

Centum Electronics Ltd: Restructuring sparks a margin revival

ADD
Aug 07, 2025 | CMP: INR 2,316 | Target Price: INR 2,570
Sector View: Positive
Expected Share Price Return: 11.0% | Dividend Yield: 0.0% | Potential Downside: 11.0%

Change in Estimates	✓✓
Change in Target Price	✓✓
Change in Recommendation	✓✓

Company Info

BB Code	CTE IN EQUITY
Face Value (INR)	10.0
52 W High/Low (INR)	2,698/1,140
Mkt Cap (Bn)	INR 34.0 / \$ 0.39
Shares o/s (Mn)	15.0
3M Avg. Daily Volume	47,557

Change in CIE Estimates

	FY26E			FY27E		
INR Mn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	13,665	13,665	(0.0)	16,261	16,125	0.8
EBITDA	1,507	1,493	0.9	2,038	1,923	6.0
EBITDAM %	11.0	10.9	12.8	12.5	11.9	63.2
PAT	624	614	1.6	1,095	1,014	7.9
EPS	45.9	45.3	1.4	76.2	70.7	7.8

Actual vs CIE Estimates

INR Mn	Q1FY26	CIE Est.	Dev. %
Revenue	2,734	2,733	0.0
EBITDA	227	204	11.3
EBITDAM %	8.3	7.5	84bps
PAT	45	22	105.2

Key Financials

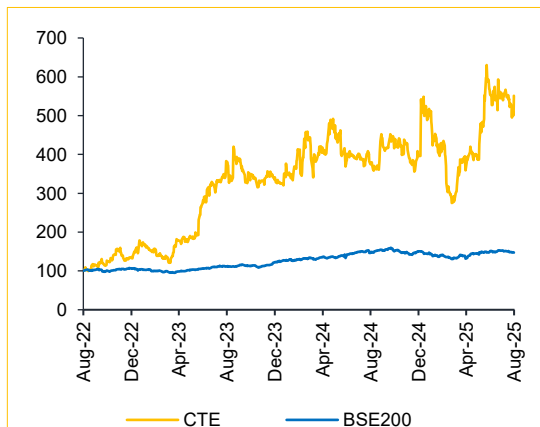
INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	10,908	11,581	13,665	16,261	19,351
YoY Growth (%)	18.2	6.2	18.0	19.0	19.0
EBITDA	858	993	1,507	2,038	2,522
EBITDAM (%)	7.9	8.6	11.0	12.5	13.0
Adjusted PAT	-45	-40	676	1,121	1,438
EPS	1.4	1.9	45.9	76.2	97.8
ROE (%)	-1.3	-0.6	14.8	22.0	23.2
ROCE (%)	8.3	9.6	18.3	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	46.9	31.6	0.6
CTE	450.7	52.5	47.0


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Restructuring sparks a margin revival

CTE is at a turning point, after exiting its loss-making Canada-based unit (which lost EUR 2.4 Mn in FY25). This will drive a strong margin recovery from the current 8.4%. With restructuring in progress and more high-margin Built-to-Spec work, profitability is set to improve significantly over the next two years. Management targets 13–15% EBITDA margin at a consolidated level, supported by mix improvement, cost discipline and operating leverage.

CTE's core Built-to-Spec business (INR 886 Cr order book) is gaining strategic relevance through high-tech programs, such as DRDO's Virupaksha radar, which could lead to ~INR 1,000 Cr revenue in long-term orders linked to Su-30 MKI and other platforms. The company is also participating in tri-services programs (INR 200–500 Cr) and expanding capacity via INR 40 crore capex. With recurring EMS revenues and strong domain presence in radar, EW and satellite electronics, CTE is well-positioned to ride India's growing defence and space capex wave.

View & valuation: In light of the recent development, we are optimistic on margin improvement. Accordingly, we revise our FY26/FY27E EPS estimates upward by 1.4%/7.8%, respectively. We now project CTE's Revenue/EBITDA/PAT to expand at a CAGR of 19%/29%/51%, over FY26–28E. Valuing the stock at 30x of an average EPS of FY27–28E, we revise our target price to INR 2,570 (earlier INR 2,050) and upgrade our rating to ADD (from SELL).

