

Centum Electronics: Execution Stabilising; Strategic Positioning Intact

Feb 16, 2026 | CMP: INR 2,307 | Target Price: INR 3,000

BUY

Expected Share Price Return: 30.0% | Dividend Yield: 0.3% | Potential Upside: 30.3%

Sector View: Positive

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

Company Info

BB Code	CTE IN EQUITY
Face Value (INR)	10.0
52-wk High/Low (INR)	3,044/1,140
Mkt Cap (Bn)	INR 34.0 / \$ 0.38
Shares o/s (Mn)	14.7
3M Avg. Daily Volume	38,748

Change in CIE Estimates

INR Mn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	13,433	13,665	(1.7)	15,717	16,261	(3.3)
EBITDA	1,179	1,507	(21.7)	1,405	2,038	(31.1)
EBITDAM %	8.8	11.0	(225)bps	8.9	12.5	(359)bps
PAT	(254)	624	N/A	682	1,095	(37.7)
PAT	(17.2)	45.9	N/A	46.3	76.2	(39.3)

Actual vs CIE Estimates

INR Mn	Q3FY26A	CIE Est.	Dev. %
Revenue	3,332	3,205	4.0
EBITDA	333	234	42.2
EBITDAM %	10.3	7.4	282bps
PAT	-618	55	N/A

Key Financials

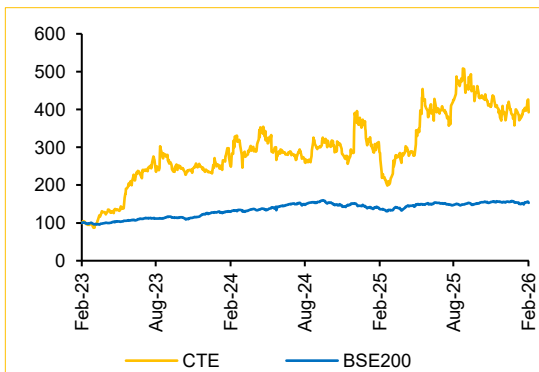
INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	10,908	11,581	13,433	15,717	18,546
YoY Growth (%)	18.2	6.2	16.0	17.0	18.0
EBITDA	858	993	1,179	1,405	1,891
EBITDAM (%)	7.9	8.6	8.8	8.9	10.2
PAT	-28	-19	-254	682	1,269
EPS	1.4	1.9	30.3	55.8	91.0
ROE (%)	-1.3	-0.6	-6.7	17.5	26.5
ROCE (%)	9.7	10.6	16.6	23.4	29.0
PE(x)	N/A	N/A	N/A	49.9	26.8
Price to BV (x)	14.6	8.6	9.4	8.1	6.3

Shareholding Pattern (%)

	Dec-25	Sep-25	Jun-25
Promoters	46.89	46.99	51.52
FIIs	2.39	2.85	1.93
DIIIs	19.95	19.29	15.69
Public	30.78	30.85	30.86

Relative Performance (%)

YTD	3Yr.	2Yr.	1Yr.
BSE 200	53.0	17.9	11.5
CTE	292.1	57.7	37.7



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Execution Stabilising; Strategic Positioning Intact

CTE delivered a measured quarter; we expect near-term growth to remain moderate. The underlying order book of **INR 17,001 Mn (~1.5x FY25 revenue)** provides a healthy revenue visibility. We expect the Built-to-Spec (BTS) segment to continue to be anchored by domestic defence and space programmes, while the **EMS business offers stability through shorter execution cycles**. We believe that the increasing mix of strategic programmes will enhance earnings quality and improve margin in the medium term.

We believe that CTE is strategically deepening its presence in mission-critical defence, space and aerospace electronics, accelerating its evolution from a component supplier to a higher-value system-level partner. Continued participation in **advanced ISRO programmes** and collaborations with leading domestic defence players strengthen its positioning in complex, **high-entry-barrier segments**.

