# Apollo Micro Systems (APOMIC)

CMP: ₹ 410 | Target ₹ 485 (18%) | Target Period: 12 months | BUY

October 26, 2026

## Execution drives growth; acquisitions add scale

**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 ₹ 1765 crore as of Sep-26

**Investment Rationale:**

- Strong capabilities in developing niche products: Apollo is an electronics and engineering company developing mission-critical solutions for aerospace, defence and space applications. Its capabilities span guidance and control electronics, missile systems, underwater systems, sensors and other critical subsystems. The company caters to DRDO, defence PSUs and private-sector integrators, with established participation in indigenous defence programmes. Strong execution during Q2FY27 and rising production requirements support its ability to scale existing capabilities and pursue opportunities across new platforms
- Deep technology base and programme participation create entry barriers: Company's design capabilities, R&D investments and long qualification cycles support its position in complex defence programme in critical electronic subsystems for MIGM and select QRSAM systems, alongside opportunities in Pinaka, heavyweight torpedoes and other strategic programmes. The company is also participating in the production partner selection process for the 120km Pinaka variant and in the development of Pralay. The proposed Shauryastra venture adds another avenue to develop complete weapon systems, including longer-range platforms, taking Apollo beyond its traditional subsystem-supplier role.
- Expanding order pipeline and vertical integration can drive the next leg of growth: The order book reached ₹1,765 crore in Q2FY27, with management targeting over ₹2,000 crore by FY27-end, excluding MIGM (₹2000 -2500 crore). Potential orders across QRSAM, Pinaka and torpedoes provide additional opportunities, although timelines remain dependent on procurement decisions. The expanded third manufacturing unit, along with in-house testing facilities, is expected to improve production capacity and reduce execution bottlenecks. The proposed acquisition of Premier Explosives and ongoing turnaround at IDL Explosives can broaden the group's capabilities across portfolio, supporting its ambition to move towards integrated weapon systems

**Rating and Target Price:**

- Company's earnings growth is expected to remain robust in the coming period, led by strong execution. We are yet to factor 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 maintain BUY on AMSL with a TP of ₹ 485 (based on 60x P/E to consolidated FY28E EPS & ₹ 67/share to Premier Explosives)

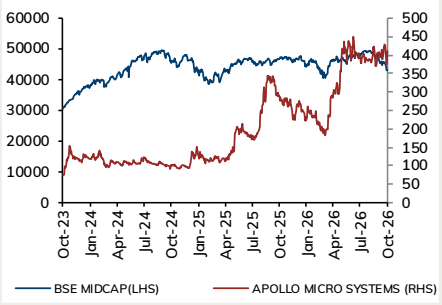
### Particulars

| Particulars | Amount |
|---|---|
| Market Capitalisation (₹ Crore) | 15,496 |
| FY26 Gross Debt (₹ Crore) | 532.4 |
| FY26 Cash (₹ Crore) | 156 |
| EV (₹ Crore) | 15,872 |
| 52 Week H/L (₹) | 467 / 180 |
| Equity Capital | 35.7 |
| Face Value | 1.0 |

### Shareholding pattern

| | Dec-25 | Mar-26 | Jun-26 | Sep-26 |
|---|---|---|---|---|
| Promoter | 52.0 | 52.0 | 50.0 | 50.0 |
| FII | 5.0 | 3.6 | 7.6 | 6.0 |
| DII | 1.3 | 1.8 | 1.7 | 1.5 |
| Others | 41.8 | 42.6 | 40.7 | 42.6 |

### Price Chart




### Key risks

i. Dependent on govt contracts
ii. High working capital requirement
iii. Availability of key raw materials

### Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Kush Bhandari
kush.bhandari@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

