Apollo Microsystems (APOMIC)

CMP: ₹ 387 | Target ₹ 485 (25%) | Target Period: 12 months

BUY

September 21, 2026

Transitioning into complete integrated weapon systems OEM...

About the stock: Apollo Micro Systems Ltd (AMSL) is an electronic, electromechanical, and engineering design, manufacturing, and supplies company. It designs, develops, and sells high-performance, mission and time-critical along with COTS solutions to Aerospace, Defence, Space, MoD and the private sector

- Consolidated order backlog stands at ₹ 1704 crore as of Jun-26

Investment Rationale:

- Strong capabilities in developing niche products: AMSL is an electronic, electromechanical, and engineering design, manufacturing, and supplies company. It designs, develops, and sells high-performance, mission-critical, and time-critical solutions to Aerospace, Defence, Space, and Homeland Security for the Ministry of Defence, government-controlled public sector undertakings, and the private sector. They offer custom-built COTS (Commercially off-the-shelf) solutions based on specific requirements to defence and space customers. We believe AMSL is well placed in terms of capturing upcoming opportunities in existing and new markets.
- Deep technology base and programme participation create entry barriers: With proprietary design capabilities, 700 technological innovations and involvement in 150+ indigenous defence initiatives, company has distinctive competitive advantages built over 4 decades in defence electronics. It holds production-phase qualification under the DcPP framework and approved vendor credentials with DRDO and DPSUs. The company already demonstrates exceptional capability in missile systems and underwater systems through a range of products. Going forward, we believe that company would be able to capitalise on its capabilities to expand its contribution in existing programs and upcoming projects including loitering munitions, UAVs, Directed Energy Weapons, Hypersonic vehicles etc
- Expanding order pipeline and vertical integration can drive the next leg of growth: Apollo's order book has improved sharply from ₹735 crore in Q1FY26 to ₹1,704 crore by Q1FY27. Management expects ₹2,500-3,000 crore of additional orders during FY27, while major opportunities are emerging across missile programmes. Meanwhile, the acquisition of IDL Explosives and acquisition of a 41.33% stake in Premier Explosives (followed by open offer of 26%) are expanding capabilities beyond electronics into explosives, warheads, propellants and rocket motors. With several programmes expected to move into production we expect Apollo to grow from a subsystem supplier towards a broader weapon-systems platform

Rating and Target Price:

- Company's earnings growth is expected to remain robust in the coming period, led by strong execution, consistent order inflows and rising contribution in key defence systems. We have not factored in the consolidation of Premier explosives in our estimates for FY27E/FY28E as we wait for completion of mandatory open offer of additional 26% stake in PEL
- We recommend BUY on AMSL with a TP of ₹ 485 (based on 60x P/E to consolidated FY28E EPS & ₹ 67/share to Premier Explosives)

apollo microsystems

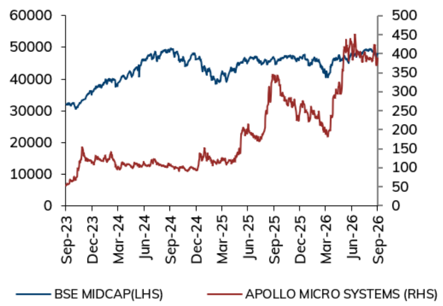
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	14,381
FY26 Gross Debt (₹ Crore)	532.4
FY26 Cash (₹ Crore)	156
EV (₹ Crore)	14,757
52 Week H/L (₹)	467 / 180
Equity Capital	35.7
Face Value	1.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	50.3	52.0	52.0	50.0
FII	8.9	5.0	3.6	7.6
DII	1.5	1.3	1.8	1.7
Others	39.3	41.8	42.6	40.7

Price Chart



Key risks

i. Dependent on govt. contracts

ii. High working capital requirements

iii. Availability of key raw materials

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Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	298	372	562	904	44.9	1,562	2,378	62.2
EBITDA	64	84	129	218	50.4	341	587	64.0
EBITDA margin (%)	21.5	22.6	23.0	24.1		21.8	24.7	
Net Profit	19	31	56	107	79.0	146	313	70.8
Diluted EPS (Rs)	0.4	0.7	1.2	2.4		3.2	6.9	
P/E (x)	738.6	444.1	245.3	128.7		104.7	55.7	
EV/EBITDA (x)	226.4	173.6	113.4	67.6		47.5	25.0	
RoCE (%)	10.4	10.3	12.5	11.0		6.5	10.4	
RoE (%)	4.9	6.0	9.3	8.2		4.9	6.3	

Source: Company, ICICI Direct Research

Company Background

Established in 1985, Apollo Micro System (AMSL) is a pioneer in India's defence and space sector, focusing on custom electronics and electro-mechanical solutions. Company is mainly into the supply of electronics and electro-mechanical systems and components including design, research & development of systems. AMSL develops advanced solutions for mission-critical applications for the defence and space industries which are used in missile programmes (weapon systems electronics), underwater missile programmes (weapon systems electronics), avionics systems, ship borne systems, submarine systems, etc

AMSL operates in a niche segment of the high entry barrier Defence and Aerospace industry. The company is 'Centre for Military Airworthiness and Certification (CEMILAC)' certified, making it an approved design house for the design and development of software and equipment for military aircraft applications.

With over 41 years of established presence in the Aerospace and Defence sector, AMS brings over 700 on-board technologies to the table. Its expertise encompasses weapon electronic systems for Ground Defence, Missile Defence, and Naval Defence.

The company has been an active participant in a diverse range of indigenous missile programs. These include underwater electronic warfare, underwater missiles, surface-to-air missiles, nuclear missile programs, surface-to-surface missile programs, indigenous submarine initiatives, and the development of both long-endurance and short-endurance UAVs. Additionally, they have contributed significantly to submarine and space exploration programs

In addition to its robust hardware and engineering portfolio, AMS delivers integrated, technology-driven solutions across secure communications, underwater electronic warfare, and air defence. These advanced systems are engineered to equip its defence clients with reliable, mission-ready capabilities tailored to their operational needs. Furthermore, AMS offers custom-designed Commercial Off-the-Shelf (COTS) solutions, precisely configured to meet the specialized requirements of both defence and space sectors.

