

22 September 2026

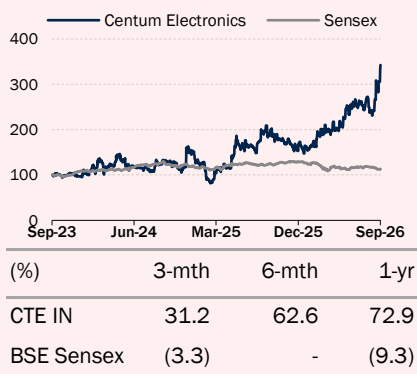
BSE Sensex: 74529

Sector: Capital Goods

Stock data

CMP (Rs)	4,859
Mkt Cap (Rs bn/USD m)	71.7 / 750
Target Price (Rs)	6,000
Change in TP (%)	NA
Potential from CMP (%)	23.5
Earnings change (%)	
FY27E	NA
FY28E	NA
FY29E	NA
Bloomberg code	CTE IN
1-yr high/low (Rs)	4,898/2,044
6-mth avg. daily volumes (m)	0.57
6-mth avg. daily traded value	
(Rsm/USDm)	104.7/1.09
Shares outstanding (m)	14.8
Free float (%)	53.2
Promoter holding (%)	46.8

Price performance – relative & absolute



Centum Electronics (CTE) is one of India's distinguished ESDM player offering high reliability EMS/BTS solutions tailored for mission critical applications for marquee global customers spread across key industries like A&D, space, semicon, industrial, automotive etc.

We like Centum given its focus on **1) BTS/EMS which are core areas of competency** (divested its overseas biz with Rs2.03bn write off), **2) high barriers to entry for its products** (70% of its biz is as sole supplier), **3) tapping newer growth opportunities** (defence, semicon) which is driving **4) strong growth guidance of 25-30% for next few years with improving margins** (37% EBITDA CAGR over FY26-29E). Hence, with strong runway for growth and **38% earnings CAGR** along with >20% ROCEs over FY27-29E, stock trades at 50x/35x FY28/29E. **WE INITIATE BUY with a TP of Rs6,000 (+24%, 45x FY29E earnings).**

Differentiated EMS model (70% of FY26 revenues): Unlike EMS peers which cater to higher volume segments like consumer, automotive, IT etc, Centum's offerings are skewed towards segments with critical requirements, lower volumes albeit higher mix. Accordingly, while peers are expected to grow at ~35% over FY26-29E, we expect EMS to grow at 29% over FY26-29E with ~11% OPM. While growth may be tad bit lower, we like Centum given its proven scale (25% CAGR over FY23-26), marquee customer adds, long-term contracts and entry into newer applications like semiconductors (*TAM analysis on pg 14*: Rs1bn in FY26 to scale to Rs2.5bn), industrial energy (import substitution) and higher wallet share in A&D.

Strong scale up in BTS over FY26-29E: Key order wins in 4-5 key programs i.e SBS, T-90 electronics, GRSE systems, UH-M radars, Virupaksha and other radar electronics, avionics etc along with our understanding on Centum targeting ~Rs10bn of RFP's p.a (largely defence) give us confidence to garner **cumulative inflows of Rs24bn over FY26-29E**. This will help keep revenue momentum upbeat at 32% CAGR over FY26-29E with ~20% OPM, albeit higher WC requirements of 250 days. Incrementally, Centum's focus on moving up the value chain from sub-assemblies to complete systems is encouraging, underscoring its technical capabilities for defence/space.

Dual growth engine: Accordingly, growth from both segments will drive an optimal growth blend with revenue growth at 30% CAGR over FY26-29E with scope for margin expansion from ~12% towards ~14%+ by FY29E due to improved scale and higher BTS contribution, driving balanced profitability/WC requirements.

Key upside risks: Large BTS wins, faster EMS execution for newer areas

Key downside risks: Slower margin delivery, delay in order inflows

Key valuation metrics

Year to 31 Mar	FY25	FY26	FY27E	FY28E	FY29E
Net sales (Rs m)	7,761	9,731	12,511	16,336	21,475
EBITDA (Rs m)	939	1,209	1,685	2,307	3,124
Adj. net profit (Rs m)	455	863	1,048	1,426	1,990
Adj. EPS (Rs)	35.0	58.5	70.9	96.6	134.8
% change	24.5	67.0	21.4	36.1	39.5
PE (x)	138.8	83.1	68.5	50.3	36.1
Price/ Book (x)	11.3	16.6	13.6	10.8	8.4
EV/ EBITDA (x)	67.0	59.3	43.1	31.7	23.5
RoE (%)	10.4	17.4	21.8	23.9	26.2
RoCE (%)	13.1	16.6	23.1	25.7	28.6

Source: Company, DAM Capital Research

Tanay Shah

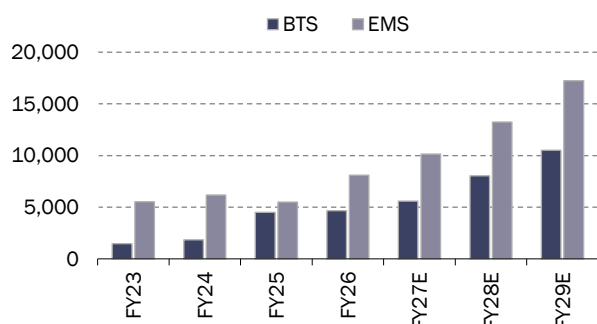
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"Important disclosures appear at the back of this report"

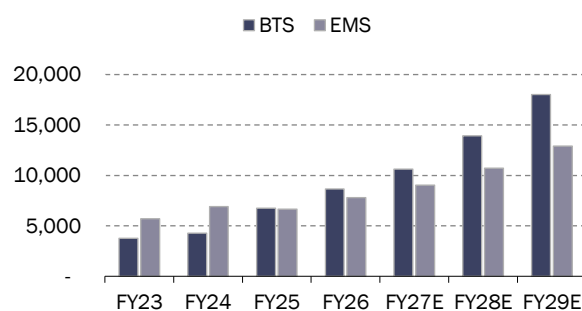
Story in Charts

Exhibit 1: Strong order inflows across both segments...



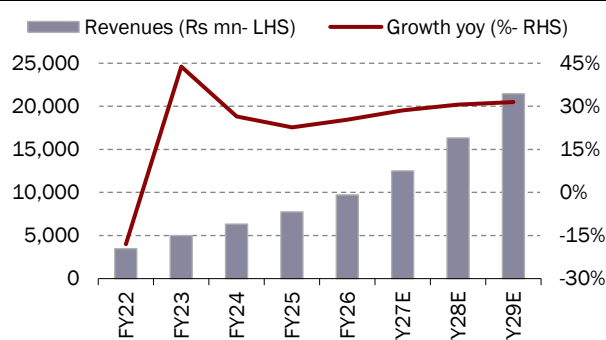
Source: Company, DAM Capital Research

Exhibit 2: to drive robust backlog over FY27-29E



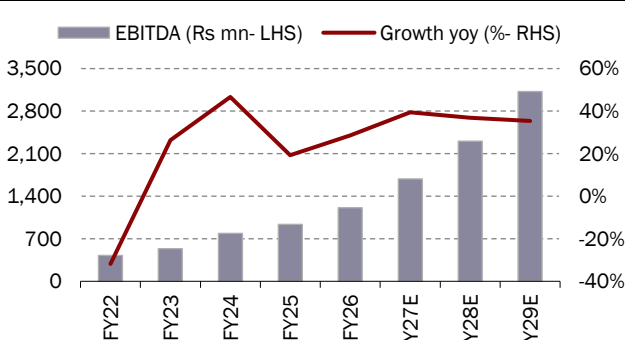
Source: DAM Capital Research

Exhibit 3: Revenues to grow at 30% CAGR over FY26-29E



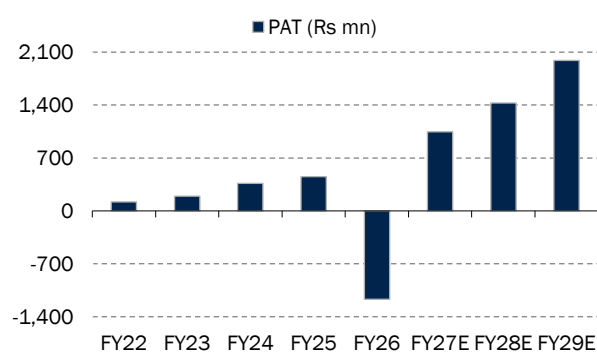
Source: Company, DAM Capital Research

Exhibit 4: EBITDA to grow at 37% CAGR over FY26-29E



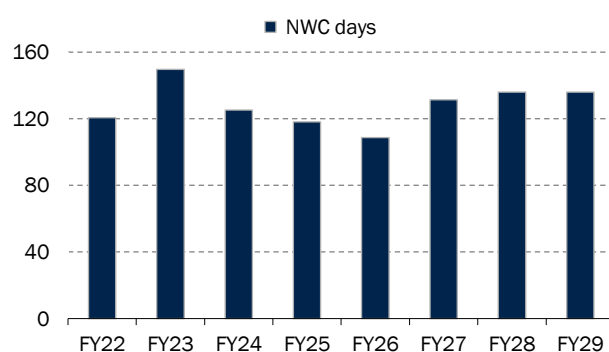
Source: Company, DAM Capital Research

Exhibit 5: PAT to grow at 32% CAGR over FY26-29E



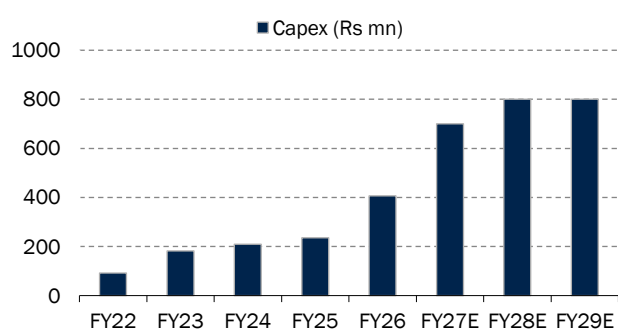
Source: Company, DAM Capital Research

Exhibit 6: NWC days required higher at ~137 on BTS scale up...



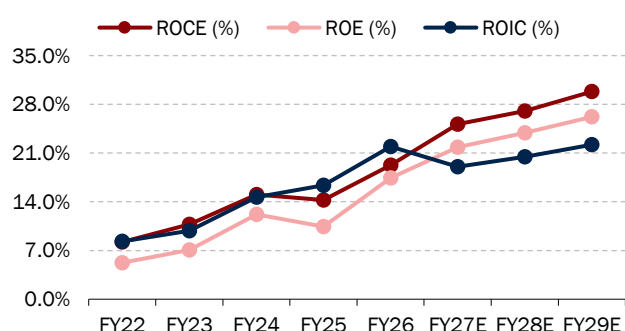
Source: Company, DAM Capital Research

Exhibit 7: ...which is offset by stable capex leading to ...



Source: Company, DAM Capital Research

Exhibit 8: ...a steady return profile



Source: Company, DAM Capital Research

Initiate with BUY* Positioned for multi-year growth!

Centum is one of India's leading ESDM player with niche and critical offerings spanning across space, A&D, semiconductors, industrial/energy, automotive etc. These solutions have made Centum a long-term trusted partner to marquee global customers with high customer stickiness, with ~70% of its products being supplied as core supplier.

This was increasingly visible over FY22-26 wherein Centum focused on scaling its standalone performance led by sharp scale up in EMS alongside steady BTS performance (*developing capabilities*) **which helped deliver 30% revenue CAGR and 60% earnings CAGR. However, while standalone was improving, its overseas subsidiaries for ER&D/BTS dragged consol performance with volatile earnings**

While standalone performance was encouraging with plethora of newer opportunities, mgmt.'s bandwidth was restricted due to efforts on reviving the overseas entities, albeit unsuccessful. **This led to discontinuing both entities with Rs2.03bn write off in FY26.**

Going ahead, Centum now aims to focus on standalone business led by several new opportunities across both EMS and BTS with EMS **led by semiconductor equipment, industrial energy, scale up of A&D and railways/automotive customers while for BTS...**

...mgmt. has focused on building out defence capabilities over the last few years which coupled with its strong space presence should result in **cumulative inflows of ~Rs24-25bn over FY27-29E (annual RFP's of ~Rs10bn in defence)**. This will be led by its new order wins in defence with radar electronics, EW systems, navigation systems, space based surveillance etc providing strong runway for growth and profitability.

Accordingly, sustained growth in EMS along with strong inflows in BTS gives us confidence for revenues to **grow at 30% over FY26-29E** with scope for margin improvement towards 13-15% led by operating leverage across both segments and improving BTS execution. **Hence, we bake in margins improving from 12.4% in FY26 to 14.5% in FY29E with EBITDA growing at 37% CAGR over FY26-29E.**

We like Centum given its now focusing on 1) core areas of competency, 2) strong product footing and stickiness with customers, 3) tapping newer growth opportunities which is driving 4) strong growth guidance of 25-30% for next few years with improving margins.

This gives us confidence for Centum to deliver 38% earnings CAGR along with strong ROCE/ROEs of >20% over FY27-29E. Accordingly, while stock has performed 45% in the last 1M, we believe the turnaround in Centum's performance coupled with earnings growth longevity beyond FY28/29E provide scope for re-rating. Hence, while stock trades at 50x/36x FY28/29E, WE INITIATE BUY with a TP of Rs6,000 (+24%, 45x FY29E earnings).

Exhibit 9: Valuation summary (FY27/28E)

Companies	Price (Rs)	Mcap (Rs bn)	EPS (Rs/share)		Earnings growth (%)		P/E (x)		EV/EBITDA (x)		RoCE (%)		RoE (%)	
			FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Centum	4,859	71	70.9	96.6	21.5	36.1	68.5	50.3	43.1	31.7	23.1	25.7	21.8	23.9
Dixon	13,084	784	181.3	306.0	26.2	68.8	72.2	42.8	33.5	20.6	25.9	36.3	26.1	36.2
Syrma SGS	1,742	310	21.8	31.1	27.0	42.4	79.8	56.1	42.0	31.7	17.5	20.7	14.1	16.6
Amber	7,000	237	89.8	195.2	45.7	117.5	78.0	35.9	22.9	15.4	8.7	13.2	9.0	15.6
Kaynes Tech	3,455	221	59.8	89.9	10.2	50.4	57.8	38.4	30.1	21.5	10.4	11.2	8.1	11.1
Avalon Tech	2,469	163	23.3	36.3	37.9	55.5	105.9	68.1	63.8	43.3	22.3	27.3	19.5	24.2
Epac Durable	182	17	3.3	7.4	849.3	127.5	55.7	24.5	15.6	11.7	6.2	8.9	3.2	6.9

Source: Company, DAM Capital Research

Exhibit 10: Centum's revenue/EBITDA/PAT to grow at 30%/37%/32% CAGR over FY26-29E

Companies	Revenues (Rs m)		Revenue growth (%)		EBITDA (Rs m)		EBITDA growth (%)		PAT (Rs m)		PAT growth (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Centum	12,511	16,336	28.6%	30.6%	1,685	2,307	39%	37%	1,048	1,426	21%	36%
Dixon	7,77,052	9,60,727	59.0%	23.6%	22,984	36,842	23.1%	60.3%	11,024	18,605	26%	69%
Syrma SGS	67,446	88,925	40.0%	31.8%	7,460	9,892	37.0%	32.6%	4,208	5,991	32%	42%
Amber	1,48,465	1,93,061	21.8%	30.0%	11,233	16,919	18.0%	50.6%	3,159	6,869	46%	117%
Kaynes Tech	50,773	71,077	40.0%	40.0%	7,850	11,304	36.7%	44.0%	4,010	6,029	10%	50%
Avalon Tech	21,954	30,304	36.9%	38.0%	2,563	3,789	47.9%	47.8%	1,557	2,421	38%	55%
Epac Durable	24,193	30,247	27.7%	25.0%	1,574	2,219	38.1%	41.0%	314	714	849%	128%

Source: Company, DAM Capital Research

Exhibit 11: Comparative Analysis for EMS/BTS peers

Revenue growth	FY25	FY26	FY27E	FY28E
EMS players				
Centum	22.6	25.4	28.6	30.6
Dixon	119.7	25.7	59.0	23.6
Syrma	20.1	27.3	40.0	31.8
Amber	48.2	22.1	21.8	30.0
Kaynes	50.8	33.2	40.0	40.0
Avalon	26.6	45.9	36.9	38.0
BTS players				
Astra Microwave**	15.6	10.6	17.0	20.0
Data patterns*	36.3	30.5	25.9	30.3
EBITDA growth (%)	FY25	FY26	FY27E	FY28E
EMS players				
Centum	19.3	28.7	39.4	36.9
Dixon	116.1	23.8	23.1	60.3
Syrma	59.9	68.4	37.0	32.6
Amber	55.2	24.7	18.0	50.6
Kaynes	61.6	39.7	36.7	44.0
Avalon	83.9	50.9	47.9	47.8
BTS players				
Astra Microwave**	40.4	24.1	17.0	20.0
Data patterns*	24.1	36.0	23.1	33.4
PAT growth (%)	FY25	FY26	FY27E	FY28E
EMS players				
Centum	25.5	89.7	21.5	36.1
Dixon	198.0	31.3	26.0	68.8
Syrma	58.3	87.4	32.0	42.4
Amber	83.3	-11.0	45.7	117.5
Kaynes	60.0	24.8	9.4	50.4
Avalon	126.8	78.0	37.8	55.5
BTS players				
Astra Microwave**	26.8	25.7	22.6	25.4
Data patterns*	12.7	28.4	30.6	33.5

