

Centum Electronics: India Business Momentum Remains Strong

May 17, 2026 | CMP: INR 3,011 | Target Price: INR 3,300

ADD

Expected Share Price Return: 9.6% | Dividend Yield: 0.2% | Potential Upside: 9.8%

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)	3,199/1,906
Mkt Cap (Bn)	INR 44.1 / \$ 0.46
Shares o/s (Mn)	14.7
3M Avg. Daily Volume	107,637

Actual vs CIE Estimates

INR Mn	Q4FY26A	CIE Est.	Dev.
Revenue	3,441	4,388	(21.6%)
EBITDA	523	500	4.6%
EBITDAM %	15.4	11.4	405 bps
PAT	350	284	23.3%

Key Financials

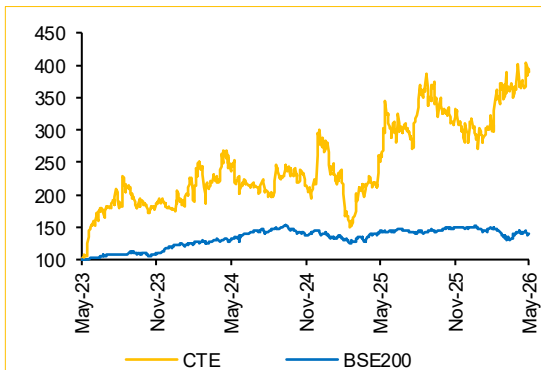
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	7,427	9,627	11,360	13,632	16,358
YoY Growth (%)	N/A	29.6	18.0	20.0	20.0
EBITDA	1,014	1,454	1,668	2,036	2,446
EBITDAM (%)	13.7	15.1	14.7	14.9	15.0
PAT (continuing ops.)	504	1,007	1,118	1,390	1,705
EPS (continuing ops.) (INR)	38.8	68.3	75.9	94.3	115.7
Reported EPS (INR)	1.9	(31.6)	25.0	70.6	105.5
ROE (%)	(0.6)	(13.8)	9.2	19.8	22.9
ROCE (%)	14.9	17.4	27.0	27.1	26.2
PE(x)	1,593.0	N/A	120.5	42.7	28.5
Price to BV (x)	11.2	13.7	10.2	7.7	5.9

Shareholding Pattern (%)

	Mar-26	Dec-25	Sep-25
Promoters	46.88	46.89	46.99
FIIs	2.37	2.39	2.85
DIIIs	21.51	19.95	19.29
Public	29.24	30.78	30.85

Relative Performance (%)

YTD	3Yr.	2Yr.	1Yr.
BSE 200	39.6	7.1	(2.8)
CTE	293.2	66.6	57.3



Putta Ravi Kumar

Email: ravi.putta@choiceindia.com

Ph: +91 22 6707 9908

India Business Momentum Remains Strong

We believe CTE's story this quarter is less about growth and more about **quality of earnings reset**. The management is effectively exiting loss-making European subsidiaries, which had been masking a structurally healthy India business; importantly, **no further major P&L shocks are expected** and deconsolidation is imminent. Reported numbers may look volatile in the near term, but economically, the business is becoming **simpler, more domestic and margin-accretive**. The real signal is underlying segments (BTS plus EMS) are already compounding 25–30%, implying that future growth will look optically stronger once the restructuring is complete.

The more interesting angle is **strategic positioning, not just growth**. We expect CTE to move up the value chain, from EMS (~10% margins) to BTS (~20%+ margins) while building proprietary defence/space IP and full-system capabilities. This creates a dual engine for steady annuity-like EMS, plus high-margin, long-cycle BTS programmes (radars, space systems). However, this transition comes with risks – **dependence on anchor customers (especially in semicon), supply-chain tightness and potential customer overlap as it moves upstream**. Furthermore, we believe CTE is evolving from a contract manufacturer to a **defence-tech platform** and, if execution holds, valuation could re-rate – but the journey will be lumpy, not linear.