Consolidated revenue of the company has grown by ~45% CAGR during FY23-26 while EBITDA and PAT by ~50% CAGR and ~80% respectively. The order book (Apollo + IDL explosives) stands at ₹ 1432 crore as of Mar-26

Exhibit 1: Presence across key defence platforms

Source: Company, ICICI Direct Research

Exhibit 2: Service offerings

Source: Company, ICICI Direct Research

Exhibit 3: Company's current and developing products under key domain

Domain	Key Products
Missiles & Rockets	Electronics for all 9 missile categories; Grad & ASW rockets
Underwater Weapons	MIGM, Moored & Limpet Mines; TAL/Varunastra/ALWT/EHWT torpedoes; Mini Torpedo; Mareech/Mohini decoys
Aerial Munitions	Aerial bombs (9 variants), LRGB, TARA, 500 kg Smart Bomb
Artillery	Pinaka, Guided Pinaka, ATAGS
Unmanned & Autonomous Systems	UAVs, SAVIOR-ASW, autonomous boats, loitering munitions, VMCDS
Directed Energy	10 kW laser DEW, EO tracking
Explosives	TNT, RDX, HMX, industrial & defence explosives
Electronics & Navigation	Missile electronics, INS (FOG/MEMS/RLG), RF & Microwave, fuzes, S&A, seekers, embedded AI, space systems

Source: Company, ICICI Direct Research

Investment Rationale

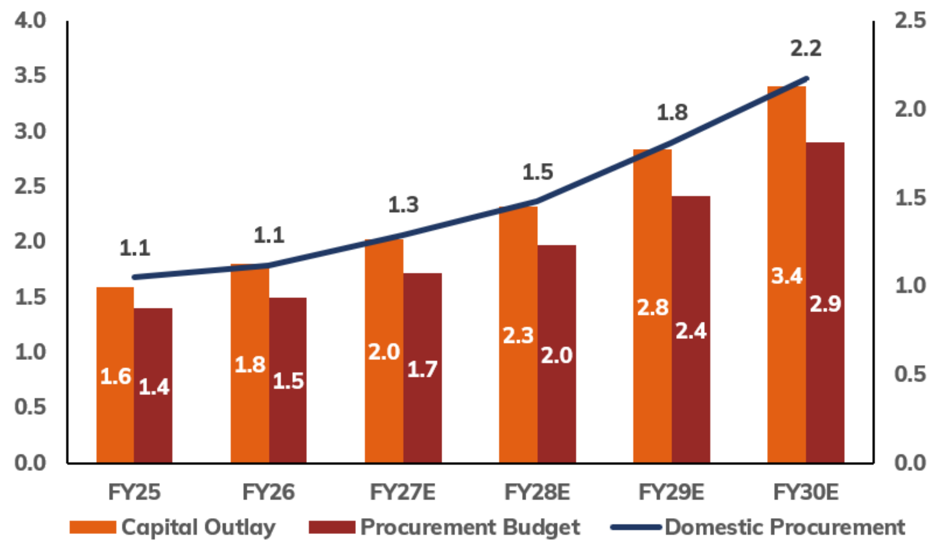
Robust growth in domestic defence procurements provide huge opportunity

India is aggressively pursuing a transformation in defence sector from a major importer to a leading global manufacturer and exporter, driven by a series of powerful government initiatives. This strategic pivot, primarily through the Make in India and 'Atmanirbhar Bharat' campaigns, is unlocking substantial opportunities for companies engaged in the defence sector

The nation's commitment is reflected in its steadily increasing budget allocation, which has grown at a CAGR of 8.5% over the last decade, reaching ₹ 7.32 lakh crore for FY 2025-26 (+7.5% than budgetary estimate and the highest allotted among the ministries). This focus on indigenization is further supported by allocating ₹ 1.86 lakh crore towards capital outlay of which 85% (₹ 1.6 lakh crore) has been earmarked for procurement budget. Accordingly, for FY25-26, 75% of modernisation budget (₹ 1.1 lakh crore) is set aside for domestic sources of which 25% (₹ 37000 crore) has been provisioned for procurement through domestic private industries

According to industry reports, India's overall defence production (domestic and exports) to grow at a CAGR of approximately 18% from FY23 to FY29. This shift is expected to fuel a high-growth phase, with private companies projected to grow at 25-35%, outperforming major Defense Public Sector Undertakings (DPSUs)

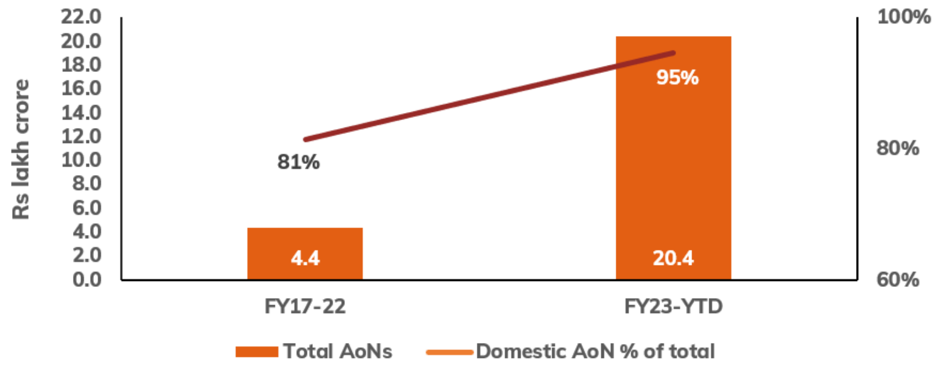
Exhibit 4: Potential growth in domestic defence procurement budget