Source: *Bloomberg estimates, **DAM Defence est., DAM Capital Research

Exhibit 12: Steady returns at par with peers

ROE (%)	FY25	FY26	FY27E	FY28E
EMS players				
Centum	10.4	17.4	21.8	23.9
Dixon	24.5	19.7	18.3	24.6
Syrma	9.8	13.2	12.8	15.8
Amber	11.0	5.3	5.3	10.6
Kaynes	11.0	9.7	8.1	11.1
Avalon	10.4	16.2	19.5	24.2
BTS players				
Astra Microwave**	14.5	16.2	18.6	20.8
Data patterns*	24.5	19.7	18.3	24.6
ROCE (%)	FY25	FY26	FY27E	FY28E
EMS players				
Centum	13.1	16.6	23.1	25.7
Dixon	37.8	28.0	25.9	36.3
Syrma	12.2	16.1	17.5	20.7
Amber	13.6	10.4	8.7	13.2
Kaynes	14.4	13.2	10.4	11.2
Avalon	13.3	19.4	22.3	27.3
BTS players				
Astra Microwave**	17.2	18.6	19.8	21.3
Data patterns*	16.2	18.4	NA	NA
P/E (x)	FY25	FY26	FY27E	FY28E
EMS players				
Centum		83.1	68.5	50.3
Dixon		83.1	68.5	50.3
Syrma		91.1	72.2	42.8
Amber		101.4	79.8	56.1
Kaynes		113.7	78.0	35.9
Avalon		63.2	57.8	38.4
BTS players				
Astra Microwave**		79.5	64.9	51.7
Data patterns*		64.7	71.6	54.4

Source: *Bloomberg estimates, **DAM Defence est., DAM Capital Research

Introduction to Centum and its strengths

❑ One of India's leading advanced ESDM player for critical applications

Over three decades ago, Centum Electronics was established by Mr. Apparao Mallavarapu which has now transitioned to one of India's distinguished ESDM player offering high reliability solutions tailored for mission critical applications. These solutions have made Centum a trusted long-term partner to marquee global customers spread across industries like Defence, Aerospace, Space, Healthcare, Transportation, Semiconductors, Industrial systems etc, all of which require uncompromising quality, precision and supply. Centum has consciously cultivated a strong presence in high-reliability sectors with high barriers to entry stemming from intricate product requirements, extended life cycles, and rigorous customer qualification and certification standards.

Over time, Centum has established robust, end-to-end capabilities spanning concept, design and manufacturing which has helped it position itself as a trusted, one-stop solutions provider, offering flexible engagement models tailored to the specific demands of each project.

While it caters to various end-user industries, its core offerings or segments are EMS (electronics manufacturing), comprehensive Build-to-Specification (BTS) solutions and ER&D (divested in FY26).

Under 1) EMS, it delivers high reliability/complexity PCBAs, box-builds to system integration backed by its 600+ suppliers' network while for 2) BTS it ensures working on customer requirements to maximise IP value and foster long-term tech partnerships backed by its design/development capabilities.

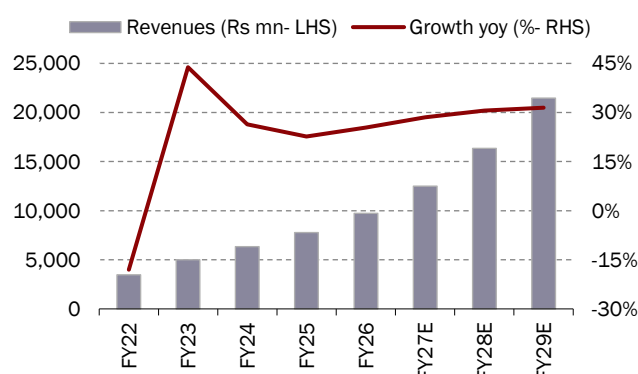
This structure enhances agility and reinforces Centum's differentiated role as a full-spectrum ESDM partner, setting it apart from traditional EMS or standalone engineering service providers. This integrated, value-driven approach helps Centum enter newer areas of growth across verticals.

It has a strong presence in Space, Aerospace and Defence and has been one of the key players in supporting mission critical national programs indigenizing critical technologies by leveraging its global expertise.

Notably, while its manufacturing operations are anchored in India, it has a large global presence with ~54% revenues led by large global OEMs across advanced sectors. These customers are spread across Europe (France, Germany, Denmark), Middle East (Israel), Asia (Malaysia, India) and North America (Canada, USA).

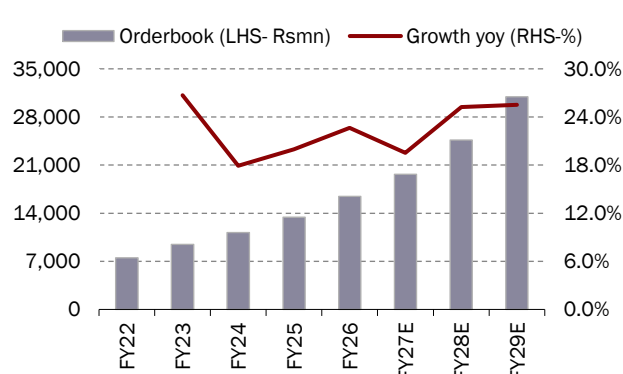
Long-term trusted partner to global customers spread across A&D, Space, Semiconductors, Industrial

Exhibit 13: Strong revenue scale up across segments...



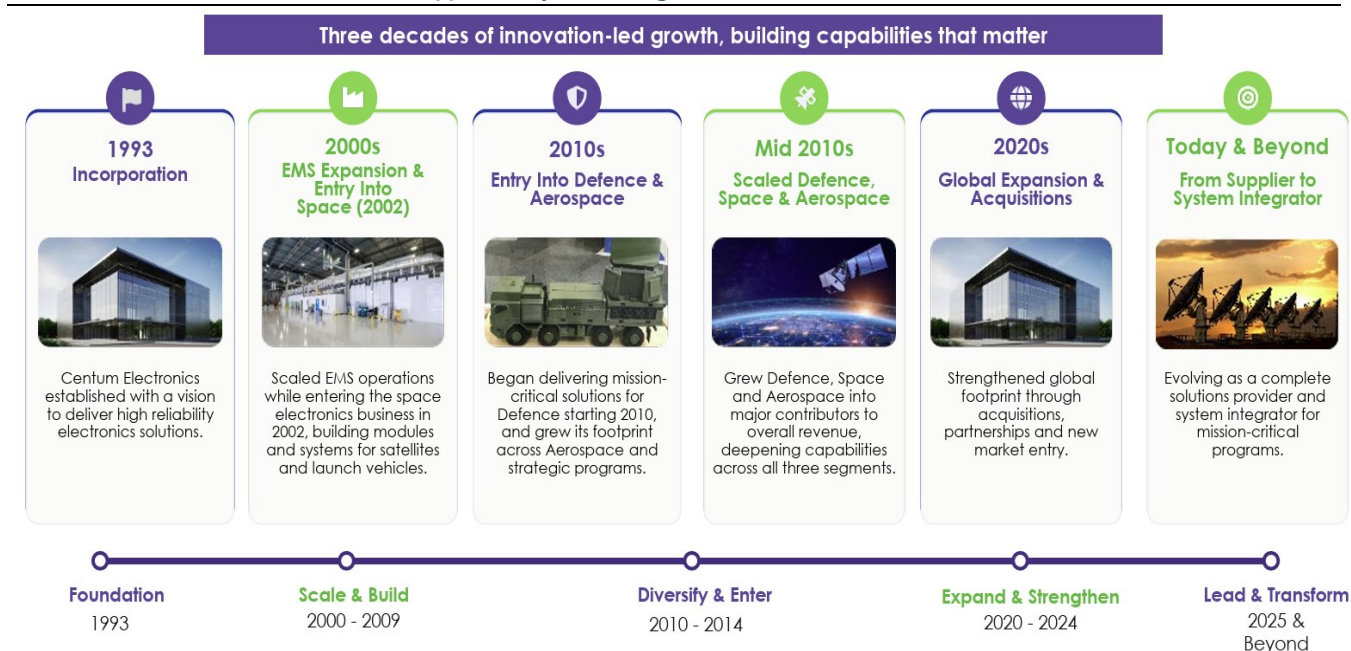
Source: Company, DAM Capital Research

Exhibit 14: ...led by growing backlog of Rs17.9bn in 1Q27



Source: Company, DAM Capital Research

Exhibit 15: Evolution of Centum from supplier to system integrator



Source: Company, DAM Capital Research

❑ Trusted partner for global and domestic OEMs across industries...

As highlighted above, its core segments remain Electronics manufacturing services and Build-to-spec under which it caters to these categories mentioned below. Notably, 70% of its revenues are led by EMS while 30% from BTS. (detailed view on EMS/BTS below). Accordingly, key industries and product offerings are as follows.

70% of revenues are led by EMS while 30% from BTS

➤ Space, Defence and Aerospace (54% of FY26 revenues)

Over the years, while Centum has diversified its portfolio, its deepest capabilities and strategic contributions continue to be for space and A&D. These segments remain the largest contributor to revenues at 54% of FY26 revenues which reflects the trust placed by national institutions like ISRO, DRDO and defence PSUs along with global majors.

While it offers its BTS solutions for these customers, it also offers high performance electronic subsystems and integrated solutions spread across satellites, radar, missile, avionics and defence electronics driving increased wallet share and stickiness with these customers.

➤ Industrial, Semicon and energy (28% of FY26 revenues)

Despite Centum being one of the leaders in space and A&D, it has consciously diversified its portfolio to other key segments. Accordingly, for industrial and energy it serves high reliability electronics (EMS) for industrial automation, electrification, semiconductor manufacturing equipment, smart energy infra and grid modernization. Some of the products would include RF digital, power, software and microelectronics.

Notably, its latest entry has been semiconductor equipment manufacturing for which it has tied up with one of the largest fabrication player to supply PCBAs and box-builds, **being the sole supplier in India**. This business has scaled up from nil in FY25 to Rs10bn+ in FY26.

➤ **Transportation and Automotive (11% of FY26 revenues)**

While 80% of its revenues are led by the two segments above, it has strong offerings in this segment with products for advanced electronics and integrated solutions for EV mobility and railway applications.

Some of its key offerings include powertrain electronics, battery management systems, high-voltage inverters, motor control solutions and intelligent passenger information systems for commuter experiences.

➤ **Healthcare (7% of FY26 revenues)**

Under this segment, Centum has partnered with leading healthcare equipment OEMs to design and manufacture high-reliability electronics for radiology, diagnostics imaging, infusion systems and surgical automation.

While this segment is modest in size, it remains a key focus area with potential to scale given precision, quality and reliability are of utmost importance.

Exhibit 16: Some of its product offerings across different end-user industries for EMS/BTS applications



Source: Company, DAM Capital Research

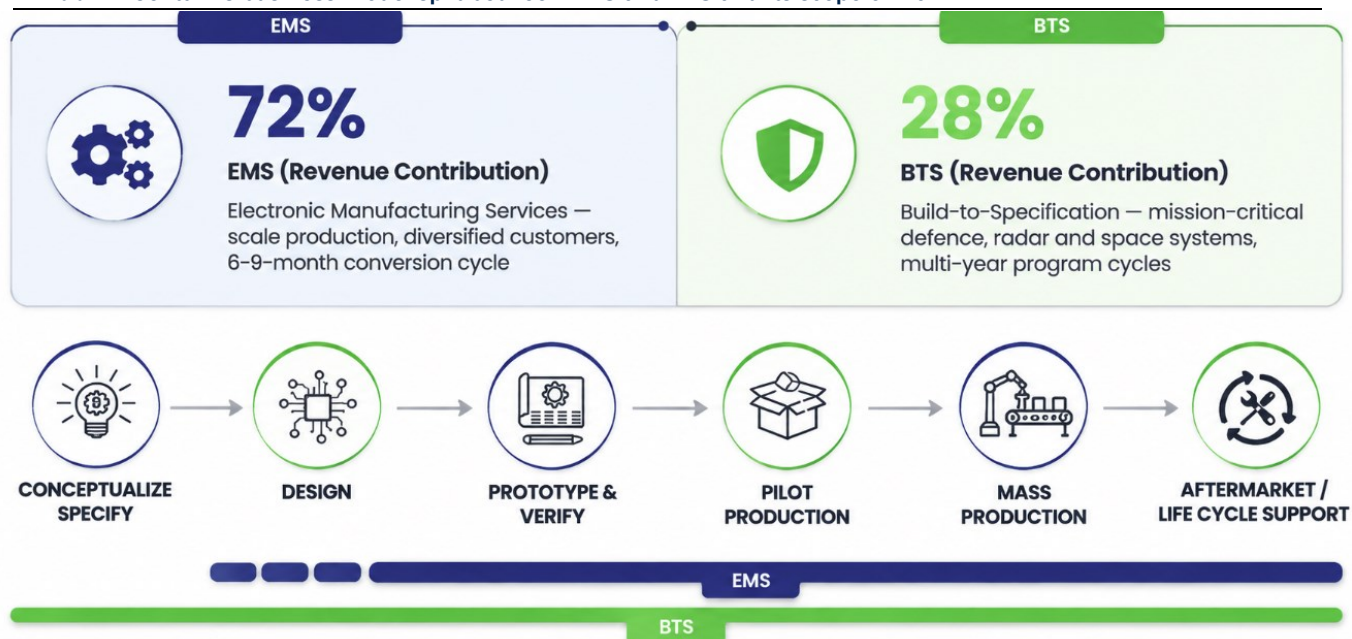
❑ **...drives improved customer stickiness**

**70% of products supplied
are as a sole supplier**

Its presence across segments for products with high criticality, especially A&D reflect its customers trust in Centum for high reliability and complexity products. This is also visible in its customer relationships wherein 30% of its revenues are led by customers with 20+ years relationships, 70% of its products being supplied as a sole supplier and 50%+ from exports.

This ensures deep, long-term partnerships, increased customer stickiness, higher wallet share for mission critical solutions and barriers to entry ultimately driving sustained revenue growth from its customers.

Exhibit 17: Centum's business model split between EMS and BTS and its scope of work



Source: Company, DAM Capital Research

Exhibit 18: Key indicators reflect strong customer stickiness and export contribution to large global OEMs



Source: Company, DAM Capital Research

EMS- Diversified growth engine over FY26-29E

For Centum, EMS is the largest revenue contributor at 70% in FY26. Under this division, it offers end-to end medium volume manufacturing solutions spanning from PCB assemblies, complex box-builds & system integration for high-reliability applications.

Notably, this business is largely export-oriented with a diversified customer base spread across Europe, North America, Middle east and Israel.

However, while export led, Centum is strategically positioned to benefit from global supply chain diversification as also higher localization trends, creating structural and long-term opportunities across sectors like semiconductor equipment, smart energy, automotive electronics, diagnostic devices etc.

**A&D, Semiconductors, Energy
are key areas of growth**

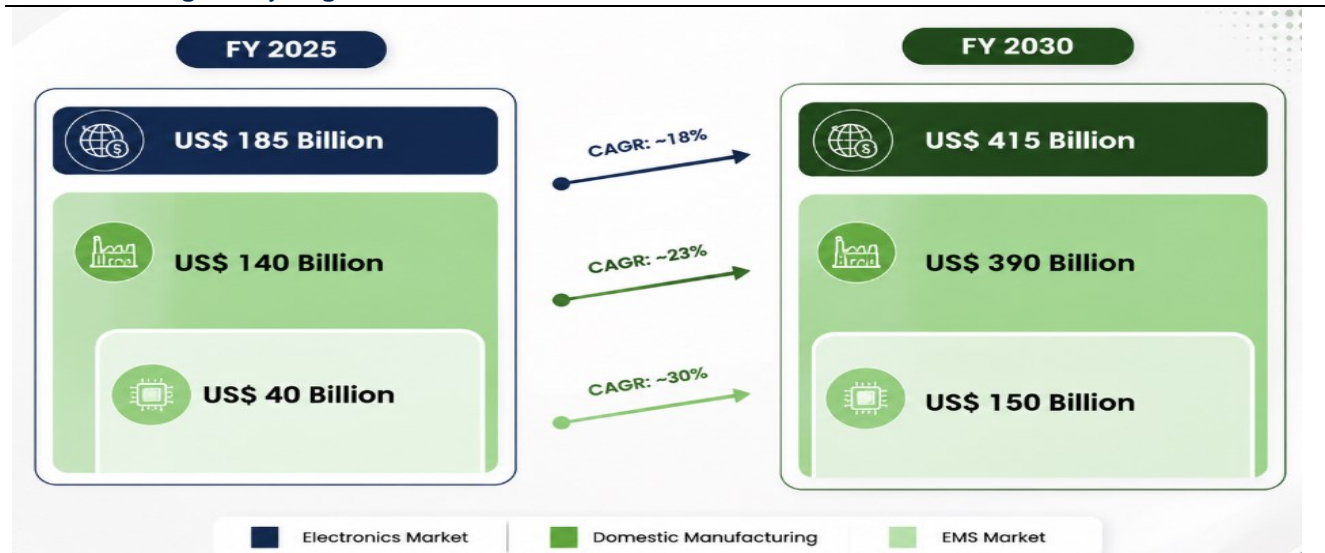
Further, while it is the strongest in A&D for EMS too, it is increasingly focusing on newer business wins with a few notable wins in defence exports, industrial electronics, grid automation along with sharp scale up in semiconductor equipment, being one of the sole suppliers in India for PCBAs/box-builds for a top 3 fabrication equipment company.

