

Astra Microwave Products

BSE SENSEX
83,080

S&P CNX
25,419



Stock Info

Bloomberg	ASTM IN
Equity Shares (m)	95
M.Cap.(INRb)/(USDb)	86.4 / 1.0
52-Week Range (INR)	1060 / 405
1, 6, 12 Rel. Per (%)	0/46/90
Free Float (%)	87.0

Financials & Valuations (INR m)

Y/E March	2022	2023	2024
Net Sales	7,350	8,073	9,043
EBITDA	869	1,495	1,935
Adj PAT	403	766	1,130
EPS (INR)	4.7	8.8	12.0
EPS Gr. (%)	68.3	90.3	35.6
BV/Sh (INR)	68	75	103

Ratios

RoE (%)	7.0	12.3	13.9
RoCE (%)	8.5	13.4	13.4

Valuations

P/E (x)	196	103	76
P/BV (x)	13	12	9
EV/EBITDA (x)	91	53	45
Div Yield (%)	-	-	-

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	6.5	6.5	6.5
DII	13.6	13.6	9.9
FII	4.7	3.2	3.0
Others	75.2	76.7	80.6

FII includes depository receipts

CMP: INR910

Not Rated

Key player in radars and sub-systems

We recently interacted with the management of Astra Microwave Products (AMPL) to understand the company's position in the defense segment and its future growth strategy. AMPL designs and manufactures high-quality radio frequency and microwave modules, sub-systems and systems in India. It has an order book of INR21b and posted a CAGR of 15.4% in revenue over FY21-24. With changing business mix, the company was able to improve its EBITDA margin to 21.4% in FY24. It is eyeing opportunities from AESA radar, Uttam radar, meteorological orders, repeat orders from the Navy and counter-drone orders over the next few years.

Company overview

AMPL is one of the key players for the development of sub-systems for India's radar satellite & geosynchronous satellite program. AMPL designs and manufactures high-quality radio frequency and microwave modules, sub-systems and systems in India. Incorporated in 1991, the company has grown significantly in the past 30+ years, expanding its business from helping companies setting up their telecom base stations to manufacturing components and sub-systems for defense and space satellites. It was one of the first companies to receive offset contracts after the 'Offset Obligations' introduced under the Defence Procurement Policy in 2006. In the coming years, AMPL is going to introduce its medium-range tracking radar (MRTR) and D4 – Drishti, a counter-drone radar.

Focusing on improving business mix

The company is trying to improve its business mix by increasing the share of high-margin orders, such as domestic orders (vs. low-margin exports), BTS projects and BTS from exports, and metrological orders.

Recent developments of AMPL

The government's Defence Acquisition Council (DAC) has approved the procurement of military hardware worth INR1.45t, of which 99% will be spent on procurement from indigenous suppliers, including those of future-ready combat vehicles (FRCVs), air defense fire control radars, aircraft, and fast attack and offshore patrol vessels. Being a big player in the radar business in India and given DAC's clarity on the indigenization for the said projects, we expect AMPL to benefit. AMPL's role and opportunity will mainly be in the development of TR modules and sub-systems for the air defense fire control radars.

Premier Explosives Limited (PEL), an India-based explosives company specializing in the manufacture of high-energy materials and allied products for a diverse range of applications, has signed a MOU with AMPL for a strategic alliance to develop and sell multiple products jointly.

Diverse mix of defense, space, meteorological segments

AMPL has benefited significantly from various government defense programs, given its expertise in the development of radar, EW and strategic electronics domain products. The company has worked on various sub-systems, such as TR module, AAAU for radar, proximity fuses and telemetry for missiles. It is also a critical partner of Bharat Electronics (BEL) for electronic warfare. AMPL is also one of the key players in the development of components for various space and meteorological programs in India. Currently, 80% of the company's defense segment revenue comes from sub-systems and 20% from systems. The company plans to change that ratio to 50%-50% in future.

BTS and BTP type of projects

AMPL, with its advanced manufacturing and R&D facilities, has strong in-house capabilities to execute orders through build-to-specifications (BTS) and build-to-print (BTP) routes. In BTS, the company receives orders via tenders from customers such as government research organizations (domestic & foreign) and private entities. In BTP, AMPL undertakes orders from foreign OEMs to manufacture products in India, based on the designs provided by OEMs. OEMs tend to choose the BTP mode of business in order to meet their offset requirements. As of now, AMPL has produced more than USD150m worth of high-end modules under the BTP route.

