

Retail Equity Research
Astra Microwave Products Ltd.
Communication Equipment

ACCUMULATE

BSE CODE : 532493 NSE CODE: ASTRAMICRO
BLOOMBERG CODE: ASTM:IN SENSEX : 81,086

12 Months Investment Period Rating as per Small Cap
CMP Rs.881 TARGET Rs.976 RETURN 11% ↑
(Closing: 23-08-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Order book improving...

Astra Microwave Products Ltd. (AMPL) is a leading designer and manufacturer of a wide array of radio frequency systems, microwave chips, and microwave-based components and subsystems for defence, telecom, and space.

- In Q1FY25, AMPL reported a 16% increase in revenue, driven by healthy order execution, which was in line with estimates.
- EBITDA grew by 7.8x YoY, and margins expanded to 15.5% versus 2.3%, attributed to a better execution mix.
- Order inflow was healthy at Rs.302cr, and increased by 58% YoY, with ~80% of these orders being from domestic defence. The current order backlog is at Rs.2,100cr, which is 1.94x FY25E projected sales, providing visibility for the next 1.5 years.
- Order pipeline improving, with cumulative opportunities of Rs. 8,000cr within AMPL's Rs.39,000cr of total addressable market until 2030.
- With a shift in order execution mix towards domestic orders (~86% mix), we anticipate EBITDA margin in the range of ~22.2% for the next 2-3 years.
- Considering the robust order pipeline and improving margin profile, we value AMPL at a P/E of 44x on FY26E, and upgrade to Accumulate rating from Reduce with a target price of Rs.976.

Higher domestic execution...order pipeline healthy.

The management's guidance remains consistent, projecting a Rs.8,000cr order inflow for FY24-30E, from a total addressable market of Rs.39,000cr. The current order backlog is at Rs.21,000cr, which is 1.9x FY25E projected sales and provides visibility for the next 1.5 years. The order inflow for Q1FY25 was Rs. 302cr, with higher domestic defence orders. The order execution mix was 79% domestic, with the remaining exports. Going ahead, with an execution mix of ~86% of domestic orders, profitability growth is expected to outpace revenue in the medium term. The order visibility is gradually improving; however, the order pipeline is expected to improve, led by ASEA radars for LCA-MK 1A, EW, counter-drone measures systems, and space business. Management has guided Rs.1,200-1300cr of order inflow for FY25. We anticipate revenue to grow by a 22% CAGR over FY24-26E.

EBITDA margin improves...

Q1FY25 EBITDA jumped by 7.8 times on a YoY basis, led by higher execution though at lower base, but still it was healthy. While given higher domestic order execution, which was at ~80% led to a healthy margin of 15.6% versus 2.3% a year ago. Reported PAT grew by 207% YoY, was also supported by other income and profit shares from JV. Going ahead, with an execution mix of 80-85%:20-15% between domestic & exports, for the next 2-3 years, we expect the EBITDA margin to be in the range of 22.2% versus 14% (the average of the last 5 years). We marginally upgrade our EPS estimates for FY26E by 3.2%, respectively, on account of the likely improvement in margins. We estimate profitability to grow by 32% CAGR over FY24-FY25E.

Valuations

Indian defence manufacturing's long-term outlook is improving, led by the government's push for self-reliance and ongoing defence modernization. A notable upswing in the order inflow pipeline in defence electronics is evident. AMPL's higher domestic order execution bodes well for margin expansion and earnings. We value AMPL at P/E 44x FY26E, and upgrade to Accumulate Rating from Reduce with a target price of Rs.976.