### Key Financial Summary

| Key Financials (₹ Crore) | FY24 | FY25 | FY26 | 2 Year CAGR (FY24-26) | FY27E | FY28E | 2 Year CAGR (FY26-28E) |
|---|---|---|---|---|---|---|---|
| Revenues | 372 | 562 | 904 | 56.0 | 1,562 | 2,378 | 62.2 |
| EBITDA | 84 | 129 | 218 | 61.3 | 341 | 587 | 64.0 |
| EBITDA margin (%) | 22.6 | 23.0 | 24.1 | | 21.8 | 24.7 | |
| Net Profit | 31 | 56 | 107 | 85.7 | 146 | 313 | 70.8 |
| Diluted EPS (Rs) | 0.7 | 1.2 | 2.4 | | 3.2 | 6.9 | |
| P/E (x) | 478.5 | 264.4 | 138.7 | | 112.8 | 60.0 | |
| EV/EBITDA (x) | 186.9 | 122.0 | 72.7 | | 50.7 | 26.9 | |
| RoCE (%) | 10.3 | 12.5 | 11.0 | | 6.5 | 10.4 | |
| RoE (%) | 6.0 | 9.3 | 8.2 | | 4.9 | 6.3 | |

*Source: Company, ICICI Direct Research*

## Q2FY27 result summary

- Revenue from operations grew 72.3% YoY (+54.5% QoQ) to ₹388.1 crore, driven by improved execution and consolidation of IDL explosives
- EBITDA increased 87.8% YoY (+106.9% QoQ) to ₹111.2 crore, with EBITDA margin expanding 238 bps YoY (+727 bps QoQ) to 28.6% indicating higher execution of better margin contracts during the quarter. PAT grew 53.7% YoY (+80.0% QoQ) to ₹46.2 crore
- For H1FY27, revenue increased 78.2% YoY to ₹639.4 crore, EBITDA rose 64.7% to ₹164.9 crore, while EBITDA margin contracted 212 bps YoY to 25.8% and PAT grew 49.6% to ₹71.4 crore

## Q2FY27 call highlights

- Management expects FY27E revenue standalone growth of 35–45%, supported by continued execution across existing defence programmes and production orders. The company expects to sustain its growth momentum through H2FY27E, with several production, R&D and limited-series orders under execution
- Consolidated order book stood at a record ₹1,765 crore as of Sep-26. Management expects it to exceed ₹2,000 crore by FY27E, excluding the anticipated MIGM order (₹2000-2500 crore)
- The MIGM production order is expected by Feb–Mar 2027, with user trials completed and a 20% advance payment provision. Apollo is the sole established supplier of key electronic subsystems and sensors for the programme.
- For QRSAM, the government is considering allocating a portion of the missile requirement to private-sector players. Management expects opportunities in select subsystems, including nomination-based orders, given the company's established development and qualification track record.
- Pinaka-related orders for the 80km variant are expected by Dec-26, with quotations already submitted. The 120km variant is still awaiting finalisation of production partners, and the company is participating in the selection process.
- A fast-track order for around 30 heavyweight torpedoes is expected to be finalised in Nov-26, with delivery required within nine months. A larger requirement of around 125 torpedoes is also expected subsequently. Management indicated potential subsystem orders exceeding ₹100 crore linked to a recently placed BDL (Varunastra heavy weight) torpedo order.
- The first phase of the third manufacturing unit is operational, with the expanded facility expected to be substantially larger than the current capacity. In-house EMC and navigation-system testing facilities are being installed to reduce dependence on external facilities and improve production timelines.
- Management expects export orders to start contributing from FY28E as additional capacity becomes available. The company continues to invest in R&D and manufacturing infrastructure to support higher production volumes and its transition towards larger weapon systems.
- The newly formed Shauryastra Defence Systems venture will focus on developing complete weapon systems, including longer-range platforms. Company holds a 34% stake in the venture, with development to be undertaken through the entity and production expected to be handled by Apollo.
- IDL Explosives remains in a transition phase, with management expecting profitability to improve over the next few quarters through cost rationalisation, improved margins in commercial and industrial explosives, and expansion of its explosive's infrastructure.

- The CCI has approved the Premier Explosives transaction, clearing the way for the open offer process. Management intends to provide a consolidated strategy and business outlook after completion of the acquisition, with further investments planned to scale the group's energetics capabilities.