Key orders targeted by AMPL

AMPL has seen staggering YoY growth of 66%/58% in FY24/1Q25 orders. The management in its 1Q25 earnings call provided order guidance of INR12-13b for FY25. These orders will be mainly for the defense segment (78% of total order book in 1QFY25). AMPL is the first private company in India to design and develop the multi-function AESA radar and expects to get its first contract in the coming 3-4 months. The company successfully qualified AAAU of Uttam and other critical communication sub-systems of India's defense sector. It expects business of about INR11-12b from the Uttam radar in the next 3-4 years. The company also expanded the range of doppler weather radars that were delivered in a sizable number to the Indian Meteorological Department. In the coming years, AMPL expects some repeat orders from the Navy for radars. For electronic warfare products, AMPL has been working on pod jammer for LCA Mk1 as well as the ongoing production programs of BEL, namely Nayan Shakti and Himshakti, among others.

Financials

AMPL reported a CAGR of 15.4% in revenue over FY21-24, mainly driven by the execution of defense and export segment orders in FY23 and FY24. EBITDA margin improved from 10.9% in FY21 to 21.4% in FY24 on the completion of low-margin export orders. AMPL raised INR2.25b in the beginning of FY24 to strengthen its balance sheet. However, gross borrowings rose from INR1b in FY21 to INR2.3b due to an increase in the net working capital cycle.

Guidance

AMPL has guided for an order inflow of INR12-13b for FY25. In 1QFY25, it has received orders worth INR3b. The company expects base order inflows to grow by 12-15%, with 40-50% of inflows coming via single-tender basis and the rest via limited competition and open competition. In FY25, AMPL expects revenue growth of 15% and EBITDA margins in the range of 18-20%.

Future growth strategy

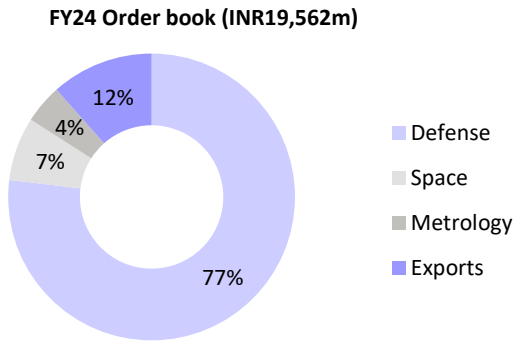
AMPL expects to capitalize on strong growth prospects in the defense sector by 1) moving up the value chain from manufacturing sub-systems for OEM customers to manufacturing complete systems, 2) entering into collaborations and JVs for complex projects, 3) providing comprehensive solutions to clients, 4) diversifying revenue mix, 5) increasing the share of higher-margin domestic orders vs. exports, and 6) maintaining a strong balance sheet.

Valuation

At the current price of INR910, the stock is trading at 76x P/E and 44.9x EV/EBITDA on FY24 financials.

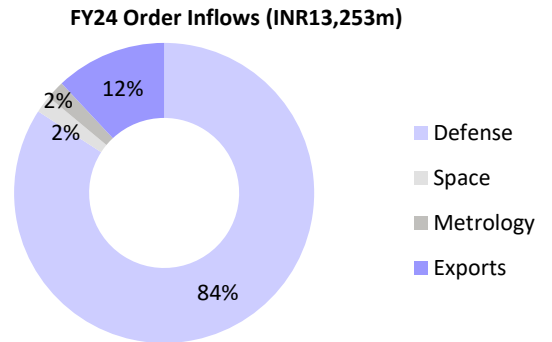
Key Financial metrics

Exhibit 1: AMPL to start focusing on increasing Metrology orders, which have higher margins



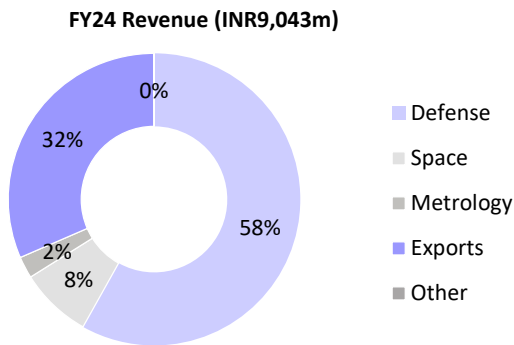
Source: Company, MOFSL

Exhibit 2: Defense orders dominating due to participation in various government programs