Subsidiary Losses Continue to Drag Financial Performance

- Revenue for Q4FY26 was up by 28.5% YoY and up by 44.1% QoQ at INR 3,441 Mn
- EBITDA for Q4FY26 was up by 12.9% YoY and up by 54.5% QoQ at INR 523 Mn. EBITDA margin stood at 15.4%, declined by 197 bps YoY
- PAT from continuing operations for Q4FY26 was up by 16.0% YoY at INR 350 Mn. PAT (from continuing operations) margin declined by 110 bps YoY, reaching 10.2%

View & Valuation: We maintain our positive stance on CTE. We give 'ADD' rating on the stock, with an upgraded target price of **INR 3,300** (earlier INR 3,000) on the basis of a **35x P/E multiple** (on the PAT of continued operations), implying a PEG ratio of 1.8 (on EPS from cont. ops. growth rate from FY26–29E).

Particulars (INR Mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Net Sales (incl OOI)	3,441	2,677	28.5	2,388	44.1
Material Exp	2,354	1,613	45.9	1,557	51.2
Gross Profit	1,086	1,064	2.1	832	30.7
Employee Exp	389	413	(5.7)	310	25.7
Other Exp	173	187	(7.4)	183	(5.2)
EBITDA	523	464	12.9	339	54.5
Other Income	38	30	25.3	9	305.6
Depreciation	50	45	10.0	52	(3.2)
EBIT	512	449	14.1	297	72.5
Interest Cost	50	64	(22.4)	42	18.4
PBT	462	385	20.1	255	81.4
Tax	112	83	35.0	(74)	N/A
PAT (continuing ops.)	350	302	16.0	329	6.4
RPAT	16	215	(92.4)	(621)	(102.6)
EPS (continuing ops.)	23.7	22.75	4.2	22.3	6.4
REPS	3.35	16.92	(80.2)	(41.8)	(108.0)

Margin Analysis	Q4FY26	Q4FY25	YoY (bps)	Q3FY26	QoQ (bps)
Gross Margin (%)	31.6	39.7	(816)	34.8	(324)
Emp. Exp. % of Sales	11.3	15.4	(411)	13.0	(165)
Otr Op Exp % of Sales	5.0	7.0	(196)	7.7	(262)
EBITDA Margin (%)	15.2	17.3	(210)	14.2	103
Tax Rate (%)	24.3	21.6	268	(29.0)	5331
PAT Margin (cont ops.)(%)	10.2	11.3	(110)	13.8	(359)

Management Call – Highlights

Strategic Restructuring & Capital Allocation

- The management took decisive steps to close underperforming overseas operations
- Operations in Canada were **discontinued** in Q4FY26
- The French subsidiary entered a court-supervised legal restructuring process in March 2026 and final bids for the French asset sale are expected shortly
- The divestment process targets conclusion by **July 2026**
- **No financial realisation** is expected from the European sale due to significant liabilities
- Management expects **no further exceptional losses** related to this restructuring
- Capital allocation and management bandwidth will now focus purely on core India ESDM platform

Overseas losses ring-fenced; management bandwidth and capital refocused entirely on the core India ESDM business

Guidance & Outlook

- The management targets a medium-term standalone revenue **CAGR of 25–30%**
- EBITDA margin is guided at **13–15%** in the near-to-medium term
- FY27E capex is projected at approximately **INR 40–45 Cr**

Guidance of 25–30% revenue CAGR over the medium term, with EBITDA margins of 13–15%

Segmental Performance: Build-to-Specification (BTS)

- The BTS segment delivered revenue **growth of ~37% YoY** in FY26
- This is a structurally higher-margin business, operating at **~20% EBITDA margin**
- The standalone order book grew ~23% YoY to close at **INR 1,645 Cr**
- FY26 order inflows for the BTS segment surpassed INR 400 Cr
- Secured a marquee full-turnkey **AESA Radar program** from HNAL for the UH-M platform
- Opportunity size for the HNAL radar exceeds **INR 570 Cr** over its lifecycle. Phase one (development) of the project is valued at INR 66–67 Cr over the next two years
- Won a second Radar System order for **Satellite and Space debris tracking**, valued at nearly **INR 30 Cr** for a single system
- Secured a development contract for the **Virupaksha radar** programme – valued at under INR 10 Cr for two critical, high-value subsystems

BTS segment witnessed 37% revenue growth and marquee radar programme wins

Segmental Performance: Electronics Manufacturing Services (EMS)

- The EMS segment achieved revenue **growth of ~21% YoY** in FY26
- EMS operates on a cost-plus model, yielding typical **EBITDA margin of 9–10%**
- The management is initiating preliminary discussions with other potential global semiconductor clients

