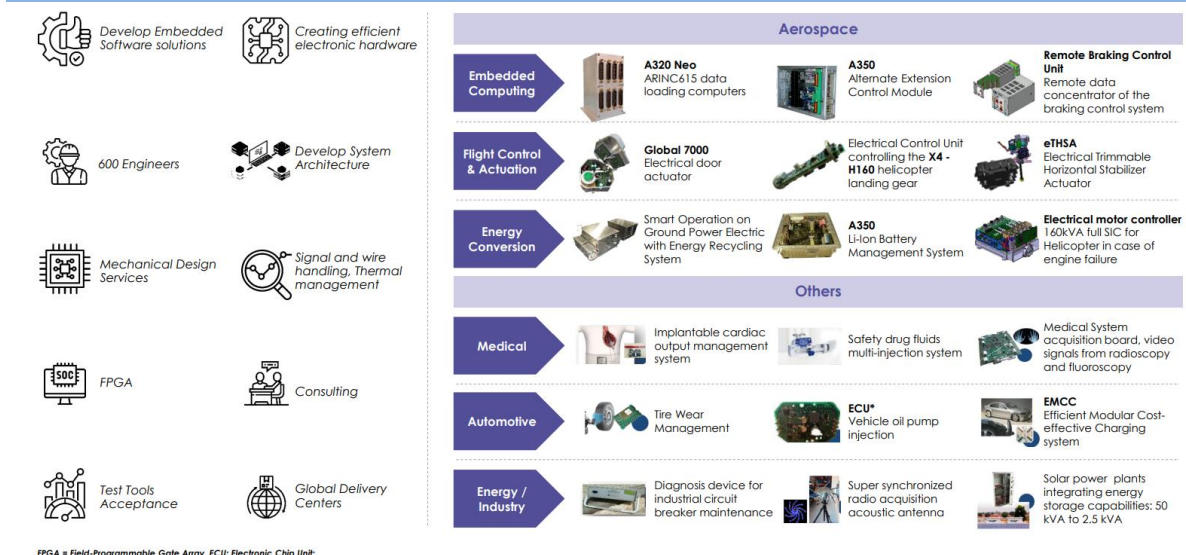
Exhibit 4: Built To Specification



Source: Centum Electronics Presentation, Nirmal Bang Institutional Equities Research

The **Build to Specification (BTS)** segment, contributing 31% of revenue, offers end-to-end solutions—from concept to mass production—under a single accountable framework. By combining its engineering and manufacturing capabilities, Centum supports customers with turnkey product development. This approach reduces development time and cost, enhances innovation opportunities, and ensures seamless management of product upgrades, obsolescence, and localization across industries. The margins in this business are the highest.

Exhibit 5: Engineering Research & Development

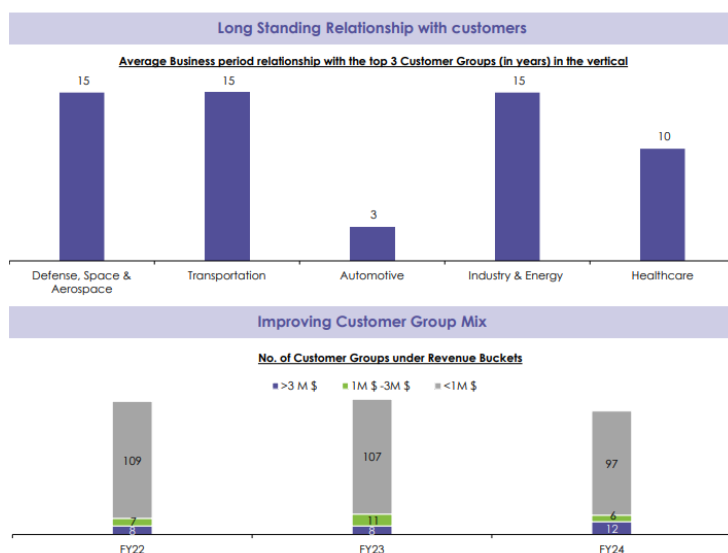


Source: Centum Electronics Presentation, Nirmal Bang Institutional Equities Research

The ER&D business, contributing 19% of revenue, focuses on helping customers turn ideas into reliable, mission-critical products. It spans the entire design value chain—from hardware and embedded software to FPGA, RF, and power electronics—serving demanding sectors like aerospace, defense, and space. With design centers in India, Europe, and North America, Centum leverages a global delivery model to provide cost-effective and technically advanced solutions.