Particularly for FY26, it delivered a strong performance led by both portfolio expansion and higher wallet share with scale up across segments with semicon from nil in FY25 to Rs1bn, in-flight entertainment systems, avionics, electrification and shift towards higher value and complex programs for existing clients with 80 NPIs completed.

Centum's growth strategy for this segment is clear wherein it aims to scale global customers in areas with high technical expertise, reliability and engineering at an optimal cost backed by its manufacturing base in India.

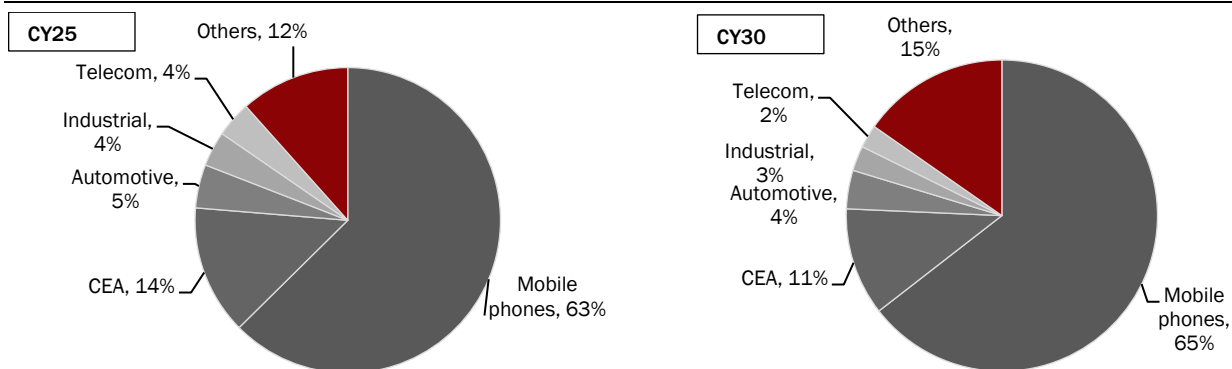
Accordingly, it aims to leverage its key differentiators and drive increased value add for its export customers like complying with unique manufacturing requirements, supply chain complexity etc. while it will avoid high volume businesses like consumer electronics etc., ensuring higher stickiness and improving margins.

Exhibit 19: Strong runway for growth for the Indian EMS market...



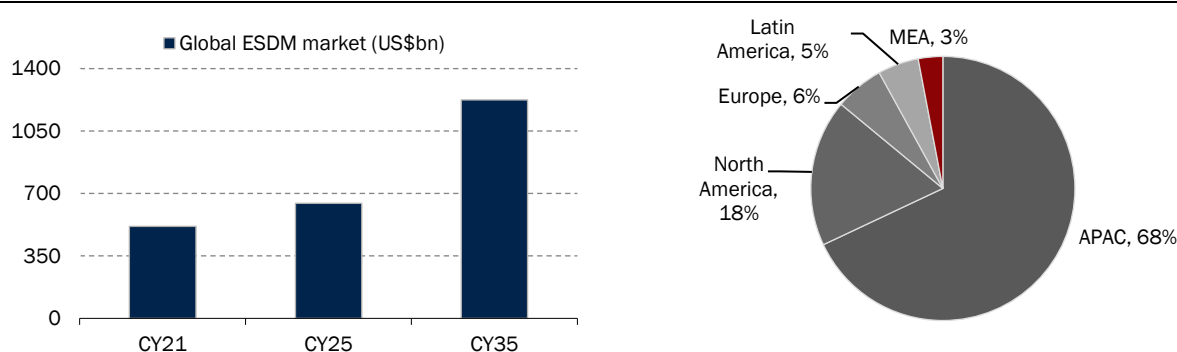
Source: Industry, KPMG reports, DAM Capital Research

Exhibit 20: ...set to grow from US\$40bn to US\$150bn...



Source: Industry, DAM Capital Research, *Others include A&D, IT, Lighting etc

Exhibit 21: ...with stable growth for the global EMS market, albeit Centum aims to capture higher market share



Source: Industry, DAM Capital Research

❑ Strong EMS orderbook of Rs7.8bn paves way for revenue growth

Few years ago, Centum's EMS business was skewed towards A&D and space with limited presence in other segments like industrial, automotive etc. This coupled with critical supply chain issues faced in FY23/24 and lack of growth in A&D had restricted its backlog growth to 10% CAGR over FY23-26 from Rs5.7bn to Rs7.8bn. (Note, its backlog involves only firm orders and not projections)

However, Centum consciously diversified its client profile towards industrial, automotive, medical and now semicon equipment as well which is visible with improving inflows led by product applications like battery management systems, smart metering (exports), semicon equipment, biometric devices etc.

It aims to grow its backlog in the coming years by scaling its global customers in areas where quality, reliability, supply chain management is as important as cost competitiveness. Incrementally, some of its marquee customer wins in newer segments paves way for increasing wallet share for existing clients as also opens up newer customers/segments with similar requirements.

Accordingly, to drive sustained growth it has worked with several customers to complete the highest number of NPIs, which showcase its ability to absorb stringent quality programs, ramp up commercial manufacturing within short timelines and supply in a timely manner with the qualification requirements. This gives improved visibility for not only Centum but also drives higher stickiness for newer customers.

Hence, we believe these efforts on adding newer applications should help keep its inflows/backlog upbeat over the next few years with an upside risk of adding newer customers/applications.

However, unlike other EMS peers which cater to higher volume segments like consumer, automotive, IT etc, Centum's offerings are skewed towards segments with critical requirements, lower volumes albeit higher mix. Accordingly, while other EMS peers are expected to grow at 35-40%+ over FY26-29E, we expect Centum's growth at ~29% over FY26-29E.

However, while growth may be relatively lower vs peers, we like Centum's EMS business as it involves global marquee customers with long term contracts and higher stickiness serving critical applications.

Some of the key growth opportunities which Centum aims to drive growth for EMS are as follows

What are the key growth opportunities for EMS over the next few years?

- **Grid automation/electrification:** While Centum had these customers for a few years, it is increasingly seeing an opportunity to leverage its engineering capabilities, manufacture with reliability and scale with global MNCs to localize and diversify their supply chains. Accordingly, it is working on several NPIs for this segment. These players are not only looking to localize their requirements but also looking to scale from India for exports.

These programs will begin contributing meaningfully with potential revenue size of US\$40-50mn/each over the next 2 years and will be a key growth avenue for this segment.

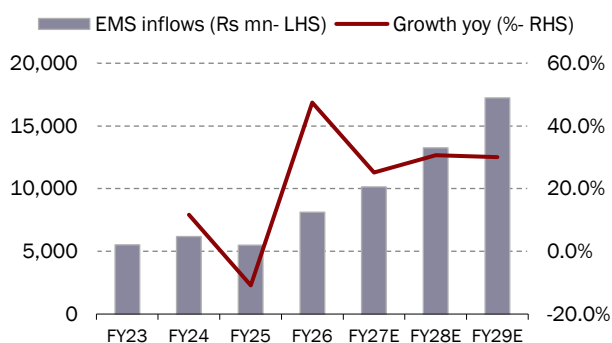
- **Semiconductor equipment:** It has been onboarded as one of the few key suppliers globally for a large semicon wafer fab equipment client for which it manufactures box-builds and PCBAs. It delivered Rs1bn in FY26 and is on track to scale up to Rs2.5-3bn+ in 1-2 years.

There is no other supplier in India competing with Centum for products currently supplied, albeit there are couple other vendors which service the same client for different applications. Centum continues to see strong visibility for this segment over 2-3 years with long product life cycle, higher wallet share with newer products ensuring recurring revenues and sustained growth.

Apart from this key customer, it is also in preliminary talks with others who are looking at India as their sourcing base, albeit yet at developmental stage.

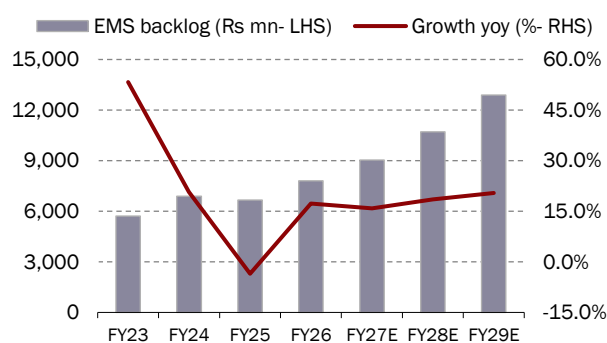
- **Aerospace and Defence:** We believe A&D is the largest portion of its EMS backlog which has not seen growth over the past couple years. However, new client additions won for export orders can bring meaningful size in the next 2-3 years
- **DLM model adoption:** Apart from the other focus areas, it is now looking at tightly integrating its engineering and EMS teams to deliver differentiated design-led manufacturing solutions to ensure higher value propositions, enhanced customer engagement and improving margin profiles. Centum remains optimistic about securing its first DLM program win, which will drive increased customer stickiness

Exhibit 22: Healthy inflows led by newer client adds...



Source: Company, DAM Capital Research

Exhibit 23: ...gives confidence for executing its backlog



Source: Company, DAM Capital Research

Exhibit 24: Key growth drivers for each of Centum's EMS segments

SEGMENTS	KEY GROWTH DRIVERS
 INDUSTRIAL AND ENERGY	- Upgradation of grid infrastructure - Automation and smart mfg., driving demand for control systems - Data centre infra driving battery solutions, electrical systems
 SEMICONDUCTOR EQUIPMENT	- Localization theme with ISM 2.0 - Strong growth for equipment manufacturing - Global capacity expansion - Increasing share of India's contribution in mfg. for global markets
 DEFENCE	- Air and missile defence systems - Electronic warfare systems - Increasing indigenization with 70% domestic sourcing - Modern warfare and unmanned systems
 MOBILITY-RAIL & AUTO	- Safety systems - ADAS, connectivity and electrification - Signalling, passenger systems, Kavach
 HEALTHCARE	- Huge import substitution opportunity - Diagnostic imaging - Advanced equipment - PLI for medical device parks

Source: Company, DAM Capital Research

Case study: How big is the semiconductor equipment opportunity?

According to SEMI, an industry body, the semiconductor equipment market is expected to move from ~US\$117bn in CY25 to US\$166bn in CY26 with sustained growth momentum through CY28 to reach a record of ~US\$230bn.

Interestingly, wafer fab equipment (WFE) contributes to chunk of the equipment market (our est indicates ~80-85%) while the remaining is test, assembly and packaging equipment.

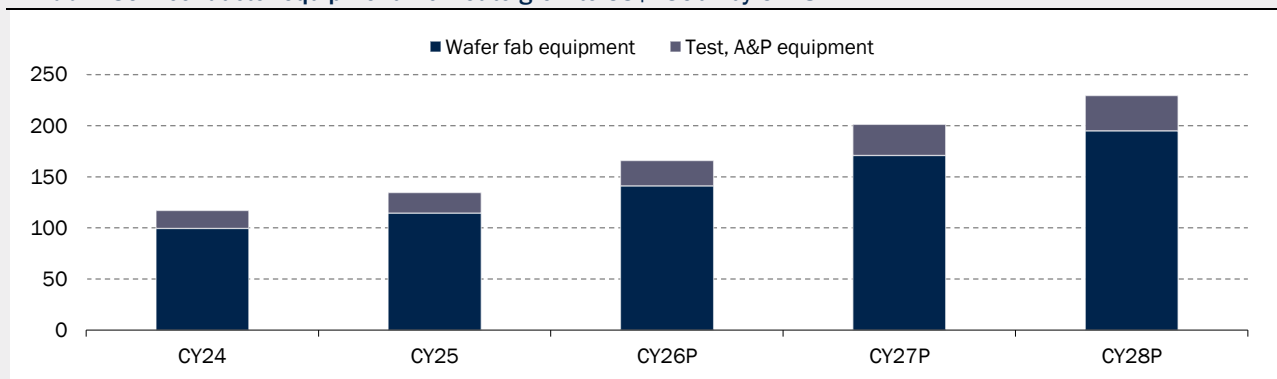
This growth is led by the prevalent acceleration of AI infra spends with leading edge logic and advanced memory requirements. Areas like AI, 5G networks, augmented reality, autonomous vehicles and other cutting-edge technologies demand the requirement of high-performance chips.

This in-turn leads to a continuous push in driving newer manufacturing technologies, thereby driving improved demand for fab equipment which is required to enable miniaturization, EUV lithography, **advanced etching systems etc.**

Owing to the miniaturization trend, while advanced lithography machines are required, the processing equipment requirements are robust given increased need for high precision, non-scale processing which includes deposition, etching and cleaning systems to maintain plant yields and ensure performance gains and power efficiency.

Accordingly, the equipment market is witnessing a high-cost pricing structure due to the innovation required for implementation with EUV lithography equipment exceeding US\$200mn/unit while the deposition, etching and cleaning tools would range from US\$2mn to US\$40mn, depending on its technical capabilities.

Exhibit 1: Semiconductor equipment market to grow to US\$230bn by CY28E



Source: SEMI, Industry sources, DAM Capital Research

How is India benefiting from the equipment manufacturing boom?

As widely known, the global semiconductor equipment market is influenced by complex import-export dynamics with US/Netherlands dominating exports for critical tools while APAC region is a major importer for fabrication/testing.

This is followed up with export restrictions from US to China for any of the equipment, makes it extremely viable for them to set up their alternate supply chains in other countries, like India which is backed by government initiatives.

Importantly, while these companies also have their facilities in SE Asian nations, they are yet looking at India as an alternate hub due to the severe talent crunch, and rising costs of production globally vs a conducive environment domestically.

This trend in turn helping specialized EMS players to benefit, as players like LAM, Applied materials and other key players are looking for local partners for exports.

What is the EMS TAM for Semicon equipment manufacturing?

While it is encouraging that the equipment market is witnessing healthy growth, it is key to breakdown the addressable market for the EMS players, especially for India

A semiconductor equipment consists of several subsystems split into

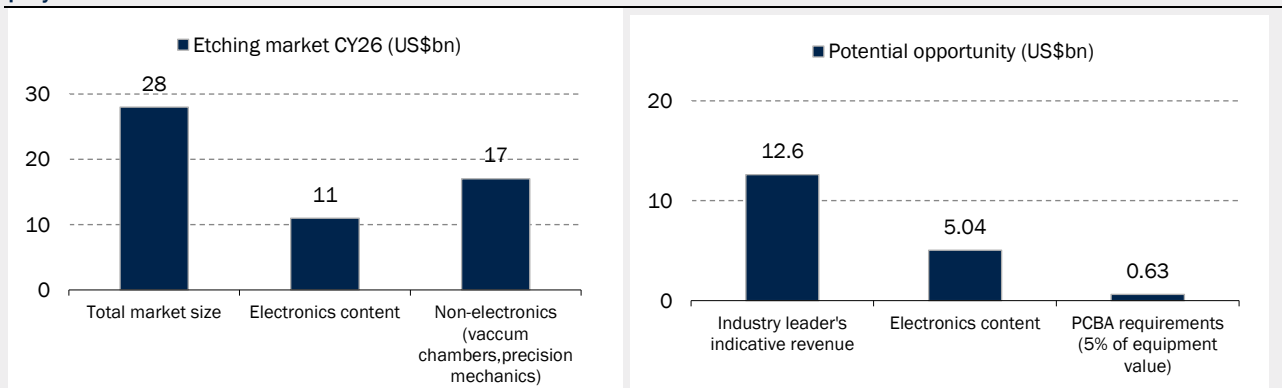
- 1) **Mechanical systems** which consist of chambers, vacuum systems and precision mechanics
- 2) **Electronic systems** which consist of PCBAs, power suppliers, motion controllers, sensors, embedded controllers, communication modules and RF/power electronics.
- 3) Software which is machine and process controls.

Interestingly, while electronics content is present across equipment, **etching and deposition, inspection and test equipment have high intensity of electronic requirements.**

If we were to take an etching tool as an **example which costs US\$2mn-US\$40mn**, the electronics content per machine **could vary around 30-40%** given it contains RF generators, control PCBs, power modules, sensor boards etc.

Hence, to understand the etching tool market, industry sources indicate the market is valued at US\$27bn which is expected at **~US\$40bn by CY31**. This helps Indian players tap an opportunity of **~US\$1-1.5bn (PCBAs + other components)** over the next few years with strong runway for growth, given media articles suggest LAM research, a market leader (40-45% mkt share) is actively looking to localize its supply chain in India.

