

Revenue came at Rs.1901mn vs (our est. Rs.1738.5mn) registered a growth of +8.8% YoY/+42.2% QoQ. Driven by healthy order execution. Gross Profit increased to Rs.810mn in Q2FY24 (+15.3% YoY) vs Rs.703mn in Q2FY23. Gross margins improved by 240bps to 42.6% due to higher share of domestic business. EBITDA increased by 5.9% YoY to Rs.417mn (CEBPL est. stood Rs.382.5mn), and margin drop by 60bps YoY to 21.91%. decreased in margins was largely due to higher man power cost. APAT jumped to Rs.300mn (+46.2% YoY) vs our estimates Rs.199.9mn, PAT improved due to lower interest cost and higher other income. Order book for the quarter stood at Rs.18.67bn (including JV Rs.23.27bn), which is (2.2x of FY23 revenue. During the quarter company order intake was Rs.405cr.

Defence electronics manufacturing, a multi billion opportunity: In defence electronics the total addressable market size is around 240-250bn till FY28. out of which radar program contributes the most ~42% and followed by Trunkey projects 22% and rest others. The company is participated in various programs, expects potential business from Defence & Aerospace Rs.40bn, Space Rs.5bn, Trunkey projects, Metrology & Systems Rs.15bn, Exports is Rs.10bn.

Platforms acquisition and Modernisation drives the company's core business: In recent times lots of defence platforms acquisition and modernisation is going across all forces, like (war ships, fighter jets, tanks, underwater platforms, UAVs etc.), and these platforms can deliver in medium to long term. In modernisation front MoD has planning to modernise to equipped with upgraded electronics like Radars, EW systems, etc. To all the existing platforms like Fighter Jets, Ground stations, Communications, War Ships, etc.

View and valuation: We are positive about the growth story of ASTM due to its position as long standing supplier of various equipment and systems, ongoing innovation in diverse products. We have a positive outlook on ASTM, supported by 1) Huge addressable market (i.e-Rs.240-250bn), 2) Military modernization across all segment (Naval, Army, Air Force), 3) Diversified business model, 4) The company's healthy order book, would support the the growth story of the company. We maintain our "OUTPERFORM" rating on the stock with a TP of **Rs.651**, valuing it on **35x of FY26E EPS** increasing the multiple given the expectation of new order in coming quarters like radar for MK1, Sukhoi-30MKI up-gradation.

Quarterly performance

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Net Sales (incl OOI)	1,901	1,747	8.8	1,337	42.2
Material Exp	1,091	1,044	4.5	960	13.6
Gross Profit	810	703	15.3	377	114.7
Employee Exp	255	202	25.8	215	18.7
Other Exp	139	107	30.0	132	5.5
EBITDA	417	393	5.9	31	1,247.9
Depreciation	63	59	7.2	57	11.0
EBIT	354	335	5.7	-26	(1,482.1)
Other Income	34	21	64.7	20	71.3
Interest Cost	62	70	(10.8)	75	(16.4)
PBT	326	286	14.0	-80	(506.0)
Tax	84	76	11.2	-14	(682.9)
RPAT	242	210	15.0	-66	(467.3)
APAT	300	205	46.2	-67	(546.1)
Adj EPS (Rs)	3.5	2.4	46.2	-0.8	(546.1)

Margin Analysis	Q2FY24	Q2FY23	YoY (bps)	Q1FY24	QoQ (bps)
Gross Margin (%)	42.6	40.2	240.3	28.2	1,440.2
Employee Exp. % of Sales	13.4	11.6	180.9	16.0	(265.0)
Other Op. Exp % of Sales	7.3	6.1	119.5	9.9	(254.5)
EBITDA Margin (%)	21.91	22.5	(60.1)	2.3	1,959.7
Tax Rate (%)	25%	26%	(1.4)	18%	7.0
APAT Margin (%)	15.8	11.8	403.9	-5.0	2,082.4

