

## RETAIL EQUITY RESEARCH

## Astra Microwave Products Ltd

## Communication Equipment

BSE CODE:532493

NSE CODE: ASTRAMICRO

Bloomberg CODE: ASTM:IN

SENSEX: 35,548

## BUY

Rating as per Midcap

12months investment period

CMP Rs. 101 TARGET Rs. 124 RETURN 22% ↑

19<sup>th</sup> June, 2018

## Order visibility to improve...

Astra-microwave products Ltd (AMPL) is leading designer and manufacturer of wide array of radio frequency systems, microwave chips, microwave based components and subsystems for Defence, Telecom and Space.

- FY18 PAT grew by 7% YoY. EBITDA margins improved by 510bps due to execution of higher margin domestic orders.
- Current order book is at Rs503cr, whereas order intake guidance of Rs600cr for FY19E is encouraging.
- Given execution of better margin domestic orders, we factor EBITDA margin in the range of 28% vs. 22% (last 5 year average) over FY18-FY20E.
- To benefit from improvement in demand for radars and subsystems due to ongoing indigenous missiles programmes. Further, company's focus in new projects will drive future growth.
- However, we lower our earnings estimates for FY19E by 12% to factor in delay in certain orders during FY18.
- Considering the earnings downgrade, we lower our valuation to P/E 13x (16x earlier) as we roll forward to FY20E.
- We maintain our Buy rating with a revised target price of Rs124.

## Revenue growth to improve...order inflow improving

FY18 revenues declined by 7% YoY to Rs362cr. The current order backlog is Rs503cr including export order worth Rs142cr. The order intake for FY18 was at Rs336cr which declined by 21% YoY. This was largely due to delay in finalisation of Akash and Elta orders. The current order book provides visibility for FY19E. Management has guided an order intake of Rs600cr for FY19E. This includes Rs135cr from Akash and Rs190cr ELTA orders, which were delayed in FY18. Management has guided Rs435cr of revenue which includes Rs65cr of revenue from exports for FY19E. We factor revenue to grow at 16% CAGR over FY18-20E.

## EBITDA margin to be stable...

Gross margins improved by 750bps to 59.4% largely due to pick-up in execution of high margin domestic orders in FY18. While the improvement in EBITDA margins was limited to 510bps YoY to 30.6%, largely due to late delivery charges and lower top-line growth. Going ahead with higher domestic revenue in sales mix and lower late delivery charges, we expect EBITDA margin in the range of 28% for FY18-20E. Due to delays in certain orders, we lower our PAT estimates by 12% for FY19E.

## Other key highlights...

Rafael JV is likely to contribute revenue by FY20E. CAPEX guided for FY19E is Rs16cr. The long term debt is likely to come down from Rs64 to Rs15cr by the end of FY19E.

## Valuations

FY19E order intake guidance is encouraging. However, due to delay in order inflow in FY18, we lower our earnings expectation by 12% for FY19E. Despite the downgrade in earnings estimates, we factor earnings to grow by 16% CAGR over FY18-20E. We lower our valuation to P/E 13x (16x earlier) as we roll forward to FY20E. We maintain a BUY rating for the stock with a revised target price of Rs124.

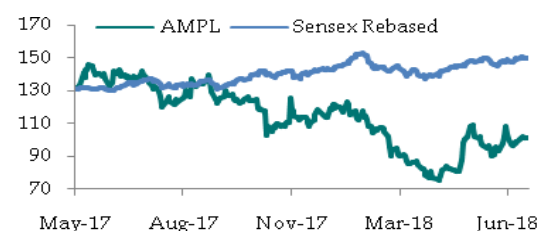
## Company Data

Market Cap (cr)	Rs. 878
Enterprise Value (cr)	Rs. 914
Outstanding Shares (cr)	8.7
Free Float	87%
Dividend Yield	1.2%
52 week high	Rs. 145
52 week low	Rs. 76
6m average volume (cr)	0.03
Beta	1.0
Face value	Rs. 2

Shareholding %	Q2 FY18	Q3 FY18	Q4 FY18
Promoters	15.5	13.1	13.1
FII's	2.4	2.3	1.1
MFs/Institutions	27.9	32.2	25.9
Public	27.5	24.8	29.4
Others	26.7	28.5	30.5
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	1.6%	-3.7%	5.4%
Absolute Sensex	11.2%	4.9%	16.9%
Relative Return*	9.6%	-8.6%	-11.5%

