

Astra microwave Products Ltd.

Neutral

Choice

AMPL reported decent top-line and robust bottom line growth. Revenue for the quarter grew by ~5% YoY to Rs.2310mn vs Rs.2203mn in Q3FY23 led by execution of some large orders. Gross Profit came at Rs.1092mn (+20.5% YoY / +34.8% QoQ) and gross margin stood at 47.3% (+615bps YoY / +466bps QoQ). Due to low raw material cost. EBITDA came at Rs.661mn (up ~30% YoY), vs Rs.509mn in Q3FY23. Margin came at 28.6% (expanded 552bps YoY/+673bps QoQ) due to lower staff cost and cost control measures. APAT came at Rs.434mn (+56.7% YoY) vs Rs.277mn last year same period and margins expanded by 621bps YoY, led by robust margins growth. The company's current order book stood at Rs.22332.6mn including JV (~2.74x of FY23 revenue) as at December 31, 2023. During the quarter company order intake was Rs.257cr.

Defence electronics manufacturing, a multi billion opportunity: In defence electronics the total addressable market size is around 240-250bn till FY28. out of which the radar program contributes the most ~42% and followed by Trunkey projects 22% and rest others. The company has 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.

Tapping new potential through Anti-Drone System: The company has successfully tested the new product (anti-drone system) which will be launched next quarter. Very few players in India have developed this system. It gives deterrence to strategic assets. The company is in talks with a couple of clients which includes foreign countries. Contracts will be finalised in the short term. By FY26 this system will start to generate revenue.

View and valuation: We are positive about the growth story of ASTM due to its position as a long standing supplier of various systems and sub-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(~2.8x of FY23 revenue), would support the growth story of the company. We ascribe "NEUTRAL" rating from the Outperform rating on the stock with a TP of **Rs.644**, valuing it on **40x 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	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Net Sales (incl OOI)	2,310	2,203	4.9	1,901	21.5
Material Exp	1,218	1,297	(6.1)	1,091	11.7
Gross Profit	1,092	906	20.5	810	34.8
Employee Exp	307	265	16.1	255	20.7
Other Exp	124	132	(6.6)	139	(11.3)
EBITDA	661	509	29.9	417	58.8
Depreciation	66	60	10.0	63	5.8
EBIT	595	449	32.6	354	68.2
Other Income	36	16	118.9	34	5.3
Interest Cost	81	82	(1.2)	62	30.8
PBT	550	383	43.5	326	68.8
Tax	141	105	34.6	84	68.2
RPAT	408	278	46.9	242	69.0
APAT	434	277	56.7	300	44.5
Adj EPS (Rs)	4.6	2.9	56.7	3.2	44.5

Margin Analysis	Q3FY24	Q3FY23	YoY (bps)	Q2FY24	QoQ (bps)
Gross Margin (%)	47.3	41.1	614.8	42.6	465.5
Employee Exp. % of Sales	13.3	12.0	128.7	13.4	(9.1)
Other Op. Exp % of Sales	5.3	6.0	(65.9)	7.3	(197.9)
EBITDA Margin (%)	28.63	23.1	551.9	21.9	672.5
Tax Rate (%)	26%	27%	(1.7)	26%	(0.1)
APAT Margin (%)	18.8	12.6	621.2	15.8	298.6

Source: Company, CEBPL

Feb 10, 2024	
CMP (Rs)	647
Target Price (Rs)	644
Potential Downside (%)	(0.5)

*CMP as on 09th Feb 2024

Company Info

BB Code	ASTM IN EQUITY
ISIN	INE386C01029
Face Value (Rs.)	2.0
52 Week High (Rs.)	690.0
52 Week Low (Rs.)	213.1
Mkt Cap (Rs bn.)	61.4
Mkt Cap (\$ bn.)	0.74
Shares o/s (Mn.)	94.9
Adj. TTM EPS (Rs)	7.9
FY26E EPS (Rs)	16.1

Shareholding Pattern (%)