Source: Company, CEBPL

	Nov 16, 2023
CMP (Rs)	544.1
Target Price (Rs)	651
Potential Upside (%)	19.6

*CMP as on 15th Nov 2023

Company Info

BB Code	ASTM IN EQUITY
ISIN	INE386C01029
Face Value (Rs.)	2.0
52 Week High (Rs.)	554.3
52 Week Low (Rs.)	213.1
Mkt Cap (Rs bn.)	51.6
Mkt Cap (\$ bn.)	0.62
Shares o/s (Mn.)	94.9
Adj. TTM EPS (Rs)	6.6
FY26E EPS (Rs)	18.6

Shareholding Pattern (%)

	Sep-23	June-23	Mar-23
Promoters	6.54	6.54	7.17
FII's	1.73	3.03	2.32
DII's	15.26	9.86	0.07
Public	76.47	80.58	90.44

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE 200	60.7	9.0	7.6
ASTM	394.0	94.7	69.5

Year end March (INR bn)

Particular	FY24E	FY25E	FY26E
Revenue	9.49	11.86	14.49
Gross Profit	3.43	4.28	5.31
EBITDA	1.71	2.22	2.91
EBITDA (%)	18.0	18.7	20.1
EPS (INR)	10.1	13.7	18.6

Rebased Price Performance



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Management Call - Highlights

- Joined new board members one is Mr. Suresh Somani as a Non-Executive Director and Mr. S. Varadarajan as a Independent Director.
- Margins have improved because of favorable mix of domestic and export order execution.
- The management is maintained guidance for margins, better than last two quarters, but not significantly increased.
- In Profit before tax margins will be improved slightly, but not significantly.
- Geographical spread of total revenue for the quarter stands as follows: India 52% and Exports 48%.
- The company is having Rs.5000cr worth opportunity in Radar and EW systems and the management is positive about opportunity.
- The company is focusing sub-system level to system level to scale up the business.
- Secured Rs.405cr worth of new order, during this quarter.
- Exploring opportunities in MMIC in defence sector as well as also in civilian sector.
- Creating a opportunity in MMIC segment will take some time around 1-2 years, the company is inline with long term vision.
- Expecting opportunity in Uttam Radar, HAL limited series production. In Uttam radar front Astra Microwave is the sole supplier.
- expecting production order from HAL, currently Astra is the major supplier for this radar.
- Modernization of Sukoi-30MKI to Super Sukhoi upgrade program discussion is in process.
- Gallium Nitride (“GaN”) TRMs, Currently working with defence agencies for incorporating such TRMs in modernizing existing radars of Su-30 Mk 1, LCA Mk 2 and AMCA fighter aircrafts and it is in final trails.
- So far has not come across with any supply chain issue from Israel & Palestine war.
- GaN technology modules & Radar For military product, only three companies were qualifying for trial scheduled in Jan-24.
- Capex will be Rs.45cr in FY24 on existing infra.

Source: Company, CEBPL

Changes in Estimates

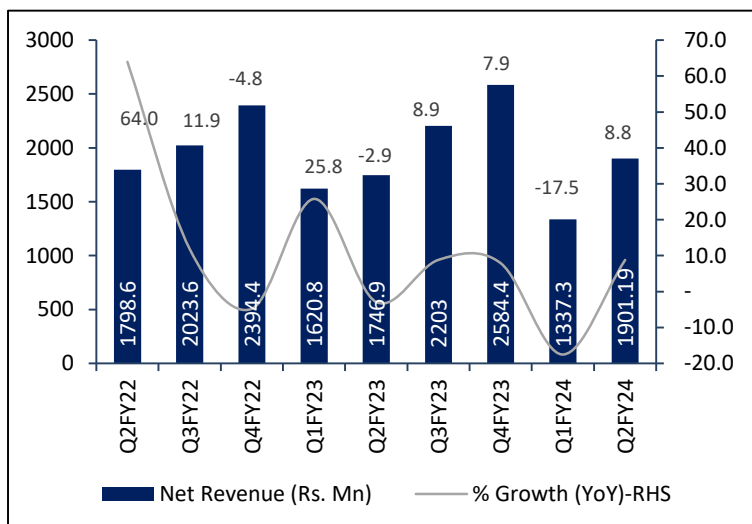
Particulars(Rs.Mn)	Actual	Choice Est.	Deviation(%)
Revenue	1901	1738	9.3
EBITDA	417	382	8.9
EBITDA Margins(%)	21.9	22.0	-90bps
PAT	300	200	50.2

