Centum Electronics Ltd: Strong visibility, upside capped

SELL

Sector View: Positive

June 02, 2025 CMP: INR 2,496 | Target Price: INR 2,050

Expected Share Price Return: (18%) I Dividend Yield: 0.0% I Potential Downside: (18%)

Change in Estimates	✓
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)	2,486/1,140
Mkt Cap (Bn)	INR 36.6 / $ 0.43
Shares o/s (Mn)	15.0
3M Avg. Daily Volume	60,715

Change in CEBPL Estimates

	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	13,665	12,003	*13.8*	*16,125*	13,204	*22.1*
EBITDA	1,493	1,006	*48.4*	*1,923*	1,338	*43.7*
EBITDAM %	10.9	8.4	*255bps*	*11.9*	10.1	*179bps*
PAT	614	165	*271.3*	*1,014*	421	*140.8*
EPS	45.3	17.7	*156.0*	*70.7*	32.6	*116.6*

Actual vs CEBPL

INR Mn	Q4FY25	CEBPL Est.	Dev.%
Revenue	3,687	3,296	*11.9*
EBITDA	416	198	*110.3*
EBITDAM %	11.3	6.0	*527bps*
PAT	215	63	*240.9*

Key Financials

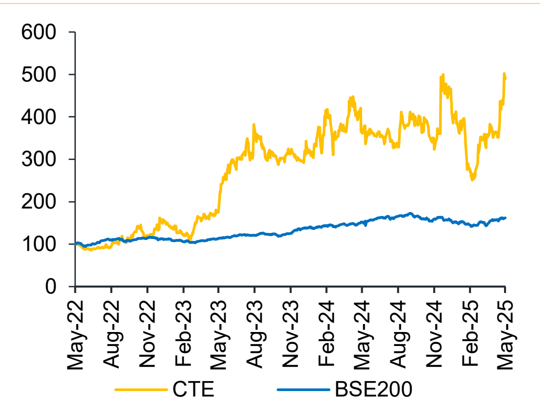
INR Mn	FY23	FY24	FY25	FY26E	FY27E
Revenue	9,230	10,908	11,581	13,665	16,125
YoY Growth (%)	18.3	18.2	6.2	18.0	18.0
EBITDA	762	858	993	1,493	1,923
EBITDAM (%)	8.3	7.9	8.6	10.9	11.9
Adjusted PAT	100	-45	-40	666	1,040
EPS	7.7	NA	NA	45.3	70.7
ROE (%)	3.2	NA	NA	13.7	18.8
ROCE (%)	6.6	8.3	9.6	18.1	24.1
PE(x)	298.3	NA	NA	50.9	32.6
Price to BV (x)	14.1	14.6	8.6	7.6	6.3

Shareholding Pattern (%)

	Mar-25	Dec-24	Sep-24
Promoters	51.52	58.75	58.75
FIIs	0.81	1.03	0.38
DIIs	15.36	8.06	8.53
Public	32.31	32.16	32.35

Relative Performance (%)

YTD	3Yr.	2Yr.	1Yr.
BSE 200	62.1	42.6	6.6
CTE	390.2	179.7	34.4



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Strong order book supports growth visibility; space segment set for significant contribution

CTE's consolidated order book currently stands at INR 27.36 Bn, representing 2.4x of our FY25 revenue estimates and is executable over the next two years. On a standalone basis, the order book is INR 23.30 Bn. In addition, we foresee significant order inflows driven by the MoD's INR 400–500 Bn emergency procurement program. This presents a strong near-term growth catalyst and is expected to accelerate revenue realization.

Additionally, we believe the company is strategically positioned to benefit from India's increased focus on satellite-based intelligence, particularly in response to recent cross-border infiltration threats. The Cabinet Committee on Security's approval of a INR 225 Bn space-based surveillance initiative is expected to unlock a sizeable addressable market. With its deep-rooted association with ISRO and space-focused OEMs, CTE is well-placed to secure a meaningful share of this emerging demand.

Operational restructuring driving margin expansion; CTE is seeing benefits from strategic restructuring across international subsidiaries. The French subsidiary has shifted key test bench activities to India, leveraging skilled talent and cost efficiencies. Similarly, production from the Canadian unit has been relocated to India, further improving margins. These moves are expected to support EBITDA margin expansion from 8.6% in FY25 to 11.9% by FY27E.