	Dec-23	Sep-23	June-23
Promoters	6.54	6.54	6.54
FII's	2.94	1.73	3.03
DII's	14.79	15.26	9.86
Public	75.74	76.47	80.58

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE 200	54.6	30.2	29.3
ASTM	442.8	193.9	130.6

Year end March (INR bn)

Particular	FY24E	FY25E	FY26E
Revenue	8.59	10.60	12.94
Gross Profit	3.10	3.82	4.74
EBITDA	1.54	1.98	2.59
EBITDA (%)	18.0	18.7	20.1
EPS (INR)	8.8	11.8	16.1

Rebased Price Performance



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Management Call - Highlights

- The management expects revenue for FY25 would be around Rs.1000-1100cr and Rs.1300cr order book in FY25.
- Arudhra radar to contribute 20% total sales revenue in FY25.
- APS Radar, a couple of sub-systems, Early warning system worth Rs.150cr, Telemetry system Rs.140cr, exports Rs.250cr, these orders will be executed in FY25.
- Anti-Drone system got technology from DRDO, final trials completed and it will launch in next quarter.
- Some RFI came from different customers for the anti-drone system, and it will be finalized in FY26.
- The company is trying to be a one stop solution for space technology, from component supplier to satellite integration.
- The company has supplied sub-system for Akash system, Akash-NG system, Akash Prime System, QRSAM, Himshakti, Arudhra radar.
- The company inhouse developed DOPPLER Radar supplied to ISRO and Indian Metallurgical department. 15 nos installed and commissioned so far.
- §DRDO Radar & EW systems, looking for industry partners, Astra microwave is one of very few players.
- New plant commissioned at Bangalore for satellite integration and satellite manufacturing and service.
- The company supplied components for Akash-Ng seeker which is import substitution.
- Upcoming LCA Tejas Mk-1 upgradation program, the company will supply AAAU for Uttam AESA Radar and AATRU for ASPJ Pod Jammer.
- The company has supplied Radar, EW products for AEW&CS mark-1 system which is developed by DRDO, AEW&CS mark-2 work is under progress by DRDO.
- The company made Telemetry system for BrahMos is final trials completed, and expects order in the near future.
- In FY25 the company expects export orders would be at a range of 20-25% of revenue.
- Modernization of Sukoi-30MKI to Super Sukhoi upgrade program discussion is in process.
- The company has supplied some sub-systems for primary radar and few sub-systems and components for secondary radar, totaling 40-45% of the whole system.
- In FY25 exports would be 20-25%, BTP-18%, BTS business for domestic only.
- SAR payload got technology from DRDO through technology transfer, it took 2years to generate revenue.

Changes in Estimates

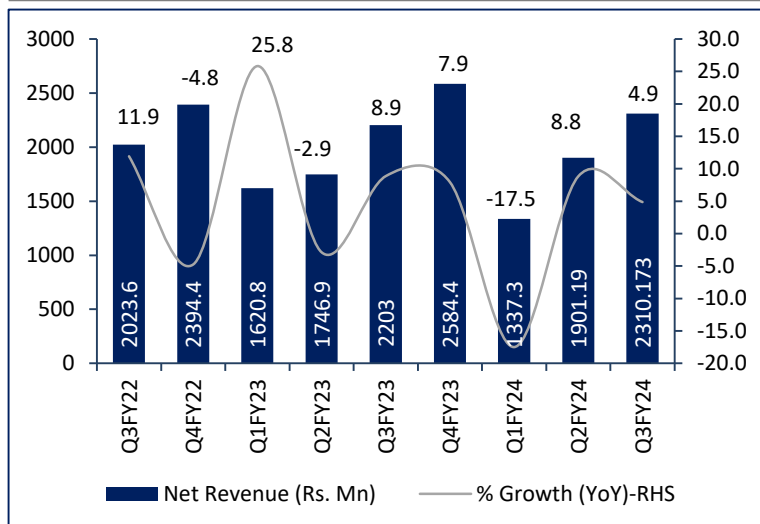
Particulars(Rs.Mn)	Actual	Choice Est.	Deviation(%)
Revenue	2,310	2,472	(6.5)
EBITDA	661	531	24.5
EBITDA Margins(%)	28.63	21.5	713bps
APAT	408	320	27.7