Revenue in line with expectations, beat on margin

- Revenue for Q1FY26 up 11.2% YoY & down 25.9% QoQ at INR 2,734 Mn (vs CIE Est. INR 2,733 Mn)
- EBITDA for Q1FY26 up 46.3% YoY and down 45.3% QoQ at INR 227 Mn (vs CIE Est. INR 204 Mn). The EBITDA margin stood at 8.6%, improved by 212bps YoY (vs CIE Est. of 7.5%)
- PAT for Q1FY26 came at INR 45 Mn (vs CIE Est. INR 22 Mn). PAT margin improved by 331bps YoY, reaching 1.7% (vs CIE Est. 0.8%)

Particulars (INR Mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales (incl OOI)	2,734	2,459	11.2	3,687	(25.9)
Material Exp	1,349	1,193	13.1	1,934	(30.2)
Gross Profit	1,385	1,265	9.4	1,753	(21.0)
Employee Exp	871	877	(0.7)	1,025	(15.0)
Other Exp	286	233	22.9	312	(8.4)
EBITDA	227	155	46.3	416	(45.3)
Depreciation	103	123	(16.3)	101	1.7
EBIT	172	46	277.2	396	(56.6)
Other Income	29	13	130.2	36	(19.2)
Interest Cost	70	76	(8.2)	98	(28.6)
PBT	102	-30	(437.6)	298	NA
Tax	57	8	602.6	83	(30.9)
RPAT	45	-38	(216.5)	215	(79.2)
APAT	45	-38	(216.5)	215	(79.2)
Adj EPS (INR)	4.0	-2.5	(261.2)	16.9	(76.7)

Margin Analysis	Q1FY26	Q1FY25	YoY (bps)	Q4FY25	QoQ (bps)
Gross Margin (%)	50.6	51.5	(82.2)	47.5	310.5
Emp. Exp. % of Sales	31.9	35.7	(381.1)	27.8	406.6
Otr Exp % of Sales	10.5	9.5	99.5	8.5	199.7
EBITDA Margin (%)	8.31	6.3	199.3	11.3	(295.8)
Tax Rate (%)	56.2	-27.0	NA	27.8	2,834.3
APAT Margin (%)	1.6	-1.6	NA	5.8	(420.0)

Management Call - Highlights

Execution of DRDO radar programs will determine upside surprise beyond base growth guidance

International restructuring is critical for margin normalisation

Canadian divestment is a near-term trigger, while France turnaround remains a medium-term goal

Active engagement with startups and global OEMs

Order Book & Pipeline

- Order book stood at INR 1,769 Cr, ensuring strong revenue visibility.
- BTS order book at INR 886 Cr remains the growth engine for the next two years.
- EMS order book of INR 710 Cr indicates steady demand from export markets.
- DRDO's Virupaksha radar development order (~INR 10 Cr) is strategically significant for long-term positioning.
- Virupaksha radar offers platform opportunity exceeding INR 1,000 Cr over time.
- Development projects typically convert to production after 18–24 months, creating future annuity streams.

Segmental Performance & Outlook

- ER&D business remains weak on macro uncertainty in Europe, but recovery expected in H2 FY26.
- EMS diversification into semiconductor, biometrics and security enhances sectoral resilience.
- EMS NPI programs likely to add USD 15 Mn revenue in FY26, strengthening recurring business base.

Subsidiary Performance & Strategic Actions

- Canadian subsidiary remains a drag with EUR 2.4 Mn loss in FY25, necessitating urgent exit or restructuring.
- Revenue contribution from Canada was INR 7–8 crore in Q1 vs INR 70 crore last year.
- Management expects closure of Canadian divestment discussions by Q2
- French subsidiary underperforms due to weak sales; revival hinges on defence pipeline conversion.
- Overseas losses continue to dilute consolidated margin, making restructuring a key margin lever.