We believe that the **India-EU engagement** will support rationalisation of overseas subsidiaries, reducing earnings drag and improving capital efficiency, thereby sharpening mgmt. focus on the structurally stronger India defence and space opportunity. With rising exposure to EW payloads, space systems and naval electronics, **margin quality and earnings visibility are set to strengthen in the medium term**.

Strong Operating Performance; Exceptional Losses Weigh on PAT

- Revenue for Q3FY26 up by 21.8% YoY and up by 19.3% QoQ at INR 3,332 Mn (vs CIE est. INR 3,205 Mn)
- EBITDA for Q3FY26 up by 22.3% YoY and up by 47.7% QoQ at INR 333 Mn (vs CIE est. INR 234 Mn). The EBITDA margin stood at 10.3%, increased by 8 bps YoY (vs CIE est. of 7.4%)
- PAT for Q3FY26 came at INR -618 Mn (vs CIE est. INR 55 Mn)
- Reported PAT reflects negative adjustments totaling INR 871 Mn, comprising exceptional items of INR 573 Mn (impairment charges in European subsidiaries) and losses of INR 298 Mn from discontinued Canadian operations

View & Valuation: We maintain our positive stance on CTE and reiterate our **BUY rating**. We value the stock at **PE of 35x** multiple, implying a target price of **INR 3,000**.

Particulars (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales (incl OOI)	3,332	2,737	21.8	2,793	19.3
Material Exp	1,827	1,432	27.6	1,479	23.5
Gross Profit	1,506	1,305	15.4	1,314	14.5
Employee Exp	870	820	6.1	861	1.1
Other Exp	303	213	42.1	229	32.5
EBITDA	333	272	22.3	225	47.7
Other Income	11	16	(32.0)	84	(87.3)
Depreciation	93	90	3.8	96	(2.9)
EBIT	250	198	26.4	213	17.5
Interest Cost	69	79	(12.8)	83	(17.1)
PBT	-691	-161	N/A	88	N/A
EO Items	-871	-279		-41	
Tax	-73	32	N/A	46	N/A
RPAT	-618	-193	N/A	42	N/A
EPS (INR)	-41.9	-12.8	227.6	3.0	N/A

Margin Analysis	Q3FY26	Q3FY25	YoY (bps)	Q2FY26	QoQ (bps)
Gross Margin (%)	45.2	47.7	(250.8)	47.1	(187.4)
Emp. Exp. % of Sales	26.1	30.0	(385.1)	30.8	(470.2)
Otr Op Exp % of Sales	9.1	7.8	130.2	8.2	90.8
EBITDA Margin (%)	9.98	9.9	4.0	8.1	192.0
Tax Rate (%)	10.6	-19.9	NA	52.2	(4,159.3)
RPAT Margin (%)	-18.5	-7.1	NA	1.5	(2,004.5)

Management Call – Highlights

Global Supply Chain: One of two suppliers for Rafale electronics; integrating into Thales' global supply chain for export markets

*Canada Operations: Discontinued to halt operational losses
France Subsidiaries: Restructuring initiated (divestment/judicial reorganization) due to weak macro environment*

Defence Margins: Build-to-Spec (BTS) segment maintains healthy 20–25% EBITDA margin profile

Revenue Visibility: Order book strengthened in Q3; expecting significant order intake momentum to continue in Q4

Strategic Order Pipeline & Market Opportunities

- **Airborne Radar:** L1 bidder for helicopter platform radar system for a DPSU; total value of programme ~INR 700 crore over 5–6 years
- **Air Navigation:** Partnership with GRSE for air navigation systems; total opportunity to the tune of ~INR 500 crore over 3–5 years
- **Semiconductor Equipment:** Ramping up with major global customer; targeting USD 30 million annual revenue run-rate within 2–3 years
- **Space Defence:** Pipeline for space-based electronic warfare and payloads look healthy; orders expected Q4 FY26 /Q1 FY27
- **Tank Electronics:** Indigenization of Russian subsystems (fire suppression, etc.) provides healthy pipeline visibility
- **Global Supply Chain:** One of two suppliers for Rafale electronics; integrating into Thales' global supply chain for export markets

