

Shubh Nivesh



Astra Microwave Products (ASTMIC)

CMP: ₹ 610

Target: ₹ 740 (21%) Target Period: 6-12 months

BUY (HIGH CONVICTION IDEA)

February 5, 2024

Riding on strong sectoral tailwinds...

About the stock: Astra Microwave Products (AMPL), incorporated in 1991, 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
- In H1FY24, ~45% of revenue was from defence, ~51% from exports (including deemed exports) and balance ~4% from space & others

Investment Rationale:

- Strong R&D and manufacturing capabilities with domain expertise in key defence electronic systems:** AMPL is strongly placed to capture a bigger pie of the growing Indian defence sector with deep domain expertise and high focus on R&D. Company has designed, developed and produced critical sub-systems/systems for various airborne, naval and ground based platforms Radar, Missile Electronics, Electronic Warfare (EW), Satellites, MMIC and Communication. With strong domain expertise in microwave and radio frequency applications, AMPL has moved up the value chain from manufacturing sub-systems/components to development & production of a wide range of high-end, high-value critical 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
- Healthy order-book position with buoyant prospects & pipeline presents strong growth visibility:** Company's order book position stood healthy at ₹ 1867 crore as of Sept 2023 end (2.3x TTM revenue). With strong tailwinds in defence & space sectors in terms of indigenising key systems/sub-systems, the orders inflows opportunity for AMPL is huge in both domestic and export markets. Company expect ~₹ 8000 crore orders opportunity for AMPL till 2028, primarily in defence & space electronics. Overall execution would also improve as the risk of supply chain issues recedes with increase in domestic procurement of raw materials & sub-components

Rating and Target Price

- We believe AMPL is well placed to witness healthy growth led by strong sector tailwinds. Govt's focus on indigenisation, increasing usage of electronics in defence & space, strong order backlog, healthy orders pipeline and execution of high-margin domestic orders would drive earnings in coming period. We estimate revenue, EBITDA and PAT to grow at ~17%, ~25% and ~36% CAGR respectively over FY23-26E
- Valuation at 33.1x P/E on FY26E basis looks attractive given strong growth ahead led by multiple sectoral tailwinds. We recommend BUY on AMPL with target price of ₹ 740 per share (based on 40x FY26E EPS)



Astra Microwave Products Limited

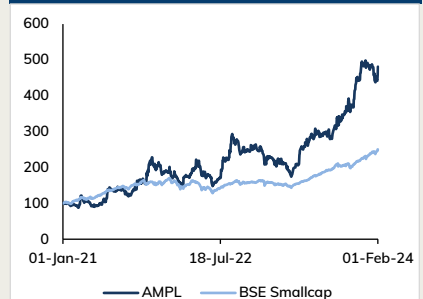
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	5,792
FY23 Gross Debt (Rs Crore)	185
FY23 Cash (Rs Crore)	111
EV (Rs Crore)	5,866
52 Week H/L (Rs)	634 / 213
Equity Capital	19.0
Face Value	2.0

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	7.2	6.5	6.5	6.5
FII	2.3	3.0	1.7	2.9
DII	0.1	9.9	15.3	14.8
Others	90.4	80.6	76.5	75.7

Price Chart



Key risks

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

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Vijay Goel
vijay.goel@icicisecurities.com

Key Financial Summary

(Rs crore)	FY21	FY22	FY23	3 Year CAGR (FY20-23)	FY24E	FY25E	FY26E	3 Year CAGR (FY23-26E)
Revenues	641	750	816	20.4	940	1,088	1,304	16.9
EBITDA	77	89	148	21.4	187	230	287	24.9
EBITDA margin (%)	12.0	11.9	18.1		19.9	21.1	22.0	
Net Profit	29	38	70	16.6	105	135	175	35.8
EPS (Rs)	3.3	4.4	8.1		11.0	14.2	18.4	
P/E (x)	183.1	139.5	75.7		55.3	43.0	33.1	
EV/EBITDA (x)	75.9	64.8	39.7		30.4	24.6	19.7	
RoCE (%)	9.5	11.2	15.6		17.3	19.5	21.5	
RoE (%)	5.2	6.5	10.9		10.9	12.4	14.1	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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