Source: Company, CEBPL

Income Statement (INR Mn.)	FY24E			FY25E			FY26E		
	New	Old	Dev. (%)	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	9491	9491	0.0	11866	11866	0.0	14491	14491	0.0
EBITDA	1713	1713	0.0	2225	2225	0.0	2913	2913	0.0
EBITDA margin(%)	18.0	18.0	0bps	18.7	18.7	0bps	20.1	20.1	0bps
APAT	1061	961	9.4	1428	1298	9.1	1916	1766	7.8
EPS	11.1	10.1	9.0	15.1	13.6	9.9	20.1	18.6	7.5

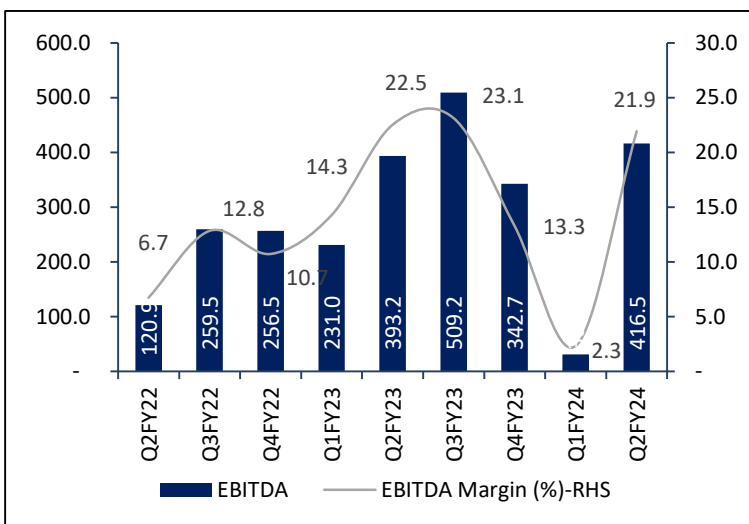
Source: Company, CEBPL

Revenue grew by 8.8% YoY



