



“Centum Electronics Limited Q4 & FY ‘25 Earnings Conference Call”

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**MODERATOR: MS. JYOTI GUPTA – NIRMAL BANG EQUITIES PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Centum Electronics Limited Q4 FY '25 Earnings Conference call, hosted by Nirmal Bang Equities Private Limited.

As a reminder, all participant' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions, after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*”, then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jyoti. Thank you and over to you, ma'am.

Jyoti Gupta: Thank you, Anushka. Good afternoon, everyone. On behalf of Nirmal Bang Institutional Equities, we welcome you to the Q4 FY '25 earnings call with the management of Centum Electronics Limited.

We have with us Mr. Nikhil Mallavarapu – Joint Managing Director; and Mr. K.S. Desikan – Chief Financial Officer.

Without further ado, I would now request Mr. Nikhil Mallavarapu, sir, to start his opening comments, after which we can open the floor for question-and-answers. Thank you, sir, and over to you, sir.

Nikhil Mallavarapu: Thank you, Jyoti. And good afternoon, everyone. A warm welcome to all of you to our earnings call to discuss the performance of the 4th Quarter and Financial Year 2025.

Let me first mention special thanks to our host of today's con-call at Nirmal Bang. Now let me start by briefing you on the key performance highlights for the quarter and the year under review, after which our CFO, Mr. Desikan will take you through the financial highlights.

During the 4th Quarter under review, we delivered a strong performance with consolidated revenues from operations growing by 24% year-on-year and 31%, sequentially. This robust growth was primarily driven by a strong performance in our Build-To-Specification business, especially with our domestic, defense and space companies. Additionally, our EMS business maintained solid momentum and contributed meaningfully to the overall growth. EBITDA and EBITDA margins at a consolidated level grew well, driven by higher billing in the BTS segment.

Looking at the full-year:

Consolidated revenue grew by 6% year-on-year. However, it is important to note that certain contracts accounted on a net basis rather than on a gross basis. And on a gross basis, these contracts were valued at approximately Rs. 82 crores, resulting in a gross revenue growth of 13% year-on-year. While standalone revenues grew by 18% year-on-year, the subsidiary revenues declined due to softness in certain customer segments.

For the full-year, while margins in our core business improved, we faced some headwinds from our Canadian subsidiary. We are taking decisive actions to address those challenges. In our French engineering services business, we have initiated certain cost optimization measures and are shifting focus towards defense and aerospace customers, as we believe this will enhance both utilization rates and profitability going forward.

Our total order book position stands at Rs. 1,736 crores as of 31st March 2025. On a standalone basis itself, the order book increased to Rs. 1,330 crores, up from Rs. 1,118 crores at the end of the previous financial year. And this was driven primarily by the strong order inflows in the BTS segment for defense and space customers.

On the balance sheet front:

Our working capital has increased at a consolidated level to 87 days, primarily due to higher billings in Q4. As you may also know, we successfully raised Rs. 210 crores from our marquee investors via a QIP during the last quarter, which reflects a strong confidence in our company's future growth potential. The fund utilization has been for debt reduction Rs. 115 crores. Out of which, we have already repaid Rs. 110 crores, while the remaining funds are strategically allocated towards CAPEX and general corporate purposes.

In conclusion:

I am happy to report to you a strong turnaround in our performance in the 4th Quarter with a very healthy order book and many strategic initiatives on cost optimization underway. We are confident of a much healthier FY '26.

Lastly, before I hand over the call to Desikan, I would like to take a moment to reflect on a very important milestone:

As you may have read in our Board outcome, Mr. Desikan, our long-serving CFO, has decided to superannuate. Desikan has been an integral part of Centum for the last 25 years. His journey has been nothing short of extraordinary. And he has been a key driver for our financial strategy and discipline, but also a pillar of strength through many transformations the company has undergone. His contributions have placed Centum on a solid financial footing and built the strong foundation we stand on today.

While we will miss his presence and guidance, we are happy that he leaves the company in a much stronger position with the right systems and culture in place. And on behalf of the entire Centum family, I thank him for his unwavering dedication, integrity and service. Mr. Desikan will be succeeded by Mr. Sundararajan Parthasarathy, who has come onboard as CFO Designate. Sundar brings with him 25 years of rich and diverse experience across sectors such as healthcare, automotive, energy, infrastructure, water technology, HR services and green energy. As a qualified Chartered Accountant, Sundar was most recently the first global CFO Agratas, a TATA

enterprise, and has previously held leadership roles in Brakes India, Sandoz, GE, Xylem and Adecco.

With that, I will now hand over the call to Mr. Desikan to take you through the financials for one last time in his role.

K.S. Desikan:

Thank you. Thank you, Nikhil, for those kind words. And thank everyone for their support throughout my career.

Now, for the 4th Quarter at a standalone level, the revenue from operation was about Rs. 270 crores, which grew by around 49% quarter-on-quarter and 60% year-on-year. The EBITDA for the quarter was about Rs. 47 crores, which grew by around 120% quarter-on-quarter and 175% year-on-year. With one of the best quarterly EBITDA margins, we have reported 17.37%. The net profit for the quarter was around Rs. 30 crores, which grew by around 225% quarter-on-quarter and 240% year-on-year.

For the 4th Quarter under review, at a consolidated level, the revenue from operations grew by 31% quarter-on-quarter and 24% year-on-year to around Rs. 369 crores. The EBITDA for the quarter was Rs. 42 crores which grew by around 115% quarter-on-quarter and 132% year-on-year, with EBITDA margin reported at 11.31%. The net profit for the quarter was around Rs. 22 crores with a PAT margin of 5.83%.