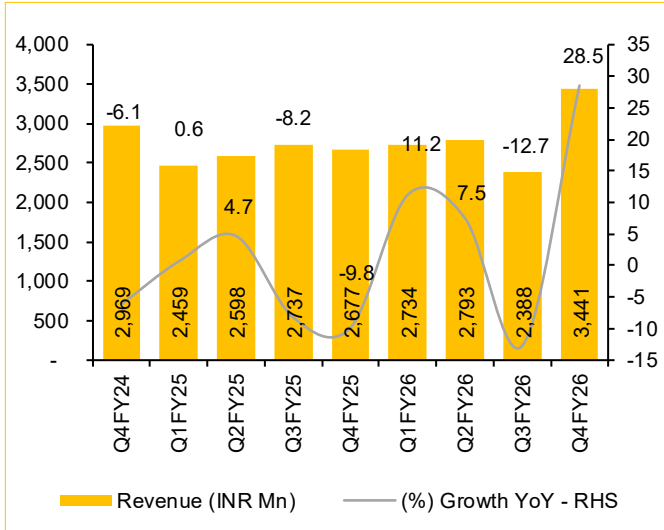
EMS revenue grew 21% YoY; early-stage client diversification efforts targeting additional global semiconductor mandates

Supply Chain

- Emerging supply chain bottlenecks are negatively impacting PCB lead times
- The management is utilising **advance ordering** to successfully mitigate these lead time extensions
- The ongoing Middle East conflict caused short-term logistics delays at the end of Q4
- However, **no major long-term supply disruption** has been observed from the geopolitical conflict

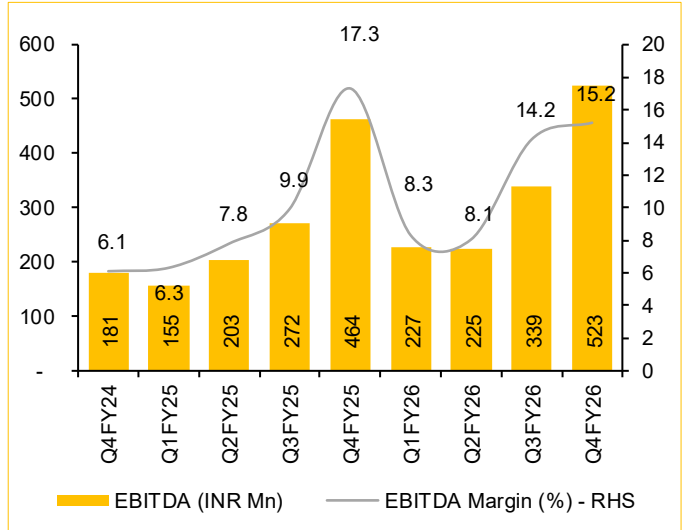
No material long-term impact of supply chain headwinds

Revenue was up by 43.0% on a QoQ basis



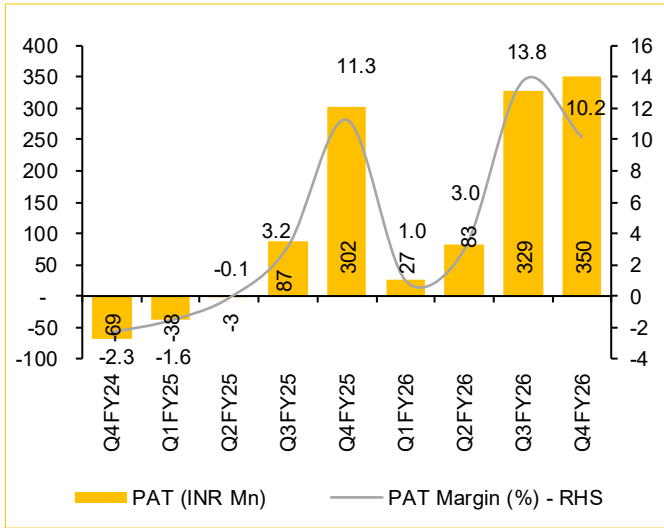
Source: CTE, Choice Institutional Equities

