

Retail Equity Research (South India Focus)  
**Astra Microwave Products Ltd**  
Communication Equipment

BSE CODE : 532493      NSE CODE: ASTRAMICRO  
BLOOMBERG CODE: ASTM:IN      SENSEX : 52,925

**Reduce**

12Months Investment Period      Rating as per Small Cap

**CMP Rs. 173 TARGET Rs. 150 RETURN -13%** ↓  
(Closing: 25-06-21)

**KEY CHANGES:**

**TARGET** ↓

**RATING** ↓

**EARNINGS** ↓

**Order visibility improves...premium valuation**

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.

- Q4FY21 Revenue grew by 38% YoY, largely due to strong execution.
- EBITDA margin improved by 9.1% to 18.2% and PAT grew by 133% YoY on account higher execution & lower cost.
- Order backlog is at Rs1,559cr, which is 2.6x FY21 sales. Order inflow was at Rs916cr, showing signs of improvement.
- We believe that headwinds like order inflow & execution delays have seen some improvement. While order inflow visibility has shown improvement in recent times.
- Order intake guidance of Rs750cr for FY22E is encouraging. Going ahead with given order execution mix, we expect EBITDA margin remain in the range of 12-13% versus 20% (5yr avg.).
- However, likely hit on margin profile is expected to hurt the profitability and valuations in the long run.
- AMPL is trading at 1 Year forward P/E of 33x which seems to be at significant premium compared to historical valuation of 19x. We value AMPL at P/E 28x on FY23E and downgrade to Reduce with a target price of Rs150.

**Q4 Revenue growth picked-up...order inflow stable**

Q4FY21 revenue grew by 38% YoY to Rs238cr led by pick-up in execution of projects in Defence, exports, space & meteorology. The current order backlog is Rs1,559cr including export order worth Rs7230cr, which is 2.6x FY21 sales provides visibility for next 1.5 years. While FY21 order inflow was Rs.916cr. Management has guided an order intake of Rs750cr for FY22E including export order of Rs150cr. The likely execution mix expected to be 60:40 between exports & domestic. The execution guidance given for FY22E is Rs.700cr. We expect FY22E revenue to grow by 15% to Rs.6,743cr and expect Revenue to grow by 11% CAGR over FY21-23E.

**EBITDA margin disappoints...**

Gross margins declined by 90bps YoY to 30% largely due to execution of export orders. However, EBITDA margins improved by 9.1% led by lower employee cost & other administrative expenses which declined by 3% & 7% YoY. Going ahead, with execution mix of 60:40 between exports & domestic orders, we expect EBITDA margin to be in the range of 13-15% versus 20% (average of last 5 years). Given change in execution mix we bring down our EBITDA margin estimates from 18% to 12.5% for FY22E and factor FY23E margin at 13.3%. Consequently, our PAT estimates stand reduced by xxx for FY22E.

**Valuations**

In last couple of years, AMPL witnessed delay in order inflow and stretched execution timelines which impacted profitability. With gradual improvement in order pipeline, we expect revival in order inflow going forward. Though we may expect improvement in revenue growth on account of order inflow. However, given downgrade in margin profile and likely impact on profitability the valuation seems to be at significant premium. We value AMPL at P/E 28x on FY23E and downgrade to Reduce with a target price of Rs150.

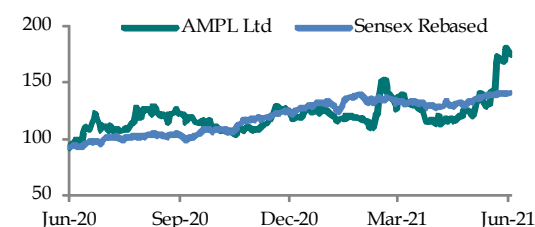
**Company Data**

Market Cap (cr)	Rs. 1,494
Enterprise Value (cr)	Rs. 1,595
Outstanding Shares (cr)	8.7
Free Float	87%
Dividend Yield	0.69%
52 week high	Rs.184
52 week low	Rs.89
6m average volume (cr)	0.03
Beta	1.0
Face value	Rs.2