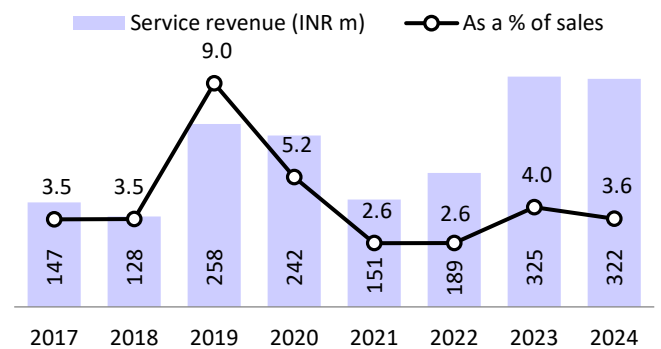
Source: Company, MOFSL

Exhibit 3: Defence & Export contribute more than 90% of group revenue



Source: Company, MOFSL

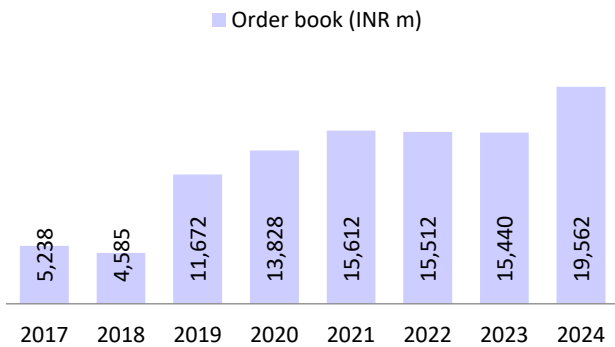
Exhibit 4: Service revenue share back to pre-Covid levels after a downfall post FY19