Source: Company, ICICI Direct Research

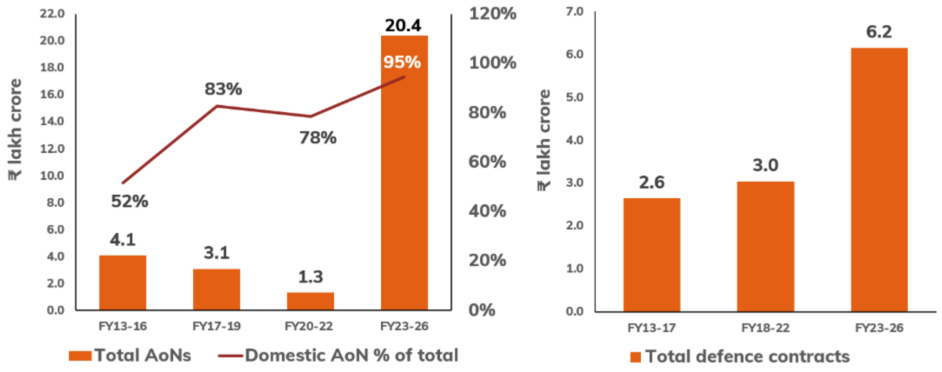
The defence sector in India is undergoing a significant transformation, marked by a surge in both the value and domestic share of procurement, creating a highly favourable environment for companies like AMSL. Acceptance of Necessity (AoNs) has substantially increased from ₹ 8.5 lakh crore over the 10-year period from FY13-22 to a remarkable ~₹ 16.4 lakh crore in just the last three years (FY23-YTD). More importantly, the graph highlights a powerful trend towards indigenization, with the domestic share of these AoNs skyrocketing from 64% to 90%. demonstrates a sharp acceleration in contract execution, with the value of contracts rising from ₹ 2.6 lakh crore in FY13-17 to ₹ 5.9 lakh crore in the last three years (FY23-YTD). This combination of a growing pipeline of domestic-focused procurement and a faster pace of contract awards signals a robust and expanding market for indigenous players, presenting a clear and significant opportunity for AMSL to capture new business and drive future growth.

Exhibit 5: AoNs in the last 4 years (FY23-YTD)



Source: Company, ICICI Direct Research

Exhibit 6: Contracts awarding activity has also picked up sharply in the last 3 years



Source: Company, ICICI Direct Research

Strong manufacturing capabilities in niche products for various platforms:

With electronics often comprising a significant portion of a platform's total cost, coupled with growing investments in cyber and EW capabilities, government policies are actively supporting the increasing role of Indian electronics firms in equipping the armed forces. We believe that the growth in procurement budget would bring in ~₹ 10.5 lakh crore (FY26-30E) worth of opportunities for Indian firms out of which 30-31% would form part in electronics share. AMSL has a great opportunity to capture this evolving defence electronics market size owing to its current product range and presence in multiple critical platforms

AMSL features advanced end-to-end design and manufacturing, through its built-to-spec and built-to-print capabilities. The company at present operates a 55,000 sq. ft and 40,000 sq. ft (integrated plant for indigenous defence systems) in Hyderabad.

With a strong focus on providing comprehensive end-to-end integrated services under one roof, AMSL offers R&D, design, assembly, manufacturing, and testing facilities tailored to meet the diverse needs of its clients. Given the demanding nature of defence & space applications, the company's offerings are designed to endure harsh environmental conditions, requiring expertise in advanced technology development and engineering excellence that eliminates the chances of failure at the time of critical defence operations.

The company has demonstrated robust capabilities in developing niche, high-value technologies tailored for diverse defence platforms across land, air, sea, and space domains. Leveraging a strong R&D foundation and innovation-driven culture, the company has successfully designed and deployed customized electronics and electromechanical subsystems critical to national defence programs. AMSL has participation in all major missile programs (80-90 programs); as 63% of electronic and electromechanical activities in DRDO missile programs are supplied by the company. The company is a Development-Cum-Production Partner (DcPP) with DRDO and expects additional onboarding for ~10 programs to be finalised soon

Their major customers include the Ministry of Defence (MoD), Defence Research and Development Organisation (DRDO), BrahMos Aerospace Private Limited, Bharat

Electronics Limited (BEL), Hindustan Aeronautics Limited (HAL), and units operated by the Indian Space Research Organisation (ISRO) among others

Exhibit 7: Electronics product portfolio of AMSL

Source: Company, ICICI Direct Research

Deep capabilities across missile and underwater systems provide a strong entry barrier:

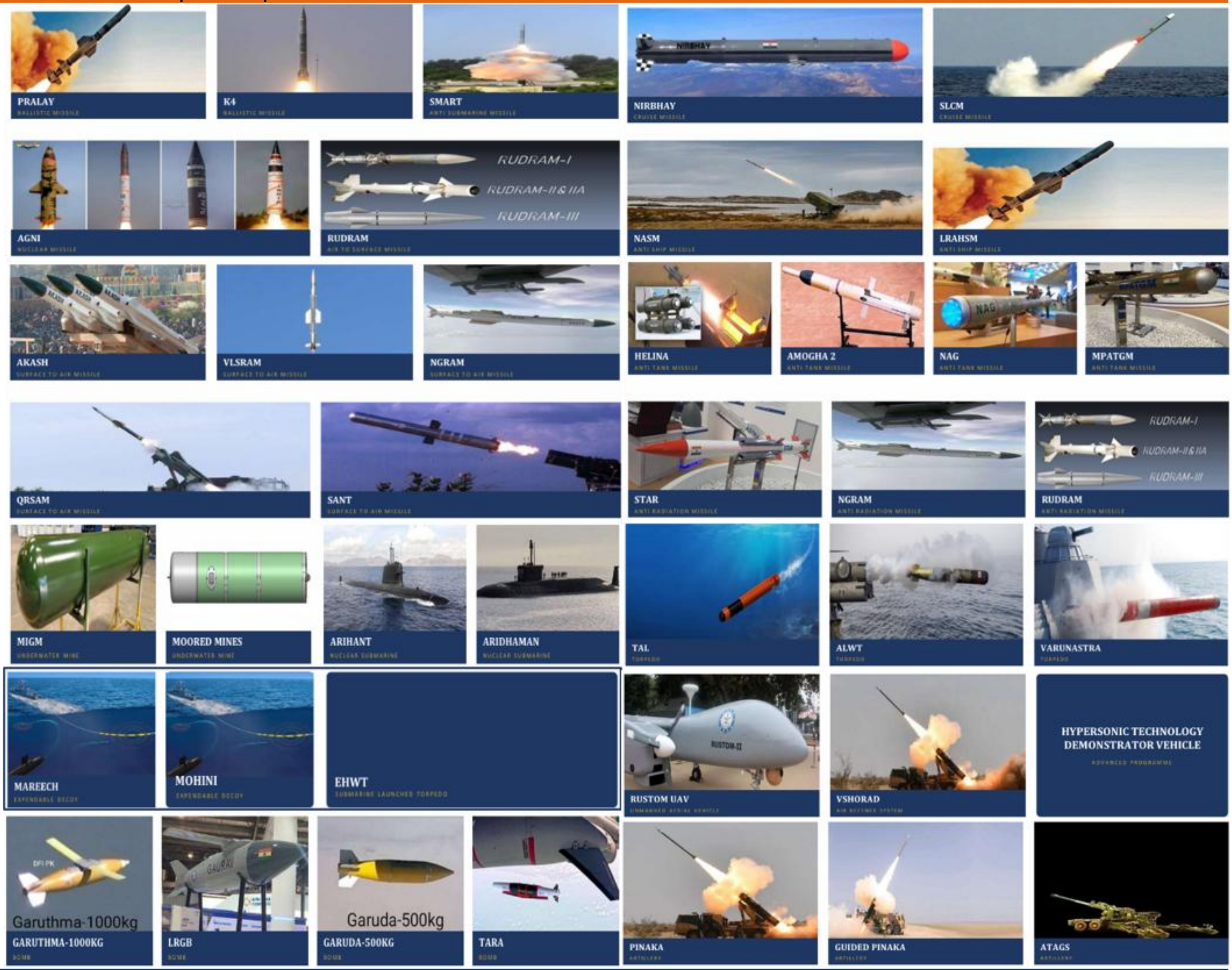
Apollo has built a differentiated position in defence electronics through 41 years of indigenous design and engineering experience, with the company having developed 700+ technologies and participating in 150+ indigenous defence programmes. Its solutions are also qualified for production-phase supply under the Development cum Production Partner (DcPP) framework. This combination of technology ownership, programme experience and qualification creates meaningful entry barriers in a sector where product development and customer approvals typically involve long development cycles.