Beats expectations with margin expansion.

- Revenue for Q4FY25 up by 28.8% YoY & up by 32.8% QoQ at INR 3,687 Mn (vs CEBPL est. INR 3,296 Mn).
- EBIDTA for Q4FY25 up by 129% YoY and up 115% QoQ at INR 416 Mn (vs CEBPL est. INR 198 Mn). The EBITDA Margin stood at 11.4%, improved by 497bps YoY (vs CEBPL est. of 6.0%).
- PAT for Q4FY25 jumped significantly, stands at INR 215 Mn (vs CEBPL est. INR 63 Mn). PAT Margin improved by 832bps YoY, reaching 5.9% (vs CEBPL est. 1.9%).

View & Valuation: In light of the recent development, we are optimistic about topline and margin improvement. Accordingly, we revise our FY26/FY27E topline and EPS estimates upward by 13.8%/22.1% and 156%/116%, respectively and now project CTE's Revenue/EBITDA, to grow at a CAGR of 12%/25%, over FY25-27E. However, the recent sharp rally in the stock limits near-term upside. we maintain our SELL rating, while revising our TP upwards to INR 2,050, maintaining a valuation multiple of 30x FY27E EPS. Any significant acceleration / deacceleration in execution momentum may warrant us to reassess our stance.

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Net Sales (incl OOI)	3,687	2,969	24.2	2,813	31.1
Material Exp	1,934	1,512	28.0	1,521	27.2
Gross Profit	1,753	1,457	20.3	1,292	35.6
Employee Exp	1,025	952	7.8	882	16.2
Other Exp	312	325	(3.8)	217	44.1
EBITDA	416	181	129.1	193	114.8
Depreciation	101	120	(16.1)	106	(4.5)
EBIT	396	50	691.5	-82	(582.1)
Other Income	36	38	(3.2)	23	57.6
Interest Cost	98	97	0.2	79	23.7
PBT	298	-47	(730.0)	-161	NA
EO Items (Adj For Tax)	45	-49	NA	-193	NA
Tax	83	22	284.5	32	159.7
RPAT	215	-69	(412.2)	-193	(211.5)
APAT	215	-69	(412.2)	-193	(211.5)
Adj EPS (Rs)	16.9	-4.2	(504.8)	-12.8	(232.3)

Margin Analysis	Q4FY25	Q4FY24	YoY (bps)	Q3FY25	QoQ (bps)
Gross Margin (%)	47.5	49.1	(154.8)	45.9	160.5
Emp. Exp. % of Sales	27.8	32.0	(424.3)	31.4	(355.5)
Other Exp % of Sales	8.5	10.9	(246.4)	7.7	76.7
EBITDA Margin (%)	11.27	6.1	516.0	6.9	439.2
Tax Rate (%)	NA	-45.6	NA	NA	NA
APAT Margin (%)	5.8	-2.3	NA	-6.9	NA

Management Call - Highlights

Business Performance & Segment Update:

- Strong Momentum in Distribution Business: Growth led by defense and space customers.
- EBITDA Margin Improvement: Supported by higher-margin B2C segment billing.
- Canadian Subsidiary: Continued losses; strategic resolution targeted by September 2025.
- French Subsidiary: Profitable but faced margin pressure due to lower engineering services revenue.
- Engineering Services (Europe): Undergoing cost optimization and customer re-alignment for better utilization.

Order Book & Execution Visibility:

- Consolidated Order Book: INR 27.36 Bn.
- Standalone Order Book: INR 23.30 Bn (YoY growth from INR 21.18 Bn), driven by strong defense and space B2C inflows.
- Order Execution Timelines: EPS: 2-3.5 years, Engineering Services : <12 months, Overall revenue visibility: 15-18 months.

Capital Allocation:

- QIP Proceeds: INR 2,100 Mn raised. INR 1,520 Mn used to repay debt.
- Remaining earmarked for CapEx and general corporate purposes.

Revenue Mix & Key Verticals:

- Defense, Space, Aerospace: >50% of total revenues.