Capex & Efficiency

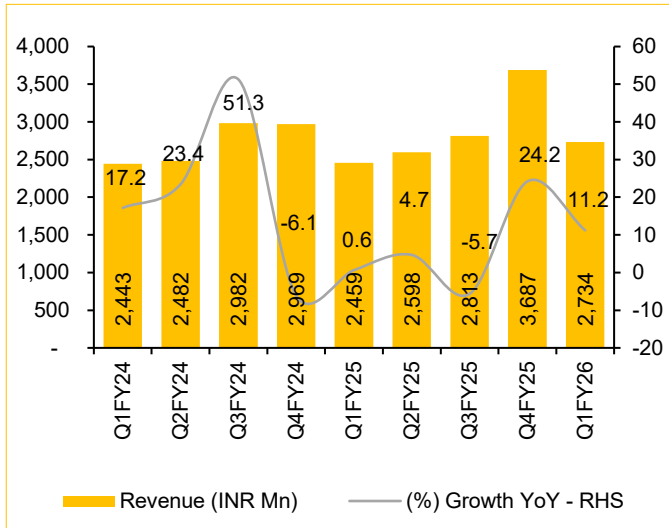
- INR 40 crore capex in FY26 dedicated to Indian operations for capability and capacity expansion.
- Asset turnover expected to improve from 6–7x to 8–9x post-capex, supporting margin-accretive growth.
- No incremental capital allocation for overseas subsidiaries.

Guidance & Long-Term Growth

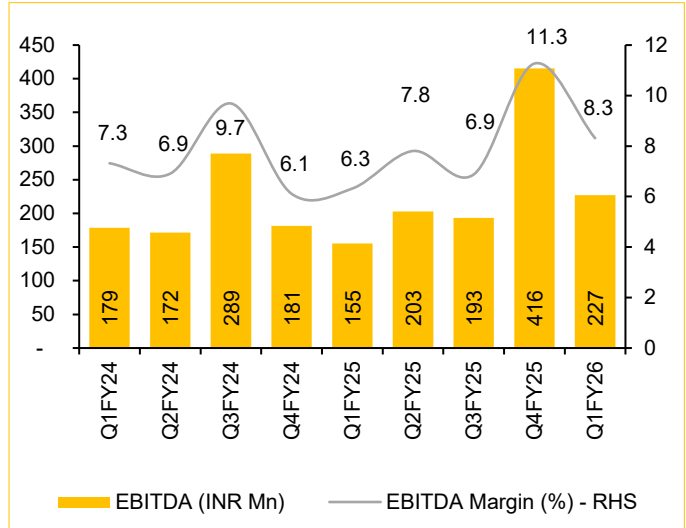
- Management targets 18–20% consolidated revenue CAGR, with standalone growth above 25%.
- Consolidated EBITDA margin guided at 13–15% in two years, up from 8.4% at present.
- Margin expansion will be driven by subsidiary turnaround, BTS mix and EMS NPIs.

Strategic Positioning & Industry Tailwinds

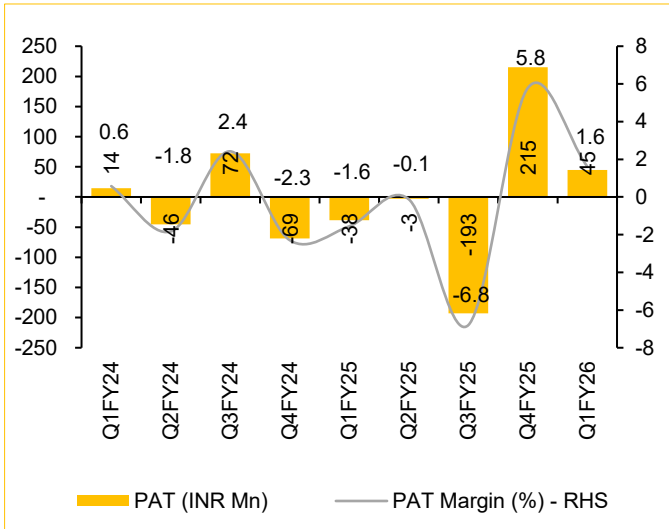
- Strong positioning in defence radar, EW systems and space electronics underpins future order wins.
- Large tri-services programs (INR 200–500 Cr each) remain a game-changer once government approvals materialize.
- ISRO's satellite programs and private space initiatives offer long-cycle and high-value opportunities