For the full year FY '25, at a standalone level, the revenue from operation was about Rs. 750 crores, representing a growth of 18.5% year-on-year. The EBITDA for the period was about Rs. 102 crores, which increased by around 30% year-on-year with the EBITDA margins reported at 13.6%. The net profit for the period was around Rs. 53 crores, which grew by 46% year-on-year.

For the full year FY '25, at a consolidated level, the revenue from operations were Rs. 1,155 crores, which grew by 6% year-on-year. The EBITDA stood at around Rs. 97 crores which increased by 12.6% with EBITDA margin at 8.37%, and net loss for the year was around Rs. 2 crores.

With that, we can open the floor for Q&A session. Thank you very much.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rupesh Tatiya from Intelsense Capital. Please proceed.

Rupesh Tatiya:

Thank you. Thank you for the opportunity. My question is, I wanted to understand which are the programs in Indian defense ecosystem you are present? I mean, I do not think I have ever talked about it. So if you can give some color about, whether you are present in Sukhoi, some missile programs, what are the naval programs, some color on that would be really helpful.

Nikhil Mallavarapu:

Understood. So very quickly, as you may have noted from our earnings presentation, defense space and aerospace account for more than 50% of our overall revenues. And this comes from all the three different service offerings that we provide. So we have certain projects which are in the build-to-spec domain where we are responsible right from the design to manufacturing of the products. And in the standalone entity on this part, our customers are typically the public sector units, DRDO, ISRO and also hopefully in the coming future directly to the tri-services as well.

And then similarly we also do in the EMS part of the business, where we are manufacturing products to customers' designs. And this part of the business is largely export oriented to global customers. And these again span different applications and different programs and we are a strategic supplier and integrated into the global supply chain of these large global OEMs.

And then the third is also on the engineering services front, we engage with again the global OEMs on designing parts of their global programs and R&D pipeline.

So to answer your question in terms of more specifically which programs that we are engaged, again on the build-to-spec side of it, our strength lies largely in two domains here. So first is space systems, so space has been an area that we have been involved for well over '23-'24 years and we have moved up the value chain from being a niche microelectronic component supplier to now delivering full satellite payloads. And to that end, we have certain programs that are ongoing for defense applications, where we are designing and manufacturing and delivering payloads for electronic intelligence applications and a few others.

And then apart from this, coming to radar is another area that we have a strong presence in. We have built various subsystems for some critical programs, one of them being the VL-SRSAM program. We have made an important contribution to that which we just won a significant order in the past year. Apart from that, we are also on land systems, it has been an area that we have been present in. We have been onboard many different missile programs manufactured by BDL. And in addition to that, also on tank electronics, we have a strong presence on the different tank platforms, including the T-90, where we have indigenized various Russian imported items.

These are a few. And then in addition to this on the EMS part of the business, we have also onboarded several different programs, both again on a global level as well as in India itself. And the key ones that you would hear about is on the Rafale itself, the Rafale fighters, where we are again building critical electronics for the platform, for the radar and the electronic warfare system of the platform. And in addition to that, we are also exporting electronics to customers in the Middle East, which are again more on missile programs, not necessarily for India but for global requirements as well. So these are just a few examples of the points, but it is clearly an important part of our overall business.

Rupesh Tatiya:

Thank you for that detailed answer, sir. So in one of the slides you have given your standalone order books, right, so BTS is Rs. 664 crores and EMS is Rs. 665 crores. So this Rs. 664 crores,

in all of this, is it a correct understanding that we will create prototype, we will give it to one of the DPSUs or directly to the ministry, then we will get a part number, and then there will be some production in the future? Some of it is already production, and then some of it is production in the future two, three years. Is that a fair understanding on this Rs. 664 crores order book on the BTS side in standalone?

Nikhil Mallavarapu: Yes. That's right.

Rupesh Tatiya: Okay. And the final question sir is, on standalone, between EMS and BTS, can you give some idea about the relative gross margin?

Nikhil Mallavarapu: I will maybe speak a little bit more at probably the EBITDA margin level. These are clearly different margin profiles, basically because the build-to-spec obviously involves the whole design and associated value-add that goes with it. So your typical EBITDA margin for build-to-spec can be in the range of 20% or so. And whereas on the EMS side of the business, it's more build-to-print, and that is typically in the 10% to 12% level or so.

And in terms of gross margin, it can vary again depending on contract-to-contract. But typically, a normal industry benchmark on the EMS side of the business is material cost percentage of somewhere in the range of about 75-odd-percent. Whereas on the build-to-spec side of it, it can be much lower than that, maybe closer to 50% or so. So, that should give you high level picture of this.

Rupesh Tatiya: And just to conclude, this Rs. 175 crores BTS revenue, is it fair that it will grow at a high rate in the next three, four years and we can hit let's say Rs. 600 crores, Rs. 400 crores revenue in three to four years?

Nikhil Mallavarapu: Yes. That's the objective. I think with the increase in the order book that we have experienced in the past year, we feel that we are on the right trajectory to do that basically.

Rupesh Tatiya: Okay. Thank you. I will come back in the queue, sir. Thank you for answering my questions.

Moderator: Thank you. The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please proceed.

Chirag Kachhadiya: Hello. Congrats on a good standard for Q4. So, a couple of questions. So, at the beginning of FY '25 you mentioned that EMS was likely to see the growth for FY '25. So, at this time, which verticals do you think that in FY '25 will lead the growth?

And second, you said that the EMS order book growth within FY '24 to FY '25. So, how do you define growth? So, it's like a negative. Okay. So, on following that, you mentioned that we are then moving then to EMS category typically, so from which industries do you find that coming? And when do you expect that those, that will start being contributing --

Nikhil Mallavarapu: Thanks, Chirag, for the questions. Could you kindly just repeat again the first question? I got your second question, which was with regard to order book on the EMS part of the business and which customers or segments that we are growing. But could you repeat again the first part?

