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India | Equity Research | Company Update

Astra Microwave Products

Defense

Big order win boosts prospects

Astra Microwave Products (AMP) has received an order worth INR 3.86bn from BEL for the supply of sub-systems for Medium Power Radar (MPR). The contract would be executed over the next three years. In our view, this order is significant, as this is one of the biggest orders the company has ever received. Besides, the execution is short-term, implying INR 1.3-1.4bn of revenue booking each year over the next three years, equivalent to 15-16% of FY24E revenue. Furthermore, margins are expected to be healthy, as this is a domestic defence order. We expect more of such orders to accrue in the near term, as the trickle-down effect from BEL's massive order inflow of INR 320bn in FY24. Maintain **BUY** with an unchanged TP of INR 800 on a DCF-based methodology.

Order win worth INR 3.86bn

We see AMP receiving an order worth INR 3.86bn (the most sizeable order ever for the company) for supplying sub-systems of MPR as a significant development. Key points: 1) We expect revenue booking of INR 1.3-1.4bn p.a. from this order, as the duration is for three years. 2) This order has come in a little earlier than we estimated. We accounted for this order in FY25, in our inflow estimate of INR 12bn. 3) Margin in this order is expected to be better, as it is for sub-systems supply in domestic defence. This order is a trickle-down flow from BEL's receipt of INR 28.9bn of MPR radar order in Mar'23. We expect more orders to flow in to AMP, as BEL has received orders worth INR 320bn in FY24, of which 60-65% might see active participation of AMP.

Earnings momentum in sight

We see three ingredients of sustained long-term performance of the company: 1) Exclusive participation in Uttam AESA radar for Tejas Mk1A, Mk2 and AMCA and possible involvement in AESA radar for upgrade of Su-30MK1. 2) Area of future expansion such as SATCOM systems, infrared radars, ground surveillance radars and anti-drone radars. 3) Developing solutions around the internal competencies such as creating a portfolio of MMIC products. We believe that these initiatives are likely to maintain earnings growth momentum beyond the stated target of cumulative revenue of INR 70bn through to FY28.

Financial Summary

Y/E March (INR mn)	FY23A	FY24E	FY25E	FY26E
Net Revenue	8,155	8,727	10,872	11,491
EBITDA	1,476	1,837	2,684	2,823
EBITDA Margin (%)	18.1	21.1	24.7	24.6
Net Profit	848	1,262	1,798	1,896
EPS (INR)	8.9	13.3	18.9	20.0
EPS % Chg YoY	81.4	56.6	46.8	5.7
P/E (x)	71.0	45.3	30.9	29.2
EV/EBITDA (x)	39.9	31.6	21.4	19.8
RoCE (%)	12.3	14.6	16.8	14.8
RoE (%)	14.2	19.1	23.1	20.3

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Market Data

Market Cap (INR)	52bn
Market Cap (USD)	620mn
Bloomberg Code	ASTM IN
Reuters Code	ASTM.BO
52-week Range (INR)	694 /213
Free Float (%)	87.0
ADTV-3M (mn) (USD)	2.7

Price Performance (%)	3m	6m	12m
Absolute	(10.4)	26.3	146.2
Relative to Sensex	(11.7)	15.9	119.6

Previous Reports

10-02-2024: [Q3FY24 results review](#)

16-11-2023: [Q2FY24 results review](#)

Outlook: House in order; growth to get wings

We see AMP winning INR 3.86bn order from BEL, as a significant step in its growth journey. While we see potential from trickle-down effect of the orders BEL has already received in FY24, we are more positive on AMP leveraging its internal competencies and R&D expertise in MMIC, anti-drone systems (with soft kill mechanism), meteorological radars and RF/microwave domains to create products and solutions around them.

As a result of its participation in different platforms, AMP sees a business opportunity of INR 70bn (almost INR 40bn in defence) through to FY28 of the total market opportunity of INR 240-250bn. We expect this endeavour to not only lead to higher revenue by capturing opportunities in a comprehensive manner, but also result in higher margins of 24-25% in the medium term. Maintain **BUY** with an unchanged TP of INR 800 on our DCF-based methodology.