Revenue grew by 11.2% on YoY basis

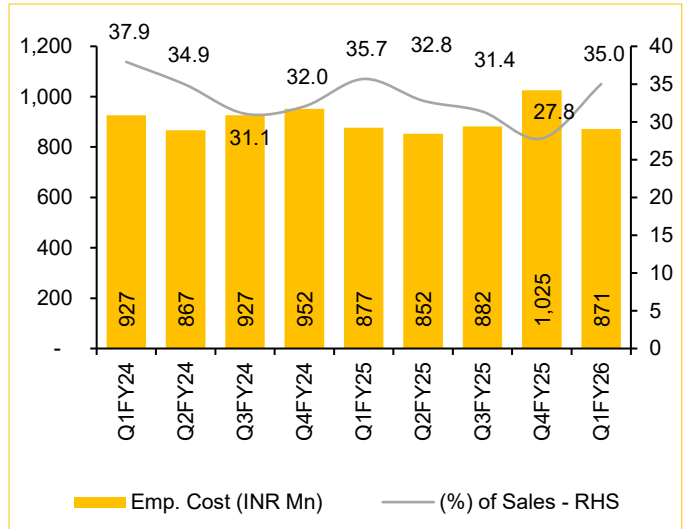
Source: CTE, Choice Institutional Equities

EBITDAM improved 212bps YoY

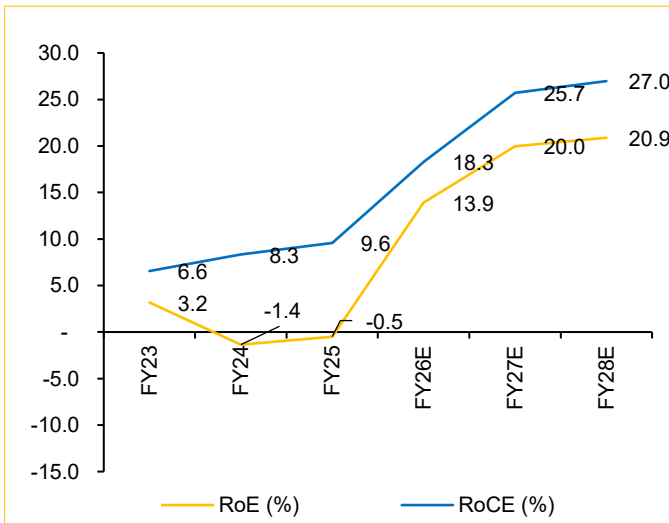
Source: CTE, Choice Institutional Equities

PAT improved significantly

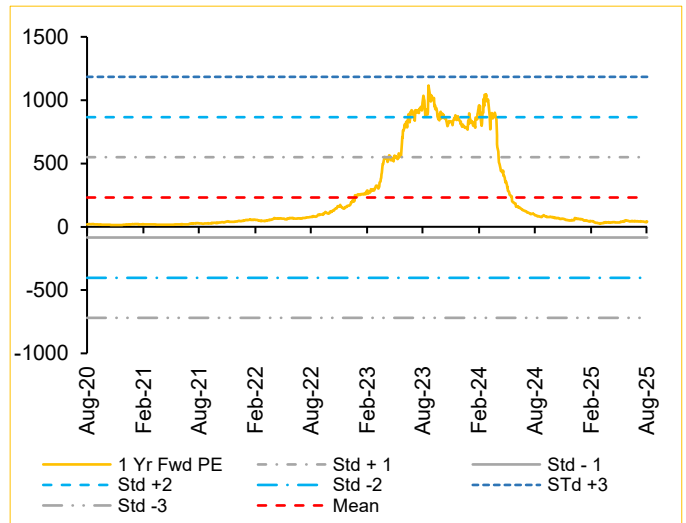
Source: CTE, Choice Institutional Equities

