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20th February, 2026

To,

Listing Department, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051	Department of Corporate Services – Listing, BSE Limited, P. J. Towers, Dalal Street, Mumbai – 400 001
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Re: Scrip Symbol: CENTUM/ Scrip Code: 517544

Dear Sir/ Madam,

Sub: Transcript of the conference call with Analysts/ Investors

In continuation to our letter dated 16th February, 2026 and pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Transcript of the conference call that was organized with the Analysts / Investors on Monday, 16th February, 2026 at 11:00 A.M. IST has been uploaded on website of the Company at <https://www.centumelectronics.com/financial-results/>

Yours faithfully,

For **Centum Electronics Limited**

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Company Secretary & Compliance Officer
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“Centum Electronics Limited
Q3 & 9 Months FY '26 Earnings Conference Call”

February 16, 2026



MANAGEMENT: **MR. NIKHIL MALLAVARAPU – JOINT MANAGING
DIRECTOR – CENTUM ELECTRONICS LIMITED
MR. SUNDARARAJAN PARTHASARATHY – CHIEF
FINANCIAL OFFICER – CENTUM ELECTRONICS
LIMITED**

MODERATOR: **Ms. KRISHNA DOSHI – ASHIKA INSTITUTIONAL
EQUITIES**

Moderator: Good morning, ladies and gentlemen, and welcome to the Centum Electronics Limited Q3 and 9-Month FY '26 Earnings Conference Call, hosted by Ashika Institutional Equities. 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

Before we proceed, this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Ms. Krishna Doshi from Ashika Institutional Equities. Thank you, and over to you, Ms. Doshi.

Krishna Doshi: Thank you. Good morning, and a very warm welcome to everyone. On behalf of Ashika Institutional Equities, I welcome you all to Centum Electronics Limited Q3 FY '26 Earnings Conference Call. Today, we have with us the management represented by Mr. Nikhil Mallavarapu, Joint Managing Director; and Mr. Sundararajan Parthasarathy, Chief Financial Officer.

We thank Centum Electronics for giving us the opportunity to host the call. And we would now like to hand over the floor to the management for their opening remarks, post which we will open the floor for Q&A. Thanks, and over to you, Nikhil, sir.

Nikhil Mallavarapu: Thank you, Ms. Doshi, and good morning, everyone. Welcome to our earnings concall to discuss the performance of the third quarter and 9 months of the financial year 2026. I'll start with a special thanks to our host today at Ashika Stock Broking.

Let me start this call by summarizing the essence of the call. This quarter clearly represents an important inflection point for Centum with a few critical announcements and as a result, allow us a little bit extra time to share our opening remarks, after which we will open the floor for the Q&A.

So we've delivered a healthy operating growth in our continuing business during the quarter and have taken decisive steps to realign our global portfolio and strengthen the long-term foundation of the company. I will first brief you on the key performance highlights for the quarter and the period under review and provide an overview of the decisions taken with regard to our overseas subsidiary, after which our CFO, Mr. Sundararajan Parthasarathy, will take you through the financial highlights.

So starting with the core business, our standalone operations continued to demonstrate strong momentum during the quarter, driven by robust execution in our high-margin Build-to-Spec segment. Growth was led by strong execution in our domestic defense and space programs, particularly across radar systems, space-based electronic warfare and tank electronics programs.

We continue to see a healthy demand visibility in these segments, supported by our differentiated capabilities and long-standing customer relationships. A key milestone during the quarter was forging, a strategic partnership with GRSE for the Air Navigation Program. This marks our entry

into mission-critical air navigation systems and aligns strongly with our strategy of moving up the value chain towards integrated systems and platform-level solutions. I'm happy to share that we have already received the first order under this program, and we expect more orders in the coming quarters as we build traction.

Further, we were declared L1 bidder for the development and production of a complete radar system for a major airborne platform of a defense PSU. This is a significant validation of our capability in complex radar systems and strengthens our position in high-value defense programs.

On the capacity expansion front, we also completed the groundbreaking at KIADB Aerospace Park in Bengaluru, where we will be setting up a dedicated facility for systems integration and capability enhancements in critical technology areas. On the EMS front, we also saw strong execution with the ramp-up of deliveries to a new semiconductor equipment customer. We also secured new orders from this customer during the quarter. And with the favorable policy announcement under the India Semiconductor Mission 2.0, we believe we are well positioned to benefit from the growth in the semiconductor capex cycle globally.

We also secured new business awards in the Energy and Industrial segment from an existing customer, a leading global OEM for new grid automation and power distribution product lines. These initiatives further diversify our revenue base and strengthen our industrial electronics portfolio. Our order book has also strengthened further during the period, providing healthy revenue visibility into the coming quarters. And based on the current pipeline and customer traction, we expect good momentum of order intake in Q4 as well.

Now let me address the overseas subsidiaries candidly. Over the past several quarters, we have been transparent about the challenges in our Canada and France operations and our intent to address them in a time-bound manner. In line with this commitment, we have now discontinued operations in our Canada-based subsidiaries and initiated closure-related actions in accordance with applicable regulations. This effectively stops further operational losses from these entities.

In the European subsidiary, over the past few years, we have also made sustained and serious efforts to bring a turnaround. These included leadership changes, strategic repositioning, operational restructuring, cost optimization initiatives and capital infusion from the parent company.

