

Astra Microwave

₹ 77

Always there...!!!

Accumulate



Feb 01, 2019

Company Background

Astra Microwave Products Ltd is engaged in designing and manufacturing of high value added RF & microwave super components and sub-systems finding applications in Defence, Space and Civil communication systems. It has been able to carve a niche for themselves and build strong relationship with their customers by getting associated with them right at the conception stage of new product development. Its products are widely used in VSAT operations, radars, navigational equipment, public mobile trunk radio, WLL, Cellular GSM/DCS or PCS networks. It was incorporated in 1991 by a team of senior professionals and eminent scientist. Company's manufacturing facilities are located at Bollaram and Rangareddy in Telangana. During the year 2007, the company has acquired majority stake in Komoline Electronics Pvt Ltd, Ahmedabad. Thus, it became a subsidiary company. It has entered into a non-exclusive Memorandum of Understanding with Raytheon Company, USA to identify and explore technologies and products. The company may able to manufacture and to explore possible participation with Raytheon in any resulting offset support for supply of Medium Multi-Role Combat Aircraft to the Indian Ministry of Defence.

Key Highlights

- ➔ Company entered into a joint venture with Israel's Rafael Advanced Defence Systems for making tactical radio communication and electronic intelligence warfare systems is yet to start bearing fruit. The JV is expected to go commercial in FY20.
- ➔ Company has exited completely from Traana Technologies, Bangalore through sale of its equity investment held in that company for a consideration of ₹ 20 lakh. Traana Technologies is no more an associate company of the company with effect from 27 February 2018.
- ➔ Most of the orders are executable in the next 18 months period except export order (₹ 14,188 lakh) which is executable in the next three years. Company expecting ₹ 120 crore order from ISRO in FY19.
- ➔ It recently commissioned its second R&D facility in Bengaluru at a cost of ₹ 62 crore, which is aimed at increasing its offerings and capabilities.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	4,459.2	4,235.7	3,688.9
Rev. growth (%)	(31.45)	(5.01)	(12.91)
EBITDA (INR mn)	1,086.1	1,114.3	1,204.8
Net profit (INR mn)	563.6	601.8	606.9
Shares outstanding (mn)	86.6	86.6	86.6
EPS (INR)	6.3	7.0	7.0
EPS growth (%)	(12.81)	11.02	0.86
P/E (x)	16.89	16.01	10.93
RONW (%)	16.39	14.18	12.74
ROCE (%)	19.96	16.60	15.84

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Info Codes

Reuters	: ASTM.BO
Bloomberg	: ASTM IN
NSE	: ASTRAMICRO
BSE	: 532493

Market Data

52 Wk Range (₹)	: 74/116
Shares in Issue (mn)	: 86.6
Market. Cap (bn)	: 6.72
BSE 2 Wk Avg Vol	: 14000

Share Holding Pattern (%)

Promoters Holding	: 12.97
Public & Others	: 71.54
Corporate Holding	: 00.00
Foreign Institution	: 01.69
Institutions	: 13.80

Investment Theme

India plans to spend \$ 130 bn on military modernization in the next 3 years, as achieving self-reliance in defence production is a key target for the Government of India. As per the Defence Production Policy (DPP)-2018, the government is looking at achieving a turnover of ₹ 1,70,000 crore in military goods and services by 2025. The aim of the DPP would be to indigenously develop all major platforms which are being imported since in the last six decades. Astra Microwave has almost three decades of experience in designing and manufacturing of defence weapons, this dedicated experience will help to get new orders in the coming years. At the end of Q1FY19 orders book was at ₹ 503 cr, whereas order intake guidance of ₹ 600 cr for FY19 is encouraging. The company has built up a large capacity, with this capacity, it expect can do an annual sales turnover to ₹ 1000 crore.

Protecting your future...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Operating Income	4,195.8	3,905.2	(6.9)	3,568.8	(8.6)
Other Income	84.7	58.9	(30.5)	83.5	41.8
Change in Stocks	(258.7)	19.0	(107.3)	(54.8)	(388.4)
Fuel Charges	1,934.5	1,931.2	(0.2)	1,428.9	(26.0)
Employee Exp.	458.0	537.1	17.3	603.7	12.4
Indirect Taxes	178.7	271.6	52.0	36.6	(86.5)
Other Exp.	364.4	129.0	(64.6)	323.5	150.8
Operating Exp.	2,935.6	2,868.9	(2.3)	2,392.7	(16.6)
Operating Profit	1,086.2	1,114.2	2.6	1,204.8	8.1
Total Interest	136.8	147.1	7.5	145.1	(1.4)
Gross Profit	949.4	967.1	1.9	1,059.7	9.6
Net Dep.	235.8	240.7	2.1	270.3	12.3
Total Taxation	150.0	124.6	(16.9)	182.5	46.5
Net Profit/Loss	563.6	601.8	6.8	606.9	0.8

4 Years Balance Sheet

(₹ mn)