Key Programs:

- Space payloads (electronic intelligence)
- Radar systems (VLS program)
- Land systems (missile, tank electronics)
- Exports to platforms like Rafale, Russian freighters, Middle East missile clients

Gross Margin Profile by Segment:

- D2S (Design-to-Spec):
  - Gross margin: ~20%
  - Material cost: ~50-60%
- B2P (Build-to-Print):
  - Gross margin: ~10-15%
  - Material cost: ~75%

Growth Outlook (FY25 Onwards):

- Revenue CAGR Guidance: 18-20% over next 3 years.
- FY25 Revenue Growth: Strong ~28% YoY growth expected to continue.

Strategic Focus Areas:

- Defense & Space: Core focus, especially military-grade electronic systems.
  - 40-50% of defense order book tied to space.
  - Key project: Confidential electronic intelligence satellite (ISRO/MoD); revenue recognition expected in FY25.
- Semiconductor & Nuclear:
  - Semiconductor: Emerging as a high-potential growth area.
  - Nuclear: Early-stage monitoring for long-term opportunities.
- Automotive & Europe:
  - EV-related work muted recently; European engineering services facing sector-wide slowdown.
  - Defense-related engagement in Europe being strengthened.

Domestic Growth & Make in India:

- India Revenue Share: ~29% currently; expected to rise to 35-45% over next 3 years.
- Growth Lever: Make in India, defense/space capex, and indigenous procurement mandates.

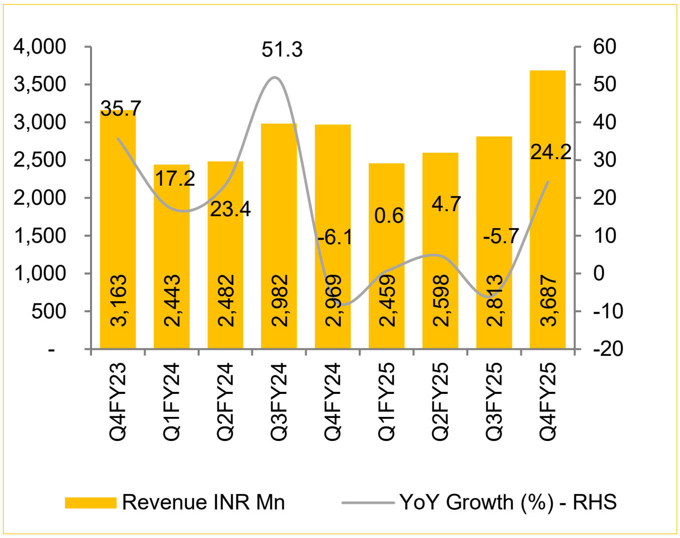
Pipeline & Bid Strategy:

- Targeting INR 20.0 Bn+ Orders: Over 3-4 years via active bids.
- Digital Contracts: Typically INR 300-500 Mn; aspirational scale to INR 1,000 Mn.
- Engineering Services: Multiple models — T&M, consulting, work-unit; per-client scale target: $5–10M.

Financial Targets:

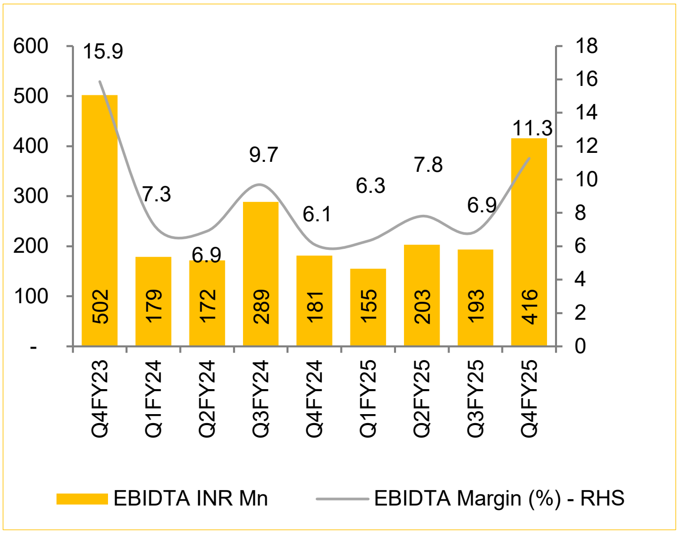
- EBITDA Margin Goal: Improve from ~10% to ~12% over the next two years.
- Revenue Doubling: Targeting revenue to double over 3–4 years, supported by robust execution and visibility.

