Centum Electronics Ltd. (CENELE)

CMP: ₹ 4,050 | Target: ₹ 5,500 (36%) | Target Period: 12 month | BUY

November 6, 2026

Multi-year growth outlook; High-margin BTS scaling swiftly...

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.

Q2FY27 performance: Centum reported healthy set of results with revenue growth of ~51.8% YoY and ~52.4% QoQ to ₹312 crore. Mix between EMS & BTS stood at 68:32. EMS segment reported revenue of ₹212 crore (+43% YoY) & BTS segment reported ₹99 crore (+84% YoY). Gross margins stood at 33.6% being flat YoY and down 169 bps QoQ. EBITDA came at ₹39.6 crore with EBITDA margins of 12.7%, up 84 bps YoY and 141 bps QoQ owing to segmental mix between BTS and EMS along with operating leverage. PAT came at ₹22.8 crore up 77% YoY and 69% QoQ.

Investment Rationale

- **Revenue visibility remains strong, backed by robust orderbook & new client additions:** Centum Electronics delivered a strong Q2 performance, underpinned by strong execution across both EMS and BTS segments. Current order book remains healthy with ~₹1,952 crore (+38% YoY) ensuring revenue visibility. Alongside, company has added three new customers across defence, transportation and industrial segments, with each engagement having the potential to at least $10 million annually over next 2–3 years. Also, Semiconductor equipment business is witnessing strong traction, driven by increasing demand from existing products and addition of new product lines. Management expects this business to scale from the earlier envisaged $25–30mn annual opportunity to $45–50mn over the next two years. With a healthy pipeline, customer diversification and ramp-up of new programs, management remains confident of delivering 25–30% medium-term revenue growth.
- **BTS business to drive growth acceleration and improve overall margins:** BTS business during Q2FY27 grew 84% YoY, while the order book increased 47% YoY to ₹959 crore. Order wins across electronic warfare, tactical air navigation systems, radar electronics and satellite payloads further strengthen the growth outlook. BTS carries higher margins than EMS while margins may fluctuate depending on project mix and material content. Management expects BTS margins to remain in the 20–22% range over the medium term. The increasing contribution of high-margin BTS revenues, alongside improving execution and a gradual shift towards system-level programs, should support overall EBITDA margin expansion towards 13% in FY28 and subsequently 14–15% over the next 3–4 years.

Rating and Target Price: Centum's healthy order book provides strong revenue visibility over the near-to-medium term. Margin expansion is expected to be structurally supported by an increasing contribution from the high-margin BTS segment, while the EMS business maintains steady growth. We recommend BUY rating on the stock with target price of 5,500, valuing at PE of 63x FY28E EPS.

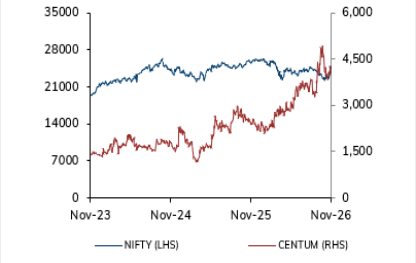
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	5,979
H1FY27 Debt (FY26) - ₹ crore	135
H1FY27 Cash (FY26) - ₹ crore	57
EV (₹ crore)	6.057
52-week H/L (₹)	5,000/2,044
Equity capital (₹ crore)	14.8
Face value (₹)	10

Shareholding pattern (%)

Particulars	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	46.9	46.9	46.8	46.8
FII	2.4	2.4	3.3	3.7
DII	19.9	21.5	19.7	19.9
Others	30.8	29.2	30.2	29.4

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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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 Year CAGR
Net Sales	501	633	776	973	24.8	1,240	1,587	27.7
EBITDA	54	79	94	121	31.1	155	208	31.2
EBITDA margin (%)	10.7	12.4	12.1	12.4		12.5	13.1	
Adj Net Profit *	19	36	46	75	57.2	92	129	30.8
EPS (₹) *	15.1	28.2	31.0	51.1		62.6	87.4	
P/E(x)	269.0	143.6	130.5	79.3		64.7	46.3	
RoCE (%)	11.4	16.0	18.1	23.0		26.0	29.3	
RoE (%) *	7.1	12.2	10.5	15.2		19.3	21.9	