The company has particularly strong capabilities across missile programmes, supplying critical systems such as guidance and navigation systems, actuators, safety and arming mechanisms and other electromechanical modules. Its participation across programmes including QRSAM, Akash, Pinaka and BrahMos provides exposure to multiple platforms and gives Apollo several opportunities to increase its content as these programmes progress towards production.

Apollo has also developed a niche position in underwater systems, particularly in homing and guidance applications for torpedoes and mines. The company has developed and tested its MIGM and is progressing programmes across moored and limpet mines and mini torpedoes. Its underwater portfolio spans shallow-water, deep-water and limpet mine applications, providing exposure to a specialised segment with limited private-sector competition.

The breadth of Apollo's programme participation is important from a diversification perspective. With exposure across land, air and naval applications and capabilities spanning multiple critical subsystems, the company is not dependent on a single platform for growth. We believe its 700+ technology base, 150+ programme participation and established qualification with defence customers provide a strong foundation to capture a larger share of the growing domestic defence opportunity as programmes transition from development to production.

Exhibit 8: Defence product portfolio of AMSL



Source: Company, ICICI Direct Research

Vertical integration through IDL and Premier can strengthen Apollo's position across the weapon value chain:

AMSL has consistently demonstrated its ability to develop, integrate, and deliver high-reliability systems that meet stringent military specifications. With a growing portfolio of indigenous technologies and platform-level integration experience, the company is expanding beyond component-level supply to take on larger system responsibilities. Its development of end-to-end solutions in underwater and aerial munitions, combined with investments in next-gen manufacturing infrastructure, is paving the way for full system ownership.

Apollo's acquisition of IDL Explosives for ₹107 crore, completed in November 2025, marks an important step towards expanding beyond its traditional electronics and electromechanical capabilities. IDL provides an established manufacturing base across explosives and energetics, while Apollo has also secured licences to manufacture defence-grade explosives including TNT and HMX. The acquisition therefore adds capabilities further upstream in the weapon manufacturing value chain.

The strategic value of IDL extends beyond its standalone revenue contribution. Apollo can increasingly internalise critical inputs such as explosives, propellants and warhead energetics that are required for several of its weapon programmes. This should reduce dependence on external suppliers, improve control over delivery schedules and potentially increase value captured per system as production volumes scale.

The proposed acquisition of a 41.33% stake in Premier Explosives for ~₹1,550 crore would further expand the group's capabilities into high-energy materials, solid propellants, rocket motors, countermeasures and munitions. Combined with Apollo's existing capabilities and IDL's explosives platform, this would create a broader manufacturing base spanning electronics, fusing, warheads and propulsion.

Exhibit 9: Financial snapshot of Premier Explosives (FY23-26)

	FY23	FY24	FY25	FY26
Profit and loss statement				
Revenue from operations	202	272	417	388
EBITDA	26	58	58	39
EBITDA Margin (%)	*13%*	*22%*	*14%*	*10%*
Profit after tax	7	28	29	46
Balance Sheet				
Total shareholder's fund	195	220	246	289
Debt	83	61	41	32
Other non-current liabilities	17	25	26	24
Total Liabilities	295	307	312	346
Total fixed assets	191	203	202	214
Other non-current asset	6	4	6	11
Net current assets	98	100	103	121
Total assets	295	307	312	346

Source: Company, ICICI Direct

The company has also entered various partnerships a strategy rooted in vertical integration, strategic acquisitions, and high-impact partnerships such as:

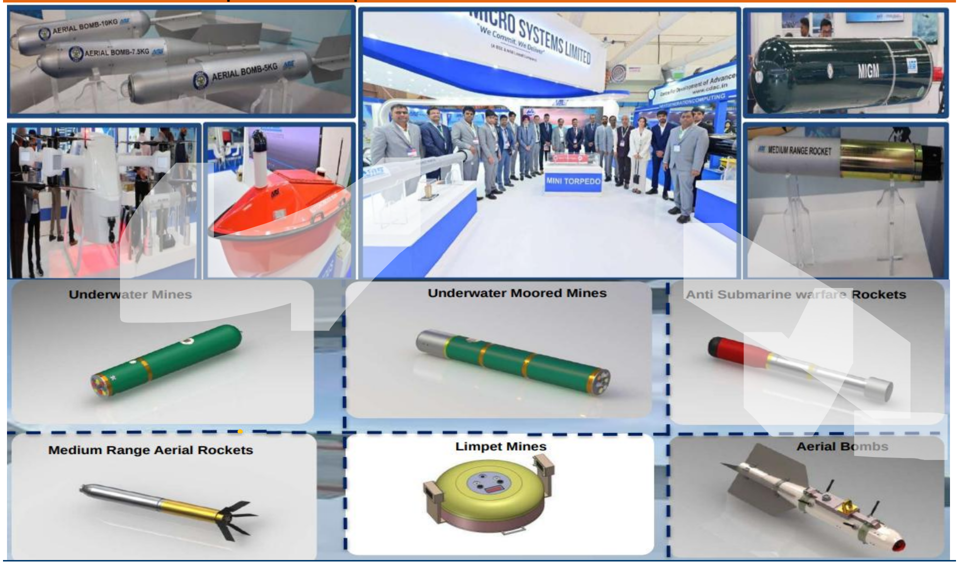
- Strategic expansion in Telangana for defence manufacturing in partnership with its subsidiaries, to create advanced facilities for warheads, rocket motors, artillery systems, and comprehensive ammunition systems, with an investment of approximately ₹1500 crores.
- Industrial License (IL) obtained for 15 years (up till Dec'40) for Industrial explosives and manufacturing under Categories of Defence Aircraft for Unmanned Helicopters activity which includes Unmanned Aerial System, Inertial Navigation Systems and Radar Equipment.
- Transfer of Technology (ToT) received from DRDO for Multi-Channel 10 kW Laser Directed Energy Weapon (DEW) system and EO Tracking System with EO Sensors for DEW
- MoU with Garden Reach Shipbuilders & Engineers (GRSE), facilitates joint R&D, co-production, and export of advanced weapons and electronic systems.
- MoU with Munitions India (MIL) and Troop Comforts Limited (TCL) for identified select opportunities and defence products
- MoU partner with Bharat Dynamics (BDL) for joint development of naval platforms
- Consortium agreement with Redon Systems Pvt. Ltd. supports collaborative manufacturing of Containerized Automatic Landing Modules.
- An approved collaborative partner in research and development for Bharat Electronics (BEL)

These strategic initiatives collectively position AMSL as a full-spectrum defence partner, capable of delivering end-to-end weapon systems. By expanding in-house capabilities across explosives, electronics, and launch mechanisms, the company has enhanced its access to DRDO technologies and unlocked co-development opportunities. This integrated approach, which ensures comprehensive oversight from R&D to system delivery, is expected to drive higher margins and faster product delivery. With enhanced access to global markets in Africa, the Middle East, and

Southeast Asia, AMSL is well-positioned to capitalize on new opportunities in high-value defence sectors and expand its global presence more quickly.

We believe the combination can progressively shift Apollo towards higher-value, integrated weapon manufacturing, rather than limiting its participation to individual subsystems. While the benefits are unlikely to be immediate given the integration and scaling required, greater vertical integration should become increasingly valuable as MIGM, rocket, mine and ammunition programmes move into production. This could expand Apollo's addressable opportunity, improve supply-chain control and increase value capture across the weapon lifecycle.

Exhibit 10: Product portfolio expansion



Source: Company, ICICI Direct Research

Large-scale manufacturing and testing infrastructure can support the transition to production:

Apollo is significantly scaling its manufacturing infrastructure to support the transition from development-led programmes to larger-scale production. The company is building a new 350,000 sq. ft integrated facility at Hardware Park-II, which is expected to expand capacity for critical products including fuses, moored mines, limpet mines and inertial navigation systems.

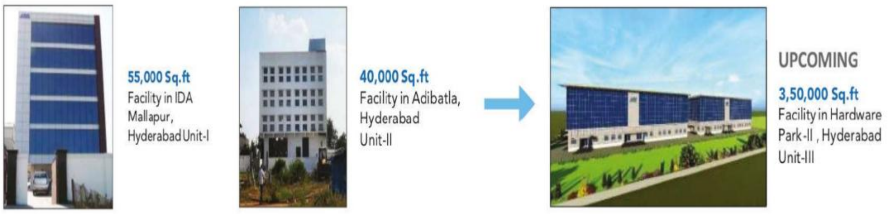
The broader organic capex programme is sizeable, with Apollo planning to invest a significant amount across multiple phases of capacity expansion. The Hardware Park-II facility is being developed with manufacturing, assembly, integration and testing capabilities for products including Grad rockets, ASW rockets, anti-tank mines and artillery munitions and other weapon systems. The management describes this expansion as scaling operations to 12x capacity. In parallel, the company is progressing a proposed ~₹1,500 crore greenfield project in Telangana focused on defence and high-energy explosives, further expanding its future manufacturing footprint.

The company's infrastructure roadmap is clearly outlined:

- Unit I will be dedicated to R&D and prototyping, continuing to anchor AMSL's innovation engine. (55,000 Sq. ft)
- Unit II (Adibatla) and will focus on production and system integration, with Unit III. (40,000 Sq. ft)
- Unit III (Hardware Park-II) is envisioned as a consolidated manufacturing hub to streamline operations and drive operational synergies. Phase 1 civil works are completed; Phase 2 construction is underway. (3,50,000 Sq. ft)
- The company has also acquired a land bank strategically located adjacent to Unit III (Industrial Park), Phase 2 (2,47,441 Sq. ft)

Importantly, the investment is also directed towards testing and integration infrastructure. The new facility is expected to house automated testing, environmental stress screening and weapon-integration capabilities, alongside specialised testing infrastructure. This should allow Apollo to undertake a greater portion of the manufacturing and testing cycle internally as its products move towards larger production programmes

Exhibit 11: Manufacturing facilities



Source: Company, ICICI Direct Research

Strong programme pipeline provides increasing earnings visibility:

Apollo's growing programme pipeline is beginning to provide greater visibility on the next phase of revenue growth. Consolidated order book increased from ₹735 crore in Q1FY26 to ₹1,704 crore as of Q1FY27, implying a ~132% increase over the past year. The current order book includes ~₹1,224 crore of standalone orders and ~₹480 crore from IDL, while management expects further order inflows of ₹2,500-3,000 crore during FY27. If these orders materialise, the consolidated order book could potentially reach ₹3,500-4,000 crore by FY27-end, although the timing of individual programme awards remains dependent on the defence procurement cycle

Importantly, the opportunity extends well beyond the current order book, with several large missile and underwater programmes approaching procurement and production stages. Apollo expects to secure a significant share of the ~₹3,500 crore MIGM programme, with management indicating a potential ~70% share, translating into an opportunity of ~₹2,400-2,500 crore. The company is also positioned on QRSAM, Akash-NG and Pinaka, where the potential programme opportunities are estimated at ~₹1,000-1,500 crore, ~₹1,000 crore and ~₹1,700 crore, respectively. These programmes cover critical electronics and electromechanical systems supplied by Apollo, rather than the complete weapon systems, making the eventual revenue opportunity dependent on the company's share of the respective programmes.