EBITDA was up by 54.5% on a QoQ basis



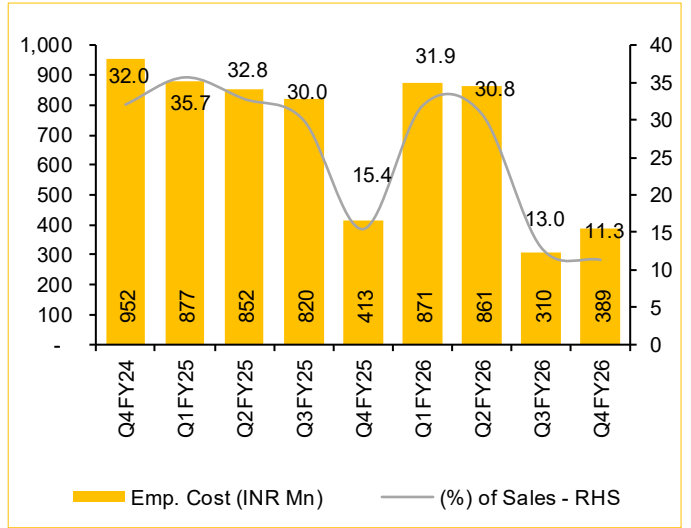
Source: CTE, Choice Institutional Equities

PAT (continuing ops.) up by 6.4% on QoQ basis



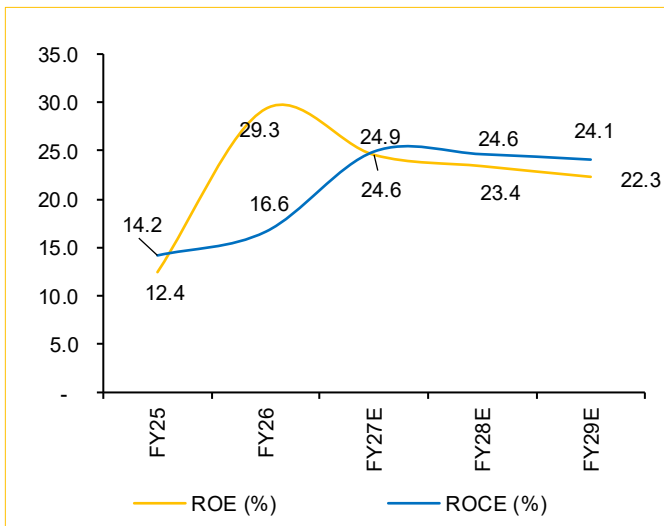
Source: CTE, Choice Institutional Equities

Employee cost trend



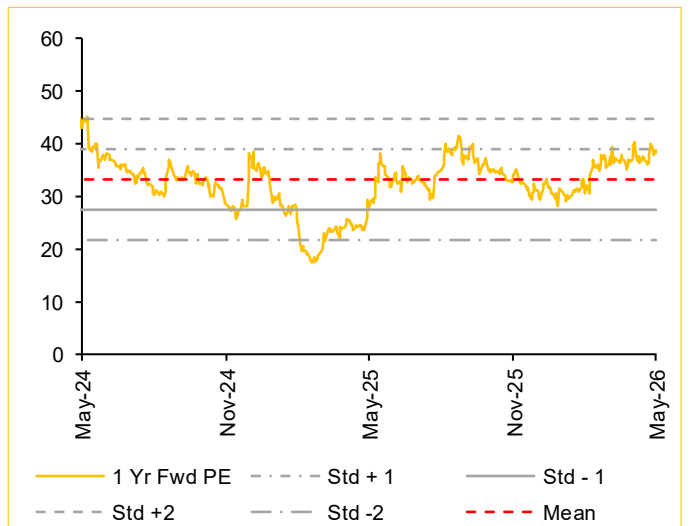
Source: CTE, Choice Institutional Equities

ROE & ROCE trend



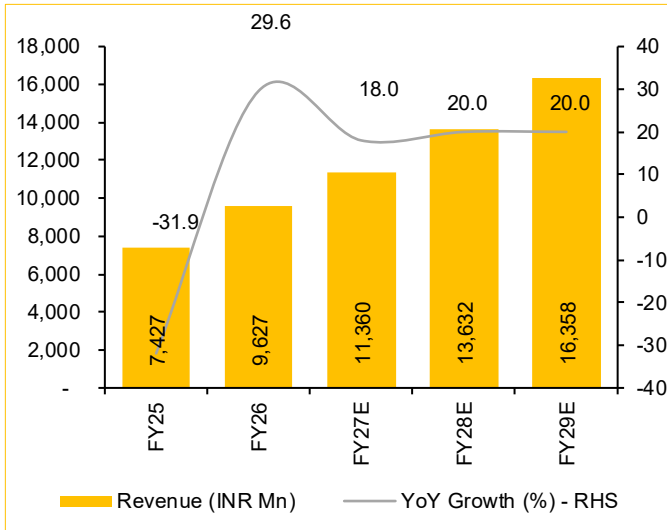
Source: CTE, Choice Institutional Equities

1-yr forward PE band (based on EPS from continuing ops.)