Source: Company, CEBPL

Income Statement (INR Mn.)	FY24E			FY25E			FY26E		
	New	Old	Dev. (%)	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	8,593	9,491	(9.5)	10,600	11,866	(10.7)	12,947	14,491	(10.7)
EBITDA	1,476	1,713	(13.8)	1,982	2,225	(10.9)	2,596	2,913	(10.9)
EBITDA margin(%)	18.0	18.0	-1.0bps	18.7	18.7	-0.5bps	20.1	20.1	-4.7bps
APAT	836	961	(13.0)	1,116	1,298	(14.0)	1,528	1,766	(13.5)
EPS	8.8	10.1	(12.8)	11.8	13.7	(14.2)	16.1	18.6	(13.5)

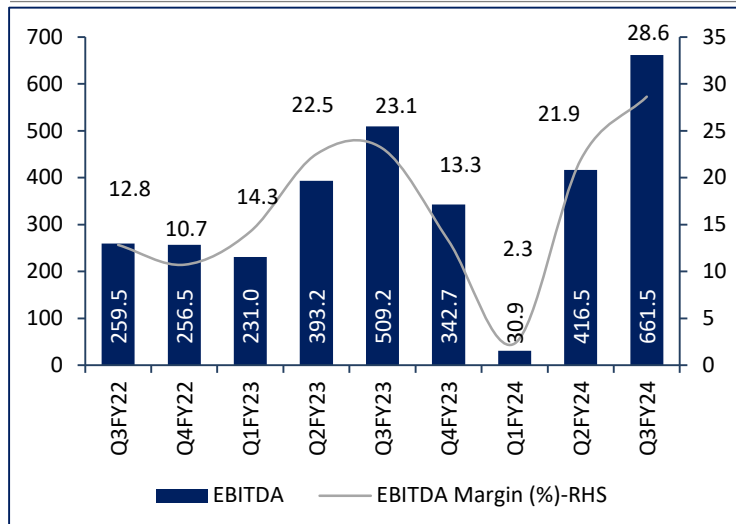
Source: Company, CEBPL