Corporate Restructuring & Capital Allocation

- **Canada Operations:** Discontinued to halt operational losses
- **France Subsidiaries:** Restructuring initiated (divestment/judicial reorganization) due to weak macro environment
- **Financial Impact:** Full impairment of investments taken (~INR 153.8 Cr standalone); minimal recovery expected from divestment
- **Strategic Pivot:** Reallocating capital and management bandwidth to profitable, high-growth core EMS business in India

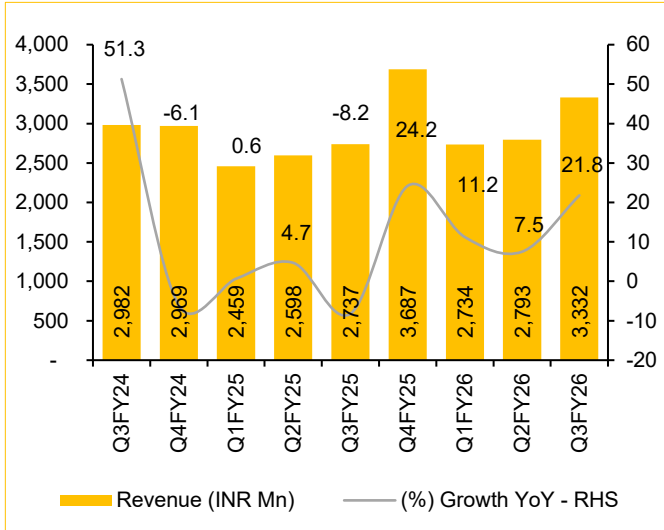
Competitive Positioning & Operational Capacity

- **Value Chain Progression:** Moving from subsystems to platform-level integration (e.g., full radar systems) to capture higher value
- **Capacity Expansion:** Groundbreaking completed for new systems integration facility at KIADB Aerospace Park, Bengaluru
- **Semiconductor Policy:** India Semiconductor Mission 2.0 presents a tailwind for CTE
- **Automation:** Implementing AI and automation in manufacturing to differentiate on quality for global OEM customers

Margin Rationale & Forward Guidance

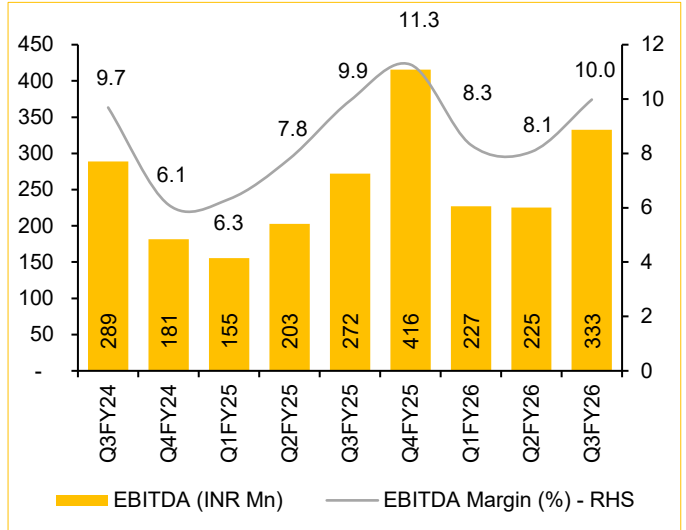
- **Defence Margins:** Build-to-Spec (BTS) segment maintains healthy 20–25% EBITDA margin profile
- **EMS Margins:** Manufacturing services targeting sustainable 10–11% margin with >20% ROCE
- **Seasonality:** Strong Q4 expected; BTS business remains lumpy while EMS revenues offer stability
- **Operating Leverage:** Margins expected to improve steadily via scale and improved programme mix in continuing operations
- **Revenue Visibility:** Order book strengthened in Q3; expecting significant order intake momentum to continue in Q4