Chirag Kachhadiya: Yes. So, if you look at the FY '25 full year performance, and since you said that EMS is the latest in terms of growth and margin at all. So, for FY '26, which vertical do you expect to meet in terms of growth and on a standalone basis? And just adding to the order book question, if you look at the year-end order book, it is really muted. So, is it a strategic call that we are not taking the contracts in that separately which are outside India, so many of them are not sure what are the regulatory costs and all?

Nikhil Mallavarapu: Understood. Yes. Okay. So at a high level, first of all, I think as you rightly pointed out, we have seen strong growth in the EMS business in the past year, and especially when you look at it on a gross revenue basis. And we expect that growth momentum to continue, and basically at a standalone level both the EMS and the BTS part of the business should grow for us at a blended rate of somewhere in the range of about 25% to 28%. So you may have a little bit higher growth coming from BTS in the coming year, maybe slightly lesser in the EMS, but we do expect also a healthy growth rate coming in on the EMS business.

To answer your question with regard to the view on order book, I think broadly speaking, there's two factors there. One is, with existing and new customers on a typical basis the order horizon of the firm purchase orders from our customers will vary depending on the way the supply chain situation looks. Now, in the past if you go back to 12 or 18 months ago, if you remember there was customers still giving us a longer horizon of firm purchase orders. And so we have been seeing that firm purchase order horizon slightly reducing because the supply chain is a lot more stable now. But we do have customer forecasts which are not included in this order book that is being reported.

So, with the customer forecast that we have, first of all, the visibility is clearly much more and stronger compared to just looking at orders. The second thing is also that, as I have mentioned, we have onboarded a couple of important growing customers for us. And those customers are in the final stages or various stages of qualification, because typically when we receive an order or when we allotted a business, we go through a prototyping and new product introduction phase, which is delivered to the customer those are qualified, goes through various types of stress testing and all of that. And once they are cleared is when we start getting firm purchase orders. So, with a couple of these customers, as I have mentioned, we already have the forecasts for them. But those firm purchase orders are expected to come in coming quarter or two, which will help us increase the revenues in the current year.

And to answer the question, which sector we are coming from, we have a couple of different ones there. One being in semiconductor equipment where we have an important customer that we have added, and another one is in biometric solutions. So these are there. And apart from that, of course, our existing customers itself in the aerospace and defense side of it, we have

continued to add new part numbers and also some increased volumes on existing part numbers. So, I would say, broadly these are the key sectors of growth that we can expect in the coming financial year.

Chirag Kachhadiya: I just have a follow-up, if you can provide a bifurcation at the subsidiary revenues between ER&D and BTS for FY'25?

Nikhil Mallavarapu: Sorry, can you repeat again, subsidiary revenues?

Chirag Kachhadiya: Bifurcations between ER&D and BTS in the subsidiary.

Nikhil Mallavarapu: Desikan, if you could help with that.

K. S. Desikan: Yes. Subsidiary revenue for FY '25 was Rs. 406 crores, of which Rs. 187 crores is the BTS and Rs. 280 crores is the engineering services. And Chirag, just to emphasize the point, going back to your question on EMS revenue, the order book coming down. I think the important point to note is that with the stability in the supply chain, which Nikhil explained, the existing customer forecast is there and which is not included in the order book situation. But I can tell you that the demand from the existing customers are robust and it's good. So, what is happening is, while you see the order book being lower than the previous year, the forecast portion has increased because of the stability in the supply chain.

Chirag Kachhadiya: And Desikan, this Rs. 187 crores BTS revenue subsidiary, the loss or the underperformance in the subsidiary can be 100% attributed to this BTS revenue of Rs. 187 crores?

K. S. Desikan: So, Nikhil, do you want to take that?

Nikhil Mallavarapu: Go ahead. Or maybe I will just give a qualitative thing, maybe you can add it later. At a high level, Chirag, a major part of the loss in the subsidiary is attributable to our Canadian subsidiary, which is of course BTS part of the business. But I must clarify that even in the BTS for the subsidiary, as Desikan mentioned, we did about Rs. 187 crores or so of revenue in build-to-spec in the subsidiary. Of that, I would say, maybe around Rs. 70 crores to Rs. 80 crores of that revenue in the current year was from the Canadian subsidiary, which is where a big part of the loss is coming from. The remaining build-to-spec part remains in France and that is a profitable business that we continue to operate.

Having said that, I think we also have seen some revenue decline in our French subsidiary on the engineering services side. And that has resulted in, I guess, degradation of the margin compared to the previous year. But in absolute numbers, the bigger part of the loss is clearly being contributed by the Canadian part, which is where we are taking some very clear measures to fix that in the short-term.

Chirag Kachhadiya: Thank you. I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Karan Sanwal from Niveshaay. Please proceed.

Karan Sanwal: First of all, congratulations for the great numbers. So on the question front, I have two specific questions like, the working on the satellite constellation for ISM application. So I just wanted to confirm, is it related to the SBS Phase-3 program? If you could highlight the opportunity in the specific program for Centum and opportunity as a whole as well?

Nikhil Mallavarapu: Yes. So, first of all, I think the programs that we were already executing, which I mentioned earlier in terms of electronic intelligence and all of that are for defense applications, not specifically under SBS program but for defense applications. But apart from that, SBS is a new program, I am not able to speak too much in detail about that at the moment. But I can say that there will be contributions going from Centum clearly on this program. And some of it is expected, broadly speaking, this program, a big part of it will be driven by ISRO and also with private sector participation. And we will be looking to contribute our part in terms of the payload electronics for this program. So I will stop with that.

