

Centum Electronics. (Centum)

Defence | Plant Visit

Not Rated
CMP: Rs2,681 | Target Price (TP): NA | Upside: NA
September 16, 2025

EMS and BTS business to drive growth

Key Points

- We recently visited the Centum Electronics plant and interacted with the management represented by Mr. Apparao Mallavarapu (CMD), Mr. Nikhil Mallavarapu (Joint MD), Mr. Jagadish Singh (President, EMS unit), Mr. Vinod Chippalkatti (President–Strategic Electronics Business Unit).
- Centum Electronics Limited (CEL) is one of the leading providers 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.
- **Revenue growth outlook for FY26** is expected to be in the range of 18-20% driven by a 25% growth in both the EMS and BTS business.
- Centum supplies subsystems like laser guidance and amplifiers for missiles, contributing ~20-25% of the anti-tank guided missile cost and ~5% of the Akash missile. With electronics forming ~25-30% of missile cost, margins are pressured as most orders are Built to Print (BTP).
- The company's three segments are Design (21% of revenue), EMS (32%), and BTS (47%). Contracts span 6 months for Design, 12-18 months for EMS, and 24-30 months for BTS, with margins highest in BTS and lowest in Design.
- The Canadian subsidiary (~Rs800mn annual revenue and ~Rs250mn loss) continues to be a drag due to high employee costs and weak topline traction, resulting in sustained losses. Management has not yet taken a call on divestment.
- The French subsidiary remains at breakeven and caters to marquee global customers including Thales, Safran, and Airbus. This subsidiary has historically been profitable, but in the last 1 to 2 years, the slowdown in the French economy has led to lower utilization levels. The focus is on increasing the pipeline and utilization levels in the defense sector.
- Top 5 customers account for ~50% of the total revenue with the top customer contributing 12-13%. Customers include ISRO, DRDO, Bharat Electronics, Hindustan Aeronautics, Bharat Dynamics, Alstom, Siemens, ABB, and Hitachi.

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):	39.6 / 449.3
52 Wk H / L (Rs):	3,044 / 1,140
ADTV-3M (mn) (Rs/US\$):	122.9 / 1.4
Stock performance (%) 1M/6M/1yr:	8.4 / 110.0 / 53.6
Nifty 50 performance (%) 1M/6M/1yr:	3.1 / 1.8 / (0.7)

Shareholding	3QFY25	4QFY25	1QFY26
Promoters	58.8	51.5	51.5
DII	8.0	15.1	15.4
FII	1.0	0.8	1.9
Others	32.2	32.6	31.1
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
Gross margin %	61.3	55	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	-1.4
RoE	3.2	3.2	1	3
RoIC	6.3	3.4	-3.4	-1.8
P/E	502.1	515.1	1618.9	427.5
EV/EBITDA	42.1	50.1	48.8	42.0
P/BV	15.5	16.9	16.4	17

