

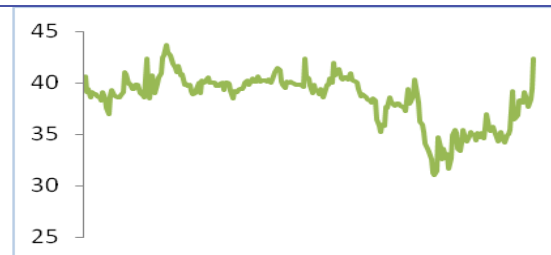
Astra Microwave Products Ltd

Recommendation	BUY
CMP	Rs.41
Target Price	NA
Sector	Telecom Equipments

Stock Details

BSE Code	532493
NSE Code	ASTRAMICRO
Bloomberg Code	ASTM IN
Market Cap (Rs cr)	347
Free Float %	54.91
52- wk HI/Lo (Rs)	47.4/30
Avg. volume BSE (Quarterly)	39084
Face Value (Rs)	2.00
Dividend (FY13)	40%

Relative Performance	1Mth	3Mth	1Yr
Astra	24.0%	20.0%	4.20%
Sensex	5.0%	3.60%	11.2%



Shareholding Pattern	30 Sep 13
Promoters Holding	21.90%
Institutional (Incl FII)	7.19%
Corporate Bodies	25.82%
Public & others	45.09%

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Exponential Growth on the way!

Astra Microwave Products Ltd (Astra) is engaged in designing and manufacturing of high value added RF and microwave super components and sub-systems finding applications in Defence, Space and Civil communication systems. The company's products are widely used in VSAT operations, radars, navigational equipments, Public mobile trunk radio (PMTR), WLL, Cellular GSM/DCS or PCS networks. Some of the domestic clients include Bharat Dynamics, Bharti Airtel, Hutchison Essar, Bharat Electronics, Centre for Airborne Systems amongst others.

Q2FY14 results of the company were very good and management has indicated similar kind of performance in the subsequent quarters on the back of robust order book of Rs.1150 crore which it has to execute in the next 2 to 2.5 years. The company has received orders from Israel Defence Company for two products which are in the ramp up stage. Company has been receiving consistent orders from this client and the orders would be replaced with new orders with execution. Astra has been able to carve a niche for itself and build strong relationship with its customers by getting associated with them right at the conception stage of new product development. In addition, management has indicated for robust growth in revenues which would result in good earnings as well. **At CMP, the stock is trading at a P/E of 6.8x its expected earnings for FY14E and we recommend investors to BUY the stock for 15-20% in near term and long term outlook continues to remain positive.**

Robust Order Book resulting in healthy guidance -Astra has robust order book of Rs.1150 (Rs.660 crore of exports). 95% of the export order is from an Israel Defence Company IIA. This order book is to be executed in the next 2 to 2.5 years. Company had in the preceding years developed 2 products for this company which has been accepted by them post tests and trials. This client has ramped up its orders and this is expected to continue in the subsequent quarters. Management is confident of receiving similar kind of orders from the export markets and has guided for 76%+ YoY growth in revenues for FY14E to Rs.400 crore and ~ 50%+ YoY growth for FY15E at ~ Rs.600 crore.

Niche products with very less competition – Astra's products are one of its kinds with hardly any competition even internationally. Company spends nearly Rs 40 to Rs 50 crore on R&D every year. Astra associates itself initially with the client at the initial stage of designing and develops the same. Once it is approved and accepted by the client, Astra then starts the production for the same.

Year Consolidated	Net Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	EPS (Rs)	PE (x)	EV/EBITDA
FY10	106.2	-9.1%	24.2	22.8%	7.1	6.7%	0.9	47.4	15.0
FY11	161.2	51.8%	39.5	24.5%	18.6	11.5%	2.3	18.2	8.9
FY12	203.8	26.4%	58.1	28.5%	31.4	15.4%	3.8	10.8	6.3
FY13	227.5	11.6%	61.1	26.9%	37.3	16.4%	4.6	9.1	4.4

Astra Microwave Products Ltd

Company Description

Astra was incorporated in the year 1991 by a team of senior professionals and eminent scientist. They have revolutionized the realm of microwave technology with a range of innovative products. Their manufacturing facilities are located at Bollaram and Rangareddy in Andhra Pradesh. Astra's products are widely used in VSAT operations, radars, navigational equipment, public mobile trunk radio (PMTR), WLL, Cellular GSM/DCS or PCS networks. Their products meet ITU, MIL and Space standards, and stand testimony to the Company's R&D breakthroughs using ISO quality processes, world class manufacturing facilities and equipment, and trained manpower. The phenomenal success can be directly linked to the fact that the company operates in a customer centric manner supplying innovative, cost-effective solutions of superior quality with zero defects in the shortest possible time.