Employee cost trend

Source: CTE, Choice Institutional Equities

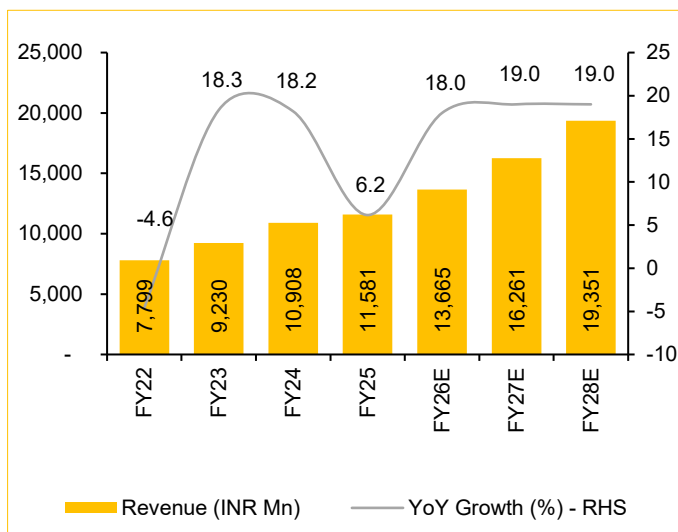
RoE & RoCE trend

Source: CTE, Choice Institutional Equities

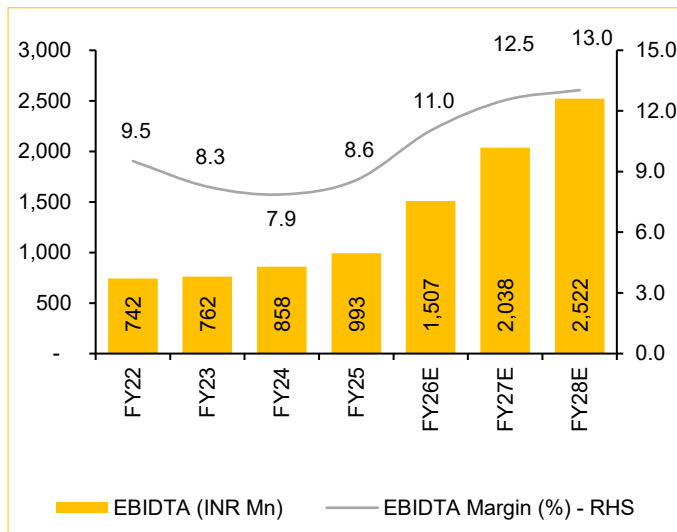
One year forward PE band

Source: CTE, Choice Institutional Equities

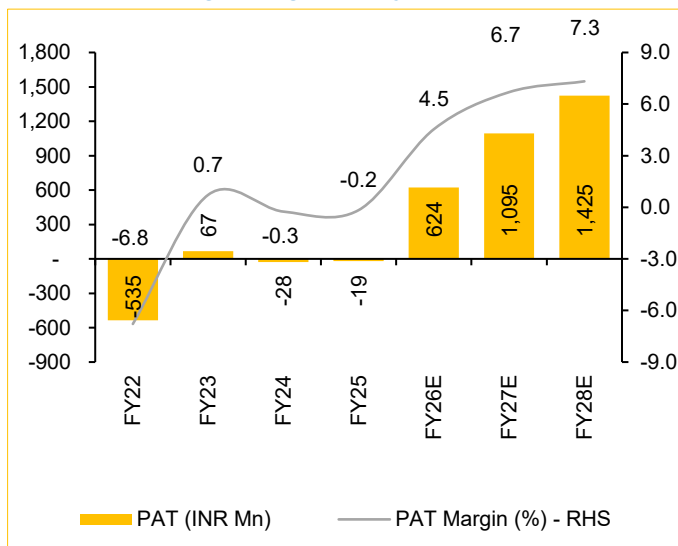
*All figures are in INR Million

Revenue expected to expand 19% CAGR FY25-28E

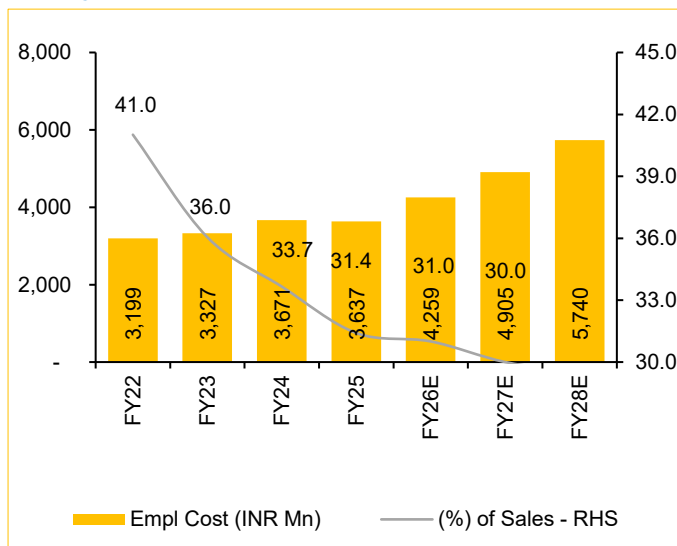
Source: CTE, Choice Institutional Equities