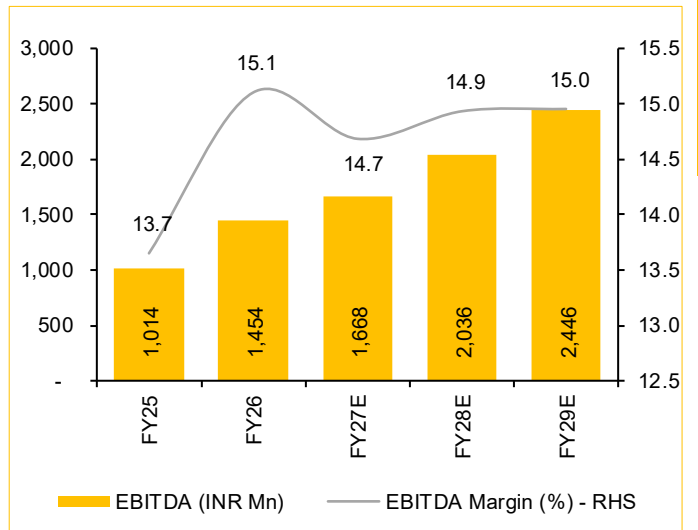
Source: CTE, Choice Institutional Equities

Rev. expected to expand ~19.3% CAGR over FY26–29E



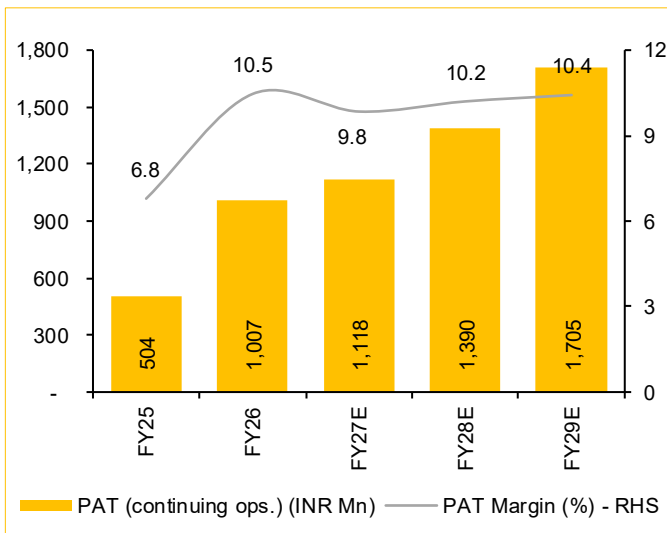
Source: CTE, Choice Institutional Equities

Cost measures to lead to EBITDA margin improvement



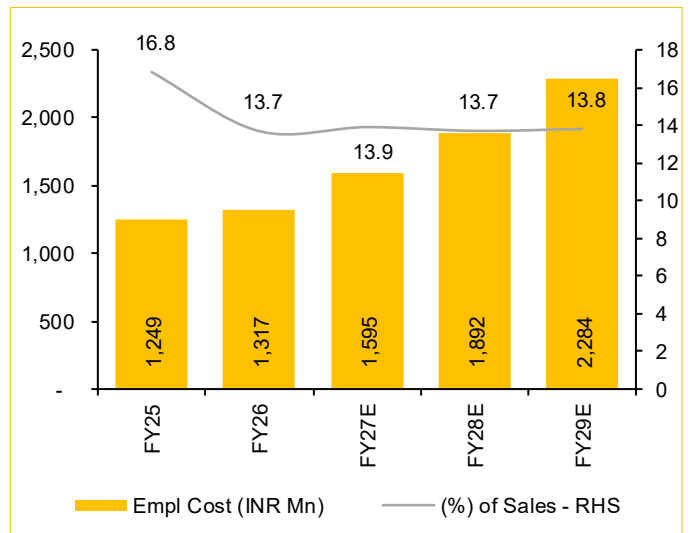
Source: CTE, Choice Institutional Equities