Karan Sanwal: Understood. Now the second question regarding your performance of the subsidiary we have been talking about in this call and the last one as well, sir I am generally trying to understand how are we looking at this segment as a whole? And if things are not looking good in the long-term, do we have any plans to divest this business in a longer-term, anything we are looking at the subsidiary segment if you could highlight?

Nikhil Mallavarapu: Yes. So the subsidiary, as I just mentioned, it has broadly two parts to it. One is, in France where we are doing engineering services and some build-to-spec work. And then the second piece which is our Canadian subsidiary, where we are doing passenger information systems for rail application. Big part of the loss is being contributed from the Canadian subsidiary, and we are in various, I would say, in advanced stages of discussions with our customer basically to explain to them that we are not able to sustain taking this type of losses.

And so we are exploring a couple of different strategic options that would enable, I would say, the transition to happen in a smooth way with the customer and the ongoing programs, but to be able to plug our losses in a short-term. So, there will be something that we are doing and we are targeting to have this completed by September or sooner. And that's what I mentioned in the last call and then we continued to work towards that.

Coming back to our France engineering services business, here, the focus remains on operational improvement. So, in the short-term, as we mentioned, taking cost optimization measures and improving utilization by focusing on improving our sales is the focus for the short-term at least. Long-term, we will re-evaluate at a later stage.

Karan Sanwal: Understood. One last question. We talked about the differential between the gross and the net basis revenue that we were accounting for. Would that effect be continuing in the current financial year or would it be just related to the last financial year? Just a clarity on that.

- K. S. Desikan:** It will not continue. It is only for the last year. In FY '26, the confusion between gross and net accounting will not be there.
- Karan Sanwal:** Understood. Thank you so much and all the very best.
- K. S. Desikan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nirali Gopani from Unique PMO. Please proceed.
- Nirali Gopani:** Hi. Thanks for the opportunity. Nikhil, my question is on the growth side. You said that you expect the BTS and the EMS revenue to grow by 25% to 28%. So, assuming the consol revenue grows somewhere above 20%, so what gives us confidence? Because in FY '25 also, on the gross basis, we were expecting growth of 18% to 20%, which came somewhere around near 13%. So, how confident are you of achieving this kind of growth in the coming one, two years?
- Nikhil Mallavarapu:** Yes. I think, as I mentioned, there are two things. One is on the build-to-spec side of the business, with the order intake that we have had, I think the demand side of it is relatively secure. Similarly, on the EMS side of the business as well, we have a clear plan and visibility of which specific products and customers will be driving this growth based on either firm orders or customer forecasts that we have received from them. So firstly on the demand side, I think we have reasonable visibility.
- The point where we maintain a close watch is obviously on the delivery side of it. And on that front, I think the key is in the coming year to focus on some of these new product qualifications that we are moving quite aggressively on. And so as that progresses and comes to maturity in the short term, we feel the ability for us to meet the revenues are quite strong. So, in summary, we do feel confident that we should be able to grow at a pretty healthy rate in the coming year.
- Nirali Gopani:** Great to hear that. And if you solve the Canadian subsidiary problem say by the September quarter, for the full year do you feel on a consol basis an EBITDA margin of 10% which you were guiding earlier is possible in this year itself?
- Nikhil Mallavarapu:** Yes. That should be definitely be possible at the consol level.
- Nirali Gopani:** Okay. That's it from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sreeram Ramdas from Green Portfolio AIF. Please proceed.
- Sreeram Ramdas:** Hi. Yes. You were doing a project for the RAW agency, right, the satellite. So what's the progress? Where are we with it?

- Nikhil Mallavarapu:** Sorry, I am not sure where you were told we were doing something for RAW. I am just saying that we make electronic intelligence-based payloads. We do not disclose for confidentiality reasons who is the customer. So, the electronic intelligence program that we are executing is progressing well. We have delivered the first set of engineering models for the customer and it's been well received and we are progressing on to the subsequent part. And we expect this year that we will have substantial revenues and billing from this program as well.
- Sreeram Ramdas:** Okay, sir. Is this the Rs. 187 crores project or is it some other project you are talking about, sir?
- Nikhil Mallavarapu:** Yes. It was totally Rs. 300 crores program, which split into two different orders..
- Sreeram Ramdas:** Okay. Got it. And the last question, what is our order bidding pipeline, if you can share some numbers?
- Nikhil Mallavarapu:** The pipeline of orders is healthy, I mentioned this in the past, we are roughly looking at something in the range of about Rs. 2,000 crores of booking in the next three to four years, that's what we are targeting. Of course, this clearly depends on the timeline associated with government procurement processes and so on, which have some uncertainty associated with it. But our target and visibility is to try to book something in that range.
- Sreeram Ramdas:** Okay. Rs. 2,000 crores in three to four years?
- Nikhil Mallavarapu:** Yes. You are talking very specifically about the build-to-spec side of the defense and aerospace business?
- Sreeram Ramdas:** Yes. Okay. So like pipeline, do we have any pipeline like the orders that we are bidding for? Not the potential order book in three or four years, but like a pipeline of orders that we are bidding for, that's what I was looking for.
- Nikhil Mallavarapu:** Yes. I mean, I cannot disclose very specifically that, but yes, I mean, what we are saying is based on the pipeline of specific opportunities we are bidding on.
- K. S. Desikan:** I will add that, as we maintain, we should be able to grow the revenue by around 20% consolidated and our pipeline is sufficient enough to cover that growth rates.
- Sreeram Ramdas:** Got it. That helps. That helps a lot. Great. Thank you so much. That's all from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please proceed.
- Ankit Gupta:** Thanks for the opportunity. Nikhil, if you can give the split of BTS order book of Rs. 664 crores, out of which how much is for space defense? And in defense, how much is for the Army, Navy and Air Force?