Revenue was up by 21.8% on a YoY basis



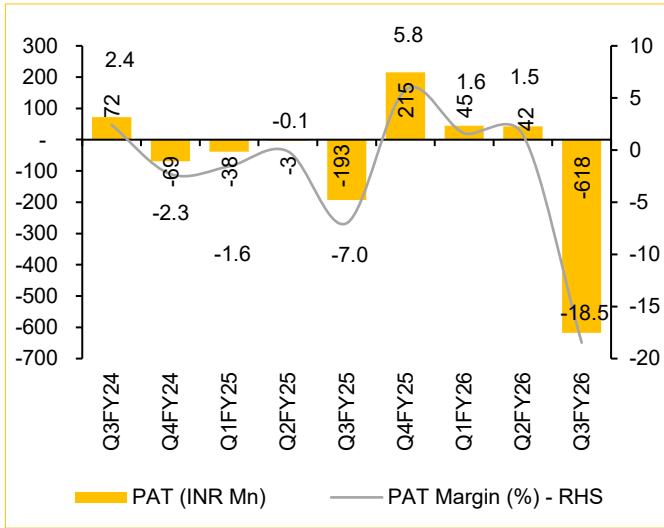
Source: CTE, Choice Institutional Equities

EBITDA was up by 22.3% on a YoY basis



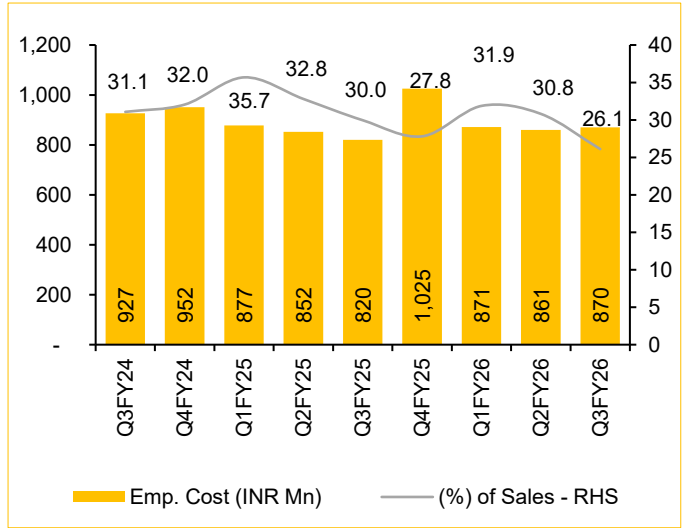
Source: CTE, Choice Institutional Equities

PAT down by 5.5% on QoQ basis



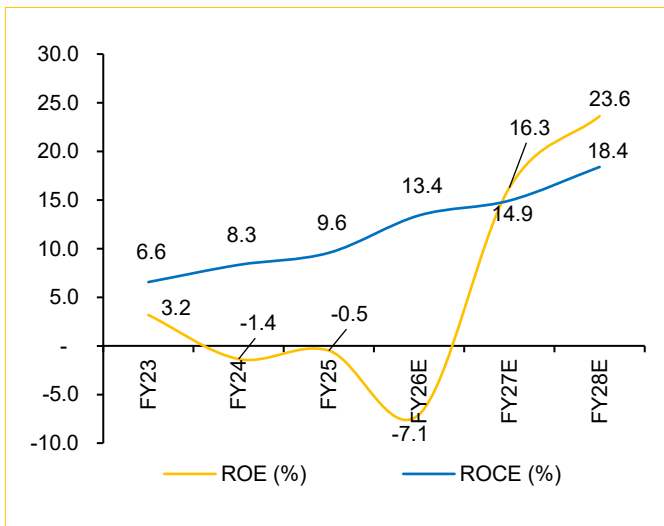
Source: CTE, Choice Institutional Equities

