

Retail Equity Research
Astra Microwave Products Ltd.
Communication Equipment

BSE CODE : 532493 NSE CODE: ASTRAMICRO
BLOOMBERG CODE: ASTM:IN SENSEX : 65,655

Reduce

12 Months Investment Period Rating as per Small Cap
CMP Rs.564 TARGET Rs.500 RETURN -11% ↓
(Closing: 20-11-23)

KEY CHANGES: **TARGET** ↑ **RATING** ↓ **EARNINGS** ↑

Order execution to pick-up in second half...
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 Q2FY24, revenue grew by 11%, led by robust order execution. But EBITDA saw a modest increase of 3% YoY, due to higher employee costs and other expenses.
- AMPL witnessed a robust order inflow of Rs.405cr in Q2, and the current order backlog is Rs.1,867cr (2.3x FY23 sales), painting a healthy earning picture for the next 1.5 years.
- Management foresees a resilient long-term order pipeline, projecting cumulative opportunities of Rs.8,000cr from FY24E-28E within AMPL's Rs.39,000cr total addressable market until 2030.
- Anticipating a shift in order execution mix towards domestic orders (70% mix) in the next 2-3 years, we anticipate EBITDA margin in the range of ~21%.
- Buoyed by a robust order pipeline and favourable margin profile, we value AMPL at a P/E of 30x (26x earlier) on FY25E. However, due to premium valuation concerns, we have a Reduce rating with a target price of Rs.500.

Order pipeline robust...domestic execution to pick-up
The management's guidance remains consistent, projecting a Rs. 8,000 crore order inflow for FY24E-28E, with a total addressable market of Rs. 39,000cr. The current order backlog is at Rs.1,890cr, which is 2.3x FY23 sales and provides visibility for the next 1.5 years. The order inflow for Q2FY24 was Rs.405cr. Order execution mix was 53% domestic and remaining exports. Going ahead, in the longer term, with an execution mix of 70:30 between domestic, exports, & orders for the next 2-3 years.

EBITDA margin improves...
EBITDA grew only by a modest 2.7% YoY on account of higher employee costs and higher other expenses, which grew by 27% and 28.4% YoY, respectively. EBITDA margins were dropped by 170bps YoY to 22%. However, supported by lower interest costs, higher other income, and share of profit from JV/associates, net profit grew by 39% YoY. With an execution mix of 70:30 between domestic, exports, & orders for the next 2-3 years, we expect the EBITDA margin to be in the range of 21% versus 14% (the average of the last 5 years). We marginally upgrade our EPS estimates by 9.6% & 7.5%, respectively, on account of the likely improvement in share of profits from JV/ associates. We estimate profitability to grow by 44% CAGR over FY23-FY25E.

Valuations
Enhanced by the government's self-reliance drive and ongoing defence modernization, the sector's long-term earnings outlook has strengthened. A notable upswing in the order inflow pipeline, driven by a focus on defence electronics, is evident. Anticipated domestic order execution acceleration bodes well for margin expansion and earnings. Yet, heightened valuation expansion is a concern. We value AMPL at P/E 30x FY25E, we downgrade to "Reduce" with a target price of Rs.500.

Company Data

Market Cap (cr)	Rs. 4,886
Enterprise Value (cr)	Rs. 5,055
Outstanding Shares (cr)	8.7
Free Float	90.5%
Dividend Yield	0.29%
52 week high	Rs.578
52 week low	Rs.213
6m average volume (cr)	0.07
Beta	1.2
Face value	Rs.2

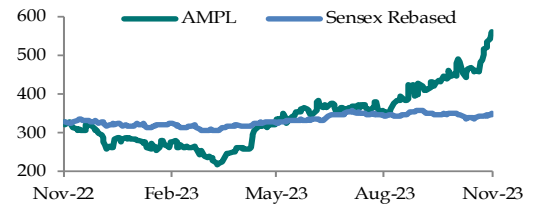
Shareholding (%)