Shareholding (%)	Q2FY21	Q3FY21	Q4FY21
Promoters	10.0	9.8	9.0
FII's	0.6	0.9	1.0
MFs/Institutions	8.9	8.1	4.9
Public	37.2	35.8	35.7
Others	43.3	45.4	49.3
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	25.5%	42.9%	82.0%
Absolute Sensex	5.0%	13.2%	50.6%
Relative Return*	20.4%	29.7%	31.4%

over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	589	674	722
Growth (%)	27.6	14.5	7.1
EBITDA	64	84	96
EBITDA Margin(%)	10.9	12.5	13.3
PAT Adjusted	24	39	46
Growth (%)	(49.4)	61.0	20.3
Adjusted EPS	2.8	4.4	5.3
Growth (%)	(49.4)	61.0	20.3
P/E	62.4	38.8	32.3
P/B	2.5	2.4	2.3
EV/EBITDA	24.8	18.9	16.6
ROE (%)	4.3	6.7	7.6
D/E	0.2	0.2	0.2

## Quarterly Financials (Consolidated)

### Profit & Loss

Rs cr)	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %
<b>Sales</b>	<b>238</b>	<b>173</b>	<b>38.0</b>	<b>149</b>	<b>60.0</b>
<b>EBITDA</b>	<b>43</b>	<b>16</b>	<b>175.3</b>	<b>15</b>	<b>183.0</b>
EBITDA margins	<b>18.2</b>	<b>9.1</b>	<b>9.1</b>	<b>10.3</b>	<b>8.0</b>
Depreciation	6	6	-	6	0.5
<b>EBIT</b>	<b>38</b>	<b>9</b>	<b>(10.0)</b>	<b>10</b>	<b>294.0</b>
Interest	11	3	291.0	5	147.0
Other Income	7	7	-	1	387.2
Exceptional Items	-	-	-	-	-
<b>PBT</b>	<b>33</b>	<b>13</b>	<b>154.4</b>	<b>6</b>	<b>423.0</b>
Tax	8	2	266.0	1	-
Share of profit from Associate	-	-	-	-	-
Minority Interest	-	-	-	-	-
<b>Reported PAT</b>	<b>25</b>	<b>11</b>	<b>133.0</b>	<b>6</b>	<b>353.0</b>
Adjustments	-	-	-	-	-
<b>Adjusted PAT</b>	<b>25</b>	<b>11</b>	<b>133.0</b>	<b>6</b>	<b>353.0</b>
No. of Shares	<b>8.7</b>	<b>8.7</b>	-	<b>8.7</b>	-
<b>EPS (Rs)</b>	<b>2.9</b>	<b>1.2</b>	<b>133.0</b>	<b>0.65</b>	<b>353.0</b>

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	649	-	674	722	3.8	-
EBITDA	105	-	84	96	(19.0)	-
Margins (%)	18.1	-	12.5	13.3	(560bps)	-
Adj. PAT	51	-	39	46	(23.5)	-
EPS	5.9	-	4.4	5.3	(25.4)	-

## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Sales</b>	286	462	589	674	722
% change	(19.8)	61.3	27.6	14.5	7.1
<b>EBITDA</b>	30	84	64	84	96
% change	(73.0)	181.3	(23.4)	31.3	14.0
Depreciation	29	25	23	24	26
EBIT	1	58	41	60	70
Interest	9	8	21	22	23
Other Income	24	12	12	12	13
<b>PBT</b>	17	63	31	50	60
% change	(79.0)	274.1	(50.0)	59.5	20.3
Tax	4	15	7	12	14
Tax Rate (%)	25.1	24.4	23.7	23.0	23.0
<b>Reported PAT</b>	<b>13</b>	<b>48</b>	<b>24</b>	<b>39</b>	<b>46</b>
Adj.*	5	5	5	0	0
<b>Adj. PAT</b>	<b>13</b>	<b>48</b>	<b>24</b>	<b>39</b>	<b>46</b>
% change	(79.3)	277.5	(49.4)	60.9	20.3
No. of shares (cr)	8.7	8.7	8.7	8.7	8.7
<b>Adj EPS (Rs)</b>	<b>1.4</b>	<b>5.5</b>	<b>2.8</b>	<b>4.4</b>	<b>5.3</b>
% change	(79.3)	277.5	(49.4)	60.9	20.3
DPS (Rs)	1.4	0.3	1.2	1.2	1.2
CEPS (Rs)	4.7	8.4	5.4	7.2	8.3

