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India | Equity Research | Results update

Astra Microwave Products

Defence

A steady quarter; bright prospects ahead

Astra Microwave Products (AMP) Q3FY25 performance was steady. Key points: 1) Consolidated EBITDA margin was at 29.5%, benefitting from execution of defence orders. 2) EBITDA rose 15% YoY at INR 762mn. 3) Standalone order book (OB) was at INR 19.6bn, of which 73% is for defence orders. 4) Interest cost rose 83% YoY, mainly due to working capital build-up, pursuant to the execution. 5) Share of JV (ARC) rose 3x to INR 76mn. Management expects to meet its FY25 revenue guidance of INR 11–12bn and achieve an order inflow (OI) of INR 10bn. Further, looking at the order pipeline and orders in hand, EBITDA margin is likely to stay at its current levels and even rise further. We remain positive on AMP's prospects and maintain **BUY** with an unchanged TP of INR 935 on DCF-based methodology.

Steady performance

AMP's Q3FY25 consolidated EBITDA rose 15% YoY at INR 762mn. Key points: 1) Revenue rose 12% YoY at INR 2.6bn with defence orders accounting for 85%; exports accounted for a mere 8.4%. 2) EBITDA margin was at a healthy level of 29.5% as the share of high-margins orders was higher. 3) OB: Standalone at INR 19.6bn, consolidated at INR 23.3bn; 9MFY25 OI was at: INR 6.8bn (standalone), INR 8.7mn (consolidated). 4) Interest cost rose 83% YoY, mainly due to working capital build-up stemming from a pick-up in execution. 5) ARC revenue for 9MFY25 was >INR 2bn. Management expects FY25 revenue at INR 11–12bn with EBITDA margin sustaining at a healthy level, similar or higher than Q3FY25.

Good growth prospects

During the conference call, management indicated that: 1) FY26E revenue growth likely at 15–20%. 2) OI in Q4FY25 likely at INR 3.5bn. 3) FY26 OI likely at INR 12–13bn with OB expected to grow 15–20% in FY27. In our view, AMP's margins are likely to sustain at the current levels as: 1) bulk of the OI and current OB comprises defence and EW systems. 2) OI from margin accretive space segment (ISRO) is likely to increase. 3) Service orders are at 7% of standalone OB. These typically carry higher margins. Besides, AMP's anti-drone radar has already undergone successful testing and there is good demand for such products. Besides, ARC's OI is expected to be robust as well.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	9,088	11,083	13,182	16,118
EBITDA	1,916	2,645	3,264	4,106
EBITDA Margin (%)	21.1	23.9	24.8	25.5
Net Profit	1,211	1,748	2,198	2,814
EPS (INR)	12.8	18.4	23.1	29.6
EPS % Chg YoY	49.8	49.1	27.5	29.6
P/E (x)	63.8	42.8	33.6	25.9
EV/EBITDA (x)	36.7	26.4	21.1	16.5
RoCE (%)	13.5	15.3	15.4	16.8
RoE (%)	16.6	18.8	18.7	20.1

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Market Data

Market Cap (INR)	70bn
Market Cap (USD)	795mn
Bloomberg Code	ASTM IN
Reuters Code	ASTM.BO
52-week Range (INR)	1,060 /510
Free Float (%)	87.0
ADTV-3M (mn) (USD)	2.0

Price Performance (%)	3m	6m	12m
Absolute	(7.5)	(14.0)	9.5
Relative to Sensex	(5.4)	(12.0)	1.6

ESG Score	2022	2023	Change
ESG score	-	63.1	-
Environment	-	32.9	-
Social	-	68.4	-
Governance	-	81.4	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

14-11-2024: [Q2FY25 results review](#)

14-08-2024: [Q1FY25 results review](#)

Outlook: Good earnings growth eyed

Even at relatively conservative EBITDA margin of 25–26%, our EPS growth for FY24–27E works out to a healthy 23.5% CAGR. Besides, there could be a further upside from additional revenue from anti-drone solutions and MMIC as a service. We also expect the ARC JV to continue doing well, in light of robust OB. We maintain **BUY** on AMP with an unchanged TP of INR 935 on 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.