Source: Company, MOFSL

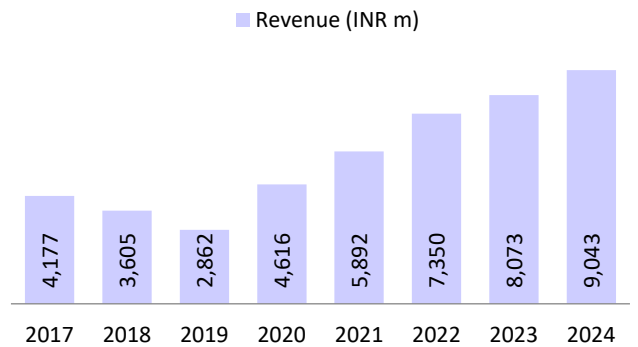
Key charts

Exhibit 5: Order book has been robust since FY19



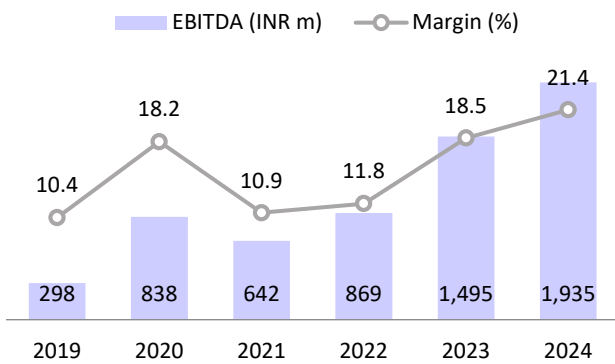
Source: Company, MOFSL

Exhibit 6: Revenue CAGR of 15.4% over FY21-FY24



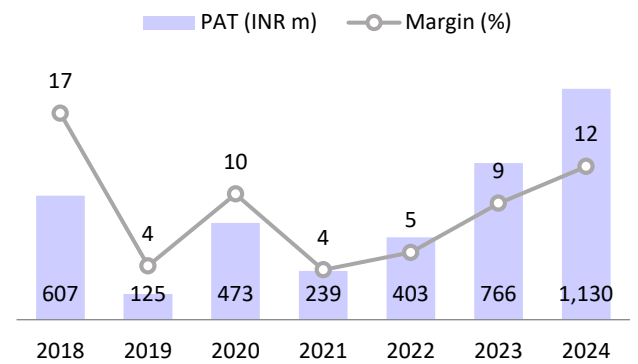
Source: Company, MOFSL

Exhibit 7: EBITDA margins ramp up after Covid



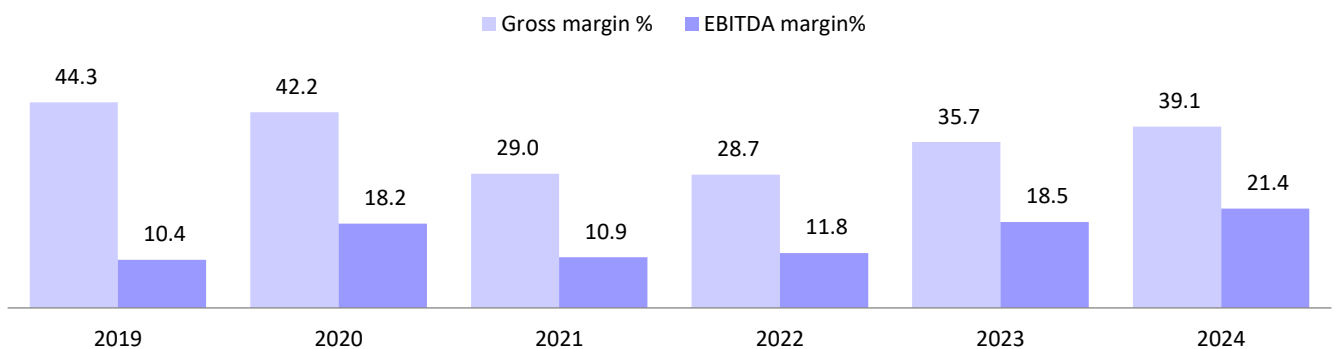
Source: Company, MOFSL

Exhibit 8: PAT nearly doubled compared to FY18



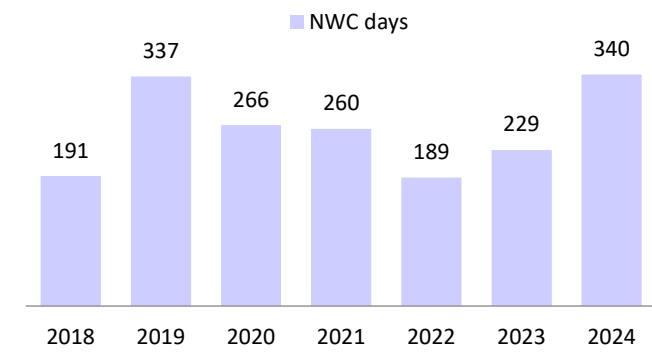
Source: Company, MOFSL

Exhibit 9: Gross margins and EBITDA margins improved due to better revenue mix



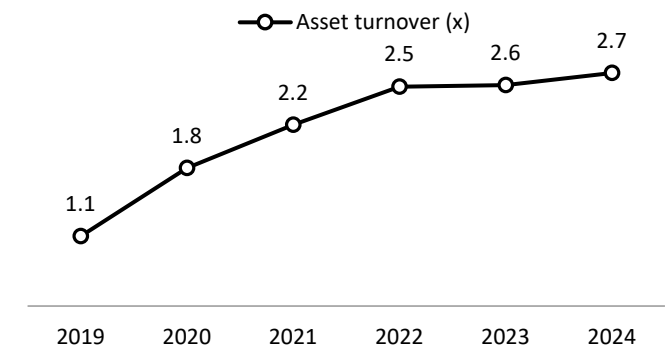
Source: Company, MOFSL

Exhibit 10: High NWC days in FY24 due to +37.5% revenue jump in 4Q, likely to decline in subsequent quarters