Key risks

- Delay in ordering by DPSUs
- Higher-than-expected share of deemed exports, leading to margin dilution
- Delay in development of solutions

Exhibit 1: Shareholding pattern

%	Jun'23	Sep'23	Dec'23
Promoters	6.5	6.5	6.5
Institutional investors	12.9	17.0	17.0
MFs and others	6.4	10.0	10.0
FIs/Banks	-	-	-
Insurance	2.4	3.8	3.8
FIIIs	4.1	3.2	3.2
Others	80.6	76.5	76.5

Source: Bloomberg

Exhibit 2: Price chart



Source: Bloomberg

Financial Summary

Exhibit 3: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Net Sales	8,155	8,727	10,872	11,491
Operating Expenses	1,496	1,545	1,668	1,801
EBITDA	1,476	1,837	2,684	2,823
EBITDA Margin (%)	18.1	21.1	24.7	24.6
Depreciation & Amortization	237	244	259	275
EBIT	1,240	1,593	2,425	2,548
Interest expenditure	305	307	306	304
Other Non-operating Income	55	123	125	128
Recurring PBT	989	1,408	2,244	2,372
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	261	269	571	604
PAT	728	1,140	1,673	1,768
Less: Minority Interest	(120)	(122)	(125)	(127)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	728	1,140	1,673	1,768
Net Income (Adjusted)	848	1,262	1,798	1,896

Source Company data, I-Sec research

Exhibit 4: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	8,713	11,512	13,384	15,145
of which cash & cash eqv.	1,109	3,662	4,328	5,849
Total Current Liabilities & Provisions	2,323	2,447	2,753	2,865
Net Current Assets	6,390	9,065	10,631	12,280
Investments	110	110	110	110
Net Fixed Assets	1,668	1,821	1,962	2,087
ROU Assets	-	-	-	-
Capital Work-in-Progress	22	20	20	20
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax Assets	91	91	91	91
Total Assets	8,281	11,107	12,814	14,587
Liabilities				
Borrowings	1,855	3,510	3,510	3,510
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	173	173	173	173
Reserves & Surplus	6,253	7,423	9,130	10,904
Total Net Worth	6,426	7,597	9,304	11,077
Minority Interest	0	0	0	0
Total Liabilities	8,281	11,107	12,814	14,587

Source Company data, I-Sec research

Exhibit 5: Quarterly trend

(INR mn, year ending March)

	Mar-23	Jun-23	Sep-23	Dec-23
Net Sales	2,584	1,337	1,901	2,310
% growth (YOY)	7.9	(17.5)	8.8	4.9
EBITDA	343	31	417	661
Margin %	13.3	2.3	21.9	28.6
Other Income	10	20	34	36
Extraordinaries	-	-	-	-
Adjusted Net Profit	135	(67)	300	434

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Operating Cashflow	1,272	1,600	1,368	2,219
Working Capital Changes	2	(121)	(900)	(128)
Capital Commitments	(333)	(395)	(400)	(400)
Free Cashflow	939	1,205	969	1,819
Other investing cashflow	51	123	125	128
Cashflow from Investing Activities	(282)	(272)	(275)	(272)
Issue of Share Capital	-	-	-	-
Interest Cost	(206)	(307)	(306)	(304)
Inc (Dec) in Borrowings	1,076	1,655	-	-
Dividend paid	(122)	(122)	(122)	(122)
Others	-	-	-	-
Cash flow from Financing Activities	748	1,226	(428)	(426)
Chg. in Cash & Bank balance	1,738	2,553	666	1,521
Closing cash & balance	1,738	2,553	666	1,521

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	7.7	12.0	17.6	18.6
Adjusted EPS (Diluted)	8.9	13.3	18.9	20.0
Cash EPS	11.4	15.9	21.7	22.9
Dividend per share (DPS)	1.6	1.6	1.6	1.6
Book Value per share (BV)	67.7	80.0	98.0	116.7
Dividend Payout (%)	20.9	13.3	9.1	8.6
Growth (%)				
Net Sales	8.7	7.0	24.6	5.7
EBITDA	65.5	24.4	46.1	5.2
EPS (INR)	81.4	56.6	46.8	5.7
Valuation Ratios (x)				
P/E	71.0	45.3	30.9	29.2
P/CEPS	47.6	34.3	25.1	23.8
P/BV	8.0	6.8	5.6	4.7
EV / EBITDA	39.9	31.6	21.4	19.8
Dividend Yield (%)	0.3	0.3	0.3	0.3
Operating Ratios				
Gross Profit Margins (%)	36.4	38.7	40.0	40.2
EBITDA Margins (%)	18.1	21.1	24.7	24.6
Effective Tax Rate (%)	26.4	19.1	25.4	25.5
Net Profit Margins (%)	8.9	13.1	15.4	15.4
Net Debt / Equity (x)	0.1	0.0	(0.1)	(0.2)
Net Debt / EBITDA (x)	0.4	(0.1)	(0.3)	(0.9)
Fixed Asset Turnover (x)	1.8	1.8	2.0	2.0
Inventory Turnover Days	208	193	195	179
Receivables Days	141	133	140	128
Payables Days	32	34	35	33
Profitability Ratios				
RoCE (%)	12.3	14.6	16.8	14.8
RoE (%)	14.2	19.1	23.1	20.3
RoIC (%)	14.2	18.8	23.8	23.4

Source Company data, I-Sec research

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