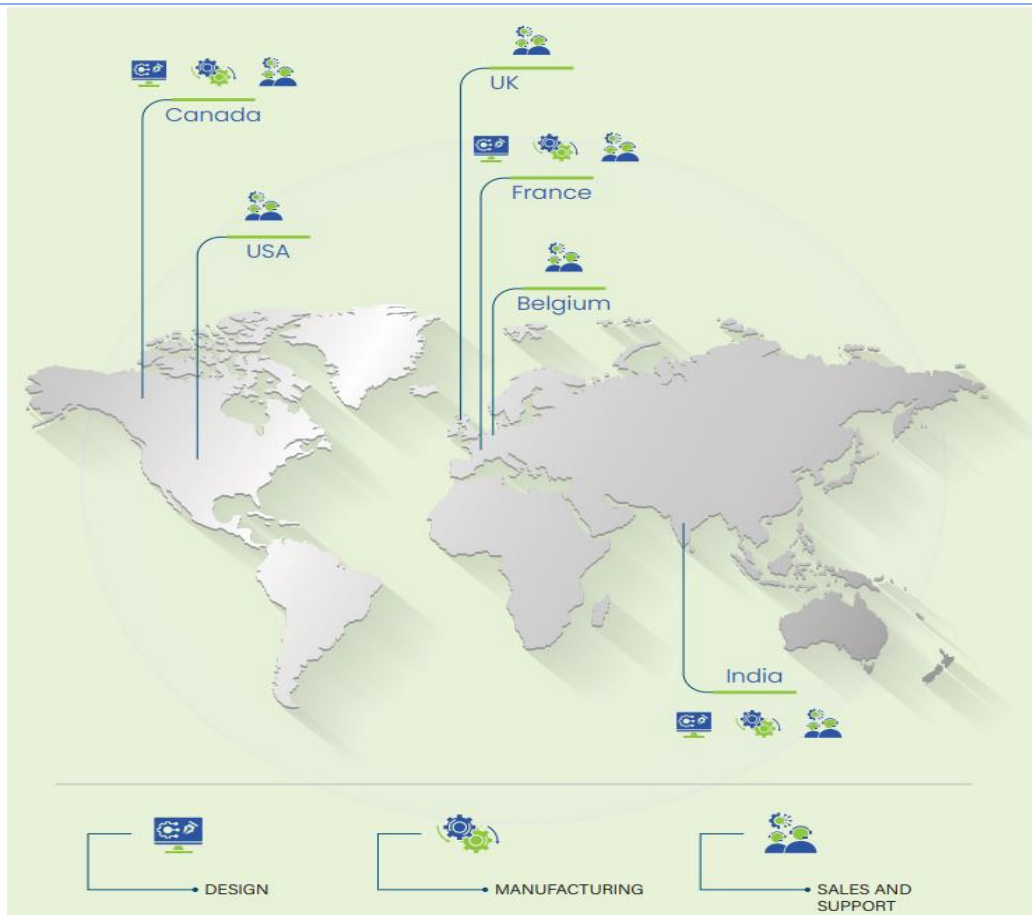
Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

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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: Electronic manufacturing services

Manufacturing high reliability, high complexity products in the high technology vertical ranging from printed circuit board assemblies to complex box builds, Line Replaceable Units (LRU) and full system integration.

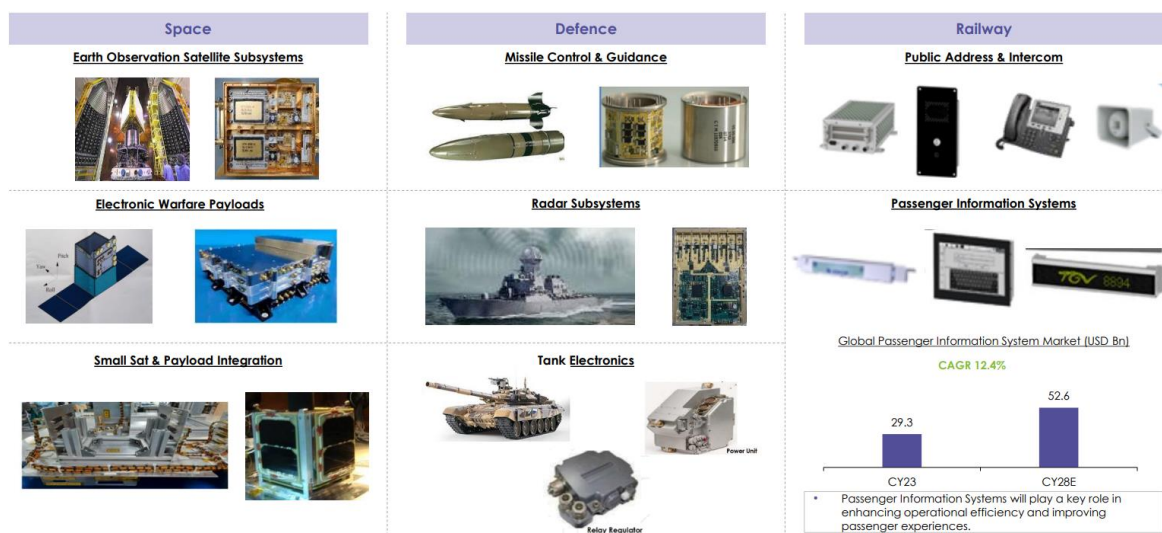


PCBA = Printed Circuit Board Assembly

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.