Exhibit 6: Customer base

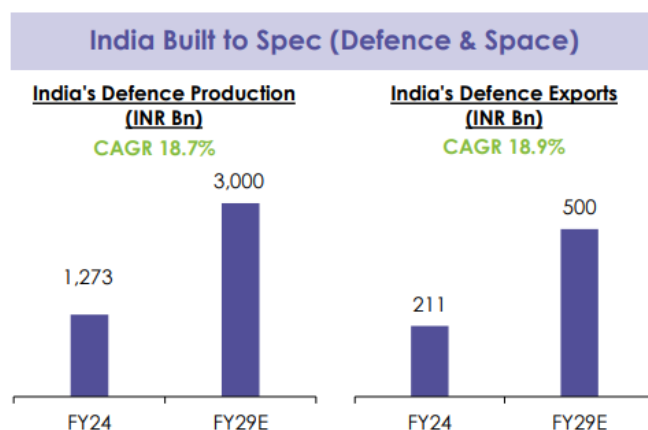
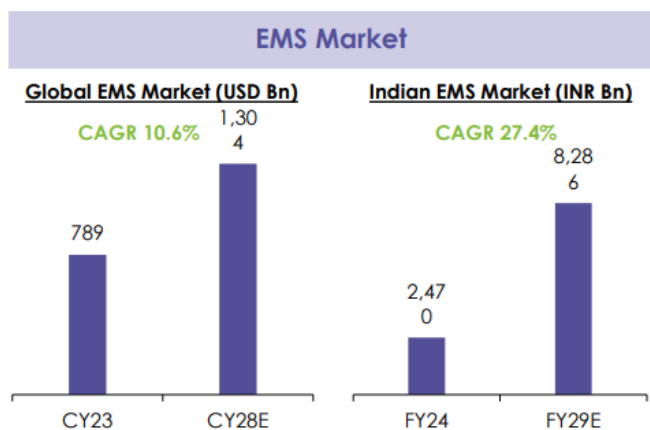
Verticals	Few key customers
 Defense	French Defence Co, DPSUs
 Space	Leading national space agency, Prominent national defense research organization
 Aerospace	European aircraft manufacturer, European OEM
 Transportation	Global Rail OEMs
 Automotive	US OEM
 Industry & Energy	Global OEMs for Industrial & Power Grid Automation



Source: Centum Electronics Report, Nirmal Bang Institutional Equities Research

Exhibit 7: Indian EMS Market to clock 27% CAGR in the next five years

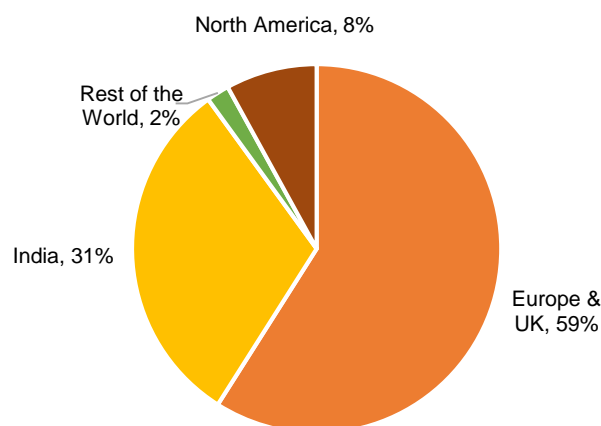
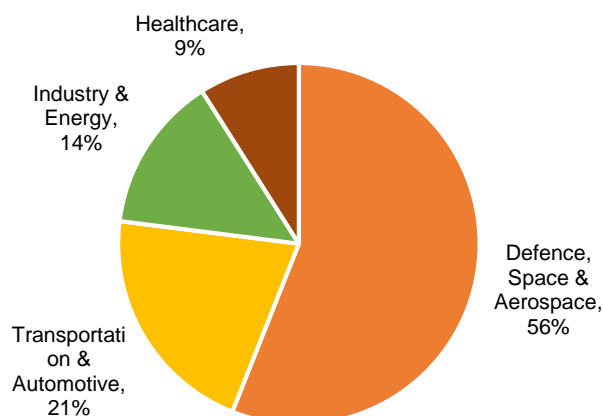
Exhibit 8: BTS to achieve 19% CAGR (FY24-FY29)