We committed management bandwidth and financial resources to restore stability and growth. However, despite these efforts, the prolonged weak macro environment in Europe, subdued demand in the ER&D services market, increased competitive intensity impacting margins and balance sheet constraints at the subsidiary level have not enabled a sustainable turnaround.

After careful evaluation, we determined that reallocating capital and leadership attention towards our core growth segments would generate stronger long-term returns for shareholders. Accordingly, the Board has approved initiating actions with respect to our French subsidiaries to assess options, including divestment, sale or transfer of business or judicial reorganization as permitted under the relevant laws.

To summarize, we have discontinued operations in Canada and initiated restructuring actions in France. In line with these decisions, certain onetime exceptional items have been recognized in the quarter to appropriately reflect their financial impact. Based on our present assessment, we do not expect any further material financial impact beyond what has already been recognized.

Overall, with the overseas restructuring actions now substantially addressed, our strategic focus remains on strengthening the company's capital allocation discipline, allowing us to fully concentrate on profitably scaling our rapidly growing core ESDM platform.

With that, I would like to hand over the call to our CFO, Mr. Sundararajan, to brief you on the financials.

Sundararajan P.:

Thank you, Mr. Nikhil, and good morning, everyone. Let me now brief you on the financial highlights for the third quarter and 9 months of the financial year ending 2026 March. At a standalone level, revenue from operations for Q3 FY '26 stood at INR238 crores, reflecting a very strong growth at 27% year-on-year. And the EBITDA for the quarter stood at INR26 crores, higher by 27% year-on-year. And the profit before exceptional items and tax for the quarter stood at INR19 crores, registering a growth of 77% year-on-year.

For the 9-month period, the standalone revenue stood at INR630 crores, registering a growth of 25% year-on-year and the EBITDA registered a growth of 50% to INR76 crores, translating to a margin of 12.1%, representing about 200 basis points over the corresponding period last year. Profit before exceptional items and tax for the 9-month period stood at INR58 crores, reflecting a growth of 128% year-on-year. This clearly reflects improved scale, better program mix and operating leverage in the India's ESDM business.

Now coming to the consolidated performance. Revenue from operations for Q3 FY '26 stood at INR331 crores, registering a growth of 21% year-on-year and the EBITDA for the quarter stood at INR31 crores with a margin of 9.5%. And the profit before exceptional items and tax expense from continuing operations was at INR18 crores, which is up by 53% year-on-year.

For the 9-month period, the consolidated revenue stood at INR873 crores, up 15% year-on-year. The EBITDA for the 9 months stood at INR78 crores, translating to a margin of 8.9%. Profit before exceptional items and tax expense from continuing operations was at INR45 crores, which is up by 155% year-on-year.

To reiterate, we delivered strong results this quarter and are well on the path to delivering a stronger quarter to end the year, largely backed by the standalone performance. The financial results for the quarter and 9 months period reflect the impact of exceptional items and onetime impacts to give effect to the developments relating to the overseas subsidiaries as discussed by Mr. Nikhil earlier.

Now let me explain the accounting treatment relating to these overseas subsidiaries. Following the Board approval during December 2025, we have discontinued the Canadian operations that has been specifically classified as discontinued operations in the Q3 financial statements. Accordingly, all the prior period numbers have been restated to reflect the operating results of

the continuing operations. The net operating results include loss relating to Canada that has been reflected separately under discontinued operations in the consolidated financials.

For the 9-month period, the loss before tax from discontinued operations amounted to INR39 crores. And for the quarter 3 FY '26, it was at INR29.8 crores, including onetime impact of INR24.9 crores. These numbers relate to Canadian subsidiaries again.

Now coming to the exceptional items included in the consolidated financials. The exceptional items for Q3 in consolidated financial statements were at INR57 crores and for the 9 months period, it was INR55.6 crores. These relate primarily to impairment of goodwill and intangible assets arising from restructuring options of the French subsidiary. At the standalone level, the impact is more pronounced due to impairment of investments.

During the quarter 3, the company has fully impaired its investment in subsidiaries amounting to INR153.8 crores in standalone books. In addition, exceptional items at standalone books also include provision for receivables relating to supplies made to the Canadian subsidiary. All these actions ensure that the standalone balance sheet now reflects a conservative and realistic valuation of the overseas exposures.

To summarize clearly, number one, Canadian operations have been classified as discontinued. The numbers have been recast accordingly. Standalone exceptional items largely relate to the impairment of investments in subsidiaries and provisions against receivables connected to Canada. Lastly, the consolidated exceptional items that is in the consolidated financial statements primarily reflect goodwill and assets impairments relating to the French subsidiary. However, it's important to emphasize that these exceptional items are largely onetime in nature, predominantly noncash accounting adjustments.

With these provisions now substantially recognized, we believe the balance sheet appropriately reflects the current structure and the future performance will more clearly represent the strength of our continuing India ESDM operations. I can now confidently say that the underlying business momentum remains positive, margins were improving and the capital structure is now cleaner and more aligned with our strategic focus.

With this, we can open the floor for Q&A session. Thank you.

