

Apollo Tyres | BUY

RM benefit to continue; early signs of recovery seen in Europe

Apollo Tyres (APTY) reported a consolidated EBITDA margin of 14.9% in 1QFY26 (+130bps YoY, +170bps QoQ), 150bps above JMFe due to lower-than-expected RM costs (RM basket was down 3% QoQ). In India, OE and replacement demand saw 4%/2% growth; replacement demand got impacted due to postponement post GST rate cut announcement. Despite challenging environment challenging across key categories in EU region, APTY revenue grew of 4% YoY driven entirely by volumes. Demand outlook remains positive, with 3Q growth expected to be similar or better and 2H momentum supported by GST benefits and recovery in infrastructure and mining activity post-monsoon. APTY aims to drive growth through new products, brand strength, and an expanding dealer network. In Europe, while the outlook is still subdued, conditions have improved compared to two quarters ago, with low single-digit growth expected, per management. On the margin front, a rich product mix, stable to slightly down raw material costs, the closure of the Netherlands plant (benefit to accrue from FY27), and continued cost control initiatives are expected to support margins in the medium term. We have revised our EBITDA margin estimates upwards marginally. We roll forward and apply a 16x PE multiple (versus 15x earlier) on average FY27E/28E EPS to arrive at a TP of INR 615. We maintain BUY.

- **2QFY26 – Margin above estimate:** APTY reported standalone revenue of INR 47.1bn (+5.7% YoY, flat QoQ). EBITDA for the quarter stood at INR 7.2bn (+33.7% YoY, +11.8% QoQ), with an EBITDA margin of 15.3% (+320bps YoY, +160bps QoQ). At the consolidated level, APTY reported revenue of INR 68.3bn (+6.1% YoY, +4.1% QoQ), 4% above JMFe. Cons. EBITDA came in at INR 10.2bn (+16.3% YoY, +17.6% QoQ), 15.5% above JMFe. Cons. EBITDA margin stood at 14.9% (+130bps YoY, +170bps QoQ), 150bps above JMFe due to lower-than-expected RM costs. Adjusted consolidated PAT stood at INR 4.4bn (+44.8% YoY, +14.4% QoQ), 27.9% above JMFe. However, reported PAT came in at ~INR 2.6bn (-13.2% YoY), impacted by restructuring costs at Apollo Netherlands (~INR 1.8bn) and an employee restructuring exercise (INR 36mn).
- **India business:** APTY posted steady growth in 2Q with volumes up 4%, supported by both OE and RE segments and a strong recovery in exports. Farm, 2W, and 3W categories delivered healthy growth, while truck and PC remained muted. RE grew 2% and OEM 4%, with RE impacted by purchase deferrals post-GST announcement, which are expected to ease. Premium brand Vredestein achieved its highest-ever quarterly volume, and its share is expected to rise further. Market share remains industry-leading at 29% in TBR RE and 20% in PC RE, with TBR share loss arrested. OEM share was maintained, though PC OEM share dipped as the company avoided low-margin bids. Export volumes rose in double digits during the quarter, and management guided for high single-digit export growth for FY26. Demand outlook remains positive, with 3Q growth expected to be similar or better and 2H momentum supported by GST benefits and recovery in infrastructure and mining activity post-monsoon. APTY aims to drive growth through new products, brand strength, and an expanding dealer network.
- **European business:** Despite challenging environment challenging across key categories in EU region, APTY revenue grew of 4% YoY driven entirely by volumes. While the outlook is still subdued, conditions have improved compared to two quarters ago, with low single-digit growth expected. EBITDA margin declined by ~210 bps YoY to 12.7% (+190 bps QoQ), remaining below the company's target as APTY executes strategic transition initiatives. The UHP mix increased to 49% versus 46% YoY, and PCR capacity expansion in Hungary is underway to support future growth. A settlement with the works council in the Netherlands has been finalized, resulting in an exceptional restructuring cost of EUR 17mn, payable in the next fiscal year. The closure, expected by June 2026, is anticipated to improve profitability in the EU region.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	615
Upside/(Downside)	18.6%
Previous Price Target	500
Change	23.0%

Key Data – APTY IN

Current Market Price	INR519
Market cap (bn)	INR329.4/US\$3.7
Free Float	53%
Shares in issue (mn)	572.1
Diluted share (mn)	635.1
3-mon avg daily val (mn)	INR610.4/US\$6.9
52-week range	557/368
Sensex/Nifty	84,563/25,910
INR/US\$	88.7