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

Q2FY27 & H1FY27 Earnings call highlights

- **Business performance**
  - Centum reported healthy set of results, revenue growth came in at ~51.8% YoY and ~52.4% QoQ to ₹312 crore. Gross margins stood at 33.6%, being flat YoY and down 169 bps QoQ. EBIDTA came at ₹39.6 crore with EBITDA margins of 12.7%, up 84 bps YoY and 141 bps QoQ owing to segmental mix between BTS and EMS along with operating leverage. PAT came at ₹22.8 crore up 77% YoY and 69% QoQ.
  - **EMS** segment contributed ~68% of revenue to ~₹212 crore up 43% YoY while **BTS** segment contributed the rest ~32% of the revenue to ₹99 crore up 84% YoY. Despite a change in the revenue mix between EMS and BTS to 68:32, gross margins remained broadly flat YoY, although declining sequentially due to raw material cost inflation. However, EBITDA margins have expanded, indicating improved operating performance.
  - **Order book** stood at ~₹1,952 crore as of September 2026, up ~38% YoY, providing healthy execution visibility across defence, space, semiconductor equipment, transportation, industrial and medical applications. Management remains confident of maintaining its medium-term revenue growth target of 25-30%, with H2FY27 expected to be stronger than H1.
  - **EBITDA Guidance:** Management continues to target consolidated EBITDA margins of 12.5-13% in the near term, with an aim to cross 13% from next year and gradually move towards 14-15% over the next 3-4 years.

- **Segment Wise performance**
  - **BTS – Build to Specification**
    - BTS revenue grew 84% YoY in Q2FY27 and 33% YoY in H1FY27, supported by improved execution in radar electronics and space programs. BTS order book stood at ₹959 crore, up 47% YoY.
    - Key wins included a ~₹30 crore export order for advanced electronic warfare subsystems and a ₹51 crore order for tactical air navigation systems, following an earlier ~₹30 crore order. Management also highlighted healthy opportunities for repeat orders across radar, electronic warfare, navigation and space programs.
    - BTS orders typically have an execution cycle of around 25-30 months, whereas EMS has 9-12 months. Management indicated that current performance reflects higher execution activity rather than a spillover from Q1, with H2 expected to remain strong.
    - BTS margins are expected to remain in the 20-22% range, although quarterly margins could fluctuate based on program and material mix.
  - **EMS – Electronic Manufacturing Services**
    - EMS revenue grew 41% YoY and ~42% QoQ in Q2FY27, while H1FY27 revenue increased 32% YoY. The EMS order book grew 30% YoY, supported by improved execution and new customer programs.
    - Semiconductor equipment remains a key growth driver, with ~₹85-90 crore of revenue delivered in H1FY27. Management expects the opportunity to surpass its earlier estimated annual run-rate of US$25-30 million and potentially reach US$45-50 million over the next two years.
    - The company added three marquee customers across transportation, industrial and defence. Each engagement has the

potential to scale to at least ~US$10 million annually over the next 2-3 years after qualification and production ramp-up.

- **New Opportunities**
  - Centum is progressing towards higher-value, system-level capabilities in BTS and is evaluating a new facility with dedicated test infrastructure for larger systems. The company is also establishing assembly, integration and testing capabilities for full satellite payloads and satellites.
  - Management sees a strong pipeline across defence and space, with a broad medium-term opportunity split of roughly 60:40 between defence and space. Global BTS exports are also an emerging opportunity, with the recent ₹30 crore electronic warfare order providing a platform for potential repeat and larger export engagements.
  - In EMS, the company is pursuing a design-led manufacturing strategy with existing customers, including opportunities to design products and subsequently manufacture them, which could support margin expansion over time.

- **Other Details**
  - **Net working capital** improved by six days to 136 days, while receivable days improved by nine days to 106 days due to stronger collections. However, inventory increased due to business growth and component supply constraints.
  - Management highlighted shortages in memory devices, controllers, MLCCs and PCBs, driven partly by AI and data center infrastructure demand. Bare PCB lead times have increased to around 40-50 weeks versus typical levels of 8-12 weeks, requiring the company to secure inventory in advance.
  - Customer prepayments covered approximately 50% of net inventory, partly cushioning the working capital impact. Borrowings increased by ~₹11.5 crore to ₹134 crore, while cash balances stood at ~₹127 crore, including restricted cash.
  - The Board has proposed increasing the borrowing authorization from ₹500 crore to ₹1,000 crore, primarily to facilitate additional non-fund-based limits required to support anticipated BTS order book growth. Management indicated that existing sanctioned limits of ~₹490 crore are largely utilized.
  - The company had ~₹53 crore of QIP proceeds earmarked for general corporate purposes as of September 2026, with no specific near-term utilization identified.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY	Q1FY27	QoQ (%)	Comments
Revenue	**312.1**	**205.5**	**52%**	**204.8**	**52%**	Robust revenue growth led by strong execution. EMS revenue up 43% YoY while BTS grew 84% YoY.
Other Income	2.33	2.61	-11%	2.31	1%	
Total Income	314.4	208.1	51%	207.1	52%	
Gross profit	104.9	69.3	51%	72.3	45%	
Gross margin %	**33.6**	**33.7**	**-11 bps**	**35.3**	**-169 bps**	Gross margins declined owing to commodity cost inflation
Operating Expenses	232.0	148.7	56%	149.8	55%	
Employee Expenses	40.5	32.5	24%	32.0	27%	
Total Expenses	272.5	181.2	50%	181.7	50%	Expenses well contained.
EBITDA	**39.6**	**24.3**	**63%**	**23.1**	**72%**	
EBIDTA %	**12.7**	**11.8**	84 bps	**11.3**	141 bps	Margins improved owing to product mix i.e. increase in revenue contribution from BTS and operating leverage
Depreciation	5.7	5.0	14%	5.5	4%	
Finance cost	5.5	4.5	22%	4.4	23%	
PBT	30.7	17.5	76%	15.5	99%	
Exceptional Item	0.0	0.0	NM	2.8	NM	
Tax	7.9	4.6	72%	4.7	68%	
PAT	**22.8**	**12.9**	**77%**	**13.5**	**69%**	PAT growth remained robust