PAT expected to grow significantly



Source: CTE, Choice Institutional Equities

Employee cost trend



Source: CTE, Choice Institutional Equities

Income Statement (Consolidated – INR Mn)

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	7,427	9,627	11,360	13,632	16,358
Gross Profit	2,837	3,410	4,067	4,894	5,889
EBITDA	1,014	1,454	1,668	2,036	2,446
Other Income	41	59	117	176	194
Depreciation	195	195	239	255	271
EBIT	860	1,318	1,547	1,957	2,369
Interest Expense	195	169	183	197	211
PBT	665	1,148	1,364	1,760	2,158
Reported PAT	(19)	(518)	368	1,040	1,555
EPS	1.9	(31.6)	25.0	70.6	105.5
EPS (continuing ops.)	38.8	68.3	75.9	94.3	115.7

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenue (%)	N/A	29.6	18.0	20.0	20.0
EBITDA (%)	N/A	43.4	14.7	22.0	20.2
PAT %)(cont. ops.)	N/A	99.7	11.0	24.3	22.6
Margin Ratios					
Gross Margin	38.2	35.4	35.8	35.9	36.0
EBITDA Margin (%)	13.7	15.1	14.7	14.9	15.0
PAT Margin (%) (cont. ops.)	6.8	10.5	9.8	10.2	10.4
Performance Ratios					
ROE (%)	(0.6)	(13.8)	9.2	19.8	22.9
ROCE (%)	14.9	17.4	27.0	27.1	26.2
Turnover Ratio (Days)					
Inventory	171	173	165	160	160
Debtors	151	114	110	105	105
Payables	108	96	95	95	95
Cash Conversion Cycle (Days)	213	191	180	170	170
Financial Stability Ratios					
Net Debt to Equity (x)	0.0	0.0	(0.0)	(0.1)	(0.1)
Net Debt to EBITDA (x)	0.1	0.0	(0.0)	(0.2)	(0.2)
Interest Cover (x)	4.4	7.8	8.5	9.9	11.2
Valuation Metrics					
Outstanding Shares (Mn)	14.7	14.7	14.7	14.7	14.7
Price (INR)	3,011	3,011	3,011	3,011	3,011
Market Cap (INR Mn)	44,280	44,382	44,382	44,382	44,382
PE (x)	1,593.0	N/A	120.5	42.7	28.5
EV (INR Mn)	44,322	44,220	44,188	43,798	43,652
EV/EBITDA (x)	43.7	30.4	26.5	21.5	17.8
Book Value (INR/Share)	268.1	220.5	296.4	390.7	506.4
Price/BV (x)	11.2	13.7	10.2	7.7	5.9

Source: CTE, Choice Institutional Equities

Balance Sheet (Consolidated – INR Mn)

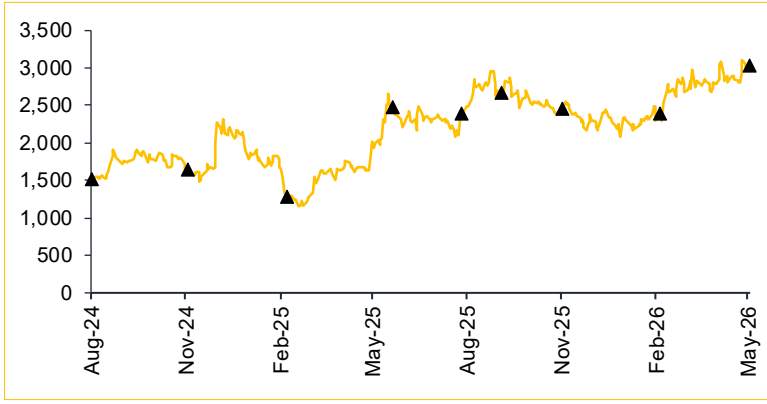
Particulars	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	4,052	3,432	4,550	5,941	7,646
Total Debt	1,448	1,220	1,320	1,420	1,520
Other Long-term Liabilities	277	(134)	(134)	(134)	(134)
Trade Payables	2,200	2,530	2,957	3,548	4,258
Other Current Liabilities	4,417	2,928	3,755	3,953	4,253
Liability directly associated with assets held for sale	-	3,052	-	-	-
Total Net Worth & liabilities	12,394	13,027	12,448	14,728	17,542
Net Fixed Assets	1,524	1,359	1,620	1,765	1,894
Capital Work in Progress	76	-	-	-	-
Investments	1	-	-	-	-
Other Non-current Assets	1,425	442	482	562	722
Inventories	3,474	4,562	5,135	5,976	7,171
Trade Receivables	3,065	2,997	3,424	3,921	4,706
Cash & Bank Balance	1,296	1,201	1,333	1,822	2,068
Other Current Assets	1,533	382	454	682	981
Assets held for sale	-	2,084	-	-	-
Total Assets	12,394	13,027	12,448	14,728	17,543
Capital Employed	5,777	7,570	5,737	7,227	9,032
Net Debt	151	19	(13)	(402)	(548)