Q3FY25 conference call: Highlights

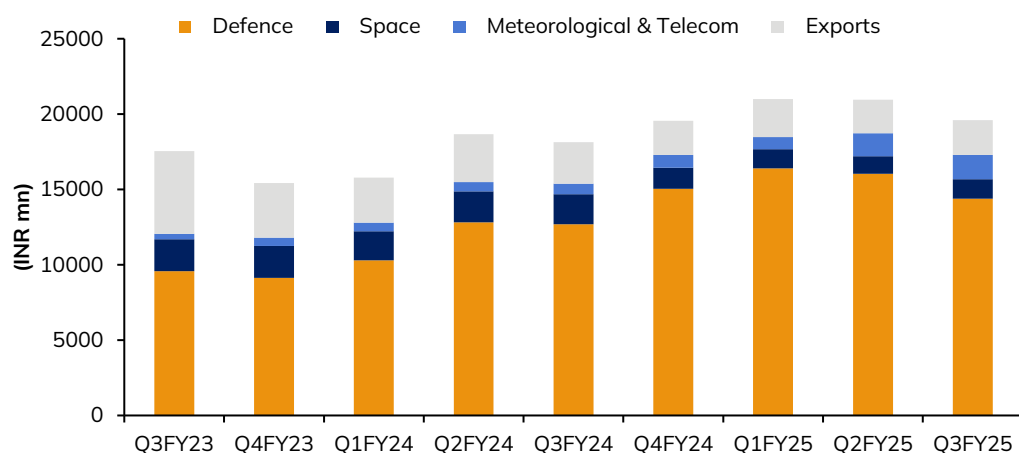
- Performance in line with expectations. Retain FY25 revenue guidance of INR 12–13bn and OI of INR 10bn.
- Better mix of products sold during the quarter resulted in healthy EBITDA margin.
- OB: Consolidated OB, as of Dec'24, stood at INR 23.326bn. Standalone OB, as of Dec'24, stood at INR 19.602bn, with new orders of INR 1.41bn received during the quarter.
- In 9MFY25, ASTM has booked new orders worth INR 6.74bn.
- OI during Q3FY25: Total INR 1.4bn comprising of 1) Radars – INR 200mn; 2) EW systems – INR 60mn; 3) Telemetry – INR 50mn; 4) Space – INR 220mn; 5) Exports – INR 140mn; and rest from metallurgy and hydrology sectors.
- Standalone OB comprises 88% domestic orders (majority BTS) and 12% export orders (mix of BTP and BTS business).
- Consolidated OB consists of INR 1.35bn worth of service orders, which are typically margin accretive.
- Expected OI in Q4FY25: Have negotiated almost INR 1.5bn worth of orders. In addition, almost INR 2bn worth of orders are in pipeline, of which majority are in radar and EW systems. Possible split for Q4FY25 OI – radar: INR 660mn; EW: INR 450mn; Telemetry: INR 500mn, radar upgrade: INR 1.2bn; space: INR 150mn; and exports: INR 500mn.
- OB visibility: Good visibility in FY26. Expect to book almost INR 13–15bn worth of orders, of which: radars: INR 9–10bn; EW: INR 1–1.5bn; telemetry: INR 1–1.2bn; space: INR 700–800mn; meteorology: INR 1–1.5bn; and exports at INR 1–1.2bn. In FY27, management expects OB growth of 20%.
- Trials of anti-drone radars have been successful. ToT is from DRDO and the company has optimised the design. Currently, the company is competing with couple of companies and integrating the radar with jammer to provide optimised the design. Competing with couple of companies. Integrating with jammer to provide soft kills and hard kill options.
- ARC performance: JV company has done well. OI of INR 1.9bn in 9MFY25. OB is at INR 4.75bn. Revenue for 9MFY25 was at more than INR 2bn and the company is expected to surpass INR 2.75bn in FY25E. ARC is actively pursuing opportunities in tactical communication and radio-optics.