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**776**	**973**	**1,240**	**1,587**
% Growth	22.6	25.4	27.4	28.0
Other income	7	16	12	13
Total Revenue	**783**	**989**	**1,251**	**1,599**
Employee Expenses	125	132	161	203
Other expenses	557	720	923	1,175
Total Operating Expenditure	682	852	1,085	1,378
Operating Profit (EBITDA)	**94**	**121**	**155**	**208**
% Growth	9.4	28.4	28.2	34.3
Interest	19	17	18	18
PBDT	75	104	137	190
Depreciation	20	20	24	29
PBT before Exceptional Items	55	85	113	161
Total Tax	16	14	31	43
PAT before MI	**46**	**-117**	**92**	**129**
% Growth	138.4	413.2	32.2	39.6
EPS	**31.0**	**51.1**	**62.6**	**87.4**

Source: Company, ICICI Direct Research

Exhibit 3: Cash Flow Statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	46	-117	92	129
Depreciation	20	20	24	29
Interest	19	17	18	18
Non Cash Impairment charge	-46	154	-	-
Cash Flow before WC changes	39	73	134	176
(Inc)/dec in Current Assets	-153	-119	-138	-248
Changes in creditors	106	90	76	159
Other current liabilities	-68	4	-5	-7
Inc/(dec) in CL and Provisions	39	94	71	152
Net CF from Operating activities	**-76**	**48**	**67**	**80**
(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	-0	-7
Net CF from Financing Activities	**176**	**-1**	**-8**	**-15**
Net Cash flow	75	7	-1	-5
Opening Cash/Cash Equivalent	36	113	120	119
Closing Cash/ Cash Equivalent	**112**	**120**	**119**	**114**

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	15	15	15	15
Reserve and Surplus	544	417	509	638
Total Shareholders funds	558	432	524	653
Minority Interest	-	-	-	-
Total Debt	97	123	134	137
Other liabilities	5	4	5	6
Total Liabilities	**661**	**559**	**663**	**795**
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 Curr. Assets (Incl. Intangible)	190	27	31	39
Inventory	327	457	530	660
Debtors	317	307	374	478
Other Current Assets	42	42	40	51
Cash	113	120	119	114
Total Current Assets	799	926	1,063	1,303
Current Liabilities	441	528	601	758
Net Current Assets (Ex Cash)	471	518	581	660
Total Assets	**661**	**559**	**663**	**795**

Source: Company, ICICI Direct Research

Exhibit 5: Ratio Analysis ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	31.0	-79.4	62.6	87.4
Cash per Share	76.7	81.4	81.0	77.3
BV	379.7	292.7	355.3	442.7
Dividend per share	6.0	5.1	5.0	5.5
Operating Ratios (%)				
EBITDA Margin	12.1	12.4	12.5	13.1
PAT Margin	5.9	-12.0	7.4	8.1
Return Ratios (%)				
RoE	10.5	15.2	19.3	21.9
RoCE	18.1	23.0	26.0	29.3
Valuation Ratios (x)				
EV / EBITDA	63.1	49.4	38.6	28.8
P/E	130.5	79.3	64.7	46.3
Market Cap / Sales	7.6	6.0	4.8	3.7
Price to Book Value	14.7	17.4	13.7	10.6
Working Capital Management Ratios				
Inventory Days	224.5	217.9	231.0	226.0
Debtors Days	126.4	117.1	110.0	110.0
Creditors Days	122.3	118.1	109.0	111.0
Asset turnover	3.3	3.4	3.5	3.6
Solvency Ratios (x)				
Debt / Equity	0.2	0.3	0.3	0.2
Current Ratio	1.4	1.4	1.4	1.4
Quick Ratio	0.7	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%

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