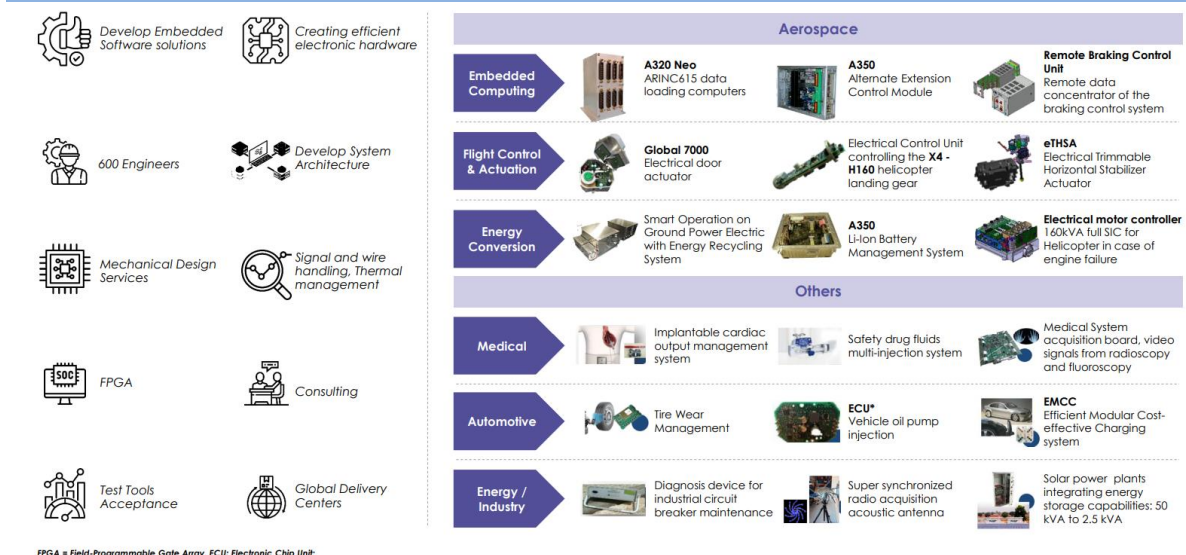
Exhibit 3: Built to specification



Source: Centum Electronics Presentation, Nirmal Bang Institutional Equities Research

The **Built 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.

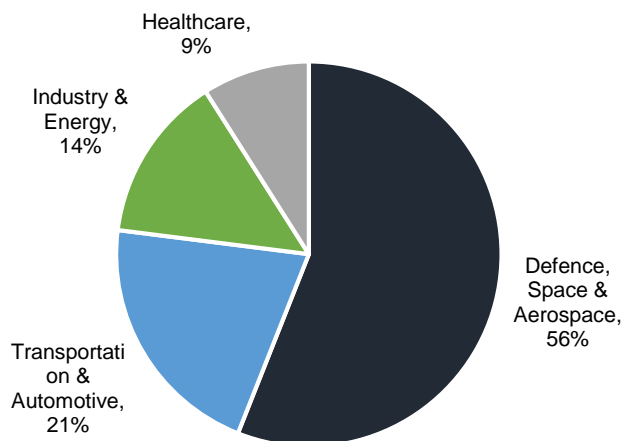
Exhibit 4: Engineering research & development



Source: Centum Electronics Presentation, Nirmal Bang Institutional Equities Research