Revenue grew 24.2% on YoY basis



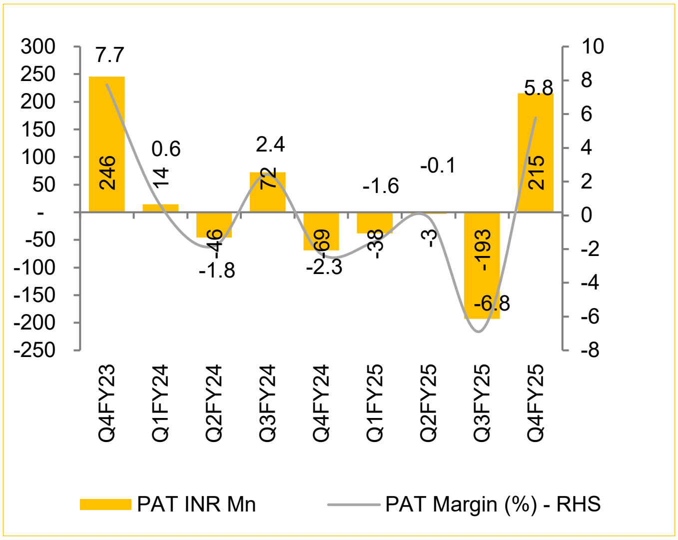
Source: Company, CEBPL

Improved EBITDAM due to cost control measures



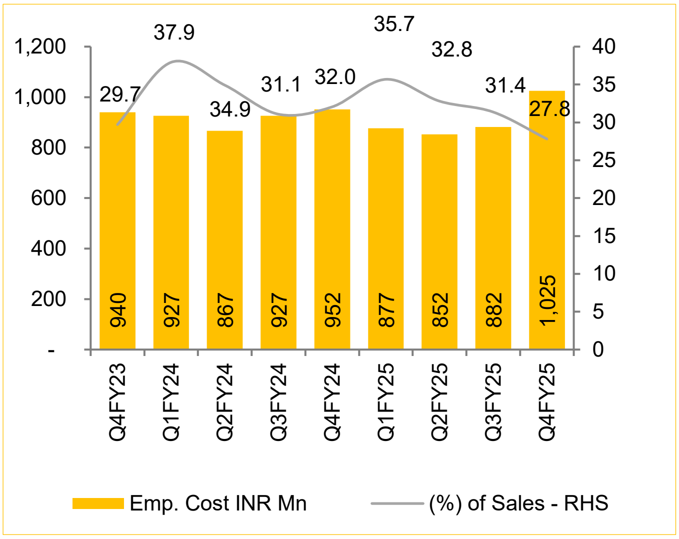
Source: Company, CEBPL

PAT improved significantly



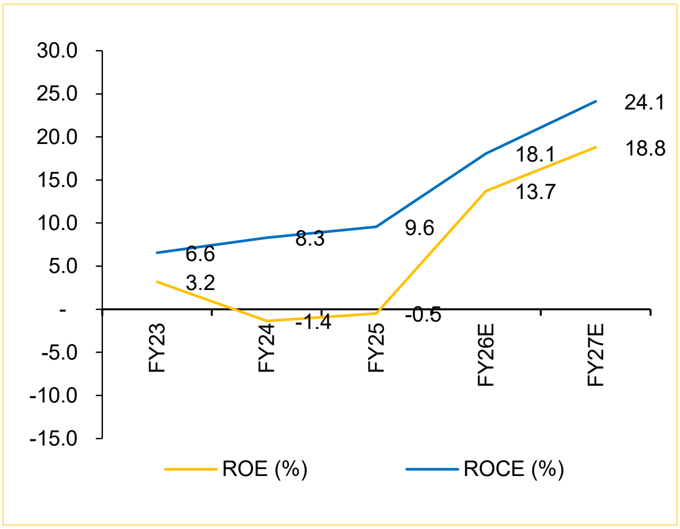
Source: Company, CEBPL

Employee costs trend



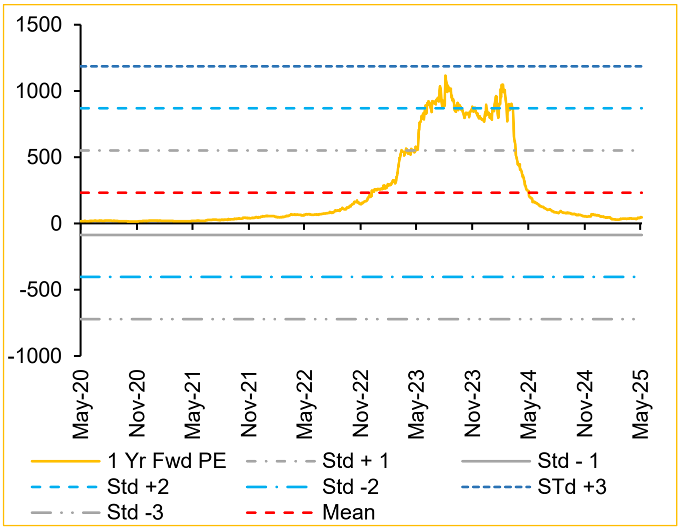
Source: Company, CEBPL

ROE & ROCE trend



Source: Company, CEBPL

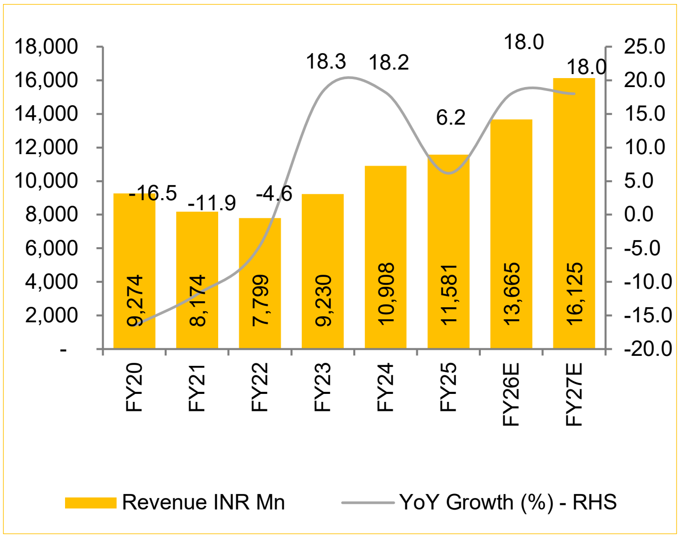
One year forward PE band



Source: Company, CEBPL

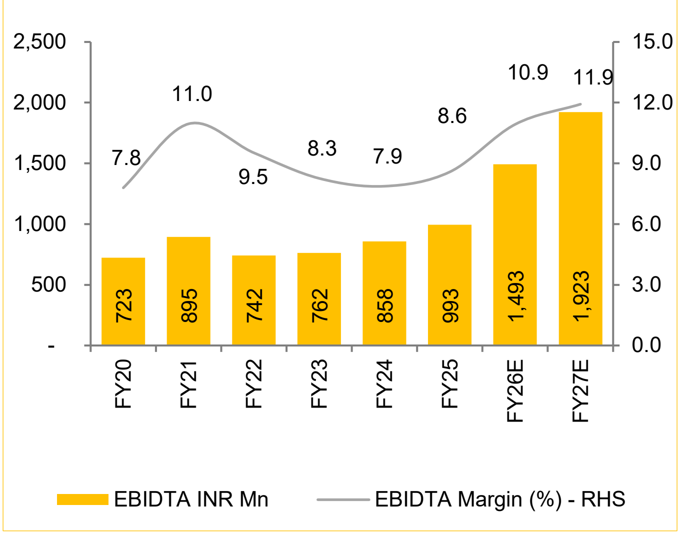
*All figures are in INR Million

Revenue expected to grow 12% CAGR FY25-27E



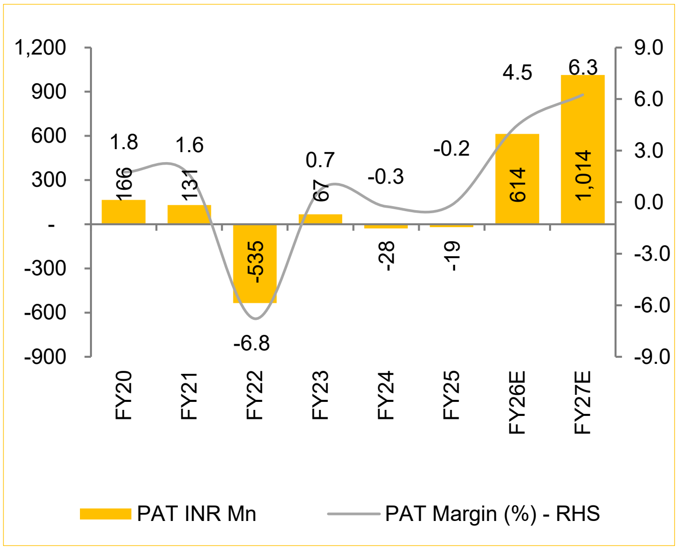
Source: Company, CEBPL

EBITDA Margin to improve led by cost measures



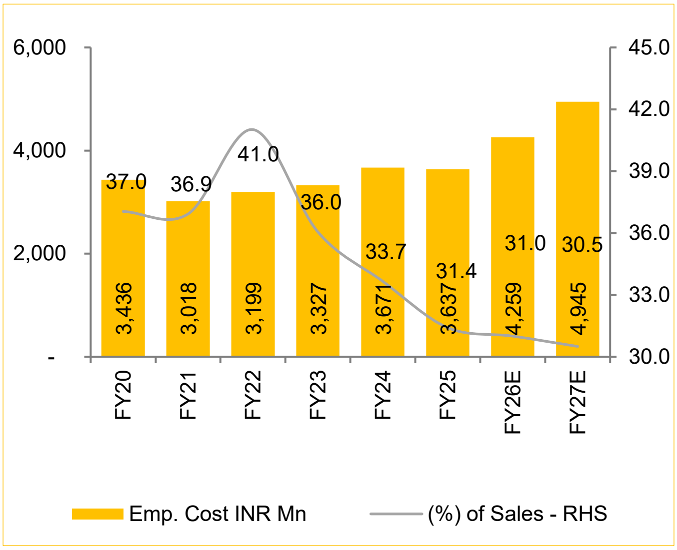
Source: Company, CEBPL