- Nikhil Mallavarapu:** We typically do not give very specific breakups in terms of the order book. But at a high level, I would say, space applications are I would say in the range of somewhere about 40% to 50% of that part. And the rest is non-space or more defense side of the business, and this cuts across different applications.
- Ankit Gupta:** So, 40% to 50% split that you have given for the space, it increases entirely for ISRO or for some defense application that we have been working on for some time now?
- Nikhil Mallavarapu:** It's not only for ISRO, even we also work with DRDO on certain defense programs.
- Ankit Gupta:** Sure, sir. Any update on the emergency procurement which has been announced? And the space satellite orders that we have, with some news reports, have been coming that the procurement timelines have been preponed significantly, so if you can give some updates on the ground situation that you are seeing for our company and overall.
- Nikhil Mallavarapu:** We had actually had to release a note to the stock exchanges shortly after a lot of these articles have come out. I mean, we had confirmed that we have not received any firm requests or anything of that sort right now in terms of expediting SBS3 or anything like that. So, we have no specific comment as such on that. But having said that, yes, there is clearly a need for some of the emergency procurements, and we will have to just wait and see how things turn out eventually.
- Ankit Gupta:** But any talks? Of course, you wouldn't have got the firm orders, it will still be in discussion. But have you seen some urgency from the government side for this?
- Nikhil Mallavarapu:** Certainly, I mean, I think there is, yes.
- Ankit Gupta:** Okay. Thank you. I wish you all the best.
- Moderator:** Thank you. The next question is from the line of Pranav Shrimal from PNC Wealth. Please proceed.
- Pranav Shrimal:** Hi. I hope I am audible. Most of the questions have been answered. Just one question sir, the order book that we have, what would be the timeline till in terms of executing the order?
- Nikhil Mallavarapu:** So, this varies again from business to business. Typically our BTS order book is executable over say somewhere between two to two and a half years in terms of time horizon, whereas the EMS order book is typically less than 12 months, at this stage at least. And on the engineering services side also, it can be even shorter than 10 to 12 months, maybe less than that I would say. So that's broadly how the order book splits up. And maybe at an overall basis something in the range of about 15 months or so, 15 odd months I would say, 15 to 18 months is what you can look at.

- Pranav Shrimal:** Got it, sir. And coming to your Canadian subsidiary, how much is the loss that we have accumulated on our books?
- Nikhil Mallavarapu:** Desikan, will you take that?
- K. S. Desikan:** Yes. So, for the year the loss was something like EUR2.8 million and we have been having around EUR2.5 million loss for the past two years as well.
- Pranav Shrimal:** Approximately 5 point something million total loss in our book?
- K. S. Desikan:** Euros.
- Pranav Shrimal:** Okay. Got it, sir. And this loss can be carried forward for individual parts, right?
- K. S. Desikan:** In Canada, yes. Like India or like France, these losses are accumulated and can be offset against the future profits.
- Pranav Shrimal:** Got it, sir. And do you see any reason of the subsidiary becoming profitable post the talks that we are having with the customers?
- K. S. Desikan:** As Nikhil was mentioning, the focus right now is to stop the bleeding in Canada. So the bleeding is basically because we have manpower there which is the main cost, and we do not have sufficient revenues to cover that. We are exploring different options, talking to the customers, multiple options. So to answer your question, the focus is on to stop the bleeding more than looking for profit in Canada.
- Pranav Shrimal:** Got it. That's it from my side. Best of luck, sir.
- Moderator:** Thank you. The next question is from the line of Sai Vijay from Cap Stocks and Securities. Please proceed.
- Sai Vijay:** Thank you for the opportunity. My question is regarding the two DRDO orders received last year. Could you share how much revenue has been recognized from these contracts so far?
- Nikhil Mallavarapu:** Again, we do not give specifics about every order that we execute. If you are again referring to the program which I just mentioned in terms of the space-based electronic intelligence program, there we have delivered the engineering models, but we are still in the progress of completing the flight models and all of that. So, we are still in the initial period of delivery, the first part of the delivery in terms of engineering models.
- Sai Vijay:** Okay. And my second question is, on a consolidated basis, what is the revenue growth expected? I think you mentioned about 18% to 20%, right? Of 20% to 25%, I am little bit confused about it. Could you just clarify on a consolidated basis?

Nikhil Mallavarapu: Yes. On a consolidated basis, we will grow for 18% to 20%, and that is basically driven by a higher growth rate contribution from the standalone entity, which is at over the 25% level, whereas at the subsidiary level we would be roughly flat, I would say.

Sai Vijay: Okay. Thank you very much, sir. And all the best to the entire team.

K. S. Desikan: Thank you.

Nikhil Mallavarapu: Thanks.

Moderator: Thank you. The next question is from the line of Harsh Mehta from Perpetual Capital Advisors. Please proceed.

Harsh Mehta: Hello. Congratulations on the good set of numbers, sir. My first question is, could you clarify whether your company is involved across the entire satellite value chain, specifically the ground station, satellite launches and satellite manufacturing? Or are you focused on one part of the value chain?

Nikhil Mallavarapu: Yes. So we are absolutely engaged on the different parts of the value chain in space from the launch vehicles to the satellite, even within the satellite there are satellite bus and satellite payload and we are on board both of those pieces. So we cut across various aspects of the value chain. Perhaps a little bit in terms from a revenue perspective, major part of it comes from the satellite itself and a little bit lesser from the launch vehicle and ground equipment at this stage.

Harsh Mehta: So, now that the Indian government is planning to invest around Rs. 900 crores in the domestic ground station network to monitor satellites over the Indian airspace, do you see this as an opportunity for Centum to grow their revenue in these areas of the satellite also?

Nikhil Mallavarapu: There are many different programs ongoing in terms of the overall build-up of space infrastructure and we continue to actively monitor all these opportunities. So, as a player who has been in the industry for a long time, I think we are confident that we will continue to grow in the overall space business.