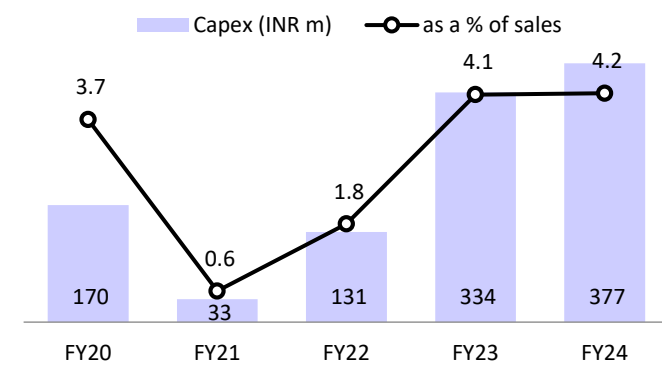
Source: Company, MOFSL

Exhibit 11: Asset turnover indicates efficient use of assets



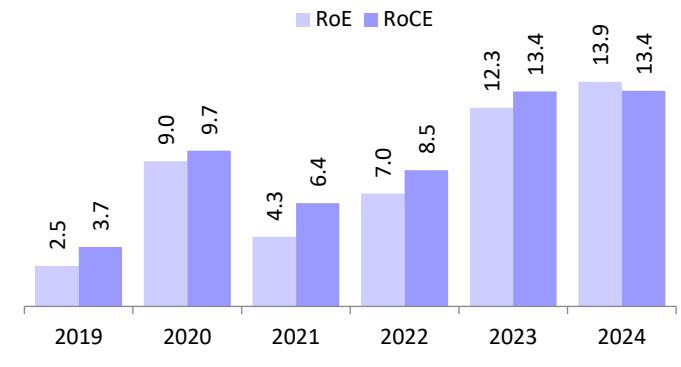
Source: Company, MOFSL

Exhibit 12: Continuous investment in capex



Source: Company, MOFSL

Exhibit 13: Return ratios improving YoY



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E Mar	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Total Income from Operations	3,569	2,862	4,616	5,892	7,350	8,073	9,043
Change (%)	NA	-19.8	61.3	27.6	24.7	9.8	12.0
Raw Materials	1,484	1,593	2,669	4,185	5,238	5,187	5,510
Gross Profit	2,085	1,269	1,947	1,707	2,112	2,886	3,533
Employee Cost	659	615	662	641	733	868	1,044
Other Expenses	331	356	447	424	509	523	554
Total Expenditure	2,473	2,564	3,778	5,250	6,480	6,577	7,107
% of Sales	69.3	89.6	81.8	89.1	88.2	81.5	78.6
EBITDA	1,095	298	838	642	869	1,495	1,935
Margin (%)	30.7	10.4	18.2	10.9	11.8	18.5	21.4
Depreciation	270	286	253	231	216	233	246
EBIT	825	12	585	411	653	1,263	1,689
Int. and Finance Charges	119	90	79	214	199	290	296
Other Income	83	245	121	117	73	57	123
PBT bef. EO Exp.	789	167	627	314	527	1,029	1,517
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	789	167	627	314	527	1,029	1,517
Total Tax	182	42	153	74	125	263	387
Tax Rate (%)	23.1	25.1	24.4	23.7	23.6	25.5	25.5
Minority Interest	0	0	0	0	0	0	0
Reported PAT	607	125	473	239	403	766	1,130
Adjusted PAT	607	125	473	239	403	766	1,130
Change (%)	NA	-79.3	277.5	-49.4	68.3	90.3	47.4
Margin (%)	17.0	4.4	10.3	4.1	5.5	9.5	12.5

Standalone - Balance Sheet

(INR m)

Y/E Mar	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Equity Share Capital	173	173	173	173	173	173	190
Total Reserves	4,844	4,856	5,295	5,432	5,724	6,357	9,492
Net Worth	5,017	5,030	5,468	5,605	5,897	6,530	9,682
Minority Interest	0	0	0	0	0	0	0
Total Loans	343	48	474	1,001	598	1,697	2,269
Deferred Tax Liabilities	44	47	-2	-24	-62	-82	-95
Capital Employed	5,403	5,125	5,939	6,583	6,433	8,146	11,856
Gross Block	2,432	2,553	2,624	2,775	3,017	3,312	3,477
Less: Accum. Deprn.	504	789	1,040	1,269	1,449	1,667	1,819
Net Fixed Assets	1,928	1,764	1,585	1,506	1,568	1,644	1,658
Capital WIP	7	24	121	0	1	20	130
Total Investments	1,313	441	369	496	365	372	383
Curr. Assets, Loans&Adv.	3,490	3,905	6,497	7,129	7,584	8,350	12,395
Inventory	1,038	1,304	2,256	2,909	4,019	3,962	5,052
Account Receivables	1,877	1,897	2,474	2,538	2,025	2,818	5,025
Cash and Bank Balance	290	252	506	383	703	1,040	1,261
Loans and Advances	0	0	0	0	0	0	0
Other Current Asset	285	452	1,260	1,299	837	529	1,056
Curr. Liability & Prov.	1,335	1,010	2,632	2,548	3,084	2,240	2,711
Account Payables	140	224	379	350	532	441	877
Other Current Liabilities	1,136	753	2,203	2,142	2,480	1,698	1,697
Provisions	59	32	50	56	73	101	136
Net Current Assets	2,155	2,895	3,865	4,581	4,500	6,110	9,685
Appl. of Funds	5,403	5,125	5,939	6,583	6,433	8,146	11,856

