Apollo Micro Systems Ltd (31st July 2026)

Company Overview

- Apollo Micro Systems Ltd. is a leading Indian defence technology company and Tier-I OEM engaged in the design, development, manufacturing and integration of defence electronics, weapon systems and explosives. With over 41 years of experience, 700+ onboard technologies and participation in 150+ indigenous defence programs, it serves DRDO, Defence PSUs, the Ministry of Defence and private defence OEMs across missile, naval, air and land defence applications.
- The company has evolved from supplying defence subsystems to becoming a fully integrated weapon systems manufacturer, supported by strong in-house R&D, design, testing, manufacturing and lifecycle support capabilities. Its recent acquisition of IDL Explosives has expanded its offerings into defence and industrial explosives, enabling backward integration and strengthening its position as an end-to-end defence solutions provider.

Sector Outlook

- India's defence sector is witnessing strong growth, supported by higher defence spending, the Atmanirbhar Bharat initiative, import substitution and increasing private sector participation, creating significant opportunities for domestic defence manufacturers.
- Rising defence exports, increasing investments in advanced technologies and long-term procurement programmes are expected to drive sustained growth, benefiting companies with strong R&D, manufacturing and execution capabilities.

Company Outlook

- Apollo delivered a record FY26 performance with consolidated revenue growing 61% YoY to ₹904 crore, EBITDA increasing 69% YoY, PAT rising 91% YoY, and an order book of ₹1,432 crore, providing healthy execution visibility. Management expects strong growth to continue, supported by rising production orders and large-ticket contract wins over FY27 and beyond.
- Apollo is investing ₹300 crore to establish a 12x larger greenfield manufacturing facility at Hyderabad, strengthening its production capabilities. Its recent developments include the IAF Make-II Prototype Sanction Order for a 500 kg

Apollo Micro Systems Ltd

22% Target Return	₹463 Target Price
12 months Duration	₹380 Current price

BUY

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue (Rs. Cr)	562	904	1,293	1,901	2,699
Revenue Growth %		60.9%	43.0%	47.0%	42.0%
EBITDA (Rs. Cr)	129	218	323	490	702
EBITDA Growth %		68.8%	48.2%	51.7%	43.1%
EBITDA Margin %	23.0%	24.1%	25.0%	25.8%	26.0%
PAT (Rs. Cr)	56	113	176	276	421
ROE %	9.3%	8.6%	11.9%	15.6%	19.0%
P/E x	66.7	57.6	81.8	52.2	34.2

Smart Bomb, the Indian Navy Make-II Prototype Sanction Order for the SAVIOR-ASW autonomous underwater surveillance system, fresh order wins of ₹134.3 crore, and the proposed acquisition of a 41.33% stake in Premier Explosives, reinforcing Apollo's position as an integrated indigenous defence systems manufacturer.

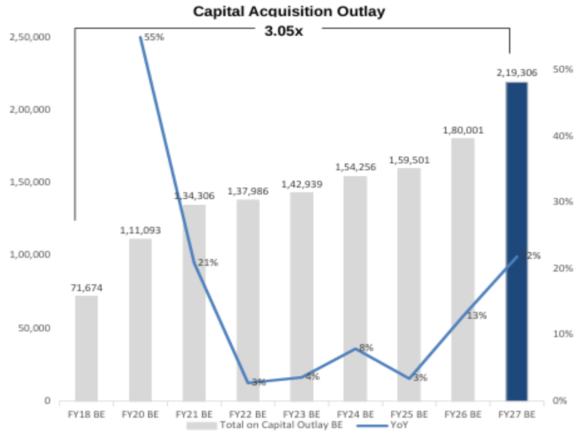
- Apollo is strategically moving up the defence value chain through indigenous product development, increased investments in R&D (8% of FY26 revenue), expansion into AI, RF seekers, inertial navigation systems, counter-drone solutions, loitering munitions, rockets and complete weapon platforms. The IDL Explosives acquisition further enhances vertical integration, defence explosives capability and export opportunities.
- Management's long-term Vision 2036 aims to transform Apollo into a globally recognized defence OEM with diversified revenue streams across land, air and sea platforms through organic growth, strategic acquisitions, exports and continuous technology innovation. The company also indicated another strategic acquisition is expected during FY27 to further strengthen its capabilities.

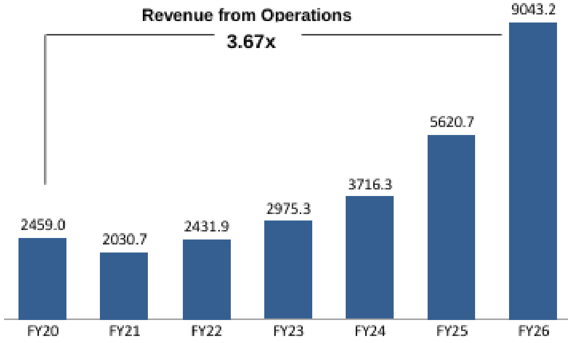
Rating

- We initiate coverage on Apollo Micro Systems with a BUY rating and a 12-month target price of ₹463, based on a 41x FY29E P/E multiple, supported by its robust order book providing strong revenue visibility, management's long-term 45–50% organic growth aspiration, increasing share of high-margin indigenous defence products, ₹300 crore investment in a 12x greenfield manufacturing facility, strategic acquisitions (IDL Explosives and proposed Premier Explosives stake) enhancing vertical integration, and favourable structural tailwinds from India's defence indigenisation and rising export opportunities.

Key Risks

- High working capital requirements due to long defence project cycles, potential delays in government order awards and execution.





Source : Company Presentations

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