The timing of these programmes also provides a potential multi-year revenue ramp. MIGM production is expected to commence from FY28 following the anticipated order, while QRSAM and Akash-NG are expected to move towards orders during FY27 and execution from FY28. Pinaka is already progressing towards production, while moored and limpet mines and other underwater systems could add further opportunities from FY27-FY28.

Strong R&D pipeline provides long-term product and programme optionality:

Apollo's increasing focus on indigenous R&D provides significant optionality beyond its current order book. R&D expenditure increased from ₹33.5 crore in FY25 to ~₹72 crore in FY26, or ~8% of FY26 revenue, supporting the development of 700+ technologies and 150+ indigenous defence programmes. The company continues to expand into higher-value areas such as inertial navigation, RF seekers, directed-energy weapons, counter-drone systems and autonomous platforms. Newer programmes include the IPREK 500kg smart bomb, where Apollo is developing the guidance, navigation and control architecture, flight computer and integration systems, and SAVIOR-ASW, a Navy Make-II programme for anti-submarine warfare surveillance.

The company is also developing integrated solutions such as mini torpedoes and vehicle-mounted counter-drone systems, while its access to DRDO technologies through ToT provides further opportunities to commercialise indigenous defence technologies. We believe Apollo's R&D investments can create a second layer of growth beyond its current order pipeline. While these products require successful trials, qualification and subsequent procurement, the expanding technology portfolio should increase Apollo's ability to participate in new weapon programmes and increase its content across existing platforms, creating a larger opportunity set for the next phase of growth

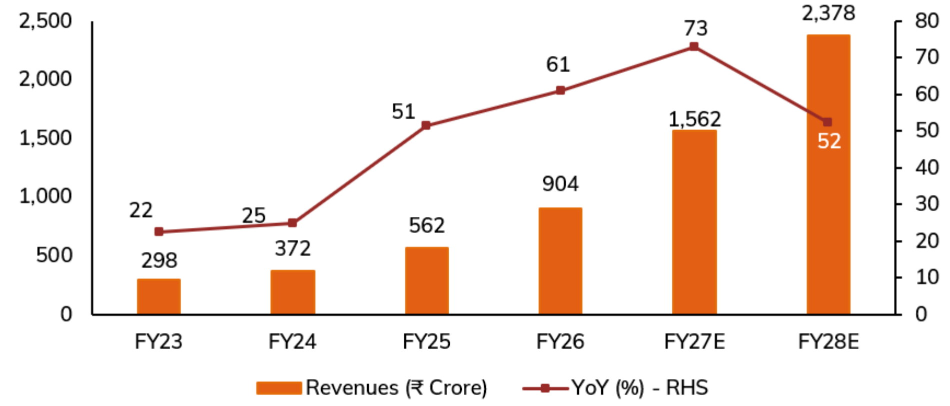
Key Financial Summary

Revenue expected to grow ~62% CAGR over FY26-28E

AMSL has reported healthy topline growth of ~45% CAGR in the last 3 years (FY23-26), led by healthy demand and strong execution of company existing portfolio

Going forward, we project a revenue CAGR of ~62% over FY26-28E, driven by sustained strong demand for company's new and upcoming products, increase in capacities and further pick-up in execution across segments

Exhibit 12: Trend in Topline



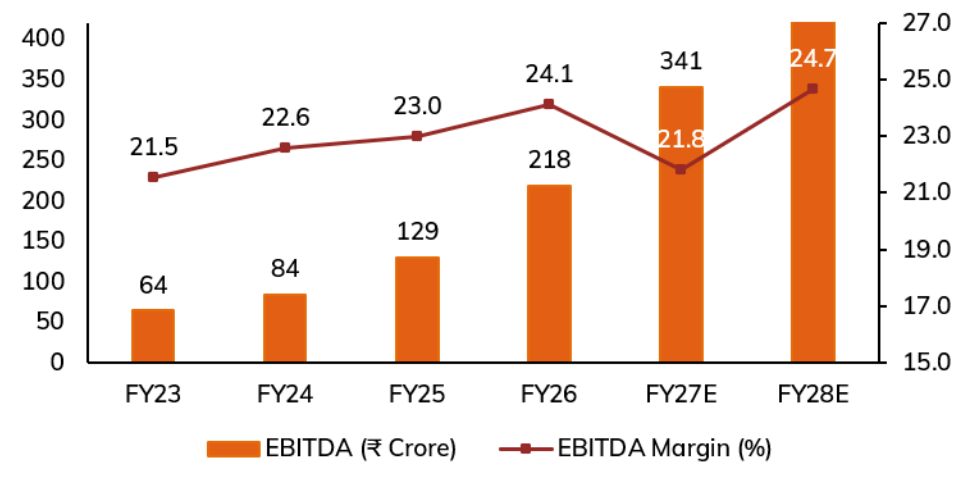
Source: Company, ICICI Direct Research

EBITDA expected to grow ~64% CAGR over FY26-28E

With increasing share of better margin products in portfolio and improvement in capacity utilization, EBITDA margin improved substantially over FY23-26, leading to EBITDA CAGR of ~50% over the same period

Going ahead, we estimate EBITDA margin to moderate to 21.8% in FY27E due to full consolidation of lower-margin IDL Explosives. However, the EBITDA margin is expected to improve to 24.7% in FY28E, led by operational efficiencies and improvement in margins of IDL and continuous focus on favourable product mix. Subsequently, EBITDA is expected at 64% CAGR over FY26-28E