- Key developments in Q3FY25: On board digital processing system for ISRO, multi-functional radar and pulse ray tracking radar based on ToT from DRDO.
- Anti-drone radar: ToT from DRDO. Optimised the design. Competing with couple of companies. Integrating with jammer to provide soft kills and hard kill options.
- Management mentioned that they are planning to reveal a few new products in the Aero show, including ground penetrating radar.
- EBITDA margin likely to be in excess of 25% going ahead.
- WC increased, mainly due to non-cash impact of interest cost pertaining to advances received from customers. ~40% of interest cost pertains to this provision.
- Borrowings: Short-term debt is at INR 40bn and long-term debt is at INR 0.3bn; total debt stands at INR 4.3bn.
- Manjeera JV - has just been incorporated. Working on a chip for NAVIC applications.
- MMIC supplies: Agreements are in place. Supplies to commence once the products get qualified.
- Expecting INR 17-20bn order from QRSAM.
- Uttam AESA radar: Have RFP in hand. Currently, technical evaluation is on. There has been a procurement delay. Hence, the order might be shifted to Q1FY26. Expect to roll out a couple of numbers in FY26, followed by regular supply from FY27.
- Capex to augment the existing activities of the company is expected at INR 300-350mn p.a.

Exhibit 1: Astra Microwave Q3FY25 performance review

(INR mn)	Q3FY25	Q3FY24	% Chg YoY	Q2FY25	% Chg QoQ	FY24	FY23	% Chg YoY
Net sales	2,585	2,310	11.9	1,552	66.6	9,088	8,155	11.4
Gross Margin	1,241	1,092	13.6	679	82.7	3,629	2,972	22.1
Gross Margin (%)	48.0	47.3		43.8		39.9	36.4	
Employee cost	355	307	15.5	296	20.0	1,137	952	19.4
Other expenditure	124	124	0.6	144	(13.5)	576	544	6.0
EBITDA	762	661	15.2	240	217.4	1,916	1,476	29.8
Margin (%)	29.5	28.6		15.5		21.1	18.1	
Other Income	23	36	(37.1)	21	7.1	117	55	113.7
Depreciation	95	66	43.6	82	16.0	250	237	5.6
EBIT	689	631	9.2	179	285.1	1,783	1,294	37.7
Interest	149	81	83.4	104	43.2	313	305	2.6
PBT	616	575	7.1	94	558.4	1,590	959	65.7
Tax expense:	141	141	0.1	21	558.5	379	261	45.3
PAT	474	434	9.3	72	558.3	1,211	698	73.4

Source: Company data, I-Sec research

Exhibit 2: Quarterly orderbook breakdown


Source: Company data, I-Sec research

Exhibit 3: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	6.5	6.5	6.5
Institutional investors	18.3	20.7	20.6
MFs and others	8.9	10.4	10.8
FIs/Banks	1.0	0.9	1.0
Insurance	3.7	3.6	3.6
FIIIs	4.7	5.7	5.2
Others	75.2	72.8	72.8

Source: Bloomberg

Exhibit 4: Price chart


Source: Bloomberg

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	9,088	11,083	13,182	16,118
Operating Expenses	1,713	1,778	1,927	2,091
EBITDA	1,916	2,645	3,264	4,106
EBITDA Margin (%)	21.1	23.9	24.8	25.5
Depreciation & Amortization	250	281	304	327
EBIT	1,666	2,363	2,959	3,779
Interest expenditure	313	295	294	292
Other Non-operating Income	117	119	122	124
Recurring PBT	1,470	2,187	2,787	3,611
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	379	562	715	925
PAT	1,090	1,626	2,073	2,686
Less: Minority Interest	(120)	(123)	(125)	(128)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,090	1,626	2,073	2,686
Net Income (Adjusted)	1,211	1,748	2,198	2,814