Employee cost trend



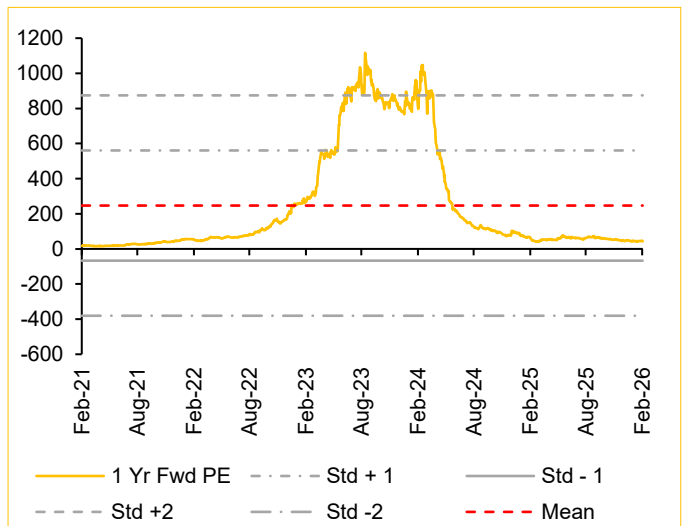
Source: CTE, Choice Institutional Equities

ROE & ROCE trend



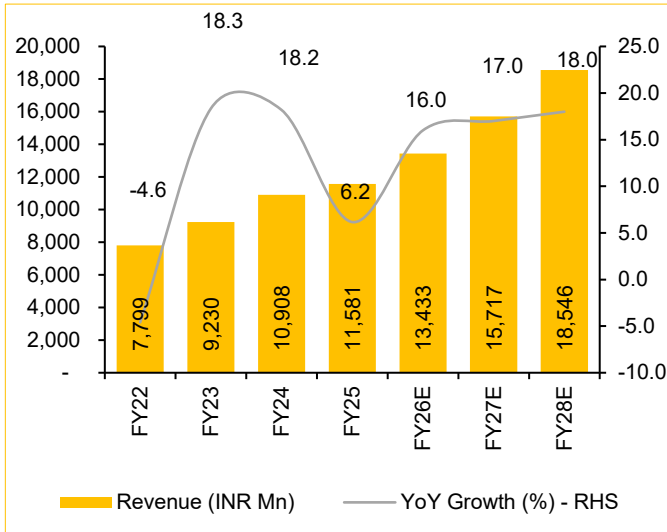
Source: CTE, Choice Institutional Equities

1-yr forward PE band (based on Adj. EPS)



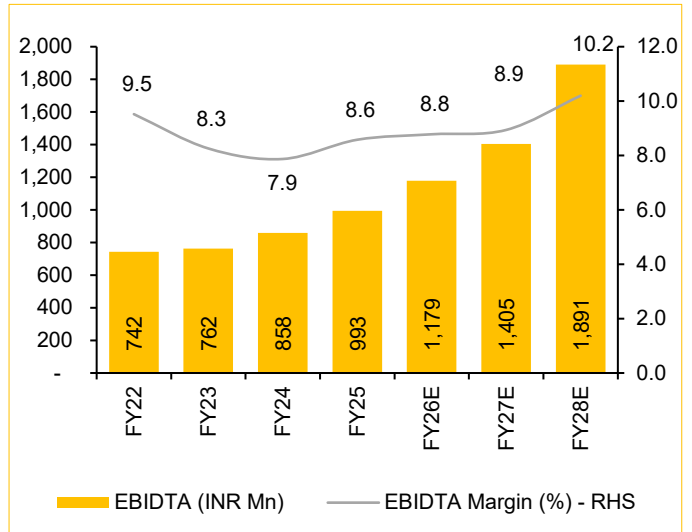
Source: CTE, Choice Institutional Equities