Harsh Mehta: And sir, can you also mention some of your competitors in the satellite payload business?

Nikhil Mallavarapu: I typically do not give specific names of competitors over here. But as far as addressing the requirements in India in terms of the technical capability that we have, especially on the payload side, I would say we have a very strong capability and very few other private sector companies would be able to demonstrate. So, we have quite unique differentiated capabilities, both in terms of design and IP as well as manufacturing capability as far as this goes.

Harsh Mehta: And sir. Lastly, what lead to the decline in other expenses? It's down 11% for the whole year compared to last year.

- K. S. Desikan:** So this was due to a specific cost reduction initiative that was undertaken in the subsidiary, because we knew that the revenues are not growing, rather it is coming down. So, we specifically looked for some kind of a restructuring plan you will see not only in other expenses but also in the manpower expenses and other expenses both. It was a specific cost reduction measure.
- Harsh Mehta:** So is this going to be temporary or is this a permanent change for the company for the future?
- K. S. Desikan:** The revised levels will be continued, and our endeavor is to control it at this level and not to allow the increase.
- Harsh Mehta:** Okay. And sir, Centum had recently signed an MoU with Indra Sistemas from Spain, what is the update on this MoU?
- Nikhil Mallavarapu:** The MoU was with regard to a specific opportunity for space debris tracking radar and that was an opportunity that we have bid on, but there has been no progress in the specific RFQ in the past couple of quarters.
- Harsh Mehta:** Right. And sir, the space-based surveillance which we talked about earlier also, has the government accelerated this program after what happened in Pahalgam?
- Nikhil Mallavarapu:** As I mentioned earlier, I am not able to comment anything specifically with regard to this program.
- Harsh Mehta:** Thank you.
- Nikhil Mallavarapu:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nirali Gopani from Unique PMS. Please proceed.
- Nirali Gopani:** Just one small clarification, what is the effective tax rate that we should work with?
- K. S. Desikan:** It will be 26% to 27%.
- Nirali Gopani:** On the consol basis, right?
- K. S. Desikan:** Yes. Because the tax is only on the standalone profit.
- Nirali Gopani:** Okay. Got it. Yes. Thank you.
- Moderator:** Thank you. The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please proceed.

- Chirag Kachhadiya:** Yes. I have a question on the CAPEX front, what CAPEX are we looking for FY '26 and FY '27?
- Nikhil Mallavarapu:** Chirag, did you ask CAPEX for the year FY '26?
- Chirag Kachhadiya:** Yes.
- K.S.Desikan:** Okay. We are planning to invest about Rs. 40 crores, that again only in the standalone, essentially to augment the capabilities and increase the capacities, both in the BTS segment as well as the EMS segment.
- Chirag Kachhadiya:** So the equipment which we are going to procure can be interchangeably used for BTS and EMS too, right?
- Nikhil Mallavarapu:** Yes.
- Chirag Kachhadiya:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pranav Bastawala, an individual investor. Please proceed.
- Pranav Bastawala:** Yes. Thank you very much. And rightly you pointed out, we are going to now lose Mr. Desikan, and I must say that what a journey, just to be brief, that from 2001 to 2025, and then Rs. 30 crores, Rs. 35 crores company now we are seeing Rs. 1,150 crores turnover, and where it will lead to, nobody knows. But that is the kind of journey this organization has, and he is one of the pillars of this particular journey. Thank you very much, Mr. Desikan, for your contribution to this company. The investors are very, very happy, and we will miss you a lot.
- K. S. Desikan:** Thank you, Mr. Pranav, for your kind words. Thank you so much. Thanks for all the support for all these years. I know you entered in probably 2002 in Centum Electronics, and you have been a long-term supporter with your valuable inputs and guidance. Thank you so much. Please continue to do so.
- Pranav Bastawala:** Yes. Thank you. Nikhil, so a lot of questions have been asked, but I just want to say that, people are asking about defense and aerospace, which is one of the sectors in which last time also in the AGM also it was raised that Indian contribution is rising. So, currently exports are 75% and 25% on the domestic, which is again going to rise. So, my question is, that is fine, but what about the other applications?
- For example, we are talking about semiconductors. Are we looking at nuclear also, which is also likely to be a very, very big opportunity over the next five years? Already the government is doing a lot in nuclear space. And another space area where I know that Centum has been doing lot of research and doing lot of work with ISRO, that is space. But when you look at it, nothing

much greater in terms of the value has been happening. So, what is likely scenario in next five years?

And what is the kind of contribution we are looking in space, both military and not military part? Where Centum is likely to be? And are we going to have some kind of collaboration for JVs in different spheres, like even semiconductor is going to be a bigger opportunity even in India at a later date. And so, in nuclear or semiconductor or any kind of other industrial applications, where you would like to see apart from defense and others? Thank you.

Nikhil Mallavarapu:

Thanks. Thanks, Pranav. First of all, thanks again to recognize, as you rightly did, Desikan's tenure. And as he mentioned, I think we continue to rely on your support and feedback as things progress.

Coming to your question in terms of sectors, clearly defense is an area that we are bullish on. So, we continue to have various initiatives on that front to be able to continue positioning ourselves to go up the value chain and be part of larger programs and key programs at the national level. And space as well, while I mentioned defense, what we see is even for space a big target application is in defense or military applications itself. And so, we continue to leverage and build and grow our space capabilities in the coming years, but perhaps we still have military or defense oriented application. We are still not seeing a huge firm demand in terms of non-defense applications, but we continue to monitor and see that, especially in India.