Source: Company Presentation, Nirmal Bang Institutional Equities Research

Exhibit 9: Revenue across Industry Verticals

Exhibit 10: Revenue across Geographies

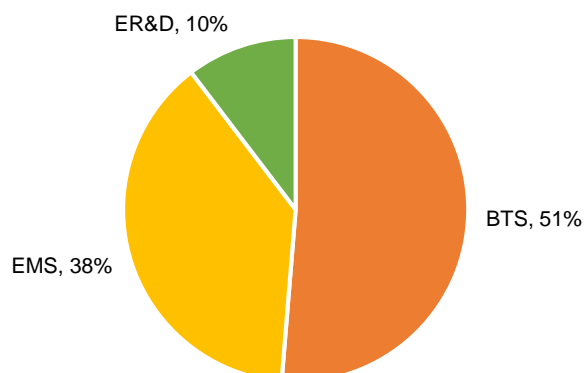
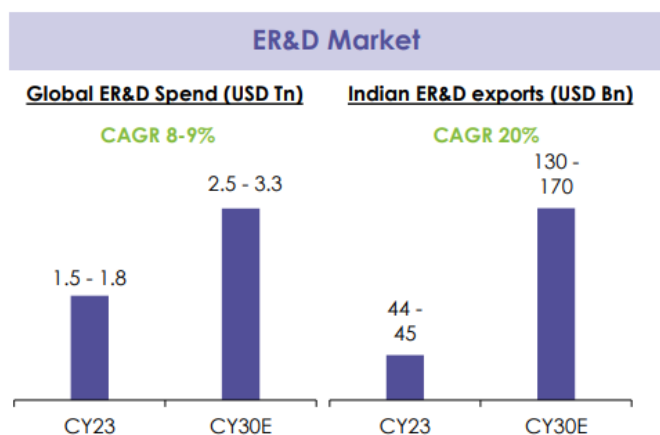


Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: ER&D market to attain 20% CAGR (CY23-CY30)

Exhibit 12: Order book breakdown



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

India's defense and space sectors are witnessing transformative growth driven by rising government focus on indigenous capabilities, modernization, and exports. The prioritization of advanced technologies and domestic procurement through the Defence Acquisition Procedure (DAP) is opening up substantial opportunities for the electronic manufacturing sector. Simultaneously, the modernization of armed forces and the push for exports are positioning India as a rising global defense supplier. In space, rapid advancements are propelling commercial, scientific, and military growth, with India's share in the global space economy projected to rise from 2% in FY24 to 8% by FY33.

Meanwhile, the global Electronics Manufacturing Services (EMS) market and India's Engineering Research & Development (ER&D) sector are both poised for rapid expansion. The EMS market is expected to grow from US\$789bn in CY23 to US\$1,304bn by CY28 with India's share expected to double to 7.7%. This growth is driven by infrastructure modernization, government incentives like PLI/DLI, and India's competitive cost structure. On the ER&D front, India is set to contribute 22% of the global sourcing market by 2030, supported by digital transformation trends, cost advantages, and a skilled talent base. As innovation cycles shorten and demand for sustainable solutions rise, India is well-positioned to lead in next-generation product development and R&D exports.

Comprehensive product portfolio with global, multi-industry reach

Centum Electronics Ltd (CEL) offers end-to-end solutions encompassing customized product design, development, and high-reliability manufacturing for mission-critical applications. Its capabilities span across defense, aerospace, space, industrial, medical, and communication sectors. Operations are broadly structured under two core verticals: the Strategic Electronics Business Unit (SEBU) and the Electronics Manufacturing Services (EMS) business unit. Through its subsidiary Centum T&S (CTS) in France, CEL has enhanced system design capabilities in the industrial segment. The CTS acquisition was aimed at leveraging this strength, complementing CEL's established design expertise in defense and aerospace. While integration is ongoing, CEL is on track to become a one-stop solutions provider across multiple sectors.

Leadership with deep sectoral expertise and strong governance

The company is led by Chairman and Managing Director, Apparao V. Mallavarapu, who brings over three decades of experience in the electronics domain. Since its inception in 1994, CEL has built a solid reputation for delivering high-end electronic systems and subsystems. The CMD has also successfully managed joint ventures with several international players. He is supported by Executive Director, Nikhil Mallavarapu, and Non-Executive Director, Tanya Mallavarapu. CEL adheres to strong corporate governance standards with a seasoned board that includes six independent directors possessing extensive experience in electronics design and manufacturing.