During the year 2002-03, the company has commissioned a state-of-art MMIC facility at Hardware Technology Park in Hyderabad. The company has expanded the production and R&D facilities with an investment of Rs 10 crore during the year 2003-04. Also, they further invested Rs 25 crore for expansion during the financial year 2004-05. During the year 2006-07, the company has acquired majority stake in Komoline Electronics Pvt Ltd, Ahmedabad.

Quarterly Table

Q2FY14 Result Analysis (in Rs Crs.)

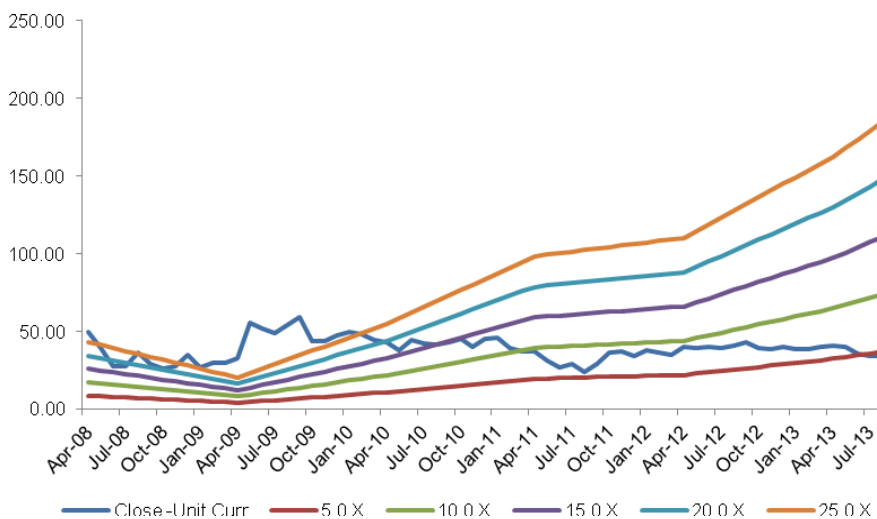
	Q2CY14	Q1CY14	QoQ	Q2CY13	YoY
Revenues	115.3	37.2	209.8%	38.5	199.3%
Raw Material Cost	84.0	14.2	491.6%	18.2	361.4%
Employee expenses	7.5	9.8	(22.8%)	5.2	45.2%
Other Expenses	7.4	8.3	(10.7%)	6.5	14.4%
EBITDA	16.4	5.0	227.8%	8.7	89.2%
<i>Margin</i>	<i>14.2%</i>	<i>13.5%</i>	<i>78 bps</i>	<i>22.5%</i>	<i>(829)bps</i>
Depreciation	3.6	3.2		3.3	
Interest Expenses	1.1	0.8	42.7%	1.0	10.4%
Other Income	3.4	2.1	61.3%	2.0	71.3%
Exceptional	0.0	0.0		0.1	
Profit Before Tax	15.2	3.2	379.5%	6.3	139.4%
<i>Margin</i>	<i>13.2%</i>	<i>8.5%</i>	<i>466 bps</i>	<i>16.4%</i>	<i>(329)bps</i>
Total Tax	3.5	1.0		0.5	
Profit After Tax	11.7	2.2	435.2%	5.8	101.8%
<i>Margin</i>	<i>10.1%</i>	<i>5.9%</i>	<i>427 bps</i>	<i>15.0%</i>	<i>(490)bps</i>
Basic EPS	1.4	0.3	435.2%	0.7	101.8%

Source: Nirmal Bang Retail Research

- Net Sales grew by 200% YoY/210% QoQ to Rs.115.3 crore on the back of ramp up in production for the Israel client.
- EBIDTA margins went down by 230 bps YoY to 14.2% and management has guided for 22% for FY14E. Company made margins of 27% in FY13.
- PAT margins came in at 10% during the quarter and has guided for 12-13% for FY14E.