CTE to turn profitable in FY26



Source: Company, CEBPL

Employee cost trend



Source: Company, CEBPL

*All figures are in INR Million

Income Statement (Consolidated in INR Mn)

Particular	FY23	FY24	FY25	FY26E	FY27E
Revenue	9,230	10,908	11,581	13,665	16,125
Gross Profit	5,078	5,653	5,625	7,181	8,489
EBITDA	762	858	993	1,493	1,923
Depreciation	438	453	441	480	516
EBIT	324	406	553	1,013	1,406
Other Income	59	68	61	73	87
Interest Expense	273	346	329	135	8
PBT	121	79	136	877	1,449
Reported PAT	67	-28	-19	614	1,014
EPS	7.7	1.4	1.9	45.3	70.7

Ratio Analysis	FY23	FY24	FY25	FY26E	FY27E
Growth Ratios					
Revenue (%)	18.3	18.2	6.2	18.0	18.0
EBITDA (%)	2.6	12.6	15.7	50.3	28.8
PAT (%)	NA	NA	NA	NA	65.1
Margin Ratios					
EBITDA Margins (%)	8.3	7.9	8.6	10.9	11.9
PAT Margins (%)	0.7	-0.3	-0.2	4.5	6.3
Performance Ratios					
OCF/EBITDA (x)	0.9	2.5	-0.3	1.6	0.9
OCF/IC (%)	31.3	121.1	-10.2	97.6	63.7
ROE (%)	3.2	NA	NA	13.7	18.8
ROCE (%)	6.6	8.3	9.6	18.1	24.1
Turnover Ratio (Days)					
Inventory	103	106	109	108	106
Debtors	151	76	97	79	78
Payables	83	80	69	76	74
Cash Conversion Cycle (Days)	171	103	137	111	110
Financial Stability Ratios	0.9	0.5	0.0	-0.3	-0.5
Net Debt to Equity (x)	2.5	1.2	0.2	-1.0	-1.3
Net Debt to EBITDA (x)	1.2	1.2	1.7	7.5	173.0
Interest Cover (x)	0.9	0.5	0.0	-0.3	-0.5
Valuation Metrics					
Fully Diluted Shares (Mn)	13	13	15	15	15
Price (INR)	2,303	2,303	2,303	2,303	2,303
Market Cap (INR Mn)	29,682	29,682	33,870	33,870	33,870
PE (x)	298	1,669	1,219	51	33
EV (INR Mn)	31,570	30,638	34,028	32,434	31,333
EV/EBITDA (x)	41	36	34	22	16
Book Value (INR/Share)	163	158	268	304	367
Price to BV (x)	14	15	9	8	6
EV/OCF (x)	45	14	-171	13	15