Strategic collaborations with prestigious clients in defense and space

CEL has been a critical contributor to several of India's major space initiatives, delivering key electronics for every ISRO satellite mission, including Chandrayaan and Mangalyaan. For each mission, CEL supplies between 300-500 essential components. Its clientele includes prominent organizations such as ISRO, Space Applications Centre, various DRDO labs, ABB, Thales, and RAFAEL, reflecting its strong credibility in high-stakes sectors.

Financial profile:

On a consolidated basis, Centum Electronics has achieved 6% revenue growth in FY25. Operating profit margins remained flat at 8% in FY25. This was due to the loss making international subsidiaries - Canada where employee expenses are significantly higher leading to losses. The closing order book of the company stands at Rs17.4bn of which BTS orders are worth Rs8.9bn, EMS orders are worth Rs6.6bn, and ER&D orders are worth Rs1.8bn.

Exhibit 13: Revenue breakdown and significant growth backed by defense orders

Particulars (Rsmn)	FY22	FY23	FY24	FY25
EMS	1,998	3,538	4,985	5,743
Growth YoY %	-	77%	41%	15%
BTS	3,276	3,075	3,171	3,629
Growth YoY %	-	-6%	3%	14%
ER&D	2,525	2,616	2,752	2,182
Growth YoY %	-	4%	5%	-21%
Total	7,799	9,229	10,908	11,554

Source: Nirmal Bang Institutional Equities Research

Competitive pressures are likely to weigh on margin sustainability.

Centum Electronics operates in a dynamic and competitive environment, facing various risks that could impact its business, financial condition, and results of operations. The company strives to manage and mitigate these risks; the following factors could adversely affect the business.

Exposure to technological shifts and customer policy risks

Centum Electronics remains vulnerable to rapid changes in end-user technologies, which may necessitate realignment of its product offerings. Any delay in adapting to such shifts could weaken its market competitiveness. Additionally, a significant portion of the company's revenue is derived from public sector undertakings and government agencies such as DRDO, ISRO, and ordnance factories. This dependency exposes the company to risks stemming from changes in government capex plans, procurement priorities, or policy shifts in the defense and space sectors.

High working capital intensity due to long project cycles

The company operates in a segment where order execution typically involves long gestation periods. This, combined with ongoing global challenges like container shortages and semiconductor supply constraints, has led to increased lead times and procurement costs. To manage this, Centum places component orders only after receiving client consent on revised prices and often collects advance payments, reducing dependency on working capital borrowings. Average fund-based utilization currently stands at a moderate 69%.

Continued support to underperforming foreign subsidiary

Centum acquired the financially distressed Adetel (now CTS) in 2016, which comprised of two divisions—energy and engineering. The energy division was divested in FY20 due to poor market viability. However, despite expectations, the engineering division has faced profitability challenges owing to fixed-price contracts and elevated employee costs. In FY24, CEL infused Rs330mn into CTS (Rs140mn toward put option liabilities and Rs190mn as operational support) and further invested €1mn in H1FY25. Management expects CTS to break-even by Q4FY25, minimizing future funding needs. CTS reported revenues of Rs4.58bn in FY24 (up from Rs4.47bn in FY23).

Liquidity profile: Adequate but linked to subsidiary performance

Centum's liquidity position remains adequate with improved cash accruals expected due to rising demand and business expansion. Working capital utilization is modest at 69%. However, prolonged losses or additional funding needs at CTS could strain liquidity, making this a key credit monitorable going forward.

Sectoral exposure and macroeconomic sensitivities

Centum's business is closely tied to the performance of sectors like defense, aerospace, space, industrial, medical, and mobility. Any downturn in these industries—driven by policy shifts, budget cuts, or macroeconomic volatility—could adversely affect the company's revenue and margins.

Customer concentration risk

A large share of revenue is generated from a few key clients, including government organizations and large corporates. A significant reduction in business from any of these customers could materially impact Centum's financial results.

Vulnerability to supply chain disruptions

Centum relies on a broad network of global suppliers for essential components. Any disruption—due to geopolitical developments, natural calamities, or vendor insolvency—can lead to production delays or cost escalations.

Need for continuous technological innovation

The company's competitive edge depends on its ability to develop and adopt new technologies. A failure to innovate or align with market trends could result in loss of relevance and market share.

Regulatory and compliance pressures

Operating in tightly-regulated industries, Centum must adhere to evolving standards and compliance norms. Changes in regulatory frameworks or environmental policies can increase operational costs or create compliance challenges.

Execution risks in long-term projects

Centum faces several operational risks including prolonged project timelines, L1-based tendering that pressures margins, and delays in approvals or certifications. Additionally, large deviations in client demand forecasts can lead to inventory build-up and fixed-price contracts in engineering services may result in cost overruns.