Price Performance

%	1M	6M	12M
Absolute	6.6	8.0	9.1
Relative*	5.8	5.1	0.1

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,53,777	2,61,234	2,91,692	3,09,999	3,31,839
Sales Growth	3.3%	2.9%	11.7%	6.3%	7.0%
EBITDA	44,473	35,715	42,541	49,123	52,975
EBITDA Margin	17.5%	13.7%	14.6%	15.8%	16.0%
Adjusted Net Profit	17,988	12,893	17,496	22,816	26,189
Diluted EPS (INR)	28.3	20.3	27.5	35.9	41.2
Diluted EPS Growth	66.3%	-28.3%	35.7%	30.4%	14.8%
ROIC	11.5%	8.8%	11.0%	14.3%	16.1%
ROE	13.4%	9.0%	11.3%	13.4%	13.8%
P/E (x)	18.3	25.6	18.8	14.4	12.6
P/B (x)	2.4	2.2	2.0	1.8	1.6
EV/EBITDA (x)	7.6	9.3	7.2	5.8	5.0
Dividend Yield	1.2%	1.0%	1.2%	1.4%	1.4%

Source: Company data, JM Financial. Note: Valuations as of 14/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Margin outlook:** EBITDA margin stood at 14.9% (+130 bps YoY, +170 bps QoQ), 150 bps above JMFe, primarily due to lower-than-expected raw material costs. Overall RM costs declined 3% QoQ, with NR at INR 210/kg, SR at INR 175/kg, Carbon Black at INR 115/kg, and steel cord at INR 155/kg. RM prices are expected to remain stable to slightly lower in 3Q, staying range-bound and supporting margins for the India business.
- **Capex/debt update:** For FY26, the management maintained its capex guidance at INR 15bn (split between growth and maintenance capex). During 2QFY26, its consol. net debt increased to INR 26bn (vs. INR 21bn in 1QFY26), with Net Debt / EBITDA at 0.8x (vs. 0.7x in 1QFY26).

Exhibit 1. Quarterly financial results (standalone)

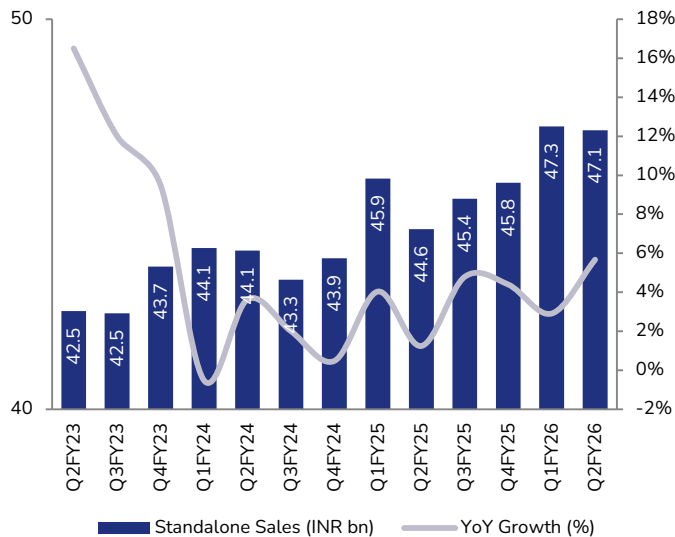
Standalone (INR mn)	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	Q2FY26E	% A/E
Sales	47,149	44,617	5.7	47,254	-0.2	47,607	-1.0
RM	29,212	28,345	3.1	29,925	-2.4	29,992	-2.6
as a % of sales	62.0	63.5	-160bps	63.3	-140bps	63.0	-100bps
Employee Expense	3,237	2,773	16.7	3,241	-0.1	3,237	0.0
as a % of sales	6.9	6.2	70bps	6.9	0bps	6.8	10bps
Other Costs	7,495	8,111	-7.6	7,640	-1.9	7,712	-2.8
as a % of sales	15.9	18.2	-230bps	16.2	-30bps	16.2	-30bps
Expenditure	39,943	39,228	1.8	40,806	-2.1	40,942	-2.4
EBITDA	7,206	5,389	33.7	6,447	11.8	6,665	8.1
EBITDA Margin (%)	15.3	12.1	320bps	13.6	160bps	14.0	130bps
Other Income	301	248	21.2	151	99.6	180	67.1
Interest	833	873	-4.6	858	-3.0	850	-2.0
Depreciation	2,338	2,327	0.5	2,346	-0.3	2,350	-0.5
PBT	4,335	2,437	77.9	3,394	27.7	3,645	18.9
Tax	1,528	748	104.1	1,155	32.3	1,240	23.2
Tax rate (%)	35.2	30.7	450bps	34.0	120bps	34.0	120bps
PAT (Adjusted)	2,808	1,689	66.3	2,239	25.4	2,404	16.8
PAT Margin (%)	6.0	3.8	220bps	4.7	120bps	5.1	90bps