\*over or under performance to benchmark index



Standalone (Rs.cr)	FY18A	FY19E	FY20E
Sales	362	436	491
Growth (%)	(7.1)	20.3	12.6
EBITDA	111	122	137
Margin (%)	30.6	28.0	28.0
PAT Adjusted	61	71	82
Growth (%)	6.1	16.2	16.1
Adjusted EPS	7.1	8.2	9.5
Growth (%)	7.1	15.4	16.1
P/E	14.4	12.4	10.7
P/B	1.8	1.6	1.4
EV/EBITDA	8.2	7.4	6.5
ROE (%)	12.8	13.4	13.8
D/E	0.1	0.0	0.0

Anil R  
Analyst

## Financials

### Profit & Loss Account

(Rs cr)	Q4FY18	Q4FY17	YoY Growth %	Q3FY18	QoQ Growth %
Sales	169	156	8.2	86	97.0
EBITDA	44	43	3.1	35	26.7
EBITDA margins	26.0	27.2	(130bps)	40.3	-
Depreciation	8	7	14.1	7	4.9
EBIT	36	36	1.1	27	32.6
Interest	3	3	-	3	-
Other Income	3	1	358.2	1	239.0
Exceptional Items	-	-	-	-	-
PBT	37	34	8.9	25	44.7
Tax	7	4	104.1	9	(21.7)
	-	-	-	-	-
Reported PAT	30	30	-	16	80.4
Adjustments	-	-	-	-	-
Adj PAT	30	30	-	16	80.4
No. of shares (cr)	8.7	8.7	-	8.7	-
EPS (Rs)	3.4	3.5	-	1.9	80.4

### Change in estimates

Year / Rs cr	Old estimates	New estimates		Change %	
	FY19E	FY19E	FY20E	FY19E	FY20E
Revenue	561	436	491	(22.3)	-
EBITDA	143	122	137	(14.7)	-
Margins (%)	25.5	28.0	28.0	+250bps	-
PAT	81	71	82	(12.0)	-
EPS	9.3	8.2	9.5	(12.0)	-

## Standalone Financials

### Profit & Loss Account

Y.E March (Rs cr)	FY16A	FY17A	FY18A	FY19E	FY20E
<b>Sales</b>	<b>419</b>	<b>390</b>	<b>362</b>	<b>436</b>	<b>491</b>
% change	(33.9)	(6.9)	(7.1)	20.3	12.6
<b>EBITDA</b>	<b>96</b>	<b>99</b>	<b>111</b>	<b>122</b>	<b>137</b>
% change	(13.3)	3.7	11.5	10.0	12.6
Depreciation	24	24	27	29	32
EBIT	72	75	83	93	106
Interest	9	11	12	6	4
Other Income	9	6	8	9	10
<b>PBT</b>	<b>71</b>	<b>70</b>	<b>80</b>	<b>95</b>	<b>111</b>
% change	(16.0)	(2.1)	14.4	19.5	16.1
Tax	15	12	19	24	28
Tax Rate (%)	20.8	17.4	23.4	25.5	25.5
<b>Reported PAT</b>	<b>56</b>	<b>57</b>	<b>62</b>	<b>71</b>	<b>82</b>
Adj*	-	(1)	(1)	-	-
<b>Adj PAT</b>	<b>56</b>	<b>58</b>	<b>61</b>	<b>71</b>	<b>82</b>
% change	(10.5)	2.4	6.1	16.2	16.1
No. of shares (mn)	8.7	8.7	8.7	8.7	8.7
<b>Adj EPS (Rs)</b>	<b>6.5</b>	<b>6.6</b>	<b>7.1</b>	<b>8.2</b>	<b>9.5</b>
% change	(10.4)	(2.1)	7.1	15.4	16.1
DPS (Rs)	1.6	1.7	1.4	1.4	1.4
CEPS (Rs)	9.3	9.5	10.3	11.6	13.2

### Balance Sheet

Y.E March (Rs cr)	FY16A	FY17A	FY18A	FY19E	FY20E
Cash	65	2	21	2	14
Accounts Receivable	177	220	190	209	229
Inventories	122	130	107	138	153
Other Cur. Assets	49	54	36	42	47
Investments	0	57	126	132	182
Gross Fixed Assets	288	325	397	409	418
Net Fixed Assets	137	150	194	177	154
CWIP	1	37	1	-	-
Intangible Assets	-	-	-	-	-
Def. Tax (Net)	(11)	(2)	(4)	(6)	(7)
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>541</b>	<b>647</b>	<b>672</b>	<b>699</b>	<b>773</b>
Current Liabilities	65	61	129	104	116
Provisions	20	5	6	8	9
Debt Funds	57	131	36	26	17
Other Liabilities	-	-	-	-	-
Equity Capital	17	17	17	17	17
Reserves & Surplus	382	433	484	543	613
Shareholder's Fund	399	450	501	560	631
<b>Total Liabilities</b>	<b>541</b>	<b>647</b>	<b>672</b>	<b>699</b>	<b>772</b>
<b>BVPS (Rs)</b>	<b>46</b>	<b>52</b>	<b>58</b>	<b>65</b>	<b>73</b>