Apart from these two sectors, I think, yes, as you mentioned semiconductor equipment is something that we continue to look at, which we have added a customer that can be big, big driver and contributor to growth for the coming years. In addition to that, industrial applications is an area that we are also exploring more, and various aspects of industrial applications. I think we are looking at nuclear specifically, still I guess it is at, like I said, the early stage, which has not much to say about that as yet. But we are seeing some clear opportunities as far as industrial equipment for renewables, grid automation, electrification, and so on. So, that's an area that we have been in, and we are also seeing more indigenization with the increased CAPEX at the national level for these kinds of products. So industrial is certainly an area that we will be in and we will continue to grow.

And then I also talked about the biometrics area, which again is something that we feel can be a revenue contributor of something substantial as we go forward. We are building a good partnership with the global OEM on the front, and we feel that can also be a good opportunity. So these are, I would say, the areas that we are looking at. Automotive is an area that we have also been pursuing, especially on the EV side of it. And while we have started, we have added certain customers, but the past year we have seen this I guess relatively muted. But we still continue to explore and look at that and feel we can play an important role in overall electrification in the automotive side also in the future.

Pranav Bastawala:

So, Nikhil, just to add one question, we are very good in payloads, we can now build lot of --

- Moderator:** Sorry to interrupt Mr. Pranav.
- Pranav Bastawala:** Okay. Sorry, ma'am.
- Moderator:** Thank you. The next question is from the line of Harsh Mehta from Perpetual Capital Advisors. Please proceed.
- Harsh Mehta:** Yes, sir. So, I wanted to know what has been the historical utilization of your engineering team in France over the last five to 10 years. And how has this changed recently? And what is the current level of activity?
- Nikhil Mallavarapu:** Yes, in the past, I would say it has been at a reasonably good level. In the past year, however, that has slowed down a little bit, more specifically in two sectors. One is automotive, which I do not think would come as a surprise to many people. That's been a sector, especially in Europe, which has had an impact. And the second one also, in fact as far as some of the engagements and programs and customers that we have, space actually was something that had picked up quite well for us in FY '23 and FY '22 or FY '23 and FY '24, but has slowed down significantly in the past 12 to 18 months.
- Some of our key customers there have had even in the past year announced significant layoffs and resizing the team to be able to manage the slowdown in the activity and demand that they have seen there. So, these have been two sectors that have, in a sense, impacted us also. And that's where we are looking to double down and strengthen again the engagements with our defense customers in Europe, because that is an area that there is investment and growth happening and will continue to happen over medium term.
- Harsh Mehta:** And sir, could you also describe what is your order selection criteria?
- Nikhil Mallavarapu:** We typically have different modes of engagement. I am assuming your question is with regard to engineering services or the subsidiary specifically or are you talking about more generally?
- Harsh Mehta:** I wanted to know about both the part of the business.
- Nikhil Mallavarapu:** Okay. I mean, the way obviously in terms of each service offering typically in the build-to-spec kind of business, our typical order size is now increased to Rs. 30 crores to Rs. 50 crores kind of annual revenue, either annual revenue or order value. Whereas on the EMS side of the business, we want to target a customer that can get us to at least Rs. 100 crores revenue per year kind of rate. Obviously, that happens over time with multiple different target numbers and so on, but that's the objective.
- And on the engineering services side of the business, that again varies depending on the model. We have certain time and material or consulting type of engagements. And then on the other hand some service center work unit kind of engagements. And so here again, what we look for

is how to grow with a customer to be able to get to a \$5 plus or \$3 plus million revenue range with several customers, and with some of our top customers to be able to increase that to a \$7 million to \$10 million kind of engagement over the coming years. That's it.

Harsh Mehta: Thank you.

Nikhil Mallavarapu: Thank you.

Harsh Mehta: Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Jay Jesrani from Mountain Lion Partners. Please proceed.

Jay Jesrani: Hello. Yes. I think Mr. Desikan congratulations again on the wonderful run at Centum. I have though not interacted as much as Pranav, but the last 10 years you have been fantastic in terms of giving us clarity and openness in terms of approach towards understanding the company. Gone through the tough times. Unfortunately, you are not going to see the great times. But I hope you are associated with them in some way or the other because you have complete knowledge on the company.

Nikhil, just taking your question, I just want to know whether China Plus One is still a talk or its just defense which is the talk? Last time when we interacted during COVID time, you said that a lot of prototypes are being done where you want to get to the Rs. 50 crores or Rs. 100 crores orders, but it takes two to three years of investment to create those prototypes, to get it to the floor and get it to manufacturing. Are we any close to any of the orders on such type of companies because of China plus One? And second is, what is the current employee strength and how much do you see growing in the next two years? Do you see manpower being very important, bench strength to be very important to grow this business? Thank you.

Nikhil Mallavarapu: Thanks, Jay. So, just to answer your first part of the question, which was with regard to the China plus One, absolutely, we continue to see that as a team and we have added those customers. In fact, I touched on it also earlier on in the Q&A, where we are in advanced stages of qualification with the customers. And we expect this year itself, so there will be more order inflow and revenues coming in from some of these new customers that have been pursuing this China plus One approach. So, we absolutely continue to see that. And it will be both similar in some of our existing customers as well as new customers that we have in various stages in the pipeline. So that's the point on the first.

The second question, can you please repeat that again please?

Jay Jesrani: Typically from the employee standpoint of view, because the demand will grow and you need to grow the employee, do you need a good bench strength, or do you need to invest in employees

from first to train to a certain level? And what is the current employee strength and where do you see it in the next two years?

Nikhil Mallavarapu: Yes. First of all, very important for me to just clarify that employee cost and strength is something that needs to be looked at again separately, at the standalone level and at the subsidiary level, mainly because at a standalone level we are, at the end of the day, delivering a product, whereas in the subsidiary we are delivering a service. And so manpower, you can say, what you are billing is basically the time of our engineers that are working on the projects and so on. So, that's the first thing.