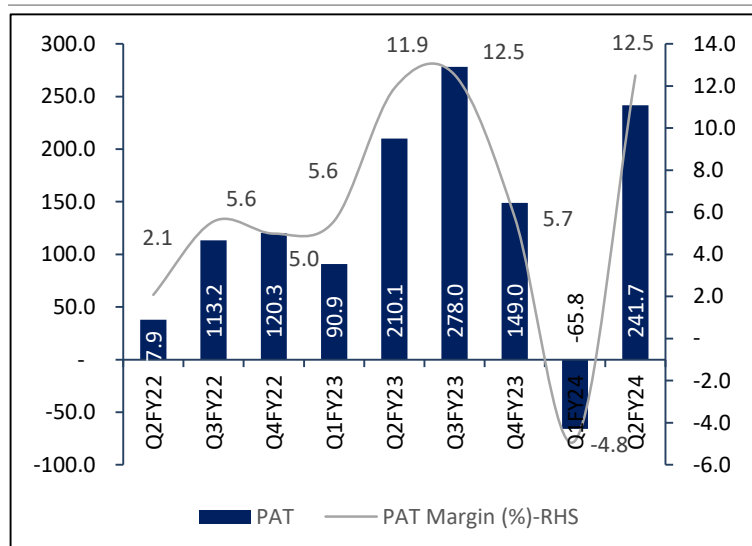
Source: Company, CEBPL

EBITDA Margin trend



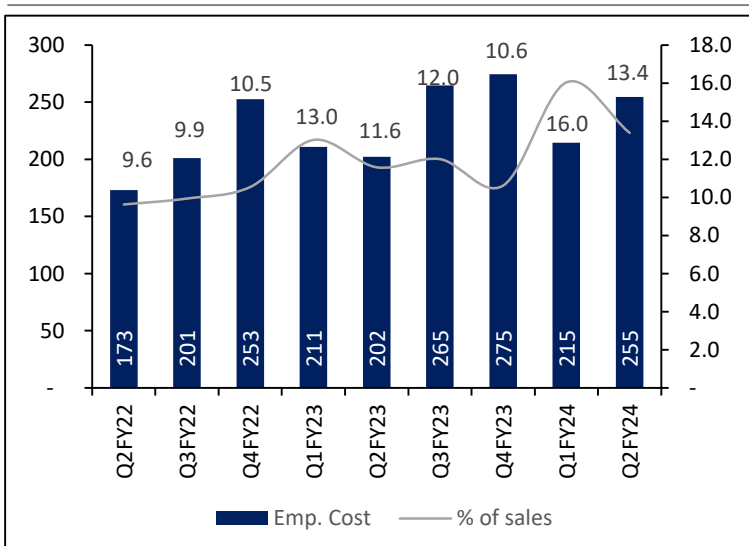
Source: Company, CEBPL

Massive APAT growth 46.2% on YoY basis



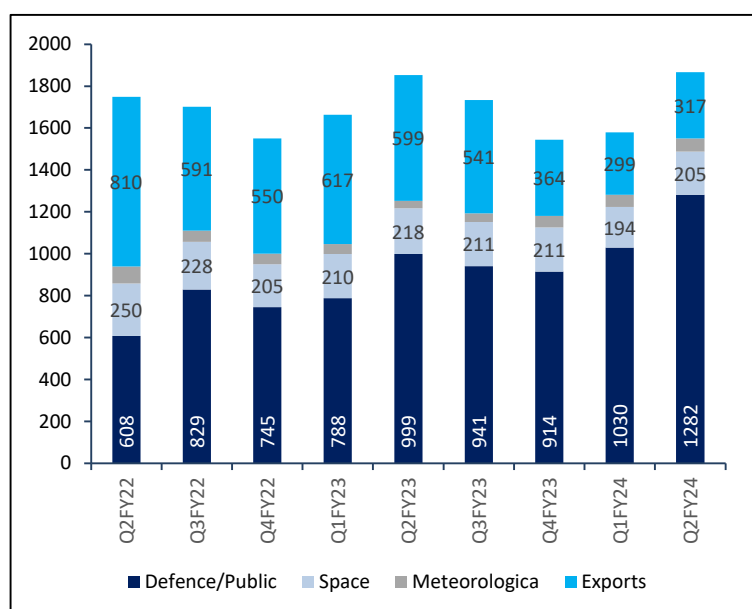
Source: Company, CEBPL

Reduction in Emp. Cost would support margins further



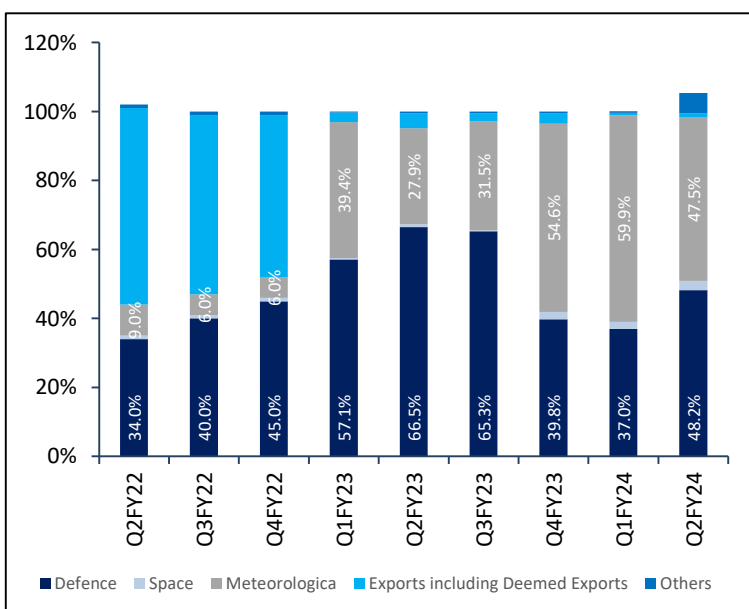
Source: Company, CEBPL

Order Book Position



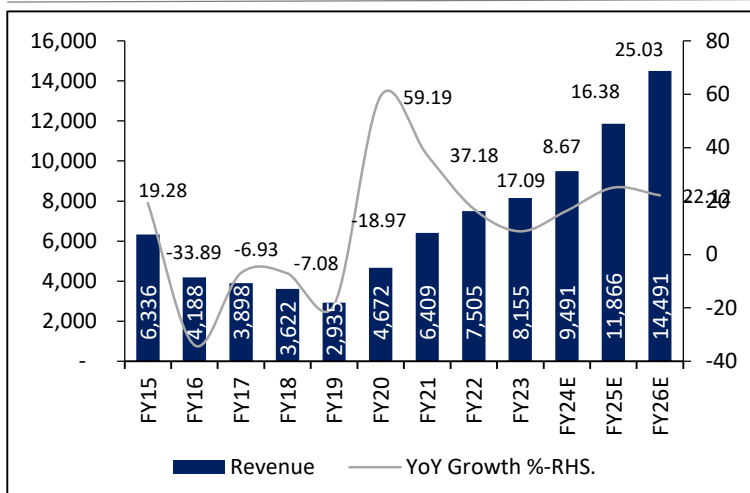
Source: Company, CMIE, CEBPL

Revenue Mix (%)