Exhibit 2: Global etching market size with 40% electronics contribution with potential opportunity for India's PCBA players



Source: Industry estimates, media articles, DAM Capital Research

❑ **We expect 29% EMS revenue CAGR with ~11% OPM over FY26-29E**

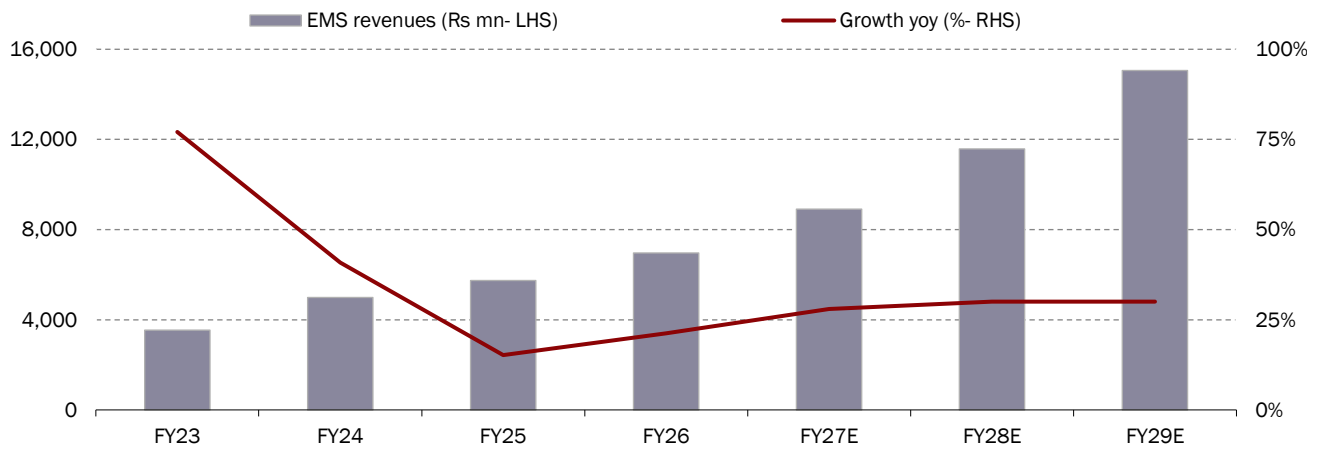
While backlog growth was restricted at 10% CAGR over FY23-26 from Rs5.7bn to Rs7.8bn, its execution has been strong at 25% CAGR over the same period on ramp up for its key segments given faster execution cycle of 6-9 months.

Over the next few years, Centum is focusing on building new legs of growth which will be backed by 1) new customer additions/increasing wallet share for existing segments like A&D, 2) Scale up for semiconductor equipment with focus on customer additions, 3) NPIs for industrial grid automation and 4) emerging sectors like medical, automotive EV, railways, data centers (early pursuit).

These 4 growth levers will drive sustained inflows and revenue execution over FY26-29E, driving 29% CAGR for EMS revenues.

While revenue growth is encouraging, margin guidance remains at 10-11% for the EMS business in the near-term, albeit we believe operating leverage benefits could be seen with improved scale over FY26-29E, albeit we keep our margins estimates higher at 11.5% over FY27-29E.

Exhibit 25: Revenues to grow at 29% over FY26-29 with stable OPM of 11.5% over FY27-29E



Source: Company, DAM Capital Research

Build-to-Specification (BTS) - Value engine

□ Strong capabilities led segment

What is BTS? Build to Specification or BTS is a differentiated model vs EMS wherein it includes taking a project from conceptualization to mass production efficiently, placing Centum as a key partner wherein the client trusts the team to transform product concepts, specifications into ready electronic systems right from prototyping to qualification, manufacturing and lifecycle support.

Centum has been in the BTS segment since inception which began with focus on microelectronics, telecom components followed by developing a dominant position in space and then lastly expanded in defence over the last decade.

Currently, it enjoys an extremely strong position in space with supply of satellite subsystems, electronic warfare payloads, small SAT and payload integration systems wherein in defence it caters to products like missile control and guidance, radar subsystems and EW systems for naval/defence applications and tank electronics

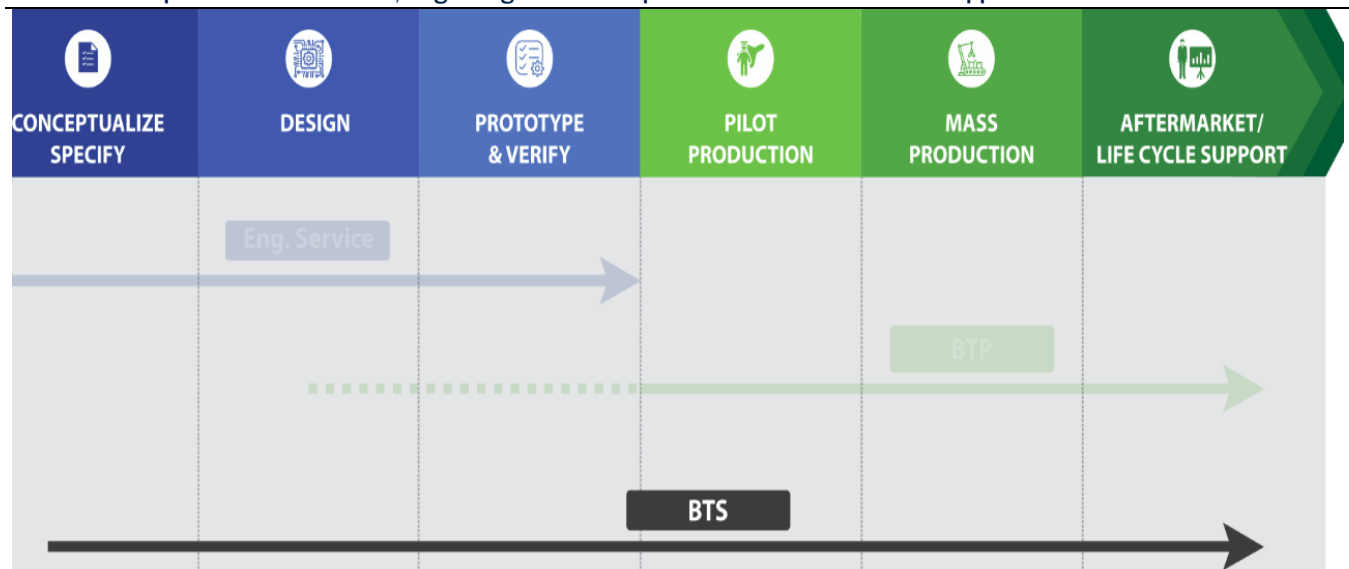
Modest inflows/backlog growth until FY25: We note, while its presence in space is robust with healthy wallet share with ISRO, its defence segment only gained steam in the last couple years after a long gestation period, post Centum developing several defence capabilities.

Aim to transition from sub-assemblies to complete systems

Accordingly, lower presence and gestation period for building out capabilities for defence coupled with lack of orders in space due to regulatory changes led to no meaningful inflows till FY24, which then saw changes as it got new orders for military satellite payloads of Rs2bn.

Presently, while it continues to receive sustained inflow for modules, communication units, payloads, subsystem products to marquee customers like ISRO, HAL, BEL etc, it aims to transition from not only supplying the sub-systems but supply end-to-end systems beginning from system design to development, validation and support which would drive increased customer stickiness and improved right to win for larger size orders, especially in A&D.

Exhibit 26: Scope of work under BTS, beginning from conceptualization to aftermarket support



Source: Company, DAM Capital Research

Exhibit 27: Few of its key product offerings under BTS



Source: Company, DAM Capital Research

□ Space- one of the leading players for electronic system supplies

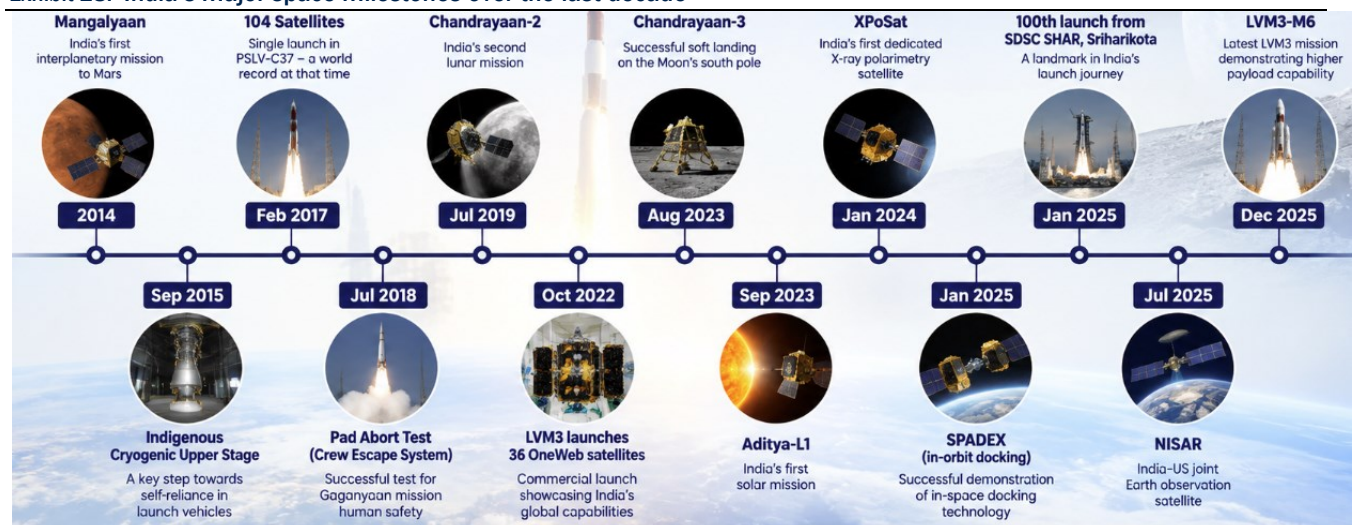
➤ Brief overview on the space industry

Over the past decade, India has steadily expanded the scope of its space programme. It began with a focus on space exploration, which has now evolved into a broader effort to advance scientific research, develop cutting-edge technologies, and strengthen national capabilities. Today, India is pursuing ambitious goals across deep-space exploration, space science, human spaceflight, and orbital infrastructure. These achievements reflect growing confidence, technological maturity, and a long-term vision for India's role in the global space ecosystem.

Accordingly, while space market is relatively smaller at US\$8-10bn, the industry is expected to grow to US\$40bn+ in the next 5-7 years with increasing global share with increasing government budgetary allocation at ~Rs134bn for FY27E

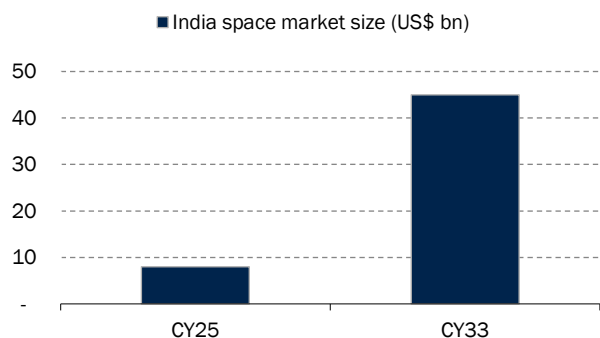
The market is already evolving with first defining our capabilities through landmark missions to now driving efforts on building national capacity with increasing indigenization to strengthen governance, backed by global partnerships not only to build for India but also eventually participate globally.

Exhibit 28: India's major space milestones over the last decade



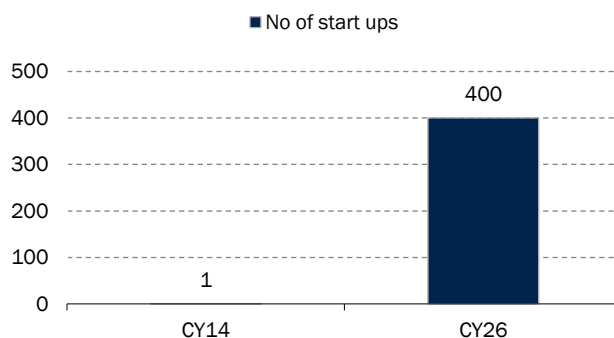
Source: Department of Space, DAM Capital Research

Exhibit 29: India aims for 8% global share by CY30



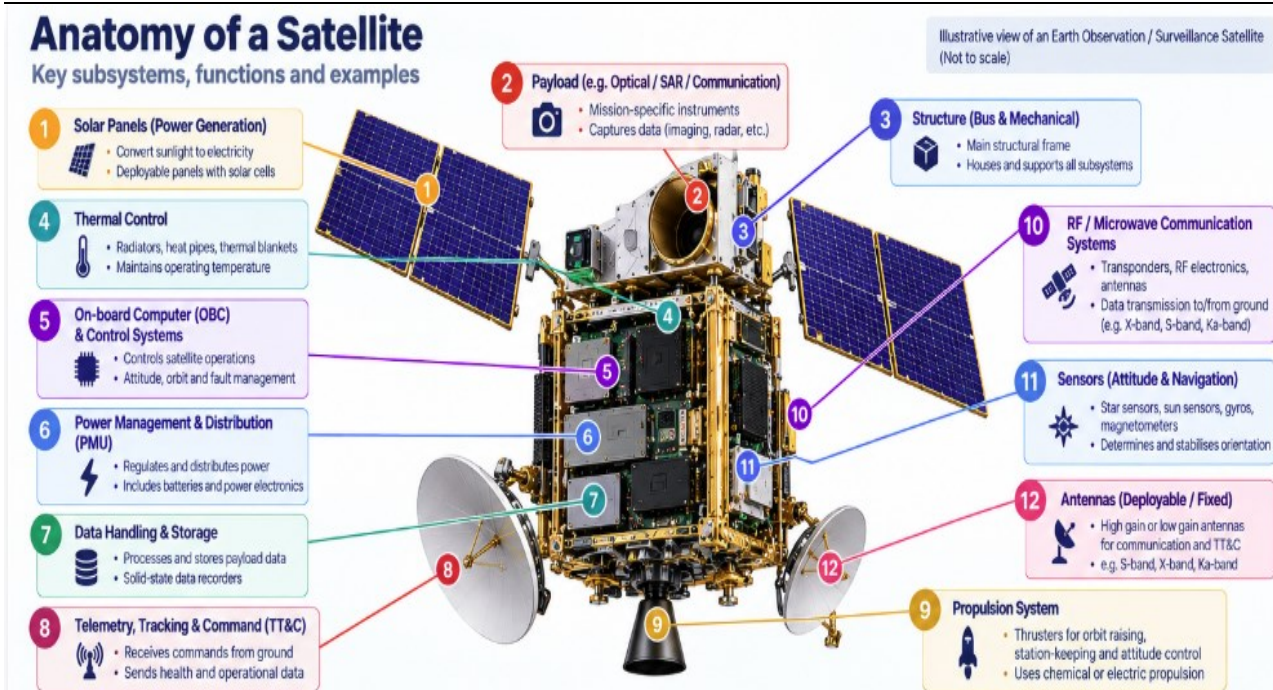
Source: Department of Space, Company, DAM Capital Research

Exhibit 30: Strong scale up in start ups in India



Source: Department of Space, DAM Capital Research

Exhibit 31: Key components of a satellite



Source: Industry, DAM Capital Research

Exhibit 32: Various players in the space ecosystem and their areas of expertise

Subsystem / Area	Key Indian Players (Listed)	Other Notable Indian Players	Notes (public Information)
Satellite bus electronics (OBC, PMU, data handling, control)	Centum Electronics	Ananth Technologies, Alpha Design	Centum supplies satellite bus electronics (controls, telemetry, data handling, power, etc.)
RF / Microwave / Communications	Astra Microwave, Avantel, BEL, Data Patterns	Alpha Design, Ananth Technologies	Astra supplies RF/microwave subsystems for satellites; Avantel in satcom; Data Patterns in satellite systems and ground stations
Payload (optical / SAR / EO)	Paras Defence	Dhruva Space, Pixxel, GalaxEye	Paras supplies space optics, mirrors, EO payload elements
Propulsion (thrusters, valves, actuators)	MTAR Technologies	Agnikul Cosmos, Bellatrix Aerospace	MTAR supplies liquid/cryogenic propulsion components for ISRO programmes
Structures / mechanical	HAL, Larsen & Toubro (L&T)	Alpha Design, Ananth Technologies	HAL and L&T involved in satellite/launch hardware and structures
Speciality materials / alloys	MIDHANI	—	Supplies speciality materials/alloys for space hardware
Satellite systems / integration	Data Patterns	Ananth Technologies, Alpha Design, Dhruva Space	Data Patterns in satellite systems, ground stations, ATE
Ground segment / mission support	Data Patterns, Avantel, BEL	Nelco, Hughes India, Ananth Technologies	Ground stations, mission support, network management

Source: Industry sources, media articles, DAM Capital Research

➤ Space based surveillance program; Key growth driver for Centum

SBS is a defence-space program with an outlay of ~Rs270bn for persistent military surveillance covering the land borders and maritime areas of interest. The constellations will combine satellites in LEO and GEO with capabilities including high resolution imaging, radar/SAR-based night/all-weather surveillance and inter-satellite data transfer, supporting multiple strategic use cases as troop movements, missile activity/launches, military decision making etc.