	Q4FY23	Q1FY23	Q2FY24
Promoters	7.2	6.5	6.5
FII's	2.3	3.0	1.8
MFs/Institutions	0.1	9.9	15.3
Public	82.8	74.3	71.2
Others	7.6	6.3	5.2
Total	100.0	100.0	100.0

Price Performance

	3 Month	6 Month	1 Year
Absolute Return	57.8%	64.3%	70.6%
Absolute Sensex	1.3%	6.2%	6.5%
Relative Return*	56.5%	58.2%	64.0%

over or under performance to benchmark index



Standalone (cr)

	FY23A	FY24E	FY25E
Sales	808	959	1,158
Growth (%)	9.8	18.8	20.8
EBITDA	150	201	241
EBITDA Margin(%)	18.5	21.0	20.8
PAT Adjusted	77	132	158
Growth (%)	90.3	72.0	19.6
Adjusted EPS	8.8	13.9	16.7
Growth (%)	90.3	72.0	19.6
P/E	63.7	40.5	33.8
P/B	7.1	6.0	5.0
EV/EBITDA	33.8	27.3	22.9
ROE (%)	12.3	18.4	18.6
D/E	0.3	0.2	0.2

ANIL R
Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q2FY24	Q2FY23	YoY Growth (%)	Q1FY24	QoQ Growth (%)	H1FY24	H1FY23	YoY Growth (%)
Sales	189	171	10.6	133	42.2	322	332	-3.1
EBITDA	42	40	2.7	5	799.3	46	65	-29.3
EBITDA margin	22.0	23.7	-168bps	3.5	1853bps	14.4	19.7	-533bps
Depreciation	6	6	7.6	6	11.0	12	11	5.3
EBIT	35	35	1.9	-1	-3843.8	34	54	-36.4
Interest	6	7	-13.5	7	-17.8	13	12	5.5
Other Income	4	2	74.7	2	62.8	6	3	85.3
Exceptional Items	-	-	-	-	-	-	-	-
PBT	33	30	10.2	-6	-683.4	28	45	-39.2
Tax	8	8	10.7	-1	-701.1	7	11	-38.0
Share of profit from Associate	6	0	-	0	-	6	-1	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	31	22	38.9	-4	-790.0	26	33	-19.3
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	31	22	38.9	-4	-790.0	26	33	-19.3
No. of Shares	9	9	-	9	-	9	9	-
EPS (Rs)	3.2	2.6	27.2	-0.5	-790.0	2.8	3.8	-26.1

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	959	1,158	959	1,158	-	-
EBITDA	201	241	201	241	-	-
Margins (%)	21.0	20.8	21.0	20.8	-	-
Adj. PAT	110	134	132	158	19.8	17.6
EPS	12.7	15.5	13.9	16.7	9.7	7.5

Standalone Financials

PROFIT & LOSS

Y.E March (Rs.cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	589	735	807	959	1,158
% change	27.6	24.7	9.8	18.8	20.8
EBITDA	66	87	150	201	241
% change	(21.2)	31.7	72.0	34.7	19.6
Depreciation	23	22	23	26	30
EBIT	43	65	126	175	211
Interest	23	20	29	26	29
Other Income	12	7	6	10	8
PBT	31	53	103	160	190
% change	(50.0)	68.2	95.1	55.2	19.1
Tax	7	12	26	40	48
Tax Rate	23.7	23.6	25.5	25.0	25.0
Profit/loss (JV/Asso.)	-	-	-	12.0	15.0
Reported PAT	24	40	77	132	158
Adj*	5	0	0	0	0
Adj PAT	24	40	77	132	158
% change	(49.4)	68.3	90.3	71.9	19.6
No. of shares (cr)	8.7	8.7	8.7	9.5	9.5
Adj EPS (Rs.)	2.8	4.7	8.8	13.9	16.7
% change	(49.4)	68.3	90.3	57.4	19.6
DPS (Rs.)	1.2	1.2	1.2	1.1	1.1
CEPS (Rs.)	5.4	7.1	11.5	16.7	19.8

