

Apollo Micro Systems: Strong Execution; Optionality Continues to Rise

May 19, 2026 | CMP: INR 311 | Target Price: INR 365

ADD

Expected Share Price Return: 17.4% | Dividend Yield: 0.1% | Potential Upside: 17.4%

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info	
BB Code	APOLLO IN EQUITY
Face Value (INR)	1.0
52-wk High/Low (INR)	355/131
Mkt Cap (Bn)	INR 114.3 / \$1.19
Shares o/s (Mn)	357.3
3M Avg. Daily Volume	10,073,827

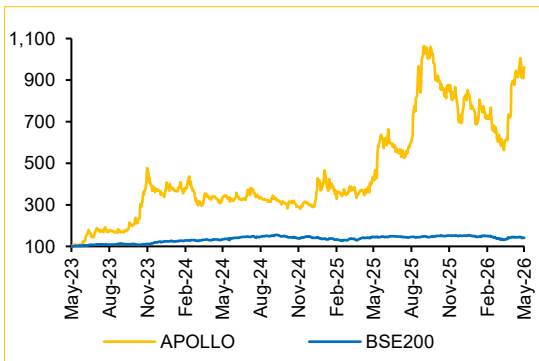
Change in CIE Estimates						
INR Mn	FY27E			FY28E		
	New	Old	Dev.	New	Old	Dev.
Revenue	14,424	12,639	14.1%	22,314	18,958	17.7%
EBITDA	3,462	2,869	20.7%	5,355	4,341	23.4%
EBITDAM %	24.0	22.7	130 bps	24.0	22.9	110 bps
PAT	1,736	1,378	26.0%	2,710	2,284	18.7%
EPS	4.6	3.6	27.5%	7.2	6.0	19.5%

Actual vs CIE Estimates			
INR Mn	Q4FY26A	CIE est.	Dev.
Revenue	2,933	2,588	13.3%
EBITDA	676	502	34.7%
EBITDAM %	23.1	19.4	367 bps
PAT	368	221	66.8%

Key Financials					
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	5,621	9,043	14,424	22,314	33,739
YoY Growth (%)	51.2	60.9	59.5	54.7	51.2
EBITDA	1,292	2,182	3,462	5,355	8,097
EBITDAM (%)	23.0	24.1	24.0	24.0	24.0
PAT	564	1,074	1,736	2,710	4,151
EPS	1.9	3.2	4.6	7.2	11.0
ROE %	10.0	11.2	12.4	16.8	21.3
ROCE %	16.2	13.5	17.5	22.6	27.4
PE(x)	167.2	97.8	67.7	43.4	28.3
Price to BV (x)	15.7	8.5	7.9	6.7	5.5

Shareholding Pattern (%)			
	Mar-26	Dec-25	Sep-25
Promoters	51.98	51.98	50.33
FIIs	3.63	4.97	8.94
DIIIs	1.82	1.30	1.45
Public	42.58	41.76	39.27

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE 200	41.2	5.4	(3.2)
APOLLO	861.7	188.6	121.9



Strong Execution; Optionality Continues to Rise

APOLLO reported a **strong set of numbers, ahead of our expectation** and continues to show **steady execution**. We gleaned from the management commentary that the **broader strategy remains on track**, with a gradual shift towards **system-level and backward integration**. We believe this should **support margin in the medium term** as the company gains better control over its value chain. However, in the near term, **margin is likely to remain range-bound**, as the **integration of IDL, product mix changes and execution ramp-up** continue to absorb operating leverage.

On exports, we expect the opportunity is **visible but still at an early stage**. Contribution remains limited (<5–10%) and, while the management highlighted **initial traction across geographies**, it does not yet translate into a **meaningful revenue visibility**. In our view, exports can become an **important medium-term growth lever**, especially as APOLLO strengthens its capability and cost positioning. That said, given the **long approval cycles and dependency on partnerships**, the ramp-up is likely to be **gradual and execution-led rather than immediate**.