Source: Company, JM Financial

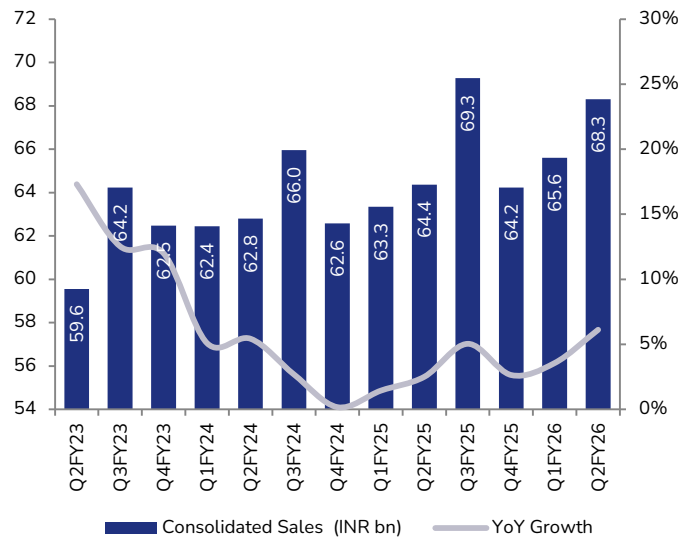
Exhibit 2. Quarterly financial results (consolidated)

Consolidated (INR mn)	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	Q2FY26E	% A/E
Sales	68,311	64,370	6.1	65,608	4.1	65,594	4.1
RM	37,356	35,565	5.0	36,684	1.8	36,611	2.0
as a % of sales	54.7	55.2	-60bps	55.9	-120bps	55.8	-110bps
Employee Expenses	8,786	7,697	14.1	8,696	1.0	8,597	2.2
as a % of sales	12.9	12.0	90bps	13.3	-40bps	13.1	-20bps
Other Costs	11,962	12,330	-3.0	11,550	3.6	11,544	3.6
as a % of sales	17.5	19.2	-160bps	17.6	-10bps	17.6	-10bps
Expenditure	58,103	55,591	4.5	56,930	2.1	56,752	2.4
EBITDA	10,207	8,779	16.3	8,677	17.6	8,841	15.5
EBITDA Margin (%)	14.9	13.6	130bps	13.2	170bps	13.5	150bps
Other Income	297	217	37.2	189	57.4	220	35.2
Interest	1,010	1,197	-15.6	1,006	0.5	1,000	1.0
Depreciation	3,834	3,759	2.0	3,776	1.5	3,780	1.4
PBT	5,660	4,040	40.1	4,085	38.6	4,281	32.2
Tax	1,280	1,015	26.2	255	402.5	856	49.5
Tax rate (%)	22.6	25.1	-250bps	6.2	1640bps	20.0	260bps
PAT (Adjusted)	4,381	3,026	44.8	3,831	14.4	3,425	27.9
PAT Margin (%)	6.4	4.7	170bps	5.8	60bps	5.2	120bps