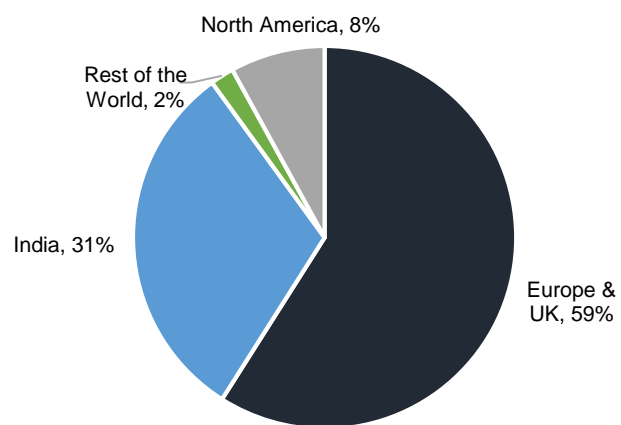
The ER&D business, contributing 19% of revenue, focuses on helping customers turn ideas into reliable, mission-critical products. It spans the entire design value chain—from hardware and embedded software to FPGA, RF, and power electronics—serving demanding sectors like aerospace, defense, and space.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

Exhibit 5: Revenue across industry verticals



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Revenue across geographies



Source: Company, Nirmal Bang Institutional Equities Research

Key takeaways

- Centum has emerged as the single largest private contributor to India's space ecosystem over the past decade. In addition to supporting ISRO, the company has started catering to DRDO's satellites and payload requirements.
- The management believes that the Indian space industry is transitioning from being ISRO centric to private driven, leading to a wave of cost competitive and smaller satellites.
- The company has made significant progress in the space vertical, having delivered three payloads to ISRO. It is also building capabilities in microsystems with direct applications in space. During a recent plant visit in Yelahanka, the microsystems process was showcased—involving assembly of miniature components on ceramic plates, followed by customer evaluation and testing.
- Centum supplies critical subsystems in laser guidance systems and amplifiers to missiles. Its contribution to the anti-tank guided missile program was ~20-25% of the missile cost, whereas its share in the Akash missile program is lower at ~5%. Electronics account for ~25-30% of a missile's cost, but since these are typically Built to Print (BTP) orders, pricing competition remains high.
- 35-40% of the Built to Specification (BTS) business is Defense & Space, with space being completely BTS. The company faces more competition in defense than in space.
- The company operates through three segments – Design (21% of revenue), EMS (32%), and BTS (47%). Design contracts are executed within ~6 months, EMS contracts within 12-18 months, and BTS contracts over 24-30 months. Margin profile is highest in BTS, followed by EMS, with Design yielding the lowest margins.
- India is the fastest growing geography, contributing ~31% of consolidated revenues, driven by strong traction in space and defense.
- The company imports bare PCBs and nearly 99% of its components from Taiwan, China, and South Korea. While some commercial components are sourced from China, no Chinese parts are used in defense products.
- The Canadian subsidiary (~Rs800mn annual revenue and ~Rs250mn loss) continues to be a drag due to high employee costs and weak topline traction, resulting in sustained losses. Management has not yet taken a call on divestment.
- The French subsidiary remains at breakeven and caters to marquee global customers including Thales, Safran, and Airbus. This subsidiary has historically been profitable, but in the last 1 to 2 years, the slowdown in the French economy has led to lower utilization levels. The focus is on increasing the pipeline and utilization levels in the defense sector.
- Between 2019 and 2021, the company divested two loss-making subsidiaries: a power business with revenue of Rs1.2bn and a telecom focused crystal oscillation products unit, also with revenue of Rs1.2bn. These divestments contributed to subdued growth over the past 5 to 6 years.
- Top 5 customers account for ~50% of the total revenue with the top customer contributing 12-13%. Customers include Rafale, ISRO, DRDO, Bharat Electronics, Hindustan Aeronautics, Bharat Dynamics, Alstom, Siemens, ABB, and Hitachi.

Financial Statements

Exhibit 7: Income statement

Y/E March (Rsmn)	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 9: 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 8: Cash flow

Y/E March (Rsmn)	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 10: 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	42.1	50.1	48.8	42.0	41.4
P/E	286.7	502.1	515.1	1618.9	427.5
P/BV	15.5	16.9	16.4	17	9.7
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

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