Excellent Set of Numbers across the Board

- Revenue for Q4FY26 was up 81.3% YoY & 16.3% QoQ at INR 2,933 Mn (vs CIE est. INR 2,588 Mn)
- EBIDTA for Q4FY26 was up 88.0% YoY & 34.2% QoQ at INR 676 Mn (vs CIE est. INR 502 Mn). EBITDA margin expanded by 82 bps YoY, reaching 23.1% (vs CIE est. of 19.4%)
- PAT for Q4FY26 was up 163.5% YoY & 60.8% QoQ at INR 368 Mn (vs CIE est. INR 221 Mn). PAT Margin expanded by 391 bps YoY, reaching 12.5% (vs CIE est. 8.5%)

View & valuation: We maintain our positive stance on APOLLO, backed by its strategic shift, from a component supplier to a full-fledged system integrator. The company's expanding role, robust order pipeline and visible margin trajectory reinforce our conviction in its long-term growth story. Accordingly, we revise our FY27E and FY28E EPS estimate upwards by **27.5% and 19.5%**, respectively, and now expect Revenue/EBITDA/PAT to expand at a CAGR of **52.9%/52.9%/54.6%**, respectively, over FY27–29E. Following the recent sharp rally, we downgrade the stock to 'ADD' (from BUY) with a **TP of INR 365**, valuing it at 50x of FY28E EPS.

Particulars (INR Mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Revenue	2,933	1,618	81.3	2,522	16.3
Material Exp	1,902	1,131	68.2	1,795	6.0
Gross Profit	1,030	487	111.7	727	41.7
Employee Exp	135	68	97.4	117	15.4
Other Exp	219	59	274.2	106	106.0
EBITDA	676	360	88.0	504	34.2
Other Income	32	7	337.2	9	252.4
Depreciation	70	41	68.1	61	14.0
EBIT	639	326	96.1	452	41.3
Interest Cost	91	106	(14.2)	136	(33.4)
PBT	548	220	149.1	316	73.6
Tax	180	80	124.1	87	107.3
RPAT	368	140	163.5	229	60.8
EPS (INR)	1.1	0.5	139.3	0.7	58.0
Margin Analysis					
	Q4FY26	Q4FY25	YoY (bps)	Q3FY26	QoQ (bps)
Gross Margin (%)	35.1	30.1	505	28.8	631
Employee Exp. % of Sales	4.6	4.2	38	4.6	(3)
Other Op. Exp. % of Sales	7.5	3.6	385	4.2	326
EBITDA Margin (%)	23.1	22.2	82	20.0	309
Tax Rate (%)	32.9	36.5	(367)	27.5	535
RPAT Margin (%)	12.5	8.6	391	9.1	347

Source: APOLLO, Choice Institutional Equities

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Management Call – Highlights

Order Book & Business Visibility

Robust Order Backlog: The consolidated order book stood at INR 1,432 Cr as of March 31, 2026

Large-ticket Inflows Expected: The management expects significant, large-ticket production orders to materialise in the current financial year. It will substantially increase the order book and drive continued topline growth

Massive Addressable Market: The immediate addressable market for just the distinct mine variants is estimated at INR 4,000–4,500 Cr

Export Scaling up: Apollo has received its first export order and is actively pursuing overseas opportunities

INR 1,432 Cr backlog (1.6x of FY26 revenue) and an initial export traction

Strategic Updates & Vision 2036

Evolution to Global OEM: The upcoming 'Vision 2036' outlines Apollo's ambition to move from a Tier-1 electronics supplier to a global OEM across land, air and sea defence platforms

Inorganic Growth: Acquisition by subsidiary Apollo Defence Industries is expected to be completed before FY27-end

Capacity Expansion: Civil work for Phase 1 of the greenfield expansion in Telangana (Unit 3) is complete, and the installation of the recently-received machinery is actively under way

Aim to evolve from Tier-1 supplier to global OEM across land, air, and sea platforms

Product Development & Regulatory Approvals

Unlocking Platform Manufacturing: APOLLO received a lifetime DPIIT license covering UAVs, INS systems, radars, torpedoes, underwater mines, ATGMs, decoys, aerial bombs, rockets and missiles. It paves the way for manufacturing the full weapon system