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	(294)	604	2,880	1,066	917
Cash Flows from Investing	(588)	(432)	1,544	(480)	(560)
Cash Flows from Financing	1,071	(254)	(3,135)	(97)	(111)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden	-2.9%	-45.1%	27.0%	59.1%	72.1%
Interest Burden	77.3%	87.2%	88.2%	89.9%	91.1%
EBIT Margin	11.6%	13.7%	13.6%	14.4%	14.5%
Asset Turnover	0.6	0.7	0.9	0.9	0.9
Equity Multiplier	4.1	3.5	3.1	2.8	2.6
ROE	-0.6%	-13.8%	9.2%	19.8%	22.9%

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
May 17, 2026	ADD	3,300

Institutional Research Team

Utsav Verma, CFA	Head of Institutional Research	utsav.verma@choiceindia.com	+91 22 6707 9440
Ambrish Shah	Analyst - Power	ambrish.shah@choiceindia.com	+91 22 6707 9251
Ashutosh Murarka	Analyst - Building Materials	ashutosh.murarka@choiceindia.com	+91 22 6707 9521
Bhavik Shah, CFA	Analyst - Metals & Mining	Bhavik.shah@choiceindia.com	+91 22 6707 9521
Deepika Murarka	Analyst - Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Dhanshree Jadhav	Analyst - Technology	dhanshree.jadhav@choiceindia.com	+91 22 6707 9535
Dhaval Popat	Analyst - Energy	dhaval.popat@choiceindia.com	+91 22 6707 9949
Fenil Brahmhatt	Analyst - Realty & Building Materials	fenil.brahmhatt@choiceindia.com	+91 22 6707 9930
Ishank Gupta	Analyst - NBFCs	ishank.gupta@choiceindia.com	+91 22 6707 9867
Karan Kamdar	Analyst - Consumer Discretionary, Small and Midcaps	karan.kamdar@choiceindia.com	+91 22 6707 9451
Kunal Bajaj	Analyst - Technology	kunal.bajaj@choiceindia.com	+91 22 6707 9901
Maitri Sheth	Analyst - Pharmaceuticals	maitri.sheth@choiceindia.com	+91 22 6707 9511
Putta Ravi Kumar	Analyst - Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Preeyam Tolia	Analyst - FMCG & Retail	preeyam.tolia@choiceindia.com	+91 22 6707 9987
Aayush Saboo	Sr. Associate - Realty	aayush.saboo@choiceindia.com	+91 22 6707 9930
Avi Jhaveri	Sr. Associate - Technology	avi.jhaveri@choiceindia.com	+91 22 6707 9901
Bharat Kumar Kudikyala	Sr. Associate - Building Materials	bharat.kudikyala@choiceindia.com	+91 22 6707 9521
Samarth Goel	Sr. Associate - Small and Midcaps	samarth.goel@choiceindia.com	+91 22 6707 9451
Subhash Gate	Sr. Associate - Autos	subhash.gate@choiceindia.com	+91 22 6707 9233
Heer Gogri	Associate - Small and Midcaps	heer.gogri@choiceindia.com	+91 22 6707 9433
Heet Chheda	Associate - Autos	heet.chheda@choiceindia.com	+91 22 6707 9233
Rushil Katiyar	Associate - Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9901
Shreya Mehra	Associate - Technology	shreya.mehra@choiceindia.com	+91 22 6707 9535
Stuti Bagadia	Associate - Pharmaceuticals	stuti.bagadia@choiceindia.com	+91 22 6707 9511
Vinay Rawal	Associate - Small and Midcaps	vinay.rawal@choiceindia.com	+91 22 6707 9433

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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