Financial exposure to external variables

The company is subject to currency fluctuations, changes in interest rates, and credit risks from clients and vendors—all of which can influence profitability and cash flow stability.

Cybersecurity and data protection challenges

As a tech-driven enterprise, Centum is exposed to cybersecurity threats and potential data breaches. Inadequate protection of sensitive data could result in legal liabilities, reputational damage, and financial losses.

Geopolitical and economic volatility

Centum's global footprint exposes it to geopolitical tensions, trade barriers, and regulatory changes. These uncertainties can affect supply chains, market access, and overall business continuity.

Dependence on skilled human capital

The company's growth is strongly tied to its ability to attract, retain, and nurture skilled talent. Challenges such as talent shortages, attrition, or ineffective workforce management can impact innovation and operational efficiency.

Exhibit 14: Leadership

 Apparao V Mallavarapu (Rao)	<ul style="list-style-type: none"> Rao graduated with a Master's degree from Dal-Tech University in Canada and received his Bachelor's degree in Mechanical Engineering from Bangalore University; he has completed his Harvard Business School Presidential program. He is also a Ford Foundation scholar. Apparao Mallavarapu (Rao) founded Centum Electronics in the year 1994. Under his leadership Centum has grown to be a global electronics design and manufacturing company with operations in India, France, Belgium, and Canada.
 Nikhil Mallavarapu	<ul style="list-style-type: none"> Nikhil Mallavarapu is the Joint Managing Director and has been associated with Centum since 2012 and has served in various leadership positions including overall business unit management and group level corporate & strategy development. Prior to joining Centum, he worked at the multinational semiconductor company, Analog Devices in Boston. Nikhil holds MSc and BSc degrees in Electrical and Computer Engineering from Carnegie Mellon University and an MBA from the INSEAD Business School in France.
	<ul style="list-style-type: none"> Sundar brings over 25 years of rich and diverse experience across sectors including healthcare, automotive, energy, infrastructure, water technology, HR services, and green energy. A qualified Chartered Accountant, he most recently served as the first Global CFO of Agratas, a Tata enterprise, and has previously held leadership positions at Brakes India, Sandoz, GE, Xylem, and Adecco.
 Jagadish Singh	<ul style="list-style-type: none"> Jagadish Singh is the Head of the EMS Business Unit at Centum Electronics, bringing over 30 years of experience in electronics manufacturing, supply chain, and operations. He has previously held leadership roles at SFO Technologies, Elcoteq, Cyient DLM, and Orion Electronics. A seasoned industry professional, Jagadish holds a degree in engineering and has played a key role in expanding Centum's EMS capabilities across defense, aerospace, and industrial sectors.
 Vinod Chippalkatti	<ul style="list-style-type: none"> He holds a bachelor's and master's degrees in engineering (specific institutions not listed) and has spent over three decades in high-technology sectors. Before Centum, he worked for about 10 years at ISRO, contributing to India's initial series of communication satellites. Dr. Vinod S. Chippalkatti heads SEBU at Centum, overseeing the development and delivery of mission-critical electronic systems—including satellite payloads, launch-vehicle modules, radar subsystems, and missile electronics. His domain includes both product engineering and manufacturing for defense and space applications.

Financial Statements

Exhibit 15: Income statement

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25
Net Sales	8,174	7,799	9,230	10,908	11,558
Growth YoY %	-7.5%	-4.6%	18.3%	18.2%	6.0%
Gross profit	4,720	4,780	5,078	5,653	5,602
Gross margin %	57.7	61.3	55.0	59.8	57.7
Staff costs	3,018	3,199	3,327	3,671	3,637
% of sales	36.9	41.0	36.0	36.9	36.9
Other expenses	806	838	988	1,124	998
% of sales	9.9	10.7	10.7	11.8	9.9
EBITDA	895	742	762	859	967
Growth YoY %	(8.7)	(17.1)	2.7	12.6	12.7
EBITDA margin %	11.0	9.5	8.3	7.9	8.4
Depreciation	453	432	438	453	441
EBIT	442	310	324	406	526
Interest	295	263	273	346	329
Other income	58	80	59	68	87
PBT (bei)	205	127	109	128	285
PBT	205	(476)	109	79	136
ETR	36%	-3%	50%	135%	114%
PAT	120	(535)	67	(27)	(19)
Adj PAT	120	69	67	21	92
Growth YoY %	(54.8)	(42.9)	(2.5)	(68.2)	332.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Balance sheet