Moderator: Thank you very much. We have the first question from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Congrats for good standalone numbers. Sir, my first question is that why there has been an adjustment of last year Q3 numbers on a standalone basis? Because whatever restructuring which has happened is all in subsidiaries. So while the standalone numbers have been adjusted -- restated?

Sundararajan P.: Sorry, Ankit, I didn't get your question. Standalone numbers have not been restated relating to these 2 subsidiaries for prior years. It's only the consolidated financial statements, if you read the notes also.

- Ankit Babel:** Because if I see your standalone numbers for last year, so you're -- as of now, your profit is coming at around -- at PBT level, it's INR107 million, right? But when you had declared the results of last year, it was coming somewhere -- one second. Yes, it was coming at INR91 million. So there is a difference? And in the notes also, you have mentioned about this note number 8, where you have presented the restated numbers...
- Sundararajan P.:** So, the standalone -- sorry to interrupt, Ankit. There was an amalgamation last quarter, we announced about the T&S India Private Limited, there was one entity. That's the only restatement in the standalone financials. So again, I can provide the reconciliation offline, if you want.
- Ankit Babel:** Okay. Okay. Okay. Sir, second question is, what is the value of the radar order, which you have -- where you are L1 from a defense PSU?
- Nikhil Mallavarapu:** Ankit, we will disclose that at the time that we receive it. But, yes -- we expect that to hopefully happen in Q4, so.
- Ankit Babel:** Okay. Okay. And my last question is now on -- as you had mentioned in the press release that you guys are looking for even divestment of the French subsidiary. But since you have already taken the write-off of full investment value, so do you expect any realization happening? And if you succeed in selling or divesting your French subsidiary?
- Nikhil Mallavarapu:** Yes. Thanks for the question, Ankit. I think based on our assessment today, we don't expect to realize anything meaningful from this divestment. We've had -- we've taken certain actions already over the last couple of months to assess this. And while we -- while we continue to look for options, I think based on the current external environment in France and Europe, the general M&A activity also has slowed down in anticipation of better future. And as a result, we don't expect to realize much from this process. So -- and that's why to be prudent, also, we have taken full impairment of the carrying value of the asset.
- Ankit Babel:** Okay. So any timeline wherein you expect to close it -- the divestment?
- Sundararajan P.:** So Ankit, as mentioned, this will -- there is a judicial reorganization process also that may kick in, which typically have about 4 to 6 months of observation period and within that, they'll have to find suitable bidders, and the process will take its own time. So I think by next quarter, that is Q4 financial reporting time frame, we expect some more clarity. And as soon as we get to know any further details, we'll definitely be updating the investors.
- Ankit Babel:** Why I was asking this question is there's still the time you don't divest. Also whatever loss or profit comes in those subsidiaries will be borne by Centum, right? Will be part of Centum?
- Sundararajan P.:** That's correct. So that's why during the month of -- sorry, during the quarter, next 6, 8 weeks, we will get to know more. Based on the IFRS standards, at the appropriate time, and if we need to stop consolidating, we will stop consolidating also when it requires.
- Ankit Babel:** Okay. Okay. So again, one confusion here. So as you mentioned that -- in case if there are losses, because you have not been able to turnaround the company. So in case there are losses, then you

had also mentioned that you have already taken the provisions. So if any further losses comes in, would be over and above the provisions which you have already taken? And I'm talking about the operational losses because that business is still continuing, it's still running.

Sundararajan P.: You're right. So the operating loss, we cannot accrue ahead of time. So until the time we consolidate the financials of the European subsidiaries, the operating loss will be consolidated. At the same time, like I mentioned, once the process kicks in, we'll get more clarity on the date of losing control or any subsequent action. Accordingly, we will stop.

Ankit Babel: So considering the visibility...

Moderator: Sorry to interrupt, Ankit, I would request you to please rejoin the queue again for more questions. We'll take the next question from the line of Balasubramaniam from Arihant Capital.

Balasubramanian: Sir, my first question, I think we have been declared as L1 bidder for complete radar system. So I'm trying to understand what is the approximate order value and execution timeline for this project? And generally, what kind of margin profile for this kind of competency systems levels compared to traditional BTS business?

And secondly, we also got a partnership with GRSE for air navigation program. And what's the total potential value for this program over the next 3 to 5 years? Whether we can be able to extend this kind of program to other shipbuilding partners like MDL of GSL? Are any other navigation missile systems for the Indian Navy?

Nikhil Mallavarapu: Thank you for the question. So first, with regards to the radar system order, this is a, I would say, development followed by production order. So what we will receive first is the first phase of the production orders. And then subsequently, we'll be receiving the production orders. The total value of this program is to the tune of about INR700 crores. Over, I would say, 5 to 7 -- 5 to 6 years sort of time horizon. The first tranche, of course, as I mentioned, for what we will receive in the short-term, we will announce it as and when we receive it, it will be disclosed.

And the second one, which is the air navigation system, this, again, we had already disclosed the order that we have received already to the tune of about INR30 crores from GRSE itself. You're absolutely right, we expect to receive orders from all -- some -- several other shipbuilders -- shipyards, including and GSL and HSL and so on in the coming quarters and years. We estimate that, again, the total opportunity is again to the tune of about INR500 crores or so, again, in 3- to 5-year kind of time horizon of order booking.