Source: Company, JM Financial

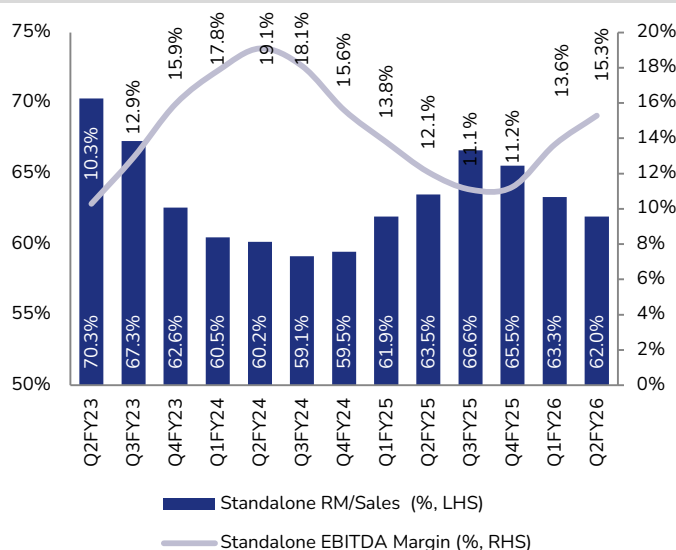
Exhibit 3. Revenue trend (standalone)

Source: Company, JM Financial

Exhibit 4. Revenue trend (consolidated)

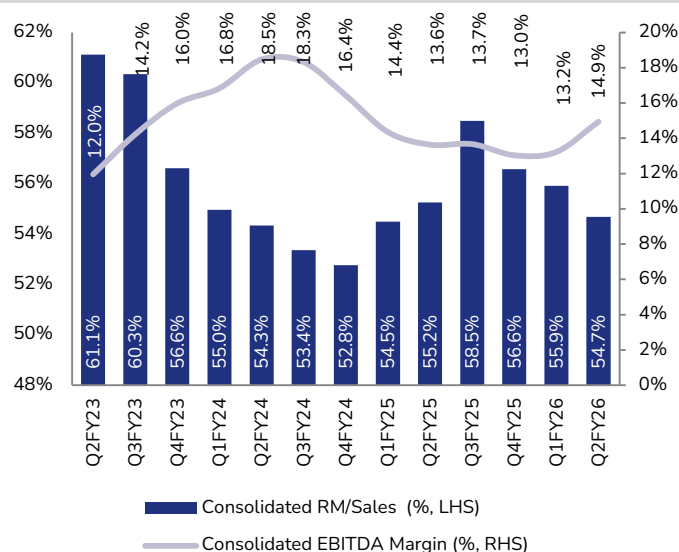
Source: Company, JM Financial

Exhibit 5. Margin trends (standalone)



Source: Company, JM Financial

Exhibit 6. Margin trends (consolidated)



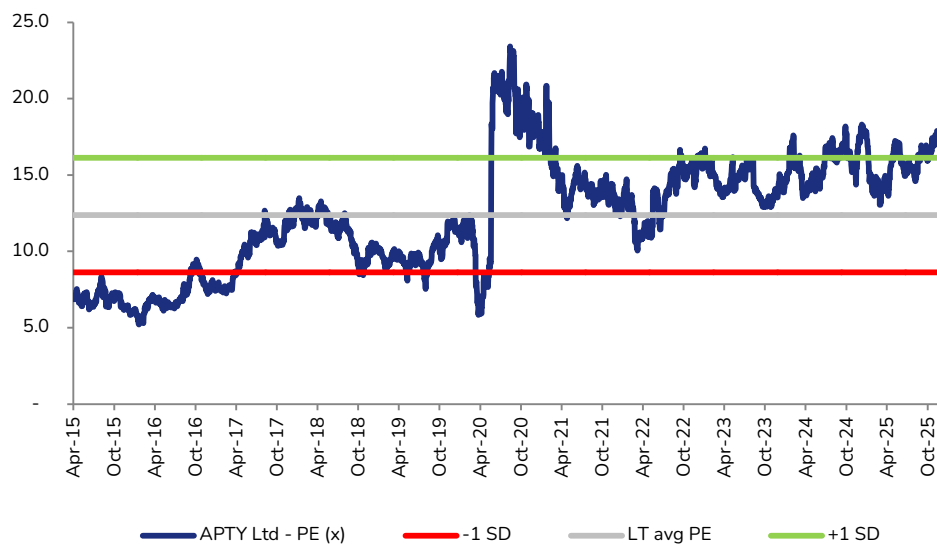
Source: Company, JM Financial

Exhibit 7. APTY – Change in assumptions (consolidated)