Cost measures lead to EBITDA margin improvement

Source: CTE, Choice Institutional Equities

PAT expected to grow significantly

Source: CTE, Choice Institutional Equities

Employee cost trend

Source: CTE, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	10,908	11,581	13,665	16,261	19,351
Gross Profit	5,653	5,625	7,181	8,561	10,187
EBITDA	858	993	1,507	2,038	2,522
Depreciation	453	441	480	516	564
EBIT	406	553	1,027	1,521	1,957
Other Income	68	61	73	87	105
Interest Expense	346	329	135	8	8
PBT	79	136	891	1,564	2,035
Reported PAT	-28	-19	624	1,095	1,425
EPS	1.4	1.9	45.9	76.2	97.8

Source: CTE, Choice Institutional Equities

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios					
Revenue (%)	18.2	6.2	18.0	19.0	19.0
EBITDA (%)	12.6	15.7	51.7	35.2	23.7
PAT (%)	NA	NA	NA	75.5	30.2
Margin Ratios					
Gross Margin	51.8	48.6	52.5	52.6	52.6
EBITDA Margin (%)	7.9	8.6	11.0	12.5	13.0
PAT Margin (%)	-0.3	-0.2	4.5	6.7	7.3
Performance Ratios					
ROE (%)	-1.3	-0.6	14.8	22.0	23.2
ROCE (%)	8.3	9.6	18.3	25.7	27.0
Turnover Ratio (Days)					
Inventory	106	109	108	106	106
Debtors	76	97	79	78	78
Payables	80	69	76	74	74
Cash Conversion Cycle (Days)					
	103	137	111	110	110
Financial Stability Ratios					
Net Debt to Equity (x)	0.5	0.0	-0.3	-0.5	-0.6
Net Debt to EBITDA (x)	1.2	0.2	-1.0	-1.3	-1.7
Interest Cover (x)	1.2	1.7	7.6	187.1	240.7
Valuation Metrics					
Fully Diluted Shares (Mn)	13	15	15	15	15
Price (INR)	2,316	2,316	2,316	2,316	2,316
Market Cap (INR Mn)	29,850	34,061	34,061	34,061	34,061
PE (x)	1,678	1,225	50	30	24
EV (INR Mn)	30,805	34,219	32,616	31,422	29,844
EV/EBITDA (x)	36	34	22	15	12
Book Value (INR/Share)	158	268	304	373	464
Price to BV (x)	15	9	8	6	5
EV/OCF (x)	14	-172	13	14	11

Source: CTE, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Net worth	2,033	3,943	4,478	5,484	6,821
Total Debt	1,737	1,448	748	48	48
Other Long-term Liabilities	1,104	387	387	387	387
Trade Payables	2,378	2,200	2,845	3,297	3,923
Other Current Liabilities	3,387	4,417	5,345	6,360	7,569
Total Net Worth & liabilities	10,638	12,394	13,803	15,576	18,748
Net Fixed Assets	1,126	1,096	1,216	1,299	1,335
Capital Work in Progress	3	76	-	-	-
Investments	85	1	1	1	1
Other Non-Current Asset	1,824	1,845	1,845	1,845	1,845
Inventories	3,174	3,474	4,043	4,722	5,620
Trade receivables	2,280	3,065	2,958	3,475	4,135
Cash & Bank Balance	716	1,290	2,193	2,687	4,265
Other Current Assets	1,431	1,547	1,547	1,547	1,547
Total Assets	10,638	12,394	13,803	15,576	18,748
Capital Employed	4,873	5,777	5,613	5,919	7,256
Invested Capital	1,764	2,866	2,398	2,811	2,569
Net Debt	1,021	158	-1,445	-2,639	-4,218

Source: CTE, Choice Institutional Equities

Cash Flow Statement (Consolidated in INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	2,136	-294	2,350	1,890	2,275
Cash Flows From Investing	-440	-588	-524	-600	-600
Cash Flows From Financing	-1,448	1,057	-923	-796	-96

Source: CTE, Choice Institutional Equities

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden	-35.0%	-14.2%	70.0%	70.0%	70.0%
Interest Burden	19.4%	24.6%	86.8%	102.8%	104.0%
EBIT Margin	3.7%	4.8%	7.5%	9.4%	10.1%
Asset Turnover	1.0	0.9	1.0	1.0	1.0
Equity Multiplier	5.1	4.1	3.3	3.1	3.0
ROE	-1.3%	-0.6%	14.8%	22.0%	23.2%

Source: CTE, Choice Institutional Equities

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

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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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