Balasubramanian: Sir, if we could elaborate on the margin side for these programs?

Nikhil Mallavarapu: Yes, yes. Yes. The margins for these programs, obviously, I would categorize it just generally to say that in this business, we expect to be at 20% to 25% EBITDA margin. And so these are more or less in line with that profile.

Balasubramanian: Okay, sir. Sir, my second question, on that Space-Based Surveillance program, I think the addressable opportunity size is nearly INR1,000 crores. And how much we can expect next 1 or 2 years, sir?

And secondly, if you could elaborate more on Indian Semiconductor Mission 2.0? It's one of the major tailwind for the EMS business. And I'm trying to understand what kind of specific opportunities we have. And we are looking specifically for -- especially on supply chain for assembly testing, marking and packaging side or we are focusing on design and prototyping side?

Nikhil Mallavarapu: Yes. So great. Thanks. So the first one with regard to the SBS program, it is substantial. We are starting to see some orders coming in. We expect to book some of this in Q4. Some of them have -- we've been declared L1, and again, we expect to start receiving those orders in Q4 or Q1 of the following year.

As I said, total opportunity size is there in the range of about INR1,000 crores. And as things progress over the next few quarters, we will be having a clear idea of how much of that we have been able to book, but things are moving in a very positive way, and we expect orders to start coming in, as I mentioned -- or have already started to come in Q4 and subsequent quarters.

The next point with regard to India Semiconductor Mission 2.0, this is a new policy announcement that we saw in the budget. The details are still yet to be fully clarified on this front. But we understand that in this instance, there are a lot of -- there is a major impetus and push to involve the broader ecosystem of semiconductors, including the capital equipment used in semiconductor fabs.

And in that respect, as I was mentioning earlier, one of our major -- new customers that we've added in the last year and ramped up in Q3, in fact, is a major player. They are one of the top global capital equipment suppliers to semiconductor fabs and they have a strong commitment in terms of their procurement in India. And so we expect revenues from this sector to also increase in a very good way over the next 2 to 3 years.

Moderator: We will take the next question from the line of Jatin Jadhav from Sahasrar Capital.

Jatin Jadhav: First of all, congratulations. I actually had 2 questions regarding the airborne platform, the complete radar system. So could you just elaborate what exactly -- what exactly is the kind of radar which we are providing or the kind of solution which you are providing for the defense PSU?

Nikhil Mallavarapu: Sure. I mean, it's essentially a radar system for helicopter platform, and it is intended for multipurpose function, including search and tracking. There's to -- for surveillance and a few other modes. I can't disclose too much about the details -- technical details of the program. But suffice to say, it's for a major helicopter platform. And as I mentioned, more details will be announced once we receive the order.

Jatin Jadhav: Got it. Sir, and the partnership which we have done with GRSE, what exactly is this air navigation system, which you provide? If you could throw some light on it.

Nikhil Mallavarapu: Yes. Very simply put, this is a navigation system that is -- that enables aircrafts to land on ships -- land or take off from ships. It's like an air traffic controller that you would typically see at an

airport. This is a more sophisticated advanced version of that, that is there for -- specifically for military applications. And we are making the system that is on board the ships itself.

As of today, there's really only one such system that's deployed on the aircraft carrier that we have, but there is a need that many more war ships that will be -- that are already in service or being -- are under construction will require this system. So this is what we are delivering essentially is for that.

Moderator: We will take the next question from the line of Rupesh Tatiya from Longequity Partners.

Rupesh Tatiya: My first question is, can you just talk about T-90 tank stabilization system? I think, there's a big effort to indigenize those systems. And how many systems are we present? What kind of opportunity that will be? That is question number one.

Second question is recently, I think we saw one PSLV satellite launch -- PSLV launch fail. So maybe you can give some idea about how it will impact us positively, negatively? And any subsequent orders we can expect in this program? So these are the two questions initially, yes.

Nikhil Mallavarapu: Yes, sorry, I didn't understand exactly the first question. It was something about stabilization system? Could you just repeat?

Rupesh Tatiya: The T-90 tanks, the T-90 tanks, I think it's a Russian design. And I think India is looking to indigenize those tanks, some of the components. So are we present in that program -- we have a division tank electronics?

Nikhil Mallavarapu: Yes, yes. We've indigenized several things on tank electronics, which were previously Russian designs or Russian imports. We have been successful in doing several different subsystems onboard to tank, and we continue to work on a couple of others, which are in advanced stages of development and so on, including what you just mentioned.

So that -- this is an ongoing program, and there's also some potential new opportunities for an upgradation and so on that's in the pipeline. And yes, so these are four various parts of the tank, including the sighting systems to the fire suppression systems and so on. So that was the first question.

And then I think your second question was with regard to the unfortunate event of the failed launch a few weeks ago. This was -- actually the launch was -- the main payload for the launch, in fact, was something that was delivered from Centum. So it was quite an unfortunate event because we were looking forward to establishing a capability that would have been, again, a first time for India. It was a hyperspectral imaging payload with a high level of resolution and accuracy, which we don't have today.

That being said, to your question, there is expected to be a repeat mission, but we are yet to receive any concrete details regarding that as of now. But clearly, the need for such programs in payloads is only increasing. To use space-based intelligence is a critical need. And we are fairly confident that the demand for such payloads and electronics will only increase as we go forward.