So, with that in mind, I think talking about the standalone part of the business where we continuously grow, yes, we have a program at different levels where we need to keep adding. I think we have a pretty good program in place especially from the technician level to be able to scale up the resources as we grow. But we also have a strong program around productivity to make sure with the existing resources itself we are able to do more.

Where we continue to spend a lot of time is especially on management and indirect middle management you can say level, engineers that are part of the new product qualifications and so on. That's going to be a critical area, an area where there is a lot of demand for. And so we do look at ensuring that we are investing in people and resources a little bit ahead of when we actually need them.

K. S. Desikan: Just to add, Jay, I think on the manpower, your comment is absolutely right. Today, more than the business, the challenge or the point is on talent management. And I think the employee retention and attrition are being closely monitored. Plus like what Nikhil said, the middle management, we have identified the high potentials and then we are putting them through training programs. Plus, also the productivity measures that Nikhil was talking about. So, there's a lot of focus on talent management, which definitely will guide the growth for this company. And from my side, I thank you so much, Mr. Jay Jesrani, I think for your kind words and also the specific inputs you have been giving from time to time. It may not be continuous, but they are all taken very seriously and discussed internally and then actions taken upon. Thank you.

Jay Jesrani: Thank you. I appreciate that. Thank you.

Moderator: Thank you. The next question is from the line of Anshul Saigal from Saigal Capital Advisors, LLP. Please proceed.

Anshul Saigal: Good afternoon. Thanks for taking the question. Our contribution from India is about 29% just now. As we get into the next few years, where do we see this contribution going? Will it remain in the same proportion, or will it rise?

Nikhil Mallavarapu: Thanks for the question. I think it's important to note that I think already in the last three to four years it has been increasing. And that's a combination of the Make in India push that we have

seen in the different sectors that we have been in. So I do not want to put a very specific number at the moment, but we will see probably a little bit higher contribution from India. But having said that, we continue to have a very healthy pipeline of export customers, especially on the EMS part of the business, and we will continue to develop and grow those customers for us. So, we will not see a complete sort of 180 in terms of major change of going from 30% or 29% to 70% or something like that, but we will see a gradual increase in terms of India as part of our overall revenues, and it's what we are actively pursuing also.

Anshul Saigal:

Sure. And I would assume that most of this business is BTS, if not all?

Nikhil Mallavarapu:

Yes. Most of the domestic business is contributed by our build-to-spec business. But we do also have some EMS customers that we deliver for globally but also for their demand in India.

Anshul Saigal:

Right. And is it fair to assume that this 29%, given the trend in recent years, can go to as much as 35%, not really 70%, but 35%? Is that a possibility in the next three years?

Nikhil Mallavarapu:

Yes. I mean, certainly, yes.

Anshul Saigal:

Okay. Which also then raises the question, given that BTS --

Nikhil Mallavarapu:

Let me just clarify that when I say certainly, I mean, it is clearly a possibility. And as I mentioned earlier, what we are looking at in terms of the contribution from build-to-spec as well as some of the growth that we are seeing in the EMS business for domestic customers, we should see an increase on the domestic contribution.

Anshul Saigal:

Sure. Thanks. So, that then raises the point that this being a higher margin business, this will mean the mix change will kind of add to margins. And so, say in the next three years, Mr. Desikan just mentioned that next year it's quite likely we will be at about 10% consolidated EBITDA. So, say in the next three years, where can this number be? Can it be like 11% to 12%?

K. S. Desikan:

Yes. Definitely. I think that's our goal, to improve that from 10% to probably around 12% in the next two years.

Anshul Saigal:

Okay. Great. And also, given the standalone growth numbers that you mentioned, say of around 28% odd, what could be the, I mean, in the next three years, this Rs. 1,150 crores revenue, is it likely that it will double given this kind of a run rate?

K. S. Desikan:

As we have been maintaining, we are targeting 18% to 20% CAGR for the next three years.

Anshul Saigal:

18% to 20% CAGR. Okay. That's very helpful. Thank you very much.

K. S. Desikan:

Thank you.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question, and would now like to hand the conference over to the management for closing comments.

Nikhil Mallavarapu: Thank you all for participating in the earnings conference call. I hope we were able to answer your questions satisfactorily, and at the same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations managers at Valorem Advisors.

Once again, just in closing, I would say that we continue our path of revenue growth as well as margin expansion. We have a clear plan around that and we are working towards that. Please do not look at us as a quarter-by-quarter company, please continue to look at us as a full annualized company because we do have some lumpiness in our revenues. But I think we are on the right path and we continue to focus on these opportunities and converting them.

And one more time, I want to once again place on record our deep gratitude for Desikan and all that he has done for the company. He has been a mentor to me and to many of our business unit heads. His wisdom, steady hand and calm counsel have been invaluable. And for our Chairman as well he has been more than just a finance leader, he has been a trusted partner through the thick and thin.

So thank you again, Desikan. And maybe some last words from you also please.

K. S. Desikan: Thank you so much, Nikhil, for those kind words. I think, anyway, as you rightly mentioned I will be here till 31st August, so another quarter to go probably, I will be along with Sundar meeting the investors. But I think it has been excellent support from Rao and from Nikhil without which I do not think I could have completed 25 years in this company. I am very happy and proud about my exciting journey here. And I think many shareholders with whom I have been associated for a long time have been very supportive. And thank you so much the investors and thank you Rao and thank you Nikhil. And that important remark that you made, Nikhil, that is we should be looked at as a year-to-year company and not a quarter-to-quarter company, I think that is a very, very important remark. With that note, I thank everyone and thank you so much.

Nikhil Mallavarapu: Thank you.

Moderator: On behalf of Nirmal Bang Equities Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.