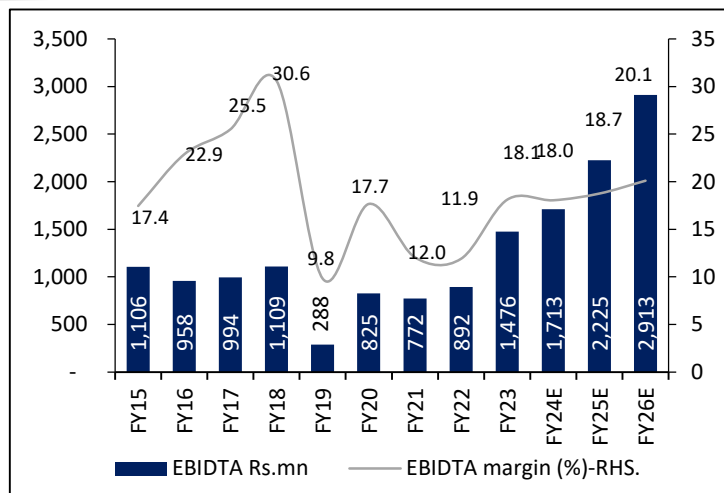
Source: Company, CMIE, CEBPL

Significant Revenue to grow over FY23-26E



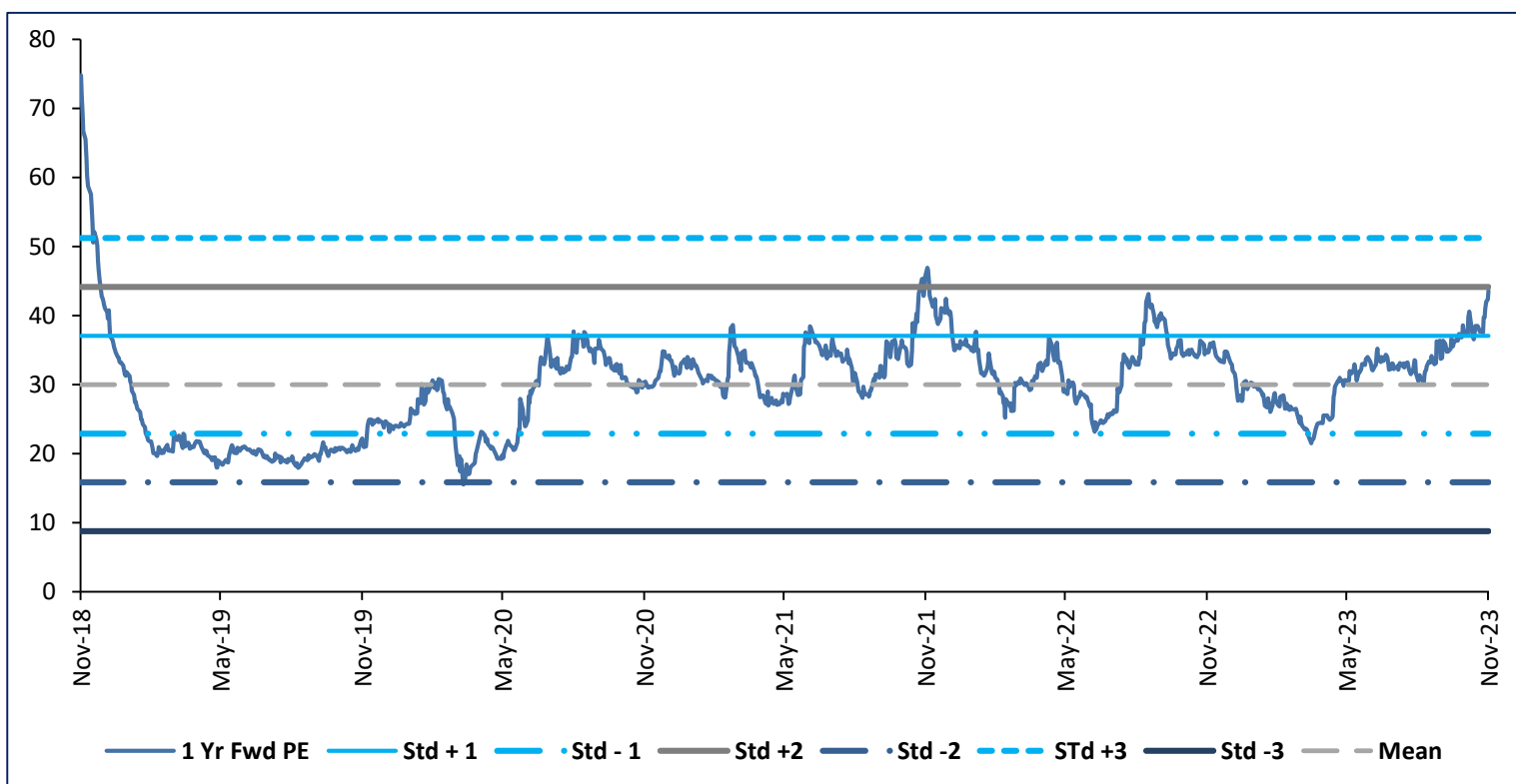
Source: Company, CEBPL

EBIDTA margin to improve led by better mix



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24E	FY25E	FY26E
Revenue	7,505	8,155	9,491	11,866	14,491
Gross profit	2,233	2,972	3,436	4,289	5,316
EBITDA	892	1,476	1,713	2,225	2,913
Depreciation	220	237	288	337	386
EBIT	672	1,240	1,425	1,888	2,527
Interest expense	211	305	203	223	245
Other Income (Including EO Items)	64	55	60	66	73
Reported PAT	401	728	961	1,298	1,766
Minority Interest	-	-	-	-	-
Adjusted PAT	379	698	961	1,298	1,766
EPS (Rs)	4.0	7.4	10.1	13.7	18.6
NOPAT	514	912	1,068	1,416	1,895

Balance sheet (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24E	FY25E	FY26E
Net worth	5,856	6,426	7,283	8,382	9,853
Minority Interest	-	-	-	-	-
Deferred tax	(69)	(91)	(91)	(91)	(91)
Total debt	704	1,855	2,033	2,234	2,454
Other liabilities & provisions	439	745	747	821	903
Total Net Worth & liabilities	6,930	8,935	9,972	11,346	13,120
Net Fixed Assets	1,596	1,668	2,080	2,444	2,758
Capital Work in progress	1	22	150	151	152
Investments	139	110	121	133	147
Cash & bank balance	775	1,109	1,005	926	916
Loans & Advances & other assets	166	173	257	321	392
Net Current Assets	5,028	6,961	7,364	8,297	9,672
Total Assets	6,930	8,935	9,972	11,346	13,120
Capital Employed	6,560	8,281	9,316	10,615	12,307
Invested Capital	5,785	7,172	8,311	9,690	11,391
Net Debt	(71)	746	1,028	1,308	1,538
FCFF	856	(584)	378	511	828