Revenue grew by 4.9% YoY



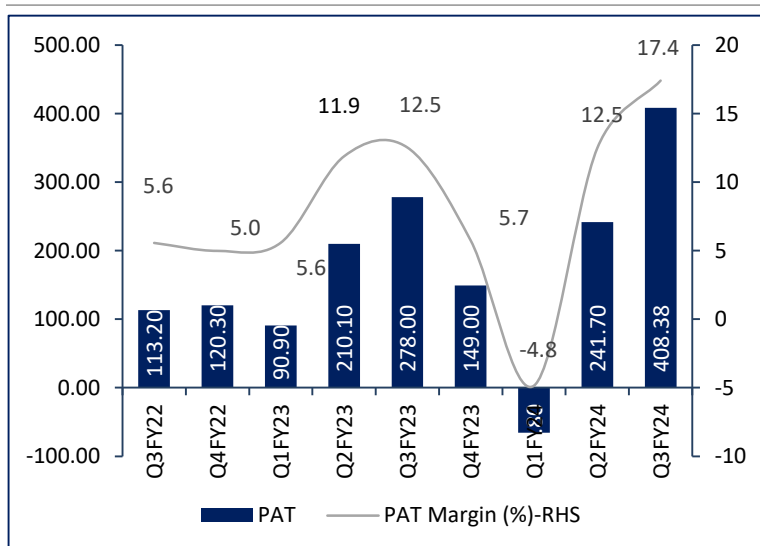
Source: Company, CEBPL

EBITDA Margin trend



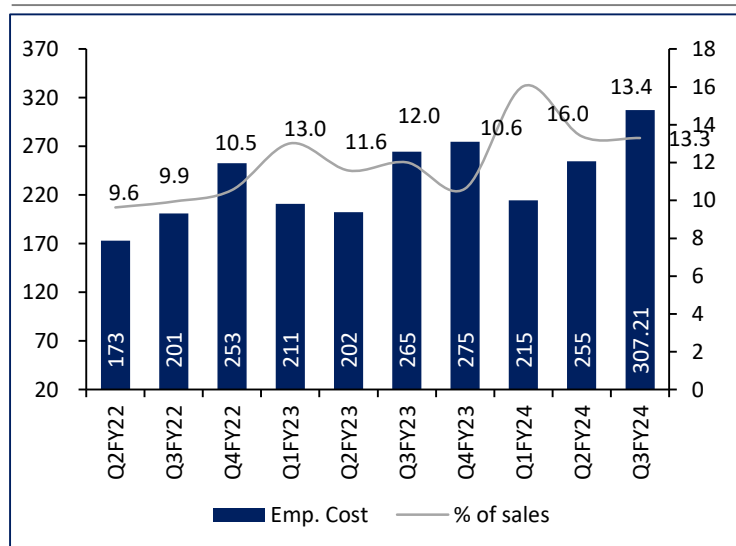
Source: Company, CEBPL

Massive RPAT growth 46.9% on YoY basis



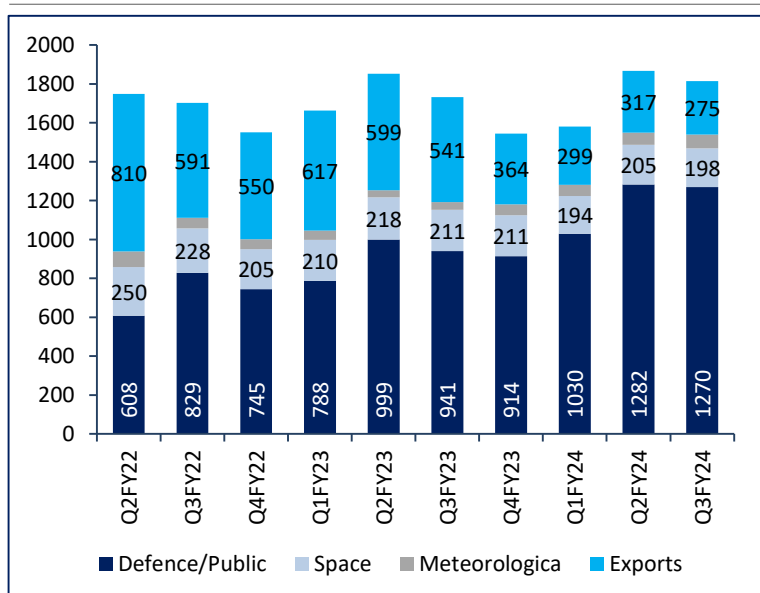
Source: Company, CEBPL

Reduction in Emp. Cost would support margins further



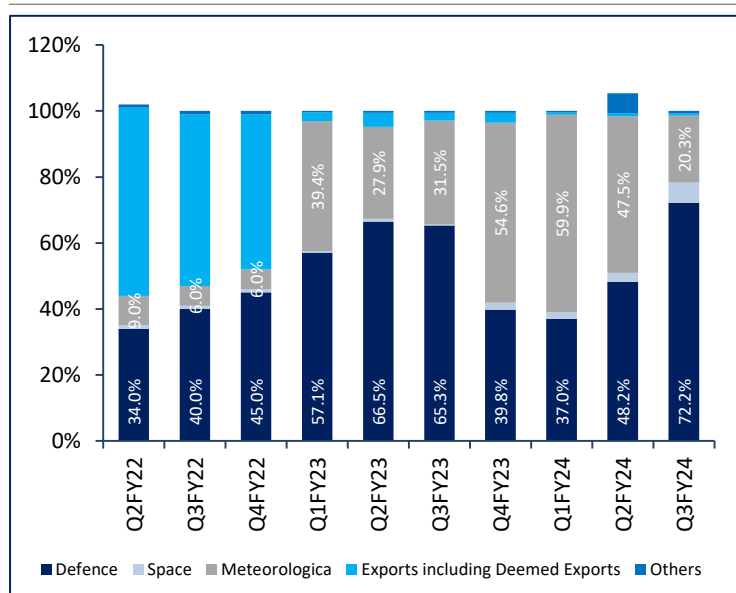
Source: Company, CEBPL

Order Book Position



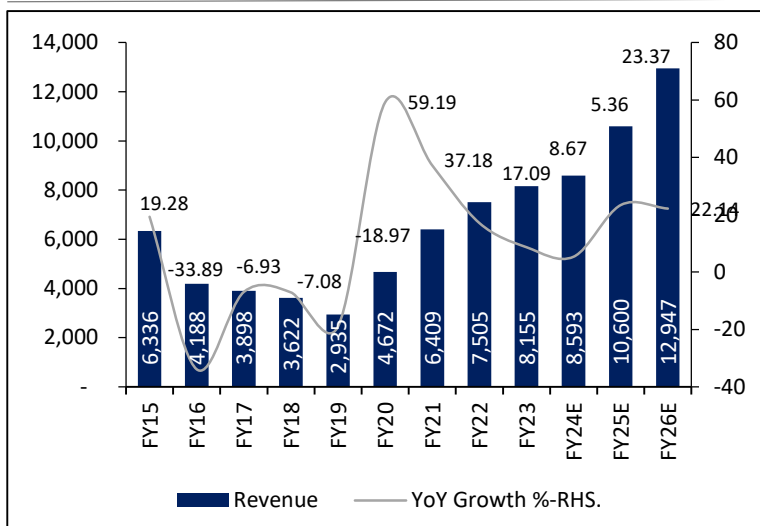
Source: Company, CMIE, CEBPL

Revenue Mix (%)



