

Centum Electronics Ltd: Plant Visit-cum-Management Meet

Sep 15, 2025 | CMP: INR 2,706 | Target Price: INR 3,000

Expected Share Price Return: 11.0% | Dividend Yield: 0.0% | Potential Upside: 11.0%

ADD

Sector View: Positive

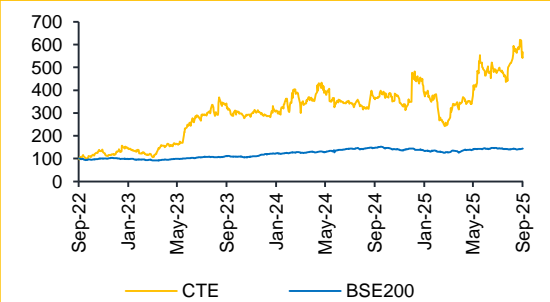
| | |
|--------------------------|---|
| Change in Estimates | X |
| Change in Target Price | ✓ |
| Change in Recommendation | X |

| | |
|----------------------|------------------|
| Company Info | |
| BB Code | CTE IN EQUITY |
| Face Value (INR) | 10.0 |
| 52 W High/Low (INR) | 3,045/1,140 |
| Mkt Cap (Bn) | INR 39.8/\$ 0.45 |
| Shares o/s (Mn) | 15.0 |
| 3M Avg. Daily Volume | 35,044 |

| | | | | | |
|-----------------|--------|--------|--------|--------|--------|
| Key Financials | | | | | |
| INR Mn | FY24 | FY25 | FY26E | FY27E | FY28E |
| Revenue | 10,908 | 11,581 | 13,665 | 16,261 | 19,351 |
| YoY Growth (%) | 18.2 | 6.2 | 18.0 | 19.0 | 19.0 |
| EBITDA | 858 | 993 | 1,507 | 2,038 | 2,522 |
| EBITDAM (%) | 7.9 | 8.6 | 11.0 | 12.5 | 13.0 |
| Adjusted PAT | -45 | -40 | 676 | 1,121 | 1,438 |
| EPS | 1.4 | 1.9 | 45.9 | 76.2 | 97.8 |
| ROE (%) | -1.3 | -0.6 | 14.8 | 22.0 | 23.2 |
| ROCE (%) | 8.3 | 9.6 | 18.3 | 25.7 | 27.0 |
| PE(x) | NA | NA | 50.4 | 30.4 | 23.7 |
| Price to BV (x) | 14.7 | 8.6 | 7.6 | 6.2 | 5.0 |

| | | | |
|--------------------------|--------|--------|--------|
| Shareholding Pattern (%) | | | |
| | Jun-25 | Mar-25 | Dec-24 |
| Promoters | 51.52 | 51.52 | 58.75 |
| FIIIs | 1.93 | 0.81 | 1.03 |
| DIIIs | 15.69 | 15.36 | 8.06 |
| Public | 30.86 | 32.31 | 32.16 |

| | | | |
|--------------------------|-------|------|------|
| Relative Performance (%) | | | |
| YTD | 3Yr. | 2Yr. | 1Yr. |
| BSE 200 | 44.1 | 30.6 | -3.1 |
| CTE | 466.1 | 74.3 | 57.2 |



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[Q1FY26 Result Update](#)

Key Takeaways from Plant Visit-cum-Management Meet:

We recently visited Centum Electronics Ltd. in Bengaluru and had an insightful interaction with the top management, including Mr. Apparao V. Mallavarapu (Chairman & MD), Mr. Nikhil Mallavarapu (Joint MD), Mr. Vishwanath Mudegowdara (CEO, Centum T&S), Mr. Sundararajan Parthasarathy (CFO) and other senior officials. Our key observations are: 1) Ongoing transformation from an EMS player to a strategic defence electronics partner 2) Sole supplier of critical space systems and sub-systems for ISRO 3) Increased focus on Build-to-Specs business 4) Restructuring of the Canadian subsidiary to streamline operations 5) Diversification to emerging high-growth sectors. We maintain an 'ADD' rating, with an upgraded TP of INR 3,000.