SBS aims for 52 satellite launches of which 21 will be built by ISRO while the remaining 31 will be built by the private sector, implying a 40% share with ISRO.

**SBS electronics TAM of
Rs90-100bn**

While the program costs allocated is Rs270bn, the electronics opportunity in our estimate would be at 30-35%, given the remaining would go towards other key infrastructure like launch vehicles, ground infra etc, **implying an electronics TAM of broadly ~Rs90-100bn.**

Accordingly, with a TAM of ~Rs90-100bn, Centum believes its **addressable opportunity for this program is around Rs10bn**, from which it expects meaningful inflows in the coming quarters. Hence, this is one of the key growth drivers for Centum to deliver ~25%+ revenue CAGR over the FY26-29E.

Centum would be competing with players like Astra microwave, Data patterns, Avante!, Paras Defence, albeit all players have their key areas of expertise. For eg, Centum is known for its control electronics, data handling, power management, payloads etc while Astra is known for its RF microwaves, comm. electronics.

Exhibit 33: Brief details on the Space based surveillance program

Programme	SBS phase
Total programme cost	~Rs270bn
Satellites	52
ISRO-built	21
Private sector built	31
Orbits	LEO + GEO
Primary role	Persistent military ISR / surveillance
Coverage	Land borders + Indian Ocean / maritime domain

Source: Industry, DAM Capital Research

➤ What is Centum's scope of work and key growth drivers?

Centum has established a credible space history with products that have been supplied for satellites for 25+ years. Its product portfolio has evolved over the years to address electronics systems requirements in launch vehicles, satellite payloads, bus systems as well as ground equipment.

We understand from Centum that every satellite launch would have at least ~500 assemblies supplied by Centum which would be across product applications like modules for controls, sensors, remote control, telemetry, power management etc for either launch vehicles, propulsion modes or lander vehicles. Notably, it has also been part of all major ISRO missions like Chandrayaan-3, Mangalayan, Aditya mission etc.

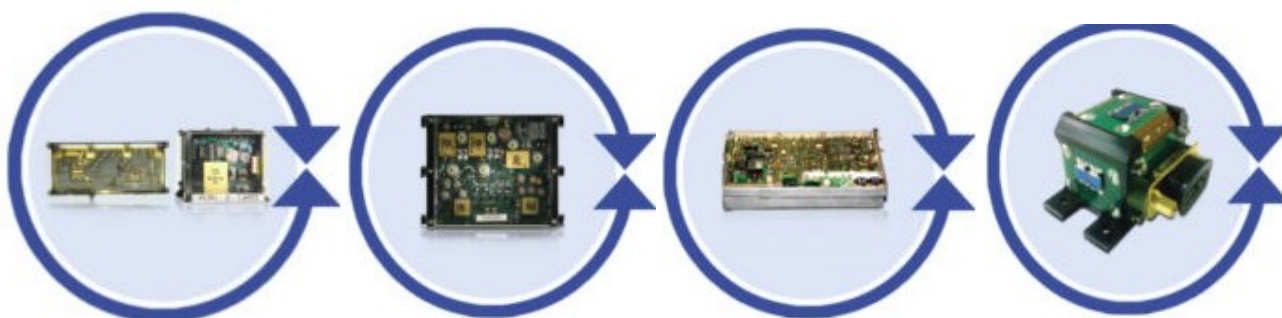
While the last few years saw slower order inflows because of few organizational reforms between ISRO/DRDO, Centum now expects a healthy opportunity pipeline over the next few years backed by both ISRO/DRDO as it has already developed and qualified key building blocks required for the ongoing satellite programs.

Apart from the govt organizations, Centum stated it is already in discussions with private space companies for developing certain products as also is in process of developing its own capabilities to offer full stack satellite solutions. Infact, it is also setting up new

facility (total capex of Rs5bn incl defence) which will include Assembly, testing and integration for complete satellites, indicating a shift from component/subsystem supplies towards higher integration for satellites.

We believe that **two key growth drivers** for Centum's space division will be **space-based surveillance program and another major program for intelligence-based electronic warfare-based payloads with continuous repeat requirements in the coming years.** These applications will be skewed towards defence and military requirements with some contribution towards scientific missions and communication.

Exhibit 34: Centum's various electronic subsystems which are part of a satellite payload



Source: Company, DAM Capital Research

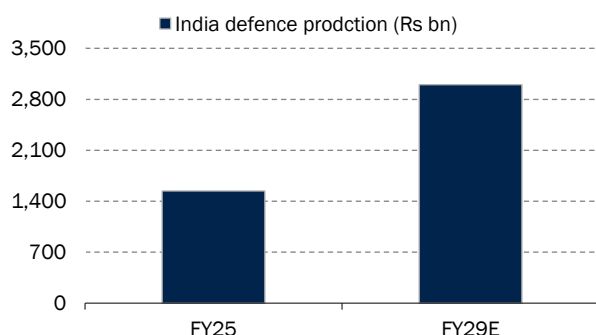
□ Defence electronics market in India (radar, EW subsystems, electronics)

Ongoing global conflicts and rising geopolitical tensions across regions are reshaping opportunities in the defence sector, particularly for countries like India. The prolonged war between Russia and Ukraine, along with the expanding instability in the Middle East involving United States, Israel, and Iran, has increased global demand for advanced defence equipment, surveillance systems, and secure communication technologies

Traditional suppliers like Russia are capacity-constrained, diverting production almost entirely to their own frontline needs, while western suppliers face multi-year backlogs and political conditionalities that many buyers find uncomfortable. This supply vacuum presents India with arguably its most significant defence export window in history, arriving precisely as the Atmanirbhar Bharat initiative has begun to yield a credible, exportable product portfolio.

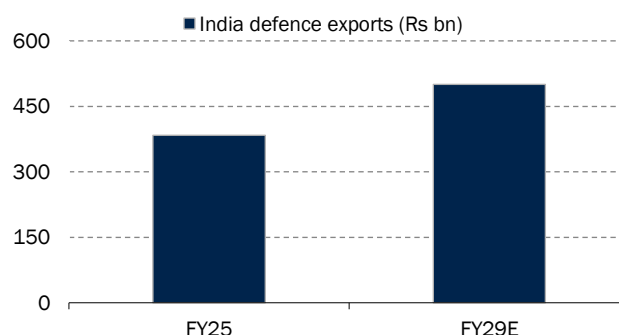
Interestingly, indigenous electronic warfare development, strengthening partnerships with US, Israel and France with technologies like threat detection, radar jamming etc will help the Indian EW market grow to Rs95bn by CY33, while the Indian radar market is projected to see sharp growth of 20% CAGR to Rs122bn by CY33 on back of localization. (Source: Astra Microwave earnings release)

Exhibit 35: Defence production to grow at 18% CAGR...



Source: Industry, DAM Capital Research

Exhibit 36: ...with steady growth in exports post uptick



Source: Industry, DAM Capital Research

➤ Centum's role in defence electronics via its BTS segment

As highlighted above, Centum saw increasing inflows from defence Q4FY24 onwards and has now built a strong backlog of Rs8.6bn with majority led by defence applications (our est). This is led by its proven capabilities in radar subsystems, electronic modules, communication units and EW payloads.

Increasing defence traction led by key order wins

While BEL dominates the defence electronics market along with other niche players in Astra Microwave, Data Patterns, Axiscades etc, Centum has recently won marquee orders for defence applications which include **AESA radar systems** for HAL's utility helicopter platform, **GRSE naval navigation** systems for frontline warships, **developmental order for Virupaksha**, **export orders for electronic systems** (recent win of Rs305mn) and **partnership with BEL** to jointly develop and manufacture EW, radar and military communication systems all of which will eventually help Centum move from a sub-systems supplier to a full system solution provider. **Below is a detailed view of a few of its key opportunities.**

Exhibit 37: Some of its key marquee order wins

Order from Hindustan Aeronautics Limited (HAL)	MoU with Bharat Electronics Limited (BEL)	Order from Garden Reach Shipbuilders & Engineers Limited (GRSE)	Customer Indications for Constellation of 3 Satellites
 Designing and developing a INR 660 Mn Phase 1 order for the indigenous AESA Radar System for HAL's Utility Helicopter-Maritime platform, with a potential INR 5,000 Mn Phase 2 production opportunity.	 Partnering with BEL to jointly develop and manufacture Electronic Warfare, Radar and Secure Military Communication systems for the Indian Armed Forces under a strategic collaboration.	 Supplying INR 294 Mn worth of Advanced Naval Navigation Systems for frontline warships, expanding our presence in the maritime defence electronics segment.	 Delivering a ~INR 3,500 Mn three-satellite constellation order as part of the Space Based Surveillance Program, with potential follow-on constellation opportunities.
 Strong Order Wins & Strategic Partnerships Validate Our Evolution from Sub-systems Supplier to Full System Solution Provider			

Source: Company, DAM Capital Research

➤ AESA radar for Utility Helicopter Maritime (UH-M) platform

Centum has won an order from HAL for supplying Active Electronically Scanned Array (AESA) radars to the Navy for maritime surveillance, detection, classification, target tracking etc with **total order value of ~Rs5.6bn**

The HAL UH-M AESA Radar programme is a strategic naval aviation programme to equip India's maritime utility helicopters with indigenous multi-target surveillance capability. Unlike a conventional electronics supply contract, the programme involves designing and developing a complete mission-critical radar system, creating a pathway for private defence electronics companies to move from component manufacturing to complete defence systems

Centum has won the program in two phases with **Ph-1** focusing on design and development with an order value of Rs660mn (excl. GST) executable over 2 years while **Ph-2** is serial production with an indicative value of Rs5bn spread over 5 years, implying completion by FY30-31.

Interestingly, **Centum was declared L1 within 3** shortlisted vendors and 10 applicants for the delivery of a full turnkey radar system (complete system vs sub-system) for which it will work closely with HAL (prime integrator) for installation etc.

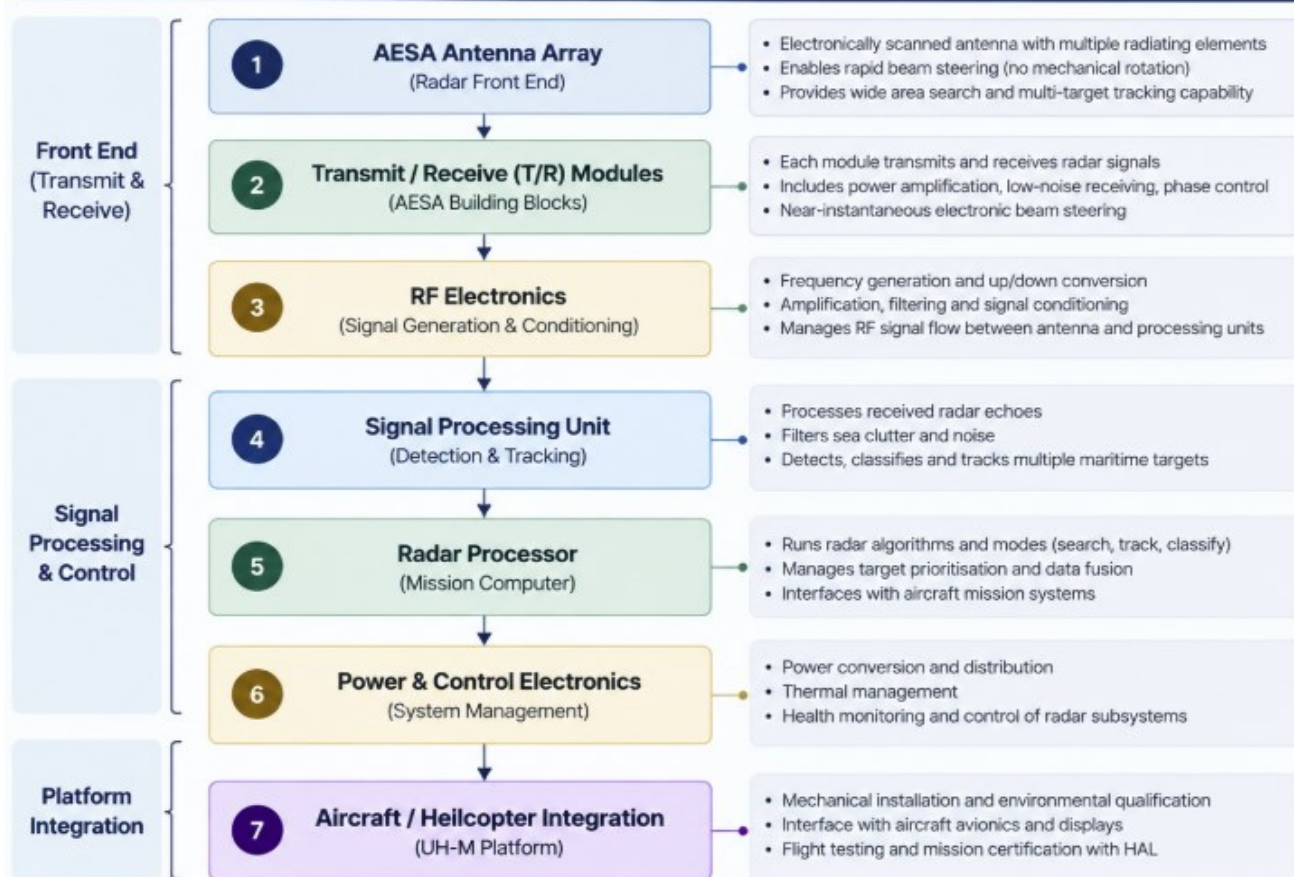
While the first phase of critical design services is ongoing, it will be followed by prototype demonstrations next year post which serial production will begin.

Key milestones to monitor for its Ph-2 manufacturing will include **1)** Prototype completion, **2)** Ground qualification, **3)** Helicopter integration, **4)** Flight trials which will be followed by a production order.

However, HAL has not publicly disclosed the UH-M helicopter induction schedule or radar qualification milestones, making the exact production start date uncertain.

For Centum, the important point is that this is a long-duration programme with development revenue initially, followed by potentially five years of production and strategically represents **Centum's transition into complete defence electronics system ownership rather than only EMS/subsystem manufacturing.**

Exhibit 38: Indicative break-up of a radar- Centum is catering to all parts of the radar vs subsystems



Source: Industry, DAM Capital Research

➤ Virupaksha radars for Su-30MKI

Virupaksha is a program to give India's Su-30MKIs fleet (India operates 260) a new set of eyes, built for air battles shaped by stealth fighters, long range missiles and electronic warfare.

This program is an indigenous active electronically scanned array (AESA) GaN radar developed by DRDO's Electronics and Radar development establishment (LRDE)

For India's largest fighter fleet, the Su-30MKI has size, range and an increasingly formidable weapons load, but its existing radar belongs to an earlier generation. Virupaksha is intended to give it much sharper eyes, including a better chance of finding aircraft designed not to be easily found

DRDO is using a production partner model intended to take Virupaksha from development through integration, manufacture and long-term support. Astra Microwave, BEL, HAL and Centum are among the companies being brought into the radar's development and production ecosystem.

HAL has the pivotal aircraft-level role. As the Su-30MKI manufacturer and upgrade integrator in India, it will handle integration of the new radar with the fighter.

This is important for another reason. DRDO retains the radar's design and intellectual-property rights, meaning India is seeking control not merely over production but also over future upgrades and support.

India initially plans to modernise 84 Su-30MKIs under the wider "Super Sukhoi" programme, estimated at around Rs630bn, albeit execution timelines and deliveries are yet unknown.

From Centum's perspective, it is yet executing a development order it addresses 2 of the 4 critical subsystems in the radar with the antenna array and the exciter-receiver. It has got a Rs100mn development order which should be completed by 1QFY28, post which it will start seeing large commercial orders FY28/29E onwards.

Exhibit 39: Illustrations of the Virupaksha radar



Source: Industry, DAM Capital Research

➤ GRSE naval navigation systems

Centum and GRSE aim to jointly develop and supply a sophisticated and advanced version of a mission-critical naval navigation system to Navy which Centum believes will enable aircrafts to land/take off from the ships. It is an advanced traffic controller.

According to Centum's public interactions, this system is presently deployed only on one aircraft carrier and will be now installed across many others which are either in service or construction.

GRSE and Centum aim to deliver navigation systems that support enhanced situational awareness, precise maneuvering in maritime areas and integration with naval networks for defence management.

It has won an order of Rs294mn for initial production executable by Feb-28 and mgmt. believes once it starts executing for GRSE, it can also win orders from other ship makers like GSL and HSL etc on in the coming quarters and years. It believes the total opportunity is about ~Rs5bn for the next 3-5 years. Centum has been swift in terms of capturing the market for this product with a tech transfer from a European partner.