Source: Company, CEBPL

Balance Sheet (Consolidated in INR Mn)

Particular	FY23	FY24	FY25	FY26E	FY27E
Net worth	2,107	2,033	3,943	4,468	5,394
Total debt	2,310	1,737	1,448	748	48
Other Long term Liabilities	520	1,104	387	387	387
Trade Payables	2,110	2,378	2,200	2,845	3,269
Other Current liabilities	3,601	3,387	4,417	5,345	6,307
Total Net Worth & liabilities	**10,647**	**10,638**	**12,394**	**13,793**	**15,405**
Net Fixed Assets	2,198	1,126	1,096	1,216	1,299
Capital Work in progress	54	3	76	-	-
Investments	96	85	1	1	1
Other Non-Current Asset	900	1,824	1,845	1,845	1,845
Inventories	2,611	3,174	3,474	4,043	4,683
Trade receivables	3,828	2,280	3,065	2,958	3,446
Cash & bank balance	422	716	1,290	2,184	2,585
Other Current Assets	537	1,431	1,547	1,547	1,547
Total Assets	**10,647**	**10,638**	**12,394**	**13,793**	**15,405**
Capital Employed	4,936	4,873	5,777	5,603	5,829
Invested Capital	2,265	1,764	2,866	2,398	2,823
Net Debt	1,888	1,021	158	-1,436	-2,537
FCFF	491	2,807	-704	1,740	1,197

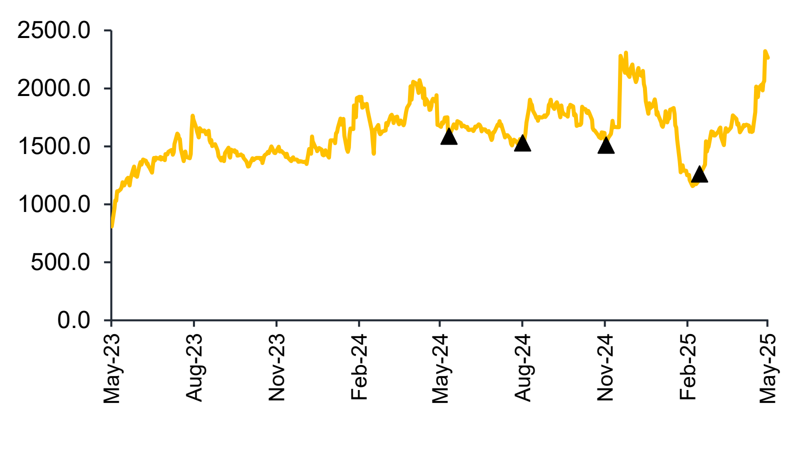
Cash Flow Statement (Consolidated in INR Mn)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Cash Flows From Operations	709.3	2,135.7	-293.5	2,340.1	1,797.3
Cash Flows From Investing	-112.5	-440.2	-588.2	-523.6	600.0
Cash Flows From Financing	-739.6	-1,447.5	1,056.8	-922.9	-796.4

DuPont Analysis	FY23	FY24	FY25	FY26E	FY27E
ROE	3.2%	NA	NA	13.7%	18.8%
Net Profit Margin	0.7%	-0.3%	-0.2%	4.5%	6.3%
Asset Turnover	0.9	1.0	0.9	1.0	1.0
Financial Leverage	5.1	5.2	3.1	3.1	2.9

Source: Company, CEBPL

Historical Price Chart: Centum Electronics Limited



Date	Rating	Target Price
Feb 19,2025	SELL	845
Nov 15,2024	HOLD	1,826
Aug 13,2024	BUY	1,776
May 25,2024	BUY	1,918

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