- Rupesh Tatiya:** So just one follow-up. For both of these programs, can we expect, let's say, INR400 crores, INR500 crores of orders each over the next, let's say, 3 to 5 years?
- Nikhil Mallavarapu:** I mean I won't -- let me not say specifically for the program, but more broadly, the -- if you're talking about the Tank Electronics upgrades or the Space-based payloads, then yes, we do see a fairly healthy pipeline to the tune of what you mentioned in the coming few years.
- Moderator:** We will take the next question from the line of Mehul Panjuani from 40Cents.
- Mehul Panjuani:** Sir, if you can highlight how do we see the budget in terms of the budget spending on defense and aerospace for our company? That is question number one. I'll ask question number two later.
- Nikhil Mallavarapu:** Yes. I mean, I think at a high level, several positives, I think we can still take away. Clearly, the increase of the defense capex budget has been important and significant, which is -- and with the continued trust and focus on indigenous production or indigenous design and manufacturing, clearly, a very positive sign for companies like us who have been in this space for a long time with very strong capabilities and strong relationships. So the budget, I think, was in line and reflective of the need to modernize our forces. And I think it is a positive direction for Indian companies in the space.
- Mehul Panjuani:** Sir, my second question is about the global market with the kind of evolving geopolitical scenario, has the prospects for our company, you would say -- are we in a better position than last year in terms of the geopolitical market scenario in terms of the total addressable market?
- Nikhil Mallavarapu:** Yes, very, very good question. Actually, when you -- with all that's happening in Europe and -- or in Israel and so on, we have seen on our EMS side of the business, an increased order book coming from some of these customers. So we clearly are seeing the increased spending on defense hardware coming in over there.
- And we expect this to continue for the next few years also because there are capacity constraints in some of these geographies. So some of our existing customers itself, we are seeing more opportunities coming from them, which is for exports and nothing to do with India. Positive opportunity. Yes.
- Mehul Panjuani:** Right. Sir, one last question. When do we know about the L1 where we have been classified? By when will we know about the decision -- final decision?
- Nikhil Mallavarapu:** We hope in this quarter, we should have the order basically.
- Mehul Panjuani:** And sir, can we reveal the PSU, which is where we have bid for?
- Nikhil Mallavarapu:** No, we will release all of that at the time of receiving the order.
- Moderator:** We will take the next question from the line of Soumil Jain from Lucky Investments.
- Soumil Jain:** Congrats on a good set of numbers. First, on the BTS side, the sequential execution seems to be slightly on the softer end. Anything that we should read from that? The order book still remains

healthy. If you could talk about the execution in this quarter? And secondly, of the BTS order book, how much is the ELINT systems unexecuted bid already remaining in our order book?

Sundararajan P.: So on the first part, as you know, in our BTS segment, typically, we keep reminding all the investors that it's not supposed to be reviewed as a -- viewed as a quarter-on-quarter business because it's not a linear thing. It all -- the values and the timing depend on the programs that are at various stages, right?

So that way, if you look at it, sequentially, yes, there could be up and down, but there has been a trend also as you could see maybe from Q4 of last year to Q3 of this year. But that doesn't reflect the full year's prospects, that's the concern. And year-on-year, you can see clearly, it's grown very well and BTS contribution to the standalone also is on the rise. So that way, you can be assured that it's -- there is nothing concerning on the trend.

Nikhil Mallavarapu: Yes. And maybe I'll just add one point here because, in fact, as we mentioned in our opening remarks, it has -- a good part of the growth has been driven by the BTS part itself. So we have seen growth happening on the BTS side. One thing just to keep in mind is that if you're trying to compare the order book with the revenues, it's just something to keep in mind that typically order execution cycle on the BTS side of the business would be typically in the range of about 2 to 2.5 years. So whereas on the EMS side of the business, it's a lot more shorter, maybe less than 12 months. So that's just something that's important to highlight while viewing the numbers.

Soumil Jain: Got it. And the portion of ELINT systems in our unexecuted order book for the BTS side?

Nikhil Mallavarapu: Yes. Sorry, we don't have exactly the numbers with us right now, but we are making good progress on that. We expect to have a fair amount of billing also happening in Q4. But these are -- there is always a mix of orders, and we are expecting also a pretty healthy inflow of orders in Q4 as well from various types of even Space-based electronics apart from the other ones that I already mentioned.

Soumil Jain: Got it. If I can squeeze in a couple of more questions. On the EMS side, can you talk a little bit about the ramp-up on the semiconductor equipment? If you can give any quarterly numbers for this quarter? And going ahead, what kind of sort of further ramp-up you see, if any?

Nikhil Mallavarapu: We won't disclose specific quarterly numbers, but I'll just say that this is a customer that we had been -- we had won just at the beginning of this financial year. It has been a very rapidly moving business. Typically, the timeline from when you get awarded a business to when you do a prototype and qualification to actually starting to see a ramp-up of production is something that takes 2 to 3 years. But in this case, it's been very fast.

We've been awarded already -- we were awarded, in fact, already about 65 different part numbers that have all been qualified. And in Q3, there was a major -- the serial production deliveries have begun. We expect, as I mentioned earlier, that on -- in this financial year, we expect to do at least \$10 million of business, if not more, which was practically zero in the past year.