➤ T-90 tank electronics opportunity

T-90 Bhishma tanks (AVNL prime integrator) which were initially acquired from Russia are now due for upgradation with not only just mechanical refurbishment but a transition towards a digital enabled platform with improved targeting systems, advanced sighting, communication systems, sensors, battlefield management systems (laser warning receivers, electronics jammers, counter-unmanned aircraft system), showcasing a large electronics modernization opportunity rather than refurbishment along with an engine upgrade from 1000HP to 1350HP

We understand that India operates ~1300 T-90 tanks with its upgradation being a continuous process as the Army initially gave an order in Feb-22 for thermal sight retrofit orders given for 957 tanks to BEL for Rs10bn, while the larger upgradation scheme for 200 tanks was cleared in late-CY25 with an indicative outlay via media sources of Rs560bn which could be executed over 5-7 years.

Centum has mentioned it has indigenized several components for tank electronics, which were previously Russian designs or Russian imports. It has been successful in doing several different subsystems with continued work on other subsystems too which are in advanced stages of development. Hence, there are four various parts of the tank with few examples like the sighting systems to the fire suppression systems being indigenized.

Apart from these systems, even the firepower upgrade for these tanks involve indigenous production of a laser-guided, gun-launched anti-tank missile called INVAR. The latest MoD contract with BDL under the Buy (Indian) category represents India's effort to reduce dependence on imported ammunition and strengthen domestic missile manufacturing capability, which could potentially open further opportunities in electronic subsystems for tanks.

➤ **DAC approvals of 1.1trn positive, pave way for potential growth beyond FY30**

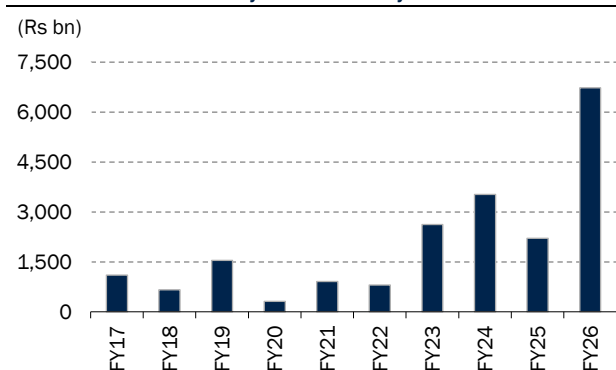
As highlighted in DAM's defence report, the DAC approvals are positive for the domestic defence sector with companies like BEL, HAL, BEML etc being beneficiaries while key supplier companies for electronics and other components like Astra Microwave, Centum, Data Patterns will benefit too.

BEL seems to emerge as a key beneficiary given its exposure to CBRN (Chemical, Biological, Radiological, Nuclear) Recce Vehicles and Arudhra Radars, along with potential opportunities in GBMPJ (ground-based jammers) and DEFSAC (access control systems etc). HAL is a direct beneficiary of ALH (advanced light) procurement and could see additional opportunities from aircraft, transport fleet and helicopter upgrades. Godrej Precision Engineering is a direct beneficiary of the MML program, while Bharat Forge could emerge as a key beneficiary of the Marine Gas Turbine program. L&T could benefit from the Sarvatra Bridge System, while players like Astra, Data patterns and in our view even Centum can be key beneficiaries for these orders

Importantly, these are merely procurement proposals which require cabinet committee approvals followed by tendering processes for the system integrators followed by component suppliers, all of which could take 2-3 years.

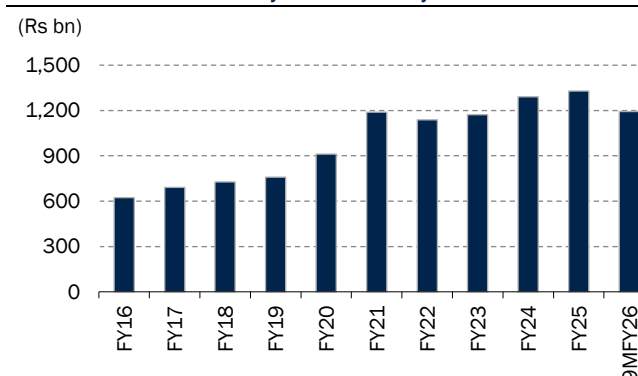
However, this is positive as players like Centum can be a key beneficiary for supply of critical subsystems modules to potentially supplying end-to-end systems to the lead system integrators for radar/ tank electronics, aircraft/helicopter upgrades.

Exhibit 40: AoN issues by DAC over the years



Source: Defence Standing Committee Note, DAM Capital Research

Exhibit 41: Procurement by MoD over the years



Source: Defence Standing Committee Note, DAM Capital Research

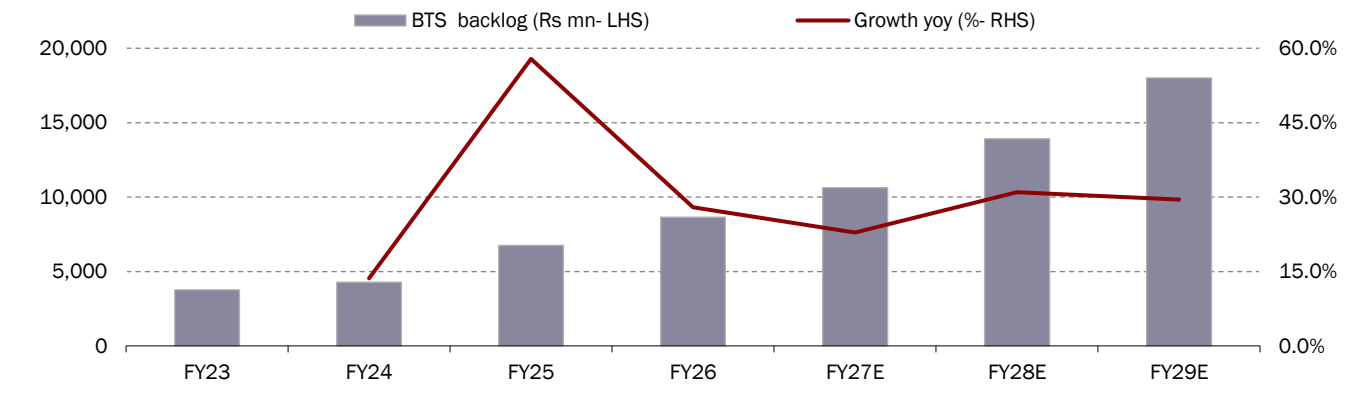
❑ We expect 32% CAGR for BTS over FY26-29E led by strong backlog

Strong opportunities in 4-5 key programs i.e SBS, tank electronics, GRSE systems, UHM radars, Virupaksha and other radar electronics, avionics etc along with our understanding on Centum targeting at least Rs10-15bn of RFP's p.a (largely defence) give us confidence for Centum to garner **cumulative inflows of Rs24bn over FY26-29E**.

Cumulative inflows of Rs24bn over FY26-29E

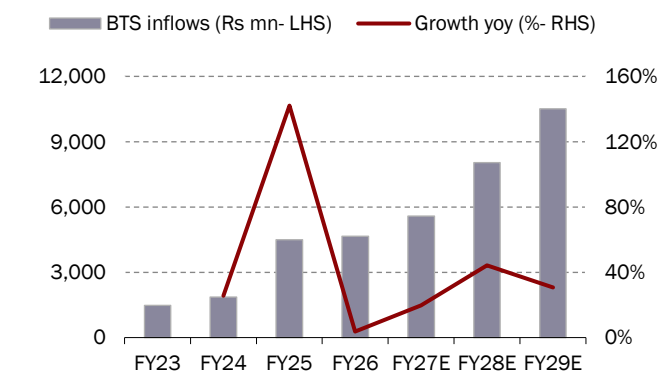
Sustained inflows will help keep revenue momentum upbeat with revenues growing from **Rs2.7bn in FY26 to Rs6.4bn by FY29E** with a healthy backlog of ~Rs18bn by FY29E for BTS segment. These inflows will be further backed by OPM of ~20+%, albeit higher working capital requirements of 225-350 days

Exhibit 42: Strong order backlog over FY26-29E on robust inflows



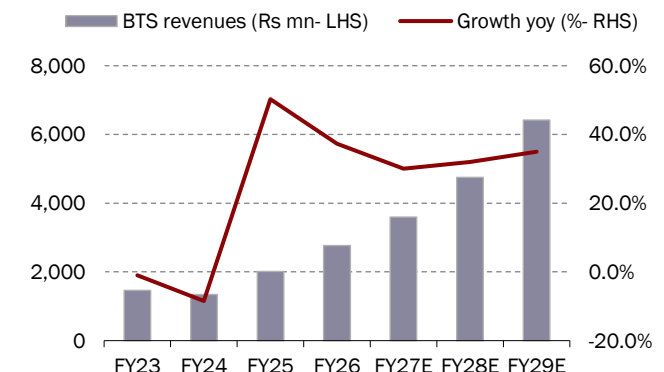
Source: Company, DAM Capital Research

Exhibit 43: Cumulative inflows of ~Rs25bn over FY26-29E...



Source: Company, DAM Capital Research

Exhibit 44: ...driving 32% revenue CAGR over FY26-29E



Source: Company, DAM Capital Research

Brief on ER&D segment- Divested in FY26 on sustained underperformance

Centum's overseas subsidiaries were acquired as a stress asset in 2016 with 54.15% stake for EUR5.9mn which then saw an additional infusion of EUR4.8mn, totaling investment of EUR10.7mn (~Rs1bn) for 90.1% stake to enter the ER&D business while it already had presence in BTS/EMS.

It entered this vertical as it helps engage with customers from concept and specification through to design, creating the intellectual foundation for its existing business with offerings like designing RF, FPGA, embedded systems, software etc.

However, these subsidiaries had been under sustained pressure since acquired due to higher proportion of fixed price contracts, stagnant inflows, higher employee costs (400 engineers) with unfavorable social labour laws, leading to few hundred ER&D engineers benched in France.

Apart from France, it also faced challenges in the Canadian entity due to sustained delays for its fixed price projects driving huge cost overruns, foregone revenue opportunities and losses.

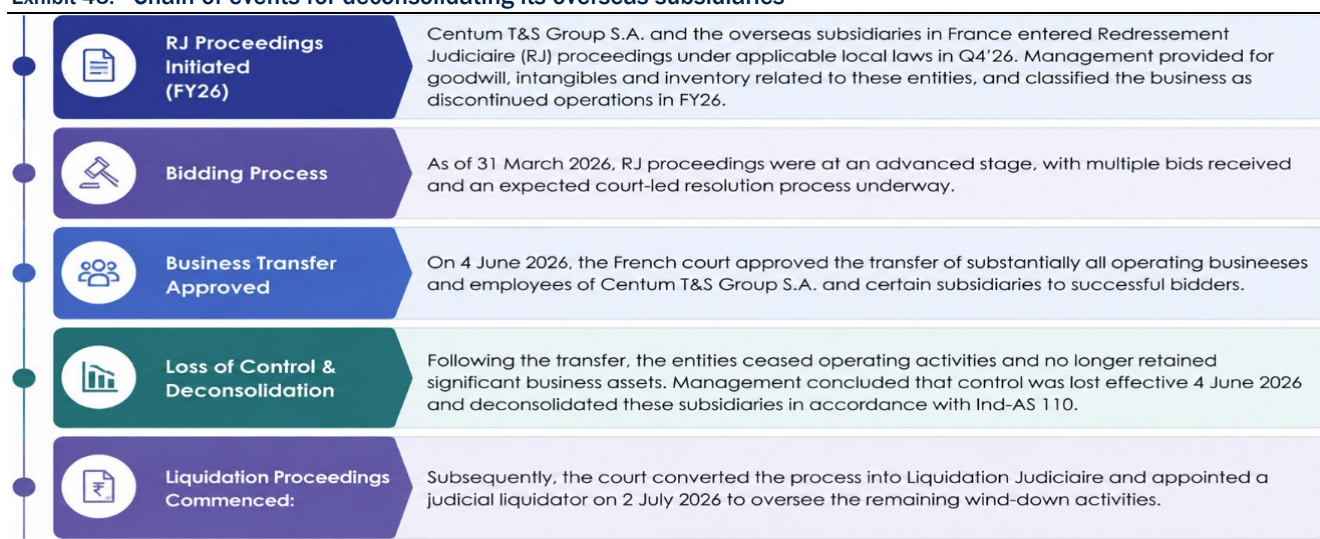
Hence, what began as a temporary disruption extended into a prolonged series of headwinds which saw no improvement despite plans on reviving sales in both the entities, driving lower offshore employee exposure etc.

However, these multiple efforts were shifting mgmt. focus away from core ESDM business operations in India which coupled with the overseas losses shadowed the strong standalone performance and underlying opportunities. Accordingly, mgmt. took the decision to exit both the subsidiaries **with a total write-off of Rs2.03bn and Rs3.5bn revenues deconsolidated in FY26.**

Accordingly, under standalone entity it booked exceptional items of Rs2.03bn with Rs1.53bn investment impairment, Rs394mn doubtful receivables from Canada and Rs101mn inventory write off for its projects.

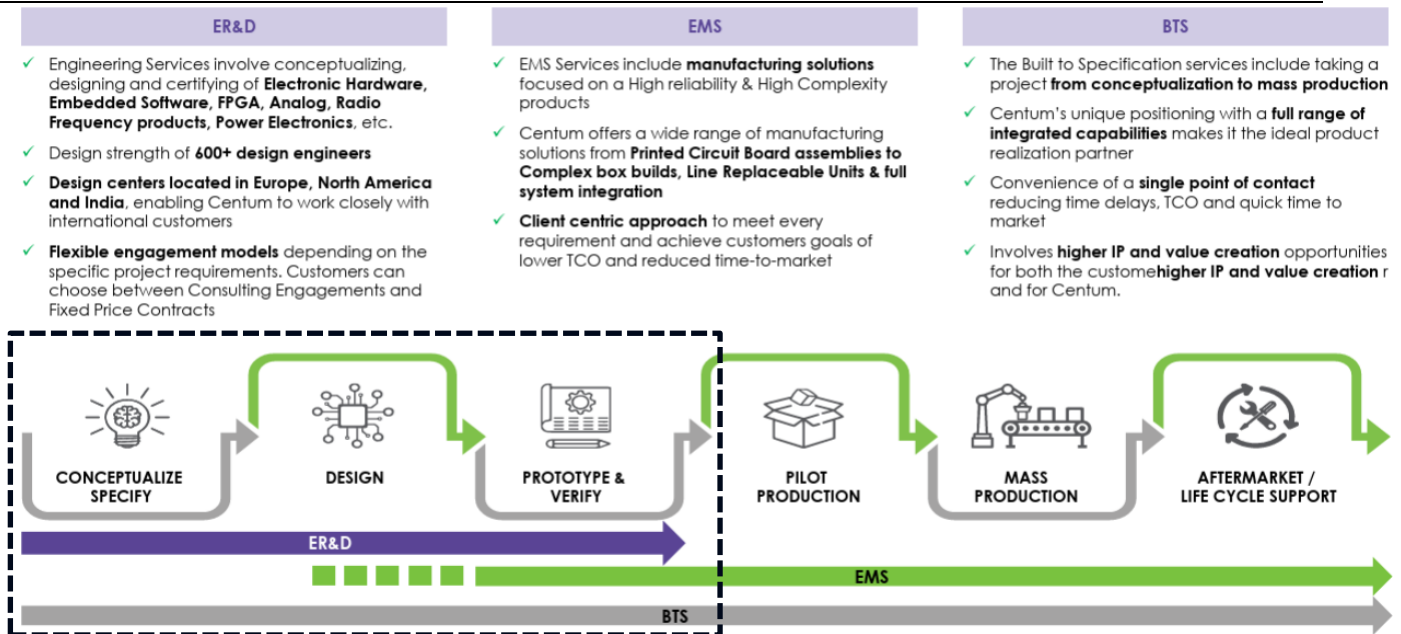
Despite the write-offs, Centum retains access to relationships developed through the overseas subsidiaries. Management highlighted two key assets retained which are Customer relationships/access and IP and processes. It is attempting to leverage these capabilities from India, including in areas such as railway electronics

Exhibit 45: Chain of events for deconsolidating its overseas subsidiaries



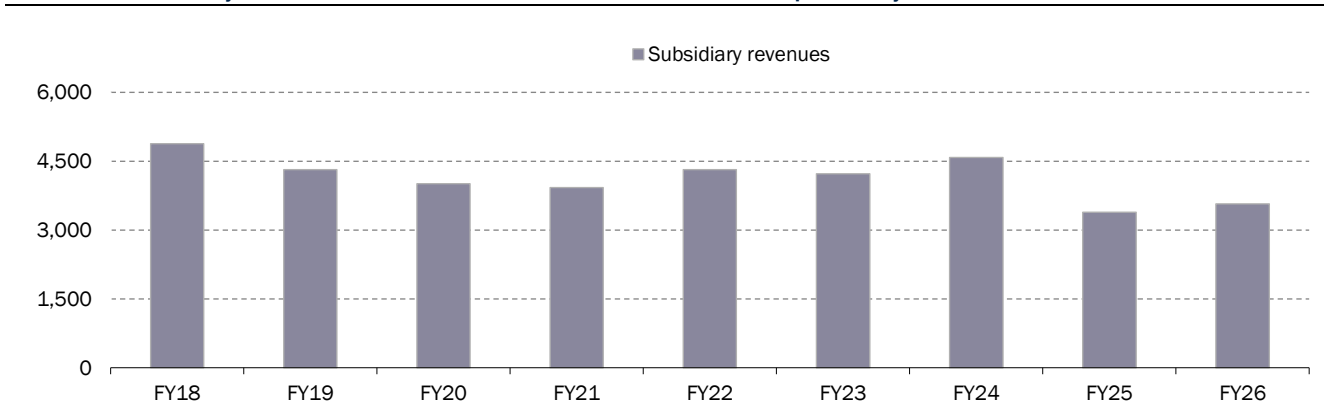
Source: Company, DAM Capital Research

Exhibit 46: Rationale of entering the ER&D business is to ensure it addresses the entire spectrum of solutions