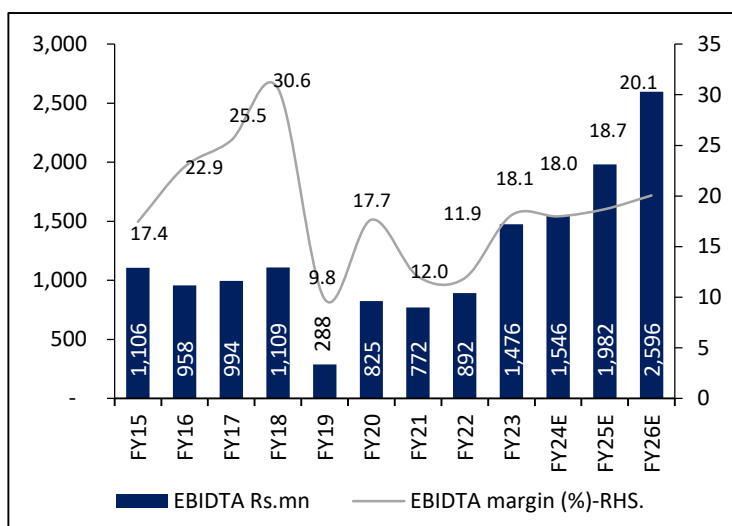
Source: Company, CMIE, CEBPL

Significant Revenue to grow over FY23-26E



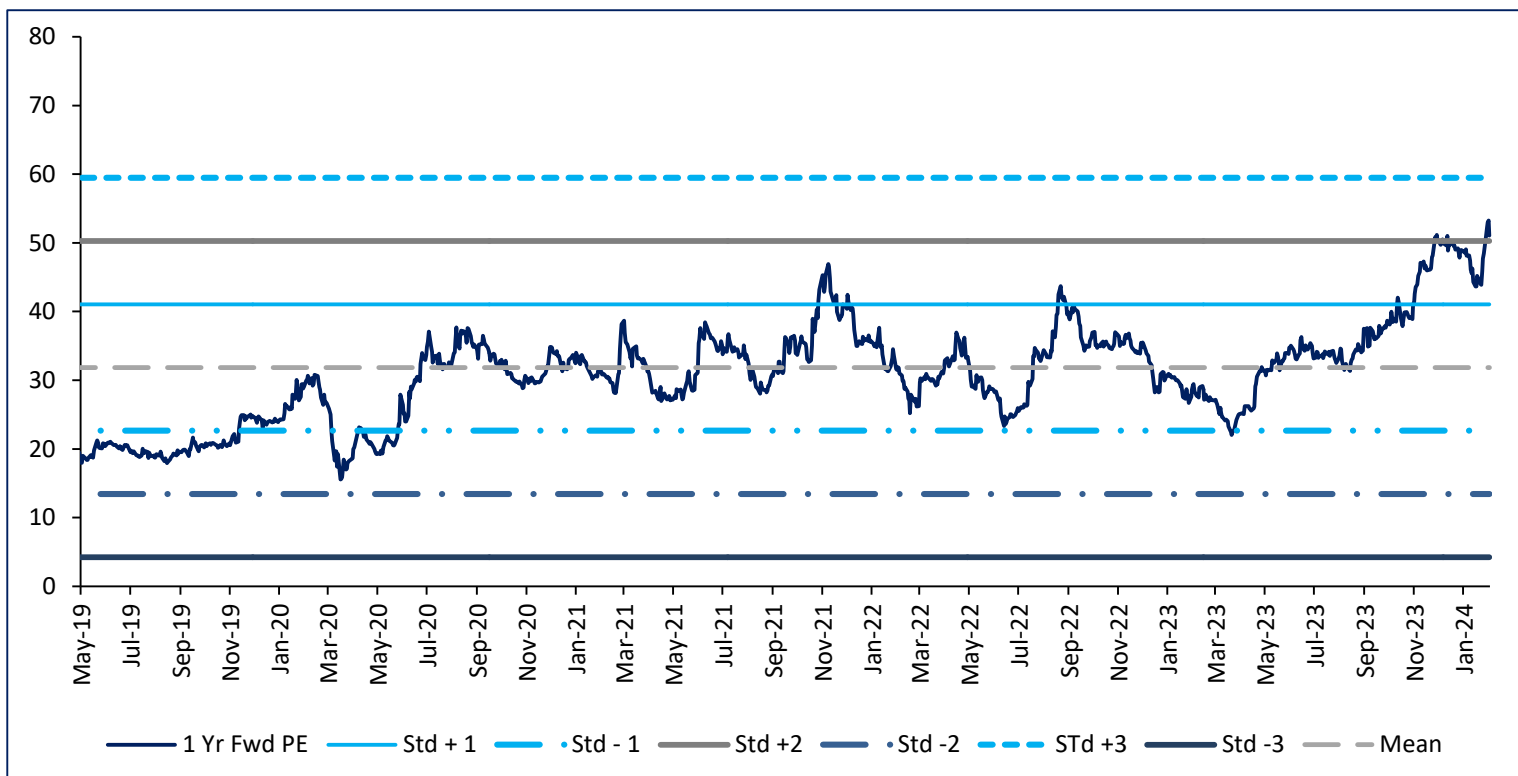
Source: Company, CEBPL

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	8,593	10,600	12,947
Gross profit	2,233	2,972	3,107	3,827	4,744
EBITDA	892	1,476	1,546	1,982	2,596
Depreciation	220	237	288	337	386
EBIT	672	1,240	1,258	1,645	2,210
Interest expense	211	305	203	223	245
Other Income (Including EO Items)	64	55	60	66	73
Reported PAT	401	728	836	1,116	1,528
Minority Interest	-	-	-	-	-
Adjusted PAT	379	698	836	1,116	1,528
EPS (Rs)	4.0	7.4	8.8	11.8	16.1
NOPAT	514	912	943	1,234	1,658