Consolidated	New Assumptions			Old assumptions			Change (%)		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	261,234	291,692	309,999	261,234	279,710	296,263	0.0%	4.3%	4.6%
EBITDA	35,715	42,541	49,123	35,715	39,993	46,733	0.0%	6.4%	5.1%
EBITDAM (%)	13.7%	14.6%	15.8%	13.7%	14.3%	15.8%	-	29bps	7bps
PAT	12,893	17,496	22,816	12,893	15,674	21,108	0.0%	11.6%	8.1%
Adj. EPS	20.3	27.5	35.9	20.3	24.7	33.2	0.0%	11.6%	8.1%

Source: Company, JM Financial

Exhibit 8. 1-yr forward PE chart



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,53,777	2,61,234	2,91,692	3,09,999	3,31,839
Sales Growth	3.3%	2.9%	11.7%	6.3%	7.0%
Other Operating Income	0	0	0	0	0
Total Revenue	2,53,777	2,61,234	2,91,692	3,09,999	3,31,839
Cost of Goods Sold/Op. Exp	1,36,631	1,46,945	1,59,913	1,68,443	1,80,672
Personnel Cost	29,640	31,297	35,854	36,522	38,453
Other Expenses	43,033	47,276	53,384	55,911	59,739
EBITDA	44,473	35,715	42,541	49,123	52,975
EBITDA Margin	17.5%	13.7%	14.6%	15.8%	16.0%
EBITDA Growth	34.2%	-19.7%	19.1%	15.5%	7.8%
Depn. & Amort.	14,778	14,984	15,728	16,273	16,795
EBIT	29,695	20,732	26,813	32,850	36,180
Other Income	1,536	881	951	1,028	1,110
Finance Cost	5,059	4,466	3,294	1,967	662
PBT before Excep. & Forex	26,171	17,146	24,470	31,911	36,628
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	26,171	17,146	24,470	31,911	36,628
Taxes	8,183	4,253	6,974	9,095	10,439
Extraordinary Inc./Loss(-)	-773	-1,687	0	0	0
Assoc. Profit/Min. Int.(-)	-4	-7	0	0	0
Reported Net Profit	17,219	11,213	17,496	22,816	26,189
Adjusted Net Profit	17,988	12,893	17,496	22,816	26,189
Net Margin	7.1%	4.9%	6.0%	7.4%	7.9%
Diluted Share Cap. (mn)	635.1	635.1	635.1	635.1	635.1
Diluted EPS (INR)	28.3	20.3	27.5	35.9	41.2
Diluted EPS Growth	66.3%	-28.3%	35.7%	30.4%	14.8%
Total Dividend + Tax	3,811	3,176	3,811	4,763	4,763
Dividend Per Share (INR)	6.0	5.0	6.0	7.5	7.5

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	26,171	17,146	24,470	31,911	36,628
Depn. & Amort.	14,778	14,984	15,728	16,273	16,795
Net Interest Exp. / Inc. (-)	3,524	3,585	2,343	939	-448
Inc (-) / Dec in WCap.	-5,981	-16,007	10,778	-3,363	-3,474
Others	-769	-1,680	0	0	0
Taxes Paid	-8,183	-4,253	-6,974	-9,095	-10,439
Operating Cash Flow	29,540	13,775	46,345	36,666	39,063
Capex	-9,265	-9,907	-10,836	-10,944	-11,054
Free Cash Flow	20,275	3,868	35,509	25,721	28,009
Inc (-) / Dec in Investments	-959	4,865	-3,000	-3,000	-3,000
Others	1,536	881	951	1,028	1,110
Investing Cash Flow	-8,688	-4,161	-12,884	-12,917	-12,944
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-3,811	-3,176	-3,811	-4,763	-4,763
Inc / Dec (-) in Loans	-15,154	-4,947	-15,000	-14,500	-14,500
Others	-1,128	-1,738	-2,296	-730	733
Financing Cash Flow	-20,093	-9,860	-21,107	-19,993	-18,530
Inc / Dec (-) in Cash	759	-246	12,354	3,756	7,589
Opening Cash Balance	8,462	9,221	8,975	21,329	25,085
Closing Cash Balance	9,221	8,975	21,329	25,085	32,673