Exhibit 1: Q2FY27 consolidated result overview (₹ crore)

| Particulars | Q2FY27 | Q2FY26 | YoY (%) | Q1FY27 | QoQ (%) | Comments | H1FY27 | H1FY26 | YoY (%) |
|---|---|---|---|---|---|---|---|---|---|
| Operating Income | 388.1 | 225.3 | 72.3 | 251.3 | 54.5 | Execution remained strong and further driven by consolidation | 639.4 | 358.8 | 54.0 |
| Other income | 3.5 | 3.2 | | 2.2 | 57.2 | | 5.8 | 4.5 | |
| Total Revenue | 391.7 | 228.4 | | 253.5 | 54.5 | | 645.2 | 363.4 | |
| Raw materials costs | 245.9 | 155.6 | | 169.7 | 44.9 | | 415.5 | 237.6 | |
| Employees Expenses | 14.7 | 6.3 | | 13.8 | 6.2 | | 28.5 | 12.0 | |
| Other Expenses | 16.4 | 4.1 | | 14.1 | 16.5 | | 30.5 | 9.0 | |
| Total Expenditure | 277.0 | 166.0 | | 197.6 | 40.2 | | 474.5 | 258.6 | |
| EBITDA | 111.2 | 59.2 | 87.7 | 53.7 | 106.9 | | 164.9 | 100.2 | 54.7 |
| EBITDA margins (%) | 28.6 | 26.3 | 235 bps | 21.4 | 726 bps | Margins improved with strong execution of better margin contracts | 25.8 | 27.9 | 102 bps |
| Interest | 14.6 | 10.1 | | 10.7 | 36.5 | | 25.4 | 20.1 | |
| Depreciation | 7.6 | 4.7 | | 7.6 | 0.1 | | 15.2 | 9.2 | |
| Tax | 46.3 | 14.5 | | 12.5 | 272.0 | | 58.8 | 22.9 | |
| PAT | 46.2 | 33.0 | 39.7 | 25.2 | 83.0 | | 71.4 | 52.5 | 33.1 |

*Source: Company, ICICI Direct Research*

## Financial summary

**Exhibit 2: Profit and loss statement** ₹ crore

| (₹Crore) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Revenue | 562 | 904 | 1,562 | 2,378 |
| % Growth | 51.2 | 60.9 | 72.7 | 52.2 |
| Other income | 2.9 | 6.3 | 9.1 | 11.4 |
| Total Revenue | 562 | 904 | 1,562 | 2,378 |
| % Growth | 51.2 | 60.9 | 72.7 | 52.2 |
| Total Raw Material Costs | 397 | 608 | 1,098 | 1,641 |
| Employee Expenses | 22 | 37 | 62 | 74 |
| other expenses | 14 | 41 | 61 | 76 |
| Total Operating Expenditure | 433 | 686 | 1,221 | 1,792 |
| Operating Profit (EBITDA) | 129 | 218 | 341 | 587 |
| % Growth | 54.0 | 68.9 | 56.3 | 72.0 |
| Interest | 34 | 47 | 107 | 104 |
| PBDT | 98 | 177 | 243 | 494 |
| Depreciation | 15 | 22 | 34 | 43 |
| PBT before Exceptional Items | 83 | 155 | 210 | 451 |
| Total Tax | 26 | 47 | 64 | 138 |
| PAT before MI | 56 | 107 | 146 | 313 |
| PAT | 56 | 107 | 146 | 313 |
| % Growth | 81.0 | 90.6 | 35.8 | 114.9 |
| Diluted EPS | 1.2 | 2.4 | 3.2 | 6.9 |

*Source: Company, ICICI Direct Research*

**Exhibit 3: Cash flow statement** ₹ crore

| (₹Crore) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Profit after Tax | 56 | 107 | 146 | 313 |
| Depreciation | 15 | 22 | 34 | 43 |
| Interest | 34 | 47 | 107 | 104 |
| Cash Flow before WC chg | 106 | 177 | 286 | 460 |
| Changes in inventory | (167) | (195) | (446) | (355) |
| Changes in debtors | (3) | (243) | (204) | (260) |
| Changes in loans & Advances | (0) | 2 | (4) | (5) |
| Changes in other CA | (50) | (107) | (69) | (60) |
| Net Incr in Current Assets | (221) | (542) | (723) | (680) |
| Changes in creditors | 111 | 102 | 277 | 344 |
| Changes in provisions | 0 | 1 | 1 | 1 |
| Net Inc in Current Liabilities | 121 | 145 | 307 | 387 |
| | | | | |
| Net CF from Op activities | 7 | (220) | (129) | 167 |
| | | | | |
| Chg in deferred tax assets | - | - | - | - |
| (Pur)/Sale of Fixed Assets | (88) | (290) | (185) | (200) |
| Net CF from Inv activities | (87) | (439) | (2,691) | (203) |
| | | | | |
| Dividend and Dividend Tax | (2) | (8) | (10) | (11) |
| Net CF from Fin Activities | 122 | 753 | 2,741 | 62 |
| | | | | |
| Net Cash flow | 42 | 94 | (79) | 26 |
| Opening Cash/Cash Eq | 21 | 62 | 156 | 77 |
| Closing Cash/ Cash Eq | 62 | 156 | 77 | 102 |