Rev. expected to expand ~17.0% CAGR over FY25–28E



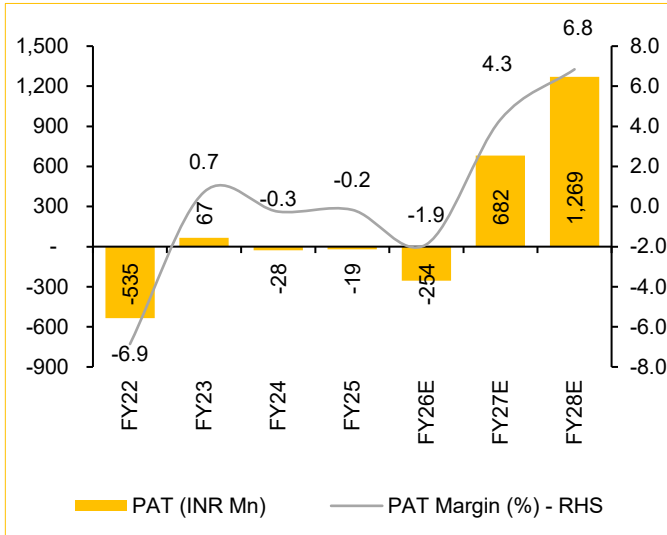
Source: CTE, Choice Institutional Equities

Cost measures to lead EBITDA margin improvement



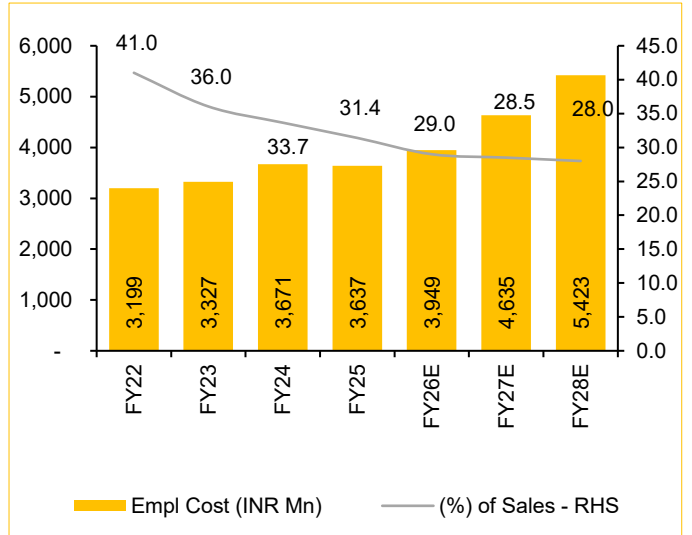
Source: CTE, Choice Institutional Equities

PAT expected to grow significantly



Source: CTE, Choice Institutional Equities

Employee cost trend



Source: CTE, Choice Institutional Equities

Income Statement (Consolidated – INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	10,908	11,581	13,433	15,717	18,546
Gross Profit	5,653	5,625	6,489	7,585	9,057
EBITDA	858	993	1,179	1,405	1,891
Other Income	68	61	182	547	820
Depreciation	453	441	410	445	473
EBIT	474	613	952	1,507	2,238
Interest Expense	346	329	315	333	351
PBT	79	136	-363	974	1,788
Reported PAT	-28	-19	-254	682	1,269
EPS	-2.1	-1.3	-17.2	46.3	86.1

Source: CTE, Choice Institutional Equities

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios					
Revenue (%)	18.2	6.2	16.0	17.0	18.0
EBITDA (%)	12.6	15.7	18.7	19.1	34.6
Margin Ratios					
Gross Margin	51.8	48.6	48.3	48.3	48.8
EBITDA Margin (%)	7.9	8.6	8.8	8.9	10.2
PAT Margin (%)	-0.3	-0.2	-1.9	4.3	6.8
Performance Ratios					
ROE (%)	-1.3	-0.6	-6.7	17.5	26.5
ROCE (%)	9.7	10.6	16.6	23.4	29.0
Turnover Ratio (Days)					
Inventory	106	109	108	106	106
Debtors	76	97	79	78	78
Payables	80	69	76	74	74
Cash Conversion Cycle (Days)	103	137	111	110	110
Financial Stability Ratios					
Net Debt to Equity (x)	0.5	0.0	0.1	-0.2	-0.5
Net Debt to EBITDA (x)	1.2	0.2	0.2	-0.7	-1.5
Interest Cover (x)	1.4	1.9	3.0	4.5	6.4
Valuation Metrics					
Fully Diluted Shares (Mn)	12.9	14.7	14.7	14.7	14.7
Price (INR)	2,307	2,307	2,307	2,307	2,307
Market Cap (INR Mn)	29,735	33,931	33,998	33,998	33,998
PE (x)	N/A	N/A	N/A	49.9	26.8
EV (INR Mn)	30,690	34,088	34,206	33,013	31,184
EV/EBITDA (x)	35.7	34.3	29.0	23.5	16.5
Book Value (INR/Share)	157.7	268.1	244.3	284.6	364.7
Price/BV (x)	14.6	8.6	9.4	8.1	6.3