Advanced Technology Transfers: Apollo successfully obtained ToT for Directed Energy Weapons (DEW) and Electro-optical tracking systems

New R&D Milestones: The company successfully developed a Mini Torpedo, a Sensor Suite for underwater autonomous vehicles and a Fiber Optic Gyro-based INS

Internal RF Seeker Development: Heavy internal R&D investments are being directed towards RF Seeker development, supported by a specialised testing facility being established at the Hardware Park unit

Domain Expansion in FY27E: Entry into new defence domains this year, including armament electronics, fire control systems and vehicle-mounted counter-drone systems

DPIIT licence spanning missiles to UAVs, combined with ToT for DEW and electro-optical systems and a broadening R&D pipeline, structurally expands Apollo's addressable platform universe

Subsidiary Focus: IDL Explosives

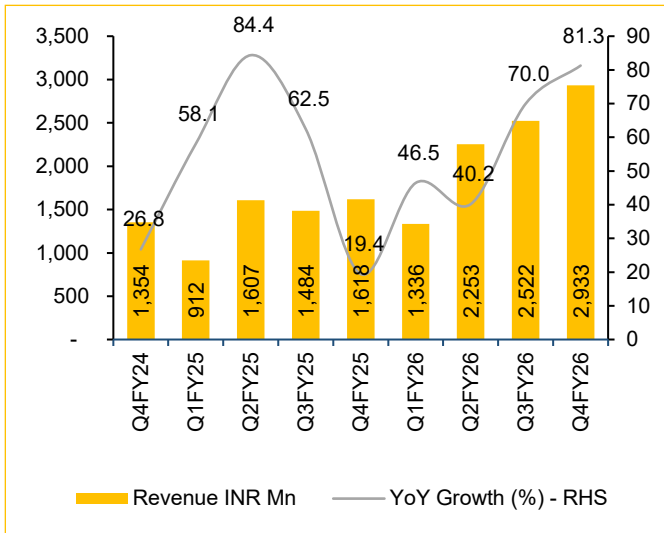
Financial Turnaround: IDL Explosives recorded nearly INR 380 Cr in revenue for the year and is undergoing operational transformation to reverse historical losses

Guidance: The management expects transformation initiatives to reflect in the next few quarters

Capitalising on Global Shortages: The subsidiary is strategically positioned to benefit from a global depletion of ammunition stocks and will cater to both, captive Apollo requirements and broader market, demands

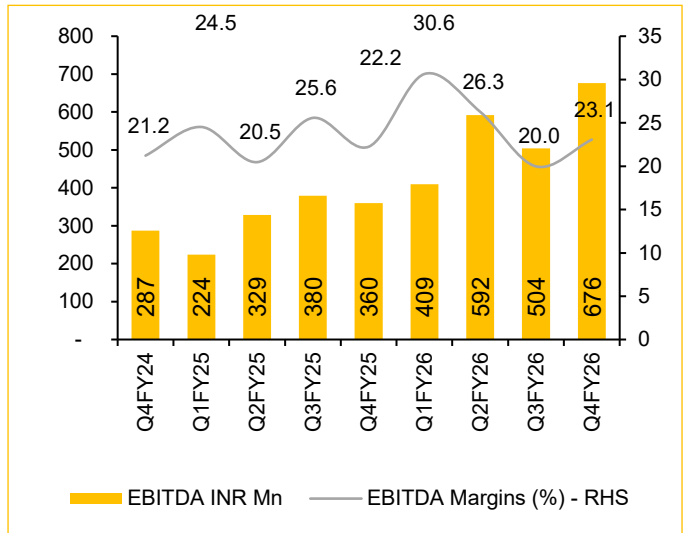
IDL undergoing an operational turnaround