Astra Microwave Products Ltd

1 year Forward Chart



Company’s Robust Guidance

	FY13	FY14E	FY15E
Sales	227.5	400.0	600.0
PAT	37.32	50.00	75.00
PAT Margins %	16.4%	12.5%	12.5%
EPS Rs.	4.56	6.11	9.17
Equity (FV Rs.2)	16.37	16.37	16.37

Key Risks to our Rational

- 1. Any cancellation of Orders:** 95% of export orders are from one single client which increases the risk of client concentration. Any cancellations of these orders can adversely affect the financial performance of the company.
- 2. Unable to introduce new products through R&D:** Company has created a niche for itself by developing new products through years of research and also spends heavily every year on the same. Any failure or major delays in launching new products can affect the performance of the company going forward.

Astra Microwave Products Ltd

Financials

Profitability (Rs. In Cr)	FY10	FY11	FY12	FY13	Financial Health (Rs. In Cr)	FY10	FY11	FY12	FY13
Revenues	106.2	161.2	203.8	227.5	EQUITY & LIABILITIES				
% change	-9.1%	51.8%	26.4%	11.6%	Share Capital	10.8	423.6	423.6	483.4
EBITDA	24.2	39.5	58.1	61.1	Reserves & Surplus	117.2	312.3	369.4	728.3
EBITDA margin (%)	22.8%	24.5%	28.5%	26.9%	Equity Application Money	1.1	0.0	0.0	0.0
Depn & Amort	11.2	12.4	12.4	13.4	Total Shareholders Funds	129.1	144.8	171.3	200.9
Operating income	13.0	27.1	45.6	47.8	Total Debt	45.7	33.9	59.3	46.3
Interest	3.6	4.6	5.4	4.1	Other Liabilities	0.0	3.1	1.7	2.2
Other Income	1.7	1.9	1.5	6.9	Total Liabilities	174.8	181.7	232.3	249.4
PBT	11.0	24.4	41.6	50.6	APPLICATION OF FUNDS				
PBT Margins (%)	10.4%	15.2%	20.4%	22.2%	Net Block	94.7	90.3	89.3	107.9
Extraordinary items	0.0	0.0	0.0	0.0	Investments	2.2	2.2	0.0	23.6
Tax	3.9	5.8	10.2	13.3	Current Assets, Loans & Advances				
PAT	7.1	18.6	31.4	37.3	Inventories	46.0	53.0	74.7	73.8
EPS	0.9	2.3	3.8	4.6	Sundry Debtors	82.6	81.5	87.5	143.4
					Cash and Bank	21.6	19.0	34.5	113.3
					Loans and Advances	12.6	17.6	15.7	33.8
					Total Current Assets	162.7	171.1	212.3	364.3
					Current Liabilities	73.8	73.5	56.4	230.9
					Provisions	5.5	5.4	12.9	12.9
					Total Current Liabilities	79.3	78.9	69.2	243.8
					Net Current Assets	83.4	92.2	143.1	120.5
					Deferred Tax Assets	0.0	1.0	0.6	0.7
					Deferred Tax Liability	5.6	5.4	5.4	6.3
					Net Deferred Tax	-5.6	-4.4	-4.8	-5.6
					Other Assets	0.0	1.4	4.8	3.0
					TOTAL	174.8	181.7	232.3	249.4
					Cash Flow (Rs. In Cr)	FY10	FY11	FY12	FY13
					Operating				
					OP before WC	11.0	24.4	41.6	50.6
					Change in WC	(4.7)	(11.3)	(35.4)	101.3
					Tax	(3.9)	(5.8)	(10.2)	(13.3)
					CF from Operation	13.7	19.8	8.4	152.0
					Investment				
					Capex	(15.0)	(7.1)	(11.3)	(31.2)
					Other Income	(3.6)	(4.6)	(5.4)	(4.1)
					change in Investments	0.3	0.0	2.2	(23.6)
					Total Investment	(18.3)	(11.7)	(14.6)	(58.8)
					Financing				
					Change in equity	0.7	2.9	0.0	0.0
					Change in Borrowings	7.3	(11.8)	25.4	(13.0)
					Dividend paid	(2.3)	(2.3)	(4.8)	(5.5)
					Interest Paid	(3.6)	(4.6)	(5.4)	(4.1)
					Others	6.6	5.2	6.4	8.3
					Total Financing	8.7	(10.6)	21.6	(14.4)
					Net Chg. in Cash	4.1	(2.5)	15.4	78.8
					Cash at beginning	17.5	21.6	19.0	34.5
					Cash at end	21.55	19.03	34.46	113.27

Source: Company data, Nirmal Bang Research

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