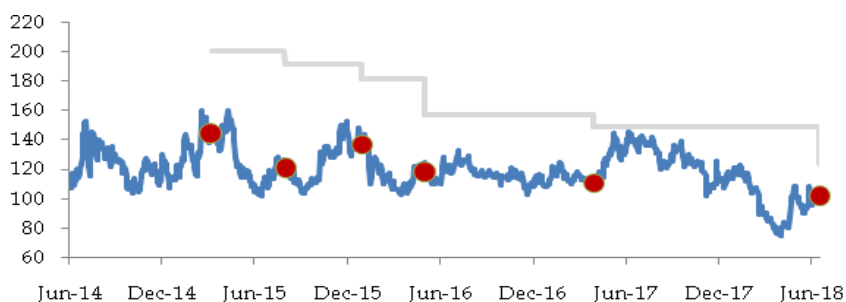
### Cash flow

Y.E March (Rs cr)	FY16A	FY17A	FY18A	FY19E	FY20E
Net inc. + Depn.	80	82	89	100	114
Non-cash adj.	6	3	5	(1)	(3)
Changes in W.C	(27)	(67)	139	(78)	(28)
<b>C.F.O</b>	<b>59</b>	<b>18</b>	<b>233</b>	<b>21</b>	<b>83</b>
Capital exp.	(21)	(72)	(36)	(15)	(5)
Change in inv.		1	(68)	(7)	(50)
Other invest.CF	3	3	6	6	7
<b>C.F - investing</b>	<b>(18)</b>	<b>(123)</b>	<b>(96)</b>	<b>(13)</b>	<b>(46)</b>
Issue of equity	69	-	-	-	-
Issue/repay debt	(73)	69	(95)	(10)	(9)
Dividends paid	(10)	(10)	(12)	(12)	(12)
Other finance.CF	(7)	(14)	(12)	(6)	(4)
<b>C.F - Financing</b>	<b>21</b>	<b>45</b>	<b>(119)</b>	<b>(28)</b>	<b>(25)</b>
Chg. in cash	62	(59)	18	(20)	12
Closing cash	65	6	20	2	14

### Ratios

Y.E March	FY16A	FY17A	FY18A	FY19E	FY20E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	22.9	25.5	30.6	28.0	28.0
EBIT margin (%)	17.1	19.2	23.0	21.2	21.5
Net profit mgn.(%)	13.4	14.8	16.9	16.3	16.8
ROE (%)	16.3	13.6	12.8	13.4	13.8
ROCE (%)	12.1	10.4	10.3	10.4	10.7
<b>W.C &amp; Liquidity</b>					
Receivables (days)	126.0	185.8	206.6	167.3	162.7
Inventory (days)	128.8	118.0	119.3	102.8	108.4
Payables (days)	134.7	122.0	235.0	223.3	190.2
Current ratio (x)	4.9	6.2	2.6	3.5	3.6
Quick ratio (x)	3.8	3.6	1.6	2.0	2.1
<b>Turnover &amp; Levq.</b>					
Gross asset T.O (x)	1.5	1.3	1.0	1.1	1.2
Total asset T.O (x)	0.8	0.7	0.5	0.6	0.7
Int. covge. ratio (x)	7.9	6.7	6.8	14.8	24.0
Adj. debt/equity (x)	0.2	0.3	0.1	0.0	0.0
<b>Valuation ratios</b>					
EV/Sales (x)	2.2	2.6	2.5	2.1	1.8
EV/EBITDA (x)	9.8	10.1	8.2	7.4	6.5
P/E (x)	15.6	15.2	14.4	12.4	10.7
P/BV (x)	2.2	2.0	1.8	1.6	1.4

### Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
10-March -15	Accumulate	201
03-August-15	Accumulate	192
31-December-15	Accumulate	182
04-May-16	Buy	157
31-March-17	Buy	149
19-June-18	Buy	124

### Investment Rating Criteria

Large Cap Stocks;			Mid Cap and Small Cap;		
Buy	-	Upside is above 10%.	Buy	-	Upside is above 15%.
Hold	-	Upside is between 0%- 10%.	Accumulate*	-	Upside is between 10% - 15%.
Reduce	-	Downside is more than 0%	Hold	-	Upside is between 0% - 10%.
Neutral	-	Not Applicable.	Reduce/Sell	-	Downside is more than 0%.
			Neutral	-	Not Applicable

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.

Neutral- The analyst has no investment opinion on the stock under review

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