Revenue jumped 81.3% YoY



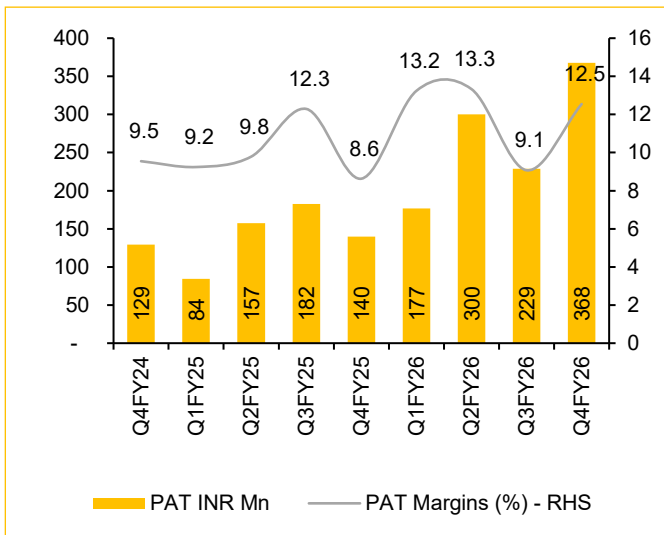
Source: APOLLO, Choice Institutional Equities

EBITDAM expanded 82 bps YoY



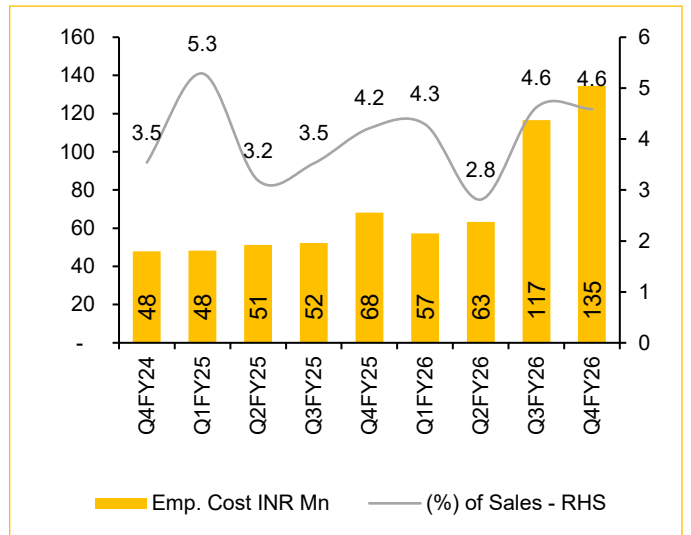
Source: APOLLO, Choice Institutional Equities

PAT grew 163.5% YoY



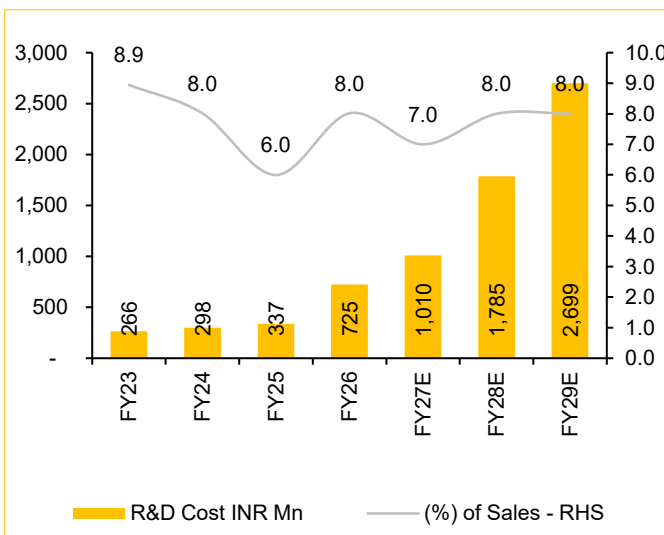
Source: APOLLO, Choice Institutional Equities