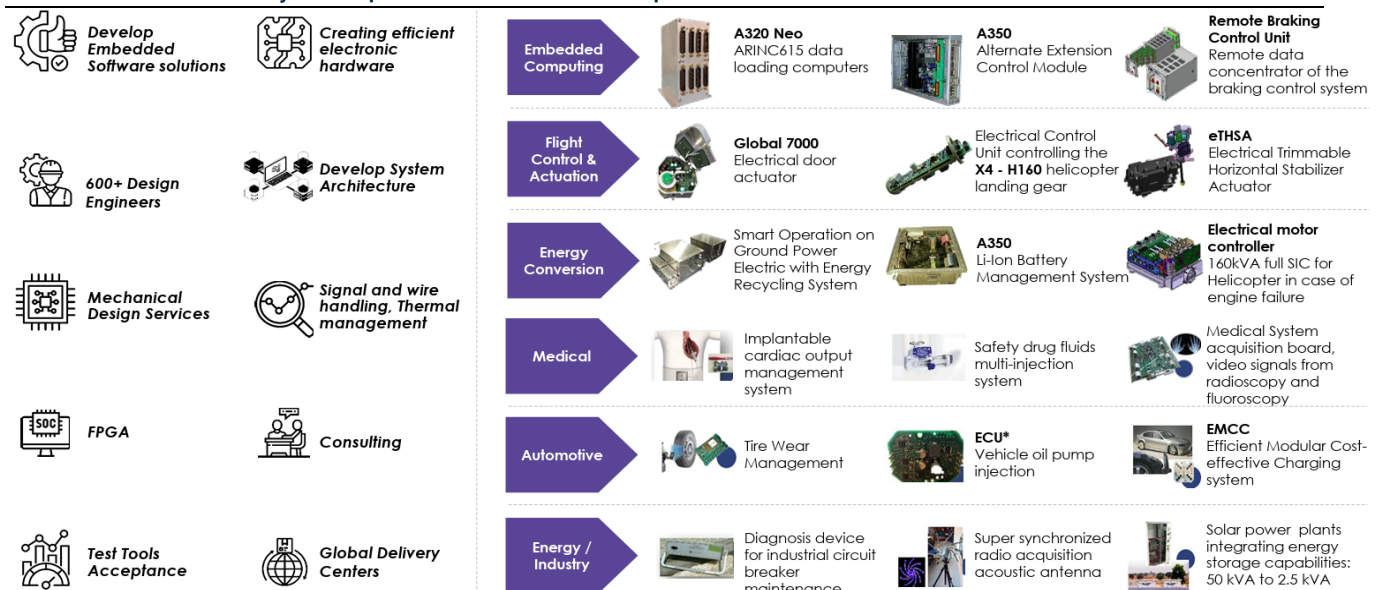
Source: Company, DAM Capital Research

Exhibit 47: Subsidiary revenues of ~Rs4bn have remained flattish for the past few years- now deconsolidated



Source: Company, DAM Capital Research

Exhibit 48: Some of its key ER&D products it offered to marquee clients



Source: Company, DAM Capital Research

Financial Analysis

□ Revenues to grow at 30% CAGR over FY26-29E

Centum's efforts over the last couple years across both segments, i.e BTS and EMS have helped drive improved diversification in revenues spread across defence, space, semiconductor, industrial energy, automotive etc led by increasing wallet share for existing EMS clients, industry additions with new client adds and resilient inflows for its existing defence/space applications.

Going ahead, we expect revenue growth led by both EMS/BTS at 29%/32% respectively led by the following.

- **EMS: Revenue growth of 29% over FY26-29E** is based on **4 pillars of growth** i.e A&D, Semicon, Industrial energy and existing customers across medical/automotive etc.

For **A&D**, growth will be driven by increasing wallet share and indigenization with key clients for upcoming projects,

Semicon will be led by its anchor customer scale up and new additions, if any,

Industrial energy will be led by few key customers scaling their Make-in India requirements and potential exports along with a long tail of customers and scale in emerging sectors like medical, automotive EV, railways, data centers (early pursuit).

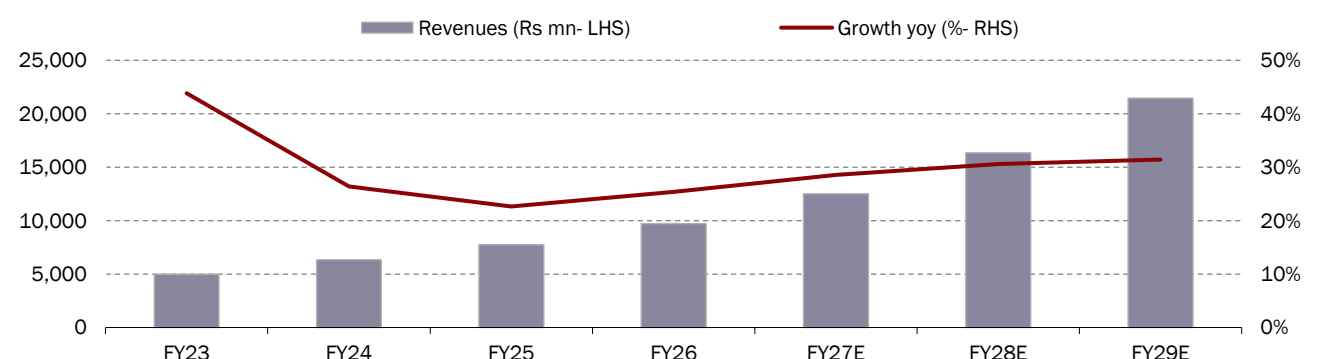
Accordingly, given these efforts we believe Centum is focused on sustained revenue growth led by scale up across segments helping drive overall revenues to grow at 29% CAGR over FY26-29E CAGR.

- **BTS:** After a prolonged gestation period for developing defence capabilities and lower space segment inflows, it has now won key programs for execution over the next 4-5 years.

Strong opportunities in 4-5 key programs i.e SBS, tank electronics, GRSE systems, UHM radars, Virupaksha and other radar electronics, avionics etc along with our understanding on Centum targeting at least Rs10-15bn of RFP's p.a (largely defence) give us confidence for Centum **to garner cumulative inflows of Rs24bn over FY26-29E**

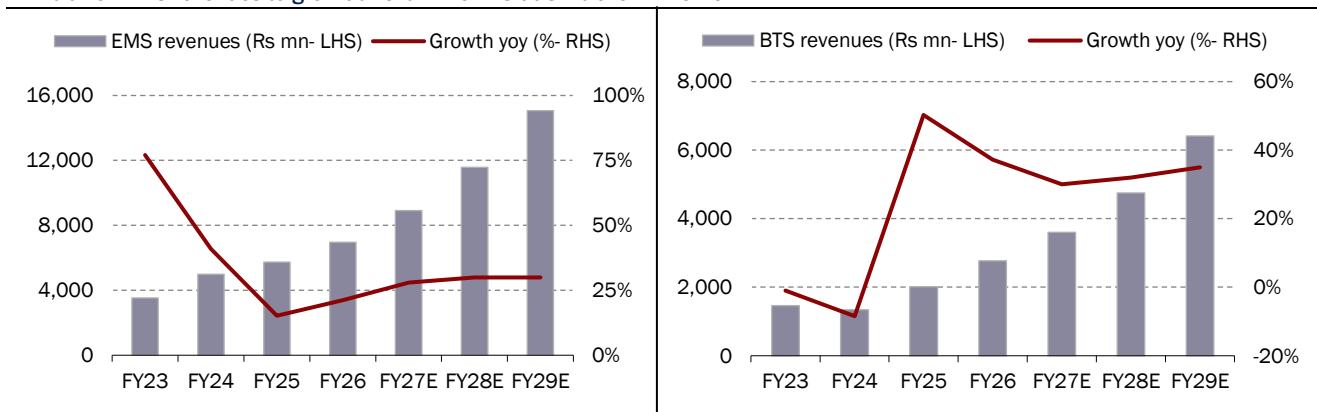
This gives us confidence for it to **deliver revenue growth of 32% over FY26-29E with revenues scaling from Rs2.77bn in FY26 to Rs6.4bn by FY29E**

Exhibit 49: Revenues to grow at 30% CAGR over FY26-29E



Source: Company, DAM Capital Research

Exhibit 50: EMS revenues to grow at 29% while BTS at 32% over FY26-29E



Source: Company, DAM Capital Research

Exhibit 51: Segmental assumptions

Rs m	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
BTS	1,478	1,856	4,493	4,659	5,578	8,043	10,515
EMS	5,525	6,170	5,500	8,110	10,147	13,257	17,242
Order inflow	7,003	8,026	9,993	12,769	15,725	21,300	27,757
BTS		26%	142%	4%	20%	44%	31%
EMS		12%	-11%	47%	25%	31%	30%
Growth yoy (%)		14.6%	24.5%	27.8%	23.1%	35.5%	30.3%
BTS	3,765	4,278	6,753	8,642	10,619	13,909	18,007
EMS	5,715	6,900	6,657	7,806	9,043	10,717	12,901
Order book	9,480	11,178	13,410	16,448	19,662	24,625	30,907
Book/bill ratio	2.7	2.2	2.1	2.1	2.0	2.0	1.9
BTS	0%	14%	58%	28%	23%	31%	29%
EMS	53%	21%	-4%	17%	16%	19%	20%
Growth yoy (%)	27%	18%	20%	23%	20%	25%	26%
Book to bill							
BTS	2.6	3.2	3.3	3.1	2.9	2.9	2.8
EMS	1.6	1.4	1.2	1.1	1.0	0.9	0.9
Total	1.9	1.8	1.7	1.7	1.6	1.5	1.4
Segment wise Revenue							
BTS	1,467	1,343	2,018	2,770	3,601	4,753	6,417
EMS	3,538	4,985	5,743	6,961	8,910	11,583	15,058
Total revenues	5,006	6,328	7,761	9,731	12,511	16,336	21,475

Source: Company, DAM Capital Research

□ Dual segment model to drive margins; EBITDA grows 37% over FY26-29E

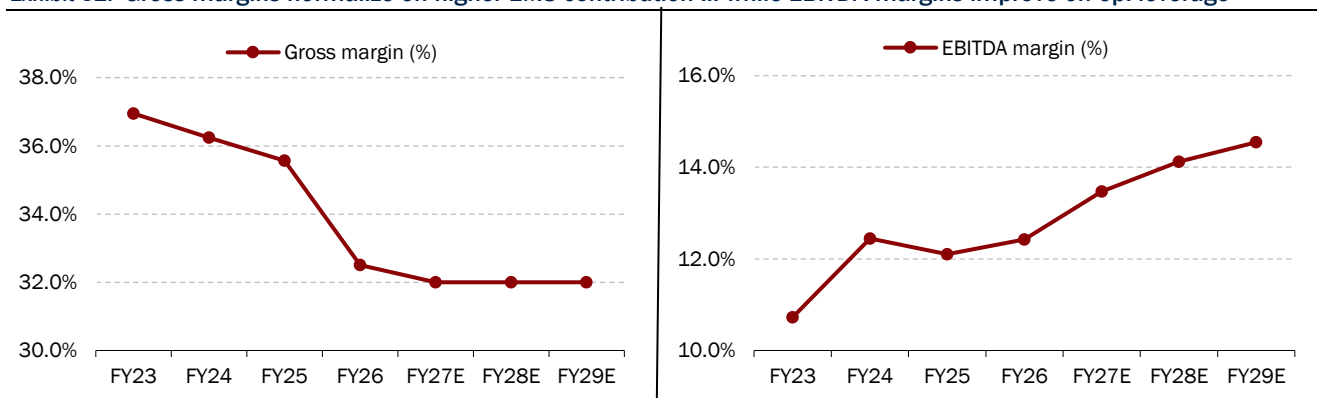
Over FY23-26, gross margins have seen a decline from 37% to 32% on increasing EMS contribution while BTS growth was lower, albeit OPM was stable at ~12% on operating leverage.

Going ahead, as we expect Centum to focus on growing both its segments BTS and EMS with margins at ~20% and 10-11% respectively, it believes it can deliver improved margins between 13-15% over the next few years.

We believe margin expansion will be gradual 50-70bps annually and will be led by improving delivery across both segments, rather than just BTS. Accordingly, we expect BTS margins at 18-20% over FY27-29E, given higher number of developmental orders though eventually mgmt. believes it can achieve 22-25% OPM. Similarly, while EMS guidance is at ~10%, we believe it could positively surprise at ~11%. **Accordingly, we have baked margins improving from 12.4% to 14.5% in FY29E.**

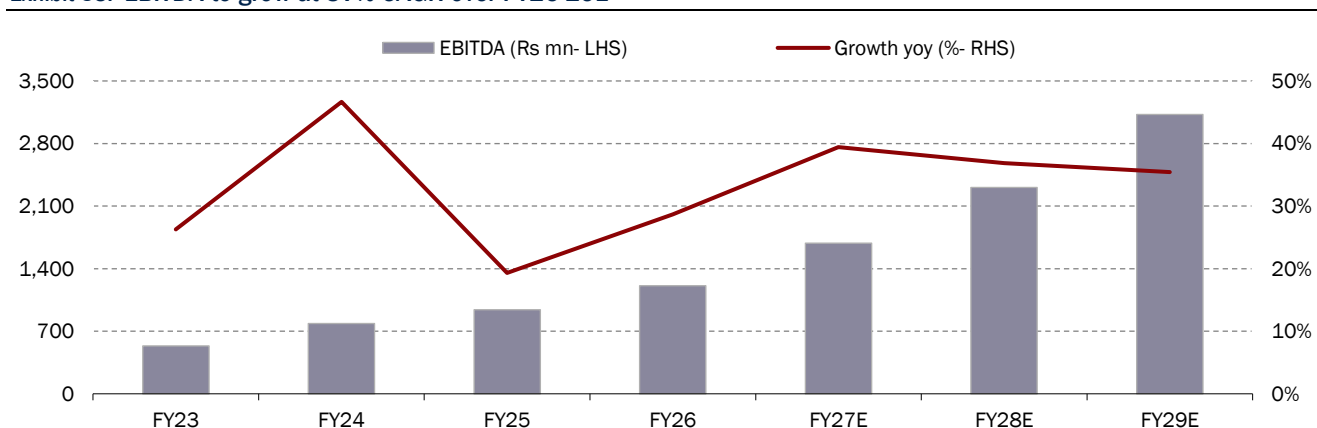
Hence, given mgmt. guidance of 13-15% OPM profile coupled with rising share of higher margin BTS business, we expect **EBITDA growth of 37% over FY26-29E**

Exhibit 52: Gross margins normalize on higher EMS contribution ... while EBITDA margins improve on op. leverage



Source: Company, DAM Capital Research

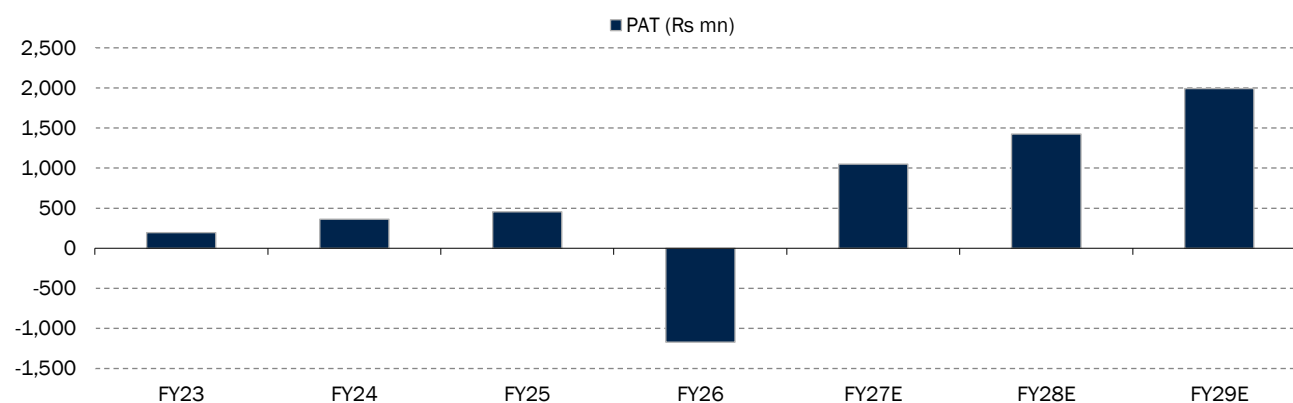
Exhibit 53: EBITDA to grow at 37% CAGR over FY26-29E



Source: Company, DAM Capital Research

□ PAT to grow at 32% CAGR over FY26-29E

Sustained revenue growth of 30% coupled with 37% EBITDA CAGR is expected to drive healthy earnings trajectory over FY26-29E. However, while EBITDA growth is at 37%, Centum requires higher working capital and capex requirements to fuel growth. Accordingly, we expect **Centum's PAT to grow at 32% CAGR over FY26-29E**

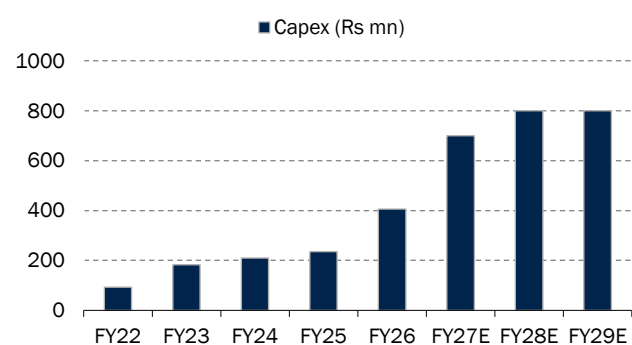
Exhibit 54: PAT pre-exceptionals to grow at 32% CAGR over FY26-29E driven by sharper operating performance

Source: Company, DAM Capital Research

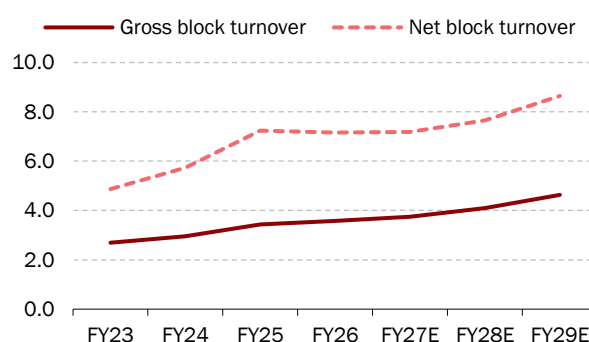
❑ Larger capex requirements at Rs700-800mn annually over FY27-29E

Over FY22-26, Centum has spent ~Rs1.13bn in capex with annual spends of Rs250-400m in FY25-26. However, going forward it expects sharper capex requirements of Rs700-800mn given its plans on setting up a new facility in KIADB for expanding in BTS for space wherein it wants to carry out Assembly, Integration and Testing of complete satellites.