*Source: Company, ICICI Direct Research*

**Exhibit 4: Balance sheet** ₹ crore

| (₹ Crore) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Equity Capital | 30.6 | 35.7 | 39.4 | 45.1 |
| Reserve and Surplus | 576 | 1,277 | 2,918 | 4,892 |
| Total Shareholders funds | 607 | 1,313 | 2,957 | 4,937 |
| Other Non Current Liabilities | 2.7 | 7.0 | 7.0 | 7.0 |
| Total Debt | 331 | 532 | 1,882 | 382 |
| Total Liabilities | 983 | 1,907 | 4,901 | 5,381 |
| Gross Block | 246 | 445 | 677 | 907 |
| Acc: Depreciation | 73 | 130 | 164 | 207 |
| Net Block | 172 | 315 | 513 | 700 |
| Capital WIP | 72 | 196 | 150 | 120 |
| Total Fixed Assets | 250 | 517 | 669 | 826 |
| Non Current Assets | 21 | 40 | 2,547 | 2,550 |
| Inventory | 601 | 795 | 1,241 | 1,596 |
| Debtors | 238 | 481 | 685 | 945 |
| Loans and Advances | 8 | 5 | 9 | 14 |
| Other Current Assets | 120 | 227 | 297 | 357 |
| Cash | 62 | 156 | 77 | 102 |
| Total Current Assets | 1,029 | 1,665 | 2,309 | 3,014 |
| Current Liabilities | 280 | 382 | 659 | 1,003 |
| Provisions | 2 | 5 | 5 | 5 |
| Total Current Liabilities | 316 | 461 | 769 | 1,155 |
| Net Current Assets | 713 | 1,204 | 1,540 | 1,859 |
| Total Assets | 983 | 1,907 | 4,901 | 5,381 |

*Source: Company, ICICI Direct Research*

**Exhibit 5: Key ratios**

| (Year-end March) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Diluted EPS | 1.2 | 2.4 | 3.2 | 6.9 |
| Cash per Share | 1.7 | 4.4 | 1.9 | 2.3 |
| BV | 17.0 | 36.8 | 75.0 | 109.4 |
| Dividend per share | 0.0 | 0.2 | 0.3 | 0.3 |
| Dividend payout ratio | 3% | 8% | 7% | 4% |
| EBITDA Margin | 23.0 | 24.1 | 21.8 | 24.7 |
| PAT Margin | 10.0 | 11.9 | 9.3 | 13.2 |
| RoE | 9.3 | 8.2 | 4.9 | 6.3 |
| RoCE | 12.5 | 11.0 | 6.5 | 10.4 |
| RoIC | 13.0 | 11.6 | 6.5 | 10.4 |
| EV / EBITDA | 122.0 | 72.7 | 50.7 | 26.9 |
| P/E | 264.4 | 138.7 | 112.8 | 60.0 |
| EV / Net Sales | 28.0 | 17.6 | 11.1 | 6.6 |
| Sales / Equity | 0.9 | 0.7 | 0.5 | 0.5 |
| Market Cap / Sales | 27.6 | 17.1 | 9.9 | 6.5 |
| Price to Book Value | 24.5 | 11.3 | 5.6 | 3.8 |
| Asset turnover | 0.6 | 0.5 | 0.3 | 0.4 |
| Debtors Turnover Ratio | 2.4 | 2.5 | 2.7 | 2.9 |
| Creditors Turnover Ratio | 2.5 | 2.7 | 3.0 | 2.9 |
| Debt / Equity | 0.5 | 0.4 | 0.6 | 0.1 |
| Current Ratio | 3.4 | 3.7 | 3.2 | 2.8 |
| Quick Ratio | 1.3 | 1.7 | 1.4 | 1.3 |

*Source: Company, ICICI Direct Research*

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey | Head – Research | pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

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