Financials and valuations

Ratios

Y/E Mar	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Basic (INR)							
EPS	7.0	1.4	5.5	2.8	4.7	8.8	12.0
Cash EPS	10.1	4.7	8.4	5.4	7.1	11.5	14.6
BV/Share	57.9	58.1	63.1	64.7	68.1	75.4	102.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	130.2	629.9	166.9	330.1	196.1	103.1	76.0
Cash P/E	90.0	192.2	108.7	168.1	127.6	79.1	62.4
P/BV	15.7	15.7	14.4	14.1	13.4	12.1	8.9
EV/Sales	22.1	27.5	17.1	13.5	10.7	9.9	9.6
EV/EBITDA	72.2	264.6	94.2	124.0	90.8	53.3	44.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	16.2	-1.3	-5.1	-1.6	10.1	-6.4	-23.9
Return Ratios (%)							
RoE	12.1	2.5	9.0	4.3	7.0	12.3	13.9
RoCE	26.1	3.7	9.7	6.4	8.5	13.4	13.4
Working Capital Ratios							
Fixed Asset Turnover (x)	1.5	1.1	1.8	2.1	2.4	2.4	2.6
Asset Turnover (x)	0.7	0.6	0.8	0.9	1.1	1.0	0.8
Inventory (Days)	106	166	178	180	200	179	204
Inventory (Days)	192	242	196	157	101	127	203
Debtor (Days)	14	29	30	22	26	20	35
Creditor (Days)							
Leverage Ratio (x)							
Current Ratio	2.6	3.9	2.5	2.8	2.5	3.7	4.6
Current Ratio	6.9	0.1	7.4	1.9	3.3	4.3	5.7
Interest Cover Ratio	-0.3	-0.1	-0.1	0.0	-0.1	0.0	0.1
Net Debt/Equity							

Standalone - Cashflow Statement

(INR m)

Y/E Mar	FY18	FY19	FY20	FY21	FY22	FY23	FY24
OP/(Loss) before Tax	789	167	627	314	527	1,029	1,517
Depreciation	270	286	253	231	216	233	246
Interest & Finance Charges	-16	-16	-32	232	199	290	296
Direct Taxes Paid	-142	-114	-176	-72	-198	-256	-377
(Inc)/Dec in WC	781	-287	-986	-743	258	-1,500	-3,481
CF from Operations	1,683	37	-314	-38	1,003	-204	-1,800
Others	60	-21	44	-65	5	-14	-75
CF from Operating incl EO	1,743	16	-270	-103	1,008	-218	-1,874
(Inc)/Dec in FA	-337	-128	-170	-33	-131	-334	-377
Free Cash Flow	1,406	-113	-440	-136	876	-552	-2,251
(Pur)/Sale of Investments	-630	951	105	-106	0	0	0
Others	22	15	15	96	-137	55	-56
CF from Investments	-945	837	-50	-43	-268	-280	-433
Issue of Shares	0	0	0	0	0	0	2,182
Inc/(Dec) in Debt	-365	-795	377	480	-403	1,076	487
Interest Paid	-124	-69	-28	-161	-160	-191	-175
Dividend Paid	-104	-125	-26	-104	-104	-122	-153
Others	0	0	0	0	0	0	0
CF from Fin. Activity	-593	-989	323	215	-667	763	2,341
Inc/Dec of Cash	205	-136	3	69	72	265	34
Opening Balance	1	206	71	74	143	214	479
Other Bank Balances	83	181	432	240	489	562	749
Closing Balance	290	252	506	383	703	1,040	1,261

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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