Employees' cost trend



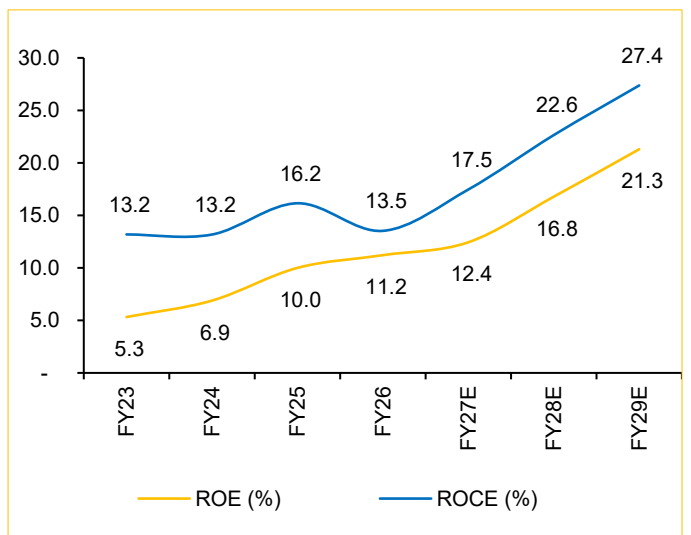
Source: APOLLO, Choice Institutional Equities