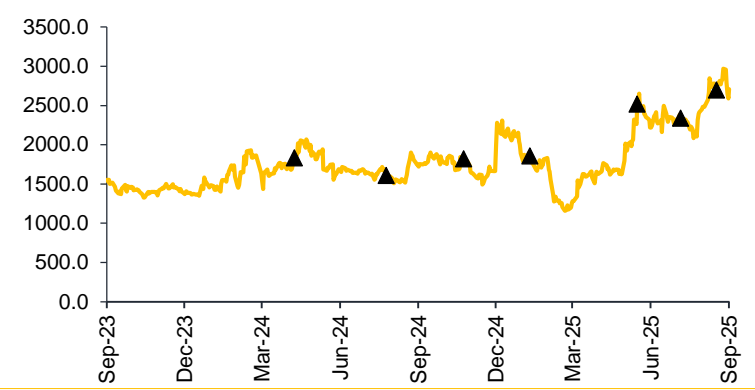
- 1) **Transformation to strategic partner:** After the visit, our conviction on CTE has strengthened meaningfully backed by their diversified business model and long-cycle, mission-critical programs, where barriers to entry is high. In our view, CTE is no longer just an EMS company; it is transforming into a strategic electronics partner for defence, aerospace, space and high-tech industries.
- 2) **Sole supplier for ISRO:** We have observed CTE's long-standing track record with ISRO and its involvement in nearly every launch program. It has a distinct competitive edge being the sole supplier for several critical components to ISRO. CTE's components, systems and sub-systems have contributed to landmark missions, including India's successful moon landing and the Aditya-L1 program. The firm is poised to benefit as India and global space economies expand.
- 3) **Focus on Build-to-Specs:** CTE's work on electronic warfare payloads, radar TR modules, missile avionics and tank modernisation programs is not only strategically critical but also ensure multi-decade program stickiness. The CTE's ongoing transition, from PCB assemblies to subsystem and full 'box-build' solutions, will enhance its wallet share.
- 4) **Restructuring of subsidiary:** CTE's Canadian subsidiary is undergoing restructuring. The management has indicated that the business model is being revised and expects the process to be completed over the next few quarters.
- 5) **Diversification to high-growth sectors:** We are positive on the company's adjacency bets in clean energy, battery management, medical imaging and semiconductor equipment. These are not side businesses but strategic moves into secular growth areas. We expect them to contribute meaningfully over the next 3–5 years, adding resilience and optionality, with CTE positioned at an inflection point of converging growth drivers.

View & Valuation: We maintain our positive view on CTE, expecting Revenue/EBITDA/PAT to expand at a CAGR of 19%/29%/51%, respectively, over FY26–28E. Looking into its business prospects, we have increased our PE multiple to 35x (from earlier 30x). We value the stock on average EPS of FY27–28E and, given the recent rally, we maintain our 'ADD' rating with the target price upgraded to **INR 3,000** (from earlier INR 2,570).

We will continue to closely monitor CTE. Any positive development on the restructuring process could prompt us to reassess our stance.

Key Risks: 1) High revenue dependence on EU; tariffs or trade barriers could impact exports. 2) Canadian subsidiary restructuring, if delayed, may hurt financials. 3) High client concentration.

Historical Price Chart: Centum Electronics Limited (CTE)



| Date | Rating | Target Price |
|--------------|--------|--------------|
| May 25, 2024 | ADD | 1,918 |
| Aug 13, 2024 | ADD | 1,776 |
| Nov 15, 2024 | ADD | 1,826 |
| Feb 19, 2025 | SELL | 845 |
| Jun 02, 2025 | SELL | 2,050 |
| Aug 07, 2025 | ADD | 2,570 |
| Sep 15, 2025 | ADD | 3,000 |

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| CHOICE RATING DISTRIBUTION & METHODOLOGY | |
|--|---|
| Large Cap* | |
| BUY | The security is expected to generate upside of 15% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 15% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -5% over the next 12 months |
| SELL | The security is expected to show downside of 5% or more over the next 12 months |
| Mid & Small Cap* | |
| BUY | The security is expected to generate upside of 20% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 20% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -10% over the next 12 months |
| SELL | The security is expected to show downside of 10% or more over the next 12 months |
| Other Ratings | |
| NOT RATED (NR) | The stock has no recommendation from the Analyst |
| UNDER REVIEW (UR) | The stock is under review by the Analyst and rating may change |
| Sector View | |
| POSITIVE (P) | Fundamentals of the sector look attractive over the next 12 months |
| NEUTRAL (N) | Fundamentals of the sector are expected to be in statis over the next 12 months |
| CAUTIOUS (C) | Fundamentals of the sector are expected to be challenging over the next 12 months |

*Large Cap: More Than INR 20,000Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000Cr Market Cap

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