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	14	21	49	82	95
Accounts Receivable	254	202	282	336	397
Inventories	291	402	396	457	553
Other Cur. Assets	154	132	107	126	152
Investments	50	37	37	37	37
Gross Fixed Assets	274	302	331	371	411
Net Fixed Assets	150	157	164	178	189
CWIP	-	0	2	1	1
Intangible Assets	0	1	1	1	1
Def. Tax (Net)	2	6	8	8	8
Other Assets	0	(0)	0	0	0
Total Assets	915	958	1,047	1,226	1,432
Current Liabilities	249	312	215	269	326
Provisions	6	7	10	12	14
Debt Funds	100	49	169	169	169
Other Liabilities	-	-	-	-	-
Equity Capital	17	17	17	19	19
Reserves & Surplus	543	572	636	757	904
Shareholder's Fund	561	590	653	776	923
Total Liabilities	915	958	1,047	1,226	1,432
BVPS (Rs.)	69	72	80	95	113

CASH FLOW

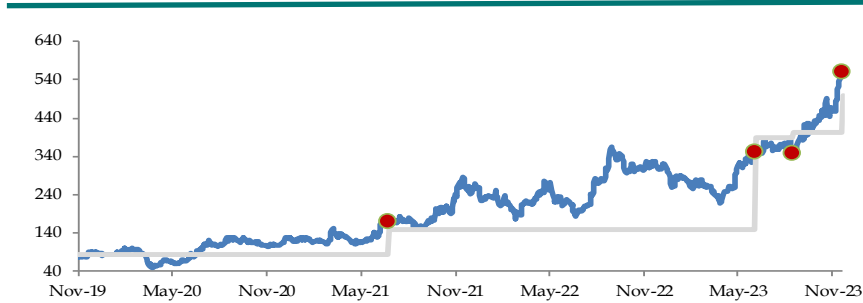
Y.E March (Rs.cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	47	62	100	158	187
Non-cash adj.	17	13	27	16	21
Changes in W.C	(74)	26	(150)	(78)	(123)
C.F. Operation	(10)	101	(22)	96	85
Capital exp.	(3)	(28)	(33)	(39)	(40)
Change in inv.	(4)	(1)	3	-	-
Other invest.CF	4	2	3	10	8
C.F - Investment	(4)	(27)	(28)	(29)	(32)
Issue of equity	(5)	15	4	2	-
Issue/repay debt	(692)	(960)	(207)	-	-
Dividends paid	-	-	-	-	-
Other finance.CF	718	878	279	(36)	(39)
C.F - Finance	21	(67)	76	(34)	(39)
Chg. in cash	7	7	28	32	14
Closing cash	14	21	49	82	95

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	11.2	11.8	18.5	21.0	20.8
EBIT margin (%)	7.3	8.9	15.6	18.3	18.2
Net profit mgn.(%)	4.1	5.5	9.5	13.7	13.6
ROE (%)	4.3	7.0	12.3	18.4	18.6
ROCE (%)	5.1	6.5	10.6	13.0	13.4
W.C & Liquidity					
Receivables (days)	155	113	109	118	115
Inventory (days)	225	241	281	261	256
Payables (days)	221	196	185	148	151
Current ratio (x)	2.8	2.4	3.7	3.6	3.5
Quick ratio (x)	1.1	0.7	1.5	1.6	1.5
Turnover & Leverage					
Gross asset T.O (x)	2.2	2.6	2.6	2.7	3.0
Total asset T.O (x)	0.7	0.8	0.8	0.8	0.9
Int. coverage ratio (x)	1.8	3.3	4.3	6.8	7.3
Adj. debt/equity (x)	0.2	0.1	0.3	0.2	0.2
Valuation					
EV/Sales (x)	8.5	6.7	6.3	5.7	4.8
EV/EBITDA (x)	75.6	56.8	33.8	27.3	22.9
P/E (x)	204.2	121.3	63.7	40.5	33.8
P/BV (x)	8.2	7.8	7.1	6.0	5.0



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

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.

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