Exhibit 13: Trend in EBITDA & Margins

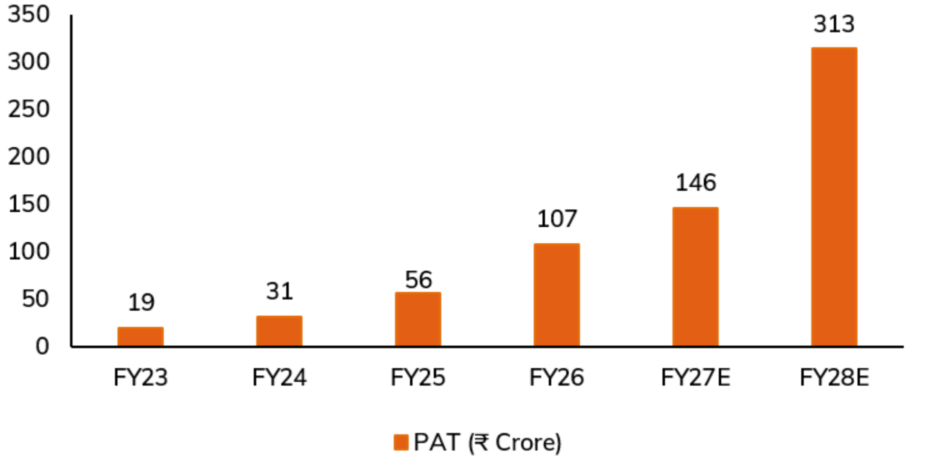


Source: Company, ICICI Direct Research

PAT expected to grow ~71% CAGR over FY26-28E

With healthy growth in EBITDA, we expect PAT to grow at a CAGR of ~71% over FY26-28E to ₹ 313 crore by FY28E from ₹ 107 crore in FY26.

Exhibit 14: Trend in PAT and PAT Margin

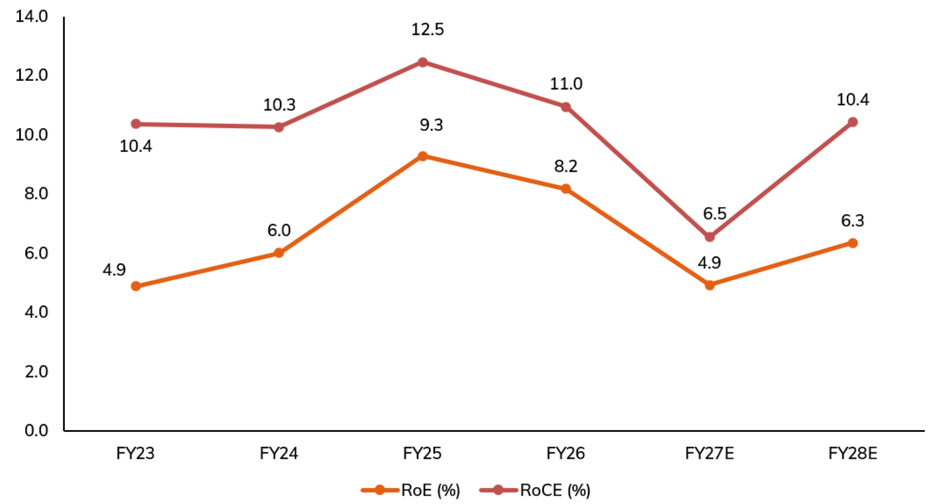


Source: Company, ICICI Direct Research

Return ratios to improve in FY28E after a decline in FY27E

Return ratios are expected to recover in FY28E as earnings growth and improving asset utilisation offset the near-term impact of capacity and capital deployment

Exhibit 15: Trend in Return Ratios

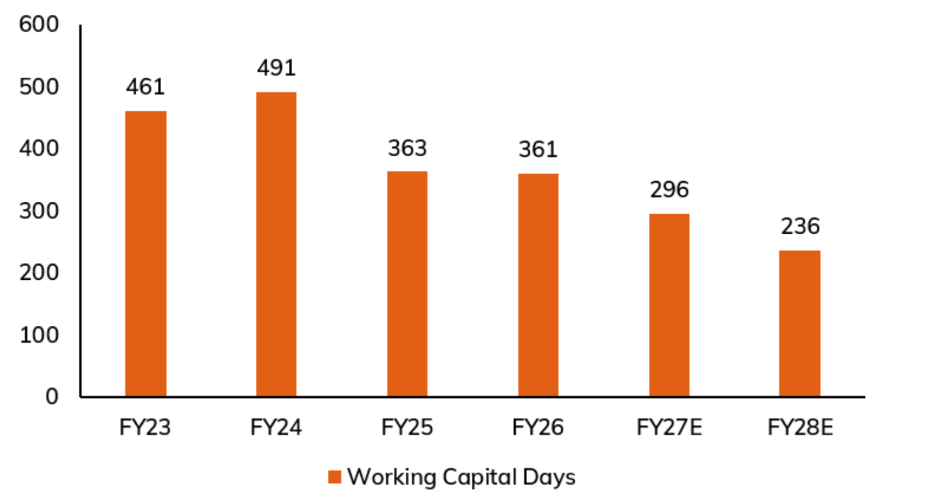


Source: Company, ICICI Direct Research

Working capital cycle to improve over FY26-28E

Working capital cycle is expected to improve from 361 days in FY26 to 236 days by FY27E, supporting better cash conversion as execution scales

Exhibit 16: Trend in Working Capital Days



Source: Company, ICICI Direct Research

Risk and Concerns

Dependent on contracts from Government of India (GoI), associated entities

Given that the company derives a significant portion of revenues from government contracts & its associated entities, the company is exposed to various risks like stricter regulatory requirements which may increase compliance costs. Other risks involve difficulty in winning tenders, matching the pricing. Also, delay of existing or anticipated contracts or programmes or any adverse change in the GoI Entities defence or space requirements and geo-political circumstances, may have a material adverse impact on company's business and profitability

Significant working capital requirements

AMSL's business needs significant working capital for manufacturing operations, financing inventory, purchase of raw materials, development of new products that may be adversely affected by changes in terms of credit & payment. Hence, the company is required to maintain a high level of working capital as the business activities are characterised by long product development periods and production cycles

Competition Risk

Company faces intense competition from both established players and emerging domestic vendors in defence electronics. Price undercutting and aggressive bidding by peers can erode margins and market share. The entry of global OEMs under the Make in India policy further intensifies rivalry. Sustaining a competitive edge will require constant differentiation and investment in capabilities. Further, any inability to effectively compete in this demanding industry could significantly impact the company's business performance, operational results, financial health, cash flow, and future growth potential

Technological Risk

The defence sector is characterised by rapid technological advancements and evolving customer requirements. Failure to upgrade products or adopt new technologies in time could render existing solutions obsolete. Dependence on a few key technologies or platforms also poses concentration risks. Continuous R&D and innovation are essential to remain relevant in this dynamic landscape. Additionally, any alterations in specifications from the Original Equipment Manufacturers could make the current machinery obsolete, leading to substantial replacement expenses

Cyber and Data Security Risk

Given the sensitive nature of defence projects, the company is exposed to significant cybersecurity threats. Breaches or leaks of critical data can result in reputational damage, legal liabilities, and financial losses. Increasing digitisation of operations and integration with client networks heighten vulnerability. Robust information security practices and constant vigilance are vital to mitigate these risks.