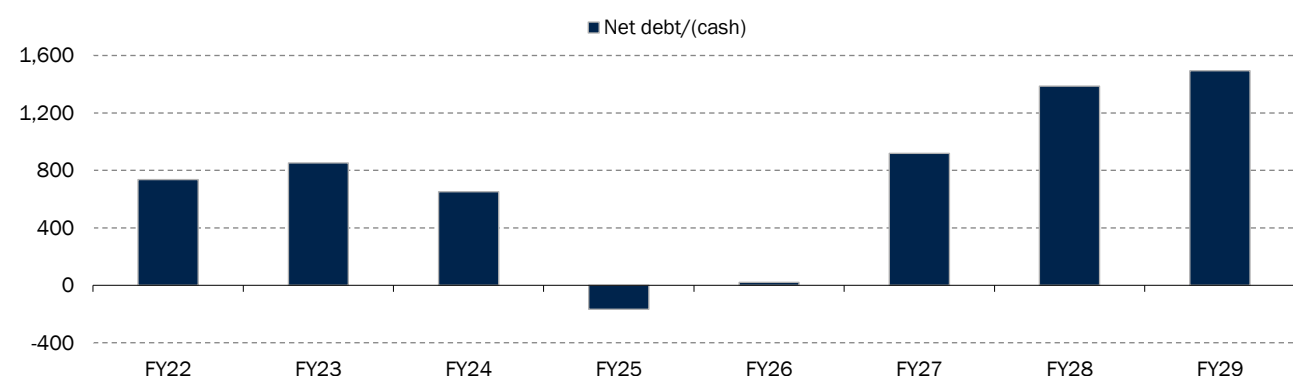
While it has chalked out larger plans of Rs5bn in capex for the next few years, we have baked in Rs2.3bn over FY27-29E, given the mgmt. has near-term visibility only for its satellite facility and maintenance capex.

Exhibit 55: Capex of Rs2.3bn over FY27-29E

Source: Company, DAM Capital Research

Exhibit 56: Improving turns as utilization improves

Source: Company, DAM Capital Research

Exhibit 57: Net debt to increase on working capital and capex requirements albeit at healthy levels

Source: Company, DAM Capital Research

□ Increasing working capital; albeit in-line with business thresholds

Centum's working capital requirements have always been meaningful due to the BTS business which commands a higher WC cycle of 180-250 days while EMS is at 90-100 days, which has kept its requirements at 100-120 days over FY22-26. However, it managed to maintain these levels due to higher EMS contribution while BTS growth was slower over the same period.

Going ahead as we expect stronger growth from BTS (32% over FY26-29E) along with EMS (29% CAGR), we estimate working capital requirements to increase from 109 days (30% of sales) in FY26 to ~135-40 days (37% of sales). Importantly, mgmt. itself has highlighted higher working capital requirements as BTS scales, albeit few customer advances can always help offset WC intensity.

Exhibit 58: Working capital cycle to remain at 37% of sales

Working capital	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Inventories	202	225	210	193	217	235	240	240
Trade Receivables	78	180	142	164	128	135	135	135
Trade Payables	74	148	120	100	121	121	121	121
Cash conversion cycle	226	210	198	223	191	208	210	209
Total NWC days	121	150	125	118	109	131	136	136

Source: Company, DAM Capital Research

□ Strong recovery in return ratios FY26 onwards should continue

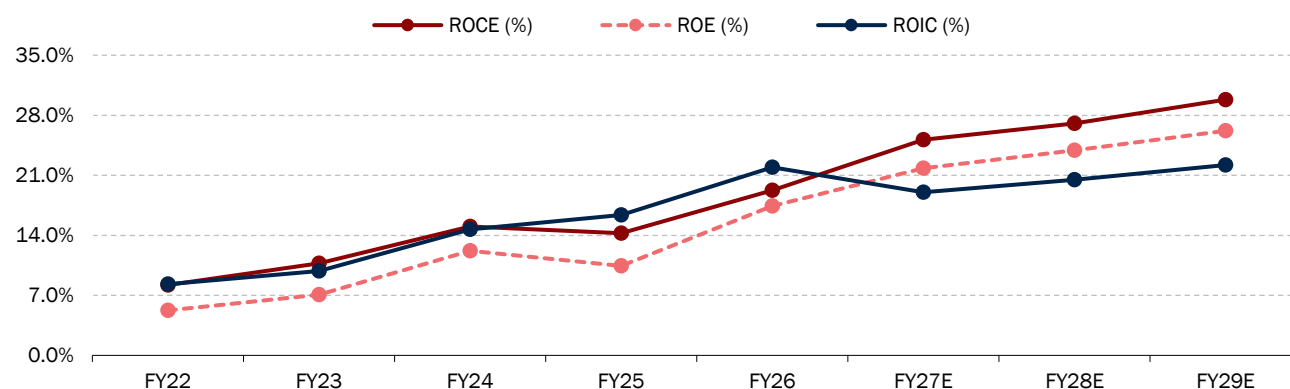
We note, while return ratios were volatile till FY25, FY26 saw a strong recovery in return profile on strong margin delivery and controlled working capital. Going ahead, higher asset turns, improving margin profile (mgmt. guidance of 13-15%) along with steady capex requirements and in-line increase in working capital should help drive sustained improvement in returns. We estimate ROE/ROCE of ~25% for FY26-29E.

Exhibit 59: Du Pont Analysis

Du Pont Analysis	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Profit Margin (%)	3.9%	3.9%	5.7%	5.9%	8.9%	8.4%	8.7%	9.3%
Fixed Asset Turnover (x)	3.2	4.8	6.0	7.2	8.0	8.1	8.4	9.3
Financial Leverage	0.4	0.4	0.4	0.2	0.2	0.3	0.3	0.3
ROE (%)	5.2%	7.1%	12.2%	10.4%	17.4%	21.8%	23.9%	26.2%
Net Block	1,104	1,057	1,093	1,080	1,362	1,745	2,139	2,487
Working capital	1,372	1,740	1,946	2,281	2,607	4,006	5,374	7,049
Total Invested capital	2,476	2,798	3,039	3,361	3,969	5,751	7,513	9,536
EBIT (post tax)	206	275	446	550	871	1,093	1,538	2,117
ROIC (%; post tax)	8.3%	9.8%	14.7%	16.4%	21.9%	19.0%	20.5%	22.2%

Source: Company, DAM Capital Research; Invested Capital=Net Block (excl CWIP, goodwill)+working capital

Exhibit 60: Return ratios profile- remains healthy on improving asset turns and stable capital requirements



Source: Company, DAM Capital Research

Management profile

❑ Mr. Apparao Mallavarapu (Chairman, Managing Director and Promoter)

Mr. Apparao founded Centum Electronics in 1993 and has since led the Company's transformation into one of India's foremost ESDM enterprises. He holds a bachelor's degree in mechanical engineering from Bangalore University and a master's degree from Dalhousie University, Canada. He currently serves as Chairman of the CII National Committee on Space and Convenor of the CII Karnataka Panel on Technology for 2025-26. He is the Honorary Consul of the Federative Republic of Brazil in Bengaluru.

❑ Mr. Nikhil Mallavarapu (Joint Managing Director and Promoter):

Mr. Nikhil Mallavarapu has been associated with Centum since August 2012, bringing with him a strong foundation in electronics and business strategy. Prior to joining Centum, he worked with Analog Devices in the MEMS sensors division. He holds master's and bachelor's degrees in electrical and computer engineering from Carnegie Mellon University, USA and an MBA from INSEAD, France. He is also the Convenor of the CII Karnataka Emerging Technologies Panel for the year 2026-27.

❑ Mr. Sundararajan Parthasarathy (Chief Financial Officer)

Mr. Sundar is a finance and operations leader with 25+ years of experience in financial transformation and turnaround strategies across manufacturing and infrastructure. Prior to Centum, he held leadership roles at Adecco, GE, Xylem, TATA and TVS Group. He is a Chartered Accountant.

❑ Ms. Tanya Mallavarapu (Non-Executive Director)

Ms. Tanya is the Founder of TMR Design Co. LLP, an interdisciplinary design firm focused on innovation and functionality. She holds a master's in economics from Duke University and a bachelor's in business administration from the University of Southern California.

❑ Dr. Udayant Malhoutra (Independent Director)

Dr. Udayant is the CEO & Managing Director of Dynamatic Technologies Ltd., specialising in engineering and manufacturing solutions across hydraulics, automotive, aerospace and security. He is a member of the CII National Council and chairs the CII National Committee on Design. He has also served on the Board of Governors of IIT Kanpur.

Key risks

- **Inability to win** defence orders on L1 basis
- **Slower tendering** for space and defence, making the business lumpy
- Slower scale up for key EMS growth drivers
- **Developmental BTS orders** dragging newer categories
- Inability to sustain the 25-30% growth guidance for next 3 years

Glossary

BTS- Build to Specification

EMS- Electronic Manufacturing services

ESDM- Electronic services and design manufacturing

ER&D- Engineering Research and Development

A&D- Aerospace and Defence

NPI- New product introduction

WFE- Wafer fab equipment

SBS- Space based surveillance

ISRO- Indian Space Research Organization

DRDO- Defence Research and Development Organization

IP- Intellectual property

RF- Radio frequency

FPGA- Field Programmable Gate Array

Income statement

Year to 31 Mar (Rs m)	FY25	FY26	FY27E	FY28E	FY29E
Net sales	7,761	9,731	12,511	16,336	21,475
% growth	22.6	25.4	28.6	30.6	31.5
Operating expenses	6,822	8,522	10,826	14,030	18,351
EBITDA	939	1,209	1,685	2,307	3,124
% change	19.3	28.7	39.4	36.9	35.4
Other income	66	158	130	107	120
Net interest cost	195	168	191	256	289
Depreciation	195	195	227	256	302
Pre-tax profit	615	1,004	1,397	1,902	2,654
Deferred tax	(87)	(7)	0	0	0
Current tax	248	148	349	475	663
Profit after tax	455	863	1,048	1,426	1,990
Preference dividend	0	0	0	0	0
Minorities	0	0	0	0	0
Adjusted net profit	455	863	1,048	1,426	1,990
Non-recurring items	0	(2,033)	0	0	0
Reported net profit	455	(1,171)	1,048	1,426	1,990
% change	25.4	0.0	(189.5)	36.1	39.5

Balance sheet

As on 31 Mar (Rs m)	FY25	FY26	FY27E	FY28E	FY29E
Paid-up capital	147	147	147	147	147
Preference capital	0	0	0	0	0
Reserves & surplus	5,438	4,168	5,141	6,494	8,410
Shareholders' equity	5,585	4,315	5,289	6,641	8,558
Total current liabilities	4,605	5,477	6,900	8,857	11,531
Total debt	961	1,220	1,720	2,220	2,220
Deferred tax liabilities	0	0	0	0	0
Other non-current liabilities	54	47	47	47	47
Total liabilities	5,620	6,744	8,667	11,124	13,798
Total equity & liabilities	11,205	11,059	13,956	17,765	22,356
Net fixed assets	1,148	1,359	1,831	2,285	2,633
Investments	1,538	0	0	0	0
Cash	1,129	1,200	802	832	725
Other current assets	6,862	8,059	10,881	14,206	18,555
Deferred tax assets	189	194	194	194	194
Other non-current assets	340	248	248	248	248
Net working capital	3,385	3,781	4,782	6,181	7,749
Total assets	11,205	11,059	13,956	17,765	22,356

Cash flow

Year to 31 Mar (Rs m)	FY25	FY26	FY27E	FY28E	FY29E
Pre-tax profit	615	1,004	1,397	1,902	2,654
Depreciation	195	195	227	256	302
Chg in Working capital	(329)	(325)	(1,399)	(1,368)	(1,675)
Total tax paid	(161)	(141)	(349)	(475)	(663)
Net Interest	195	168	191	256	289
Others	0	0	0	0	0
Operating cash flow	515	900	67	571	905
Capital expenditure	(226)	(401)	(700)	(710)	(650)
Free cash flow (a+b)	289	499	(633)	(139)	255
Chg in investments	(457)	1,538	0	0	0
Debt raised/(repaid)	(54)	259	500	500	0
Net interest	(195)	(168)	(191)	(256)	(289)
Capital raised/(repaid)	18	0	0	0	0
Dividend (incl. tax)	(78)	(74)	(74)	(74)	(74)
Other items	0	0	0	0	0
Net chg in cash	793	71	(398)	31	(107)

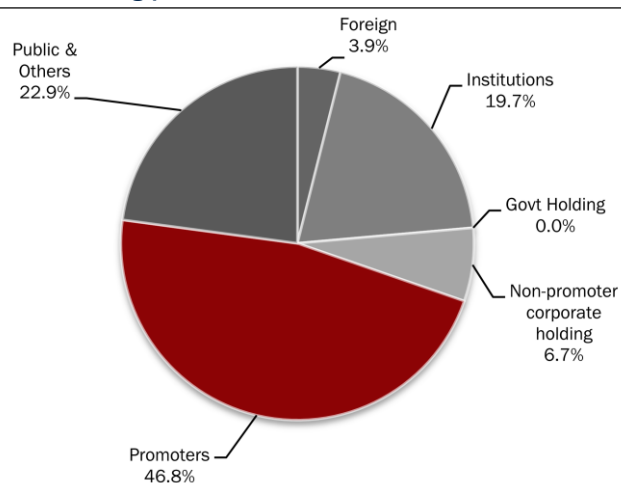
Key ratios

Year to 31 Mar	FY25	FY26	FY27E	FY28E	FY29E
EBITDA margin (%)	12.1	12.4	13.5	14.1	14.5
EBIT margin (%)	9.6	10.4	11.7	12.6	13.1
PAT margin (%)	5.9	8.9	8.4	8.7	9.3
RoE (%)	10.4	17.4	21.8	23.9	26.2
RoCE (%)	13.1	16.6	23.1	25.7	28.6
Gearing (x)	0.0	0.0	0.2	0.2	0.2
Net debt/ EBITDA (x)	(0.2)	0.0	0.5	0.6	0.5
FCF yield (%)	0.5	0.7	(0.9)	(0.2)	0.4
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1

Valuations

Year to 31 Mar	FY25	FY26	FY27E	FY28E	FY29E
Reported EPS (Rs)	35.0	(79.3)	70.9	96.6	134.8
Adj. EPS (Rs)	35.0	58.5	70.9	96.6	134.8
PE (x)	138.8	83.1	68.5	50.3	36.1
Price/ Book (x)	11.3	16.6	13.6	10.8	8.4
EV/ Net sales (x)	8.1	7.4	5.8	4.5	3.4
EV/ EBITDA (x)	67.0	59.3	43.1	31.7	23.5
EV/ CE (x)	9.5	12.8	10.3	8.2	6.8

Shareholding pattern



As of Jun-26

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