And going forward, we feel we can get to at least a \$30 million revenue range per year with this customer in the next 2 to 3 years. So actually, probably even in a 2-year kind of time frame. So

very, very bullish about this segment and our engagement with the customer is moving in a positive way.

Moderator: Sorry to interrupt, Soumil, I'll request you to please rejoin the queue again for more questions. We will take the next question from the line of Nemish Sundar from Elara Capital.

Nemish Sundar: Sir, just 2, 3 questions from my side. So firstly, on the QRSAM order that BEL is expected to receive by Q4 or Q1. So would we be part of that? Like would we be receiving any orders from BEL for the same for radars or any...

Nikhil Mallavarapu: Yes. There are -- it's a major program, clearly. There are certain active opportunities that we are engaging with BEL on. And we do expect to have some order booking coming from this program specifically. I'm not able to share exactly the numbers now, but we have a few different opportunities and products that we are engaging on this program.

Nemish Sundar: Okay, sir. And for a longer term, like 2 major projects are currently being talked about like the AMCA program where consortiums have been shortlisted and for the 114 Rafales that have now received the AoN approval from the MoD. So for these 2 programs, I know they are longer term, but would we be in any position to say what would be our scope, if any, in these projects?

Nikhil Mallavarapu: Yes. So I mean, with regard to the Rafale program itself, first of all, we are already a supplier to this program as -- through Thales, who is our major customer here. We are one of only 2 companies, I would say, who are supplying electronics to this platform currently. And what we are supplying is, in fact, something that is -- we are integrated into the global supply chain, and it is being delivered and shipped all over the world.

And we hope and expect that as these programs evolve in India that we will work to have a larger work share and partnership with our very strategic customer on this side. On the AMCA, that, I would say, is still quite an early stage. But here again, we are positioning to work on the various core electronic systems on board the aircraft, whether it's the radar, EW or the avionics that go onboard the program. So those are still at an early stage, and we will be closely monitoring that as it evolves.

Nemish Sundar: So Thales, are we supplying any electronics or any like design or how is the agreement there?

Nikhil Mallavarapu: Yes, we supply electronics. So we supply various subsystems, electronic assemblies and so on to Thales globally.

Nemish Sundar: Okay, sir. And just one last thing on LCA Tejas Mk-1A, so are we involved there? Like are we supplying any components to them, components or subsystem?

Nikhil Mallavarapu: Sorry, can you repeat that?

Nemish Sundar: For LCA Tejas Mk-1A to HAL, are we also involved there, like the 180 numbers order that HAL is currently executing?

Nikhil Mallavarapu: On LCA, our presence is fairly small. So, we don't have a big presence on board the LCA.

- Moderator:** We will take the next question from the line of Ankur Gulati from Genuity Capital.
- Ankur Gulati:** Yes. Sir, can you give some color on standalone margins? When can we expect them to steer back to mid-teens?
- Nikhil Mallavarapu:** Yes. So I think this is where we mentioned the mix of business, whereas our Build-to-Spec business is in the range of 20% or more. The EMS side of the business is closer to 10%. We do have some operating leverage that will open up. So you've seen already, as we mentioned, in the 9-month period, EBITDA margins have improved by about 200 basis points at the standalone level.
- Typically, Q4 for us is a bigger quarter also. So we will maintain or improve our margins in Q4. And going forward into the next year, again, as we continue to have revenue growth, we will see the operating leverage come in, and we expect a steady improvement of margins also in the coming years.
- Ankur Gulati:** The last question, is there a seasonality in EMS and Build-to-Spec quarter-on-quarter-wise? Or is it pretty much well spread out across the quarters?
- Nikhil Mallavarapu:** Yes. We do have -- clearly, most -- definitely, especially in our BTS business, there is a lot of lumpiness. These are -- again, the revenues are tied to major program deliveries and so on. So we do have a fair amount of lumpiness in our -- especially in our BTS business. On the EMS side of the business, it's a little bit more stable.
- But here, again, there are certain programs and customers where you will see a spike of deliveries in a specific quarter. But more or less, as a trend, I would look at this as a lot more stable as compared to our BTS business, which tends to be a lot more lumpy in nature.
- Moderator:** We will take the next question from the line of Shahi Vijay from Capstocks & Securities.
- Shahi Vijay:** My question is regarding the subsidiary, just a follow-up. Sir, for the Canada subsidiary that we wrote off around INR50 crores, which was for the -- sorry, am I audible?
- Sundararajan P.:** Yes, yes, go ahead.
- Shahi Vijay:** Yes. So for the Canada subsidiary, INR50 crores that we wrote off for the receivables. Can we expect a similar write-off for the French subsidiary as well? Because I understand that the INR150 crores is investment...
- Sundararajan P.:** Yes. So sorry to interrupt. You are asking if there is anything similar expected relating to French like INR50 crores? Okay. So no, as far as the French subsidiaries are concerned in standalone, there is nothing that we expect to come and impact in Q4 or in the future. Whatever the investment impairment that has been taken and there is no accounts receivable that is doubtful or anything because there have been some steady payments also coming in.
- Shahi Vijay:** All right. And sir, regarding the INR50 crores Canada subsidiary write-off, can we expect some recoverable amount in the future?