R&D investment to remain high for future projects



Source: APOLLO, Choice Institutional Equities

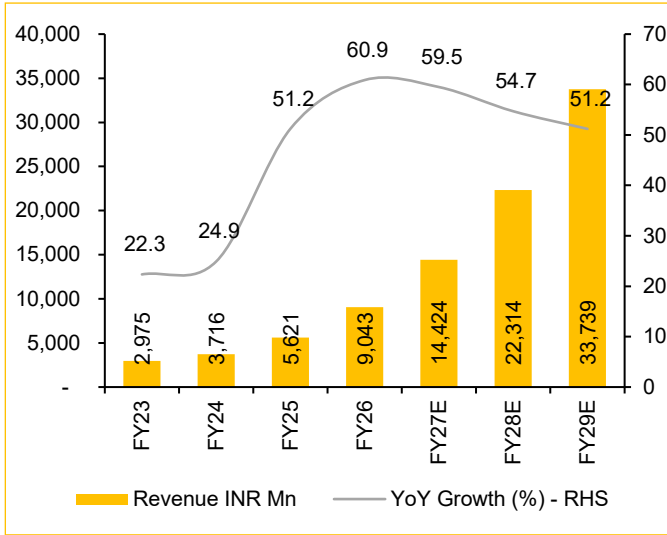
ROE & ROCE trends



Source: APOLLO, Choice Institutional Equities

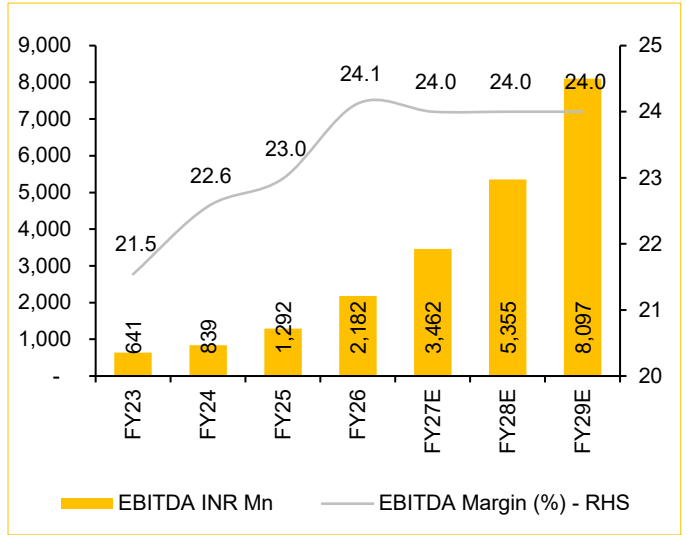
*All figures are in INR Million

Revenue expected to expand ~55.1% CAGR over FY26–29E



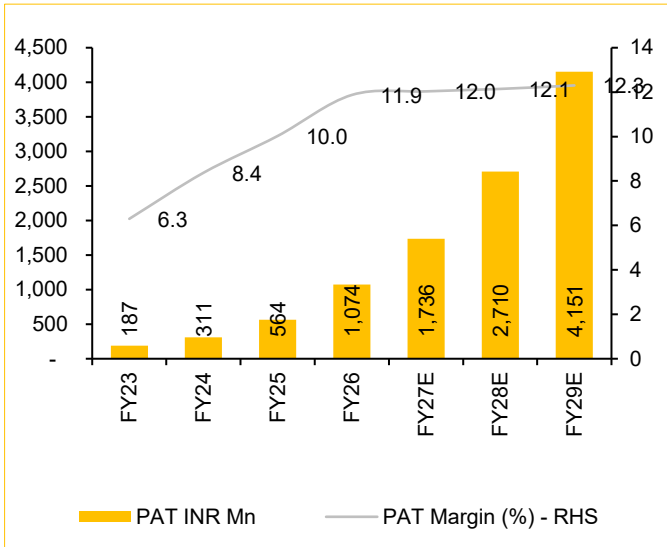
Source: APOLLO, Choice Institutional Equities

EBITDA margin projected to remain stable



Source: APOLLO, Choice Institutional Equities

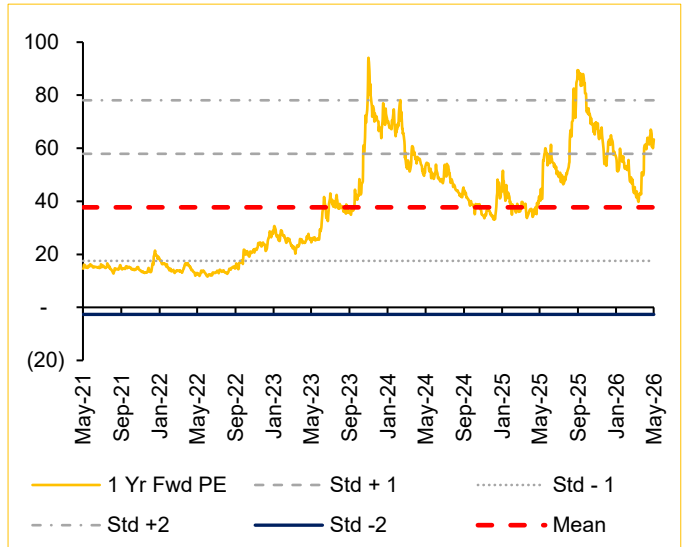
PAT growth anticipated to remain robust



Source: APOLLO, Choice Institutional Equities

*All figures are in INR Million

One-year forward PE band



Source: APOLLO, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	5,621	9,043	14,424	22,314	33,739
Gross Profit	1,653	2,969	4,616	7,118	10,729
EBITDA	1,292	2,182	3,462	5,355	8,097
Other Income	29	63	72	45	34
Depreciation	153	223	463	616	902
EBIT	1,168	2,021	3,070	4,784	7,229
Interest Expense	342	473	569	879	1,249
PBT	825	1,548	2,501	3,905	5,981
Reported PAT	564	1,074	1,736	2,710	4,151
EPS	1.9	3.2	4.6	7.2	11.0

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenue (%)	51.2	60.9	59.5	54.7	51.2
EBITDA (%)	54.1	68.8	58.7	54.7	51.2
PAT (%)	81.2	90.5	61.7	56.1	53.2
Margin Ratios					
Gross Margin	29.4	32.8	32.0	31.9	31.8
EBITDA Margins (%)	23.0	24.1	24.0	24.0	24.0
PAT Margins (%)	10.0	11.9	12.0	12.1	12.3
Performance Ratios					
ROE (%)	10.0	11.2	12.4	16.8	21.3
ROCE (%)	16.2	13.5	17.5	22.6	27.4
Turnover Ratio (Days)					
Inventory	390	321	330	310	280
Debtors	155	194	180	170	160
Payables	182	154	155	145	140
Cash Conversion Cycle (Days)	363	361	355	335	300
Leverage Ratios (x)					
Debt/Equity	0.5	0.4	0.4	0.4	0.4
Net Debt/Equity	0.4	0.3	0.3	0.3	0.3
Net Debt/EBITDA	2.1	1.7	1.3	1.1	0.8
Interest Coverage	3.4	4.3	5.4	5.4	5.8
Current Ratio	1.8	1.9	1.8	1.8	1.8
Valuation Metrics					
Outstanding Shares (Mn)	306.5	357.3	378.1	378.1	378.1
Price (INR)	311.0	311.0	311.0	311.0	311.0
Market Cap (INR Bn)	103.2	114.3	117.6	117.6	117.6
PE (x)	167.2	97.8	67.7	43.4	28.3
EV (INR Bn)	105.9	118.1	122.0	123.5	124.3
EV/EBITDA (x)	82.0	54.1	35.3	23.1	15.3
Book Value (INR/Share)	19.8	36.6	39.2	46.2	56.9
Price to BV (x)	15.7	8.5	7.9	6.7	5.5