### CASH FLOW

Y.E March (Rs Cr)	FY21A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	41	73	47	63	72
Non-cash adj.	(11)	(1)	15	11	11
Changes in W.C	(29)	(99)	(74)	(18)	(41)
<b>C.F. Operation</b>	<b>2</b>	<b>(27)</b>	<b>(12)</b>	<b>56</b>	<b>42</b>
Capital exp.	(13)	(17)	(3)	(31)	(20)
Change in inv.	113	11	(4)	-	-
Other invest.CF	(17)	1	4	12	13
<b>C.F - Investment</b>	<b>84</b>	<b>(5)</b>	<b>(4)</b>	<b>(19)</b>	<b>(7)</b>
Issue of equity	(60)	(10)	(5)	-	-
Issue/repay debt	(40)	(767)	(692)	-	-
Dividends paid	(2)	(0)	-	-	-
Other finance.CF	3	809	720	(31)	(32)
<b>C.F - Finance</b>	<b>(99)</b>	<b>32</b>	<b>23</b>	<b>(31)</b>	<b>(32)</b>
Chg. in cash	(14)	0	7	6	3
Closing cash	7	7	14	20	24

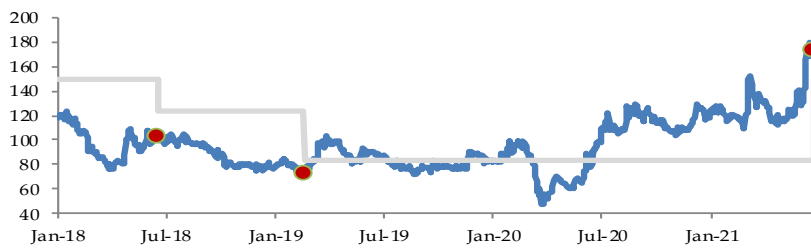
### BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	7	7	14	20	24
Accounts Receivable	190	247	254	279	299
Inventories	130	226	291	330	348
Other Cur. Assets	63	169	154	163	174
Investments	44	37	50	50	50
Gross Fixed Assets	255	262	255	285	305
Net Fixed Assets	176	158	151	156	150
CWIP	2	12	-	1	1
Intangible Assets	-	-	-	-	-
Def. Tax (Net)	(5)	0	2	2	1
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>609</b>	<b>857</b>	<b>915</b>	<b>1,000</b>	<b>1,047</b>
Current Liabilities	98	258	249	304	313
Provisions	3	5	6	6	6
Debt Funds	5	47	100	100	100
Other Liabilities	-	-	-	-	-
Equity Capital	17	17	17	17	17
Reserves & Surplus	486	530	543	571	607
Shareholder's Fund	503	547	561	589	625
<b>Total Liabilities</b>	<b>609</b>	<b>857</b>	<b>915</b>	<b>1,000</b>	<b>1,047</b>
BVPS	<b>61</b>	<b>67</b>	<b>69</b>	<b>72</b>	<b>76</b>

### RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Profitab &amp; Return</b>					
EBITDA margin (%)	10.4	18.2	10.9	12.5	13.3
EBIT margin (%)	0.4	12.7	7.0	8.9	9.7
Net profit mgn.(%)	4.4	10.3	4.1	5.7	6.4
ROE (%)	2.5	9.0	4.3	6.7	7.6
ROCE (%)	3.0	6.8	4.9	6.8	7.5
<b>W.C &amp; Liquidity</b>					
Receivables (days)	241	173	155	144	146
Inventory (days)	268	243	225	240	248
Payables (days)	258	243	221	214	226
Current ratio (x)	3.9	2.5	2.8	2.6	2.6
Quick ratio (x)	2.0	1.0	1.1	1.0	1.0
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	1.1	1.8	2.3	2.5	2.5
Total asset T.O (x)	0.4	0.6	0.7	0.7	0.7
Int. covge. ratio (x)	0.1	7.4	1.9	2.7	3.0
Adj. debt/equity (x)	0.0	0.1	0.2	0.2	0.2
<b>Valuation</b>					
EV/Sales (x)	5.2	3.3	2.7	2.4	2.2
EV/EBITDA (x)	50.3	18.4	24.8	18.9	16.6
P/E (x)	119.2	31.6	62.4	38.8	32.3
P/BV (x)	2.8	2.6	2.5	2.4	2.3

## Recommendation summary (Last 3 Years)



Dates	Rating	Target
19-June-18	Buy	124
18-February-19	Buy	83
26-June-21	Reduce	150

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			

### 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.

**Not rated:** The analyst has no investment opinion on the stock.

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

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