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	12,714	14,898	17,657	20,765
of which cash & cash eqv.	1,309	1,933	3,328	4,538
Total Current Liabilities & Provisions	2,858	3,353	3,816	4,470
Net Current Assets	9,856	11,544	13,841	16,294
Investments	238	238	238	238
Net Fixed Assets	1,702	2,093	2,324	2,531
ROU Assets	-	-	-	-
Capital Work-in-Progress	130	130	130	130
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax Assets	111	111	111	111
Total Assets	12,038	14,117	16,644	19,305
Liabilities				
Borrowings	2,376	2,376	2,859	2,859
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	190	190	190	190
Reserves & Surplus	9,472	11,550	13,595	16,255
Total Net Worth	9,662	11,740	13,784	16,445
Minority Interest	0	0	0	0
Total Liabilities	12,038	14,117	16,644	19,305

Source Company data, I-Sec research

Exhibit 7: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	3,540	1,552	2,296	2,585
% growth (YOY)	37.0	16.0	20.8	11.9
EBITDA	807	240	492	762
Margin %	22.8	15.5	21.4	29.5
Other Income	27	21	22	23
Extraordinaries	-	-	-	-
Adjusted Net Profit	544	72	254	474

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	149	1,173	1,771	2,067
Working Capital Changes	(1,437)	(1,063)	(903)	(1,243)
Capital Commitments	(436)	(672)	(535)	(535)
Free Cashflow	(288)	501	1,237	1,532
Other investing cashflow	1	119	122	124
Cashflow from Investing Activities	(436)	(553)	(413)	(410)
Issue of Share Capital	-	-	-	-
Interest Cost	(192)	(295)	(294)	(292)
Inc (Dec) in Borrowings	2,669	-	483	-
Dividend paid	(153)	(153)	(153)	(153)
Others	-	-	-	-
Cash flow from Financing Activities	2,324	(449)	36	(446)
Chg. in Cash & Bank balance	2,037	172	1,394	1,211
Closing cash & balance	2,037	172	1,394	1,211

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	11.5	17.1	21.8	28.3
Adjusted EPS (Diluted)	12.8	18.4	23.1	29.6
Cash EPS	15.4	21.4	26.4	33.1
Dividend per share (DPS)	1.6	1.6	1.6	1.6
Book Value per share (BV)	101.8	123.6	145.2	173.2
Dividend Payout (%)	13.9	9.3	7.3	5.7
Growth (%)				
Net Sales	11.4	22.0	18.9	22.3
EBITDA	29.8	38.1	23.4	25.8
EPS (INR)	49.8	49.1	27.5	29.6
Valuation Ratios (x)				
P/E	63.8	42.8	33.6	25.9
P/CEPS	47.6	34.3	27.8	22.1
P/BV	7.2	5.9	5.0	4.2
EV / EBITDA	36.7	26.4	21.1	16.5
P / Sales	7.7	6.3	5.3	4.3
Dividend Yield (%)	0.2	0.2	0.2	0.2
Operating Ratios				
Gross Profit Margins (%)	39.9	39.9	39.4	38.4
EBITDA Margins (%)	21.1	23.9	24.8	25.5
Effective Tax Rate (%)	25.8	25.7	25.6	25.6
Net Profit Margins (%)	12.0	14.7	15.7	16.7
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.1	0.0	(0.1)	(0.1)
Net Debt / EBITDA (x)	0.4	0.1	(0.2)	(0.5)
Profitability Ratios				
RoCE (%)	13.5	15.3	15.4	16.8
RoE (%)	16.6	18.8	18.7	20.1
RoIC (%)	15.6	17.9	18.6	21.3
Fixed Asset Turnover (x)	1.8	2.1	2.3	2.5
Inventory Turnover Days	228	217	203	189
Receivables Days	224	237	228	218
Payables Days	47	51	51	52

Source Company data, I-Sec research

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