Choice Institutional Equities

Event Update

Apollo Micro Sys.: Apollo-Premier Explosives: A Vertical Integration Bet

ADD

July 13, 2026 | CMP: INR 409 | Target Price: INR 365

Sector View: Positive

Change in Estimates	❌
Change in Target Price	❌
Change in Recommendation	❌

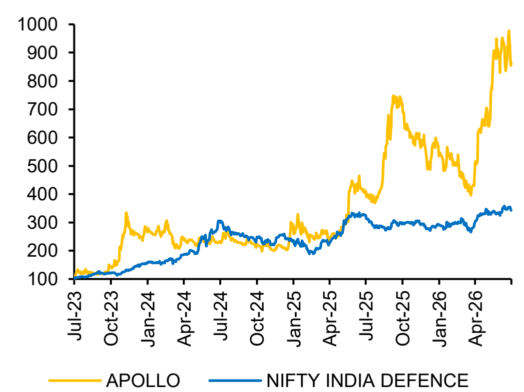
Company Info	
BB Code	APOLLO IN EQUITY
Face Value (INR)	1.0
52-wk High/Low (INR)	466/162
Mkt Cap (Bn)	INR 146.0 / $1.53
Shares o/s (Mn)	369.5
3M Avg. Daily Volume (NSE)	23,675,877

Shareholding Pattern (%)

	Jun-26	Mar-26	Dec-25
Promoters	50.27	51.98	51.98
FIIs	6.21	3.63	4.97
DIIs	1.76	1.82	1.30
Public	41.76	42.58	41.76

Relative Performance (%)

	3Y	2Y	1Y
NIFTY IND DEFENCE	249.2	16.7	9.3
APOLLO	787.8	287.5	119.3



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Apollo-Premier Explosives: A Vertical Integration Bet

APOLLO has entered into a definitive share purchase agreement to **acquire a 41.33% promoter stake** in **Premier Explosives (PRE)** from the AKS Family Trust for approximately INR **15,500 Mn in cash**, at an implied price of **INR 698 per share**. The transaction also triggers a mandatory open offer under SEBI's Regulations for an **additional 26%** at the same price, implying a maximum outlay of **~INR 25,250 Mn for 67.33% control** and an implied 100% equity valuation of ~ INR 37,500 Mn. The acquisition is likely being funded in substantial part by a **concurrent INR 33,220 Mn equity and warrant issuance**.

We believe the rationale rests on **vertical integration**: Premier Explosives supplies solid rocket propellant for the Akash, MRSAM, LRSAM and Astra programmes. It is the sole domestic manufacturer of chaffs and flares for Indian defence and holds long-duration O&M contracts with ISRO and DRDO – capabilities that fill the **energetics gap** in Apollo's **integrated value chain** of explosives, sub-systems, platforms and weapons integration, and that build on Apollo's smaller 2025 acquisition of IDL Explosives.

The Specific Gap that PRE Fills

APOLLO's pre-existing strength lies primarily in the **electronics, sub-systems and platform-integration** layers of the value chain – fuzes, warhead electronics, munitions systems, seekers, decoys, mine-management systems and land-mine hardware, such as Prachand and the Vighana naval mine. We believe that the company **lacked** a proven, qualified and a revenue-generating **solid-propellant manufacturing capability** – the propulsion fuel for rockets and missiles – a distinct and **tightly licensed segment** in which very few qualified private suppliers exist in India.

PRE also manufactures its **own initiation devices** – pyro cartridges, actuators, squibs, and stage-separation detonators for warheads – and its own mines and ammunition, including the Nipun land mine supplied to the Indian Army. Both of these sit closer to capability APOLLO already has (via its exploder/arming-mechanism business and its Prachand and Vighana lines). We specifically consider these overlap rather than gap-fill.

PRE addresses genuine gaps across three dimensions:

First, its solid-propellant manufacturing business **supplies 100% of the propellant requirement for the MRSAM, LRSAM and Astra programmes**. It contributes materially to **Akash**, **Agni** (pyrogen igniters) and **BrahMos** (rocket motor production and integration).