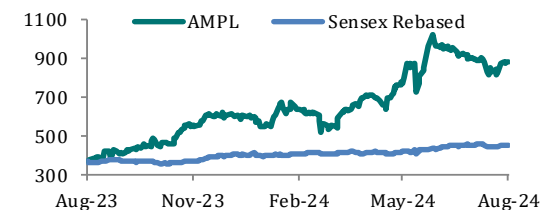
Company Data

Market Cap (cr)	Rs. 8,367
Enterprise Value (cr)	Rs. 8,598
Outstanding Shares (cr)	8.7
Free Float	93.5%
Dividend Yield	0.23%
52 week high	Rs.1,060
52 week low	Rs.375
6m average volume (cr)	0.07
Beta	1.2
Face value	Rs.2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	6.5	6.5	6.5
FII's	2.9	3.2	4.7
MFs/Institutions	14.8	13.6	13.6
Public	75.7	76.7	75.2
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	10.2%	38.6%	140.0%
Absolute Sensex	7.5%	11.0%	24.0%
Relative Return*	2.7%	28.0%	116.0%

over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	909	1,094	1,361
Growth (%)	11.4	20.3	24.4
EBITDA	192	236	302
EBITDA Margin(%)	29.8	23.3	28.0
PAT Adjusted	121	157	211
Growth (%)	73.4	30.0	34.1
Adjusted EPS	12.8	16.5	22.2
Growth (%)	73.4	30.0	34.1
P/E	69.1	53.3	40.0
P/B	8.7	7.6	6.4
EV/EBITDA	41.0	33.3	26.0
ROE (%)	15.1	15.1	17.5
D/E	0.2	0.2	0.2

ANIL R
Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	155	134	16.0	354	-56.2
EBITDA	24	3	679.4	81	-70.3
EBITDA margin	15.5	2.3	1317bps	22.8	-733bps
Depreciation	8	6	45.3	6	28.1
EBIT	16	-3	713.5	74	-78.7
Interest	10	7	40.0	9	9.8
Other Income	2	2	6.0	3	-21.8
Exceptional Items	-	-	-	-	-
PBT	7	-8	193.1	67	-88.9
Tax	2	-1	248.8	17	-87.3
Share of profit from Associate	2	0	-	4	-
Minority Interest	-	-	-	-	-
Reported PAT	7	-7	207.0	54	-87
Adjustments	-	-	-	-	-
Adjusted PAT	7	-7	207.0	54	-86.8
No. of Shares	9.5	9.5	-	9	-
EPS (Rs)	0.8	2.4	64.9	6.3	-86.8

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,084	1,347	1,094	1,361	0.9	1.0
EBITDA	231	288	236	302	2.3	4.9
Margins (%)	21.3	21.4	21.6	22.2	+30bps	+80bps
Adj. PAT	145	186	157	211	8.6	13.3
EPS	16.7	21.5	16.5	22.2	(0.9)	3.2

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs.cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	750	816	909	1,094	1,361
% change	17.1	8.7	11.4	20.3	24.4
EBITDA	89	148	192	236	302
% change	13.0	65.5	29.8	23.3	27.9
Depreciation	22	24	25	33	36
EBIT	67	124	167	203	266
Interest	21	31	31	36	34
Other Income	6	5	12	17	20
PBT	52	99	147	184	253
% change	26.8	88.5	48.6	25.2	37.6
Tax	12	26	38	47	65
Tax Rate	23.5	26.4	25.8	25.5	25.5
Profit/loss (JV/Asso.)	-2.3	-3.0	12.0	20.0	22.0
Reported PAT	38	70	121	157	211
Adj*	0	0	0	0	0
Adj PAT	38	70	121	157	211
% change	31.3	84.4	73.4	29.7	34.1
No. of shares (cr)	8.7	8.7	9.5	9.5	9.5
Adj EPS (Rs.)	4.4	8.1	12.8	16.5	22.2
% change	31.3	84.4	58.2	29.7	34.1
DPS (Rs.)	1.2	1.2	1.6	1.6	1.6
CEPS (Rs.)	6.9	10.8	15.4	20.1	25.9

BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	27	56	66	78	40
Accounts Receivable	205	284	505	614	746
Inventories	419	419	515	582	702
Other Cur. Assets	136	109	170	204	254
Investments	14	11	24	29	34
Gross Fixed Assets	306	336	353	376	401
Net Fixed Assets	159	166	167	157	146
CWIP	0	2	13	10	10
Intangible Assets	1	1	3	3	3
Def. Tax (Net)	7	9	11	11	11
Other Assets	0	0	0	-	-
Total Assets	969	1,057	1,474	1,688	1,945
Current Liabilities	84	86	138	173	215
Provisions	8	11	14	17	21
Debt Funds	592	1,705	2,313	2,313	2,313
Other Liabilities	2,315	1,471	1,240	1,591	1,751
Equity Capital	0	0	0	-	-
Reserves & Surplus	568	625	947	1,089	1,284
Shareholder's Fund	586	643	966	1,108	1,303
Total Liabilities	969	1,057	1,474	1,688	1,945
BVPS (Rs.)	67	74	101	116	137

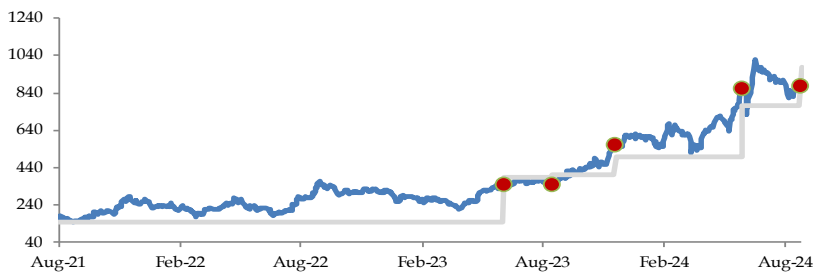
CASH FLOW

Y.E March (Rs.cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	60	93	146	191	246
Non-cash adj.	17	34	13	19	13
Changes in W.C	38	(153)	(340)	(138)	(239)
C.F. Operation	115	(25)	(182)	71	20
Capital exp.	(28)	(34)	(44)	(20)	(25)
Change in inv.	(0)	2	(13)	(5)	(5)
Other invest.CF	2	3	7	17	20
C.F - Investment	(26)	(28)	(44)	(8)	(10)
Issue of equity	-	-	225	-	-
Issue/repay debt	(51)	108	49	(0)	-
Dividends paid	(10)	(12)	(15)	(15)	(15)
Other finance.CF	(17)	(21)	(19)	(36)	(34)
C.F - Finance	(79)	75	232	(51)	(49)
Chg. in cash	10	21	7	12	(38)
Closing cash	27	49	63	78	40

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	11.9	18.1	21.1	21.6	22.2
EBIT margin (%)	9.0	15.2	18.3	18.5	19.6
Net profit mgn.(%)	6.1	11.5	14.9	15.3	17.1
ROE (%)	6.6	11.4	15.1	15.1	17.5
ROCE (%)	7.9	12.6	14.3	14.4	16.4
W.C & Liquidity					
Receivables (days)	115	109	158	187	182
Inventory (days)	182	188	187	183	172
Payables (days)	49	60	75	86	86
Current ratio (x)	8.5	9.0	8.2	7.8	7.4
Quick ratio (x)	2.8	3.9	4.1	4.0	3.7
Turnover & Leverage					
Gross asset T.O (x)	2.6	2.5	2.6	3.0	3.5
Total asset T.O (x)	0.8	0.8	0.7	0.7	0.7
Int. coverage ratio (x)	3.2	4.1	5.3	5.7	7.9
Adj. debt/equity (x)	0.1	0.3	0.2	0.2	0.2
Valuation					
EV/Sales (x)	10.2	9.6	8.7	7.2	5.8
EV/EBITDA (x)	86.2	52.9	41.0	33.3	26.0
P/E (x)	201.5	109.3	69.1	53.3	39.7
P/BV (x)	13.0	11.9	8.7	7.6	6.4

Recommendation summary (Last 3 years)



Dates	Rating	Target
25-June-21	Reduce	150
05-June-23	Hold	388
16-August-23	Accumulate	403
20-November-23	Reduce	500
29-May-23	Reduce	775
26-August-24	Accumulate	976

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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