Financial summary

Exhibit 17: Profit and loss statement ₹ crore

(₹Crore)	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue	298	372	562	904	1,562	2,378
% Growth	22.3	24.9	51.2	60.9	72.7	52.2
Other income	0.8	1.8	2.9	6.3	9.1	11.4
Total Revenue	298	372	562	904	1,562	2,378
% Growth	22.3	24.9	51.2	60.9	72.7	52.2
Total RM Costs	210	258	397	608	1,098	1,641
Employee Expenses	12	17	22	37	62	74
other expenses	11	12	14	41	61	76
Total Operating Exp.	233	288	433	686	1,221	1,792
EBITDA	64	84	129	218	341	587
% Growth	40.4	30.9	54.0	68.9	56.3	72.0
Interest	22	30	34	47	107	104
PBDT	43	55	98	177	243	494
Depreciation	10	11	15	22	34	43
PBT before Excep.	32	44	83	155	210	451
Total Tax	10	13	26	47	64	138
PAT before MI	22	31	56	107	146	313
PAT	19	31	56	107	146	313
% Growth	28.0	66.3	81.0	90.6	35.8	114.9
Diluted EPS	0.4	0.7	1.2	2.4	3.2	6.9

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement ₹ crore

(₹Crore)	FY23	FY24	FY25	FY26	FY27E	FY28E
Profit after Tax	19	31	56	107	146	313
Depreciation	10	11	15	22	34	43
Interest	22	30	34	47	107	104
CF before WC chg.	51	73	106	177	286	460
Chg. in inventory	(45)	(92)	(167)	(195)	(446)	(355)
Chg. in debtors	(10)	(89)	(3)	(243)	(204)	(260)
Ch. in loans & Adv	4	(7)	(0)	2	(4)	(5)
Chg. in oth. Cur as.	(17)	(19)	(50)	(107)	(69)	(60)
Net Inc. in Cur ass.	(69)	(207)	(221)	(542)	(723)	(680)
Chg. in creditors	(16)	57	111	102	277	344
Chg. in provisions	1	(1)	0	1	1	1
Net Inc in Cur Liab.	(5)	57	121	145	307	387
Net CF from Op. acti.	(22)	(78)	7	(220)	(129)	167
Chg. in def tax as.	-	-	-	-	-	-
(P)/S of Fix. Ass.	(37)	(52)	(88)	(290)	(185)	(200)
Net CF Inv. Activ.	(30)	(53)	(87)	(439)	(2,691)	(203)
Div and Div Tax	(1)	(1)	(2)	(8)	(9)	(9)
Net CF from Fin. Activ.	50	137	122	753	2,742	65
Net CF	(2)	7	42	94	(78)	28
Op. Cash/Cash Eq.	16	14	21	62	156	78
Cl. Cash/ Cash Eq.	14	21	62	156	78	106

Source: Company, ICICI Direct Research

Exhibit 19: Balance sheet ₹ crore

(₹ Crore)	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Capital	20.8	28.2	30.6	35.7	39.4	45.1
Reserve and Surplus	363	490	576	1,277	2,918	4,895
Total Sh. fund	383	519	607	1,313	2,958	4,940
Oth. Non-Cur-Liab.	0.8	1.1	2.7	7.0	7.0	7.0
Total Debt	143	206	331	532	1,882	382
Total Liab.	554	761	983	1,907	4,902	5,384
Gross Block	159	201	246	445	677	907
Acc: Depreciation	54	60	73	130	164	207
Net Block	105	141	172	315	513	700
Capital WIP	32	35	72	196	150	120
Total Fix. Ass.	137	177	250	517	669	826
Non-Current Assets	3	12	21	40	2,547	2,550
Inventory	342	434	601	795	1,241	1,596
Debtors	147	235	238	481	685	945
Loans & Adv.	-	7	8	5	9	14
Oth. Cur. Ass.	51	70	120	227	297	357
Cash	14	21	62	156	78	106
Total Cur. Ass.	553	767	1,029	1,665	2,310	3,018
Cur. Liabilities	112	169	280	382	659	1,003
Provisions	0	1	2	5	5	5
Total Cur. Liab	138	195	316	461	769	1,155
Net Current Assets	415	572	713	1,204	1,541	1,863
Total Assets	554	761	983	1,907	4,902	5,384

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios

(₹ Crore)	FY23	FY24	FY25	FY26	FY27E	FY28E
Diluted EPS	0.4	0.7	1.2	2.4	3.2	6.9
Cash per Share	0.7	0.7	2.0	4.4	2.2	3.0
BV	18.5	18.4	19.8	36.8	82.8	138.3
Div. per share	0.0	0.0	0.1	0.2	0.3	0.3
Div. payout ratio	3%	2%	3%	8%	6%	3%
EBITDA (%)	21.5	22.6	23.0	24.1	21.8	24.7
PAT Margin	6.3	8.4	10.0	11.9	9.3	13.2
RoE	4.9	6.0	9.3	8.2	4.9	6.3
RoCE	10.4	10.3	12.5	11.0	6.5	10.4
RoIC	10.5	10.3	13.0	11.6	6.5	10.4
EV / EBITDA	128.4	98.7	64.7	65.6	46.2	24.2
P/E	432.6	353.7	212.1	129.7	95.5	44.5
EV / Net Sales	27.6	22.3	14.9	15.8	10.1	6.0
Sales / Equity	0.8	0.7	0.9	0.7	0.5	0.5
Mkt. Cap / Sales	27.2	21.8	14.4	15.4	8.9	5.9
Price to BV	21.1	21.2	19.7	10.6	4.7	2.8
Asset turnover	0.6	0.5	0.6	0.5	0.3	0.4
Debtors Turnover Ratio	2.1	1.9	2.4	2.5	2.7	2.9
Creditors Turnover Ratio	2.5	2.6	2.5	2.7	3.0	2.9
Debt / Equity	0.4	0.4	0.5	0.4	0.6	0.1
Current Ratio	4.2	4.1	3.4	3.7	3.2	2.8
Quick Ratio	1.5	1.7	1.3	1.7	1.4	1.3

Source: Company, ICICI Direct Research

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