Source: APOLLO, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

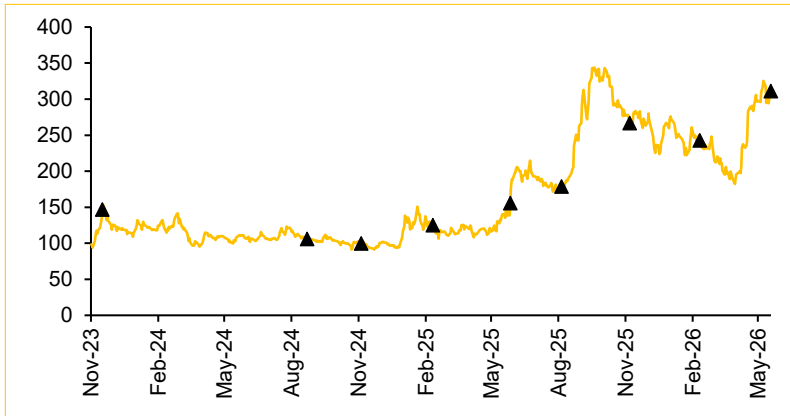
Particular	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	6,069	13,131	14,818	17,420	21,404
Minority Interest	7	(49)	10	54	98
Total Debt	3,308	5,324	6,324	7,324	8,324
Other Non-current Liab.	451	663	1,558	2,455	3,711
Trade Payables	2,799	3,820	6,125	8,864	12,941
Other Current Liabilities	361	796	1,515	2,566	4,217
Total Net Worth & Liabilities	12,995	23,685	30,350	38,683	50,696
Net Fixed Assets	1,723	3,153	3,189	3,073	2,671
Capital Work in Progress	723	1,963	1,010	893	1,350
Other Non-current Assets	257	1,914	2,536	2,566	2,193
Inventories	6,006	7,953	13,041	18,952	25,882
Trade Receivable	2,383	4,813	7,113	10,393	14,790
Cash and Bank balances	625	1,561	1,875	1,357	1,618
Other Current Assets	1,278	2,328	1,587	1,450	2,193
Total Assets	12,995	23,685	30,350	38,683	50,696
Capital Employed	7,228	14,941	17,582	21,125	26,410
Net Debt	2,683	3,763	4,449	5,968	6,706

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	102	(1,298)	(1,054)	(416)	(324)
Cash Flows from Investing	(913)	(3,569)	(109)	(369)	(540)
Cash Flows from Financing	1,211	5,359	1,277	909	842

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden	68.3%	69.4%	69.4%	69.4%	69.4%
Interest Burden	70.7%	76.6%	81.5%	81.6%	82.7%
EBIT Margin	20.8%	22.4%	21.3%	21.4%	21.4%
Asset Turnover	0.4	0.4	0.5	0.6	0.7
Equity Multiplier	2.3	2.5	2.2	2.4	2.6
ROE	10.0%	11.2%	12.4%	16.8%	21.3%

Source: APOLLO, Choice Institutional Equities

Historical Price Chart: Apollo Micro Systems Ltd.



Date	Rating	Target Price
Nov 16, 2023	BUY	163
Aug 22, 2024	BUY	146
Nov 04, 2024	BUY	158
Feb 10, 2025	BUY	156
May 27, 2025	BUY	200
Aug 05, 2025	BUY	240
Nov 06, 2025	ADD	300
Feb 10, 2026	BUY	300
May 19, 2026	ADD	365

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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