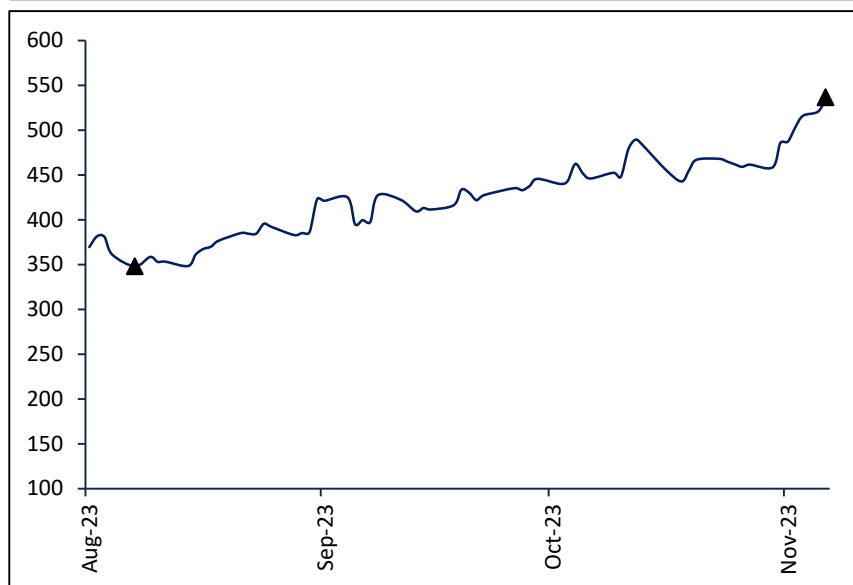
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24E	FY25E	FY26E
CFO	1,147	(255)	1,206	1,212	1,529
Capex	(290)	(329)	(828)	(701)	(701)
FCF	856	(584)	378	511	828
CFI	(260)	(282)	(839)	(713)	(714)
CFF	(787)	748	(129)	(222)	(319)

Ratio Analysis	FY22	FY23	FY24E	FY25E	FY26E
Growth Ratios (%)					
Revenue	17.1	8.7	16.4	25.0	22.1
EBITDA	15.6	65.5	16.0	29.9	30.9
PAT	31.3	84.4	37.6	35.1	36.0
Margin ratios (%)					
EBITDA	11.9	18.1	18.0	18.7	20.1
PAT	5.0	8.6	10.1	10.9	12.2
Performance Ratios (%)					
OCF/EBITDA (X)	1.3	(0.2)	0.7	0.5	0.5
OCF/IC	19.8	(3.6)	14.5	12.5	13.4
RoE	6.5	10.9	13.2	15.5	17.9
ROCE	10.2	15.0	15.3	17.8	20.5
Turnover Ratios (Days)					
Inventory	204	188	190	180	170
Debtor	100	127	120	115	120
Other Current Assets (days)	34	17	16	14	12
Payables (days)	27	21	20	21	21
Other Current Liab & Provns (days)	104	49	61	61	61
Cash Conversion Cycle	207	262	245	227	221
Financial Stability ratios (x)					
Net debt to Equity	(0.0)	0.1	0.1	0.2	0.2
Net debt to EBITDA	(0.1)	0.5	0.6	0.6	0.5
Interest Cover	3.2	4.1	7.0	8.5	10.3
Valuation metrics					
Fully diluted shares (mn)	95	95	95	95	95
Price (Rs)	544.2	544.2	544.2	544.2	544.2
Market Cap(Rs. Mn)	51,664	51,664	51,664	51,664	51,664
PE(x)	136	74	53.8	39.8	29.3
EV (Rs.mn)	51,593	52,410	52,693	52,972	53,202
EV/EBITDA (x)	58	36	31	24	18
Book value (Rs/share)	62	68	77	88	104
Price to BV (x)	8.8	8.0	7.1	6.2	5.2
EV/OCF (x)	45	-206	44	44	35

Source: Company, CEBPL

Historical recommendations and target price: Astra Microwave Products Limited



Astra Microwave Products Limited

1. 10-08-2023	OUTPERFORM,	Target Price Rs.451
2. 16-11-2023	OUTPERFORM,	Target Price Rs.651

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ADD	The security is expected to generate greater than 5% to less than 15% returns over the next 12 months
NEUTRAL	The security expected to show downside or upside returns by 5% over the next 12 months
REDUCE	The security expected to show less than -5% to greater than -15% over the next 12 months
UNDERPERFORM	The security is expected to generate returns in excess of -15% over the next 12 months

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