

Shubh Nivesh



Astra Microwave Products (ASTMIC)

CMP: ₹ 833

Target: ₹ 1015 (22%) Target Period: 6-12 months

BUY

December 16, 2024

Well poised to deliver sustainable growth...

About the stock: Astra Microwave Products (AMPL) is engaged in design, development and manufacture of sub-systems for Radio Frequency and microwave systems, primarily used in defence, space & meteorology

- Product range includes radars, missile electronics, electronic warfare, satellites, MMIC (Monolithic Microwave Integrated Circuit) and communication systems
- H1FY25 Revenue mix: Domestic/Exports: 85%/15%. Defence segment contributes ~74% to total revenues

Investment Rationale:

- Strong domain expertise in key defence electronic systems:** We believe that AMPL is strongly placed to capture a substantial share in defence & space electronics opportunity considering the company's design & development & manufacturing capabilities (critical sub-systems/systems for various airborne, naval & ground based platforms). The company has moved up in the value chain from manufacturing sub-systems/components to development & manufacturing of various high-end, high-value systems. Company continues to explore new opportunities and strengthen its overall capabilities through in-house development and strategic collaborations with other key players. With critical systems like microwave and radio frequency application-based equipments like Gallium Nitride (GaN) Transmit/Receive Modules (TRMs), NavIC (Navigation with Indian Constellation) chips and other key radars & EW systems etc, we believe that company continues to improve its product mix significantly
- Healthy order-book & robust pipeline gives strong visibility; Increasing share of higher-margin domestic contracts to drive profitability:** With a steady order intake of ₹ 530 crore during H1FY25, company's consolidated order book position stood strong at ₹ 2269 crore (2.3x TTM revenue) and provides healthy revenue visibility. With a strong emphasis on improving product mix and getting orders with higher complexity, company maintains its order intake guidance of ₹ 1200-1300 crore for FY25E. We believe that order pipeline remains strong for AMPL in both domestic and export markets, considering the substantial opportunity in defence & space sectors. Management sees total orders opportunity worth ₹ 24000-25000 crore for the company over FY25-28E, primarily in defence & space electronics. Margins and profitability is expected to improve further led by execution of higher-margin domestic contracts

Rating and Target Price

- We believe AMPL is well placed to witness healthy growth led by strong sector tailwinds. We estimate revenue & PAT to grow at ~20% & ~24% CAGR respectively over FY24-27E
- We recommend BUY on AMPL with target price of ₹ 1015 per share (based on 42x FY27E EPS)



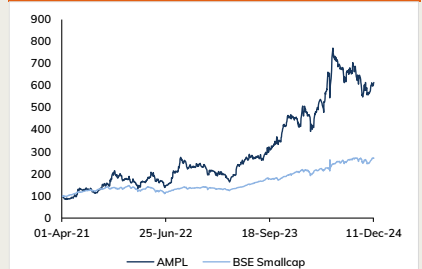
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	7,909
FY24 Gross Debt (Rs Crore)	238
FY24 Cash (Rs Crore)	131
EV (Rs Crore)	8,016
52 Week H/L (Rs)	1060 / 510
Equity Capital	19.0
Face Value	2.0

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	6.5	6.5	6.5	6.5
FII	2.9	3.2	4.7	5.7
DII	14.8	13.6	13.6	15.0
Others	75.7	76.7	75.2	72.8

Price Chart



Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials/components

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Key Financial Summary

(Rs crore)	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
Revenues	750	816	909	12.3	1,088	1,304	1,564	19.8
EBITDA	89	148	192	35.4	242	299	367	24.2
EBITDA margin (%)	11.9	18.1	21.1		22.2	22.9	23.5	
Net Profit	38	70	121	61.3	140	181	229	23.7
EPS (Rs)	4.4	8.1	12.8		14.8	19.1	24.2	
P/E (x)	190.5	103.3	65.3		56.4	43.7	34.5	
EV/EBITDA (x)	88.6	54.1	41.8		33.7	27.2	22.3	
RoCE (%)	11.2	15.6	14.8		15.9	17.8	19.4	
RoE (%)	6.5	10.9	12.5		12.9	14.5	15.7	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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