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25
Share capital	129	129	129	129	147
Reserves	2,102	1,911	1,978	1,904	3,905
Net worth	2,231	2,040	2,107	2,033	4,052
Long term debt	1,508	1,171	941	855	532
Short term debt	2,235	2,030	2,140	1,408	1,342
Total debt	3,743	3,202	3,081	2,263	1,873
Net debt	3,144	2,627	2,659	1,547	583
Other non-current liabilities	92	85	254	742	59
Total Equity & Liabilities	9,805	9,230	10,727	10,638	12,394
Gross block	-	-	-	-	-
Accumulated depreciation	838	1,019	1,207	1,393	1,593
Net Block	1,184	1,120	1,071	1,126	1,096
CWIP	21	0	54	3	76
Intangible and others	580	537	477	416	312
Other non-current assets	724	770	795	1,537	1,449
Investments	-	-	-	-	-
Trade receivables	2,161	1,993	3,310	2,280	3,065
Inventories	1,942	2,248	2,611	3,174	3,474
Cash & Cash Equivalents	599	574	422	716	1,290
Other current assets	1,307	964	2,576	1,933	1,492
Total current assets	6,194	5,969	7,367	7,600	9,376
Trade payables	1,086	1,141	2,110	2,378	2,200
Other current liabilities	2,029	2,567	3,655	3,279	2,380
Total current liabilities	5,701	5,869	7,441	7,055	7,852
Total Assets	9,805	9,230	10,727	10,638	12,394

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Cash flow

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25
PBT	194	(522)	121	79	136
Depreciation	453	432	438	453	441
Interest	293	230	247	346	329
Other adjustments	76	611	127	58	266
Change in Working capital	(120)	388	(224)	1,443	(1,265)
Tax paid	(90)	(104)	1	(243)	(201)
Operating cash flow	806	1,035	709	2,136	(294)
Capex	(246)	(188)	(218)	(330)	(186)
Free cash flow	865	860	492	1,807	(479)
Other investing activities	366	38	105	(110)	(402)
Investing cash flow	119	(149)	(112)	(440)	(588)
Issuance of share capital	-	-	-	-	2,100
Movement of Debt	(315)	(568)	(490)	(889)	(588)
Dividend paid (incl DDT)	(58)	(26)	(32)	(91)	(39)
Other financing activities	(286)	(218)	(358)	(468)	(402)
Financing cash flow	(660)	(812)	(881)	(1,448)	1,071
Net change in cash flow	266	74	(284)	248	190
Opening C&CE	136	411	480	212	461
Closing C&CE	411	480	353	481	678

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Key ratios

Y/E March	FY21	FY22	FY23	FY24	FY25
Per share (Rs)					
Adj EPS	9.4	5.3	5.2	1.7	6.3
Book value	173.1	158.3	163.5	157.7	275.5
DPS	4.5	2.0	2.5	7.0	2.6
Valuation (x)					
P/Sales	4.1	4.3	3.6	3.1	2.9
EV/EBITDA	24.4	28.7	28.0	23.6	22.6
P/E	155.0	271.6	278.6	875.6	231.2
P/BV	8.4	9.2	8.9	9.2	5.3
Return ratios (%)					
RoCE	5.0	5.7	3.1	(3.0)	(1.4)
RoCE (pre-tax)	7.9	5.5	6.2	8.6	10.3
RoE	5.6	3.2	3.2	1.0	3.0
RoIC	5.4	6.3	3.4	-3.4	-1.8
Profitability ratios (%)					
Gross margin	57.7	61.3	55.0	51.8	48.5
EBITDA margin	11.0	9.5	8.3	7.9	8.4
PAT margin	1.5	0.9	0.7	0.2	0.8
Liquidity ratios (%)					
Current ratio	1.1	1.0	1.0	1.1	1.2
Quick ratio	0.7	0.6	0.6	0.6	0.8
Solvency ratio (%)					
Net Debt to Equity ratio	1.4	1.3	1.3	0.8	0.1
Turnover ratios					
Fixed asset turnover ratio (x)	6.7	6.8	8.4	9.9	10.4
Debtor days	104	97	105	94	84
Inventory days	240	249	214	194	195
Creditor days	160	133	143	150	134
Net Working capital days	184	214	176	137	145

Source: Company, Nirmal Bang Institutional Equities Research

DISCLOSURES

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Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

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