Sundararajan P.: No, that's a good question. So when the accounts are finalized and audited, we took a clear assessment of what is outstanding and how much is receivable -- recoverable. So to tell you what we wrote off or provided for is after considering the values that we received in this quarter, about \$500,000 or about INR5.5 crores has been received.

And towards the end, when the entities get eventually wound up, any subsequent cash collections from customers that we carry may also come back to India after everything gets settled and the court order gets received. So if at all, there has to be very minimal, but not a major recovery that we can expect.

Moderator: We will take the next question from the line of Karan Sanwal from Niveshaay.

Karan Sanwal: Sir, just wanted to understand what product are we doing for the semiconductor business currently?

Nikhil Mallavarapu: Yes. These are -- our customer is one of the leading suppliers of the capital equipment used in the semiconductor manufacturing process itself. And what we supply to them essentially are Box Builds and PCBAs, these are build-to-print services where it's the customer's design, and we are a contract manufacturer for them. So this sits in our EMS part of the business. And as I mentioned, we supply either Box Builds or PCBAs to them.

Karan Sanwal: So majorly, it would be a part of the EMS business, right, the entire...

Nikhil Mallavarapu: Yes, it's all part of the EMS business, yes.

Karan Sanwal: And just to confirm, previously, you mentioned it is a \$10 million opportunity for FY '26 and it would be \$30 million for the next 2 years, right?

Nikhil Mallavarapu: No, we -- yes, \$10 million for FY '26 is correct. And we expect it to get to an annual run rate of about \$30 million in 2 years.

Karan Sanwal: Understood. One last question. Are we expecting any other semiconductor client coming up in a big way apart from what we have already received because there are also talks in the industry that another big semiconductor equipment player is targeting India for the setting up business. So are we in advanced talks or any intimation from the client to explore products with them?

Nikhil Mallavarapu: We are exploring. I can't say anything that I can disclose at a very advanced stage to be disclosed at the current stage, but we are very well aligned in terms of our capabilities and processes for this type of business. So as and when opportunities come up, I'm fairly confident we would be well considered for this.

Moderator: We have the next follow-up question from the line of Saumil Jain from Lucky Investments.

Saumil Jain: My questions have been answered.

Moderator: We will take the next question from the line of Ananth Shenoy from AS Capital.

Ananth Shenoy: Sir, my question is on the semiconductor side. Since many of the companies in the semiconductor who are working on the capital equipment side are like it's a high-margin segment for us. And since we are reporting it in the EMS side, like what kind of margins? Are they similar to the EMS margin of 10%, 12%? Or do we expect higher margin on the semiconductor side?

Nikhil Mallavarapu: No, it's -- the business model is what drives the margins here. So we do expect -- I mean you may have a very minor variation, but a rough mean of about 10% EBITDA is what we feel is a sustainable long-term margin for any EMS business in this type of industries, whether it is defense, aerospace, whether it's semiconductors or industrials and so on. Of course, as you go into consumer and so on, those drop. But we typically -- we have done various global benchmarking and all of that.

And the EMS business in these type of sectors are typically around the 10%, 11% EBITDA levels. Sorry, yes. No, I was just mentioning again that it's important to keep in mind, these are all cost-plus models because the customer designs the product and we are manufacturing for them. So we always obviously look at various ways to improve productivity and reduce costs and so on. But in -- with the EMS business, it's typically around 10%, 11% is what is to be expected.

Ananth Shenoy: Sure. My next question is about the Virupaksha, like we were supposed to get the order. Did we have already win the order? And for the trial quantity for exiter receiver part, have you won the order for?

Nikhil Mallavarapu: Yes, we won the order and the programs are in execution.

Ananth Shenoy: Okay. Like what is the quantum? Any -- can you throw some light what kind of...

Nikhil Mallavarapu: These are development orders at this stage. So they're, I would say, still at the smaller stage. Obviously, when these come into production, there will be much larger programs going into hundreds of crores of possibilities. But at this stage, these are development orders. So they are much -- they are smaller orders.

Moderator: We will take the next follow-up question from the line of Rupesh Tatiya from Longequity Partners.

Rupesh Tatiya: This Virupaksha order, I have a follow-up on that. So will we get major share? Are there like more competitors in this space? Can you give some idea? And there are 250 SU-30 Mark-1s, right, that will come for upgrade 25, 30 per year. So what kind of market share we expect in this product?

Nikhil Mallavarapu: Yes. It's a bit early at this stage to be -- to give you a very confident clear answer with regard to market share and so on. There's still various things that will play out as the development progresses. Just I think suffice to say that we are -- there are 2 other major players or competitors in this part of the program. And our -- but we are building a very critical and important part of the entire radar system itself.

Rupesh Tatiya: Okay. Okay. And sir, then other than, I mean, some of these programs you talked about in SBS, in Tank Electronics, in Virupaksha, any other major programs that we are looking to win market share? Anything above, let's say, INR300 crores kind of size, anything bigger than that? Maybe you can give some idea around that.