Second, PRE manufactures **countermeasures** in the form of chaffs and flares. It is the sole domestic manufacturer and supplier of these products to Indian defence – a category APOLLO has no presence in.

Third, the company holds long-duration **operations and maintenance** (O&M) contracts with **ISRO's** solid propellant plant at Sriharikota, held since 2006, and with DRDO's Advanced Systems Laboratory at the Solid Fuel Complex in Jagdalpur, held for 17 years, representing a comparatively rare **annuity-style revenue stream** in a business otherwise characterised by lumpy, project-based orders.

PRE also operates a **commercial and industrial explosives** franchise comprising bulk explosives, detonators and boosters, serving domestic customers including Coal India, NLC, MOIL and SCCL, as well as cement manufacturers, alongside **export markets** spanning Israel, Greece, Jordan, Turkey, Nepal, Thailand, the Philippines, Indonesia and Djibouti. **IDL Explosives already partially covers** the same commercial-explosives space.

We believe that it also fulfils APOLLO's own **captive-demand** for explosives and propellants as several of its own matured platforms (underwater mine, short/medium-range rocket, anti-submarine warfare rocket) **enter large-scale production**. It secures propellant supply for APOLLO's own upcoming production ramp.

PRE Management Commentary

In media interviews given the day after the announcement, PRE Managing Director T V Chowdary stated that there will be **no near-term change to operational management**: Dr. A. N. Gupta remains Chairman and Mr. Chowdary will serve out his full term as MD of Premier Explosives. He stated that combined-entity **synergy benefits** will **not** show in the P&L **until FY28**.

Mr. Chowdary's framing was that the **combination pairs Apollo's electronics with PRE's energetic materials**. He named **intelligent landmines, loitering munitions and UAV systems** as the specific next-generation categories the combined entity intends to **pursue jointly**, and indicated the company expects a **stronger near-term growth contribution from the domestic** Indian defence market than from exports.

He stated that PRE **does not expect** APOLLO to **inject fresh capital immediately**, characterising the company's ongoing capacity expansion as already fully funded from PRE's own resources.

We believe that the acquisition's value is **prospective** (bundling capability for **future** competitive bids and for APOLLO's own platforms entering production) rather than an immediate combination of shared, named programmes.

Capability Coverage Across the Missile and Munitions Value Chain

Capability	What it covers	APOLLO	PRE
Propulsion	Solid rocket motor – Akash, MRSAM, LRSAM, Astra, Agni, BrahMos, NGARM, QRSAM	–	✓
Warhead explosive fill	HMX, RDX, TNT, PETN, CL-20	Licensed (IDL Explosives), not yet producing	✓
Fuze, arming and initiation *(complementary, not overlap)*	Exploder/arming mechanisms (Apollo); pyro cartridges, actuators, squibs, stage-separation detonators (Premier)	✓	✓
Guidance and seekers	Avionics, navigation, control systems (RF seeker in development)	✓	–
Countermeasures	Chaffs, flares	–	✓
Munitions and platforms *(partial overlap – different products, same category)*	Mines, ammunition – Prachand, Vighana (Apollo); Nipun land mines for the Indian Army, Katepally-produced mines and ammunition (Premier)	✓	✓
Commercial explosives	Mining, infrastructure – Coal India and exports	✓ (through IDL Explosives)	✓
O&M services	ISRO SHAR since 2006; DRDO ASL Jagdalpur, 17 years	–	✓

View & valuation: We maintain a **positive view** on the transaction, which we regard as a logical extension of APOLLO's stated strategy of **vertical integration** across the defence and aerospace value chain. We reiterate our **ADD** rating on APOLLO with a target price of **INR 365**. At this stage, we have **not** factored Premier Explosives into our financial estimates or valuation for Apollo Micro Systems, pending completion of the transaction. We **await further clarity** from the company on future plans, final ownership percentage and consolidation treatment before revising our estimates accordingly.

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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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