Balance sheet (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24E	FY25E	FY26E
Net worth	5,856	6,426	7,158	8,074	9,308
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	9,847	11,039	12,575
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	1,472	1,397	1,300
Loans & Advances & other assets	166	173	232	287	350
Net Current Assets	5,028	6,961	7,263	8,024	9,169
Total Assets	6,930	8,935	9,847	11,039	12,575
Capital Employed	6,560	8,281	9,191	10,308	11,762
Invested Capital	5,785	7,172	7,720	8,911	10,463
Net Debt	(71)	746	562	837	1,155
FCFF	856	(584)	778	445	654

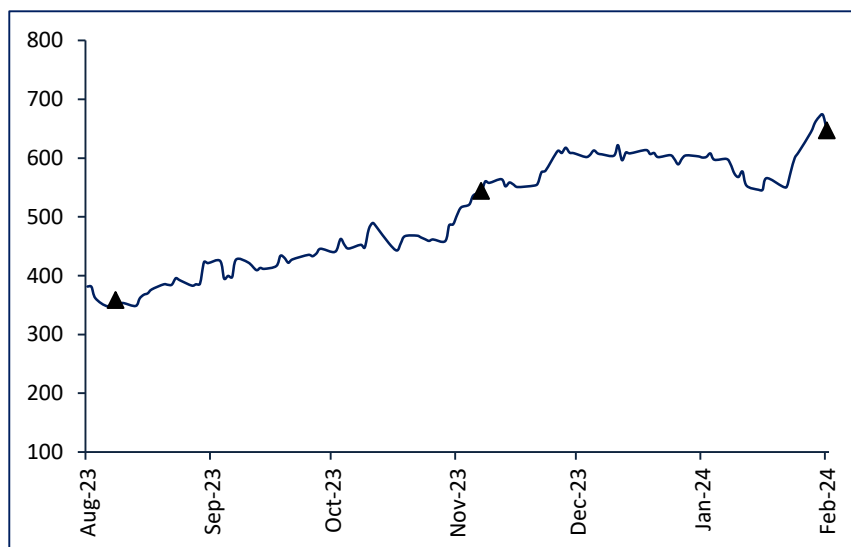
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24E	FY25E	FY26E
CFO	1,147	(255)	1,607	1,146	1,355
Capex	(290)	(329)	(828)	(701)	(701)
FCF	856	(584)	778	445	654
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	5.4	23.4	22.1
EBITDA	15.6	65.5	4.7	28.2	31.0
PAT	31.3	84.4	19.7	33.5	37.0
Margin ratios (%)					
EBITDA	11.9	18.1	18.0	18.7	20.1
PAT	5.0	8.6	9.7	10.5	11.8
Performance Ratios (%)					
OCF/EBITDA (X)	1.3	(0.2)	1.0	0.6	0.5
OCF/IC	19.8	(3.6)	20.8	12.9	12.9
RoE	6.5	10.9	11.7	13.8	16.4
ROCE	10.2	15.0	13.7	16.0	18.8
Turnover Ratios (Days)					
Inventory	204	188	190	180	170
Debtor	100	127	120	115	120
Other Current Assets (days)	34	17	17	15	14
Payables (days)	27	21	20	21	21
Other Current Liab & Provns (days)	104	49	61	61	61
Cash Conversion Cycle	207	262	246	228	222
Financial Stability ratios (x)					
Net debt to Equity	(0.0)	0.1	0.1	0.1	0.1
Net debt to EBITDA	(0.1)	0.5	0.4	0.4	0.4
Interest Cover	3.2	4.1	6.2	7.4	9.0
Valuation metrics					
Fully diluted shares (mn)	95	95	95	95	95
Price (Rs)	646.8	646.8	646.8	646.8	646.8
Market Cap(Rs. Mn)	61,410	61,410	61,410	61,410	61,410
PE(x)	162	88	73.5	55.0	40.2
EV (Rs.mn)	61,340	62,156	61,972	62,248	62,565
EV/EBITDA (x)	69	42	40	31	24
Book value (Rs/share)	62	68	75	85	98
Price to BV (x)	10.5	9.6	8.6	7.6	6.6
EV/OCF (x)	53	-244	39	54	46

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
3. 10-02-2024	NEUTRAL,	Target Price Rs.644

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