Nikhil Mallavarapu: It's a bit early for me to disclose those at this stage. There are clearly multiple irons in the fire that we are working on. I would say, broadly in the areas, again, of electronic warfare systems, that's a big focus area for us. And I'm not able to diverge at this stage the programs specifically, but we have a pretty healthy pipeline of opportunities coming up there as well.

Moderator: We will take the next question from the line of Pranav Bastawala, an Individual Investor.

Pranav Bastawala: Congratulations, Nikhil. I think so after a very long time, some very decisive decision, tough decision has been taken, and I'm sure that this will go a long way in creating -- clearing a path for this organization. So my questions are basically how you place your -- this company from where you want to take it, say, maybe it may be around INR900 crores to INR1,000 crores turnover, say, individual level, from this level, where we are looking at in next 3 years?

And how you want to concentrate on the EMS business itself, which is going to be quite bigger on the coming time when we are seeing the global opportunities, and especially even in the defense when the others are expanding, you look at it that how we can move to Tier 1 level in this particular space, especially Centum is very good as far as Space sector, please.

Nikhil Mallavarapu: Thank you, Pranav. And I must acknowledge, say that you've been a long-term investor and a guide for us over the years. So some of these, I guess, difficult decisions, as you rightly mentioned, are also things that we take as a result of the strong and clear inputs from investors like yourself. So appreciate the vote of confidence on this decision.

With regard to our path forward, here, we have obviously very aggressive growth plans. I think starting first on the defense side of the business, we have strong objectives of growing this multifold in the coming years. I won't specify exactly a number in terms of guidance or anything like that. But we will grow this substantially. As you already see, we have -- we expect to close this year's order book already at a very healthy rate based on what we are seeing from Q4 also.

And the pipeline of orders and opportunities that we are driving internally is quite aggressive. So we do expect to see a multifold increase of our Defense and Space business. And a big part of this is also driven by our objective to position at system level. And as I mentioned already on the call today, 2 of the first major validations of this strategy have come in the form of this navigation system and the full radar system, which we are expecting the order for in the current quarter. So we are well on our way on that side.

Secondly, on the EMS side of the business, again, we, on one side, have been focused on the product segments that we've been addressing in terms of -- apart from, of course, defense, aerospace, but also industrial, medical and mobility. We -- and I would say the vision for this part of the business going forward also is quite positive.

We want to ensure we have high-quality customers. This is a business that is very easy to take business at a low margin and scale, but we want to ensure we take high-quality customers and ensure that our execution of these type of programs are done well.

A lot of investment and effort is going into our own internal processes and systems in terms of implementing automation, AI kind of solutions in critical core areas. And that also, I think, will be a key point of differentiation as this business evolves. Pipeline is healthy. I think we talked also on a few of these areas throughout the call today.

Our Defense and Space -- our Defense and Aerospace global customers itself are seeing increased demand volume. So we will continue to work on that. We have certain strategic opportunities there. We also on some of the newer areas, whether it's industrial or the semiconductor kind of equipment are all also progressing well.

And even in terms of new customer additions and so on, we have a very clear plan and strategy that -- of identifying key target accounts and having a sales team and sales force that's driving to capture that business. So these are some of the actions that are ongoing. And as I say, we want to scale up this business in an aggressive way and working the granular details to make sure that it's executed well.

Pranav Bastawala:

My second last question that basically, EMS is a business which will grow at -- which has an ROI of 10% to 12%. And it's a different kind of a business. But when we are looking at Defense and Aerospace sector, many of them command an EBITDA of 35% to 40%. So what we are planning to move to that kind of an EBITDA level? Or are we even planning for Tier 1 supplier in coming 3 to 5 years with some JVs?

Nikhil Mallavarapu:

Yes. We are pursuing the -- it is not one at the expense of the other, I would say, Pranav. Basically, while on the EMS side of the business, one of the things that is important to highlight is that while the EBITDA margins are in the range of 10%, 11%, the ROCE for this business can be north of 20%, 25% because capital requirement is much lower as compared to the Defense and Space Products business. So this will continue to be an important part of our overall portfolio, and we'll continue to develop that part of the business.

But clearly, in terms of significant new investments on the Defense and Aerospace Product side to position ourselves as a Tier 1, either through our own internal R&D development, but also through the strategic partnerships with the global players are something that we are clearly pursuing. We have -- the ability to increase the EBITDA margins to the levels that you just mentioned will come largely if they are indigenous designed products.

And this is where our focus of developing and strengthening more and more on the internal R&D capabilities is a key part of our strategy. But in parallel, we also pursue the partnerships with global players to capture opportunities that are there more imminently.

And I think this example of the GRSE partnership is one wherein we actually have technology coming from a European partner and was something that enabled us to quickly access and capture the market for this. So we follow a multipronged strategy to be able to win business and also grow our margins.

Moderator: Ladies and gentlemen, due to time constraint, we will take that as the last question for today. And with that concludes the question-and-answer session. I now hand the conference over to Ms. Krishna Doshi for closing comments. Thank you, and over to you, ma'am.

Krishna Doshi: Thank you so much. On behalf of Ashika Institutional Equities, we would like to thank the management of Centum Electronics Limited for the call, and many thanks to the participants for joining the call. Thank you very much, sir. We may now conclude the call.

Moderator: Thank you, everyone. On behalf of Centum Electronics Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.