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	1,39,022	1,47,657	1,61,342	1,79,395	2,00,821
Share Capital	635	635	635	635	635
Reserves & Surplus	1,38,387	1,47,022	1,60,707	1,78,760	2,00,186
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	49,051	44,104	29,104	14,604	104
Def. Tax Liab. / Assets (-)	15,705	17,195	17,929	18,886	19,985
Total - Equity & Liab.	2,03,778	2,08,956	2,08,376	2,12,886	2,20,910
Net Fixed Assets	1,73,541	1,68,465	1,63,573	1,58,244	1,52,503
Gross Fixed Assets	3,12,773	3,21,740	3,33,594	3,44,430	3,55,374
Intangible Assets	2,311	2,374	2,374	2,374	2,374
Less: Depn. & Amort.	1,45,020	1,60,004	1,75,732	1,92,004	2,08,799
Capital WIP	3,477	4,354	3,336	3,444	3,554
Investments	5,317	452	3,452	6,452	9,452
Current Assets	89,891	1,03,351	1,14,932	1,25,072	1,40,150
Inventories	42,457	51,312	47,949	50,959	54,549
Sundry Debtors	26,648	30,621	31,966	33,972	36,366
Cash & Bank Balances	9,221	8,975	21,329	25,085	32,673
Loans & Advances	0	0	0	0	0
Other Current Assets	11,564	12,443	13,687	15,056	16,562
Current Liab. & Prov.	64,971	63,311	73,580	76,882	81,194
Current Liabilities	29,786	28,744	37,543	39,310	42,021
Provisions & Others	35,184	34,566	36,037	37,572	39,173
Net Current Assets	24,920	40,040	41,351	48,190	58,956
Total - Assets	2,03,778	2,08,956	2,08,376	2,12,886	2,20,910

Source: Company, JM Financial

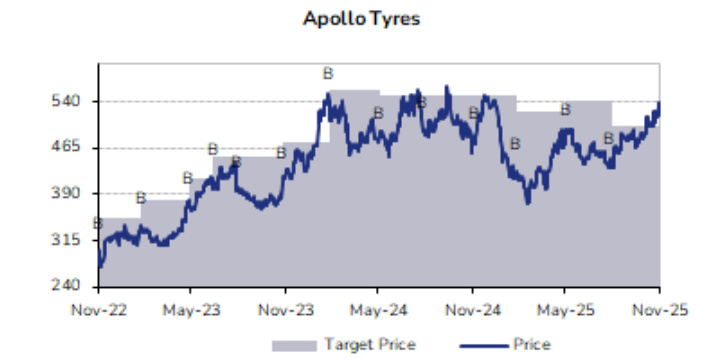
Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.1%	4.9%	6.0%	7.4%	7.9%
Asset Turnover (x)	1.0	1.0	1.1	1.2	1.2
Leverage Factor (x)	1.9	1.8	1.7	1.6	1.5
RoE	13.4%	9.0%	11.3%	13.4%	13.8%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	218.9	232.5	254.0	282.5	316.2
ROIC	11.5%	8.8%	11.0%	14.3%	16.1%
ROE	13.4%	9.0%	11.3%	13.4%	13.8%
Net Debt/Equity (x)	0.3	0.2	0.0	-0.1	-0.2
P/E (x)	18.3	25.6	18.8	14.4	12.6
P/B (x)	2.4	2.2	2.0	1.8	1.6
EV/EBITDA (x)	7.6	9.3	7.2	5.8	5.0
EV/Sales (x)	1.3	1.3	1.0	0.9	0.8
Debtor days	38	43	40	40	40
Inventory days	61	72	60	60	60
Creditor days	52	47	55	55	55

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
5-Aug-21	Buy	330	
1-Nov-21	Buy	330	0.0
3-Feb-22	Buy	330	0.0
15-May-22	Buy	300	-9.1
19-Jun-22	Buy	300	0.0
16-Aug-22	Buy	315	5.0
17-Aug-22	Buy	315	0.0
15-Nov-22	Buy	350	11.1
6-Feb-23	Buy	380	8.6
10-May-23	Buy	415	9.2
25-Jun-23	Buy	450	8.4
13-Aug-23	Buy	450	0.0
8-Nov-23	Buy	475	5.6
8-Feb-24	Buy	560	17.9
15-May-24	Buy	550	-1.8
9-Aug-24	Buy	550	0.0
17-Nov-24	Buy	550	0.0
7-Feb-25	Buy	525	-4.5
15-May-25	Buy	540	2.9
10-Aug-25	Buy	500	-7.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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