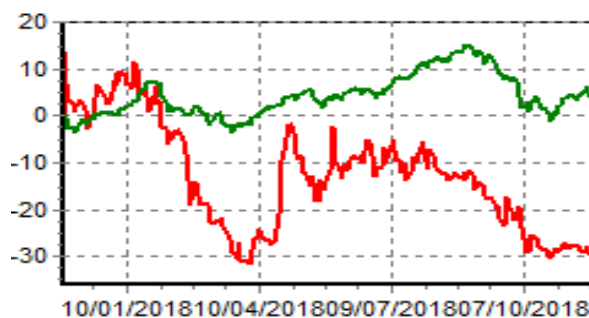
Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	3,825.0	4,695.8	5,831.2	5,965.2
Equity Share capital	163.7	173.2	173.2	173.2
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	2,736.5	3,802.7	4,336.0	4,843.5
Secured Loans	876.8	664.1	1,309.2	936.6
Unsecured Loans	48.0	55.8	12.8	11.9
USES OF FUNDS	3,825.0	4,695.8	5,831.2	5,965.2
Gross Block	2,662.0	2,847.7	1,716.3	2,431.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,269.9	1,500.5	239.0	503.8
Net Block	1,392.1	1,347.2	1,477.3	1,927.9
Capital Work in Progress	0.0	12.5	372.0	7.2
Investments	3.6	34.3	631.3	1,313.1
Current Assets	3,391.2	4,044.7	3,708.7	3,312.6
Less : Current Liabilities	875.4	664.0	590.7	728.9
Total Net Current Assets	2,515.8	3,380.7	3,118.0	2,583.7
Misc. Expenses not writtenoff	(86.5)	(78.9)	232.6	133.3
NOTE				
Book Value of Unquoted Investments	3.6	34.3	58.3	55.8
Market Value of Quoted Investments	0.0	34.3	573.0	1,257.3
Contingent Liabilities	2,224.4	1,888.4	200.0	224.8
Dividend (%)	60.0	60.0	50.0	60.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 18	Jun 18	Sep 18	Dec 18
Net Sales	1,692.5	536.0	444.3	748.9
Cost Of Sales	1,253.2	472.7	500.3	657.4
Operating Profit	439.3	63.3	(56.0)	91.5
Other Income	30.5	131.6	62.5	25.7
Adjusted PBDIT	469.8	194.9	6.5	117.2
Financial Expenses	26.1	21.6	21.4	14.8
Depreciation	77.2	68.9	70.5	72.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	366.5	104.4	(85.4)	30.4
Tax Charges	69.3	24.5	(39.0)	12.0
Reported Profit	297.2	79.9	(46.4)	18.4
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	297.2	79.9	(46.4)	18.4

52 Week Index Relative Percentage Appreciation



Astra Microwave vs SENSEX

Risks Associated

- ➔ Defence export business is driven by offset provisions of Government of India which is project based and hence generally lumpy in nature and is controlled by export regulations where time delays could happen in granting necessary permissions.
- ➔ Company's main source of revenue lies in Defence market. Most of these projects are initiated, designed and developed by DRDO labs and driven by Government policies and priorities.

Scope of Growth

- ➔ For FY18, Defence sales ₹ 3,020 million, Space ₹ 288.4 million, Metrology/Civil Telecom ₹ 36 million and Exports ₹ 216.3 million of total turnover. Defence sales improved from 82% to 84%, space rose from 7% to 8% and exports delined from 9% to 6% as compared to the previous year.
- ➔ Company has no major expansion plans now, It has successfully completed R&D center at Bangalore which was operating at the end of last year. Current year capital expenditure will be around to ₹ 16 cr which includes expenditure for augmenting existing operations and building MIC plant with ₹ 8 cr, in Hyderabad. The R&D expenses were improved by 9.92% to ₹ 43,667.23 million during the year.
- ➔ During the FY18, Company has invested in its subsidiaries like; Bhavyabhanu Electronics Pvt Ltd at ₹ 209.87 million, in Aelius Semiconductors Pte. Ltd at ₹ 346.57 million and finally in Astra Foundation at ₹ 0.99 million. Total investment during the year in its subsidiaries was ₹ 557.43 million.
- ➔ Net sales down by 8.60% to ₹ 3,568.8 million, operating profit improved by 8.10% to ₹ 1,204.7 million and net profit also improved marginally to ₹ 606.9 million. Operating profit improved due to the price decrease of Raw materials.

In a Nutshell

Astra microwave products Ltd is a leading designer and manufacturer of wide array of radio frequency systems, microwave chips, microwave based components and subsystems for Defence, Telecom and Space. It has almost three decades of experience in designing and manufacturing radio frequency and microwave components and sub-systems finding applications in defence, space and civil communication systems. It has three subsidiaries such as; AELIus Semiconductors Pte.Ltd Singapore, Bhavyabhanu Electronics Pvt Ltd and Astra Foundation India. Company's growth depends on tier-1 suppliers, particularly the defence PSUs, has suffered in the past as a result of slow awarding of new orders. Company's Net sales down by 8.60% to ₹ 3,568.8 million, operating profit improved by 8.10% to ₹ 1,204.7 million and net profit also improved marginally to ₹ 606.9 million for FY18. Company has announced dividend at ₹ 1.2 per share. Its top line item was drop due to substitution of high volume low margin export business with domestic business. Domestic business which is largely project driven is prone to unevenness and hence contributing to in-consistent top line performance. This is the main reason for flatness performance. It is expecting ₹ 120 crore order from ISRO and few others in electronic warfare and radar related orders of about ₹ 40-50 crore taking its order book to about ₹ 650 crore by the end of current financial year. Its joint venture with Israel's Rafael Advanced Defence Systems and its orders will improve the top and bottom line in the future.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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