Source: CTE, Choice Institutional Equities

Balance Sheet (Consolidated – INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	2,033	3,943	3,600	4,194	5,375
Total Debt	1,737	1,448	1,748	1,848	1,948
Other Long-term Liabilities	1,104	387	387	387	387
Trade Payables	2,378	2,200	2,797	3,186	3,760
Other Current Liabilities	3,387	4,417	5,293	6,309	7,506
Total Net Worth & liabilities	10,638	12,394	13,825	15,924	18,975
Net Fixed Assets	1,126	1,096	1,286	1,341	1,268
Capital Work in Progress	3	76	-	-	-
Investments	85	1	1	1	1
Other Non-current Asset	1,824	1,845	2,570	2,280	2,048
Inventories	3,174	3,474	3,975	4,564	5,386
Trade Receivables	2,280	3,065	2,907	3,359	3,963
Cash & Bank Balance	716	1,290	1,539	2,832	4,762
Other Current Assets	1,431	1,547	1,547	1,547	1,547
Total Assets	10,638	12,394	13,825	15,924	18,975
Capital Employed	4,873	5,777	5,735	6,428	7,709
Net Debt	1,021	158	208	-984	-2,814

Source: CTE, Choice Institutional Equities

Cash Flow Statement (Consolidated – INR Mn)

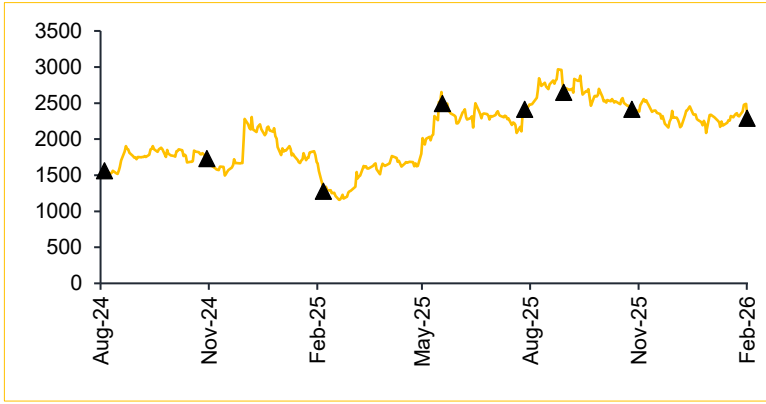
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	2,136	-294	1,600	1,824	2,437
Cash Flows from Investing	-440	-588	-1,248	-210	-168
Cash Flows from Financing	-1,448	1,057	-103	-321	-339

Source: CTE, Choice Institutional Equities

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden	-35.0%	-14.2%	70.0%	70.0%	71.0%
Interest Burden	16.6%	22.2%	-38.1%	64.7%	79.9%
EBIT Margin	4.3%	5.3%	7.1%	9.6%	12.1%
Asset Turnover	1.0	0.9	1.0	1.0	1.0
Equity Multiplier	5.1	4.1	3.7	4.1	4.0
ROE	-1.3%	-0.6%	-6.7%	17.5%	26.5%

Source: CTE, Choice Institutional Equities

Historical Price Chart: Centum Electronics (CTE)



Date	Rating	Target Price
Aug 13, 2024	ADD	1,776
Nov 15, 2024	ADD	1,826
Feb 19, 2025	SELL	845
Jun 02, 2025	SELL	2,050
Aug 07, 2025	ADD	2,570
Sep 15, 2025	ADD	3,000
Nov 14, 2025	BUY	3,000
Feb 16, 2026	BUY	3,000

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
 *Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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